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Food Spending Grows Slowly

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Food expenditures rose 2.3 percent in 1992 to \$601 billion, with food at home up 1.3 percent and food away from home rising 3.5 percent (table 1). This growth was lower than for any other major category of personal consumption expenditures, as is typical (table 2).

With the Nation gradually climbing out of recession in 1992 and with very small price increases for food at home, food expenditures adjusted for inflation rose 0.7 percent (0.1 percent at home and 1.5 percent away from home)—less than population growth. In other words, food spending per person at constant prices declined 0.4 percent in 1992.

Price rises were modest—the smallest in 25 years—due to ample supplies, and were much less than for most other products and services. Vigorous competition among sellers of food—both for use at home and away—helped restrain price increases.

The author is senior economist with the Commodity Economics Division, Economic Research Service, USDA.

Recession Dampened Spending, Especially at Restaurants

In keeping with the typical recession trend, real food spending per person declined in 1991—but less than in typical recession years. A

decline was found in each recession since 1953, except the brief one of December 1969–November 1970. In 1981, for example, real food expenditures per capita declined 1.0 percent after having increased every year since the bottom of the preceding recession in 1974. In



Recession-squeezed consumers shopped around for bargains to stretch their food dollars. That paid off through lower spending—and heightened competition for business.

Table 1

Food Spending Rose 2 Percent in 1992

Expenditures	1970	1980	1990	1991	1992	Change, 1991-92
	<i>Billion dollars</i>					<i>Percent</i>
All food and beverages¹	139.1	356.0	645.2	669.3	687.2	+2.1
All food (excluding alcohol)	117.1	306.0	566.6	587.5	600.9	+2.3
At-home food	77.5	185.6	311.3	324.2	328.4	+1.3
Sales	73.4	177.4	302.7	315.3	319.4	+1.3
Home production and donations	4.1	8.3	8.7	8.9	9.0	+1.1
Away-from-home meals	39.6	120.3	255.2	263.3	272.6	+3.5
Sales	33.8	103.1	225.3	232.4	240.4	+3.4
Supplied and donated ²	5.8	17.2	29.9	30.9	32.2	+4.4
Alcoholic beverages	22.0	50.0	83.0	85.7	86.3	+8
Packaged	12.9	29.4	48.6	50.2	51.6	+2.8
Drinks	9.1	20.7	34.4	35.5	34.7	-2.1

Notes: ¹These expenditures include all food and alcoholic beverages, regardless of who paid for them. Data may not total due to rounding. ²Includes child-nutrition subsidies.

