FOOD INDUSTRY, GOVERNMENT, LABOR AND THE AMERICAN CONSUMER IN TOMORROW'S MARKET PLACE

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Introduction

Competition has been one of the cornerstones of our democratic society. With "survival of the fittest" as a guidepost, the United States food industry has evolved to the point where the average consumer is faced with oligopoly (rule by a few) at almost every turn. Like the "old grey mare" who "ain't what she used to be," tomorrow's food market place is shaping up to be an "era of giants" as opposed to the so-called purely competitive markets of the past. The individual consumer sees (1) big food industry, (2) big government, (3) big labor and (4) some big consumer groups and can't help but wonder, "who will be looking out for my interests and the nations in the days ahead?"

The issue is one of group (special) interest versus public interest (a situation closely related and quite similar to the energy crisis faced by our country). Are the two sets of interests incompatible? Is the individual consumer doomed to glean the "leftovers" from the "battle of the giants?" Or, are there some ways to make the two sets of interests (special and public) more compatible?

The setting is: (A) growth in size of operating unit and increases in concentration of ownership and control of U.S. food industry firms at and between all institutional levels have reached the stage where industry decision making centers in the hands of a very few firms. (B) growth in size of government. . . federal, state and local--as well as intrusion of government into all aspects of our public and private lives has reached the stage where real or potential power over the average citizen's life approaches being absolute. (C) growth in numbers and concentration (economic muscle) or organized labor has reached the stage where decision making for the movement is centralized in the hands of a few at the National level. Also, decisions made by a "local" can have a dramatic impact upon a specific labor market. Interestingly enough, some of the fastest growing and more influential unions are those serving government workers. (D) existing organized consumer groups notwithstanding, the average American citizen (as a consumer) stands largely alone to face these three "giants." While the individual citizen may be a member of the food industry, government, a union, or a consumer group, the consumer interests of each of these organized groups may well be secondary.

This paper will: (A) examine changes in size and concentration in the four "player" sets, (B) discuss positive and negative impacts of these changes upon United States consumers at large and (C) speculate regarding possible remedies for the challenges of tomorrow's food market place.

UNITED STATES FOOD INDUSTRY

Retail Food Market

This section of the paper will examine two basic institutional areas:

(1) Food for consumption at home--traditional food stores, convenience stores.

(2) Food for away from home eating--fast food, restaurants and institutional feeders.

Traditional Food Stores

The average grocery store did $916,000 sales volume in 1977 compared to $343,000 in 1968.[1] The average supermarket had sales of $3.75 million in 1977, with just $1.62 million in 1968. The average small store did $277,000 sales in 1977, up from $106,000 in 1968. Even allowing for substantial inflation during the period, individual units have gotten considerably bigger.

Supermarkets made up 18.3% of all stores, and did 76.3% of retail grocery sales in 1977. This proportion has not changed substantially in the past ten years. The big stores have gotten larger and many of the smaller stores are out of business.

No statistics are published on average age of grocery stores. However, it is the writer's impression that the supermarkets represent the older, less technologically current stores, with the exception of convenience stores.

Regarding concentration, during 1972 chain stores did 49% of U.S. grocery sales, affiliated independents did 44% and unaffiliated independents had the remaining 7%. Comparable figures for 1940 were 36% for the chain stores, 30% for the affiliated independents and 34% for the unaffiliated independents. Current data (1977) are not available due to change in classification by *Progressive Grocer*. However, it is difficult to imagine that the percentage of unaffiliated independent store sales is presently above 5% of total grocery store sales or will it be again in the foreseeable future.

Admittedly there is a difference in the degree of control of individual stores exercised in a specific chain situation as contrasted with a specific affiliated independent situation. However, when considered in the aggregate, what is important is the fact that some degree of control can be exerted and the potential for tighter controls exists. In fact, many wholesalers supplying affiliated independents become competitive by adopting many chain store methods.

