

# NORTHWESTERN Banker Newsletter

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April 23, 1973

## Another Look at the "Food-Price" Crisis

*Editor's Note: The following is an extensive digest of an article prepared by Leo Melamed, chairman of the International Monetary Market of the Chicago Mercantile Exchange, Inc. titled, "The 'Food-Price' Crisis—One More Opinion." It points out distorted, garbled and politically inspired reports that lend too much credence to the so-called meat boycott, rather than paying enough attention to the age-old law of supply and demand, then continues:*

What is of much more significant lament is the irresponsible response of many of our political leaders to this dilemma. To a man, it seems they have hopped aboard this band-wagon of sentiment with cries of "the President hasn't done enough," "roll back the prices," and so on. Such talk may make votes—it certainly doesn't make sense.

Where are our leaders who have the guts to explain the true nature of this problem? Where are our officials who would point out that the present crisis was caused by the convergence of a number of contributing factors, including severe weather, previously depressed prices and profit squeezes, and an enormously increased demand for meat (the percentage of consumer income spent on beef, historically at the 2.5- to the 2.6% level, rose in January and February of this year, to the 3.2% range; more revealing yet is the fact that in 1972 each person ate 87% more beef than he did 20 years ago.) This, as a result of higher wages, more employment, chang-

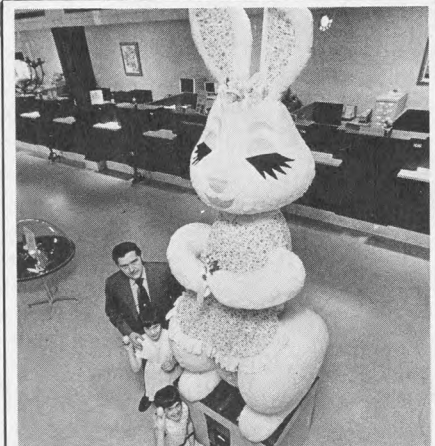
ed eating habits and Government food programs.

Who explained that some of these factors are of a permanent nature, others cyclical, and still others temporary; that one of the main causes has been the devaluation of the dollar, coupled with foreign inflation and increased world affluence, which created additional funds in foreign countries with which to increase their imports of our products; that U.S. food products, such as grain and meat, were some of the biggest bargains available to them and that our Government encouraged this eventuality to aid our balance of payments posture; that this cause and its effect is a continuing one because you cannot have your commodity and eat it, too!

Finally and most importantly, why has so little been written about the low nature of our present food prices? Yes, I said low nature. Sure, food prices in recent months have risen dramatically and out of proportion with other items; sure, the price of meat has risen in the last year to an extreme; in fact, food prices in the last several years have been playing catch-up.

(In the past 12 months, the price of eggs rose 39%, potatoes 33%, bacon 22%, pork chops 18%, hamburger 13%, round steak 11%, and sirloin steak 9%—to cite a few startling examples.)

But the price of farm products cannot be measured in terms of weeks or months or even one year. The rise and fall of farm commodities are affected by a number of complicated factors which cause a constant tug-of-war between supply and demand.



**PICTURE OF THE WEEK**—A giant 10-foot Easter bunny was on display at County Bank and Trust Company, Blue Island, Ill., from April 9 to April 21. She had a free Easter egg filled with candy for every child who came to see her, if they were accompanied by an adult. Shown getting their Easter eggs are **Cheryl and Linda Jarema**, with their father, **Gerald R. Jarema**, v.p., County Bank & Trust.

How often is it explained that although food prices have risen significantly, they have risen far less than most other important consumer goods; that while prices for all consumer items rose by 58% during the past 20 years and while housing prices rose by 64%, prices for our retail food went up only 47% since 1952, and the price of food eaten at home, less than 40%; that even this 40% rise (18% less than the rise of other consumer items) is not the full story since our average food bill, which took 23% of our after-tax disposable income in 1952, took only 15.7% of the after-tax disposable income in 1972 and is projected even lower  
(Turn to Page 3, please)



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### BMA Will Meet in Chicago

The Bank Marketing Association will hold its Midwest Regional Conference April 30-May 2 at the Bismarck Hotel, Chicago. More than 150 bankers are expected to participate in the program, which offers 14 different sessions, according to Program Chairman Alan Eirinberg, first vice president, Exchange National Bank, Chicago.

### IOWA NEWS

**DES MOINES:** The Comptroller of the Currency has approved the application of the National Bank of Des Moines to establish a bank office at the northeast corner of Interstate 235 and 35th Street in West Des Moines.