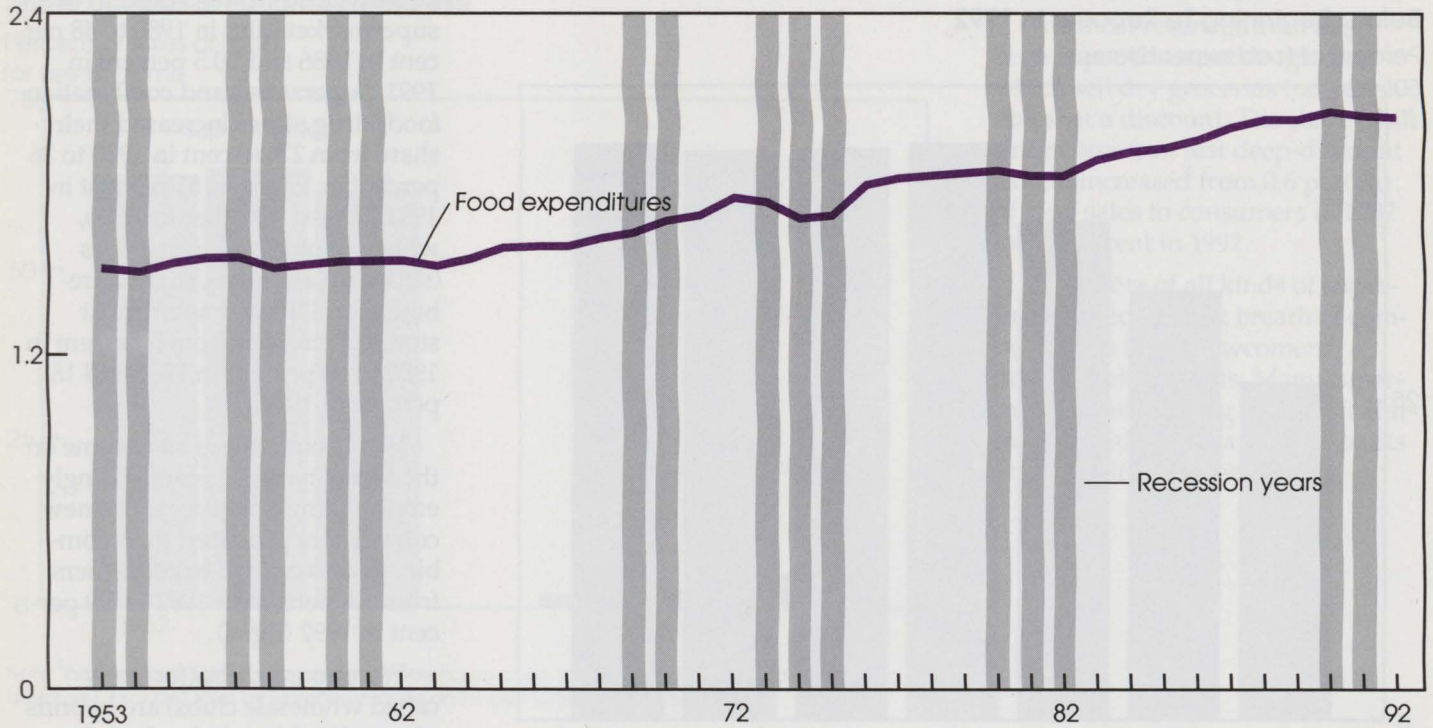
Table 2

Personal Food Expenditures Rose Less Than Disposable Personal Income in 1992¹

Component	1965	1975	1985	1990	1991	1992
	<i>Billion dollars</i>					
Disposable personal income	491.0	1,150.9	2,943.0	4,042.9	4,209.6	4,430.8
Total personal consumption expenditures	444.6	1,024.9	2,667.4	3,748.4	3,887.7	4,095.8
Food	74.3	161.0	358.9	477.4	492.7	507.5
At home	57.4	115.1	229.5	303.2	315.8	319.9
Away from home	16.9	45.9	129.4	174.2	176.9	183.5
Alcoholic beverages	13.5	28.1	57.5	72.4	72.8	74.3
At home	9.0	19.3	38.2	48.7	50.3	52.2
Away from home	4.5	8.8	19.8	23.7	24.1	24.0
Housing, household operation, supplies, fuel, furniture	127.1	287.3	742.9	998.7	1,033.4	1,074.2
Transportation, cars, gasoline	59.2	131.2	363.3	453.7	433.4	465.8
Medical care, drugs	32.9	100.4	358.2	585.2	610.2	708.8
Clothing, shoes, toiletries, personal care	46.8	94.3	204.5	303.0	302.1	325.1
Recreation, tobacco	17.5	39.8	108.5	160.3	177.0	186.2
Personal business	20.2	52.2	184.9	297.4	315.5	337.9
Other	55.1	130.6	288.7	400.3	403.0	423.2
Savings	34.6	100.3	189.3	175.6	113.7	216.5
Interest and transfer payments to foreigners	11.9	25.7	86.3	118.9	122.2	122.4

Notes: ¹As of April 27, 1993. Data may not total due to rounding. The food expenditures in this table are only those paid for by consumers with cash or food stamps. Source: Food and alcoholic beverage data are from USDA's Economic Research Service. All other data are from Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 1
Real Food Expenditures Dip in Recession
 Thousand dollars per person, 1988 prices*



