

Higher food prices not farmers' fault

WOLF POINT, Mont. — "Livestock producers and other farmers should not be criticized for the higher prices that they're now receiving," Howard Hjort, director of economics, policy analysis, and budget for the U.S. Department of Agriculture told the Wolf Point Chamber of Commerce and Agriculture's Annual Livestock Show and Sale recently.

"People quickly forget that for the past three years, meat at the grocery store has been a bargain at the expense of the U.S. livestock producer. Many people do not know what's happened to the livestock industry since the 1975 record inventory of 132 million head. In 1976, the inventory dropped to 127.9 million; in 1977, it decreased again to 122.8 million. As of Jan 1, the cattle inventory was only 116 million head. Next January, the inventory will be even lower," Hjort said, adding:

"At the same time, prices received by farmers for their beef averaged \$32.30 per hundredweight in 1975, \$33.70 per hundredweight in 1976, and \$34.50 per hundredweight in 1977.

"This record decline in inventory kept meat prices low, even though livestock producers have paid sharply higher prices for feed, fuel, machinery, and other inputs. And, if you add the severe droughts in the West and Southeast, producers had a doubly hard time. Comparing only cash out-of-pocket production costs of about \$40 per hundredweight for feeder cattle, the cow/calf operator and the commercial feeder in the Great Plains both have lost from \$5 to \$10 per hundredweight since 1975. It was not until early this year that

prices rose above \$40 a hundred.

"As a result of this severe imbalance between production costs and prices received by producers, we've had the sharpest decline in cattle inventory in history."

Hjort explained that there will likely be lower beef supplies for the next few years. "It appears that 1978 production will be about three per cent less than 1977's 25 billion pounds, with more fed beef supplies and lower nonfed beef slaughter. Prices in coming months and

4-H lamb club meets

RED LION — The May meeting of the York County Lamb Club was held at the Home of Donald Flory near Red Lion.

Fair exhibits were discussed along with ideas for the York County Roundup which is scheduled for August 18 and 19. The lamb club will be represented by an exhibit at this event, held at the York Fairgrounds.

The tour for the club is scheduled for June 3. The bus will leave Red Lion at 6:45 a.m., Queensgate at 7 a.m., going to Penn State Main Campus. Judging, evaluating, and demonstrations on wool spinning and sheep dogs are all part of the day's planned activities.

Next meeting will be June 1, at 6:30 p.m. at the home of Ebersole's. Blocking and grooming will be demonstrated.

years are going to increase further, as a result of lower supplies, and the reasons this will happen must be understood by the consuming public and the government.

"The prices that farmers are now getting are essential to cover rising feed costs, the losses incurred in the last three years, and herd replacement. Prices will likely have to continue to rise to reverse the liquidation cycle.

"Food costs are likely to average six to eight per cent higher in 1977. Ten per cent of this increase will be the result of imported foods — sugar and coffee — and fish," Mr. Hjort stated.

"About half of the increase will be the result of increases in the farm value of food, while about 40 per cent of the overall increase will be because of increased marketing costs — wages and executive salaries,

packaging, and transportation.

"For the second consecutive year, the wages and executive salaries component — the labor bill — of these marketing costs after the food leaves the farm will exceed the total farm value of that food. For 1978, we're forecasting that the increase in the farm value of food will be about \$4 billion, the first significant gain in farm prices since 1974. Nonfarm marketing costs will double this amount and add about \$9 billion to retail food costs this year.

"Even though American consumers will probably pay over \$190 billion for food in 1978, the farmers' share of the food dollar will be only 32 cents. The marketing costs for food after it leaves the farm gate will exceed \$130 billion — that's 68 cents of each food dollar.

"I think everyone should recognize that increased

prices to livestock producers make only a small contribution to rising retail food costs. The food industry is highly complex, and within that industry, livestock

producers have been the real losers for the past three years, not the big winners. They should not become the scapegoat today," Hjort concluded.

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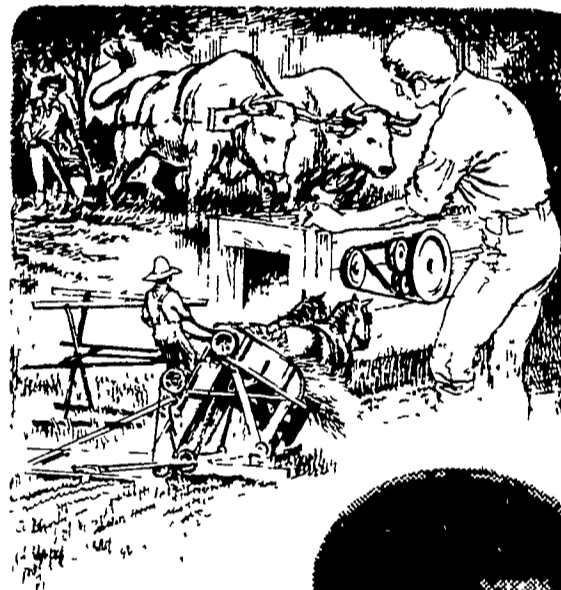
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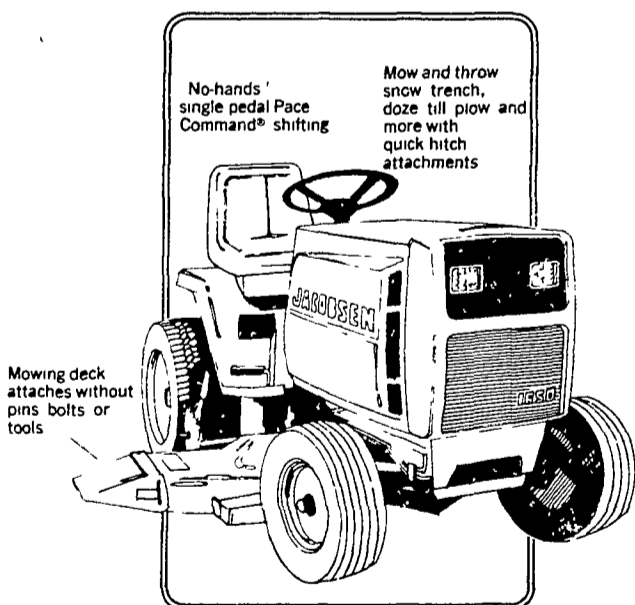
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