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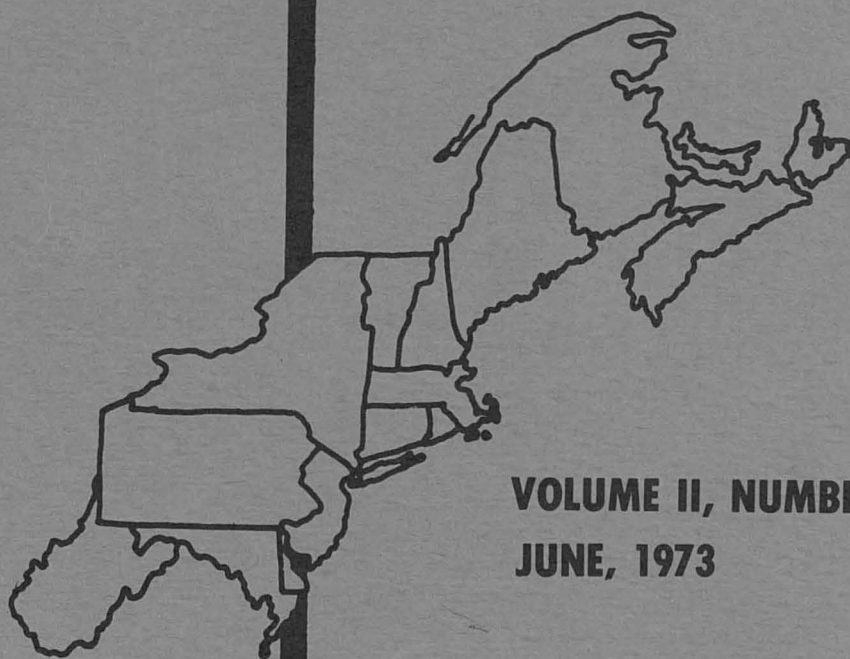
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FARM PRICE CONTROLS--HELP OR HINDRANCE?

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Introduction

The accelerated rise in food prices - especially those on those of animal origin - from late 1972 to the present time, has thrust to the forefront the question of farm price controls. But opinions differ widely on whether direct price controls at the farm level would be successful, desirable, or practical to administer. In the present situation, the question also involves the issue of whether or not price controls at the farm level are necessary or justified by the present or prospective circumstances. This is especially relevant if the upward movement of key farm prices is likely to be of relatively short duration, and the rise in prices consumers pay for foods can be halted by other means.

Past experiences with price controls during the World War II and Korean Conflict periods suggest that control of margins and/or prices of food handlers (by commodities) from the farm to the consumer levels is a feasible price control technique. This can be an indirect method of controlling farm prices. In the absence of "black markets," handlers' efforts to maintain their margins will prevent farm prices from rising beyond permitted levels.

Table 1 summarizes the changes in prices and margins of selected food items from late 1971 to date.^{1/} Phase I (the price freeze of August-November 1971) was successful in halting the rapid upward movement operative in the prefreeze period. Raw agricultural commodity prices were not controlled directly. Moreover, farm prices were not then showing the strength they later manifested.

In Phase II, (December 1971-January 1973) there were again no price controls on raw agricultural commodities. Cost increases of food handlers could be passed-through. In the early months of Phase II, there were moderate farm and retail price increases, particularly on red meats. Most other commodities showed little changes other than seasonal adjustments. In the latter months of 1972, some farm and retail prices began to rise, notably meats, milk, cheese, chickens, eggs, flour, and sugar. These usually accelerated and were followed by others in early 1973 (Phase III).

^{1/} The author agrees with a reviewer's comment that there are many implications in the data in Table 1 (and Table 2) not noted in this paper. Their exploration might be rewarding, but space limitations precluded this option from being exercised.

Table 1
Retail prices, farm price, farm-retail spread and farmers' share of retail price, 23 selected foods, U.S. selected dates, 1971-73

