ABSTRACT

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Consumer Attitudes Toward Food Price Increases

by

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Consumers most frequently blamed government, food marketing agencies, inflation, and corporate profits for rising food prices. Solutions favored by consumers for slowing the rise in food prices included decreased government spending, export restrictions, and price controls. Age, sex, education, and income were found to most frequently influence consumer attitudes.

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Consumer Attitudes Toward Food Price Increases

This paper reports the methods used and results obtained of research which examined consumer attitudes and beliefs regarding rising food prices, and how rising food prices might be slowed. Various socio-demographic characteristics were correlated with consumer attitudes and beliefs regarding the role of economic institutions and economic forces which may have influenced rising food prices.

Background

Historically, food products have been plentiful and relatively less expensive than other goods and services. For example, from 1952 to 1972, food prices increased 47%, while housing costs were up 64%, transportation had increased 55% in price, and medical costs had risen 123% (U. S. Department of Labor, 1974).

The trends of adequate quantities of food and the relatively slow rise in food prices were reversed in 1973. Spot shortages of food occurred. Food prices increased more rapidly than prices of other so-called necessities (U. S. Department of Agriculture, 1974).

Breimyer (1969) conducted a similar study. However, the Missouri study was conducted four years prior to the rapid escalation in food prices. More recently Warland and Hermann (1973) indicated that two-

thirds of those surveyed felt that food prices were too high. Related surveys have been conducted by Dietrich (1973), Pacer, Inc., (1973), and the Independent Grocers Association (1973). However, these surveys did not attempt to examine the statistical relationship between consumer attitudes and consumer profile characteristics.

Methodology

Data Required

This research posed three basic questions to consumers, including: (1) what institutions do you hold responsible for increasing food prices; (2) what economic forces do you think contribute to rising food prices; (3) what solutions do you favor for slowing the rise in food prices?

The previously cited studies suggested alternative institutional and economic variables to be included in a questionnaire. Institutional variables included farmers, farm organizations, food manufacturers, food wholesalers and retailers, consumers, government, labor unions, and food exporters. Economic forces included inflation, wage rates, fuel costs, farm costs, farm profit, corporate profit, population, consumer income, and retail food services

Alternative solutions for slowing the rise in food prices were incorporated in the questionnaire. These included imposed price controls, decreased government spending, increased taxes, decreased taxes, lower interest rates, removed production controls, imposed export restrictions, reduced retail food services, reduced environmental controls, and reduced food quality controls. Various socio-demographic characteristics were collected on respondents including age, sex, level of education, income, size of city in which the respondent was raised, the primary purchaser of food, and the employment of the wife outside the household.

Data Collection Methods

Primary data were obtained by personal interview of 400 households in the Lexington, Kentucky Standard Metropolitan Statistical Area. Lexington was chosen because of its central location, the varied demographic characteristics of the population, and because of its proximity to the University of Kentucky.

The Lexington area was stratified by income levels. Census tract data of Fayette County for 1970 were used to obtain median income levels for each of the County's 42 census tracts. Census tracts were listed in order of increasing median income. Ten income strata were then formed from the census tracts.

The 400 households were allocated proportionately among the 10 strata. Census tract data were used to obtain the total number of households in each tract, and, therefore, the total number of households in each stratum. The proportion of households in each stratum as a percent of the total in all strata was then determined. This proportion was applied to the sample size of 400 to obtain the number of households to be surveyed in each stratum.

Street blocks for sampling were selected at random in each stratum. A transparent grid was placed over a map of Lexington and the surrounding area. Pairs of random numbers were obtained from a random number generator. Each random number pair located a point on the grid which was on or near a specific street block. Two households were surveyed per street block.

Each selected street block and corresponding addresses was located in the Lexington city directory. To eliminate enumerator bias, a random number table was used to obtain two addresses per block as random starting points. If these addresses yielded no response, enumerators moved clockwise from the selected address until a response was obtained.

Obtained data were first summarized by percent distribution of responses. Contingency tables and chi-square analysis were used to determine the association between profile characteristics and consumer attitudes.

