

# Rural Migration News

## Blog 181

OCTOBER 2020

### Food Spending and Farm Wages: 2019

The US Bureau of Labor Statistic’s Consumer Expenditure Survey ([www.bls.gov/cex](http://www.bls.gov/cex)) reported a total of 132 million US “consumer units” or households in 2019. They had an average of 2.5 persons, 1.3 earners and 1.9 motor vehicles; 63 percent were homeowners and the average age of the reference person in the household was 51. Average consumer unit income before taxes was \$82,850, and average annual expenditures were \$63,000.

Household expenditures included \$8,200 for food, 13 percent of total expenditures. Food spending was divided between food eaten at home, which accounted for 56 percent or \$4,600 of food spending, an average or \$88 a week, and \$3,509 or \$67 a week for food bought away from home. The cost of food away from home largely reflects convenience, service, atmosphere and other factors. The cost of food represents 35 percent of what is spent in cafeteria-style restaurants, 30 percent of spending in fast food restaurants, and 25 percent of spending in fine dining restaurants.

Other significant consumer-unit expenditures were \$20,700 for housing, \$10,700 for transportation, \$5,200 for health care, \$1,900 for apparel, and \$3,000 for entertainment.

The largest food-at-home expenditures were for meat and poultry, an average of \$980 per household in 2019. Expenditures on cereal and bakery products, \$585, exceeded the \$455 spent on dairy products.

Expenditures on fresh fruits (\$320) and fresh vegetables (\$295) were \$615 a year or \$11.80 a week in 2019, and consumer units spent an additional \$110 on processed fruits and \$145 on processed vegetables.

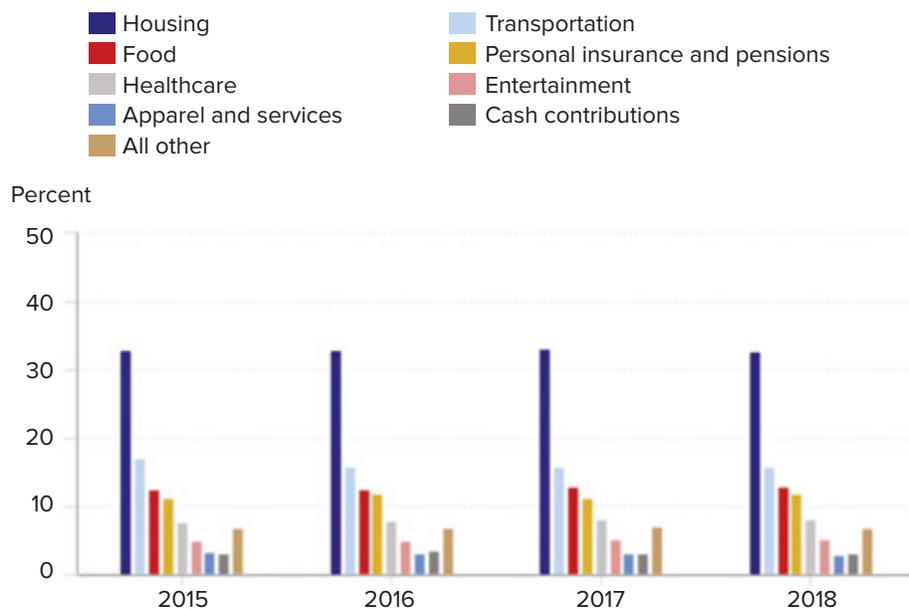
Consumer units spent almost as much on alcoholic beverages, \$580 in 2019, as on fresh fruits and vegetables, \$615.

Data on food spending by pre-tax income are available only for 2018. The 13 percent of consumer units with incomes of less than \$15,000 in 2018 spent 54 percent of their pre-tax incomes on food, while the seven percent with incomes of \$200,000 or more spent five percent of their income on food. Lower-income consumer units spent a higher share of their incomes on food, and more of their spending was for at home.

Higher income units spent more on fruits and vegetables, about three times more for those with incomes of \$200,000 or more compared with households earning less than \$30,000 in 2018. Spending on alcoholic beverages rose with income as well; households earning \$200,000 or more were the only group to spend more on alcoholic beverages than on fruits and vegetables.

