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1993 Food Spending Picked Up

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With slow economic growth following the 1990-91 recession and with small price increases, food spending rose to \$617 billion in 1993 (table 1). This 3.7-percent increase is more than twice that of 1992. Food away from home led the increase, rising 5.5 percent in 1993, and food at home rose 2.2 percent. Adjusted for inflation, food spending per person rose 0.5 percent in 1993—food at home went down 1.2 percent and food away from home rose 2.5 percent—following 2 years of modest declines (table 2).

As the Nation struggled out of the recession, personal food spending increased less than that for most other major categories of personal consumption, as is typical (table 3). Federal, State, and local governments paid for a slightly larger share of food in 1993, up 0.1 percent to 5.8 percent. Most of the increase was due to expanding Federal food assistance programs—notably food stamps, as participation increased with persistent unemployment.

Price increases were modest—as they had been in 1992—due to ample supplies. Vigorous competition

among food retailers and among restaurants helped moderate the price increases.

Share of Spending Away From Home Hit New Highs

One of the ways by which people economized during the 1990-91 recession was to cut down on eating out or to eat out in less expensive places. The share of total food

dollars spent for food away from home declined from 1989 to 1991, reflecting the economic slowdown and the subsequent recession. In 1993, spending for food away from home increased more than for food at home and the share reached new highs—45.9 percent of food dollars and 34.9 percent of food quantities (fig. 1), continuing the recovery begun in 1992.

Vigorous competition among fast food chains drove dollar sales down in 1990 and 1991. This



Spending for food away from home rose more than for food at home in 1993, and the share reached new highs—45.9 percent of food dollars and 34.9 percent of food quantities.

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Table 1

Food Spending Rose Almost 4 Percent in 1993

Expenditures	1990	1991	1992	1993	Change, 1992-93
	-----Billion dollars-----				Percent
All food and beverages¹	646.2	669.7	681.1	702.6	+3.2
All food (excluding alcohol)	563.8	584.7	595.3	617.1	+3.7
At-home food	313.3	326.1	327.0	334.1	+2.2
Sales	304.6	318.4	319.7	327.0	+2.3
Home production and donations	8.7	7.7	7.3	7.1	-2.1
Away-from-home meals	250.5	258.6	268.3	282.9	+5.5
Sales	222.8	229.6	237.9	251.2	+5.6
Supplied and donated ²	27.7	29.0	30.4	31.8	+4.5
Alcoholic beverages	82.4	85.0	85.9	85.5	-.4
Packaged	48.2	49.8	49.2	48.1	-2.2
Drinks	34.2	35.2	36.7	37.4	+2.0

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

Table 2

Food Spending Adjusted for Inflation Picked Up in 1993

Year	Year-to-year change in real food spending per person		
	Total	At home	Away from home
	Percent		
1988	+1.4	-0.5	+3.8
1989	0	-.5	+.4
1990	+1.2	+1.4	+1.0
1991	-.5	+.2	-1.3
1992	-.8	-2.1	+.6
1993	+.5	-1.2	+2.5

caused their share of sales of food away from home to drop from 34.1 percent in 1989 to 33.5 percent in 1991 rather than to increase during the recession, as would be expected. However, the share rebounded to 34.6 percent in 1993 as people ate out more, but kept a wary eye on prices and did not trade up to full-service restaurants.

Restaurants, lunchrooms, cafeterias, and caterers did not lower prices as much as fast food places did during the recession, and their share of sales of food away from home increased from 39.1 percent in 1989 to 39.6 percent in 1991 and then declined to 38.5 percent in 1993.

The comparison between dollars spent for food at home and dollars spent for food away from home re-

Table 3

Personal Food Expenditures Rose More Than Disposable Personal Income in 1993¹

Component	1991	1992	1993	Change, 1992-93
	-----Billion dollars-----			Percent
Disposable personal income	4,236.6	4,505.8	4,688.7	+4.1
Total personal consumption expenditures	3,902.4	4,136.9	4,378.2	+5.8
Food	495.5	502.1	528.1	+5.2
At home	320.6	320.7	330.5	+3.1
Away from home	174.9	181.4	197.5	+8.9
Alcoholic beverages	74.1	74.1	73.5	-.8
At home	49.8	49.2	48.1	-2.2
Away from home	24.3	24.9	25.4	+2.0
Housing, household operation, supplies, fuel, furniture	1,027.9	1,078.0	1,137.2	+5.5
Transportation, cars, gasoline	433.6	466.3	504.2	+8.1
Medical care, drugs	646.6	705.1	760.5	+7.9
Clothing, shoes, toiletries, personal care, jewelry	325.1	347.1	359.6	+3.6
Recreation, tobacco, toys, sporting goods	204.0	221.4	231.7	+4.6
Personal business	326.0	354.0	373.3	+5.5
Other	369.6	418.8	410.1	-2.1

Notes: ¹As of July 27, 1994. 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. Sources: 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.

flects both the higher prices of away-from-home meals and snacks—due to the added costs of preparing, cooking, and serving—and changes in the number of meals eaten out. Also, prices in restaurants and other foodservice outlets do not change in lockstep with prices in grocery stores. Adjusting for these differences in price levels, the quantity of food eaten away from home rose from 33.5 percent of total food in 1991 to 34.9 percent in 1993 (fig. 1).

New Types of Retail Competitors Grew

Where consumers buy their groceries has changed dramatically

over the last decade and a half. Supermarkets' share peaked in the mid-1980's at almost 65 percent of the sales of food at home, dropping to 61 percent in 1993 (fig. 2). The remaining purchases of food for use at home occurred in other smaller grocery stores, specialty food stores, and a wide variety of other outlets.