Results

Institutions Held Responsible for Rising Food Prices

Those consumers surveyed most frequently blamed government and food marketing agencies for rising food prices (Table 1). Farmers, farm organizations, and consumers were least often held responsible.

The size of the city in which the respondent was raised was found to influence consumer attitudes toward farmers and farm organizations. Those respondents raised in cities of 1000 or fewer people were most likely to hold farmers and farm organizations accountable. Those respondents which were raised in towns of one to fifteen thousand people were least likely to blame farmers and farm organizations.

Males were found to be more likely to blame manufacturers and wholesalers/retailers for rising food prices than were females. As education levels increased, people were more likely to hold manufacturers, and wholesalers/retailers responsible. In a similar manner consumers with higher incomes were more likely to fault food marketing agencies for rising food prices.

Significant differences in attitudes toward consumers as a cause for higher food prices were observed among the educational levels. As education increased, those surveyed were more likely to hold consumers, in general, responsible.

TABLE I

THE EXTENT OF AGREEMENT AS TO THE INSTITUTION RESPONSIBLE FOR FOOD PRICE INCREASES

	Strongly Disagree	Disagree	Don't Know or Undecided	Agree	Strongly Agree
	percent				
Government	0.5	4.2	10.2	44.4	40.7
Wholesaler/ Retailer	1.6	10.9	12.2	49.6	25.7
Manufacturers	1.3	9.6	18.2	56.5	14.3
Labor Unions	4.7	18.2	25.0	37.8	14.3
Exporters	1.6	11.0	21.8	46.7	18.9
Consumers	17.6	30.0	19.5	28.4	4.5
Farm Organizations	10.4	41.3	26.0	17.9	4.4
Farmers	23.6	51.9	10.4	13.2	0.8

No differences in attitudes toward government could be attributed to the selected profile characteristics. Consumers of all socio-demographic backgrounds held government most responsible for rising food prices.

Age, sex, education, and income were found to have a significant effect on the attitudes toward labor unions as a reason for rising food prices. Generally those that blamed labor unions were males between 31 and 60 years of age with a college degree, and had incomes over $20,000.

Economic Forces Most Responsible for Rising Food Prices

Inflation, corporate profits, rising wage rates, and increasing transportation charges were most frequently blamed as economic reasons for rising food prices (Table 2). Farm programs and farm profits were least often blamed.

Males were found to be more likely to blame inflation for rising food prices and did females. Age differences explained a portion of the differences in attitudes toward increased farm costs, farm profit, and exports. Consumers under the age of 60 were most likely to blame profits and farm costs for rising food prices, whereas, those over 60 were more likely to name food exports as a reason for rising food prices.

Differences in education accounted for attitude variances toward increasing fuel costs and corporate profit. As education levels increased,

TABLE 2.

THE EXTENT OF AGREEMENT AS TO THE ECONOMIC FORCES CAUSING FOOD PRICE INCREASES

	Strongly Disagree	Disagree	Don't Know or Undecided	Agree	Strongly Agree
	percent				
Inflation	1.6	5.7	8.3	57.9	26.5
Corporate Profit (mfg., Wholesaler, retailer)	0.0	7.8	11.5	49.0	31.8
Domestic Shortages of Food Due to Exports	2.9	25.8	15.9	36.7	18.8
Increased Mfg. & Distributor Costs (e.g., Wages)	2.6	8.3	9.9	67.4	11.7
Increased Mfg. & Distributor Costs (e.g., Fuel, Transportation)	1.6	6.8	6.8	67.3	17.7
Higher Consumer Incomes	3.9	25.2	13.5	48.6	8.8
Population Increases	5.0	34.2	15.9	39.7	5.2
Retail Store Services	2.9	19.8	16.7	49.5	11.2
Increased Farm Costs	1.8	15.6	11.4	61.3	9.9
Farm Profit	14.8	46.4	18.2	18.8	1.8
Shortages of Food Due to Natural Causes	7.8	41.6	19.2	28.1	3.4
Farm Organization Programs	6.2	44.9	25.7	20.5	2.6

the respondents were more likely to blame rising food prices on higher transportation costs. In a similar manner, as educational levels increased, those blaming corporate profit also increased.

