

Taste and Habit of Food and Consumer Behavior in the USA in the Early Years of Covid-19 Pandemic

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Abstract:- The USA, a highly advanced economy in the world, had experienced increase in household demand for specific food items (restaurant and cafeteria supply, in particular) in the early years of Covid-19 pandemic. People of America depended largely on the tastes and habits of food items in their household consumption. Even with increasing prices the demand for restaurant foods showed increasing trends. This means that the consumption of food away from home (FAFH) increased and food at home (FAH) fell in demand in 2020 and 2021 (Covid- 19 pandemic).

Fundamental law of demand in economics (*Ceteris Paribus*) for normal goods demand will fall if price of the same increases and vice versa. In the present study, rise in prices of normal goods (restaurant and cafeteria foods) had also shown increase in their demand. This perhaps shows paradoxical to the law of demand in economic theory.

➤ Methodology:

This is a study based on secondary sources of information including research works, official publications and those from academic institutions. Analysis of data generated and narratives have been used to find the contemporary food economy of the USA. The demand for food (both FAFH and FAH) has been given importance in the situation of food inflation in the USA in early years of Covid- 19 pandemic. Finally, the equilibrium of the household food consumption is shown geometrically (Fig-1).

➤ Findings and Results:

It is found from the study that while the price of food away from home (FAFH) was increasing, the demand for those was also increasing in 2020 and 2021 in the USA. Food being a 'normal good' might have shown a fall in demand when price was increasing. This is perhaps, paradoxical in view of the law of demand in economic theory.

I. INTRODUCTION

The USA, an economy with high per capita income shows some specific features related to rise in food prices and consumption of restaurant foods in 2020 and 2021 during

Covid-19 pandemic. Generally taste for specific food items is highly preferred in habit of food consumption in the USA [1]. A group of consumers maintained their tastes and habits of food items also during the pandemic period. Usually, almost 75% of Americans eat at a restaurant at least once in a week and also a fourth of population dine out every two or three days.[2] Most of them favor restaurant foods for they enjoy some else cooking, wearing comfortable clothes, watching TV and convenience.[3] Restaurant food under online facilities during 2021 onwards and direct online order volume increased 54% from 2022 to 2023.[4]

Dining habits in the USA consist of two major systems: i) food at home (FAH) and ii) food away from home (FAFH). However, consumable sources of food include groceries, shopping malls, local supplying agents or outlets on the one hand to the highly processed foods and also from home cooking (grocery items for FAH) to packet lunch or 'sit down' restaurants (FAFH) on the other. [5] Purchases from each source vary depending upon the tastes and habits, affordability or availability considerations. However when the 'sticker-shock' in the grocery or shopping malls created a panic, people had to find way to restaurant (FAFH) purchases again.

II. LITERATURE REVIEW

In the USA food habit started changing since 1965 – 66. Poorer people gradually depended on FAH, while richer sections on FAFH as revealed in survey report.[6]. Ultra processed foods were favorite mostly among the youth and lower income and 'less educated people'. [7] However only 11.6% (nearly 38 million people) lived in poverty in the USA in 2019.[8]. Added to this, there were Hispanic or Latino (18.9%; 62 million approx) known as somehow low in 'educational attainment' in this country.[9][10]. They buy low cost foods. Population of these two groups jointly consisted of 100 million or 10crore out of total population 33.59crore in 2020 in USA.[11] So larger section of people of the country may be considered as having affordable condition to select food they prefer. However ever since Covid-19 happened, almost 60% of restaurants have reportedly witnessed increase in their sales revenue.[12][13] and 60% of Americans order take out or delivery once a week, there by online ordering has grown 300% faster than inhouse dining. Besides, 70% of consumers would prefer to order

directly from a restaurant rather than use of third party service.[14]

Covid- 19 spread in the USA in January 2020. The Public Health Emergency was declared on January 31, 2020 and the first known American death occurred in February 2020.[15] National Emergency was declared on March 13, 2020.[16]Contemporary facts created significant food price inflating and price volatility.[17] However, there were various ‘shocks’ that buffeted the US economy from the beginning of 2020 to early 2023.[18]. Price index was 1.7% in February 2021 but increased more than 5% in June 2021 and then 9% in June, 2022.[19]

III. DISCUSSION

Demand for food is largely dependent on consumer tastes, habits nutritious considerations in the USA since long past. Changes in tastes and habits quite gradually transformed from traditional foods to FAFH (specially restaurant/ cafeteria cuisine made foods). Buyers who cannot afford to high price restaurant foods depended on low cost availabilities (specially, Supplemental Nutrition Assistance or purely local availabilities).[20][21]

Food at home (FAH) depending on grocery or shopping malls supplies increased after the pandemic began in the USA

Table 1 Consumer Expenditure Percentage Changes in the USA

Food at Home	2019-20	2020-21	2021-22
(FAH)	6.3	6.6	8.4
Food away from home (FAFH)	(-)32.6	27.6	20.1

Source : US Bureau of Labor Statistics (IBLS Reports)

Table-1 shows increase in consumer expenditure for both FAH and FAFH since early years of the Covid-19. However, there was a sharp decline (-32.6 for FAFH in 2019-20 following adverse conditions in restaurant and related supplies).

