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MARKETING & TRANSPORTATION Situation



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MARKET FACTS

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Item	Unit or base period	1973		1974		
		Year	4th qtr.	Year	3rd qtr.	4th qtr.
Farm-Retail Price Spreads: 1/						
Retail cost	Dol.	1537	1635	1750	1751	1797
Farm value	Dol.	701	724	744	735	751
Farm-retail spread	Dol.	836	911	1006	1016	1046
Farmer's share of retail cost	Pct.	46	44	43	42	42
Retail Prices: 2/						
All goods and services (CPI)	1967=100	133.1	137.6	147.7	150.1	154.2
All food	1967=100	141.4	149.9	161.7	162.8	167.9
Food at home	1967=100	141.4	150.1	162.4	163.0	168.4
Food away from home	1967=100	141.4	149.4	159.4	161.8	166.2
Wholesale Prices: 2/						
Food 3/	1967=100	146.9	154.5	174.4	175.9	187.8
Cotton products	1967=100	143.6	160.6	175.4	181.6	170.0
Woolen products	1967=100	128.2	129.3	119.0	117.8	109.0
Agricultural Prices:						
Prices received by farmers	1967=100	172	183	183	178	181
Prices paid by farmers, interest, taxes and wage rates	1967=100	149	155	171	173	178
Prices of Marketing Inputs:						
Containers and packaging materials	1967=100	123	126	151	161	169
Fuel, power, and light	1967=100	138	147	202	212	220
Services 4/	1967=100	145	148	157	161	160
Hourly Earnings:						
Food marketing employees 5/	Dol.	3.66	3.75	3.99	4.04	4.14
Employees, private nonagricultural sector 2/	Dol.	3.90	4.02	4.20	4.27	4.37
Farmers' Marketings and Income:						
Physical volume of farm marketings	1967=100	116	157	116	117	149
Cash receipts from farm marketings 6/ ..	Bil. dol.	88.6	98.5	95.0	94.5	96.2
Farmers' realized net income 6/	Bil. dol.	32.2	37.7	27.2	25.6	26.4
Industrial Production: 7/						
Food	1967=100	122.7	124.1	126.1	126.2	124.7
Textile mill products	1967=100	127.3	130.2	123.0	123.8	113.0
Apparel products	1967=100	113.2	116.2	105.0	102.6	--
Tobacco products	1967=100	110.7	111.2	107.0	103.9	--
Retail Sales: 8/						
Food stores	Mil. dol.	105,872	27,593	119,906	30,714	31,142
Eating and drinking places	Mil. dol.	38,011	10,026	41,788	10,501	11,040
Apparel stores	Mil. dol.	24,086	6,076	24,922	6,399	6,093
Consumers' Per Capita Income and Expenditures: 9/						
Disposable personal income	Dol.	4,295	4,452	4,623	4,682	4,745
Expenditures for goods and services	Dol.	3,827	3,905	4,139	4,249	4,218
Expenditures for food	Dol.	682	722	777	790	812
Expenditures for food as percentage of disposable income	Pct.	15.9	16.2	16.8	16.9	17.1

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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Principal contributors:

Henry Badger
Denis Dunham

National Economic Analysis Division
Economic Research Service

U.S. Department of Agriculture
Washington, D.C. 20250

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Retail prices for farm-produced foods are expected to continue to climb during the first half of this year but at a slower pace than during the first half of 1974. Strengthening farm prices for meat animals in the second quarter and widening marketing spreads are expected to contribute almost equally to the rise. Rising costs for labor, energy, packaging materials, transportation and most other inputs purchased by food marketing firms are expected to continue to exert upward pressure on farm-retail spreads. Despite this cost-push effect, marketing spreads are expected to widen at a considerably lower rate in the first half of 1975 than last year.

In the fourth quarter of 1974, the retail cost of a market basket of foods produced on U.S. farms averaged \$1,797 (annual rate), up 2.6 percent from the previous quarter. Retail prices were sharply higher for poultry, eggs, and most crop products. Increases in the fourth quarter were greatest in November and December. For the quarter, prices averaged 10 percent above year-earlier levels.

Gross returns to farmers (farm value of quantities of farm commodities equivalent to retail units) for market basket foods averaged \$751 (annual rate) in the fourth quarter, up 2 percent from the preceding quarter and up 4 percent from a year earlier. Returns for crop products increased the most over year-earlier levels. Farm values for meat animals, milk, and eggs were down sharply. Poultry was the only livestock product for which returns averaged higher than a year earlier. Prices paid by farmers for production inputs in the fourth quarter averaged 17 percent above a year earlier.

Farm-retail spreads for foods marketed from U.S. farms, after decreasing in the third quarter, widened in the fourth quarter. The spread between the retail cost and the farm value of the market basket averaged \$1,046 (annual rate) in the fourth quarter, up about 3 percent from the previous quarter, and about 15 percent above the fourth quarter of 1973. The spread or gross margin, representing the charges for assembling, processing, transporting, and distributing the products in the market basket, widened sharply from year-earlier levels for all major food groups except poultry and fresh vegetables. Spreads for these groups declined.

Year-to-year changes in market basket totals for

foods from U.S. farms from 1973 to 1974 included retail costs, higher by 13.8 percent or \$212; farm value, higher by 6.2 percent or \$43; farm-retail

spreads, wider by 20.2 percent or \$169; and farmer's share of the retail food dollar, down 3 cents to 43 cents.

FARM-FOOD MARKET BASKET STATISTICS

Fourth Quarter 1974

Retail Cost: Retail prices for food rose at a faster pace in the fourth quarter of 1974 than in the previous two quarters. The retail cost of a fixed market basket of foods from U.S. farms increased 2.6 percent from the third to the fourth quarters last year, the largest increase since the 5.2-percent rise between the fourth quarter of 1973 and the first quarter of 1974. Most of the increase in retail cost during the fourth quarter occurred in November and December (table 1).

On a dollar basis, the retail cost of a market basket averaged \$1,797 (annual rate) in the fourth quarter, up \$46 from the previous quarter (table 2). Retail prices were sharply higher for poultry, eggs, bakery and cereal products, processed fruits and vegetables, fats and oils products, and sugar. In contrast, prices for fresh fruits and vegetables were down sharply. Meat prices changed little.

Retail cost for farm foods were about 10 percent higher in the fourth quarter of 1974 than a year earlier. Crop products accounted for practically all of the rise in the market basket. Fats and oils products jumped 50 percent; processed fruits and vegetables, 27 percent; and bakery and cereal products, 20 percent. Retail prices for sugar jumped 207 percent. On the livestock side of the market basket, prices for meat products and eggs averaged lower than in the fourth quarter of 1973, while prices for poultry were up slightly. Prices for dairy products were up about 8 percent from a year earlier.

Farm Value: The farm value of the market basket of foods averaged \$751 (annual rate) in the fourth quarter, 2 percent more than in the previous quarter (table 2). Returns increased most for poultry, eggs, wheat, sugar, and sugar-using products. In contrast, returns were down sharply for meat animals, particularly beef cattle, and fresh fruits and vegetables.

Returns to farmers for food products in the fourth quarter of 1974 averaged about 4 percent higher than a year earlier. Farm values for most crop products were substantially higher than a year earlier. The farm value for sugar more than doubled; returns for oilseed products rose 75 percent; farm values for processed fruits and vegetables and the farm ingredients in bakery and cereal products rose 26 percent. Poultry was the only livestock product that averaged higher returns to farmers than a year earlier—returns for meat animals, milk, and eggs were down sharply.

Farm-Retail Spread: After dipping in the third quarter for the first time in 3 years, the farm-retail

spread continued to widen in the fourth quarter of 1974. The spread between the retail cost and the farm value of the market basket averaged \$1,046 (annual rate) in the fourth quarter, up \$31 or 3.1 percent from the previous quarter. This increase accounted for about two-thirds of the rise in the retail cost of market-basket foods. Marketing spreads widened for most foods except fresh fruits and vegetables, which narrowed sharply as retail cost and returns to farmers dropped. Increases in marketing spreads were greatest for fats and oils products, eggs, processed fruits and vegetables, sugar, and beef. Farm-retail spreads for pork and dairy products changed little.

Compared with the fourth quarter of 1973, farm-retail spreads (representing the gross charges by firms for assembling, processing, transporting, and distributing market basket foods) widened 15 percent. Spreads increased significantly for all product groups except poultry and fresh vegetables which decreased. The largest increase was 137 percent for sugar. Spreads for fats and oils products widened 32 percent; processed fruits and vegetables, 28 percent; dairy products, 21 percent; and bakery and cereal products, 19 percent. Widening marketing spreads in the fourth quarter accounted for 83 percent of the increase in the market basket at retail from a year earlier; higher returns to farmers for the remainder.

Farmer's Share: Farmers received an average of 42 cents of each dollar spent in retail food stores in the fourth quarter for market basket foods. This was the same as in the previous quarter, but was 2 cents less than in the fourth quarter of 1973.

Review of 1974

Retail Cost: Higher prices raised the retail cost for a fixed market basket of domestically produced foods sold in retail food stores to \$1,750 in 1974, up \$212 or 14 percent from the annual average for 1973 (table 3). This was the second consecutive year of substantially higher food prices. The rise from 1972 to 1973 was \$226 or 17 percent. These were the two largest increases in food costs since a 21-percent increase in 1947.

The sharp price rise in 1974 was triggered by strong demand and tight supplies for major crop products. Higher retail prices for crop products accounted for three-fourths of the rise in the retail cost of the market basket. Price increases for dairy products made up most of the remainder. Price changes for other

Table 1. --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
	1967 = 100		Percent			1967 = 100		Percent	
Average:					1972				
1947-49 ..	82.9	106.9	67.7	50	January ..	117.8	120.6	116.0	40
1957-59 ..	91.5	94.8	89.5	40	February ..	120.3	122.4	119.0	39
					March	120.4	120.3	120.5	39
1963	93.2	90.2	95.1	38	April	119.9	119.8	120.0	39
1964	93.4	90.0	95.5	37	May	119.8	122.0	118.4	39
1965	96.0	99.2	93.9	40	June	120.6	125.1	117.7	40
1966	101.1	106.3	97.8	41	July	122.2	128.7	118.1	41
1967	100.0	100.0	100.0	39	August ...	122.6	126.7	120.0	40
1968	103.6	105.3	102.5	39	September :	122.6	129.3	118.3	41
1969	109.1	114.8	105.5	41	October ..	122.5	125.8	120.4	40
1970	113.7	114.1	113.4	39	November ..	123.1	126.4	121.0	40
1971	115.7	114.4	116.5	38	December ..	123.8	132.5	118.3	42
1972	121.3	125.1	118.9	40					
1973	142.3	167.2	126.4	46	1973				
1974 2/ ...	161.9	177.6	152.0	43	January ..	127.2	142.4	117.6	43
1971					February ..	130.4	148.0	119.2	44
I	113.2	112.3	113.8	38	March	134.9	157.9	120.3	45
II	115.8	113.8	117.0	38	April	137.0	158.0	123.7	45
III	117.3	115.5	118.4	38	May	138.2	158.1	125.6	44
IV	116.7	116.1	116.9	39	June	140.4	166.3	124.0	46
					July	141.5	172.4	121.9	47
1972					August ...	153.0	204.5	120.4	52
I	119.5	121.2	118.4	39	September :	150.7	181.0	131.5	47
II	120.1	122.4	118.6	40	October ..	149.9	174.2	134.5	45
III	122.5	128.4	118.7	41	November ..	151.2	169.6	139.6	44
IV	123.1	128.3	119.9	40	December ..	152.7	174.3	139.0	44
1973					1974 2/				
I	130.8	149.4	119.0	44	January ..	155.5	185.4	136.5	46
II	138.5	160.8	124.4	45	February ..	160.3	191.4	140.6	46
III	148.4	186.0	124.6	49	March	161.7	182.5	147.9	44
IV	151.3	172.7	137.7	44	April	159.9	174.7	150.5	42
					May	160.4	167.0	156.2	40
1974					June	160.2	165.3	157.0	40
I	159.2	186.8	141.7	46	July	159.7	172.0	151.9	42
II	160.2	169.0	154.6	41	August ...	162.0	177.9	151.9	43
III	162.0	175.5	153.4	42	September :	164.3	176.6	156.5	42
IV	166.3	179.1	158.1	42	October ..	164.6	180.0	154.8	42
					November ..	166.4	180.4	157.6	42
					December ..	167.8	176.9	162.0	41

^{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. Indexes may be converted to dollar totals by multiplying by the following amounts for 1967: retail cost, \$1,080.64; farm value, \$419.07; and farm-retail spread, \$661.57. 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.

Table 2.--The market basket of farm foods by product group: Retail cost, farm value and farm-retail spread, fourth quarter 1974 with comparisons ^{1/}

Item	IV 1974	Change from:			
		Previous quarter		Year ago	
		Dollars	Dollars	Percent	Dollars	Percent
Retail cost					
Market basket	1796.74	46.10	2.6	162.09	9.9
Meat	527.92	.68	0.1	-19.73	-3.6
Dairy	296.92	3.02	1.0	20.98	7.6
Poultry	70.23	4.51	6.9	.90	1.3
Eggs	59.89	8.56	16.7	-2.72	-4.3
Bakery and cereal ...	293.28	13.42	4.8	49.88	20.5
Fresh fruits	71.79	-7.59	-9.6	3.09	4.5
Fresh vegetables	104.69	-11.13	-9.6	4.11	4.1
Processed fruits and vegetables	181.45	11.14	6.5	38.79	27.2
Fats and oils	88.71	11.11	14.3	29.36	49.5
Miscellaneous	101.86	12.38	13.8	37.43	58.1
Farm value					
Market basket	750.60	15.13	2.1	26.85	3.7
Meat	293.13	-11.39	-3.7	-27.26	-8.5
Dairy	137.42	2.37	1.8	-6.66	-4.6
Poultry	40.23	3.10	8.3	2.54	6.7
Eggs	41.03	6.30	18.1	-3.10	-7.0
Bakery and cereal ...	75.82	9.09	13.6	15.73	26.2
Fresh fruits	21.47	-2.57	-10.7	1.35	6.7
Fresh vegetables	35.38	-2.02	-5.4	4.63	15.1
Processed fruits and vegetables	36.22	1.38	4.0	7.48	26.0
Fats and oils	42.28	2.32	5.8	18.12	75.0
Miscellaneous	27.62	6.55	31.1	14.02	103.1
Farm-retail spread					
Market basket	1046.14	30.97	3.1	135.24	14.8
Meat	234.79	12.07	5.4	7.53	3.3
Dairy	159.50	.65	.4	27.64	21.0
Poultry	30.00	1.41	4.9	-1.64	-5.2
Eggs	18.86	2.26	13.6	.38	2.1
Bakery and cereal ...	217.46	4.33	2.0	34.15	18.6
Fresh fruits	50.32	-5.02	-9.1	1.74	3.6
Fresh vegetables	69.31	-9.11	-11.6	-.52	-.7
Processed fruits and vegetables	145.23	9.76	7.2	31.31	27.5
Fats and oils	46.43	8.79	23.4	11.24	31.9
Miscellaneous	74.24	5.83	8.5	23.41	46.1

^{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.

livestock products were minor. Meat and egg prices showed slight increases, while prices for poultry averaged lower in 1974 than in 1973. Retail prices rose most for sugar, 114 percent, followed by fats and oils products at about 50 percent; bakery and cereal products at 30 percent; and processed fruits and vegetables 23 percent.

