



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*Agric - Econ Aspects*

*(Ed)*  
NEW ENGLAND

GIANNINI FOUNDATION OF  
AGRICULTURAL ECONOMICS  
LIBRARY

OCT 16 1958

*WITHDRAWN*

AGRICULTURAL

ECONOMIC COUNCIL



PROCEEDINGS JUNE 1958

AT THE

UNIVERSITY OF MAINE

ORONO

MAINE



## MARKET FACILITIES

### A Report of a Study Trip to Markets, Shipping Areas and State Universities.

Fred Cole

University of Massachusetts

A study trip was undertaken to identify trends in current food marketing with particular reference to food and vegetable marketing; to appraise the impact of these trends upon terminal markets, and to make application of many possible conclusions to the Boston Market situation.

The trip was undertaken on July 15, 1957, after five months of preparation, and continued to February 28, 1958. Twenty-two markets, twenty-eight shipping areas, and twenty-five universities and research agencies were visited in thirty-five states necessitating 22,705 miles of travel.

The first leg of the trip extended across the northern tier of states to the west coast during the late summer and fall harvesting periods. Most of October, November, and early December were utilized in the west coast markets and shipping areas of Washington, Oregon and California. The eastward itinerary included points of marketing interest in Arizona, New Mexico, Texas and Florida during December and January. A few markets were visited on the east coast during February on the return trip north. Unusual cold and wet weather handicapped the southern and eastern parts of the trip as far as harvesting and shipping were concerned but the trip was productive in terms of contacts with marketing people.

Conferences and conversations were held with more than five hundred marketing people, one hundred ninety at length, in order to become acquainted with current marketing practices and the view points of people engaged in marketing.

An attempt was made to secure information from supermarket buyers, both chain and independent, market managers, shippers, wholesalers, brokers, and professional marketers.

Points of interest were the development of direct shipment, consumer unit packaging, selling and buying practices, sources of supply of different sizes of retail operations, the buying of items in limited supply and in smaller volumes, institutional supply, the place of the nearby shipper, the place of terminal markets and new market facilities.

Many questions exist in the minds of many people now engaged in fruit and vegetable distribution, and in the minds of those connected professionally with distribution. More than sixty questions were listed in the study outline. Some of the more significant questions were:

How much can direct shipment be used?

What effect will direct shipment have on terminal markets?

Who is to do consumer unit packaging?

What changes are taking place in fruit and vegetable distribution and is a pattern developing which may persist for 15 to 20 years?

- Who will do the buying for direct shipment and under what conditions?  
As retail stores become even more departmentalized in operation, will this change have an effect on distribution methods?  
How will low volume items and items in limited supply be secured by retailers?  
How will the operators of the smaller retail stores secure their supplies?  
How will the outer but significant fringe of distribution be serviced?  
How are the penal, health, educational institutions, hotels, restaurants, and factory eating establishments to secure their supply?  
To what extent is integration being accomplished and what effects is this form of organization having on distribution?  
What new facilities are being created and how successful are they in providing essential services in an acceptable and profitable manner?

Current changes in the marketing of fruits and vegetables constitute developments from a historic base.

- a. to meet changes in food retailing.
- b. to take advantage of technological advances in quality control.
- c. to take advantage of road improvements and consequent availability of transportation.

No radically new methods were apparent for the next fifteen or twenty years.

Further technological advance in fresh food preservation may follow a technical break through in the field of radiation for application in a period following that under consideration of this study.

Current trends are reported under nine headings.

#### COST REDUCTION

Keen competition has cut the cost of many operations in fruit and vegetable marketing. The time between shipper and retailer has been reduced. There is less loss due to waste, and condition on the supermarket produce counter has been improved. These changes have occurred as individuals have tried to improve their competitive position in the industry. Progressive leadership of those who are willing to invest in new equipment and to take trial risks has set the pace time and time again. Sometimes, change has been made to avoid higher prospective costs, and, at other times, to lower costs in what appeared to be a feasible manner.

