A Congressman's View: Better Understanding Needed Between Rural and Urban America

Hon. Jerry Litton
U.S. Congressman
Chillicothe, Missouri

Never has agriculture received such sustained front page coverage and attention as it has for the past two years. Taxicab drivers in New York City are worried about the new corn crop estimates and consumers express concern over feedlot replacements. Many who before didn't care what went on beyond their front yard now express interest in the weather conditions in Iowa and levels of grain exports abroad.

With hundreds of thousands of bushels of grain in storage and millions of acres of land kept out of production, there was little need for the average consumer to be too concerned about future food needs. As long as the farmers' costs of production went up and it wasn't passed on to the consumer, no one was too interested in the farmer.

But, times have changed. Our surpluses are gone, our idle acres are mostly in production and we hear talk of food shortages. As food prices went up last year because of food shortages, counter-productive programs such as boycotts and food-price freezes came forward. These efforts only made the problem worse by discouraging production at the very time we were short, resulting in even higher food prices to the consumer.

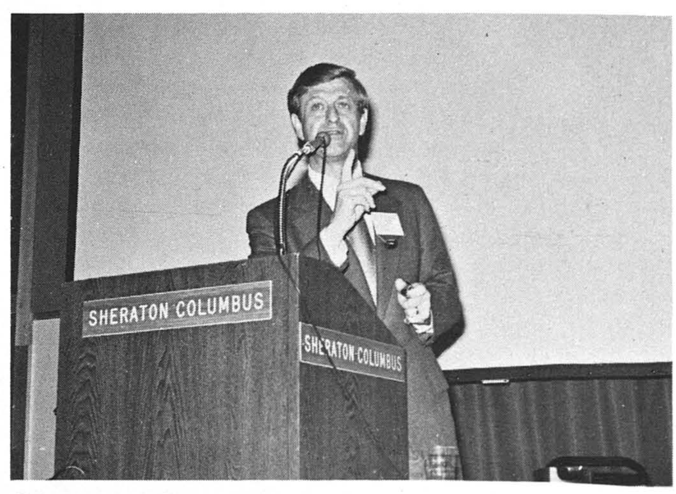
Some suggested that America learned from that experience, but I fear we have not. At a time when farmers need to be encouraged to make expensive, long-range investments in machinery so as to increase their production to meet increased demand, we hear talk of farm export embargoes. Is this any way to get farmers to make long-range investments? Embargoes may be an answer to short-range problems, but they often create a bigger problem in the long run. The best way to attack a problem of shortages is to encourage production . . . not to discourage it. If we elect not to export farm commodities, what are we going to export in order to be able to buy the foreign oil needed to keep this country running?

A food shortage last year was converted into a food crisis because so few people understood agriculture, what it is that encourages a farmer to produce more or less food and how this relates to the price of food at the retail level. Now it appears we must deal with food on a worldwide level. Before we do that, recognizing how misunderstanding led to a food crisis in our own country last year, let us try to get a better understanding of the workings of agriculture from Congress, consumers, and the country.

This summer I invited Mrs. Elinor Guggenheimer, Commissioner of Consumer Affairs for New York City, to spend a weekend in Missouri as my guest. Mrs. Guggenheimer holds the position previously held by Betty Furness and Bess Myerson. I learned to my surprise she had a staff of over 450 people. On her radio program, TV show, and in her newsletters she tells 8 million New Yorkers what to buy and when. Until her visit to Missouri, she had never before seen a hog or a feedlot. I hasten to add that I don't know much about the subway system in New York City either.

During her weekend visit to Missouri, I walked her and her husband through feedlots, took her through a dairy farm at milking time (with five boys ages 7 through 17 helping dad milk), arranged lunch with a farm family, scheduled a breakfast with young 4-H and FFA members, set up a dinner with a four-hour round-table discussion with farm leaders, and topped it off by having her go to church with a farm family.

She told the press in New York City that in preparing for her visit, she felt like she was going to a country more foreign than most she had visited. Upon her return to New York City, she said that had she known a year ago what she learned on her visit to Missouri farms, she would not have supported the boycotts. At this point, I must say the agriculture industry must share some of the blame for the unfortunate results of the boycotts because they did not do a better job of telling their story to people such as Mrs. Guggenheimer before the boycotts rather than afterwards.