During 1974, the retail cost of farm foods rose rapidly early in the year and, after decreasing slightly in April, prices tended to level out through midsummer. Retail prices rose each month from August to December and averaged a tenth above December 1973.

With the sharp rise in 1973 and 1974, the retail cost of farm foods averaged 62 percent above 1967, compared with an increase of 44 percent for all items in the Consumer Price Index, except food. Traditionally, the rise in food prices has not been as great as for other goods and services purchased by consumers. However, the rise in food prices has been greater the past 3 years.

Farm Value: The farm value of foods in the market basket averaged \$744 in 1974, up \$43 or 6.2 percent from 1973. Returns for most crop products and dairy products were up sharply but returns declined for meat animals, poultry and eggs. Returns for domestic beet and cane sugar showed the greatest rise, increasing almost 200 percent. Returns to growers for oilseeds rose 91 percent. Farm value for wheat and other ingredients (including sugar) in bakery and cereal products increased 45 percent and returns for fruits and vegetables for processing rose 36 percent. Milk, the only livestock product showing an increase in farm value, rose 17 percent. The overall increase in returns to farmers accounted for one-fifth of the \$212 increase in the retail cost of the farm food market basket last year.

The farm value of the market basket peaked for the year in February when it reached the second highest level on record. The highest level was in August 1973 immediately following the end of the price freeze. From February to June last year the farm value dropped 14 percent as meat animal prices declined sharply. Prices for crop products strengthened in the last half of the year as production fell short of expectations. As a result, with some moderate increases in returns for livestock products, the farm value for market basket foods rose in both the third and fourth quarter of 1974.

Returns to farmers for market basket foods have risen 78 percent since 1967. More than half of this increase occurred in 1973. Prices paid by farmers for production inputs have increased 68 percent since 1967.

Farm-Retail Spread: Farm-retail spreads widened a fifth from 1973 to 1974, accounting for four-fifths of the rise in the retail cost of market basket foods. This was a record increase and compares with a 6.3 increase in 1973, 2.1 percent in 1972, and 7.5 percent in 1970. Marketing spreads have increased each year

since 1950, except in 1960 and 1965. Annual average increases in the 1960's were only half those of the 1950's, averaging 1.4 percent compared with 2.7 percent.

Price spreads increased for all major groups of market basket foods in 1974. Increases were largest for bakery and cereal products, fats and oils products, and miscellaneous products, which include sugar. Increases were more moderate for fresh fruit at 14 percent; fresh vegetables 10 percent; eggs 7 percent; and poultry only 2 percent.

Marketing spreads, which represent charges for assembling, processing, transporting, and distributing market basket foods, have increased 52 percent since 1967. About half of this increase occurred in 1974.

During 1974 marketing spreads varied greatly. After decreasing in January as farm values rose sharply, particularly for meat animals, marketing spreads increased markedly each month from February through June. These increases accompanied sharply decreasing farm values, particularly for meat animals. Marketing spreads seasawed through the summer and into the fall, but rose sharply in November and December as farm values again dropped. Farm-retail spreads averaged 16.6 percent higher in December 1974 than a year earlier.

The extraordinarily large increase in farm-retail spreads in 1974 appears to have resulted from an accelerated increase in cost of marketing inputs and pent-up cost pressures occurring during the period of economic controls which ended April 30, 1974. In 1974, almost every expense incurred in processing and distributing foods increased sharply. Energy costs were up most, averaging 45 percent higher than in 1973. Hourly earnings of food marketing employees increased about 10 percent, compared with 6 percent in 1973. Packaging material costs rose 23 percent, reflecting higher costs of basic raw materials, particularly petroleum products.

After-tax profits of food manufacturing corporations averaged 2.7 percent of sales in the first three quarters of 1974, according to data compiled by the Federal Trade Commission. Profits on stockholder's equity averaged 13.9 percent. Data are imperfectly comparable with prior periods because of changes in FTC accounting methods. After-tax profits of 15 leading food chains averaged 0.9 percent of sales in the first 9 months of 1974, up from about 0.5 percent during the same three quarters in 1973. Although current equity data are not available, these data suggest that returns on stockholder's equity increased substantially from the 8.2 percent in 1973 (table 4).

Farmer's Share: Because retail prices rose faster than farm prices in 1974, the farmer's share of the dollar consumers spent for market basket foods decreased to 43 cents, down 3 cents from 1973 when the share was at a 20-year high. It averaged 38 cents

Table 3.--Market basket of farm foods by product group: Retail cost, farm value and farm-retail spread, annual 1974 and 1973 ^{1/}.

Items	1974	1973	Change 1974 from 1973	
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Percent</u>
Retail cost				
Market basket	1749.56	1537.30	212.26	13.8
Meat products	532.71	523.35	9.36	1.8
Dairy products	296.45	248.95	47.50	19.1
Poultry	68.43	72.12	-3.69	-5.1
Eggs	56.93	56.39	.54	1.0
Bakery and cereal : products	276.95	213.52	63.43	29.7
Fresh fruits	73.30	66.86	6.44	9.6
Fresh vegetables ..	118.75	109.42	9.33	8.5
Processed fruits : and vegetables ..	166.04	135.22	30.82	22.8
Fats and oils	75.72	50.02	25.70	51.4
Miscellaneous products	84.28	61.45	22.83	37.2
Farm value				
Market basket	744.26	700.78	43.48	6.2
Meat products	299.22	331.29	-32.07	-9.7
Dairy products	145.04	124.25	20.79	16.7
Poultry	38.05	42.43	-4.38	-10.3
Eggs	38.67	39.27	-.60	-1.5
Bakery and cereal : products	69.23	47.64	21.59	45.3
Fresh fruits	22.11	22.13	-.02	-.1
Fresh vegetables ..	40.22	38.20	2.02	5.3
Processed fruits : and vegetables ..	35.14	25.90	9.24	35.7
Fats and oils	35.32	18.52	16.80	90.7
Miscellaneous products	21.26	11.15	10.11	90.7
Farm-retail spread				
Market basket	1005.30	836.52	168.78	20.2
Meat products	233.49	192.06	41.43	21.6
Dairy products	151.41	124.70	26.71	21.4
Poultry	30.38	29.69	.69	2.3
Eggs	18.26	17.12	1.14	6.7
Bakery and cereal : products	207.72	165.88	41.84	25.2
Fresh fruits	51.19	44.73	6.46	14.4
Fresh vegetables ..	78.53	71.22	7.31	10.3
Processed fruits : and vegetables ..	130.90	109.32	21.58	19.7
Fats and oils	40.40	31.50	8.90	28.3
Miscellaneous products	63.02	50.30	12.72	25.3

^{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.

Table 4 .-Profits after taxes of retail food chains and food manufacturers, annual 1963-73, quarterly 1973-74

Period	Food chains <u>1/</u>	Meat packers <u>2/</u>	All food manufac- turing <u>3/</u> (SIC 20)	All manu- facturing <u>3/</u>
<u>Percent return on stockholders' equity</u>				
1963	11.4	--	9.0	10.3
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	11.2	12.8	12.6
<u>1973</u>				
January-March	--	--	10.8	11.6
April-June	--	--	12.3	14.0
July-September	--	--	13.3	12.3
October-December	--	--	14.7(15.0)	13.4(14.3)
<u>1974</u>				
January-March	--	--	12.5	14.2
April-June	--	--	13.6	16.7
July-September	--	--	15.5	15.5
October-December	--	--	--	--
<u>Percent return on sales</u>				
1963	1.2	--	2.4	4.7
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 (9 mos.) .....	.9	1.1	--	--
<u>1973</u>				
January-March .....	.4	1.1	2.4	4.5
April-June .....	.7	.9	2.6	5.1
July-September .....	.5	1.1	2.7	4.6
October-December .....	.9	1.7	2.8(3.0)	4.7(5.6)
<u>1974</u>				
January-March .....	.9	1.1	2.5	5.6
April-June .....	.9	.9	2.7	6.0
July-September .....	.9	1.3	3.0	5.7
October-December .....	.8 <u>4/</u>	--	--	--

-- = 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 for 1974 are imperfectly comparable with prior data because of significant changes in accounting methods. Statistics were collected by both the old and new methods for the fourth quarter of 1973. Ratios for the new method are shown in parenthesis.

4/ 13 firms.

Table 5.--Beef, pork, and lamb: Retail price, carcass value, farm value, farm-retail spread, and farmer's share of retail price, annually 1970-74, quarterly 1973-74

Date	Retail price	Carcass	Gross	Byproduct	Net	Farm-retail spread			Farmer's
	per pound	value	farm	allowance	farm	Total	Carcass-	Farm-	share
	1/	2/	3/	4/	5/	: retail	: carcass:	: carcass:	Percent
Cents									
Beef, Choice grade									
1970	98.6	68.3	66.2	4.7	61.5	37.1	30.3	6.8	62
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
<u>1973</u>									
Jan.-Mar. ..	129.2	95.2	96.6	9.4	87.2	42.0	34.0	8.0	67
Apr.-June ..	135.8	100.2	102.7	10.0	92.7	43.1	35.6	7.5	68
July-Sept. .	141.8	105.6	110.4	11.6	98.8	43.0	36.2	6.8	70
Oct.-Dec. ..	135.1	92.1	90.2	9.5	80.7	54.4	43.0	11.4	60
<u>1974</u>									
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
Pork									
1970	78.0	58.8	42.8	3.4	39.4	38.6	19.2	19.4	51
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	68.0	7.2	60.8	47.4	30.8	16.6	56
<u>1973</u>									
Jan.-Mar. ..	98.1	80.1	68.4	4.9	63.5	34.6	18.0	16.6	65
Apr.-June ..	103.1	79.4	70.8	6.0	64.8	38.3	23.7	14.6	63
July-Sept. .	121.8	101.7	94.8	8.7	86.1	35.7	20.1	15.6	71
Oct.-Dec. ..	116.1	87.9	78.9	7.4	71.5	44.6	28.2	16.4	62
<u>1974</u>									
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
Lamb, Choice grade									
1970	105.5	73.8	65.1	6.4	58.7	46.8	31.7	15.1	56
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	138.6	102.1	91.9	12.6	79.3	59.3	36.5	22.8	57
<u>1973</u>									
Jan.-Mar. ..	130.6	89.3	87.3	12.7	74.6	56.0	41.3	14.7	57
Apr.-June ..	134.0	89.5	85.0	13.3	71.7	62.3	44.5	17.8	54
July-Sept. .	139.7	98.9	90.7	13.0	77.7	62.0	40.8	21.2	56
Oct.-Dec. ..	132.7	87.0	83.6	12.8	70.8	61.9	45.7	16.2	53
<u>1974</u>									
Jan.-Mar. ..	136.3	102.0	93.4	12.5	80.7	55.6	34.3	21.3	59
Apr.-June ..	134.6	103.0	99.1	14.7	84.4	50.2	31.6	18.6	63
July-Sept. .	143.2	102.0	89.6	12.7	76.9	66.3	41.2	25.1	54
Oct.-Dec. ..	140.5	101.5	85.6	10.2	75.4	65.1	39.0	26.1	54

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.

in 1971 and 40 cents in 1972. In the 1960's the farmer's share ranged from 37 to 41 cents.

Outlook: Retail food prices are expected to continue to rise during the first half of 1975, although at a slower pace than during the first half of last year. Both strengthening farm prices, mainly for livestock products, and widening marketing spreads are expected to contribute to the rise. Pressures from rising labor costs and prices for energy, packaging materials, transportation, and other inputs purchased by marketing firms are expected to exert an upward push on farm-retail spreads. Increases in marketing spreads during the first half of 1975 are expected to average much less than the extraordinary increases during the first half of 1974. This assumes that any impact of the new energy program on costs will occur later in the year.

Commodity Highlights

Beef: Retail prices for Choice beef averaged \$1.34 per pound in the fourth quarter of 1974, down 6½ cents from the previous quarter (table 5). The decrease only partially reflected the decrease in the net farm value of the quantity of live cattle equivalent to a pound of retail cuts. The farm value dropped 12 cents to 79.3 cents. As a result, the farm-retail spread widened by 5½ cents. Essentially all of the increase was in the carcass-retail component of the farm-retail spread.

The retail price for Choice beef as well as the carcass value, net farm value, and farm-retail spread in the fourth quarter of 1974 were very close to those prevailing a year earlier. Most differences were less than 1 cent.

In general the farm-retail spread for Choice beef was more stable during 1974 than either the farm value or the retail price. The farm-retail spread, which averaged 52.7 cents in 1974, ranged from 49.7 cents in the third quarter to 55.2 cents in the fourth quarter. In contrast, the range in farm values and carcass values was more than double with about 13 cents separating the highs and lows during the year. Also greater was the range in retail prices for Choice beef of about 11 cents per pound between the first quarter and the fourth quarter.

Farm-retail spreads for Choice beef appear to have reached a higher plateau in 1974 since values during most of the year were significantly above 1973. Of the 7.1-cent increase for 1974, 4.0 cents were in the carcass-retail component and 3.1 cents in the farm-carcass component.

