Slow Growth in Food Spending Expected

In 1992, Americans spent for food $280 billion in food stores and another $183 billion in food-service establishments. Total real food expenditures, adjusted for inflation, grew 52 percent between 1970 and 1990.

However, food sales are expected to grow more slowly during the 1990’s and into the next century. Total real food spending is projected to grow only 31.1 percent between 1990 and 2010, mostly due to slowing overall population growth. Of this amount, spending for food at home is expected to grow 24.2 percent between 1990 and 2010, and expenditures on food away from home would grow 37.4 percent.

While demographic changes have some impact, future per capita food spending will hinge on the growth in personal income and the aging of the U.S. population.

These spending projections are based on combined estimated differences in per capita food spending by demographic groups, along with projected changes in those groups. Included are changes in the age distribution of Americans, regional migration, racial mix, as well as income growth (see box). The resulting changes in per capita food spending are combined with total population growth to assess the implications for future national food spending patterns.

Bigger Paychecks, More Spent on Meals Out

Expected growth in inflation-adjusted incomes will be the dominant force behind changes in per capita food expenditures. Assuming a 2-percent average annual growth in per capita real income, inflation-adjusted food expenditures are projected to rise almost 15 percent between 1990 and 2010 due to income alone (table 1). Most of the increase will go for food away from home, which is estimated to grow about 24 percent. Expenditures on food for at-home consumption are estimated to grow only 6.6 percent.

Benefiting the most from income growth will be fruit (up 10.5 percent), sugars and sweeteners (up 6.2 percent), and vegetables (up 6.1 percent). Beef and pork will benefit the least (up 3.5 and 1.3 percent, respectively) since consumers spend...
proportionally less on these foods as their incomes increase.

Growth in expenditures for dairy products due to rising incomes reflects higher spending on cheese (up 9 percent) and other processed dairy products, such as ice cream and yogurt (up 12 percent). Because cheese and other processed dairy products are favored by more affluent households, purchases of these items should increase as projected incomes rise. These projected increases offset a decline in milk and cream products (down 2 percent).

Other Demographic Changes Have Little Impact

The three demographic characteristics—age, regional distribution, and race—likely will only slightly affect per person demand for food (table 1).

Of these, age distribution will likely have the biggest impact. Slower growth in the population and increased longevity will result in a relatively older population. For example, approximately 47.5 percent of the population in 1985 was under 30 years of age. This figure is expected to decline to approximately 39 percent by the year 2010. Likewise, persons aged 45 years and over accounted for just 31 percent of the U.S. population in 1985, and are expected to represent 41 percent by the year 2010.

A larger proportion of the population over age 45 is projected to increase real per capita food expenditures by just 1 percent over the 20-year period because older Americans will spend more on food at home, but less on food eaten away from home.

An older population would generate higher per capita spending for all major groups of food for at-home consumption. The changing age distribution would produce the largest increases in spending for vegetables (up 4.3 percent), fats and oils (up 4.2 percent), and pork (up 4.1 percent). The least impact is expected for dairy products (up 1.5 percent) and sugar and sweeteners (up 2.4 percent) because older Americans will spend less on foods in these two groups, such as milk and candies. Since older households tend to eat out less often than do younger households, spending for food away from home is expected to decline 1.9 percent.

Regional population shifts are expected to continue. The South and West are expected to gain shares of the total population over the next 20 years, while the Northeast and North Central will likely see declines as households migrate from the Midwest and Northeast for jobs or retirement. However, these regional shifts are expected to result in only a slight increase in per capita expenditures, except for pork.

The growing proportion of black households would slightly decrease per capita expenditures because, after accounting for differences in income and household size, black households spend less on food. However, poultry, pork, and beef would increase somewhat since black households spend more on these foods.

The combination of the three demographic changes and increased real incomes are expected to push up real per capita food expenditures by 16.1 percent. The largest increases for food at home are anticipated for fruit (up 14.8 percent), vegetables (up 11.1 percent), and fats and oils (up 8.9 percent). Dairy products have the lowest growth, up just 6 percent. Pork expenditures are expected to grow just 6.2 percent over the 20-year period.

More People, More Food Spending

Population growth is a dominant factor affecting future food expenditures for the Nation as a whole. According to the Bureau of the Census, nearly 32 million more people will have to be fed in the year 2010 than in 1990.
But although the U.S. population will be larger two decades from now, the population will grow at just over half the rate of the previous 20 years. The U.S. population increased from 204 million in 1970 to approximately 250 million in 1990, an annualized growth rate of 1 percent. Between 1990 and 2010, the population is projected to increase by 0.6 percent a year to approximately 282 million. Therefore, farmers, food manufacturers, retailers, and restaurant operators will not be able to rely on population growth to fuel expansion at 1970-90 rates in industry output or profits.

