REMARKS BY SENATOR HUBERT H. HUMPHREY

COOPERATIVE FOOD DISTRIBUTORS OF AMERICA

Bal Harbour, Florida

April 14, 1975

I am delighted to be here with you today. Your work and much of mine is deeply involved with food and food prices at the retail, wholesale and farm levels.

As a member of the Senate Agriculture Committee and as a farm state Senator, I am very concerned that we have a high level of agricultural production -- but a production at prices that will enable the small farmer to compete with the giant corporate farms.

At the same time, as Chairman of the Consumer Economics Subcommittee, I am concerned with reversing the rise in retail food prices -- a rise that falls most heavily on the working low-and-moderate-income family.

Finally, as Chairman of the Joint Economic Committee, I am concerned with the health and prosperity of our economy -- with stopping inflation and with reducing unemployment.

I am sure that we share these concerns. We all want abundant harvests that will enable food prices to be reduced. You, too, want an end to inflation that pushes up prices and cuts your profit margins, as well as an end to unemployment that reduces the level of spending for food and everything else.

Two weeks ago, Congress took a giant step to restore good health to our economy. After careful review of President Ford's tax cut proposals, the Congress enacted a $22.8 billion dollar tax cut.

There are many troubled areas in our economy, and the tax cut reflected this:

It increased the investment tax credit to 10 percent through 1976 to encourage business to undertake capacity expansion now when the capital goods industry has slack capacity, rather than waiting until 1976 when that slack will disappear as our economy recovers.

It granted over 17 billion dollars in temporary tax relief for individuals -- to spur demand and production -- which, in turn, will create jobs and cut unemployment.

It provided some modest but permanent tax relief for the so-called "working poor" -- for lower income Americans who refuse welfare by continuing to work despite low wages.

It achieved a significant amount of tax reform by repealing the oil depletion allowance for large companies -- perhaps the most abusive, special-interest tax loophole we have. At the same time, we retained this allowance at a reduced level for the smaller, independent oil firm that does much of the drilling for new wells in our country.

Perhaps of greatest direct importance to most of you, it provides a specific reduction in corporate tax rates applicable to the first $50,000 of net income. The rate on the first $25,000 of net income for 1975 was cut to 20 percent from 22 percent, and the rate on the second $25,000 of net income was significantly cut to 22 percent from 48 percent.

The income tax rate was cut for one major reason -- to help firms like yours remain competitive in these difficult economic times.

We saw business failures in December of last year, among smaller corporations, rise over 15 percent, compared to the 1973 figures. And we know that even more failures are expected later this year, even if our economy recovers fairly quickly. In fact, past experience has been for business failures to rise very sharply as our economy moves out of a recession. The Congress felt that the worst was yet to come, and we moved to head it off by targetting temporary tax relief to smaller businesses.

I said that this tax relief was provided to enable smaller firms to remain competitive with their larger competition. I want to emphasize that.

Many of you are independent business people. You know that this often means waiting near the end of the line for credit. It often means paying 3 or 4 percent or more above the prime rate for your capital needs.

And it also means paying higher prices in many cases than those available to your large national competitors.

You are simply more vulnerable in economic hard times than your conglomerate competitors who have continued access to relatively low cost capital.

At the same time, it is vitally important to consumers that you continue to provide viable competition for the large national chains.

We are fooling ourselves if we believe that a recession or a depression has no long-term ill effects. It does -- and it does specifically because it weakens competition. It forces some firms to close -- not because they are poorly managed, in many cases, but because they can't get low cost capital.

You have been telling us this for years. And we finally took your advice to heart and acted. We hope to enable you to continue providing effective competition for the national chains.

You can help keep their prices down. You spur them to innovate and to seek new ways to trim costs -- just as you do yourselves. In short, your continued operation is vital to a healthy, competitive American industry delivering quality products at low prices. I have nothing against the national chains, but I am concerned that your competition with them is of vital interest to our nation's consumers.

Like many of you, I am a retailer. I know what it is like to be on the firing line between producers and consumers. Most of our prices are 99 percent determined by factors beyond our control before they even get on our shelves.

Yet we are the ones who have to face consumers, the wrath and frustration over rising prices. They blame you for the soaring price of bread, or sugar, or paper products, and me for higher drug prices. They often think that we are arbitrarily raising prices to fatten profit margins when, in some cases, we are not even raising prices enough to cover increased costs. I'm afraid it is part of the nature of retailing. We take the heat for actions we can't control.

