



March 1989

A Global Look at Food Prices

By

Rod Hawkes

Department of Agricultural Economics

New York State College of Agriculture and Life Sciences, Cornell University

The price of food is an issue about which most American consumers have strong opinions, usually negative. This is particularly true if they are primary shoppers in their households. The truth is, if American consumers lived anywhere else in the world, they would be delighted not only by U.S. food prices, but the quality and variety of the food available as well.

The American food system is, arguably, the most efficient and developed in the world, resulting in the largest variety, highest quality, and lowest prices, in both relative and, in many cases, absolute terms. A 1983 study by the USDA found that the U.S. ranked second, to Switzerland, in per capital disposable income among nations. U.S. consumers, however, spent the lowest percentage of their disposable income, 10.9 percent, for food at home. In contrast, consumers in Switzerland spent 17.5 percent of disposable income on food consumed at home. Other developed nations, such as Canada, Australia, France, and West Germany, spent between 12 and 20 percent of disposable income for food at home. Less developed nations typically spend still higher percentages of disposable income on food. For example, Niger, China, India, and the Phillipines spent more than 50 percent of their disposable income on food consumed at home.

Although actual prices of all U.S. food items are not the lowest in the world, many of them are, and the others, typically, are among the lowest. A 1987 USDA study, which tracked prices of specific food items in retail stores around the world, illustrates how wide the range of

prices can be among countries. Broiler chicken provides a striking example: the 1987 price was \$1.48 per pound in Washington, D.C., \$2.99 in Ottawa, \$4.75 in Paris, and \$7.07 in Stockholm. Another example, 1987 coffee prices (per pound) were \$7.47 in Washington, \$11.07 in London, and \$24.40 in Tokyo. Overall, actual total cost for the 15 food items tracked in the survey was highest in Tokyo at \$136.85 and lowest in Mexico City at \$26.08, while Washington, D.C. rang up a total of \$45.56.

Undoubtedly, overall U.S. food prices are higher today than they have ever been. In fact, regardless of age, most Americans can remember when food prices were noticeably lower than they currently are. The key is that, despite the higher prices, food is more affordable to the average American today than it has ever been. Certainly, within the global spectra of both actual and relative prices, Americans enjoy outstanding food quality, quantity, and affordability.