Reports of Interest

The Economic Research Service recently issued the following reports of interest to the food industry. To order copies, call toll free 1-800-999-6779 (8:30-5:00 weekdays ET).

Understanding Supermarket Prices

Retail food prices vary among supermarkets both within and between cities, but for different reasons. A nationwide survey of supermarket prices in 28 cities selected at random shows that within cities, big supermarkets with large sales volumes have lower prices. Stores with high occupancy costs, such as rental and utility rates, tend to have higher prices. Prices are also higher among stores with more services, but differences in employee wages and fringe benefits do not significantly affect prices.

Between cities, prices are higher where population growth rates are greater, but population density does not affect prices significantly. Cities where stores have strong market rivalry, turnover, and changing sales shares have lower prices. Where stores are newly established, prices are higher.

Supermarkets, which represent only 10 percent of all foodstores, account for more than 70 percent of foodstore sales and have the greatest effect on the structure and performance of the food retailing industry. This report is based on data collected in 1982 from 616 supermarkets representing 321 firms operating in 28 cities. More than 300,000 food and nonfood prices were surveyed. Separate surveys collected detailed data on grocery item prices, labor compensation, and store characteristics and services. The detailed store-level data and survey designs account for much of the differences in findings compared with some earlier studies of retail food prices.

Supermarket Prices and Price Differences: City, Firm, and Store-Level Determinants, TB-1776. By Phillip R. Kaufman and Charles R. Handy. December 1989. $8.00.

Retail food prices vary among supermarkets both within and between cities, but for different reasons. *Photo: Giant Food, Inc.*

Domestic Food Assistance Programs: What Have We Learned?

U.S. food assistance programs are designed to improve the nutrition of low-income and other target groups and to provide an outlet for surplus agricultural commodities. In 1987, nearly 40 million people, over 16 percent of the population, received food assistance, costing the Federal Government about $21.2 billion. Although the programs have benefited many people, they have created indirect and sometimes unintended economic effects on food production and marketing, the gross national product, and income distribution. Some programs displace commercial sales, while others increase retail prices.

This bulletin describes current domestic food assistance programs, their relationships to each other, their effectiveness, their impact on the food production and marketing sectors, and their costs. It also suggests food assistance reforms that could be included in discussions of farm policy for the 1990's.

U.S. Domestic Food Assistance Programs: Lessons From the Past, AIB-570. By J. William Levedahl and Masao Matsumoto. January 1990. $4.00.

Industry Handles Increasing Flour Consumption

U.S. flour consumption reached 128 pounds per capita in 1987, 4 pounds higher than in 1986 and the highest it has been since 1950 when it was 135 pounds. The milling and baking industries have met the strong demand with larger outputs per plant and improved production and distribution. In addition, the industry has concentrated its operations by allowing a relatively large amount of its capacity to be held by fewer firms. Out-

put among the top four wheat flour and durum milling firms alone increased from 34 percent of the industry total in 1973 to 52 percent in 1987.

The number of U.S. wholesale bakers in 1982 was about 2,700, 10 times greater than the number of milling plants because bakery products are perishable. Although a few baking companies are quite large, many employ fewer than 20 workers. The number of in-store bakeries and specialty retail outlets jumped 37 percent between 1982 and 1987, challenging traditional wholesale bakers who sell their packaged products through supermarkets and grocery stores. Many wholesalers are investing in promotional activities to develop greater consumer loyalty and to increase their competitiveness with each other and with in-store bakeries. Wholesalers introduced more than 550 new bakery products in 1986, mainly to attract and hold consumers.

This report examines the structure, conduct, and performance of the U.S. milling and baking industries in the 1980's. It shows changes in plant numbers and gives information on capacities, concentration ratios, margins, and buying and selling practices. The publication is well documented with over 80 tables and graphs and a glossary.

The U.S. Milling and Baking Industries, AER-611. By Joy L. Harwood, Mack N. Leath, and Walter G. Heid, Jr. December 1989. $8.00.

Biotechnology and the Consumer

Biotechnology is not a product. It is a set of techniques for enhancing existing products and production practices. Most people are unaware that products they consume have a biotechnology component. The technology can reduce food costs, improve food quality, and enhance food safety.

Biotechnology research has moved from university laboratories and small companies to large industrial firms that are using the new techniques to improve their production methods and expand their product lines. But the new techniques raise some complex and sensitive regulatory issues. For example, although biotechnology safeguards are designed to protect the public against unintended environmental effects, genetically engineered organisms could become pathogenic or toxic to humans, could multiply in the environment leading to widespread human exposure, and could be difficult or impossible to control or eradicate. These types of effects are difficult to guard against because it is hard to predict a new organism's survival characteristics.

This report discusses the use of biotechnology in pest resistance and crop quality, veterinary and livestock products, and food processing, as well as its economic effects on agriculture and consumers.

Consumer Effects of Biotechnology, AIB-581. By John M. Reilly. December 1989. $3.00.

Harmony Between Foreign Aid and Farm Trade

Is technical assistance to agriculture in developing countries helping or hurting U.S. farm exports? The authors of this report maintain that both outcomes are possible, but neither is inevitable. The results of their study show that the kind of development project and the characteristics of the recipient country determine whether agricultural aid to developing countries is more likely to result in expanded U.S. markets or greater competition for U.S. farm commodities.

Agricultural aid is more likely to create demand for farm imports when it is combined with general development aid that promotes balanced economic growth. Higher agricultural incomes have a ripple effect, causing the general economy of the recipient country to grow rapidly, resulting in increased demand for farm imports. The ripple effect, however, depends on balanced development in all sectors, strong links between sectors, and government policy that refrains from interfering with these links. While aid is most likely to compete with food imports in the short run, it increases import demand in the long run.

The authors support their assertions with case studies of aid and trade with Taiwan and South Korea. They identify conditions that promote harmony between aid and trade, and evaluate alternative aid policies to developing countries at different stages of development.

Foreign Aid's Effect on U.S. Farm Exports: Benefits or Penalties?, FAER-238. By Alain De Janvry, Elisabeth Sadoulet, and T. Kelley White. November 1989. $5.50. ■