



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

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

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

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

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

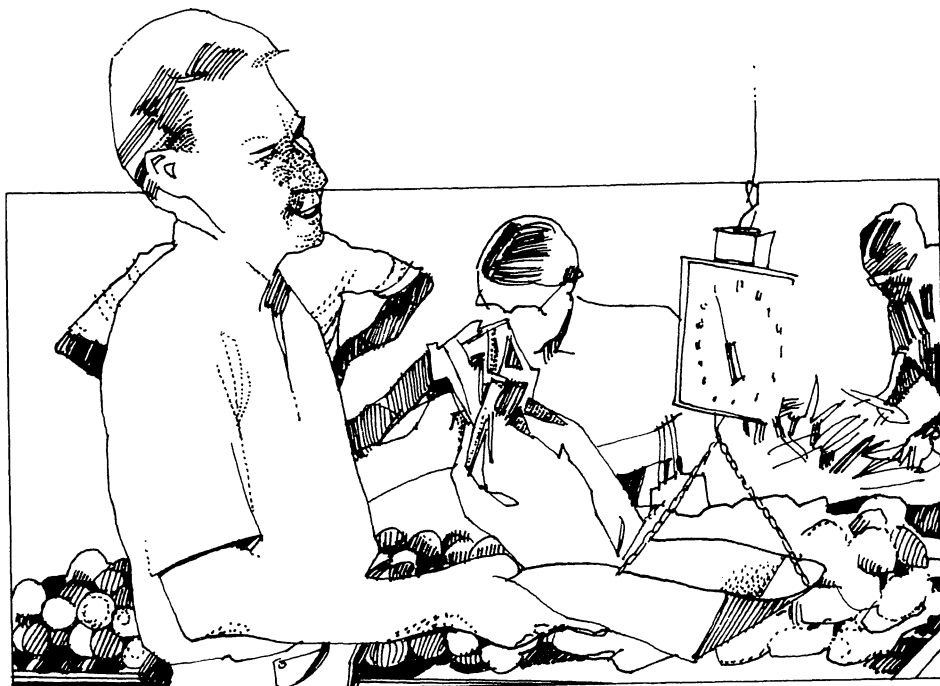
No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Farmer-to-Consumer Direct Marketing: Update

Pete Henderson and Hal Linstrom
(202) 447-8707

Farmers cite the higher prices that result from capturing "middleman's profits" and "reducing marketing costs" as a major reason for direct marketing their crops. These are the findings of surveys conducted in accordance with the 1976 Farmer-to-Consumer Direct Marketing Act, which mandates surveys in a selected group of States each year (See NFR-8, 9, and 11).

The most recent survey—conducted in December 1979—covered nine States: Colorado, Maryland, Delaware, New York, Connecticut, Massachusetts, Rhode Island, Tennessee, and Wisconsin. Because of small numbers of farmers in some States, data from Delaware and Maryland were combined. Also, Connecticut, Massachusetts,



Value of Products Sold Directly to Consumers, 1979

Item	Colorado	Maryland and Delaware ¹	New York	Three Southern New England States Dollars	Tennessee	Wisconsin	Nine State total
Vegetables and melons:							
Sweet corn	112,084	970,261	5,833,660	3,473,709	13,095	120,402	10,523,211
Tomatoes	152,754	335,843	2,307,173	1,696,940	350,067	98,846	4,939,623
Melons	176,320	148,024	179,851	163,705	28,427	81,809	778,136
Potatoes	48,239	252,356	582,942	363,193	8,181	67,728	1,322,639
Green beans	17,967	97,570	208,047	360,205	11,675	17,210	712,674
Cabbage, broccoli, cauliflower, brussels sprouts	9,317	51,266	1,159,569	314,574	1,245	82,750	1,618,721
Squash	13,947	66,712	271,947	540,357	1,807	25,554	920,324
Peppers	42,317	4,326	308,446	321,374	0	6,499	682,962
Cucumbers	27,328	30,973	422,670	329,991	1,342	29,523	841,827
Pumpkins	7,156	243,710	363,013	502,439	0	57,159	1,173,477
Green peas	1,067	7,994	37,980	36,761	1,603	0	85,405
Asparagus	13,543	349,592	33,542	1,589	0	8,849	407,115
Sweet Potatoes	0	8,261	0	0	20,564	0	28,825
Other	121,718	130,152	12,897,377	375,208	2,098,606	1,497,645	17,120,706
Total vegetables and melons sales	743,757	2,697,040	24,606,217	8,480,045	2,536,612	2,091,974	41,155,645
Average vegetables sales per farmer	2,143	938	8,715	7,933	1,460	793	3,544
No. of farmers selling vegetables	347	2,875	2,823	1,091	1,738	2,740	11,614

¹Treated as one State for reporting purposes because of small number of farms and sample size in some States.

