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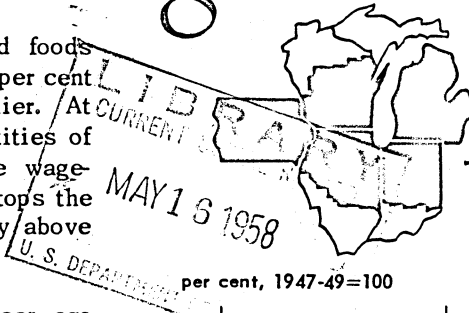
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A "MARKET BASKET" of farm-produced foods purchased by urban wage-earner families costs 7 per cent more in the first quarter of 1958 than a year earlier. At prices prevailing in the first quarter, the quantities of farm products purchased annually by average wage-earner families would cost about \$1,054. This tops the year-earlier figure by about \$72 and is slightly above the previous high in the third quarter of 1952.

About two-thirds of the increase over year ago reflects higher prices to farmers, about one-third reflects higher costs of processing and distributing farm products. The "farm value" of the market basket is estimated at \$436; the value added by processing and marketing, \$618.



The Market Basket	Annual retail cost*	Change, first quarter 1957 to first quarter 1958		
		Retail cost	Farm value	Farm-retail margin
All items combined	\$1,054	+7%	+13%	+4%
Meat	282	+15	+30	0
Fresh fruit and vegetables . .	231	+12	+22	+7
Poultry and eggs	98	+9	+15	-1
Dairy products	196	+3	0	+6
Bakery and cereal products . .	159	+3	-5	+5
Fats and oils	45	-2	-16	+6
Miscellaneous	43	+2	-2	+2

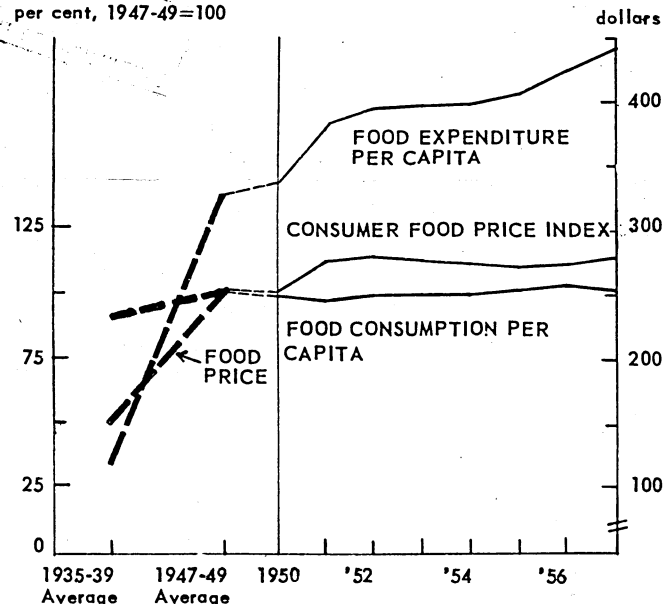
*Based on 1958 first quarter prices.

The cost of marketing farm products has shown a persistent rise. As indicated by the margin between farm and retail values, marketing costs rose in all but 11 of the 45 quarters beginning with 1947.

Marketing costs probably are continuing to edge upward. Railroad and truck rates have increased further, and hourly wage rates paid by food marketing firms in February were 5 per cent higher than a year earlier. Prices of materials and equipment also had advanced somewhat, but apparently have stabilized in recent months.

Per capita expenditures for food in 1957 were equal to 25 per cent of personal income after taxes. In pre-war years, 1935-39, food expenditures averaged 23 per cent of disposable personal income, but have held at the 25 per cent figure in 1953 through 1957. In recent months, a small decline in disposable income and a rise in food expenditures may have increased the ratio somewhat. It stood at 26 per cent in 1948 and '49 and in 1951 and '52.

The changes in per capita food expenditures represents a complex package consisting of varying combinations of three ingredients—prices, quantity, and shifting proportions of the higher-priced and the lower-priced foods. Also, retail food prices, over the years, reflect



increasing amounts of "built-in" conveniences which also show up in the tendency for marketing costs to rise in most periods relative to prices of the farm product raw materials.

Only a small amount of the rise in food outlay per capita during recent years reflects increased total consumption. And a large part of the increased outlay is not accounted for by food prices. For example, the "market basket" consisting of foods purchased by average consumers in 1952 showed a slightly lower price in 1957 than in 1951.

In other words, as pointed out recently by Professor Herrell De Graff of Cornell University, about two-thirds of present food expenditures are for the equivalent of the prewar diet and one-third for increased amounts of the preferred foods such as milk, meat and eggs, and for additional food services.

This type of adjustment in diets has been very beneficial in that it is the kind of change which nutrition experts say is needed for optimum health of the population. In addition, it has helped to boost the total requirements of agricultural products and thereby has kept agricultural surpluses from becoming even more burdensome than they have been. These related trends—rising per capita income and consumption of livestock products—of course, hold the key to the long-term prospects for Midwest agriculture.