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NEBRASKA'S AGRICULTURAL EXPORTS, 1972

In the wake of the latest devaluation of the dollar Nebraskans are evidencing increased interest in data on the volume of the state's agricultural exports in 1972 and in prospects for the future.

Because the Economic Research Service of the U.S. Department of Agriculture has standardized and considerably revised its estimating procedures, export data for Nebraska and the six other states in the West North Central Region are shown in Table 1 for not only fiscal 1972 but also for the fiscal years 1970 and 1971.[1]

NEBRASKA'S RANK IN FARM EXPORTS

For some time both private agricultural and industrial interests and governmental agencies have sought to increase use by Nebraska manufacturers of the bountiful production of the state's farms and ranches. As a result of these efforts a number of new food processing plants have opened and existing plants have expanded production within the past few years. Thus a significantly larger proportion of Nebraska agricultural products is now being processed within the state than previously, but the proportion of manufactured products entering the *export* market has not increased accordingly.[2]

The greater volume of domestic processing of agricultural products, however, may be a major contributing factor in Nebraska's drop from 10th to 11th place among the 50 states in total dollar volume of agricultural exports from fiscal 1970/71 to fiscal 1971/72. Sale of Nebraska farm products in foreign markets amounted to $265 million in 1970, rose 8.5 percent to a new high of $287.6 million in 1971, but declined to $283.3 million in 1972.

Nebraska, one of the principal feed grain producing states in the nation, was in third place in export of these commodities in 1972, with sales in the amount of $104.6 million, which constituted about 37 percent of the state's total farm exports. Nebraska was also in third place in the nation in export of tallow, lard, and kindred products amounting to $15.3 million. The state was fourth in export of wheat and flour, with sales of $69.5 million, and in meat and meat products totaling $12.1 million, sixth in export of hides and skins ($11.7 million), and ninth in dairy products ($4.9 million).

As may be seen in Table 2, Nebraska exhibited a sharp increase, 75 percent, in export of dairy products from 1970-72, outdistancing the regional gain by more than 4 percentage points but still lagging nearly 4 percentage points behind the national rate of increase. The combined commodity category of wheat and wheat flour was second high in Nebraska in rate of export gain with a rise of almost 32 percent, much more than the regional or national rate of increase. Sale abroad of meats and meat products rose 26 percent and of lard and tallow, 13 percent, both rates of gain also being higher than the regional and national rates for these commodities.

In export of protein meal and of soybeans and soybean oil, the state showed from 1970-1972 the sharpest rates of commodity decline, 26.4 percent and 19.9 percent, respectively.

(Continued on page 3)

TABLE 1
AGRICULTURAL EXPORTS, THE UNITED STATES AND THE WEST NORTH CENTRAL STATES, 1970-1972

	Dollar Volume			Percentage Change		
	Year ending June 30th					
	1970	1971	1972	1970-71	1971-72	1970-72
	(million dollars)					
United States	6,721.4	7,755.6	8,050.3	15.4	3.8	19.8
West North Central States	1,908.6	2,269.3	2,306.1	18.9	1.6	20.8
Nebraska	265.0	287.6	283.3	8.5	−1.5	6.9
Iowa	515.1	594.0	619.7	15.3	4.3	20.3
Kansas	323.9	395.2	364.6	22.0	−7.7	12.6
Minnesota	274.5	358.9	347.2	30.7	−3.3	26.5
Missouri	218.2	271.7	317.3	24.5	16.8	45.4
North Dakota	206.6	244.3	249.6	18.2	2.2	20.8
South Dakota	105.3	117.6	124.4	11.7	5.8	18.1
West North Central as Percent of U.S. Total	28.4	29.3	28.6	3.2	−2.4	0.7
Nebraska as Percent of Regional Total	14.9	12.7	12.3	−14.8	−3.1	−17.4

Source: *Foreign Agricultural Trade of the United States,* October, 1972, Table 2, Economic Research Service, U.S. Department of Agriculture. Compilations for states of West North Central Region and calculations by Bureau of Business Research.