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Mrs. Guggenheimer not only was quick to learn, but was quick to make a big hit with the rural people she met in Missouri. As she and her husband boarded a plane back to New York City, I overheard one farmer say, "I didn't know New York City folks were such nice people."

This trip was helpful to both Mrs. Guggenheimer and the farmers she met. This is the kind of dialogue and understanding we need between rural and urban America. In preparing for this visit, I put together some interesting facts and figures which enlightened Mrs. Guggenheimer and even surprised the farmers she visited.

With Watergate behind us, with all America crying for unity, cooperation, and understanding, with problems of possible limited food supplies facing us and with so much misunderstanding existing in the area of agriculture in a very urban America, I would hope that we would seek to understand before we seek to solve the problem.

Pitting producers and consumers against each other for political reasons has hurt both groups and helps no one except those who get elected by speaking out against and voting against one or the other of the two groups. Since an economically healthy agriculture can be expected to produce more and better food and since economically healthy consumers are in a better position to buy the food, it stands to reason that those things which help one (producer or consumer), tend to help the other.

Unfortunately, there is a general feeling in Congress and perhaps in the country that legislation which helps the farmer must hurt the consumer, and that legislation aimed at solving urban problems is not to be supported by Congressmen from rural areas. These are misconceptions which have kept farmers in an economic straightjacket; deprived rural communities of legislative assistance resulting in massive rural-to-urban migration which has contributed to the growing welfare and unemployment rolls in crowded cities and vacant streets in small towns; and deprived urban areas of necessary legislative support for programs which would help to solve many urban problems which are growing worse by the day.

One of the major causes of food price increases has been increased food marketing margins rather than higher prices to the farmer. For example, between 1952 and 1971 retail food prices climbed 27 percent while farm prices increased only four percent. Therefore, 96 percent of the rise in food prices for that period was due to larger marketing margins (difference between farm prices and retail food prices). While farm prices have increased in the last two years, marketing margins in 1974 are at the highest in history. Marketing margins have increased in 18 out of the last 20 years.

The average 1974 retail price of a 12 oz. box of cornflakes was 38.3¢. This includes only 2.8¢ worth of corn at cost of production. The box costs more than that. The trinket in the box often costs more than that. The advertising costs more than that. The farm-to-consumer transportation costs are greater than that. In spite of grain prices that are higher than normal, if the farmer made no profit in producing his corn, it would reduce the 38.3¢ box of cornflakes to 37.5¢. From these figures one can see the kind of impact farm prices and farm profits can have on the price of food to the consumer.

Under normal conditions, if the dairy farmer produced milk at no profit (owned and milked cows for the joy of it and lived off of air), the price of a 38¢ quart of milk would be reduced to 37¢. At the present time, based on today's production costs and today's retail milk prices, if the dairy farmer made no profit or loss on his milk, the price of a quart of milk would increase from 38¢ to 39¢.

The average Safeway price for a 303 can of spinach in 1973 was 25¢. This year it has averaged 26.5¢. In that can is a little more than 2¢ worth of spinach, which is how much the price of a can of spinach would be reduced if the farmer gave his spinach away. If the farmer produced spinach at no profit and prices were normal, the retail price of a can of spinach would be reduced by approximately one-tenth of one cent.

In the 25-year period from 1947 to 1971, the retail price of a pound loaf of bread increased from 13.5¢ to 24.8¢. During this same time the value of the wheat in the loaf went from 2.7¢ to 2.6¢.

Prior to the time of the boycotts, beef freezes and other events of last year which disrupted the normal beef production cycle, if the farmer or rancher who raised the calf and the feeder who fed it out had made no profit, the retail price of a dollar's worth of beef would have been reduced to only approximately 96¢. Based on production costs and retail prices for the past six months, if you took out profits or **losses** of those who raised the cattle and those who fed them out, you would increase the price of a dollar's worth of beef at the retail level to approximately $1.02.

