

- 2:15 Beef Grading (SSR)
- 2:30 By-Products and Credits to Kill (EVC)
- 3:00 Coffee (JH to arrange)
- 3:15 Public Health Sanitation and Quality Assurance (T. Costley)
- 3:30 Sales & Distribution to Retail Outlets (JJK)
- 3:45 Open Discussion
- 4:00 Group leaves plant

**AGRICULTURAL CONFERENCE  
FOODS AND NUTRITION DAY  
THURSDAY, MARCH 7, 1974  
Agriculture Auditorium  
University of Manitoba  
Winnipeg, Manitoba**

- 9:00 a.m. to Registration and Coffee
- 10:00 a.m. \$2.00 per person
- Chairman Dr. Barry McConnell, Dept. of Food Science, U. of Manitoba
- 10:00 a.m. *Factors Contributing to Food Costs* – Mrs. A. F. W. Plumpre, Chairman, Food Prices Review Board, Ottawa
- 11:15 a.m. *Food Costs and the Producer and Processor – A Professional Viewpoint!* – Dean L. H. Shebeski, Faculty of Agriculture, U. of Manitoba
- 12:15 p.m. Lunch
- 1:30 p.m. *Food Retailing Costs – Are They Too High?* – Mr. M. Boody, President, Canadian Grocery Distributors, West Fair Foods, Winnipeg
- 2:30 p.m. *Comparative Costs of Essential Nutrients – Can We Eat Cheaper and Remain Healthy* – Mrs. Ruth Fremes, Consumer Reporter, C.B.C. Toronto
- 3:30 p.m. Adjournment and Coffee

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*Next Conference* In the series is the Swine Day set for Thurs., April 11, 1974.

**MARKETING PRACTICES AND POLICIES  
Course 41.242  
Department of Agricultural Economics  
University of Manitoba**

**Grain Marketing Sessions**

*Tuesday, November 13, 1973*

- Location: Agriculture Auditorium, University of Manitoba
- 1:00 P.M. Aspects of the Grain Trade – Mr. Don Fraser, *Manager of Technical Services*, United Grain Growers Limited
- 1:45 P.M. Country Elevator Operations – Mr. Neil Boughton, Region Manager, Country Elevators Operations, Manitoba Pool Elevators
- Questions:
- 2:30 P.M. Coffee Break
- 3:00 P.M. Terminal Elevators – Mr. Fred Baudais, Terminal Manager, Manitoba Pool Elevators

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*Tuesday, November 20, 1973*

- Location: Agriculture Auditorium, University of Manitoba
- 1:00 P.M. International Marketing Systems – Mrs. H. V. Hughes, Grain Merchant, James Richardson & Sons, Limited
- 2:00 P.M. Grain Transportation and Future Trends (Rationalization) – Mr. Harold Dodds, Communications Director, Canada Grains Council
- 3:00 P.M. Coffee Break
- 3:15 P.M. The Malting Industry – Mr. Howard Hogglund, Cerealist, Canada Malting Limited

<sup>1</sup> L. Shebeski, Dean, Faculty of Agriculture, University of Manitoba, Winnipeg, Manitoba. Paper on "Food Costs" – March 7, 1974.

## Communicating With Consumers by Means of Rosters of Agricultural Speakers\*

Robert R. Shrode  
Professor of Animal Science  
University of Tennessee, Knoxville

As a continuing community service project, organizations interested in advancing the cause of agriculture can recruit annually several speakers who are teachers of agricultural subjects. Each person who agrees to have his or her name included on a roster of prospective speakers submits a topic on which he or she is willing to speak. Effort is made to have on the roster representatives of as many as possible of the numerous facets of agriculture such as agricultural economics, agronomy, animal science, entomology, horticulture, microbiology, sociology, etc. Copies of the completed roster, which contains names and topics of speakers, are distributed to local civic clubs, chambers of commerce, women's organizations, churches and county agricultural and home economics extension personnel. Included with the mailing of the roster is a letter explaining the program and in-

structing the recipients as to the procedure for scheduling the appearance of speakers at group meetings. Altruism of the speakers and their desire to convey to the consuming public an improved and more accurate image of agriculture are depended upon to sustain the cost of the program since the service is offered free of any cost (except, possibly, a meal for a speaker) to groups who invite speakers from the roster to appear on programs at their meetings. Examples of organizations which have provided this service with gratifying success are a Gamma Sigma Delta chapter and a Kiwanis Club through its Committee on Agriculture and Conservation.

