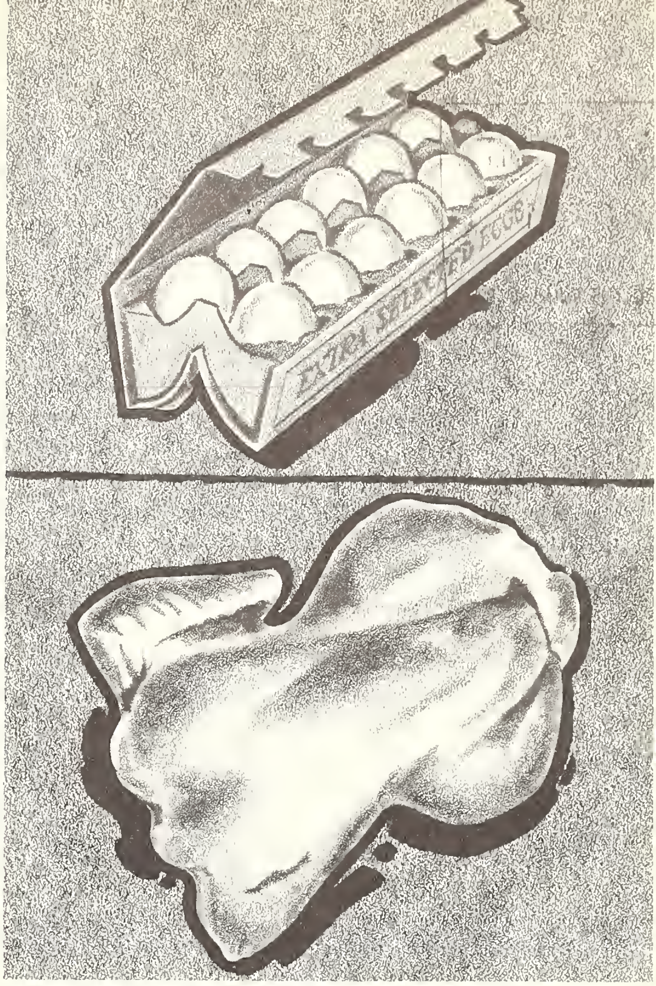
PRICE SPREADS, COSTS, AND MARKETING CHANNELS FOR



EGGS AND POULTRY

SOLD IN TRENTON, N.J.

Marketing Research Report No. 434

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Agricultural Marketing Service

Marketing Economics Research Division

PREFACE

This report on price spreads and marketing costs for eggs and poultry is one of several similar reports on food items that have been published or are planned by the Agricultural Marketing Service, U. S. Department of Agriculture. These reports are part of a broad program of research designed to help meet a need for public information on farm-to-retail and component price spreads on food.

Results of research on marketing price spreads, costs, and distribution channels in Trenton are presented for eggs, frying chickens, fowl, and turkeys. Some problems related to price spreads are also treated.

The author is grateful for the cooperation and assistance of Professor Alan Meredith, Rutgers University, and of the many retailers, wholesale-distributors, assemblers, and processors who supplied most of the information upon which this report is based.

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October 1960

SUMMARY

Marketing margins for eggs and poultry vary by commodity items. Some important factors affecting price spreads are: (1) Retail store pricing policies, (2) length of the marketing channel, and (3) other aspects of market structure.

Eggs.--Farm-to-retail price spreads on Grade A large eggs sold in Trenton, N. J., during December 1957 and June 1958 averaged 22 cents a dozen in independent retail stores and 19.2 cents in chainstores. These gross margins were lower than similar spreads in several large cities including New York and Baltimore, but were higher than gross margins in Los Angeles and San Francisco. Components of the gross spreads were: (a) For eggs sold in chainstores: retail stores, 7.7 cents; assembler-wholesale distributors selling to the chains, 11.4 cents. (b) For eggs sold in independent stores: stores, 12.8 cents; wholesalers, 4.4 cents; assembler-wholesale distributors, 4.8 cents. (These wholesalers did not carton eggs sold to most independent retailers. Additional costs of about 3.3 cents a dozen would have to be added to their margins to make them comparable to margins of wholesalers supplying chainstores. Independent retail store margins would then have to be reduced by a like amount.)

The causes of these differences in spreads appear to be the longer trade channel for eggs sold by most independent retailers, smaller volumes of eggs handled at all levels, the common and possibly inefficient practice of receiving eggs loose and cartoning them in many independent retail stores (chainstores received their eggs already cartoned), competition, and retail store pricing policies. Since farm prices were similar for both major trade channels, prices to consumers varied by the amount of the difference in gross margins. Eggs were not usually featured as special sales attractions by retailers in Trenton.

Local cooperative associations within a radius of about 100 miles of Trenton were the principal assembler-wholesale distributors of eggs moving into Trenton. These associations paid producers 3 to 4 cents a dozen less for loose eggs than they sold them for. Their total handling costs for cartoned eggs were about 10 cents a dozen, excluding delivery. Their selling prices were based on the "New York Spot Quotation" plus a differential.

Most small local wholesalers purchased eggs from local cooperatives. Many of these small wholesalers sold eggs at both wholesale and retail levels. Most retail sales were made at their own stores, although some sold eggs on delivery routes. Markups on their cartoned retail eggs usually ranged from about 6 to 9 cents a dozen more than on their wholesale loose eggs.

Egg prices at wholesale levels in Trenton were tied largely to a base quotation pricing system. Producers received their top prices on direct sales to consumers, but their selling prices to retail stores were usually less than those of small local wholesalers but higher than those of cooperatives. Producers generally supplied small retail outlets with eggs once or twice a week. Eggs not sold direct to consumers, or to stores, usually were sold through cooperatives.

Frying chickens and fowl.--Farm-to-retail price spreads on frying chickens sold in Trenton during December 1957 and June 1958 averaged 16.3 cents in independent retail stores and 18.5 cents in chainstores. These gross margins were lower than those in several large cities including New York, Baltimore, and San Francisco. In contrast with gross egg margins, gross margins on frying chickens were about 2.2 cents a pound lower when sold through independent stores than by chainstores. Chain retailers took average markups of 13.8 cents a pound on ready-to-cook fryers. Margins for suppliers

to the chains were: Wholesalers, 0.7 cents, and processors, 4 cents. Independent retail stores had average margins of 8.4 cents on ready-to-cook fryers. Wholesalers supplying them had average markups of 3.9 cents, and processors' margins were, again, 4 cents a pound. Neither group of stores used fryers frequently as special, low margin sales items on weekend store promotions, yet nearly 75 percent of the fryers were sold on weekends. Specialty poultry firm gross margins on fryers were less than the average gross margins for birds sold through retail outlets.

Prices for ready-to-cook fowl in chainstores were about 2.5 cents a pound less than in independent stores in December 1957. Price spreads on fowl, however, were about the same in both groups of stores. Practically all of the fowl were sold on weekends.

Chainstores did not handle New York dressed poultry, but this type pack still prevailed in the sample of independent retailers in Trenton. Prices and price spreads for New York dressed frying chickens and fowl averaged less than for the ready-to-cook birds. Compared with some other cities, independent retailers in Trenton have been relatively slow to shift to handling all ready-to-cook poultry.

Many of the chicken fryers and fowl handled by wholesalers and chainstores in Trenton were purchased from wholesale distributors in the Philadelphia area and in New York City. Only a small proportion of the chicken fryers and fowl sold in Trenton were processed in New Jersey. Most of the frying chickens were processed in Delaware, Maryland, and Pennsylvania. Most of the fowl were processed in New Jersey, Delaware, and in midwestern States such as Iowa.

Turkeys.--Cumulative farm-to-retail price spreads on medium-size, ready-to-cook frozen turkeys sold in Trenton independent retail stores averaged 19.3 cents a pound for November and December 1957. These gross spreads were higher than those reported for New York, Baltimore, and Los Angeles, but lower than those in San Francisco. Components of this spread were: retailers, 7.2 cents; wholesalers, 1.8 cents; and processors, about 10.3 cents. Prices and price spreads in independent stores were generally higher than in chainstores.

