

In short, the supermarkets sold for \$418 beef that cost them \$228. That isn't all. They sold the beef and collected the money before they ever paid their suppliers.

A detailed cut-out chart of carcass cuts and prices charged at retail by the three major chains accompanies this article.

The startling figures are brought to the attention of the public as a result of an extensive survey conducted by a team of men representing more than 225 years of combined experience in production, finishing, processing, distribution and marketing of beef.

The carcasses on which supermarkets were making a gross profit of up to \$190 a piece are the same cattle on which producers and feeders lost up to \$40 a piece.

The independent and informal beef panel made the study as a result of confusion and conflicting statements heard among Colorado cattlemen since this newspaper started its unique and exclusive coverage of Colorado beef marketing seven years ago.

The panel members, acting on their own initiative and requesting only that they not be identified, collected retail prices in the three major supermarkets themselves.

The survey team (none of them was paid for his work) rebuts the chains' long contention of low profits, as "a sham perpetrated upon an unsuspecting public."

The panel calls the profit revelation "an unheard of and incredible margin."

The panel charges that the real victims of the chains' mystery-shrouded pricing techniques, are the other segments of the beef industry, and particularly the small cattlemen producer. This newspaper publishes on page 14 the panel's breakdown of commercial cuts from a carcass of beef.

Listed are the percentages of cuts, the selling price per pound and the return received by the chain supermarkets. The price paid by the chains for their beef was taken from the Chicago Yellow Sheet, price "bible" of the beef industry.

By deducting the "cost" from the "return," a gross profit figure is arrived at.

The retail prices of three chains: Safeway, Miller and King Soopers, are listed in the published chart. The prices used are weekend prices—the lowest during the marketing week.

The panel deliberately favored the chains where there is an imbalance. Thus, although the Yellow Sheet for the period lists beef market prices at 37-38 cents, the latter figure was taken as a guideline to the chains' purchasing cost.

On operational costs, the chains remain tight-lipped. Said one of the survey investigators:

"Let's give them the greatest latitude and put their operating or overhead costs at 20 percent. This still leaves them more than 25 percent NET profit. So a \$228 investment is returning them an unheard of profit. The national average in the other segments of the meat industry is a net profit of around one percent."

"Because the chains are making these fantastic profits, everyone else in the meat business is going broke."

The survey found that at this time cow-calf operators have to receive at least 30-31 cents per pound for calves in the Colorado-Nebraska area to break even.

Producers, to break even, have to receive at least 27-28 cents per pound for yearling steers which six months hence or slightly less will be the fat animals ready for slaughter.

L. H. Simerl, agricultural economist at the University of Illinois, said last week in reference to Midwest conditions:

"Fat cattle prices realized by feeders in November were generally \$24 to \$24.50 per hundredweight down 15 percent from last March."

"With corn at \$1.20 a bushel, the return needed to cover all costs would have been \$26 to \$28. Thus, typical losses seem to have been \$20 to \$40 per steer."

Simerl added that the Midwest conditions mirrored those of the West where many feeders have had to reckon losses from \$15 to \$50 per head.

A packer (slaughter) viewpoint was expressed this way:

"When we start with a carcass of beef (using the 600-pounds average) we figure we have \$240 in it. At our end, we want to break the carcass down and try to get \$250 back by selling all the pieces. If we make \$10 a head, we are in fine shape."

Does the packer make a profit or break even?

"No", said the executive. "The trend has been against us. We have long been losing about one percent."