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Issues in the Marketplace

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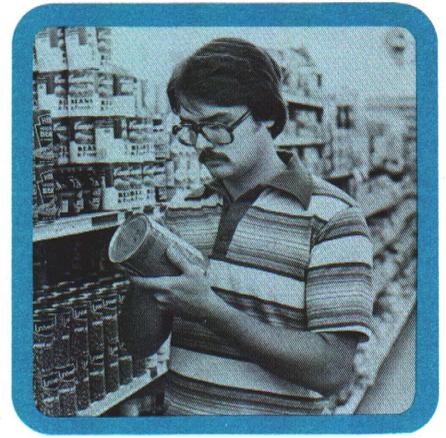
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ISSUES IN THE MARKETPLACE



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"How can I afford nutritious foods at today's prices?"

"Is natural food better than processed food?"

"Isn't the government supposed to inspect everything?"

Consumers are asking these and other questions as they come face to face with the "food situation" in the marketplace. They are more enlightened today than in the past, according to a 1976 USDA survey, and are demanding a voice in deciding food policy.

This pamphlet will examine some of the food issues that have aroused consumer concern, review the origins of food costs to consumers, and discuss consumers' influence on our food supply and prices.

Consumer Issues

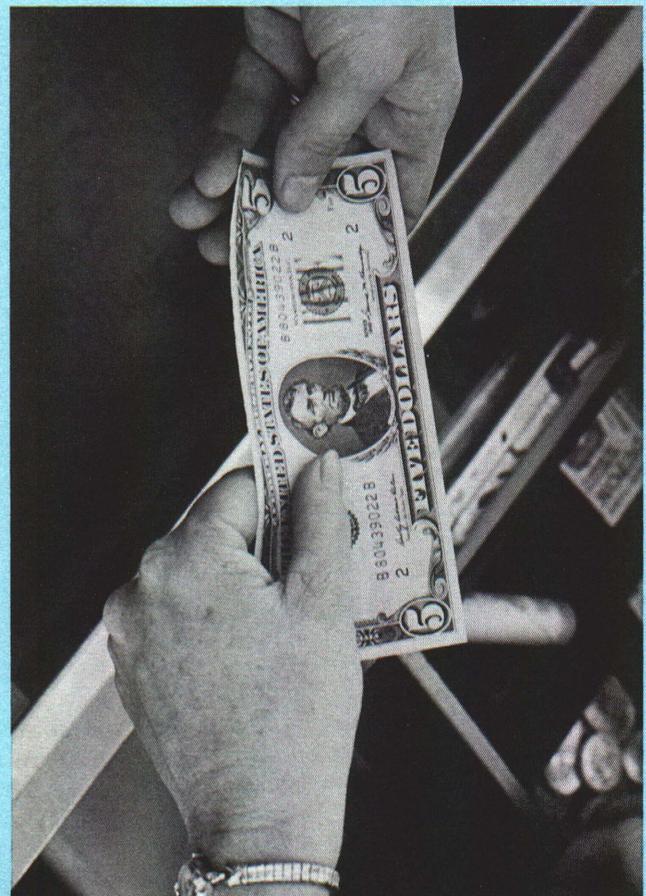
Rising retail food prices

Until food prices skyrocketed in 1972, they had been rising steadily, but moderately, since the end of World War II. The 14.5-percent increase from 1972 to 1973 was the largest yearly increase during the postwar period. In the early 1970's, several important economic changes were responsible for sending prices up. Some of these changes were increases in economic activity and in food demand both at home and abroad, the devaluation of the U.S. dollar, and a slight decrease in available food supply due to weather conditions and production cutbacks. Later the oil shortage maintained the upward pressure on food prices by causing higher costs from farm to supermarket.

By 1976, prices for food at home were 33 percent higher than they had been in 1972, according to the Consumer Price Index. The increase then slowed somewhat, but not before the consumer had become sensitized to rising prices. Three-fourths of the food shoppers in a 1975 FDA survey looked at prices before anything else. To cope with inflation, consumers have developed more efficient food-buying patterns during the last five years. They have also developed negative attitudes toward government and business. Their

criticisms of business were brought out in a 1975 nationwide survey for the Food Distribution Council of Supermarket Institute.

