



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Food Marketing Sales, Mergers, and New Product Introductions Rose in 1994

Anthony E. Gallo
(202) 219-1260

Sales in the U.S. food marketing system reached \$825 billion in 1994, up 4.6 percent from 1993 sales. Retail foodstores rang up \$336 billion, accounting for 41 percent of food marketing sales, and foodservice sold \$303 billion, accounting for another 37 percent of sales (fig. 1). A decade earlier, eating places accounted for 42 percent of the food dollar, compared with 47 percent in 1994. The gap between at-home and away-from-home eating continues to close as restaurants, fast-food places, and other eating places take up more of consumers' total food dollars.

The alcoholic beverage market, accounting for about 11 percent of sales in the food marketing system, continues to reflect lower consumption. The Nation's liquor stores, eating and drinking places, and food retailers sold \$86 billion worth of wine, beer, and distilled spirits in 1994 versus \$83 billion in 1993, while total sales of food and alcoholic beverages rose to \$725 billion in 1994 from \$690 billion in 1993 and \$443 billion in 1984.

Nonfood retail sales amounted to an estimated \$100 billion in 1994. Nonfood grocery items include tobacco, health and beauty aids, deter-

gents, paper products, gasoline sold at convenience stores, and other nonfood grocery items sold through retail outlets (nonfood items sold in vending machines and nonfood catering supplies are grouped into the foodservice category).

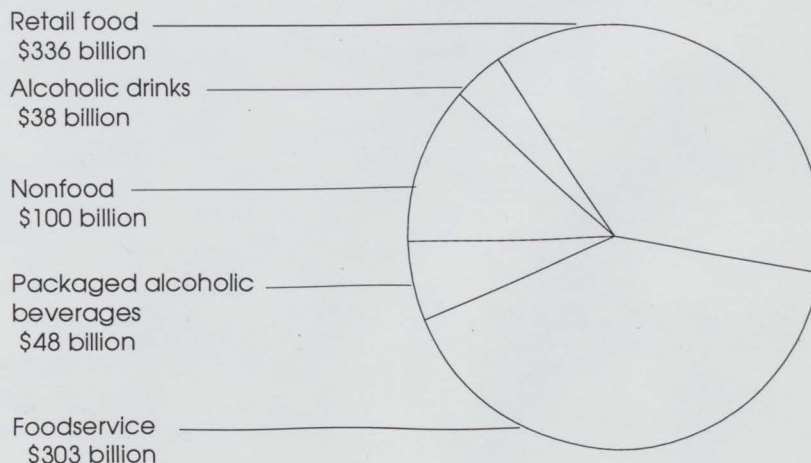
Record Number of Food Product Introductions

The food system has always been the forerunner in new product introductions, a form of nonprice competition which differentiates products in consumers' eyes. Over 20,000 new grocery products—including new sizes, packaging, flavors, and

brands—were placed on U.S. grocery shelves in 1994, more than a 14-percent increase from 1993 (table 1). In 1994, new products accounted for 8 percent of the 240,000 scanned grocery products available in different supermarkets across the United States. In 1988, about 10,600 grocery products were introduced, accounting for 5 percent of the total scanned products stocked.

Of the 20,076 grocery products introduced in 1994, 15,006 were new foods. Five product categories accounted for nearly 60 percent of these new foods. About 3,271 new condiments constituted over a fifth of the new food products introduced

Figure 1
Sales in the Food Marketing Sector Rose to \$825 Billion in 1994

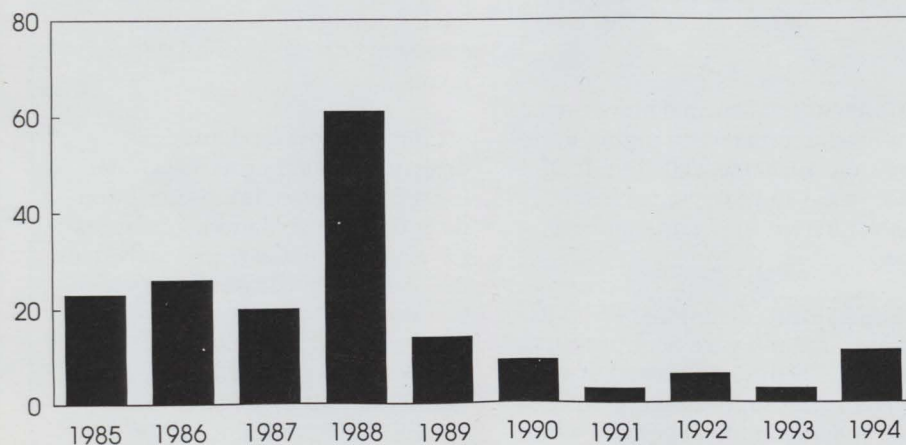


The author is an agricultural economist with the Food and Consumer Economics Division, Economic Research Service, USDA.

Table 1
Condiments Topped the List of Food Product Introductions

Category	1985	1990	1993	1994
	<i>Number</i>			
Foods	5,617	10,301	12,897	15,006
Baby food	14	31	7	45
Bakery foods	553	1,239	1,420	1,636
Baking ingredients	142	307	383	544
Beverages	625	1,143	1,845	2,250
Breakfast cereals	56	123	99	110
Condiments	904	1,486	3,148	3,271
Candy, gum, and snacks	1,146	2,028	2,042	2,461
Dairy	671	1,327	1,099	1,323
Desserts	62	49	158	215
Entrees	409	753	631	694
Fruit and vegetables	195	325	407	487
Pet food	103	130	276	161
Processed meat	383	663	454	565
Side dishes	187	538	680	980
Soups	167	159	248	264
Nonfood items	1,713	2,943	4,674	5,070
Health and beauty aids	1,446	2,379	3,864	4,368
Household supplies	184	317	467	426
Paper products	42	174	145	183
Tobacco products	27	31	38	38
Pet products	14	42	160	55
Total	7,330	13,244	17,571	20,076

Figure 2
The Value of Food Marketing Mergers and Leveraged Buyouts Rose to \$11 Billion in 1994



Note: Data are for mergers and leveraged buyouts costing more than \$100 million.

in 1994. Other new foods finding their way to grocery shelves in 1994 include nearly 2,500 candies, gums, and snacks; 2,250 beverages; over 1,600 bakery products; and nearly 1,300 dairy items—mostly cheese and ice cream. New products geared to children continued to increase, and new products with health claims rebounded after falling in 1993.

Value of Mergers and Acquisitions Rose

In 1994, there were 432 mergers and acquisitions in the U.S. food marketing system, down just 1 from 1993 and down 152 from the record 584 mergers and acquisitions in 1986. Over half (232) of these mergers took place in food processing (78 occurred in foodservice, 60 in retailing, and 62 in wholesaling). An increase in the number of mergers in food retailing, wholesaling, and foodservice since 1993 offset a decline in food processing.

The value of these transactions, however, rose from \$3 billion in 1993 to \$11.5 billion in 1994, the highest level since 1989 (fig. 2). Food processing ranked seventh out of the roughly 70 manufacturing industries in the value of mergers. Leveraged buyout activity was minimal in 1994. Food wholesalers ranked second among all wholesalers in the number of mergers, while food retailers ranked fourth among all retail mergers. ■