# Inflation and Middlemen, Not the Farmer, Running Up American Food Prices

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Headlines emphasize that "Food Costs More Than Twice 1970s" and "Soaring Cost of Food Ignites Wholesale Price Surge."

Inflation, not the farmer, is to blame. As one observer commented: "No matter what happens, where it happens, or who it happens to, it just means another increase in price."

Most of the recent increases in food prices have come after the commodities left the farm. Prices received by farmers for what they grow are down from a year ago. The parity price ratio was 72 in June 1979 and in June 1980 (the latest figure) it was 61.

Besides that, farmers have been hit by unfavorable crop weather that reduced yields and costs of production continue upward.

The USDA magazine Farmline says that a farmer who had a net income of $10,000 in 1975 will need $14,160 this year to stay even. If inflation continues at present rates, he will need $20,050 in 1985 just to stay even. Comparisons cited include these:

**Diesel fuel** cost 40 cents a gallon in July 1975. It now costs $1 a gallon, up 150 percent.

**Diammonium phosphate fertilizer** (18-46-0) cost $263 a ton in April 1975. At $298 a ton in May this year it was up 13 percent.

**A medium-capacity combine** that cost $27,300 in June 1975 was priced at $47,500 this June, a gain of 74 percent.

**Hired labor** which cost the farmer $2.42 an hour in April 1975 cost him $3.61 per hour this past April, up 49 percent.

**Dairy feed** (16 percent protein), which sold for $130 per ton in June 1975, sold for $167 per ton in June, 28 percent more.

**A pickup hay baler** (PTO) that could be had for $3,920 in June 1975 cost $6,090 this past June, a 55 percent price rise.

For wheat growers, season average price received in the 1974-1975 marketing year was $4.09 per bushel, one of the two years in the past 20 when the price averaged above parity. That figures out to 6,675 bushels of wheat to pay for the combine in 1975.

Cash market prices for wheat in Oklahoma are $3.90 per bushel or less. A comparable combine now would require 12,180 bushels of wheat to pay for it. And it costs more to produce each bushel of wheat.

The result, of course, is that farmers are postponing farm machinery purchases. Tractor and equipment sales are running as much as 45 per cent behind a year ago, in spite of cash rebates and scrip to buy parts, offered by dealers to attract customers.

"This year's rise in production costs is due mainly to dramatic increases in the price of fertilizers and energy as well as higher interest rates," says a USDA economic analysis. "In contrast, prices of inputs originating on the farms — such as feed and seed — have increased more slowly, and cost of feeder livestock has declined.

"Interest rates have started to decline," the analysis continues, "and fertilizer prices are anticipated to come down later in the year, partly offsetting the increases of early 1980."

Nevertheless, agricultural economists still are predicting around 30 percent drop in net farm income this year from last year.

Increased costs of production are in effect, whether the harvest is good or bad and whether prices are higher or lower. Of course, if the crop is a failure, a farmer may avoid harvesting and hauling expenses, but that is poor consolation for a losing season.

Loss of grazing value of summer pastures due to drouth is a costly experience for cattlemen. All options open to them either cost more money or result in reduced income from their herds.

A southeastern Oklahoma cattleman telephoned to complain that feed suppliers have boosted prices of cottonseed cake, hay and other feeds by about the same number of dollars per ton as the aid offered under the federal drouth emergency program.

It is to be expected that prices would rise when feed is in short supply and demand is strong. Even so, this cattleman said he figured he could get his herd through the winter for less money if Uncle Sam would just stop trying to help him.