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real, social gains as well. The main ones are the possibility of management synergism and increased economies of scale in production, research, or marketing. It was the overall assessment of the FTC's (1969) report on corporate mergers that, on balance, there were few if any real, economic benefits to the mergers of 1948 to 1968. One food industry where there probably were significant efficiency benefits from mergers was the dairy industry over 1950-75 (Mueller, Hamm, Cook, 1977).

Some Recent Trends

Most reliable studies on the topic of the conglomerate have data bases which end before or around 1970 (FTC, 1969; FTC, 1972; NCFM, 1966; Horst, 1974). More recent data suggest that no plateau has yet been reached in levels of product or geographic diversification and that the hiatus in merger activity in the early seventies has come to an end.

Table 1 records the author's preliminary estimates of trends in product diversification for 25 leading food processing firms. The data clearly demonstrate a shift toward ever greater conglomeration in 1950-75, even though these 25 companies were already among the most diversified firms at the beginning of the period and the number of possible grocery industries has remained about the same. Another source found that the 200 largest U.S. food processing firms marketed over 6,000 different branded consumer products in 1975 (Connor and Mather, 1978).

From recent data collected by the Department of Commerce, the trend toward multinational investment hardly appears to be stalled. The stock of foreign direct investment of food processing companies has increased from \$1.7 billion in 1966 to \$5.1 billion in 1976 (*Survey of Current Business*).

Finally, present business conditions appear to be conducive to yet another wave of large mergers. Since 1974, low levels of investment, high profits, large cor-

porate cash reserves, and depressed stock market values have all combined to make conglomeration lucrative. During 1977 alone, a total of 524 mergers involving food industry firms were publicly announced, the largest number ever recorded (Food Institute's "Weekly Digest," February 11, 1978). About one-fourth of these acquisitions were by firms in completely unrelated industries; that is, they were conglomerate mergers.

It is still rather early to tell whether the current spate of mergers will approach the pace of 1967 to 1969, when over \$32 billion in industrial assets were acquired. But, if it does, the result will be the creation of several more "pure conglomerate" food firms.

DIRECT MARKETING— CONSUMERS' VIEW

by Judith L. Jones,
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Passage of the Farmer-to-Consumer Direct Marketing Act of 1976 reflects growing national interest in direct marketing of farm products as a means of gaining access to fresher, higher quality foods at less cost for consumers and as an alternative market to increase farm income, particularly for small farmers near population centers. Under this Act, USDA recently funded projects to support

direct marketing in 22 States and Puerto Rico.

Over the years, farmers have received about 40 percent of the consumers' food dollar. The other 60 percent is marketing costs—labor, transportation, advertising, packaging, and profits. Direct marketing provides farmers an opportunity to capture a larger share of the consumers' food dollar.

National studies of consumer satisfaction with food products in 1974 and 1976 show that many shoppers are dissatisfied with the quality of fresh fruits and vegetables purchased in food stores. Also, studies in Ohio, Missouri, and Louisiana indicate that access to better quality food is the major reason for direct market buying. In reaction to rising food costs, concern over food quality and wholesomeness, and changing lifestyles and values, consumers may turn increasingly to alternative food sources—home gardening, home canning and freezing, and buying food directly from the producers.

To assess consumer interest in using alternative direct market outlets, ESCS conducted a national probability survey in the winter of 1978, questioning roughly 1,300 household food shoppers from different regions and social strata. The preliminary results show that about 58 percent of the American households purchased food during the past year from at least one of the five types of direct markets studied. The

TABLE 1. DIVERSIFICATION OF 25 LEADING FOOD PROCESSING COMPANIES, 1950-75

Number of grocery product industries ¹	1950	1966	1975
	<i>Number</i>		
1-5	14	5	0
6-10	8	14	13
11-20	3	6	9
Over 20	0	0	3

¹ Classified using the four-digit standard Industrial Classification (SIC) code.

Sources: The National Commission on Food Marketing, *The Structure of Food Manufacturing* (June 1966) and Economic Information Services, Inc. For 1950 and 1966, only industries with \$500,000 in sales by company are counted; for 1975, the cutoff was \$1,000,000.

types of outlets and proportions of respondents shopping at each are: (1) Farm or roadside stand in the country, 38 percent; (2) roadside or curbside stand in town or suburb, 21 percent; (3) farm or orchard where you can pick-your-own (U-Pick), 17 percent; (4) farmers' market or city market where farmers and others sell food products from trucks or stalls, 16 percent; and (5) home delivery or truck selling house-to-house or stopping in the neighborhood, 11 percent. Included in this category is home milk delivery which usually is not considered as direct marketing.