**DYERSVILLE:** Gerald Schnieders, cashier, Dyersville National Bank, was elected president of the Delaware County Bankers Association. W. C. Mawe, cashier, Farmers & Merchants Savings Bank, Manchester, was elected vice president, and Robert E. Arthur, vice president and cashier, Community Savings Bank, Edgewood, was elected secretary-treasurer.

**FAIRBANK:** Funeral services were held recently for Earl E. Bentley, vice president and director of the Fairbank State Bank.

**JEFFERSON:** The following promotions have been announced by the Home State

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**Bank:** David Ryan and Richard C. Hare to assistant vice presidents and loan officers, Maxine Rothfolk to assistant cashier and executive secretary; Genevieve Calvert to head teller, Marilyn Hoskinson to accounting department officer and Karen Rush to customer services officer and women's department manager.

**TINGLEY:** Craig G. Riggs, 25, executive vice president, Tingley State Savings Bank, has been elected to the board of directors. He is also a director of the Bedford National Bank and Cumberland Savings Bank.

### NEBRASKA NEWS

**LINCOLN:** N. T. Tiemann, vice president-development, First Mid America, Inc., has been nominated by President Nixon to become Federal Highway Administrator in the Department of Transportation. Senate confirmation is required and hearings before the Senate Public Works Committee are expected to be held in late April or early May. The Federal Highway Administration has a staff of 5,000, with offices in every state and 10 foreign countries, supervising 890,000 miles of federal roads, plus the federal highways trust fund.

**OAKDALE:** The application of the First National Bank to convert to a state chartered bank to operate under the name of First State Bank has been approved.

**OMAHA:** The Community Bank of Nebraska, which is scheduled to open for business in late April at 52nd and Ames Avenue, has named three new board members. They are: John M. Harding, Alvin M. Goodwin, Jr., and Ronald Hodges. Kenneth E. Johnson, Sr., has been named cashier. The minority-controlled bank will open in temporary headquarters.



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**OMAHA:** Jerry Schumacher has been promoted to trust investment officer and Donald G. Kirby has been appointed assistant operations officer at The Omaha National Bank.

### ILLINOIS NEWS

The Illinois Bankers Association's 36th annual trust conference will be held April 25-26 at the Regency Hyatt O'Hare, Chicago. Of special interest will be the workshops on land trusts, the luncheon speech, "Are Trust Departments Immune to Criminal Attack?" and the workshop on the development of the Midwest Securities Trust Company.

**CHICAGO:** Thomas W. Hoagland was elected vice president, commercial banking division of Central National Bank.

**CHICAGO:** Mercantile National Bank has announced the following promotions: Ronald W. Dyston to assistant vice president and trust officer, Edward C. Pawelski to controller and Edward A. Pahnke to auditor.

**CHICAGO:** University National Bank has named Henry D. Brown, Jr., and Dieter Gutt assistant vice presidents and Vulcan C. Taylor, Jr., assistant cashier.

**CHICAGO:** An application to establish the Gladstone-Norwood Trust & Savings Bank has been filed. Total capitalization would be \$1 million. Applicants are: Thomas G. Lyons, Chicago; John R. Fielding and Bernard J. Kiley, Jr., Western Springs; Eugene W. Butler, West Chicago; and Charles F. Caufield, Niles.

**CHICAGO:** Bill Pierce has been appointed assistant vice president of the South Central Bank & Trust Co.

**EFFINGHAM:** A permit to organize has been issued for the Crossroads Bank, 2001-2003 S. Banker. Total capitalization will be \$1 million. Organizers are: Harry Burton, Edgewood; Robert B. Lamkin, Watson; Robert D. Anderson, George L. Dehn, Jack W. Graham, Charles F. Keller, Lolami Keller, Homes Luttrell, Clyde L. Martin and N. Clyde Oberlin, all of Effingham.

**EVANSTON:** State National Bank has announced the election of Dorothy Borchardt

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as vice president and Jim Martin as operations officer.

**EVANSTON:** Evanston Bank has announced the following staff changes: Del F. Loseau to assistant vice president, commercial loans; Marshall R. Barksdale to assistant vice president and manager of consumer loans, and Hindrek Ott to personal banking manager.