Date or average	Beef, Choice c/lb. 1/				Pork c/lb. 1/				Fluid milk c/1/2 gal. 2/			
	Retail price	Farm price	Farm to retail price spread	Farmers' share	Retail price	Farm price	Farm to retail price spread	Farmers' share	Retail price	Farm price	Farm to retail price spread	Farmers' share
Aug. 1971	105.7	69.6	36.1	65	71.6	33.2	38.4	46	59.2	29.5	29.7	44
Phase I												
Sept.-Nov. '71	105.8	68.7	37.1	65	71.2	33.9	37.3	48	59.2	29.6	29.6	44
Phase II												
Dec. '71-May '72	112.5	72.7	39.8	65	77.9	42.3	35.6	55	59.8	30.0	29.8	50
June-Nov. '72	114.1	71.9	42.2	63	85.8	50.4	35.5	59	59.6	30.2	29.4	51
Dec. '72	114.6	74.6	40.0	65	88.5	55.4	33.1	63	60.1	30.7	29.4	51
Phase III												
Jan. 1973	122.1	82.4	39.7	67	94.1	58.5	35.6	62	60.6	31.2	29.4	51
Feb. 1973	130.3	87.5	42.8	67	97.1	64.8	32.3	67	61.9	31.8	30.1	51
Mar. 1973	135.3	92.3	43.0	68	103.0	67.9	35.1	66	61.9	32.1	29.8	52
	Butter c/lb.				American cheese c/1/2 lb.				Chickens c/lb.			
Aug. 1971	87.5	57.7	29.8	66	53.1	22.9	30.2	43	42.2	20.3	21.9	48
Phase I												
Sept.-Nov. '71	87.5	58.1	29.4	66	53.2	22.7	30.5	43	41.2	18.3	22.9	44
Phase II												
Dec. '71-May '72	87.4	58.9	28.5	67	53.7	23.7	30.0	44	40.9	19.0	22.2	46
June-Nov. '72	86.8	59.4	27.5	68	54.6	24.2	30.4	44	41.6	20.7	24.6	50
Dec. 1972	87.2	59.3	27.9	68	55.6	25.2	30.4	45	41.2	19.5	21.7	47
Phase III												
Jan. 1973	87.4	58.3	30.1	66	55.9	25.5	30.4	46	44.0	24.1	19.9	55
Feb. 1973	87.4	57.3	30.1	66	56.5	25.9	30.6	46	45.9	24.3	21.6	53
Mar. 1973	87.7	56.6	31.1	66	56.9	26.4	30.5	46	59.9	36.4	23.5	61

Continued--

Table 1--Continued
Retail prices, farm price, farm-retail spread and farmers' share of retail price, 23 selected foods, U.S. selected dates, 1971-73

Date or average	Eggs				Bread, white				Flour, white			
	Retail price	Farm price	Farm to retail- price spread	Farmers' share	Retail price	Farm price	Farm to retail- price spread	Farmers' share	Retail price	Farm price	Farm to retail- price spread	Farmers' share
	Eggs ¢/doz.				Bread, white ¢/lb.				Flour, white ¢/5 lb.			
				%				%				%
Aug. 1971	53.4	32.8	20.6	61	24.9	3.5	21.4	14	60.1	20.4	39.7	34
Phase I												
Sept.-Nov. '71	50.7	27.4	23.3	54	24.8	3.6	21.2	14	60.1	20.4	39.7	34
Phase II												
Dec. '71-May '72	51.2	28.2	23.0	55	24.5	3.6	21.0	14	59.8	20.8	39.0	35
June-Nov. '72	52.3	30.3	21.8	58	24.7	3.9	20.8	16	59.3	23.5	35.8	40
Dec. '72	62.3	40.8	21.5	65	25.0	4.7	20.3	19	61.2	29.9	31.3	49
Phase III												
Jan. '73	73.9	51.8	22.1	70	24.9	4.8	20.1	19	62.5	29.7	32.8	48
Feb. '73	68.8	43.4	25.4	63	25.1	4.4	20.8	18	64.2	26.4	37.8	41
Mar. '73	66.4	43.7	22.7	66	25.4	4.5	20.9	18	66.4	26.6	39.8	41
	Corn flakes ¢/12-oz. pkg.				Potatoes, ¢/10-lbs.				Carrots, fresh ¢/lb.			
				%				%				%
Aug. 1971	32.9	2.2	30.7	7	93.5	23.9	69.6	26	25.8	9.3	16.5	36
Phase I												
Sept.-Nov. '71	32.4	1.9	30.5	6	82.1	18.8	63.3	23	19.2	7.0	12.2	37
Phase II												
Dec. '71-May '72	31.6	1.9	29.7	6	83.2	19.2	64.0	23	22.0	7.7	14.3	35
June-Nov. '72	31.0	2.1	28.9	7	98.8	27.6	71.2	28	20.7	6.7	14.0	32
Dec. '72	30.7	2.4	28.3	8	99.3	27.5	71.8	28	22.9	7.7	15.2	34
Phase III												
Jan. '73	30.7	2.3	28.4	7	103.4	32.7	70.7	32	22.3	7.7	14.6	35
Feb. '73	30.7	2.3	28.4	7	111.1	33.8	77.3	30	22.8	7.4	15.4	32
Mar. '73	30.7	2.5	28.2	8	119.3	40.2	79.1	34	23.0	7.7	15.3	33

Continued--

Table 1--Continued

Retail prices, farm price, farm-retail spread and farmers' share of retail price, 23 selected foods, U.S. selected dates, 1971-73

