

# Report on: Food Expenditure

Here is the structured report based on the provided context.

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## Research Report: Analysis of Food Expenditure Trends

### 1. Executive Summary

This report analyzes key trends in household food expenditure based on provided data. The findings indicate that food spending is rising, primarily driven by significant price inflation. In 2022, the average U.S. household spent \$9,754 on food, an 8.6% annual increase. In response to rising costs, consumers are adopting value-seeking behaviors, such as favoring private-label brands and shopping at discount stores. Lower-income households are disproportionately affected, spending over 30% of their income on food, compared to just 7% for the highest earners. Globally, this disparity is even more pronounced, highlighting the vulnerability of developing nations to food price volatility.

### 2. Key Insights

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#### U.S. Household Spending:

- In 2022, the average U.S. household's food expenditure reached \$9,754, up 8.6% from the previous year.
- Food spending accounted for 11.3% of U.S. disposable personal income in 2022, an increase from the prior decade.

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#### Impact of Inflation:

- Food prices have been a primary driver of increased expenditure, with the Consumer Price Index (CPI)

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for food rising 11.4% in 2022 and another 5.8% in 2023.

- Although the rate of inflation has slowed, cumulative price increases remain a significant burden on household budgets.

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### **Shifts in Consumer Behavior:**

- Spending on Food-Away-from-Home (dining out) rebounded sharply post-pandemic, surpassing Food-at-Home (groceries) to account for 53.8% of total food expenditures in 2022.
- Consumers are actively adjusting to higher prices by "trading down" to private-label brands, shifting to discount grocers, reducing discretionary food purchases, and making more conscious efforts to reduce food waste.

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### **Key Factors Influencing Expenditure:**

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### **Income:**

Higher-income households spend more on food in absolute dollars, but lower-income households spend a significantly larger percentage of their income on food (over 30% for the lowest quintile versus 7% for the highest).

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### **Household Composition:**

Food expenditure generally increases with family size. The provided data shows a household of 6 spending \$650 monthly, while a household of 2 spends \$380.

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### **Geographic Location:**

Food costs are noted to be significantly higher in urban areas compared to rural regions.

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### **Economic Conditions:**

Spending on Food-Away-from-Home is considered discretionary and typically declines during periods of economic uncertainty.

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### **Global Perspective:**

- The proportion of income spent on food is a key indicator of economic development (Engel's Law).
- Households in high-income nations like the U.S. (11.3%), UK (8.7%), and Canada (9.1%) spend a small fraction of their income on food compared to households in developing nations like Nigeria (over 50%) and the Philippines (nearly 40%).

## **3. Potential Risks**

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### **Disproportionate Burden on Low-Income Households:**

With over 30% of their income allocated to food, the lowest-income households are highly vulnerable to food price inflation and economic instability.

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### **Global Price Volatility:**

Populations in developing countries, where food represents the largest share of household spending, face extreme vulnerability to fluctuations in global food prices.

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### **Economic Uncertainty:**

During a recession or economic downturn, the Food-Away-from-Home sector is at risk, as consumers typically cut back on such discretionary spending.

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### **Sustained Budgetary Pressure:**

Even with slowing inflation rates, the cumulative effect of past price increases continues to strain household finances and influence purchasing decisions.

## **4. Recommendations**

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### **For Retailers and Food Service Businesses:**

- Given the consumer trend of "trading down," businesses should focus on strengthening their private-label product lines and promoting value-oriented options to retain price-sensitive customers.
- Restaurants and food service providers should be aware that high menu prices are slowing growth in their sector and that discretionary spending is at risk during economic uncertainty. Offering value-focused meals could mitigate this risk.

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### **For Future Analysis:**

- Analysts should continue to monitor the percentage of income spent on food across different income quintiles as a primary indicator of economic health and inequality.
- Tracking the dynamic between Food-at-Home and Food-Away-from-Home spending can serve as a

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barometer for overall consumer confidence and discretionary spending power.

