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COOPERATIVE EXTENSION WORK
IN AGRICULTURE AND HOME ECONOMICS
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SOME FOOD ECONOMIC FACTS FOR THE HOMEMAKER

Part I

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Since the cash now available for the family living is low, every possible effort is being made to get the most out of the dollar. Many farm homemakers have been forced to adopt economical measures in food buying, preparation, production, and preservation that were not generally practiced in the recent past times of comparatively high income and prosperity. Many foods are now being prepared in the homes that heretofore were purchased at local markets. The practices which are suggested in the Living-at-Home project are not given with the idea of increasing the family income but as a means of saving some of the money that otherwise would be spent for food.

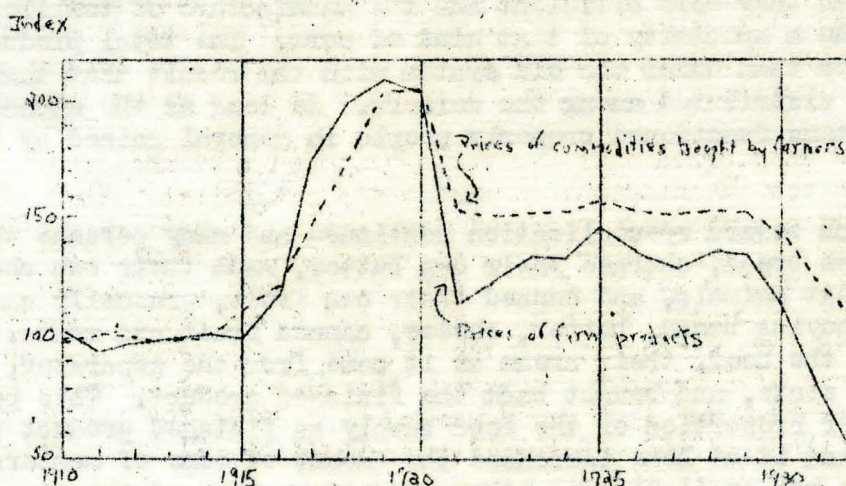
The tendency over a long period of time on the farm as well as in all industry has been toward specialization. Three generations ago spinning wheels were common in the American home. The wool was spun into yarn, made into cloth, and in turn the cloth made into clothing by and for members of the family. In time the spinning of yarn and manufacture of cloth came to be done entirely in factories. Price relationships were such that farm families could make more profitable use of their time by devoting it to producing raw material than by using it for spinning and weaving. Farm people devoted more time to the production of things in which they were efficient and the manufacture of textiles was left to people who made a specialty of that kind of work. The total production per person was greater than under the old system with the result that there were more goods to be distributed among the workers. As long as the exchange and distributive systems functioned properly people in general gained by the new arrangement.

The march toward specialization continued and many persons who formerly baked their own bread, churned their own butter, made their own cheese, butchered their own meat animals, and canned their own fruit, gradually came to adopt the practice of buying bread, butter, cheese, canned fruit and meats. They sold their animals on the hoof, their cream as it came from the separator, their fruit in the raw state, and bought back the finished product. This practice of buying a larger proportion of the food supply as finished product instead of making or preparing it at home increased the amount of time of members of the farm family which was available for other purposes. Some of the time thus saved was used for leisure.

During the reasonably prosperous years prior to 1929, an advantage was often gained by turning this "newly found" time into cash by producing articles for market - eggs, cream, vegetable and fruits as well as grains and livestock. Now that the prices of farm products have fallen so low whereas the prices of things which the farmer buys have fallen much less (if at all) it is necessary to take a step backward in this specialization process. However, this reversal of trend is not necessarily a permanent one. Price relationships are now such that the time of members of the farm family may be used to better advantage in making or preparing food for home use - canning, butchering, cheese making, bread baking and churning - than in producing commodities for market.

Every farmer is familiar with the fact that altho prices of farm products are ruinously low, the prices of many commodities which farmers buy have not been materially reduced. Chart No. I below shows these facts in a striking manner. The table is based on index numbers of farm prices for the years 1910 to 1932 inclusive. The expression "index number" may sound complicated, but it is in reality a very simple concept. A base year is selected and designated as 100 per cent, or normal. In price indexes the average of the 5 year period 1910-1914 is ordinarily used. Thus if the average price of corn from 1910 to 1914 was 40 cents and in 1923 it was 60 cents the index of the price of corn would be 50 per cent greater than in the base years, or 150; if the price was 20 cents in 1931, the index of corn in 1931 would be 50.

Chart I - Indexes of Farm Prices and of Prices Paid by Farmers for Commodities Bought, 1910 - 1932.



