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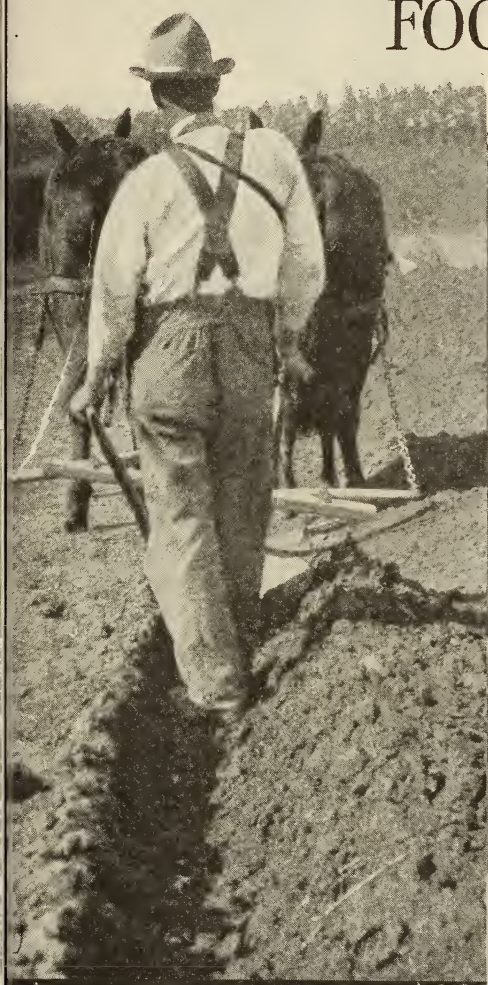
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84L *The* FARMER'S SHARE  
OF THE CONSUMER'S  
FOOD DOLLAR



FEB 15  
AGRICULTURAL ECONOMICS

**LEAFLET No.123**

**U.S. DEPARTMENT  
OF AGRICULTURE**

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Retail prices used in this leaflet are those obtained by the Bureau of Labor Statistics. The farm prices are principally those published by the Bureau of Agricultural Economics.

Washington, D. C.

Issued February 1937

# THE FARMER'S SHARE OF THE CONSUMER'S FOOD DOLLAR

Prepared by the Bureau of Agricultural Economics<sup>1</sup>

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**W**HENEVER food prices rise noticeably, consumers want to know how much the farmers are getting out of these higher prices they are paying.

Farmers look at the prices paid in the cities and then at the prices they are being paid for their products, and they want to know what becomes of the difference between the two figures.

These dual questions have been acute while the prices of food have been rising during the last 3 years. In attempting to answer them the best available figures have been brought together from different sources. They answer the consumers' questions rather better than they do the farmers'. In neither case do they give us as exact information as we wish, but they are suggestive and significant.

The annual food budget of the average city workingman's family is used as the representative example. Fifty-eight foods are considered. The money spent for these 58 foods is about three-fourths of the amount spent for all foods by the average city workingman's family. This family spent \$331 in 1935 for these 58 foods shown in the tabulation on page 2 as compared with the \$264 spent in 1933, when the depression low point was reached in prices paid for foods.

What did the farmers receive for these foods during those 2 years? In 1935 they received \$138 of the retail price, and in 1933 they received \$92. These figures are exclusive of rental and benefit payments that were made to farmers during those years.

This difference between the price paid by the consumer and the amount received by the farmer is the margin that goes to processors, transportation agencies, and distributors for carrying on their functions (fig. 1). This margin was \$193 in 1935, including about \$11 for processing taxes, and \$172 in the low-price year 1933, including about \$2 for processing taxes. The proceeds from these processing taxes were used to increase returns to farmers through rental and benefit payments.

<sup>1</sup> From a technical study conducted by Richard O. Been and Frederick V. Waugh, this leaflet has been prepared by Caroline B. Sherman.