When considering concentration by market areas and not by type of ownership,[2] it is interesting to look at percentages of the retail grocery market in 263 S.M.S.A.'s throughout the country held by the top 4, 8 and 20 companies over the period 1958-1972. For an overall combined average, the top 4 companies controlled 49.3% of the market in 1958 and 57.4% in 1972, with ranges from the mid 20's to 80 percent. For the top 8 companies, similar figures were 49.9% in 1958 to 67.3% in 1972, with ranges in the mid 30's to 91 percent. Finally, for the top 20 companies, the overall average was 71% in 1958 and 80.7% in 1972, with ranges from the mid 50's to 97 percent. Thus, we have another indication of increasing concentration in retail grocery stores sales.

Convenience Stores

One of the food retailing phenomena of the 1970's has been the convenience store. This type of outlet currently accounts for about 5% of the U.S. retail grocery sales. However, numbers of stores and sales have grown rapidly in recent years. Average sales volume per store grew from $194,000 in 1972 to

$246,000 in 1977,[3] probably mostly due to inflation. Physical size of unit has not changed much. Increase in market share is due to increase in number of stores. This type of outlet is particularly numerous in the south-eastern United States.

What is pertinent to this discussion is that in 1977, 93.2% of the stores and 85.1% of the sales were from corporate or franchised units. This "new entry" into the retail food store scene is indeed highly concentrated. A concern of many is the entry of oil companies into the convenience store arena. With their available capital, competition for market share could become acute in markets where they choose to concentrate their stores.

Furthermore, many authorities see the "super-convenience store" as the answer to serving inner city retail food needs in the period ahead.

All Other Retail Outlets

There has been a trend in the last several years for drug stores, hardware stores, variety stores and even department stores to offer a variety of staple groceries and prepared foods (deli, bakery and ready to eat foods) for sale. The important point here is most of these outlets are chain stores that are horizontally integrated, still another indication of concentration in the food industry.

Summary

When considering the $142.3 billion worth of food sold in the United States during 1977 for "off premise use," only about 5% was accounted for by stores with no affiliation. The outlook is for the percentage to gradually dwindle over the next few years.

It should be pointed out that many of the affiliated groups have improved their competitive position by adopting chain store strategy and programs for procuring wharehousing, distributing and merchandising of food and related products and for construction and financing of stores.

"Away-From-Home" Eating Market

Data on the historical development of this segment of the food industry that the U.S.D.A. says did $76.8 billion worth of business in 1977,[4] is fragmentary. As a matter of over-all perspective, a 1966 USDA study[5] lists the following information:

Table 1. Away-From-Home Food Sales, USA - 1966

	Retail Value of Food ($bil.)
Public eating establishments	18.0
Institutions with food service	3.5
Military services	2.8
Schools (1-12 yrs.)	2.6
Other	0.8
Total	27.7

Two things are certain. The total away-from-home eating market is growing, currently accounting for some 35% of total food sales. Additional data indicates sales in refreshment places (primarily fast food outlets) increased over six-fold, from $3.1 billion in 1967 to $20.7 billion in 1977.[6] As far as concentration is concerned, the fast food business is essentially 100% franchised. Also, the 1972 Census of Business indicates 48.9% of all eating places were under corporate ownership. Additionally, in institutional food sales--Government

Services Administration, hospital, university, state, county and city facilities, the military, airline feeders, vending machines, etc., there appears to be a high degree of concentration, even though precise numbers are not available.

More recent data from the Census of Business and other sources are:

	Unit - Billions ($)			
	1972*	1975[7]	1977	1979[8]
All meals and snacks	44.5	---	76.8	100
All public eating establishments	30.3	---	---	---
Restaurants, lunch counters	18.0	---	---	---
Fast food	8.0	12.0	---	22.0

*Numbers not additive.

Regarding size of unit, in 1972 the average eating place had $140,320 sales per year with a payroll of $36,478 and a total of 11 employees.

In summary, the higher degree of concentration in the "away-from-home" food market most probably comes in the fast food and institutional areas. The traditional "sit-down" restaurants probably tend to exhibit more independent characteristics. Unfortunately, no precise, current data are available on the subject. Recent reports, however, indicate that family type independent restaurants are fighting for their competitive lives.