Date or average	Retail price	Farm price	Farm to retail- price spread	Farmers' share	Retail price	Farm price	Farm to retail- price spread	Farmers' share	Retail price	Farm price	Farm to retail- price spread	Farmers' share
	Lettuce, fresh ¢/head				Tomatoes, fresh ¢/lb.				Apples, fresh ¢/lb.			
				%				%				%
Aug. 1971	34.0	9.1	24.9	27	43.1	14.8	28.3	34	28.3	7.3	21.0	26
Phase I												
Sept.-Nov. 1971	34.8	15.4	19.4	43	38.0	16.7	21.3	43	22.1	9.8	12.3	32
Phase II												
Dec. '71-May '72	36.0	11.0	25.0	31	49.0	15.4	33.5	32	22.6	7.2	15.4	27
June-Nov. '72	33.3	11.0	22.3	33	46.0	18.2	27.8	40	26.7	8.5	18.2	32
Dec. '72	40.9	13.2	27.7	32	51.8	15.6	36.2	30	24.4	8.4	15.0	34
Phase III												
Jan. '73	39.0	13.9	25.1	36	58.0	25.6	32.4	44	24.6	8.6	16.0	35
Feb. '73	36.4	12.0	24.4	33	51.8	18.2	33.6	35	25.5	9.0	16.5	35
Mar. '73	36.6	11.7	24.9	32	48.9	19.5	29.4	40	26.2	10.2	16.0	39
	Oranges, fresh ¢/doz.				Tomatoes, canned ¢/303 can				Peaches, canned ¢/2½ can			
				%				%				%
Aug. 1971	101.6	23.8	77.8	23	22.7	2.6	20.1	11	37.2	7.4	29.8	21
Phase I												
Sept.-Nov. '71	102.3	25.1	77.2	25	22.7	2.7	20.0	12	37.3	7.2	30.1	20
Phase II												
Dec. '71-May '72	91.5	20.0	71.5	22	22.6	2.7	19.9	12	37.4	7.3	30.0	20
June-Nov. '72	97.7	22.7	75.1	23	22.9	2.8	20.2	12	37.6	7.3	30.2	20
Dec. '72	89.6	18.2	71.4	20	23.5	2.8	20.7	12	38.0	7.4	30.6	19
Phase III												
Jan. 1973	97.1	20.2	76.9	21	23.4	2.8	20.6	12	38.1	7.1	31.0	19
Feb. 1973	97.0	21.8	75.2	22	23.8	2.8	21.0	12	38.9	7.1	31.8	18
Mar. 1973	99.8	22.4	77.4	22	23.9	2.8	21.1	12	39.1	7.1	32.0	18

Continued--

Table 1--Continued
Retail prices, farm price, farm-retail spread and farmers' share of retail price, 23 selected foods, U.S. selected dates, 1971-73

Date or average	Retail: price	Farm price	Farm to retail- spread	Farmers' share	Retail: price	Farm: price	Farm to retail- spread	Farmers' share	Retail: price	Farm: price	Farm to retail- spread	Farmers' share
	Peas, frozen ¢/10% pkg.				Fz. orange juice 6 oz. can				Navy beans, ¢/lb.			
				%				%				%
Aug. 1971	22.3	3.6	18.7	16	24.5	8.0	16.5	33	23.2	12.6	10.6	54
Phase I												
Sept.-Nov. '71	22.2	3.6	18.6	16	25.0	8.0	17.0	32	23.6	11.1	12.5	47
Phase II												
Dec. '71-May '72	22.3	3.6	18.7	16	25.0	9.7	15.4	39	24.4	11.8	12.6	48
June-Nov. '72	22.5	3.6	18.9	16	24.9	10.6	14.3	43	25.2	10.0	15.2	40
Dec. '72	22.9	3.6	19.3	16	25.0	10.6	14.4	42	25.7	9.4	16.3	37
Phase III												
Jan. '73	23.1	3.6	19.5	16	25.0	9.9	15.1	40	25.7	9.5	16.2	37
Feb. '73	23.4	3.6	19.8	15	25.1	9.4	15.7	37	25.7	9.5	16.2	37
Mar. '73	23.3	3.6	19.7	15	25.1	8.8	16.3	35	25.6	9.7	15.9	38
	Sugar, cane ¢/5 lbs. 3/				Margarine ¢/lb.							
				%				%				
Aug. 1971	68.5	34.9	33.6	49	32.8	11.9	20.9	36				
Phase I												
Sept.-Nov. '71	68.7	32.4	36.3	49	33.2	10.9	22.3	33				
Phase II												
Dec. '71-May '72	69.2	33.7	36.5	49	33.2	9.9	23.4	30				
June-Nov. '72	69.5	34.1	36.5	49	33.1	8.5	24.5	26				
Dec. '72	70.5	35.1	36.6	50	32.9	8.4	24.5	26				
Phase III												
Jan. '73	70.6	35.5	36.3	50	32.6	6.6	26.5	19				
Feb. '73	71.2	35.5	36.9	50	32.7	8.5	24.2	26				
Mar. '73	71.7	35.5	37.4	50	32.9	10.1	22.8	31				

1/ Composite price cuts, including adjustments for byproducts allowances in farm-retail price spreads.

2/ Sold through retail stores.

3/ Farm-retail price adjusted for Government processor tax.

Source: Data from reports of Economic Research Service, USDA.