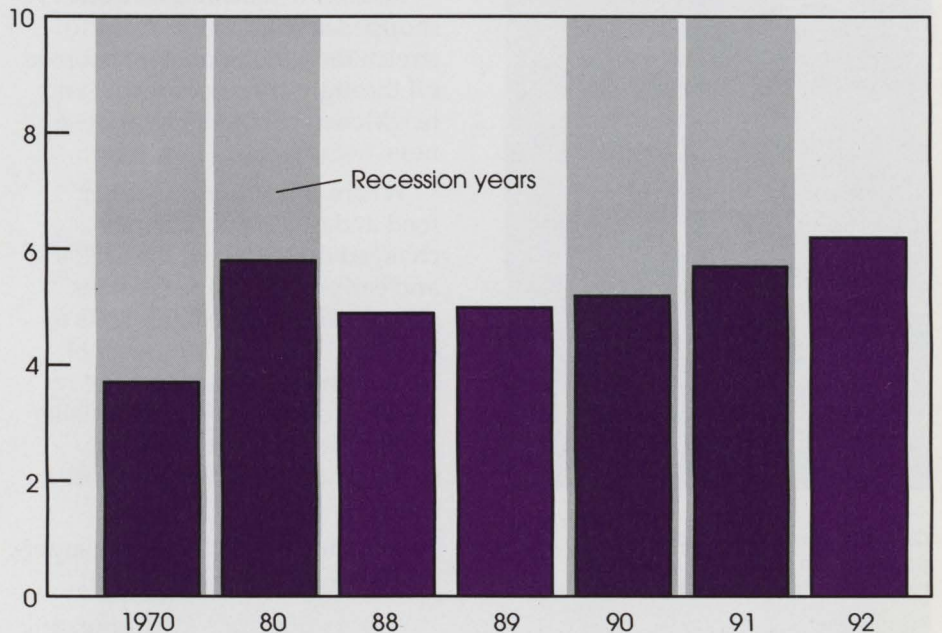
*Adjusted for price changes and population increases.

1991 and 1992, however, real food expenditures per person were down marginally, reflecting the milder recession (fig. 1).

Government's share in total food expenditures rose in 1991 and 1992, as it typically does during a recession when more people are unemployed and receive food stamps. The share of food paid for by Federal, State, and local governments increased from 5.0 percent in 1989 to 5.7 percent in 1991 and 6.2 percent in 1992. (fig. 2).

One of the ways by which people economized during the recession was to cut down on eating out. Despite the long-term trend to more eating out, the share of dollars spent away from home declined in 1990 and again in 1991 before it began to recover in 1992 (fig. 3).

Figure 2
Share of Food Paid for by Federal, State, and Local Governments Goes Up in Recession
 Percent

