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Perspectives

EATING OUT: FAST FOODS

The only segment of the away-from-home food market with an increasing share is refreshment places—mostly fast-food establishments. Between 1965 and 1975, their share of the away-from-home food market grew from 10½ to 26 percent. At the same time, the share of conventional restaurants, lunch rooms, cafeterias, and caterers declined from 45 to 39 percent. The share of hotels and motels held constant at 5 percent. The shares of all the other outlets, including schools and colleges, declined.

Since total dollar sales in the away-from-home market increased 165 percent over the decade, this does not mean that the sales of any of these groups declined. It merely means that they rose less than the total.

The dramatic rise in the sales of refreshment places—primarily fast food establishments—is a fascinating social and economic phe-

Shares of Away-From-Home Food Market

	1965	1975
	Percent	
Restaurants, lunchrooms, cafeterias, caterers, in-plant contractors	45.3	38.9
Refreshment places	10.5	26.3
Hotels and motels	5.4	5.4
Schools and colleges	11.5	10.7
Stores and bars	2.2	1.5
Recreational places	1.9	1.6
Other	14.8	8.3
Total	100.0	100.0

At-home and away-from-home expenditures for farm foods

Year	Total	Away-from-home			
		At home ¹	Total	Public eating places ²	Institutions ³
<i>\$Bil.</i>					
Consumer expenditures					
1966	86.9	64.0	22.9	17.8	5.1
1970	106.0	74.6	31.4	23.8	7.6
1971	110.8	77.7	33.1	25.0	8.1
1972	117.9	82.9	35.0	26.9	8.1
1973	135.3	97.0	38.3	29.4	8.9
1974	149.2	108.0	41.2	32.3	8.9
1975	161.4	114.5	46.9	36.4	10.5
1976 ⁴	172.3	120.2	52.1	41.0	11.1
Marketing bill					
1966	57.1	39.8	17.3	13.5	3.8
1970	71.2	46.2	25.0	18.8	6.2
1971	75.5	48.8	26.7	20.0	6.7
1972	78.5	50.8	27.7	21.1	6.6
1973	84.2	55.1	29.1	22.1	7.0
1974	93.2	62.1	31.1	24.2	6.9
1975	106.5	70.6	35.9	27.7	8.2
1976 ⁴	116.0	74.2	41.8	32.9	8.9
Farm value					
1966	29.8	24.2	5.6	4.3	1.3
1970	34.8	28.4	6.4	5.0	1.4
1971	35.3	28.9	6.4	5.0	1.4
1972	39.4	32.1	7.3	5.8	1.5
1973	51.1	41.9	9.2	7.3	1.9
1974	56.0	45.9	10.1	8.1	2.0
1975	54.9	43.9	11.0	8.7	2.3
1976 ⁴	56.3	46.0	10.3	8.1	2.2

¹At-home is food consumed from the home food supply (primarily purchased from retail food stores). ²Includes restaurants, cafeterias, snack bars, and other eating establishments. ³Includes the value of food served in hospitals, schools, colleges, rest and nursing homes, and other institutions. ⁴Preliminary.

nomenon. Rising consumer incomes made it possible. Continued increases in the number of working wives, besides increasing family income, stimulated a demand for places where the family could eat at a modest price, serving food that both kids and

adults like, in a relaxed atmosphere.

Although fast foods are much maligned as a contributor to bad diets, a Consumer's Union study showed that a hamburger, french fries, salad, and milk shake provide a remarkably well-balanced

meal. Thus, the fast food places have met a need of the sixties and seventies and the public has taken to them with enthusiasm. Besides, they provide an opportunity for family togetherness at mealtime without the distraction of television. (*Alden Manchester*)

FOOD AND THE NEW CONSUMER PRICE INDEX

Beginning with January 1978, the Bureau of Labor Statistics will publish two new consumer price indexes that will reduce the importance of price movements for food and alcoholic beverages in the Consumer Price Index (CPI). One index will deal with the prices paid by wage earners and clerical workers for a market basket of goods and services which they buy. This is the same population for which the consumer price index has traditionally measured price change. It included 30-35 percent of the total population.