Value of Products Sold Directly to Consumers, 1979 —Continued

Item	Colorado	Maryland and Delaware ¹	New York	Three Southern New England States Dollars	Tennessee	Wisconsin	Nine State total
Fruits and nuts:							
Apples	211,159	1,254,018	8,825,632	9,286,830	925,801	3,766,115	24,269,555
Strawberries	4,254	1,488,781	2,452,125	1,911,374	569,125	1,618,691	8,044,287
Other berries	266	26,000	873,429	535,614	12,851	91,208	1,539,368
Peaches and nectarines	301,494	1,528,605	575,800	1,172,548	253,439	0	3,831,886
Cherries	113,513	22,991	120,049	23,450	0	224,190	504,193
Pears	119,016	73,318	226,919	392,592	0	21,290	836,135
Grapes	1,276	23,005	58,390	57,662	0	2,662	142,804
Plums	16,727	14,704	110,853	157,853	0	907	300,850
Other	31,408	5,119	173,267	4,548	2,237	846,700	1,063,279
Total fruit and nuts sales	799,113	4,439,478	13,416,464	13,542,277	1,763,453	6,571,572	40,532,357
Average fruits and nuts sales per farmer	1,800	8,808	12,434	11,370	1,707	2,518	5,905
No. of farmers selling fruits and nuts	444	504	1,079	1,191	1,036	2,610	6,864
Floral and nursery:							
Total floral and nursery	12,128,940	5,962,277	12,417,404	23,218,761	3,217,193	32,763,028	89,707,603
Sales per farmer	32,344	13,250	7,471	17,225	3,015	32,471	14,838
No. of farmers selling floral and nursery products	375	450	1,662	1,348	1,067	1,009	5,911
Other products:							
Livestock, poultry, and live-stock and poultry products	501,549	5,087,386	13,336,375	6,314,824	61,444	597,352	25,898,923
Processed fruit products (cider, jelly, jam, etc.)	2,222	123,886	782,083	951,446	0	115,498	1,975,235
Christmas trees and forest products	7,579	798,197	342,555	603,455	42,208	297,155	2,091,149
Honey and syrups	165,956	52,132	2,913,573	452,255	60,485	531,472	4,175,873
Dairy products	5,011,453	0	8,025,276	1,179,513	5,714	10,085	14,232,041
Other	1,155,189	4,861,595	10,513,338	3,335,406	2,037,413	18,114,683	40,017,624
Total other product sales:	6,843,948	10,923,196	35,913,200	12,836,899	2,207,264	19,666,345	88,390,852
Average sales of other products	9,324	3,130	6,364	3,807	678	1,935	3,194
Farmers selling other products	734	3,490	6,660	3,372	3,257	10,163	27,676
Total direct sales:	20,515,758	24,021,991	86,353,285	58,077,982	9,724,522	61,092,919	259,786,457
Average sales per farmer selling direct	10,372	5,136	8,505	12,150	1,433	4,045	4,934
No. of farmers selling direct	1,978	4,677	10,153	5,084	6,784	15,103	43,779
Total number of farmers in State	26,300	19,200	45,000	9,390	94,000	95,000	288,890
Percent of farmers selling direct	7.5	24.2	22.6	54.1	7.2	15.9	15.2
Percent cash receipts derived from direct marketing	.6	1.9	3.9	10.7	.5	1.4	2.0

Foreign Ownership in Food Retailing

Naaman Seigle and Charles R. Handy
(202) 447-6363

and Rhode Island were combined into a "Southern New England" category. Responses showed that:

- In the nine States, 44,000 farmers sold \$260 million worth of products directly to consumers. This volume represented about 2 percent of total farm sales, varying from less than 1 percent in Colorado and Tennessee to almost 11 percent in the three Southern New England States.

- Leading products sold directly to consumers were nursery and floral products, apples, peaches, strawberries, sweet corn, and tomatoes.

- As compared with the previous year's survey, about 5 percent more farmers—75 percent—had total farm sales of less than \$20,000 annually. The 25 percent of farmers with total annual farm sales of \$20,000 and over accounted for 80 percent of direct sales. About 65 percent of the direct marketing farmers were part-time with additional non-farm sources of income.

