

■ Cost of Food Services and Distribution

The estimated bill for marketing domestic farm foods—which does not include imported foods—was \$421 billion in 1996. This amount covered all charges for transporting, processing, and distributing foods that originated on U.S. farms. It represented 77 percent of the \$544 billion consumers spent for these foods. The remaining 23 percent, or \$123 billion, represents the gross return paid to farmers.

The cost of marketing farm foods has increased considerably over the years, mainly because of rising costs of labor, transportation, food packaging materials, and other inputs used in marketing, and also because of the growing volume of food and the increase in services provided with the food.

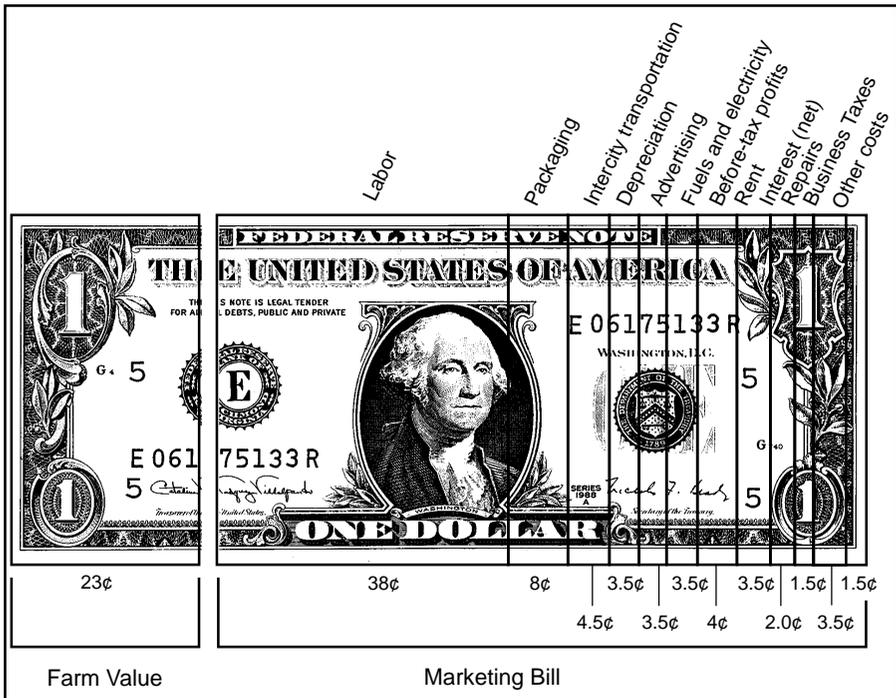
In 1986, the cost of marketing farm foods amounted to \$271 billion. Over the following decade, the cost of marketing rose about 55 percent. In 1996, the marketing bill rose 1 percent.

These rising costs have been the principal factor affecting the rise in consumer food expenditures. From 1986 to 1996, consumer expenditures for farm foods rose \$184 billion. About 80 percent of this increase resulted from an increase in the marketing bill.

The cost of labor is the biggest part of the total food marketing bill, accounting for nearly half of all marketing costs. Labor used by assemblers, manufacturers, wholesalers, retailers, and eating places cost more than \$200 billion in 1996. This was 5 percent higher than in 1995 and 67 percent more than in 1986. The total number of food marketing workers in 1996 was about 13.5 million, about 21 percent

Figure 1-8.

What a dollar spent on food paid for in 1996



Includes food eaten at home and away from home. Other costs include property taxes and insurance, accounting and professional services, promotion, bad debts, and many miscellaneous items.

more than a decade earlier. Over two-thirds of the growth in food industry employment occurred in public eating places.

A wide variety of costs comprise the balance of the marketing bill. These costs include packaging, transportation, energy, advertising, business taxes, net interest, depreciation, rent, and repairs. Their relative proportions are illustrated in the accompanying dollar chart.