[1] Because of the revisions, some of the data for 1970 and 1971 in Table 1 differ slightly from the figures published in the December, 1971, issue of *Business in Nebraska.*

[2] To be substantiated in an article in a forthcoming issue of *Business in Nebraska.*

TABLE 2
VALUE OF EXPORT SHARES OF AGRICULTURAL COMMODITIES, THE UNITED STATES, THE WEST NORTH CENTRAL REGION AND ITS SEVEN STATES, FISCAL YEARS 1970-72
(Million dollars)

	Wheat and Flour	Total Feed Grains	Soybeans and Soybean Oil	Protein Meal	Vegetables and Preparations	Dairy Products	Meats and Meat Products	Hides and Skins	Poultry	Lard and Tallow	Other	Total
United States												
1970	941.6	987.3	1,207.7	322.6	196.8	109.1	152.8	158.4	76.0	208.1	2,361.0	6,721.4
1971	1,200.7	1,096.0	1,514.9	397.7	195.9	131.2	155.4	186.0	75.5	272.7	2,529.6	7,755.6
1972	1,046.6	1,118.1	1,615.6	397.7	210.3	195.1	188.2	236.6	79.8	229.4	2,732.9	8,050.3
Percent Change 1970-72	+11.2	+13.2	+33.8	+23.3	+6.8	+78.8	+23.2	+49.4	+5.0	+10.2	+15.8	+19.8
West North Central Region												
1970	467.7	409.9	419.3	115.0	9.0	49.6	65.7	55.0	8.6	81.2	227.6	1,908.6
1971	593.7	453.6	532.6	142.6	9.1	58.7	64.9	56.9	8.5	104.2	245.5	2,269.3
1972	553.5	491.5	523.4	134.0	9.3	84.7	78.3	74.1	8.2	86.7	262.4	2,306.1
Percent Change 1970-72	+18.3	+19.9	+24.8	+16.5	+3.3	+70.8	+19.2	+34.7	-4.6	6.8	+15.3	+20.8
Nebraska												
1970	52.7	105.8	27.6	7.2	4.4	2.8	9.6	10.2	.6	13.5	30.6	265.0
1971	78.6	100.6	24.1	6.2	4.1	3.0	9.9	9.1	.6	17.9	33.5	287.6
1972	69.5	104.6	22.1	5.3	3.9	4.9	12.1	11.7	.6	15.3	33.3	283.3
Percent Change 1970-72	+31.9	-1.1	-19.9	-26.4	-11.4	+75.0	+26.0	+14.7	0	+13.3	+8.8	+6.9
Iowa												
1970	.8	145.5	192.8	50.6	.1	8.7	24.5	12.6	2.1	24.8	52.6	515.1
1971	1.1	144.7	248.8	63.8	.1	11.0	21.9	11.9	2.1	30.2	58.4	594.0
1972	.9	174.5	240.5	57.9	.1	16.6	25.9	15.1	2.0	22.2	64.0	619.7
Percent Change 1970-72	+12.5	+19.9	+24.7	+14.4	0	90.8	5.7	+19.8	-4.8	-10.5	+21.7	+20.3
Kansas												
1970	183.8	52.9	21.0	5.5	.4	1.5	7.1	9.5	.5	11.3	30.4	323.9
1971	241.7	60.4	20.3	5.2	.5	1.8	7.7	8.7	.4	15.4	33.1	395.2
1972	202.1	60.6	24.7	5.9	.2	.9	10.2	11.9	.4	14.6	33.1	364.6
Percent Change 1970-72	+10.0	+14.6	+17.6	+7.3	-50.0	-40.0	+43.7	+25.3	-20.0	+29.2	+8.9	+12.6
Minnesota												
1970	21.5	58.3	80.6	22.0	2.6	32.7	7.3	5.8	2.8	8.7	32.2	274.5
1971	25.6	80.8	110.7	29.3	2.7	38.1	7.0	11.6	2.8	11.1	39.2	358.9
1972	32.2	72.0	90.6	23.3	3.2	54.2	8.9	15.0	2.6	9.4	35.8	347.2
Percent Change 1970-72	+49.8	+23.5	+12.4	+5.9	+23.1	+65.7	+21.9	+158.6	-7.2	+8.0	+11.2	+26.5
Missouri												
1970	19.9	24.0	87.8	23.0	.1	1.2	9.1	6.7	1.8	10.7	33.9	218.2
1971	25.2	29.4	119.2	30.6	.1	1.4	9.0	5.7	1.8	13.8	35.5	271.7
1972	22.2	43.2	134.5	32.4	.1	2.4	10.7	7.4	1.8	11.0	51.6	317.3
Percent Change 1970-72	+11.6	+80.0	+53.2	+40.9	0	+100.0	+17.6	+10.4	0	+2.8	+52.2	+45.4
North Dakota												
1970	156.3	3.5	3.2	3.6	1.4	.1	1.9	3.0	.2	3.3	30.1	206.6
1971	181.4	16.5	3.7	4.4	1.5	.2	2.0	2.6	.2	4.2	27.6	244.3
1972	185.2	14.7	4.0	4.9	1.7	1.3	2.7	3.6	.2	4.1	27.2	249.6
Percent Change 1970-72	+18.5	+320.0	+25.0	+36.1	+21.4	+1200.0	+42.1	+20.0	0	+24.2	-9.6	+20.8
South Dakota												
1970	32.7	19.9	6.3	3.1	--	2.6	6.2	7.2	.6	8.9	17.8	105.3
1971	40.1	21.2	5.8	3.1	.1	3.2	6.4	7.3	.6	11.6	18.2	117.6
1972	41.4	21.9	7.0	4.3	.1	4.4	7.8	9.4	.6	10.1	17.4	124.4
Percent Change 1970-72	+26.6	+10.0	+11.1	+38.7	--	+69.2	+25.8	+30.5	0	+13.5	-2.2	+18.1