Economic Integration

The basic thrust of economic activity described in the preceeding pages can be called horizontal integration. This is the drawing together of a series of like marketing institutions with like purposes on the same level of economic activity: e.g., food retailers to food retailer and fast food outlets to fast food outlets. Strength comes basically from economies of size in distribution and purchasing power.

There are three other forms of economic integration that are pertinent--vertical, conglomerate and multinational. Vertical integration is the drawing together of institutions with complimentary purposes and on different levels of economic activity. The classic example is in the broiler industry where one firm controls movement of product from hatchery to fast food outlet. The Washington DC area has a similar example in milk, from cow to convenience store. In addition, there are many examples of partial vertical integration. Chain grocery firms own their own warehouses, and often their own bakeries and dairy plants. Food processors establish tight contractual links with their growers and on occasions grow much of their own raw product.

Conglomerate integration is the drawing together of institutions with unlike and uncomplimentary specific purposes, but with common financial purposes at varying levels of economic activity. Almost any conceivable combination of institutions can occur under the conglomerate arrangement. Many of Fortune's 500 firms are involved with the food industry and often as a result of merger or acquisition of smaller less sophisticated firms.

There is a fourth kind of integration which has gained a lot of attention in the last ten years--multinational or transnational organizations. These firms are organized to do business world wide and present another variation on the theme of using economic power to exploit potentially profitable situations in the industry food where ever they might occur.

Some data are available on horizontal integration--part has been presented and more is to come. However, there are no comprehensive system-wide data available on vertical, conglomerate or multinational integration as it impacts upon the food industry. Doubtless fragmentary studies have been done, mostly under the auspices of the Federal Trade Commission.

It is not just that the extent of concentration in the vertical, conglomerate and multinational sense in the food industry is not known. There is also the very subtle but effective type of influence upon the food industry system which is possible when one controls the distribution channel for products or has the financial muscle to control significant segments of economic activity. This is like the old "iceberg" theory. What can be seen above the water (the tip) is the horizontal integration. The much larger and more ominous part of the iceberg is the vertical, conglomerate and multinational integration area. Trying to sum the "hard" numbers of horizontal integration and the "soft" numbers (whatever they may be) of the vertical, conglomerate and multinational integration scene can be a gloriously frustrating, but highly illuminating task.

Grocery Wholesaling

The annual sales volume of the average grocery wholesaler rose from $7.7 million in 1972 to $38.8 million in 1977, an increase of more than five-fold.[9] While the rate of increase between types of grocery wholesalers was not too different over the period, the average retail cooperative wholesaler had the largest sales volume, $126.8 million in 1977.[10] The voluntary group wholesalers was next with $89.7 million in 1977 sales. The unaffiliated grocery wholesalers did an average of $20 million per year in sales.

Regarding concentration, the affiliated portion of U.S. wholesale grocery sales increased from 62% in 1972 to 81% in 1977 (Table 2). Voluntary group wholesalers increased their share of market from 30% in 1972 to 53% in 1977. The retail cooperative wholesalers almost held their own and the unaffiliate group lost ground, in terms of market share. These are the wholesalers who service the "independent" retailers. One might question why the unaffiliated group sales rose so rapidly when the unaffiliated retail grocery sales did not grow at the same rate. It is because much of the sales of the unaffiliated wholesale grocers went to institutions or restaurants and not to retail grocery stores.

In summary, one might say that individual unit size is increasing rapidly and concentration is progressing at a rapid pace in the wholesale grocery industry. This might have been what prompted a prominent voluntary group wholesaler to forecast that the current number of grocery wholesalers would dwindle to 50 in the 1980's, if current trends continue.

Food Processing

Average value of production per establishment rose to a high of $4.0 million in 1972. This followed a steady upward trend in sales volume growth over the past twenty years, not nearly as dramatic as that exhibited by the grocery wholesalers.