The second index will measure price change for the entire urban population, including all those living in Standard Metropolitan Statistical Areas, or about 80 percent of the total U.S. population. For

the first six months of 1978, the Bureau of Labor Statistics will also publish the present Consumer Price Index.

The market basket for the two new price indexes will be based on average purchases of goods and services by each of the populations in 1972-73, as determined by the Consumer Expenditure Survey of the Bureau of Labor Statistics. Since the mix of goods and services purchased by wage earners and clerical workers changed significantly between 1960-61—the basis for the present index—and 1972-73, the importance of food and other items will change significantly. Similarly, since the market basket of goods purchased by all urban households differs from that of wage earners and clerical workers, the weights in the two new indexes will be quite different.

Based on information released by the Bureau of Labor Statistics, ERS has estimated the importance of food and alcoholic beverages in the existing and new consumer price indexes for August 1977. These figures, although approximations, give an idea of the changes that will take place.

Both food and alcoholic beverages will be significantly less important in the new indexes than in the present index. Food will

decline from about 24 percent to 19 percent in the new wage earner-clerical worker index and less than 18 percent in the all-urban index. At the same time, food-away-from-home will increase in both the new indexes and food-at-home will decrease markedly. It appears that alcoholic beverages will also decline in importance.

This will mean that the new indexes will behave somewhat differently than the one now in use. With food-away-from-home carrying a larger weight than in the present index, all-food prices will tend to rise more rapidly than in the present index and the urban index will rise more rapidly than the wage earner and clerical index. Away-from-home food prices generally advance faster than food-at-home prices because of the rising cost of services provided by restaurants and other eating places.

At the same time, the overall consumer price index will be less affected by food-at-home prices than the present index and, thus, will be less sensitive to food price changes.

Another change in BLS procedures will lengthen the period during which food prices are collected in retail stores—from three days in the first full week of the month to all month long. (*Alden Manchester*)

NEW AND PRESENT CONSUMER PRICE INDEXES

Approximate Importance of Food and Alcoholic Beverages, August 1977

	Present index	New indexes	
	Wage earners and clerical workers	Wage earners and clerical workers	All urban
	Percent		
All food	24.0	19.2	17.6
Food at home	18.8	13.7	11.8
Food away-from-home	5.2	5.5	5.8
Alcoholic beverages	2.1	1.2	1.2
Food and alcoholic beverages	26.1	20.4	18.8

COST OF PROTEIN IN FOODS

Food costs are generally quoted in price per pound. Because protein content varies among foods, it is also useful to calculate the cost per protein unit, defined as 20 grams of protein, or one-third of the daily requirement

recommended for a 20-year-old male. This is one additional dimension of planning a diet, but certainly protein is not the whole story.

In 1976, dry beans—at 12 cents per serving yielding 20 grams of protein—was the most inexpensive source of protein. Peanut butter, beef liver, and white bread were also below 20 cents per serving. At the other extreme, sliced bacon cost nearly 90 cents, followed by lamb chops and porterhouse steak.

Most items outside of the meat-poultry-fish category averaged less than 25 cents per serving. Two exceptions were canned bean soup, because of its highly processed nature, and American processed cheese. Eggs averaged 21 cents a serving, while whole fluid milk was 24 cents.

Within the red meat category, beef liver at 19 cents per serving was the cheapest, followed by hamburger at 21 cents. Many red meats fell into the 40 cents per serving category, but the five most expensive items on the entire schedule were red meats.

Highly processed meats, such as bologna (at close to 60 cents a serving), canned ham, salami, and liverwurst cost more than poultry, tuna, whole ham, and some red meats. Frankfurters, at 43 cents, cost more than twice as much as hamburger.

All three poultry items averaged less than 30 cents per serving. Chicken (whole, ready-to-eat) at 22 cents was roughly comparable to hamburger, while turkey was 26 cents. Chicken breasts, the most expensive of the three at 28 cents, was still lower than lunch meats, cheese, and most seafoods.

