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Farm Foods and the Marketing Bill¹

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Consumers spent \$208 billion in 1978 for domestically produced farm foods, including food purchased directly from retail foodstores, restaurants, and other public eating places.

Personal consumption expenditures (PCE) for food totaled \$239 billion in 1978. This amount is larger than farm-food expenditures because it includes imported foods, fishery products, food furnished to military personnel, and food consumed on farms where produced. These items are excluded from USDA estimates for farm foods. On the other hand, the PCE estimate excludes foods served in institutions and food purchased as a business expense—items that are included in USDA data.

Expenditures for farm foods rose about 11 percent in 1978, mainly due to the 10-percent rise in retail prices, while the volume of farm food marketed increased about 1 percent. The rise in expenditures in 1978 reversed a slowing in the rate of increase during the past 4 years.

Farm Value

The marketing system received about \$67 per \$100 for food products purchased by or for civilian consumers in 1978. This was 17 percent above 1977 and the first significant annual increase in farm value since 1974. Higher farm prices, particularly for meat animals, accounted for most of the increase.

Farm value represented 32 percent of the retail value expenditures for farm foods in 1978. This was 1 percentage point higher than in 1977, but was below the decade average of 33 percent.

¹Editors Note: For a more complete description of these data write for a free copy of *Developments in Marketing Spreads for Food Products in 1978*, AER 420, March 1979. USDA, ESCS Publications Unit, Rm. 0054, S. Bldg., Washington, D.C. 20250.

These data are a composite of both foodstore and away-from-home food sales. Farm value represents a higher portion of the expenditures through retail foodstores than in away-from-home eating places and reflects the lower services per unit of food marketed. Farm value was about 39 percent of the expenditures at foodstores in 1978, compared with about 19 percent of away-from-home expenditures.

Marketing Bill

The marketing bill is the total annual charge for transporting, processing, and distributing domestic farm foods. It is the difference between what consumers spend for these foods, including both foods consumed at home and away from home, and the farm value (payments to farmers for food products).

Marketing bill data on a year-to-year basis provide a general description of

the changes taking place in the non-farm food sector. Both practical limitations on availability of data and weaknesses in estimating procedures result in a high degree of averaging for some cost estimates. Therefore, the statistics should be accepted as general indicators of nonfarm food costs.

The 1978 marketing bill for farm foods totaled \$141 billion—9 percent higher than in 1977. The 1978 increase was above 1977's 6 percent, but below the double-digit increases in 1976 and 1975. Last year's increase in the bill was the result of rising input costs, particularly for labor and packaging materials.

The increase in the bill accounted for slightly over half of the rise in the expenditures for farm foods in 1978, the smallest contribution since 1973 when the increase in farm value exceeded the increase in marketing costs. While a substantial increase in farm prices pushed food expenditures

Rates of Change: Personal Consumption and Farm Food Expenditures, Farm Value, and Marketing Bill

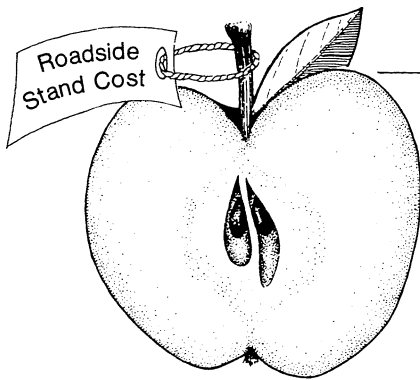
	1968-78	1973-78	1977-78
	Percent		
Personal consumption expenditures (food)	8.8	10.3	10.3
Consumer expenditures	8.1	8.8	11.4
Farm value	8.3	5.7	16.9
Marketing bill	8.0	10.5	9.0
Labor ¹	9.0	10.2	10.4
Packaging materials	8.5	10.2	9.3
Transportation (hired) ² . .	9.2	12.5	8.0
Corporate profits (before taxes)	10.2	12.0	11.8
Other ³	5.6	10.2	6.1

¹Includes supplements to wages and salaries such as pensions and health insurance premiums. Also includes imputed earnings of proprietors, partners and family workers not

receiving stated remuneration.

²Does not include local hauling charges.

