MTS-197 MAY 1975

MARKETING & TRANSPORTATION Situation

ECONOMIC RESEARCH SERVICE • U.S.DEPARTMENT OF AGRICULTURE

MARKET FACTS

Item	Unit or base period	1974				1975
		Year	1st qtr.	3rd qtr.	4th qtr.	1st qtr.
Farm-Retail Price Spreads: 1/						
Retail cost	Dol.	1750	1720	1751	1797	1824
Farm value	Dol.	746	783	739	755	722
Farm-retail spread	Dol.	1004	937	1012	1042	1102
Farmer's share of retail cost	Pct.	43	46	42	42	40
Retail Prices: 2/						
All goods and services (CPI)	1967=100	147.7	141.4	150.1	154.2	157.0
All food	1967=100	161.7	156.8	162.8	167.9	171.3
Food at home	1967=100	162.4	158.0	163.0	168.4	171.6
Food away from home	1967=100	159.4	152.6	161.8	166.2	170.3
Wholesale Prices: 2/						
Food 3/	1967=100	174.4	167.7	175.9	187.8	184.8
Cotton products	1967=100	175.4	172.7	181.6	170.0	158.7
Woolen products	1967=100	119.0	128.7	117.8	109.0	103.2
Agricultural Prices:						
Prices received by farmers	1967=100	183	198	178	181	169
Prices paid by farmers, interest, taxes and wage rates	1967=100	170	160	173	178	180
Prices of Marketing Inputs:						
Containers and packaging materials	1967=100	151	130	161	169	173
Fuel, power, and light	1967=100	202	175	212	220	231
Services 4/	1967=100	157	151	161	160	167
Hourly Earnings:						
Food marketing employees 5/	Dol.	3.99	3.85	4.04	4.14	-
Employees, private nonagricultural sector 2/	Dol.	4.21	4.07	3.93	4.37	4.40
Farmers' Marketings and Income:						
Physical volume of farm marketings	1967=100	116	104	117	149	102
Cash receipts from farm marketings 6/	Bil. dol.	95.0	98.0	94.5	96.2	90.6
Farmers' realized net income 6/	Bil. dol.	27.2	32.9	25.6	26.4	21.5
Industrial Production: 7/						
Food manufacturers	1967=100	126.3	126.7	126.2	125.3	124.7
Textile mill products	1967=100	121.7	127.0	123.8	111.6	-
Apparel products	1967=100	105.1	113.3	102.6	100.3	-
Tobacco products	1967=100	106.2	111.9	103.9	103.4	-
Retail Sales: 8/						
Food stores	Mil. dol.	119,980	28,779	30,719	31,216	-
Eating and drinking places	Mil. dol.	41,807	9,975	10,501	11,059	-
Apparel stores	Mil. dol.	24,930	6,276	6,399	6,101	-
Consumers' Per Capita Income and Expenditures: 9/						
Disposable personal income	Dol.	4,623	4,497	4,682	4,745	4,777
Expenditures for goods and services	Dol.	4,137	3,976	4,249	4,214	4,302
Expenditures for food	Dol.	777	745	790	812	833
Expenditures for food as percentage of disposable income	Pct.	16.8	16.6	16.9	17.1	17.4

1/ For a market basket of farm foods. 2/ Dept. of Labor. 3/ Processed foods, eggs, and fresh and dried fruits and vegetables. 4/ Includes such items as rent, property insurance and maintenance, and telephone. 5/ Average hourly earnings of production workers in food processing, and nonsupervisory workers in wholesale and retail food trades, calculated from Dept. of Labor data. 6/ Quarterly data seasonally adjusted at annual rates. 7/ Seasonally adjusted, Board of Governors of Federal Reserve System. 8/ Quarterly data seasonally adjusted, Dept. of Commerce. 9/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data.

MARKETING AND TRANSPORTATION SITUATION

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Approved by
The Outlook and Situation Board
and Summary released
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SUMMARY

Farm-retail spreads for a market basket of farm foods are expected to change little in the second quarter of 1975 as farm prices for meat animals strengthen. Higher meat prices may cause a further slight increase in the retail cost of the market basket, but lower prices are expected for fats and oils products and bakery and other sugar using products.

During the second half of 1975, marketing spreads may widen as rising wage rates, energy and material costs, and transportation charges continue to exert an upward push on operating expenses of food marketing firms. For the year, marketing spreads are expected to average around 10 percent wider than in 1974 when they rose by an extraordinary 20 percent. Much of this year's expected increase has already occurred.

The retail cost of a market basket of foods produced on U.S. farms averaged $1,824 (annual rate) in the first quarter of this year, up 1.5 percent from the previous quarter. Increases were greatest for processed fruits and vegetables, bakery and cereal products, and sugar. Compared with a year earlier, retail costs in the first quarter were up about 6 percent. Retail prices for market basket foods decreased in March for the first time in 8 months.

Gross returns to farmers (farm value of quantities of farm commodities equivalent to retail units) for market basket foods averaged $721 (annual rate) in the first quarter, down 4.5 percent from the previous quarter and down 8.0 percent from a year earlier. Returns decreased for animal products from year-earlier levels, but returns were up sharply for processed fruits and vegetables, oilseed products, and sugar. The farm value for market foods decreased each month from November to March, but turned up sharply in April.

Farm-retail spreads widened sharply in the first quarter of 1975 as returns to farmers dropped. The spread between the retail cost and the farm value of the market basket averaged $1,104 (annual rate) in the first quarter, up 6 percent from the previous quarter and up 18 percent from the first quarter of last year. The farm-retail spread—which represents charges for assembling, processing, transporting, and distributing the products in the market basket—widened sharply from year-earlier levels for most items. Increases were especially great for fats and oils products, sugar, bakery and cereal products, and processed fruits and vegetables.

Special article—"Supply and Price Outlook for Baling Wire and Twine"

Supplies of baler twine and wire for the 1975 hay crop are expected to be up from last year. Imports of natural fiber twine and domestic production of synthetic twine are trending up sharply. Demand for baling materials may be up, but only slightly. Both wire and twine prices are starting to weaken, but twine will likely decline most, perhaps to around $20 per bale of natural fiber twine by late summer and even less for synthetic twine.

FARM-FOOD MARKET BASKET STATISTICS

Retail Cost: Retail prices for foods produced on U.S. farms continued to move higher in the first quarter this year, but the rise was more moderate than the past year. Consumers paid an average of $1,824 (annual rate) for a market basket of farm-originated foods, 1.5 percent more than in the previous quarter (table 1).[1] Price increases were largest for bakery and cereal products, processed fruits and vegetables, and sugar. In contrast, prices for meats (both beef and pork), eggs, and fresh citrus fruits decreased. The price rise for the market basket during the first quarter occurred in January and February. Retail prices for farm foods posted a decrease of 0.5 percent in March, the first decline since July of last year (table 2).

Compared with a year earlier, the retail costs of the market basket in the first quarter of 1975 was 6 percent higher. Price changes varied widely among products, however. Retail prices for potatoes, onions, and dry beans dropped about a third from year-earlier levels while prices for Choice beef and eggs dropped 11 percent. Prices for pork changed little. In contrast, retail prices for sugar nearly tripled. Prices of sandwich cookies, cucumbers, vegetable shortening and margarine were up around 50 percent from a year ago. Increases of 20 to 40 percent occurred in prices of corn flakes, lettuce, carrots, most processed fruits and vegetables, and ice cream. Crop products accounted for the rise in the retail cost of the market basket from a year earlier. In contrast, livestock products averaged 4 percent lower.

Retail costs for market basket foods in the first quarter of this year averaged 69 percent higher than in 1967 and about double the level of 20 years ago.

Farm Value: Returns to farmers for foods in the market basket averaged $721 (annual rate) in the first quarter of 1975, down $34 or 4½ percent from the previous quarter. Farm values dropped for most items. Decreases were greatest for oilseed products, farm ingredients in bakery and cereal products (including sugar, vegetable oils, and wheat), and for sugar and other sugar using products in the market basket. In contrast, returns were up slightly for some fresh vegetables and milk. The farm value of market basket foods decreased each month from November to March. However, it turned up again in April.

The farm value of the market basket in the first quarter of this year was 8 percent below the level of a year earlier. Returns to farmers were significantly lower for most products, particularly meat animals, milk, eggs, and wheat. In contrast, producer returns were up sharply for processed fruits abd vegetables, oilseed products, and sugar. First quarter farm value averaged 72 percent above the 1967 level and 84 percent above that of 20 years ago.

Farm-Retail Spread: Charges for marketing foods from U.S. farms continued to increase sharply in the first quarter of 1975. Retail prices for the market basket products continued to rise as a consequence, despite sharp decreases in returns to farmers. The spread between the retail cost and the farm value of the market basket averaged $1,104 (annual rate), 6 percent wider than in the previous quarter. Spreads increased for all product groups except fresh fruits. Increases were largest for fats and oils products, bakery and cereal products, and sugar.

Compared with a year earlier, the marketing spread—which represents charges for assembling, processing, transporting, and distributing market basket foods—was 18 percent wider in the first quarter of 1975. This movement included an extraordinary increase of 65 percent for fats and oils products, 59 percent for miscellaneous products (mainly sugar), 33 percent for bakery and cereal products, 25 percent for processed fruits and vegetables, and 19 percent for dairy products. Farm-retail spreads for meat products increased relatively little and those for poultry and eggs decreased slightly.

Farm-retail spreads have widened by 67 percent since 1967 and 109 percent in the past 20 years.

[1]The market basket contains the average quantities of domestic farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and single workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The retail cost of the market basket foods is less than the cost of all foods bought per household, since it does not include cost of meals in eating places, imported foods, seafoods, or other foods not of U.S. farm origin. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket minus allowances for byproducts. It is based on prices at the first point of sale and may include some marketing charges incurred by farmers such as grading and packing for some commodities. The farm-retail spread, the difference between the retail cost and farm value, is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

Table 1.--The market basket of farm foods by product group: Retail cost, farm value and farm-retail spread, first quarter 1975 with comparisons

Item	I 1975	Change from:			
		Previous quarter		Year ago	
	Dollars	Dollars	Percent	Dollars	Percent
	Retail cost				
Market basket	1824.48	27.74	1.5	104.45	6.1
Meat	520.34	-7.62	-1.4	-39.79	-7.1
Dairy	301.18	4.44	1.5	8.88	3.0
Poultry	70.81	.76	1.1	-1.45	-2.0
Eggs	58.33	-1.51	-2.5	-8.07	-12.2
Bakery and cereal	311.18	17.27	5.9	51.78	20.0
Fresh fruits	69.80	-1.54	-2.2	1.31	1.9
Fresh vegetables	107.29	2.43	2.3	-8.92	-7.7
Processed fruits and vegetables	187.03	5.68	3.1	35.22	23.2
Fats and oils	89.97	1.22	1.4	25.81	40.2
Miscellaneous	108.55	6.61	6.5	39.68	57.6
	Farm value				
Market basket	720.95	-34.07	-4.5	-62.71	-8.0
Meat	283.52	-9.36	-3.2	-41.58	-12.8
Dairy	139.29	2.07	1.5	-17.15	-11.0
Poultry	39.80	-.40	-1.0	-.15	-.4
Eggs	38.81	-2.19	-5.3	-8.02	-17.1
Bakery and cereal	64.00	-11.34	-15.1	-9.50	-12.9
Fresh fruits	20.16	-1.30	-6.1	-.33	-1.6
Fresh vegetables	36.88	1.57	4.4	-3.58	-8.8
Processed fruits and vegetables	40.13	.11	.3	5.58	16.2
Fats and oils	32.20	-8.82	-21.5	2.98	10.2
Miscellaneous	26.16	-4.41	-14.4	9.04	52.8
	Farm-retail spread				
Market basket	1103.53	61.81	5.9	167.16	17.9
Meat	236.82	1.74	.7	1.79	.8
Dairy	161.89	2.37	1.5	26.03	19.2
Poultry	31.01	1.16	3.9	-1.30	-4.0
Eggs	19.52	.68	3.6	-.05	-.3
Bakery and cereal	247.18	28.61	13.1	61.28	33.0
Fresh fruits	49.64	-.24	-.5	1.64	3.4
Fresh vegetables	70.41	.86	1.2	-5.34	-7.0
Processed fruits and vegetables	146.90	5.57	3.9	29.64	25.3
Fats and oils	57.77	10.04	21.0	22.83	65.3
Miscellaneous	82.39	11.02	15.4	30.64	59.2

1/ The market basket contains the average quantities of farm-originated foods purchased annually per household in 1960-61. Retail cost is calculated from U.S. average retail prices collected by the Bureau of Labor Statistics. Farm value is payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing. Quarterly data are annual rates. Additional data are shown in tables at the back of this report.

