THE CHANGING STRUCTURE OF THE PHILADELPHIA WHOLESALE FRUIT AND VEGETABLE MARKET

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CONTENTS

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SUMMARY AND CONCLUSIONS

Several significant changes took place in the structure of the Philadelphia wholesale produce market between 1958 and 1964. These changes included greater centralization of the wholesale market; a decline in the number of wholesalers, especially of small firms handling less than 3,000 tons of produce per year; a reduction in the proportion of produce going through wholesalers with an increase in the proportion moving directly from shipping point to chains; less reliance by chains on the local wholesale market for their produce needs; and an expansion of out-of-town sales by wholesalers to partly offset a decrease in sales to Philadelphia buyers. However, some of the changes were continuations of trends that began prior to 1958.

The Philadelphia wholesale produce market was composed of 158 firms in 1964--154 wholesalers and four chainstore organizations which received produce directly from shipping point. This was 58 firms fewer than in 1958, when there were 207 wholesalers and nine chains in the market.

Between 1958 and 1964, the mortality rate among wholesale produce firms in Philadelphia was high--one out of every three firms, but the entry rate of new firms was low--only nine new firms. Wholesaler exits in Philadelphia were higher among smaller firms--usually either young firms which never became established or old firms in which the operators retired or died.

In 1958, about 60 percent of all Philadelphia wholesalers were located in the Dock Street Market area. When the Dock Street Market area was razed as part of a redevelopment project, most of its firms moved to the new Food Distribution Center which opened in 1959. In 1964, about half of all Philadelphia wholesalers were located in the Food Distribution Center. The Center apparently contributed toward greater centralization of produce wholesaling in Philadelphia. In 1958, firms in the Dock Street Market area handled about half of the total volume handled by all wholesalers (including resales among wholesalers), but only one-third of all wholesalers' purchases from sources outside of Philadelphia. In 1964, firms in the Food Distribution Center accounted for about two-thirds of the total volume of all wholesalers and for three-fourths of all wholesalers' purchases from sources outside of Philadelphia.

Philadelphia wholesale and retail firms purchased 7 percent more fresh produce from sources outside the Philadelphia market in 1964 than in 1958. The volume of purchases entering the market increased 6 percent and purchases bypassing the market (sold by Philadelphia firms to out-of-town buyers and delivered directly to buyers) increased 10 percent. All of the increase in volume entering Philadelphia resulted from purchases by chains, as wholesalers' purchases entering Philadelphia dropped 11 percent between 1958 and 1964. Produce purchases by chains increased from 23 percent of all produce entering the market in 1958 to 37 percent in 1964. Purveyors, receiver-purveyors, and prepackager-repackers were the only wholesalers to increase their share of the volume entering the market. All other groups of wholesalers lost some of their market share, with receivers and commission merchants as a group suffering the greatest loss--from 40 percent in 1958 to 30 percent in 1964.

The volume of produce moving through Philadelphia wholesalers continued declining through 1964. Meanwhile, the volume of produce moving directly from shipping point to chains (direct receipts) continued increasing. Direct receipt by chains nearly tripled between 1936 and 1958 and increased another 39 percent between 1958 and 1964. Direct receipts by wholesale handlers declined 10 percent between 1936 and 1958 and another 9 percent between 1958 and 1964. Direct receipts by chains accounted for 9 percent of total market receipts in 1936, 33 percent in 1958, and 42 percent in 1964. During this period, chains' purchases in the local wholesale market declined from 42 percent of their total purchases in 1936 to 33 percent in 1958, and to 18 percent in 1964.

To partially offset declining sales to Philadelphia customers, wholesalers expanded sales to out-of-town customers after 1958. A large part of the produce sold to out-of-town customers moved directly from shipping point to customer, physically bypassing the Philadelphia market.