Pork: With pork production slipping in the fourth quarter of 1974, returns to farmers for hogs strengthened. The farm value for the quantity of live hog equivalent to a pound of pork sold at retail averaged 66.5 cents in the fourth quarter of 1974, up almost 4 cents from the previous quarter. This rise was passed directly to consumers as the retail price for pork cuts also increased almost 4 cents per pound.

Thus, the farm-retail spread changed little. A similar but inverse price adjustment occurred from a year earlier. A 5-cent drop in the farm value for pork from the fourth quarter 1973 to the fourth quarter 1974 was accompanied by a 5-cent drop at retail. As a result, spreads held at about the same level.

Annual average prices, however, show a different pattern of change. In 1974 the retail price for pork averaged \$1.08 per pound, about 2 cents lower than in 1973. But the farm value averaged almost 11 cents lower and the farm-retail spread widened 9 cents.

Fats and Oils: The farm value of vegetable oils used in margarine and other fats and oils products averaged 75 percent higher in the fourth quarter of 1974 than a year earlier, although the price received by farmers for soybeans, the principal oilseed, was up only 38 percent. The farm value of oil in these products increased more than soybean prices because the price of oil increased sharply relative to meal. Wholesale prices of soybean oil at 40 cents per pound were up 50 percent. Farm-retail spreads for the group averaged about 32 percent wider than a year earlier. As a result, the retail cost for fats and oils products increased about 50 percent (table 2).

Bread: The 1974 average retail price of a 1-pound loaf of bread was 34.5 cents, 6.9 cents higher than in 1973. This was an increase of 25 percent, twice the increase in 1973. Much of the recent large increase in bread prices occurred between the third and fourth quarters of 1973 when prices rose 13 percent. Bread prices continued to rise during 1974 but at a much slower rate than in late 1973. December prices averaged 36.4 cents per 1-pound loaf (table 6).

The farm value of all farm ingredients in a 1-pound loaf of bread averaged 7.9 cents in 1974, up 45 percent from 1973. The farm value for wheat in a 1-pound loaf of bread averaged 5.4 cents in 1974, up 1.3 cents from 1973. The farm value for other farm ingredients in bread averaged 2.5 cents, up 1.1 cents due mainly to sharply higher returns to farmers for oilseeds, milk, and sugar. Of the 6.9-cent rise in bread prices in 1974, the increase in the farm value accounted for 2.4 cents and the widening farm-retail spread for 4.5 cents. The farm-retail price spread, which rose sharply in 1973, leveled off in late 1974 but averaged over 20 percent higher in 1974 than in 1973.

The retailer's price spread rose about 7 percent in 1974 and accounted for 0.4 cent of the increase in the farm-retail spread. The baker-wholesaler's spread increased 22 percent in 1974 and accounted for 3.1 cents of the increase. The flour miller's spread, which widened considerably in 1973, stayed at 1 cent per loaf in 1974, the same as in 1973.

Other spreads, mainly for nonfarm ingredients, transportation, and for processing and merchandising nonflour farm ingredients, rose nearly 60 percent in 1974 after declining slightly in 1973. This combined spread widened 1.0 cent a loaf, accounting for the balance of the 4.5-cent increase in the farm-retail spread.

1974 was the second year in succession that farm

Table 6.--White pan bread: Retail price, marketing spreads, and farm value per 1-pound loaf, selected periods, 1950-1974

Period	Retail price 1/	Retail spread 2/	Baker whole-saler spread 3/	Miller's flour spread 4/	Other spreads 5/	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
1973:							
I	25.1	4.7	13.4	.9	1.5	4.6	3.4
II	26.2	5.3	13.5	.7	1.9	4.8	3.6
III	27.7	5.3	13.6	1.0	1.9	5.9	4.5
IV	31.3	6.1	15.5	1.3	1.8	6.6	5.1
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
Jan.	31.9	5.6	15.4	1.1	1.6	8.2	6.4
Feb.	32.5	5.6	14.7	1.3	1.9	9.0	6.9
Mar.	34.0	6.2	16.1	1.6	2.0	8.1	5.9
Apr.	34.3	6.2	18.0	1.0	2.3	6.8	4.7
May	34.3	6.0	18.7	.5	2.7	6.4	4.2
June	34.7	6.2	17.7	.9	3.1	6.8	4.5
July	34.8	5.9	17.6	.9	2.9	7.5	5.1
Aug.	34.6	5.6	17.9	1.2	2.6	7.3	4.8
Sept.	34.8	5.4	17.8	.7	3.0	7.9	5.2
Oct.	35.6	5.7	17.3	1.1	3.0	8.5	5.6
Nov.	35.8	5.8	16.7	.8	3.2	9.3	5.9
Dec.	36.4	5.7	17.4	1.1	3.5	8.7	5.4

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.

value increases accounted for about one-third and marketing spreads for two-thirds of the rise in the retail price of bread.

Sugar: The method of measuring farm value for domestically produced sugar used in market basket statistics has been revised to be more reflective of the rapidly changing sugar situation. Instead of deriving farm values from season-average prices received by farmers for sugarbeets and sugar cane as has been done in the past, estimates currently are being derived from monthly prices for raw sugar and market prices for beet sugar using appropriate quality and yield factors. The revision includes data for crop years 1973 and 1974. Farm values for sugar and most market basket products containing sugar

have been revised from October 1973 forward (table 7). Since sugar prices were relatively stable for earlier years, these data were not revised. This revision includes farm values for ice cream, several bakery products, and sugar itself. Farm values for sugar in processed fruit are still estimated from season-average prices.

The revision increased the estimated farm value of these products and lowered the farm-retail spread. The cumulative effect of the revision was to raise the farmer's share of the retail cost of the market basket for 1974 from 41.8 cents to 42.5 percent.

Changes in retail prices, farm value, and farm retail spreads for other selected food products are shown in table 8.

Table 7.--Revised price spreads for domestically produced beet and cane sugar, quarterly 1973-74.

Period	Retail price for 5 pounds	Revised farm value <u>1/</u>	Farm-retail spread	Farmer's share
	Cents	Cents		Percent
<u>1973</u>				
October-December	82.1	39.0	43.1	48
Annual average ...	75.5	33.4	42.1	44
<u>1974</u>				
January-March	92.6	53.8	38.8	58
April-June	126.9	81.6	45.3	64
July-September	175.0	103.8	71.2	59
October-December	252.3	150.3	102.0	60
Annual average ...	161.7	97.3	64.4	60

1/ Computed from monthly estimates of prices received by farmers for domestically produced sugar cane and sugarbeets.

Table 8 .--Changes in retail price, farm value, and farm-retail spread for selected market basket foods, fourth quarter 1974.

Item	Change from:			Change from:		
	IV 1974	Previous quarter	Year ago	IV 1974	Previous quarter	Year ago
	Cents	Percent	Percent	Cents	Percent	Percent
Potatoes, 10 pounds			Cheese, American, ½ pound			
Retail price	119.6	-24.6	-7.7	72.5	1.5	9.5
Farm value	39.2	-27.0	9.5	31.5	.3	12.7
Farm-retail spread	80.4	-23.4	-14.3	41.0	2.5	36.2
Milk, sold in stores, ½ gallon			Chicken, frying, pound			
Retail price	78.1	.5	7.1	58.3	7.8	5.4
Farm value	38.1	1.6	-.8	33.6	8.4	13.1
Farm-retail spread <u>2/</u>	40.0	-.5	15.9	24.7	6.9	-3.5
Eggs, large grade A, dozen			Peas, frozen, 10 ounces			
Retail price	83.0	17.2	-3.7	33.3	7.8	36.5
Farm value	56.9	18.8	-6.3	6.5	20.4	54.8
Farm-retail spread	26.1	14.0	2.4	26.8	5.1	32.7
Apples, pound			Oranges, dozen			
Retail price	31.2	-19.2	4.0	117.2	1.5	3.2
Farm value	11.2	-11.1	2.8	26.0	-8.1	13.0
Farm-retail spread	20.0	-23.1	4.7	91.2	4.6	.7
Lettuce, head			Tomatoes, pound			
Retail price	46.1	5.7	36.8	52.7	6.2	16.6
Farm value	16.1	30.9	87.2	21.8	20.4	24.6
Farm-retail spread	30.0	-4.2	19.5	30.9	-1.9	11.6
Orange juice, frozen, 6 oz. can			Margarine, pound			
Retail price	26.6	3.5	6.0	68.8	17.4	53.6
Farm value	8.0	-14.0	-4.8	33.5	5.7	80.1
Farm-retail spread	18.6	13.4	11.4	35.3	31.2	34.7

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

2/ In addition to processing and distribution, farm-retail spreads for fluid milk include costs of hauling milk from the farm to the processor and over-order prices representing, in part, payments to producer cooperatives for performing marketing services and, in part, premiums paid to producers.

THE RAILCAR SITUATION AND GRAIN CARRYING CAPACITY

by
Jerome J. Hammond and Edward I. Reinsel

ABSTRACT: The extreme railcar shortage, that occurred during 1972-74 because of increased exports, has now eased. The car shortage problem has sometimes been blamed on an inadequate fleet, but there are strong indications that capacity may be improved as readily by increasing car size and improving car utilization as by increasing car numbers, at least for the grains. Because grain stocks, both privately held and Government owned, are down and storage facilities appear adequate, railcar shortages during 1975 are unlikely to strain the transportation system as occurred during 1972-74.

KEY WORDS: Railcars, transportation, capacity.

The severely strained domestic transportation system and railcar shortages that occurred during 1972-74 will not soon be forgotten. Problems in that period, plus shippers' experience with other recent seasonal and cyclical railcar shortages, foster a continuing concern that a tight equipment supply situation might again develop. Concern tends to increase as the harvest season approaches.

The adequacy of the railcar fleet is related to the number of cars available. But factors such as car size, loading, utilization, distance travelled, the ability of rail-lines to support heavily loaded cars, and the capability of railroads to move railcars expeditiously also affect the effective supply of equipment available to shippers. Demand for cars by shippers, which tends to vary more than equipment supply, greatly affects the railcar situation at any given time.

This article examines these factors to aid in understanding the present railcar situation. It updates earlier analyses found in the *Marketing and Transportation Situation* and provides estimates of present railcar grain carrying capacity.¹

Freight Car Numbers

There were 1.7 million freight cars of all types in December 1973, about 13 percent fewer than in 1960. Some 83 percent of all cars were owned by railroads,

the remaining 17 percent by car companies and shippers (table 9). All major car types decreased in number during 1960-73 except covered hoppers, flat cars, and special equipped boxcars (table 10). "Common boxcars" declined by nearly half or about 315,000 cars—by far the greatest decline for any type of car. Nearly 90 percent of the decline was accounted for by 40-foot narrow-door cars owned by railroads, where numbers dropped from about 438,000 in 1960 to about 148,000 in late 1974 (table 11).

Grain Carrying Capacity

Caution should be exercised when using statistics on railcar numbers to judge the capability of railroads to move specific commodities. Ideally, when the objective is to measure carrying capacity, only railcars suitable for a particular use should be included. Also, some cars may be committed to a specific purpose or shipper. For grain movements, we considered only 40-foot narrow-door boxcars and railroad- and privately-owned covered hopper cars. Even these cars often carry other classes of goods and are not fully available for hauling grain, although most could probably be brought into such service if needed. Only about 30 percent of covered hopper car loadings are grain, according to a spokesman for the Car Service Division of the Association of American Railroads.

Assuming a constant 2,000-bushel single loading capacity per car, one-time capacity of railroad-owned 40-foot boxcars would have been reduced from 876 million bushels to 296 million bushels during 1960-74—a decrease of two-thirds. The decline in number

¹"The Freight Car Situation and Prospects," (MTS-163), November 1966, "The Freight Car Situation," (MTS-171), November 1968, "Demurrage and the Freight Car Situation," (MTS-174), August 1969, "Agricultural Exports and the Freight Car Situation," (MTS-187), November 1972.

Table 9.-- Freight cars by ownership, 1960-73

Year <u>1/</u>	: Class I and : other : railroads	: Car companies : and : shippers	: Total <u>2/</u>
		<u>1,000 cars</u>	
1960	1,690	275	1,965
1961	1,635	270	1,095
1962	1,581	269	1,851
1963	1,542	272	1,814
1964	1,518	279	1,796
1965	1,515	285	1,801
1966	1,524	303	1,826
1967	1,511	311	1,822
1968	1,485	316	1,800
1969	1,464	328	1,792
1970	1,454	330	1,784
1971	1,450	312	1,762
1972	1,433	284	1,717
1973	1,418	292	1,711

1/ December 31.

2/ The sum of individual items may not equal the total because of rounding.

Source: "Yearbook of Railroad Facts, 1974," Association of American Railroads.

Table 10.--Numbers of railcars of various types, 1960 and 1973 1/

Car type	: 1960 <u>2/</u>	: 1973 <u>3/</u>
	<u>Thousands</u>	
Boxcars (plain)	649	334
Boxcars (equipped)	55	178
Covered hoppers	73	205
Flat cars	101	132
Refrigerator cars	115	105
Stock cars	31	5
Gondola cars	274	187
Hopper cars	497	365
Tank cars	167	165
Other freight cars	4	34
Total <u>4/</u>	1,965	1,711

1/ December 31.

2/ Association of American Railroads, Car Service Division.

3/ "Yearbook of Railroad Facts, 1974." Association of American Railroads.

4/ The sum of individual items may not equal the total because of rounding.

Table 11.--Narrow-door boxcars and covered hopper cars by ownership, 1960-74

Year <u>1/</u>	40-foot narrow-door boxcars, railroad owned	Covered hopper cars		
		Railroad owned	Privately owned	Total <u>2/</u>
<u>Thousands</u>				
1960	438	64	9	73
1961	407	66	10	76
1962	380	69	11	80
1963	347	74	12	86
1964	311	82	15	96
1965	274	92	18	110
1966	247	105	24	129
1967	228	119	28	147
1968	202	123	30	153
1969	181	126	34	160
1970	<u>3/</u> 207	131	39	170
1971	190	138	41	179
1972	173	142	44	186
1973	164	151	54	205
1974 <u>4/</u> ..	148	155	64	219

1/ Data for all years except 1974 were as reported for January 1 of the following year--that is, 1960 was as reported for January 1, 1961.

