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Why USDA Measures Price Spreads

Consumers, farmers, and legislators want to know what causes food prices to change. They are also interested in the farm-to-retail price spread, which measures the difference between what farmers get for the food they sell and what consumers pay for food that was processed and marketed. To answer these concerns, Congress has directed the U.S. Department of Agriculture (USDA) to measure price spreads for food originating on farms. Specifically, the Agricultural Marketing Act of 1946 directs USDA to measure, analyze, and disseminate farm-to-retail price spread data (7 U. S. Code 1622 (b)).

This report presents USDA's findings for 1997, including answers to the following questions:

- How much did food prices rise in 1997? Why?
- How much of the retail food price does the farm value represent?
- How did farm-to-retail price spreads change in 1997, both for a market basket of food and for such food groups as meat and dairy products?
- How have recent developments affected food industry costs, profit margins, and productivity?
- Finally, how much did Americans spend for farm-produced food, and how were these dollars divided among costs of producing and marketing food?