



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

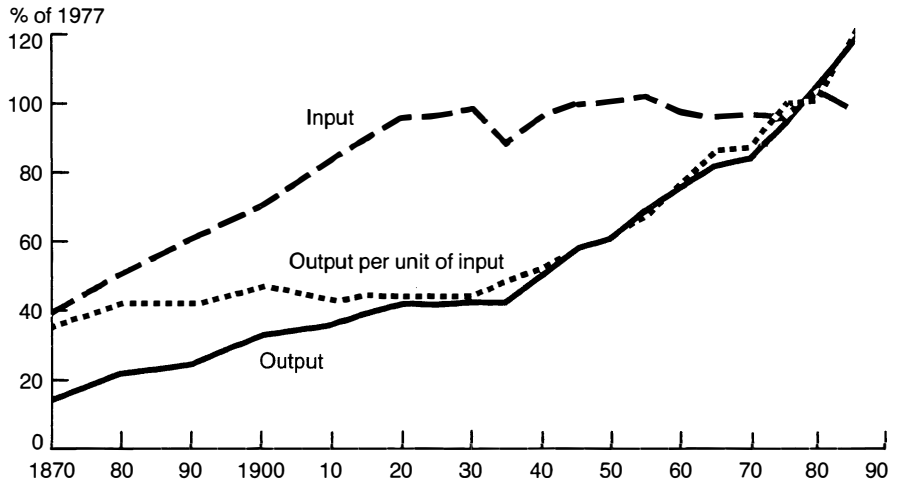
*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



Changes From Farm to Retail

Changes in agriculture boosted productivity. Output per unit of input rose 243 percent between 1870 and 1985, much of it during the past 30 years. These increases resulted from many factors, including the expansion of the Nation's agriculture into the more productive lands of the Midwest, shifts among crops, and improvements in farm management, pest control, and cropping techniques. Applied genetics alone has probably accounted for as much as 50 percent of harvest increases since the 1930's.

Greater Farm Productivity Means More Output From Inputs

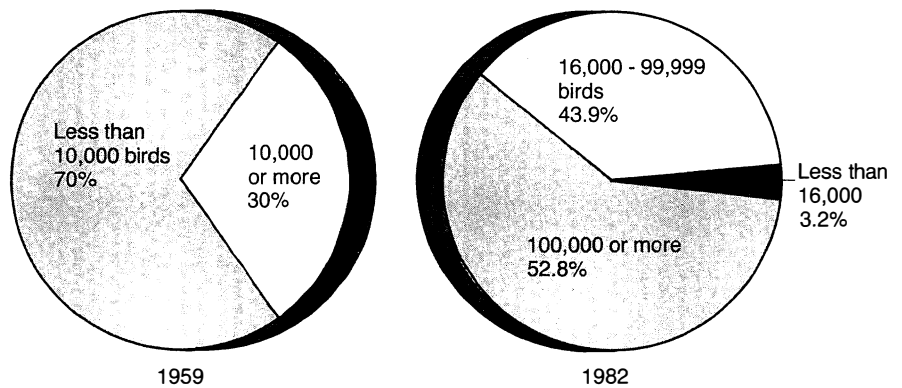


1985 preliminary.

Turkey production is a good example of expanded productivity in the farm sector. Turkey production has evolved from a secondary farm enterprise to a highly specialized industry over the past three decades. Specialization has meant fewer but larger operations. The number of farms producing turkeys, as listed in the Agricultural Census, dropped from 88,399 in 1959 to 26,638 in 1978. Most of the farms produced turkeys for home use, and by 1982, only 7,498 farms sold turkeys commercially.

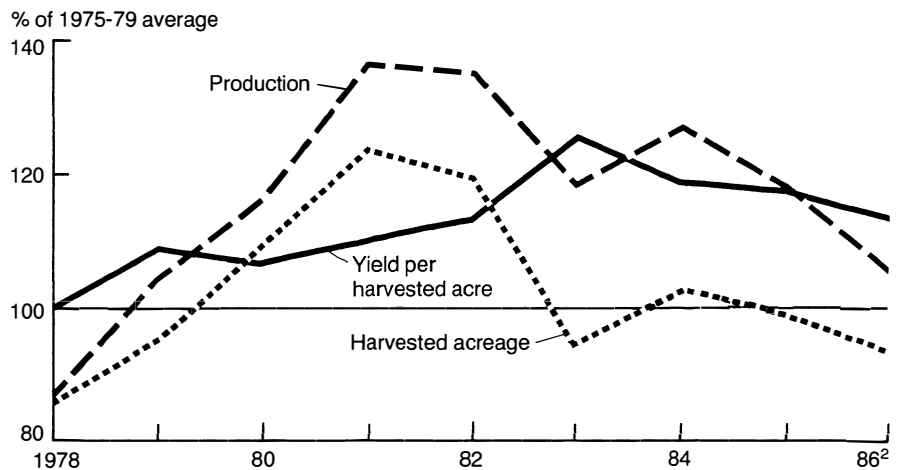
In 1959, 70 percent of turkeys were sold by farms with less than 10,000 head. By 1982, one-third of the farms raising turkeys sold 96 percent of all the birds. Farms with more than 100,000 head accounted for about 53 percent of all turkeys sold.