As for concentration, the data in Table 3 indicate the percentage of value of shipments accounted for by the 4, 8 and 20 largest firms in 33 industries over the period 1963-1972. As a way of bringing all these data together, the following summary might be made:

	1963	1967	1972
4 largest firms account for 40% of shipments or more -	48%	52%	55%
8 largest firms account for 50% of shipments or more -	58%	55%	67%
20 largest firms account for 60% of shipments or more -	61%	73%	73%

Table 2. Grocery Wholesaling, Establishments and Sales - 1972, 1977[11]

	1972				1977			
	Est.	%	Sales ($bil.)	%	Est.	%	Sales ($bil.)	%
Voluntary Group	396	(14)	6.5	(30)	340	(24)	30.5	(53)
Retail Coop	225	(8)	6.9	(32)	127	(8)	16.1	(28)
Unaffiliated	2197	(78)	8.1	(38)	978	(68)	19.9	(19)
Total	2818	100	21.5	100	1445	100	57.5	100

This means that during 1963, for 48% of the industries listed in Table 3, the 4 largest firms accounted for 40% of the volume of shipments or more, and so forth. Note should be taken of the generally increasing size of the percentages over time and the increasing share of market covered by the larger number of firms.

What is not discussed here relative to concentration in the food processing industry is the number of companies owned or controlled by larger food processing companies, conglomerates, multinationals or by firms at other institutional levels. Unfortunately data are not available on this crucial aspect of the matter.

Farm Machinery and Farm Supply

The farm machinery industry in the United States is dominated by a few international giants--not unlike the automobile industry. In 1976, the four largest firms sold 78% of the tractors and 84% of the combines in the United States.[12]

The farm supply industry is dominated in many areas of the country by a few large farmer owned cooperatives (interestingly enough). The two leading firms producing corn herbicides and cotton insecticides sold 74% and 56%, respectively, of the total.

Farming

The average size of farm in the United States has been increasing as measured by acreage and value of assets employed:

	1940	1950	1960	1970	1978
Assets Employed[13]	$8,350	$23,436	$53,036	$106,780	$264,291
Acreage/Farm[14]	167	213	297	373	389

Table 3. Value of Shipments Accounted for by the Four, Eight and Twenty Largest Companies in Thirty-three Food Manufacturing Industries, 1963-1972

	4 Largest Companies			8 Largest Companies			20 Largest Companies		
	1963	1967	1972	1963	1967	1972	1963	1967	1972
Meatpacking	31	26	22	42	38	37	54	50	51
Sausage & Other Prepared Meats	16	15	19	23	22	26	35	34	38
Poultry Dressing	14	15	17	20	23	26	30	35	42
Creamery Butter	11	15	45	19	22	58	31	36	78
Cheese	44	44	42	51	51	53	59	61	65
Concentrated Milk	40	41	39	53	56	58	71	74	76
Ice Cream & Frozen Desserts	37	33	29	48	43	40	64	60	58
Fluid Milk	23	22	18	30	30	26	40	42	42
Canned Specialities	67	69	67	83	83	81	94	94	94
Canned Fruits & Vegetables	24	22	20	34	34	31	50	52	53
Dehydrated Food	37	32	33	56	50	51	80	75	76
Pickles, Sauces & Salad Dressings	36	33	33	46	44	46	64	62	62
Frozen Fruits & Vegetables	24	24	29	37	36	43	55	55	69
Flour & Other Grain Products	35	30	33	50	46	53	71	70	75
Cereal Preparations	86	88	90	96	97	98	99	99	99+
Frozen Specialties (2038)	--	--	42	--	--	54	--	--	70
Rice Milling	44	46	43	66	68	68	86	89	92
Blended & Prepared Flour	70	68	68	82	82	81	92	93	92
Wet Corn Milling	71	68	63	92	89	86	99	99	99+
Bread, Cake & Related Products	23	26	29	35	38	39	45	47	50
Cookies & Crackers	59	59	59	68	70	69	80	82	83
Raw Cane Sugar	47	43	44	65	65	62	82	82	84
Cane Sugar Refining	63	59	59	83	82	85	100	99	99+
Beet Sugar	66	66	66	97	96	96	100	100	100
Confectionary Products	15	25	32	25	35	42	45	52	59
Cotton Seed Oil	41	42	43	56	60	61	72	80	80
Soybean Oil	50	55	54	70	76	69	88	94	92
Vegetable Oil	58	56	70	83	78	89	99	99	99+
Shortening & Cooking Oils	42	43	44	64	67	70	92	93	93
Macaroni & Spaghetti	31	31	38	47	48	53	71	73	76
Chocolate & Cocoa Products	75	77	74	87	89	88	99+	99+	99