Source: *Foreign Agricultural Trade of the United States*, Economic Research Service, U.S. Department of Agriculture, October, 1972, Table 2. Compilations for states of West North Central Region and calculations by Bureau of Business Research.

(Continued from page 1)

Both decreases were in contrast to the trends in the region and in the nation, which exhibited sizable increases in foreign sales of both commodities. Nebraska's export of vegetables and vegetable preparations dropped from $4.4 million in 1970 to $3.9 in 1972 (11.4 percent) and total feed grains declined by more than 1 percent, both of which were also contrary to the regional and national trends.

NEBRASKA AND THE REGION

Concomitant with the state's one-place drop in farm export rank in the nation, the state declined also from fourth to fifth place in the region, with Missouri moving up to fourth place. Iowa, Kansas, and Minnesota, in that order, retained first, second, and third places. The dollar figures and percentage changes are shown in Table 1.

Over the period 1970 to 1972 all seven states showed an increase in agricultural exports, but the gain in Nebraska was much smaller, 6.9 percent, than in other states of the region. Kansas, second low in rate of gain, increased by 12.6 percent, and South Dakota, third from the bottom, recorded a gain of 18.1 percent. Missouri's increase of 45.4 percent was by far the highest.

As a percent of the regional total the dollar volume of Nebraska exports has been steadily declining; from 14.9 percent in 1970 to 12.7 percent in 1971, and to 12.3 percent in 1972. The decrease from 1970 to 1972 amounted to 17.4 percent. The West North Central States as a percent of the U.S. total exhibited an increase from 1970-71, showed a decline of 2.4 percent last year, and an increase of only 0.7 percent from 1970-72.

All seven states in the region had increases in total dollar volume of agricultural exports from 1970 to 1971, but three states, including Nebraska, recorded decreases from 1971 to 1972. The 1.5 percent decline in Nebraska exports was considerably smaller, however, than the 7.7 percent drop registered in Kansas, and the 3.3 percent decrease in Missouri. The region as a whole showed an increase of 1.6 percent and the nation 3.8 percent.