Canned tuna, at 28 cents, was the least expensive seafood item, the same as chicken breasts. However, all other seafood items were

Cost of 20 grams of protein from specified foods, selected years

	1956	1966	1976
	<i>Cents</i>		
Dry beans	NA	05	12
Peanut butter	NA	10	16
White bread	09	11	18
Beef liver	NA	15	19
Eggs, large	15	15	21
Hamburger	09	13	21
Chicken (whole ready to cook)	18	15	22
Fluid, whole milk	07	10	24
Turkey (ready to cook)	NA	18	26
Chicken breasts	NA	18	28
Tuna, canned	14	16	28
Pork, picnic	NA	17	30
Canned bean soup	NA	14	30
American processed cheese	22	16	33
Chuck beef	NA	22	36
Ham, whole	19	26	43
Round beefsteak	NA	22	40
Frankfurters	19	26	43
Liverwurst	NA	NA	46
Rump roast	NA	29	45
Pork loin	NA	25	47
Salami	NA	28	47
Sardines, canned	NA	13	50
Ocean perch	15	20	51
Canned ham	NA	28	53
Sirloin	NA	33	56
Haddock, fillet	16	23	59
Bologna	NA	39	59
Rib roast	23	31	59
Veal	23	32	64
Pork chops	27	37	65
Pork sausage	NA	37	77
Porterhouse	NA	46	81
Lamb chops	NA	48	84
Bacon, sliced	30	50	89

NA=Not available.

Source: Agricultural Research Service, U.S. Department of Agriculture; Bureau of Labor Statistics, U.S. Department of Labor.

considerably higher. Canned sardines averaged 50 cents, with perch slightly more, and haddock cost 57 cents.

Over the past decade, increases in the protein cost per serving for different foods have varied widely. The Consumer Price Index for food at home rose about 80 percent during that period, but protein costs for 20 of the 35 listed foods rose less. Liver, hamburger, and eggs rose the least, while

canned sardines almost quadrupled in terms of protein cost. Haddock and perch costs were almost 2½ times higher.

Although dry beans were still the lowest priced food in terms of protein content in 1976, costs had also risen 2½ times over the past decade. Dairy products showed large increases. Costs of pork items also showed hefty advances. (Anthony Gallo)

Farm and Retail: Different Price-making Forces

Farm prices and food prices are made in different markets, subject to different supply and demand pressures. Farm prices of raw agricultural products are made in a fairly classic sense by the forces of supply and demand. In the short run, supplies are given by the plants in the ground, the products in storage, and the animals on the farm. So farm prices fluctuate with changes in weather and climate, the Russian grain crop, the Indian Monsoon, and the depredations of the corn borer. That is why we have farm price support programs and cooperatives for joint action by producers.

The markets in which processors, wholesalers, and retailers sell are quite different. The processor buys raw agricultural products from the farmer, adds processing and packaging services, and sells a differentiated product to the wholesaler or retailer. Wholesalers and retailers, although they make fewer physical changes in the product, also add services.

Farmers are price-takers—they take the price which the market offers. Processors, wholesalers, and retailers, on the other hand, are price-setters. While they are not unaffected by supply and demand, the processes by which it affects their prices are much different than for farmers. In general, they set their prices and sell what the market will take.

This means that prices of raw farm products behave very differently than the price of the services added by processors, wholesalers, and retailers. Increases in farm production costs are passed through the system over several

years, as farmers in the aggregate adjust output to reflect the new cost level. Increases in the costs of processors, wholesalers, and retailers are added on much more quickly. That is why farm prices fluctuate but price spreads for food in the aggregate generally increase at about the same rate as the prices of nonfarm goods and services. (*Alden Manchester*)

FARM POPULATION DECLINE ACCELERATES

The U.S. farm population in 1976 numbered 600,000 fewer than in 1975. It now stands at 8.3 million, down about 15 percent from 1970.

From 1970 to 1974, the decline averaged only 1.2 percent a year. But since 1974, the average annual rate of loss has accelerated to 5.8 percent.

Even so, the rate of decline over the past 7 years has been only 2.7 percent annually, much lower than the 4.8 percent for 1960-1970.

While the farm population continues to drop, there has been a recent resurgence in the total rural count. The population in non-metro areas, now growing faster than the metro population, climbed 6.6 percent from 1970 to 1975, compared with a metro growth of 4.1 percent.

The West has contradicted the national trend in farm population, with an increase of 50,000 farm residents since 1970. All other regions have experienced declines.

The South, losing more farm residents than any other region in 1976, has lost almost a fourth of its farm residents since 1970. With

2.9 million farm people, the South ranks second in farm population to the North Central Region's 3.8 million.