\*Abstract of a paper to be presented June 20, 1974, before the Annual Convention of the National Association of Colleges and *Teachers of Agriculture* held at the University of Nebraska, Lincoln, Nebraska.

## Communication With Consumers: Some Economic Aspects<sup>1</sup>

Loys L. Mather and Robert L. Beck\*

The consumer movement of recent years has focused renewed attention on the American consumer. Direction and momentum to this movement have been given by consumer advocates such as Ralph Nader and others speaking out in behalf of consumers. More recently, Hightower in *Hard Tomatoes, Hard Times*, questioned the overall orientation and performance of our own institutions of higher learning in serving the needs of consumers<sup>1</sup>. The past two years have been extremely frustrating for consumers primarily because of their failure to understand what is involved in producing and marketing agricultural food and fiber. All of this points to a need for more effective communication with consumers regarding economic aspects of American agriculture.

Colleges and departments of agriculture must share much of the blame for this lack of understanding. It is not enough to keep telling the consumer that food is a bargain! We need to explain why. We might also need to explain why it is not the bargain that it once was.

While the consumer movement has been gaining momentum since World War II, it is becoming apparent that *the focus* of their interests is changing. Some organizations have reached a high level of sophistication both in terms of issues and approaches. Many of the issues related to consumer rights, protection, quality of product, availability of market information, etc., seem to have moved into the background. Today's consumer interest groups are focusing on a new set of issues. The questions

they are now asking indicate a greater concern for the issue of overall efficiency of the marketing system. They are concerned with how well the marketing system for agricultural products is performing.

These new concerns reflect the need for a different type of consumer information and thus a different program emphasis. It appears that the greatest void in consumer education programs *today centers* around the availability of information regarding the marketing system and the pricing mechanism for agricultural products.

Thus, the remainder of this paper focuses on: (1) the justification and need for increased emphasis on programs aimed at filling this void, (2) the economic content of consumer education programs, and (3) the role of Colleges and Departments of Agriculture in consumer education programs.

#### Why the Need?

In earlier times, man fully taxed his ability to produce by his ability to consume. In a primitive society in which producers were their own consumers, consumer frustration was met directly. As man's ability to produce a surplus developed and, as specialization arose, producers of one good became dependent on producers of another good for their consumption needs. Market arrangements were needed but they were simple. Buyers and sellers could face each other in the marketplace on nearly equal terms and on a personal basis. Consumer dissatisfaction could be easily rectified.

Today's relationship between consumers and distributors is quite different. Consumers now face an increasingly complex market system. Wide varieties of similar products and services are offered without, in many cases, adequate information for making the most economical choice. In addition, consumers find themselves buying from retail firms whose management is highly skilled in merchandising and salesmanship.

Much of the interest today in consumer affairs reflects, in part, the stress put on the consumer buying process by the technical and complex market environment. Signs of the advanced technology are reflected in both our capacity to produce and the methods used to distribute our production. While this technical advance has contributed to increased living standards, it has also contributed to consumer frustrations.

Some consumer groups are directing attention to this area. Their position may have been expressed during a recent marketing conference by a consumer panelist. She indicated that the main thrust of her particular organization, aside from being a spokesman for the consumer, was that of trying to understand the marketing system. Once they reach some level of *understanding as to how* the system works, they would then be in a better position to evaluate its performance — their ultimate goal. Hopefully, this represents the focus of other similar groups.

This is a commendable approach and one in which marketing economists can lend assistance. Evaluating the performance of the agricultural marketing system in an area to which considerable research resources have been committed in recent years.

One final point worthy of mention when considering the need for this type of consumer education program is the impact of the rural to urban population shift. Each generation of consumers becomes further removed from the farm and, consequently, tends to lose loyalty or knowledge of agriculture or contact with the marketing system. Thus, in addition to a constantly changing and adjusting market system the consumer is likewise changing.

#### Economic Content of Consumer Education Programs

Any attempt to identify topic areas that could or should be included in a consumer education program could result in a list too lengthy to be adequately discussed in this paper. Thus, the discussion will be limited to the following three broad areas: (1) marketing costs and margins, (2) major factors influencing retail price levels and (3) understanding the food marketing system.