Other than expanding out-of-town sales, produce wholesalers did not significantly change their methods of operating from 1958 to 1964. In 1964, buying on consignment and by phone or wire were still leading buying methods, and selling produce directly out of rail cars or trucks continued to be important among first receivers of produce. Wholesalers also provided about the same services to their customers in 1964, although fewer wholesalers were providing services. Fewer wholesalers were prepackaging or repacking produce, but a slightly greater volume of produce was being packaged. About the same number of firms were delivering produce, but about 50 percent more produce was being delivered.

Philadelphia wholesalers were not very optimistic about the future of their business in 1964, but were less pessimistic than in 1958. In 1964 only about one of every three wholesalers predicted a favorable outlook for the future of his business. Wholesalers operating the Callowhill Street Market area were especially pessimistic, with only about one of every seven firms having a favorable outlook.

In spite of lack of optimism, only one of every five wholesalers in Philadelphia anticipated making any change in operations in an attempt to maintain business. Changes anticipated were primarily to provide more service or to emphasize frozen rather than fresh produce.

Most of the wholesalers agreed that the opening of the Food Distribution Center in 1959 had a significant impact upon produce wholesaling in Philadelphia by providing a modern facility for the handling of fresh produce. Some firms operating in the Center felt that the facility had helped to attract new business. About half of the firms operating in the Callowhill Street Market area felt the Center was responsible for reducing their business.

Since the Food Distribution Center opened there have been significant changes in the structure of the wholesale produce market in Philadelphia. During the Center's initial 6 years there was a continuing downward trend in the importance of the role played by produce wholesalers in Philadelphia.

THE CHANGING STRUCTURE OF THE PHILADELPHIA WHOLESALE FRUIT AND VEGETABLE MARKET

by

Alfred J. Burns
Marketing Economics Division
Economic Research Service

INTRODUCTION

The structure (or organization) and operation of wholesale fresh fruit and vegetable terminal markets in the United States have changed considerably since the 1930's. Although the volume of fruits and vegetables in the United States sold by farmers and imported for fresh use increased about 12 percent between the late 1930's and the late 1950's, the volume handled by the wholesale marketing system declined about 10 to 12 percent. 1/

The decline in volume handled by wholesalers was primarily caused by increased direct buying by corporate chains and other retail organizations. Other important trends in produce wholesaling between the 1930's and the 1950's were a decline in the number of wholesalers, a shift toward increased emphasis on merchandising, and an increase in consumer packaging.

The Philadelphia wholesale produce market, the Nation's fourth largest market, experienced changes similar to those of other wholesale markets during this period. 2/ Of particular interest in Philadelphia since 1958 has been the impact of a change in location of produce market facilities. In 1969, a modern wholesale produce market was opened in Philadelphia as part of a new Food Distribution Center. The new market replaced the antiquated Dock Street Market facilities which were razed as part of a redevelopment project. Most of the firms operating in the Dock Street Market area in 1958 moved to the new facility.

Such a change in location and facilities for a large number of firms usually results in operational changes for firms directly involved, which, in turn, often affect the operations of other firms in the market. These changes, if significant, will reflect on the structure of the market and may influence the development of market trends.

This report describes the organization of the Philadelphia market and the buying, selling, and operating practices of the wholesalers in the market in 1964, 6 years after the opening of the new market facility. It also describes and appraises

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1/ Manchester, Alden C. The Structure of Wholesale Produce Markets. U.S. Dept. Agr., Agr. Econ. Rpt. 45, 128 pp., 1964.

2/ Podany, Joseph C. The Organization of the Wholesale Fruit and Vegetable Market in Philadelphia. U.S. Dept. Agr., Mktg. Res. Rpt. 559, 25 pp., 1962.

changes which have taken place in the market, with particular emphasis on changes between 1958 and 1964.

