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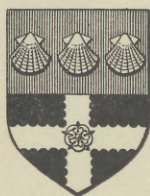
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**The Wholesale Trade in Horticultural
Produce in Smithfield Market,
Birmingham**

By
L. G. BENNETT

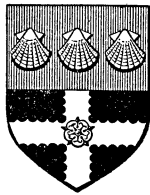
MISCELLANEOUS STUDIES No. 13
PRICE 4/6

March, 1957

With
Professor Edgar Thomas' compliments

University of Reading

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I. INTRODUCTION

This report is the result of an enquiry into horticultural marketing which was carried out at the request of the Ministry of Agriculture, Fisheries and Food. The study was made in two parts each the subject of a separate report. One part was concerned with the growers' end of the marketing process and was carried out in Bedfordshire, West Cornwall, Wisbech and the Lea Valley.¹ The other part of the study, the subject of the present report, was made in Birmingham and was mainly concerned with the businesses carried on by the commission agents who were selling fruit, flowers and vegetables in the market.

Two main reasons dictated the choice of Birmingham. The first was one of pure convenience because the market had to be within reasonably easy reach of Reading. This meant that the choice would fall on one of the London markets, Bristol or Birmingham which are respectively 40, 80 and 100 miles distant. The second reason was that the market had to be one of the more important and also mainly concerned with home grown produce. Relatively large quantities of imported produce pass through both London and Bristol. Bristol is outside the area in which the Department normally carries on its extra-mural activities and any detailed study of firms in the London markets would have been beyond the capacity of the resources available. Birmingham, therefore, seemed the obvious choice. That the choice was a happy one was shown by the ready co-operation of all concerned.

The enquiry was conducted mainly by questionnaire and interview and aimed to get a general view of what happens to horticultural produce, and home grown produce in particular, when it reaches one of the national markets. The object was to draw as factual a picture as possible. The study may therefore be criticised on the score that it depended too heavily on too many leading questions. This course was, however, followed deliberately in view of the virtual non-existence of information on just those matters which the study sought to reveal.

The Department wishes to record its appreciation of the financial assistance, made available under the Conditional Aid Scheme with funds derived from United States Economic Aid, without which the enquiry could not have been conducted. Mr. E. Goodall, the Secretary of the Birmingham Wholesale Fruit, Flower and Potato Merchants' Association and Mr. K. H. Robinson, the General Manager of the City of Birmingham Markets and Fairs Department, gave unstinted help in the course of the enquiry. The study could not have proceeded far, however, without the help of the firms concerned. The principals of no less than 52 of the 56

¹ The Marketing of Horticultural Produce grown in Bedfordshire, West Cornwall, Wisbech and the Lea Valley, University of Reading, Department of Agricultural Economics, Miscellaneous Studies, No. 12.

firms in the market gave very frank answers to the questions which were addressed to them about their businesses. While it is only fair to acknowledge that help it must also be stated that no more than the most meagre amount of corroborative material evidence was forthcoming on their transactions with individual growers and buyers. Nevertheless, only with the help of the persons concerned could the general picture presented in this report have been revealed and that help is gratefully acknowledged.

II. THE MARKET

The first time that any information on the value of the trade in horticultural produce became available was in 1955 with the publication of the report on the 1950 Census of Distribution carried out by the Board of Trade.¹ The report gives certain data about the wholesale horticultural trade in each of six major conurbations, one of which, the West Midlands, includes Birmingham. Table I is constructed from data extracted from the census report.

TABLE I.
Wholesale trade in fresh fruit, vegetables and nuts in six conurbations in 1950.

Conurbation	Population	Number of wholesale establishments	Total value of trade
Greater London	8,417,000	883	£158,240,000
South and East Lancs.	2,417,000	230	£ 17,500,000
<i>West Midlands</i>	<i>2,242,000</i>	<i>125</i>	<i>£ 16,778,000</i>
West Yorks	1,703,000	154	£ 9,228,000
Merseyside	1,394,000	199	£ 22,891,000
Tyneside	840,000	63	£ 7,070,000

The West Midlands conurbation appears to be the third largest by population, the fifth largest by the number of wholesale fruit and vegetable establishments, and the fourth largest by the value of its horticultural trade. Birmingham accounts for practically 50 per cent. of the population of the West Midlands but for over 76 per cent. of its trade in horticultural produce and thus appears to act as a distributing centre for the region.

A further illustration of the relative importance of Birmingham as a market may be given by listing all towns with a wholesale trade in horticultural produce of at least £1 million per annum.

Town	Value of Trade	Town	Value of Trade
London	£158,240,000	Leeds	£3,693,000
Liverpool	22,592,000	Nottingham	3,622,000
Glasgow	15,268,000	Cardiff	3,620,000
Manchester	14,418,000	Leicester	2,522,000
<i>Birmingham</i>	<i>12,840,000</i>	Norwich	2,212,000
Hull	7,903,000	Swansea	1,528,000
Newcastle	6,353,000	Blackburn	1,294,000
Bristol	6,097,000	Dundee	1,194,000
Edinburgh	4,655,000	Preston	1,189,000
Southampton	4,345,000	Bolton	1,062,000
Sheffield	3,819,000	Wigan	1,001,000

¹ Census of Distribution and other Services 1950, Vol. III, Wholesale Trades, H.M.S.O., 1955.

It will be seen that Birmingham comes fifth in importance and heads the towns which are not major ports. It is clear then that with its 68 establishments employing just over 1,000 persons in disposing of nearly £13 millions of horticultural produce Birmingham ranks as one of the more important markets of the country.¹

In the economic sense the market consists of the whole of the population of the West Midlands conurbation amounting to well over 2 million persons. In the physical sense of the place where goods change hands at wholesale the market is centred on the point where Upper Dean Street meets Jamaica Row. The central point is easy to define but the boundaries are by no means clear. Within a radius of a quarter of a mile from the centre there is a meat market, a fish market, Smithfield Market for the sale of horticultural produce and the new toll market in course of construction and destined mainly for use by local growers. In addition, premises in this area and other premises outside it are used as warehouses by firms selling horticultural produce and the picture is still further complicated by the fact that within the main area there is a market hall for retail sales of all kinds and an open-air retail street market in the Bull Ring for fruit, vegetables and flowers.