THE 58 FOODS AND THE ANNUAL CONSUMPTION <sup>2</sup>

Commodity	Annual consumption per family
Beef products (5 foods).....	178 pounds.
Pork products (5 foods).....	145 pounds.
Lamb products (4 foods).....	18 pounds.
Dairy products (4 foods).....	2,530 pounds of milk equivalent.
Hens.....	24 pounds.
Eggs, fresh.....	61 dozen.
Bread, white.....	395 pounds.
Bread, rye.....	32 pounds.
Bread, whole wheat.....	5 pounds.
Soda crackers.....	15 pounds.
Flour, white.....	260 pounds.
Corn meal.....	69 pounds.
Rolled oats.....	40 pounds.
Corn flakes.....	12 8-ounce packages.
Wheat cereal.....	4 28-ounce packages.
Rice.....	32 pounds.
Macaroni.....	21 pounds.
Hominy grits.....	6 24-ounce packages.
Apples.....	204 pounds.
Oranges.....	7 dozen.
Lemons.....	4 dozen.
Beans, green.....	37 pounds.
Cabbage.....	65 pounds.
Carrots.....	27 bunches.
Celery.....	9 stalks.
Lettuce.....	28 heads.
Onions.....	66 pounds.
Potatoes.....	706 pounds.
Sweet potatoes.....	54 pounds.
Spinach.....	10 pounds.
Peaches, canned.....	2 no. 2½ cans.
Pears, canned.....	1 no. 2½ can.
Asparagus, canned.....	½ no. 2 can.
Pork and beans, canned.....	7 1-pound cans.
Green beans, canned.....	2 no. 2 cans.
Corn, canned.....	8 no. 2 cans.
Peas, canned.....	8 no. 2 cans.
Tomatoes, canned.....	14 no. 2 cans.
Prunes.....	11 pounds.
Raisins.....	9 pounds.
Navy beans.....	23 pounds.
Beet sugar.....	30 pounds.
Cane sugar.....	5 pounds domestic product.
Peanut butter.....	4 pounds.

<sup>2</sup> Source of data is U. S. Bureau of Labor Statistics Cost of Living Survey, 1918-19.

These intermediate charges represent varying degrees of transportation, processing, and marketing. Trucking vegetables from market gardens to the nearest city is much less expensive than shipping the same kind of vegetables from Texas to New York. Practically no processing is done on eggs and potatoes, but turning wheat into crackers is a complicated matter. Costs of city wholesale and retail marketing also vary as between commodities, between cities, and between dealers. Improvements in the efficiency of marketing will tend to reduce these costs. Real improvement could result in lower prices to consumers, better income for farmers, and greater profits to those processors and dealers whose efficiency is increased the most.

