

Determinants of Food Consumption and Demand

Food consumption and prices are determined by the complex interaction of supply and demand. In the short run, supplies are relatively fixed and inflexible, and prices adjust so products clear the market. What is produced is consumed. When supplies go up, price goes down and consumers buy more.

Conversely, smaller supplies bring higher prices and smaller purchases. In the long run, farmers adjust production in response to market prices, producing more of higher priced goods and less of lower priced goods. Demand for food in the aggregate is not very responsive to price changes because there is little room for substitution between food and nonfood goods in the consumer's budget. However, demand for individual foods is more responsive to prices as consumers substitute among alternative food commodities. Rising incomes increase expenditures on more expensive foods as consumers demand more convenience and quality. Short-period changes in consumption reflect mostly changes in supply rather than changes in consumer tastes. Demographic fac-

tors, such as changes in household size and in the age distribution of the population, can bring about changes in consumption.

Consumers vote every day in the marketplace with their dollars, and the market listens carefully to their votes. There is continuous feedback from consumers, who respond to the offerings of marketers trying to meet the perceived wants of consumers. Changes in the makeup of the population, lifestyles, incomes, and attitudes on food safety, health, and convenience have drastically altered the conditions facing farmers and marketers of food products. Food manufacturers and distributors have made vigorous efforts to meet changing consumer wants and needs. *Rearranging the Economic Landscape: The Food Marketing Revolution, 1950-91* (Alden Manchester, AER-660, ERS, USDA, Sept. 1992) examines the changes in the marketing of farm and food products since 1950 and the factors that have caused such change.