Table 2 .--The market basket of farm food: Retail cost, farm value, farm-retail spread, and farmer's share of the retail cost 1/

Year and quarter	Retail cost	Farm value	Farm-retail spread	Farmer's share	Month	Retail cost	Farm value	Farm-retail spread	Farmer's share
	Dollars	Dollars	Dollars	Percent		Dollars	Dollars	Dollars	Percent
Average:					1973				
1947-49	82.9	106.9	67.7	50	January	127.2	142.4	117.6	43
1957-59	91.5	94.8	89.5	40	February	130.4	148.0	119.2	44
					March	134.9	157.9	120.3	45
1964	93.4	90.0	95.5	37	April	137.0	158.0	123.7	45
1965	96.0	99.2	93.9	40	May	138.2	158.1	125.6	44
1966	101.1	106.3	97.8	41	June	140.4	166.3	124.0	46
1967	100.0	100.0	100.0	39	July	141.5	172.4	121.9	47
1968	103.6	105.3	102.5	39	August	153.0	204.5	120.4	52
1969	109.1	114.8	105.5	41	September	150.7	181.0	131.5	47
1970	113.7	114.1	113.4	39	October	149.9	174.2	134.5	45
1971	115.7	114.4	116.5	38	November	151.2	169.6	139.6	44
1972	121.3	125.1	118.9	40	December	152.7	174.3	139.0	44
1973	142.3	167.2	126.4	46					
1974 2/	161.9	177.6	152.0	43	1974				
					January	155.5	185.7	136.4	46
1972					February	160.3	191.6	140.5	46
I	119.5	121.2	118.4	39	March	161.7	183.7	147.8	44
II	120.1	122.4	118.6	40	April	159.9	174.9	150.4	42
III	122.5	128.4	118.7	41	May	160.4	166.8	156.3	40
IV	123.1	128.3	119.9	40	June	160.2	165.5	156.8	40
					July	159.7	172.2	151.8	42
1973					August	162.0	178.7	151.4	43
I	130.8	149.4	119.0	44	September	164.3	177.5	155.9	42
II	138.5	160.8	124.4	45	October	164.6	181.1	154.1	43
III	148.4	186.0	124.6	49	November	166.4	182.2	156.4	42
IV	151.3	172.7	137.7	44	December	167.8	177.2	161.9	41
1974					1975 2/				
I	159.2	187.0	141.5	46	January	168.7	172.8	166.0	40
II	160.2	169.1	154.6	41	February	169.3	172.8	167.1	40
III	162.0	176.1	153.4	42	March	168.5	170.5	167.3	39
IV	166.3	180.2	157.5	42	April				
					May				
1975					June				
I	168.8	172.0	166.8	40	July				
II					August				
III					September				
IV					October				
					November				
					December				

1/ The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket. The farm-retail spread--difference between the retail cost and farm value--is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket. Quarterly and monthly data are annual rates. Additional historical data are published in Farm-Retail Spreads for Food Products, Misc. Pub. 741, January 1972. 2/ Preliminary.

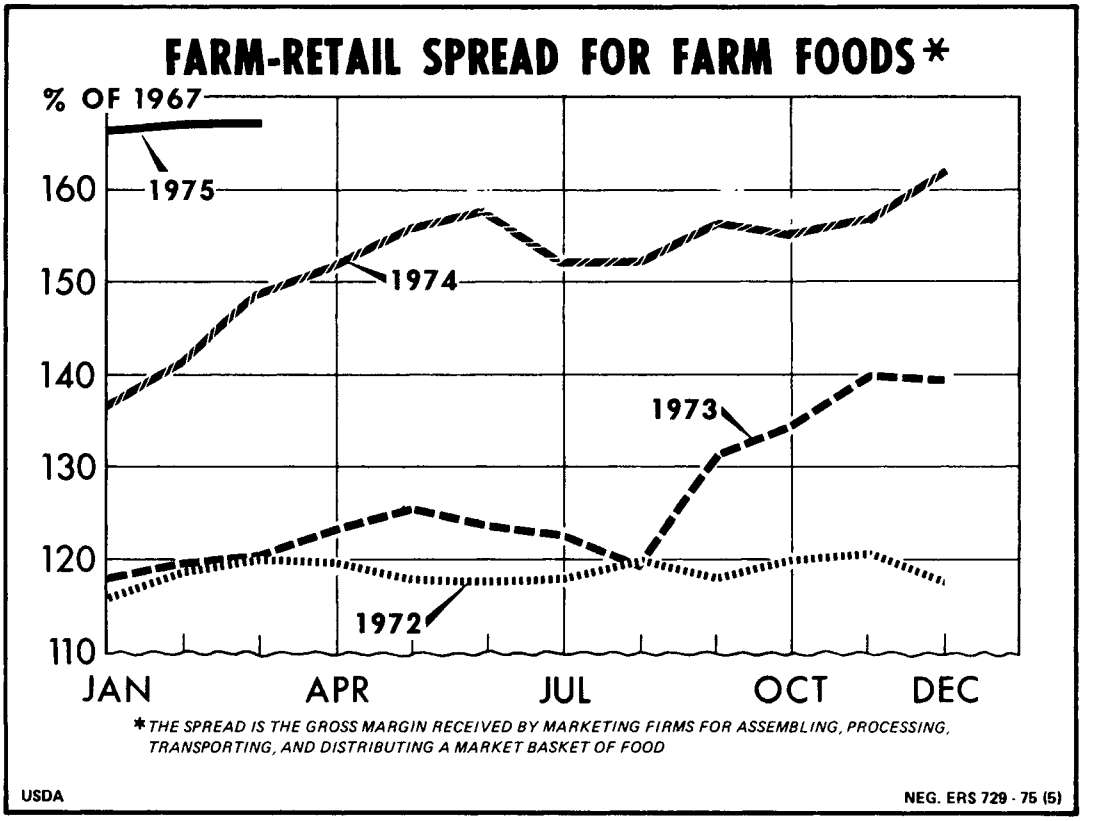

Figure 1

Farmers' Share: Farmers received an average of 40 cents of each dollar spent in retail food stores in the first quarter of 1975 for a market basket of farm-produced foods. This was 2 cents less than in the previous quarter and 6 cents less than in the first quarter of 1974.

Commodity Highlights

Beef: Retail prices for Choice beef averaged $1.30 per pound in the first quarter of 1975, down about 5 cents from the previous quarter (table 3). Retail prices fell slightly more than the net farm value. As a result, the farm-retail spread decreased about 1 cent from the peak of the previous quarter. Strengthening cattle prices in the second quarter may bring further reductions in spreads as price movements at retail lag behind those at farm and wholesale levels.

Choice beef prices averaged $1.27 per pound in March, the least since January 1973. Cattle prices were near the lowest level of the past 3 years. Farm-retail spreads, which widened significantly the past year, averaged 51 cents in March, the lowest level since August last year.

Retail prices for Choice beef averaged 15.5 cents per pound lower in the first quarter of 1975 than a year earlier when prices were at an all-time high. The net farm value was down 16.9 cents, reflecting a decline in prices for Choice steers in seven leading midwestern markets and California to $35.97 per hundredweight in the first quarter from $45.28 a year earlier. The farm-retail spread widened 1.6 cents. All of the increase was in the carcass-retail spread (mainly charges for retailing, wholesaling, and transportation).

Pork: Retail prices for pork cuts, although fairly stable during the first quarter of 1975, averaged $1.14 per pound, up 3 cents from the previous quarter. Both farm value and marketing spreads contributed to the rise, although spreads are usually squeezed when farm values rise.

Marketing spreads for pork were 3 cents lower in the first quarter of this year than a year earlier. The farm value of pork was up about 2 cents, and the retail price dropped about 1 cent. The drop in farm-retail spreads resulted from a sharp drop in the wholesale-retail spread. The farm-wholesale spread widened.

Fats and oils products: Retail prices for fats and oils products in the first quarter of 1975 averaged 40 percent above the level of a year earlier. This steep increase reflects significantly higher wholesale prices for vegetable oils last fall. The farm value of oilseeds in the first quarter of 1975 dropped 22 percent from the previous quarter, but averaged 10 percent higher than in the first quarter of 1974. Because retail prices in the first quarter had not yet reflected the decreases in both wholesale prices and returns to farmers, the farm-retail spread for fats and oils products jumped 21 percent from the fourth quarter and was 65 percent wider than a year earlier.

Bread: The retail price of a 1-pound loaf of white bread averaged 37.3 cents in the first quarter of 1975, up 1.4 cents from the previous quarter and 4.5 cents from a year earlier. The price changed little during the first quarter (table 4).

The farm value of all farm ingredients in a 1-pound loaf of bread averaged 7.5 cents in the first quarter, down 1.3 cents from the previous quarter and 0.9 cents from a year earlier. These decreases resulted primarily from sharply lower prices for wheat. Prices received by farmers for wheat dropped 19 percent from the fourth quarter and 25 percent from the first quarter of 1974. Farm values for ingredients other than wheat were down 0.4 cent from the previous quarter but up 0.8 cent from a year ago, due to sharply higher farm values for sugar, shortening, and nonfat dry milk.

While farm values decreased, marketing spreads continued to rise, at least in total. The baker-wholesaler spread in the first quarter increased 3.1 cents from the previous quarter, but was up almost 5 cents from a year earlier. The retailer's spread changed little during these periods, but the miller's spread decreased sharply.

Changes in retail prices, farm value, and farm retail spreads for other selected food products are shown in table 5.

Outlook

Retail prices for farm-produced foods may continue to rise in the second quarter of the year, mainly reflecting higher prices for meat animals. Price increases are expected to be moderate in the second half of 1975 if present crop projections are realized.

Strengthening returns to farmers for market basket foods in the second quarter could squeeze farm-retail spreads. However, during the last half of 1975 farm-retail spreads may continue widening, although at a relatively slow pace, as rising wage rates, energy and material costs, and transportation charges continue to push up operating expenses for food marketing firms. For 1975 as a whole, farm-retail spreads are expected to average around 10 percent wider than in 1974, with much of the increase having occurred in the first quarter. By the fourth quarter of 1975, marketing spreads may average 6 to 8 percent wider than a year earlier, compared with 18 percent in the first quarter.