Retail prices and price spreads on frozen, ready-to-cook turkeys were generally less than those on fresh New York dressed birds. Wholesale distributor price spreads, however, were generally wider on the fresh New York dressed turkeys; but in November and December prices were nearly 5 cents a pound less than for frozen ready-to-cook birds.

Trenton was supplied with turkeys by wholesale distributors, most of whom were located in Trenton, Philadelphia, and New York City. These wholesalers purchased turkeys from processors in several States throughout the Nation. Some chainstores received shipments direct to their area warehouses from processors located mostly in the North Central States.

PRICE SPREADS, COSTS, AND MARKETING CHANNELS FOR EGGS AND POULTRY SOLD IN TRENTON, N. J.

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INTRODUCTION

Purpose of this Study

Marketing channels for eggs and poultry in medium size cities often are assumed to be more direct and less complex than in great metropolitan areas, and marketing margins are thought to be lower. 1/ To test these ideas, a study was made of the price spreads, costs, and marketing channels for eggs, frying chickens, fowl, and turkeys in Trenton, capital city of New Jersey. This city of more than 114,000 people is 56 miles southwest of New York City and 32 miles northeast of Philadelphia. Its people probably consume annually about 3.4 million dozens of eggs, 3.3 million pounds of frying chickens, and about 0.7 million pound of turkeys.

Methodology and Scope of Study

Data for the study were obtained from: (1) A random sample of 33 of the 437 independent retail food stores in Trenton (a list of these stores was furnished in 1957 by a New Jersey newspaper); (2) major food chains with stores in the city; (3) 20 wholesale egg distributors; (4) 13 wholesale poultry distributors; (5) 10 poultry processors. A few of the egg distributors were also producers. Names of selected distributors and processors were obtained from retailers and distributors by asking for their major sources of supply.

Information on buying and selling prices, quantities purchased, and sources of supply was obtained from retailers, distributors, and processors for the months of December 1957 and June 1958 for all products included in this study. Data on turkeys were also obtained for November 1957. These months were selected because (1) November and December are the two most important months for retail turkey sales, and (2) retail prices for eggs are near a seasonal high in December and a low in June, though approximately the reverse is true for frying chickens.

The retail phase of the study was limited to stores within the corporate limits of Trenton. The only suppliers contacted were those located in New Jersey, Philadelphia, New York City, Delaware, Maryland, and nearby Pennsylvania (within 100 miles of Trenton). Major suppliers located in areas more distant than those just mentioned were not contacted. No information was obtained from turkey processors.

1/ A medium size city in this instance is one with a population of from 50,000 to 250,000 inhabitants. Some large size cities in which special studies on egg and poultry marketing margins have been conducted are: Boston, Chicago, Cincinnati, Minneapolis-St. Paul, San Francisco, and Washington, D. C.

Trade channels.--Eggs consumed in Trenton move through several channels from farms to consumers, and each channel has its own effect on prices and price spreads. In general, in Trenton, as in many other cities, small firms tend to deal with other small firms and large with large. Chainstores generally purchase eggs from large central assembler-distributors located at country points in New Jersey and Pennsylvania. These include both large cooperative auction associations and corporate assembler-wholesale distributors supplying eggs to Trenton as well as New York, Philadelphia, and other cities in this complex of urban areas. Chainstores tend to deal with the larger distributors probably both for reasons of economy and for greater assurance of obtaining necessary volumes of eggs meeting their specifications at all times.

In contrast, independent retailers rely primarily on small local wholesalers and producer-distributors for eggs. 2/ About 50 percent of the independent retailers in the sample purchased eggs from small local wholesalers, 43 percent from producer-distributors, and only 7 percent from large cooperative associations. Small local wholesalers, in turn, obtained most of their supplies from the cooperatives, but some bought directly from producers and other small wholesalers.

Gross margins.--Farm-to-retail price spreads for Grade A large eggs purchased loose and sold in cartons through independent retail stores in Trenton averaged 22 cents a dozen in December 1957 and June 1958 (table 1), but gross margins on cartoned eggs sold through chainstores totaled about 19.2 cents a dozen (fig. 1). 3/ These gross margins were well below spreads in nearby New York and Baltimore and also were below the average for nine large cities--Atlanta, Baltimore, Boston, Chicago, Cleveland, Los Angeles, New York, St. Louis, and San Francisco--in the same months. Marketing margins for eggs, however, were higher in Trenton than in San Francisco or Los Angeles. Gross farm-to-retail margins on Grade A large eggs in December 1957 and June 1958 averaged 30.7 cents a dozen for New York, 30 cents for Baltimore, 17.9 cents for San Francisco, and 16.4 cents for Los Angeles. The average was 24.8 cents for the nine large cities. More current detailed information on price spreads in the nine cities is available. 4/ These spreads are based on averages of chain and independent retail store selling prices as reported by the Bureau of Labor Statistics, U. S. Department of Labor (BLS), and on prices paid to farmers as reported by the Federal-State Market News Services (FSMNS). BLS retail prices were collected for the Monday, Tuesday, and Wednesday of the week of the 15th of each month, and for the Thursday, Friday, and Saturday of the previous week. Caution should be exercised when comparing these data with data for Trenton because of differences in time periods. Price data in the nine

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2/ "Small local wholesalers" refers to wholesalers of varied descriptions who supplied retail stores in the sample with eggs. These wholesalers were located within about a 25-mile radius of Trenton, and they each handled less than 200 cases of eggs a week.

3/ The "margin" represents the difference between prices received and prices paid for a product. Farm-to-retail "price spread" represents the difference between the price received by farmers and the price paid by consumers. The terms "price spread," "margin," and "markup" are used interchangeably.

"Loose eggs" is a term used in the trade to refer to eggs not in cartons. For wholesale movement, they are packed 30 dozen eggs to a case.

4/ Gray, L. R. Marketing Spreads for Eggs and Frying Chickens in the United States and Selected Cities. Mktg. & Transportation Situation MTS-136, U. S. Dept. Agr., Agr. Mktg. Serv., pp. 19-27. Jan. 1960.

Gray, L. R. Marketing Spreads for Turkeys in Selected Cities. Mktg. & Transportation Situation MTS-138, U. S. Dept. Agr., Agr. Mktg. Serv., July 1960.

Table 1.--Eggs, Grade A large and medium: Farm-to-retail prices and price spreads per dozen by direct distribution channels for sales through chain and independent retail stores, Trenton, N. J., December 1957 and June 1958

Item	December 1957		June 1958		2-month average	
	Price	Spread	Price	Spread	Price	Spread
	Cents	Cents	Cents	Cents	Cents	Cents
Large eggs						
Chainstore retailers:						
Retail selling price, cartoned	69.0	---	57.0	---	63.0	---
Retail spread	---	8.5	---	7.0	---	7.8
Retail purchase price, cartoned	60.5	---	50.0	---	55.2	---
Assembler-wholesaler spread 1/	---	10.7	---	12.1	---	11.4
Farm price, loose	49.8	---	37.9	---	43.8	---
Gross spread	---	19.2	---	19.1	---	19.2
Independent retailers:						
Retail selling price, cartoned	71.9	---	59.8	---	65.8	---
Retail spread	---	13.2	---	12.3	---	12.8
Retail purchase price, loose	58.7	---	47.5	---	53.1	---
Wholesaler spread 1/	---	2.9	---	5.9	---	4.4
Wholesaler purchase price, loose 2/	55.8	---	41.6	---	48.7	---
Assembler-wholesaler spread	---	6.0	---	3.7	---	4.8
Farm price, loose	49.8	---	37.9	---	43.8	---
Gross spread	---	22.1	---	21.9	---	22.0
Medium eggs						
Chainstore retailers:						
Retail selling price, cartoned	60.5	---	50.0	---	55.3	---
Retail spread	---	8.5	---	7.0	---	7.8
Retail purchase price, cartoned	52.0	---	43.0	---	47.5	---
Assembler-wholesaler spread 1/	---	10.3	---	11.6	---	10.9
Farm price, loose	41.7	---	31.4	---	36.6	---
Gross spread	---	18.8	---	18.6	---	18.7
Independent retailers:						
Retail selling price, cartoned	58.6	---	49.1	---	53.9	---
Retail spread	---	10.0	---	9.9	---	10.0
Retail purchase price, loose	48.6	---	39.2	---	43.9	---
Wholesaler spread 1/	---	1.6	---	4.3	---	2.9
Wholesaler purchase price, loose 2/	47.0	---	34.9	---	41.0	---
Assembler-wholesaler spread	---	5.3	---	3.5	---	4.4
Farm price, loose	41.7	---	31.4	---	36.6	---
Gross spread	---	16.9	---	17.7	---	17.3

1/ Wholesale selling price in this instance is assumed to be the purchase price of the retail store.