In 1930 the percentage of disposable income after taxes of the average consumer in America that went for food was 24 percent. In 1940 it was 22 percent. In 1960 it was 20 percent and in 1970 it dropped to 16 percent. In 1971 it was 15.8 percent while in 1972 it was only 15.7 percent. The first week in April of last year (first quarter of 1973) during the height of the food boycotts, it had dropped to 15.5 percent, the lowest point in the history of America. By the end of the year it had leveled off at 15.8 percent, which, while higher than the previous year, was the same as the year before, and lower than any time prior to 1970.

When in Japan a few years ago, I was confronted by a young Japanese boy who asked a question I have been frequently asked by foreigners. He wanted to know why Americans have so many nice things. I told him that in the United States the average consumer spends less than 16 percent of his disposable income after taxes for food, and that in England and Japan it was

25 percent, in Russia it was over 50 percent and in Asia it was over 80 percent. I said, "When 50 to 80 percent of your income goes for food, you don't have much left over to buy other things." I added, "But in America, with only 16 percent of the disposable income (on the average) going for food, you have a lot left over to buy television sets, cars and those things Americans often have." I wonder how many consumers in America recognize that one of the reasons they have cars, television sets, and other such luxuries they consider necessities is because they spend such a small percentage of their disposable income after taxes for food that they have so much left over to buy such things.

Many talk of the high price of food. Someone (I think it was Winston Churchill) was once asked, "How is your wife?" He said, "Compared to what?" This could well be the farmer's best answer to the question about food being priced too high. If food is not too high compared to the cost of production (farmers make less money than non-farmers), compared to the cost of food in other countries (food is priced higher on the average in almost all other countries of the world) and compared to the cost of other things (the percentage of the average consumer's income going for food has been dropping in America for a long time . . . then how can it be said it is too high?

As we further consider the question, "compared to what?" I remember the time of the boycott meetings held in Washington when I put a 700-pound and 1200-pound steer out on the sidewalk in front of the building where the meeting was held. On the 700-pound steer I hung a sign which said, "This 700-pound steer represents what 240 hours in wages bought in beef 20 years ago." On the 1200-pound steer I put a sign which read, "This 1200-pound steer represents what the same 240 hours in wages buys in beef today." I might add that twenty years ago very little of the beef was of the quality it is today. Twenty years ago an hour's wages bought 1.8 pounds of beef. During the beef boycotts last year an hour's worth of wages bought nearly three pounds of beef. Twenty years ago an hour's worth of wages for the construction worker bought 2.5 pounds of beef, and last year during the beef boycotts, it bought 4.9 pounds of beef. Again the question, "compared to what?" is raised.

During the boycott meeting in Washington a boycotter said that she couldn't boycott beef because she hadn't been able to afford it for several months. She pointed out how many weeks it had been since her family had eaten steaks, how many weeks her family had not been able to afford hamburgers, etc. Someone suggested it might have been because she was saving up money to take the trip to Washington. But, after this meeting I went back to my office and checked on the per capita beef consumption in America. I learned that 20 years ago the per capita beef consumption in America was 63.4 pounds and during the period of boycotts it was 115.9 pounds. She wasn't getting her share. During the boycotts on meat, the average American was eating almost twice as much beef per day as he did 20 years earlier.

Twenty years ago an average hour's worth of wages bought 1.8 pounds of beef. During the beef boycotts in 1973, that same hour's worth of wages bought three pounds of beef. Twenty years ago an hour's worth of wages for the construction worker in America bought 2.5 pounds of beef. During the boycotts on beef in 1973, that same hour's worth of wages bought 4.9 pounds of beef. And I think it should be pointed out that not only did an hour's wages buy nearly twice as much beef during 1973 boycotts as they did twenty years earlier, but four times as much of it was graded choice or prime.