Table 3. (Continued)

	4 Largest Companies			8 Largest Companies			20 Largest Companies		
	1963	1967	1972	1963	1967	1972	1963	1967	1972
Canned & Cured Sea Food	38	44	50	51	59	65	56	73	72
Fresh & Frozen Packaged Fish	25	26	20	38	38	32	53	56	53

Source: Bureau of the Census, Concentration Ratios in Manufacturing, Special Report MC72 (SR-2), 1972 Census of Manufacturing.

From the 1974 Census of Agriculture we note the following:

> Farms with annual gross sales of over $40,000 account for 20% of farms and 70% of cash receipts.
>
> The 11,400 farms with annual gross sales over $500,000 account for half of one percent of farms and 22% of cash receipts.

No doubt that size of farm has increased and the proportion of cash receipts accounted by larger farms is also increasing. Farmers also integrate vertically, principally through marketing and farm supply cooperatives. The following data are illustrative:

Table 4. Cooperative Share of Farm Market for Selected Items[15]

	1950-51 (%)	1974-75 (%)
Grain	27.5	44.2
Milk & Milk Products	47.8	77.2
Fertilizer	14.8	29.6
Petroleum	21.0	31.3

One can note considerable growth over time and the sizeable market share in grain and milk. Also the issue of forward contracting by farmers is pertinent here as well. This activity is prevalent in fruits and vegetables for processing, grain, livestock and hogs and broilers.

Size and Concentration in the Food Industry - Summary

We have seen indications of increasing size in operating units and of an increasing degree of concentration (mostly horizontal) at every institutional level within the United States food industry. At times data were limited, however it was not the purpose of the previous discourse to prove beyond a reasonable doubt the existence monopoly power h___ bent to "rip-off" the American people. What is important here is that evidences of oligopoly exist and are growing--in certain cases at a rather alarming rate. Also, it seems destined that these trends will continue.

The structure of the food industry of the future, both short and long range, in the United States will be oligopolistic. From the average consumer's view, "competition" between the "giants" of tomorrow's food industry will surely be much different from the "competition" of yesteryear.

GOVERNMENT

One approaches the task of trying to measure the growth in size of government related to the food industry with some considerable trepidation. Data spews forth from our governmental bodies in never ending fountains. However, data on this particular subject at any governmental level are "scarce as hens teeth."

There is one bit of hard data pertinent to the subject. As of October 31, 1976, the Federal Government of the United States employed 86,605 full-time white collar employees in the Department of Agriculture; or 4.4% of the total civilian white collar Federal work force as of that date, according to the Civil Service Commission. If there ever was an incomplete statistic for Federal white collar workers involved in the food industry, this is one. There are federal employees concerned with food in the Department of Transportation, Commerce, Interior, State, Energy, and Health Education and Welfare, as well as in the Federal Trade Commission, Commodity Exchange Commission and the Interstate Commerce Commission, just to name a few of the myriad federal bodies. To arrive at an accurate count of just federal employees concerned directly with food, would require a significant investment in research time.

To this elusive number must be added counterpart workers at the State, County and Municipal level as well. Also, the operating and facilities budgets of all of these groups must be considered.

The author's, admittedly biased, criteria for measurement of "growth in government" are his own perception of (1) growth in government expenditures at all levels and (2) increase in governmental interference in our private and business lives. By both these counts, it seems that rates of growth in government approach the exponential. And what is even more painful for some, there seems to be no means in a free society, short of revolution, to stop such growth. "Proposition 13" in California and its shock waves at best will temporarily slow the growth of government. In fact, some say it's comparable to Preparation H with the same amount of lasting value. Rest assured that the bureaucracy is working full stem to devise ways around these temporary and irritating road blocks to never-ending growth.

