



Economics Group

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Fresh Fruits and Vegetables Consumption: The Price is Right

Americans have decided to become more health conscious during the recovery from the Great Recession. This decision has been supported by significant changes in relative prices between the sectors.

Consumers Have Become More Health Conscious

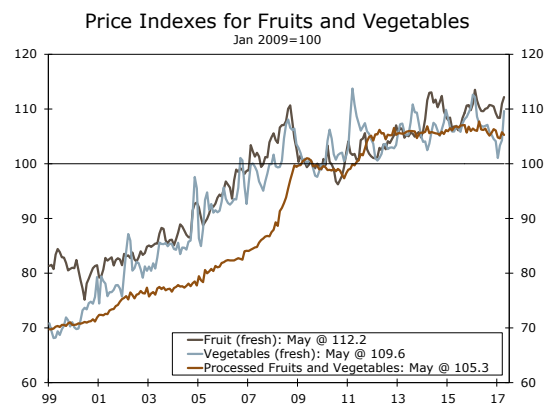
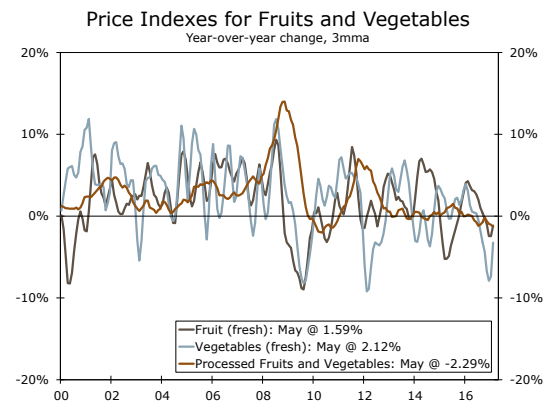
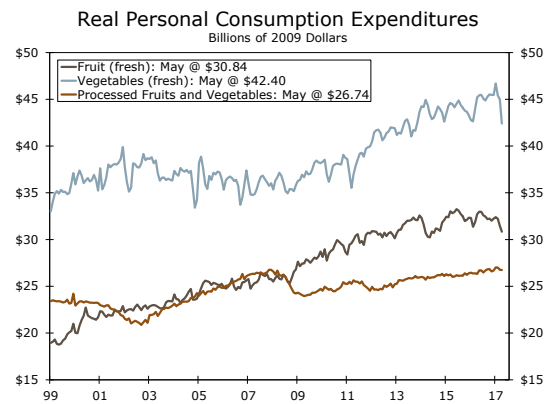
Consumer behavior has shifted to adopt a more health-conscious diet since the Great Recession. This is clear by looking at the consumption of fruits and vegetables between the two periods. Before the Great Recession, consumption of fresh vegetables was either flat or on a downward trajectory (top chart), while consumption of fresh fruits continued to increase. However, since the end of the Great Recession, the consumption of fresh vegetables and fresh fruit has increased notably. Fresh vegetable consumption today is up 20.6 percent compared to November 2008 while fresh fruit consumption is up 16.2 percent during the same period of time. However, processed fruits and vegetables consumption is up only 9.9 percent during the same period of time. Furthermore, while fresh vegetables and fresh fruit consumption are both near all-time highs today, processed fruits and vegetables consumption is still down by 10.8 percent compared to its peak in November 2007.

It's All About Price

Not surprisingly, price seems to have had a lot to do with what has been happening to the consumption of fresh fruits and vegetables as well as to processed fruits and vegetables consumption. Prices of fresh fruit, fresh vegetables as well as processed fruits and vegetables had an upward trajectory leading up to the Great Recession. However, since then, prices of fresh fruit and fresh vegetables have remained relatively stable to slightly above pre-Great Recession levels. However, prices of processed fruits and vegetables surged by the start of the Great Recession and are today higher than what they were at any time before the Great Recession (see middle and bottom chart).

Furthermore, it is clear that consumers remain highly price conscious as the volatility in fresh fruit and fresh vegetables consumption is matched by the volatility in fresh fruit and fresh vegetables prices over the months. Meanwhile, consumption of processed fruits and vegetables does not vary as much over the months, clearly a reflection of the evolution of prices in this specific market.

However, what is clear from looking at the price chart is that at some point in time before the Great Recession, pricing policies for the processed fruits and vegetable industry changed considerably with today's prices matching fresh fruit and fresh vegetables much closer than during the pre-Great Recession years. This is probably the reason why the consumption of processed fruits and vegetables in the U.S. market has not been able to recover to the levels of consumption it achieved before the Great Recession while fresh fruit and fresh vegetable consumption has continued to improve. It's all about price...and health consciousness.



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