As income levels increased, people were more likely to blame rising wage rates and rising transportation costs for the increase in food prices. However, higher income consumers were less likely to blame food exporters for rising food prices.

The size of city in which one was raised was the only profile factor resulting in significant differences of opinion toward higher consumer incomes and retail store services as causes of rising food prices. Individuals from large cities and from farm backgrounds were more likely to blame consumer incomes and retail store services for rising food prices.

Solutions to Rising Food Prices

Solutions that were favored for slowing the rise in food prices included decreased government spending (78%), restrictions on food exports (66%), and price controls (62%), (Table 3). Generally those interviewed did not favor a reduction in environmental controls or food quality controls. Similarly, they did not favor increased taxes.

Age, sex, education, and city size resulted in significant differences of opinion toward price controls as a solution to rising food prices. Older people were most likely to favor price controls. Males were more

TABLE 3

THE EXTENT OF AGREEMENT AS TO WHAT ARE SOLUTIONS TO SLOW RISING FOOD PRICES

	Strongly Disagree	Disagree	Don't Know or Undecided	Agree	Strongly Agree
	percent				
Price Controls	7.3	21.2	9.4	51.0	11.0
Decreasing Government Spending (to slow inflation)	1.0	9.1	11.5	57.2	21.1
Increased Taxes (to slow inflation)	26.4	48.0	12.8	12.0	0.8
Decreased Taxes	3.9	24.2	26.0	33.6	12.2
Lower Interest Rates	2.1	11.3	23.9	50.1	12.6
Remove all Production Quotas	3.4	17.5	29.8	36.0	13.3
Export Restrictions	2.3	12.8	18.8	45.6	20.6
Reduced Retail Services	3.2	23.7	21.1	39.2	12.8
Reduced Environmental Controls	14.1	40.6	24.9	18.1	2.4
Reduced Quality Controls (e.g., Meat Inspection Programs, Processed Food Standards)	35.9	48.7	6.0	7.8	1.6

likely to favor price controls than females. As education levels increased, those surveyed were less likely to favor price controls. People raised on farms or coming from a rural background were usually more opposed to price controls as a solution for slowing the rise in food prices.

Middle age groups of the respondents were most likey to favor decreased government spending than the other age groups. Those consumers in upper income brackets were most likely to favor decreased government spending. Older consumers most often favored removing production quotas, while export restrictions were favored as education levels increased. Those with relatively fewer years of education and with lower incomes were most likely to favor relaxed quality controls. Persons favoring environmental controls were over 60 years of age, male, had fewer years of education, low income, and came from towns of more than 5000 people.

Conclusions and Implications

1. Farmers and farm organizations have traditionally been concerned about their public image, especially during the period of rising food prices. Based on this study, the further consumers were removed from farmers or a rural community background, the less likely they were to hold farmers responsible for higher food prices. Farmers and farm organizations public relations programs, then, may need to give further consideration to those people who came from rural-small city backgrounds.

2. Government was most frequently cited as the institution most responsible for rising food prices. Most solutions the respondents favored to alleviate rising food prices required governmental action. It is noteworthy that they strongly favored a decrease in government spending rather than a method involving more personal, short-run sacrifice such as an increase in taxes. Also, most consumers were unwilling to accept solutions which would reduce the quality of products or environmental quality.

3. Inflation and corporate profits were most frequently cited as the primary economic factors responsible for rising food prices. Factors such as farm profit and farm organization programs were least blamed by most of the respondents.

4. Consumers were usually consistent in their opinions. When an institution was considered responsible for rising food prices (e.g. manufacturers and retailers) the economic factors associated with the institution were also cited (e.g. corporate profits).

5. Recently, consideration has been given to the possibility of an investigation of the food industry as a follow-up to the National Commission on Food Marketing. Given the attitudes observed in this study, there could well be support from consumers for such an investigation.

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