Table 3.--Beef, pork, and lamb: Retail price, carcass value, farm value, farm-retail spread, and farmer's share of retail price, annually 1971-74, quarterly 1974-75

Date	Retail price per pound 1/	Carcass value 2/	Gross farm value 3/	Byproduct allowance 4/	Net farm value 5/	Farm-retail spread			Farmer's share
						Total	Carcass-retail	Farm-carcass	
	Cents								Percent
Beef, Choice grade									
1971	104.3	75.7	72.3	4.5	67.8	36.5	28.6	7.9	65
1972	113.8	80.1	79.8	7.4	72.4	41.4	33.7	7.7	64
1973	135.5	98.1	100.0	10.1	89.9	45.6	37.4	8.2	66
1974	138.8	97.4	93.8	7.7	86.1	52.7	41.4	11.3	62
1974									
Jan.-Mar.	145.1	103.9	101.5	9.4	92.1	53.0	41.2	11.8	63
Apr.-June	134.5	93.6	89.0	7.3	81.7	52.8	40.9	11.9	61
July-Sept.	141.0	102.1	99.1	7.8	91.3	49.7	38.9	10.8	65
Oct.-Dec.	134.5	90.2	85.4	6.1	79.3	55.2	44.3	10.9	59
1975									
Jan.-Mar.	129.6	6/ 86.6	80.3	5.1	75.2	54.4	43.0	11.4	58
Apr.-June									
July-Sept.									
Oct.-Dec.									
Pork									
1971	70.3	52.1	35.0	2.7	32.3	38.0	18.2	19.8	46
1972	83.2	65.3	51.2	3.5	47.7	35.5	17.9	17.6	57
1973	109.8	87.3	78.2	6.7	71.5	38.3	22.5	15.8	65
1974	108.2	77.4	66.0	7.2	60.8	47.4	30.8	16.6	56
1974									
Jan.-Mar.	115.2	82.3	73.8	7.7	66.1	49.1	32.9	16.2	57
Apr.-June	99.3	66.4	53.2	5.3	47.9	51.4	32.9	18.5	48
July-Sept.	107.4	77.6	70.1	7.3	62.8	44.6	29.8	14.8	58
Oct.-Dec.	111.0	83.5	74.8	8.3	66.5	44.5	27.5	17.0	60
1975									
Jan.-Mar.	114.4	85.7	75.6	7.3	68.3	46.1	28.7	17.4	60
Apr.-June									
July-Sept.									
Oct.-Dec.									
Lamb, Choice grade									
1971	109.9	75.1	63.1	5.9	57.2	52.7	34.8	17.9	52
1972	118.8	79.7	70.5	7.5	63.0	55.8	39.1	16.7	53
1973	134.3	91.2	86.6	12.9	73.7	60.6	43.1	17.5	55
1974	145.7	102.1	91.9	12.6	79.3	66.4	43.6	22.8	54
1974									
Jan.-Mar.	137.6	102.0	93.4	12.5	80.7	56.9	35.6	21.3	59
Apr.-June	139.7	103.0	99.1	14.7	84.4	55.3	36.7	18.6	60
July-Sept.	152.3	102.0	89.6	12.7	76.9	75.4	50.3	25.1	50
Oct.-Dec.	153.3	101.5	85.6	10.2	75.4	77.9	51.8	26.1	49
1975									
Jan.-Mar.	156.0	106.6	92.7	8.9	84.8	71.2	49.4	21.8	54
Apr.-June									
July-Sept.									
Oct.-Dec.									

1/ Estimated weighted average price of retail cuts. 2/ For quantity equivalent to 1 lb. of retail cuts: Beef: 1.41 lb. of carcass beef; pork, 1.07 lb. of wholesale cuts; lamb, 1.18 lb. of carcass lamb. 3/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.28 lb.; pork, 1.97 lb.; lamb, quantity varies by months from 2.42 lb. in May to 2.48 lb. in October. 4/ Portion of gross farm value attributed to edible and inedible byproducts. 5/ Gross farm value minus byproduct allowance. 6/ Yield Grade 3.

Table 4.--White pan bread: Retail price, marketing spreads, and farm value per 1-pound loaf, selected periods, 1950-1975

Period	Retail price 1/	Retail spread 2/	Baker wholesaler spread 3/	Miller's flour spread 4/	Other spreads 5/	Farm value	
						All ingredients 6/	Wheat 7/
			Cents				
1950	14.3	2.6	7.0	0.6	1.1	3.0	2.4
1955	17.4	2.6	9.4	.7	1.5	3.2	2.7
1960	19.8	3.8	10.9	.8	1.5	2.8	2.3
1965	20.8	4.2	11.2	.6	1.6	3.2	2.6
1970	24.2	5.6	12.8	.5	1.9	3.4	2.6
1971	24.8	5.4	13.6	.6	1.7	3.5	2.6
1972	24.7	4.6	13.8	.6	1.9	3.8	2.8
1973	27.6	5.4	14.0	1.0	1.7	5.5	4.1
1974 8/	34.5	5.8	17.1	1.0	2.7	7.9	5.4
1974:							
I	32.8	5.8	15.4	1.3	1.9	8.4	6.4
II	34.4	6.1	18.1	.8	2.7	6.7	4.5
III	34.7	5.6	17.8	.9	2.8	7.6	5.0
IV	35.9	5.7	17.1	1.0	3.3	8.8	5.6
1975 8/							
I	37.3	5.6	20.2	0.7	3.3	7.5	4.7
II							
Jan.	37.2	5.7	19.3	1.0	3.4	7.8	4.8
Feb.	37.4	5.6	20.4	0.5	3.3	7.6	4.8
Mar.	37.3	5.6	21.0	0.6	3.2	7.0	4.4
Apr.							
May							
June							

1/ Based on monthly prices reported by Bureau of Labor Statistics. 2/ Spread between retail and wholesale prices. 3/ Spread between wholesale price of bread and cost to baker of all ingredients. 4/ Spread between mill sales value of flour and cost of wheat to miller. 5/ Charges for transporting, handling, merchandising farm ingredients; processing non-wheat farm ingredients; and cost to baker of non-farm ingredients. 6/ Returns to farmers for wheat, lard, shortening, nonfat dry milk and sugar used in a 1-pound loaf. 7/ Returns to farmers for wheat, less imputed value of millfeed byproducts. Between July 1, 1964 and June 30, 1973, it includes value of commercial wheat marketing certificate (70 cents a bushel from July 1, 1964-June 30, 1965 and 75 cents thereafter). 8/ Preliminary.

Table 5.--Changes in retail price, farm value, and farm-retail spread for selected market basket foods, first quarter 1975.

Item	I 1975	Change from: Previous quarter	Change from: Year ago	I 1975	Change from: Previous quarter	Change from: Year ago
	Cents	Percent	Percent	Cents	Percent	Percent
	Butter, pound			Cheese, American, ½ pound		
Retail price	94.1	-1.1	-3.5	73.5	1.0	1.1
Farm value	57.2	.5	-13.6	32.7	3.8	-16.2
Farm-retail spread	36.9	-3.4	17.9	40.8	-1.2	21.1
	Milk, sold in stores, ½ gallon			Chicken, frying, pound		
Retail price	79.2	1.4	2.2	58.9	1.0	.9
Farm value	40.1 2/	0.2	-2.4	33.1	-1.5	1.8
Farm-retail spread	39.1	2.6	7.4	25.8	4.5	-.4
	Eggs, large grade A, dozen			Corn flakes, 12 ounces		
Retail price	81.0	-2.4	-11.0	51.9	7.0	42.6
Farm value	53.9	-5.3	-16.0	4.8	-5.9	6.7
Farm-retail spread	27.1	3.8	1.1	47.1	8.5	47.6
	Apples, pound			Oranges, dozen		
Retail price	31.4	1.3	-2.5	107.9	-7.1	3.2
Farm value	10.8	-3.6	-1.8	23.2	-10.8	-8.3
Farm-retail spread	20.6	4.0	-2.8	84.7	-6.1	6.8
	Lettuce, head			Tomatoes, pound		
Retail price	42.8	-7.2	25.1	61.3	16.3	4.3
Farm value	14.9	-7.5	35.5	24.6	12.8	19.4
Farm-retail spread	27.9	-7.0	20.3	36.7	18.8	-3.9
	Orange juice, frozen, 6 oz. can			Margarine, pound		
Retail price	27.8	3.7	9.9	70.6	2.9	45.6
Farm value	8.8	-5.4	-3.3	25.2	-22.5	11.5
Farm-retail spread	19.0	8.6	17.3	45.4	25.8	75.3
	Potatoes, 10 pounds			Peas, frozen, 10 ounces		
Retail price	109.3	-8.8	-33.3	34.1	2.4	34.8
Farm value	33.5	-14.3	-47.0	7.0	0	66.7
Farm-retail spread	75.8	-6.2	-24.7	27.1	3.0	28.4

1/ Data for additional foods are shown in tables at back of this report.

2/ Farm values revised, see discussion in this report.

Table 6.--Profits after taxes of retail food chains and food manufacturers, annual 1964-74, quarterly 1974-75.

Period	Food chains 1/	Meat packers 2/	All food manufacturing 3/ (SIC 20)	All manufacturing 3/
	Percent return on stockholders' equity			
1964	11.5	--	10.1	11.7
1965	11.3	--	10.7	13.1
1966	11.4	7.1	11.3	13.6
1967	10.3	11.5	10.9	11.8
1968	10.3	10.2	10.8	12.2
1969	10.4	8.8	10.9	11.5
1970	10.6	8.7	10.8	9.3
1971	10.1	10.8	11.0	9.7
1972	5.2	9.1	11.2	10.6
1973	8.2	10.6	12.8	12.6
1974	--	12.2 4/	14.1	14.9
1974				
January-March	9.1	--	12.5	14.3
April-June	11.6	--	13.6	16.7
July-September	11.3	--	15.5	15.5
October-December	8.1	--	14.5	13.2
	Percent return on sales			
1964	1.3	--	2.7	5.2
1965	1.3	--	2.7	5.6
1966	1.3	0.9	2.7	5.6
1967	1.1	1.4	2.6	5.0
1968	1.1	1.2	2.6	5.1
1969	1.1	1.2	2.6	4.8
1970	1.0	0.9	2.5	4.0
1971	.9	1.3	2.6	4.1
1972	.5	0.8	2.6	4.3
1973	.7	1.2	2.6	4.7
1974	.2 5/	1.4 4/	2.8	5.5
1974				
January-March	.8	1.1	2.5	5.6
April-June	1.0	.9	2.7	6.0
July-September	.9	1.3	3.0	5.7
October-December	.6	1.5	2.8	4.8
1975				
January-March	-1.6 5/	--	--	--

-- = Not available. 1/ Compiled from financial reports of 15 leading firms published in "Moody's Industrial Manual." 2/ Compiled from financial reports of 10 leading firms published in Moody's Industrial Manual." 3/ Compiled from "Quarterly Financial Report for Manufacturing Corporations" published by the Federal Trade Commission. Data since the first quarter of 1974 are imperfectly comparable with prior data because of significant changes in accounting methods. 4/ 8 firms. 5/ 12 stores. Includes extraordinary loss from store closings by the Greater Atlantic and Pacific Tea Company. Profits for 11 stores, excluding A&P, amounted to 0.86 percent of annual sales and 1.1 percent of first quarter sales.

REVISED FARM-RETAIL PRICE SPREADS FOR WHOLE MILK

by
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ABSTRACT: The farm-retail price spread series for whole milk has been revised from July 1973 to present, to reflect improved estimates of returns to farmers for fluid milk. Methodology for computing the revised series is presented and the old and new series are compared.

KEYWORDS: Price spreads, milk, marketing.

The farm-retail price spread series for whole milk has been revised from July 1973 to present to reflect improved estimates of returns to farmers for milk used in fluid products. Data for the period 1947 to June 1973 did not require revision. Table 7 presents data for the old and revised series.

