Food Expenditures and Income

Food Expenditures in 1997

Americans spent $715 billion for food in 1997 and another $95 billion for alcoholic beverages (table 102). Of this $715 billion spent for food, families and individuals paid 84 percent, governments and businesses spent 15 percent, and 1 percent was produced and consumed at home with relatively little cash outlay (table 106).

Away-from-home meals and snacks captured 45 percent of the U.S. food dollar in 1997, up from 39 percent in 1980 and 34 percent in 1970 (table 102). The share of food dollars going for away-from-home meals and snacks has been increasing for more than a century, but because restaurant meals include many more services than food purchased at the grocery store, the shares of value and quantity of food away from home are quite different.

Food Expenditures in Relation to Income

Disposable personal income in the United States totaled $5,885 billion in 1997, more than 7 times the $727 billion in 1970 (table 99). Per capita disposable income advanced from an average of $3,521 in 1970 to $21,633 in 1997. In real terms (after adjustment for inflation), per capita income increased 48 percent between 1970 and 1997. During the same period, real food expenditures per capita increased 23 percent, much of it due to the switch to more away-from-home eating.

Although food spending has increased considerably over the years, the increase has not matched the gain in disposable income. As a result, the percentage of income spent for food has declined. Food expenditures by families and individuals were 13.8 percent of disposable personal income in 1970, compared with 13.4 percent in 1980 and 10.7 percent in 1997 (fig. 29, table 99). The decline is the direct result of the income-inelastic nature of the aggregate demand for food: as income rises, the proportion spent for food declines. Expenditures for food require a large share of income when income is relatively low. As income rises, there is more money to spend on personal services and other discretionary items. Some of these additional services are purchased along with food and this explains the increase from 1970 in the percentage of income spent on food away from home. The share of income going for food is often used as an indicator of affluence, of either a family or a nation. The figure has sometimes been misused to prove that food is a bargain. For further analysis, see *U.S. Food Spending and Income: Changes Through the Years* (Alden Manchester, AIB-618, ERS, USDA, Jan. 1991).

The proportion of income spent for food varies widely among households of different sizes and incomes (table 100). Data from the 1996 Consumer Expenditure Survey conducted by the U.S. Department of Labor showed that the percentage of aftertax income spent for food varied from 8.7 percent for households with incomes of $70,000 or more to 34.2 percent for households with incomes of $5,000-$9,999. (Note: Nonmoney income is not included in the Consumer Expenditure Survey but is included in disposable income in table 99.)

Information About the ERS Food Expenditures Data Set

ERS estimates of food expenditures by families and individuals (table 99) differ from the U.S. Department of Commerce estimates of personal consumption expenditures (PCE) previously used to compute the percentage of disposable income (DPI) spent for food. The trend in food expenditures is similar, but the ERS series shows a lower level of spending for food than does the PCE series, particularly for food consumed at home. The ERS estimate of at-home expenditures is lower partly because it excludes pet food, ice, and prepared feeds, which are included in the PCE estimates. ERS estimates also deduct more from grocery store sales for nonfoods, such as drugs and household supplies, in arriving at the estimate of food purchases for at-home consumption.

ERS also calculates total expenditures for food in the United States (tables 102-106). In comparison, the PCE for food includes only foods purchased by individuals and families using their own funds. It does not include food paid for by business funds, mostly for travel and entertainment expenses, food donated by the Government, and food used in hospitals and other institutions, either where there is no charge or where the charge is not stated separately (as in the case of hospital food service). The ERS measure of total food expenditures includes all food expenditures by consumers, other private sources, and governments. For more detail about the ERS expenditure series, see *Developing an Integrated Information System for the Food Sector* (Alden Manchester, AER-575, ERS, USDA, Aug. 1987).

World Food Expenditures

Table 101 compares average expenditures for food and alcoholic beverages consumed at home in selected countries. The data are computed by ERS mainly from data provided by the United Nations (UN) System of National Accounts. Expenditures data for the United States include the ERS series from tables 99 and 105, and the PCE series.

