Food price gap being investigated

By ROBERT DIETSCH

WASHINGTON — The administration, increasingly concerned and suspicious about the widening gap between what the farmer gets for his produce and what consumers pay for food at the supermarket, is beginning to investigate.

Albert Rees, director of the Council on Wage and Price Stability, said Thursday that "On average, the spread between the farm price and retail price of food is expected to increase 21 per cent between 1973 and 1974. This would be nearly three times larger than the largest previous increase."

A year ago, the value of food sold at the retail level was about 47 per cent higher than prices received by farmers. Today, that spread is about 60 per cent — meaning the spread between farm and retail prices has jumped 21 per cent.

That spread has increased 59 per cent since 1967.

REES'S AGENCY has called a public hearing on sugar prices to investigate, in part, the growing price spread of this commodity. Over the last year, that spread has risen 194 per cent.

A year ago, a five-pound bag of sugar retailed for about 81 cents. Today's supermarket price is about $2.25.

When a family buys produce or eggs at a farmer's stand, there is no difference between what the farmer gets and what the consumer pays. But in normal retail channels, the cost of processing, transporting and packaging food and putting it on the supermarket shelf is added to the farm price. This "food price spread" continues to grow and helps explain why retail food prices remain high even when farm prices fall.

Farm prices today — despite a 4 per cent jump in the month ending Oct. 15 — are still half of 1 per cent higher than a year ago. But in that period, retail food prices have risen more than 10 per cent.

TREASURY SECRETARY William E. Simon told the National Press Club Thursday that food processors and supermarkets may be fueling inflation by charging excessive prices. "With times as difficult as they are," Simon said, "we cannot permit one segment of the economy to reap unjust enrichment at the expense of everyone else."

Earlier this week, Atty. Gen. William B. Saxbe said the Justice Department is investigating the possibility that food price increases this year may have resulted from price fixing or other illegal behavior. He said the probe involves sugar, beef, eggs, canned tuna and other basic living items.

As for sugar, Saxbe said there are signs of possible illegal actions "over an extended period of time."

At a food conference here Thursday, executive director Carol Foreman of the Consumer Federation of America charged that one leading sugar firm, Great Western Sugar Co., enjoyed a sales-profit rate (above its own costs) of 1,200 per cent.

She also said nine major meat packers boosted their profit margins by 36 per cent during the last nine months despite some decline in beef prices. The price council's Rees said the beef price spread between rancher and supermarket increased 15 per cent in the past year.

THE MAXIMUM price spread increase in the year was on dry navy beans — 363 per cent. Beans soared in popularity as a source of protein when meat became expensive, and the price of beans then went up.

Rees gave this other example of widening price spreads:

"The retail price of butter reached a peak in the last quarter of 1973 and has since fallen about 11 cents a pound. However, the estimated net farm value has fallen in the same period by 17 cents. The total marketing margin has risen by six cents, and the farmer's share of a dollar spent on butter is now far lower than it has been at any other time since 1947."

In August, an Agriculture Department task force said the widening food price spread was caused by rising costs of labor and other items that went into "marketing services" — containers, packaging, rail freight fuel, advertising and promotion.

THE AGRICULTURE task force concluded that greater efficiency and productivity in the marketing system would tend to keep the price spread from getting worse. One recommendation was for a shift to "box beef" — beef that is sliced into retail cuts before being shipped to the retailer. This practice presumably could reduce retail prices by five cents a pound because assemblyline meat cutting is more efficient, wages are generally lower in packing plants than in supermarkets, and because fat and bone trimmed off reduces the weight of beef in shipment.

However, supermarket union rules generally forbid such box beef practices.

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