The farm-retail spread is the difference between what the consumer pays and what the farmer receives for an equivalent quantity and quality of milk. It is the aggregate charge for all marketing functions, regardless of who performs them, and does not meausre the costs of performing any given marketing function nor the profits accruing to any particular segment of the industry.

The retail price for whole milk sold through stores is reported by the Bureau of Labor Statistics. Prior to July 1973, the price paid by dealers at the plant for milk used in fluid products was reported in the *Fluid Milk and Cream Report* published by USDA's Statistical Reporting Service (SRS). Hauling charges were deducted from the dealers' buying price to obtain the farm value. The difference between this farm value and the retail price was reported in the market basket statistics as the farm-retail spread for whole milk.

When the *Fluid Milk and Cream Report* was discontinued in June 1973, it became necessary to establish a new data base for the farm value for the price spread series for fluid milk. Federal and State Market Order Minimum Class I prices were selected to represent dealers' buying price for fluid milk. Minimum Class I prices were weighted by population to obtain comparability with BLS retail prices. A hauling charge was deducted from this weighted minimum Class I price to obtain the farm value. Comparisons of this measure with farm values obtained by previous procedures show a very close correspondence for the period prior to July 1973.

In retrospect, certain basic problems in the new farm value series began to appear as milk prices increased sharply during the fall and winter of 1973-74, but these problems did not become fully apparent until minimum Class I prices under Federal Orders began to decline and over-order payments on Class I milk increased sharply during the summer and fall of 1974. By the end of 1974 it was obvious that the new farm value series for fluid milk was not providing a consistent and accurate measure of the equivalent prices received by farmers for milk used in fluid products and that the series should be revised.

There is no price series that reports the farm value of milk used for fluid purposes. Therefore, it is necessary to derive a farm value series that is consistent with the farm-retail spread concept of the market basket from reported price series. Several different price series and adjustment procedures have been examined in detail and the following data and procedure provide the "best available" measure of the farm value of whole milk used for fluid:

1. The "milk eligible for fluid" price. This is the average price received by farmers f.o.b. the plant where the milk is first received, and is closer to the farm than any other series. This price is published monthly on an unadjusted basis by the Statistical Reporting Service (SRS) and as adjusted to a 3.5 percent standard butterfat basis by Agricultural Marketing Service (AMS). It is a blend price and represents returns to farmers on both Class I milk and fluid grade milk used in manufactured products.
2. The Minnesota-Wisconsin (M-W) price for manufacturing grade milk. This price is published

monthly by SRS and AMS. The M-W is specified as the Class III price in most order markets and is the best indicator of changes in the value of fluid grade milk used in manufacturing.

3. Class I milk utilization in Federal Order Markets. These data are published monthly by AMS. Once each year, current data can be used to estimate a monthly adjustment factor to include utilization in the State orders for California, New York, Montana, North Carolina, South Carolina, and Alabama.
4. Hauling charges from farm to the first plant are not published as a series, but are estimated by the Economic Research Service (ERS).

These data will be used in the following step-by-step procedure to determine the farm value of milk used as fluid (3.5 percent butterfat).

1. Multiply the Minnesota-Wisconsin price per cwt by the percent of fluid grade milk used in manufacturing to measure the value of the portion of milk used for manufacturing.
2. Subtract this "value from manufacturing" from the "milk eligible for fluid" price per cwt. The difference measures the "value from fluid use."
3. Divide the "value from fluid" by the percentage fluid utilization to find the price per cwt for the fluid milk f.o.b. first plant. Adjust for computational overallocation to fluid use of seasonal incentives of the "take out-pay back" plans.
4. Subtract the hauling charge from the plant price to determine the farm price for fluid milk.
5. Multiply the farm price per pound by 4.39 pounds to determine the farm value of one-half gallon equivalent.

Recap of the revised procedure: (priced on a per hundredweight basis)

1. M-W price (X) % in manufacturing = value from manufacturing.
2. "Milk eligible" price (-) value from mfg = value from fluid.
3. Value from fluid (divided by) % fluid use = fluid price at plant (plus seasonal correction).
4. Price at plant (-) hauling charge = farm price for fluid.
5. (Farm price divided by 100) X 4.39 = farm value of one-half gallon equivalent.

The revised series will differ from the previous series by varying amounts. The difference will depend upon the relationships as expressed in the marketplace. Five factors will account for these variations. Some will tend to lower the farm price, some to increase it. The seasonal incentive will lower the farm price in the spring and raise it in the fall.

1. The revised series is a more inclusive national measure in that it reflects prices for all milk eligible for fluid use.
2. The pricing point for the prices used in the revised series is the plant of first receipt while minimum Class I prices under State and Federal Orders previously used consider the city as the pricing point.
3. Over-order payments by processors to cooperatives, and the cooperatives' costs associated with marketing raw milk are reflected insofar as they affect pay prices to farmers.
4. The "milk eligible for fluid" price series used in the revised procedure includes the seasonal incentives as specified in various Federal Market Orders, whereas order class prices previously used did not. (In 1974, eleven orders applied provisions specifying a rate per hundred pounds of producer milk to be withheld by the pool during the spring flush production period. During the specified short-production months, the fund was paid out to producers on a rate per hundred pounds as computed by the Market Administrator. In 1974, the net effect of these plans was to decrease the weighted average price to farmers by 12.4 cents per cwt in June and increase the average price by 13.6 cents per cwt in October. These 2 months represented the maximum seasonal effect; a smaller decrease occurred in the other spring months and a smaller increase in the other fall months.)

Table 7.--Revised farm-retail price spreads for whole milk sold through stores, July 1973 to March, 1975

Month	New series			Old series		
	Retail price (BLS)	Farm value	Farm-retail spread	Retail price (BLS)	Farm value	Farm-retail spread
	Cents per 1/2 gallon					
1973						
July	63.2	32.5	30.7	63.2	32.8	30.4
August	64.7	34.0	30.7	64.7	33.1	31.6
September	66.3	36.3	30.0	66.3	35.5	30.8
October	70.3	37.2	33.1	70.3	36.0	34.3
November	73.1	38.9	34.2	73.1	38.2	34.9
December	75.3	39.8	35.5	75.3	41.0	34.3
1974						
January	75.9	40.3	35.6	75.9	41.6	34.3
February	77.6	41.2	36.4	77.6	42.8	34.8
March	78.9	41.9	37.0	78.9	43.4	35.5
April	80.0	43.5	36.5	80.0	43.6	36.4
May	80.4	43.6	36.8	80.4	44.1	36.3
June	79.9	42.5	37.4	79.9	42.5	37.4
July	78.4	40.3	38.1	78.4	39.2	39.2
August	77.5	38.8	38.7	77.5	36.7	40.8
September	77.3	38.8	38.5	77.3	36.7	40.6
October	77.5	38.9	38.6	77.5	37.1	40.4
November	77.6	40.2	37.4	77.6	38.3	39.3
December	79.2	40.8	38.4	79.2	38.9	40.3
1975						
January	79.4	40.0	39.4	79.4	38.7	40.7
February	79.2	40.2	39.0	79.2	38.8	40.4
March	78.9	40.2	38.7	78.9	39.0	39.9
April						

TRENDS IN PRICES AND MARKETING SPREADS FOR BEEF AND PORK

by
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ABSTRACT: This article examines developments in farm-retail marketing spreads for beef and pork during recent years as related to market conditions and changing costs for processing and distribution. It compares these cost changes with the trend in marketing spreads and shows changes in seasonal patterns of the farm-wholesale and wholesale-retail conponents of the price spreads for beef and pork. Included is a discussion of the problems that arise in interpreting farm-wholesale and wholesale-retail spreads as they relate to operating margins of individual firms, packers, processors, and retailers.

KEYWORDS: Price spreads, costs, beef, pork.

During the past year, farm-retail spreads for beef and pork continued near the wider levels that developed late in 1973. Farm-retail spreads for beef averaged about 20 percent higher in 1974 than in early 1973 while the spread for pork was 30 percent higher. Spreads during the first 3 months of 1975 remained near 1974 levels.

Farm-retail price spreads for beef and pork represent the differences between the average retail price per pound for representative retail cuts of the meat and the net farm value of the quantity of live animals that will yield 1 pound of retail cuts—2.28 pounds for beef and 1.92 pounds for pork. They represent gross marketing charges, including profits, incurred between livestock producers and retail-store checkout counters; they include the sum of charges for marketing and slaughtering livestock, breaking the dressed chilled carcass into wholesale cuts, added processing costs for some items, transportation to consuming centers, local delivery to retail stores, cutting and packaging for the retail case, and retail-store selling expenses, including overhead.

Price spreads change when livestock prices and retail meat prices change by different amounts. Price spreads tend to widen over time as costs increase for shipping, processing and retailing meats. In the shortrun, price spreads generally fluctuate, generally widening when livestock prices fall and decreasing when livestock prices rise because of time lags in retail price adjustments as the livestock and meat are traded and moved through the processing and distribution systems. Livestock and meat prices, and marketing spreads fluctuate within years due to seasonal and week-to-week changes in dressed meat production and consumers' incomes and spending patterns. Marketing spreads also may fluctuate with changing weight and finish of livestock marketed and their yield of saleable cuts.

Trends in Retail Prices and Farm Value

During 1964-74, retail beef prices rose 80 percent while pork retail prices nearly doubled. More than half of the increase in retail beef prices and nearly two-thirds of the rise in those for pork occurred since 1971. The 1964-74 increase in beef and pork retail prices accompanied a trend in rising per capita meat consumption, particularly for beef, reflecting strong consumer demand boosted by rising consumer incomes. Consumer disposable income per capita more than doubled, with nearly one-half of the increase since 1971. Commercial production of meat increased from 1964-74 by about 27 percent for beef and about 11 percent for pork (table 8).

Net farm values per retail pound of beef and pork have been more variable than retail prices in the last 10 years, contributing to considerable shortrun fluctuations in market spreads. Changes in annual average retail prices and net farm values reflect trends in demand, year-to-year changes in supply, and trends in marketing costs.

Annual and seasonal changes in supplies and prices of cattle differ from those for hogs. Beef production followed a steady upward trend until 1973, and net farm value per retail pound ranged between 46.2 cents in 1964 and 72.4 cents in 1972 (table 9). In 1973, beef production dropped and the farm value of a retail pound of beef exclusive of

Table 8.--Beef and pork retail prices and consumption, and personal disposable income, 1964-74

Year	Retail price		U. S. civilian consumption per capita (carcass weight)		Per capita personal disposable income
	Beef	Pork	Beef	Pork	
	Cents per pound		Pounds		Dollars
1964	76.5	55.9	99.9	65.4	2,284
1965	80.1	65.8	99.5	58.7	2,436
1966	82.4	74.0	104.2	58.1	2,604
1967	82.6	67.2	106.5	64.1	2,749
1968	86.6	67.4	109.7	66.2	2,945
1969	96.2	74.3	110.8	65.0	3,130
1970	98.6	78.0	113.7	66.4	3,376
1971	104.3	70.3	113.0	73.0	3,605
1972	113.8	83.2	116.0	67.4	3,843
1973	135.5	109.8	109.6	61.6	4,295
1974	138.8	108.2	116.3	66.3	4,623

Table 9.--Beef and Pork: Net farm value and commercial production, 1964-74

Year	Beef		Pork	
	Net farm value 1/	Commercial production	Net farm value 1/	Commercial production
	Cents 2/	Mil. lbs.	Cents 2/	Mil. lbs.
1964	46.2	18,037	26.8	12,019
1965	51.8	18,325	38.1	10,736
1966	52.3	19,493	42.2	11,130
1967	53.0	19,991	34.8	12,377
1968	56.7	20,662	34.5	12,867
1969	62.2	20,960	42.3	12,774
1970	61.5	21,472	39.4	13,248
1971	67.8	21,697	32.3	14,606
1972	72.4	22,218	47.7	13,460
1973	89.9	21,088	71.5	12,578
1974	86.1	22,828	60.8	13,588

1/ Payment to farmer for quantity of live animal equivalent to 1-pound of retail cuts--2.28 pounds of choice beef and 1.97 pounds of hog--less an allowance for byproducts.
2/ Per retail pound.

byproducts jumped to 89.9 cents. In 1974, beef production rose again with increased slaughter from the cyclically large cattle herd, and the net farm value dropped to 86.1 cents per retail pound.