I have been deluged with mail and telegrams this past year from housewives and farmers. They want to know why food prices at retail continue to rise while prices at the farm -- prices paid to farmers -- are falling.

They have a good question, and a question that has no easy answer.

For example, food costs for an elderly couple on a low income food budget, according to the Department of Agriculture, rose 33.2 percent during 1973 and 1974. Yet, food costs for a younger and more affluent couple on a liberal budget rose 29.7 percent -- an increase which was 10 percent less than for the elderly couple.

Yet, at the same time that food prices were rising, farm prices were falling.

In fact, on a February to February basis, farm prices are down 17 percent -- and still falling.

The spread between retail and farm prices widened by 20 percent in 1974 alone. As a result, farmers now receive an average of less than 40 cents of every retail food dollar -- down from 52 cents as recently as August of 1973.

Now that is bad news for the farmer. But it is also bad news for the retailer, for the food distributor, and especially, for United States Senators from farm states. Like you, I can take the heat from one side. I have some good ideas on how to deal with falling farm prices. And I can deal effectively with rising food prices. But when they occur simultaneously, I need some "new" answers.

By and large, the higher prices charged for food at wholesale and retail are directly related to costs. I know that labor costs are up as much as 10 percent since last year; electricity is up over 30 percent; plastic sheeting is up 43 percent; and other costs are way up as well.

The costs of running your business are simply rising sharply -- just as the cost of running a household, a farm, or the federal government are rising.

But at the same time, there are some indications that, in the case of some large national retail food chains, the widening farm-retail food price spread, and the jump in retail prices, may not be entirely cost justified.

The profit margins of the 14 largest food chains were up sharply in 1974. A study by the Joint Economic Committee indicates that in 1973, the largest 14 chains earned an average rate of return before taxes on stockholders' equity of 12.6 percent -- slightly above the average industrial rate of return of 12.4 percent. This rate of return for the national chains has remained fairly stable for a good part of the 1960's and early 1970's.

Yet, by the third quarter of 1974, these 14 major chains were receiving a rate of return on equity which averaged 115 percent above the traditional levels.

Some of these profits were nothing short of spectacular: before taxes, Albertson's received a rate of return on equity in the third quarter of 45 percent; Lucky received over 39 percent;

Winn-Dixie received over 40 percent; Safeway received 37 percent; and Fisher Foods received over 30 percent.

Many explanations have been offered for both these spectacular rates of return by large chains and the abnormal widening of the farm-retail price spread in 1974.

Now, I am not against solid profits; businesses must have them.

However, the Joint Economic Committee, for example, is concerned that undue market concentration by several dominant national chains may enable these chains to glean noncompetitive profits in certain marketing regions. This could come about through weak price competition or because they are able to command large discounts from suppliers which are not available to competitors.

These concerns may or may not explain a part of the riddle of rising retail prices while farm prices are falling.

In any case, these problems of excessive market concentration and possible anti-competitive pricing behavior are, at best, only explanations.

They are not a solution.

The solution is more effective competition. The solution to high retail prices due to weak competition is not price controls or government rules and regulations. It is not more forms to complete.

You gentlemen, and the entire membership of the Cooperative Food Distributors of America are the solution. Your distribution and retailing operations are the single most competitive component in the food industry in America today. You deal daily as competitors with the large chains.

By providing good service at low prices, you force the chains to do likewise. By seeking good locations, you force the chains to find convenient locations, too. By innovating and raising your productivity, you force the chains to trim costs, too. And in each case, the consumer benefits.

I want to see you increase your productivity -- increase the efficiency of your operation; and I want consumers to share in that efficiency through lower prices.

Food now comprises anywhere from 21 percent of high income family budgets to 50 percent or more of low income family budgets. The average family of four now spends 25 percent of its budget on food. If we can reduce that portion to 20 percent through improved distribution and retail operations, we can save consumers up to $40 billion annually. That's an enormous amount to be saved -- particularly when a large portion of it will go to middle and lower income families and the elderly.

You and other independent wholesalers, distributors and retailers in America can generate these savings. And I challenge you to do so.

Increase your productivity.

Price competitively.

And be innovative in providing customer services and in your merchandising.

