Volume 14 | Number 5 Article 2

11-1-1959

Your Food Bill- Too High?

Gene Futrell
Iowa State University

Your Food Bill -- Too High?

Here are some things to think about when you glance at the total on the supermarket cash register or adding tape. Food costs haven't gone up as much as we're prone to think. And your "grocery" bill isn't all for food.

by Gene Futrell

ALL OF US are consumers—whether we operate a farm, sell insurance, maintain a home or engage in any other occupation. And sometimes we seem hard pressed to make ends meet. Because of this, we often blame high food costs for our condition.

Food costs have gone up. As measured by the consumer price index, food prices reached a record high in mid-1958—nearly 22 percent above the average for 1947-49. By the middle of this year, the index had dropped and was averaging 18-19 percent above the 1947-49 period as compared with the 22 percent of a year ago and a price rise of more than 24 percent for all items.

Not All Food . . .

Many of the food-cost criticisms don't appear to be justified. And food costs aren't really the bugaboo in making ends meet today. Goods and services other than food are more responsible for the squeeze on our incomes.

GENE FUTRELL is extension economist specializing in consumer information.

Our basic food desires remain rather stable. But our desire for new products, new and better appliances, clothes, cars and other goods and services—including food services—is strong and growing. This is largely responsible for the budget squeeze.

Of the major expense groups included in the consumer price index (a measure of price changes of goods and services since 1947-49), only clothing and recreation have gone up less in price than food. Housing and personal care are up around 30 percent each since 1947-49. Transportation costs have increased about 45 percent, while medical costs are running about 50 percent above the 1947-49 average. Prospects are that all of these costs will continue upward in future years.

Food Costs, Incomes . . .

Actual dollars spent on food have increased considerably in recent years. Department of Commerce figures show that per-person food expenditures went from an average of $328 per year in 1948 to $388 in 1957—an 18-percent increase. But incomes have gone up faster! In the same period, per-capita disposable income (the money a person actually has available for spending after taxes) increased from an average of $1,291 to $1,782—up 38 percent.

The quantity of food consumed per person hasn't changed much during this period. The USDA's index of per-capita food consumption rose only slightly, from 100 in 1947-49 to 102 in 1957. This index mainly measures changes in the amount of food consumed. It is, however, weighted by base-period retail prices to reflect shifts in the kinds and quality of foods consumed.

In contrast, real income per person (measured by the amount of goods and services we can buy with the dollar) increased 18 percent during that period. This, of course, is an average; some incomes increased more, some actually declined.

Still, both spending for food and consumption of food per person increased at a much slower rate than did average incomes. Consumer spending studies generally show the same result—that people spend a smaller part of their disposable incomes on food as their incomes increase. Consumers spent about 25 percent of their disposable incomes on food in 1948, compared with about 22 percent in 1957.

Cost of High Living . . .

Food-buying habits also change when incomes increase. There have been changes in the kinds and amounts of food bought in recent years. The actual quantity is up slightly. But, by and large, more expensive foods have been substituted for less expensive foods.

Families are producing less of their own food. More meals are eaten away from home. And there's been greater use of convenience foods—frozen foods, ready mixes, etc. In varying degrees, all of these have contributed to the increase in spending for food.

A higher price level alone has accounted for over half of the increase! From 1948 to 1957, the cost of a fixed amount of food of the same quality would have increased only 8 percent. This shows just the change in prices. The other changes mentioned account for the rest of the increase.

Looking at it another way: If we were satisfied with the same type and quantity of food that we ate in 1935-39, food would take a much smaller part of our income than it now does. While consumers spent 22 percent of their disposable incomes for food in 1957, the 1935-39 fare would have taken only 16 percent.

Your "Grocery" Bill . . .

Another factor to consider when you look at your "grocery" bill is the increasing number of nonfood items in your grocery cart. A recent study shows that, on the average, an estimated 15 percent of the money spent in supermarkets is for *nonfood* items! Cigarettes and tobacco alone account for nearly 5 percent. Household and laundry supplies make up about 2½ percent of supermarket sales. Paper products and soaps each take over 2 percent; health and beauty aids, nearly 2 percent; and housewares, pet foods, toys and other miscellaneous items, over 1½ percent.

Many of these household and laundry items are traditional grocery items. But the number of nonfood products in grocery stores has been increasing rapidly, and the fact remains that they're not food items. The largest increases in recent years have been in the number of stores carrying clothing, baby needs, stationery, books, magazines, glassware, toys, phonograph records, pet supplies, garden supplies and photographic supplies. There's nothing wrong with this. Their availability at the supermarket is mainly a matter of convenience. But remember that they're not food items when you look at your grocery bill.

Food Not High . . .

In relation to the prices of other goods and services and to income changes, the increases in food prices have been moderate. And payment for better quality and added services accounts for much of the increase, along with the inflationary increase in price levels. What many of us call "the high cost of living" might more correctly be termed *the cost of high living*—a reflection of our rising standards.

What's Ahead?

Food prices will continue to change seasonally and from year to year as the production of food crops and livestock varies. In the years just ahead, the output of livestock and poultry products especially is expected to increase considerably. As a result, the per-unit farm value of farm-produced goods is likely to decline.

The extent to which consumers will benefit from lower prices at the farm level remains to be seen. But it won't be by nearly as much as you might expect. We'll try to show you why in a later article.

If marketing costs were to stabilize at present levels, we could see a large drop in the *total* yearly consumer cost of such major food items as beef, pork, poultry and eggs—not so much, however, for an individual family of consumers. If, however, marketing costs on these and other products increase at the same rate as they have in the past 10 years, much of the potential savings on the total and individual family food bill would be wiped out.

This latter course seems most likely. All foods considered, a continued upward trend in marketing services and costs can be expected. And this probably means a gradual increase in food costs over the next several years. Unless there's a strong inflation, however, no large increase in food costs is likely.

Per-Capita Food Costs and Disposable Income