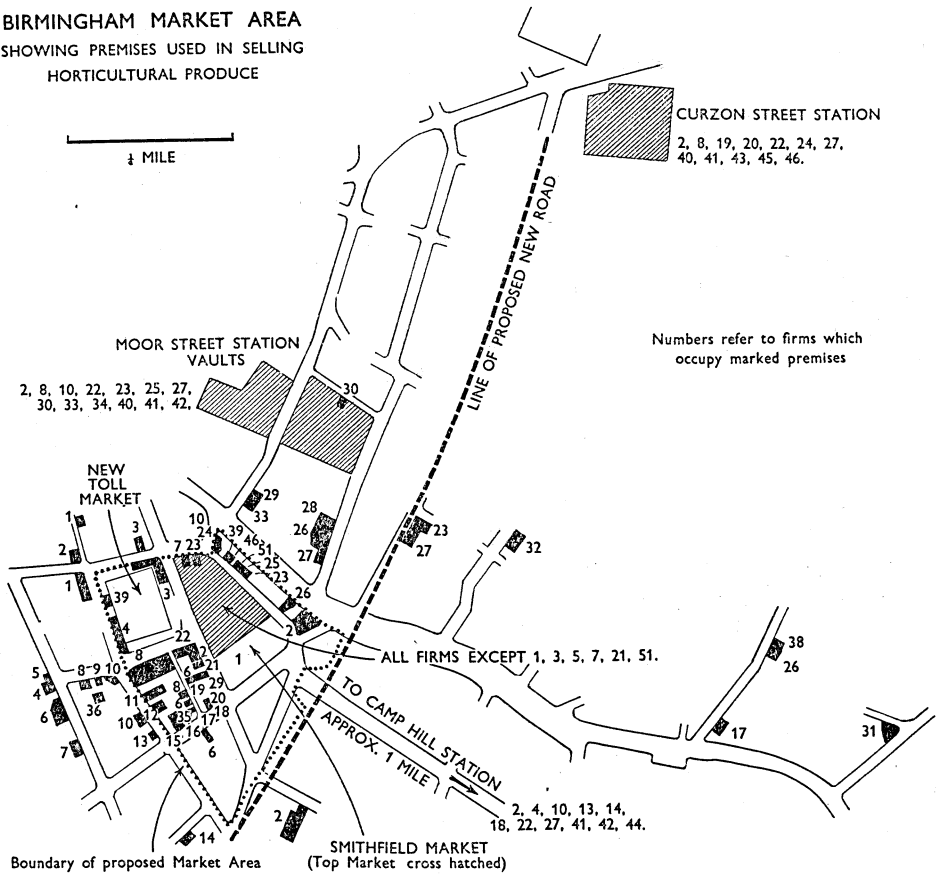
But the whole of the core of this area is also described as Smithfield Market. To say where Smithfield Market begins, where it ends, and of what it really consists, however, would tax the ingenuity of those most intimately concerned. The building used for wholesaling fruit and vegetables was conspicuously labelled 'Smithfield Market' by its Victorian architect. The name is used, however, to describe the area as well as those parts which have specific uses, and firms with temporary stands on one of the street frontages regard themselves as being just as certainly (but perhaps less effectively) in Smithfield Market as the firms with stands in the market building.

If it is difficult to define the boundaries of the market area as a whole or of that part which is concerned with the wholesaling of fruit and vegetables there is no difficulty in separating the firms which are concerned with the wholesale trade in horticultural produce from those concerned with other commodities. Neither is there any difficulty in separating the premises used exclusively for the wholesale horticultural trade from premises used for the sale of other food products and for retail sales. The accompanying map of the area shows the premises used by firms of commission agents, those marked in black are provided by firms which occupy them, the market building is provided by the City Corporation, the vaults under Moor Street Railway Station and stacking space at Curzon Street and Camp Hill Railway Stations are provided by British Railways.

The Markets and Fairs Department of the City Corporation, however, has much greater control over the market than is suggested by the

¹ Data from the Census of Distribution report.

BIRMINGHAM MARKET AREA
 SHOWING PREMISES USED IN SELLING
 HORTICULTURAL PRODUCE



relatively small area it provides. There are 56 firms of commission agents in the market area and 50 of them have space in the market building from which the greater part of the sales take place. The institution controlling the market itself is therefore in a key position. It is instructive to examine the financial aspect of the Markets and Fairs Department to see to what extent the market as a whole or various parts of it are a liability to the City Corporation.¹ Financial data on the activities of the Corporation are readily available from the so-called 'Birmingham Blue Book.'²

In the year ended March 31, 1955 there was a deficit in the Markets and Fairs Department of £18,641 after meeting the costs of food inspection but excluding the costs of weights and measures administration. In so far as it is possible to isolate the finances of separate markets then it would seem that the part used by commission agents, the so-called 'top market,' yielded a surplus of £13,311, the part used by local growers and other traders, the 'bottom market,' a deficit of £9,258, and the meat, fish and retail markets a deficit of £22,694. These figures have been arrived at by dividing the administrative costs in proportion to direct expenditure and charging the meat and fish markets with the whole of the cost of food inspection as follows:—

	Income £	Direct expendi- ture £	Proportion of administrative costs £	Food inspection costs £	Surplus+ or Deficit— £
Smithfield—					
Top Market ...	51,876	35,246	3,319	—	+13,311
Bottom Market ...	3,727	11,867	1,118	—	— 9,258
Meat, Fish and all other markets ...	75,301	66,374	6,251	25,370	—22,694
All markets ...	130,904	113,487	10,688	25,370	—18,641

There are approximately 5,500 square yards of stand space available and occupied. According to the bye-laws the rent for stands is at the rate of £3 per square yard per annum. But the average rent paid for each square yard of effective selling space is approximately £10 because in addition to the sheer space on the floor some firms rent offices on the balconies and storage vaults under their stands. Rents paid by tenants cover the use of the stand, the normal lighting provided by the market authority and the disposal of up to one ton of waste for each tenant each day. The small offices on the stands are provided by the tenants and must conform to the approved pattern.

¹ The position at present is no doubt rather different from the early years of the present century. Between 1900 and 1914, however, "regular profits passed to the City from the markets, gas, tramways and electric supply . . . because of the natural aptitude of business men to consider the implementation of civic gospel in business terms." Briggs, *History of Birmingham*, Vol. II, p. 341.

² City of Birmingham, *Financial statement*, 1954/55, published annually.

Stands are let on a weekly tenancy to individuals who are principals in the firms of commission agents; they are not let to the firms. On the death or retirement of a tenant the space reverts to the Corporation. If the son or other relative carrying on the business of a deceased tenant desires to continue the tenancy the space is usually re-let without much formality. All vacant space, however, is let by tender (within the maximum charges which the City Corporation is allowed to levy under the bye-laws) and the choice of tenant rests with the Market Committee who have regard to the rent offered, the type of business and the present accommodation of the applicant. It appears that the highest tender is not necessarily accepted and that applications from the larger firms for more space would not be entertained at all. While some firms have no place in the market building they, no doubt, have a good claim to favourable consideration when room becomes available.

Space is relinquished, however, only rarely. In the last ten years only three stands have changed hands but one has changed hands twice. One stand with an area of 25 square yards was surrendered in 1947 and was let to a firm not previously trading in Birmingham. This was again available for letting in 1955 when it was taken by a firm with an adjacent stand. A stand with an area of 31 square yards became available in 1952 when it was let to a firm with premises outside the Market. Lastly a stand of 42 square yards was given up in 1956 and allocated to a firm with adjacent space.

Two reasons impel firms to seek a foothold in the market building. First, being in the Market in the physical sense means being in the market in the economic sense also. It has been stated by some of those who have no stand in Smithfield Market that they could greatly increase their turnover if they were able to obtain even a small amount of space. The second reason is that space in the market building is perhaps the cheapest available because the maximum rents have not been raised since they were fixed by the Birmingham Corporation Act of 1922.¹ While a place in the market is highly sought after some places are regarded as more desirable than others. There is a belief that the most advantageous positions for stands are those nearest the parking places used by buyers. The Jamaica Row side is more highly esteemed than the Moat Lane side.

The traffic in the market area and in Smithfield Market itself is regulated by a force of six police officers who, while responsible to the Chief Constable, act under the direction of the General Manager of the Markets and Fairs Department.

¹ There were general increases in the rents actually paid by tenants in 1928 and again in 1947.

III. THE TRADE IN THE MARKET

The sale of horticultural produce in the wholesale markets is one of the few remaining segments of commercial activity in Britain in which prices are fixed more or less by the free operation of economic forces. Birmingham Market is no exception to this general rule and a short description of the system of trading under competitive conditions may therefore be of some interest to those not familiar with the situation.