2/ Wholesalers supplying chainstores were generally either cooperative associations or large assembler-wholesalers who usually obtained their eggs direct from producers, whereas independent retailers generally purchased eggs either from small local wholesalers or from producers. Most local wholesalers purchased eggs from the cooperatives, but some made purchases from producers or other wholesalers.

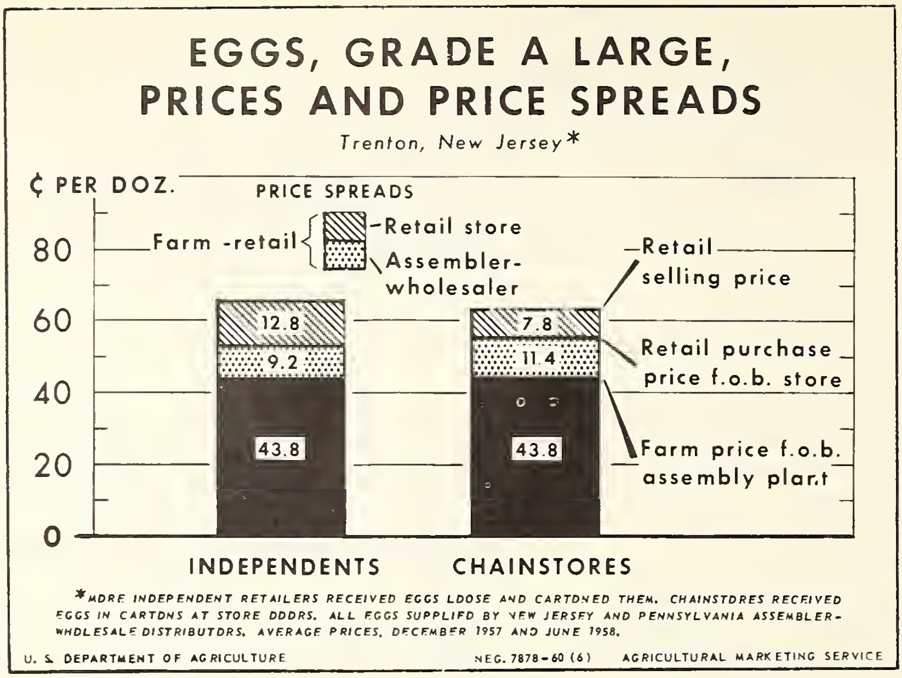

Figure 1

cities represent information obtained for a time span of one week in each month, whereas Trenton prices are monthly averages. On the other hand, while prices may fluctuate considerably within a month, price spreads tend to remain relatively stable.

Comparison of gross margins on eggs in Trenton with those in New York and Baltimore, or with the average for nine large cities provides some support for the hypothesis that gross margins on eggs are lower in medium size cities than in large cities. On the other hand, comparison of gross egg margins in Trenton with those in San Francisco and Los Angeles would provide support for refuting this hypothesis concerning city size. A probable explanation for the low margins in the West Coast cities for example is the system of relatively direct marketing of cartoned eggs into the San Francisco metropolitan area where eggs moved from farms to relatively large central assembler-distributors to retail stores. Also, retail store markups were lower. Gross spreads on Grade AA large eggs sold through all retail stores in San Francisco in December 1956 and June 1957 averaged 13.1 cents a dozen. There was little difference between average retail markups in chain and independent retail stores. 5/ In Trenton, although eggs were often purchased direct from producers by many independent retailers, most of the eggs sold in the city passed through two or more firms in moving from farms to consumers. Wholesalers did not generally carton eggs sold to most independent retailers. Thus, retail store pricing policies, length of the marketing channel, and other aspects of market structure rather than the city size, may be the more important determinants of price spreads.

5/ Gray, Leo R. Marketing Costs and Price Spreads for Eggs, Frying Chickens, and Turkeys Sold in San Francisco. U. S. Dept. Agr. Mktg. Res. Rpt. 314. Apr. 1959.

Retailers

As shown in table 1, the difference of 2.8 cents a dozen in farm-to-retail price spreads on large eggs sold in independent and chain food stores was reflected in retail egg prices, because farm prices were the same for both types of trade channels. The higher 2-month average retail selling prices in independent stores were due largely to retail store margins of 12.8 cents a dozen which were 5 cents higher than chainstore price spreads. (For individual independent retail stores, retail margins ranged from 8 to 20 cents a dozen on Grade A large eggs). This difference, however, was offset in part by higher margins of chainstore suppliers. Much of the difference in retail spreads and purchase prices was due to the fact that many independent retailers generally purchased eggs in loose packs--30 dozen to a case--and did their own cartoning. No cartoning was performed in chain retail outlets because their eggs were already cartoned when received. Since costs of cartoning in specialized plants, which usually supply chain retail outlets, often approximates 3.3 cents a dozen, the adjusted comparable independent retail store margins for large eggs purchased in cartons would be about 9.5 cents a dozen--a figure that remains substantially above average margins of chainstore retail outlets. 6/ This suggests that either the independents could not perform the cartoning operation as economically as suppliers of the chainstores or that they were able to obtain a larger margin for some other reason.

By deducting 3.3 cents a dozen as the cost for cartoning eggs, comparable adjusted assembler-wholesaler spreads on sales to chainstores of large loose equivalent eggs would approximate 8.1 cents a dozen. This would lower the 2-month average chainstore purchase price to 51.9 cents. If chainstores were to carton eggs, as is done in independent stores, chances are that costs for cartoning would exceed 3.3 cents a dozen, and the resulting retail store margins would exceed 11.1 cents a dozen. This lower adjusted chainstore purchase price probably would be due largely to price discounts given for volume purchases.

Spreads between farm prices and prices paid by retail stores can be minimized if candled and cartoned eggs are received at retail store doors direct from large producers or central assemblers acting for producers. (See footnote 6.) This type of marketing channel would replace the passing of loose eggs through local wholesalers or central candling and cartoning warehouse centers operated by the various chains. Some of the chainstores in various sections of the country are directly supplied by fairly large producers or central assemblers. Prices and price spreads for all eggs varied considerably around these averages because of such factors as trade channels, type of retail store, type of pack, size of eggs, season of year, and retail pricing policies.

Type of outlet and pack.--Price spreads of retailers in Trenton varied by type of outlet and pack. Chainstores and large independent supermarkets usually received Grade A eggs at their store doors in 2 x 6 cartons. Some chains received candled and cartoned eggs at their store doors direct from central assembler-distributors, but most received them from their central warehouses. These chainstore central warehouses received eggs in loose packs, graded by size, but with minimum percentage

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6/ Conlogue, R. M. Candling and Cartoning Eggs at Country Plants. U. S. Dept. Agr. Mktg. Res. Rpt. 366, Dec. 1959.