Larger Operations Account For Greater Share of Turkeys Sold



The widening use of high-yielding varieties of wheat has maintained U.S. production despite lower harvested acreage. Yield per harvested acre has risen 13 percent from the 1975-79 average, while acreage declined about 1 percent. Total production in 1985 was 18.5 percent above the 5-year average. In 1985, record yields in many producing States often increased production, despite heavy participation in Government acreage reduction programs. Preliminary estimates for 1986 indicate production likely exceeded the 1975-79 average by about 6 percent, despite an almost 7-percent decline in harvested acreage.

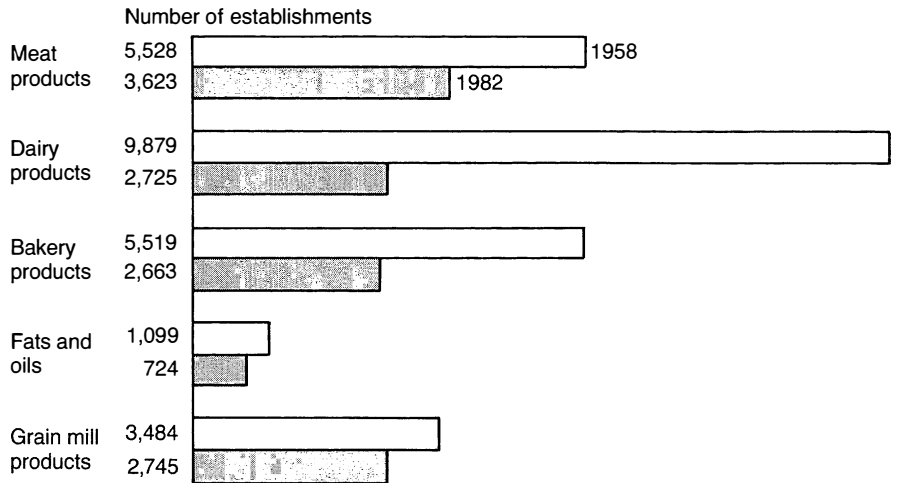
Wheat Acreage Declines While Yields Rise¹



¹Crop year beginning June 1. September 1, 1986, indications.
²Preliminary.

Changes in the number and size of food processors have paralleled changes in the number and size of U.S. farms. The farms are fewer, and they are larger. All categories of manufacturing establishments processing the major farm products declined between 1958 and 1982, with the largest drop in the dairy industry. The smaller number of food processing plants, however, handled a substantially larger quantity of raw agricultural products. Improvements in transportation and processing techniques have made large-scale plants far more efficient.

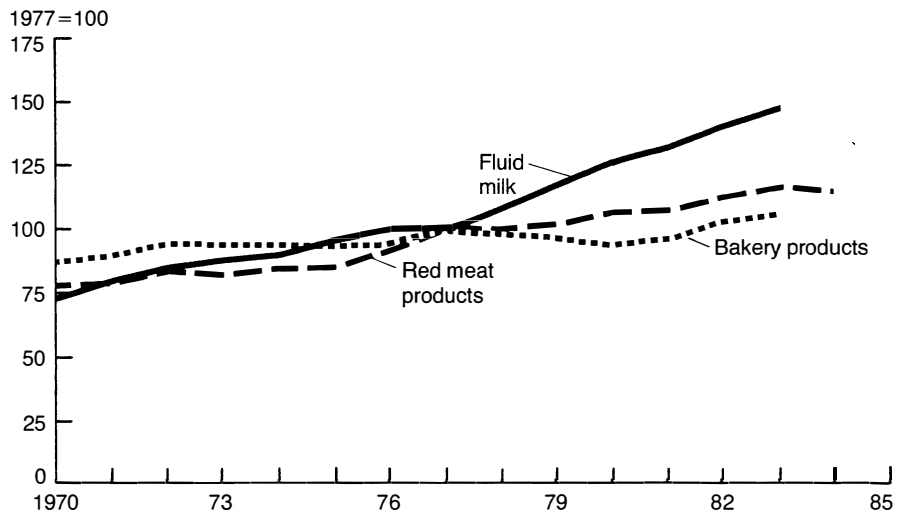
Food Processing Also Shows Trend Toward Fewer But Larger



Source: 1958 and 1982 Census of Manufactures.

