After 18 Months of Study, Food Commission Brings In Controversial Report

By Roger W. Fox

This summer the National Commission on Food Marketing submitted its final report to the president and Congress.

The commission’s report reflects 18 months of intensive investigation into nearly all phases of food marketing in the United States, including such subjects as efficiency and market power, regulatory activities of government agencies, measures to benefit consumers and producers, and farm-retail price spreads.

Critical on some points, complimentary on others, the commission concluded that the huge food industry is generally “efficient and progressive.”

**Producer-Consumer Spread**

The commission, consisting of five members of the Senate, five members of the House, and five public members appointed by President Johnson, was created at a time of depressed farm product prices and constant or rising retail food prices. An example of this concern was the low level of livestock prices during 1964.

During the commission’s investigation, economic conditions changed rapidly, so that today attention is focused on increasing food prices both at the farm and the retail level. This concern is illustrated by the 10 percent increase in the Index of Prices Received for all farm products between August 1964 and August 1966, and the six percent increase in the level of the Consumer Price Index for all food during the same period. Nevertheless, many of the commission’s findings are relevant to the current situation, particularly those relating to increasing retail prices for food.

**Groceries Plus Service**

The commission report points out that in spite of rising food prices, the share of the consumers’ after-tax income being spent for food has declined from 22.2 percent in 1950 to 18.2 percent in 1965. At the same time the consumer is demanding and receiving an increasing quantity of services with each dollar expended on food. This observation is supported by the fact that the farm-retail price spread for a fixed “market basket” of food increased by 37 percent between 1950 and 1965. It is a recognized fact that consumers are purchasing more “built-in maid services” in the form of prepared and semi-prepared foods.

In addition, changes in the farm-retail price spread reflect rising processing and distribution costs throughout the marketing channel. For example, labor costs per unit of food manufactured by the food industry advanced 22 percent during the 15-year period, 1950-1964.

**Huge Merchandising Costs**

Furthermore, increased advertising expenditures added to the costs of marketing food. The commission indicated that “the costliest item in retailers’ sales promotion is trading stamps.” Stamps were little used by food retailers in 1950 but cost them about $680 million out of an estimated $2.1 billion promotion effort in 1964. The commission concluded that the added cost of trading stamps is generally passed on to the consumer in the form of higher food prices.

Finally, retailers’ costs have increased because of such services and amenities as parking lots, air conditioning, roomier stores, and greater variety.

Collectively, the above facts provide considerable insight into the reasons for rising retail food prices. However, the report provides little in the way of explanation for the depressed farm level prices during the late fifties and early sixties or for the recent increases in farm product prices.

**Industry Concentrated**

The commission points with some alarm at the tendency of the food industry to become highly concentrated in the hands of a few large firms. Asserting that food marketing firms tend to grow much larger than necessary to be fully efficient, the commission urges positive action by regulatory agencies to prevent “horizontal mergers and acquisitions by the largest firms in each concentrated branch of the food industry.”

Although the report emphasizes that the consumer is well-served by the food industry, it maintains that current practices fall short of giving consumers information needed for skillful buying. Proposals to help the consumer get the most for her money include consumer grading for “all foods for which such grades are feasible”; establishment of standards of identity “for all foods recognized . . . as belonging to a definite product category and for which standards are practicable”; elimination of deceptive packaging and labeling; and a “centralized consumer agency . . . established in the executive branch of the government.”

On the producer side of the market, the commission concluded that farmers have been significantly affected by fundamental changes in the food industry, such as specification buying, vertical integration and rising price spreads. The commission contends that these developments “Pose more clearly than ever before the question on how farmers can obtain sufficient bargaining strength to defend their prices and other terms of sale.”

**Stronger Producer Groups**

To strengthen the farmers’ bargaining position, the commission recommends increased use of producer cooperatives and federal marketing orders and agreements. Furthermore, the commission proposed a new device known as the “Agricultural Marketing Board.” Essentially an extension of the Marketing Order Program, Marketing Boards could be voted into effect by the producers with the primary purpose of performing “group marketing activities in the farm sale of a particular commodity.”

Other conclusions reached by the commission relate to regulation of competition in the marketing of perishable farm foods, the need for more complete and accurate market information, desirability of greater uniformity among state regulations affecting the food industry, licensing of local livestock markets, use of the U. S. Public Health Code for milk inspection, a study of advertising rates, improvement of price data compiled by the Bureau of Labor Statistics and the U. S. Department of Agriculture, and supervision of fusion.
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Characters trading in livestock, meat, coffee, and sugar under the Commodity Exchange Authority.

The final report was not unanimously accepted by the commission members. In fact, six of the 15 members dissented and submitted minority statements. The fact that members of the commission, after examining the same material, reached such diverse conclusions would indicate a difference in the philosophy and background with which they approached the study. Those members who signed the majority report are Fred J. Marshall, Minnesota Farmer; Elmer R. Kiehl, Dean, College of Agriculture, University of Missouri; Senator Warren G. Magnuson, Washington; Senator Gale W. McGee, Wyoming; Senator Philip A. Hart, Michigan; Representative Leonor K. Sullivan, Missouri; Representative Glenn C. Cunningham, Nebraska; Representative Benjamin S. Rosenthal, New York; and Phil S. Gibson, Retired Chief Justice, Supreme Court of California.

Those who entered minority reports, disagreeing with the majority in many essential points, are William M. Batten, J. C. Penney Co.; Albert K. Mitchell, New Mexico Rancher; Senator Thruston B. Morton, Kentucky; Senator Roman L. Hruska, Nebraska; Representative Graham Purcell, Texas; and Representative Catherine May, Washington.

Minority Dissented

Objections by the minority are concerned primarily with the manner in which parts of the study were conducted, and the nature of conclusions reached by the commission. The dissenters felt that the commission exceeded its charge in making recommendations for specific legislative and administrative changes that would affect the food industry. In addition, the minority refuted evidence indicating that the food industry is characterized by high and growing concentration of ownership and power.

Thus, after a year and a half of intensive study costing about $2 million, substantial disagreement remained with respect to certain facts about the food industry as well as what should be done to improve its performance.