I'm going to be watching you. And I'm going to be watching the large national food chains. If I see behavior that looks suspicious; if I see behavior by the large chains that tells me you aren't keeping them on their toes and keeping their prices down; I have a responsibility to the people who elected me to try to find out what is going on. But I will do this job as fairly as possible. I don't engage in "witch hunts."

Let me turn now for a moment to the economy in general.

We are in the midst of the worst recession since the 1930's. Counting involuntary part-time workers and those who have simply stopped looking for work, nearly 13 million Americans are now out of work. We have excess capacity -- productive capacity sitting idle -- of over $300 billion. In the next 5 years, we will lose production -- we will lose goods and services through idle manpower and capacity -- equal in value to our entire 1975 Gross National Product -- $1.5 trillion.

That is wealth which will never be recovered. It's goods and services those 13 million unemployed and underemployed men and women should be producing, but are not.

We are greatly concerned with how to pay for the rise in energy prices forced on us by OPEC. Well, the federal tax revenue which won't be collected over the next 5 years because of our idle capacity would pay for all our oil imports at current prices for 10 years.

Idle capacity and high unemployment mean that we in Washington aren't doing our job. It means we're failing to provide you and all of our citizens with a prosperous, stable America.

We've set out now, I think, to do the job. Yet, the tax cut is but the first of many things we must do. The terribly complex problem of energy independence must be resolved. We must get our workers back on the job. We must continue the fight for tax justice and to restore competition in our economic system -- which is the very lifeblood of an efficient free enterprise system. And much more.

But before we can successfully move on these problems, we must have our economic house in order. That means price stability and a maximum of 4 percent unemployment. It means effective competition in your industry and others. It means a fair shake for farmers and consumers alike.

And with your help and support, we can have all that -- and more.

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Earl Mason

REMARKS BY SENATOR HUBERT H. HUMPHREY

COOPERATIVE FOOD DISTRIBUTORS OF AMERICA

BAL HARBOUR, FLORIDA

APRIL 14, 1975

I AM DELIGHTED TO BE HERE WITH YOU TODAY. YOUR WORK AND MUCH OF MINE IS DEEPLY INVOLVED WITH FOOD AND FOOD PRICES AT THE RETAIL, WHOLESALE AND FARM LEVELS.

AS A MEMBER OF THE SENATE AGRICULTURE COMMITTEE ~~AND AS A FARM STATE SENATOR~~, I AM VERY CONCERNED THAT WE HAVE A HIGH LEVEL OF AGRICULTURAL PRODUCTION -- BUT A PRODUCTION AT PRICES THAT WILL ENABLE THE ~~SMALL~~ Family FARMER TO COMPETE WITH THE GIANT CORPORATE FARMS.

AT THE SAME TIME, AS CHAIRMAN OF THE CONSUMER ECONOMICS SUBCOMMITTEE, I AM CONCERNED WITH REVERSING THE RISE IN RETAIL FOOD PRICES -- A RISE THAT FALLS MOST HEAVILY ON THE WORKING LOW-AND-MODERATE-INCOME FAMILies

FINALLY, AS CHAIRMAN OF THE JOINT ECONOMIC COMMITTEE, I AM CONCERNED WITH THE HEALTH AND PROSPERITY OF OUR ECONOMY -- WITH ~~STOPPING~~ Checking INFLATION AND WITH REDUCING UNEMPLOYMENT.

I AM SURE THAT WE SHARE THESE CONCERNS. WE ALL WANT ABUNDANT HARVESTS THAT WILL ENABLE FOOD PRICES TO BE REDUCED. YOU, TOO, WANT AN END TO INFLATION THAT PUSHES UP PRICES, ~~AND~~ increases your costs, CUTS YOUR PROFIT MARGINS, AS WELL AS AN END TO UNEMPLOYMENT THAT REDUCES THE LEVEL OF SPENDING FOR FOOD AND EVERYTHING ELSE.

a little over TWO WEEKS AGO, CONGRESS TOOK A GIANT STEP TO RESTORE GOOD HEALTH TO OUR ECONOMY. AFTER CAREFUL REVIEW OF PRESIDENT FORD'S TAX CUT PROPOSALS, THE CONGRESS ENACTED A $22.8 BILLION DOLLAR TAX CUT.

THERE ARE MANY TROUBLED AREAS IN OUR ECONOMY, AND THE TAX CUT REFLECTED THIS.