2/ The sum of individual items may not equal the total because of rounding.

3/ Increase due to reclassification of a number of 40-foot cars from wide-door to narrow-door category.

4/ December 26, 1974.

Source: Association of American Railroads, Car Service Division.

and capacity of boxcars has coincided with a dramatic increase in numbers and total capacity of covered hopper cars. From 1960 to 1974, railroad-owned hopper cars increased from nearly 64,000 to over 155,000; total capacity of such equipment increased from about 192 million bushels to nearly 528 million bushels.² Nevertheless, the combined capacity of railroad-owned grain cars was reduced.

The downward trend in capacity of railroad-owned grain-type cars was partly offset by an increase in the privately-owned covered hopper car fleet from less

than 9,000 in 1960 to nearly 64,000 in 1974. Capacity rose from 26 million bushels to more than 217 million bushels.

The continuing shift from traditional 2,000-bushel, 40-foot narrow-door boxcars to covered hopper cars that presently haul an average of 3,400 bushels has greatly reduced the number of cars needed to haul a given quantity of grain. Covered hopper cars now account for at least 70 percent of the capacity of all cars normally considered usable in hauling grain. Even with gains in hopper cars, the combined one-time capacity of all railroad-and privately-owned cars suitable for hauling grains decreased from 1,094 million bushels in 1960 to 1,041 million bushels in late summer of 1974.

²Capacity figures for covered hopper cars are based on estimated average carrying capacities of 3,000 bushels in 1960 and 3,400 bushels in late summer 1974.

Other Considerations in Using Covered Hoppers

Besides increasing capacity per car, covered hoppers have also aided grain transportation in other ways. Covered hopper cars require no more time to load than a boxcar and can be unloaded more quickly and easily—less than 8 minutes by gravity. Also, covered hopper cars are much less likely to become infested by insects. Finally, efficiency gains from use of large covered hopper cars in moving grain have enabled railroads to make competitive rate reductions.

Although covered hopper cars have generally benefited the grain industry by increasing efficiency and reducing transportation costs, some shippers cannot use such equipment because spur lines serving their elevators are too light to handle the heavier weights. However, the net effect across the rail network has apparently been an ability to move more grain, as evidenced by the record tonnages of grain moved in 1972 and 1973.

Freight Car Utilization

There may be considerable potential for increasing efficiency in equipment use. The U.S. Department of Transportation reports that in a typical freight car cycle (loading-to-loading) of 25.5 days, freight cars spend only about 15 percent of their time in line-haul movement and about half of this time the cars travel empty.³ Close to one-fourth of the cycle is spent loading and unloading cars—divided nearly equally between consignee and consignor. One-third is used in intermediate switching operations, while three-tenths is spent in railroad terminal operations.⁴ Apparently, the greatest potential for improving car utilization lies with railroads, not users.

The supply of rail equipment is relatively fixed at any given time. Though long term trends can affect the supply of services, short term increases in the ability to move grains must necessarily come from improved equipment utilization.

Equipment supply for a general class of commodities, such as grains, can be more easily expanded than the aggregate railcar fleet. Equipment can be shifted from one commodity class to another during seasonal or cyclical shortages. However, as equipment becomes more specialized such shifts can be expected to be more limited. For example, the decline in use of the general purpose common boxcar will make it difficult to borrow

equipment from other uses to meet short term needs for grain transportation.

Car Size, Loading, and Mileage

Although the number of all types of freight cars has declined in recent years, average car capacity increased from about 55 tons in 1960 to more than 70 tons by 1973 (table 12). Cars installed in 1973 averaged 85 tons, compared with 62 tons for cars retired during the year.⁵ There was also a trend toward heavier loading as capacity increased. For example, the average carload increased from about 44 tons in 1960 to nearly 57 tons in 1973:

Standard measures of efficiency, such as average daily car mileage, must be used cautiously. Average daily mileage increased from about 46 miles in 1960 to nearly 58 miles in 1973 (table 12). However, the increase may have occurred in part because trucks took shorter haul freight traffic, including some agricultural commodities, from railroads.

Long-Term Solutions to Railcar Shortages

Whether it is more economical to increase the capacity of the railcar fleet or speed the flow of the present fleet has been thoroughly debated. Neither method is likely to solve the car shortage problem for agriculture and rural areas without either excess capacity or control mechanisms to force other sectors of the economy to share equipment during periods of peak rural demand. Currently, rail rates do not adjust to short term changes in demand. Improved car utilization might result with flexible rates—lower rates to encourage shipment during “slack” periods and higher rates to discourage shipments during peak periods. The pricing mechanism could thus help allocate cars. Otherwise the effective use and equitable distribution of railcars to shippers would require joint planning and cooperative action of the railroads, shippers, and government.

Grain storage is an integral part of the marketing and transportation system. Long term solutions to grain transportation problems may require some relocation of storage facilities. Adequate facilities appropriately located and utilized can both ease seasonal grain flows that strain the transportation system and help in positioning grains to facilitate cyclical export movements.

Demand for Grain Transport Services

Bulk grains rely heavily on rail transportation. Railroads originated 106 million tons of grains and

³U.S. Department of Transportation, “Rail Service in the Midwest and Northeast Region, Vol. 1,” Washington, D.C., Feb. 1, 1974, pp. 9-10.

⁴DOT points out that “the average length of time required to perform the actual switching or classification process at origin or termination terminals in less than 30 minutes, and the time required to perform the actual switching and reclassification operation at each intermediate switching point along the line haul movement requires less than 10 minutes.”

⁵Association of American Railroads, “Yearbook of Railroad Facts,” 1974, Washington, D.C., p. 53.

Table 12.--Average freight car capacity, average freight carload, and average daily car mileage, 1960-73

Year	Average freight car capacity <u>1/</u>	Average freight carload <u>1/</u>	Average daily car mileage, Class I <u>2/</u>
	Tons	Tons	Miles
1960	55.4	44.4	45.7
1961	55.7	44.9	45.5
1962	56.3	45.4	47.6
1963	56.8	46.7	49.2
1964	58.3	47.8	50.0
1965	59.7	48.9	51.7
1966	61.4	50.1	53.0
1967	63.4	51.1	51.5
1968	64.3	51.8	53.5
1969	65.8	53.1	54.9
1970	67.1	54.9	54.6
1971	68.4	55.2	53.3
1972	69.6	56.3	56.1
1973 <u>3/</u>	70.5	56.9	57.7

1/ "Yearbook of Railroad Facts," various years, Association of American Railroads.

2/ "Transport Statistics in the U.S." various years, Interstate Commerce Commission.

3/ Estimated.

soybeans and accounted for over 60 percent of total receipts of grains and soybeans inspected for shipments during 1972. Although seasonal increases in shipments follow the harvest, domestic shipments vary less from year to year than exports.

Major cyclical railcar shortages have typically been associated with sharp changes in exports that help make up for shortfalls in production elsewhere in the world. The recent experience following sales to the Soviet Union, along with heavy exports to other countries, is the latest and most striking example.

Grain and soybean exports more than doubled between 1971 and 1973.

Because stocks, both privately held and government-owned, are down and storage facilities appear adequate, demand for movement of grain during 1975 is unlikely to strain the transportation system as in 1972-74. Although some shippers could face local shortages, especially if the 1975 harvest is unusually heavy, much of the crops could be stored locally before shipping. Also, the limited stocks lessen possibilities for sharply higher exports.

FAST FOOD FRANCHISES: MARKET POTENTIALS FOR AGRICULTURAL PRODUCTS IN FOREIGN AND DOMESTIC MARKETS

by
Philip B. Dwoskin

ABSTRACT: This report summarizes the results of a pilot study of the eight largest fast food franchises with foreign outlets. The purpose of the study was to provide the Foreign Agricultural Service, USDA with information concerning the foreign expansion activities of this rapidly growing industry which might be useful in planning foreign market development programs. These fast food chains expect to increase the number of U.S. outlets 50 percent by 1979 and reach a sales volume of \$9 billion. Foreign expansion plans are even more optimistic, 250 percent by 1979. Export potential for U.S. food products in foreign fast food outlets is estimated at \$820 million by 1979. The No. 1 country targeted for foreign expansion by almost all fast food companies is Japan, followed by Australia, Europe, and Canada.

KEY WORDS: Fast foods, franchises, expansion, sales, outlets.

The fast food franchise industry has expanded more rapidly in the past decade than any other food service industry segment. Sales of the fast food industry increased nearly 20 percent in 1974 compared with a total restaurant industry growth of 8 percent.¹ Although most of the firms have been in existence less than 15 years, and have doubled and tripled in size during that time, they appear well organized, have a great deal of operational knowhow, and an optimistic outlook for the future.

The rapid growth of franchise systems in the food service industry in the late 1950's and 1960's had several roots. First, changing American lifestyles—consisting of more travel, rising discretionary income, more working wives, and the greater independence of teenagers and young adults—increased the need for a food service concept which would save time, provide good quality, and at the same time be economical. Secondly, the capital-intensive nature of the fast food franchise system suited the 1960's economic environment of relatively tight labor and easy money policies. Thirdly, technology was available to engineer mass production methods and raise productivity in an industry which had been characterized by small units and resistance to change.

The rapid growth of the fast food industry in the 1960's slowed somewhat in recent years as the U.S. market approached saturation. As a result, the industry turned increasingly to foreign markets for expansion. These expansion plans have been accelerated by fundamental improvements in the economies of many potential foreign markets and the impact of increased affluence on the lifestyles of these populations.

Both U.S. and locally owned fast food enterprises have made great progress in introducing western-style fast food operations into foreign countries. In Japan, the annual growth rate of the fast food industry is estimated by trade sources to be 50 percent. Such growth indicates the possibility of a substantial foreign market for U.S. processed and semiprocessed food products.

This article is based on material developed in a study of the foreign expansion plans of the fast food industry. Such information, particularly on potential uses of processed products, was requested by USDA's Foreign Agricultural Service (FAS), for use in planning foreign market development programs. The Economic Research Service's interest focused primarily on the impact of fast food franchisers on domestic use of agricultural commodities. This article presents information on the size and structure of the domestic and foreign fast food industry, growth trends, present usage of food, and growth prospects.

¹"Franchising in the Economy 1972-74," U.S. Dept. of Commerce, Feb. 1974.

Study Plans and Methods

Data show that 34 U.S. fast food franchisers account for 80 percent of domestic sales and nearly 100 percent of U.S.-owned foreign fast food operations.² Subsequent discussions with trade association and food industry people indicated that less than 15 had foreign fast food outlets. The sample used for the pilot study, and on which research results are based, was confined to the eight largest firms with foreign units. Personal interviews were conducted, in most cases with the senior vice-president in charge of international operations for marketing, to obtain information for the study. Firms visited were Hueblein, Inc. (Kentucky Fried Chicken, International Division, Hartford, Conn. and the Kentucky Fried Division, U.S. Operations in Louisville, Ky.); MacDonald's, Oak Park, Ill.; Bonanza International, Dallas, Tex.; International Dairy Queen, Minneapolis, Minn.; Mr. Donut of America, Westwood, Mass.; Pizza Hut, Wichita, Kansas; A&W International, Santa Monica, Calif.; and Burger King, International Division, Minneapolis, Minn. Contacts were made during February to June 1974. Although a structured interview outline was used to insure uniformity of information, some data gaps developed, either because specific data were lacking, particularly regarding foreign food use, or were considered proprietary in nature and thus, not available.

Although research results are based on only eight firms in the fast food industry, these firms represented 52 percent (\$4.5 billion) of total U.S. sales for the industry in 1973 and 45 percent (16,362) of the total number of sales outlets (table 13 and 14). Of even greater importance, the sample firms represent the major share of U.S. fast food firms having foreign operations in 1973. Thus, the research findings can be considered, in most instances, indicative of trends and changes occurring in the fast food industry.

Domestic Sales and Outlets

Census data on the away-from-home eating industry show total sales of \$30.33 billion in 1973. The restaurant, cafeteria, and lunchroom segment, of which the fast food industry is a part, accounted for \$23.8 billion of that total.³ According to the Commerce survey of franchising, the 214 fast food franchise companies in the U.S. represent \$8 billion of that total (table 14). These companies had 36,223 retail sales outlets and 1,622 foreign sales units.⁴ Of particular significance is the fact that the fast food industry represents almost a third of the away-from-home eating market in terms of retail sales. Thus, if the fast food industry continues to grow at double the

rate of the total restaurant industry, the fast food segment will increase its market share and likely become an even more dominant factor in the away-from-home eating market.

The Commerce survey also reveals that the company-owned segment accounts for approximately 25 percent of total establishments. But they account for 37 percent of the total sales of products and services. It is likely that company-owned stores' higher gross sales per unit may be due to the fact that they are newer, larger in size, and offer more of the new menu items developed by the company. Several of the larger companies contacted in this pilot survey indicated that they are opening more company-owned units rather than selling franchises to private individuals.

The five largest fast food companies account for more than 40 percent of the outlets and total sales (table 15). In terms of number of outlets, hamburgers rank as the most popular franchise food item followed by chicken, steak, and pizza, (table 16). Fast food restaurants selling hamburgers accounted for 55 percent of total sales in 1973, but the steak-type fast food operation was second with 20 percent, and the chicken category followed with 14 percent (table 17).

Foreign Sales and Outlets

It was difficult to obtain precise data on the location of fast food franchise units in foreign countries. The Commerce survey listed a total of 1,622 foreign units for the fast food industry in 1972. Canada had by far the most sales outlets of U.S. fast food companies. The United Kingdom, Australia, and Japan followed in that order.⁵ In the 1974 ERS survey, the eight sample firms had 1,833 units in foreign countries. Again, the pattern of distribution was quite similar to that found for the Commerce survey of franchisers. The only significant change was that Japan ranked third rather than fourth. The country and number of outlets in each foreign country operated by the U.S. sample firms are as follows:

Country	Estimated outlets-1974
	Number
Canada	880
Mexico	43
Caribbean	52
Europe	
United Kingdom	265
Other	56
Australia	194
Asia	
Japan	245
Other	23
Other	175
Total	1,833

¹ Includes South and Central America 17, Africa 38, New Zealand 15, Middle East 5.