Another way of looking at price changes is to compare prices in January-February 1972 with those in January-February 1973. Retail and farm prices were higher on 17 of the 23 items, with the largest percentage increases on beef, pork, eggs, chickens, potatoes, fresh apples, and tomatoes. On each of these items, farm prices increased percentagewise more than retail prices. Yet farm and retail prices were the same to lower on 6 items, with farm prices usually off more percentagewise than retail prices. This illustrates the volatility of farm prices and the fact that marketing margins are generally more stable. Farm to retail price spreads were higher on 14 items in January-February 1973 than a year earlier, and lower on 7. The farmers' share of the consumer's dollar increased on 14 and was lower on 7. The largest percentage increases in the farmer's share were on pork, eggs, flour, bread, fresh tomatoes, chicken, potatoes and fresh apples and the largest percentage decreases on lettuce, navy beans, carrots, and margarine.

Farm price control techniques

Control of farm prices could be achieved in various ways, including the following:

Direct

- (1) Dollars-and-cents ceilings at the "farm level," prescribed by regulation, for geographic location, grade, quality, type of outlet, and quantity.
- (2) Price ceilings for each individual primary seller of raw agricultural products at his base period levels, with cost adjustments.

Indirect

- (3) Dollars and cents ceilings at the first buyer or processor-packer levels, prescribed by regulation for geographic location, grade, quality, and quantity, and prescribed margins over costs.
- (4) Price ceilings for each individual first buyer or processor-packer for various types of sales, with cost adjustments to base period margins, and/or ceilings at the wholesale-retail levels.
- (5) Certification that average price paid "farmers" by buyers did not exceed some prescribed average value, percent of standard, or base period value, with accompanying margin or profit controls.
- (6) Dollars and cents or individual price ceilings at wholesale and/or retail levels (with margin or profit restraints).

Particularly with "direct" ceilings at the farm level, numbers of individuals affected would be very large, even though there were some groups excluded based on size of operations or type of business. Numbers would be reduced by shifting to "indirect" ceilings placed at the first buyer, processor-packer levels, or subsequent levels. But in either case, innumerable problems relating to inequities or equivalent values where no transaction had occurred, would need to be resolved. Moreover, marketing channels are diverse and complex and various sets of prices exist for each individual or group, annually and seasonally. For some commodities, the "farm level" itself is obscured by successive stages or alternative classifications. For example, "farmers" encompasses both the ranchers and the feedlot operators. On broilers, turkeys, or eggs, there are contract growers and integrators as well as independent producers.

"Direct" ceilings at the "farm" level would put precise values on the raw product. Margin or profit controls at successive stages in marketing could regulate prices at these levels and make sure farmers were not exploited. "Indirect ceilings" would reflect downward through marketing channels to the farm level, by deducting marketing margins directly or through permitted firm profit margins.

It would seem desirable for prices at the consumer level and at other levels in marketing channels to be required to reflect declines in farm prices. These might represent temporary situations, or general and sustained situations. When prices fall and stay below ceilings, decontrol is desirable.

Possible cautions from earlier programs

Consideration of the imposition of comprehensive and sustained "indirect" ceilings on farm prices raises other real problems. In past programs, those food commodities where demand continually outran current supply were the focus of "black markets." Aside from the tremendous enforcement load created in attempting to track down and eliminate violations, normal marketing channels were disrupted and equal access to available supplies distorted. The present situation probably does not parallel the prolonged conditions existing in World War II, and public response might now be different. Yet, the World War II experiences illustrate what can happen under extreme conditions: "Black market operation made headlines early in 1943 and gained momentum, reaching a climax toward the end of the war and immediately thereafter black markets arose from a variety of factors--scarcity of many goods, price controls, rationing, and the inevitable fringe of opportunists ready to capitalize by illegal means Consumers' prices were affected most seriously by illegal practices in the sales and distribution of goods in acute shortages, such as meats, butter, gasoline, tires, and nylon hosiery. Other consumers' prices affected included those for sugar, fats and oils, fish, cigarettes, and, to a smaller extent, a wide variety of other goods. Although no accurate measurement can be made of the effect of black markets on consumers' prices, it was estimated in February 1944

that 3 to 4 percent of the average cost of all food was due to black market operations."

"Black markets for meats and gasoline were, perhaps, the most publicized. Operators in these markets bootlegged their wares, counterfeited and stole ration coupons, passed forged ration-currency checks, slaughtered cattle without license, and wasted badly needed hides. Butter, tires, and nylon hosiery were also traded in outright black markets."

"Other violations of price ceilings were operated more in the open, usually over the retail counter. These involved overcharging by upgrading, shortweighting, and plain over-ceiling pricing, often by passing illegal wholesale charges on to the consumer. There were "imitative" black markets not always caused by scarcity. Fresh fish prices, for example, rose unduly in many instances, in sympathy with illegal meat and poultry prices The consumer was far from blameless, and those who supported the black markets sometimes even encouraged these conditions in order to get desired goods, by means of gifts to retailers, laxness in checking weights of goods purchased, deliberate acceptance of upgrading, and willingness to pay exorbitant prices in the face of scarcity." (3, p. 5-6).