IT INCREASED THE INVESTMENT TAX CREDIT TO 10 PERCENT THROUGH 1976 TO ENCOURAGE BUSINESS TO UNDERTAKE CAPACITY EXPANSION NOW WHEN THE CAPITAL GOODS INDUSTRY HAS SLACK CAPACITY. ~~RATHER THAN WAITING UNTIL 1976 WHEN THAT SLACK WILL DISAPPEAR AS OUR ECONOMY RECOVERS.~~

IT GRANTED OVER 17 BILLION DOLLARS IN TEMPORARY TAX RELIEF FOR INDIVIDUALS -- TO SPUR DEMAND AND PRODUCTION -- WHICH, IN TURN, WILL CREATE JOBS AND CUT UNEMPLOYMENT.

IT PROVIDED SOME MODEST BUT PERMANENT TAX RELIEF FOR THE SO-CALLED "WORKING POOR" -- FOR LOWER INCOME AMERICANS WHO REFUSE WELFARE BY CONTINUING TO WORK DESPITE LOW WAGES.

IT ACHIEVED A SIGNIFICANT AMOUNT OF TAX REFORM BY REPEALING THE OIL DEPLETION ALLOWANCE FOR LARGE oil COMPANIES -- PERHAPS THE MOST ABUSIVE, SPECIAL-INTEREST TAX LOOPHOLE WE HAVE. AT THE SAME TIME, WE RETAINED THIS ALLOWANCE AT A REDUCED LEVEL FOR THE SMALLER, INDEPENDENT OIL FIRM THAT DOES MUCH OF THE DRILLING FOR NEW WELLS IN OUR COUNTRY.

PERHAPS OF GREATEST DIRECT IMPORTANCE TO MOST OF YOU, IT PROVIDES A SPECIFIC REDUCTION IN CORPORATE TAX RATES APPLICABLE TO THE FIRST $50,000 OF NET INCOME. THE RATE ON THE FIRST $25,000 OF NET INCOME FOR 1975 WAS CUT TO 20 PERCENT FROM 22 PERCENT, AND THE RATE ON THE SECOND $25,000 OF NET INCOME WAS SIGNIFICANTLY CUT from 48 PERCENT to 22 PERCENT. -- a major tax cut permitting capital accumulation for business expansion.

~~THE INCOME~~ this TAX RATE WAS CUT FOR ONE MAJOR REASON -- TO HELP FIRMS LIKE YOURS REMAIN COMPETITIVE IN THESE DIFFICULT ECONOMIC TIMES.

WE SAW BUSINESS FAILURES IN DECEMBER ~~OF LAST YEAR~~ of 1974, AMONG SMALLER CORPORATIONS, RISE OVER 15 PERCENT, COMPARED TO THE 1973 FIGURES.

AND WE KNOW THAT EVEN MORE FAILURES ARE EXPECTED LATER THIS YEAR, EVEN IF OUR ECONOMY ~~RECOVERS FAIRLY QUICKLY~~ moves toward recovery.

IN FACT, PAST EXPERIENCE ~~HAS BEEN FOR~~ shows BUSINESS FAILURES ~~TO~~ RISE VERY SHARPLY even AS OUR ECONOMY MOVES OUT OF A RECESSION.

THE CONGRESS FELT THAT THE WORST WAS YET TO COME, AND WE MOVED TO HEAD IT OFF BY TARGETTING TEMPORARY TAX RELIEF TO SMALLER BUSINESSES.

I SAID THAT THIS TAX RELIEF WAS PROVIDED TO ENABLE SMALLER FIRMS TO REMAIN COMPETITIVE WITH THEIR LARGER COMPETITION. I WANT TO EMPHASIZE THAT.

MANY OF YOU ARE INDEPENDENT BUSINESS PEOPLE. YOU KNOW THAT THIS OFTEN MEANS WAITING NEAR THE END OF THE LINE FOR CREDIT,

IT OFTEN MEANS PAYING 3 OR 4 PERCENT OR MORE ABOVE THE PRIME RATE FOR YOUR CAPITAL NEEDS.

AND, IT ALSO MEANS PAYING HIGHER PRICES IN MANY CASES THAN THOSE AVAILABLE TO YOUR LARGE NATIONAL COMPETITORS.