⁵Ibid, p. 16, 17.

²Ibid.

³Monthly Retail Trades Report, Dec. 1973, Census Bureau, U.S. Dept. of Commerce.

⁴Franchising in the Economy 1972-74, Feb. 1974, U.S. Dept. of Commerce, p. 17.

Table 13.--Number of outlets and sales of eight survey fast food firms, 1974

Type of outlet	Outlets		Sales	
	U.S.	Foreign	U.S.	Foreign
	Number		Mil. Dollars	
Franchisor outlets.....	2,858	442	988	132
Franchisee outlets.....	13,504	1,391	3,141	294
Total.....	16,362	1,833	4,129	426

Table 14.--U.S. fast food franchise industry--size and sales volume, 1972-74

Item	1972	1973	1974	Percentage changes	
				1972-73	1973-74
Franchisor outlets.....	6,319	7,587	8,919	20.1	17.6
Franchisee outlets.....	26,219	28,636	31,488	9.2	10.0
Total.....	32,538	36,223	40,407	11.3	11.6
Franchisor outlet sales (\$000).....	1,753,297	2,236,057	2,830,567	27.5	26.6
Franchisee outlet sales (\$000).....	5,044,108	5,756,776	6,722,391	14.1	16.8
Total sales (\$000).....	6,797,405	7,922,833	9,552,958	17.6	19.5

Source: "Franchising in the Economy 1972-74," U.S. Dept. of Commerce, Feb. 1974, p. 69. Data for 1974 estimated by respondents.

Table 15.--Distribution of fast food outlets by size of firm, 1972^{1/}

Size of firm	Franchising companies	Outlets		Sales	
		Number	Percent	Dol. (000)	Percent
1,001 and more.....	5	14,278	43.9	2,867,224	42.2
501 - 1,000.....	6	4,952	15.2	1,331,949	19.6
151 - 500.....	28	7,318	22.5	1,487,576	21.9
51 - 150.....	45	3,775	11.6	668,610	9.8
11 - 50.....	77	1,936	5.9	386,538	5.7
0 - 10.....	53	279	0.9	55,508	0.8
Total.....	214	32,538	100.0	6,797,405	100.0

^{1/}Source: Adopted from "Franchising in the Economy 1972-74," U.S. Dept. of Commerce, Feb. 1974, p. 69.

Table 16.--Distribution of fast food franchise outlets by type of menu, 1973-74

Major menu item	Firms	Outlets					
		1973			1974		
		Total	Franch- isors	Franch- isees	Total	Franch- isors	Franch- isees
		-----Number-----					
Chicken.....	21	5,099	927	4,172	5,788	1,091	4,697
Hamburgers, franks, roast beef, etc....	82	20,914	2,854	18,060	22,589	3,243	19,346
Pizza.....	26	2,928	1,029	1,899	3,559	1,259	2,300
Mexican (Taco, etc.).....	14	1,039	329	710	1,180	401	779
Seafood.....	11	566	196	370	645	225	420
Pancakes, waffles.....	7	907	172	735	1,131	248	883
Steak, full menu.....	45	4,490	2,069	2,421	5,213	2,440	2,773
Sandwich and other.....	8	280	11	269	302	12	290
Total.....	214	36,223	7,587	28,636	40,407	8,919	31,488

Source: Adopted from "Franchising in the Economy 1972-74," U.S. Dept. of Commerce, Feb. 1974.

Table 17.--Distribution of fast food franchise sales by type of menu, 1973-74

Major menu item	Firms	1973				1974		
		Total	Franch- isors	Franch- isees	Total	Franch- isors	Franch- isees	
		Number		Dollars (000)				
Chicken.....	21	1,130,762	218,993	911,769	1,306,161	259,833	1,046,328	
Hamburgers, franks, roast beef, etc....	82	4,417,485	949,259	3,468,226	5,249,651	1,190,404	4,059,247	
Pizza.....	26	393,761	123,805	269,956	509,929	163,721	346,208	
Mexican (Taco, etc.).....	14	132,180	51,125	81,055	159,442	63,694	95,748	
Seafood.....	11	77,013	29,742	42,271	94,539	38,432	56,107	
Pancakes, waffles.....	7	214,670	39,224	175,446	263,753	53,722	210,031	
Steak, full menu.....	45	1,602,757	821,484	781,273	1,943,483	1,058,166	885,317	
Sandwich and other.....	8	24,205	2,425	21,780	26,000	2,595	23,405	
Total.....	214	7,992,833	2,236,057	5,756,776	9,552,958	2,830,567	6,722,391	

Source: Adopted from "Franchising in the Economy 1972-74," U.S. Dept. of Commerce, Feb. 1974, pg. 70.

Commodity Usage

Food quantity data for domestic and foreign operations were sought from all eight sample survey firms. The emphasis was on major categories such as meat, poultry, cooking oils, and vegetables. A number of specialty products were omitted because they were not considered crucial to the objectives of the pilot study. In addition, the total usage figures reported here are extremely conservative since they do not include, in some instances, the foods used by noncompany owned franchise outlets. This is particularly true of the foreign operations.

The largest commodity used in domestic and foreign operations was meats, particularly beef and poultry; among bakery products, it was rolls; in the dairy products it was cheese; for fats and oils, the major item was cooking oils. On the vegetable side, the big usage was potatoes. The fast food industry can almost be characterized as a meat and potato industry. However, the trend seems to be for extending menus rather than limiting them and this should lead to a much greater variety of food products being used by the fast food industry in the years ahead, (table 18).

Food Cost Component of Sales

Two distinct trends emerged from a series of questions as to what part of total sales were accounted for by the cost of food. First, fast food sample firms featuring meat or poultry as a main entree had a food cost ranging from 41 percent to 46 percent of the total sales dollar. Those sample firm fast food operators having other than meat as a main entree had a food cost ranging from 29 percent to 34 percent.

Adequacy of Food Supply Sources

Most of the companies were well satisfied with their supply sources both on the U.S. and foreign sides. All of the companies have developed quality specifications for various foods, ingredients, paper supplies, equipment, etc. that go into the day-by-day operations of a fast food enterprise. Suppliers manufacture products to meet these quality specifications and, therefore, qualify as an approved supplier. Companies send franchisee operators annual lists of approved suppliers for specific foods, ingredients, and equipment.

In most instances, companies operate two types of distribution systems. Most fast food companies supply their own operations through regional distribution centers. A similar setup exists for franchisee operations except the franchise operators have an option of buying products from independent suppliers. Of course, foods purchased from independent suppliers must meet quality specifications as set forth in the franchise agreement.

On the foreign side, most companies experience some difficulties in finding local or third country suppliers to furnish products meeting their quality specifications and importing these products from the United States is expensive, particularly for companies just beginning and with low volume. It is likely that once sufficient volume is established, local suppliers will then become interested in developing products to meet the quality specifications needed for fast food operations. In the meantime, depending on the kind of fast food operations, specific types of food products will be imported from the United States. This also is true for equipment needs, since most of the fast food operations require custom-built equipment, which in turn requires considerable "R&D" investment by equipment manufacturers. It is likely that the U.S. equipment manufacturer will have a built-in advantage in the foreseeable future for supplying equipment for U.S. style foreign operations.

Some of the products being exported from the United States for foreign fast food franchise operations are fruit fillings and purees, flavor extracts, tomato products and spices, frozen chicken, frozen potatoes, ice cream flavor and topping items, and milkshake mix. The prevailing sentiment in the industry is that in the long run they will have to depend on local and third country suppliers to meet their needs for many of the major items used in their foreign operations. On the other hand, they believe there will still be large specialty product markets available for U.S. food manufacturers.

Growth and Expansion Plans

A series of questions were asked of each company executive interviewed concerning the growth rate of the company in the past 5 years and the growth rate anticipated in the next 5 years, both U.S. and foreign. The growth rate in the number of outlets in the U.S. from 1969 to 1974 varied considerably from company to company, but the overall average was 60 percent (table 19). This figure approximates the growth rate found in the USDC study which determined an annual rate of a little over 11 percent. On the foreign side, because of the much smaller base in 1969, the percent growth has been more spectacular, except for two companies. The average growth for the 1969-74 period in foreign units was 100 percent.

In looking ahead for the next 5 years, the company executives were much more optimistic about their foreign expansion plans than for their U.S. operations. While here again the individual firms' expansion plans for the United States vary considerably, ranging from a low of 21 percent by 1979 to a high of 167 percent, the average for all companies was 54 percent which is a continuance of the growth rate of the past 5 years. On the foreign side there is a great deal more optimism based on the belief that the same factors that operated in the United States to make this industry a rapidly

Table 18.--Food use by fast food franchise outlets, U.S. and foreign operations, 1973

	United States					Foreign				
	Fresh	Frozen	Canned	Dehydrated	Total	Fresh	Frozen	Canned	Dehydrated	Total
	1,000 pounds									
Meat and poultry										
Beef.....	3,276	245,656	--	--	248,932	2,033	2,920	--	--	4,953
Pork.....	10,496	--	115	--	10,611	88	--	--	--	88
Poultry.....	650,000	1,122	--	--	651,122	400	418	--	--	818
Total.....	663,772	246,778	115	--	910,665	2,521	3,338	--	--	5,859
Seafood										
Fish.....	--	44,194	--	--	44,194	--	43	--	--	43
Shrimp.....	--	1,785	--	--	1,785	--	13	--	--	13
Total.....	--	45,979	--	--	45,979	--	56	--	--	56
Bakery products										
Rolls 1/.....	123,787	--	--	--	123,787	2,212	--	--	--	2,212
Bread 1/.....	4,954	--	--	--	4,954	94	--	--	--	94
Pizza dough 1/.....	20,748	--	--	--	20,748	1,038	--	--	--	1,038
Miscellaneous flour products 1/.....	22,190	--	--	--	22,190	1,084	--	--	--	1,084
Fruit pies.....	76,662	--	--	--	76,662	--	--	--	--	--
Total 1/.....	248,341	--	--	--	248,341	4,428	--	--	--	4,428
Dairy products										
Milk 2/.....	4,123	--	--	--	4,123	72	--	--	--	72
Cheese 2/.....	372,335	--	--	--	372,335	22,940	--	--	--	22,940
Cream 2/.....	316	--	--	--	316	7	--	--	--	7
Butter 2/.....	7,431	--	--	--	7,431	146	--	--	--	146
Sour cream 2/.....	913	--	--	--	913	18	--	--	--	18
Cottage cheese 2/.....	5,047	--	--	--	5,047	100	--	--	--	100
Milkshake mix.....	--	23,625	--	--	23,625	--	6,300	--	--	6,300
Total.....	390,165	23,625	--	--	413,790	23,283	6,300	--	--	29,583
Fats and Oils										
Margarine.....	--	--	--	--	2,739	55	--	--	--	55
Cooking oil.....	--	--	166,346	--	166,346	--	--	8,302	--	8,302
Imitation sour cream.....	--	--	--	--	6,848	131	--	--	--	131
Total.....	--	--	166,346	--	175,933	186	--	8,302	--	8,488
Produce										
Potatoes.....	41,090	733,280	2,178	3/23,678	840,226	2,801	7,638	--	--	10,439
Onions.....	718	1,485	--	3/23,022	25,225	9	--	--	612	621
Lettuce.....	18,262	--	--	--	18,262	349	--	--	--	349
Mushrooms.....	--	--	73	--	73	--	--	95	--	95
Total.....	60,070	774,765	2,251	46,700	883,786	3,159	7,638	95	612	11,504
Miscellaneous products										
Condiments.....	--	--	46,919	--	46,919	--	--	4,038	--	4,038
Spices.....	--	--	35,379	--	35,379	--	--	3,000	--	3,000
Salad dressing.....	--	--	19,427	--	19,427	--	--	--	--	--
Tomato sauce.....	--	--	582	--	582	--	--	114	--	114
Baked beans.....	--	--	14,410	--	14,410	--	--	--	--	--
Fruit fillings.....	--	--	1,152	--	1,152	--	--	686	--	686
Total.....	--	--	117,869	--	117,869	--	--	7,838	--	7,838

1/Converted to wheat flour basis. 2/Fat solids basis. 3/Fresh equivalent.

expanding one are now operating in the rest of the world. All but two of the companies contacted expect to double in size, at a minimum, by 1979. On the average, these companies expect a 250 percent increase by 1979 in foreign outlets (table 20).

A number of countries were mentioned for expansion with an indication of the possible number of units going into these countries. The No. 1 country targeted for expansion by almost all companies is Japan, followed by Australia, Europe and Canada.

Japan was expected to take 35 percent of the total expansion outlets, Australia 27 percent, Europe 20 percent, Canada 15 percent, and Mexico 3 percent. Several companies expressed a great deal of interest in East European countries but so far have not made any serious attempts to penetrate these markets.

Fast food companies tend to view foreign market expansion differently than they do their U.S. expansion plans, particularly in the area of ownership. In the United States, the trend seems to be

Table 19.--Growth rate of eight survey fast food franchises, 1969-74

Firm	U.S. Market			Foreign Market		
	Outlets		Change	Outlets		Change
	1969	1974	1969-74	1969	1974	1969-74
	Number		Percent	Number		Percent
A.....	185	450	143	1/	7	--
B.....	450	2,625	483	1/	150	--
C.....	1,888	3,987	111	200	725	262
D.....	3,603	3,953	10	384	384	0
E.....	300	1,400	367	6	70	1,066
F.....	190	320	68	14	131	835
G.....	656	1,177	79	12	22	83
H.....	2,950	2,450	-17	300	344	15
Total.....	10,222	16,362	60	916	1,833	100

1/Foreign operations began after 1969.