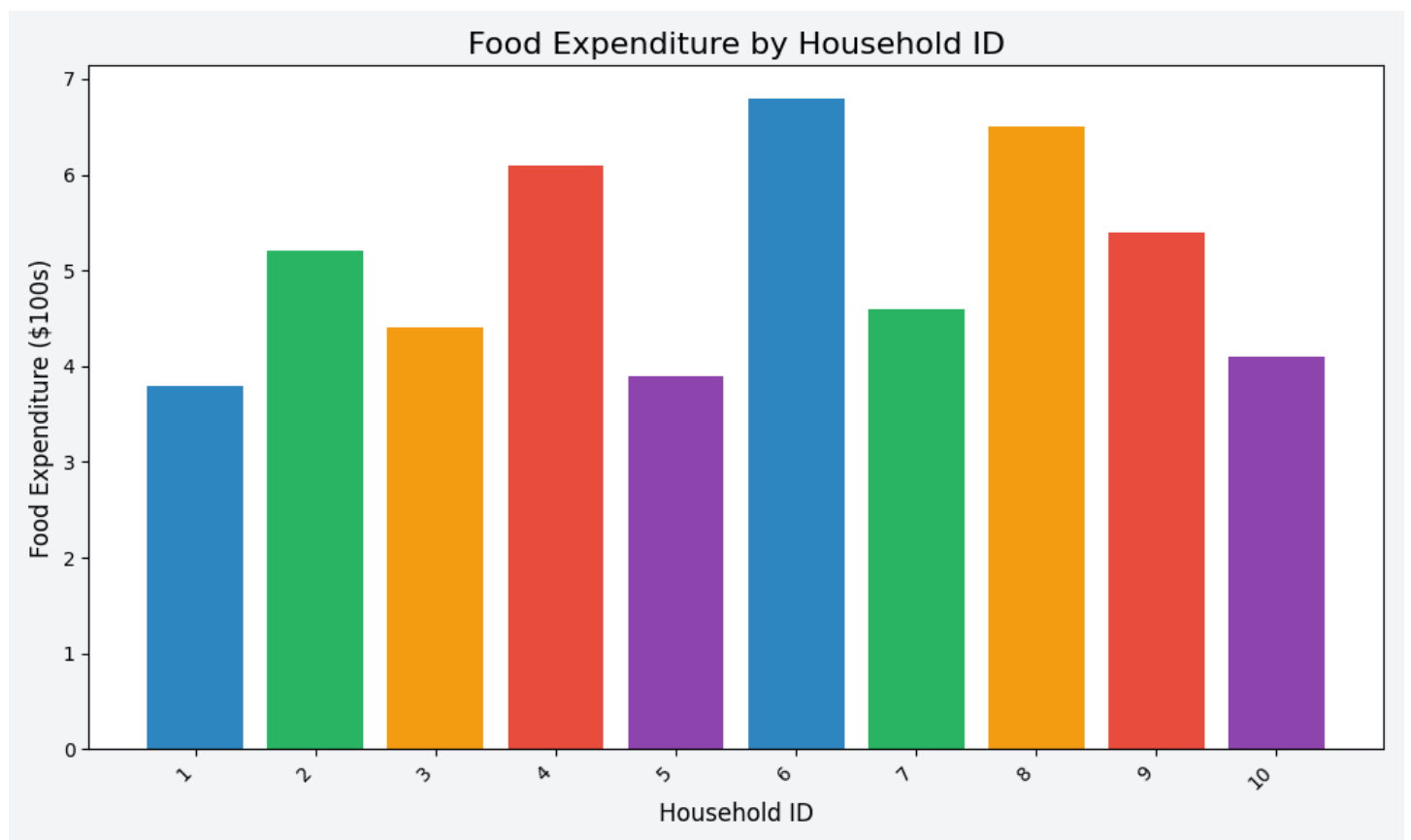
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### Future Outlook:

- The shift towards discount grocers and value-based purchasing is likely to persist as long as food prices remain elevated.
- Conscious efforts by consumers to reduce food waste and plan meals may become lasting habits formed in response to prolonged budgetary pressures.

