

Convenience Driving Increase In Processed Fruit And Vegetable Expenditures

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The average U.S. family spends $6,129 a year on food, accounting for 12.7 percent of average total expenditures of just over $48,000, according to Demographics of Food Spending from The Food Institute, a research and trade association. The publication looked at expenditure data from the Bureau of Labor Statistics as it has done for the past 15 years — the latest from surveys conducted in 2010. Those food expenditures are down from prior-year levels, however, as the so-called “Great Recession” was in full swing at that time and frugality started to become a common term in the consumer vocabulary, and continues to be today.

But that should be put into perspective as The Food Institute reminds its members, compared with other nations across the globe, U.S. families still enjoy the lowest cost food. In a ranking of food expenditures as a percent of disposable income by nation, the U.S. consistently leads the pack with the smallest share, lately followed by Singapore and the United Kingdom. And if you are wondering, in Cameroon, nearly one-half of families’ disposable income goes to food.

Unfortunately for the food industry — from farm to fork — it has felt the impact of the Great Recession even more than the total expenditure line. While the total dropped 2 percent from the prior year, food expenditures during 2010 dropped nearly 4 percent — a pretty big hit for everyone from farmers to retailers.

Looking at it another way, food expenditure cutbacks accounted for 25 percent of the overall decline in average annual expenditures in 2010, even though only one-eighth of the total is spent on food.

Fortunately, expenditures for fruits and vegetables bucked the downward overall trend for food spending in 2010, rising 3.5 percent from the prior year to $656, with fresh fruit and vegetable expenditures rising 3 percent to $442, while processed rose 4 percent to $237. And, while the average consumer spent $1 more on fresh vegetables compared to the prior year, $14 more was spent on processed vegetables — suggesting that the frugal consumer will purchase the product with the longer shelf-life and greater convenience.

The Food Institute notes that ease of use likely played a large role in that increase in processed fruits and vegetables, due specifically to the popularity of frozen steam microwave vegetable packs that have become a staple in the freezer case for both brands and private labels, and now account for a large portion of frozen vegetable sales.

Another factor that may be aiding the trend toward greater processed vegetable sales is an expanding number of freezer cases beyond the traditional supermarket into alternative retailers such as chain drug stores and dollar stores, making those products more readily available to consumers. Just consider that the number of U.S. dollar stores has now surpassed 22,000 — even more than the number of chain drug stores. And, The Food Institute projects that number will top 33,000 by the end of the current decade — many with freezer cases, and major players looking to expand the number of freezer cases in their stores.

Looking back five years from 2010, The Food Institute found that processed vegetable expenditures in that period rose an impressive 30 percent, far outpacing the 5 percent growth in processed fruits, the 9 percent growth in fresh vegetables and even the substantial 19 percent gain in fresh fruits.

And while the data in the Demographics report may confirm some assumptions that consumers in the Western region of the U.S. spent 2.3 percent more of their food budget on fresh fruit and 1.2 percent more on fresh vegetables than consumers in the Northeast, those Northeastern consumers aged 25 to 34 spent 0.5 percent more of their total budget on fruits and vegetables than their Western counterparts.

Looking at expenditures by household size, the convenience of processed fruits and vegetables is borne out by the data showing that single-parent households with at least one child under 18 years old spend 40 percent of their fruit and vegetable expenditures on processed fruits and vegetables — more than any other such demographic group. For “couples only” fully two-thirds of their expenditures for fruits and vegetables go to fresh fruits and vegetables, however.

Researchers at The Food Institute also point out the wide fluctuation in fresh fruit and vegetable pricing has contributed to the steady increase in consumer expenditures for processed foods. In the Institute’s Retail and Wholesale Food Price Review 2012, the association reported that processed fruit and vegetable prices increased 3.7 percent at the wholesale level in 2011, compared with a 2.3 percent increase in consumer prices. And on a month-to-month basis, processed vegetable prices change little. But that’s not the case for fresh fruit and vegetable prices, which fluctuate dramatically from month-to-month.