

Consumer Specialist Explains

Why 31 Cent Steers Cost \$1.39

Farmers, even with unusually good prices lately, have been getting 30 to 35 cents a pound for steers.

Why, then, do they have to pay \$1.39, or even more, to buy back the same animal at the local grocery store?

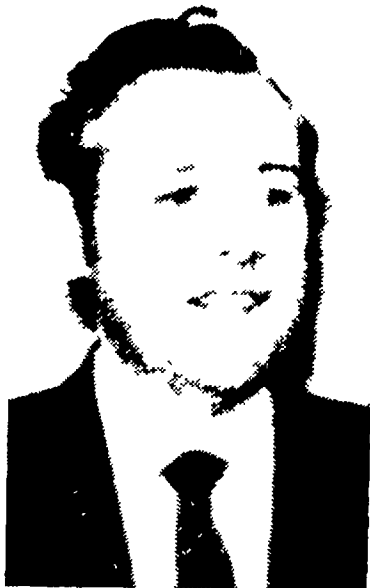
There are three major reasons, according to an explanation this week by Harold Neigh, Penn State extension consumer marketing specialist.

Speaking on "What Makes Beef Prices?" at the Farm and Home Center, Neigh said carcass waste, the retailer's markup and the high proportion of low-priced cuts account for most of the price increase.

First, while the meat packer buys a 1,000 pound steer, only 438 pounds of it will end up on the local grocer's counter. This means the price will have to be more than doubled, just to account for the loss.

One-Third Markup

Second, the retailer normally operates on a 25 per cent gross margin, which actually figures out to a one-third markup. This



Harold Neigh

markup covers cutting, packaging, selling and overhead costs.

Neigh gave an example of a 1,000 pound steer selling at 31.5 cents a pound the approximate current market price. Assuming the slaughter house makes its

costs and a little profit from the approximately 400 pounds of waste materials, the retailer gets the carcass for, say, \$312.

The retailer adds one-third, or \$104, bringing the total to \$416 or about 95 cents a pound for the 438 pounds he puts on display, after eliminating 162 pounds of waste, including bone, fat and shrinkage.

Low Value Cuts

Third, more than half of the meat, however, is chuck roast and ground beef, the lowest valued cuts. Using USDA statistics, Neigh showed that an average of 150 pounds will be ground beef and 90 pounds will be chuck roast. His figures for the Philadelphia area show chuck sells for 69.9 cents and ground beef 63 cents — both well under the 95 cent average cost figures.

This means that the remainder of the beef, less than 200 pounds, must be sold at prices well over 95 cents in order to make up for the less than 70 cent portions.

That, according to Neigh explains why loin steak round steak and rump roast sell for an

average \$1.35 to \$1.40 a pound in the Philadelphia area, while other better cuts such as set loin steak and rib roast also are over \$1.00 a pound.

"I would say at the present time that retailers probably are charging a little too much for beef," Neigh conceded. But he indicated, however, that he doesn't feel beef prices can be expected to drop substantially under present market conditions.

Efficient Operation

Actually, according to Neigh, beef prices would be even higher if not for increasingly efficient operation by both feed lot farmers and packing houses.

One area in which Neigh sees

future improvement that can help keep beef competitively priced involves the processing procedure.

As Neigh described the present set-up, the bulk carcass goes from the packing house to the retail store, where it is butchered to meet the consumer's needs.

In the future, Neigh believes the butchering operation will move from the retailer to the packer. This will be made possible by "frozen beef," something Neigh doesn't think the consumer is now ready to accept.

To make frozen beef acceptable

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Heim Outlines PFA Legislative Goals

Pollution pesticides, farm taxes and vehicle licenses are among the areas of state legislation in which the Pennsylvania Farmers Association has been active in recent months, according to Chester Heim, director of the PFA's legislative efforts in the state.

While the PFA hasn't been able to get everything it wants in these areas, Heim said, it has been very effective in presenting and protecting the interests of its 12,000 farmer members in the state. He spoke recently to PFA members at the Farm and Home Center.