YOU ARE SIMPLY MORE VULNERABLE IN ECONOMIC HARD TIMES THAN YOUR CONGLOMERATE COMPETITORS WHO HAVE CONTINUED ACCESS TO RELATIVELY LOW COST CAPITAL.

(Capital availability & Capital Cost)

AT THE SAME TIME, IT IS VITALLY IMPORTANT TO CONSUMERS THAT YOU ~~CONTINUE TO PROVIDE VIABLE COMPETITION FOR THE~~ be able to compete with the LARGE NATIONAL retail food CHAINS.

WE ARE FOOLING OURSELVES IF WE BELIEVE THAT A RECESSION OR A DEPRESSION HAS NO LONG-TERM ILL EFFECTS. IT DOES -- AND IT DOES SPECIFICALLY BECAUSE IT WEAKENS COMPETITION. IT FORCES SOME FIRMS TO CLOSE -- NOT BECAUSE THEY ARE POORLY MANAGED, IN MANY CASES, BUT BECAUSE THEY CAN'T GET LOW COST CAPITAL.

YOU HAVE BEEN TELLING US THIS FOR YEARS. AND WE FINALLY TOOK YOUR ADVICE TO HEART AND ACTED. We need you to ~~WE HOPE TO ENABLE YOU TO CONTINUE PROVIDING~~ provide EFFECTIVE COMPETITION FOR THE NATIONAL CHAINS.

YOU CAN HELP KEEP THEIR PRICES DOWN. YOU SPUR THEM TO INNOVATE AND TO SEEK NEW WAYS TO TRIM COSTS. ~~– JUST AS YOU DO YOURSELVES.~~

IN SHORT, YOUR CONTINUED OPERATION IS VITAL TO A HEALTHY, COMPETITIVE AMERICAN retail food INDUSTRY DELIVERING QUALITY PRODUCTS AT LOW PRICES. I HAVE NOTHING AGAINST THE NATIONAL CHAINS, BUT I AM CONVINCED [redacted] THAT YOUR COMPETITION WITH THEM IS OF VITAL INTEREST TO OUR NATION'S CONSUMERS.

LIKE MANY OF YOU, I AM A RETAILER. I KNOW WHAT IT IS LIKE TO BE ON THE FIRING LINE BETWEEN PRODUCERS AND CONSUMERS. MOST OF Your ~~OUR~~ PRICES ARE 99 PERCENT DETERMINED BY FACTORS BEYOND OUR CONTROL BEFORE THEY EVEN GET ON OUR SHELVES.

Yet the retailer is ~~YET WE ARE~~ THE ONES WHO has ~~HAVE~~ TO FACE THE CONSUMERS' [redacted] WRATH AND FRUSTRATION OVER RISING PRICES. The consumer ~~THEY~~ BLAMES YOU FOR THE SOARING PRICE OF BREAD, OR SUGAR, OR PAPER PRODUCTS. ~~AND ME FOR HIGHER DRUG PRICES~~. THEY OFTEN THINK THAT you ~~WE~~ ARE ARBITRARILY RAISING PRICES TO FATTEN PROFIT MARGINS WHEN, IN SOME CASES, as I know, you ARE NOT EVEN RAISING PRICES ENOUGH TO COVER INCREASED COSTS.

I'M AFRAID IT IS PART OF THE NATURE OF RETAILING. WE TAKE THE HEAT FOR ACTIONS WE CAN'T CONTROL!

I HAVE BEEN DELUGED WITH MAIL AND TELEGRAMS THIS PAST YEAR FROM HOUSEWIVES AND FARMERS. THEY WANT TO KNOW WHY FOOD PRICES AT RETAIL CONTINUE TO RISE WHILE PRICES AT THE FARM -- PRICES PAID TO FARMERS -- ARE FALLING. — ~~Farm prices~~ down this year 17% as Farm Costs up 20%.

THEY HAVE A GOOD QUESTION -- AND A QUESTION THAT HAS NO EASY ANSWER.

FOR EXAMPLE, FOOD COSTS FOR AN ELDERLY COUPLE ON A LOW INCOME FOOD BUDGET, ACCORDING TO THE DEPARTMENT OF AGRICULTURE, ROSE 33.2 PERCENT DURING 1973 AND 1974. FOOD COSTS FOR A YOUNGER AND MORE AFFLUENT COUPLE ON A LIBERAL BUDGET ROSE 29.7 PERCENT -- AN INCREASE WHICH WAS 10 PERCENT LESS THAN FOR THE ELDERLY COUPLE.