I remember testifying before a Congressional committee during my first year in Congress. The committee, chaired by Congressman Rodino, the same Rodino and same Judiciary Committee which handled the impeachment inquiry, was investigating the increasing food prices. A Congressman on the committee asked me why food prices had increased and I said it was because of food shortages. I was asked why we had shortages and I said it was because the price and profit were not high enough to encourage farmers to produce. I pointed out that when farmers had a reason to expect reasonable price and profit, they would produce more food than Americans could eat or store. I pointed out that a Congressman had asked me when we were going to have $1 per pound steaks again, I said, "Not many years ago Congressmen were paid $12,500 per year. This was raised to $30,000 and a few years ago it was raised again to $42,500. Legislation is pending which would increase our salary to over $50,000 per year." I then said, "I suppose we will have $1 per pound steaks again when we have $12,500 per year Congressmen again."

Had I gone to Congress in 1954, there would have been 165 Members of Congress whose districts were 20 percent or more rural-farm. Now there are only 14. Had I gone to Congress in 1960, there would have been 31 Members of Congress whose districts were 25 percent or more rural-farm. Today there are only five. My district is less than 15 percent rural-farm. This points out that the traditional farm bloc we used to hear about is a thing of the past. It also points out that if we expect to get farm legislation passed in Congress, we need help.

What better group is there to turn to than consumer groups? Getting a consumer vote for farm legislation is like being a Democrat and getting a Republican vote . . . it is like getting two votes (one for your side and one less for the opposition). It is logical because what helps farmers usually helps consumers and vice versa. And it is about time farmers started thinking of consumers as customers instead of enemies.

A second thing of the past is the so-called big farm lobby in Washington. At one time it may have been strong when farmers were in the majority. But through rural-urban migration and through

reapportionment farmers are no longer in the majority. Now we see this farm lobby in Washington, which represents five percent of the American people, fighting among themselves. The Farm Bureau takes one position and the NFO another. The big dairy cooperatives and NFO are presently involved in a major, almost life or death, court case. One commodity group is opposing the position of another, and we have division even within commodities. Feeders often take positions opposite of that of the American National Cattlemen's Association. Even state groups within the feeder element lobbied against each other on the livestock emergency loan bill, and purebred groups have not seen eye-to-eye with that supported by commercial cattle elements of the American National Cattlemen's Association. Urban America and those who represent them in Congress have a great misconception of the big, powerful farm lobby in Washington.

Historically farmers and their representatives in Congress have been voting against legislation helpful to consumers and urban America. Historically consumers and urban America have applauded their representatives in Congress for voting against farmers becuase of the erroneous assumption that legislation which helps the farmer must raise the price of food to the consumer. Urban Congressmen have been applauded by their already overcrowded urban voters for voting against spending money in the rural areas when it is this very lack of legislative support that is contributing to the death of small towns throughout America, forcing people to the already overcrowded cities.

It is cheaper to feed, clothe, and educate people in small towns than large cities. The money needed to buy land in New York City for a school, in a small rural town would buy the land, build the school, and build part of a hospital. Urban America, already plagued by overcrowded conditions, unemployment, and heavy welfare rolls, needs to recognize that it will take less of their tax money to feed, clothe, and educate people in small towns where many people now live than in their overcrowded cities.

I visited with several Congressmen from poor, urban areas shortly after my arrival in Congress. I pointed out that the average American spends less than 16 percent of his disposable income after taxes for food and that in wealthy Congressional districts, the figure was lower. But in their poor districts, the figure was closer to 50 percent. I pointed out that in view of this, they should be voting for every legislative program offered which would help the farmer even if it meant subsidizing the farmer, since so much of the income of their constitutents went for food. I might add that since conveying this information to some of my colleagues from these poor, urban areas, I have gotten their votes on some important farm legislation.

There is the other side of the coin, too. Farmers and their representatives in Congress have historically not only voted against urban areas (resulting in urban areas voting against farmers) but they have also historically voted against legislation helpful to the poor. Part of this is because of the usually independent nautre of the farmers. Part is because many farmers feel people are poor because they are too lazy to work, without realizing that many people are poor in the cities because they cannot get work. Regardless of the reasons, it needs to be pointed out to farmers and their representatives in Washington that when poor people receive an extra dollar, about 50 percent of it will go to buy food produced by the farmer, and when a millionaire get an extra dollar he is already eating all the food he wants.