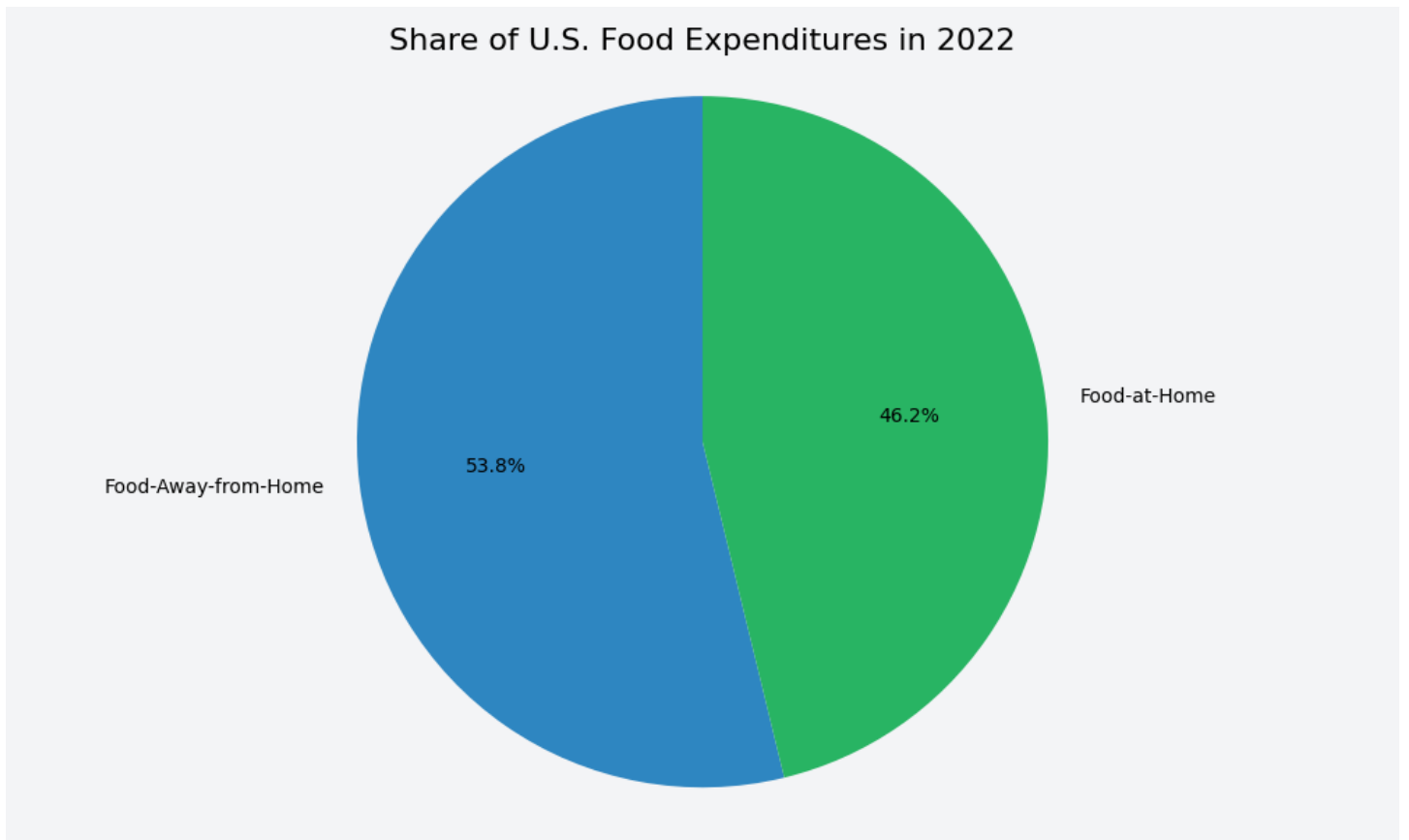
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### Visualized Data



