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Nutrition Standards for Competitive Foods in Schools: Implications for Foodservice Revenues

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Across America, meals provided through USDA's National School Lunch Program (NSLP) and School Breakfast Program (SBP) supply most of the foods and beverages obtained by children at school. Most schools also sell competitive foods, or "à la carte" items, alongside USDA school meals, in vending machines, or in school stores and snack bars, with proceeds going to the school foodservice or fundraising school groups. These foods have been widely criticized as being of low nutritional value, undercutting public efforts to improve children's diets and prevent obesity. The Healthy, Hunger-Free Kids Act of 2010 requires schools that offer USDA school meals to limit competitive foods to those that meet updated nutrition standards, under development by USDA's Food and Nutrition Service (FNS).

What Is the Issue?

Limiting the types of competitive foods available for sale may result in lost revenue for school foodservices, which depend to varying degrees on this revenue stream. Because USDA school meal programs are a part of the Nation's nutrition safety net, the contribution that competitive food revenues make to foodservices serving economically vulnerable student populations is of particular interest. This report examines how updated nutrition standards for competitive foods might affect competitive food availability, and the implications for foodservice revenues.

What Are the Findings?

Desserts, sweetened beverages, salty snacks, and candy made up more than half of competitive items selected by elementary and secondary school students in 2005. Most (80-90 percent) of the competitive food and beverage items selected by students would not fully meet updated nutrition standards, which would shift purchases from items high in fat, saturated fat, sugars, and sodium to foods featuring whole grains, low-fat dairy, fruits, and vegetables.

One-third of elementary students consumed at least one competitive food on a typical school day in 2005, whereas 53 percent of secondary students did. Secondary students also consumed more competitive items than did elementary students. Average annual competitive revenues for elementary schools were about one-sixth those of middle schools and one-ninth those of high schools. At both the elementary and secondary school levels, school foodservices in more affluent districts obtained more revenues from competitive foods on a per-student basis.

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School Food Authorities (SFAs), the foodservice management units for school districts, reported obtaining, on average, 12 percent of revenues from competitive foods in 2002-2003, a period in which there were few nutritional restrictions on competitive foods. Ten percent of SFAs received 36 percent or more of their revenues from competitive foods, which was attributable both to higher competitive food revenues and lower revenues from USDA school meals. SFAs with higher shares of competitive food revenue typically were located in more affluent districts and served fewer low-income students receiving free and reduced-price meals than did schools with low competitive food revenues. They also were more common in suburban, rather than urban or rural, districts and in the Northeast, Mid-Atlantic, and Midwest.

Establishing nutrition standards for foods sold at school in competition with the USDA meals should provide nutritional benefits, especially to secondary-school students and in the typically suburban, more affluent SFAs that obtain large shares of revenue from competitive foods and have low school meal participation. There may be additional benefits to lowering the profile of competitive foods in schools. Eliminating less nutritious competitive foods may also support efforts to improve the quality of USDA school meals. One study found NSLP lunches to be lower in fat in schools with no à la carte and vending. In the competition for student food spending, the absence of unhealthy alternatives may leave school foodservices more free to offer healthier meals that meet Federal nutrition standards.

For school foodservices concerned about covering their expenses, the challenge will be to adapt to new standards and develop new strategies for maintaining revenues in a healthier school nutrition environment. The challenge is most pronounced in SFAs receiving a large proportion of revenues from competitive foods. Higher school foodservice revenues from competitive foods were associated with lower USDA lunch participation, suggesting that competitive food revenues may displace meal participation and associated revenue. In SFAs where competitive food revenues make up a larger share of overall revenues, foodservice managers may be apprehensive about nutrition-mandated changes in offerings. Such SFAs will be especially interested in strategies for maintaining revenues when nutrition standards for competitive foods are implemented.

To offset revenue losses from removal of competitive foods that fail to meet nutrition standards, school foodservices can (1) seek out healthier competitive food options to replace those currently sold, or (2) re-emphasize their “core business” by expanding participation in school meals. For both strategies, appropriate pricing is key. The Healthy, Hunger-Free Kids Act of 2010 addressed pricing of meals and competitive foods, and new regulations based on this act may have important effects on revenues obtained both from USDA school meals and from healthier competitive foods.

How Was the Study Conducted?

This study made use of two national surveys conducted on behalf of FNS. Nationally representative school- and student-level data collected in 2004-05 were obtained from the School Nutrition Dietary Assessment III (SNDA-III), whereas the School Food Authority Characteristics Study (SFACS) provided school foodservice revenue and other data at the school district level from 2002-03. The SFACS sample was designed to generate national and regionally representative estimates, and although now a decade old, is still the most recent source for such data. At both the school and the SFA level, we examine the association of school foodservice competitive revenues with (1) the socio-economic environment in which schools and SFAs operate; (2) school meal program characteristics like the average price charged for a full-price lunch; and (3) State and local characteristics that influence the school environment in which the foodservice operates.