This doesn't mean I am in favor of all government give-aways and welfare or that I expect urban America to urge their representatives to wage a battle to help farmers and rural America so as to help urban America. However, I do think it needs to be pointed out that those things which help the farmers usually help consumers and vice versa. Farmers who can afford fertilizer, who can afford good machinery, etc., are better able to produce more and better food for urban America. Likewise, consumers who are better off economically are in a better position to buy more food at higher prices from the farmer.

If wages in America had gone up no faster than food prices in the last 20 years, the average industrial worker would not be earning $3.89 an hour as he now earns, but $2.74. Or to put it another way, twenty years ago the typical household spent $956 a year for farm-produced foods at the supermarket. In 1973 this "market basket" of food for the household had increased to $1537. Had food prices increased as much as industrial wages, the market basket would have increased to $2314 for the typical household.

The average wage-earner in Tokyo, Japan, had to work 5 hours and 29 minutes in order to earn enough money to buy a pound of sirloin steak in September, 1973. The average wage-earner in London, England, had to work one hour and 14 minutes. Here in Washington, D.C., to buy the same pound of sirloin steak the average wage-earner had to work only 27 minutes.

For the past 10 years farmers got 37 to 41 cents out of each dollar the American consumer spent for farm-produced food at the store. In 1973 this increased to 46 cents. However, by the spring of 1974 this had fallen to about 40 cents.

When farm or food prices increase it makes the front page, but often similar decreases in food or farm prices do not make the news. Unlike wages, the cost of services, or the price of most other items in America, the prices that the farmer receives for his products do not always go up. About half the time, 11 years in the past 20, it goes up and the other half it goes down. What else in America can you think of that has decreased in price for nine out of the last 20 years?

A good example is eggs. In 1952 eggs averaged 42 cents. In 1972 they had fallen in price to 32 cents. In August of 1973 because of reduced supply, increased demand (and the inelastic demand for food which results in substantial increases or decreases in retail food price if there is a slight shortage or surplus of food) the farm price of eggs went to 69 cents. For the year as a whole they averaged out to 54 cents. However, by May of 1974 they had fallen to 42 cents, or the same price they bought twenty-two years earlier. There was much press coverage when eggs hit 69 cents. Where was the press when they hit 42 cents? Giving press to food prices when they increase and not giving much press to their decreases is one of the reasons people have such an erroneous picture of food prices.

In the most recent 10-year period, farmers have averaged only 3.9 percent return on their current value of their equity in farm assets. American consumers should be happy that with these figures, American farmers don't sell their holdings, invest their money elsewhere, get twice as much return on their investment and just lie in the sun.

One of the major reasons we had such low food prices in America in the 1950s and 1960s was because of the extremely low return the farmer received. In the 1950s the average after-tax income of farm people averaged only 54 percent as much as the average for non-farm people. In the 1960s the average after-tax income of farm people was 67 percent as much as the non-farm average. This is in spite of the heavy investment the farmer must have in his business. Between 1950 and 1960 food prices increased 18 percent and the cost of living increased 23 percent. During this same period farm prices actually declined 8 percent. Between 1960 and 1970 farm prices did increase by 17 percent, but food prices and the cost of living both increased 31 percent.

From 1953 to 1973 while wages in America were going up 142 percent, the prices farmers paid went up 79 percent. During this same period the wages farmers paid went up 143 percent, their farm machinery price levels increased 113 percent, and their total farm production costs increased 200 percent. I remember a high official on television last year, defending the boycotts and food price freezes, saying that farmers never had it so good and were "crying all the way to the bank." I remarked, "Heck, if he knew anything about farming he would know why they were crying and why they were going to the bank." Because from 1953 to 1973 the amount of debt owed by farmers has increased nearly 500 percent. That is a pretty good reason to be going to the bank.

During the 25-year period from 1947 to 1972 food prices at the retail level increased 74.9 percent. But during this same period, per capita disposable income increased 223.2 percent in America.