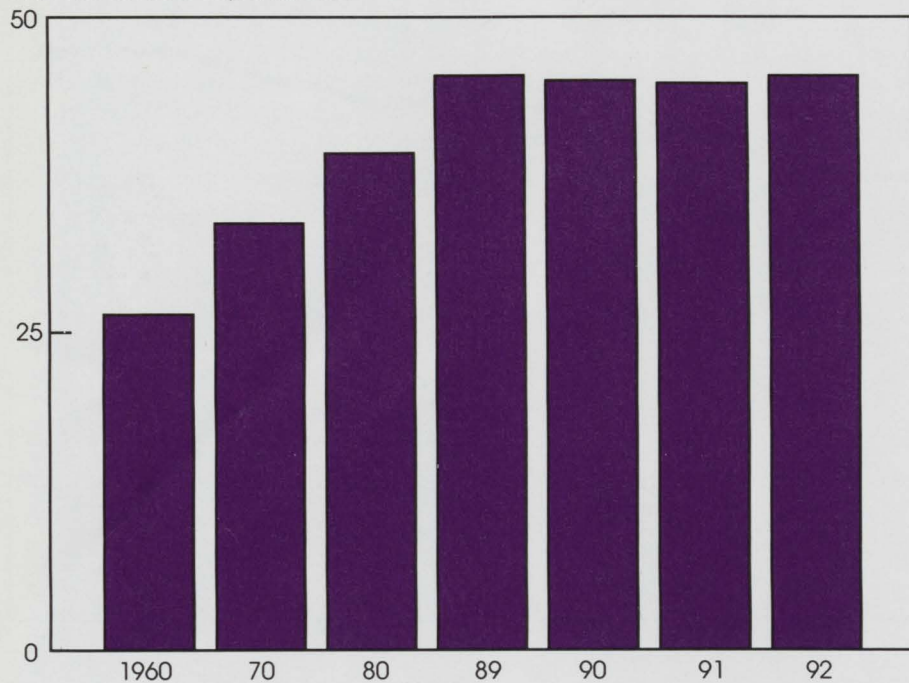


Note: Includes food stamps; Women, Infants, and Children programs; school lunch; elderly feeding; military feeding; and prisoners' meals.

Figure 3

Despite the Long-Term Trend to More Eating Out, the Share of Food Dollars Spent Away From Home Fell in 1990 and 1991 Before Beginning To Recover in 1992

Percent of food expenditures

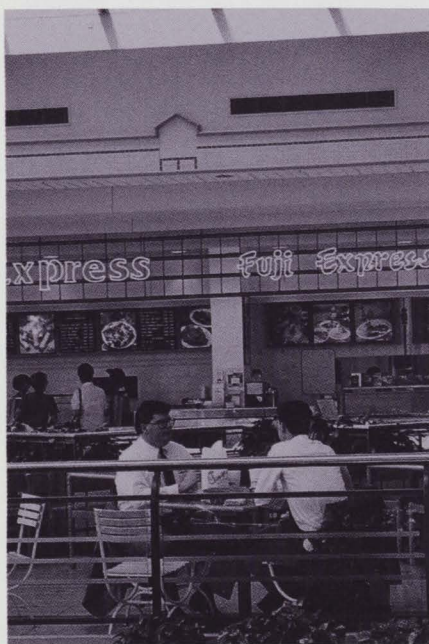


sharply. Total sales (including non-food) of conventional supermarkets dropped from 73 percent of all supermarket sales in 1980 to 48 percent in 1986 and 30.5 percent in 1991. Superstores and combination food/drug stores increased their share from 22 percent in 1980 to 36 percent in 1986 and 51 percent in 1991. Shares for other formats, which emphasize lower prices (such as warehouse, superwarehouse, and limited assortment stores), increased from 5 percent in 1980 to 16 percent in 1986 and 18 percent in 1991.

More competitors have come on the scene in recent years, strongly emphasizing low prices. The new competitors increased their combined sales of food to consumers from 1.7 percent in 1982 to 4.9 percent in 1992 (fig. 4).

Warehouse clubs (formerly called wholesale clubs) are hybrids of membership wholesale clubs and retail stores. They carry a wide assortment of general merchandise, groceries in large packs, and perishables, such as meat and some produce. More than 40 percent of their food sales are to operators of small restaurants, institutions, and noncommercial groups, such as churches and clubs. Their share of food sales to consumers has increased from almost nothing in 1982 to 1.5 percent in 1992.

Some mass merchandisers, also called discount department stores, have included a supermarket since the early 1960's, when a number of supermarket chains entered the business. Many such chains left the discount business in the 1970's as the field became crowded. More recently, some—notably Wal-Mart and KMart—have opened very large hypermarkets and superstores (which include a large supermarket). Mass merchandisers' share of food sales to consumers



One of the ways by which people economized during the recession was to cut down on eating out.

Competition Among Sellers of Food Sharpened

Recession-squeezed consumers shopped around for bargains to stretch their food dollars. That paid off through lower spending—and heightened competition for business.

