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per person from the 1977 level, due to the higher prices.

Conventional corn sirup use will be slightly above 1977. High fructose corn sirup usage will continue to show substantial gains as this product becomes more competitive with sugar for some industrial uses.

Fruits and Vegetables. Retail prices for fresh and processed fruit during the first half of 1978 will be up from a year earlier. This is a reflection of generally smaller supplies.

The 1977-78 citrus crop is estimated to be 7 percent smaller than the previous crop due partly to damage associated with the January 1977 freeze in Florida. The smaller orange crop and lower supplies of frozen concentrated orange juice have resulted in higher prices for both. In addition, reacting to more freezing temperatures in Florida this year and relatively good demand in the face of higher prices, wholesale prices of frozen concentrated orange juice have increased.

Storage stocks of apples and pears are also smaller than a year ago. Retail prices for both have been above last year and will increase seasonally until the new harvest begins this summer.

Supplies of canned noncitrus fruit on January 1 were smaller than last season. Prices for most canned fruit items will continue above year earlier levels, reflecting both smaller supplies and increased costs of processing.

Raisins and prunes are more plentiful this year after last year's abnormally small supplies. Frozen fruit supplies, especially cherries and strawberries, are abundant.

Heavy rains in central sections of California have delayed and disrupted normal planting and harvest activity of several vegetables. The volume, and sometimes the quality, of lettuce, celery, carrots, and broccoli, have been lower than earlier expectations.

Head lettuce planting activity in the important Salinas Valley was not able to proceed normally. This will leave a gap in mid-April to mid-May supplies. F.o.b. prices

will be advancing, and are expected to hold well above year earlier levels.

With the exception of processed tomato products, prices for wholesale canned and frozen vegetable prices have been firm to slightly stronger in recent weeks. This reflects generally good institutional and retail demand for these products. Tomato acreage probably will be cut substantially in 1978, but no big change in the total of all other processing crops combined is expected.

Potato prices are expected to continue below a year ago into the spring months. March 1 potato stocks were 6 percent above a year earlier, even though fall 1977 potato production was 1 percent less than the record in 1976. Processed potato consumption, especially frozen, is expected to show a larger gain in 1978 than table use.

Food Fats and Oils. Per capita use of food fats in 1978 is expected to increase. Gains are anticipated for margarine, shortening, and cooking and salad oils. The expansion will be mostly in products made from vegetable oils, as animal fats—butter and lard—are expected to show little change from last year.

Abundant supplies of vegetable oils should encourage use. Production of both soybean and cotton-

seed oils will be up sharply as a result of increased soybean and cottonseed production in 1977. Sunflower oil—an expanding domestically produced vegetable oil—also will be up sharply, but imports of palm and coconut oils likely will be down.

The prospects for large soybean plantings this spring should keep downward pressure on vegetable oil prices. Also world production of competing food fats and oils are expected to increase.

Peanut supplies in 1977/78 are down about a tenth from the previous year due to the smaller 1977 peanut crop. Nevertheless, supplies are adequate to meet edible requirements at about the current price level, and per capita use is expected to be up slightly from last year.

Cereal and Bakery Products. Moderately higher prices are expected for 1978. Wheat prices have been rising from last summer's lows and will be reflected in increased ingredient prices to both flour mills and bakers. Also, upward pressure on marketing and distribution cost supports strengthening retail prices.

Winter wheat acreage is indicated to be 14 percent below last year. Farmers are adjusting production downward in response to last year's low wheat prices and the Government's acreage set-aside program.

USDA FOOD PROGRAMS

By Fredericka Bunting and Thomas Stucker

An average of over 14 million people participated in the Food Stamp Program during October-December 1977, a 9-percent decline from the nearly 16 million participating a year earlier. Most of the decrease has been among those not receiving other forms of public assistance. Nonpublic assistance participation averaged 6.7 million during this period, a decline of over 1 million from a year earlier. Participation among those receiving public assistance fell

nearly 1½ million to 7½ million.