Table 20.--Expansion plans of eight survey fast food franchises for U.S. and foreign markets, 1974-1979

Firm	U.S. Market			Foreign Market		
	Outlets		Change	Outlets		Change
	1974	1979	1974-79	1974	1979	1974-79
	Number		Percent	Number		Percent
A.....	450	1,200	167	7	200	2,757
B.....	2,625	4,600	75	150	2,500	1,567
C.....	3,987	5,130	29	725	1,725	138
D.....	3,953	4,800	21	384	650	69
E.....	1,400	2,900	107	70	336	380
F.....	320	600	88	131	450	244
G.....	1,177	2,181	85	22	100	355
H.....	2,450	3,700	51	344	450	31
Total.....	16,362	25,211	54	1,833	6,411	250

toward more company-owned rather than franchisee-owned sales outlets. The reason most often cited was "better control." On the foreign side, the emphasis is almost reversed, due mainly to the myriad of local government regulations, language difficulties, etc. attending introduction and development in foreign countries. The emphasis, as noted earlier, is for U.S. fast food firms to enter into agreements with local trading companies or individuals to operate the stores in these countries. This is particularly true in such developed areas as Japan, Europe, and Australia, and accounts, in part, for the more optimistic expansion plans on the foreign side than for the domestic market.

Appraisal of Market and Export Potentials

U.S. fast food franchisers expect to have almost 4,600 additional outlets operational in foreign countries by 1979. The estimated 4,600 plus the 1,833 in existence would total a little more than 6,400 units in 1979. Based on current average sales of about \$310,000 per foreign unit operated by sample firms, these sales units are estimated to be capable of generating more than \$2 billion in sales by 1979 without any adjustments for inflation.⁶ Since a weighted average of 41 percent of total sales represents food costs in the fast food sample firms, the market for food products could be as much as \$820 million. For the U.S. market, the eight sample firms would have, on the basis of an estimated 25,000 sales units by 1979, a sales volume of almost \$9 billion, not considering inflation.

⁶Average sales per unit, foreign and domestic were weighted to reflect the relative importance of sales units and volume of each sample firm. For foreign operated sales units, the weighted average for sample firms was \$310,386. For U.S. units it was \$354,049 per unit.

These data indicate that the fast food industry will continue to take an increasing share of the away-from-home eating market and as a result, represents a fast growing market for food producers and processors. Whether or not U.S. processed or semiprocessed food products will be able to penetrate the foreign fast food franchise operations will depend on a number of factors, some of them beyond the control of food manufacturers, such as tariff barriers and food regulations. In addition, local suppliers and third country suppliers, because of their proximity to the market and lower transportation costs, in many cases will be able to successfully compete on a price basis with U.S. food processors. At present, U.S. food processors have three advantages in competing with foreign supplier: technology; 15 years of experience in developing systems of distribution and production of ingredients meeting the quality specifications of fast food operations; and the capacity to produce for world markets. In some instances, fast food enterprises have integrated their operations from food production through processing and marketing.

What the double effect of inflation and recession, national and worldwide, will have on the fast food industry's growth is problematical. The fast food industry should not be more vulnerable to inflation than other segments of the away-from-home eating market. As a matter of fact, with the fast food industry's customer image of "good value" for food purchases, it might lead to an even larger share of the away-from-home eating market in recession periods. However, a cautionary note that must be sounded in the outlook for the fast food industry's growth and expansion is the current high cost of capital and land. Since the fast food industry is capital intensive and requires considerable amounts of real estate for site acquisition and development, high interest rates and land costs may inhibit expansion plans both foreign and domestic.

FACTS ON FARM-RETAIL PRICE SPREADS FOR BEEF AND PORK

ABSTRACT: How does USDA arrive at price spread statistics? The Economic Research Service is often asked that question. This article is designed to give some answers. It provides information on concepts, procedures, usefulness, and limitations of the current USDA price spread series for beef and pork.

KEY WORDS: Farm-retail price spreads, beef, pork.

What Are Price Spreads?

Farm-to-retail price spreads for beef and pork are the difference between the average retail price per pound and the farm value of quantities of live animals equivalent to 1 pound of retail cuts. Put another way, price spreads represent the total marketing charges for processing and distribution from farm gate through retail counter. The farm-retail spreads for beef and pork have two main components: *farm to wholesale (or carcass)* and *wholesale to retail*.

Beef: The beef spread consists of the farm-carcass and the carcass-retail components. The farm-carcass figure includes approximate charges for marketing cattle, slaughtering, and transporting the dressed beef carcass to the city where consumed. The carcass-retail spread, accordingly, includes not only the gross margin for retailing but also the charges for other intermediate marketing services, such as breaking carcasses, fabricating, wholesaling, and local delivery to retail stores.

Pork: The pork spread is made up of the farm-wholesale spread and wholesale-retail spread. The farm-wholesale spread covers approximate costs for marketing and slaughtering hogs, curing, smoking, and processing pork products, and shipping them to major consumer centers. The wholesale-retail spread represents local delivery cost, wholesaling, and the retailer's gross margin.

Why Compute Price Spreads?

For many years USDA has been publishing price spreads statistics for Choice beef and pork, along with many other important items in the market basket of farm-produced foods. USDA does this at the direction of Congress, which wants to know how the consumer's food dollar is divided between farmers and marketers.

By examining price spreads and their components, economists monitor changes over time in the charges by marketing firms for transporting, processing, and distributing foods. Price spread analysis also helps give insight into how retail prices respond to changes in farm supply and prices and changes in consumer demand.

The Economic Research Service each year gets hundreds of queries from producers, retailers, processors, public agencies, and consumers asking about price spreads, price fluctuations, and the factors behind them. Price spread data are often the best information available for answering these requests. The figures are reviewed and revised regularly to ensure that the estimating methods are kept up-to-date.

But price spreads don't tell everything. By themselves they do not show whether an industry is efficient or inefficient...or whether the costs of marketing, processing, and distribution are reasonable or excessive...nor do they measure profitability.

Spread vs. Margin

Are spreads, gross margin and profit margin the same? Many people use the terms interchangeably but there are differences between them. Price spreads are the difference between prices or values at two market levels for a specific quantity and quality of product. Price spreads generally are larger than meat packing and retailing margins since they also include charges by marketing firms for other functions, particularly transportation. Gross margin, on the other hand, is often used by industry to mean the difference between what a retailer or packer gets for his product (per unit sold) and what he pays for it. Gross margin includes the costs of labor, packaging, and overhead as well as any profit.

Another term sometimes used in industry and financial circles is that of profit margin. Profit margin refers to the difference between the gross margin and costs, and is usually expressed as a percentage of sales or stockholders' equity. Thus, these three terms have different meanings and

should not be used interchangeably.

Price spreads reported by USIDA are U.S. averages whereas gross margins cited by industry often apply to the operations of single firms. Price spreads for beef and pork differ from industry margins in the following respects:

USDA Price Spreads

1. Represent U.S. average
2. Choice grade beef only.
3. Concurrent prices or values at each market level.
4. Cut prices weighted by carcass proportions.
5. Retail pound equivalent basis.
6. Includes charges between pricing points
7. Carcass beef prices.
8. Standardized yields.
9. Based on BLS prices, adjusted for price and quantity effects of specialing, using price data reported to ERS by a sample of retail food chain divisions.

Industry Gross Margins

1. Usually represent a single firm.
 2. Includes other grades as well as Choice.
 3. Time lagged prices between purchase and sale.
 4. Mix of cuts sold may vary from carcass proportion.
 5. May be stated on live weight or carcass weight basis.
 6. Includes only charges for retailing or meat packing.
 7. Primal, subprimal, and cut prices, as well as carcass beef.
 8. Cutting test yields.
 9. Sales volume weighted average of special and regular retail prices.
-

Underlying Concepts

Price spreads for beef and pork are computed from estimated U.S. average retail prices, which include an allowance for the effect of sales at special prices. Composite retail prices are calculated from retail prices collected by the Bureau of Labor Statistics (BLS) and from data obtained from a weekly retail meat price survey of 40 chain store divisions throughout the United States. BLS prices for six major cuts of Choice beef and hamburger and five cuts of pork and sausage are collected from a representative sample of stores in 56 U.S. cities. Price information provided by the chain store survey is used for obtaining a composite value of all the cuts in a Choice beef carcass or a hog carcass, and to adjust BLS prices to reflect the effect of price specials (including the effect of increased sales at special prices). The chain store data are also used to adjust BLS prices to an average price for the month.

A study is now underway to check the adequacy of procedures and coefficients used to reflect the effect of specials and, if possible, to improve these procedures. The full cooperation of retailers is needed and has been requested for this research.

The farm value is an estimate of the payment received by the farmer for a pound of beef or pork sold at retail. Part of the farmer's return (gross farm value) from the quantity of live animal equivalent to a pound of retail beef or pork cuts arises from the value of byproducts derived from slaughtering the animal. To obtain a farm value comparable to the retail price, the value of the byproducts is estimated and subtracted from the gross farm value.

The carcass value of Choice beef used in the price spread series is an estimate in terms of wholesale prices of the quantity of carcass beef equivalent to 1 retail pound. In the case of pork the term wholesale value is used instead of carcass value. It is an estimate of the value of wholesale pork cuts equivalent to a retail pound.

Dressing and cutting conversion factors are based upon typical market weights and yields for pork and Choice beef at all market levels. Government grades for dressed pork are available but not widely used.

Most beef sold is Choice grade so price spreads are computed for Choice beef only. Nevertheless, Choice grade cattle have different degrees of finish. The larger proportions of heavy cattle and hogs marketed in the first half of 1974, which tended to have lower

average yields, may not have been fully reflected in USDA price spreads. Moreover, good grade and calf "beef" sales have increased during the past year and have been priced lower at retail than Choice beef. The recent increase in non-Choice beef basically is a result of high feed grain prices and changed price relationships between fed cattle prices and feeder cattle prices. It may be a short term phenomenon. Whether this will continue will depend on consumer acceptance, and to some extent, on grade changes as well as feed grain prices. In any event, movements in spreads for Choice beef and other grades should be similar inasmuch as handling costs would change by like proportions.

Time elapses between the time when a farmer sells an animal and the eventual sale of meat from the animal to the consumer. But, the physical time required to move meat through the marketing system may differ from the time normally required for a change in prices at one market level to be reflected at another. Farm and carcass price changes usually occur during the same week. Retailers tend to set prices at the end of the week prior to the week meat is sold. USDA price spreads are based on concurrent farm and retail prices.

It may be contended that the retail price should be compared with the farm value for an earlier period. Such lagging is difficult because the timespan varies widely. The lag from the time livestock leave the farm until the consumer purchases the meat at retail is about 1 to 2 weeks for beef, and from 2 to 4 weeks for pork products, depending on whether the pork is fresh or processed. The problems are further compounded by geographic differences in time lags. However, much of the lag effect cancels out, particularly in quarterly averages which are more appropriate for analyzing movements in price spreads than monthly data.

An outline of prices, procedures, data sources and conversion factors used to compute price spreads for beef and pork follows:

Prices and Conversion Factors Used in Computing Spreads

Beef: 1. Retail price composite

- a. BLS retail prices for selected cuts for the first week of each month.
- b. Prices for all cuts reported to ERS weekly by 40 retail chain divisions to adjust for price specializing, to compute an average of all cuts, and to estimate a monthly average retail price.

2. Carcass value

- a. Prices of 600-700 pound Choice steer carcass (beginning January 1975 yield grade 3). Chicago and West coast prices adjusted to estimate U.S. average.
- b. Adjusted to retail basis (1.41 lbs. carcass beef = 1 lb. retail cuts)

3. Gross farm value

- a. 7-markets combined price Choice steers, all weights, monthly average (*Cattle on Feed*, SRS).
- b. California price, Choice steers, 900-1100 lbs., (*Livestock Market News*, AMS).
- c. Weighted average for Choice steers
0.85 to 7-market price summary
0.15 to California prices
- d. Weighted average price minus estimated assembly costs and selling charges times 2.28 (pounds equivalent to one pound of beef sold at retail).

4. Byproduct value at farm level

Percent of total wholesale value of all beef including byproducts represented by the byproducts times the gross farm value.

5. Net farm value

Gross farm value minus estimated farm value of byproducts.

Pork: 1. Retail price composite

- a. BLS retail prices for selected cuts for the first week of each month.
- b. Prices of all cuts reported to ERS weekly by 40 retail chain divisions to adjust for price specializing, to compute an average for all cuts, and to estimate a monthly average retail price.

2. Wholesale value

- a. Wholesale prices for major and minor pork products. Chicago carlot prices adjusted to estimate U.S. average.
- b. Adjusted to retail basis (1.07 lbs. of wholesale pork cuts = 1 lb. retail cuts).

3. Gross farm value. 7-markets combined price for barrows and gilts minus marketing cost times 1.97 (pounds of live hog equivalent to one pound of pork sold at retail).
4. Byproduct value at farm level. Percent of total wholesale value of all pork including byproducts represented by the byproducts times the gross farm value.
5. Net farm value. Gross farm value minus estimated farm value of byproducts.

Have Spreads Widened?

Farm-retail spreads for the beef and pork have widened substantially since price ceilings were lifted. The annual average increase from 1973 to 1974 was about 7 cents per retail pound for beef and 9 cents per pound for pork. This increase was considerably greater than the average annual increase over the previous 10 years. Most of the increase in pork spread has been in the wholesale-retail component, while both components of the spread for Choice beef have widened. Increases in price spreads have accompanied increases in costs of labor and other marketing services (figures 1 and 2).

Spreads change when livestock prices (converted to values) and retail meat prices change by different proportions. Price spreads tend to widen over time as costs increase for shipping, processing, and retailing meats. In the short run, spreads generally widen when livestock prices fall and they narrow when livestock prices rise, because retail prices adjust more slowly. Spreads also change over time as the demand for marketing service changes.

Contributing to abruptly higher farm-retail spreads for beef and pork during the past year and a half were increases in labor and other costs to packers, processors, and retailers that could not be

passed through until price ceilings were lifted. Economic conditions since the fall of 1973 have permitted packers and retailers to widen spreads which were held down by price controls.

The carcass-retail spread for beef fluctuated around 23 cents per retail pound between 1965 and 1968. It increased sharply in 1969 to a higher plateau of about 28 cents, reflecting rising marketing costs. It averaged 34 cents in 1972 and for 1974 averaged 41 cents.

The annual average farm-carcass spread for beef fluctuated narrowly between 6 and 7 cents per retail pound from 1965 until 1971 when it averaged 7.9 cents. Following the lifting of the price ceiling in September 1973 it jumped to 11 cents and remained at that level throughout 1974.

The wholesale-retail spread for pork increased about 9 cents per retail pound between 1965 and 1973. Sharp increases in 1966, 1970, and again in 1973 accounted for nearly all the rise. Since the last quarter of 1973, the spread has been nearly double the level of 1965-69.