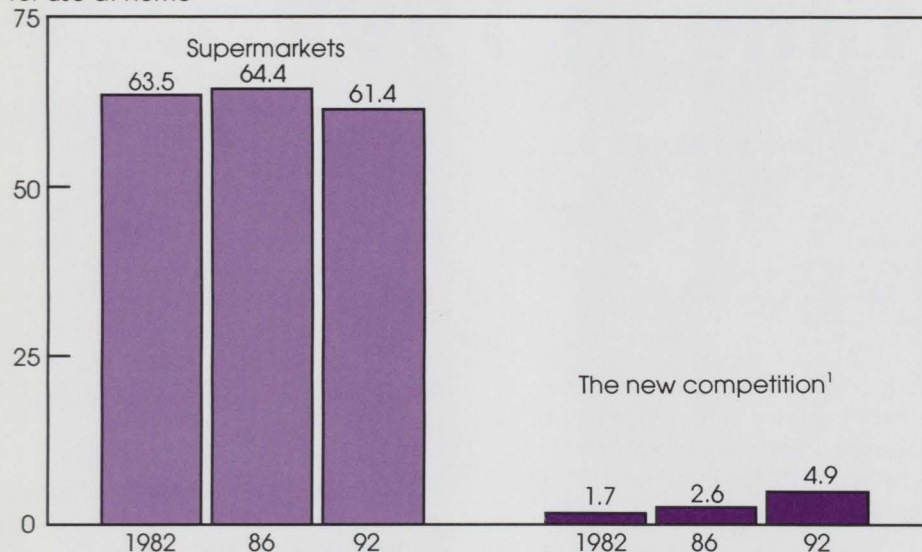
Where consumers buy their food and other groceries has changed drastically in the 1980's and early 1990's. Supermarkets' share peaked in the mid-1980's at almost 65 percent of the sales of food for home use (fig. 4). The remainder comes from other smaller grocery stores, specialty food stores, and a wide variety of other outlets.

In addition, the formats of supermarkets have been rearranged

Figure 4

New Competition Captures an Increasing Share of Sales of Food for Home Use

Percent of sales of food for use at home



Note: ¹Includes food sales for home use by warehouse clubs, mass merchandisers, and deep-discount drugstores. Excludes sales by warehouse clubs and supermarkets to food service.

rose from 1.1 percent in 1982 to 2.1 percent in 1992.

The most recent entrant has been super-discount drugstores, which sell dry groceries (no perishables) at a discount. The share of all drugstores (not just deep-discount stores) increased from 0.6 percent of food sales to consumers in 1982 to 1.3 percent in 1992.

Operators of all kinds of supermarkets feel the hot breath of competition as these newcomers invade their markets. Many supermarkets are fighting back by featuring bulk sales and large club packs at competitive prices. ■

Food Consumption, Prices, and Expenditures, 1970-92

This annual comprehensive report by USDA's Economic Research Service presents historical data on U.S. food consumption, nutrients available for consumption, and retail food prices. Also included are U.S. and world food expenditures, and U.S. income and population.



Some Highlights . . .

- **Food Consumption:** Between 1970 and 1992, each American consumed, on average, 18 pounds less red meat, 26 pounds more poultry, and 3 pounds more fish and shellfish.
- **Food Prices:** As measured by the Consumer Price Index, retail food prices in 1992 averaged 1.2 percent above those in 1991—less than half the 1991 price increase of 2.9 percent. The 1992 increase was the lowest since 1967, when the index rose 0.9 percent.
- **Food Expenditures:** Americans spent over \$600 billion for food in 1992 and another \$87

billion for alcoholic beverages. Away-from-home meals and snacks captured 45 percent of the U.S. food dollar, up from 39 percent in 1980 and 34 percent in 1970. The percentage of disposable income spent on food declined to 11.5 percent in 1992 from 13.9 percent in 1970.

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