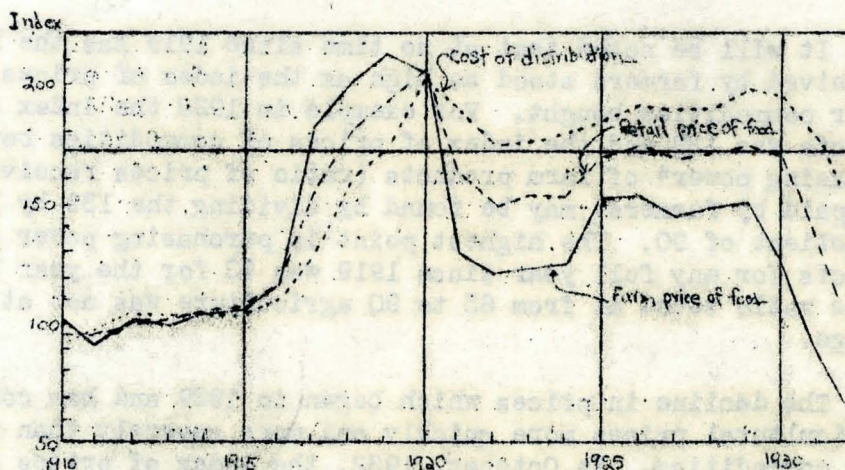
It will be noted that at no time since 1919 has the index of prices received by farmers stood as high as the index of prices paid by farmers for commodities bought. For example in 1928 the index of prices of farm products was 139 and the index of prices of commodities bought was 156. The "purchasing power" of farm products (ratio of prices received by farmers to prices paid by farmers) may be found by dividing the 139 by 156, which gives a quotient of 90. The highest point in purchasing power reached by farm products for any full year since 1919 was 92 for the year 1925. As long as the ratio stood at from 85 to 90 agriculture was not at a serious disadvantage.

The decline in prices which began in 1929 and has continued, affected agricultural prices more quickly and more severely than prices of industrial commodities. In October, 1932, the index of prices of farm products stood at 56, and the index of prices of commodities which farmers buy stood at 107 - 7 per cent above the average price during the years 1910-14. By dividing 56 by 107 we get 52, the ratio of prices received to prices paid for commodities bought or, - the purchasing power of the farmer's dollar.

Under conditions which existed prior to 1929, it was probably economical in many cases to sell cream and buy butter, or to sell live animals and buy meat, because the time of the persons involved was used more advantageously at other tasks than at making butter and butchering hogs. But many changes in price relationships have taken place since 1929. The things which the farmer and his family produced with the time saved by avoiding butter making and butchering are worth far less than they were in 1929. The result is that labor spent in producing these commodities yield a very low rate of return. But what about the prices of bread, meat, canned fruit and butter? They have fallen much less in price than farm products.

In many cases where it was advantageous to sell cream and buy butter, it is now advantageous to make one's own butter. Why? The reason is that handling costs and transportation costs per unit of products have dropped little, if any. Therefore, it takes many more pounds of butterfat to pay for the making and handling costs of 50 pounds of butter. The amount of farm products, which when exchanged for a given quantity of finished goods is very different now than it was a few years ago, now operates to the farmer's disadvantage. However, the farmer has an opportunity to do his own preparation and thus avoid paying high rates for the services of preparation, transporting and retailing. Chart No. II below shows the situation with food products.

Chart II - Farm and Retail Prices of Food and Cost of Distribution - 1910-1932.



For a time during the World War the index of the farm price of food was higher than the index of retail food prices. Since 1920 the index of the retail price of food has been higher than the index of farm prices of food. Altho that condition has existed for approximately 12 years the spread between these two sets of prices has widened during the years 1930, 1931, and 1932. It will be noted that, altho farm prices of food have dropped materially during 1930 and since, costs of distribution have dropped relatively little.

And what are farm families going to do about it?

1. They are going to exchange just as little as possible.
2. They are going to do their own preparing, butchering, churning, canning, grinding and bread baking insofar as possible in order to avoid the high costs of transporting, retailing and processing of food products.
3. They are going to retreat in the specialization process for the time being and are going to hold it there until such time as the charges for processing and distributing services are brought into line with the prices received for farm products.
4. They are going to market direct to the consumer where possible and thereby avoid high transportation and handling costs.
5. They are likely to see the need of organizing and patronizing their own cooperative organizations which will perform the functions of marketing their farm products and of buying for them the supplies which they must purchase.

Questions for Discussion

1. What is meant by specialization?
2. What activities has specialization removed from the farm homes?
3. Why is such specialization a disadvantage at the present time?
4. Explain the expression "index number".
5. What is meant by the "purchasing power" of farm products?
6. Explain the term "exchange rate".
7. When was the index of farm prices of food higher than the index of retail prices? When did this condition reverse? When has the spread been the greatest?
8. What are farm families doing to meet this condition?