In table 101, food expenditures are shown as a percentage of total personal consumption expenditures, reflecting individuals' spending on goods and services in the domestic marketplace. Disposable personal income in table 99, on the other hand, includes both personal consumption expenditures and personal savings. Total personal consumption expenditures are used as the basis of international comparison because personal savings is seldom reported in the UN System of National Accounts.

In 1994, the latest year for which comparable information is available, Americans spent only 7.4 percent of their personal consumption expenditures for food to be eaten at home (table 101). This compares with 10.3 percent for Canada and 11.2 percent for the United Kingdom. In less developed countries, such as India and the Philippines, at-home food expenditures often account for more than 50 percent of a household's budget.

Americans do not have the highest per capita income (the average Swiss income is higher). Yet, in relation to total per capita personal consumption expenditures, Americans spend the least on food. Other factors besides income influence food expenditures in developed nations. Thanks to abundant arable land and a varied climate, Americans do not have to rely as heavily on imported foods as do some other nations. The American farm-to-consumer distribution system is highly successful at moving large amounts of perishable food over long distances with a minimum of spoilage or delay. Finally, American farmers have a tremendous wealth of agricultural information and state-of-the-art farming equipment at their disposal, allowing them to produce food efficiently.

Changes in Household Food Consumption and Expenditures During the 1980's

The aggregate food expenditure and consumption data in this bulletin do not reveal how expenditures vary with income; household size, type, or location; or race. Other sources of data provide additional insights into consumption trends, and this information is available in ERS publications.

Information contained in the Consumer Expenditure Survey (CES) released by the Bureau of Labor Statistics from 1980 through 1997 allows us to link consumer expenditures with demographic characteristics. ERS is in the process of updating its *Food Spending in American Households* series. For further information, see *Food Spending in American Households, 1980-92* (David M. Smallwood, Noel Blisard, James R. Blaylock, and Steven M. Lutz, SB-888, ERS, USDA, Sept. 1994), which presents CES information on trends in household food expenditures for major food groups by selected demographic factors for 1980-92. Information is also presented on food price trends. Detailed tabulations are presented for 133 food categories by 10 household socioeconomic characteristics for 1992. Several measures of food item expenditures and prices are presented.

Data from the household component of the 1977-78 and 1987-88 Nationwide Food Consumption Surveys

conducted by the Human Nutrition Information Service (HNIS), USDA, indicate that annual per capita consumption of dairy products, fats and oils, flours and cereals, bakery products, meats, eggs, sugars and sweets, and fresh vegetables fell during the 1980's. Consumption of poultry, fish and shellfish, juices, and beverages rose. Annual per capita spending, when adjusted for inflation, declined for almost all major food groups. *Changes in Food Consumption and Expenditures in American Households During the 1980's* (Steven M. Lutz, David M. Smallwood, and James R. Blaylock of ERS, USDA, and Mary Y. Hama of HNIS, USDA, SB-849, Dec. 1992) presents information on the quantity and dollar value of food consumption in American households for 1977-78 and 1987-88 by selected socioeconomic and demographic characteristics. The major changes over the decade are tabulated for 64 major food groups and compared with other studies to gain further insights into possible explanations for the consumption shifts. The tabulations are based on reported usage of foods from home food supplies with adjustments for meals eaten away from home.

Changes in Food Consumption and Expenditures in Low-Income American Households During the 1980's (Steven M. Lutz, David M. Smallwood, and James R. Blaylock of ERS, USDA, and Mary Y. Hama, HNIS, USDA, SB-870, Nov. 1993), a companion piece to SB-849, presents information on the quantity and dollar value of food consumption in low-income American households for 1977-78, 1979-80, and 1987-88 by selected socioeconomic and demographic characteristics. Major changes over the decade are tabulated for 65 major food groups and compared with other studies to gain further insights into possible explanations for the consumption shifts. Data are from the low-income household component of the 1977-78, 1979-80, and 1987-88 Nationwide Food Consumption Surveys.