YET, AT THE SAME TIME THAT FOOD PRICES WERE RISING, FARM PRICES WERE FALLING.

IN FACT, ON A FEBRUARY TO FEBRUARY BASIS, FARM PRICES ARE DOWN 17 PERCENT -- AND STILL FALLING.

Costs up over 20 %

THE SPREAD BETWEEN RETAIL AND FARM PRICES WIDENED BY 20 PERCENT IN 1974 ALONE. AS A RESULT, FARMERS NOW RECEIVE AN AVERAGE OF LESS THAN 40 CENTS OF EVERY RETAIL FOOD DOLLAR -- DOWN FROM 52 CENTS AS RECENTLY AS AUGUST OF 1973. (Farmers Share of Food Dollar)

NOW THAT IS BAD NEWS FOR THE FARMER. BUT IT IS ALSO BAD NEWS FOR THE RETAILER, FOR THE FOOD DISTRIBUTOR, AND ESPECIALLY, FOR UNITED STATES SENATORS FROM FARM STATES. LIKE YOU, I CAN TAKE THE HEAT FROM ONE SIDE. I HAVE SOME GOOD IDEAS ON HOW TO DEAL WITH FALLING FARM PRICES. But when Farm Prices are going down, & Food Prices are going up at the same time, well, then I run out of answers — and I need your help! ~~AND I CAN DEAL EFFECTIVELY WITH RISING FOOD PRICES. BUT WHEN THEY OCCUR SIMULTANEOUSLY, I NEED SOME "NEW" ANSWERS.~~

BY AND LARGE, THE HIGHER PRICES CHARGED FOR FOOD AT WHOLESALE AND RETAIL ARE DIRECTLY RELATED TO COSTS. I KNOW THAT LABOR COSTS ARE UP AS MUCH AS 10 PERCENT SINCE LAST YEAR; ELECTRICITY IS UP OVER 30 PERCENT; PLASTIC SHEETING IS UP 43 PERCENT; AND OTHER COSTS ARE WAY UP AS WELL.

THE COSTS OF RUNNING YOUR BUSINESS ARE SIMPLY RISING SHARPLY -- JUST AS THE COST OF RUNNING A HOUSEHOLD, A FARM, OR THE FEDERAL GOVERNMENT ARE RISING.

BUT AT THE SAME TIME, THERE ARE SOME INDICATIONS THAT, IN THE CASE OF SOME LARGE NATIONAL RETAIL FOOD CHAINS, THE WIDENING FARM-RETAIL FOOD PRICE SPREAD, AND THE JUMP IN RETAIL PRICES, MAY NOT BE ENTIRELY COST JUSTIFIED. I say "may" not be entirely cost justified.

THE PROFIT MARGINS OF THE 14 LARGEST FOOD CHAINS WERE UP SHARPLY IN 1974. A STUDY BY THE JOINT ECONOMIC COMMITTEE INDICATES THAT IN 1973, THE LARGEST 14 CHAINS EARNED AN AVERAGE RATE OF RETURN BEFORE TAXES ON STOCKHOLDERS' EQUITY OF 12.6 PERCENT -- SLIGHTLY ABOVE THE AVERAGE INDUSTRIAL RATE OF RETURN OF 12.4 PERCENT. THIS RATE OF RETURN FOR THE NATIONAL CHAINS HAS REMAINED FAIRLY STABLE FOR A GOOD PART OF THE 1960'S AND EARLY 1970'S.

YET, BY THE THIRD QUARTER OF 1974, THESE same 14 MAJOR CHAINS WERE RECEIVING A RATE OF RETURN ON EQUITY WHICH AVERAGED 115 PERCENT ABOVE THE TRADITIONAL LEVELS. — more than double the the 1973 average rate of return before taxes on Stockholders equity

SOME OF THESE PROFITS WERE NOTHING SHORT OF SPECTACULAR: For example, BEFORE TAXES, ALBERTSON'S RECEIVED A RATE OF RETURN ON EQUITY IN THE THIRD QUARTER OF 45 PERCENT; LUCKY RECEIVED OVER 39 PERCENT; WINN-DIXIE RECEIVED OVER 40 PERCENT; SAFEWAY RECEIVED 37 PERCENT; AND FISHER FOODS RECEIVED OVER 30 PERCENT.