Consumers, business, and government seek sources of responsibility for the rising cost of food. No group examines itself. Perhaps the energies of all factions could be most wisely spent in cooperation to cope with the situation. Food costs are a multifaceted problem.



The rising cost of food has caused consumers to reevaluate food purchasing priorities.

Food processing

Another issue for some consumers is the effect of processing on the nutritive value and cost of food. Enthusiasts of natural food advocate the use of unrefined and unprocessed products. They believe these foods are more nutritious than those that are highly processed. Food technologists contend that the effects of processing on cost and nutritive value are balanced by the year-round availability of seasonal foods. Improved flavor, texture, shelf life, and appearance of food are other advantages which technologists say offset the disadvantages of food processing.

In evaluating food processing from a nutritional standpoint, the consumer must weigh increased food availability and convenience of use against nutrient losses. This can be difficult. Sometimes nutritional losses from home canning and freezing can be greater than those from commercial processing. Also, improper food preparation and storage techniques at home can cause great nutritive losses.

The consumer must also evaluate the relative importance of losing a specific nutrient from a particular food. For example, the loss of vitamin C from milk during pasteurization is unimportant, considering that milk is a minor source of vitamin C.

"Natural" or unprocessed foods may cost less to produce than processed foods. However, because of the limited volume, shortened shelf life, and high perishability, the cost to the consumer may actually be more for a natural food than for a comparable processed item in a retail food store.



Processing must be evaluated on the basis of nutritional value and increased availabilities of foods.

Food safety

Although our food supply is the safest in history, there is, interestingly enough, a good deal of consumer concern about its wholesomeness. This could be due to a number of factors. One is the tremendous increase in the number of foods containing additives, sometimes



Consumer feedback to the food industry and government agencies is important to the safety of our food supply.

in larger amounts than originally intended by the FDA. Examples of this might be monosodium glutamate (MSG) and some food colors before the FDA removed these substances from the Generally Recognized As Safe (GRAS) list of foods.

An issue within the one of food safety is the lack of public and scientific consensus on the ratio of risk to benefits that will justify marketing a substance. However, genuine, legitimate concern has all too often been victimized by mass media sensationalism and special interest groups acting through either ignorance or greed.

Although no one wants to put foods on the market that will lead to illness, the responsibility for maintaining a safe food supply is not always well defined. The government assumes a large share of the responsibility in the form of food laws and regulatory agencies. Such agencies are the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Department of Health, Education, and Welfare (DHEW), and the U.S. Public Health Service (USPHS).

The problem with laws and regulations is that it is often difficult to enforce them. Even if they could all be strictly enforced, the government does not have the responsibility or capability to inspect and insure the safety and label accuracy of every food product sold. To give the government more responsibility and increase regulatory functions could be more costly in terms of both money and reduced freedom of choice for consumers.

The majority of consumers surveyed by the FDA believe the food industry should have the main responsibility for food safety. To a large degree they are right. Certainly voluntary cooperation by the food industry is essential for a safe food supply.

Ultimately, however, the responsibility is the consumer's, not just in food handling and preparation at home, but also in the marketplace. It is important for consumers to bring specific food problems observed in

a restaurant or grocery store to the attention of the manager of the business or a government agency. People can also make their wishes known to the food industry and to the legislature through their purchasing patterns and through their calls and letters. A lack of interest or feedback from the public is often interpreted by the government and the food industry as acceptance of the existing situation.

What Are the Costs to Consumers?

Food production and marketing services

A share of each food dollar goes to the farmer, who has the labor and land costs of growing the food, besides expensive supplies and machinery. Processors and manufacturers who grade, store, refine, process, and manufacture the food also get a share. Food buyers and wholesalers, who control the food stores and warehouses, have many expenses. Between each of these is a distributor who is responsible for transporting food by air, water, rail, or highways. The increase in energy costs has greatly affected distributors' expenses. Finally, there are over 300,000 retail food stores that must advertise, display, and sell the food.