#### Food distribution costs and margins

One area of misunderstanding by consumers is that of the costs, profits, and margins associated with producing, processing and distributing agricultural products. Public pronouncements in recent months have borne this out quite well. Thus, program content may well include information on the food marketing bill as well as information on the distribution of the consumer's food dollar.

For example, last year consumers spent an estimated \$134 billion for food originating on U.S. farms. About \$83 billion (62 percent) represented payments received by marketing agencies and firms for performing services in moving the products from the farm to the consumer. These services include assembly, processing, packaging, storage, transportation, wholesaling, and retailing.

Consumers, likewise, are either not well informed about the relative importance of the component parts of the food marketing bill or fail to recognize the significance of each. One of the more closely watched components, corporate profits, is among the smallest. Corporate profits typically comprise about 4 percent (before taxes) of the marketing bill. Profits as a percent of sales have historically averaged slightly over 2 percent for food manufacturers and about 1 percent for retail food chains. This, no doubt, is smaller than most consumers realize.

The largest cost item incurred by firms marketing agricultural products is labor. These costs continue to increase with respect to their share of the marketing bill. This is due, in part, to the consumer's desire for added market services. Since 1967, hourly labor costs have risen by nearly a half, but increases in productivity held down the rise in unit labor costs to around a third. Nearly half of the marketing bill (48 percent last year) in recent years has gone for labor costs.

There are other reasons why the food marketing bill and, hence, food costs and prices, are facing upward pressure. Many of these are due to consumers' own actions. Improved packaging, added market services, partially prepared foods, added labeling, and increasing consumption of higher valued foods (meat versus cereal products) are included. Consumers need to realize that there is a cost attached to each service.

Perhaps the most misunderstood and misused concept in the area of marketing costs and margins is the farmer's share of the consumer's food dollar. Consumers and farm groups alike could benefit from realizing that the farmer's share is not a measure of equity. While the farmer's share varies widely by commodity, it does not follow that farm profits or returns will likewise vary. For example, the farmer's share of 19 percent for processed fruits and vegetables and 67 percent for eggs largely reflects differences in the amount of processing, storage and packaging costs.

In some cases, it can be demonstrated that a smaller farmer's share can be to the farmer's advantage. Similarly, it could be a poor estimate from the consumer's viewpoint as to whether farmers are the major cause or beneficiaries of price increases. Using potatoes and potato products as an example, a study noted that a farmer's share of the consumer's food dollar for frozen french fries was 16 percent compared with a 46 percent for potatoes sold for baking. Significantly, however, the farmer's dollar return on 100 pounds of potatoes or equivalent was \$2.02 for french fries and \$2.06 for the fresh potatoes. Total farm income from potatoes sold on the market with a lower farmer's share may well be higher in the long run due to demand for the more finished product. Thus, the farmer's share of the consumer's food dollar is a statistic which is misunderstood by both consumers and farmers and should be used cautiously by both groups.

#### Price determining factors

A second broad area of consumer education needs involves information on factors influencing price. While none of us looks forward to higher prices for the things purchased, they may be more palatable if the reason for the increase is understood.

The average consumer will most likely understand why the

price of orange juice suddenly increases following an unseasonal frost in Florida or California. The reason is obvious. They have experienced more difficulty, however, in understanding why the price of beef has increased so drastically during the past year. Yet, the economic principles involved in both instances may be the same.

Much of the consumer unrest in recent months had its origin in what was considered to be "unreasonable" prices. The price increase of a year ago for beef products and the ensuing boycott is an example. These boycotts were relatively ineffective because the consumer, in failing to recognize the factors responsible for the increase, focused on only one participant (retailer) in a large complex meat marketing system. What they failed to realize was that in those cases where meat prices did fall, the decline resulted, in part, from a reversal in one of the same factors (demand) that initially contributed to the increase.

On the demand side, increasing consumer income and steadily increasing consumption of beef products were major factors. This was true for foreign markets as well. The supply of beef products, on the other hand, had difficulty in keeping pace with demand despite rapid productivity increases for the past 20 years. Despite large increases, beef production in the United States was not sufficient. This was due, again, to conditions in both domestic and world markets. The world supply of beef products was down. Major beef exporting countries were at low production levels. Further, those that did have products to export found higher prices in markets other than those in the U.S. In addition, the world supply of other protein sources was at a low point. Finally, world demand for feed grains increased noticeably with the entry of the USSR and China into the world market.