Since 1964, hog production and the net farm value of pork have fluctuated widely, following a long term recurring cycle that averages about 4 years in length. Net farm value for pork moved irregularly upward between 26.8 cents in 1964 and 47.7 cents in 1972, then jumped to 71.5 cents in 1973 as both beef and pork production declined. The net farm value of pork dropped to 60.8 cents per retail pound in 1974 as production increased at the same time beef production climbed substantially. Hog marketings and pork production vary seasonally within a year more than beef, causing wider seasonal fluctuations in net farm value for pork.

Changes in farm values for meat animals tend to reflect both long term trends and shortrun changes in supply and demand conditions, and usually precede price changes at retail by several weeks. Retail beef and pork prices usually show less month-to-month variability than live cattle or hog prices. While retailers may special more meat cuts and make deeper price cuts when supplies are large, they attempt to follow relatively steady monthly pricing patterns. This results in smaller shortrun changes in the composite average retail prices for beef and pork than in net farm values.

Recent Changes in Farm-Retail Spreads

Farm-retail spreads for beef and pork, squeezed by rising costs and price ceilings during much of 1973, widened late that year. After economic controls were lifted, retail prices continued to rise and farm prices fell sharply. During 1974, farm-retail spreads persisted near these wider levels. For pork, most of the wider spread occurred in the wholesale-to-retail component; for beef, both the farm-carcass and carcass-retail components increased.

Trends in Price Spreads and Marketing Costs

During 1964-74, farm-retail marketing spreads widened by about two-thirds for both beef and pork, with the greatest portion of the increases following 1971.

Spreads have tended to reach plateaus, with little or no change for several years followed by upward shifts of several cents a pound. This pattern is especially evident in the farm-retail spread for pork. It varied between 28 and 29 cents per retail pound in 1964 and 1965, fluctuated around 32 cents during 1966-69, increased to around 38 cents in 1970-73, then jumped to 47 cents in 1974. For beef, the annual average ranged about 28 to 30 cents per pound in 1964-68, but then rose steadily—to 34 cents in 1969, 36 cents in 1971, 45 cents in 1973, and 53 cents in 1974.

Increases in price spreads for beef and pork have accompanied rising marketing costs (table 10). While farm-retail spreads increased more than two-thirds for beef and nearly two-thirds for pork between 1964 and 1974, hourly earnings for meatpacking and meat processing employees rose by about three-fourths. Similarly, hourly earnings of food retailing employees rose over 75 percent in these years. Prices of supplies and services bought by marketing firms were also up. Containers and packaging materials rose 57 percent; fuel power and light doubled; rent, telephone, banking and other services rose 78 percent. Shipping and delivery costs have continued to increase markedly, but data for recent months are not yet available. Rail freight rates for dressed meats declined from 1964 to 1967 but then increased 38 percent by 1973 and continued increasing through 1974. Final data are not yet available. In addition, local delivery costs to retail stores have increased substantially in recent years.

Quarterly variations in price spreads (tables 11 and 12) reflect the varying effects of price adjustments occasioned by seasonal changes in red meat production from slaughter of beef and pork, and seasonal shifts in consumer spending for food. Additional fluctuations are due to lags in timing of price adjustments at various market levels. The combined effect of all factors—increasing costs, changes in supply and demand, and lags in price response at various levels of the marketing system—are reflected in price spreads. Their individual effects are difficult, if not impossible, to separate and analyze with the data now available.

Farm-Carcass and Carcass-Retail Spreads For Beef

There are two major components of the farm-retail spread for beef: the farm-carcass spread and the carcass-retail spread. The farm-carcass spread covers approximate charges for cattle marketing and slaughtering operations, and for transporting the dressed chilled beef carcass to principal consuming centers. The carcass-retail spread covers approximate charges for breaking the beef carcass, local delivery to retail stores, retail cutting and packaging, as well as other retailing costs.

The average annual farm-carcass spread for beef fluctuated narrowly between 6 and 7 cents per retail pound from 1964 until 1971 when it rose to 7.9 cents (table 11). Until jumping to about 11 cents per pound in the last quarter of 1973, it had never averaged above 8 cents for any 3-month period.

The carcass-retail spread for beef fluctuated around 23 cents per retail pound between 1964 and 1968. It rose sharply in 1969 to a higher plateau, reflecting changes in retailer pricing policies and rising marketing costs. It fluctauted narrowly in 1972 and early 1973, increased to 43 cents in the last quarter of 1973, dropped to 41 cents in early 1974, declined again to 39 cents by the third quarter, but then rose to 44 cents in the last quarter 1974.

Table 10.--Beef and pork price spreads and selected marketing costs, 1964-74

Year	Farm-retail price spread		Hourly earnings		
	Beef	Pork	Meat packing	Meat processing	Food retailing
	Cents	Cents	Dollars	Dollars	Dollars
1964	30.3	29.1	2.91	2.72	1.98
1965	28.3	27.7	2.99	2.78	2.06
1966	30.1	31.8	3.09	2.88	2.13
1967	29.6	32.4	3.24	3.03	2.23
1968	29.9	32.9	3.45	3.22	2.38
1969	34.0	32.0	3.66	3.45	2.54
1970	37.1	38.6	3.98	3.65	2.70
1971	36.5	38.0	4.20	3.92	2.90
1972	41.4	35.5	4.47	4.24	3.09
1973	45.6	38.3	4.68	4.45	3.26
1974	52.7	47.4	5.15	4.91	3.60

Year	Prices of supplies and services bought by marketing firms			Rail freight rates for:	
	Containers, packaging	Fuel, power and light	Rentals and services	Livestock	Dressed meats
	Index 1967 = 100				
1964	96	98	88	99	113
1965	97	99	91	99	104
1966	99	99	95	99	100
1967	100	100	100	100	100
1968	100	99	106	104	103
1969	104	99	113	108	107
1970	108	108	120	119	117
1971	114	121	128	135	132
1972	117	126	138	140	136
1973	128	138	145	146	138
1974	151	202	157	---	---

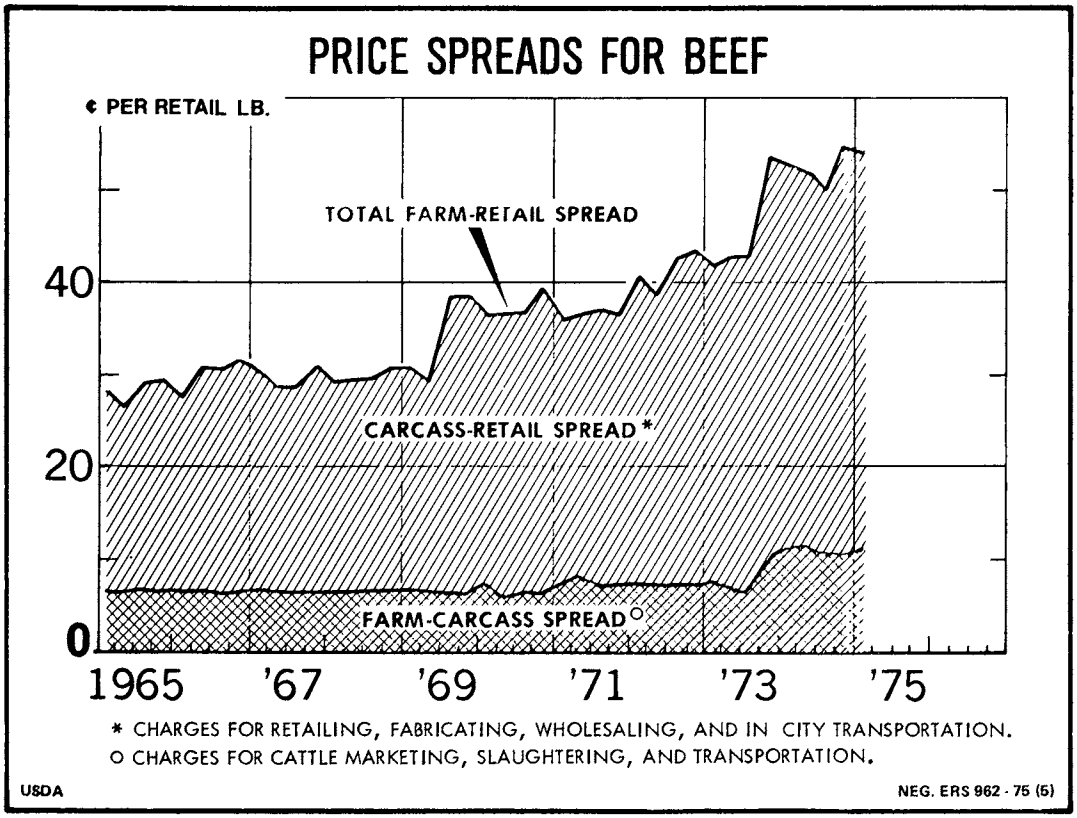

Figure 2

Farm-Wholesale and Wholesale-Retail Spreads For Pork

The farm-retail spread for pork is divided into the farm-wholesale spread and the wholesale-retail spread. The farm-wholesale spread covers approximate costs for marketing and slaughtering hogs, cutting the dressed carcasses into shoulders and hams, loins, spareribs, and bellies, curing, smoking and processing pork products, and shipping to major consuming centers. Between 1964 and 1971, the farm-wholesale spread for pork increased about 4 cents per retail pound to nearly 20 cents, but in the past years it fell back to the 1964-66 level of about 16 cents per retail pound.

The wholesale-retail spread covers costs of warehousing, local delivery to retail stores, and retailing operations, including some cutting and packaging in stores. It increased about 9 cents per retail pound between 1964-1973 with sharp hikes in 1966, 1970, and again in 1973 accounting for nearly all the rise (table 12). In the last quarter of 1973 and through 1974, its average has fluctuated between 27 and 33 cents per retail pound—nearly double that of 1963-69.

Interpreting Price Spreads

Price spreads are indicators of approximate gross margins for specified combinations of functions in the sequence of marketing and processing, including wholesale and retail distribution.

For pork, the farm-retail spread was divided about equally with the farm-wholesale and the wholesale-retail components until 1973. For beef, the farm-carcass spread is about one-fifth of the total farm-retail spread. These proportions diverge because of differences in the amount of processing typically done following purchase from first-processors. The farm-retail spread for pork is measured from prices for wholesale cuts made from the dressed-chilled carcass; thus the farm-wholesale spread for pork includes carcass breaking, processing, and packaging. In contrast, the farm-carcass spread for beef is measured from wholesale prices of dressed carcass and does not include carcass breaking. Most pork is purchased by retailers as processed products, but until recent years most beef was purchased as dressed carcasses.