PROSPECTS FOR THE FUTURE

The future of Nebraska agricultural exports is extremely uncertain due to a number of interrelated and complicated factors. The devaluation of the dollar tends to put all U.S. exports in an advantageous position for the short run, at least, but protective tariffs on agricultural commodities imposed by other countries distinctly limit opportunities, particularly in Western Europe.

Asia is rapidly becoming an important market for U.S. farm products, with Japan, still our top single-country market, having imported in excess of $1 billion in the period from July through December, 1972, over a half larger than in the same period a year earlier. American farm exports to Japan have tripled in a decade and Department of Agriculture officials predict continued growth.

Prospects for agricultural exports in the years ahead will be affected by a growing protectionist sentiment in Congress and by the emergence of rampant economic nationalism in other countries. The overall effect cannot be predicted should Congress accede to President Nixon's request that he be empowered to raise, lower, or eliminate tariffs in accordance with agreements to be negotiated. The President has also asked the power to fix import quotas and surcharges; this could result in counteractions that would limit access of U.S. farm products to certain foreign markets.

U N I V E R S I T Y   O F   N E B R A S K A–L I N C O L N   N E W S

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The Department of Agriculture states that farm exports are mainly responsible for sharp increases in grain prices since last summer and that they are a key to the Administration's thinking with respect to future farm policy. How the key is going to be turned (or manipulated) no one seems to know but farmers are being encouraged to produce more feed grains this year. Whether the additional output is destined to increase meat production for consumption at home or whether a large proportion of feed grains will enter the export market remains to be seen.

Most export specialists expect the European Economic Community (EEC) to continue to be a major market for U.S. farmers, but with the EEC expansion to include Britain, Ireland, and Denmark, they see serious problems hinging on the Common Agricultural Policy designed to protect the farmers of member countries.

Without minimizing these and other trade problems, other farm economists are convinced that the way the people of other countries live, and want to live, should become a basic factor in U.S. agricultural production and marketing strategy.

Recognizing that growth in world demand for agricultural products is more than just a demand for food, a speaker at the 1973 National Agricultural Outlook Conference called it "the protein principle—the idea that as incomes rise people will demand more and better quality proteins." It may be that in the long run this will be a significant factor contributing to the U.S. farmers' comparative advantage in agricultural exports.

DOROTHY SWITZER

(Continued from page 6)

> The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention but assume an authority which could safely be trusted not only to no single person but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

Thus the surprising thing about the current meat price controversy is not that the government has been an important contributor to inflation, but that so few people seem to recognize the government's role. Housewives slogging through muddy hog pens at the invitation of farmers and animal raisers touring local supermarket meat counters at the behest of disgruntled consumers will not solve the problem of higher meat prices. Instead, the solution lies in government policies that would promote free competition, increased efficiency, minimum uncertainty, a more equitable distribution of income, and general economic stability.

Review and Outlook

Economic indicators for February, 1973, show a continuation of the recent trend of strong business expansion in both Nebraska and the nation as a whole. The overall Nebraska dollar-volume index was at a level of 165.3% of the 1967 average in February (see Table 2). This compares with a level of 163.7% for January. This January figure represents an upward revision from the 160.9 figure published last month. The major cause of this change is the introduction of newly revised employment and wage and salary data into the index.

The Division of Employment of the State Department of Labor has been working to incorporate newly available data into their monthly estimates of employment. Thus far the efforts have resulted in upward revisions in most employment categories for January and February of this year. Revised estimates for 1972 and 1971 are also being prepared by the Division of Employment and will be incorporated into our indexes when they become available. Since the 1972 employment revisions are likely to be upward, some of the data showing change from 1972 to 1973 (Table 1), will probably be revised downward at that time.