Long live Parkinson!!

ORGANIZED LABOR

Measuring precise growth in membership for all the unions that have an impact upon the food industry would also require another major research effort. Progressive Grocer reported in 1977,[16] (1) "Half of all chains had unionized clerks in all of the stores, while another 12% have them in only some stores," (2) "20% of the clerks and 25% of the meatcutters (largely in the Pacific and Middle Atlantic area) were union members," (3) "31.3% of all grocery wholesalers were covered by union contracts."

An interesting development pertinent to this discussion is the recent merger of the Retail Clerks International Union and the Amalgamated Meat Cutters Union into the United Food and Commercial Workers International Union, with a combined membership of some 1.2 million workers (not all worked directly with food). Much more important than precise count of membership, is the fact that this merger gives organized labor one voice in negotiations with the retail food store industry. If this is not an example of raw and absolute power, either actual or potential, the author has made a serious error in judgement.

Organized labor is active, with varying degrees of strength, at every institutional level in the food industry. Interestingly enough, the second largest component of the 14 million member AFL-CIO is the American Federation of State, County and Municipal Employees Union--all government workers.

In transportation we have the teamsters for the trucks, the rail unions for the railroads, the small but exceptionally powerful long shoremen's union for the ships, and the various airline workers unions cover any food moving by air. The independent truckers that haul a variety of, mostly perishable, food products are about the only segment of the food transport industry that is not covered by union contract. However, the recent independent truckers strikes, related largely to fuel cost and availability, indicate some considerable ability to organize and apply pressure possessed by this group.

When considering the power of organized labor it is not so much the absolute number of people that are involved, but the fact that skilled labor is a non-substitutable resource in the short-run, and in some cases in the long-run as well. We have traditionally substituted capital (technology) for labor, but are running a-foul of high energy and capital costs, which may cause us to re-think some of our substitutions. Classic examples of non-substitutability are when the lettuce harvesters walk off the job at harvest time or when the canning house workers walk out in the middle of tomato or peach harvest.

When a union is involved in any area of the food industry, there are two major areas of impact. The first and most obvious is whatever arrangements are involved with the firms which are under contract. A secondary and more subtle impact is directed toward the non-union firms. Many of them, in order to "maintain a non-union climate" will raise wages, benefits and working conditions up to near union standards. While this may benefit selected workers, it impacts upon the cost structure of the industry and, if not offset by productivity gains, will result in inflationary pressures that are usually passed on to the consumer.

In summary, certain institutional areas of the food industry are heavily involved with organized labor--retail food stores and transportation. Other institutional areas, such as fast food restaurants and farming, union impact has been minimal. However, due to some large nationwide unions and some small, but effective, localized or specialized unions there is considerable power being exerted that has significant economic impact on the food industry and on the price of food to consumers.

CONSUMERS

In 1977 there were 216.5 million people in the United States. Using the Bureau of Census series II projection, there will be 260 million in this country by 2000 A.D.

As a people, we are organized in a variety of ways. Church, social, fraternal, ethnic, racial, educational and geographic ties are but a few of the rallying points that bring Americans together.

However, as consumers, we are generally not organized to exert economic power. Perhaps it's partly because of our many other interests and partly because of our history of individual freedom, when we enter the market place as consumers we do it alone.

In the past ten years or so, quite a number of "professional consumer groups" have been formed across the country. These groups are issue oriented, pressure groups about which many people raise questions concerning precisely who they represent and what are their true objectives. Should they be representative of a local area, their short range, issue orientation makes their impact both localized and short lived. The majority of these groups have made significant contributions to localized areas on specific issues. The point to be made here is that no where in this country is there a representative group with a long term interest in the general welfare of consumers at large. The Government, Consumer Federation of American, Common Cause, and Ralph Nader are no exceptions.