Those firms which receive produce direct from growers have much of it on their stands or in the warehouses by the time the market opens at 6 a.m. Produce continues to arrive in the market, however, for some time afterwards. Buyers come into the market and usually enquire from a number of salesmen the price they are asking for a number of different kinds of produce. The price the salesman quotes is fixed by his assessment of four factors. These are (i) the quantity of produce which he sees on the market, (ii) the price realised the previous day, (iii) the eagerness of the potential customer and (iv) intuition. On this round of calls the potential buyer rarely makes a purchase but returns to the salesman who quoted the lowest price and strikes a bargain or returns to his usual supplier and offers the lowest price he has been quoted or even something lower. Buyers who are thought to be seeking information on prices with the intention of purchasing from another salesman are said to be 'sniffing.' The rapidity with which the buyer returns and makes an offer is the only indication which the salesman has that his price was too low and on a second visit a potential buyer may be quoted a higher price than on the first. The price the salesman asks is the highest at which he believes he can sell all his stock and his views on his chances of doing so vary as the market progresses.

All firms regard a footing in the Market as essential in order to take part in this dealing and trafficking. Two factors, however, introduce a degree of imperfection into the competition. The first is imperfect knowledge of supplies available. Buyers do not know the volume of produce in commission agents' warehouses and therefore cannot judge as to the volume of supplies and the price to offer. Salesmen also have only a limited knowledge of supplies available though they state that they take steps to see what is actually on the stands in the market and the rapidity or slowness with which it is moved.¹ The second is the virtual impossibility of defining different qualities of produce. Because of marked variation in quality as between different consignments price can have little meaning unless linked to a defined grade.

¹ It must be difficult if not impossible to judge by observation how rapidly produce is moving because the buyer may not take physical possession of the produce he has bought for some time after he has bought it.

When a bargain has been struck the salesman usually makes out a 'groundsmen's chit' for each kind of produce stating the name of the buyer, the quantity bought, the price per unit and the total value. Each chit should also record the name or mark of the grower whose produce was the subject of the transaction if the price returned to the grower is to be that which his produce actually realised. It was at this point that some difficulty was encountered in the enquiry because only one firm made its groundsmen's chits available for examination. This one firm may well have been exceptional but none of the chits submitted for analysis appeared to carry any mark by which the grower could be identified. Indeed, the principal of another of the larger firms declared that growers' labels were removed from packages at the earliest moment so as to keep other firms in ignorance of the source of supplies and thus prevent them from 'poaching.' Under these circumstances it would be difficult, if not impossible, to mark the chits with the grower's name. Some firms, in fact, admit that they average the returns to the smaller growers when each sender consigns produce of comparable quality.

At times during a morning the salesman's books are changed and the used chits handed to the office staff. From these chits the buyers' invoices, as well as the sales notes for growers, are made up. A number of the larger firms use mechanical accounting systems for this work. The duplicate of the chit enables the buyer to claim the produce when he collects it from the stand or warehouse or to arrange for transport by the commission agent. Minor variations of the practice, of course, do occur.

Those firms which do not receive produce direct from growers but buy from those which do can only remain in business because for one or both of two reasons competition in the strict economic sense does not exist. First, all buyers and sellers are not fully or even equally informed as to the total demand and total supply and therefore price differences must and do exist at any given time for any given quality of produce. Secondly, some buyers tend to make their purchases more or less regularly from certain firms and to the extent that a buyer voluntarily limits himself in his choice of supplier he lays himself open to being charged a higher price. Thus, firms can by astute buying acquire produce at a lower price and resell at a higher price by exploiting these two factors. It is probable that the second factor is the more important as these secondary firms usually supply the small scale retailer and it has been known that a salesman of such a secondary firm will cross the avenue to buy produce for resale at a profit to a waiting retailer when the retailer himself could have crossed the avenue and bought at a lower price.¹ Perhaps one of the worst economic features of such firms is that

¹ There is reason to believe that sales are made to wholesalers at prices somewhat lower than those charged to retailers on some occasions at least. This view is borne out by Barbara N. Knapp, *The Wholesale Marketing of Vegetables in Birmingham* (University of Birmingham, unpublished M. Com. Thesis, 1948), but there is no means of knowing whether or not such sales are in the nature of remnants to be cleared at any price.

they tend to act as the purchasing agents for a much larger number of retail buyers and they thus tend to depress prices by reducing the number of buyers. A second undesirable feature about the situation is the degree of imperfection in the competition which allows their very existence.

The total annual value of the trade of the 52 firms which are the subject of this report is of the order of £16 millions; £9½ millions of this represents the trade in home grown produce and £6½ millions the trade in imported produce. These figures are not synonymous with the value of produce entering and leaving the market because a certain amount, both home grown and imported, is sold by some firms of commission agents to others before it leaves the market in the hands of retailers. The extent to which this practice influences the trade in imported fruit and vegetables was not investigated. But most firms have to buy their supplies of citrus fruits and bananas from other firms in the market and some firms in fact buy a considerable quantity of all their supplies on the market for resale. The value of imported produce passing through the market must therefore fall somewhat short of the figure of £6½ millions which is the sum total of the value of the trade in imported produce of all the firms under review.

As the enquiry was mainly concerned with home grown produce an attempt was made to estimate the importance of inter-firm transactions of this kind because this practice is believed by many to be an important factor in enlarging the difference between the price the consumer pays and the price the grower receives. Eleven firms stated that they bought home grown produce from other firms in the market for resale to retailers. The relative importance of these transactions, however, appears to be small because so far as could be ascertained the total value of inter-firm trade was no more than £206,400. This is just under 2¼ per cent of the total value of home grown produce entering the market.

It would seem that home grown produce to the value of £9,342,600 entered the market from growers. This, with the £206,400 which was counted twice by passing through the hands of two firms in the market makes up the total home grown trade of £9,549,000.

The areas from which the firms in the market received produce varied roughly according to the size of the business. All the larger firms received supplies from all the well known areas of horticultural production in Britain. The medium sized businesses appear to have developed connections with two, three and sometimes more areas. Such firms would receive produce from, say, Worcestershire, Bedfordshire and the Eastern Counties if their main lines were green vegetables and roots. If there was considerable emphasis placed upon salad crops and tomatoes but vegetables were nevertheless important, then a firm would have a connection with the Channel Islands, Cornwall, Blackpool or the Lea Valley, and the Eastern Counties. The smaller firms normally have their main contacts with growers in Worcestershire and Warwickshire and draw little produce from farther afield.

Not all of the produce entering the market direct from growers, however, was sold on commission. Fifteen firms stated that on occasion they purchased produce from growers at agreed prices. The value of the produce purchased in this way was £1,208,400 leaving produce to the value of £8,134,200 to be sold on commission. None of the firms buying at agreed prices from growers bought produce on the market for resale.

It has been shown that home grown produce to the value of £9,549,000 changed hands in the market. Retailers purchased no less than 88 per cent while 12 per cent was bought by other firms in the market and by wholesalers in the region surrounding Birmingham. As far as can be ascertained the value of produce taken by these buyers was as follows:—

Retailers	...	...	...	...	...	£8,388,000
Wholesalers in the surrounding region	...					954,600
Firms in the market	...	...	...			206,400
						£9,549,000

Most of the sales to wholesalers were made to firms in Wolverhampton, Burton-on-Trent, Derby, Cannock and the Potteries. The whole of the produce disposed of to firms in the market and to wholesalers outside it necessarily passes through the hands of two firms performing the functions of wholesalers. It represents 12 per cent. of the sales of home grown produce from the market and is almost identical to the proportion which the Census of Distribution is known to have found as being invoiced to wholesalers by firms in Birmingham.