Three of the five sector indexes are affected by employment revisions. Based on the revised January data the manufacturing index was up sharply from January to February (from 144.4 to 150.9) as was the distributive index (from 160.9 to 165.1) while the government index was up slightly (from 177.4 to 177.7). Of

(Continued on page 5)

Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication, and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES

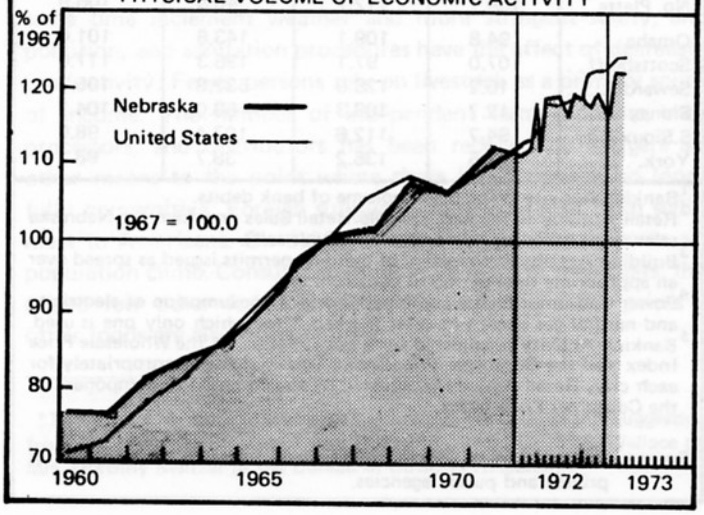
1. CHANGE FROM PREVIOUS YEAR

Indicator	Current Month as Percent of Same Month Previous Year: Nebraska	U.S.	1973 Year to Date as Percent of 1972 Year to Date: Nebraska	U.S.
Dollar Volume	114.6	112.8	114.8	112.8
Agricultural	123.4	121.8	128.1	123.6
Nonagricultural	113.1	112.5	112.5	112.5
Construction	129.9	111.2	131.0	111.8
Manufacturing	113.2	116.4	112.2	116.1
Distributive	113.5	111.6	112.3	111.8
Government	105.2	109.1	106.9	108.9
Physical Volume	105.9	107.1	106.3	107.4
Agricultural	93.0	99.6	99.0	102.1
Nonagricultural	108.1	107.4	107.5	107.6
Construction	123.6	105.7	124.1	105.9
Manufacturing	104.9	109.7	104.5	109.9
Distributive	109.3	107.4	108.2	107.7
Government	101.8	102.9	102.5	102.9

2. CHANGE FROM 1967

Indicator	Percent of 1967 Average: Nebraska	U.S.
Dollar Volume	165.3	160.2
Agricultural	159.6	163.3
Nonagricultural	166.5	160.1
Construction	211.3	176.6
Manufacturing	150.9	142.5
Distributive	165.1	165.6
Government	177.7	170.6
Physical Volume	120.9	123.3
Agricultural	95.0	109.8
Nonagricultural	126.0	123.8
Construction	147.8	123.5
Manufacturing	119.2	115.3
Distributive	128.4	128.7
Government	117.4	121.7

PHYSICAL VOLUME OF ECONOMIC ACTIVITY



3. NET TAXABLE RETAIL SALES[1] OF NEBRASKA REGIONS
(Unadjusted for Price Changes)

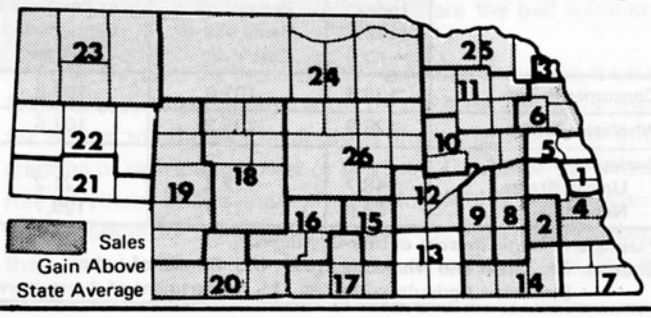
Region[2] and Principal Retail Trade Center	February, 1973 as Percent of February, 1972	1973 Year to Date as Percent of 1972 Year to Date
The State	117.0	113.6
1 (Omaha)	113.7	109.3
2 (Lincoln)	121.1	115.8
3 (So. Sioux City)	119.2	108.4
4 (Nebraska City)	113.7	115.5
5 (Fremont)	108.3	108.8
6 (West Point)	124.9	121.3
7 (Falls City)	109.8	110.7
8 (Seward)	122.9	115.0
9 (York)	126.9	121.7
10 (Columbus)	126.6	120.3
11 (Norfolk)	136.0	127.8
12 (Grand Island	116.5	115.5
13 (Hastings)	116.2	111.9
14 (Beatrice)	115.4	115.2
15 (Kearney)	115.1	115.7
16 (Lexington)	110.1	113.9
17 (Holdrege)	120.2	118.3
18 (North Platte)	120.4	117.8
19 (Ogallala)	125.9	123.5
20 (McCook)	112.6	115.5
21 (Sidney, Kimball)	114.2	112.6
22 (Scottsbluff)	110.5	105.9
23 (Alliance, Chadron)	118.1	115.1
24 (O'Neill)	119.5	122.9
25 (Hartington)	133.9	129.3
26 (Broken Bow)	115.1	113.9