Many people think that this is a role to be played by our Federal Government. These people are almost always sadly disappointed to find that our Government is one of "Special Interst" and not general interests. Government does an excellent job of taking care of itself and influence peddlers, but plays at best a questionable role in looking after the general consumer interests of the people.

In sum, consumers are not organized to do "economic battle" in the market place with either the scope or the intensity of the other combatants--industry, government and labor.

BENEFITS AND COSTS OF SIZE AND CONCENTRATION

One of the classic benefits claimed for "bigness" has to do with economies of size. However, one must also consider the diseconomies (largely organizational) of being too big. It is quite likely that firms, industries, governments and unions all suffer from this bureaucratic disease. Unfortunately the economic literature is full of "economies of size" studies, but is almost devoid of studies on diseconomies of size.

Closely related is the issue of productivity. There can be little doubt that any type of organization, as it increases in size and complexity, reaches a point where productivity eventually is adversely affected. Total output per worker in the Unived States increased only 0.7% per year during the 1970's as opposed to 2.3% per year in the 1960's. A portion of this decline was surely due to diseconomies of size.

Financial strength is generally associated with capacity to invest in research and development, and the ability to innovate as the occasion presents itself. There are a number of limitations upon this condition, however. As firms mature and become more powerful, the ability to innovate may well be present, but the willingness to innovate may not. This may be caused in part by bureaucratic inflexibility; partly by hesitance to spend the time and money necessary to get government approval for new technology; and partly due to union resistence to any move that will cost them jobs, members.

Another side of the innovation issue has to do with consumers' perception and acceptance of new methods and technologies. The retail food industry discovered, after much embarrassment, that the way to introduce a new technology such as the scanning/computer checkout system was not to "stuff it down the consumers throat." After many demonstrations, countless legislative battles and a great deal of internal aggravation, the firms have sought a more positive communicative approach by consultation with consumer groups and providing adequate advance information for consumers relative to the new system.

The issue of excess monopoly profits is an extremely sensitive one. Marion and Muller[17] discovered that the slightest hint of disclosing such activity can bring the full force of the food industry down upon anyone who dares to imply such a condition exists. From this observer's point of view, the whole episode seemed to open up an area of inquiry that has been needed for a long time. However, probably because of present anti-government attitudes and fear of reprisal by the powerful food industry it will not be pursued. It also seemed to point up that we don't have useable data available on what "optimum performance" in the larger institutional segments of the food industry should be. What we do have is a partial chronology of performance data on the existing system.

Pervading throughout this entire discussion is the issue of power. Power relative to size, politics, technologies and institutional inertia. In fact the theme of this paper could bery well be, which of the four groups under discussion has the power to influence the economic behavior of the other? With power, of course, there is the express or implied threat of exploitation, by those with "excess" power over those with the "lesser" power. Consumers particularly fear limited choice, quality deterioration in product and services, and most of all--economic exploitation. This exploitation can come from direct extraction of monopoly profits or from the slower, more subtle intrusion of inflation brought on by declining productivity due to purposeful inaction by large firms, union restrictions, or inability to act because of bureaucratic ineptitude.

In summary, can there be benefits from size and concentration? Yes, they can come from economies of size and innovation. Are there costs of size and concentration? Yes, we don't know much about them, but they have to do with diseconomies of size, excess profits, limited choice, consumer exploitation, the use and/or potential misuse of power and declining productivity of the system. Do the benefits balance the costs? Hard data are difficult to find in the aggregate. A distrubing negative productivity trend in the industry would suggest that costs to consumers in the future will far out-weigh the benefits of size and concentration in the food industry, government and organized labor.

EFFECTIVENESS OF MAJOR PLAYER SETS

One question that can be legitimately asked at this point is: which of these groups have the capacity to gain positive benefits for the majority of its constituency? In the food industry the answer is: owners, yes; suppliers, yes; employees, yes; consumers, ??. For the government, if the government's constituency is the bureaucrats, the answer is yes. If the government's constituency is the people at large, the answer is no. For organized labor, the answer is an emphatic yes--for its members only. And for the consumer, the answer, most regrettably, is no.