While the preceding is not meant as new information to personnel in colleges of agriculture, it is mentioned here to illustrate the myriad of factors that affect the price of a product. Two conclusions should be noted: (1) retail prices are influenced by many factors and (2) food prices paid by U.S. consumers are increasingly being influenced by world demand and supply condition.

### Food marketing system

As noted in an earlier section, the industrialization process has resulted in a more complicated marketing system. This, in turn, suggests the need for greater understanding by consumers of the functions of the market systems. This need is especially critical in the pricing process. For example, when raw product prices fall, consumers frequently expect lower retail prices upon their next visit to the grocery store. A time lag between purchase of the raw product at the lower price and the finished product's appearance on the grocery shelf may take several weeks. Thus, today's fall in raw product prices may not be noticed at the retail level for some time.

The practice by retailers of pricing on a product-mix basis instead of product by product has been confusing to consumers. This often results in spreading a wholesale price increase or decrease, for a specific product throughout the store's product bundle. Even when retail prices do change, the overall cost of a consumer's market basket may reflect only minimal change. Assuming general price stability, a decreased retail price of one product may be offset in a consumer's grocery bundle by increase for another product. Thus, retail food prices may take considerable time to reflect lower raw product prices. *When the product-mix is priced as a unit, some of the lower raw product prices lose their effect before reaching the retail level.*

### Role of Colleges and Departments of Agriculture

Given the type of program outlined above, how can colleges and departments of agriculture become more responsive to these consumer needs? Land-grant colleges, through the Cooperative Extension Service, have increased personnel and program emphasis in this area in recent years. So as teachers in adult education programs, consumer marketing economists are already active.

The classroom teacher faces a somewhat different situation, but one that is equally as challenging. However, the alternatives may be limited to (1) formal course offerings or (2) seminars.

Many colleges now offer a course in consumer economics which tends to focus on some of the issues outlined.

The seminar approach has some advantages over the formal course offering. A regularly scheduled senior seminar for one or two hours credit provides an attractive approach. This allows structuring the seminar around student interests. The seminar approach would tend to attract students from curricula outside of agriculture. Colleges of agriculture, in recent years, recognized the potential interest in environmental issues and proceeded to establish programs and courses in that area. These courses have attracted the nonagricultural student. Current indications are that any course focusing on consumer issues would be equally popular.

The need, interest, and potential exist. It is up to us as teachers of agriculture to meet the challenge.

### References

- 1 James Hightower, *Hard Tomatoes, Hard Times - The Failure of the Land Grant College System*, Preliminary Report of the Task Force on the Land Grant College Complex (Washington, D.C., Agribusiness Accountability Project) 1972.

<sup>1</sup> Paper presented at the National Association of Colleges and Teachers of Agriculture convention, Lincoln, Nebraska June 19-21, 1974.

The investigation reported in this paper (No. 74-1-101) is in connection with a project of the Kentucky Agricultural Experiment Station and is published with approval of the Director.

\*Associate Professors of Agricultural Economics, University of Kentucky.

## Career Education: Teacher As Communicant; Student As Consumer

Parker V. Foster<sup>1</sup>  
San Diego City Schools

This paper relates to the role that is played by teacher-training institutions and the role that is played by the faculty members in these institutions who are responsible for developing educational philosophies in their teachers-to-be. It most particularly relates to the philosophy of career education: the tenets of which have now evolved to a considerable extent in several parts of the country. There are at least six basic beliefs that must be assumed in order to set the parameter within which the posture of this presentation is framed. They are:

- 1) Federal and State legislation has had, and is having, a large influence on the development of formal education in this country.
- 2) A "work-ethic" is still a part of our society; albeit possibly changed in nature from what it has traditionally been thought to be.
- 3) Career choice, in young people, is an ongoing process of interrelat-

ed decisions, spanning a period of 10 or 15 years.

- 4) The concept of career education is valid, and in no way denies a student a full range of options to pursue whatever "next step" is most suitable for him.
- 5) Agricultural colleges, by virtue of their heritage and the broad range of agricultural-type occupations available, are in a commanding position to take the leadership in teacher-training.
- 6) Unless there is a significant improvement in the quality of teacher-student contact at the junior and senior high school levels, the career education philosophy is doomed to ultimate failure.

Let us first deal very briefly with the matter of legislation and its effect on educational development. The classic curriculum has tended to deal more with educational philosophy than with educational legislation — and probably college students prefer such emphasis, as legislative subject matter is often thought to be