Quality and sanitation standards set by the government have to be met throughout every step of the food process — from the breeder and seed producer to the retailer. The increasing costs of meeting these standards also contribute to the food prices.

Each step in production and marketing, including food processing, involves millions of employees. Marketing services account for two-thirds of the food dollar. Without this vast assemblage of services, feeding the entire nation would not be possible.

Consumer preferences

We are eating more expensive foods than we used to. For example, the per capita consumption of processed fruits and vegetables has increased in the past 10 years. Consumption of grain products, which are relatively less expensive, is down. This increased demand for higher cost foods puts a strain on supply as well as on prices. It is the consumer's choice to include more expensive items in the diet, and consumers are paying for it.

Consumers also have some influence over other factors that affect their food bills:

The amount of processing is one area in which the consumer has a wide latitude of choice. The convenience of having certain items premixed, precut, preseasoned, and precooked can save lots of home preparation, but it does often increase the food bill — sometimes greatly. Many American consumers are willing and able to spend extra food dollars on such convenience items. For them, time is money and it is well worth the additional cost to have someone else do the labor.

Some convenience items actually cost less than unprocessed ones, mainly because of the large volume of production and the longer shelf life. Examples of these

are frozen or canned fruits, processed vegetables out of season, and many of the baking mixes.

Packaging influences the cost of an item. The food industry spends a great deal of time and money to devise packaging that will be attractive to consumers. Some sort of packaging is usually necessary to provide the variety, freshness, sanitation, and good taste that American consumers demand.

While consumers don't have much choice when it comes to most packaging, they can choose whether to buy convenience packages that contain individual servings. Such packaging adds greatly to the food bill. Examples of convenience packaging are small boxes of cereals, small cans of pudding, and TV dinners.



Consumers sometimes decide to buy convenience packaging which adds to the total food bill.

Often fresh fruits and vegetables are prepackaged for the shopper's convenience, but some consumers prefer that produce not be prewrapped so they can select individual pieces.

Crunchy, chewy, sweet, or salty snack foods have a great impact on the grocery bill. Although these foods are low in nutritive value and high in calories, they are in great demand. Snacking has become an American way of life. Highly processed, these ready-to-serve snacks can take a big bite out of the food dollar and add little except calories to daily nutrition.

Seasonal abundance greatly affects the cost of foods. Fruits and vegetables are, of course, lowest in cost and highest in quality when they are in season. Meat supplies and prices fluctuate slightly during the year. Buying patterns should change according to seasonal price changes to get the best buys for the food dollar.

The energy crisis has affected shopping patterns. With the higher price of gasoline, consumers are shopping at fewer stores, according to a survey by the Food Distribution Council of Supermarket Institute. The survey also suggests that there is an increased demand

for food requiring little or no cooking at home. This trend may result from an effort to reduce energy costs in the home, as well as from a preference for time-saving convenience items. Energy costs at home, however, have not significantly limited overall use of kitchen appliances, except ovens.

Summary

Many factors affect the price, safety, and nutrition of our food. Although some of these factors are beyond the consumer's influence, others are not. If consumers better understand these food issues and costs, they can determine their degree of control over them. The voice and vote of consumers reflect their interest in and concern about their food supply.

For Further Information See:

"Convenience Foods — 1975 Cost Update," by Larry Traub and Dianne Odland, *Family Economics Review*, February, 1976.

"The Effects of Food Processing on Nutritional Values," *Food Technology*, October, 1974. (A copy may be obtained for 50 cents from Institute of Food Technologists, 221 No. LaSalle St., Chicago, Illinois 60601.)

National Food Situation, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

Focus on Food Additives, General Foods, White Plains, New York. (One free copy may be obtained by writing Focus on Food Additives, P.O. Box 1135, Kankakee, Illinois 60901.)

This leaflet and two others — "Dietary Alternatives" and "Choices in the Marketplace" — were prepared to supplement a series of six leaflets on "Your Food," which were published in 1976 as part of an educational program guided by a National Steering Committee. The three supplementary leaflets were prepared and published independently of the original project.