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. ■

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Foreign Ownership in Food Retailing

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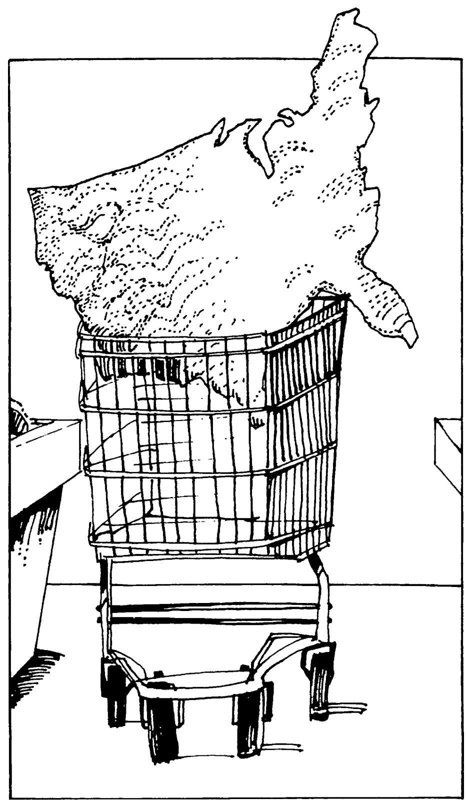
The slogan "Take Stock in America," intended to publicize U.S. Savings Bonds, has become the goal for the increasing number of foreign firms investing in the U.S. food system. The U.S. Government has traditionally maintained a neutral policy toward direct foreign investment. This neutrality was recently 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 Lobaw Companys' 1956 acquisition of National Tea represented the only significant foreign investment in U.S. food retailing prior to 1970. In 1972, Lobaw 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 Belguim, 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

Foreign Investments in U.S. Food Retailing, April, 1980

Foreign Investor and country	US Company: Name	Date of major investment or acquisition	Extent of foreign ownership[1]	1979 sales	Share of total U.S. Grocery store sales[1]
			Percent	Mil. dollars	Percent
Tengelman Group West Germany	The Great Atlantic and Pacific Tea Co.	1978	45	6,684[2]	3.8
Cavenham, Ltd. UK	Grand Union Co. Colonial Stores, Inc. J. Weingarten, Inc.	1973 1978 1980	100 100 97	3,874[3]	2.2
Theo Albrecht Group/THS West Germany	Albertson's, Inc. Pronto Markets, Inc.	1979 1979	9 100	2,817[4]	1.6
Lobaw Companies, Ltd. (George Weston, Ltd.) Canada	National Tea, Co. Peter J. Schmitt Co., Inc. Applebaum's Food Markets	1956 1965 1979	84 100 100	1,763[5]	1.0
Delhazie Feres, & Cie, "Le Lion" Belgium	Foodtown Stores, Inc. Alterman Food, Inc.	1974 1980	52 100	827[6]	.5
Rewe Handelgeseilschaft, OHG West Germany	Furr's Inc.	1979	100	550[7]	.3
Wertkaug Mann Co. (Hugo Mann Group) West Germany	Fed-Mart Corp	1975	68	548[8]	.3
Ahold, NV Netherlands	Bi Lo, Inc.	1977	100	540[7]	.3
British-American Tobacco, Co., Ltd. (BATUS) UK	Kohl's Food Stores, Inc.	1972	100	450[9]	.3
Franz Haniel & Cie, Gmbh West Germany	Scrivner, Inc. Pacific Gamble Robinson Co.	1977 1976	100 9	548[10]	.3
Promodes, SA France	The Red Food Stores, Inc.	1979	100	206[11]	.1
Aldi, Gmbh West Germany	Benner Tea Co.	1979	100	150[12]	.08
Silverwood Industries, ltd. Canada	Hop-In Food Stores, Inc. Fairview Ltd.	1980 1980	33 100	60[13]	.03
Societe Docks de France France	Lil' Champs Food Stores, Inc.	1977	35	23[14]	.01
Albert Gubay/Three Guys UK	3 Guys, Inc.	1980	100	Not available[15]	
Total Investment				18,990	10.7

[1]Direct or indirect ownership of voting securities—April, 1980. [2]Fiscal yeal ended Feb. 23, 1980. [3]Includes J. Weingarten sales reported to June 30, 1979 $566,118,000. [4]Includes estimated 1979 sales of Pronto Markets, Inc. [5]Excludes Schmitt's wholesale and Park Edge sales. [6]Excludes Alterman's wholesale operations. [7]Estimated sales. [8]Food store sales only as of September 2, 1979. [9]Food store sales only, estimated total company sales $600,000,000. [10]Does not include wholesale sales. [11]June 3, 1978-June 2. 1979. [12]Industry estimate. [13]Hop-In sales-Jan. 1, 1979-Dec. 31, 1979 = $48,633,462. [14]Excludes gasoline and pinball machines commission. [15]Opened January, 1980.

