

Food market basket: your paycheck compared to your 'grocery bag'

by Marcia Merry Baker

If you shop for food, you have seen for yourself how grocery store prices are rising. Butter was \$1.50 a pound a year ago; now it's \$2.50 at least. But don't believe any of the explanations you get from TV nightly news or Wall Street expert "analysts" for rising food prices. They specialize in "market myths" about weather, competing demands, etc. On butter, they'll say, "Butter is high because milkfat is going into ice cream," or some other fairy tale.

The U.S. food chain, from beginning to end, is precarious. And, unless emergency

food and farm policies are instituted, we "ain't seen nothin' yet," when it comes to food prices. A select few individuals and companies, mostly interconnected with London financial and political interests, have positioned themselves along the food chain to profiteer from commodity hoarding and soaring prices (documented in *EIR* in 1996, and summarized at the end of this report).

The fact is that U.S. agricultural production, relative to needed volumes of food, reserves, and so forth, is now operat-

ing *below* levels required for adequate food security ratios for the population. This has been masked by growing commodity imports—beef from Mexico, produce and seafood from Asia and Ibero-America, fruit juice concentrates from the Middle East, etc.—on a scale that constitutes looting of trade partners. This can't last; nor should it.

To summarize this situation, we begin at the point of the retail food price picture from the 1960s to the 1990s, and proceed to the crisis condition of the U.S. farm sector.

Grocery bag prices rise

To look at your food dollar, compared to your paycheck, *EIR* made up a special "grocery bag" of 16 food items, for which the U.S. Department of Agriculture Economic Research Service provided statistics on retail prices from 1960 to 1995; *EIR* field survey data completed prices as of September 1996. All the items are relatively unprocessed, except for baked bread; pasteurized milk; roasted, ground coffee; and so forth, to make comparison over time more accurate.

The food items in the bag fall into eight basic food group categories, and are listed below. The prices were assembled based on price-per-pound units, except for a head of lettuce, and a half-gallon of milk):

- Grains: flour, rice, bread
- Meats: ground beef, chicken
- Dairy: milk, butter
- Eggs
- Fruit: apples, bananas
- Vegetables: tomatoes, onions, lettuce, potatoes
- Coffee
- Sugar