[1]Sales on which sales taxes are collected by retailers located in the state, *including motor vehicle sales.*

[2]"Planning and development" regions as established by the Nebraska Office of Planning and Programming and shown in the map below.

Source: Compilations by Bureau of Business Research from data provided by the Nebraska Tax Commissioner.

1973 YEAR TO DATE AS PERCENT OF 1972 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(Continued from page 4)
the two sector indexes which were not affected by revisions one (agricultural) decreased (from 171.3 to 159.6) and the other (construction) increased (from 203.6 to 211.3) from January to February.

In general, activity throughout the Nebraska economy was well above 1972 levels with every sector except government showing an increase of more than 10% from February, 1972 to February, 1973. The Nebraska growth pattern paralleled a pattern of strong national growth which also resulted in February to February growth rates exceeding 10% in all sectors but government. The overall Nebraska dollar volume index was up 14.6% from February to February compared with an increase in the national index of 12.8%.

An important element in the recent business expansion both nationally and in Nebraska has been a strong growth in retail sales. The increase in retail sales from February, 1972, to February, 1973, for Nebraska was 17% (see Table 3). The boom in retail activity has affected all parts of the state with all 26 planning regions registering February to February increases in excess of 8%.

Change in banking activity from February, 1972, to February, 1973, for the state and 26 cities appears in Table 4. In contrast to the changes shown last month for January (a 23.5% increase statewide from January, 1972), the increases from February, 1972, to February, 1973, are relatively small (2.2% statewide). Also in contrast to January the retail activity data for February show generally greater increases than the banking activity increase. V.R.

ERRATA

Because of computational errors incorrect (too large) building activity ratios for January were published in Table 4 of the April *Business in Nebraska* for the state and several cities. The corrected ratios are printed below.

	Published	Corrected
THE STATE	159.3	116.8
Beatrice	77.5	71.8
Bellevue	32.1	27.8
Columbus	153.3	129.6
Falls City	57.2	41.9
Hastings	54.0	47.1
Holdrege	753.0	132.7
Kearney	393.1	175.3
Lexington	211.8	102.5
Lincoln	210.6	164.0
McCook	640.4	618.7
Nebraska City	68.4	54.8
Norfolk	74.4	67.5
Scottsbluff	668.0	157.6
Sidney	158.7	68.0
York	126.1	70.4

