“Simulating the Effect of the Nutrition Fact Label Revision: Added Sugar and the Demand for Ready-to-Eat Breakfast Cereals”

Alessandro Bonanno
Associate Professor
Department of Agricultural and Resource Economics
Colorado State University

Abstract

The 2015-2020 Dietary Guidelines for Americans recommends limiting the consumption of added sugar as a key part of a healthy diet. However, the amount of added sugar is not currently available via the Nutrition Facts Label (NFL) thereby preventing U.S. consumers from making informed purchase or consumption decisions with regards to added sugar. A recently approved revision of the NFL includes the amount of added sugar per serving as separate line item under total sugars and large food manufacturers (i.e., those with sales >$10 mil) must provide the new NFL on product packages by January 1, 2020. Easy access to added-sugar information at the point-of-purchase may change consumption decisions. In this analysis we simulate how providing information on the amount of added sugar via the NFL can change demand for a specific product category, Ready-to-Eat (RTE) Breakfast Cereals. To this end, we use one year of weekly point-of-sales scanner data in combination with a new dataset developed by the USDA, Linkages. Linkages allows researchers to import data from the USDA nutrition databases into the scanner data. Unlike the NFL, the USDA databases include added sugar and total sugar. Using demand estimates and counterfactual analysis, we simulate changes in the amounts of RTE-cereal sugar (total and added) purchased after the revision of the NFL and allow multi-product manufacturers to re-optimize their pricing following changes in demand due to the new information. Preliminary estimates and simulation results indicate the possibility of a decrease in the overall amount of overall sugar, and particularly added sugar, from RTE cereal purchases following the revision of the NFP; albeit simulated changes are small.