**THOMSON:** Irene Weatherwax, cashier, Thomson State Bank, has retired after 47 years in the banking field.

## MINNESOTA NEWS

**BLAINE:** The State Commerce Commission has scheduled a hearing May 9 on an application of the Transamerican State Bank of Northtown, proposed for the Northtown Shopping Center. Incorporators are: Fred Dahlin, St. Paul; John Vander Hagen, Golden Valley; Bernard Horovitz, St. Louis Park and Carol O. Benson, Richfield. They had proposed a bank at Ridgedale Shopping Center in Minnetonka, but asked to move the bank to Northtown Shopping Center.

**EVELETH:** Bill Maki has been promoted to assistant cashier and Brian Vito has joined the staff as administrative trainee at the First National Bank.

**FARIBAULT:** George F. Evers, Denison, Ia., has been named assistant vice president and agricultural representative at the Security National Bank.

**MINNEAPOLIS:** The Independent Bankers of Minnesota will conduct the Annual Keyman Seminar April 25-26 at Holiday Inn Downtown. Headliners are U. S. Senator Hubert H. Humphrey and former Minnesota Attorney General Douglas M. Head.

## NORTH DAKOTA NEWS

**BISMARCK:** Leo J. Beauclair, county judge of increased jurisdiction for Barnes

County, has been appointed attorney for the Bank of North Dakota and special assistant attorney general.

## SOUTH DAKOTA NEWS

**GARRETSON:** James W. Johnson has been elected cashier of the First National Bank. He had been an assistant national bank examiner.

**HURON:** Duayne Breukelman has been named commercial loan representative at the National Bank of South Dakota.

## COLORADO NEWS

**DENVER:** Richard W. Hanselman, president of Samsonite Corporation's Luggage Group, has been elected to the board of Northeast Colorado National.

**LAKEWOOD:** John L. Guyer has been elected vice president and cashier of the Lakewood Colorado National Bank.

## "FOOD-PRICE" CRISIS....

(Continued from Page 1)

for 1973. Furthermore, the retail cost of a "market basket" of food, indicative of what the typical household spends annually in the store for U.S. farm-produced foods, is up no more than 33% in the last twenty years.

Who has had the courage to point out that during this same 20-year period, while home food prices rose by 40% (but took

7% less of our after-tax income), the hourly wages received by laborers went up 140%.

It is not my intention to be critical of laborers' increased wages, but I certainly call it unfair when labor's leaders use the rise in food prices as a reason for higher wages. Who would point out to them that if food prices had kept pace with wages since 1952, then a quart of milk today would cost 55% more, a dozen eggs 161% more, a pound of hamburger 151% more, and a pound of round steak 267% more!

Who would explain that while out of every \$100 of after-tax income, the average person spends 48% more for medical care, 18% more for automobile, transportation, gas and oil, 14% more for housing, furniture and household operations than he did 20 years ago, he spends 32% less (yes, less) for food.

Little wonder that the rest of the world, with few exceptions, is envious of our food prices and has come to our counter for our cheap commodities. Has everyone made the comparison between our retail meat prices and the dollar equivalent in foreign countries? If one did, one might be shocked to learn that while our mid-March price of sirloin steak was \$1.69 per pound (Washington, D.C.), the price of an equivalent piece of meat in Bonn, Germany was \$2.08 per pound; in Paris, \$2.57 per pound; in Rome \$2.79 per pound, and in Tokyo, \$11.90 per pound. And although there is a difference in the type of cut of each of the

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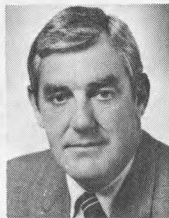
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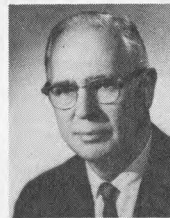


# COULSON CANNON AND MUIR

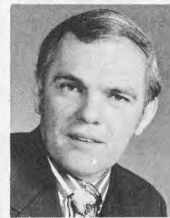
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foregoing, so that this comparison is somewhat distorted, you can see the picture and bet on whose quality is better.

Food commodities are our biggest bargain even now, and controls, ceilings or other artificial means won't help their production. If our food prices are rising, then it is caused by eventualities over which our farmers had little control. Penalizing them won't help. It could be that our food prices won't ever come back down—they may even continue to rise—but the answer to this problem, as in the past, lies in production, production incentives and overall national economic management and not in politically-inspired rhetoric or artificial price adjustments or controls. And certainly emotionally-charged accusations and demands by consumer groups, won't do anything except confuse the issues and delay the remedies.

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