MANY EXPLANATIONS HAVE BEEN OFFERED FOR BOTH THESE SPECTACULAR RATES OF RETURN BY LARGE CHAINS AND THE ABNORMAL WIDENING OF THE FARM-RETAIL PRICE SPREAD IN 1974.

NOW, I AM NOT AGAINST SOLID PROFITS; BUSINESSES MUST HAVE THEM. I believe in the profit system.

HOWEVER, THE JOINT ECONOMIC COMMITTEE, [redacted], IS CONCERNED THAT UNDUE MARKET CONCENTRATION BY SEVERAL DOMINANT NATIONAL CHAINS MAY ENABLE THESE CHAINS TO GLEAN NONCOMPETITIVE PROFITS IN CERTAIN MARKETING REGIONS. THIS COULD COME ABOUT THROUGH WEAK PRICE COMPETITION OR BECAUSE THEY ARE ABLE TO COMMAND LARGE DISCOUNTS FROM SUPPLIERS WHICH ARE NOT AVAILABLE TO COMPETITORS.

THESE CONCERNS MAY OR MAY NOT EXPLAIN A PART OF THE RIDDLE OF RISING RETAIL PRICES WHILE FARM PRICES ARE FALLING.

IN ANY CASE, THESE PROBLEMS OF EXCESSIVE MARKET CONCENTRATION AND POSSIBLE ANTI-COMPETITIVE PRICING BEHAVIOR ARE, AT BEST, ONLY EXPLANATIONS.

THEY ARE NOT A SOLUTION.

THE SOLUTION IS MORE EFFECTIVE COMPETITION. THE SOLUTION TO HIGH RETAIL PRICES DUE TO WEAK COMPETITION IS NOT PRICE CONTROLS OR GOVERNMENT RULES AND REGULATIONS. IT IS NOT MORE FORMS TO ~~COMPLETE.~~ fill in + mail to govt agencies.

YOU, ~~GENTLEMEN AND~~ yes you and THE ENTIRE MEMBERSHIP OF THE COOPERATIVE FOOD DISTRIBUTORS OF AMERICA ARE THE SOLUTION. YOUR DISTRIBUTION AND RETAILING OPERATIONS ARE THE SINGLE MOST COMPETITIVE COMPONENT IN THE FOOD INDUSTRY IN AMERICA TODAY. YOU DEAL DAILY AS COMPETITORS WITH THE LARGE CHAINS.

BY PROVIDING GOOD SERVICE AT ~~LOW~~ competitive PRICES, YOU FORCE THE CHAINS TO DO LIKEWISE. BY SEEKING GOOD LOCATIONS, YOU FORCE THE CHAINS TO FIND CONVENIENT LOCATIONS. ~~TOO~~ BY INNOVATING AND RAISING YOUR PRODUCTIVITY, YOU FORCE THE CHAINS TO TRIM COSTS, TOO.

AND IN EACH CASE, THE CONSUMER BENEFITS.

I WANT TO SEE YOU INCREASE YOUR PRODUCTIVITY -- INCREASE THE EFFICIENCY OF YOUR OPERATION; AND I WANT CONSUMERS TO SHARE IN THAT EFFICIENCY THROUGH LOWER PRICES.

FOOD NOW COMPRISES ANYWHERE FROM 21 PERCENT OF HIGH INCOME FAMILY BUDGETS TO 50 PERCENT OR MORE OF LOW INCOME FAMILY BUDGETS.

1% = 8 Billion Saving
2% 16 "
3% 24 "
4% 32 "

THE AVERAGE FAMILY OF FOUR NOW SPENDS 25 PERCENT OF ITS BUDGET ON FOOD. IF WE CAN REDUCE THAT PORTION TO 20 PERCENT THROUGH IMPROVED DISTRIBUTION AND RETAIL OPERATIONS, WE CAN SAVE CONSUMERS UP TO $40 BILLION ANNUALLY. THAT'S AN ENORMOUS AMOUNT TO BE SAVED -- PARTICULARLY WHEN A LARGE PORTION OF IT WILL GO TO MIDDLE AND LOWER INCOME FAMILIES AND THE ELDERLY.

YOU AND OTHER INDEPENDENT WHOLESALERS, DISTRIBUTORS AND RETAILERS IN AMERICA CAN GENERATE THESE SAVINGS. AND I CHALLENGE YOU TO DO SO.