Real or inflation adjusted monthly food spending in the USA increased in 2022 [31] and that happened also for monthly spending (FAFH) at outlets (restaurant or cafeterias) in the same year. It has been pointed out that said increase in real spending for FAFH by consumers was the result of shifting towards more expansive options (such as food at full service restaurants). [32]

The shifting of budget line is shown in the context of rising price given below, geometrically. Now Figure-1 may be considered to explain theoretical implication in the context of the law of demand.

Theoretically, in Fig-1 (bellow) let’s assume that the consumer begins with an income OC in terms of X (after the price increase of X). The income falls from OB to OC. Further let’s assume that for shifting towards more expensive options the budget is ‘recalibrated’ or ‘reshuffled’. Thereby the new budget line moves to DE. This is done on the basis of individual tastes, habits and preferences, so it may vary as

in 2020; it increased over 15% but it fell to 4% at the end of 2022 from the same period in 2021. What actually happened was the closure of large number of restaurants during stay-at-home orders (March 1 to may 31 2020.) This led to lower the demand for restaurant food. [22]

As for the price in early years of Covid-19, in 2020 FAH price increased 3.5%, while FAFH price increased 3.4%.[23] For the rising prices of both (FAH) and (FAFH) following table (Table-1) may be considered. Real total food spending driven by FAFH spending was up by 19% in 2021 and 8% in 2022, while FAH spending increased by 4% in 2021 but decreased by 2%, in 2022.[24] [25]. Study in Texas (MDPI) found that in the post-Covid-19 period (2021 through mid-2022) demand for dining out frequency increased.[26] Between March 2020 and March 2021, delivery orders in particular, rose by 142%, while carry-out orders increased by 130%.[27] In-house dining declined and so in digital restaurants food orders increased in the USA. However, grocery sales also increased but by 40% in 2020, (nearly doubled the 22% in 2019).[28] Some customers (14%) Started buying groceries online, while 34% ‘said they were more of them’.[29] At this condition more shoppers were ‘recalibrating’ where they were willing to put down extra dollar. [30]

between the buyers. The price ratio will be adjusted to remain equilibrium points P and L on the same IC (IC_1).

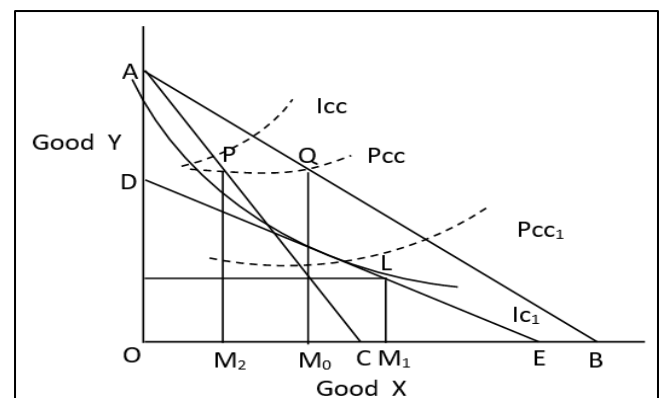


Fig 1 Recalibrated Budget Line and Consumer Equilibrium

To explain the diagram, here is AB in (Fig-1) the budget line of a consumer and Q is the original equilibrium point (before price rise of X). Now, AC is the new budget line showing the rise in price of X commodity. The consumer equilibrium moves to P on the IC_1 (considering a fall in real income in X in terms of Y). But substitution effect is very strong, while the income effect is zero or positive.[33] Equilibrium point finally moves to L (IC_1), where OM_2 is the income effect and $M_2 M_1$ is the substitution effect.

Marginal utility of X was increasing because of high price and low purchases. Thus pent-up demand of the consumers increased. At this condition, Food stamp, credit card loans were there to control the inflationary situation in March, 2020.[34,35,36] But there were fear for timely repayment of loan and fall in debt-trap.[37] Buyers under these circumstances and without depending on alternative foods to purchase, 'recalibrated' their budget (as shown in new budget line DE) and that went in favor of product X. Pertinently, X product belonged to (FAFH) specially restaurant cuisine based. Since taste becomes predominant factor, larger section of buyers came back to FAFH food even in the situation of rising prices. Thus, a section of buyers had a new budget line after shifting or recalibration as shown by DE (Fig.1).

IV. CONCLUSION

The study shows a paradox to the law of demand for 'normal good', while the price of restaurant food (normal good) was increasing, the demand for it also showed increasing trend. The standard law of demand shows this is paradoxical as the demand increased instead of a fall in a rising price condition.

Pertinently, inferior good or Veblen good may show paradox to the law of demand under certain strict conditions. As for inferior good (referring Giffen Paradox), Sir Robert Giffen in the nineteenth century found that poor people bought more of bread while its price was increasing. They did it by curtailing consumption of more costly foods like meat etc., Here the negative income effect outweighed the positive substitution effect.[38] This was the special condition leading to the paradox. In such a case the demand curve tends to be positively sloped.

But in the present study restaurant food is neither an inferior good nor a Veblen good, this is a 'normal' good. Buyers bought more of this normal good because they favored restaurant food because of their tastes and habits for the same. By curtailing less favorable items, they shifted their consumption to the restaurant foods though prices increased. So the demand curve becomes positively sloped (not like down ward sloping demand curve) to the price changes. This happened to be paradoxical for normal good in the specific condition of rising prices in the USA during early days of Covid-19 pandemic.

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