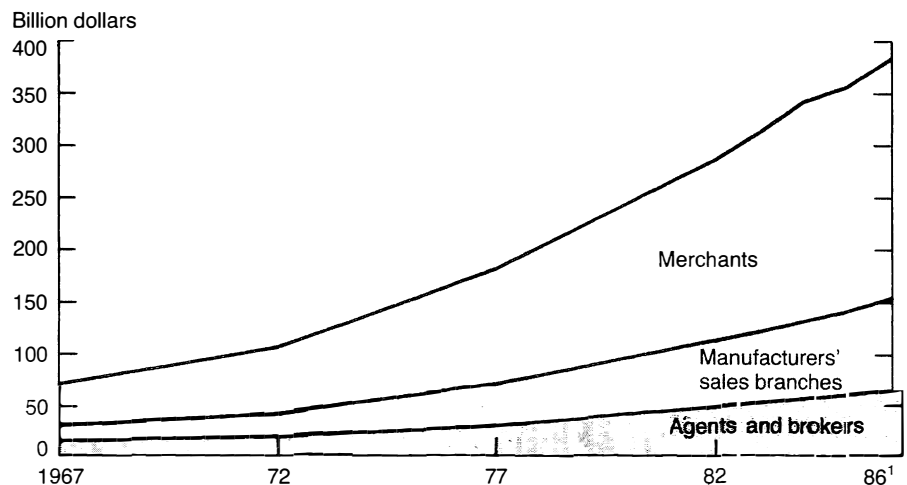
Output per unit of labor in food manufacturing has shown a steady increase of 2 to 3 percent a year over the past 15 years. These increases have resulted from an upward trend in output and a small decline in hours worked, reflecting in part the substitution of capital for labor as a consequence of new technology. Labor productivity among food manufacturers has increased the most for fluid milk processors. However, productivity has grown erratically for most other industries, partly because of ups and downs in farm output and business conditions.

Output Per Unit of Food Manufacturing Labor Gained Steadily



Sales by food wholesalers have grown about 10 percent a year over the past two decades and likely reached \$385 billion in 1986. Increases in the number of independent supermarket operations, rapid growth in convenience stores, and expanded service to chain stores have spurred demand for food wholesalers' services.

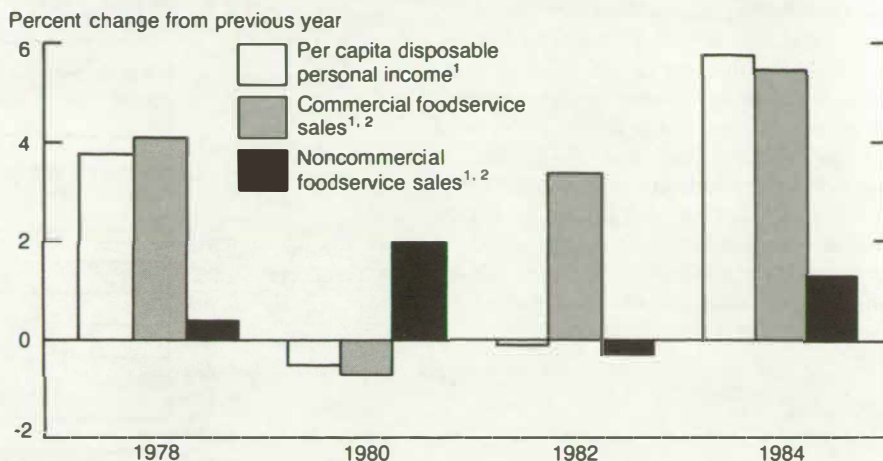
Sales by Food Wholesalers Show Rapid Growth



¹Estimated by Economic Research Service.