The Consumer Price Index includes food eaten at home and in restaurants. Since 1955 food eaten at home has increased 64 percent while food eaten away from home has increased 105 percent. These two figures very well illustrate how labor and other items have played a far greater role in increased food costs to the consumer than increased prices to the farmer. Since far more food is consumed in the home than away, even by combining the two you find that food eaten at home and away has gone up 70 percent since 1955 while hourly wages since 1955 have gone up 142 percent. In the last five years both wages and the price of food at the retail level have gone up a little more than one-third.

This summer I visited with one farmer who had just sent 30 gilts to market. In a few days he was planning to start breeding those gilts. Why did he decide to sell the gilts rather than keep them for breeding? He said it was a combination of many things. Those things included the depressed hog market, lack of concern in Washington for the livestock producers, lack of rain, etc. Why should the consumer in New York City concern herself with the attitude of this one farmer who sent 30 gilts to market? Those 30 gilts, if kept for breeding, could have produced 120,000 pounds of pork in 12 months. If this farmer was depressed enough to decide not to keep 30 gilts for breeding, you can be sure hundreds or thousands like him across the country made similar decisions.

This means thousands of tons of pork are not produced for the consumer. This reduction in pork supplies will substantially drive up the price of that pork (plus other meat) which is produced. That's why the consumer in New York City wants to keep the farmer happy and producing.

Trying to solve a problem of food shortages with a food price freeze is like trying to solve a teachers' shortage with a ceiling on teachers' salaries. Instead of easing the shortage, it creates additional shortages. You solve problems of shortages with programs which encourage production . . . not those which discourage production. Unfortunately, many politicians in both the Congress and the Administration took the easy way out and yielded to pressure from would-be consumer advocates by supporting those programs which appeared to help the consumer when in fact they did just the opposite. Those in Congress who pointed out the fallacy of the food price freeze were labeled as being unsympathetic to the consumer when in fact they were the ones being honest with the consumer. In February of 1973 food prices, responding to increased food demand, were on their way up. Farmers, anticipating better pork, poultry, beef, and grain prices, were increasing their breeding herds, buying better machinery, and preparing to produce record volumes of food. Then came the boycotts and threatened freezes or price rollbacks in April. While the boycotts and demands for freezes or rollbacks were well intended, they accomplished only one thing. Farmers who in February were increasing their breeding herds in anticipation of better prices started decreasing them in April.

The louder the cries from consumers and consumer leaders for boycotts and food price freezes, the more farmers reduced their breeding herd numbers. Farmers weren't reducing their herd numbers or drowning baby chickens to hurt the consumer. Like everyone else, they are in business to make a profit, and I might add their income is substantially below that of non-farmers. Breeding herds were being reduced and chickens drowned only to lessen losses they anticipated they would take if the boycotts or freezes took place.

The freeze meant farmers not only couldn't look forward to increased prices for their products, but were caught in a squeeze between ceiling prices and increasing costs of production. Instead of being encouraged to increase their production, they were discouraged. Tens of thousands of farmers across the country took this occasion to cull their herds of all but their very best breeding animals. Many farmers decided it was time to quit completely.

The high-quality dairy cows going to market and the fact that such an unusually high percentage of the sows going to market were pregnant indicated that these were animals that farmers, before the boycotts and freezes, clearly had planned to keep to produce more milk and pork.

Pork and poultry prices were first to go up because of the sows that went to market and the eggs that weren't hatched. Pork and poultry shortages (caused by the freeze supposedly to help the consumer) caused prices for these food items to skyrocket when the freeze was lifted. Had the freeze not been lifted, severe shortages would have resulted. High pork and poultry prices caused by the freeze caused consumers to shift to beef which helped to create a similar situation in beef.

Put yourself in the shoes of the farmer for just a minute. Imagine you own a farm. Farm debt has increased 400 percent since 1960 so chances are you own it with the bank. Imagine you have room on your farm to keep between 10 and 100 sows this winter. First you hear that corn prices are going up and since that will raise your feeding costs, you lean toward keeping 10 sows. Then you hear hog numbers are down, meaning better pork prices, so you decide to keep 100 sows. Then you hear of consumer boycotts being planned for meat and consumer advocates crying for food price freezes or price rollbacks. This causes you to decide to keep 10 sows.