For pork, the farm-wholesale spread can be interpreted as representing mostly an approximate packer-processor margin, along with farmer marketing costs and some transportation. The wholesale-retail spread for pork represents local delivery costs and the retailers' margin. For beef, price spreads can not be interpreted to represent either packers' or retailers' approximate margins. Some of the beef breaking and processing is done by packers, some by specialized wholesalers, some by

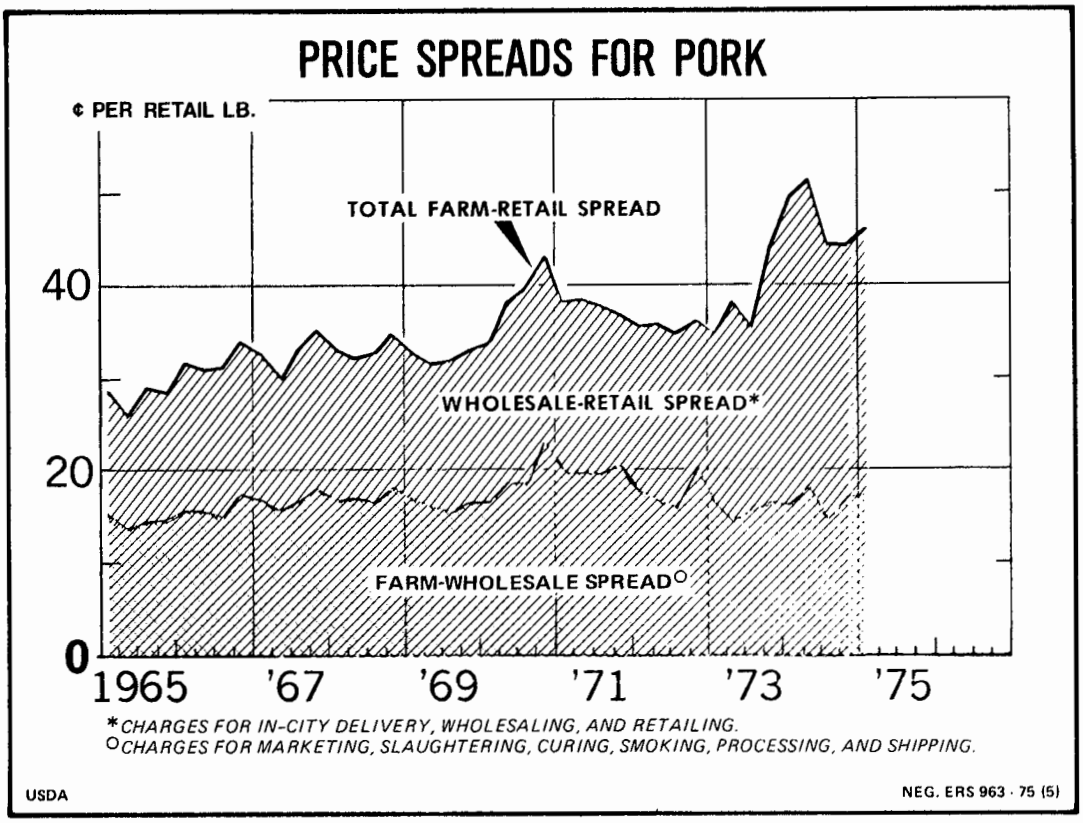

Figure 3

retailers. But all of the breaking and processing is shown in the carcass-to-retail portion of the spread, since the two portions of the spread are divided by carcass price data. Retailers state that their in-store margin averages 30 to 40 percent less than the carcass-retail spread because the cost of beef delivered to the retail store includes costs of breaking and cutting the beef carcass into primals and closely trimmed subprimal cuts, as well as local delivery costs.

Price spreads include, but do not show separately, the margins (including profits) for processors and retailers. For retailing, estimated in-store gross margins for meats averaged about 21 cents per dollar of sales in 1973—about half of it labor costs. More detailed data and discussion of the cost components and profits within price spreads for meats and other important farm foods were published in "Distribution of the Food Dollar by Marketing Function and Expense Item," ERS-587, November 1974.

Farm-retail spreads include transportation between meatpacking and major consuming centers, and a lesser amount for the cost to farmers for hauling and marketing their livestock. These costs have increased in recent years and are reflected in the revised data commencing with 1970.

In recent years there has been a considerable shift in beef slaughter operations toward the West and Southwest, resulting in longer distance shipments to principal consuming centers. Another development is the growing trend among retailers to purchase fewer carcasses and a larger proportion of their beef as closely trimmed subprimals, at higher prices that reflect the added labor and packaging costs involved. Additional studies are being made to measure the effects of these changes and other factors on beef and pork price spreads and their component parts.

Table 11.--Price spreads for beef, quarterly, 1964-75

Year	Carcass-retail spread					Farm-carcass spread				
	I	II	III	IV	Annual average	I	II	III	IV	Annual average
	Cents per retail pound									
1964	24.0	23.5	21.2	24.1	23.2	7.7	7.6	6.7	6.3	7.1
1965	21.9	20.2	22.7	23.7	22.1	6.4	6.1	6.4	6.0	6.2
1966	21.4	24.6	24.2	25.5	23.9	6.1	6.0	6.2	6.4	6.2
1967	24.1	22.4	22.1	24.3	23.2	6.3	6.4	6.3	6.5	6.4
1968	23.0	23.4	23.4	24.0	23.5	6.4	6.4	6.4	6.3	6.4
1969	23.9	23.1	31.2	31.9	27.5	6.4	6.1	6.9	6.3	6.5
1970	29.5	30.0	29.6	32.4	30.3	7.2	6.1	6.9	6.9	6.8
1971	27.3	28.5	29.2	29.2	28.6	8.1	8.2	7.7	7.5	7.9
1972	33.0	31.0	35.4	35.4	33.7	7.8	7.8	7.3	7.8	7.7
1973	34.0	35.6	36.2	42.4	37.4	8.0	7.5	6.8	11.5	8.2
1974	41.2	40.9	38.9	44.3	41.4	11.8	11.9	10.8	10.9	11.3
1975	43.0					11.4				

Table 12.--Price spreads for pork, quarterly, 1964-75

Year	Wholesale-retail spread					Farm-wholesale spread				
	I	II	III	IV	Annual average	I	II	III	IV	Annual average
	Cents per retail pound									
1964	13.6	13.9	13.0	14.3	13.7	15.9	14.8	15.5	15.5	15.4
1965	13.1	11.7	14.5	13.6	13.2	15.0	13.8	14.4	14.7	14.5
1966	16.3	15.6	16.3	16.5	16.1	15.4	15.3	14.7	17.3	15.7
1967	15.7	14.3	16.0	16.8	15.7	16.7	15.5	16.7	18.0	16.7
1968	16.0	15.1	15.6	16.4	15.7	16.7	17.0	16.7	18.3	17.2
1969	15.7	15.4	15.9	16.1	15.8	17.0	15.9	15.3	16.7	16.2
1970	17.1	19.8	20.9	19.8	19.2	16.8	18.8	18.6	23.1	19.4
1971	19.0	18.9	18.5	16.5	18.2	19.7	19.9	19.3	20.2	19.8
1972	17.6	18.8	18.9	16.1	17.9	17.7	16.9	15.8	20.0	17.6
1973	18.0	23.7	20.1	28.2	22.5	16.5	14.6	15.6	16.4	15.8
1974	32.9	32.9	29.8	27.5	30.8	16.2	18.5	14.8	17.0	16.6
1975	28.7					17.4				

SUPPLY AND PRICE OUTLOOK FOR BALING WIRE AND TWINE

by
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ABSTRACT: Supplies of baler twine and wire for the 1975 hay crop are expected to be up from last year. Imports of natural fiber twine and domestic production of synthetic twine are trending up sharply. Demand for baling materials may be up, but only slightly. Both wire and twine prices are starting to weaken, but twine likely will decline the most, perhaps to around $20 per bale of natural fiber twine by late summer and even less for synthetic twine.

KEYWORDS: Baling materials, wire, twine, hay, supplies.

Baler twine and wire are vital requirements for most of the hay crop, which was valued at about $6.2 billion in 1974. Only corn, soybeans, and wheat crops were of higher value.

Farm expenditures for baler twine and wire last year totaled about $250 million, nearly 2½ times greater than their costs in 1973. However, expenditures still accounted for less than one-half percent of the total farm production costs.

Between 85 and 90 percent of the hay crop is baled with wire or twine; the remainder is stored loose, cubed, pelleted, of chopped. Over 80 percent of bales are tied with twine which is made from both natural and manmade fibers. Wire is commonly used in commercial hay areas of the West and Southwest because of greater weight per bale and fewer handling problems in shipping.

Twine and wire are also used in baling grain crop residues such as straw from wheat and oats, but how much is unknown. Crop residues are used for both feeding and bedding livestock.

Demand for Baler Twine and Wire

Demand for baling materials largely will be determined by the size of the 1975 hay crop. In 1974, hay production totaled 127 million tons, a decline of 6 percent from the record 1973 crop. Widespread drought caused much of the reduction. The area harvested also declined 2½ percent to 60.5 million acres.

The prospective acreage of hay for harvest on March 1 was 61 million, up only a half million acres from 1974. However, improved hay prices and lower stocks may encourage the actual acreage to increase slightly more than the intentions. The average price of all hay sold was $49.10 per ton in 1974, compared with $39.10 in 1973 and $31.30 in 1972. On April 15, 1975, the average price was $52.40 per ton, compared with $44.40 in 1974. Stocks of hay on May 1, 1975, were 18.6 million tons, down 27 percent from a year earlier. Assuming current price relationships between hay and feed grains continue and cattle numbers continue to climb, demand for hay is likely to remain strong. Reduced grain feeding of cattle and longer roughage feeding periods have increased the demand for hay and other roughages.

Though hay acreage may increase some above the 61 million acres intended on March 1, yields will be affected by weather and fertilizer applications. Tight supplies and higher prices of fertilizer may discourage its use on hay crops and reduce yields. In addition, if rainfall is short during the summer months as it was in 1974, the hay crop might be no greater than last year's 127 milliom tons. With more favorable weather, hay production could reach 134 million tons.

Demand for farm twine and wire may also expand slightly with increased baling of straw and other crop residues. However, the accelerated adoption of large balers and "loose" hay handling equipment may partially, if not completely, offset this increased demand. Although published data on large baler sales are not available, one source indicated sales more than doubled between 1973 and 1974, and sales are expected to double again in 1975. Trade estimates of twine savings from using large balers generally range between 40 and 60 percent of that used by

regular rectangular balers. Since 1970, "loose" hay handling probably has doubled. Sharply higher prices of twine and wire may have escalated the adoption of "loose" hay handling equipment and large balers. However, difficulty in obtaining seasonal labor and higher wage rates are probably more important factors.

Supply of Imported Twine

About 80 percent of the baler twine supply for the 1974 hay crop was imported, mostly from twine manufacturers in Mexico, Brazil, and Europe. Nearly all of the twine was made from natural sisal or henequen fibers produced in Mexico, Brazil, Tanzania, and mostly other African nations.

Imports of baler twine currently exceed last year's above-average rate. Imports by the United States for October 1974-March 1975 were 171 million pounds, up 19 percent from the same period of 1973-74 and 50 percent above the 1972-73 period. Imports for the year ended September 30, 1974, were about 267 million pounds, compared with 217 million pounds a year earlier and 247 million pounds 2 years earlier. Imports of all synthetic twine of 3/16 inch diameter or less, which includes baler twine, totaled less than 1 million pounds in 1974.

Depressed prices of natural hard fibers in the latter part of the 1960's and early 1970's led to curtailed production and depleted stocks of fiber. Also, strong worldwide demand for sisal and henequen fibers as well as drought-reduced supplies in portions of Africa during the early 1970's adversely affected agricultural twine production and helped spur increased prices. Fiber production in Brazil has shown substantial improvement over the last decade but has not had much impact on increasing world production.