Figure 23 shows that the same "bag" which in 1960 cost \$5.28, as of Sept. 15,

FIGURE 23
Grocery bag of sixteen food staples

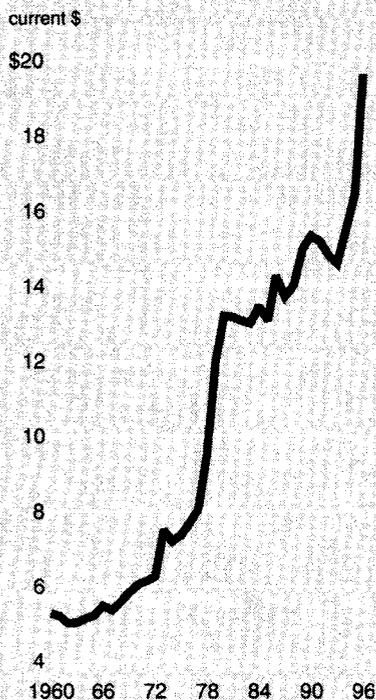


FIGURE 24
Grocery bag of sixteen food staples

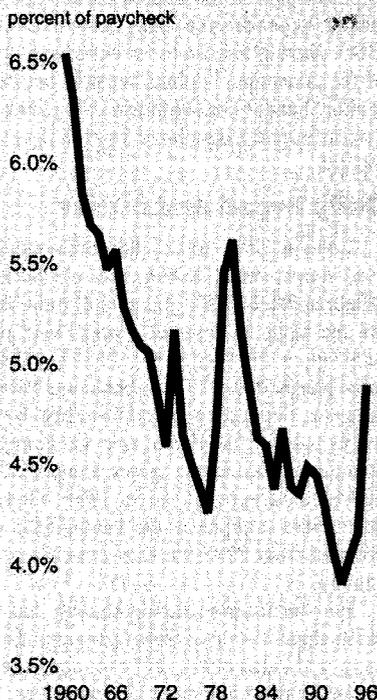


FIGURE 25
Food expenditures
percent of total consumer expenditures

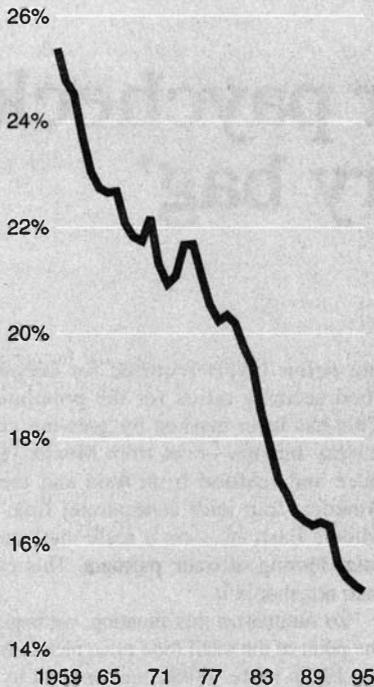


FIGURE 26
Grocery bag item: bread
price per pound, in current dollars

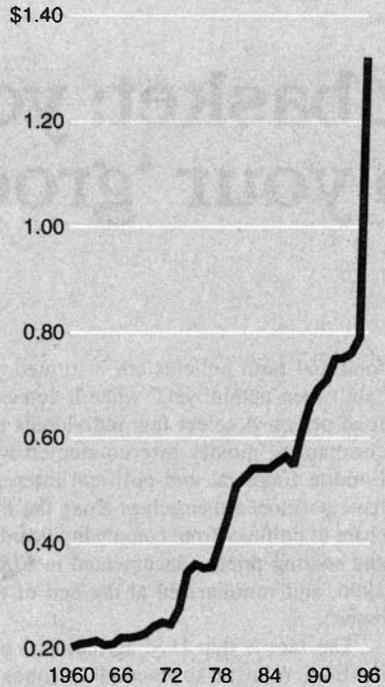
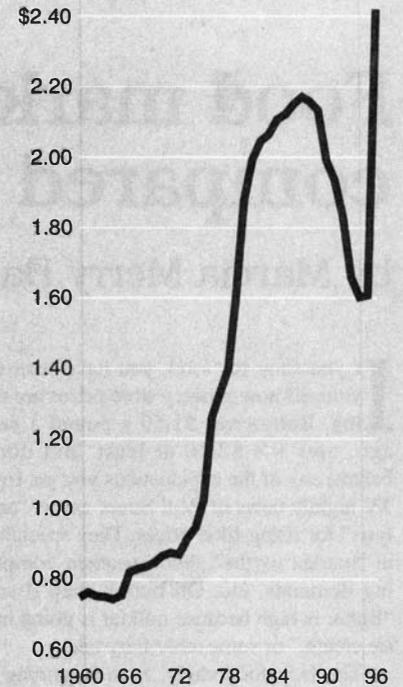


FIGURE 27
Grocery bag item: butter
price per pound, in current dollars



1996, costs \$19.64. In other words, the “check-out price” rose 3.7 times over 36 years.

The grocery bag price rose very little over the 1960s. But food prices jumped in 1973 and 1974—when Cargill and the other grain cartel companies profited off stealthy sales of U.S. grain to the Soviet Union; prices jumped again from 1975 to 1980, when a combination of high oil prices and Federal Reserve high interest rates hit the farm/food sector; and as of 1996, food prices are again shooting up.

However, this same *EIR* grocery bag, as a percent of the average weekly wage packet (non-farm, private payrolls), fell from 1960 to 1990, except for the two jump-points in the 1970s (Figure 24). Then in the 1990s, food prices started rising again as a percent of the weekly wage; and as of this fall, many prices will take off.

In 1960, the grocery bag was 6.5% of the average weekly wage. This fell to 4.5% in 1975; and down to 4% in 1991. Since then, it is going back up.