One of the functions of the wholesale trade is, of course, the assembly of produce of different kinds from a number of growers so that the retailers can purchase those kinds which they need in the quantities in which they need them. An attempt was made in this enquiry to throw some light on at least part of this process by an analysis of the groundsman's chits. As already mentioned, however, only one firm consented to make these chits available. This somewhat scanty evidence nevertheless goes some way to illustrate the impression that the majority of purchases made are relatively small.

The total value of the purchases made on each of sixty days by each buyer was determined by assembling each buyer's chits for all the kinds of produce he bought each day. In the 60 days there were 1,742 such transactions and they are classified by value in Table 2.

TABLE 2.

Classification by value of 1,742 transactions with buyers.

Value of transaction	Number of such transactions	Total value
Under £1 ...	293	£ 167
£1 —£5 ...	620	1,565
£5 —£10 ...	278	1,983
£10 —£20 ...	236	3,376
£20 —£50 ...	222	6,811
£50 —£100 ...	63	4,524
£100—£150 ...	20	2,322
£150—£200 ...	8	1,499
Over £200 ...	2	501
	1,742	£22,752

The value given in the table above refers, of course, to all purchases whether home grown or imported. The important point to note is the preponderance of very small transactions. Thus, transactions of up to £5 account for 52 per cent by number but only $7\frac{1}{2}$ per cent by value; transactions of £5 and upward account for 48 per cent by number and $92\frac{1}{2}$ per cent by value. These numerous small transactions are perhaps mainly a reflection of the fact that the retailing of fruit and vegetables is usually carried on in businesses of very small dimensions.¹ The multiplicity of small transactions is also of course a reflection of the fact that buyers in general do not obtain the whole of their supplies each from one firm of commission agents but tend to buy from two or more firms.

¹ The Census of Distribution, Vol. II, Retail & Service Trades, classifies 3,215 greengrocery and fruit selling establishments in the Midland Region as follows:—

Annual turnover per establishment	Number of establishments	Total turnover, £'000
Under £1,000 ...	543	270
£1,000— £2,500 ...	863	1,475
£2,500— £5,000 ...	904	3,212
£5,000—£10,000 ...	596	4,120
£10,000—£25,000 ...	277	3,884
£25,000—£50,000 ...	30	1,442
	3,215	14,403

IV. THE FIRMS

There are 56 firms of commission agents in the market engaged in handling horticultural produce and 52 of them gave most, if not all, of the information for which they were asked during or after the interview. Some of these firms were founded long before the present market was built and have, in fact, been taking part in the wholesale trade in fruit and vegetables for 100 years. On the other hand, a few commenced business within the last four or five years.

The impression gained is that most of these concerns have been established for a great many years; some of them, in fact, have in the course of time lost trace of their earlier records and now are uncertain as to even the approximate year in which they commenced business. Three firms, however, can trace their histories back to their commencement in 1855.

Forty-two firms stated the year in which they were founded and from this it appears that there were two periods in which there was a notable influx of new businesses, 1870 to 1875 and 1900 to 1904. Four of the six most important firms, however, were founded between 1875 and 1882, one in 1893, while the sixth was founded in 1951.

All the firms carry on the whole or the greater part of their business in home grown produce as the agents of the growers. That is to say, in general they do not acquire a legal title to the produce while it is in their physical possession but sell on behalf of growers, drawing a commission and making, perhaps, other charges for their services. As, however, they are accountable to the growers for the total value of produce sold on their behalf, and carry on a credit trade with the buyers, and as much imported produce is bought outright for resale, the books of account of each firm show the total value of produce handled. This is a fortunate circumstance because it allows an estimate to be made of the total trade in horticultural produce, but more particularly because it facilitates a classification of firms by what is perhaps the most important measure of size. While turnover is the most important feature for purposes of classification there are two others which will also be used, viz., number of staff employed and space occupied in the market. Each of these three measures of size will be considered in turn.

The total annual turnover of the 52 firms has already been given as nearly £16 millions. No less than one-half of the total turnover, however, was in the hands of four businesses, leaving 48 to account for the remainder. The 52 firms are classified by turnover in Table 3.

TABLE 3.
Classification of 52 firms by turnover in 1955.

Turnover per firm	Number of firms	Total turnover
£1 million or more	4	£7,500,000
£½ million—£1 million	5	3,766,000
£¼ million—£½ million	5	1,454,000
£100,000 to £¼ million	14	1,967,000
£50,000—£100,000	11	822,000
Under £50,000	13	405,000
	52	£15,914,000

The omission of data for four businesses from Table 3 does little to detract from the accuracy of the general picture it presents. While it would be hazardous to make any estimates of the turnover of these four firms observation indicates that they would probably fall into the middle or lower ranges. Certainly, no large and important firms have been omitted.

No comprehensive information on the expansion or contraction of the trade of individual businesses was obtained during the enquiry but the impression gained is that competition for trade and the possibility of losing trade to more enterprising firms is always present. One firm recently ceased to operate in the market and others admit to a declining turnover. A few firms appear to have been taken over by or given the support of more virile concerns, On the other hand some provided evidence of very considerable expansion; one firm, for instance, has doubled its turnover in the last four years while in the same period another has increased it by £1 million.

The second feature which places the firms in order of importance is the number of staff employed. In all, the 52 firms employ a total of 1,135 persons in the selling, handling, warehousing and transporting of produce and in the maintenance and repair of empties. Approximately one-half of this number, or 576, are engaged on the stands as salesmen or porters and the remaining 559 as office staff, lorry drivers, warehousemen and carpenters. Table 4 gives a classification of the firms by the number of persons employed.

TABLE 4.
Classification of 52 firms by size of staff.

Number of employees per firm	Number of firms	Total staff
Over 75	3*	497
51—75	3	177
26—50	4	136
11—25	8	137
6—10	13	114
5 or less	21	74
	52	1,135

* Each of these three firms had in fact over 100 employees

The third measure of size is the space occupied. Unfortunately, no information is available on the total selling space which each firm occupied because some sales are made from premises outside the market building, and it is difficult for some of the larger firms to say what is, and what is not, selling space. The stand space occupied in the Market and the number of stands used is, however, known for all the 56 firms. Fifty firms have space in the Market and 6 sell wholly from premises in the market area. Forty-one firms have one stand only, 4 have two stands, 4 have three stands and 1 has six stands. The number of stands, however, shows the extent to which the sales premises are dispersed within the Market; it is an imperfect measure of the space occupied by individual businesses because stands are not of uniform size. Nevertheless, the 9 firms with two or more stands occupy one-half of the total space available, leaving 41 to share the remainder.

Of the 6 firms with no footing in the Market, 2 never take physical possession of the produce in which they deal and so are able to carry on their businesses from offices. Four firms, however, have warehouses and sales premises in the market area.¹

Of the 52 firms for which detailed information is available, 46 operate as commission agents only in Birmingham, while 7 have branches or associated businesses acting as commission agents in other markets. One of the 7 firms also acts as a wholesaler in other towns, the branches buying produce from the headquarters in Birmingham.

Whatever measure is used, then, annual turnover, staff employed or space occupied, there is clearly a great range in the size of the firms concerned. Some of them could be expected to regard themselves as advantageously placed because of their particular size to cater for the needs of a particular type of grower or customer or to enjoy certain economic advantages in organisation or administration. For this reason an attempt was made to obtain the views of the persons concerned as to whether they enjoyed any advantages of scale at present which would be lost if they increased or decreased the size of their businesses.

As might be expected, the medium scale businesses were less forthcoming with answers to the question than either the larger or the smaller firms.