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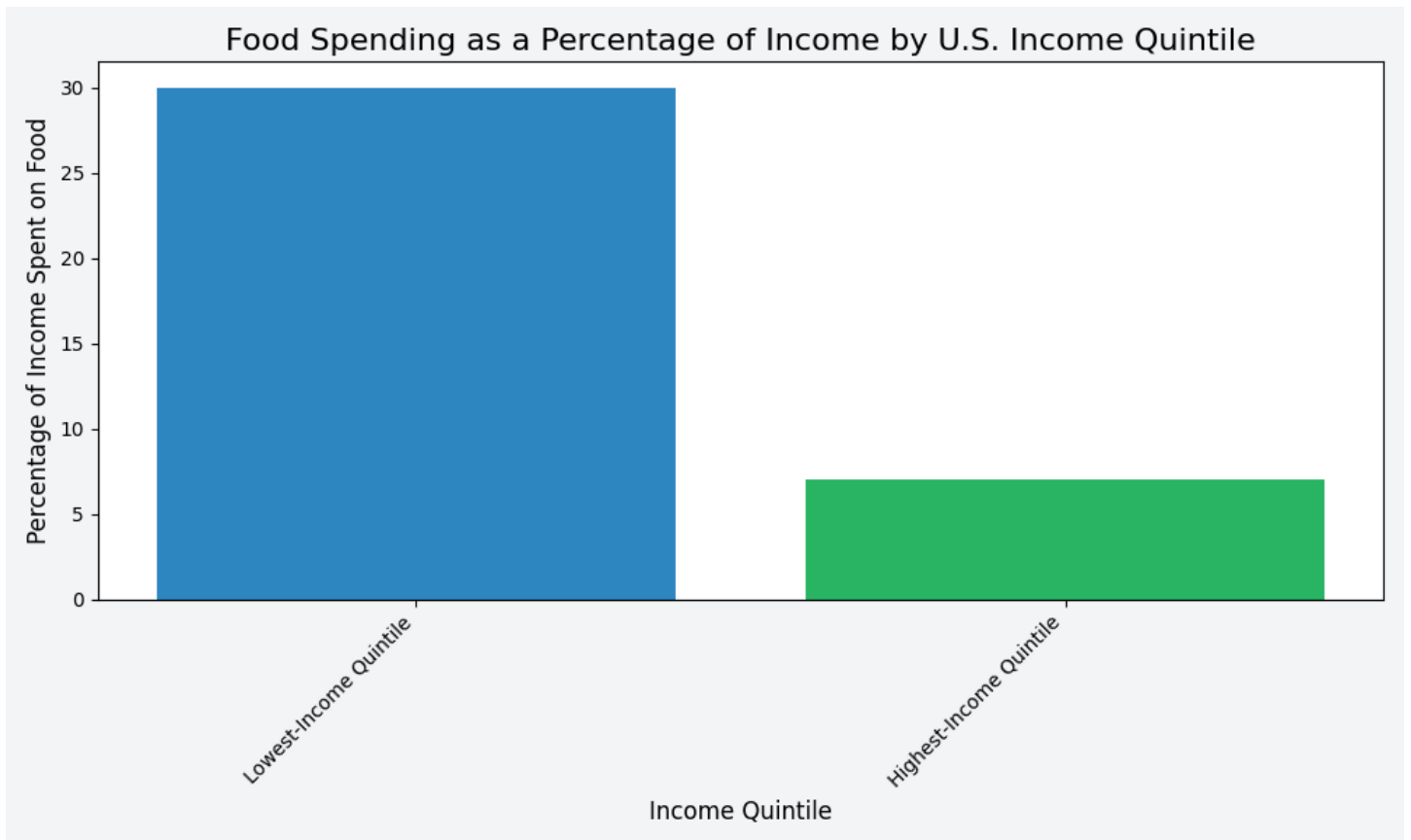
### Visualized Data





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