AMERICAN CONSUMER: QUO VADIS

Another quite legitimate question is: given increasing size and concentration in the food industry, government and organized labor, what is the outlook for the average American consumer? If consumers must tolerate continued ineffectiveness of big government in dealing with big food industry and big organized labor, then the outlook for the average American consumer is indeed quite bleak. In a basically unorganized state, nationwide, consumers, as individuals, face a long uphill fight against the "Big Three." What is sad is that theoretically big government is supposed to be the "counter-vailing power" on the side of the consumer against big industry and big labor. There have been isolated instances where government may very well have performed in this role. However, by and large, government has been too busy growing to worry about its public responsibility to look after the "general welfare" of its citizens.

WHAT TO DO NOW??

If power coming from growth in size and concentration in the food industry, government and organized labor is a matter worthy of significant action, then what can be done?

The first alternative is to do nothing. We can follow the same strategy that our government has toward oil policy. Stick our heads in the sand and hope the problem will go away. Members of the "Big Three" would love this, just as O.P.E.C. loves our oil policy. Such activity will get the consumer just as far with the "Big Three" as our current oil policy is getting the country with O.P.E.C. "One step forward and two steps back."

A second alternative is: "Bust 'em up." Break up the horizontal, vertical and conglomerate and multinational mergers all along the food industry system. Dissolve the huge government bureaucracies at all levels and return to Jeffersonian approach to government. Force the labor unions to disband and let individual laborers bargain for themselves as they did at the turn of the century. Short of all out revolution, there is about as much chance of this alternative succeeding as the proverbial "snowball in hell." The writer is not so sure that even a revolution could break up all the entrenched power of the "Big Three." Even if such an effort succeeded, the evolving "atomistic" system probably could not meet the food needs of our society, in the first place.

Third, we can "let them (The Big Three) go and control their activity." This is an interesting suggestion since the group that is supposed to be controlling the other two groups (government) is badly in need of control itself, and has increasingly less support for controlling anything. Also, consumers presently lack the organized use of power to effectively control the "Big Three."

Fourth, what are we to do then? This is a case where the author knows the question, but does not know the answer. Part of the solution has to do with making government more responsive to consumers needs (as "corny" as it may sound). Another part of the solution has to do with the average American consumer learning to live with oligopoly. Also, industry and labor must learn that excessive demands (unwarranted by productivity increases) may truly "kill the goose that laid the golden egg." For those looking to find a magic, simplistic solution to this immensely complex and deep rooted problem, there is nothing but disappointment ahead.

In order for the consumer to regain his or her "rightful place in tomorrow's food market place, a significant realignment must take place in the "balance of power." Whether that can be accomplished by increased power for consumers or decreased power for food industry, government and labor, how, and by whom, are questions with which the coming generation must wrestle.

As Tiny Tim said: "God Bless Us Every One!"

FOOTNOTES

[1]Progressive Grocer, 45th Annual Report to the Grocery Industry.

[2]"Profits and Price Performance of Leading Food Chains, 1970-74," Joint Economic Committee, Congress of the United States, April 12, 1977.

[3]The 8th Annual Report of the Convenience Store Industry, Progressive Grocer, 1978, Status of the Convenience Stores Industry, 1978. N.A.C.S.

[4]National Food Review, April 1978.

[5]"Survey of Market for Food Away From Home," ERS, USDA, 1966.

[6]Food Prices in Perspective: A Summary Analysis--ESCS-53, USDA, April 1979.

[7]U.S. Department of Commerce.

[8]Washington Post Article - November 21, 1978.

[9]Census of Business, Wholesale Trade, U.S. Department of Commerce, 1972.

[10]Progressive Grocer, 45th Report to Grocery Industry, 1978.

[11]Ibid.

[12]Food Prices in Perspective: A Summary Analysis, ESCS-53, USDA, April 1979.

[13]Balance Sheet of the Farming Sector, 1978.

[14]Statistical Abstract of the United States, Selected Years.

[15]Growth of Cooperatives in Seven Industries, USDA, ESCS, July 1978.

[16]Ibid.

[17]Ibid.

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