Figure 25 shows this same trend, for all food expenditures, not just the 16 items in the *EIR* grocery bag. Annual consumer expenditures for all foods (processed,

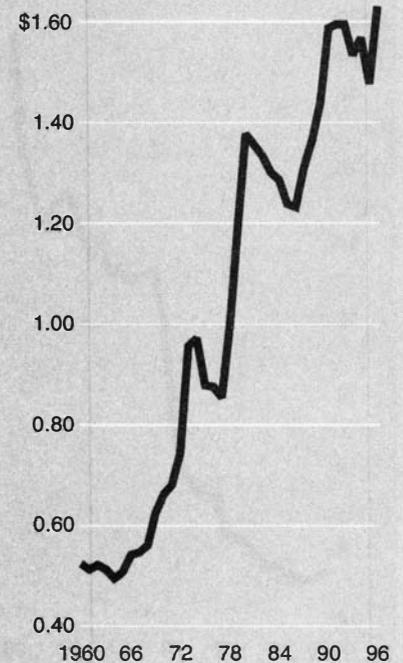
unprocessed, at-home foods, eaten-out foods, etc.) is shown as a percent of total consumer expenditures. In 1959, food expenditures were over 25% of all consumer expenditures. This fell to 15% in 1995. During this time, an increasing share of the consumers’ dollars went to non-food market basket consumption categories, as documented elsewhere in this *Special Report*.

Daily bread and butter

Look at price trends for three specific food items: bread, butter, and ground beef (Figures 26, 27, 28). The overall trend lines are the same as the total grocery bag, with retail price stability in the 1960s; and two price jumps in the 1970s; then come various patterns, depending on commodity. Bread prices rose in the 1990s, and are going up faster and faster. Butter prices dropped in the 1990s, then zoomed up in 1996. Ground beef prices dropped in the later 1980s; and dropped from 1993-95; they are now rising slightly.

For the farm sector producing each of these three staples (grain growers, dairymen, and cattlemen), and producers of all the other food and fiber commodities, the consequences of shifts in retail prices,

FIGURE 28
Grocery bag item: ground beef
price per pound, in current dollars



and in prices paid to farmers relative to the farmer's costs, have been devastating. For reasons of space, we will not go through each food commodity here, but will review them in future issue. Here we show the overall pattern of decades of underpayment to the U.S. farm sector, in terms of falling income to farmers, lack of agriculture infrastructure, and so forth, which adds up to a U.S. food supply and

consumption crisis.

No food at any price?

What the grocery bag draws attention to, is that anyone who could hardly afford food prices as of the early 1990s, now faces the prospect of not having the means to eat at all, as prices soar. As of 1993, the number of Americans on food stamps reached 1 out of 10.

On the other hand, if all Americans were given the paychecks, or the food stamps or equivalent, to go out tomorrow and shop for all the quality food they wanted, it wouldn't be there.

The U.S. farm sector is disintegrating from years of underpayment, and lack of infrastructure provisions. **Figure 29** gives the background to understand the farm side of the equation, relative to grocery store prices. **Figure 30** shows that all the while, from 1960 to 1990, that the percent of the average weekly wage spent on the food dollar went *down* (for our grocery bag measure), the share of your food dollar expenditure which went to the farmer, *dropped*. In other words, over the 1960s to 1990s, food was one of the few categories that took a smaller share of the average paycheck, in contrast to all the other items we've examined in this report. Yet, of each consumer dollar going for food, less and less of that dollar was going to the farmer. Therefore, farmers have been consistently underpaid, relative to the income they need in order to make necessary capital investments, while maintaining the living standard to guarantee food supplies in the future.

In 1960, 33% of the consumer dollar spent on food went to the farmer (for all

commodities). In 1993, this stood at 22%; the farmer's share dropped by a third.

For specific commodities, the drop in share of the consumer dollar is even steeper, as shown in Figure 29.

In 1960, 16-17% of the food expenditure on grain products (milled and baked), went to the farmer. As of 1993, it was barely 7%.

Eggs and poultry producers got 61% of the consumer dollar for those foods in 1960, and 40% in 1993. Fruits and vegetables producers got 25% of the consumer's expenditures for that commodity in 1960, and 16% in 1993. For dairy foods, farmers got 45% of the consumer's dollar in 1960 for those foods, and 31% in 1993. For meats, in 1960, 57% of the consumer spending on meat went to the farmer; in 1993, the farmer got only 40%—and the consumer price had dropped!

Who got the share of your food dollar that did not reach the farmer? Don't blame it on an unknown, John Doe middleman. That's a media trick to hide the truth.

London commodities sharks

Cartels of commodities companies have moved in and consolidated positions all along the food chain. They are interlinked with mostly Anglo-Dutch finance. Forty of the world's largest 50 food companies are based in the United States, Switzerland, and the "neo-British Empire," including the United Kingdom, Canada, and Australia. Only 10 are based elsewhere, mostly in Japan. Many of these famous name companies are posting record profits as a result of underpaying farmers and gouging consumers.