Greater rainfall in portions of Africa in 1974 did increase production of sisal. Revised production estimates of sisal and henequen for 1974 are up 3½ percent from 1973 as data indicate below. However, preliminary production estimates for 1975 indicate no increase or a slight decline from the 1,810 million pounds produced in 1974.

World Production of Sisal and Henequen

Year	Sisal	Henequen	Total
	Million pounds	*Million pounds*	*Million pounds*
Average 1965-69	1,413	338	1,751
1971	1,340	353	1,693
1972	1,400	350	1,750
1973	1,406	344	1,750
1974	1,443	367	1,810

Source: Foreign Agricultural Service.

Rapid production response to higher prices in the last 2 years is not expected since sisal and henequen plantings require 3 to 6 years to produce fiber for harvest. Past production cycles would suggest that increased plantings will be forthcoming, which will bolster fiber supplies, but probably not significantly until 1976 or 1977. Reported difficulties in obtaining labor to harvest leaves of the fiber plants and higher prices of alternative crops could temper acreage expansion.

Increased fiber production in 1974 and resistance to the higher prices are starting to depress sisal prices. During most of 1974, prices of Tanzanian/Kenyan sisal in Europe were about 2½ times 1973 prices. In recent months sisal fiber prices have declined nearly one-third from the peak 1974 levels. Some countries are still attempting to maintain the higher fiber prices, perhaps to avoid adjusting prices of twine contracted by importers in the United States and other importing nations. But if these fiber prices are not adjusted, twine imports from these countries could decline in the months ahead.

Supply of Domestic Twine

One-fifth of our baling twine requirements in 1974 was produced domestically. About half was manufactured from sisal and the other half from synthetic polypropylene fibers. The manufacture of sisal twine in the United States has declined sharply over the last 2 decades and its current production is reported to be at capacity level, which is about 10 percent of our supply.

Production of synthetic twine is expanding rapidly. Industry reports indicate annual capacity of polypropylene twine was about 15 million pounds at the end of 1973, 30 million at the end of 1974, and is expected to be 60 to 75 million by the end of 1975. Although all of 1975 planned expansion may not occur, the impact on domestic twine supplies will be substantial, considering that 1 pound of synthetic twine is equivalent to 2 pounds of natural fiber twine.

Rapid expansion in synthetic baler twine production has been encouraged by the sharply higher prices of twine since the latter part of 1973. Profit margins have been very attractive, even though retail prices have been about $2 less per bale than natural fiber twine. More abundant supplies and slightly reduced prices of polypropylene in recent months have added further incentives to expand production. Additional firms have entered the business. However, continued domestic expansion could be curtailed in future years by lower natural fiber prices and removal of the duty on imported synthetic twine. Also, the expanding synthetic baler twine capacity may be tempered slightly in future periods by improving economic conditions because the same extruders can produce other products such as commercial tying twine and strapping.

Although farmer acceptance of the polypropylene twine has been a major problem in the past, it is less of a problem with current prices averaging about $4 less per bale than natural fiber twine. In the early 1970's, synthetic twine was priced about $1 per bale

higher than natural fiber twine. Another reason for better farmer acceptance is that most synthetic twine will decompose in a shorter period than before, which lessens the risk of livestock injury.

Wire Supply

Although information on baler wire supply is scarcer than on twine, supplies appear to be much improved over 1974. Baler wire shipments from domestic mills, which represent about two-thirds of our wire supply, are up sharply since last October. Over 52,000 tons of baler wire and bale ties were shipped during the October 1974-February 1975 period, up two-thirds from the 5-month period 2 years ago, and up 80 percent from the 1973-74 period when several manufacturers curtailed production because of unsatisfactory profit margins under price controls. Most of the increased wire shipments are probably baler wire. For the year ended September 30, 1974, shipments of baler wire and bale ties totaled 101,000 tons, compared with 107,000 the previous year.

Domestic production has improved since last spring because additional wire mills have opened or reopened. Motivated by higher wire prices and more recently by reduced raw material costs and reduced demand for other steel products, many domestic mills are producing baler wire at near capacity.

Statistics on baler wire imports are not available. However, several reports indicate substantial quantities were imported last fall and availability of imported wire this spring has been good and at lower prices than last fall. One possible indication of the improvement in imported baler wire supplies is the import of bale ties. Though a small quantity was imported in calendar 1974, it was up substantially above 1973.

Supply-Demand Balance

Unlike last year, supplies of baler twine and wire are expected to be more than adequate this year. Last year USDA received numerous reports of shortages of both twine and wire. Many farmers and dealers tried to buy early in the year to avoid being caught short and paying higher prices. This year, early season movement of twine has been slow. Perhaps some farmers have stocks left over from last year when hay crops were cut short by drought. However, probably the major reasons for slow twine movements are high prices and the possibility of larger supplies and declining prices later in the season.

Considering the rapid expansion in domestic twine production within the last year, and barring a sharp drop in imports during April, May, and June, the farm twine supply should be plentiful. Assuming baler wire imports continue at least near normal, wire supplies may be sufficient to allow some buildup of carryover stocks for the 1976 season.

Twine and Wire Prices

Reports indicate retail prices of both wire and twine have fallen in recent weeks. The trend is likely to continue, particularly for twine, but a wide range of twine prices will likely continue for a while as some retailers, dealers, and importers try to avoid losses on twine purchased at peak prices last fall and winter. A few reports indicate some dealers have already experienced losses in moving this twine. Domestic manufacturers are starting to cut prices, too, and prices of twine imported from some of the exporting nations are weakening.

Although published data are not available, natural fiber twine prices in April probably ranged from just under $30 to over $40 per bale with an average between $30 and $35 per bale. Synthetic twine likely ranged from just under $25 to nearly $35 per bale.

While prices for baler wire have weakened at retail, prices are generally stable at the manufacturing level. Reports indicate wire mills on the West Coast, which import a substantial amount of wire rod, are concerned about importers offering baler wire at lower prices while imported rod prices remain at the high levels. Also, some importers of baler wire who purchased last fall and winter at the higher prices may have difficulty selling without taking losses. Retail prices in April probably averaged $30 to $35 per 100-pound box.

Prices are likely to continue to decline for both wire and twine, particularly twine. By late summer, natural fiber twine may retail around $20 per bale, compared with over $30 last year. Synthetic twine is expected to be $2 to $3 less than natural fiber twine. Wire prices could drop to almost $25 per 100-lb. box, compared with over $35 in 1974.

Though prospective supplies of baling materials appear to be more than adequate this year, logistics problems could develop. If farmers delay purchases until harvesttime and area retailers underestimate demand, local shortages could arise. Retailers may try to avoid overstocking and paying interest on high priced twine if they anticipate purchasing less costly twine later in the season or next year.

Table 13.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, first quarter 1975.

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value 1/	Farm-retail spread	Farmer's share
			Cents					Percent
Beef, Choice grade	2.28 lb. Choice cattle	Pound	129.6	80.3	5.1	75.2	54.4	58
Lamb, Choice grade	2.45 lb. lamb	Pound	156.0	93.7	8.9	84.8	71.2	54
Pork	1.97 lb. hog	Pound	114.4	75.6	7.3	68.3	46.1	60
Butter	Milk for butter	Pound	94.1	156.5	99.3	57.2	36.9	61
Cheese, American proc.	Milk for American cheese	½ pound	73.5	33.4	.7	32.7	40.8	44
Ice cream	Cream, milk, and sugar	½ gallon	122.3	-	-	41.5	80.8	34
Milk, evaporated	Milk for evaporating	14½-ounce can	30.6	-	-	14.0	16.6	46
Milk, fresh:								
Sold in stores	4.39 lb. Class I milk	½ gallon	79.2	-	-	2/ 40.1	39.1	51
Chicken, frying	1.41 lb. broiler	Pound	58.9	-	-	33.1	25.8	56
Turkey	1.28 lb. turkey	Pound	70.4	-	-	39.6	30.8	56
Eggs, Grade A Large	1.03 dozen	Dozen	81.0	-	-	53.9	27.1	67
Bread, white:								
All ingredients	U.S. farm ingredients	Pound	37.3	5.5	.8	7.5	29.8	20
Wheat	.867 lb. wheat	Pound	-	-	-	4.7	32.6	13
Bread, whole wheat	.708 lb. wheat	Pound	57.2	3.9	-	3.9	50.9	11
Cookies, sandwich	.528 lb. wheat	Pound	96.5	-	-	18.0	78.5	19
Corn flakes	2.87 lb. yellow corn	12 ounces	51.9	14.9	10.1	4.8	47.1	9
Flour, wheat	6.85 lb. wheat	5 pounds	104.1	44.4	6.1	38.3	65.8	37
Rice, long grain	1.59 lb. rough rice	Pound	47.4	16.8	1.5	15.3	32.1	32
Apples	1.04 lb. apples	Pound	31.4	-	-	10.8	20.6	34
Grapefruit	1.03 grapefruit	Each	18.9	-	-	4.4	14.5	23
Lemons	1.04 lb. lemons	Pound	42.4	-	-	8.3	34.1	20
Oranges	1.03 dozen oranges	Dozen	107.9	-	-	23.2	84.7	22
Cabbage	1.08 lb. cabbage	Pound	17.1	-	-	6.0	11.1	35
Carrots	1.03 lb. carrots	Pound	27.3	-	-	10.0	17.3	37
Celery	1.08 lb. celery	Pound	23.5	-	-	6.6	16.9	28
Cucumbers	1.09 lb. cucumbers	Pound	51.3	-	-	16.6	34.7	32
Lettuce	1.88 lb. lettuce	Head	42.8	-	-	14.9	27.9	35
Onions	1.06 lb. onions	Pound	16.2	-	-	5.7	10.5	35
Peppers, green	1.09 lb. peppers	Pound	67.3	-	-	31.7	35.6	47
Potatoes	10.42 lb. potatoes	10 pounds	109.3	-	-	33.5	75.8	31
Tomatoes	1.18 lb. tomatoes	Pound	61.3	-	-	24.6	36.7	40

Continued--

Table 13.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, first quarter 1975

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value 1/	Farm-retail spread	Farmer's share
			Cents					Percent
Peaches, canned	1.52 lb. Calif. cling	No. 2½ can	59.3	-	-	17.0	42.3	29
Pears, canned	1.81 lb. pears for canning	No. 2½ can	75.5	-	-	21.1	54.4	28
Beets, canned	1.19 lb. beets for canning	No. 303 can	32.9	-	-	2.4	30.5	7
Corn, canned	2.25 lb. sweet corn	No. 303 can	38.4	-	-	5.4	33.0	14
Peas, canned	.725 lb. peas for canning	No. 303 can	39.1	-	-	6.8	32.3	17
Tomatoes, canned	1.515 lb. tomatoes for canning	No. 303 can	34.6	-	-	4.9	29.7	14
Lemonade, frozen	.834 lb. lemons for processing	6-ounce can	22.4	-	-	7.6	14.8	34
Orange juice, frozen	3.36 lb. oranges	6-ounce can	27.8	-	-	8.8	19.0	32
Potatoes, french fried, frozen	1.41 lb. potatoes	9 ounces	25.8	-	-	5.0	20.8	19
Peas, frozen	.68 lb. peas for canning	10 ounces	34.1	-	-	7.0	27.1	21
Beans, dried	1.04 lb. dry beans	Pound	44.3	-	-	15.9	28.4	36
Margarine	Soybeans, cottonseed, and milk	Pound	70.6	45.8	20.6	25.2	45.4	36
Peanut butter	1.21 lb. peanuts	12-ounce jar	68.8	-	-	21.2	47.6	31
Salad and cooking oil	Soybeans, cottonseed, and corn	24-oz. bottle	126.8	92.0	51.3	40.7	86.1	32
Vegetable shortening	Soybeans and cottonseed	3 pounds	211.2	163.5	74.5	89.0	122.2	42
Sugar	Sugar beets and cane	5 pounds	217.6	-	-	3/ 124.0	147.6	46
Spaghetti, canned	Wheat, tomatoes, cheese, and sugar	15¼-ounce can	26.7	-	-	4.0	22.7	15

1/ Payment to farmers for equivalent quantities of farm products (gross farm value) minus imputed value of byproducts obtained in processing.