Moreover, short-run imposition of price ceilings can result in withholding supplies. Such an example occurred in 1946 when meat price ceilings were reimposed.

"Beginning in July 1946, controls were lifted rapidly from prices of consumer goods and services, and prices rose at the sharpest rate ever recorded No controls were restored until July 25, when the Price Control Extension Act of 1946 became effective The new act exempted a large proportion of agricultural commodities from control at least until August 21, and specified that only those commodities in short supply could be recontrolled then In the interim of decontrol in July, food prices shot up 14 percent, primarily because of sharp increases in average meat prices, ranging from 25 to 45 percent. Round steak, for example, increased nearly 20 cents a pound; chuck roast and pork chops, 14 cents; hamburger, 13 cents; and ham, 12 cents. Butter jumped nearly 20 cents a pound and milk 2½ cents a quart. By comparison, increases in cereal products (3 percent), eggs (9 percent), fruits and vegetables (3 percent), and fats and oils (9 percent), seemed moderate."

"Food prices rose again in August, with the largest increases for pork products and lard, At the end of August, livestock, meats, cottonseed, and soybeans, were recontrolled, but dairy products, grains, poultry, and eggs were not The new ceiling prices for meats would have lowered prices for meats by more than 20 percent; but producers were dissatisfied with maximum prices and withheld livestock from market. As a result, meat was not generally obtainable."

"The meat shortage and the difficulties of administering the new law led the President late in October to order decontrol of all foods except (those) in short supply the world over. Supplies quickly became plentiful. Meats reappeared at an average of about 9 percent above the uncontrolled prices of August and more than 50 percent above the controlled prices of June By December, the effect of decontrol on food prices was largely completed. Seasonal increases in supplies brought meat prices down 3 percent" (3, p. 17-19).

This suggests that imposition of comprehensive ceilings for a short time might pose certain problems to a greater extent than if they were continued over a longer time period. Moreover, selective ceilings on a few commodities might tend to distort resource use. In a longer and generalized effort, this effect could be washed out by considered adjustments to preserve desired relationships. Yet, the possibility of farmer actions in the face of new food price ceilings is a real one. For example, by late March farm spokesmen were actively proposing counter-measures.

It might also be noted that experience with previous price control programs suggests the timing of imposing and removing controls is critical to their effectiveness. But hindsight is always better than foresight, and options to turn back the clock are unlikely to exist in inflationary periods. Previous programs also were often accompanied or supported by other devices such as rationing, priorities, set-asides, allocations, and subsidies.

Price freezes and rollbacks

A short-term technique, used at the beginning of the World War II and Korean Conflict programs and in Phase I of the current program, is the price freeze. This fixes price levels as of a recent date. Proposals involving price freezes, with or without rollbacks, were recently made by members of Congress. The "ceilings" on beef, pork, and lamb at the packer, wholesaler, and retailer levels, announced in President Nixon's TV appearance on March 29, were designed to prevent further rises in meat prices. But they do not prevent downward adjustments from being made as conditions warrant. A freeze can be applied generally or selectively. Some inequities may exist because of timing, and the fact that prices have risen somewhat unevenly in various geographic areas. But if price-cost relationships are not badly out-of-line, a price freeze can succeed in accomplishing its short-run objective.

Price freezes can be evoked and removed quickly, and are highly individualized. In past programs, the technique was successfully used to abruptly halt rising prices while more detailed control plans were being developed. Using this technique without the latter plans would rest on the suppositions: (1) that inflationary pressures (or psychology) would have sufficiently cooled after, e.g. 60-120 days; and/or, (2) that supplies would be larger after the freeze period and hold prices down, or, at worst, minimize price rises.

But, the typical freeze technique would control farm prices only indirectly. Later types of comprehensive price controls did the same thing, although such ceilings were subject to adjustments to reflect farm costs and returns or provide for meeting legally specified percentages of parity.

Some past programs were predicated on price rollbacks to an earlier and lower level. These can work, particularly if marketing margins or profits have widened beyond true increases in costs. But, if real costs have increased on many items, a price rollback is likely to unduly depress net returns and profits and may thus not be feasible without special measures to recognize these factors. Price rollbacks would not appear to be well-suited to accompany a price freeze, but rather a possibility in a comprehensive and sustained price control program.

Farm price control standards

Application of earnings standards is difficult enough for firms engaged in manufacturing and distribution. At the farm level it would be vastly more difficult. First, there is the kinds of accounts and records maintained, particularly by small producers. Second, much farm output is seasonal or "batch-type" in nature. Third, external events such as weather, diseases, etc. have unpredictable and irregular effects. Individual commodity prices often vary seasonally or from year-to-year, and net returns and net incomes of farmers are a truer measure of their situations than prices alone. These and other factors might dictate reliance on aggregative standards such as production costs or even "parity" yardsticks. It would be difficult enough to obtain data to determine production costs over a longer time period. In the short-run these would be even less adequate.