Between 1965 and 1971, the farm-wholesale spread for pork increased about 4 cents per retail pound but has since narrowed.

Where Can Spread Data Be Obtained?

Current information on price spreads for many foods is published quarterly in the *Marketing and Transportation Situation* and for selected foods, including beef and pork, each month in *Price Spreads for Farm Foods*, a two-page supplement to the *Marketing and Transportation Situation*. Historical data, analysis, and methodology are included in *Farm-Retail Spreads for Food Products*, U.S. Department of Agriculture Misc. Report No. 741, January 1972. These publications can be obtained free by writing to the Economic Research Service, U.S. Department of Agriculture, 500 12th Street, S.W., Washington, D.C. 20250.

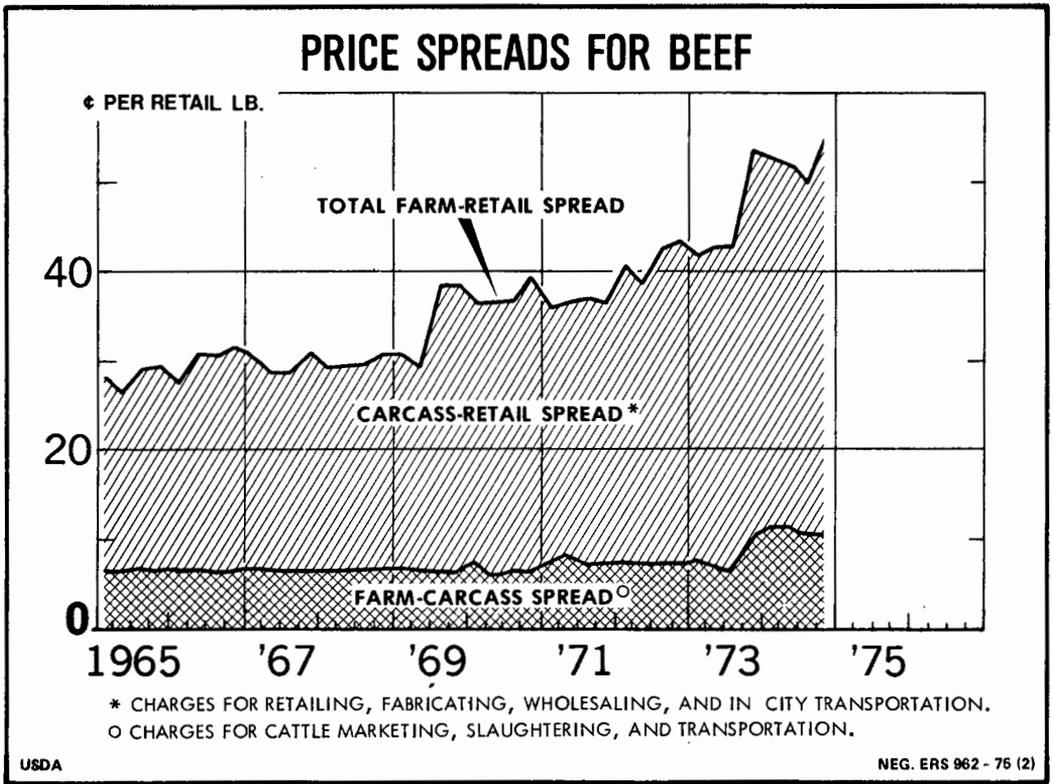


Figure 1

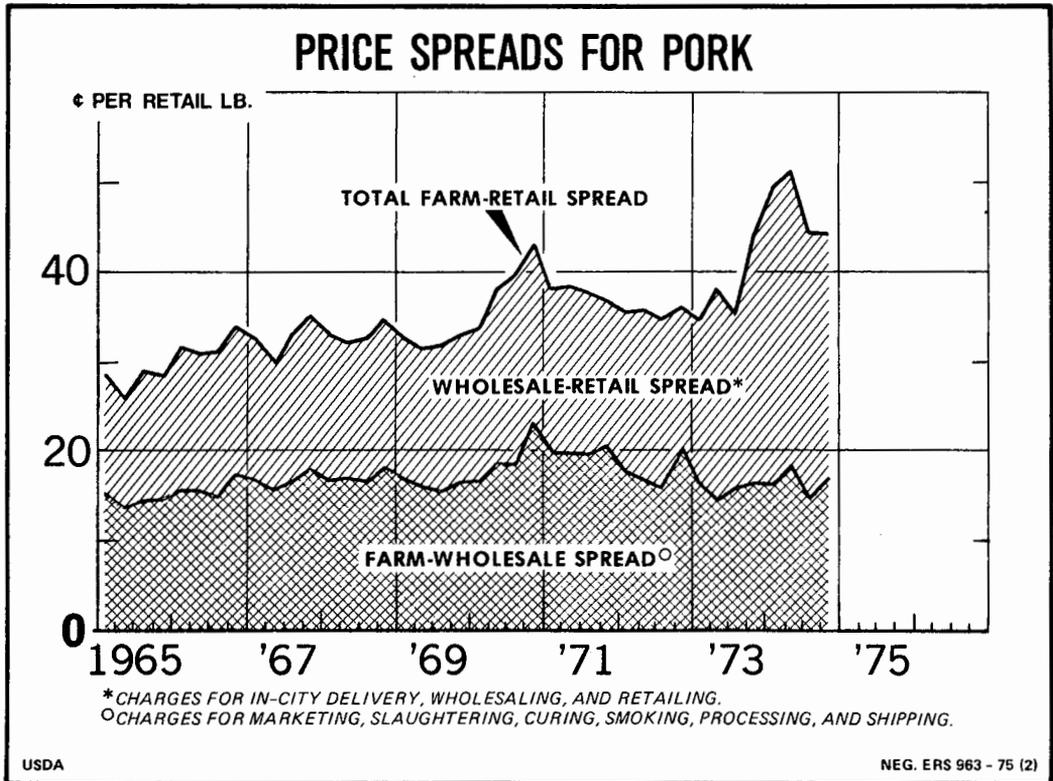


Figure 2

Table 21.--The market basket of farm foods by product group: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, 1973 and 1974 by quarters

Item	1973	1974			
	IV	I	II	III	IV
----- Dollars -----					
Retail cost					
Market basket	1634.65	1720.02	1730.83	1750.64	1796.74
Meat	547.65	560.14	515.54	527.24	527.92
Dairy	275.94	292.30	302.66	293.90	296.92
Poultry	69.33	72.28	65.48	65.72	70.23
Eggs	62.61	66.40	50.10	51.33	59.89
Bakery and cereal:					
All ingredients	243.40	259.34	275.34	279.86	293.28
Grain	-	-	-	-	-
Fresh fruits	68.70	68.52	73.50	79.38	71.79
Fresh vegetables	100.58	116.19	138.30	115.82	104.69
Proc. fruits and veg. ...	142.66	151.82	160.58	170.31	181.45
Fats and oils	59.35	64.16	72.43	77.60	88.71
Miscellaneous	64.43	68.89	76.89	89.48	101.86
Farm value					
Market basket	723.74	782.76	708.22	735.47	750.60
Meat	320.39	325.12	274.13	304.52	293.13
Dairy	144.08	156.44	151.26	135.05	137.42
Poultry	37.69	39.96	34.87	37.13	40.23
Eggs	44.13	46.83	32.08	34.73	41.03
Bakery and cereal:					
All ingredients	60.09	73.48	60.92	66.73	75.82
Grain	47.59	57.82	42.99	45.23	49.53
Fresh fruits	20.12	20.36	22.56	24.04	21.47
Fresh vegetables	30.75	40.41	47.67	37.40	35.38
Proc. fruits and veg. ...	28.74	34.09	35.41	34.84	36.22
Fats and oils	24.16	29.21	29.84	39.96	42.28
Miscellaneous	13.60	16.87	19.47	21.07	27.62
Farm-retail spread					
Market basket	910.91	937.26	1022.61	1015.17	1046.14
Meat	227.26	235.02	241.41	222.72	234.79
Dairy	131.86	135.86	151.40	158.85	159.50
Poultry	31.64	32.32	30.61	28.59	30.00
Eggs	18.48	19.57	18.02	16.60	18.86
Bakery and cereal:					
All ingredients	183.31	186.68	214.42	213.13	217.46
Grain	-	-	-	-	-
Fresh fruits	48.58	48.16	50.94	55.34	50.32
Fresh vegetables	69.83	75.78	90.63	78.42	69.31
Proc. fruits and veg. ...	113.92	117.73	125.17	135.47	145.23
Fats and oils	35.19	34.95	42.59	37.64	46.43
Miscellaneous	50.83	52.02	57.42	68.41	74.24
Farmer's share					
----- Percent -----					
Market basket	44.3	45.5	40.9	42.0	41.8
Meat	58.5	58.0	53.2	57.8	55.5
Dairy	52.2	53.5	50.0	46.0	46.3
Poultry	54.4	55.3	53.3	56.5	57.3
Eggs	70.5	70.5	64.0	67.7	68.5
Bakery and cereal:					
All ingredients	24.7	28.3	22.1	23.8	25.8
Grain	19.6	22.3	15.6	16.2	16.9
Fresh fruits	29.3	29.7	30.7	30.3	29.9
Fresh vegetables	30.6	34.8	34.5	32.3	33.8
Proc. fruits and veg. ...	20.2	22.4	22.0	20.5	20.0
Fats and oils	40.7	45.5	41.2	51.5	47.7
Miscellaneous	21.1	24.5	25.3	23.6	27.1

Table 22.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, third and fourth quarters of 1974 and fourth quarter of 1973

Product 1/	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share			
		IV 1974 2/	III 1974	IV 1973	IV 1974 2/	III 1974	IV 1973	IV 1974 2/	III 1974	IV 1973	IV 1974 2/	III 1974	IV 1973	
Cents													Percent	
Beef, Choice	Pound	134.5	141.0	135.1	79.3	91.3	54.4	55.2	49.7	80.7	59	65	60	
Lamb, Choice	Pound	140.5	143.2	132.7	75.4	76.9	70.8	65.1	66.3	61.9	54	54	53	
Pork	Pound	111.0	107.4	116.1	66.5	62.8	71.5	44.5	44.6	44.6	60	58	62	
Butter	Pound	95.6	91.4	102.6	56.9	53.8	70.4	38.7	37.6	32.2	60	59	69	
Cheese, American process	½ pound	72.5	71.4	66.2	31.5	31.4	36.1	41.0	40.0	30.1	43	44	55	
Ice cream	½ gallon	115.4	109.0	98.3	3/ 35.5	3/ 34.0	3/ 39.9	79.9	75.0	58.4	31	31	41	
Milk, evaporated	14½-ounce can	30.2	29.7	24.5	13.7	13.9	13.8	16.5	15.8	10.7	45	47	56	
Milk, fresh:														
Sold in stores	½ gallon	78.1	77.7	72.9	38.1	37.5	38.4	4/ 40.0	4/ 40.2	4/ 34.5	49	48	53	
Chicken, frying	Pound	58.3	54.1	55.3	33.6	31.0	29.7	24.7	23.1	25.6	58	57	54	
Turkey	Pound	70.4	67.2	89.7	37.7	32.6	53.2	32.7	34.6	36.5	54	49	59	
Eggs, large Grade A ..	Dozen	83.0	70.8	86.2	56.9	47.9	60.7	26.1	22.9	25.5	69	68	70	
Bread, white:														
All ingredients	Pound	35.9	34.7	31.3	3/ 8.8	3/ 7.7	3/ 6.8	27.1	27.0	24.5	25	22	22	
Wheat	Pound	--	--	--	5.6	5.1	5.1	--	--	--	16	15	16	
Bread, whole wheat ...	Pound	55.6	53.7	47.3	3/ 7.4	3/ 6.6	3/ 6.1	48.2	47.1	41.2	13	12	13	
Cookies, sandwich ...	Pound	86.4	74.9	60.6	3/ 22.4	3/ 18.5	3/ 11.2	64.0	56.4	49.4	26	25	18	
Corn flakes	12 ounces	48.3	42.5	33.7	5.1	5.3	4.0	43.2	37.2	29.7	11	12	12	
Flour, white	5 pounds	100.8	101.0	95.5	46.8	40.7	42.1	54.0	60.3	53.4	46	40	44	
Rice, long grain	Pound	49.0	52.8	42.9	15.4	16.9	23.2	33.6	35.9	19.7	31	32	54	
Apples	Pound	31.2	38.6	30.0	11.2	12.6	10.9	20.0	26.0	19.1	36	33	36	
Grapefruit	Each	19.3	23.2	20.6	4.3	5.1	4.4	15.0	18.1	16.2	22	22	21	
Lemons	Pound	43.5	41.9	42.8	9.9	12.3	13.1	33.6	29.6	29.7	23	29	31	
Oranges	Dozen	117.2	115.5	113.6	26.0	28.3	23.0	91.2	87.2	90.6	22	24	20	
Cabbage	Pound	15.2	15.7	17.6	5.0	4.9	5.3	10.2	10.8	12.3	33	31	30	
Carrots	Pound	25.0	24.3	21.6	10.0	8.8	7.1	15.0	15.5	14.5	40	36	33	
Celery	Pound	25.1	25.5	21.6	6.3	7.7	5.1	18.8	17.8	16.5	25	30	24	
Cucumbers	Pound	28.5	30.0	30.1	11.6	10.2	11.0	16.9	19.8	19.1	41	34	37	
Lettuce	Head	46.1	43.6	33.7	16.1	12.3	8.6	30.0	31.3	25.1	35	28	26	
Onions	Pound	18.3	20.8	19.5	5.1	6.9	7.1	13.2	13.9	12.4	28	33	36	
Peppers, green	Pound	50.6	53.8	53.1	16.4	14.2	22.3	34.2	39.6	30.8	32	26	42	
Potatoes	10 pounds	119.6	158.7	129.6	39.2	53.7	35.8	80.4	105.0	93.8	33	34	28	
Tomatoes	Pound	52.7	49.6	45.2	21.8	18.1	17.5	30.9	31.5	27.7	41	36	39	

