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Food Spending and Income

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American consumers reduced spending for restaurant meals and snacks during the second quarter of 1979, but total food expenditures rose because purchases in the Nation's grocery stores were moderately higher.

The increase in grocery store spending was largely a result of higher prices. According to preliminary data released by the Department of Commerce, food expenditures during the spring 1979 quarter totaled \$263.1 billion dollars compared with \$260 billion the previous quarter and \$237 billion during the second quarter a year earlier. But all of the quarter increase was due to higher food prices; real food purchases were unchanged from the second quarter of 1978 and fractionally below the first quarter of 1979.

Expenditures for away-from-home eating dropped from \$66.8 billion dollars during the first quarter to \$65.6 billion dollars in the second quarter, in part due to spot shortages and higher prices for gasoline. But, prices for restaurant meals and snacks also rose sharply. When adjustments were made for the price increases, the volume of meals eaten outside the home dropped a near record 5 percent below the first quarter.

Disposable personal income did rise during the second quarter of 1979, about 2 percent above the first quarter; but the gain was inflationary rather than real. Income in constant dollars actually dropped slightly. Expenditures on away-from-home eating usually follow the pattern of change in disposable income. Expenditures for food away from home have remained about 4.2 percent of total disposable income in recent quarters. But during the second quarter of 1979, incomes actually increased relative to spending for food away from home.

Expenditures for food at home during the second quarter were \$197.5 billion, 2.2 percent above the previous quarter, and 11-1/2 percent above the

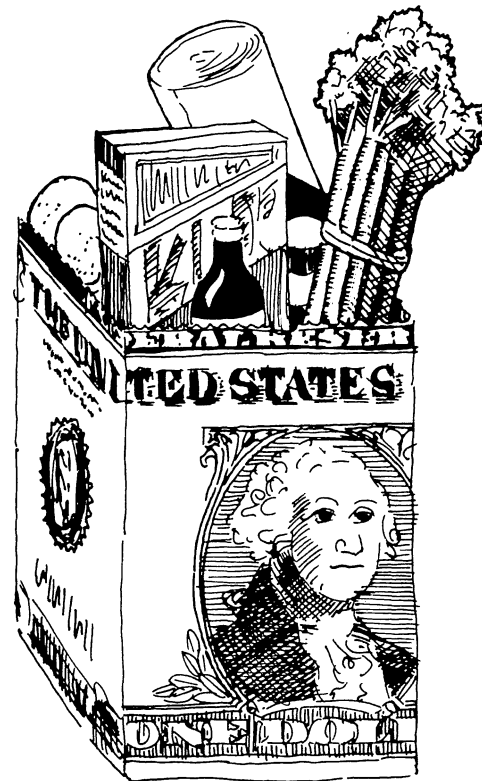
second quarter of 1978. In real terms, expenditures for at-home eating rose 1 percent during the second quarter. This increase marked one of the few instances in recent years when at-home expenditures advanced while away-from-home expenditures declined. Apparently, the energy crisis which curtailed travel to eating places also influenced an increase in food-at-home expenditures.

Disposition of Personal Income

Not only did real food expenditures drop between the first and second quarters of 1979; real expenditures for other goods also dropped. In current dollars, expenditures on both durables and nondurables showed a slight gain. Only services showed a fractional gain in real terms and almost all of that was for housing services.

Consumer savings apparently increased significantly. Second quarter 1979 savings, at \$87 billion, were 11 percent higher than the previous quarter and 20 percent higher than last year. The savings rate rose from 5 percent this winter to 5.4 percent during the spring.

Total personal consumption expenditures as a portion of disposable personal income dropped from a year ago. Food as a percent of disposable personal income dropped slightly



from a year ago, while the relative position of other nondurables stayed the same. Durables as a percent of income dropped significantly, as automobile purchases slackened. The nearly 1-percent drop in durables was partially offset by a nearly one-half percent increase in the portion allocated to services. □

Cost of Food at Home for a Week (June 1979)

	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan
Young couple	\$28.40	\$37.10	\$46.60	\$55.90
Elderly couple.	25.40	32.90	41.00	48.90
Family of 4 with preschool children.	39.90	51.60	64.60	77.50
Family of 4 with elementary school children.	48.00	62.30	78.40	93.90

Grocery Stores and Eating Places: Pacific Areas¹

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Trends in Food Service



□ **Food costs**—During the past 15 years, consumers have been spending more of their food dollars for prepared meals and snacks away from home, a trend that is expected to continue. Since the cost for this is higher than for food prepared at home, consumers' total food costs will rise as food consumed away from home increases.



□ **Food away from home**—Expenditures for food away from home reached \$87 billion in 1978, 35 percent of total expenditures for food, up from 26 percent in 1960 (excludes alcoholic beverages). One-third of all meals and snacks are now eaten away from home, up from one in four in 1960. Factors associated with growth in food away from home include rising incomes, changes in lifestyles and demographic composition of the population, more women employed outside the home, and Government programs.



□ **Fast food sales**—Sales at fast food outlets increased from \$4.9 billion in 1963 to \$19.7 billion in 1978, an increase of over 305 percent, adjusted for inflation.



□ **Food value**—The value of food (including imported food) moving into the away-from-home delivery system is estimated roughly at \$21 billion; the processor value at \$31 billion; and the wholesale value, \$39 billion.



□ **Commodity demand**—The mix of food consumed away from home differs markedly from that purchased from grocers for in-home preparation and consumption. Continued growth in the market for food away from home will have a varied impact on the demand for agricultural commodities as well as the manner in which they are processed, packaged, and marketed. □

Nationally, sales at eating places, measured in constant dollars, rose 20 percent between 1972 and 1977. Sales in the Pacific² area grew even more rapidly at 33 percent. Grocery store sales in the U.S. rose 2 percent between 1972 and 1977. Pacific grocery store sales rose 4 percent—more rapidly than sales at all U.S. grocery stores but still less rapidly than either U.S.- or Pacific-area restaurant sales.

Eating Places

Sales at eating places in the Pacific area were \$10.4 billion—9.5 percent of the area's total retail sales. Eating places had more establishments and more paid employees in 1977 than any other retail business in the Pacific area.

The substantial increase in the area's total eating place sales between 1972 and 1977 did not offset the 16 percent gain in number of establishments. As a result, sales per establishment increased a real, but smaller, 15 percent.

Growth in eating place sales, was influenced by increases in population and personal income. While U.S. population and real income per capita rose 4 percent and 7.8 percent, respectively, population in the Pacific area increased by 7.7 percent, and income per capita by 10 percent between 1972 and 1977. With such favorable growth conditions, eating place sales normally would be expected to increase. In Alaska, there was a 40-percent gain in number of eating places and an 11-percent compound annual increase in sales per establishment. Undoubtedly, these increases

¹This report on retail food sales is based on an advanced release of 1977 Census data. See *National Food Review*, NFR-7, for details on the sales in the New England area.

²Includes Alaska, California, Hawaii, Oregon, and Washington.