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11.3 percent in 1974. Long-term rates, while not fluctuating as much, have risen steadily since 1967.

Even with this escalation in the cost of money, firms almost doubled their borrowing since 1967. This increase is due in part to the inability of firms to raise investment capital through traditional methods because of a depressed stock market and the higher inflation-induced costs of corporate bonds. In the past decade, the corporate bond rate has frequently been above the short-term bank loan interest rates as investors have been unwilling to pledge their capital for the long term in an inflationary period. Some of the capital requirements were met by an increase in renting.

### Conclusion

This detailed exposition of the minor cost components should indicate two things. First, these cost components comprise a significant portion of the marketing bill for farm foods. They vary in relative importance from food industry subgroup to subgroup, depending mainly upon the number and size of firms in the subgroup.

Secondly, as is the case for all of the cost components, they are increasing not because of an increase in the volume of food

## MINOR COST COMPONENTS BY MARKETING SUB-GROUP

	1967	1972	1977*
<i>Million Dollars</i>			
Business taxes			
Processors	1,077	1,433	2,349
Wholesalers	258	421	755
Retailers	425	584	897
Eating places	621	846	1,444
Depreciation			
Processors	649	882	1,445
Wholesalers	231	369	650
Retailers	379	462	723
Eating places	504	631	1,047
Rent			
Processors	149	215	352
Wholesaler	180	259	469
Retailers	497	560	901
Eating Places	728	932	1,595
Advertising			
Processors	848	998	1,635
Wholesalers	116	161	289
Retailers	392	397	626
Eating places	175	280	478
Repairs, bad debts, contributions			
Processors	335	477	782
Wholesalers	150	260	474
Retailers	157	221	351
Eating Places	224	302	506
Interest			
Processors	150	320	525
Wholesalers	77	151	270
Retailers	63	100	163
Eating places	121	192	309

\*Projection.

marketed, but rather because of factors influenced mostly by forces outside the food marketing sector. Highly diverse forces—including

demographic, social, and economic changes—have been having significant impacts on food marketing costs and food prices.

## THE FARMER'S SHARE: A SUMMARY OF STATISTICAL MEASURES

By William T. Boehm and Michael Belongia

Identifying and monitoring the farmer's share of the food dollar is a responsibility of USDA. But developing a measure to adequately satisfy requests for such information is not as easy as it may appear. By one set of numbers, 26 cents of the U.S. consumer's food dollar went to American farmers last year. Doing the calculations another way, the farmer's share was 39 cents.

Total household expenditures for all food items were about \$218 billion in 1977. This "total" includes purchases for con-

sumption at home as well as the food and related services purchased by individuals for consumption away from home. The expenditures for food away from home were about \$57 billion (26 percent).

U.S. farmers in 1977 reported gross receipts of about \$57 billion, excluding nonfood items such as cotton and wool. Farmers received \$46 billion for food products sold for use at home.

Judging by those numbers, it might be concluded that the farmer's share of the U.S. food dollar

was 26 percent (\$57 billion divided by \$218 = 0.26). However, this method exaggerates the influence of the relatively high service component for the away-from-home food expenditures. In addition, the total food category includes the expenditures for foreign foods and fish products, which aren't produced by U.S. farmers.

To overcome these difficulties, analysts often isolate food expenditures for the "domestically produced farm foods" as an expenditure category. Expenditures for domestically pro-

## ALTERNATIVE MEASURES FOR 1977 U.S. EXPENDITURES ON FOOD, AND THE FARMER'S SHARE VARIOUS "FOOD DOLLARS"

Definitions of expenditures	Estimated expenditures	Farmer's absolute dollar share of expenditures	Farmer's percentage share of expenditures
	<i>Dollars</i>	<i>Dollars</i>	
All foods including U.S. farm foods, imported foods, and fish	218 billion	57 billion	26
U.S. farm foods for both at-home and away-from-home consumption	179 billion	57 billion	32
U.S. farm food for at-home consumption	124 billion	46 billion	38
Retail value of the 65-item U.S. farm food market basket	1,937	751	39

duced foods in 1977 were about \$179 billion. Thus, the farmer's share of the domestically produced foods was 32 percent (\$57 billion divided by \$179 billion = 0.32).

Another frequently used approach is to isolate the "at home" portion of the expenditures for domestically produced farm foods. In 1977, expenditures for the domestically produced food items consumed at home were about \$124 billion (70 percent of the total spent for food at home). The farmer's share was about 38 percent

(\$46 billion divided by \$124 billion = 0.38).

Finally, USDA maintains its own statistical series to monitor the farmer's share of the food dollar. That series includes retail costs and associated farm value for about 65 food items. The items represent domestically produced food items purchased for consumption at home by "typical U.S. urban families with moderate incomes." The retail values, farm values, and corresponding price spreads are reported monthly,

quarterly, and annually. Since the quantity weights in the market basket are fixed, the retail and farm values serve as indices for the measurement of price change.

In 1977 the retail value of the foods in the market basket was \$1,937, and the farm value, \$751. Therefore, the farmer's share of the total value of the foods in the USDA market basket was 39 percent (\$751 divided by \$1,937 = 0.39). This statistic, frequently reported as the "farmer's share of the food dollar" by the Department, has been relatively stable, at about 40 percent, for the last 30 to 40 years. In 1973, its value did increase quite dramatically, however, to about 46 percent.

At first thought, it would seem a relatively simple task to record and report on a timely basis just what proportion of the food dollar goes to farmers. But, there are no simple answers. To accurately monitor the "farmer's share" requires some rather precise definitions of the term "food," as well as some fairly accurate measures of expenditures. The next article by Dennis Dunham (ESCS Agricultural Economist) reviews the most recent USDA data reporting the "farmer's share."

## THE FARMER'S SHARE

By Denis Dunham

Whenever food prices increase, consumers want to know why. They ask how much of the food dollar farmers are receiving and who gets the difference. Likewise, farmers look at prices in the supermarket and at the prices they are being paid for farm products and they want to know what becomes of the difference, and why it varies so much among products.

Food prices include payments for both the raw farm product and the marketing services. The farmer's share as computed for a market basket of U.S. farm foods averaged 39 percent in 1977. The remaining 61 cents went to pay for marketing costs—including transportation, processing, and distribu-

tion. In both cases, the shares measure gross returns prior to any deduction for production or marketing costs.

The farmer's share of the food dollar moves up and down over time reflecting relative changes in prices received by farmers and retail food prices. Over the past 30 years the farmer's share has been relatively stable at about 40 percent of the food dollar. In the past 10 years, it has ranged from a low of 38 percent in 1971 to a high of almost 46 percent in 1973 when farm prices were at record levels. Since 1973, the farmer's share has declined each year and is now at its more usual level of about 39 percent.

### Variation by Type of Product

The USDA market basket contains 65 food products produced on U.S. farms. Among these items, there are wide variations in the farmer's share from the market basket average of 39 percent. In 1977, it averaged 65 percent for eggs, 63 percent for butter, and 12 percent for canned tomatoes. The farm value of the wheat in a 5-pound package of flour averaged 25 percent and the wheat in a 1-pound loaf of bread amounted to 8 percent of the retail price. The value of all farm products used to make a loaf of bread was about 13 percent.

An accompanying table gives