While nearly 60 percent of respondents say they purchased food at a direct market outlet in 1977, not all sales from these outlets represent a direct farm-to-consumer transaction, particularly at farmers' or city markets and curbside stands. Some who sell in these markets buy from wholesale outlets or farmers and then resell to consumers. Thus the extent of direct market purchases from farmers would be somewhat less than respondents report in this survey.

While advantages vary by type of direct market, access to better quality food is the leading reason given for buying outside regular retail markets. Overall, about three-fourths of the direct market shoppers find this an advantage, ranging from four-fifths of those purchasing at a U-Pick or roadside stand in the country to about half of those buying from home delivery or truck. Saving money is an important advantage for about half of the direct market shoppers. Nearly 6 in 10 U-Pick patrons mention savings as an advantage compared to 4 in 10 shoppers at roadside stands and farmers' markets. Few home delivery customers (less than 15 percent) say they save money. Convenience takes a slight lead over access to better quality as motivation for using the home delivery market alternative.

Direct market shoppers mention other advantages less frequently in response to an open-end, non-directive question. Roughly one-quarter of the customers volunteer

that outings to U-Pick operations provide recreation, relaxation, and socialization. Slightly more than 1 to 10 direct market patrons say they prefer to select their own rather than buy prewrapped produce, while fewer than 1 in 10 mention safer, more nutritious foods, greater variety, or bulk purchases as advantages of buying at these outlets.

A majority of patrons say they have experienced no problems with direct market buying. Among those who have, travel inconvenience—further distances and heavy traffic—is the leading complaint against all direct market outlets, except, of course, home delivery. About 2 in 10 shopping at farms or orchards where you can pick-your-own, farms or roadside stands in the country, and farmers' markets mention this problem; only 1 in 10 using suburban roadside stands do so. Less than 1 in 20 direct market customers complain about varying product quality, inadequate variety, and price. About 1 in 10 shopping at farmers' markets dislike the crowds, and some complain about inadequate parking facilities. A similar proportion feel that picking their own produce at a U-Pick operation involves too much time or work.

Respondents were asked whether they purchased the following foods at direct market outlets last year: fresh fruit, fresh vegetables, eggs, beef, pork, chicken and turkey, milk, and bakery products. The most popular foods purchased at direct markets were fresh fruit and vegetables. Excluding home delivery customers, better than three-fourths of the direct market shoppers buy fresh fruit at these outlets and two-thirds buy fresh vegetables. Eggs are the next most popular food purchased directly from producers—primarily from farms or roadside stands in the country or home delivered. About 10 percent bought milk and slightly fewer purchased beef at direct markets. Survey data also show that except for beef less than 5 percent of the direct market shoppers purchased any of the meat or bakery goods from the

direct markets studied. However, in some regions, particularly the Midwest, larger proportions of shoppers buy eggs and meat and poultry products from direct markets. Moreover, these products may comprise a larger proportion of total direct market sales, because they are often purchased in volume.

Comparing intentions to buy for 1978 with actual participation in 1977, the greatest increase in popularity appears to be the farm or orchard where you can pick-your-own. One-fourth of the respondents say they intend to purchase at a U-pick compared with 17 percent buying at a U-Pick in 1977. Interest in roadside or curbside stands in town or suburbs and farmers' markets or city markets also appears to be rising, while the home delivery market may lose customers in 1978.

Much of the increased interest in direct market purchases, however, appears to be among those already shopping at one or more outlets. About three-fifths of the food shoppers interviewed say they plan to shop at one or more of the direct markets in 1978, which is only slightly higher than the proportion who did so in 1977.

Among those not planning to purchase food at direct markets in 1978, over one-half cite travel inconvenience as the reason for not doing so. As noted earlier, this also is the main disadvantage voiced by participants. About 20 percent of those not planning to buy at direct markets say they intend to have a garden or be given food from someone else's garden. Slightly fewer say they would not buy because direct market prices are as high or higher than in the stores.

Additional articles on direct marketing based on more complete and indepth analysis of survey findings will be published over the next several months. Included will be additional commodity detail and a breakdown of consumer attitudes by region of the country, income, household size, and other socio-economic variables.