In addition, the formats of supermarkets have shifted sharply. Conventional supermarkets' share of total supermarket sales (including nonfood) dropped from 73 percent in 1980 to 48 percent in 1986 and 30.5 percent in 1991. Sales by superstores and combination food/drug stores increased from 22 percent of total supermarket sales in 1980 to

36 percent in 1986 and 51 percent in 1991. Shares for other supermarket formats that 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 strongly emphasizing low prices have come on the scene in recent years. The new competitors—warehouse clubs, mass merchandisers, and deep-discount drug stores—increased their combined share of food-at-home sales to consumers from 1.7 percent in 1982 to 4.5 percent in 1992 and 5.2 percent in 1993 (fig. 2).

Warehouse clubs (formerly called wholesale clubs) are hybrids

Figure 1
The Share of Food Away from Home Reached New Highs in 1993

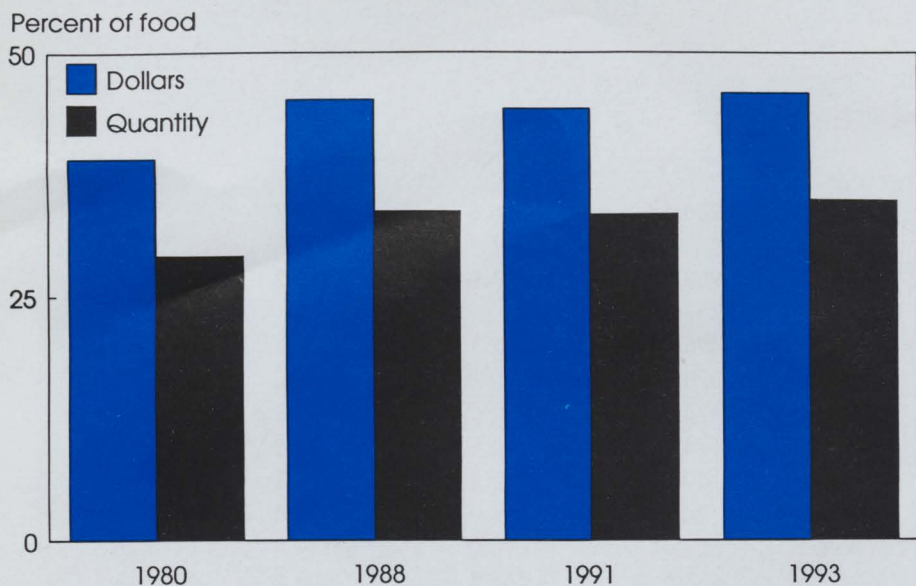
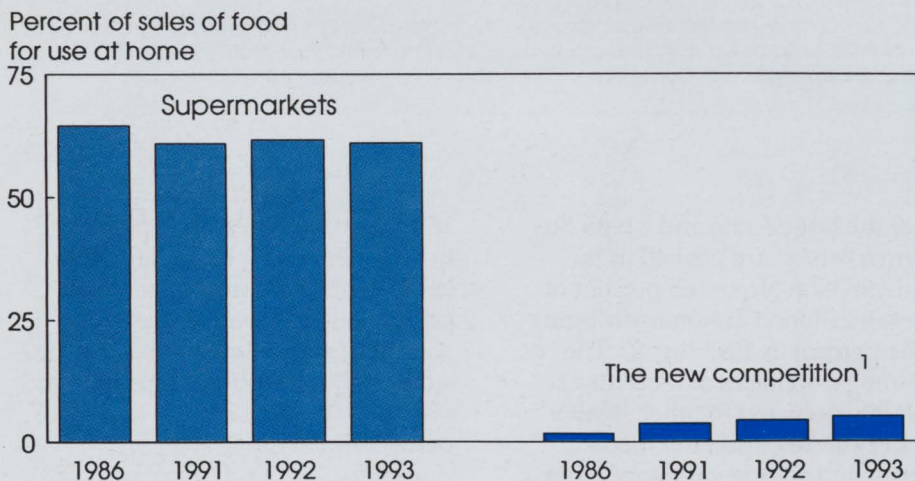


Figure 2
New Competition Captures an Increasing Share of Sales of Food for Use at Home



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.

of membership wholesale outlets and retail stores. They carry a wide assortment of general merchandise, groceries in large packs, and perish-

ables (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). The remaining 60 percent are sales to consumers. The share of total food-at-home sales by warehouse clubs increased from almost nothing in 1982 to 1.7 percent in 1993.

Growth of warehouse clubs seems to be slowing as they approach market saturation in many areas. K-Mart, one of the major warehouse club operators, sold its clubs to Wal-Mart. Price Club and Costco, the other major operators, merged in 1993 as the club boom tapered off. Wal-Mart is turning the emphasis of its clubs back to supplying small restaurants, lunchrooms, and institutions.

Some mass merchandisers, also called discount department stores, have included an entire supermarket in their stores since the early 1960's, when a number of supermarket chains built their own discount department stores. Many such chains left the discount business in the 1970's as the field became crowded. More recently, Wal-Mart and K-Mart have opened very large hypermarkets and supercenters that include a large supermarket section.

Mass merchandisers' share of at-home food sales to consumers rose from 1.1 percent in 1982 to 2.6 percent in 1992 and 2.9 percent in 1993.

The most recent entrant has been super-discount drugstores, which sell dry groceries (no perishables) at discount prices. The share of food-at-home sales to consumers accounted for by deep-discount drugstores increased from nothing in 1982 to 0.5 percent in 1993.

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. ■