- Almost one-half of the farmers produced livestock, and over one-third produced field crops. Poultry and vegetables were produced by one-fourth of the respondents. Fresh fruits, dairy products, floral and nursery products, honey, syrup, and forest products were produced by less than one-fifth of the farmers.

- Nearly 64 percent of direct marketing farming operations, in the nine States, were located near cities with a population less than 10,000. The population of the nearest city for another 22 percent of these operations was between 10,000 and 50,000.

- On future plans, 38 percent of the farmers said they would continue direct marketing at the same level, 28 percent planned to increase direct marketings, about 15 percent planned to decrease operations, and 20 percent were undecided. ■

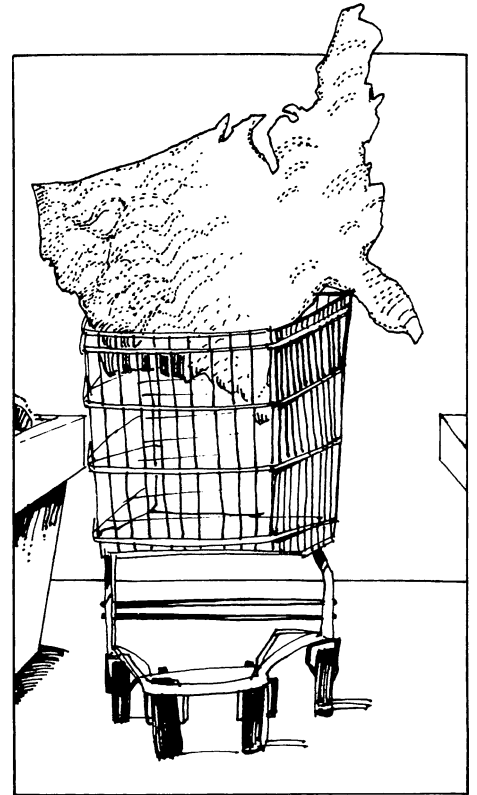
The slogan "Take Stock in America," intended to publicize U.S. Savings Bonds, has become the goal for the increasing number of foreign firms investing in the U.S. food system. The U.S. Government has traditionally maintained a neutral policy toward direct foreign investment. This neutrality was recently reaffirmed by the Department of Commerce in congressional hearings. Foreign investment in the U.S. has doubled in the last 5 years, but the amount of foreign investment is still only about one-fourth as great as U.S. investment in foreign firms.

Foreign investment in U.S. agricultural land has received the most publicity and generated the most concern up to present time. However, data collected under the Agricultural Foreign Investment Disclosure Act of 1978 reveal that as of February 1, 1980, foreign entities and individuals owned slightly less than 0.5 percent of all U.S. agricultural land, almost half of which is classified as forest lands. A greater degree of foreign investment has occurred in food manufacturing and retailing.

Growing Foreign Investment

In 1974, foreign firms controlled about 4 percent of sales and over 6 percent of the total assets of U.S. food manufacturing. By the end of 1979 foreign investment in food manufacturing had reached \$2.56 billion—about 5 percent of sales and approximately 8 percent of the total assets of U.S. food manufacturing.

In the last few years, a growing number of European firms have added U.S. food retailers to their shopping lists. Canada's Loblaw Companies' 1956 acquisition of National Tea represented the only significant foreign investment in U.S. food retailing prior to 1970. In 1972, Loblaw also acquired Peter J. Schmidt, a small chain of grocery stores based in Buffalo, New York. There were six foreign-owned food retailers in 1975. As of April 1980, foreign firms wholly or partially owned 23 U.S. grocery firms.



These 23 firms accounted for nearly 11 percent of total grocery store sales. Over half of these firms were acquired since 1978.

Parent Firms

At least 15 foreign firms own food stores in the United States. These parent firms are located in five European countries plus Canada. West Germany is the leading source of foreign investment, with six parent firms. These West German companies control eight U.S. affiliates and account for 60 percent of total foreign investment in the grocery store industry. The United Kingdom is the next largest source with three parent firms that account for 23 percent of foreign investment in the United States. Ten percent of direct foreign investment originates from Canada, and the remaining 9 percent is distributed among Belgium, Netherlands, and France. If Steinberg, a Montreal based retailer, completes its announced intention to acquire Smitty's Super Value (a local chain of 19 stores based in Phoenix, Ariz.), the Canadian share of foreign investment will increase slightly.

Most acquiring firms are large retailers in their home countries. The two exceptions

To receive a more detailed copy of this report write:

Direct Marketing
Room 260-D GHI
500 12th Street S.W.
Washington, D.C. 20250