

WHAT IS HAPPENING TO MARKETING MARGINS?

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How much of the consumer's dollar is finding its way into the farmer's pocket? Usually, the farmer's share in the consumer's dollar rises and falls with food prices. Many of the marketing charges take the form of an absolute cost per pound, rather than a percentage of the farm or wholesale price, and do not vary as often as do farm prices. For instance, freight rates and wages in processing plants and retail stores are usually set for a year or more at a time. When farm prices go up, marketing costs lag behind, and the farmer receives a larger share of the consumer dollar; when they go down, these "sticky" marketing costs absorb more and leave less of the consumer dollar to the farmer.

Comparing the **present** with **pre-war**, farmers are now receiving a substantially larger share of the consumer's dollar than in 1935-39, as is shown in the accompanying table—except for potatoes and eggs, for which the farmer's share has been remarkably steady—around 50 and 75%, respectively. But in comparison with the **war years**, farmers have lost some ground in most cases. During the war, price controls had the effect of squeezing marketing margins to a minimum, as seen in the figures for June 1946, the last month of the OPA. After price controls were abandoned, margins jumped rapidly for most foods, and the farmer's share in the consumer's dollar declined correspondingly.

The marketing margins cover the costs of handling, transporting, processing, packaging, advertising, services, wastes and losses—all those things that enter into the marketing process as the food winds its way from the farm to the retail counter. During the war, many of these services were reduced, and so were losses in handling the food. An increase in margins was to be expected in the post-war period. In the marketing of some foods, new steps in processing have become quite general, such as the enrichment of flour and more fancy packaging of vegetables—which, of course, make for wider margins. On the other hand, greater efficiency in marketing would counteract this tendency.

It is here where the far-flung marketing research program under the Hope-Flannagan Act comes in. This program is a nationwide effort to find out, among other things, where we might save in marketing costs and cut corners so that farmers would receive a larger share of the consumer's dollar. If food prices should decline again some time in the future relative to other prices, we would expect margins to decline much less, and hence depress the farmer's share in the consumer's dollar, just as it happened in the thirties. With more efficient marketing, more competition among the middlemen, and a saving on services which are not essential and could be easily dispensed with, farmers would be in a much better position to take a moderate decline in food prices without reeling to the wall.

The North Dakota Agricultural Experiment Station is actively cooperating under the Research and Marketing Program to do its share in finding ways for improvement along these lines. Projects in livestock, poultry products and potato marketing are well under way and are promising valuable results.

Price spreads between farmers and consumers, for selected food products¹

	Price Margin Between Retail and farm value ¢ per lb.	Farm Value in % of Retail Price %	Price Margin Between Retail and farm value ¢ per lb.	Farm Value in % of Retail Price %
	Beef (good grade)		Butter	
1935-39 Average	12.9	56	11.1	68
June 1946	4.4	87	14.7	74
June 1947	17.3	72	17.4	75
June 1948	19.2	75	20.7	76
July 1948	19.1	76	20.1	77
	Chicken		Potatoes	
1935-39 Average	13.1	56	1.3	50
June 1946	14.6	67	2.3	52
June 1947	18.8	62	3.0	48
June 1948	21.3	62	2.9	52
July 1948	18.1	67	2.9	50
	Lamb		Fluid Milk	
1935-39 Average	13.6	49	5.1	55
June 1946	10.6	71	5.9	62
June 1947	18.6	68	5.9	67
June 1948	23.8	67	6.8	66
July 1948	23.3	68	6.7	67
	White Bread		Beet Sugar	
1935-39 Average	8.0	12	4.0	30
June 1946	9.0	18	4.2	45
June 1947	10.4	20	6.5	38
June 1948	12.0	17	5.0	43
July 1948	12.0	17	5.1	42
	Pork		Eggs	
1935-39 Average	10.9	52	6.7	77
June 1946	6.4	76	11.3	75
June 1947	12.9	72	15.8	73
June 1948	15.3	68	17.8	72
July 1948	13.1	73	17.0	74
	Flour (white)			
1935-39 Average	2.2	43		
June 1946	3.1	50		
June 1947	4.8	46		
June 1948	4.9	44		
July 1948	4.8	45		

¹Source: The Marketing and Transportation Situation, BAE, U.S.D.A., Wash., D. C.