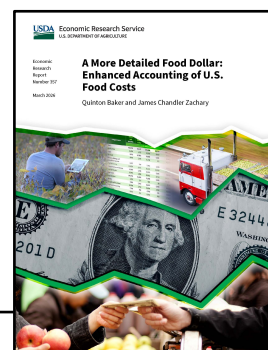


A report summary from the Economic Research Service

A More Detailed Food Dollar: Enhanced Accounting of U.S. Food Costs

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Key Points

- The Food Dollar measures farm shares, marketing shares, and costs of supply chain activities in domestic food production using input-output analysis.
- USDA, Economic Research Service (ERS) updated the Food Dollar (FD1) model due to changes in source data and methodology, revising data from 2007 onward.
- The updated Food Dollar (FD2) contains 47 annual tables detailing the cost distributions of food and alcohol, including food-at-home (FAH) products (e.g. bakery products) and food-away-from-home (FAFH) outlets (e.g. limited-service restaurants). FD1 produced 16 tables but only updated 6 aggregated tables annually.
- Annually, FD2 attributes \$38–50 billion more to farm commodities and food in FAFH (\$67 billion in 2017) and \$13–63 billion less to farm commodities and food in FAH (\$127 billion in 2017) compared with FD1. This increases the FAFH farm share and decreases the FAH farm share in FD2.
- FD2 uses a new method involving matrix algebra that directly removes all of the value of farm-to-farm transactions, which otherwise over-state the returns to farms in the domestic food supply chain. FD1 underestimated farm-to-farm transactions by \$61.9 million out of \$107 billion in 2017.
- The industry group bill has been reorganized, leading to a more detailed account of the value of agriculture activities in the domestic food system. For example, the farm production share is now separated into crops; livestock; and forestry, fishing, and ag-services shares. Wholesale and retail shares, which included all transactions related to food production, are restricted to the sale of food products, whereas in FD1 they included all wholesale and retail activities supporting the domestic food supply chain. As a result, the wholesale share decreased by about 5 cents per food dollar, and the retail share increased marginally for all food and by about 3 cents per FAH dollar.

Why Does This Matter?

USDA, ERS introduced the Food Dollar Series in 2011 to analyze where the dollars consumers spend on food go. However, data constraints limited the amount and level of detail available for analysis. For example, FD1 could only produce farm and

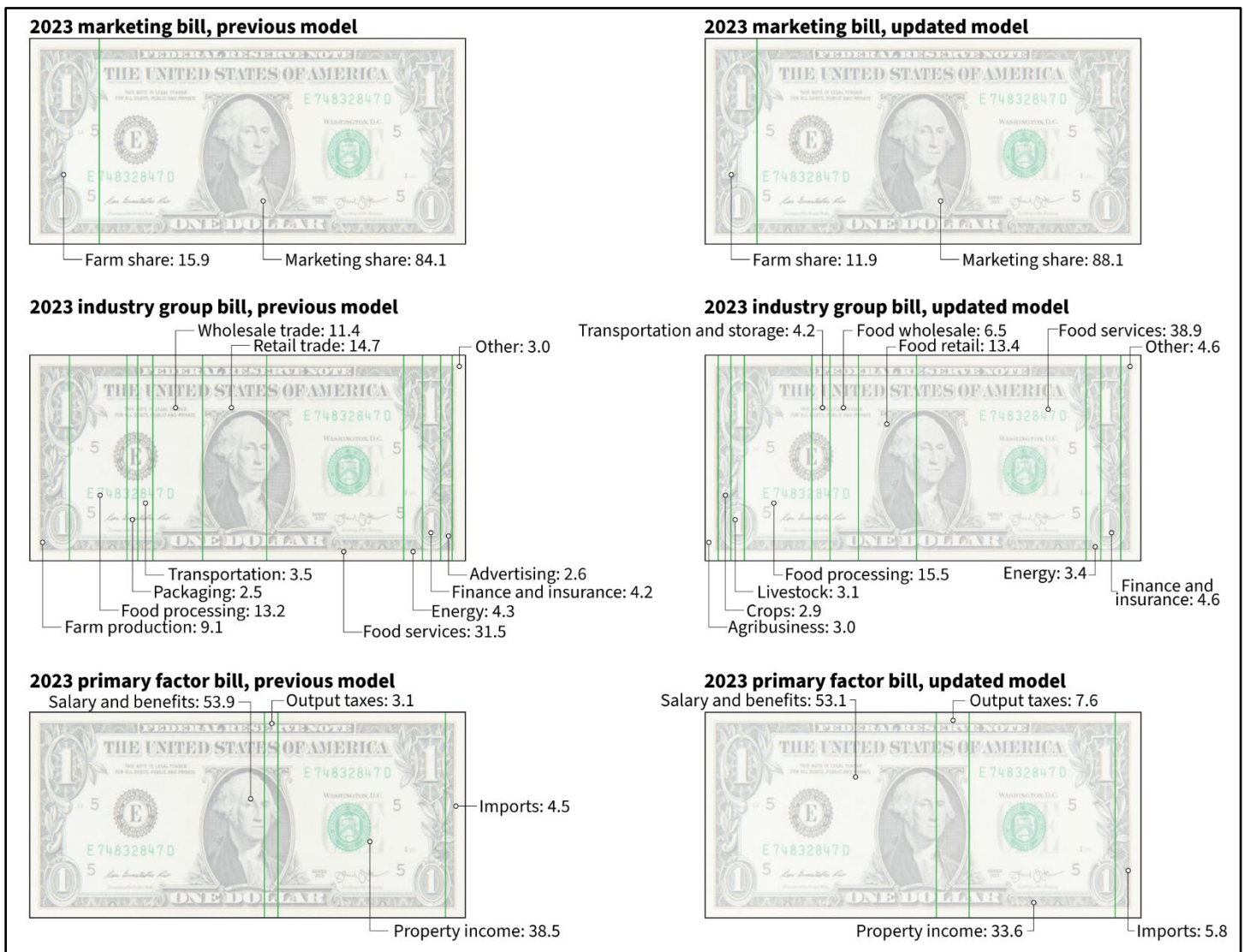
marketing shares for bread and bakery or poultry products in 5-year intervals when data sources release this level of detail. FD1 also grouped all restaurant types together because it could not delineate between full- and limited-service restaurants. FD2 uses the Agri-Food Economic Data System developed by USDA, ERS, which uses U.S.

Department of Commerce, Bureau of Economic Analysis (BEA) data sources and is harmonized with other USDA, ERS data products. FD2 expands the model's level of detail annually and includes adjustments to recover the full market value of farm and food commodities in FAH and FAFH

expenditures. It produces a more comprehensive accounting of the cost of farm commodities and value contributions by supply chain activities per dollar spent on domestically produced food. This report outlines the updates to the Food Dollar model and revisions to the data.

A Few More Details

A key difference between FD1 and FD2 in the marketing bill is the redirection of food by marketing channel, resulting in changes in farm share values. For the industry group bill, the most notable differences are the total number and names of industry groups that have changed. Methodology changes are the most immediate differences for the primary factor bill, resulting in different shares.



Source: USDA, Economic Research Service, Food Dollar.

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.