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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 ET).

Food Marketing Systems Announce Record Mergers

The U.S. food marketing system, the network of processors, wholesalers, retailers, and restaurants that market food from farmers to consumers, underwent major changes in 1988. The most notable were announcements of mergers and leveraged buyouts—the largest in numbers and magnitude in U.S. history. The four largest amounted to \$47 billion. These transactions continue to result in a greater share of the food system being controlled by fewer but larger firms.

Other records were set in 1988 for advertising and new product introductions. Retailers significantly increased their number of very large stores, and fast-food restaurants continued expanding menu selections. Profits of food manufacturers and retailers rose sharply as sales reached an estimated \$638 billion.

Food processors spent about \$8.5 billion on new plants and equipment, and \$1.4 billion on research and development. Productivity rose for many food processing industries, while output per hour declined for retail foodstores.

The increases in food prices in 1988 were about the same as for nonfood items. Volume of sales (adjusted for inflation) for food and nonfood items in grocery stores rose 1 percent, keeping pace with the population increase of .9 percent that year. The volume of restau-

rant sales rose 2 percent, over twice as fast as the population.

This 100-page review of the food marketing industry is about half text, analyzing the changes that occurred in 1988, and half tables, detailing trends and other changes in the industry.

Food Marketing Review, 1988, AER-614. Anthony Gallo (coordinator). August 1989. \$8.00.

Consumers Pay More But Spend Smaller Share of Personal Income on Food

Food prices rose 4.1 percent in 1988, the same increase as in 1987. Consumers spent \$395 billion for foods produced on U.S. farms in 1988, about 5 percent more than in 1987.

Prices rose at a far higher rate in the second half of 1988 than in the first. The fourth-quarter rise in prices, the highest since 1980, was due to the effects of severe drought and other market forces.

Although the dollar amount spent for food continues to rise, food spending as a percentage of personal income has declined over the past decade. In 1988, personal expenditures for food were 11.8 percent of total personal disposable income, down from 13 percent in 1983.

The farm-to-retail price spread rose 4.7 percent in 1988 reflecting higher profit margins on food sales and larger packaging, advertising, and other costs. Greater use of labor per unit of output was due to more use of service departments in supermarkets, such as in-store bakeries and delicatessens.

This ERS report, published annually in July, explains which factors cause food prices to change, how much of the

food dollar is represented by the farm value, and how the dollar is divided among costs of producing and marketing.

Food Cost Review, 1988, AER-615. By Denis Dunham. July 1989. \$8.00.

Puerto Rico's Beef Imports Hurt Local Prices, Production

Puerto Rico imports more beef, relative to local production and population, than does the U.S. mainland, and its imports are hurting prices for domestically grown beef, lowering production. Lean Puerto Rican beef, unlike that from the United States, is similar in price and quality to Central American meat, but small-scale production and marketing, high land values, and easy access to lower cost Central American meat hurts the Puerto Rican producers' competitive position.

This study shows how curtailing imports would significantly boost Puerto Rican beef prices, production, and consumption, but such restrictions may violate U.S. trade agreements.

Effects of Meat Imports on the Puerto Rican Livestock-Meat Industry, AER-605. By Lawrence Duewer, Kenneth Nelson, and Terry Crawford. March 1989. \$5.50.

Can Food Quality and Safety Be Improved with Irradiation?

Growers, food companies, and regulators continually search for cheaper and more effective ways to reduce food losses and improve the quality and safety of foods. At the same time, many consumers and regulators are dissatisfied



with some of the chemical preservatives and fumigants used in food.

Irradiation may be a technically viable substitute for some of these post-harvest and slaughter treatments. This report provides information on irradiation's economic viability as a food process.

An Economic Analysis of Electron Accelerators and Cobalt-60 for Irradiat-

ing Food, TB-1762. By Rosanna Mentzer Morrison. June 1989. \$5.50.

Food Aid to Africa Projected To Be 25 Percent of Consumption

Low and variable food production in Africa, when not supplemented by commercial and food aid imports, affects food consumption, causing severe food shortages and famine during drought years. Weather primarily determines production, while ability to pay, based on net credit flows plus export earnings, determines the amount of imports.

This study projects the need for additional food aid in African countries during the 1990's based on previous trends,

and the possibility of good or bad weather. The range of need for additional food aid varies widely, depending on a country's response to changes in the weather. Under the bad weather scenario, all but one of the African countries studied are projected to have additional food aid needs in the 1990's, with food aid contributing almost 25 percent of consumption.

Consumption Stability and the Potential Role of Food Aid in Africa, AGES 89-29. By Stacey Rosen. June 1989. \$5.50.

Shifts are Occurring In Farm Production, Supply, and Consumer Demand

The U.S. food and fiber industry, from farm to retail, is considered one of the largest sectors in the economy. In 1985, the industry contributed over 17 percent to the gross national product and provided employment to one-fifth of the nation's work force.

This study presents the regional trends in farm production, market supply, and retail consumption of agricultural products over the last 35 years. Shifts have occurred as a result of the industry's efforts to adjust to changing economic, political, technological, and demographic conditions.

Regional Trends and Spatial Characteristics of U.S. Supply and Demand for Farm Output, AGES 89-25. By J.R. Bacon, C.M. Gempesaw, and C.R. Handy. June 1989. \$5.50. ■