To say, or even hint, that these improvements are general, would be in complete error. There are hand trucks and sun-drenched crates of perishable products piled in market streets. There are unnecessary delays, there is too much handling, there are too many broken crates. Fruit and vegetables arrive at market too far out of condition to be revived. There are still too many old, outmoded markets. There are both sides to be seen if you look for both, but substantial progress has been made. The industry, as a whole, is on the alert to maintain "fresh" as an important part of the diet of people in consuming centers.

Much has been said about middlemen. Much has been said about the high cost of marketing. Much has been written about lack of sanitation. Too little has been said about the progress in distribution. The swift pace of

the leaders in developing a veritable jet stream of vegetables and fruit, from shipper to consumers pick-up basket, mindful of the high, swift current in the jet stream of air flowing west to east over the country is a credit to the industry.

#### DIRECT SHIPMENT

The most outstanding development in fruit and vegetable marketing is the volume being shipped direct to retail store warehouses and to retail stores. Large volume buying came into practice with large volume retailing. F. O. B. Sales at shipping point were developed to improve trade practice some time ago. Both of these practices have increased in use during the years.

Outmoded markets and traffic loaded city streets have speeded this development. Trailer trucks cannot maneuver easily in streets no wider than the trucks are long. Standard trucks cannot operate profitably while stuck in city traffic.

The trend to direct shipment which had its beginning some time ago, has developed to a point where it now apparently comprises over sixty per cent of all the fruit and vegetable shipments. Closer observation would estimate the proportion of direct shipment to be close to seventy per cent. It may go seventy-five per cent in the not-to-distant future. It is a way to handle large volumes of fruit and vegetables to keep cost down and condition up.

Direct shipment is used by national, regional and local chains and by some large independents for volume items. Purchases are made by personal buyers or by wire. Terminal area buyers also use shipping point brokers or their own local broker. Wholesalers may perform a brokerage service. Many personal buyers, brokers, and wholesalers are in close contact with shippers. The use of mixed loads has made direct shipment possible where otherwise, it would not be feasible. Truck brokers are facilitating shipments in some areas. There is a low volume limit, however, which makes direct shipment impossible to many buyers.

#### CONFIDENCE

Changes in fruit and vegetable distribution have been taking place at an increasing rate. Buying was done in larger volume from many small stores in a chain. Buying in advance of time of shipment became more of a necessity in order to provide for a continuing supply. Buyers reached toward producing areas to get more of their supplies. Supermarkets came into existence with the volume of ten or twenty small stores in a single store under one manager. Advance buying was given more attention as it became an operating necessity to have the produce counter well stocked every day. Chains of supermarkets increased the pressure on volume buying at shipping point for faster handling and better condition in the store.

During these developments, more of the supplies were coming from greater distances, more items were secured from more places, more planning for supplies became a necessity if stores were going to be able to compete with well stocked counters.

Date and time of delivery and the assurance of supply of desired quality of merchandise became increasingly important.

In connection with all of these developments, dependability and solidity of buying arrangements became an ever more important part of price. The factor of confidence in business dealings was established by necessity. The trend of better acquaintance and greater confidence between buyers and sellers has developed to a very significant point in the making of marketing policy. Current day needs make it a modern requirement.

Lack of confidence in regard to pack or condition or date and method of shipment handicaps the rapid movement essential to good markets and clean sidings. Risks are frequently too great.

With confidence, business can and does roll to take advantage of sales opportunities. It is a prime factor at shipping point, and also a prime factor at the retail counter. Confidence is an essential part of repeat sales and steady flow from grower to consumer. It does not just happen, however, it has to be earned, every small individual package of it.

### SELLING

As distribution methods have changed over the years, so selling methods have changed. Increasing supplies have placed new and heavy responsibilities on distribution. At the same time, more and more people were concentrating in urban centers, the fringe of distribution became important in the delicate balance between supply and demand. About three quarters of the people in the country are located in about ten per cent of the counties. However, sales opportunities outside of these counties have become increasingly important. Problems of adequate distribution to all areas are serious problems and almost complete dependence is necessarily placed on the trade for supplying this fringe of consumption.

Sales promotions have developed as a selling tool under the pressure of competition at the retail counters and in some instances under the pressure of supply. Sales promotions have become more frequent and more intensive. This method of selling at retail has added to the importance of economy in supply and to planned buying.