This study of egg assembler-wholesale distributors indicates: (1) A difference in total cost of about 3.3 cents a dozen for cartoned over loose eggs in June 1957 (2.5 cents for carton and 0.8 cent for additional labor). (2) New Jersey eggs cartoned by plants in producing areas can be delivered to retail stores or retail store warehouses in eastern cities for 12.2 cents a dozen, compared with 18.2 cents for midwestern eggs shipped loose and cartoned in eastern plants.

grade A or better specifications. In contrast, most independent retailers in the sample purchased Grade A eggs in loose packs and cartoned the eggs themselves (usually in relatively inexpensive molded pulp 3 x 4 cartons). The savings of about 3 cents a dozen made by independent retailers on their egg purchases was partially offset by carton costs ranging from 1.25 to 2.5 cents each. Labor costs for packing eggs into cartons in the store were not determined, but this cost could be considered an alternative choice for some independents. Rather than buying eggs already candled and cartoned, they may have utilized available help that might have been otherwise occupied. Thus, the out-of-pocket costs associated with the procurement of eggs by independent retailers were less when the eggs were purchased loose. To arrive at a more realistic comparison with purchase prices and price spreads of chainstores, the 5 cents a dozen wider spreads taken by independent retail stores on large eggs would therefore have to be narrowed by the cost of the cartons plus an adjustment to allow for labor costs. Even with these adjustments it is apparent that independent retail store margins were still wider than comparable chainstore margins. Part of the higher price spreads taken by independents probably reflects higher costs of comparable products and services for handling small volumes of merchandise. Even higher net margins were realized when independent retailers sold loose eggs in less than one dozen lots.

Size of eggs.--Chainstore price spreads were about the same on both large and medium size eggs but higher on small size eggs, even though prices decreased as the size of eggs decreased. Both prices and margins in independent retail stores were lower for smaller eggs. As a result, while prices paid by consumers for Grade A large eggs in cartons were about 2.8 cents a dozen lower in chain than in independent stores, medium egg prices averaged more than one cent a dozen higher in the chainstores (table 1).

Season of the year.--Retail egg prices were about 17 percent lower in June 1958 than in December 1957. Retail store price spreads were also lower, but not by the same absolute amounts. Average percentage markups in chainstores in Trenton were about the same for large eggs in both December and June. For example, chainstore markups of 8.5 and 7.0 cents a dozen on Grade A large eggs in December and June were about 15 percent over the respective purchase prices of 60.5 and 50.0 cents a dozen. Average percentage markups in independent retail stores were higher in June than in December, although the absolute margins were lower. Thus it appears that retail store margins on eggs are set in part on the basis of a percentage markup over the retailers' purchase price. Decisions as to what markup to take on any commodity item at a given time are based upon store pricing policies which may vary according to neighborhood competitive situations.

Pricing policies.--Retailers' pricing policies on eggs--and probably also on many other products--vary considerably among cities. Independent and chainstore retailers in Trenton did not generally feature Grade A large eggs as special sales items at low markups in December 1957 or June 1958. Some stores, however, did feature Grade B large eggs as specials. Most stores reported selling eggs for the same price throughout the week. The widest difference between monthly and weekend average markups taken on Grade A large, medium, and small eggs among independent retailers in Trenton was 0.9 cent a dozen for large eggs in December. As a result, there was little difference between average monthly and weekend selling prices and price spreads.

In contrast, San Francisco retailers frequently featured eggs as special sales items at low markups to attract customers into their stores. Weekend price cuts were sometimes deep on some classes of eggs, resulting in substantial differences between average monthly and weekend spreads. (See reference in footnote 6.)

Although selling prices of eggs remained fairly stable throughout the week, nearly two-thirds of the eggs handled by independent retail stores in Trenton were sold during the last 3 days of each week. This results from the common practice among consumers of buying most of their food requirements on weekends--Thursday through Saturday.

An important factor involved in the determination of retail egg selling prices and resulting margins is the use of psychological pricing. Retailers sometimes try to maintain steady prices. Instead of changing their selling prices daily by 1 or 2 cents to keep pace with market quotations, they tend to adjust prices according to market trends. They may also use odd-cents pricing or lower their margin rather than set a price in the next decimal bracket.

Example.--If their selling price has been 59 cents a dozen and they usually take a 10-cent a dozen markup, they may lower their markup if their purchase price rises to 50 cents rather than set a selling price of 60 cents. The reasoning here is that 59 cents would attract more customers than 60 cents.

Prices based on "New York Spot Quotations."--Both wholesale purchase and selling prices of eggs in Trenton and its procurement area were based largely on the New York commercial market quotations. This is understandable since Trenton is only 56 miles from New York City, and both cities draw eggs from the same nearby supply area.

When purchasing cartoned eggs from wholesale distributors, chainstores typically paid about 12 cents a dozen over the New York Spot Quotations on "loose nearby white extra fancy heavyweights" for Grade A large white eggs delivered to Trenton, and about 10 cents over the corresponding quotation for Grade A medium eggs. 7/ This practice of basing egg prices at various market levels on the New York commercial market quotation is common, particularly in the East.

Assembler-Wholesalers

Price and price spreads by type of wholesaler.--Price spreads on Grade A loose white eggs were nearly the same for cooperative associations as for small local wholesalers. Price spreads and selling prices for cartoned eggs were higher than those for loose eggs by nearly 3 cents a dozen. This difference was due to the additional costs for labor and cartons and a negotiated bargaining adjustment. Producer-distributor selling prices for Grade A large and medium size eggs averaged higher than those of the cooperatives during both months, but lower than selling prices of small local wholesalers.

Cooperative associations.--The principal sources of eggs for the Trenton market were local cooperative associations located within a 100-mile radius of the city. Selling prices of these cooperatives generally averaged below those of the other two classes of wholesalers. Prices received by producers selling through these cooperatives were about 3 to 4 cents below selling prices of the association.

Typical selling prices for Grade A large white eggs sold loose were about 8 cents over the New York market quotation f.o.b. the cooperative's plant, and about 11 cents over for cartoned eggs. Prices delivered to Trenton were about 1 cent higher. Prices for Grade AA eggs averaged 2 cents per dozen above Grade A.

7/ The New York Spot Quotations are wholesale market prices based upon New York Mercantile exchange trading and other wholesale transactions, and are published daily (Monday through Friday) by the Urner-Barry Company in their Producers' Price-Current.

Handling costs for the cooperatives and larger wholesalers totaled about 10 cents a dozen on cartoned eggs, excluding delivery. Some typical cost items in cents a dozen were: Procurement, 1 cent; candling and cartoning, 5.5 cents; reject loss, 1.5 cents, and other expenses including overhead but excluding delivery, 2 cents.

Small local wholesalers.--Most local wholesalers purchased eggs from cooperative associations. Some, however, also made purchases from producers or other wholesalers. As a result purchase prices of small local wholesalers for large and medium eggs during December and June generally averaged higher than selling prices of the cooperatives.

Price spreads of 3.5 cents a dozen on sales to all outlets as reported by local wholesalers on large eggs were about the same as the computed spreads taken by cooperatives; however, the cooperatives' spreads would be further reduced as a result of patronage dividends. These patronage dividends given by the cooperatives would increase the average price received by producers, thus narrowing the spread to an amount sufficient to cover costs of operation plus a contingency reserve. Local wholesaler spreads on medium and small eggs averaged less than on large eggs. These firms usually sold eggs in loose packs, but where cartoning was requested, they reported taking about 4 cents a dozen higher markups to cover value of added service.

Most of the wholesale distributors selling eggs to independent retail stores in Trenton were small local operators, many of whom sold both at wholesale and at retail. A few wholesalers sold eggs to consumers on retail delivery routes, but most of them made their retail sales through their own stores. Their retail sales were in cartons. In such instances retail markups on eggs were usually reported to range from 6 to 10 cents a dozen higher than wholesale markups on loose eggs.

Local producer-distributors.--Producers from whom data were obtained in this study were mostly small local operators who made deliveries directly to retail stores. These producers, however, were often able to get higher prices from direct house-to-house sales to consumers than they received from wholesale sales to retail stores. The higher prices received from direct retail sales to consumers were possible in part because homemakers may have thought they were assuring themselves of top quality fresh eggs. Also, they enjoyed the convenience of buying directly from a producer. These higher prices received by producers for retail sales were at least partially offset by direct out-of-pocket expenses consisting of: (1) Increased delivery costs per unit because of smaller units of sales and more stops per load; (2) costs for cartons; (3) in some instances costs for credit allowances.