The replies of the smaller businesses were mainly to the effect that they could cater for the small scale retailer rather better than could the bigger firms, and one commission agent linked this with the statement that the smaller scale retailer usually paid rather higher prices. Other advantages claimed for the small firms were ease of staff supervision, lower fixed costs per unit of turnover,² and fewer bad debts because of personal knowledge of each buyer. One firm stated that buying-in on the market for resale on the market was possible only for the small firm, another that his scale of business allowed him to do so and resell at

¹ One of these firms has a stand on three days each week in the 'bottom market'.

² No evidence was produced to substantiate this assertion.

a profit and a third that buying-in was something of a disadvantage to him, but necessitated by his small scale working. One small firm only could see no advantage whatever in small scale operation.

The replies of the larger firms were naturally of a different kind. The most notable advantage of large scale working was said to be the possibility of departmentalising the business so that salesmen became specialists in selling a very limited number of lines. Large scale working made the use of mechanical accounting systems not only necessary but a great advantage in economy of operation and transport could also be used more effectively. Two firms regarded mechanical handling of produce as justified by their scale of operations partly to make better use of labour and partly to make better use of space by higher stacking. One firm placed great emphasis on the economies of scale which it was able to enjoy, instancing the fact that the skilled professional administrative staff which it employed would not be justified in smaller businesses. The suggestion that such staff was rather evidence of a diseconomy of scale was rejected.

It is, of course, impossible to verify statements of a qualitative nature about advantages or disadvantages associated with different scales of business ; these statements can be no more than the opinions of the persons concerned however well founded they might be. It is possible, however, to give some quantitative evidence on the relationship between the turnover per firm and the turnover per employee and thus show whether any particular scale of business enjoys advantages in staff efficiency and whether there appears to be an optimum size of business for maximum staff efficiency.

The success of any business of this kind depends primarily on the value of produce which each salesman can move in a given time; the higher the value, the greater the commission earned. Table 5 which shows the turnover per employee and per selling employee for firms of different sizes lends some support to the view that the optimum size of firm for maximum turnover per person employed is one with an annual turnover of something approaching £1 million. At this scale of business the turnover is £44,000 per selling employee, and £18,000 per employee, whereas there appears to be a falling off in these figures with higher and with lower annual turnover.

TABLE 5.

Relationship between total turnover and turnover per person employed.

Total annual turnover per firm	Annual turnover	
	per employee, £'000	per selling employee, £'000
£1 million or more ...	£13	£27
£ $\frac{3}{4}$ million—£1 million ...	18	44
£ $\frac{1}{2}$ million—£ $\frac{3}{4}$ million ...	16	25
£100,000—£ $\frac{1}{2}$ million ...	13	25
£50,000—£100,000 ...	12	19
Under £50,000 ...	9	12
Average for all firms	£15	£29

If the optimum size of business is taken to be an annual turnover of approximately £1 million, then it would seem that the majority of the firms in the market are below optimum size. There may, of course, be countervailing economies to be enjoyed by the smaller businesses but if there are any they are not readily apparent. Those firms which appear to be above optimum size, however, are as clearly suffering some relative diseconomies of scale, though no doubt the very large firms are making larger profits than those firms at the point of optimum efficiency. The possible development of absolute diseconomies of scale with further increases in the size of business is a point which the very large firms need to watch. There is perhaps some circumstantial evidence that they are, in fact, doing so because two of the largest firms have subsidiaries which carry on a functionally separate existence

To a small extent the figures in Table 5 are influenced by the type of business as well as by its size. Thus, firms with a large potato trade tend to have a high turnover per selling employee but, because of the transporting staff employed, to have a low turnover per employee. Firms with their trade concentrated wholly or mainly on the merchandising of imported produce tend to have a very high turnover per employee. The figures in the table are, however, not significantly altered if firms of these kinds are left out of account and it would seem that increasing scale of operation is associated, up to a point, with increasing turnover per person employed.

Of the 52 firms under review no less than 49 handle home grown produce and may handle imported produce as well. Only 3 can be said to specialise in imported produce, 2 of them acting as brokers and selling almost wholly to other firms in the market and 1 buying in the market for resale to retailers. Of the 49 firms which handle home grown produce, 44 appear to receive supplies direct from growers, the remaining 5 seem to buy the whole of their supplies in the market for resale.

The importance of buying-in varied greatly as between the firms practising it. Thus 4 firms bought the whole of their home grown produce in the market and received none direct from growers; 4 firms bought one-half or more, but less than the whole, of their home grown produce in this way, and 3 bought in less than one-half of their home grown supplies. Table 6 gives the approximate value of produce received from growers and obtained by buying-in.

TABLE 6.

Classification of 52 firms by relative importance of buying-in for resale.

Proportion of supplies bought-in	Number of firms	Value of home grown produce	
		bought-in	received from growers
All	4	£106,200	—
Some (i) one-half or more, but less than all	4	£67,800	£44,400
(ii) less than one-half	3	£32,400	£184,900
None	41	—	£9,113,300
	52	£206,400	£9,342,600

Twenty-four of the firms which received produce direct from growers specialised in the sale of one or a limited number of products even though produce of many kinds was sold. Of the 24 businesses with a speciality, 9 were well known for tomatoes, including Channel Islands tomatoes, 3 for early potatoes, 2 for strawberries, 4 for green vegetables, 2 for top fruit from co-operative packing stations, while 2 specialised exclusively in the sale of flowers. A measure of specialisation can be attributed also to the 3 firms which handled imported produce exclusively.

In general, specialisation is associated with the larger businesses. If the 52 firms are divided into 2 groups of approximately equal numbers then 28 have an annual turnover of £100,000 or more, and 24 a turnover of less than £100,000. No fewer than 22 of the former specialise in some way or other while only 5 of the latter do so. Table 7 will make the point clear.

TABLE 7.

Classification of 52 firms by turnover and by specialisation.

Annual turnover	Number of firms specialising			Number of firms not specialising and which		TOTAL
	on particular home grown products	on imported produce		receive produce from growers	buy all produce in market	
		as brokers	otherwise			
£100,000 and over	20	2	—	5	1	28
Less than £100,000	4	—	1	15	4	24
	24	2	1	20	5	52

Only 7 firms departmentalised their sales and the degree to which departmentalisation was carried out varied considerably. On the one hand the market stand would, for instance, be divided into two portions, on one of which the firm would sell flowers and tomatoes and on the

other vegetables and fruit, and would employ two salesmen on each part of the stand. On the other hand 1 business, to give an example at the other extreme, had 14 separate departments with appropriate staff for each of them. Because of the seasonal nature of most kinds of produce the number of departments and the kind of produce handled by each varies from time to time, but the firm cited above had separate departments for the following products :—

cucumbers and melons	English tomatoes
mushrooms	English apples
grapes	fresh green vegetables
nuts	root vegetables
Italian fruit	flowers
watercress and salads	bananas
Channel Islands produce	citrus fruit.

It has already been shown that the total trade of almost £16 millions is made up of approximately £9½ millions home grown produce and £6½ millions imported produce. The value of home grown produce is therefore approximately 60 per cent of the total trade of the market. But the extent to which individual firms handle produce from these two sources varies considerably. Firms were asked to state the relative importance of home grown and imported produce in their turnover. Without a very detailed examination of the books of all businesses it would be impossible to state precisely the relative importance of these two sources of supply but each firm was able to give a sufficiently good estimate to show the general character of its business. In Table 8 the 52 firms are classified by total turnover and by the relative importance of their trade in home grown produce.