Various types of foods have become more in competition with each other for the consumer's food dollar. The speed and intensity of buying, selling and distribution have been stepped up accordingly. Acquaintance and confidence within the channels of trade, are at an even greater premium.

The inter-relationship and complexity of the marketing operation have led to a situation where marketing policies and sales plans are very important to successful selling. These policies may be emphasized from the standpoint of the individuals and from the standpoint of the section or sections of the fruit and vegetable industry concerned with any particular commodity. Marketing policies and sales management have come into prominence with need of more organization in selling.

There appears to be real significance to the extent to which individual shippers, groups of shippers, or sections of the industry "think retail" in their operations. It would seem as though the ability or desire to think retail decreased as shippers were separated from consuming centers by distance or by sticky tradition. The trend is to think more in terms of the

retail transaction, but this idea seems to be difficult, or too idealistic under the pressure of seasonal operation. In this area, too, buyers would seem to have a responsibility as well as sellers.

There is a need for much more retail thinking in the development of policies at shipping points. The important decisions affecting movement are made by the people of the country as they go about their weekly shopping. From what was observable and from available comments, to "think retail" may be a big general need of present day wholesale distribution.

There are outstanding examples of sales analysis being made for the improvement of the sales record. It would seem that more sales analysis could be undertaken to advantage to avoid wrong pricing, wrong costs, inadequate distribution and to discover sales opportunities.

The use of market agreements and the use of co-operatives in selling, is a subject of much discussion. It would seem that from the frustrations following a year or several years of relatively low prices for one or a number of reasons, a marketing agreement is proposed and tried as a method of "shaping up" the quality or the quantity of shipments. Sometimes it happens that the agreement regulations constitute a floor, which at times tend to become a ceiling of quality as people try to find ways of getting around being compelled to operate under regulations.

The missing ingredient may be a well thought out marketing policy or sales plan of which the agreement is a part. Instances of the more successful use of marketing agreements where the agreement and order is accompanied by well thought out marketing policies and sales plans support the point. The combination of the two is not to be taken for granted, however. It would seem that the use of marketing agreements and sales promotions to sell an outmoded pack at "satisfactory" prices, is not as effective as a basic modernization of pack, improved distribution and sales promotion along present day lines of consumer acceptance.

Today, there is something of the very old in selling and something of the very new which are separated by a wide range of selling practices. There is, therefore, a complexity of methods which creates difficulties in the way of progress. The trend, however, is toward the use of better marketing policies and sales plans as the industry develops along big business lines.

#### BUYING

Buying practices would seem to have changed much more than selling practices in recent years. The requirements of a good buyer can be expressed in terms of basic knowledge, training and experience. He has to be a man of unusual ability as he carries considerable responsibility on his shoulders.

His stock in trade is his knowledge of the commodities he is buying, supply, demand, and price, his acquaintance with sources, shippers, brokers, and wholesalers, their methods and reputation, his knowledge of transport facilities and his knowledge of the consumer demands in the front of the store. It would seem that too frequently the buyers were too far removed from selling, although one interview was held with a produce buyer of a large organization who was in close enough touch with selling to take the produce sales manager's place in the weekly sales meetings.

Buying is thought by some to be the most difficult task in the business. This situation offers alert sellers some real opportunities, however. The inter-dependence of the various elements in the channels of distribution is gradually bringing about a better understanding of the other fellow's objectives and difficulties. There is a little more of the live-let-live attitude on both sides which is a developing asset to the fruit and vegetable business.

In wondering how the business will develop, the impact of specialization in buying was not at first apparent. However, closer observation of the actual operations and the daily routines in the fruit and vegetable business brought out the high degree of specialization which exists in buying and the importance of informed buyers in trade practice.

The trend would seem to be toward more specialized buying rather than less, and the increase in the proportion of specialized buying is believed to be of considerable significance. Again, there is a wide difference in buyer operation, but wide differences in skill and experience seem to be common in the business.

The phase of distribution serving "institutional" food users is apparently not well understood and not well developed. The problem of many institutional buyers is apparently a complicated one as they have nearly everything from broccoli to bricks on their buy lists.