**Margins  
Cover  
Varying  
Items**

### RETAIL AND FARM VALUE OF 58 FOODS

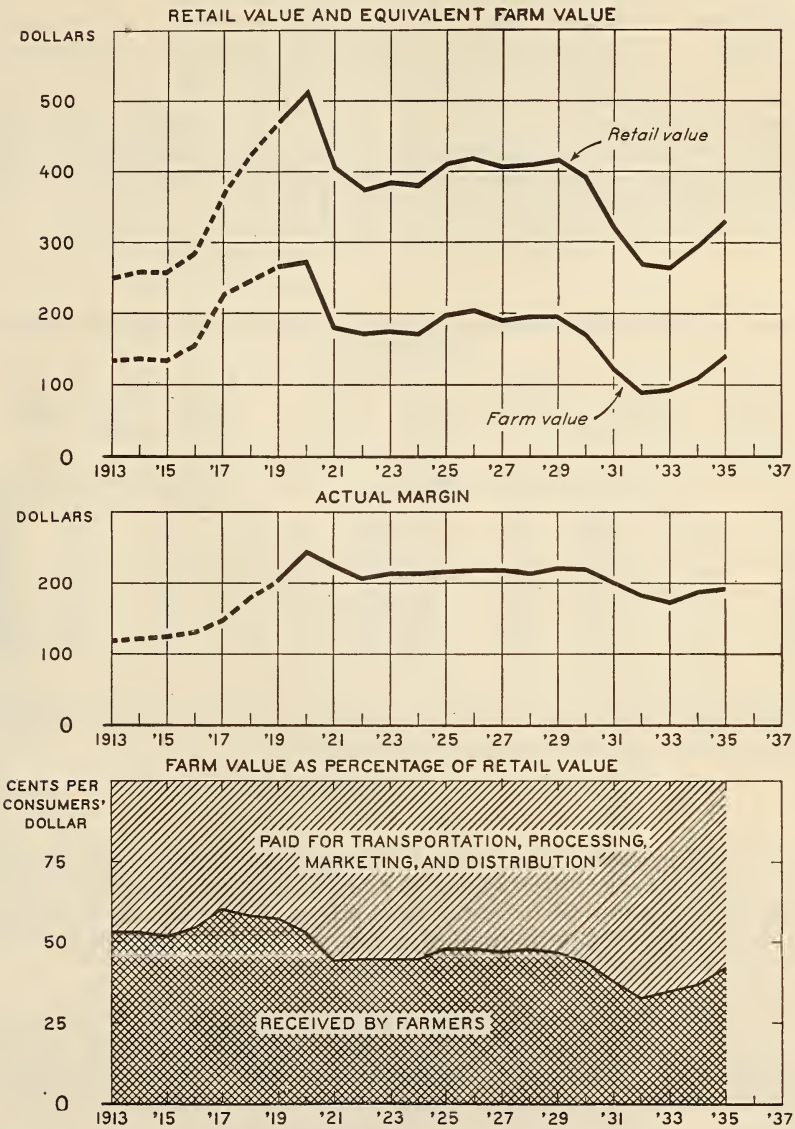


FIGURE 1.—The actual margin is the difference between farm value and retail value. The portion of the consumer's food dollar that was received by farmers was larger than 50 percent during the period 1913-20 and has been less than 50 percent since 1920, reaching its lowest point in 1932 and rising steadily since 1932. Before 1919 the series are based upon price data for 22 to 24 of the more important foods. (The charts are based on amounts of 58 foods consumed annually by a typical workingman's family.)



Looking back, we find other periods when these questions were much to the fore. One period was between 1915 and 1920, when the margin between farmers' and consumers' prices nearly doubled in the 5 years. It rose from \$124 to \$242. Table 1 gives the prices paid by consumers for these 58 foods, the amounts received by farmers, and the margin or spread, for 23 years. There were 14 years in this period when expenditures made by consumers for these foods were higher than they were in 1935. But in no other years in this period have the prices to farmers fallen so low as in 1932 and 1933. In 1933 these foods cost the consumers more than in the pre-war period, whereas the farmers received substantially less for producing them.

TABLE 1.—Amount spent by consumer and amount received by producer, for 58 foods combined, <sup>1</sup> 1913-35

Year	Spent by consumer	Received by producer	Margin <sup>2</sup>	Year	Spent by consumer	Received by producer	Margin <sup>2</sup>
	Dollars	Dollars	Dollars		Dollars	Dollars	Dollars
1913.....	252	134	118	1925.....	410	198	212
1914.....	258	137	121	1926.....	418	202	216
1915.....	258	134	124	1927.....	406	190	216
1916.....	285	155	130	1928.....	407	194	213
1917.....	370	223	147	1929.....	415	195	220
1918.....	424	245	179	1930.....	391	171	220
1919.....	470	267	203	1931.....	322	121	201
1920.....	514	272	242	1932.....	270	88	182
1921.....	404	179	225	1933.....	264	92	172
1922.....	374	170	204	1934.....	295	108	187
1923.....	384	173	211	1935.....	331	138	193
1924.....	381	170	211				

<sup>1</sup> Based on amount consumed annually by a typical workingman's family. No allowance is made for processing taxes in the years 1933-35.

<sup>2</sup> Includes charges for transportation, processing, marketing, and distribution.

Costs and charges for transportation, processing, and marketing change only gradually and slowly. Fluctuations of prices at the farm, therefore, are proportionally wider than fluctuations in retail prices. To this fact was chiefly due the abrupt drop in the prices received by farmers during the depression of 1921 and again during the downswing from 1929 to 1933.

The farmer's share of the consumer's food dollar may be somewhat smaller than indicated by the figures in this leaflet, for no attempt has been made to trace down the retail value of all minor products and byproducts of such commodities as wheat and livestock. If this could be done the total amount the consumer spends for the products from a bushel of wheat or from a steer would be larger than is indicated in the tables and charts here given, and the spread between farm values and retail values would be larger. But it is believed that the trends in the farmer's share of the consumer's food dollar and the year-to-year changes in his share are fairly well represented.

A wide assortment is included in the list of 58 foods, and wide variations in the farmer's share of retail price among foods are indicated. It is believed that the trends in prices and the trends in price margins or spreads shown for these items are fairly representative of food products in general. The study is based on prices of meats, poultry and dairy products, cereal products and bakery goods, several fresh and canned fruits and vegetables, and a few miscellaneous food items.

Table 2 compares the price paid by the consumer and the price received by the farmer for each of several important foods in 1935. This list shows that farmers received 66 percent of the retail price of eggs, 57 percent of the retail price of hens, and so in descending proportion through the list, down to 11 percent of the retail price of canned corn and canned baked beans. Values of by-products are not included here.

