



Farm Management

THAT MUCH-MALIGNED MIDDLEMAN

John D. Rutherford Jr.
Farm Management Agent
Lebanon, Berks, and
Dauphin Counties

There was a time when farmland was wide open space, inhabited only by farm families and the occasional small town. More of the production from area farms fed the nearby population. People bought basic ingredients such as milk, meat, flour, and vegetables directly from local farmers or from the stores which bought from the farmers. The linkage between field to table was relatively direct, short, and involved few intermediaries.

Contrast the historical setting to the current food system. Except for U-picks and other roadside stands, the correlation between local production and local consumption is relatively small.

Consumer preferences are the primary reason. Fresh fruit and vegetables in the winter months, tropical fruits, and foods that require only a minimum of in-home preparation are products that don't come directly from Lebanon farms. When foods have to be transported from great distances, stored for long periods of time, or processed in some way, the connection to the farmer gets weakened.

Each person, company, or process associated with a food prod-

uct before the food is purchased by a consumer is lumped into the category of "Middle Man." (The term is very old and perhaps in need of updating to the more politically correct "Middle Person.") Middlemen are particularly mistrusted by the farming population because of the difference between the price a farmer receives and the price charged in a store. Let's look at how much of a difference there is between farm and retail prices, and discuss some reasons that these differences exist.

We will start with an example from the dairy case. Milk is sold off the farm in quantities of 100 pounds, called hundredweight. For each hundredweight produced in July, farmers are being paid about \$15. A gallon of milk weighs 8.6 pounds, so there are 11.6 gallons of milk in every hundredweight of milk sold from the farm. Dividing the hundredweight price by 11.6 means that the farmer receives \$1.29 out of the price paid in the store. If milk sells in the store for \$2.25, the farmer's share comes to 57 percent of the price a consumer pays.

The example is a very simplified version of the calculation of the farm-retail price spread. For one, not all milk that leaves the farm is of the same quality. Typically a dairy farm is paid more for milk with a higher butterfat content. There are other quality mea-

sure tests given to milk that equate to how much cheese it will yield. Farms that sell higher quality milk receive slightly higher prices. Another difference is that not all milk goes into gallons. Some becomes half-gallons, some pints, some is flavored, and some becomes cheeses, butter, ice cream, and other products.

Showing the public where the food money goes is a project of the U.S. Department of Agriculture (USDA). The USDA tracks the amount and price of milk and other farm produce that are put to different uses, along with the price charged for these products when they are purchased by consumers. This data is reported in the Farm-Retail Price Spread charts that published quarterly. See the table included in this article. The numbers listed after each food category indicate the percentage that goes back to the farmer of each dollar you spend in the store.

Different conclusions stem from this data, depending on the group to which you belong. If you are a farmer, you feel the retailer and middlemen are getting too much of the price of food. If you are a middleman or retailer, you don't understand why farmers can't produce more cheaply or why consumers won't pay more. If you are a consumer, you don't understand why farmers, middlemen and retailers can't lower their prices. This is why we have an economic system of (relatively) free markets.

Whoever does any of the functions necessary to put food on the table more cheaply, or better said, more efficiently, they will reap the rewards. Farmers need to realize that the spread between farm and retail prices covers transportation, processing and labor, safety, advertising, product development, market research, and the cost of

unsold product. If the middleman is profiting so greatly, then farmers should look into possibilities for processing on their own. If middlemen want to increase profits, they need to look into integrating with production facilities. Indeed, much of the poultry industry has already done this and pork production is moving in this direction. If consumers are concerned about the price of food, they need to learn to prepare foods from basic

ingredients, buy directly from farmers, or start raising items on their own.

The Farm-Retail Price Spread is presented by the USDA in the publication "Agricultural Outlook." Copies of the latest tables can be obtained by contacting your county cooperative extension office. We also have information on obtaining "Agricultural Outlook" or you can contact the USDA directly.

Grain Producers Announce Scholarships

EDGEWATER, Md. — The Maryland Grain Producers Utilization Board has allocated \$5,000 of grain checkoff funds to support the second annual scholarship program.

The program will be administered by the Maryland Grain Producers Association, which will be awarding two deserving students with scholarships in the amount of \$2,500 each (\$1,250 for each semester) enrolled in a Maryland or an out-of-state institution.

The purpose of the scholarship is to provide financial support to students interested in pursuing an agriculturally related career. Given the dynamic changes in agriculture today, the advances in biotechnology, global positioning systems, environmental protection, crop and livestock production, Maryland's grain farmers believe it is very important to encourage students to consider careers in agriculture by enhancing their educa-

tional development through the use of scholarships.

"Agriculture is undoubtedly not the same as it was with all of the technology available today," said Breck Debnam, president of the Maryland Grain Producers Utilization Board. "The agricultural community needs a strong educational foundation if we are going to take a second look at a career in agriculture."

The scholarships will be awarded to full time students attending a 4-year institution or students enrolled in a 2-year agricultural program. The selections will be based on agricultural background, family farm involvement, financial need, grade point average, agriculture-related studies, career goals, and extra-curricular activities.

For an application, contact the Maryland Grain Producers Association, 53 Slama Road, Edgewater, MD 21037-1423. Applications are due by Mary 1.

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