

Because of Accelerating Farm Costs From Many Directions:

Food Prices Must Rise, York Says

John C. York, general manager of Eastern Milk Producers Cooperative Association, Inc., recently released the following "open letter to the concerned public":

The 1970's will be a decade of rising farm production costs, and, consequently, substantially higher food prices, if the farmer is to continue and the world is to be fed. I bring this to your



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attention and suggest you examine the following factors which will force food prices upward:

1. Agriculture's role in improving environmental quality will require restrictions in the processing of food that will require phenomenal investments.

Plans that are being discussed could force a departure of one-half of our existing farm population in the next 10 years, to say nothing of the effect of urbanization and road development systems.

2. Fringe benefits required by farm workers will represent a substantial impact on farm labor costs.

It is becoming more and more stylish for farm workers to demand fringe benefits in addition to cash payments. Such fringe benefits include free housing, meals, garden plots, meat, electricity, milk and other items of benefit. Minimum wage laws, unionization and broadened Social Security programs will add to farm labor cost.

3. Demands set forth by industrial labor unions will be transmitted in higher cost of items used in the production of farm products.

The current United Auto Workers strike against General Motors, if settled through higher wages, will be reflected in higher costs.

Ironically, the public, including farmers, are subsidizing the present strike through the Food Stamp plan. It is reported that striking U.A.W. members are receiving Food Stamps which allow the striker to buy substantially more food than the purchase price of the stamps.

Thus, the cheap food that these consumers are buying through the Food Stamp plan will be used as a subsidy to prolong a strike for higher wages.

which in turn will affect farm costs.

4. Distribution costs such as labor, new product development, convenience packages, advertising and transportation are being passed back to farmers as a production cost item, thus lowering the net return to farmers.

5. Deliberate neglect of rural America will soon come to the surface requiring much delayed improvement in lighting, plumbing, education, and housing in our rural areas, all of which will move farm costs up, up and up.

What effect will this have on all of us? Let us examine our present situation.

1. Last year consumers spent 16½ per cent of their after tax income for food. This was the lowest in history, and quite understandably the lowest in the world. For example, Canada spent approximately 20 per cent; Japan 37 per cent; Spain 43 per cent; Soviet Union 50 per cent.

2. One hour of work today will buy, for example, 20 per cent more milk than it did in the late 50's.

3. Last year farm income per farm averaged a record high, but still was only \$5,401.

4. The cumulative effect of rising farm costs will result in either the discontinuance of our farmers and our capacity to produce food, or an increase in food prices commensurate with rising costs of production.

The federal government just recently rejected the application of an escalator price formula for establishing farm milk prices. This formula would cause farm prices to change with changing economic conditions, including cost of production items.

Efficiencies in the production of food cannot be depended upon

as the solution to the problem. Agriculture has made giant steps in this direction. In 1930, one U.S. farmer provided food for 10 people; in 1960, 26 people; and in 1969, 45 people. The 1970's however will see severe limitations on further advances in farm production efficiency.

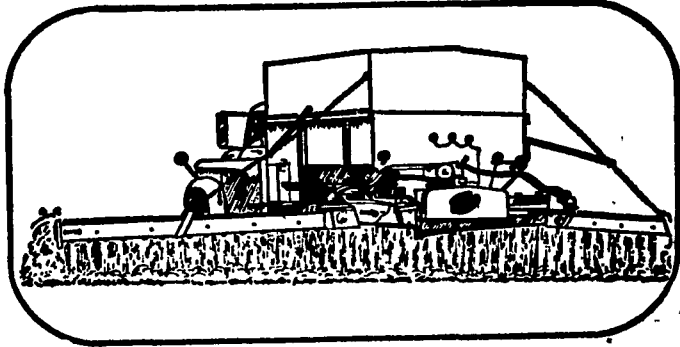
It is fair to conclude therefore that this decade will call for consumers to spend 20 cents out of every after tax dollar for food, compared to 16½ cents last year. If this had been the actual situation last year, consumers would have paid \$126.3 billion for food compared to the

\$105.3 billion that they actually did spend.

The answer to the problem is not one of destroying agriculture. Agriculture is a \$55 billion customer in the American economy. It is not only the largest industry in the state of New York, Pennsylvania and Vermont, but the largest in the entire northeast.

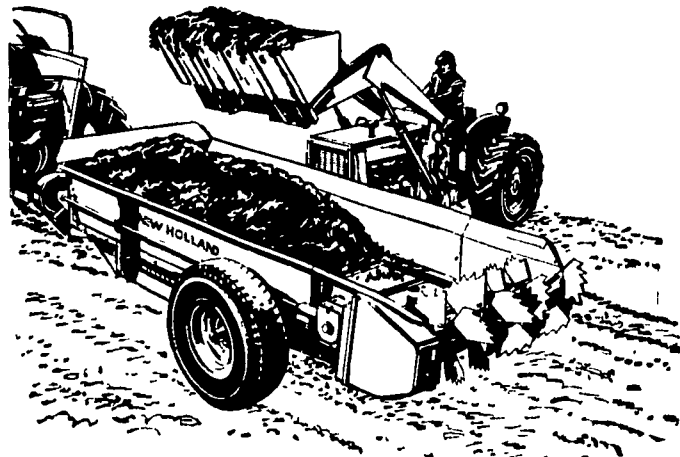
The question is what do you as a concerned legislator, a concerned administrator, or a concerned citizen plan to do about the preservation of this industry? Will you put this problem on the top priority list of the problems before us today?

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