TABLE 2.—Retail price, price to producer, and percentage of retail price received by producer, for selected foods, 1935<sup>1</sup>

Food product	Retail unit	Retail price	Price to producer	Percentage of retail price received by producer
		Cents	Cents	Percent
Eggs	Dozen	36.6	24.1	66
Pork	Pound	27.3	16.1	59
Hens	do	29.2	16.5	57
Navy beans	do	6.0	3.3	55
Beef	do	29.8	13.5	45
Dairy products	100 pound milk equivalent	313.0	140.0	45
Potatoes	Pound	1.9	.8	42
Corn meal	do	5.1	2.1	41
White flour	do	5.1	2.0	39
Prunes	do	11.0	3.5	32
Rice	do	8.3	2.5	30
Raisins	do	9.8	2.9	30
Rolled oats	do	7.6	2.2	29
Beet sugar	do	6.0	1.7	28
Oranges	Dozen	31.8	8.7	27
Onions	Pound	5.2	1.3	25
Corn flakes	8-ounce package	8.4	1.8	21
Cabbage	Pound	4.0	.7	18
White bread	do	8.3	1.4	17
Canned tomatoes	No. 2 can	10.0	1.4	14
Canned peas	do	17.1	2.2	13
Wheat cereal	28-ounce package	24.4	3.0	12
Baked beans	16-ounce can	7.0	.8	11
Canned corn	No. 2 can	12.6	1.4	11

<sup>1</sup> Values of byproducts obtained in processing these foods are not considered in making these comparisons. No allowance is made for processing taxes.

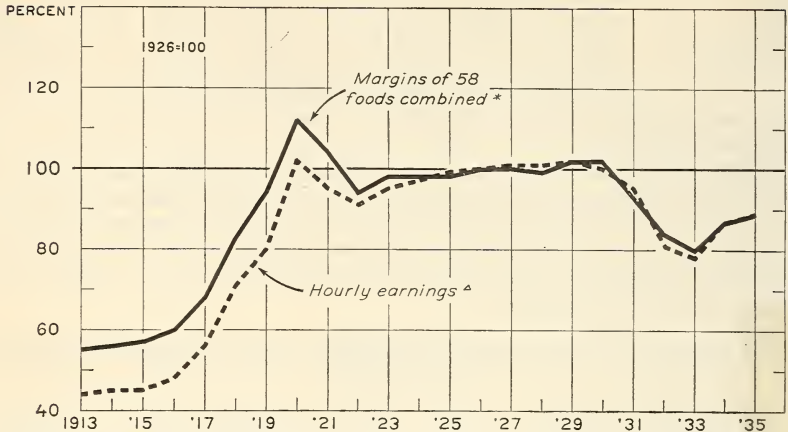
In general, year-to-year changes in the margin between prices at the farms and in the city retail stores are due to changes in four factors: (1) In wage rates and in other cost items, (2) in profits of processors and dealers, (3) in the efficiency of the marketing system, and (4) in the degree of processing and other services.

Hourly wages are closely related to the changes that have occurred in costs and in charges for transportation, processing, and marketing (fig. 2). There was probably some increase in efficiency of the marketing system during the years covered by the tables and charts, but, so far as prices are concerned, savings made by increased marketing efficiency were about offset by the increasing amount of processing and services between farmers and consumers.

Marketing Efficiency Offset

Causes for Changes in Margin

## FOOD MARGINS AND WAGE RATES



\* ESTIMATED PRIOR TO 1935 FROM MARGINS OF FOODS FOR WHICH RETAIL AND FARM PRICE DATA WERE AVAILABLE.  
 † SOURCE, BUREAU OF LABOR STATISTICS. 1935 ESTIMATED FROM HOURLY EARNINGS IN 25 MANUFACTURING INDUSTRIES.

FIGURE 2.—Year-to-year changes in actual margins of 58 foods combined were similar to those in hourly earnings of wage workers except during the years 1919-22, when margins decreased relative to hourly earnings.

These increases in services and conveniences are sometimes urged on consumers, but to a large extent they are demanded by consumers, and this is true to a growing degree. If they are demanded more and more, by just about that amount must we expect to see the margin between farm and retail prices increased. Offsetting factors are the possibilities for increased efficiency all along the line and the rise of cash-and-carry systems.

Whenever there is a substantial rise in prices of food there is discussion of "pyramiding." This discussion has been particularly intense during the rise in food prices since the middle of 1933. This is partly because the increase in price was accompanied by the imposition of processing taxes on some foods and by wage increases in a number of industries. There has been debate as to whether such increased costs were pyramided or whether they were borne partially by processors and dealers. This is an involved question and one that must be studied carefully in individual cases before final conclusions can be reached. The study on which this leaflet is based indicates that if we consider average prices to all farmers and average prices paid by all consumers for foods as a whole the spread between prices at the farm and prices in the city stores was widened from the first part of 1933 through 1935 by somewhat more than enough to pay the processing taxes. In general it appears that the increased charges have been about in line with the increased costs, including processing taxes and higher wage rates.