As a result of less participation, Federal expenditures on food assistance in the form of bonus stamps dropped 6 percent, from \$1,107 million during October-December 1976 to \$1,037 million. However, largely as a result of the July cost-of-living adjustment in the value of the coupon allotment, the average bonus received per participant rose 3 percent, from \$23.44 a month in the fourth quarter of 1976 to \$24.11 in the fourth quarter of 1977.

General increases in employment should continue to influence lower levels of participation, especially among participants not receiving public assistance. However, several factors could reduce

Federal cost of USDA food programs (50 States and District of Columbia only), 1972-1977

Item	1972	1973	1974	1975	1976	1977				
						I	II	III	IV ¹	
<i>Million dollars</i>										
Food stamps										
Total issued	3,615	4,049	5,868	7,680	7,818	1,960	1,866	1,815	1,784	
Bonus stamps ²	1,980	2,209	3,498	4,602	4,657	1,172	1,095	1,069	1,037	
Food distribution ³										
Needy families	225	152	87	11	8	3	3	3	2	
Schools ⁴	275	253	355	364	448	204	100	88	136	
Other ⁵	39	48	36	33	33	14	13	11	11	
Child nutrition ⁶										
School lunch	785	939	1,137	1,340	1,505	523	400	197	525	
School breakfast	28	43	67	94	118	43	35	20	49	
Special food ⁷	43	52	87	116	240	29	43	132	32	
Special milk	91	63	90	134	147	48	38	20	46	
WIC ⁸	---	---	33	106	182	61	68	71	81	
Total ⁹	3,466	3,784	5,390	6,800	7,337	2,096	1,793	1,612	1,921	

¹ Preliminary. ² Includes Food Certificate Program. ³ Cost of food delivered to State distribution centers. ⁴ Includes Special Food Services. ⁵ Includes supplemental food, institutions, elderly persons. ⁶ Money donated for local purchase of food. Excludes nonfood assistance. ⁷ Includes child-care and Summer Food Programs. ⁸ Special Supplemental Food Program for Women, Infants, and Children begun January 1974. ⁹ Excludes those food stamps paid for by the recipient. Do not add to rounding.

the magnitude of participation declines. In January 1978, the coupon allotment was increased by slightly more than 2 percent to reflect higher food costs. This adjustment will increase Federal expenditures for those currently enrolled, and also increase the number of persons eligible to participate.

Persons are currently eligible to participate in the program if costs of the foods included in USDA's Thrifty Food Plan exceed 30 percent of family income. As the cost of the foods in the Thrifty Food Plan rises, adjustments are made in the value of the coupon allotment a family receives. However, because eligibility is based on the cost of the Thrifty Food Plan as a percentage of family income, as that cost rises, so does the maximum level of income a family may earn and be eligible to participate.

In addition, because of changes in Food Stamp regulations made effective January 1978, the cost to the recipient of the allotment of stamps will be reduced if families can show significant increases in their utility bills, thus adding further inducement to join the program. Families already in the pro-

gram are to receive notice of this regulation by mail so that the cost of their allotment of stamps may also be adjusted to reflect higher utility bills. Moreover, recent changes in Food Stamp rules requiring that participants receive written notice that their eligibility is ending will probably ensure that those wishing to remain in the pro-

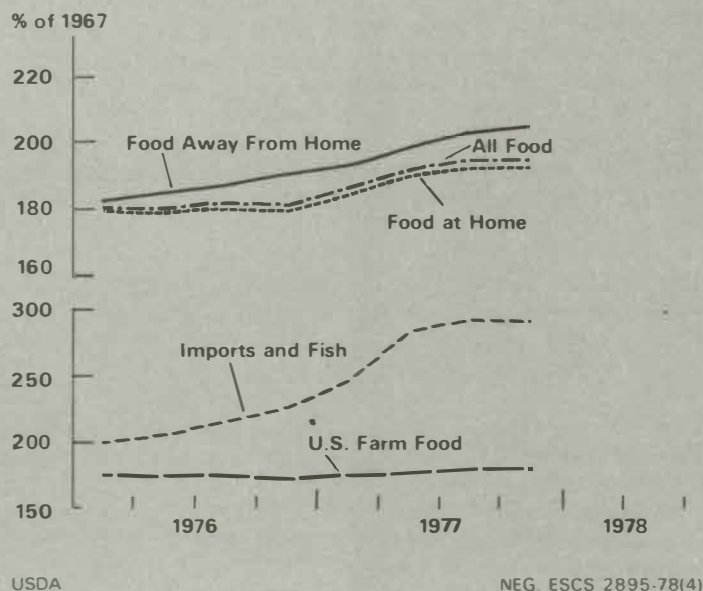
gram reapply before benefits are discontinued.