Looking at year-to-year changes reveals the impact of real income (adjusted for inflation) and other factors on foodservice sales. Factors contributing to slow growth from 1980 to 1982 include declines in real per capita disposable personal income (DPI), a sharp drop in median family income during 1979-82, high energy prices (which not only meant increased costs for foodservice operations but also influenced consumers to stay home more), and greater increases in foodservice menu prices than in grocery store prices. The economic upturn in 1983 and 1984—characterized by sizable increases in gross national product and per capita DPI, lower rates of inflation and unemployment, and lower energy prices—spawned significant increases in foodservice sales.

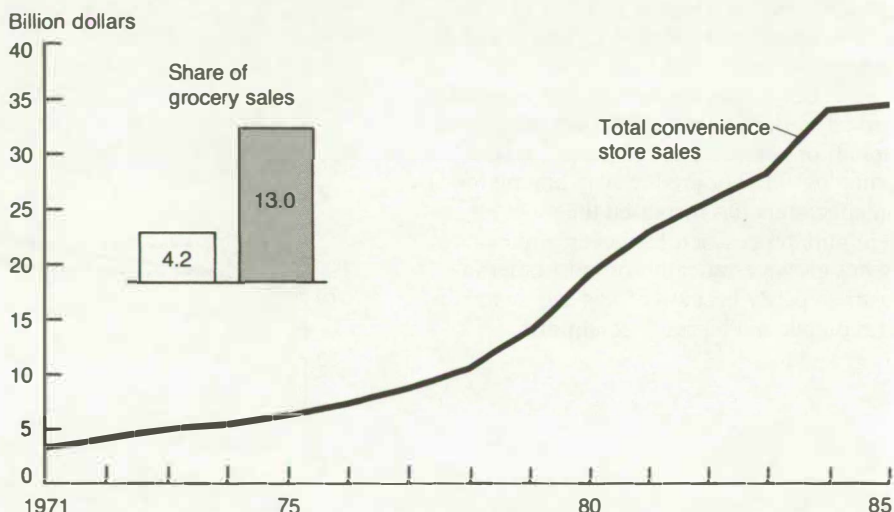
Income and Other Factors Influence Foodservice Sales



¹Adjusted for inflation.
²Commercial foodservice places include restaurants, cafeterias, and other separate eating and drinking outlets. Noncommercial operations include schools, hospitals, vending machine, etc.

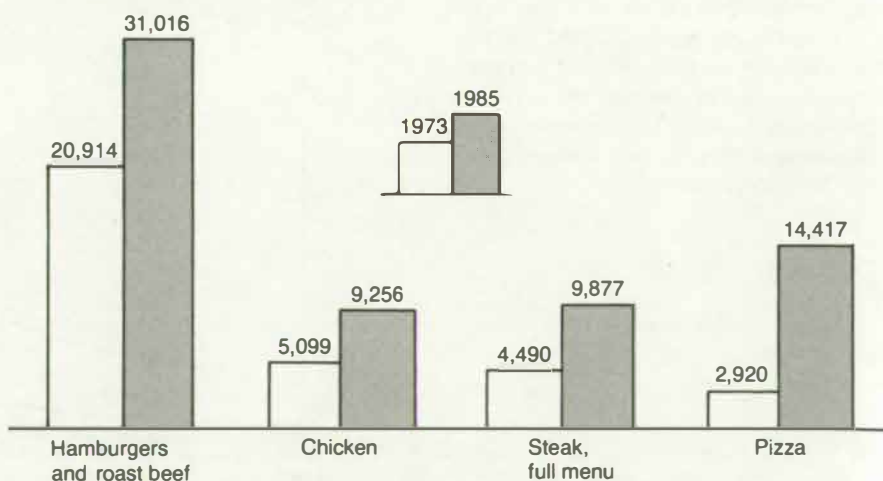
Convenience stores—small grocery stores that offer a limited number of food and other products and are usually open long hours—have taken advantage of today’s opportunities for growth. Convenience stores have continued to maintain high growth rates by introducing such products as self-service gasoline and fast food. A number of convenience store retailers have installed limited-menu food service, often with customer seating as well as carryout service. As a result, convenience stores accounted for 13 percent of all grocery store sales in 1985, up from 4.2 percent in 1971.

On-the-Go Consumers Boost Convenience Store Sales



Eating away from home increased from 28 percent of our food spending in 1962 to over 43 percent in 1985, with fast food outlets getting a growing share. Between 1973 and 1985, the number of franchise establishments that primarily sell chicken rose almost 82 percent, while those selling primarily hamburgers and roast beef increased 48 percent. Pizza franchises were the big winners, rising almost 400 percent between 1973 and 1985.

Pizza Franchises Show Largest Increase Since 1973



Source: U. S. Department of Commerce, *Franchising in the Economy*.