

Farmer's Share of Food Dollar

currently higher than long-range average of 43 cents

Varden Fuller

Over the past 35 years, farmers have received—as an average—43¢ of each dollar spent by consumers for food. The 57¢ difference usually is referred to as the marketing margin and covers the cost of processing, packaging, warehousing, transportation, wholesaling and retailing.

The farmer's proportion is highest in eggs, butter, chickens and meats, where it runs around 60¢ to 80¢, and is lowest in canned vegetables and fruits. In the instance of apples, oranges, snap beans, navy beans, sugar beets and rice, the farmer's proportion is approximately equal to the over-all average of 43¢.

Since the farmer gets only an average of 43¢ of the consumer's food dollar, the question arises as to who gets the 57¢ and what is done to earn it.

The largest portion of the 57¢ goes to the retailer. In 1935 the retailer received 24½¢ of the consumer's dollar and although the proportion going to the retailer undoubtedly declined in the last several years it is unquestionably true that the retailer still gets the largest proportion of the marketing margin.

Next is the processor who gets around 18¢ to 20¢. The wholesaler gets about 9¢ and the transportation agencies get the remaining 5¢.

When retail prices are high, the farmer gets a larger proportion; when retail prices are low, he gets a smaller proportion. This is because the prices and costs that make up the marketing margin tend to be relatively constant in dollar terms. Therefore, after the deduction of the marketing margin, the farmer's proportion is subject to wide variation.

The 43¢ going to the farmer must cover production expenses as well as provide a living for him and his family. Production expenses actually absorb more than half of the 43¢. During the past 35 years expenses have taken 25¢, leaving the farmer with 18¢ as net income out of each food dollar spent by the consumer.

Production expenses on the farm, like the marketing margin, are relatively constant. Thus, the deduction of expenses from the farmer's proportion—which is already variable due to the relatively constant marketing margin—leaves a net income that is subject to extreme variation.

The characteristics which surround changes in the farmer's proportion of the consumer's dollar and the accelerated effect upon variability of net income produced by comparatively rigid expenses

can be observed in several comparisons within the past 35 years.

In the years 1917 to 1919 retail food prices were comparatively high and the farmer received 49¢ of the consumer food dollar. His expenses were 24¢, leaving him 25¢ of each food dollar.

In 1931-34, retail prices were low. During that period the farmer received 34¢ and because his expenses still remained at 24¢ for each consumer food dollar, the farmer's net had declined to 10¢.

Since 1943 the farmer has been getting 53¢ or 54¢ of each consumer dollar and after farm expenses are deducted the net amount remaining has been 26¢ and 27¢.

Distribution Costs

Both farmers and consumers have protested high distribution costs from time to time and have formed coöperatives in an attempt to reduce distribution costs. Whether or not distribution costs still are too high must be considered with full awareness of services rendered between the farm and the consumer.

There have been investigations into the costs of distribution but they amount only to a fraction of the investigative effort that has been put into efficiency in production. Such tentative answers as have been found indicate that distribution is not fully efficient and that economies are possible. For example, there are barriers to free flow of commodities over state lines; terminal markets in the large cities often are inadequate with respect to space and convenience; there is excess capacity and inefficiency in retailing.

It is important to note in this connection that distribution services have expanded greatly in the past several decades.

Milk, for example, is pasteurized, standardized, homogenized and bottled. Eggs are candled, cleaned, graded and cartoned. A much larger proportion of fresh and perishable products is being produced and marketed.

Canning, freezing, warehousing and transportation all have increased. The consumer is buying on a day-by-day basis in small quantities rather than in bulk once or twice a year. Many of the tasks of food preparation have been transferred from the household to the food processor and distributor.

Unfortunately, not all the services provided are really essential. Competition in

food distribution is found more in the form of sales appeal and in providing more elaborate service than in offering lower prices. Distribution could be made much cheaper by simplifying and streamlining the distribution processes.

Consumers are partly responsible for high distribution costs. Many city families buy their food day by day or even meal by meal. They like to patronize the small neighborhood store even though it means paying more than in a central market. Some consumers like delivery service and charge accounts. The extra costs of these services and conveniences may seem trivial to the individual but in the whole system they add to a big total.

Further efficiencies in distribution undoubtedly can be expected for the future and within the present institutional structure. But these increased efficiencies probably will not be realized in terms of decreased marketing charges.

As in the past they probably will take the form of increased distributive services, rendered at a comparatively constant dollar cost.

As retail food prices drop to more normal levels, the comparatively favorable proportion of 53¢ and 54¢ enjoyed by the farmer during the past several years also will tend to drop back toward the long-time average of 43¢.

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