"Parity" has been a convenient standard in past price control legislation and regulations as well as in price support programs. But even in past programs, parity has often been a poor standard because it only reflects an overall average relationship between specific commodity prices and aggregate indicators of "prices paid by farmers" for goods and services. The aggregate is not correctly proportioned for any commodity. Moreover, differential rates of change in production techniques and efficiencies by commodities over the years has now made parity even less meaningful than it once was. And, of course, any price-cost comparison ignores shifts in demand in the short-run, and underemphasizes them in the longer-run, even though price levels in recent years are used to adjust parity calculations.

Thus, while recognizing the inadequacies and imperfections in the parity concept, parity is still referred to in agricultural legislation. For purposes of discussion we can look at parity relationships as they would relate to the present considerations of farm price ceilings. Table 2 summarizes the relationships between prices received and parity prices from the pre-Phase I period to date.

Table 2
Prices received by farmers, estimated parity prices, and percent of parity, selected periods

Period	Farm : price	Parity : price	% of : parity	Farm : price	Parity : price	% of : parity	Farm : price	Parity : price	% of : parity	Farm : price	Parity : price	% of : parity	Farm : price	Parity : price	% of : parity
	Beef cattle (all) p/cwt.			Hogs, per cwt.			Lambs, per cwt.			Eggs, c/doz.			Turkeys, c/lb.		
Aug. 1971	29.30	34.60	85	18.50	29.60	62	27.40	35.10	78	31.3	55.2	60 1/	22.3	33.7	66
Sept.-Nov. '71	29.47	34.80	85	18.73	29.77	63	25.50	35.30	72	29.8	55.5	54 1/	22.2	33.8	66
Dec. '71-Nov. '72	32.85	36.51	90	25.17	30.39	83	28.47	37.49	76	30.8	55.6	55 1/	22.1	34.7	64
Dec. 1972	34.40	38.20	90	29.50	31.70	93	28.70	39.20	73	43.2	57.9	64 1/	24.2	36.2	67
Jan. 1973	37.10	39.70	93	31.00	32.90	94	32.60	40.70	80	49.5	56.8	77 1/	24.0	35.9	67
Feb. 1973	40.50	40.30	100	34.20	33.40	102	34.90	41.30	85	42.5	57.7	71 1/	24.3	36.5	67
Mar. 1973	43.60	40.90	107	38.30	33.90	113	39.50	41.90	94	47.2	58.5	79 1/	28.4	37.0	77
April 1973	42.40	41.60	102	35.10	34.50	102	35.40	42.60	83	46.9	59.5	84 1/	31.0	37.6	82
	Broilers, c/lb.			All milk to plant p/cwt.			Milk fat in cream c/lb.			Mfg. milk, per cwt.			Soybeans, \$/bu.		
Aug. 1971	14.3	2/	-	5.75	7.42	78	69.3	101.0	69	4.74	5.96 3/	80 3/	3.09	4.00	77
Sept.-Nov. '71	13.0	2/	-	6.08	7.45	82	69.4	102.0	68	4.94	5.98 3/	83 3/	2.92	4.02	73
Dec. '71-Nov. '72	14.2	2/	-	6.06	7.81	78	69.4	104.5	66	5.06	6.30 3/	80 3/	3.21	4.12	78
Dec. 1972	14.0	2/	-	6.55	8.17	76	70.2	109.0	64	5.43	6.59 3/	82 3/	3.95	4.32	91
Jan. 1973	17.2	2/	-	6.55	8.38	76	69.5	109.0	64	5.49	6.80 3/	81 3/	4.10	4.43	93
Feb. 1973	19.4	2/	-	6.56	8.51	75	69.1	111.0	62	5.48	6.90 3/	79 3/	5.49	4.50	122
Mar. 1973	23.3	2/	-	6.52	8.64	75	66.2	113.0	59	5.53	7.01 3/	79 3/	6.05	4.57	132
April 1973	25.5	2/	-	6.38	8.78	76	63.4	115.0	55	5.49	7.12 3/	77 3/	6.14	4.65	132
	Corn \$/bu.			Wheat, \$/bu.			Rice (rough) \$/cwt.			Peanuts, per lb.			Potatoes, \$/cwt.		
Aug. 1971	1.19	1.88	63	1.28	2.93	44	5.29	7.83	68	12.9	18.0	72	2.21	3.35	66
Sept.-Nov. '71	1.03	1.89	54	1.29	2.94	44	5.28	7.87	67	13.7	18.1	76	1.99	3.37	59
Dec. '71-Nov. '72	1.14	1.98	58	1.49	3.01	49	5.80	8.03	72	14.1	19.0	74	2.29	3.52	65
Dec. 1972	1.42	2.07	69	2.38	3.14	76	7.95	8.40	95	14.6	19.7	74	2.64	3.67	72
Jan. 1973	1.39	2.09	67	2.38	3.11	77	7.95	8.52	93	15.2	20.1	76	3.14	3.77	83
Feb. 1973	1.35	2.13	63	1.97	3.16	62	7.95	8.65	92	-	20.4	-	3.24	3.83	85
Mar. 1973	1.37	2.16	63	2.06	3.21	64	7.98	8.78	91	-	20.7	-	3.86	3.89	99
April 1973	1.42	2.19	65	2.15	3.26	66	8.23	8.93	92	-	21.1	-	3.96	3.96	100