Prices received by producers on sales to retail stores were strongly influenced by competitive factors, including services rendered. Producers usually serviced a limited number of retail store outlets on established routes. They generally restricted their retail store sales to established outlets because of their own egg production capacity. Because of price risks and competition from large assembler-wholesalers, they were not inclined to expand substantially. Producers generally supplied eggs to small independent retail outlets and made deliveries once or twice a week. Those eggs which they did not sell directly to consumers or to retail store outlets were generally sold through the cooperatives.

Prices received for loose Grade A large white eggs on delivery routes to retail stores were usually 5 or 6 cents a dozen over the "New York Spot Quotations" for "nearby white extra fancy heavyweights". When loose eggs were sold through the cooperative associations, however, prices received by producers generally ranged from about market to 4 cents a dozen over the New York quotation.

Trade channels.--Most of the independent retailers in Trenton purchased frying chickens from four wholesale distributors located in Trenton. Some of the chainstores and large independent supermarkets in Trenton purchased ready-to-cook fryers from distributors located in or near Philadelphia.

Trenton wholesalers purchased most of their frying chickens directly from processors in Delaware and Maryland, and also purchased sizable quantities from processors in southeastern Pennsylvania. Many of the fryers handled by Philadelphia area wholesalers were processed in distant States such as Georgia, North Carolina, South Carolina, and Tennessee. Frying chickens are by far the major class of chicken sold in retail stores.

Gross margins.--The spread between prices received by farmers in the Middle Atlantic States for frying chickens (ready-to-cook basis) and prices paid by consumers in independent retail stores in Trenton, N. J., averaged 16.3 cents a pound for December 1957 and June 1958 (fig. 2). 8/ Similar farm-to-retail spreads on sales through chainstores in Trenton averaged 18.5 cents. These gross spreads on fryers in Trenton as in the case of eggs averaged less than comparable spreads in New York City, Baltimore, and San Francisco for the same months. 9/ Retail store shares of these gross spreads

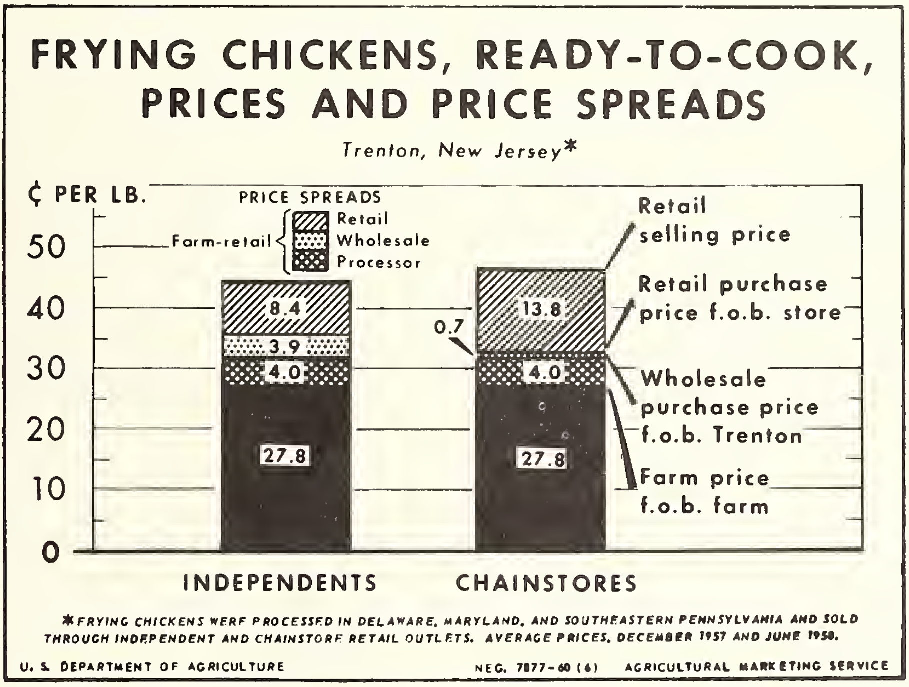

Figure 2

8/ Ready-to-cook poultry has had blood, feathers, head, feet, and inedible viscera removed.

9/ Comparison of the 2-month average of gross farm-to-retail price spreads of 18.1 cents a pound obtained for all stores in Trenton with similar spreads of 19.2 cents a pound for New York City, 20.3 cents for Baltimore, and 27.1 cents for San Francisco should be evaluated with caution because of differences in time periods as explained previously (see page 6 concerning BLS and FSMNS prices).

were 8.4 cents a pound for independents and 13.8 cents for chains, while processor spreads averaged 4 cents, and wholesalers took the remainder. 10/

Retailers

Pricing practices.--Independent retailers generally paid more for frying chickens than did chainstores but sold them for less (table 2). Although a few independent retailers featured fryers as special, low-margin sales items, this was not the general practice among most retailers in the sample during these 2 months. None of the chainstores featured frying chickens as special sales items during either December or June, although they may have done so at other times of the year. Monthly price spreads taken by independents averaged 5.4 cents a pound less than those taken by chainstores.

Independent stores had lower average retail markups on fryers than did chainstores. Independent retailers often use a fixed price spread per pound regardless of price level. Chainstores, on the other hand, seem to vary their markups according to their promotional plans and the prevailing price level. If chainstores feature fryers as special sales items, their price spreads may be substantially lower than those of the independents. When chainstores do not feature fryers on special sales, as was their practice during the period of this Trenton study, their markups may be higher than those of many independents.

Selling prices for frying chickens in chainstores and most independent retail stores generally remained about the same throughout the week. However, because of weekend special sales promotions by a few independent retailers, averages of weekend selling prices in all independents were slightly lower than the monthly averages.

Weekend volume of sales was high.--Nearly 3 out of every 4 pounds of frying chickens moving through all retail stores were sold on weekends--Thursday, Friday, and Saturday. Proportionately more fryers were sold on weekends during December than during June, although the total volume of sales for both months was about the same.

New York dressed fryers were important to independents. 11/--Independent retailers in the sample handled about 5,000 pounds of fresh frying chicken during each of the 2 months. Sixty percent of this volume was ready-to-cook, the remaining 40 percent was New York dressed.

In Trenton, as elsewhere, the proportion of New York dressed fryers handled by independent retailers has declined substantially in recent years. Some of the processors who were major sources of supply for New York dressed poultry shipped into Trenton have since discontinued handling this type of pack. A contributing factor which has prompted many processors to discontinue handling New York dressed poultry has been the enactment of mandatory poultry inspection regulations by Federal, State, and municipal governments. Chainstores did not handle New York dressed poultry, but the volume of ready-to-cook frying chickens sold was many times the total for all fryers handled by the independents.

10/ This 2-month average chainstore spread on fryers was similar to the June 1957 average regular markup of 13.7 cents a pound taken by chainstores in San Francisco (see reference cited in footnote 5).

11/ New York dressed poultry has had blood and feathers removed. The head, feet, and inedible viscera remain intact on the bird.

Table 2.--Frying chickens, ready-to-cook: Farm-to-retail prices and price spreads per pound, by type of retail store and type of pack, by direct distribution channels from area of processing of chickens, Trenton, New Jersey, December 1957 and June 1958 1/

Item	December 1957		June 1958		2-month average	
	Price	Spread	Price	Spread	Price	Spread
	Cents	Cents	Cents	Cents	Cents	Cents
Chainstores						
Ready-to-cook fryers:						
Retail sales 2/	44.1	---	48.6	---	46.3	---
Retail spread	---	14.6	---	13.1	---	13.8
Retail purchases	29.5	---	35.5	---	32.5	---
Wholesale spread 1/	---	.7	---	.6	---	.7
Wholesale purchases	28.8	---	34.9	---	31.8	---
Processor spread 1/	---	4.0	---	4.4	---	4.0
Processor purchases 3/	24.8	---	30.5	---	27.8	---
Gross spread	---	19.3	---	18.2	---	18.5
Independent retailers						
Ready-to-cook fryers:						
Retail sales	42.4	---	45.8	---	44.1	---
Retail spread	---	8.9	---	7.9	---	8.4
Retail purchases	33.5	---	37.9	---	35.7	---
Wholesaler spread 1/	---	4.7	---	3.0	---	3.9
Wholesaler purchases	28.8	---	34.9	---	31.8	---
Processor spread 1/	---	4.0	---	4.4	---	4.0
Processor purchases 3/	24.8	---	30.5	---	27.8	---
Gross spread	---	17.6	---	15.3	---	16.3
New York dressed fryers:						
Retail sales	34.2	---	35.6	---	34.9	---
Retail spread	---	5.7	---	5.4	---	5.5
Retail purchases	28.5	---	30.2	---	29.4	---
Wholesaler spread	---	4.0	---	1.4	---	2.8
Wholesaler purchases	24.5	---	28.8	---	26.6	---
Processor spread	---	4.1	---	3.6	---	3.7
Processor purchases 3/	20.4	---	25.2	---	22.9	---
Gross spread	---	13.8	---	10.4	---	12.0

1/ In this table, average selling prices of wholesalers and processors are assumed to be the same as purchase prices of their respective retail and wholesale outlets in this study. The processor purchase price coincides with the price at farms (ready-to-cook equivalent value), and thus a cumulative farm-to-retail spread for a direct line of distribution can be obtained. The component spreads thus obtained at the wholesaler or processor levels may not necessarily coincide with the average spreads for all sales to all outlets at these levels, because of variations due to sampling.