The development of specialized buyers would seem to have a substantial impact on terminal market operation as some of the customers are changing to well informed specialists. Their wants are specific and their knowledge of how to fill them is usually wide. They see more of what they look at when the cover is taken off of a crate. This specialization in buying is due in part to the reduction in the number of small stores.

### INTEGRATION

The term "integration" is not commonly heard over a cup of coffee in market cafeterias. The word "eliminate" is frequent, however. Ways and means of eliminating extra time and eliminating losses due to outright waste, loss of condition and extra handling, are common topics of discussion. Ways and means of providing new services are being considered. Ways and means of doing jobs in better ways are being schemed.

"Joint" operations are common between growers and shippers, shippers and wholesalers, and perhaps between nearly all of the elements in the chain of distribution.

Operators from growers to retailers are becoming larger. Along with largeness is the desire to reduce risk and to maintain "flow" as an aid in operating efficiency. Higher cost of operation has meant a shrinking in the apparent size of value of margins, which is a factor in the combining of functions. It is a common observation that few operators are getting by on the performance of one function alone. It would seem at times as if all elements in the chain of distribution were tending toward a common basis of operation.

All of the discussion of "joint operation", "participation", and "elimination" is in effect evidence of the development of integration in the fruit and vegetable business. The trend is for more, but how far it will go is not apparent. It is here to stay, however. This is another factor which is important in considering the place and function of a terminal market.



The trend toward integration is apparent throughout these remarks. It is the point of these few paragraphs to label this operational trend that is developing along lines adapted to the fruit and vegetable business.

#### TERMINAL MARKETS

Wholesale markets have a traditional position in fruit and vegetable distribution. The basis for development was the assembly of products of many producers for sale and distribution directly and indirectly to many retailers. The wholesale market was essentially a local affair.

Supplies have been increasingly received from more distant places and from areas with different producing seasons. A more continuous supply of products has become available. Gradually the supply of shipped-in products has become of greater volume than nearby. Emphasis has shifted to the shipped-in part of the operation, to the point where the modern wholesale market is frequently referred to as a terminal market and is located on a rail head. Increasing traffic on city streets, direct shipment, specialized buying in larger volume, buying and selling practices adapted to larger volumes of standardized items, have been important in the operation of the wholesale or terminal market.

The old wholesale and terminal markets have been faced with multiple handicaps, some of which are:

1. A location deep in the city with truck and car access make difficult by traffic congestion.
2. Inadequate areas for warehousing and truck movement aggravated by trailer trucks from distant areas.
3. Older buildings with limited space for modern quality control, processing or packaging operation, and high cost of modernization.
4. An increasing proportion of supplies moving direct from distant shipping points to retail store warehouses or retail stores.
5. Fewer buyers as supermarkets replace smaller stores and more store delivery by truck drivers.
6. Higher costs of operation aggravated by inefficient locations.
7. Separate markets have had high costs of transfer.

These difficulties have grown to such an extent that it is not too uncommon to hear the question "Do we need a market anyway?"

It is the conclusion from this study that city markets have a continuing function of assembly of many items from many different points. Many products are needed by nearly all retail stores and a larger number of items are needed by the smaller stores. Large volume buyers need "short" supplies. A source of many low volume items is needed by all retail stores. Smaller stores will probably have more need for access to nearly all supplies in a nearby city for a long time.

There appears to be few, if any, who will forecast the complete disappearance of the small retail food store. Perhaps as supermarkets get bigger and have the necessity to be located in larger places, there will be an even more substantial place for smaller stores than is now apparent. The truck jobber will probably provide some of the buying service at a terminal market, and delivery service as well to the smaller stores.

Food serving establishments of different kinds, using food buying service of wholesalers and service jobbers, will depend on the nearby market for their supplies. These requirements are substantial even to the extent of a possible one-fifth of food consumed.

Out-of-town wholesalers and jobbers serving local population centers need a continuing source of supply. While these operators appear to be fewer in number, it may be that they and their suppliers will both serve larger territories and maintain acceptable service.

The volume available to city markets would seem to be from one-fourth to one-third of the total volume of the area served, as far as fruit and vegetables are concerned, which is a substantial business, particularly when divided among fewer houses which present trends seem to indicate will be the case.

