

# The Price of Bread

[Continued from Page 49]

counted for:

**Farmer.** He got on the average about 5½-cents from a 27½-cent pound loaf last year. For the previous 6 years, he received from 3.3 cents to 3.8 cents. Still, farmers got a smaller share of the price of a loaf of bread than in the 1947-49 period—20 percent compared with 25 percent.

**Miller.** The miller's share has bounced around over the past quarter of a century from 0.5 cent as recently as 1970 to its high of 1 cent as recently as last year.

Over the years, the miller has not played as big a role in price increases as the baker or the retailer. In fact, his 3½-percent share of the price of a pound loaf of bread last year was 1 percentage point less than it was in 1947-49.

**"Other."** ERS lumps the cost of several minor nonfarm ingredients and charges for relatively minor functions under "other spreads." These charges have fluctuated over the years, but reached a high last year of 1.7 cents. They represent the difference between the cost to the baker for all ingredients and what the miller and farmer get.

**Baker.** The baking industry last year got a little better than half the price of a loaf of bread—14 cents. Back in 1947-49, bakers were receiving a little less than half the total.

About half of the baker margin

goes for wages and salaries, including fringe benefits.

Over the years, output per man-hour in bakeries has not kept up with wage increases, resulting in higher labor costs per loaf. Hourly earnings for production workers in bakeries in 1972 were about \$3.70, or about triple the \$1.15 average in 1947-49.

In general, the costs of baking and selling bread are trending up. With costs increasing, the baking industry has increased mechanization to raise output per hour of production labor used. For example, bulk methods of handling flour have largely replaced bag handling methods. Bread can now be delivered in bulk by train or truck and moved by air pressure through tubes into storage bins where, in many instances, it is moved into an automated bread production line.

Profits after taxes per dollar of sales have trended down slightly over the years, according to a large sample of bakery firms. In 1955, they were nearly 3 percent and have gradually declined to 1.3 percent in 1973.

However, profits after taxes as a percent of stockholders' equity have trended up in the industry much of the time since 1961. For example, returns to equity were at the rate of 8.4 percent in 1961 and rose to 12 percent in 1967. But the rate of re-

turn dropped sharply in the first half of 1973 to an unusually low 6.5 percent.

**Retailer.** Over the past 25 years, the retailer has taken a slightly larger share of the price of bread. Last year, he received 5.4 cents, more than double the 2.2 cents he averaged in 1947-49. His share of the total rose to 20 percent.

Indications are that the retailer's share is smaller for bread sold under a store's own label than for wholesale bakery brands. This would be attributable to lower prices, the larger volume sold by supermarkets, and the streamlined distribution system of bakeries serving them.

## Not Out of Line

Sharp though it seems, the jump in bread prices in recent years has been no greater than the increase in consumer prices of all foods.

During the 32 months of price controls—from August 15, 1971, to April 30, 1974—the average price of a 1-pound loaf of white pan bread rose 37 percent, whereas consumer prices of all foods as measured by the market basket index went up 38 percent.

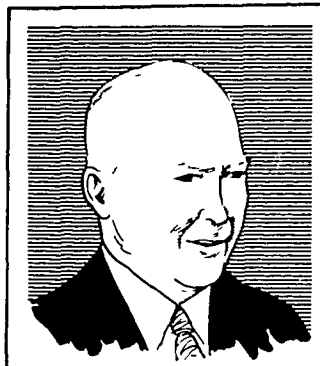
The farm value for ingredients in this loaf of bread increased 123 percent. The miller's spread, difference between what he paid for the wheat and the price he got for the flour, advanced 129 percent; the baker-wholesaler spread by 18 percent; and retailer spread by about 13 percent.

Much of the bulge in the value of farm ingredients (mainly wheat) was due to higher farm prices and to the pricing flexibility of millers operating under the "volatile price" ruling. In effect, this special ruling permitted millers to charge whatever the market would bear, putting them in a position to pay wheat farmers competitive prices and to pass on the increase and then some.

Probably the hardest hit by price controls were the bakers, who were caught between the highly competitive pricing conditions in their own industry and the unique pricing provisions accorded the flour millers.

[Based on material by Charles O'Dell, Commodity Economics Division, *Wheat Situation*, WS-228, May 1974.]

## American Viewpoints



*America is the greatest force that God has ever allowed to exist on his footstool*  
—Dwight D. Eisenhower

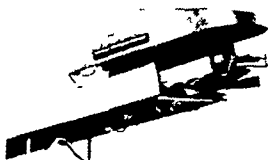
SEE  
**Kesco**  
PAGE 41

MEMO  
**HAY, STRAW  
and EAR CORN  
SALE**

EVERY MONDAY  
AT 11 A.M.  
New Holland Sales  
Stables, Inc.  
Phone 717-354-4341

Lloyd H. Kreider, Auct.

the  
**PATZ**  
BARN CLEANER



**RUGGED,  
DEPENDABLE!**  
under all  
operating  
conditions

See your PATZ Dealer today  
CALL 717 272 0871

**MARVIN J.  
HORST**

Dairy Equipment and  
Amana Appliances  
R.D. No. 1 (Iona)  
Lebanon, Pa.

Located on Route 897 between  
Schaefferstown and Lebanon,  
over 30 years in business at  
same place

# Are You Ready?

## TIME TO TRADE-UP!

NEW HOLLAND  
*New concept in  
silage handling!*

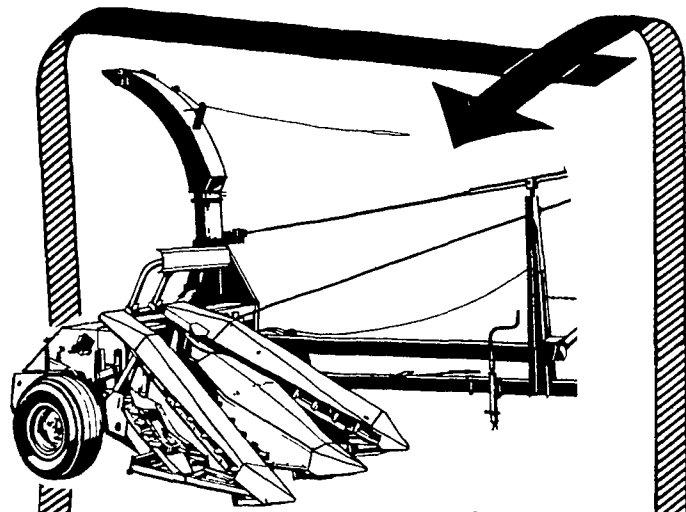


### WHIRL-A-FEED® BLOWERS

The exclusive whirling table on Models 25 and 27 give the material a "running start" into the blower fan. This means less drag on the fan, more efficient use of horsepower and high capacity. We have these blowers in stock now . . . in a size to fit your needs. Drop in soon to see Models 25 and 27.

## NEW HOLLAND FORAGE HARVESTER

MODELS 770 & SUPER 717  
AVAILABLE NOW



New Holland's exclusive 12-knife cutterhead, coupled with a revolutionary P.T.O. power sharpener to keep these knives razor sharp, means clean cutting, fine cutting, uniform cutting with less power required. When it comes to capacity, horsepower efficiency and chopping ability, New Holland "770" forage harvesters stand out above the rest. They give you uniform silage with or without a recutter screen.

*The country's only  
12-knife cutterhead!*

Your **SPERRY-NEW HOLLAND**

Dealer

# C. E. WILEY & SON INC.

Quarryville, Pa. Phone: 786-2895