TABLE 8.

Classification of 52 firms by annual turnover and by relative importance of home grown produce.

Annual turnover	Number of firms with proportion of home grown produce in total turnover					T O T A L
	Over 90 per cent	60-90 per cent	41-59 per cent	10-40 per cent	Under 10 per cent	
Over £½ million ...	—	5	4	—	—	9
£100,000 to £½ million	1	8	3	5	2	19
Under £100,000 ...	9	8	3	3	1	24
	<u>10</u>	<u>21</u>	<u>10</u>	<u>8</u>	<u>3</u>	<u>52</u>

There appear to be more firms with a distinct bias towards home grown produce than there are with their main trade in imported produce.

Moreover, a higher proportion of the smaller firms appear to depend mainly on imported lines.

Market Information

Three questions on the flow of market information from and to the grower were addressed to each of the firms in the market.

The first question attempted to elicit whether or not growers were in the habit of informing their commission agents from time to time of the kinds of produce which would probably be harvested in the ensuing few weeks and especially of any new crops approaching maturity. It seemed that such information would enable the commission agents to canvass potential buyers and generally to stimulate interest and demand. A number of firms endorsed this view and stated that they regarded advance information of this kind as very important.

It would seem that the regular senders of large quantities of produce are in frequent touch by telephone with their salesmen and discuss the prospects for crops approaching maturity, especially when sending to one of the larger firms in the market. The smaller scale growers would appear not to give such advance information. Some of the larger firms take the initiative and write or telephone specifically to find out what is likely to be forthcoming, others visit growers soliciting produce and seeing what they may have to market, yet others obtain this information through agents in the producing areas. Two of the larger firms with very regular senders stated that they know 'when to expect what from whom' and another that growers sought advice as to the best time to commence marketing a crop. The principal of one of the medium scale firms stated that he preferred not to know, but gave no valid reason for this attitude.

The second question was directed towards finding out to what extent growers notified the firms of the actual kinds and quantities of produce sent. Advice of this kind is important for two reasons.

First, in order to enjoy the protection of the Horticultural Produce (Sales on Commission) Act, 1926, the grower is obliged to send written advice to the commission agent so as to reach him either with the produce or before it is sold.

Secondly, in order to keep their records balanced and to check the possibility of loss all firms note each day the quantity of produce from each grower which (a) was held from the previous day, (b) was received on that day, (c) was sold on that day and (d) remained unsold. The larger firms, in fact, keep special office staff in the 'stock offices' in order to balance these amounts daily. Advice from growers, then, greatly facilitates the work of the stock offices and the sales staff.

A rough classification of the sense of the replies given below indicates that about two-thirds of the firms find the position relatively satisfactory.

<i>Kind of answer</i>	<i>Number of firms</i>
Yes, all, almost all, most, usually	28
Larger growers do, smaller do not, some do ...	10
No, not generally, seldom, rarely	6
	<hr style="width: 10%; margin: 0 auto;"/>
	44
	<hr style="width: 10%; margin: 0 auto;"/>

One firm stated that it insisted on being sent an advice note with each consignment, while two others provided their senders with printed notes, and yet others made use of their agents to supplement the advice given by growers.

The flow of price information back to the grower appears to be reasonably satisfactory. It would seem that 41 firms telephoned daily price information to all those growers who were important senders or informed them via the firms' agents or in some other way and usually sent sales accounts daily. One of the larger firms with 80 per cent of its turnover represented by home grown produce stated that its telephone account amounted to between £25 and £30 per day, though, of course, this was not all spent in informing growers of ruling prices. Only three firms appeared to withhold information from growers when prices were falling. One firm stated that it sent telegrams to growers when prices were good or rising, but not otherwise and, moreover, that it sent accounts of sale only weekly. Another firm with relatively few senders (and those local) stated that growers were telephoned when prices were good but when they were bad the firm waited for the growers to enquire. A third stated that growers were telephoned only if the market was firm. There can be no doubt that growers need to know ruling prices if they are to make market decisions by anything but guesswork, and it would seem that the majority of firms provide that information with the minimum of delay.¹

The Marketing Charges

It has been stated earlier that home grown produce to the value of £8,135,000 is received from growers for sale on commission. So far as can be ascertained £7,899,000 of this is sold on commission and the selling price together with all charges for service is disclosed on the statements rendered to growers.² This leaves £235,000 of home grown produce for which the growers are given a 'net return.' Some firms stated that growers preferred net returns but only one firm was making such returns with the written consent of the growers concerned.

¹ However rapidly the grower may be informed of realised prices after actual sale, the grower in Cornwall, for instance, whose produce takes two days on the journey to Birmingham is not in a good position to make correct marketing decisions.

² But see p. 9.

Two firms certified that the sales made by them were in accordance with the terms of the Horticultural Produce (Sales on Commission) Act, 1926. The absence of such a certificate, however, does not absolve the remaining firms from fulfilling the requirements of the Act, provided always, of course, that the grower had fulfilled his by sending the proper advice note as to the kind and quantity of produce consigned. There was very little evidence of circumventing the Act. A few firms admitted to averaging returns for the smaller growers if the quality of the produce from each was roughly comparable. The reason given for such averaging was that the acute pressure on space made it imperative to stack several lots together rather than keep them separate.¹

Where produce was sold on commission the charges varied from $7\frac{1}{2}$ per cent to 10 per cent of the selling price. Thus the larger firms tended to charge $7\frac{1}{2}$ per cent on fruit and vegetables and 10 per cent on flowers. Some firms charged 10 per cent on all produce, others $7\frac{1}{2}$ per cent on all produce. Some varied the percentage (i) according to the level of prices, charging the higher percentage on the higher price; (ii) according to the length of contact with the grower, charging less to the growers who had sent longest; (iii) according to the size of consignment received, charging a lower percentage to those growers sending larger consignments; and (iv) according to the empties used, charging lower rates for produce in growers' empties. There is little doubt that the total charges levied vary greatly as between firms. On the one hand some firms levied a $7\frac{1}{2}$ per cent commission and made no other charges whatever even if the firm provided the empties. On the other hand some firms charged 10 per cent commission, plus from 6d. to 1/-d. for the use of empties and a handling charge of 3d. per package or a charge for 'market dues.' The use of the terms 'market charges' or 'market dues' implies some toll levied by the market authorities when in fact the rent of the stand is the only and all-inclusive charge made to firms. Such market dues represent an income over and above the commission and tend to stabilise the income of the firm by making it less dependent on price levels. No empties charge is levied by some firms even with a $7\frac{1}{2}$ per cent commission, by others it takes the form of an extra $2\frac{1}{2}$ per cent commission on the basic $7\frac{1}{2}$ per cent, and by yet others it is a specified charge of from 6d. to 1/-d. per package over the $7\frac{1}{2}$ per cent or the 10 per cent commission. One firm levies $7\frac{1}{2}$ per cent commission for produce in the growers' empties and 10 per cent commission, plus a charge described as 'market dues' for produce sent in the firms' empties. Thus, on a box of produce packed in the commission agent's container and selling for £1, the charge may be as low as $7\frac{1}{2}$ per cent, i.e. no more than 1/6d. or it may be as high as 10 per cent, plus 1/-d. for the use of the container, i.e. a total of 3/-d. Growers are not, perhaps, sufficiently aware of these differences and their influence on the cost of marketing.

¹ If all packages were labelled each grower's produce would be easy to identify. See, however, p. 8 where it is stated that labels are deliberately removed.