INCREASE YOUR PRODUCTIVITY.

PRICE COMPETITIVELY.

AND BE INNOVATIVE IN PROVIDING CUSTOMER SERVICES AND IN YOUR MERCHANDISING.

I'M GOING TO BE WATCHING YOU. AND I'M GOING TO BE WATCHING THE LARGE NATIONAL FOOD CHAINS. IF I SEE BEHAVIOR THAT LOOKS SUSPICIOUS; IF I SEE BEHAVIOR BY THE LARGE CHAINS THAT TELLS ME YOU AREN'T KEEPING THEM ON THEIR TOES AND KEEPING THEIR PRICES DOWN; I HAVE A RESPONSIBILITY TO THE PEOPLE WHO ELECTED ME TO TRY TO FIND OUT WHAT IS GOING ON. BUT I WILL DO THIS JOB AS FAIRLY AS POSSIBLE. I DON'T ENGAGE IN "WITCH HUNTS."

LET ME TURN NOW FOR A MOMENT TO THE ECONOMY IN GENERAL.

WE ARE IN THE MIDST OF THE WORST RECESSION SINCE THE 1930's.

COUNTING INVOLUNTARY PART-TIME WORKERS AND THOSE WHO HAVE SIMPLY STOPPED LOOKING FOR WORK, NEARLY 13 MILLION AMERICANS ARE NOW OUT OF WORK. - 11% not 8.7%

Deficits!

30%

WE HAVE EXCESS CAPACITY -- PRODUCTIVE CAPACITY SITTING IDLE -- OF OVER $300 BILLION. IN THE NEXT 5 YEARS, WE WILL LOSE PRODUCTION -- WE WILL LOSE GOODS AND SERVICES THROUGH IDLE MANPOWER AND CAPACITY -- EQUAL IN VALUE TO OUR ENTIRE 1975 GROSS NATIONAL PRODUCT -- $1.5 TRILLION.

THAT IS WEALTH WHICH WILL NEVER BE RECOVERED. IT'S GOODS AND SERVICES THOSE 13 MILLION UNEMPLOYED AND UNDEREMPLOYED MEN AND WOMEN SHOULD BE PRODUCING, BUT ARE NOT.

WE ARE GREATLY CONCERNED WITH HOW TO PAY FOR THE RISE IN ENERGY PRICES FORCED ON US BY OPEC. WELL, THE FEDERAL TAX REVENUE WHICH WON'T BE COLLECTED OVER THE NEXT 5 YEARS BECAUSE OF OUR IDLE CAPACITY WOULD PAY FOR ALL OUR OIL IMPORTS AT CURRENT PRICES FOR 10 YEARS.

IDLE CAPACITY AND HIGH UNEMPLOYMENT MEAN THAT WE IN WASHINGTON AREN'T DOING OUR JOB. IT MEANS WE'RE FAILING TO PROVIDE YOU AND ALL OF OUR CITIZENS WITH A PROSPEROUS, STABLE AMERICA.

WE'VE SET OUT NOW, I THINK, TO DO THE JOB. YET, THE TAX CUT IS BUT THE FIRST OF MANY THINGS WE MUST DO. THE TERRIBLY COMPLEX PROBLEM OF ENERGY INDEPENDENCE MUST BE RESOLVED. WE MUST GET OUR WORKERS BACK ON THE JOB. WE MUST CONTINUE THE FIGHT FOR TAX JUSTICE AND TO RESTORE COMPETITION IN OUR ECONOMIC SYSTEM -- WHICH IS THE VERY LIFEBLOOD OF AN EFFICIENT FREE ENTERPRISE SYSTEM. AND MUCH MORE.

BUT BEFORE WE CAN SUCCESSFULLY MOVE ON THESE PROBLEMS, WE MUST HAVE OUR ECONOMIC HOUSE IN ORDER. THAT MEANS PRICE STABILITY AND A MAXIMUM OF 4 PERCENT UNEMPLOYMENT. IT MEANS EFFECTIVE COMPETITION IN YOUR INDUSTRY AND OTHERS. IT MEANS A FAIR SHAKE FOR FARMERS AND CONSUMERS ALIKE.

AND WITH YOUR HELP AND SUPPORT, WE CAN HAVE ALL THAT -- AND MORE.

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