The 90 sows you didn't keep (because of boycott and food price freeze threats) could have produced 10 pigs each (twice a year). The 1800 pigs you didn't produce because of the 90 sows you didn't keep represent over a quarter of a million pounds (200 pounds per market hog) of pork this one farmer did not produce in one year. Multiply this by the thousands of hog farmers around the country who were frightened by the boycotts and food price freezes and you see why pork production went down. Consumers bidding against each other for a limited amount of pork simply bid up the price of pork.

Consumers in effect talked the farmers into raising less food (by their support of boycotts and cries for food price freezes) and then, by bidding against each other for reduced food supplies, bid the price of food up. If consumers had had a better understanding of what encourages farmers to produce more or less food, there would have been no food crisis in America this year. By now food production would have started responding to higher food prices and food supplies would have been more in line with demand instead of being short.

The food price freeze hurt everyone. It hurt the consumer by raising her food costs. It hurt the producer by denying him profits from higher production and in many cases by forcing him to take losses. It hurt the economy by reducing the production of goods we needed to help offset our balance of trade deficit.

In 1971 and 1972 our great productive America bought more goods than it sold for the first time since 1893. In 1971 we had a balance of trade deficit of over two billion dollars, and in 1972 it was over six billion dollars. We can't continue to buy more than we sell for long, any more than we can continue to take more out of our bank account than we put in. How are we going to reverse our balance of trade so as to strengthen the value of the dollar, afford to buy higher priced energy, reverse our balance of payments, halt the inflationary spiral, and solve some of the major economic problems confronting America? Can we export labor? No, it is higher in America than most other countries. Can we export manufactured goods? No, we had a balance of trade deficit in manufactured goods in 1972 of nearly 10 billion dollars. What, then, do we produce in America cheaply enough to sell competitively on the world market? The answer is food. If the answer is food, then again the question must be asked . . . how can it be said it is too high?

Some have suggested that we embargo the export of farm commodities because they are so high in America. It would seem to me that if food prices in America are too high that we would have no need to build a wall around America to keep the food from leaving America. A wall would be needed if food in America were priced so cheaply that many other less fortunate countries than America from around the world wanted to buy our food and were willing to outbid Americans for the food.

Have the short-sighted politicians, vying for consumer votes, learned a lesson? I fear they have not. Some of the same people are now asking the government to shut off exports of grain and other farm products. Again, imagine you are a farmer. Grain prices have gone up sharply in the past few months. Because of this you are considering making long-range investments in machinery and land improvements. Now you hear talk that the government is considering stopping exports of American grains. What do you do? Chances are you won't make the big investments. Once again when American farmers should have been encouraged to produce more, they were discouraged. Once again the consumer will have been used.

A fair question is, why did food go up so much in price last year? This took place because of a combination of economic factors. We had substantial increases in social security and the food stamp program which increased demand for food in America. We had bad crop conditions in America, as well as in other countries, which decreased supply. Russia and China changed their food policy toward their people last year and their trade policy toward the United States last year which increased demand. Wages at the lower wage scale increased in America last year. A man making $1.40 per hour who is raised to $2.00 per hour spends quite a bit of the extra 60¢ on food while a man making $10 per hour who has an increase in wages is probably eating about as much as he wants to eat. This increased the demand for food. The standard of living around the world improved last year, which increased demand. We devalued the dollar twice in 14 months which made our food a better buy abroad, which increased demand. There was a change in the sex life of the anchovy off the coast of Peru which reduced the world protein supply, which increased demand for soybeans, which increased the price of all grains, which increased the price of many foods in America. These various factors which decresed food supply and increased food demand quite naturally caused the increase in food prices.

One of the big reasons consumers are suspicious of food price increases is because these prices go up so suddenly, unlike the gradual price increase of most other products and services. This, too, can be easily explained. It is because the demand for food is inelastic. The elasticity of demand is based on the essential nature of the product (food is very essential and the price as it relates to the role performed by the product.) The more essential the product and the lower the price in relation to the importance of the role of the product, the more inelastic we find the demand. This means the demand for food is very inelastic.