Movement of Produce

It is difficult to generalise about the methods by which home grown produce reaches the market but it may be stated that commission agents rarely provide transport from the holding. A large and increasing proportion of the produce appears, however, to be transported by road.

The larger firms with warehouses in the market area frequently sell from samples displayed on the stands in the market or even by description when the produce comes from a grower known to have a high standard of quality. Much of the produce, then, never enters the market in the physical sense, but is delivered by the commission agents to the buyers or collected by the buyers from the warehouses. Produce consigned to the smaller firms is delivered to the market stand and is sold with or without inspection as the case may be.

It would appear that the commission agents play an important part in transporting produce from the market to buyers' premises. Information on transport facilities out of the market is available for 49 firms and no less than 35 of them provide some or all of the transport for the retailer while 14 firms, mainly the smaller concerns, provide none. It would seem that in order to obtain the custom of retailers some firms believe they have to provide transport to the retailers' premises. One firm, in fact, went so far as to state that retailers were 'carried on a silver plate by firms in the market'; other firms regretted having to provide transport but regarded it as essential because competitors did so. So strong is the compulsion to provide transport for the retailer that commission agents, much against their will, have frequently to deliver for customers produce which has been bought from competitors. Nevertheless, at least one quarter, if not more, of the firms manage to remain in business while providing no transport for customers, though admittedly they are the smaller firms.

All except three of the 35 firms providing transport to buyers' premises stated that it was provided generally without charge. Thirty-two firms then, regarded transport to the buyers' premises as part of the service rendered for the charge made to the grower. Three firms, however, stated that if the buyer required transport for his purchases the 'price was regulated accordingly,' the transport was 'worked in with the price' or the salesman 'reckoned delivery as part of the price.' All these firms were selling on commission and one was even certifying that the statement returned to growers was in accordance with the Horticultural Produce (Sales on Commission) Act. When asked how this practice was possible in view of the requirement of the Act one firm stated that the only advantage obtained was the extra commission on the higher price charged for produce which was transported for retailers. The explanation is not even plausible. These firms are most probably deducting from the sale price something to cover transport in order to arrive at the 'price' to be returned, less charges, to the grower. It is inconceivable that a higher price can be charged because of the fact

that other firms ostensibly provide free transport. In the last resort, of course, the grower pays and in the absence of any other explanation then the handling charge of 3d. a container most probably represents the amount the grower has to bear in order that the salesman shall provide 'free' transport to the retailer.¹ Under these circumstances, however, the retailer must tend to offer higher prices than he would if he had to provide his own transport. The unanswerable question is 'how much higher?'

Among the other services provided by those firms with transport is the 'free' collection of returnable empties from the buyers' premises. More important, however, is the credit which all firms allow the majority of their customers. Credit accounts are made up usually to include purchases made on Fridays and are due for settlement in 7 days. Meanwhile, the commission agent has to pay the grower. Commission agents have therefore to find the working capital to finance credit transactions equal to at least one week's turnover. Many firms stated that although the accepted terms of the trade allowed 7 days credit buyers frequently took longer than 7 days to pay and that there was a tendency for the credit taken to become more extended and either for bad debts to increase or for increasing attention to be needed to recover long outstanding sums. One firm with a turnover of almost £1 million a year stated that its accounts with retailers outstanding for more than 7 days totalled £4,800 at the date of the interview. As compared to the annual turnover this is a small sum. But the effect which such extended credit has upon the amount of working capital needed is quite important. If, for instance, this £4,800 were received in even 14 instead of the normal 7 days, then the firm concerned would need 25 per cent. more working capital than it would if all buyers settled their accounts in 7 days.

Problems of handling Home Grown Produce

All the firms interviewed were asked whether they had any special problems connected with handling home grown produce. The replies fall into three main categories—(a) those concerned with the quality of the produce, (b) those concerned with empties and (c) those concerned with size of consignments and other matters.

No less than 21 firms stated that their main problems in handling home grown produce arose from defective grading, low quality, indifferent presentation and short weight. The 10 largest firms in the market were unanimous on this point while a number of the medium scale firms were of like opinion. Most firms complaining on this score, however, absolved the larger scale grower and directed their complaints against the medium and small scale growers. It seemed that the smaller firms in the market tended to take produce as they found it. The larger firms, on the other hand, were acutely aware of difficulties which arose

¹ Of the 14 firms with no transport only one made a handling charge.

from low quality and one firm stated that it was their practice to examine a few containers from every consignment so that each consignment could be sold on its merits.

Only 12 firms specifically stated that the provision of empties presented them with a problem, though the general impression received is that most firms encounter difficulty of one sort or another in this respect. Many firms deplored the high cost of empties, two firms of widely different scales of operation provided information which showed that one-tenth of their commission earnings were spent on the purchase of returnable empties though, of course, these empties provided a source of revenue in hiring charges. Most firms stated that empties lasted for relatively few journeys and even with hire charges set against cost the provision of empties was a liability to them. On the other hand, observation in retailers' premises has shown that empties provided by firms in the market have a life of ten or more years. During that time they have regularly earned a 1/-d. hire charge every time they have been used by the growers. Moreover some firms have expressed the opinion that 'empties last longer than is generally believed.' Perhaps one of the biggest real problems of the provision of empties is that of finding storage space in an area where space of all kinds is so expensive. While a few of the smaller firms get over this problem by storing empties on growers' premises some of the larger firms have 'cathedral like' warehouses solely given over to the storage of bags, boxes and crates of one kind or another.

Whatever the merits or demerits of the case, and a considered opinion is that there is a problem here but by no means of the magnitude it is often stated to be, the case for non-returnable empties provided by the grower is unanswerable when it is stated that firms handling imported produce and co-operatively packed top fruit on commission do so for 5 per cent or 6 per cent of the realised price, and state that they do so partly because of the non-returnable empties which are used. The case is made even stronger by the statement by some firms that 'returnables put the buyers off' because of the deposit charge which has to be made to ensure safe return of the box.

Only five firms stated that the small size of some growers' consignments presented them with problems. Two firms, while being opposed in principle to co-operation by growers stated that they would prefer to handle the longer runs and larger bulks of produce which resulted from grower co-operation. Such a statement as that 'small consignments don't earn stand rent' epitomises the problem because, in order to meet the requirements of the Act, in practice each grower's produce has to be stacked separately (often because of defective labelling) in order that it may be identified by the salesman. A number of small consignments therefore makes extravagant use of space. Moreover, the clerical work involved in selling a small consignment can be very nearly as great as

that in selling a large consignment, while the commission earnings of the one bear no relation to those of the other.

No one entering the Market or working in the market area could be unaware of the problems resulting from traffic congestion and lack of space. This is a general problem affecting all kinds of produce, home grown and imported, but it is nevertheless an important one. The physical layout of the market at times results in such acute traffic congestion that the police forbid lorry drivers to enter the market area until the congestion has cleared. Some firms quoted examples to show the financial consequences of such delay in delivery, stating, for instance, that a lorry load of bags of peas realised £200 less than it would have made by early delivery. Responsibility for this state of affairs must rest fairly and squarely on the market authority. It is unlikely to be much improved when the whole of the market building becomes available for the commission agents with the rehousing of the growers' toll market.

V. CONCLUSIONS AND RECOMMENDATIONS

The magnetic attraction which a place in the market building has for all the commission agents engaged in the trade is one of the most curious features of the situation. On the one hand it is understandable that each firm wants to be, so to speak, 'in the swim.' But, on the other hand, the market building is at times most congested and it is clear that it has long outlived its suitability for the purpose for which it is used.

