

Farm Talk

Jerry Webb

There's a lot more to producing and marketing a loaf of bread than the wheat that's involved. But it seems like that ought to be a fairly substantial portion since there's not much else in a loaf of bread except wheat.

A recent background report from the U.S. Department of Agriculture tells a rather interesting story. It points out that in June of 1979, when the average U.S. farm price of wheat was \$3.72, the net farm value of the wheat ingredients in a one pound loaf of bread was four-and-a-half cents. At that same time, the average retail price of that loaf of bread was 41.2 cents.

So the spread, or difference, between the retail price of that loaf of bread and the net farm value of the

wheat ingredients in it was 36.7 cents. In round percentage figures, that means the farmer who grew the wheat got about seven percent of the store value. The other farm-produced ingredients amounted to another five percent, and all of the other costs including transportation, milling, marketing, advertising, packaging, and profit took up the rest.

What this all says to the consumer is that even a substantial change in the price of a bushel of wheat means very little in terms of the cost of bread ingredients. The background report points out that a change of a dollar a bushel in the price of wheat affects the net farm value of the wheat ingredients in a one pound loaf of white bread by about

1.2 cents. So if the average price of a bushel of wheat goes up a dollar from \$3.72 to \$4.72, then the average price of a loaf of bread ought to go up 1.2 cents—from 41.2 to 42.4 Right? Wrong. It just doesn't work out that way.

As any consumer can tell you, when America started selling wheat to Russia the price of bread went sky-high. There was even talk of dollar-a-loaf bread. And that was several years ago. Now, with more sales of wheat to Russia and the possibility of converting wheat into alcohol for fuel, consumers are starting to wonder again what's going to happen to bread prices.

Well you can be sure they're going to go up, even if we don't sell wheat to Russia and even if we don't make it into gasohol. How much depends on just about everything else except the price of wheat in Wichita. The fact is, according to the Department of Agriculture, a 25 percent increase in wheat prices would add less to the cost of a loaf of bread than a four percent increase in the processing and distribution costs in a loaf of bread. And we all know those costs continue to go up regardless of the price of wheat. The spread, between what the farmer gets for wheat and what the retailer gets for bread, just keeps

getting wider. In 1972, it was slightly over 22 cents. By 1975, it was 32 cents. In 1979, it was 37½ cents. Who knows what it will be in a few more years?

President Carter recently focused attention on this farm-to-retail price spread, pointing out that when farm prices go up, store prices go up. But when farm prices go back down, store prices just keep going up. He thinks something is wrong somewhere between the farm gate and the consumer's shopping cart. And while it's difficult to point a finger at any one contributor, it's obvious that the culprit is not the farmer. When bread baking and distribution costs account for about three-fourths of the retail price, it's not hard to figure where the trouble might be.

Bread has always been the classic economic model when it comes to figuring food costs. It is the "staff of life" and its played an important role in world history. Granted, we're eating less bread than we used to, and that's probably because we don't need the calories, but it still serves as a pretty good economic indicator. If three-fourths of the retail price of food is accounted for in processing and distribution costs, then it's obvious that the hue and cry about farm

prices is an exercise in futility.

No doubt some farm products, particularly meat, reflect a much higher farm value, and so retail prices are more sensitive to farm costs. But there aren't many farm items where the farm value is as much as 60 percent of the retail price. And for most that require any processing, it's 25 percent or less.

When the frills cost more than the food, it's not fair to complain to farmers. And that's exactly where we are with so many food items. I don't know what the farm value of the food in a potpie or a TV dinner or frozen ready-cut French fries is, but you can bet it's pretty darn small. If it's only seven percent for a loaf of bread that's mostly wheat, it can't be much more than that for a potpie.

And you can bet the packaging costs almost as much as the food. It's an established fact that a cereal box costs more than the farm value of the cereal that's in it. I'll bet there aren't 10 cents worth of potatoes in one of those cans

of reconstituted look-alike potato chips. And the list goes on and on.

As long as American consumers are willing to pay for frills, food processing and distribution, firms will package and market them. Maybe it's time for consumers to start looking for ways to cut their food dollar by dealing direct with producers, by opting for no-frill packaging, by buying in bulk, by buying whole potatoes, peeling them and cutting them up the way we used to, by buying whole chickens, and by whatever other means they can devise to eliminate the middlemen and reduce the spread between the farm value and the retail cost.

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Cheese packs a real nutritional wallop. In its concentrated form, cheese contains almost all the protein, essential minerals, vitamins and other nutrients found in milk. And, ounce for ounce, it has the same protein value as meat, fish or poultry.

Lebanon

(Continued from Page 138)

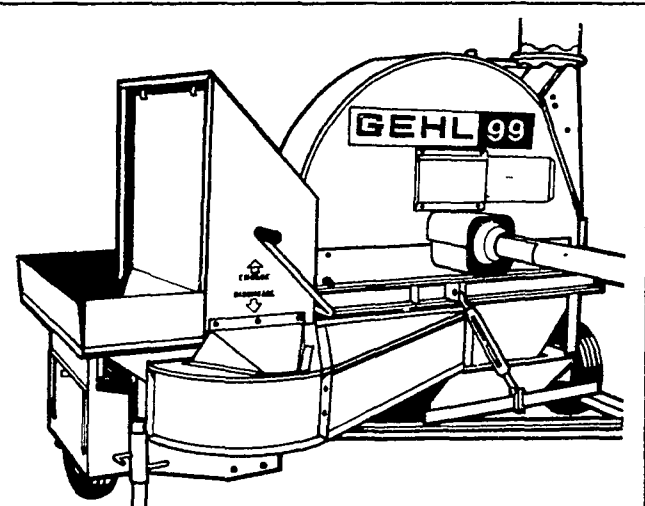
ner, Alan Hostetter, Barb Sattazahn, Gary Mase, Mike Kunkle, Wesley Harding, Daryl Balmer, Tom Smith, Jim Darke, Matthew Hetrick, Nelson Bomgardner, and Ann Weaver.

District Horse Show winners - Mel Keller, Jenny Wunderlich, Dana Moyer, Jodi Rexrode, Melanie Lipensky, and Marta Lipensky.

Also included in the program was a demonstration by Julie Bow, member of the Belle Grove Clovers and Livestock Club. Her demonstration was entitled "Lamb - The Ideal Meat for Modern Homemakers."

"The Wonderful World of Connecticut," a slide presentation about the Senior Exchange Trip, was narrated by Greg Allwein.

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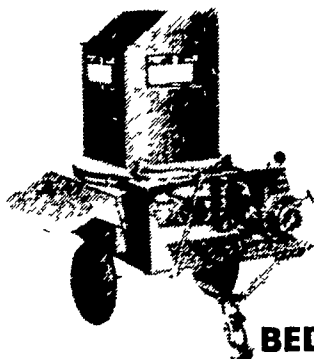
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