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Perspective on Food Prices

CONSUMERS are becoming alarmed about Agriculture Secretary John R. Block's predictions that food costs may rise as much as 5 or 6 percent next year because of drouth that cut crop yields.

To get a true perspective on such forecasts it is necessary to look back and see where the price rises started, who gets the increases, and how much food actually costs consumers.

From the farmers' point of view, the price increases are based upon a very low parity ratio, the lowest since consumer price records were begun by USDA in 1910. Parity relates the prices received for farm products to the cost of inputs that went into production.

For the year 1982, USDA calculated the average net income for Oklahoma farmers was $14, not a big figure for a year's work and return on investment. Of course, some farmers did better, but many consumed capital resources in order to stay in business.

A breakdown of costs that determine food prices shows farmers receive an average of 28 cents out of the retail food dollar, including food purchased away from home. Labor gets 32 cents. The rest goes for transportation, storage, processing and packaging, retailing expenses and other non-farm costs.

The case history of a loaf of bread is more revealing. According to figures released by USDA economists last month, the price of a 1-pound loaf of white bread increased a little more than a penny for the first quarter of 1983 compared to the same 1982 period. It went from 53.23 cents to 54.30 cents.

During that same time the farm value of wheat declined from $3.75 to $3.57 per bushel. The retail price of 100 pounds of flour moved up from $85.59 to $87.31. Farmers don't get it all.

Despite the tragic effects of widespread drouth this summer, we will not run out of food. Famine and starvation are very real in a number of countries but not in the United States. We still have lots of corn, wheat and soybeans in storage.

Although crop yields and total production have been reduced both by drouth and the PIK program, consumers still will find their supermarket shelves filled.

Furthermore, consumers will be able to buy their typical family grocery orders with less than one-fifth of their average take-home pay, compared to 60 to 70 percent of incomes that go to pay for food in other countries. One economist says the share of consumers' incomes that will be allocated for food in this country may be at an all-time low this year, despite higher prices.

Higher prices for commodities on exchanges and international markets are slow to reach farmers and do not necessarily increase gross or net incomes when drouth or other causes have reduced production substantially below normal. The farmer's expenses go on, just as they may in non-farm businesses.

If we want to compare prices we pay for our food we might shop around the world and see where else we can buy as wide a variety of quality food for as little of our incomes. That would help us to get a true perspective on rising food prices.