In summary, there would seem to be a continuing place for terminal markets for fruits and vegetables in the large cities, on the basis of needs that are not difficult to locate. Volume would seem to be sufficient for a substantial business. City markets are needed for adequate distribution.

There would appear to be one factor, however, that needs serious consideration. If the cost of supplies through city wholesale markets, including the cost of buying and delivery, becomes such as to make the retail store or the food serving establishment non-competitive, the buyers from these stores and food serving places would tend to find other sources of supply within their competitive limits, or they would gradually go out of business. "Competitive" in this instance does not carry the implication of equal costs but acceptable costs to their respective customers in terms of the goods and services rendered. The costs have to do with the total costs of procurement through a terminal market, no matter who bears them, and relate specifically to accessibility, efficiency of operation and quality control. New markets are being built to provide these three factors of a successful operation. The trend to new locations will continue as no solutions to the problem of a market or markets in old locations are apparent.

The terminal market is, and will continue to be needed as an essential part of fruit and vegetable distribution for many years to come, but on the future's own terms. It would appear that the future's own terms will bear heavily on the three items of accessibility, efficiency of operation, and adequate quality control.

#### MARKET INFORMATION

Price today is hard to come by. Industry groups are searching for new techniques to measure the various forces that influence and establish the current daily price level.

There are probably two changes that may be considered as mainly responsible for making present price and price handling methods inadequate. One, the retail transaction has largely replaced the wholesale transaction as a vital factor in price determination. And secondly, more than one half of the fruits and vegetables by-pass the wholesale market.

There are many problems in the price field that have arisen from these two major changes in distribution. Market is a consuming area, not just a single place. Similarly, shipping point is an area, not a particular place. A new approach to securing, interpreting, and reporting market information would seem to be needed, for the country as a whole on a shipping point area and market area basis comparable to shipping area and market areas of distribution.

Prices, particularly in the inadequate city markets, are not always representative of a price in the consuming area as a whole. A situation has developed in relation to the inadequacy of market reporting where able, informed people are recommending that publication of some market information be discontinued. Discontinuance would not seem to be the remedy, but a re-development of market reporting in line with modern distribution methods.

The changes in distribution have apparently created a demand for modern handling of market information. The price for not meeting this demand is apparently a degree of instability that would seem to be avoidable. The lack of adequate price information and price analysis would seem to be responsible for at least some of the inadequacies of distribution itself.

#### NEARBY

It has become necessary for nearby shippers to adjust their containers, their pack and their quality control methods in order to get into the stream of shipped in items and also fit to a degree into the buying plans and policies of supermarkets. Many nearby shippers are doing their own packaging; others are selling an increasing proportion of their production to packagers as they have been able to adjust their production to the requirements of the packagers.

This trend for nearby shippers has no turning. Actually, it can open new opportunities. When a product is suitable for a supermarket in the next city, it is also suitable for a supermarket four hundred miles away. There are opportunities for group or co-operative action to gain access to the larger volume demand.

Nearby fruits and vegetables can have an attractive place in nearby markets with much of the production going direct to retailers large and small. There is no reason why the produce could not go to a progressive wholesaler in an efficient economical market and perhaps be packaged on the market. Nearby condition is an asset that can be utilized effectively. Transportation costs from outside provide a margin in favor of the nearby shipper. He needs access to the normal channel of trade, but in the form of an efficient accessible market. The trend is for continued nearby production, adapted to local market opportunities.

THE BOSTON MARKET

Three factors have been observed as important in the evaluation of a market facility: accessibility, efficiency of operation and quality control. These factors have to do with the total cost of buying and selling on the market. From the standpoint of these three main factors of accessibility, efficiency of operation and quality control, the Boston Wholesale Market facilities are unacceptable to buyers and unprofitable to operators. On the basis of anything learned by observation of market operation in other states, the downward trend of the Boston markets situation cannot be reversed, as long as the markets stay in their present locations.

Markets in other cities have been established in new locations and when operated in line with modern trends of distribution, are apparently successful. There would seem to be no reason why the Boston Market situation could not be improved in a similar way to benefit the market operator, the suppliers, the customers of the market and the ultimate consumers in the home and food serving establishments.