Sources: U.S. Department of Commerce; Supermarket News; Progressive Grocer; Chain Store Age; Food Marketing Institute; Annual Reports.

are British American Tobacco Company, and Franz Haniel, West Germany, a fuel and shipping firm. To date, foreign investment into food retailing has been achieved through horizontal market extension mergers by other retailing firms, rather than through conglomerate mergers.

U.S. Subsidiaries

The 23 U.S. food retailers acquired by foreign firms vary widely is size from over $6 billion in sales to less than $20 million. Four companies (18 percent) reported 1979 sales of over $1 billion. Three (A&P, Grand Union, and Albertson's) rank in the top 10 U.S. grocery store firms, while the fourth (National Tea) ranks among the top 20. Another five companies (23 percent) are large regional chains with sales between $500 million and $1 billion. But the foreign investors' favored affiliation is with the mid-size local chain with annual sales under $500 million. Thirteen chains (59 percent) fall into this category. In addition to the more "affordable" size of these mid-sized regional and local chains, they are generally stocked from a single warehouse that contributes to the cohesiveness and efficiency of the operation, making the chains attractive investments for foreign firms.

Fourteen of the U.S. affiliates are wholly owned by their foreign parent company. An additional 4 firms have over 50 percent foreign ownership. Foreign investors owned less than 10 percent of the common stock of Albertson's and Pacific Gamble Robinson.

With a few major exceptions such as A&P and National Tea, the U.S. affiliates of foreign firms tend to concentrate in the Southeastern and Southwestern regions. Over two-thirds of the acquired firms are located in these Sunbelt regions which are experiencing above average population growth. Thus, for many cities in these regions the share of sales controlled by foreign-owned retailers is considerably higher than the national average.

American food retailers have not been particularly aggressive in developing sales outside the United States. Safeway is a notable exception—277 of Safeway's 2,425 supermarkets in operation at the end of 1979 were located in Canada, 114 in Europe, and 63 in Australia. Jewel Food Stores also has substantial food retailing operations in Mexico.

Performance of U.S. Subsidiaries

Because most foreign investments have occurred since 1978, it is still too early to assess changes in performance of U.S. affiliates under their new ownership. In general, foreign owners have retained the existing management and operating procedures of their new purchases. A dramatic exception is Aldi Benner, of West Germany, who introduced the limited assortment "box stores" in this country, patterned after their successful European operations. Under Tengelmann's (West Germany) ownership, A&P has also adopted the "no frills" box store format in many markets. Financial performance of foreign firms' U.S. subsidiaries has generally reflected the firm's preacquisition record. Grand Union and Food Town stores have increased their profitability following foreign ownership, but the financial problems of other large retailers such as A&P and Fed-Mart have continued under foreign control.

Share of Foreign Investment in U.S. Food Retailing, 1980

Country	Parent firms	U.S. firms acquired	Share of foreign investment
	Number	Number	Percent
West Germany	6	8	60
United Kingdom	3	5	23
Canada	2	5	10
Belgium	1	2	4
Netherlands	1	1	3
France	2	2	1
Total	15	23	100

Foreign Investment Incentives

Many firms turn to the large U.S. food retailing market because of restrictive regulations in their home country. In West Germany, laws restrict new supermarket openings and place controls on their operations. Large retail firms are required to obtain approval from neighborhood residents and merchants before constructing large supermarkets. Similar laws affect retailers in France and other European countries.

Foreign investors have been attracted to successful mid-size regional and local chains. A favorable exchange rate and undervalued common stock, priced at or below book value, makes food retail firms attractive ventures for foreign investors. At the same time, some U.S. retailers have been receptive to foreign investment as a source of funds to finance growth in a tight money environment. Food Town Stores, for example, has increased sales more than five-fold since Delhazie, of Belgium, acquired 52 percent ownership in 1974.

Real estate and tax considerations may also encourage inward foreign investment. Many retailers own substantial real estate holdings. Foreign investors are not required to pay U.S. capital gains tax on the sale of real estate in this country.

If interest rates remain high, U.S. retailers will continue to look at foreign investors as possible sources of funds to finance expansion and store modernization. At the same time, many foreign retailers are finding it difficult to grow in their home countries and are looking for larger markets. These conditions suggest a continuation of foreign investment in U.S. food retailing, but it is unlikely that the rapid investment pace of the past two years will be sustained. ■

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