As an example, he said, the PFA recently "got an amendment" to the Clean Streams Law.

Before the amendment, the Sanitary Water Board was given the power to restrain any pollution or danger of pollution. Under this provision, the state "could send someone in to correct it (pollution) and bill the owner."

The PFA amendment requires that the state give the farmer a warning before acting itself, Heim explained.

He emphasized, "We're not supporting pollution, but he said farmers should have an opportunity to abate pollution before the state acts."

Pesticides 'Emotional'

Pesticides is an "emotional" issue which Heim thinks "you'll be hearing a lot more about." The PFA's efforts are primarily geared to insuring that pesticide legislation is fair and reasonable.

Readily conceding that regulation and restriction of pesticides is needed, he said, "We generally favor bills requiring licensing of the dangerous drugs."

But the PFA "believes we never could have fed the nation for 16 cents out of the dollar without pesticides. We don't think the people who would ban pesticides know what they would be doing."

"If we're to feed the ever increasing population, we need pesticides. We could starve them (the people) to death long before pesticides could ever hurt them."

The PFA is trying to make

sure that the pesticide issue is kept unemotional as possible. "We are settled on emotion, a lot of mistakes are made."

The state legislature already has three hearings on pesticides. Additional hearings are scheduled in perspective "When issues are April 2, 3 and 10."

Dessert Victory

Last June, the PFA "won a legislative victory" on the Frozen Duct, Heim explained.

The budget was the big issue, beginning in June. "We were quite involved in this," Heim said. "We feel if not for the efforts of our friends we'd have

had another \$100 million or more of new taxes."

The legislative engineer continued "We were particularly concerned about where they would get these (new tax) dollars. We were concerned they would take the sales tax deductions away from the items we (farmers) use in production."

Removal of these exemptions, he said, "would have cost an average of \$850 per farm."

Heim figures the new tax package which was passed will "cost the farmer about \$200." But the PFA didn't oppose that package "strictly from an economic stand-

point." It was felt \$200 was a considerable improvement over the possible \$850.

'Worth Your Dues'

Heim, who was introduced by Clyde Wivell, told PFA members the \$650 difference is "worth many times your dues."

In keeping the tax increase for farmers low as possible, Heim said, "We felt our first battle should be to cut the budget in many areas." He also said friends of the PFA in the legislature held up action on the budget in the best interests of farmers.

The farm lobbyist noted "We're just six weeks away from

Dessert Law, which requires non-dairy products to meet the same stiff sanitation standards as dairy products."

The law requires the proper labeling of all products. "We want customers to know if they have a dairy or non-dairy product. The hassle on next year's budget."

On the vehicle license issue, the PFA "helped get some initial reductions for farmers, but we failed to get other amendments, which shows we don't win them all."

He said, however, that trucks in class one through eight will have their licenses due in October instead of May, except for this year.

Also, a six months license will be available, making it possible for some farmers who use their vehicles only part of the year to pay for the license only for the part of the year it's needed.

Save The Land

Preservation of farm land is "important for our entire economy. We need to preserve this good land or a lot of people are going to be out of jobs. But there's no plan yet on how to do it."

"When we consider that 40 per cent of the work force is tied in with agri-business, we had better take a close look at preserving it. Fortunately, a lot of non-farm people are interested."

He continued, "One thing driving farms out of operation is reassessments. I think we have to take a total new look at where you raise your tax money."

"We do support the income tax as the fastest way to raise money that's needed. We like good schools and good highways. This costs money."

He said the state "can't afford to tax business out of existence" and the property tax taxes "the person who is trying to do something."

Speaking on federal farm policy established by the agriculture act of 1965 Heim said, "We are for a change of direction. Farmers think the market place is the place where prices should be set."

He said he hopes a new program "will lead to a lot more farm prosperity."



Chester Heim (left), Pennsylvania Farm Association legislative leader, chats with Clyde Wivell, PFA president, follow-

ing Heim's recent talk at the Farm and Home Center.