The growing U.S. population will increase total real food expenditures 31.1 percent between 1990 and 2010 (table 2)—double the increase in per capita expenditures caused by the income and demographic effects. Expenditures on food away from home will increase 37.4 percent, compared with 24.2 percent for food at home.

The estimated percentage increases in table 2 incorporate the projected per capita expenditure changes of table 1 with the projected total population growth. The food groups reported in table 2 represent only at-home consumption. Therefore, total expenditure growth for a particular food group will be higher than our projections if the away-from-home market for that food group grows. The estimates for individual food categories represent a rough estimate of quantity changes because these projections assume real prices will remain constant.

The largest projected increase is for fruit (up 29.6 percent), while the smallest is for dairy (up 19.7 percent). Spending on both sugar and sweeteners and fats and oils is projected to increase about 23 percent. Expenditures on cereals and bakery goods would increase about 21 percent, while vegetables would increase by about 25 percent. Spending on meats and poultry is expected to increase 20 to 24 percent.

### Growth in Food Spending Expected To Slow

The increase in national food spending over the next 20 years is projected to be lower than over the past 20 years. Total real food expenditures, which grew 52 percent between 1970 and 1990, will grow only 31.1 percent between 1990 and 2010.

Slower growth in spending on food away from home will outweigh the higher growth expected in at-home food spending. At-home food expenditures will grow 24.2 percent, faster than the 16-percent growth during 1970-90. However, away-from-home food expenditures are projected to grow 37.4 percent between 1990 and 2010, much lower than the 104 percent posted between 1970 and 1990.

It is important to keep in mind the limitations of this type of analysis. Relative prices are not likely to be fixed, as we assumed, but will change as supply and demand con-
Projections Depend on Assumptions

A number of demographic assumptions for 1990-2010 underlie our projections. If these underlying assumptions are not true, then the analysis will over- or underestimate some of the projected trends.

- According to the Bureau of the Census, the U.S. population will grow from 249.9 million in 1990 to 282.1 million in 2010.
- Blacks will increase from 12.6 percent of the total population in 1990 to 14.1 percent in 2010. (The analysis separates households into black and nonblack.)
- The regional population distribution, expressed as shares of the total U.S. population, will shift: the Northeast will decline from 20.3 percent in 1990 to 19.1 percent in 2010; the North Central will decline from 24.1 to 21.2 percent; the South will increase from 34.6 to 36.7 percent; and the West will increase from 20.9 to 23.1 percent.
- The age distribution, expressed as shares of the total population, will also change: between 1990 and 2010 the proportion age 20-29 years will decline from 16.2 to 13.8 percent, the proportion age 30-44 years will increase from 18.8 to 27.5 percent, the proportion age 45-64 years will increase from 18.6 to 27.5 percent, and the proportion age 65-74 years will increase from 12.8 to 13.9 percent.
- Inflation-adjusted per capita income will grow 2 percent per year.

We assume that as an individual moves from one population group to another, his or her buying habits immediately take on the characteristics of the new group. For example, someone 70 years of age in 2010 is expected to buy the same kinds of food as a 70-year-old in 1990, all other factors being equal. Likewise, a New England family that relocated to Georgia is assumed to purchase the same foods as their new southern neighbors.

The analysis is based on household spending data collected over a short period of time, and we assumed that all households faced the same relative prices for food and other goods. Although commodity prices and consumer tastes and preferences are important factors influencing food consumption over time, economists generally have little knowledge about the future course of these factors. Unforeseen events, such as droughts, trade wars, or new product introductions, can affect the supply and demand for a particular food, thereby changing its price relative to other foods and other goods. Because these events cannot be anticipated, we assume relative prices and consumer tastes and preferences remain the same as 1988-89 levels.

The same consumption patterns might not exist if relative prices differ. For example, if in 2010 beef became less expensive relative to chicken, we would expect consumers to buy less chicken and more beef. In this case, beef purchases would be higher and chicken purchases lower than our projections.

Other assumptions underlying these projections and are detailed in U.S. Demand for Food: Household Expenditures, Demographics, and Projections for 1990-2010, forthcoming Technical Bulletin by William N. Blisard and James R. Blaylock, USDA, ERS.

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