Meat: IBP (Nebraska-based) is the world's largest butcher, along with Cargill, ConAgra, and a few others.

Dairy: Cartel leaders are Unilever, Nestlé, Philip Morris (Kraft Foods), and a few others.

International fruits and vegetables: Trading cartel names include Chiquita (formerly United Brands) and Grand Metropolitan (Green Giant).

Grains and milling: Cargill, Grand Metropolitan (Pillsbury), ADM, Louis Dreyfus, Continental, Bunge.

Oils, sweeteners: ADM, Cargill, Tate & Lyle (London-based owner of A.E. Staley).

The farmer's 'paycheck'

Farmers don't get paychecks from farming; they get income from prices received for their commodities produced. Because of cartel-serving public policy, farmers' pay-

FIGURE 29

Farmers' share of consumer dollar drops

percent of food dollar

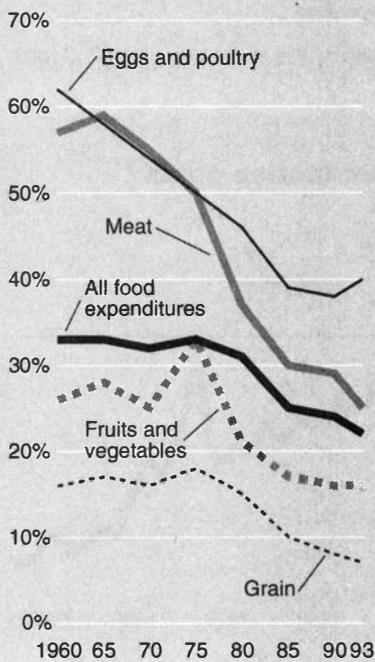


FIGURE 30

Income of the average farm household

\$50,000

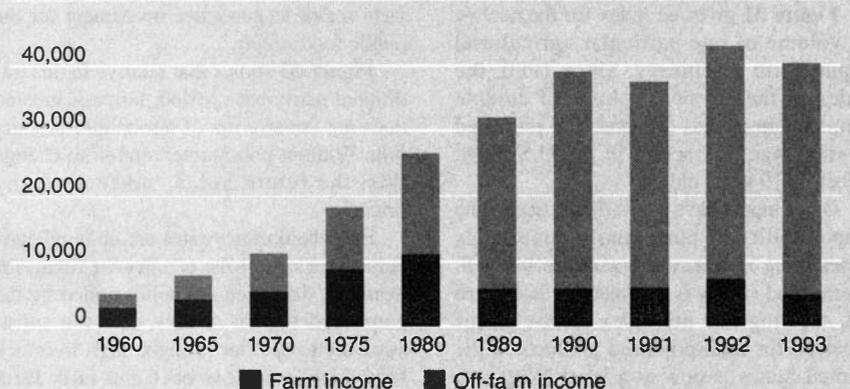
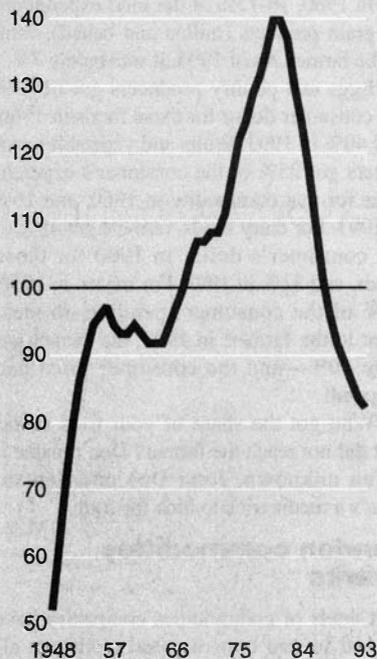


FIGURE 31
Index of farm inputs:
 durable equipment
 (1967=100)



check-equivalent has dropped in half over the past 25 years.

Figure 30 shows that the annual income from farming for the average U.S. farmer-operated household, was, as of 1993, little more than it was in 1960, in absolute, unadjusted-for-inflation dollars. In 1960, the farm household's income from farming was \$2,962; in 1993, it was \$4,815. The highest point was in 1980, when farm household income from farming was \$11,056, then it fell sharply and stayed down. Over the 1980s, there were record numbers of farm bankruptcies.