#### Housing and transportation accounted for over half of consumer expenditures; food was 13%

Chart 1. Percentage of expenditure shares by selected categories, 2015-18



Source: <https://www.bls.gov/opub/reports/consumer-expenditures/2018/pdf/home.pdf>

## Consumer Unit Spending on Food and Fruits and Vegetables by Income, 2018

Item	All	<\$15,000	\$15,000- \$29,999	\$30,000- \$39,999	\$40,000- \$49,999	\$50,000- \$69,999	\$70,000- \$99,999	\$100,000- \$149,999	\$150,000- \$199,999	\$200,000 and more
Number	131,439	17,156	20,575	13,022	10,683	17,003	19,074	17,243	8,118	8,566
Share of units%	100	13	16	10	8	13	15	13	6	7
Pre-tax income (\$)	78,635	7,604	22,316	34,729	44,763	59,313	83,370	120,778	171,314	320,317
Food	7,923	4,130	4,628	6,077	6,286	7,168	8,753	10,854	13,195	16,392
Food share (%)	10	54	21	17	14	12	10	9	8	5
Food at home	4,464	2,690	3,011	3,744	3,633	4,228	4,900	5,759	6,764	8,002
Share (%)	56	65	65	62	58	59	56	53	51	49
Alcohol	583	201	190	326	383	512	569	854	1,108	2,052
Fruits & Veggies	858	485	589	700	690	817	933	1,111	1,344	1,567
Fresh Fruits	322	156	214	246	310	301	334	400	500	606
Fresh Veggies	112	61	86	82	103	102	113	143	174	196
Spend Fruit(\$ mil)	42.3	2.7	4.4	3.2	3.3	5.1	6.4	6.9	4.1	5.2
Spend Veg(\$ mil)	14.7	1.0	1.8	1.1	1.1	1.7	2.2	2.5	1.4	1.7

Source: <https://www.bls.gov/opub/reports/consumer-expenditures/2018/pdf/home.pdf>

Notes: Spending on fruits and vegetables is fresh. Share of consumer units and share of spending on fresh fruits and vegetables by pre-tax income.

Half of spending on fruits and vegetables was on fresh fruits and fresh vegetables. The leading fresh fruits by expenditure were fresh apples, an average \$44 spent per consumer unit in 2018, bananas, \$44, oranges, \$32, other fresh citrus, \$54, and other fresh fruits, \$149. The leading fresh vegetables were potatoes, with \$45 spent per consumer unit in 2018, followed by lettuce, \$30, tomatoes, \$48, and other fresh vegetables, \$172.

A quarter of consumer units had incomes of \$100,000 or more in 2018, and these households accounted for 38 percent of total spending on fresh fruits and vegetables. By contrast, almost half of consumer units had incomes of less than \$50,000 in 2018, and they accounted for a third of total spending on fresh fruits and vegetables.

Farmers get less than 20 percent of the average retail food dollar, but slightly more for fresh fruits and vegetables. Farmers received an average 38 percent of the average retail price of fresh fruits in 2015 and 28 percent of the average retail price of fresh vegetables, the most recent data available. This means that average consumer expenditures on these items include \$173 a year for farmers ( $0.30 \times 320 = \$96 + 0.26 \times 295 = \$77$ ).

Farm labor costs are about a third of farm revenue for fresh fruits and vegetables, so farm worker wages and benefits for fresh fruits and vegetables cost the average consumer unit \$57 a year ( $0.33 \times \$173 = \$57$ ). In fact, farm labor costs are less than \$57 because over half of US fresh fruits, and a third of US fresh vegetables, are imported.

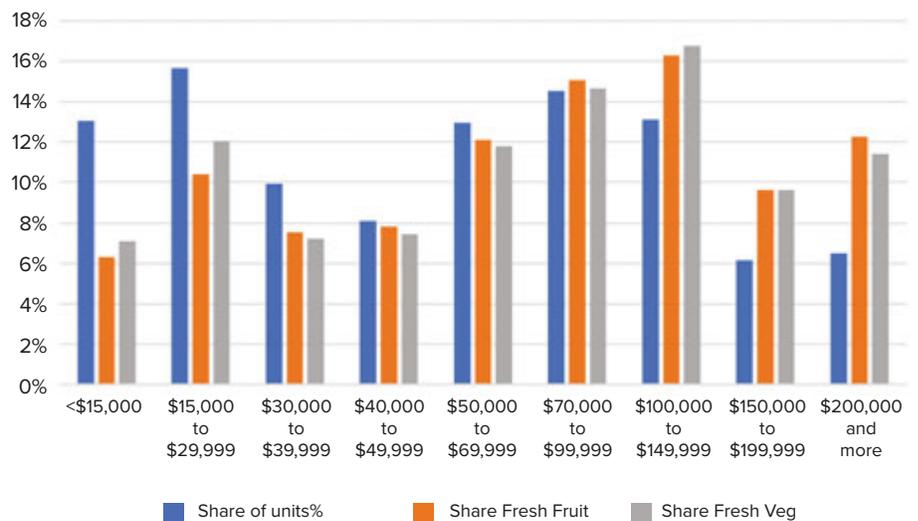
Even though strawberries are picked directly into the containers in which they are sold, and iceberg lettuce is wrapped in the field, farmers and farm workers receive only a third of retail spending on fruits and vegetables. Consumers who pay \$2 for a pound of strawberries are paying about 70 cents to the farmer and 30 cents to farm workers. For \$2 worth of fresh field-grown tomatoes, farmers receive 50 cents and workers 15 cents.

