

■ Farm-Retail Price Spread

Food prices include payments for both the raw farm product and marketing services. In 1994, the farm value, or payment for the raw product, averaged 24 percent of the retail cost of a market basket of U.S. farm foods sold in foodstores. The other 76 percent, the farm-retail price spread, consisted of all processing, transportation, wholesaling, and retailing charges incurred after farm products leave the farm.

Farm-retail spreads have increased every year for the past 10 years, largely reflecting rising costs of labor, packaging, and other processing and marketing inputs. In 1994, farm-retail spreads rose 4.4 percent and farmers received 3.3 percent less for the food they produced. The result of retail food price increases and farm value decreases has been a decline in the farm share. Widening farm-retail spreads continued to push up food costs in 1994. The farm value is expected to continue to decline slightly in 1995.

The percentage of the retail price accounted for by the farm value varies widely among foods, reflecting differences in production and marketing processes. Generally, it is larger for animal products than for crop-based foods, and smaller for foods that require considerable processing and packaging. In 1994, however, there was little difference in the farm value percentages for fresh and processed produce. The combination of reduced fresh produce prices at the farm and higher retail prices account for this unusual result.

Table 1-2.

Farm value as a percentage of retail price for domestically produced foods, 1984 and 1994

<i>Items</i>	<i>1984</i>	<i>1994</i>
Livestock products:		
Meats	50	36
Dairy	47	34
Poultry	56	43
Eggs	65	47
Crop products:		
Cereal and bakery	12	8
Fresh fruits	34	18
Fresh vegetables	34	23
Processed fruits and vegetables	24	20
Fats and oils	31	25
Market basket, average	35	24