2/ Farm value revised, see discussion in this report.

3/ Farm value for sugar estimated according to revised procedures, see MTS-196, February 1975.

Table 14.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, first quarter 1975 and fourth quarters 1974

Product 1/	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		I 1975 2/	IV 1974	I 1974	I 1975 2/	IV 1974	I 1974	I 1975 2/	IV 1974	I 1974	I 1975 2/	IV 1974	I 1974
		Cents									Percent		
Beef, Choice	Pound	129.6	134.5	145.1	75.2	79.3	92.1	54.4	55.2	53.0	58	59	63
Lamb, Choice	Pound	156.0	153.3	137.6	84.8	75.4	80.7	71.2	77.9	56.9	54	49	59
Pork	Pound	114.4	111.0	115.2	68.3	66.5	66.1	46.1	44.5	49.1	60	60	57
Butter	Pound	94.1	95.1	97.5	57.2	56.9	66.2	36.9	38.2	31.3	61	60	68
Cheese, American process	½ pound	73.5	72.8	72.7	32.7	31.5	39.0	40.8	41.3	33.7	44	43	54
Ice cream	½ gallon	122.3	115.2	100.8	41.5	43.1	41.6	80.8	72.1	59.2	34	37	41
Milk, evaporated	14½-ounce can	30.6	30.2	26.7	14.0	13.7	15.1	16.6	16.5	11.6	46	45	57
Milk, fresh:													
Sold in stores	½ gallon	79.2	78.1	77.5	3/40.1	3/ 40.0	3/ 41.1	39.1	38.1	36.4	51	51	53
Chicken, frying	Pound	58.9	58.3	58.4	33.1	33.6	32.5	25.8	24.7	25.9	56	58	56
Turkey	Pound	70.4	69.0	81.7	39.6	37.7	42.5	30.8	31.3	39.2	56	55	52
Eggs, large Grade A	Dozen	81.0	83.0	91.0	53.9	56.9	64.2	27.1	26.1	26.8	67	69	71
Bread, white:													
All ingredients	Pound	37.3	35.9	32.8	7.5	8.9	8.5	29.8	27.0	24.3	20	25	26
Wheat	Pound	-	-	-	4.7	5.7	6.5	32.6	30.2	26.3	13	16	20
Bread, whole wheat	Pound	57.2	55.6	49.6	6.3	7.4	7.4	50.9	48.2	42.2	11	13	15
Cookies, sandwich	Pound	96.5	86.6	63.0	18.0	22.4	14.2	78.5	64.2	48.8	19	26	23
Corn flakes	12 ounces	51.9	48.5	36.4	4.8	5.1	4.5	47.1	43.4	31.9	9	11	12
Flour, white	5 pounds	104.1	101.7	102.0	38.3	46.8	52.6	65.8	54.9	49.4	37	46	52
Rice, long grain	Pound	47.4	49.0	51.5	15.3	15.4	24.2	32.1	33.6	27.3	32	31	47
Apples	Pound	31.4	31.0	32.2	10.8	11.2	11.0	20.6	19.8	21.2	34	36	34
Grapefruit	Each	18.9	19.0	18.2	4.4	4.3	3.5	14.5	14.7	14.7	23	23	19
Lemons	Pound	42.4	43.5	41.5	8.3	9.9	11.6	34.1	33.6	29.9	20	23	28
Oranges	Dozen	107.9	116.2	104.6	23.2	26.0	25.3	84.7	90.2	79.3	22	22	24
Cabbage	Pound	17.1	15.1	16.6	6.0	4.8	5.0	11.1	10.1	11.8	35	33	29
Carrots	Pound	27.3	25.3	21.4	10.0	10.0	6.2	17.3	15.3	15.2	37	40	29
Celery	Pound	23.5	25.1	21.6	6.6	6.3	5.1	16.9	18.8	16.5	28	25	24
Cucumbers	Pound	51.3	28.3	33.7	16.6	11.6	14.8	34.7	16.7	18.9	32	41	44
Lettuce	Head	42.8	46.1	34.2	14.9	16.1	11.0	27.9	30.0	23.2	35	35	32
Onions	Pound	16.2	18.3	23.6	5.7	5.1	9.5	10.5	13.2	14.1	35	28	40
Peppers, green	Pound	67.3	51.3	56.7	31.7	16.4	16.1	35.6	34.9	40.6	47	32	28
Potatoes	10 pounds	109.3	119.9	163.9	33.5	39.1	63.2	75.8	80.8	100.7	31	33	39
Tomatoes	Pound	61.3	52.7	58.8	24.6	21.8	20.6	36.7	30.9	38.2	40	41	35

Continued--

Table 14.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, first quarter 1975 and first and fourth quarters 1974

Products	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		I 1975 2/	IV 1974	I 1974	I 1975 2/	IV 1974	I 1974	I 1975 2/	IV 1974	I 1974	I 1975 2/	IV 1974	I 1974
		Cents									Percent		
Peaches, canned	No. 2½ can	59.3	59.6	46.5	17.0	15.5	11.0	42.3	44.1	35.5	29	26	24
Pears, canned	No. 2½ can	75.5	73.5	59.8	21.1	19.7	13.9	54.4	53.8	45.9	28	27	23
Beets, canned	No. 303 can	32.9	31.7	25.9	2.4	2.4	1.6	30.5	29.3	24.3	7	8	6
Corn, canned	No. 303 can	38.4	34.1	26.4	5.4	5.4	3.1	33.0	28.7	23.3	14	16	12
Peas, canned	No. 303 can	39.1	36.4	28.7	6.8	6.8	4.2	32.3	29.6	24.5	17	19	15
Tomatoes, canned	No. 303 can	34.6	33.2	27.2	4.9	4.8	3.2	29.7	28.4	24.0	14	14	12
Lemonade, frozen	6-ounce can	22.4	19.9	15.3	7.6	6.2	4.8	14.8	13.7	10.5	34	31	31
Orange juice, frozen	6-ounce can	27.8	26.8	25.3	8.8	9.3	9.1	19.0	17.5	16.2	32	35	36
Potatoes, french fried, frozen	9 ounces	25.8	25.7	18.8	5.0	6.8	5.9	20.8	18.9	12.9	19	26	31
Peas, frozen	10 ounces	34.1	33.3	25.3	7.0	7.0	4.2	27.1	26.3	21.1	21	21	17
Beans, dried	Pound	44.3	56.0	65.6	15.9	18.5	41.9	28.4	37.5	23.7	36	33	64
Margarine	Pound	70.6	68.6	48.5	25.2	32.5	22.6	45.4	36.1	25.9	36	47	47
Peanut butter	12-ounce jar	68.8	65.9	56.1	21.2	22.0	20.1	47.6	43.9	36.0	31	33	36
Salad and cooking oil	24-oz. bottle	126.8	126.8	89.5	40.7	52.4	36.4	86.1	74.4	53.1	32	41	41
Vegetable shortening	3 pounds	211.2	212.8	147.0	89.0	115.4	78.6	122.2	97.4	68.4	42	54	53
Sugar	5 pounds	271.6	251.5	92.5	124.0	150.3	53.8	147.6	101.2	38.7	46	60	58
Spaghetti, canned	15½-oz. can	26.7	25.7	21.3	4.0	4.2	3.7	22.7	21.5	17.6	15	16	17

1/ Primary products in the farm-food market basket.
2/ Preliminary.
3/ Farm value revised, see discussion in this report.

Table 15.--The market basket of farm foods by product group: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, 1974 and 1975 by quarters.

Item	1974				1975
	I	II	III	IV	I
	Dollars				
	Retail cost				
Market basket	1720.02	1730.83	1750.64	1796.74	1824.48
Meat	560.13	515.54	527.24	527.96	520.34
Dairy	292.30	302.66	293.90	296.74	301.18
Poultry	72.26	65.48	65.72	70.05	70.81
Eggs	66.40	50.10	51.33	59.84	58.33
Bakery and cereal:					
All ingredients	259.40	275.34	279.86	293.91	311.18
Grain	-	-	-	-	-
Fresh fruits	68.49	73.50	79.38	71.34	69.80
Fresh vegetables	116.21	138.30	115.82	104.86	107.29
Proc. fruits and veg.	151.81	160.58	170.31	181.35	187.03
Fats and oils	64.16	72.43	77.60	88.75	89.97
Miscellaneous	68.87	76.93	89.54	101.94	108.55
	Farm value				
Market basket	783.66	708.50	738.11	755.01	720.95
Meat	325.10	274.13	304.52	292.88	283.52
Dairy	156.44	151.26	135.05	137.22	139.29
Poultry	39.95	34.87	37.13	40.20	39.80
Eggs	46.83	32.08	34.73	41.00	38.81
Bakery and cereal:					
All ingredients	73.50	60.91	66.73	75.34	64.00
Grain	57.81	42.99	45.23	49.05	41.76
Fresh fruits	20.49	22.56	24.04	21.46	20.16
Fresh vegetables	40.46	47.67	37.40	35.31	36.88
Proc. fruits and veg.	34.55	35.41	34.84	40.02	40.13
Fats and oils	29.22	29.84	39.96	41.02	32.20
Miscellaneous	17.12	20.67	23.16	30.57	26.16
	Farm-retail spread				
Market basket	936.36	1022.33	1012.53	1041.73	1103.53
Meat	235.03	241.41	304.52	292.88	236.82
Dairy	135.86	151.40	158.85	159.52	161.89
Poultry	32.31	30.61	28.59	29.85	31.01
Eggs	19.57	18.02	16.60	18.84	19.52
Bakery and cereal:					
All ingredients	185.90	214.43	213.13	218.57	247.18
Grain	-	-	-	-	-
Fresh fruits	48.00	50.94	55.34	49.88	49.64
Fresh vegetables	75.75	90.63	78.42	69.55	70.41
Proc. fruits and veg.	117.26	125.17	135.47	141.33	146.90
Fats and oils	34.94	42.59	37.64	47.73	57.77
Miscellaneous	51.75	56.26	66.38	71.37	82.39
	Farmer's share				
	Percent				
Market basket	45.6	40.9	42.2	42.0	39.5
Meat	58.0	53.2	57.8	55.5	54.5
Dairy	53.5	50.0	46.0	46.2	46.2
Poultry	55.3	53.3	56.5	57.4	56.2
Eggs	70.5	64.0	67.7	68.5	66.5
Bakery and cereal:					
All ingredients	28.3	22.1	23.8	25.6	20.6
Grain	22.3	15.6	16.2	16.7	13.4
Fresh fruits	29.9	30.7	30.3	30.1	28.9
Fresh vegetables	34.8	34.5	32.3	33.7	34.4
Proc. fruits and veg.	22.8	22.1	20.5	22.1	21.5
Fats and oils	45.5	41.2	51.5	46.2	35.8
Miscellaneous	24.9	26.9	25.9	30.0	24.1

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