

Report explains differences between consumer/producer costs

WASHINGTON, D.C. — The farmer's share of what the consumer pays for a pound of choice beef is about half the cost of the cut. For a can of frozen orange juice, a third. For a loaf of white bread, only 12 per cent.

Differences between what the consumer pays and the farmer receives—the farm-to-retail price spread—thus vary widely by food item. These differences reflect what happens to various food products between the farm and the grocery checkout counter.

A new report, released this month by USDA's Economic Research Service, examines cost components—processing, packaging, transportation, and in-store handling costs—that made up the farm-to-retail price spread for 16 major food items in 1975. Although retail prices and production and marketing costs have changed since then, the relationships between cost components haven't changed drastically.

The farm-retail spread is relatively low for beef

because the processing function—mainly slaughtering—is relatively simple and inexpensive. Also, transportation costs are low relative to the value of the product.

But for bread, processing involves mixing, baking, slicing, and wrapping, and costs for these functions are substantially higher than the value of the wheat, oil, eggs, and other farm ingredients in the bread. Transportation costs are relatively high because they include the salary of the truck driver whose work also involves stocking the store's bread shelves.

Processing and packaging costs are also fairly complex for frozen orange juice. But the cost of the supermarket's refrigerated display case also contributes significantly to the difference between what the

consumer pays and what the Florida producer receives. The ERS report also examines how in-store handling costs break down as a share of food prices. In 1975, labor costs averaged about half of the retailing

margin for the food items studied, while rent made up only seven per cent. Single copies of "Cost Components of Farm-Retail Price Spreads," Agricultural Economic Report No. 391, are available

free on mail request (please include zip code) from Publications Service, U.S. Department of Agriculture, Room 0054-South Building, Washington, D.C. 20250, or by telephone request (202-447-7255).

Course on grain crops available now

UNIVERSITY PARK - Penn State University is offering a correspondence course on grain crops and an accompanying 1978 agronomy guide to Pennsylvania farmers.

Dr. Robert P. Pfeifer, associate professor of plant breeding, includes information in the course on uses and importance of the most common cereals or grains, including corn, wheat, oats, barley, soybeans, and rye. Methods of seeding, harvesting, storage, and marketing are

given. Pennsylvania's 1977 commercial hybrid corn tests report is included as well as a listing of pesticides, herbicides, insecticides, and fumigants for various crops.

Particular attention is given in the course to improved varieties, seed selection, and care, methods of seedbed preparation and fertilization. The author also discusses adaptation of seeds to soil conditions and the effect of climate on yields.

The course is available for \$4.50, from Penn State. To order, write "Grain crops," Box 5000, University Park, 16802. Make checks payable to Penn State.

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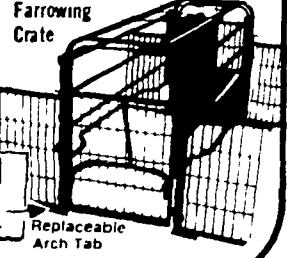
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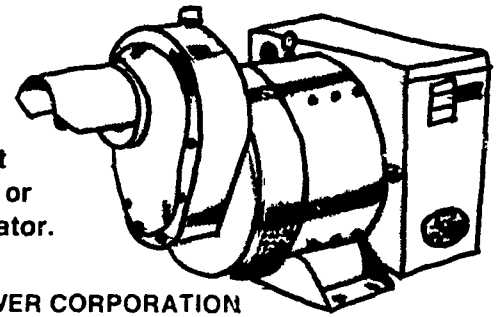
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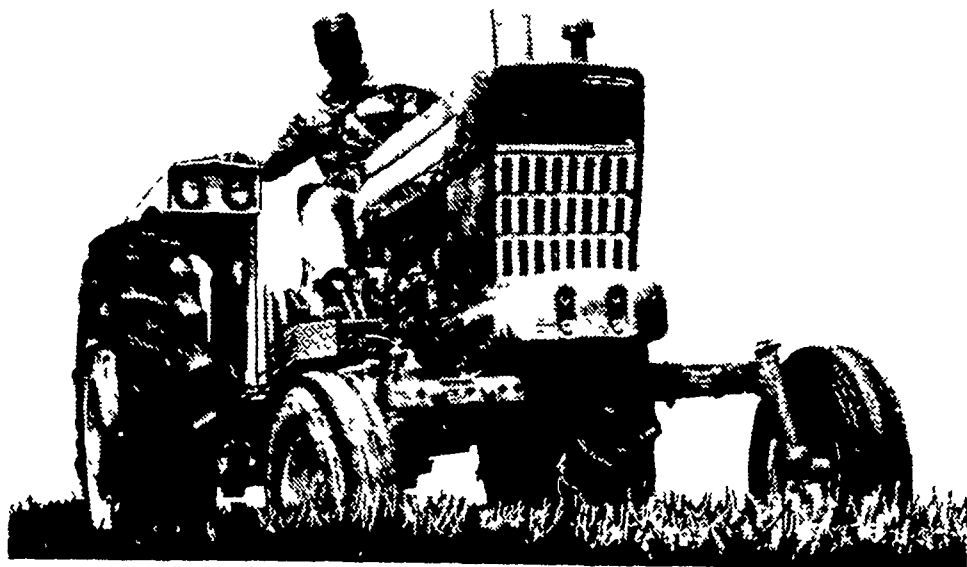
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