Child Nutrition Programs

Participation in the School Lunch Program during the fourth quarter of 1977 was slightly higher than in the same period of the previous year, with 26.4 million students participating. Federal expenditures for the program included \$525 million in cash and \$131 million in commodities or cash in lieu of commodities. School Breakfast Program participation has increased, and Federal expenditures increased \$9.4 million since October-December 1976. The amount of milk distributed in the Special Milk Program declined by over 14 million half pints, with expenditures declining by \$1.2 million.

Benefits under several child nutrition programs have been adjusted upward due to increases in their adjustment index, the food away-from-home series of the Consumer Price Index. States will receive more commodities, or more cash in lieu of commodities, to assist schools and nonresidential child care institutions participating in the School Lunch and Child Care food programs. The

MAJOR COMPONENTS OF CPI - FOR ALL FOODS



value of commodity or cash "reimbursement" is increased from 11.75 cents to 12.75 cents per lunch served. This new reimbursement rate will be effective from July 1, 1977, through June 30, 1978. The rate will be adjusted retroactively this year and then at the beginning of each school year in successive years.

The reimbursement rate for the Special Milk Program has been increased from 6 cents to 6.25 cents per half-pint of milk served to paying children for the period July 1, 1977, through June 30, 1978. This rate change is also effective retroactively this year, with future changes at the beginning of each school year.

In two other actions, USDA altered its distribution policy for specific commodities. Increased quantities of rice, flour and other grain products, dairy products, and peanut products are being offered to schools for improvement of their lunch programs. USDA stocks of these commodities have increased substantially in recent months, spurring the Department to offer them to schools, at no charge, above and beyond the regular reimbursement.

A separate action discontinued service of extra free milk with meals, effective Feb. 1. In response to Congressional concern that some free milk was being wasted, the extra half-pints available free to needy children during meals was discontinued. Needy children desiring an extra half-pint of milk will be able to purchase it at low prices.

Responding to preferences expressed by students and food service workers, USDA began in January to offer brown rice to schools through the Food Distribution Program. Milled white rice has long been a staple in the program, and now brown rice has been added to the list of price-supported commodities available.

Several regulatory proposals have been issued regarding child nutrition programs. Proposed regulations for contractual arrangements between School Lunch Pro-

gram schools and food service management companies and vendors include provisions which:

- Require state agencies to develop and issue standard contracts for schools to use when contracting for food service.

- Require competitive bids for any contract for food service in excess of \$10,000.

- Require all contracts be established on a fixed fee basis.

- Extend Federal procurement standards to schools, as well as State agencies.

Current regulations require food service management companies which participate in the Summer Food Program to register and provide information regarding their operation.

FOOD SPENDING AND INCOME

The Department of Commerce reports that personal consumption expenditures for food in the fourth quarter were \$226.0 billion (seasonally adjusted annual rate), up 10 percent from a year earlier. This represents personal expenditures by individuals and households only, and excludes food expenditures paid for on business expense accounts and food used in hospitals or other institutions where no separate charge for food is made. Personal consumption expenditures for food purchased for home use were up 9½ percent from fourth quarter 1976, while personal expenditures for meals purchased away from home were up just over 11 percent.

Much of the fourth quarter gain can be attributed to price increases. After adjusting for price increases, food expenditures in the fourth quarter were 4 percent above a year earlier, with spending for food at home up 4½ percent and personal spending away from home up a little less.