Figure 30 shows how the farm household continued in operation: by scrambling to make more "off-farm" income to compensate for losing money in farming. In the mid-1960s, over 50% of the average farmer household's income came from farming, and the rest from off-farm income. In 1993, 12% of the average farm household's income comes from farming, and the rest from off-farm work.

Because the average non-farm paycheck is not covering needed household consumption levels for any average family, what does it mean for the state of farming in the United States? Farm households have to invest, out of their income, into agricultural inputs

FIGURE 32
Prices farmers pay exceed prices farmers receive
 index 100=1910-14

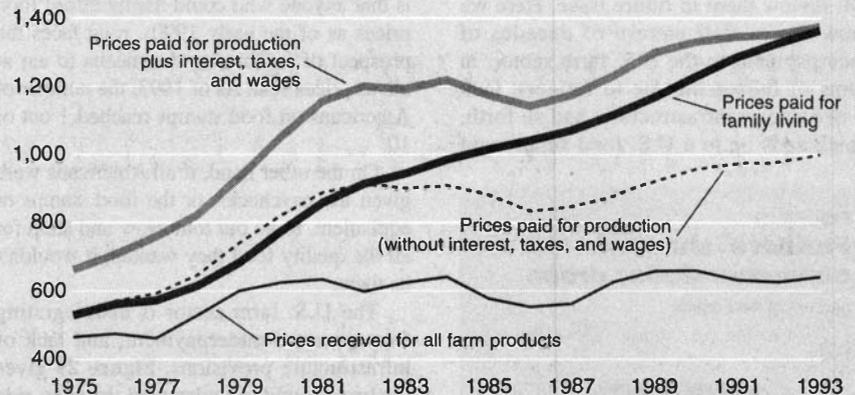
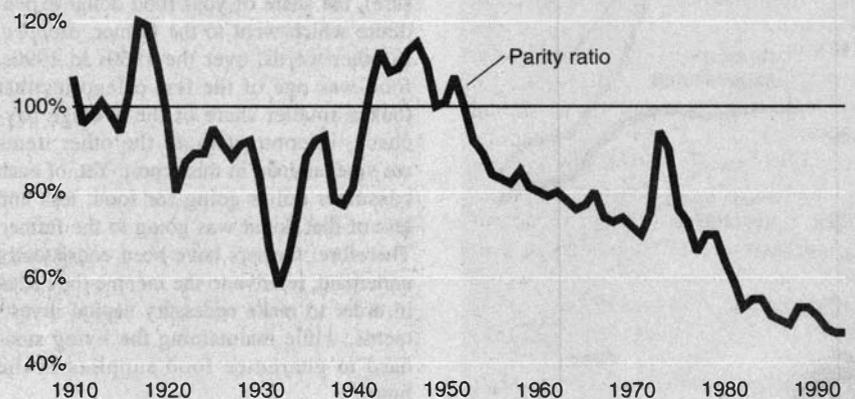


FIGURE 33
Farmers' income doesn't cover production costs
 percentage of 1910-14 parity



(power, machinery, water, soil management, buildings, livestock, seeds, chemicals) for future food and fiber output. In fact, there is disinvestment. Agriculture input ratios are declining, and farm productivity potential is falling drastically.

Figure 31 gives an index for the decline in volume of one particular agricultural input: farm machinery. Since 1980, the index of the physical volume of durable farm equipment has dropped. The estimated average age of tractors in the U.S. farm "fleet" is 19 years old.

Other inputs have similarly declined. The impossibility of farm family households functioning in a way to guarantee the U.S. future food supply is summarized in Figure 32, showing that the index for the prices received for farm-produced products in the United States is now at a level (600) less than half the index level for the prices farm-

ers must pay for production costs, and interest, taxes, and wages to labor (1,390). The base period for these indexes is the traditional 1910-14 period, designated as a parity measure, a time when farmers' prices and costs were in a relationship enabling the farm sector to guarantee investment for the public food supply.

Figure 33 shows that relative to this traditional parity base period, farmers' income does not cover costs of agriculture production. Without policy intervention to change this, the future holds "no food at any price."

Farm bankruptcy rates are up in all agriculture regions of the country. In Texas, for example, dairymen are being ruined by the combined impact of lack of water infrastructure to counter drought, high livestock feed costs, and low beef and milk farm commodity prices.