Continued--

Table 2--Continued
Prices received by farmers, estimated parity prices, and percent of parity, selected periods

Period	Farm : price	Parity : price	% of parity	Farm : price	Parity : price	% of parity	Farm : price	Parity : price	% of parity	Farm : price	Parity : price	% of parity	Farm : price	Parity : price	% of parity
	Onions, \$/cwt.			Fresh oranges, \$/box			Fresh apples, ¢/lb.			Lettuce, \$/cwt.			Tomatoes, \$/cwt.		
Aug. 1971	4.87 ^{4/}	5.73	85 ^{4/}	2.38	3.29	72	7.52	10.00	71	4.91 ^{4/}	7.21	68 ^{4/}	10.40 ^{4/}	14.80	70 ^{4/}
Sept.-Nov. '71	4.44 ^{4/}	5.75	77 ^{4/}	2.07	3.38	61	7.09	10.07	70	8.74 ^{4/}	7.25	121 ^{4/}	14.22 ^{4/}	14.87	96 ^{4/}
Dec. '71-Nov. '72	5.87 ^{4/}	5.78	102 ^{4/}	1.99	3.46	58	7.54	10.26	73	5.87 ^{4/}	7.72	76 ^{4/}	14.35 ^{4/}	16.07	89 ^{4/}
Dec. 1972	7.20 ^{4/}	6.02	120 ^{4/}	1.26	3.62	35	8.09	10.70	76	7.06 ^{4/}	8.08	87 ^{4/}	15.40 ^{4/}	16.80	92 ^{4/}
Jan. 1973	9.43 ^{4/}	6.46	146 ^{4/}	1.34	3.29	41	8.28	10.90	76	6.17 ^{4/}	8.37	74 ^{4/}	20.50 ^{4/}	17.80	115 ^{4/}
Feb. 1973	10.70 ^{4/}	6.56	163 ^{4/}	1.53	3.34	42	8.69	11.10	78	6.09 ^{4/}	8.50	72 ^{4/}	14.90 ^{4/}	18.00	83 ^{4/}
Mar. 1973	18.00 ^{4/}	6.66	270 ^{4/}	1.64	3.39	48	9.81	11.20	88	7.75 ^{4/}	8.50	91 ^{4/}	17.30 ^{4/}	18.30	95 ^{4/}
April 1973	24.90 ^{4/}	6.77	368 ^{4/}	1.76	3.45	51	11.00	11.40	96	9.69 ^{4/}	8.64	112 ^{4/}	19.10 ^{4/}	18.60	103 ^{4/}
	Carrots, \$/cwt.			Dry edible beans \$/cwt.											
Aug. 1971	7.95 ^{4/}	5.93	134 ^{4/}	10.30	12.20	84									
Sept.-Nov. '71	6.81 ^{4/}	5.96	114 ^{4/}	10.53	12.20	86									
Dec. '71-Nov. '72	7.44 ^{4/}	6.23	119 ^{4/}	10.86	12.87	84									
Dec. 1972	7.27 ^{4/}	6.51	112 ^{4/}	9.98	13.50	74									
Jan. 1973	7.65 ^{4/}	6.64	115 ^{4/}	10.30	14.00	74									
Feb. 1973	7.65 ^{4/}	6.74	114 ^{4/}	11.00	14.20	77									
Mar. 1973	6.73 ^{4/}	6.84	98 ^{4/}	10.10	14.40	70									
April 1973	6.41 ^{4/}	6.96	92 ^{4/}	11.10	14.70	76									

1/ Seasonally adjusted price used in computing percent of parity.

2/ No parity price published for broilers.

3/ Parity price equivalent.

4/ Farm prices are f.o.b. shipping points, percent of parity estimated. Figures for April are April 1-15 values.

Source: Various issues of Agricultural Prices, Stat. Rptg. Serv., USDA.