Given that a place in the Market for all firms is a desirable objective and that physical congestion must be avoided, then what can be done to bring about these conditions? Two courses of action seem possible. The first is sale on description and the second is the removal of the Market to a new site.

If produce could be sold on description or on the basis of samples displayed for inspection then the present building would be more than adequate to accommodate the trade. Indeed, it would open up the possibility of new firms entering the market. At the present time competition between firms may be keen but the possibility of that competition being made even keener by new entrants is somewhat remote. Selling on description, however, would mean that those firms which have no other premises than their stand in the Market would have to provide accessible warehouses, by no means an easy task in an area where space of all kinds is at such a premium. It would also necessitate the laying down of standards of grading and packing together with either their enforcement or their universal acceptance by growers. As both these requirements, warehouse space and standard grading, seem difficult to meet, then the second possibility might have more to commend it than the first.

Despite the existence of a development plan for the market area and despite the fact that some firms have sunk considerable amounts of capital in new buildings no impartial observer can see any possibility of avoiding confusion and congestion in the market area except by the removal of the Market to a new site. This immediately places a responsibility on the Birmingham Corporation which it seems unlikely to accept and suggests that city corporations are perhaps not the most suitable authorities to operate national markets. Birmingham Market, in common with some 8 or 10 others in the country, is a place where prices of produce are fixed for a considerable region and therefore no physical barriers to the free determination of prices should be imposed by lack of accommodation. Birmingham Corporation is interested in the Market as a source of supply of produce for the people of Birmingham; it is not and cannot be interested in providing a mart for growers in various parts of the country. The Corporation might well be interested in the wider aspect of the wholesale horticultural trade if there was any

possibility of attracting to the City all, or a very large part, of it. But the minimum need is that the Market should serve the requirements of the people of Birmingham and the maximum possibility is that it should serve the requirements of the West Midland Region. This fact must necessarily and understandably limit the interest of the City Corporation in the problems of horticultural marketing.

There would be much opposition to any movement of the Market to a new site not only from the retailers using the Market but also from the commission agents established in it. Retailers could have no valid objection but the case for commission agents cannot be lightly dismissed. Much new building is taking place and owners would need to be compensated for any loss which they might incur by moving. Moreover, space can now be hired at the railway stations and firms would need an assurance that space which was at least equally convenient would be available at any new market. Any removal of the Market might well disturb the advantage of position and so forth which some firms believe they now possess.

The Corporation would no doubt also object because of its commitments in building the new Toll Market, though this could perhaps be used for other purposes such as a fish market. While the Corporation holds the market rights, however, it also has duties to the firms using the Market and indirectly to growers in all parts of the country.

The Development Plan for Birmingham envisages the completion of the St. Martin's Toll Market for growers as the first stage. It is understood, however, that the Town Planning Department now proposes to lay out a 'market area' bounded by Digbeth, St. Martin's Lane, Edgbaston Street, Gloucester Street, Dean Street and a proposed new road which would run just south of Sherlock Street and cross Digbeth on its way to Curzon Street Railway Station. This market area, shown on the map on page 5, would, it is hoped, contained within its boundaries all the premises used for horticultural marketing purposes.¹ It is unfortunate that these plans were not made and published before some firms built new premises outside the proposed market area. Since the widening of Digbeth (the main entrance to the City which skirts the Market) has been virtually completed, some firms have built new premises alongside Smithfield Market and within the proposed market area.

This is not the best place to comment on these development plans so briefly outlined above. It is well to point out, however, that while the new road to Curzon Street Station will give firms a better access to their stores of produce kept there, it does little to provide better access to Moor Street Station Vaults, and road traffic to and from Camp Hill

¹ The boundary of the proposed 'market area' is taken from a map provided by the Town Planning Department of the City Corporation. The Development Plan contains little reference to the markets; see however:—
City of Birmingham, Report on the survey carried out under Section 5 of the Town and Country Planning Act, 1947, Written analysis, 1952.
City of Birmingham, Development Plan. Statement, 1952.

Station would remain unaffected. It is understood that no approach was made to the wholesale trade before the Development Plans were drawn up. The present plans appear to have been designed to make the best of a somewhat unsatisfactory situation brought about by the pre-war decision to build a new toll market for growers. At the end of the war when the plans were made the Town Planning Department had to take account of an uncompleted building on which too much had been spent to justify its abandonment. The result is that the proposals are not likely ever to meet the needs of the trade.

While the majority of the firms in the Market are above reproach, this enquiry has shown that some tidying up might be done with advantage in the cases of a minority. By an amendment to the Horticultural Produce (Sales on Commission) Act, 1926, gross sales returns could well be made compulsory. It has been suggested that the firms making net returns give as good a price over the season as firms making gross returns because they take a larger hidden commission when prices are high and a smaller one when prices are low. Even if this is true the firm making a net return is withholding from the grower that information on which marketing and production decisions are made. Growers may not know how to use this information to their advantage, but that is no reason why it should be denied to them. Moreover, if it were obligatory to show the gross price realised together with deductions for services rendered growers would be in a better position to select those firms which were more competitive in their charges, and it has been shown that very considerable differences do exist in the total charges made.

No amendment to the Act is called for, of course, to tidy up the situation in which a firm in the market sells to branches acting as wholesalers. Unless this fact is disclosed to the sender such a practice contravenes the Act.

The great variety of ways in which charges are levied calls for attention. As shown earlier some charges are made and described in such a way that they imply expenditure on the grower's behalf. The Act might well be amended so as to make a uniform system of charging compulsory or make an inclusive percentage charge compulsory, leaving each firm to fix its own percentage and the grower to choose his commission agent on merits.

After discussing the system of commission selling, its advantages and its shortcomings, with many people it would seem very difficult to devise an alternative system which would have the flexibility which it possesses in such a remarkable degree. Supplies vary, demand varies and the price mechanism operates to equate the two. The suggestions put forward above are directed to facilitate the working of the price mechanism by allowing all concerned to have better and more exact information so that more nearly perfect competition, in the strict economic sense, can result. More perfect competition would tend to put the wholesaler, the firm which buys and resells in the market out of

business because it now exists because of a degree of imperfection in competition arising from incomplete knowledge of conditions by sellers and buyers. More perfect competition would bring the full weight of demand as expressed by retailers and other buyers to bear upon supplies. Whatever price that demand dictated would pass, with appropriate deductions by the commission agent, to the grower instead of as at present, a second firm being sometimes interposed. It may, of course, be contended that such wholesale firms tend to stabilise prices by buying in when prices are low and selling when prices are higher. The price stabilising influence of these firms, however, must be small for two reasons. First, the magnitude of the operations of the firms concerned is small in relation to the trade of the market, and secondly, produce of so perishable a nature can be held for only a short time without loss. Moreover, it is questionable whether such a stabilising influence is desirable. Indeed, in the absence of these firms the demand of the retailers whom they now supply would still be felt in the market; the very existence of these firms is both the symptom and the result of imperfection in the competition and therefore, in a system which rests on the free interplay of supply and demand, their existence cannot be tolerated.

If the economic shortcomings of the market and the systems it exemplifies are limited to those points discussed above, viz., physical congestion, buying-in and reselling, inconsistency in making sales returns and withholding price information from growers by some firms, then no very serious charges can be brought against it or the great majority of the firms concerned. While certain abuses exist, however, their importance will be magnified by the uninformed.

It is hoped that this report has put the general situation in proper perspective. Studies of this kind, however, are only a preliminary, though a necessary one, to fuller and more detailed investigations. Nevertheless if the present study has contributed even in a small measure to a better understanding of the position it will have gone some way towards having achieved its object.