About 1 person out of every 26, or 3.9 percent of the U.S. total population, had a farm residence in 1976. When the number of U.S. farm residents reached its peak in 1916, about 1 person in 3 lived on a farm.

PRODUCTIVITY

Output per manhour increased at varying rates in the food industries in the 1970's, according to recent reports of the Bureau of Labor Statistics.

	Average annual rate of increase in output per employee-hour (all employees), 1971-76
	Percent
Manufacturing:	
Canning and preserving	*2.7
Grain mill products	*2.3
Flour and other grain mill products	1.4
Cereal breakfast foods	*-.5
Rice milling	*1.8
Blended and prepared flour	*-.2
Wet corn milling	*8.3
Bakery products7
Sugar3
Candy and confectionery products	3.8
Bottled and canned soft drinks	4.8
Retail food stores	-1.3
Eating and drinking places2
Hotels, motels, and tourist courts	1.9
*1971-1975.	

(Productivity indexes for selected industries, 1976 edition, U.S. Dept. of Labor, Bureau of Labor Statistics,

Bull. 1938, 1977, 250 pp. For sale by Superintendent of Documents, U.S. Govt. Printing Office, Washington, D.C. 20402 for \$3.15. Stock number 029-001-01969-6. Also, Monthly Labor Review, Oct. 1977, p. 58.)

SEASONAL VARIATIONS IN FOOD PRICES

Retail prices for individual foods fluctuate during the year due to varying production, marketing, and perishability factors. Retail apple prices, for example, typically reach a peak in early summer and ebb into late fall. In contrast, retail sugar prices are generally highest in December and lowest in mid-summer.

One method of measuring price variation is to add monthly deviations in the Bureau of Labor Statistics seasonal adjustment factors for the period ending December 1976 above or below 100 (the average), and divide by 12 to come up with average monthly price variation. For example, onion prices are at the average during September (equalled 100), but vary from about 88 in January to 114 in May. If these variations from 100 for the 12 months are added and divided by 12, the average monthly variation would be 8 percentage points.

Among major food groups, eggs varied the most, at 7.3 percentage points, showing sharp variations during each month of the year, partly because eggs are alone in the group so there are no offsets from other items. The other highly perishable foods, fresh fruits and fresh vegetables, showed average monthly seasonal food price variations of 6.3 and 5.7 points, respectively. Fresh produce prices peak in mid-summer and reach the lowest point in early winter.

Poultry prices, at about 2 points, varied by a third as much as fresh produce. Frying chickens showed the most seasonal variation in this group, and along with chicken breasts, peaked in September. Turkey prices peak in November.

Red meats showed a 1.6-point average monthly variation, largely due to wide seasonal fluctuations (2½ points) for pork. Beef fluctuated less at 1½ points, while processed meats were about half that amount.

Fats and oils varied about 1.8 point while sugar and sweets were less than 1½ percent. Dairy products varied about 1 percent, largely due to sharp seasonal price variations for butter.

Among foods showing little seasonal variation are processed fruits and vegetables, partially prepared foods, and fish. Each of these groups contains highly processed foods.

Over time, patterns of seasonality may change due to shifts in price fluctuations during the most recent years, causing a change in the monthly seasonal factor. Thus, the monthly seasonal factor for such variable items as fresh produce and eggs has changed drastically. The seasonal factor

for sugar showed sharp changes due to erratic price movements in 1975 and 1976.

Average monthly seasonal variation for a number of items has shown some changes over the past few years. The average monthly seasonal variation for sugar rose from .9 in 1974 to 38 in 1977. Eggs rose from 5.8 to 7.3 points, while pork rose from .9 to 1½ points. Fats and oils also showed much more seasonal movement.

Average monthly price variations, 1976

Food group	Percentage points
Cereal and bakery products .	0.5
Meats	1.6
Beef and veal	1.4
Pork	2.5
Other meats8
Poultry	2.2
Fish3
Dairy products	1.0
Fresh fruits	6.3
Fresh vegetables	5.7
Processed fruits and vegetables7
Eggs	7.3
Fats and oils	1.8
Sugar and Sweets	1.4
Partially prepared foods4