³Includes business taxes, depreciation, rent, advertising, interest, energy, and other costs.



higher in 1978, nonfarm costs have been the most persistent source of rising food expenditures. From 1973 to 1978, the marketing bill rose 65 percent, more than double the percentage increase for farm value.

Marketing charges account for a larger portion of away-from-home food expenditures than for foodstore expenditures because of added costs of food preparation and services. In 1978, marketing charges represented 81 percent of away-from-home expenditures, compared with 61 percent for foodstore purchases.

Component Cost

Direct labor is the largest cost of processing and distributing farm foods, totaling \$66 billion in 1978. Containers and packaging materials are the second largest component of the marketing bill. Last year, these costs amounted to \$17.7 billion, up 9 percent from 1977. Higher producer prices accounted for most of the increase. Producer prices of glass bottles and metal cans rose faster than most other packaging materials. Wholesale prices for these products increased 14 percent and 13 percent, respectively. In contrast, paper product prices rose less than 6 percent.

Rail and truck transportation amounted to \$10.8 billion in 1978, an 8-percent increase over 1977, due largely to increased freight rates. Railroad freight rates for food products rose 7.7 percent in 1978. Truck rates also increased, but at a slower rate. In 1978, truck rates for fresh fruits and vegetables rose 7 percent.

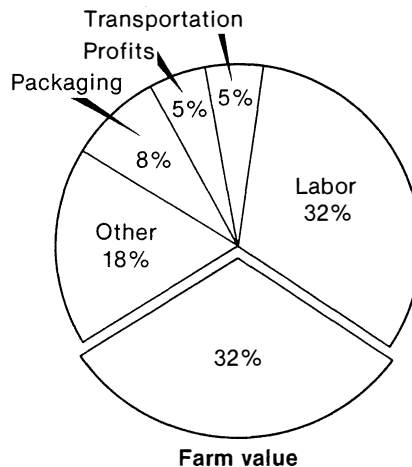
From 1973 to 1978, transportation costs increased at a compound rate of 12.5 percent, higher than any other cost component. The higher rate was largely due to freight rate increases granted by the Interstate Commerce Commission to offset higher fuel prices and improve the return on capital invested by the railroads.

Profits before taxes earned by cor-

porate firms marketing U.S. farm food accounted for 7 percent of the marketing bill and totaled \$9.5 billion in 1978, about 12 percent above 1977. Most of the profit rise was due to increased sales since profits per dollar of sales remained near the 1977 level for most of the food marketing sector. Profit ratios for the leading food retailers increased slightly from 1977 to 1978. Corporate profits rose at a compound rate of 10.2 percent from 1968 to 1978, compared with 8.0 percent for the total marketing bill.

Labor, packaging materials, transportation, and corporate profits account for about 74 percent of the marketing bill. However, numerous other costs are incurred in performing marketing functions. These costs include business taxes, energy, depreciation, rent, advertising, repairs, interest, and various others. In 1978, these costs totaled \$36.5 billion, 6 percent above 1977. □

Components of Retail Expenditures for Farm Foods: Marketing Billⁱ



For domestic farm foods purchased by civilian consumers for consumption both at home and away from home. 1978 preliminary.

Away from Home Expenditures

	Public eating places ¹	Institutions ²
Billion dollars		
Consumer expenditures		
1968	21.7	5.5
1972	28.9	7.4
1973	31.9	7.8
1974	35.5	9.0
1975	41.3	10.3
1976	45.5	10.8
1977	49.3	11.5
1978 ³ . . .	54.9	12.9
Marketing bill		
1968	17.0	4.7
—	—	—
1972	23.0	5.9
1973	24.5	5.9
1974	27.1	6.8
1975	31.9	7.9
1976	37.1	8.6
1977	40.9	9.2
1978 ³ . . .	45.0	10.2
Farm value		
1968	4.3	1.2
—	—	—
1972	5.9	1.5
1973	7.4	1.9
1974	8.4	2.2
1975	9.4	2.4
1976	8.4	2.2
1977	8.4	2.3
1978 ³ . . .	9.9	2.7

¹ Includes restaurants, cafeterias, snack bars, and other eating establishments.

² Includes the value of food served in hospitals, schools, colleges, rest homes, and other institutions.

³ Preliminary.