

# Americans Spend Less Than 10 percent of Disposable Income on Food

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The Department of Agriculture reports that food remains a bargain for Oregon and U.S. consumers.

(SALEM) - The U.S. consumer is spending a bit more of their disposable income to purchase food than the previous year, but they still enjoy the cheapest, most abundant food supply in the world, according to new statistics released by the U.S. Department of Agriculture.



"It's no secret that Americans continue to get a bargain with their food dollar," says Katy Coba, director of the Oregon Department of Agriculture. "We should all thank our productive and efficient farmers and ranchers for making that bargain possible."

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USDA's Economic Research Service (ERS) has recently released food expenditure statistics for 2005. They show that Americans are spending, on average, 9.9 percent of their disposable income on food.

That's up slightly from 9.7 percent in 2004 but very consistent with figures over the past five years. The percentage dropped to single digits for the first time in recorded U.S. history in 2000.

Twenty years ago, American consumers spent 11.7 percent of their disposable income on food. Thirty years ago, that figure was 15.1 percent. Going back in history, Americans spent about 20 percent of their income on food about the time today's baby boomers were born. In 1933, the figure was more than 25 percent.

Statistics are not available for individual states, but Oregon generally follows the national trend.

In terms of dollars, U.S. families and individuals spent more than \$895 billion on food in 2005 compared to just \$11 billion in 1933. Of course, the nation's population has risen dramatically. But the end result of increased productivity in agriculture is a percentage of income for food that is the envy of the world.

"Better equipment, mechanization, use of hybrid seeds, fertilizer, and crop protectant chemicals have all contributed to increased production in the U.S., which has lowered the cost of food to the public," says Brent Searle, ODA analyst and special assistant to the director.

"That has allowed 90 percent of the American consumer's disposable income to be spent on things other than food, such as housing, automobiles, leisure, and recreation."

Not all food available to the American consumer these days is grown or produced in the U.S. There are plenty of imported food products. Likewise, much of what comes from U.S. farms and factories heads overseas. But prices have remained relatively low in the United States and Oregon primarily because of high productivity and efficiency by domestic agriculture.

While the low percentage spent on food is good news for American consumers, it has not necessarily translated well to the producer. On average, farmers get back less than 20 cents of every dollar paid by the consumer. The balance primarily goes to processors, wholesalers, and retailers.

Producers receive less than half of what they used to get from the food dollar. In 1950, they received 41 cents out of each dollar. As recently as 1980, that figure was still as high as 31 cents.

Another trend in the U.S. food expenditure statistics is the amount of money spent on food consumed away from home. Last year, spending on food away from home was 48.5 percent compared to 51.5 percent for food prepared and consumed at home.

Thirty years ago, only about 34 percent of those food dollars were spent away from home. Fifty years ago, that figure was 25 percent.

The out-of-the-home food spending has spiked up again after a bit of a drop in recent years.

"We saw that portion spent out-of-home go up quite a bit in the 1990s as convenience became a bigger factor in everyone's busy daily lives," says Searle. "Then it backed off a bit after 9/11 as people tended to stay home a bit more."

Since Oregon food products often find their way into the restaurant and food service industries, the trend of eating out more is valuable to Oregon producers and processors.

USDA's Economic Research Service (ERS) also reports the Consumer Price Index (CPI) for all food sold in the U.S. increased at an annual rate of 2.4 percent in 2005 and is forecast to increase as much as 3.0 percent in 2006 as retailers pass on higher energy and transportation costs to consumers in the form of slightly higher retail prices. Still, American consumers are getting a bang for their buck when it comes to food.

"When any of us go to the store and buy food, we look at the check register and sometimes feel like we are spending too much," says Searle. "But in comparison to other countries, food is still a bargain."

International statistics provided by ERS only account for the percentage of disposable income spent on food at home. Still, the numbers show huge disparities between the U.S. and other countries.

The U.S. percentage is 6.1 percent. The next lowest figure comes from consumers in the United Kingdom at 8.3 percent. (Note: No statistics are available in the report for Canada, which would be considered a lower percentage country.)

German consumers spend 10.9 percent of their disposable income on food at home, followed by Japan (13.4 percent), South Korea (13.4 percent), and France (13.6 percent) among high income countries.

Middle income countries include South Africa (17.5 percent) and Mexico (21.7 percent). China (28.3 percent) and Russia (36.7 percent) are seeing rapid decreases in food expenditure percentages but are still relatively high. India (39.4 percent) and Indonesia (49.9 percent) are among the highest when it comes to the amount of disposable income spent on food.

It all points back to something Americans often take for granted.

"There are few other places in the world where you can get the diversity and the amount of food for the dollar you spend than the United States," says Searle.

U.S. consumers can thank American farmers and ranchers, in large part, for that great bargain.