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Cost Changes in the Thrifty Food Plan: January 2004 to January 2005

Nutrition Insight 31

The Thrifty Food Plan (TFP) represents a nutritious diet at a minimal cost. The Plan has a set of 12 market baskets of nutritious foods (one for each of 12 different age-gender groups) and a cost attached to each basket. Monthly cost updates of the Plan, as well as periodic revisions of the market baskets to reflect current dietary guidance, are issued by the U.S. Department of Agriculture's Center for Nutrition Policy and Promotion. The June cost of the TFP is used as the basis for food stamp allotments in the next fiscal year.

Cost Increase in the Thrifty Food Plan

From January 2004 to January 2005, the cost of the TFP increased 3.5 percent for a reference family (a husband and wife, ages 20 to 50, with two children ages 6 to 8 and 9 to 11); in dollars terms, the weekly cost was \$112.80 in 2004 and \$116.80 in 2005. What led to this increase, especially as the Consumer Price Index (CPI) for food at home (food purchased at grocery and other food stores), the standard measure for home food price changes, increased by a lower percentage (2.7 percent) over this time? This *Nutrition Insight* answers this question.

The greater increase in the cost of the TFP relative to the CPI for food at home also occurred in the January 2001 to January 2002, January 2002 to January 2003, and January 2003 to January 2004 periods. While these successive increases are likely an anomaly, they make the question posed in this *Insight* even more pertinent.

Reasons for Cost Increase

The reasons for the greater cost increase in the Thrifty Food Plan have to do with the nutritious diet that the TFP represents. As previously stated, the TFP for the reference family represents a market basket of nutritious foods. The CPI for food at home, on the other hand, represents a market basket of what households actually buy. This leads to price changes in the TFP differing from changes in the CPI for food at home.

Table 1 shows the approximate expenditure shares for the TFP for the reference family and the CPI for food at home based

Table 1. Expenditure shares for the TFP and CPI for food at home

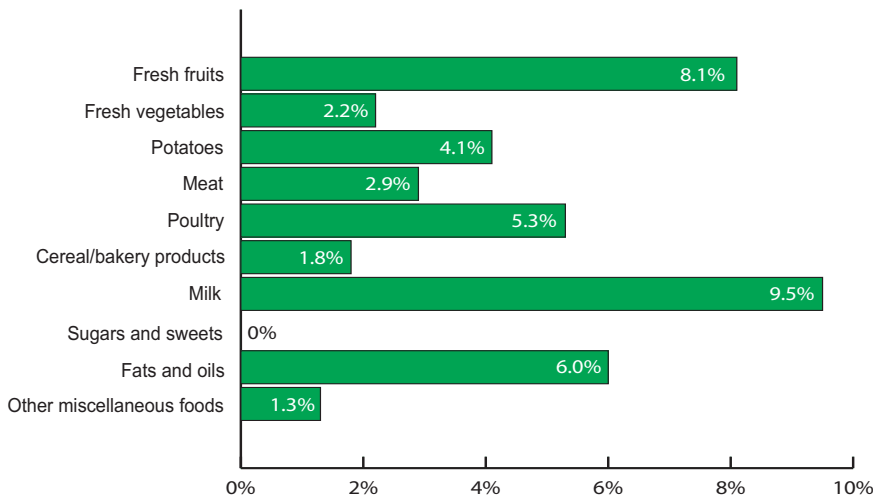
| | TFP | CPI for food at home |
|---|------|----------------------|
| Grains | 14.6 | 14.6 |
| Fruits/vegetables | 26.6 | 18.5 |
| Milk products | 13.0 | 10.2 |
| Meat/meat alternates | 39.3 | 28.0 |
| Other (fats, oils, sweets, and miscellaneous foods) | 6.5 | 28.7 |

Note: Because of the way the published expenditure shares for the CPI for food at home are coded, it was not possible to compute shares for some food categories separately.

on current data. Being a nutritious market basket, the TFP is more heavily weighted to fruits and vegetables, milk products, and meat (lean meats) and meat alternates. The TFP is less weighted than the CPI for food at home to fats, oils, sweets, and miscellaneous foods (e.g., spices, seasonings, condiments, and sauces) (6.5 vs. 28.7 percent). It is not surprising that the CPI for food at home, being based on actual household spending patterns, is heavily weighted to fats, oils, sweets, and miscellaneous foods. The most recent (1999-2000) Healthy Eating Index, a gauge of Americans' diet, shows that only 10 percent of the population has a good diet. Only 30 percent of people met the dietary recommendation for total fat.

Given that the TFP has increased at a faster rate than the CPI for food at home during the period January 2004 to January 2005, one would expect those food groups with a larger expenditure share in the TFP than the CPI for food at home (fruits and vegetables, milk, and meat/meat alternates) to have a greater price increase than the food group with a lower expenditure share in the TFP (other foods—fats, oils, sweets, and miscellaneous foods) during this time. Figure 1, showing the price changes in food groups, supports this. It lists in descending order foods overweighted in the TFP relative to the CPI for food at home for the period of interest.

Figure 1. Percentage price changes in individual CPI food components, January 2004-January 2005



Price Changes in Foods

From January 2004 to January 2005, the price of fresh fruits increased 8.1 percent and the price of potatoes (which represent such a large proportion of vegetables in the TFP that they compose a separate category from vegetables) increased 4.1 percent. Natural disasters in the United States during the past year, especially hurricanes in Florida, likely led to the rise in fresh fruit prices. Milk prices rose 9.5 percent. Some agricultural economists claim 2004 witnessed the perfect storm in terms of milk prices, characterized by much lower than normal supply. This was partly a result of many dairy farmers exiting the industry, less imports of replacement heifers due to Mad Cow disease in Canada, and a shortage of growth hormones given to cows. Poultry prices increased 5.3 percent over the period.

For the other food category, which composes a smaller expenditure share in the TFP than the CPI for food at home, the price of sugars and sweets remained unchanged from January 2004 to January 2005 and the price of fats and oils increased 6.0 percent. Although fats and oils increased by a relatively high percent, this was not enough to offset the small change or lack of change in the price of other miscellaneous foods, and of sugars and sweets. Hence, the other food component of the TFP and CPI for food at home increased at a relatively low rate.

In conclusion, during the period January 2004 to January 2005, the cost of the TFP for the reference family increased at a greater rate than the CPI for food at home because the prices of foods overweighted in the TFP, such as fresh fruits and milk, increased at a faster pace than foods underweighted in the TFP, such as sugars and sweets. Whether this will continue in the future is unknown, but future *Nutrition Insights* will continue to address cost changes in the TFP.

USDA Food Plans

The Thrifty Food Plan is one of four food plans issued by USDA's Center for Nutrition Policy and Promotion. The other three are the Low-Cost, Moderate-Cost, and Liberal Food Plans. These plans provide representative healthful market baskets at three different cost levels. Bankruptcy courts often use the value of the Low-Cost Plan to determine the portion of a bankruptee's income to allocate to necessary food expenses. The Department of Defense uses the value of the Moderate-Cost and Liberal Food Plans to set the Basic Allowance for Subsistence rate for all enlistees, while many divorce courts use the value of the USDA food plans to set alimony payments. The three higher cost food plans are used in USDA's report *Expenditures on Children by Families*, which is used to set State child support guidelines and foster care payments. For more information on the USDA food plans, go to www.cnpp.usda.gov.

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