In cases where products have an elastic consumer demand, decreases in supply of the product result in corresponding increases in price which are offset by a corresponding decrease in demand (because of the higher price), thus both averting shortages and resulting in gradual increases or decreases in price. However, in the case of food, increases in price are not offset by corresponding decreases in purchases because people must eat. With less food to go around and people trying to buy as much as always, this quickly bids the price up. And since increases in price are not offset by corresponding decreases in purchases, we have food shortages.

Because of the inelastic demand for food (unlike the demand for many products) a one percent decrease in supply results in a three to four percent increase in price. The desire to stabilize food supply so as to avert radical price changes to the consumer and to give foreign buyers confidence in our market, the U.S. government has often been more involved in farming than either consumer or producer would like.

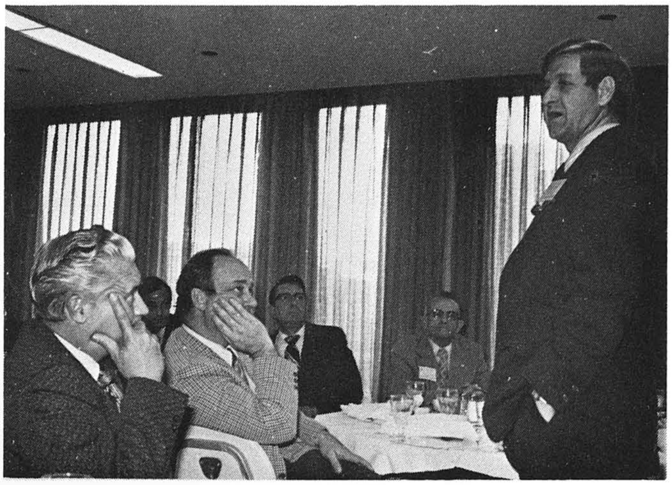
Given a seven percent return on his assets, the farmer received 74 cents and 81 cents an hour for his labor in 1971 and 1972. He could have gotten this by simply selling out and drawing interest.

It is true inflation has driven skyhigh prices consumers pay for most things they need. Since food is both a family necessity and one that is purchased regularly, consumers noticed it here more than elsewhere. Irritating to farmers, however, during the meat boycotts in April was the fact that beef prices to the farmer were no higher than 20 years ago . . . how many other things were that cheap? Farmers are proud of their production efficiency. Inflation is a situation whereby we have a shortage of goods and services in relation to dollars. It can be overcome by less government spending or more productivity. Farmers have increased their productivity per man-hour more than twice as much as the non-farmer in the past twenty years which means that if non-farmers had increased productivity as much as farmers, inflation would not be a problem in America today.

Recently, at the World Population Conference, several heavily populated, food-poor nations refused to support American proposals designed to encourage efforts to bring the world population in check. Instead, they criticized wasteful consumption of food in countries such as America. Since then, there has been criticism blaming American consumers for consuming too much and American farmers for producing too little. My answer to those people in light of the response at the recent World Population Conference and to those who will attend the November World Food Conference in Rome is that if the people of many of these countries had done as good a job of keeping their population in check as the American farmers have in increasing their production there would be no world hunger. America can no more police and feed the world than we can tell them how to run the internal affairs of their countries, but we should suggest that while we will not turn our backs on hungry people, we expect them to do their part and we will take this into consideration as we continue to share our food with the world.

Congressman Litton and Dr. Tharp

Luncheon in honor of Congressman Litton:



Dr. Cropsey, Congressman Litton, Dr. Roy M. Kottman and Dr. Ben Harrington.

Dr. and Mrs. Caricaburru, Congressman Litton and President Cropsey

Future AABP Conventions

1975 - Atlanta, Georgia (December 10 - 13)
1976 - San Francisco, California
1977 - St. Louis, Missouri

American Association of Bovine Practitioners
District 5 Bovine Nutrition Seminar
September 12-13, 1975 - Marriott Motor Hotel
Chicago, Illinois (Near O'Hare Airport)

For further details, write: Dr. Robert H. Keith
AABP Director, District 5
1317 31st Avenue
Monroe, Wisconsin 53566