According to Department of Commerce estimates, food expenditures were consistently between 8½ percent and 10 percent above year-earlier totals throughout 1977. Total food expenditures for 1977 were \$218.4 billion, 9½

Changes in food expenditures fourth quarter, 1977
(Seasonally adjusted)

Item	From third quarter 1977	From fourth quarter 1976
	Percent	
Total food		
Current dollars . .	2.6	10.0
1972 dollars	2.2	4.3
Food at home		
Current dollars . .	2.8	9.6
1972 dollars	2.7	4.5
Food away from home		
Current dollars . .	1.9	11.1
1972 dollars1	3.7

percent above 1976. Expenditures for restaurant meals and snacks (excluding purchases on business expense accounts) were up nearly 11½ percent, while spending for food consumed at home rose nearly 9 percent.

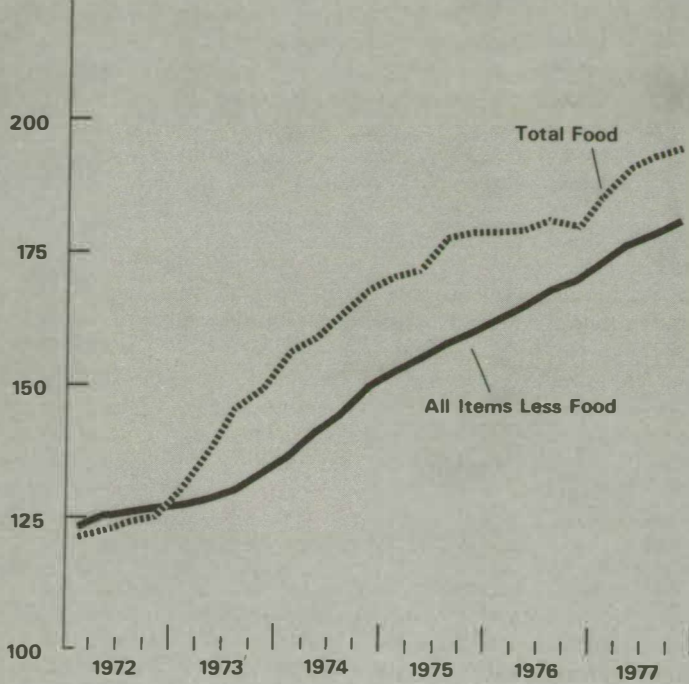
Personal consumption expenditures showed a greater increase in 1977 than increases in personal disposable income. As a result, the savings rate declined from 5.6 percent in 1976 to 5.1 percent in 1977. With the exception of the fourth quarter, increased spending on services caused most of the rise in total personal spending during 1977. Decreased automobile purchases caused a decline in durable goods spending in the third quarter; however, demand for all major categories of durable goods strengthened during the fourth quarter. For all of 1977, personal consumption expenditures totalled \$1,211 billion, up 10½ percent from 1976.

Disposition of Personal Consumption Expenditures

Spending on services has taken a consistently larger portion of consumer budgets since 1974, with medical care showing the most dramatic increase. In 1974 consumers allocated 7½ percent of their spending to medical expenses. By 1977, that figure had reached 9 percent. The other major service category to increase was household operation, primarily

CONSUMER PRICE INDEX

% of 1967



Source: Bureau of Labor Statistics

USDA

NEG ESCS 2153-78(4)

Quarterly changes in personal expenditures and disposable personal income (Seasonally adjusted)

Item	1977			
	I	II	III	IV
	Percent			
Personal consumption expenditures	2.9	1.8	2.1	3.4
Durable goods	6.4	.9	-.1	4.9
Nondurable goods	1.7	1.7	1.6	3.8
Food	2.3	3.2	1.6	2.6
Other	1.2	.4	1.6	4.8
Services	2.9	2.3	3.4	2.6
Personal disposable income	2.4	3.2	2.4	3.4

electricity and natural gas.

Spending on durable goods has also risen, from 13½ percent of expenditures in 1974 and 1975 to nearly 15 percent in 1977, primarily due to spending on automobiles. Consumers have allocated a relatively constant proportion of their budget to purchases of fur-

niture and household equipment. The share for services and durable goods grew because consumers spent relatively less on nearly all major categories of nondurable goods, including gasoline and oil. Allocations on fuel oil and coal remained fairly constant at 1 percent.