

## Conclusions

Our food expenditure projections are based on several assumptions. First, the relationships of income and demographics to food expenditures will stay the same as those found in the statistical analysis of the 1997-98 CES data. Second, as economic and demographic circumstances change, consumers will acquire the expenditure patterns of individuals already observed in those circumstances. Third, the estimated models are driven by projected changes in demographics and projected income growth. These assumptions are extremely restrictive, but the information required to relax them is either unavailable or unreliable.

It is important to stress an alternative way to view the projections: as scenarios of what would have occurred in 1997-98 if projected demographic changes had already been in place. For example, a relevant question may be as follows: “What would have happened to food expenditures in 1997-98 if the projected changes in the racial mix of the population for 2020 were already in place?” This approach to viewing the projections lessens the potential for misinterpretation by focusing attention on the underlying assumptions described earlier in this report.

Based on our projections, changes in regional makeup, diet-health knowledge (educational attainment), and racial distribution will have little effect on U.S. per capita food expenditures. The changing age distribution of the U.S. population between 2000 and 2020 will also have minimal impact. Under this scenario, total food expenditures will increase just 0.8 percent. This projected increase is due to food-away-from-home expenditures declining 1.3 percent and food-at-home expenditures increasing 2.2 percent. The isolated impact of income growth had a larger effect on spending than projected demographic variables. A 1-percent increase in inflation-adjusted income would increase total food expenditures 6.2 percent between 2000 and 2020. This effect is due to a 9.7-percent increase in food expenditures away from home and a 3-percent increase in food expenditures at home.

When demographic changes and income growth were combined in a composite projection, we found that total per capita food expenditures were expected to increase 7.1 percent. This effect is due to an 8.1-percent increase in food-away-from-home expenditures and a 5.4-percent increase in food-at-home expenditures. By taking into account projected increases in the U.S. population between 2000 and 2020, we used our composite projections to derive a total national effect. Total national food expenditures are projected to increase 26.3 percent over the 20-year period. This effect is due to a 27.5-percent increase in expenditures for food away from home and a 24.3-percent increase in expenditures for food at home.

The effect of demographic and income changes on demand for food can be separated into two possible components—demand for quantity and demand for quality. The demand for quantity typically describes the demand for undifferentiated basic commodities, while the demand for quality describes the demand for a wide array of food characteristics, such as taste, nutritional content, safety, and convenience.

Increased demand for quality can be manifested through purchases of higher valued items within a food group or through purchases of new food types. For example, within the red meat food group, more affluent consumers may choose steaks instead of hamburgers. More affluent consumers may also expand their food choices to include luxury items, such as lobster or truffles, or new convenience foods, including away-from-home foods. As incomes rise, consumers may also increase their demand for processed foods that meet particular safety requirements, such as pasteurized eggs, or foods with preferred nutrition attributes, such as leaner meats.

Our analysis supports the hypothesis that consumers may demand quality over quantity in the future, especially as real incomes increase. Among the major food groups, the net effect of income growth and demographic change is projected to have its largest percentage effect on per capita expenditures for fruits, vegetables, miscellaneous prepared foods—a category that captures a vast array of processed foods—and food away from home. This effect suggests that processors may want to continue developing new products that are convenient, safe, nutritious, and easy to prepare.