If, as in past price control programs, we were using a 90-110 percent of parity yardstick as the levels which ceiling prices should reflect, a growing list of commodities would be close to legal ceilings. Beef cattle reached 90 percent of parity in the spring of 1972 and hogs by mid-summer. Soybeans and rice reached that level in December 1972. For other commodities, only on some of the vegetable crops-dry beans, carrots, lettuce, tomatoes, onions, and potatoes-can we find evidence of occasional (seasonal) or sustained periods when farm prices breached the 90-110 percent of parity levels. By March or April 1973, 11 of the 22 commodities shown-beef cattle, hogs, lambs, soybeans, apples, rice, carrots, onions, potatoes, lettuce, and tomatoes-had reached 90 percent of parity or above. This does not include by any means all the commodities about which complaints are made. Eggs and chickens are often cited, yet egg prices only recovered from below-cost-of-production levels in late 1972, and producers of both products have had their net returns squeezed since then by sharply rising feed costs. We would have to conclude that parity is not a fully adequate guideline in the present crisis.

The farmers' production hazards and cost and income situation are not well understood by the general public. Nor is the volatility of many farm prices and the vulnerability of farmers to input prices widely recognized. In the present concern about food prices and the extent to which changes in farm prices are responsible, increased understanding and better decision-making could occur if adequate data were available. Preferably, we need representative and continuing data on farmers' costs and net returns by commodities. Alternatively (or supplementally), the parity concept could be revised to include the proper proportions of inputs for specific commodities, and to reflect changes in production efficiency resulting from improved management practices and enhanced productivity from labor and other inputs. Such information would also be invaluable in other programs likely to be active long after the present price crisis has passed.

Alternatives to farm price ceilings

What are the alternatives to direct or indirect farm price ceilings? In the short-run they focus mainly on demand alteration. The two most-mentioned approaches at present are consumer boycotts and shifts in consumption patterns. The hoped-for effect of boycotts is to effect price reductions on target items. The side effects might be to set in motion forces disruptive of normalized production and marketing methods and, if sudden and extensive, to cause short-run waste of present supplies. Shifts in consumption patterns may take longer to emerge but provide for possible gradual adjustment in production and marketing patterns, with less chance of waste. However, there is bound to be new upward pressure created on prices of substitute items, such as have occurred on poultry and fish. Many consumers may find these price increases painful, and be unwilling or unable to modify menus sufficiently with substitutes or "meatless meals." Few options are open in the short-run to increase supplies of food products and only limited options to help by providing more production inputs.

In the longer-run, efforts to increase output and bring down prices are more likely to succeed. Release of stocks and encouragement of acreage expansion can come into full play. Transportation bottlenecks can be broken, export subsidies removed, import quotas lifted, and voluntary adjustments requested. Temporary embargos or quotas could also be placed on exports of specified items. Through such efforts as those of the National Commission on Productivity, the problem of increased costs can be approached by identifying ways to cut food industry costs and increase efficiency. Production adjustments on commodities using crops as inputs can be set in motion in the long run. Increased supplies of the high-demand items can then blunt price rises and turn prices downward.

Such a longer-range program might be deemed closer to a "free market" solution, at least for the domestic market. It has the added advantages of permitting resource adjustments and not putting irrational restraints on commodities where price volatility is typical. With general shortages, as in the World War II period, the result of such a program would have been drastic and probably unbearable price increases. Today's pressures may be of relatively lesser thrust, and of shorter likely duration. But it would certainly require the patience and forbearance of consumers to provide the time for such a program to be employed and succeed.

Summary

Recent increases in food prices may reflect both farm price increases and changes in handler margins. Price controls placed directly at the farm level would be a new approach to combating food price increases. Such controls would pose substantial administrative problems. If too restrictive, they could lead to "black markets" and withholding of supplies. Prices would have to recognize farmers' production costs, and allow reasonable net returns. Handlers' margins should also be regulated, allowing legitimate cost increases but not windfall profits through wider margins. Indirect control of farm prices through controls of marketing margins or firm profit levels is an alternative approach. A freeze on handler prices themselves could be employed as an interim measure to halt rising prices, pending the development and implementation of longer-term measures. Consideration should be given to reflected farm price levels and input prices and supplies in order to assure adequate returns to producers.

The alternatives to direct action on prices in the short-run rest mainly on altering the demand for items subject to the greatest upward pressures. Boycotts and substitution of lower-priced items are the two most frequent suggestions. Reducing demand offers at best only partial chances of short-run success. In the longer-run, encouragement of increased output of key commodities is the principal hope for reducing food prices. With patience, cooperation, and some luck, it can succeed. It has been alleged that we are feeling the impacts now of a sustained "cheap food" policy. If we are switching over to a policy of market prices without subsidies, and with expanding world demand, the startling

comparison of past with present prices could remain with us for a long time to come.

There are probably no Pareto-optimal solutions to the present dilemma of rising food prices. Price controls are unpopular with many, and, regardless of type, never easy to administer. Yet, food prices are highly visible and consumers are keenly aware of their effect on the distribution of their incomes. This is true despite the fact that we tend to forget that American consumers still pay out a smaller percentage of their income for food than do people in other countries. By the time this article appears, present discussions may have resulted in modifications in policies, or future expectations may be closer to reality. But it is safe to predict that the debate will still be continuing over the results and some will still be unhappy with the price controls in effect or their absence.

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