5. PRICE INDEXES

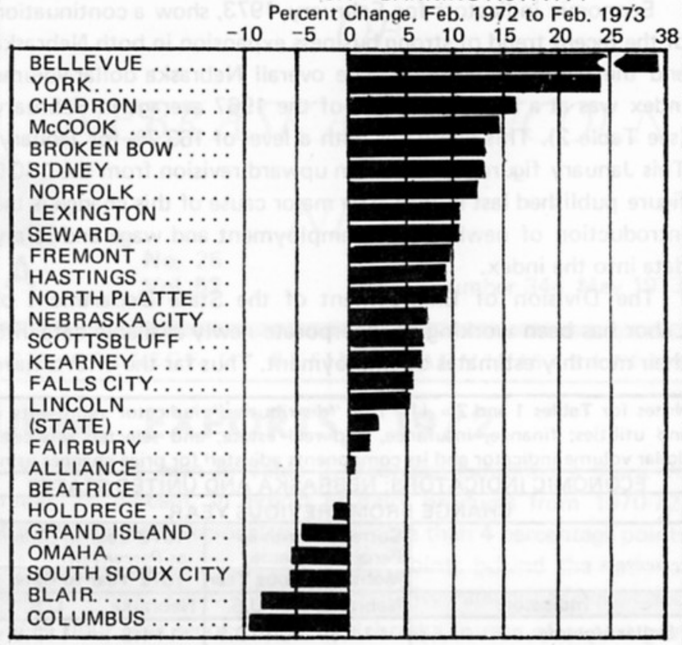
	Index* (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	128.6	103.9	103.8
Wholesale Prices	126.9	108.2	107.6
Agricultural Prices			
United States	148.7	122.3	121.2
Nebraska	168.0	132.7	129.7

*Using arithmetic average of monthly indexes.

Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

CITY BANKING ACTIVITY

Percent Change, Feb. 1972 to Feb. 1973



Source: Table 4 below.

4. FEBRUARY CITY BUSINESS INDICATORS

The State and Its Trading Centers	Banking Activity[1]	Retail Activity[2]	Building Activity[3]	Power Consumption[4]
	Percent of Same Month a Year Ago			
	(Adjusted for Price Change)[5]			
The State	102.2	111.7	123.8	99.9
Alliance	100.3	103.7	480.2	90.6
Beatrice	100.0	114.1	62.7	102.7
Bellevue	137.1	126.5	29.5	120.5*
Blair	92.0	104.1	81.4	92.6
Broken Bow . .	112.7	109.4	179.1	96.7
Chadron	115.9	114.2	250.0	88.3
Columbus . . .	90.6	122.7	123.6	101.8
Fairbury	101.2	102.3	81.5	101.2*
Falls City . . .	105.5	118.8	22.1	104.7
Fremont	109.5	107.0	215.5	91.7*
Grand Island.	95.2	109.9	172.0	87.7
Hastings	109.1	105.4	42.1	102.8
Holdrege	98.5	124.4	251.9	99.4
Kearney	106.8	116.4	239.9	86.3
Lexington. . . .	110.4	107.8	144.7	98.0
Lincoln	105.3	117.5	179.6	103.2
McCook	114.4	108.0	349.8	104.4
Nebr. City . .	107.2	103.9	46.7	98.9
Norfolk	112.0	130.4	71.2	100.4
No. Platte . . .	109.1	112.7	40.5	106.9
Omaha	94.8	109.1	143.6	101.0
Scottsbluff . . .	107.0	97.1	196.3	117.0
Seward	110.2	128.9	532.8	105.3
Sidney	112.7	108.3	68.0	104.7
S.Sioux City . .	94.7	112.6	107.4	98.6
York.	123.5	136.2	38.7	98.2

[1] Banking Activity is the dollar volume of bank debits.

[2] Retail Activity is the Net Taxable Retail Sales on which the Nebraska sales tax is levied, *excluding motor vehicle sales.*

[3] Building Activity is the value of building permits issued as spread over an appropriate time period of construction.

[4] Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

[5] Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city; Retail Activity is adjusted by the commodity component of the Consumer Price Index.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

Who Is Responsible for Rising Meat Prices?*

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Escalating meat prices recently prompted boycotts by housewives, a price ceiling imposed by President Nixon, talk of retaliatory boycotts by farmers, and layoffs at meat packing plants. Some housewives, concerned that retail meat prices jumped more than ten percent from January to March, blame farmers for the diminished purchasing power of the consumer dollar. Animal growers cite their spendthrift city cousins as propagators of inflation, and point out that while farm costs rose 109 percent since 1950, farm meat prices were below 1950 levels for 15 of the last 22 years.

Who is really responsible? To get the answer one must find out who has the ability to influence the price of meat. For unless someone has the power to raise, lower, or maintain prices in a market, he cannot be faulted for price increases. In the absence of this discretionary power, consumers merely pay the market price or go without the product; producers simply accept the market price or refuse to sell. A market characterized by many cattle, hog, and lamb producers and consumers does not permit individual decisions to postpone buying or selling to have an appreciable influence on the price of meat.