Continued--

Table 22.--Farm food products: Retail price, Farm value, Farm-retail spread, and farmer's share of retail price, IV 1974, III 1974 and IV 1973

Products	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share							
		IV 1974	III 1974	IV 1973	IV 1974	III 1974	IV 1973	IV 1974	III 1974	IV 1973	IV 1974	III 1974	IV 1973					
													Cents			Percent		
Peaches, canned.....	No. 2½ can	59.6	54.0	43.7	12.8	10.6	7.4	46.8	43.4	36.3	21	20	17					
Pears, canned.....	No. 2½ can	73.0	66.6	58.1	19.7	16.1	12.4	53.3	50.5	45.7	27	24	21					
Beets, canned.....	No. 303 can	31.1	28.5	25.1	1.7	1.7	1.7	29.4	26.8	23.4	5	6	7					
Corn, canned.....	No. 303 can	33.5	29.8	25.6	4.5	3.8	3.1	29.0	26.0	22.5	13	13	12					
Peas, canned.....	No. 303 can	36.9	33.2	27.8	6.7	6.1	4.2	30.2	27.1	23.6	18	18	15					
Tomatoes, canned.....	No. 303 can	32.9	30.4	25.9	4.1	3.5	3.2	28.8	26.9	22.7	12	12	12					
Lemonade, frozen.....	6-ounce can	20.0	17.7	15.0	6.2	4.8	4.3	13.8	12.0	10.7	31	27	29					
Orange juice, frozen..	6-ounce can	26.6	25.7	25.1	8.0	9.3	8.4	18.6	16.4	16.7	30	36	33					
Potatoes, french fried, frozen.....	9 ounces	25.4	24.1	18.0	6.8	7.9	4.1	18.6	16.2	13.9	27	33	23					
Peas, frozen.....	10 ounces	33.3	30.9	24.4	6.5	5.4	4.2	26.8	25.5	20.2	20	17	17					
Beans, dried.....	Pound	57.8	73.0	44.7	18.5	22.4	28.8	39.3	50.6	115.9	32	31	64					
Margarine.....	Pound	68.8	58.6	44.8	33.5	31.7	18.6	35.3	26.9	26.2	49	54	42					
Peanut butter.....	12-ounce jar	65.9	63.3	54.7	22.0	21.0	19.8	43.9	42.3	34.9	33	33	36					
Salad and cooking oil.....	24-oz. bottle	125.6	110.1	83.2	54.0	50.3	29.2	71.6	59.8	54.0	43	46	35					
Vegetable shortening..	3 pounds	212.8	184.8	134.3	119.2	111.8	64.4	93.6	73.0	69.9	56	60	48					
Sugar.....	5 pounds	251.2	175.0	82.1	<u>3/</u> 150.3	<u>3/</u> 103.8	<u>3/</u> 39.0	100.9	71.2	43.1	60	59	48					
Spaghetti, canned.....	15½-oz. can	25.6	24.3	20.5	3.7	3.4	3.2	21.9	20.9	17.3	14	14	16					

1/ Primary products in the farm-food market basket.

2/ Preliminary.

3/ Includes farm value for sugar estimated according to revised procedure.

4/ In addition to processing and distribution farm-retail spreads for fluid milk include costs of hauling milk from the farm to the processor and over-order prices representing in part payments to producer cooperatives for performing marketing services and in part premiums paid to producers.

Table 23.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, 1972, 1973, and 1974

Product 1/	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		1972	1973	1974 2/	1972	1973	1974 2/	1972	1973	1974 2/	1972	1973	1974 2/
		Cents						Percent					
Beef, Choice	Pound	113.8	135.5	138.8	72.4	89.9	86.1	41.4	45.6	52.5	64	66	62
Lamb, Choice	Pound	118.8	134.3	138.6	63.0	73.7	79.3	55.8	60.6	59.3	53	55	57
Pork	Pound	83.2	109.8	108.2	47.7	71.5	60.8	35.5	38.3	47.4	57	65	56
Butter	Pound	87.1	91.6	94.5	59.2	60.8	57.4	27.9	60.8	37.1	68	66	61
Cheese, American process	½ pound	54.3	60.4	73.0	24.1	30.2	34.0	30.2	30.2	39.0	44	50	47
Ice cream	½ gallon	85.8	91.1	107.6	29.3	33.5	3/ 40.3	56.5	57.6	67.3	34	37	37
Milk, evaporated	14½-ounce can	20.0	22.4	28.8	9.4	11.5	14.4	10.6	10.9	14.4	47	51	50
Milk, fresh:													
Sold in stores	½ gallon	59.8	65.4	78.4	30.2	34.1	40.4	4/ 29.6	4/ 31.3	4/ 38.0	51	52	52
Chicken, frying	Pound	41.4	59.6	56.0	20.0	35.0	31.5	21.4	24.6	24.5	48	59	56
Turkey	Pound	55.3	73.9	72.7	28.4	44.5	36.2	26.9	29.4	36.5	51	60	50
Eggs, large Grade A ..	Dozen	52.4	78.0	78.3	30.0	54.4	53.2	22.4	23.6	25.1	57	60	68
Bread, white:													
All ingredients ...	Pound	24.7	27.6	34.5	3.8	5.5	3/ 7.9	20.9	22.1	26.6	15	20	23
Wheat	Pound	--	--	--	2.9	4.1	5.4	21.8	23.5	29.1	12	15	16
Bread, whole wheat ..	Pound	39.4	43.1	52.7	3.4	5.0	3/ 6.8	36.0	38.1	45.9	9	12	13
Cookies, sandwich ...	Pound	55.2	57.8	73.4	6.3	8.9	3/ 17.4	48.9	48.9	56.0	11	15	24
Corn flakes	12 ounces	31.2	32.2	41.5	2.0	3.4	4.8	29.2	28.8	36.7	6	11	12
Flour, white	5 pounds	59.6	75.6	102.6	22.9	33.9	44.1	36.7	41.7	58.5	38	45	43
Rice, long grain	Pound	24.0	30.8	51.6	8.7	15.8	19.7	15.3	15.0	31.9	36	51	38
Apples	Pound	25.0	30.4	34.3	7.9	11.2	11.8	17.1	19.2	22.5	32	37	34
Grapefruit	Each	19.5	19.9	19.8	5.1	4.6	4.3	14.4	15.3	15.5	26	23	22
Lemons	Pound	34.6	38.5	42.0	9.8	11.1	11.0	24.8	27.4	31.0	28	29	26
Oranges	Dozen	94.0	105.3	111.4	20.5	24.8	25.9	73.5	80.5	85.5	22	24	23
Cabbage	Pound	14.2	17.8	16.1	4.3	6.4	4.9	9.9	11.4	11.2	30	36	30
Carrots	Pound	21.5	22.0	23.2	7.4	7.5	8.1	14.1	14.5	15.1	34	34	35
Celery	Pound	23.6	24.0	23.9	7.2	7.0	6.4	16.4	17.0	17.5	31	29	27
Cucumbers	Pound	28.9	32.1	31.9	11.2	12.0	12.7	17.7	20.1	19.2	39	37	40
Lettuce	Head	34.1	41.8	42.3	11.5	14.2	13.2	22.6	27.6	29.1	34	34	31
Onions	Pound	17.7	25.2	20.8	6.4	11.1	6.7	11.3	14.1	14.1	36	44	32
Peppers, green	Pound	50.3	54.9	56.0	18.9	19.2	18.1	31.4	35.7	37.9	38	35	32
Potatoes	10 pounds	92.4	136.6	166.4	24.3	44.4	59.4	68.1	92.2	107.0	26	32	36
Tomatoes	Pound	46.8	48.2	54.8	16.7	19.8	21.0	30.1	28.4	33.8	36	41	38

Continued--

Table 25.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, 1972, 1973, and 1974

Products <u>1/</u>	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		1972	1973	1974 <u>2/</u>	1972	1973	1974 <u>2/</u>	1972	1973	1974 <u>2/</u>	1972	1973	1974 <u>2/</u>
----- Cents -----													
Peaches, canned.....	No. 2½ can	37.4	40.8	52.2	7.2	7.2	10.7	30.2	33.6	41.5	19	18	20
Pears, canned.....	No. 2½ can	53.5	56.5	65.2	10.4	12.3	15.9	43.1	44.2	49.3	19	22	24
Beets, canned.....	No. 303 can	20.7	23.7	28.1	1.3	1.5	1.7	20.4	22.2	26.4	6	6	6
Corn, canned.....	No. 303 can	24.5	25.0	29.3	2.8	2.9	3.6	21.7	22.1	25.7	11	12	12
Peas, canned.....	No. 303 can	26.4	27.0	32.2	4.0	4.2	5.4	22.4	22.8	26.8	15	16	17
Tomatoes, canned.....	No. 303 can	22.8	24.7	29.8	2.7	2.8	3.5	20.1	21.9	26.3	12	11	12
----- Percent -----													
Lemonade, frozen.....	6-ounce can	14.4	14.7	17.3	3.8	3.9	5.2	10.6	10.8	12.1	26	27	30
Orange juice, frozen..	6-ounce can	25.0	25.0	25.8	10.3	8.6	8.9	14.7	16.4	16.9	41	34	34
Potatoes, french fried, frozen.....	9 ounces	16.6	17.2	22.3	2.3	3.9	7.1	14.3	13.3	15.2	14	23	32
Peas, frozen.....	10 ounces	22.5	23.7	29.0	3.7	4.0	5.1	18.8	19.7	23.9	16	17	18
Beans, dried.....	Pound	24.9	31.8	69.1	10.7	17.1	30.9	14.2	14.7	38.2	43	54	45
Margarine.....	Pound	33.1	37.4	57.4	8.5	14.0	27.7	24.6	23.4	29.7	26	37	48
Peanut butter.....	12-ounce jar	50.5	52.5	61.1	17.0	18.1	20.8	33.5	34.4	40.3	34	34	34
Salad and cooking oil.....	24-oz. bottle	64.3	70.5	106.8	13.7	21.9	44.4	50.6	48.6	62.4	21	31	42
Vegetable shortening..	3 pounds	97.4	110.1	179.0	30.2	48.8	97.5	67.2	61.3	81.5	31	44	54
Sugar.....	5 pounds	69.5	75.5	161.4	29.4	33.4	<u>3/</u> 97.3	40.1	42.1	64.1	42	44	60
Spaghetti, canned.....	15¼-oz. can	19.4	20.2	23.3	2.2	2.7	3.5	17.2	17.5	19.8	11	13	15

1/ Primary products in the farm-food market basket.

2/ Preliminary.

3/ Includes farm value for sugar estimated according to revised procedures.

4/ In addition to processing and distribution, farm-retail spreads for fluid milk include costs of hauling milk from the farm to the processor and over-order prices representing in part payments to producer cooperatives for performing marketing services and in part premiums paid to producers.

Table 24.--The market basket of farm foods by product group: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, annually 1970-74

Item	1970	1971	1972	1973	1974 ^{1/}
----- Dollars -----					
Retail cost					
Market basket	1228.43	1250.47	1310.82	1537.30	1749.56
Meat	381.22	377.39	422.54	523.35	532.71
Dairy	218.84	225.49	228.83	248.95	296.45
Poultry	49.76	50.13	50.60	72.12	68.43
Eggs	44.30	38.27	37.97	56.39	56.93
Bakery and cereal:					
All ingredients	185.61	192.67	192.07	213.52	276.95
Grain	--	--	--	--	--
Fresh fruits	51.52	55.68	58.82	66.86	73.30
Fresh vegetables	81.42	83.45	88.17	109.42	118.75
Proc. fruits and veg. ...	119.24	125.19	127.97	135.22	166.04
Fats and oils	40.84	44.68	45.21	50.02	75.72
Miscellaneous	55.68	57.52	58.64	61.45	84.28
Farm value					
Market basket	478.00	479.61	524.14	700.78	744.26
Meat	210.18	207.24	246.33	331.29	299.22
Dairy	104.22	106.36	108.86	124.25	145.04
Poultry	23.14	23.79	24.59	42.43	38.05
Eggs	27.74	21.89	21.69	39.27	38.67
Bakery and cereal:					
All ingredients	29.51	30.25	31.93	47.64	69.23
Grain	22.10	22.41	24.63	37.29	48.89
Fresh fruits	14.45	16.68	17.50	22.13	22.11
Fresh vegetables	25.83	27.29	28.12	38.20	40.22
Proc. fruits and veg. ...	22.31	23.04	24.09	25.90	35.14
Fats and oils	12.17	14.07	12.04	18.52	35.32
Miscellaneous	8.45	9.00	8.99	11.15	21.26
Farm-retail spread					
Market basket	750.43	770.86	786.68	836.52	1005.30
Meat	171.04	170.15	176.21	192.06	233.49
Dairy	114.62	119.13	119.97	124.70	151.41
Poultry	26.62	26.34	26.01	29.69	30.38
Eggs	16.56	16.38	16.28	17.12	18.26
Bakery and cereal:					
All ingredients	156.10	162.42	160.14	165.88	207.72
Grain	--	--	--	--	--
Fresh fruits	37.07	39.00	41.32	45.73	51.19
Fresh vegetables	55.59	56.16	60.05	71.22	78.53
Proc. fruits and veg. ...	96.93	102.15	103.88	109.32	130.90
Fats and oils	28.67	30.61	33.17	31.50	40.40
Miscellaneous	47.23	48.52	49.65	50.30	63.02
Farmer's share					
----- Percent -----					
Market basket	38.9	38.4	40.0	45.6	42.5
Meat	55.1	54.9	58.3	63.3	56.2
Dairy	47.6	47.2	47.6	49.9	48.9
Poultry	46.5	47.5	48.6	58.8	55.6
Eggs	62.6	57.2	57.1	69.6	67.9
Bakery and cereal:					
All ingredients	15.9	15.7	16.6	22.3	25.0
Grain	11.9	11.6	12.8	17.5	17.7
Fresh fruits	28.0	30.0	29.8	33.1	30.2
Fresh vegetables	31.7	32.7	31.9	34.9	33.9
Proc. fruits and veg. ...	18.7	18.4	18.8	19.2	21.2
Fats and oils	29.8	31.5	26.6	37.0	46.6
Miscellaneous	15.2	15.6	15.3	18.1	25.2

^{1/} Preliminary.

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