2/ Selling prices of cut-up fryers averaged about 2 cents a pound higher.

3/ Processor purchase prices are converted values of prices of live birds at farms. Conversions are based on yields of 73.5 percent from live to ready-to-cook, and 89 percent from live to New York dressed weight equivalents. Live prices at farms averaged 18.2 and 22.4 cents a pound, respectively, for December and June. Processing plants are located in the Delmarva Peninsula and southern Pennsylvania.

Price and price spreads of New York dressed fryers were lower than ready-to-cook.--Price spreads taken by independent retailers on New York dressed frying chickens during December and June averaged nearly 3 cents a pound below comparable spreads taken on ready-to-cook fryers (table 2). Purchase and selling price levels for the New York dressed birds were lower than comparable prices of ready-to-cook fryers.

Retailers generally handled either ready-to-cook or New York dressed fryers but where both were handled, retail margins were reported to be about 2 cents wider on the ready-to-cook product. The trend in Trenton as elsewhere, however, is for retailers to shift over to handling only ready-to-cook fryers. Governmental regulations, availability of supplies, convenience of handling, and acceptance by consumers are factors largely responsible for retailer trends toward handling only ready-to-cook fryers.

Wholesalers

Information was obtained from nine wholesale poultry distributors located in Trenton, Philadelphia, and nearby areas. All of these firms were involved in the marketing of frying chickens and fowl through independent and chain retailers.

Price spreads.--Wholesale distributor price spreads on all sales to all types of outlets averaged about 2.5 cents a pound on both ready-to-cook and New York dressed fryers. However, using average purchase prices of the sample of independent retail store outlets in Trenton, as the average of wholesale selling prices in a direct channel of distribution, wholesaler spreads averaged 3.9 cents on ready-to-cook fryers and 2.8 cents on New York dressed fryers (table 2). Markups on frying chickens averaged a little lower in June than in December. Wholesalers indicated that sometimes they cooperated with retailers on special promotions of fryers by lowering their markups. Wholesale markups on sales to chainstores of ready-to-cook frying chickens averaged 0.7 cent a pound (table 2). This low markup was due largely to the large volume purchases made by chainstores, with the wholesalers often functioning as brokers or sales agents. The higher markups on sales to independent retailers may have been due to higher costs involved in serving the smaller stores.

Prices for ready-to-cook frying chickens averaged higher than the New York dressed birds at all market levels. Prices in June for both type packs were higher than in December.

Importance of New York dressed fryers.--New York dressed fryers were an important segment of all frying chickens marketed by wholesale distributors in Trenton. More than one-third of the fryers sold by three of the leading wholesale poultry houses in Trenton were New York dressed.

Specialty Poultry Firms

Not all poultry sold in Trenton was marketed through the channel of producers to processors to wholesale distributors to retail store outlets to consumers. The gap between producers and consumers was bridged in some instances by specialty poultry houses which combined the intervening functions. These specialized houses purchased live birds from farmers as far away as Delaware and Maryland, and did their own processing. These firms also functioned as retail outlets and as wholesalers. Their wholesale sales were usually to small neighborhood stores, but most of their birds were sold through their own retail shops specializing in cut-up poultry. About 80 percent of the frying chickens handled by these firms were sold on weekends.

Markups for all frying chickens sold through these specialty poultry houses were higher than those of the major poultry wholesalers in the city, but were less than the average of farm-retail spreads for fryers sold through independent and chainstore retail outlets. Their gross farm-to-retail selling price spreads for December and June averaged nearly 16 cents a pound. About 70 percent of this spread included costs for: Hauling live poultry to Trenton, processing (including killing, dressing, and cutting-up), packaging, and other miscellaneous items (including operating overhead).

Processors

A sample study of Delmarva and southeastern Pennsylvania processors selling ready-to-cook frying chickens to wholesalers in June 1958 showed that price spreads of processors averaged 4.4 cents a pound on ready-to-cook frying chickens, and 3.6 cents on New York dressed fryers (table 2). Processor price spreads were differences between selling prices f.o.b. Trenton, and prices paid at farms--all prices on a converted equivalent value basis. Two-month average wholesale purchase prices, f.o.b. Trenton, for New York dressed frying chickens were about 5.2 cents a pound below prices for ready-to-cook fryers. The wider processors' spread on New York dressed fryers may have been due to a combination of factors including the demand for this type of pack, which has become increasingly hard to obtain, and the lower absolute level of selling prices.

Converted equivalent weight farm values for frying chickens averaged 4.9 cents a pound higher for the ready-to-cook than for the New York dressed birds. These farm values were based upon 20.4 cents a pound average live weight prices paid at farms during these 2 months. The higher converted equivalent farm price values were derived by dividing the live price by the yields. These yields were 73.5 percent from live to ready-to-cook weight equivalents as compared to an estimated 89 percent from live weight just before slaughter to New York dressed packed weight equivalents. 12/

Farm prices reported for live frying chickens in southeastern Pennsylvania were within a half cent, plus or minus, of prices in Delmarva during December and June. These prices were nearly 2 cents a pound higher than average monthly prices at farms reported by the Federal-State Market News Service for live fryers in North Carolina and North Georgia. Prices paid at farms for live birds by the sample of Delmarva and southeastern Pennsylvania processors in June 1958 represent prices for more than 17,600,000 pounds of frying chickens. Nearly one-third of these birds were New York dressed.

Processor operating costs.--Total operating costs reported by processors of ready-to-cook frying chickens in Delmarva and southeastern Pennsylvania in June 1958 were about 5.9 cents a pound. This figure includes costs for procurement, killing, dressing, eviscerating, cutting up, icing and packaging, selling or advertising, freight out, general administrative, manufacturing overhead, and miscellaneous. This indicates

12/ Reported yields from live weight purchased to New York dressed packed weight equivalents averaged 97 percent. This figure seemed unusually high for purposes of computation, so it was adjusted downward by 8 percentage points to coincide with the U. S. Department of Agriculture Standard factor yield. The reason for this adjustment in yields was to make an allowance for unknown weight gains achieved as a result of several days' feeding after the birds had been purchased. More U.S.D.A. Standard factor yields are given on page 149 of Statistical Bulletin No. 249, "Egg and Poultry Statistics through 1957," May 1959.

that with processor price spreads of 4.4 cents a pound during this particular month some processors were selling fryers in Trenton at a loss. However, where plants were tied in with a vertically integrated marketing firm--as some were--it was possible that these losses may have been offset, at least in part, in other areas of the overall integrated firm setup. Differences between 1958 fiscal year annual gross margins and annual total plant costs for processors of ready-to-cook fryers were not as large as those existing in June 1958, but the average firm apparently was still operating at a fraction of a cent loss. Processors of New York dressed drying chickens reported total operating costs of about 4 cents a pound in June. This figure represents costs for procurement, feeding, killing, dressing, packing labor, freight out, general administrative, manufacturing overhead, and miscellaneous.