What then determines that price? It is set jointly by factors affecting the supply and demand for meat. Supply factors include: (1) input prices, (2) the productivity of those inputs, (3) the number of producers, processors, and distributors, (4) time lags involved in production, (5) producer expectations, and (6) the supply of U.S. meat imports. Demand is determined by: (1) population size, (2) consumer income, (3) tastes, (4) availability of substitutes, (5) consumer expectations, and (6) the demand for U.S. meat exports.

Thus rising meat prices could be the result of increases in the prices of inputs, decreases in productivity, or a decrease in the number of producers supplying the U.S. market. Likewise, higher meat prices could also be attributed to a growing population, higher consumer incomes, a change in preferences toward meat and away from other foods, and a rise in the cost of foods substitutable for meat.

Anyone who picks up a newspaper today knows that these changes have taken place in America. Prices of farm land, equipment, feed, seed, and chemicals are soaring. So are the labor costs of farm suppliers, meat processors, and distributors. At the same time inclement weather and more stringent safety, antipollution, and sanitation procedures have the effect of decreasing productivity. Fewer persons rely on livestock as a primary source of income. The number of independent farm suppliers, meat processors, and distributors has been reduced by mergers and other means to the point where these industries are no longer fully competitive. Foreign suppliers are discouraged from selling meat to Americans. On the consumer side, nonfarm income and population climb. Consumers prefer more meat in their diets; they regard few other foods as close substitutes; and the prices of other foods are also rising rapidly.

In turn, sharp increases in demand lead producers who expect continued high sales to divert more livestock toward breeding for the future. Consumers expecting further hikes in price try to beat the increases by purchasing more meat now. Consequently, both sets of expectations place further upward pressure on price.

Listing these events, however, does not provide us with the answer we are looking for. We know that if, for the most part, these events are beyond the control of individual farmers and consumers, we must turn elsewhere for placing the blame. But where?

For the answer let us first go back to the land. Much of that used for grazing or growing feed is under public ownership or possessed by giant firms. Many of these large companies are protected by regulatory commissions or, for all practical purposes, are exempt from the antitrust laws. Other suppliers of goods and services to farmers, as well as those who buy from the farmer and sell to the consumer, tend toward monopolization of their respective markets. Organized labor in these firms also obtains its power by a legislative exemption from the antitrust laws. Though monopoly power is seldom complete, those who possess it have some discretion over the price they pay or charge.

Through this milieu roam state and Federal officials enforcing myriad regulations which drive up everyone's costs. Similarly, in every port agents of the Treasury and Agriculture Departments are busy imposing duties, enforcing quotas, and applying detailed health regulations designed to impede American imports of foreign meat and other food products. The prices of agricultural chemicals derived from petroleum are influenced by oil import quotas and legalized domestic oil cartels. Feed prices have been kept up in other years by price supports, but more recently by subsidization of U.S. grain exports and two devaluations of the dollar. Finally, uncertainty created by frequent changes in U.S. agricultural policies leads farmers to be very cautious about expanding production.

On the buyer side of the market, prices of other foods also have been inflated by price supports, export subsidies, import restrictions, and revisions of exchange rates—leading consumers to use more meat in their diets. The incomes of consumers employed for the most part in manufacturing, trade, and services have risen relatively fast, at least in part because of expansionary and very often discriminatory fiscal and monetary policies. The failure of those in public office to encourage family planning and discourage parenthood through eliminating the subsidization of children probably has fostered population growth. In fact, the only important events influencing meat prices this past year that cannot be traced to government policy are the bad weather and natural production lags.

So let us place the responsibility for inflation where it belongs. There is only one economic actor on the American scene that has the option to influence meat prices directly or indirectly through granting or restricting power or privilege. Of course, government's role as villain in this meat-price melodrama is not surprising to most economists. Two hundred years ago Adam Smith observed that: (Continued on page 3)

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