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Consumer Wiolds Food Price War

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Food Prices & You

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Consumer preference. Why do more Americans prefer beef, which has borne the brunt of the food price spiral, to lamb, chicken, or some other meat. Much of it is cultural. The U.S. preference for beef may be the result of the plentiful supply of bison available to pioneers and broad expanses of land suited for raising cattle. The Irish love their lamb stew, simply because lamb meat was cheap and available to early settlers. Religious beliefs also play a part in preferences, and some preferences also often stem from traditions passed through generations. Americans like their beef and are the greatest meat-eating nation of the world, and this serves to keep the price of beef up.

Price and availability of substitutes. The food price picture is also one of a fairly delicate balance. For instance, if the price of pork drops, consumers may buy more pork and less beef, unless beef drops accordingly. Similarly, if foods are complementary, like eggs and bacon, a change in the price of one can affect the price of the other. The willingness of consumers to switch to alternative products and their flexibility regarding complementary products are associated with food prices.

Many consumers do not pay attention to price changes unless the change is fairly large, and many notice the changes, but will not alter their buying patterns unless the price change is drastic.

If consumers expect a product to be more expensive or less available in the future they may buy and hoard it. This bids the price up in the current market.

The important quantity in all these food price trends is human behavior. Consumers are people, and people are influenced, people have habits, people have feelings and these can be altered if circumstances warrant.

Although changes in supplies of foods are important to changing price levels, in the present food price situation, consumer demand, influenced by consumer behavior, is playing a significant role in the price picture. Consumers have been demanding more meats, more fresh dairy products, more prepared foods, smaller packaging, unit pricing, nutritional labeling, open dating of products, better sanitation in food establishments . . . and all of these demands add costs to the food supply.

Is there a "villain" in the food price spiral? We can say with Pogo "... We have met the enemy and he is us. . ."

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consumer wields food price power

The price of food is determined by many factors — size of harvest, weather, demand, the world trade situation, and numerous other things. But one of the most significant influences comes from you — the consumer. How the purchaser of food feels, thinks and behaves, and is influenced, wields a mighty hand in the food price picture.

Consumer behavior, which includes how the buyer feels, thinks and acts, strongly influences food prices. For instance:

Seasonal demand All foods have their season, and harvests vary from one end of the nation to the other. When there are abundant supplies of certain items, tomatoes, for instance, they will be less expensive. But, if the tomatoes have to be grown in Florida, and shipped in to supply the Indiana consumer at Christmas — obviously, they will be more costly. The season of abundance for fruits, vegetables, grains, even livestock, varies; but in our society, consumer behavior is such that we want to buy almost every food all year round, regardless of whether it is in or out of season. Consequently, at certain times of the year, we pay more.

Nutrition Changing lifestyles and increased education have led consumers to become concerned and discreet about the nutritional value of foods. Most of the population gets less exercise, and seeks foods lower in calories, but higher in protein and vitamins. Concern over purity and interest in so-called natural or organic foods has become more prominent.

The attitudes of the consumer about foods and health affect buying behavior. Low calorie, high protein, low cholesterol and organic foods all cost more, and as consumer preferences and purchases shift toward these kinds of products their prices are influenced.

Changing lifestyles and attitudes also create an environment favorable for the development and marketing of new products. Some feature built-in convenience, such as TV dinners; some offer exotic and gourmet features, some offer health features, some are gimmicks of packaging and advertising.

The food-buying public has become so accustomed to a steady supply of new products and packaging that they have developed a desire for "new and improved" items, and most new products and forms cost more. The consumer's ready acceptance of these changes encourage them, and help nudge price levels upward.

Advertising is another factor influencing food pricing. Advertising informs consumers of new or improved products, but also attempts to persuade them to choose one brand over another or brand over non-brand, usually at a higher price. Some product advertising adds to the cost of food marketing, thus directly increasing the product price. Another major effect of advertising is creating consumer demands for a specific product. The more a product is called for, the more its price increases. Advertising takes about three cents of every consumer food dollar, thus affecting price directly as well as indirectly.

by Henry V. Courtenay
Consumer Economics Specialist

Packaging and labeling are also part of advertising picture, and about 12 cents of every food dollar goes into this item. In short, demand for change, whether it's a new form of food processing, or a fancier package, costs money.

Trading stamps, games bonus dishes, and other premiums, also help add fuel to the price climb. Trading stamps, for instance, cost about 2 cents of the food dollar. If consumers play the games, and collect the stamps, these kinds of premiums are encouraged.

Consumer income. That last raise you got probably helped to increase the price of food. It works like this — when consumers get an increase in income, they either spend it or save it. Most people do a little of both. Some of the extra spending is likely to be on food, and generally, as incomes increase, the spending goes to buy better quality foods, in addition to more food. In short, more steak, less macaroni. Studies show that when people's incomes increase, they buy more meat and fruits. This has created a heavy demand for beef in the U.S. In other western world countries the trend is similar. Hence, an increased demand for quality foods on the world market and accompanying higher prices result.

Another effect of increased income is high consumption of convenience foods and snack products. This, too, is reflected in higher food prices.