FOWL

Trade channels.--Fowl sold by firms contacted in this study were purchased from processors in New Jersey, Delaware, and Midwestern States such as Iowa. In some instances retailers made purchases of fowl direct from processors, but in most cases fowl were purchased from local wholesalers. Trenton wholesalers generally purchased fowl direct from processors, but in some instances purchases were made through wholesalers in New York City. Although large numbers of fowl are produced in New Jersey in connection with egg laying enterprises, comparatively few are sold at retail in Trenton. Most of the native New Jersey fowl are processed and sold to soup companies, rather than to retailers for resale as meat-type birds. This is because the bulk of New Jersey fowl are of light breed types, such as Leghorns, as opposed to the meatier heavy breed types.

Retailers

Comparison of retail prices and price spreads.--Price spreads during December on fowl in independent stores were between 2 and 3 cents a pound more than spreads for frying chickens. In chainstores, markups on fowl were about 3 cents less than those for fryers (tables 2 and 3). Prices per pound were higher for fowl than for fryers. Chainstore fowl prices were about 2.5 cents a pound less than prices in independent stores for comparable products.

Price spreads on ready-to-cook fowl in both chain and independent retail stores were about the same in December. Independent retailers took higher average markups on ready-to-cook than on New York dressed fowl (table 3).

New York dressed fowl most prevalent in independent stores.--Nearly 80 percent of all fowl sales reported by independent retailers during this study were New York dressed birds. Most independent retailers reported all of their fowl were sold on weekends.

Wholesalers and Processors

Price spreads.--Wholesalers in Trenton took price spreads on fresh ready-to-cook fowl which averaged 3 cents a pound in December 1957. Selling prices were approximately 36 cents a pound. These fowl prices were about 5 cents higher than average wholesale selling prices for all ready-to-cook frying chickens. Selling prices at wholesale levels for New York dressed fowl were lower than prices for ready-to-cook fowl.

Insufficient information was obtained from processors to permit a separate analysis of their prices and operating costs for handling fowl.

Table 3.--Fowl, Grade A: Monthly average retail prices and price spreads by type of store and type of pack, Trenton, N. J., December 1957 1/

Item	Price		
	Purchase	Selling	Spread
	Cents	Cents	Cents
Independent retailers:			
Fowl, New York dressed. .	32.4	40.2	7.8
Fowl, ready-to-cook	35.9	47.5	11.6
Chainstores:			
Fowl, New York dressed. .	---	---	---
Fowl, ready-to-cook	33.5	45.0	11.5

1/ Insufficient price data were reported in June with the exception of chainstore selling prices for ready-to-cook fowl which were about 52.4 cents a pound.

TURKEYS

Trade channels.--Independent retailers in this study usually purchased frozen turkeys from Trenton wholesale distributors, but some received turkeys directly from wholesalers in Philadelphia. Chainstores purchased many turkeys from Philadelphia wholesalers and from processors in the North Central States. Retailers handling fresh New York dressed turkeys purchased them from Trenton and Philadelphia wholesalers and also from small nearby New Jersey processors.

Trenton wholesalers purchased frozen ready-to-cook turkeys and New York dressed birds from wholesalers in Philadelphia and New York, and from processors in Delaware. Processors in the North Central and South Central States were other sources of ready-to-cook turkeys.

Wholesalers sampled in Philadelphia and New York sometimes functioned as brokers, but generally they purchased frozen ready-to-cook turkeys from processors in California, Washington, Colorado, Iowa, Minnesota, Texas, North Carolina, South Carolina, and Delaware. New York and Philadelphia wholesalers purchased their fresh New York dressed turkeys from processors located in other States such as Delaware and Missouri.

Philadelphia and New York wholesale distributors of frozen ready-to-cook and of fresh New York dressed turkeys often jobbed birds among themselves to help meet their commitments. It was not feasible to trace points of origin for specific shipments to Trenton, because they distributed turkeys throughout the areas around and between New York and Philadelphia.

Gross margins.--Cumulative farm-to-retail price spreads averaged 19.3 cents a pound on medium-size, ready-to-cook, frozen turkeys sold through independent retail stores in November and December 1957 (table 4). These gross spreads were higher than those in New York, Baltimore, and Los Angeles, but lower than those in San Francisco. 13/ Components of this gross spread were: 7.2 cents for retailers, 1.8 cents for wholesale distributors, and about 10.3 cents for processors. Price spreads computed in this manner for wholesalers may not coincide with the average of price spreads derived from their sales to independent retailers in Trenton because of differences in sales to outlets not included in the sample. Seasonality of slaughter and substantial movements in and out of storage also make it difficult to measure marketing costs and margins for turkeys.

Retailers

Prices and price spreads.--Price spreads on frozen, ready-to-cook medium-size (8-16 pounds) turkeys were about 6 cents in chainstores and 8 cents in independent retail stores in December 1957 (table 5). Markups taken by the chainstores on large turkeys were also lower than those taken by the independent retailers.

Table 4.--Turkeys, frozen, ready-to-cook: Average price spreads per pound by selected marketing levels and size of birds, Trenton, N. J., November and December 1957, and June 1958 1/

Marketing level and size of turkey	November 1957	December 1957	June 1958	November-December average
	Cents	Cents	Cents	Cents
Processor (f.o.b. farm to f.o.b. Trenton):				
Small	5.1	10.5	9.5	7.8
Medium	9.8	10.9	9.0	10.3
Large	11.1	11.6	14.5	11.3
Wholesaler (f.o.b. Trenton to f.o.b. retailer):				
Small	2.1	1.5	1.3	1.8
Medium	1.8	1.9	2.1	1.8
Large	1.9	1.7	1.9	1.8
Independent retailer (f.o.b. retailer to consumer):				
Small	6.1	7.4	---	6.8
Medium	6.3	8.0	---	7.2
Large	1.5	3.8	---	2.6
Cumulative gross spreads:				
Small	13.3	19.4	---	16.4
Medium	17.9	20.8	---	19.3
Large	14.5	17.1	---	15.7

1/ Processor spreads are estimates based upon wholesale purchase prices in Trenton and converted values of estimated prices of live turkeys at farms in major commercial producing areas.

13/ Average gross margins per pound in November and December 1957 were: New York and Baltimore, each 17.6 cents; Los Angeles 17.3 cents; and San Francisco 22 cents. See page 6 concerning BLS and FSMNS prices.

Table 5.--Turkeys, fresh and frozen: Prices and price spreads per pound by type retail store, type pack and size of bird, Trenton, N. J., November and December 1957, and June 1958

Type store, type pack, and size of turkey 1/	November 1957 Price			December 1957 Price			June 1958
	Purchase	Selling	Spread	Purchase	Selling	Spread	Selling price
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Chainstore retailers							
Frozen, ready-to-cook:							
Small	2/	2/	2/	2/	2/	2/	58.6
Medium	2/	2/	2/	41.2	47.1	5.9	55.6
Large	2/	2/	2/	35.4	37.7	2.3	49.5
Independent retailers							
Frozen, ready-to-cook:							
Small	43.9	50.0	6.1	45.8	53.2	7.4	2/
Medium	42.6	48.9	6.3	43.8	51.8	8.0	2/
Large	37.5	39.0	1.5	39.0	42.8	3.8	2/
Fresh, New York dressed:							
Medium	41.7	55.0	13.3	47.0	57.7	10.7	2/
Large	36.3	48.0	11.7	39.7	51.7	12.0	2/

1/ Weight ranges for various size birds are: Small--less than 8 pounds, medium--8-16 pounds, large--more than 16 pounds.
2/ Insufficient data.

No price information on turkeys was obtained from chainstores in November 1957, but average prices and price spreads taken by the independents generally increased from November to December. Available information indicates that retail selling prices in June were several cents higher than in December. Chainstores featured turkeys during Christmas week at 47 cents for medium and 37 cents for large size birds.

Purchase and selling prices for frozen, ready-to-cook medium and large turkeys were lower in chains than in independent retail stores during December. Chainstore prices and price spreads for small turkeys were more similar to those of independent retailers. A recent study in San Francisco showed that prices and price spreads for turkeys sold in chainstores were lower than those sold in independents (see footnote 5).