About half of the workers employed on US crop farms are unauthorized. These unauthorized crop workers are aging and settling, making them less mobile and flexible. Farmers are adjusting to fewer unauthorized newcomers by substituting machines for workers and supplementing the current workforce with legal H-2A guest workers.

What would happen to consumer expenditures on fresh fruits and vegetables if farm labor costs rose, perhaps due to the introduction of E-Verify, the internet-based system that allows employers to check the work authorization of newly hired workers.

The closest natural experiment of such a labor-supply shock occurred after the Bracero program ended in 1964. Mexican Braceros were guaranteed a minimum wage of \$1.40 an hour at a time when US farm workers were not covered by the minimum wage. Some table grape workers who were paid \$1.40 an hour when they worked alongside Braceros in 1964 were offered \$1.25 in 1965, prompting a strike. Cesar Chavez became the leader of the strike and won a 40 percent wage increase in the first UFW table grape contract in 1966, raising grape workers' wages to \$1.75 an hour.

**Share of consumer units and share of spending on fresh fruits and vegetables by pre-tax income, 2018**



Source: <https://www.bls.gov/cex/2019/aggregate/income.pdf>

What would happen to consumer expenditures if there were a similar 40 percent wage increase today? The average hourly earnings of US field and livestock workers were \$14 an hour in 2019; a 40 percent increase would raise them to \$19.60 an hour.

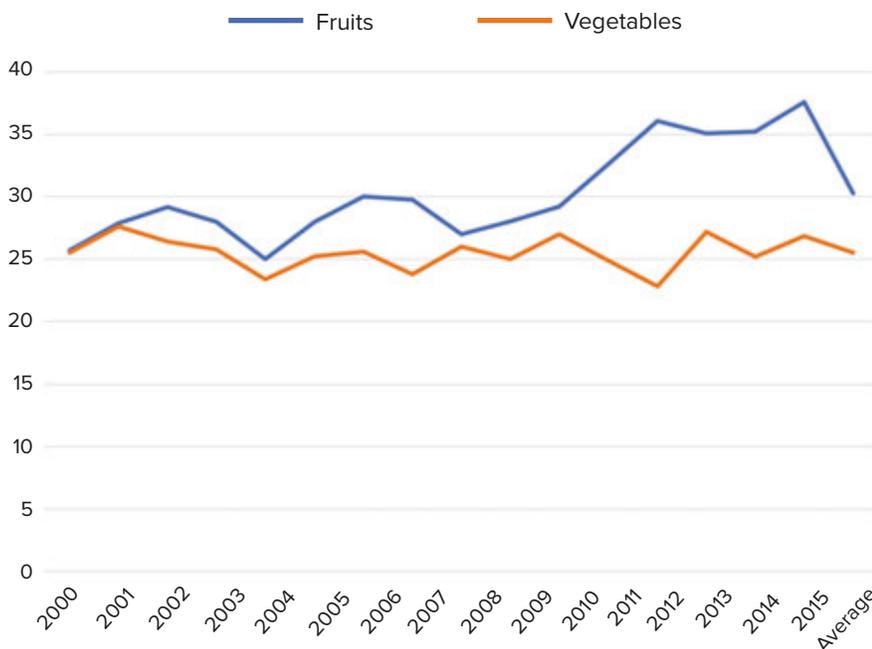
For a typical household or consumer unit, a 40 percent increase in farm labor costs translates into a four percent increase in the retail price of fresh fruits and vegetables (0.30 farm share of retail prices x 0.33 farm labor share of farm revenue = 10 percent; if farm labor costs rise 40 percent, retail spending rises 0.4 x 10 = 4 percent). If average farm worker earnings rose by 40 percent, and the increase were passed on to consumers, average spending on fresh fruits and vegetables for a typical household would rise by \$25 a year (4 percent x \$615 = \$24.60).

A 40 percent wage increase, on the other hand, would raise the average earnings of seasonal farm workers from \$14,000 for 1,000 hours of work to \$19,600, lifting the earnings of a farm worker household of four from half of the federal poverty line of \$25,750 in 2019 to three fourths of the poverty line.

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**Farmers received an average 30% of the retail price of fresh fruit, and 26% for fresh vegetables, between 2000 and 2015 (most recent data available)**



Source: <https://www.ers.usda.gov/data-products/price-spreads-from-farm-to-consumer/price-spreads-from-farm-to-consumer/#Fresh%20fruit>