Independent retail store selling prices and price spreads on frozen, ready-to-cook turkeys were often less than on fresh New York dressed turkeys in November and December 1957, but purchase prices for the New York dressed were less in November. Perhaps one reason for the premium prices received by retailers for fresh over frozen turkeys was that they were generally processed in nearby plants. Price spreads on medium-size fresh New York dressed turkeys declined 2.6 cents a pound from November to December. This change in margins was due largely to the increase of 5.3 cents a pound in reported retail purchase prices for these birds in Trenton. Chainstores did not handle New York dressed turkeys.

Medium-size, ready-to-cook, frozen turkey prices at other than retail selling price levels were relatively unsteady (compared to retail selling prices) in the late autumn of 1957 until the middle of November, after which they rose sharply. Increase in prices paid by retail stores from November to December were due largely to late season apparent declines in available supplies. This supply situation was somewhat paradoxical in that 1957 was a record year for turkey production--nearly 81 million head. However, tremendous off-season volumes of turkeys were sold through retail stores as special sales items from July through about October. This sales promotion campaign was the result of a coordinated effort on the part of the turkey industry and retail outlets.

Retail pricing policies.--Chainstore markups on all turkeys were about 14 percent in December 1957. Independent retail store markups on all ready-to-cook turkeys were about 14 percent in December, while markups on New York dressed turkeys were around 32 percent in November and 26 percent in December. Individual store markups, however, differed from these averages.

Some independent retailers used turkeys as an expression of patronage appreciation by presenting them as gifts in December. Several retailers sold turkeys to local factories and other firms for use as Christmas gifts to employees. Selling prices for these sales were lower than regular retail prices.

Medium-size turkeys popular.--Most of the turkeys sold through retail stores were frozen, ready-to-cook; medium-size birds were the most popular. The total tonnage of large frozen turkeys handled during the holiday season was about the same as medium frozen turkeys, but the total number of large birds handled was less. Although some independent retailers handled fresh ready-to-cook turkeys, most of the fresh birds were New York dressed.

Turkeys often purchased as special orders.--About one-half of the independent retailers handling fresh and frozen ready-to-cook turkeys during November and December made special purchases for the Thanksgiving and Christmas holidays, usually based on special orders from customers. No fresh turkeys were handled by Trenton retailers in June. Half of the independents handling frozen turkeys in June purchased them on special customer orders. Generally, retailers who were large volume handlers of turkeys kept some frozen birds in stock because they had adequate cold storage facilities. Stores handling fresh New York dressed turkeys handled them only for the holidays during the months of November and December.

Wholesale Distributors

Price spreads on turkeys were relatively stable compared to prices.--Monthly average wholesale price spreads on all frozen ready-to-cook turkeys in Trenton varied no more than 0.5 cent from the 3-month average of 1.8 cents a pound (table 6). Wholesale prices, however, were more than 4 cents higher in June 1958 than in November 1957. Monthly average prices and price spreads for small turkeys were more variable than those of the larger size birds. Markups reported by wholesalers on all turkeys ranged from (-) 0.5 to 3.3 cents a pound.

Wholesale prices for medium-size, ready-to-cook, frozen turkeys increased about 4 cents a pound from November to December 1957, but were nearly 2 cents lower in June 1958 than in December. Wholesale selling prices to all outlets for these birds coincided with average prices paid by independent retailers in the sample in November, but in December, prices paid by these retailers for the medium-size turkeys averaged 3 cents a pound lower. Wholesale prices for large and small turkeys increased from November to December, and were still higher in June.

Table 6.--Turkeys, frozen, ready-to-cook: Average wholesaler prices and price spreads a pound, by size of bird, Trenton, N. J., November and December 1957, and June 1958

Month and size of turkey	Price		Spread	
	Purchase	Selling	Average	Range
	Cents	Cents	Cents	Cents
November 1957				
Small	40.1	42.2	2.1	2.0 - 2.3
Medium	40.8	42.6	1.8	1.2 - 2.0
Large	36.1	38.0	1.9	1.7 - 2.0
Average all turkeys 1/	38.2	40.1	1.9	1.2 - 2.3
December 1957				
Small	45.5	47.0	1.5	1.0 - 2.0
Medium	44.9	46.8	1.9	1.0 - 3.3
Large	36.6	38.3	1.7	.3 - 2.0
Average all turkeys 1/	40.5	42.2	1.7	.3 - 3.3
June 1958				
Small	46.5	47.8	1.3	(-) .5 - 2.5
Medium	43.0	45.1	2.1	.8 - 2.5
Large	41.5	43.4	1.9	.0 - 3.0
Average all turkeys 1/	42.6	44.5	1.9	(-) .5 - 3.0
3-month average				
Small	44.0	45.7	1.7	(-) .5 - 2.5
Medium	42.9	44.8	1.9	.8 - 3.3
Large	38.1	39.9	1.8	.0 - 3.0
Average all turkeys 1/	40.4	42.2	1.8	(-) .5 - 3.3

1/ Weighted average of small, medium, and large turkeys based on the proportion of the respective size class to the 3-year average of total annual U. S. Commercial slaughter of turkeys 1956-1958.

Wholesalers took wider price spreads on fresh turkeys.--Price spreads taken by wholesalers on fresh, New York dressed turkeys were a little wider than those taken on frozen, ready-to-cook birds. Average spreads on medium-size fresh New York dressed turkeys sold to all outlets were wider than those of frozen ready-to-cook turkeys by 1.75 cents a pound in November and 2 cents in December. Similar price spreads on large turkeys were the same for frozen, ready-to-cook, and fresh New York dressed turkeys in December, but in November spreads on the New York dressed birds averaged 0.25 cent a pound wider. Spreads on New York dressed turkeys generally were about the same as or a little wider than spreads on the fresh, ready-to-cook birds.

Wholesale distributor purchase and selling prices for fresh, New York dressed turkeys were nearly 5 cents a pound less than prices for frozen ready-to-cook birds in November and December. These lower price levels and apparent consumer demands in the area for New York dressed birds are probably two reasons why wholesalers were able to get favorable price spreads on these birds.

Few fresh ready-to-cook turkeys were sold in Trenton. When available, these birds generally were priced higher than were the frozen birds.

Processors

Too little information was obtained from turkey processors to justify reporting. A previous study, however, indicated that price spreads taken on all ready-to-cook turkeys sold f.o.b. San Francisco by California processors averaged 9.3 cents a pound. 14/ In another study, average processing and transportation margins totaled 9.8 cents a pound on frozen, ready-to-cook turkeys sold f.o.b. Washington, D. C., and Boston, Mass. 15/ The apparent average margins of processors shipping turkeys into the Trenton area, of 7.8 cents to 11.3 cents for 2 of the 3 months of this study, are not out of line, especially when due consideration is given to differences in transportation costs and costs of handling smaller lots (table 4).

Farm values.--Monthly estimates indicate average farm values for the three sizes of turkeys increased from 2 to 3 cents a pound in three major commercial turkey producing areas of the country (table 7). These farm values are estimates based upon available Federal-State Market News Service prices paid producers at farms for live turkeys in California, Iowa, and Texas. Comparable values of prices received by producers in New Jersey and other nearby areas were higher than these averages.

Table 7.--Turkeys, ready-to-cook: Averages of converted equivalent price values a pound received by farmers in major commercial producing areas of California, Iowa, and Texas, November and December 1957, and June 1958 1/

Size of turkey	Price		
	November	December	June
	Cents	Cents	Cents
Small	35	35	37
Medium	31	34	34
Large	25	25	27

1/ Estimates based upon available Federal-State Market News Service prices paid producers at farms for live turkeys in these areas. Conversions are based on live to ready-to-cook percentage yields of 80.9 for large, 79.6 for medium, and 76 for small turkeys.

14/ See page 43 of reference cited in footnote 5.
15/ Rinear, Earl H. Marketing Margins and Practices for Turkeys Sold in Three Eastern Markets. U. S. Dept. Agr. Mktg. Res. Rpt. 191, p. 3. Aug. 1957.

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