The basic data for 1958 and 1964 were obtained in 1959 and 1965 by personal interview with representatives of wholesale firms and chainstore organizations in the Philadelphia metropolitan area. Most of the 1958 data were reported by Podany in 1962. In the 1958 study, all firms in the market were classified as to type, commodity specialization, and volume on the basis of a combination mail-and-telephone survey. A random sample of firms of each type was then interviewed. In 1965, all firms in the market were interviewed.

MARKET AREAS

The three major produce market areas in Philadelphia in 1964 were the Food Distribution Center, the Callowhill Street Market area, and the Terminal Market area.

The Food Distribution Center is located in South Philadelphia near the Walt Whitman Bridge. The produce market is composed of two long multiple occupancy buildings along South Galloway Street divided into stores and offices, and several single occupancy buildings on adjacent streets.

The Callowhill Market area is composed of private buildings located on Callowhill and surrounding streets near the downtown shopping area.

The Terminal Market area is made up of the Baltimore and Ohio Railroad Produce Terminal, the Pennsylvania Railroad Produce Terminal, and private facilities in the immediate vicinity of the terminals. Private sale facilities are available to Philadelphia produce dealers at the Pennsylvania Railroad Produce Terminal. Sales at auctions are rotated between the Pennsylvania Railroad Produce Terminal and the Baltimore and Ohio Railroad Produce Terminal. The Baltimore and Ohio Railroad produce Terminal is used for auction sales only.

THE CHANGING MARKET STRUCTURE

Number, Size, and Type of Firms

The Philadelphia wholesale produce market in 1964 was composed of 154 wholesalers and four chainstore organizations, compared with 207 wholesalers and nine chainstore organizations in 1958 (table 1). 3/ All of the decrease among wholesalers was in the number of wholesale handlers--there were 32 brokers and agencies in both years. Commission merchants, jobbers, receiver-jobbers, secondary wholesalers, and purveyors showed the greatest decline. The number of receivers, service jobbers, and jobbers who deliver increased.

Including resales among wholesalers and sales to chains, all firms in the market handled 1,804,000 tons of fresh fruits and vegetables in 1958 and 1,799,000 tons in 1964. While this was a decline of less than 1 percent, the wholesalers' share of the market decreased about 4 percentage points, and chainstore organizations' share increased by a like amount. Wholesale handlers' share of the market dropped from 50 percent in 1958 to 43 percent in 1964, while brokers' and agencies' share increased from 24 percent to 28 percent.

3/ See appendix for territory included in the market and definitions of different types of firms.

Table 1.--Number of firms and volume handled, by firm type, Philadelphia wholesale produce market, 1958 and 1964

Type of firm	1958				1964			
	Firms	Volume handled			Firms	Volume handled		
		Carlot equivalents 1/	Weight	Percentage of total market		Carlot equivalents 2/	Weight	Percentage of total market
	Number	Number	1,000 tons	Percent	Number	Number	1,000 tons	Percent
Wholesale handler:								
Receiver	13	20,216	306.1	17.0	15	13,785	253.4	14.1
Commission merchant	28	14,815	224.3	12.4	15	8,053	148.0	8.1
Receiver-jobber	9	3,295	49.9	2.8	5	1,630	30.0	1.7
Commission wholesaler	12	4,709	71.3	4.0	12	3,132	57.6	3.2
Service wholesaler	3	2,190	33.2	1.8	1	3,038	55.8	3.1
Service jobber	1				6			
Jobber	50	6,603	100.0	5.5	24	2,392	44.0	2.4
Jobber (delivery)	12	1,478	22.4	1.2	16	3,013	57.0	3.2
Truck jobber	3	116	1.8	.1	1			
Secondary wholesaler	4	498	7.5	.4	--	--	--	--
Purveyor	24	2,132	32.3	1.8	16	3,041	55.9	3.1
Receiver-purveyor	3	204	3.1	.2	1			
Prepackager-repacker	13	3,593	54.4	3.0	10	3,485	64.1	3.6
All wholesale handlers	175	59,849	906.3	50.2	122	41,659	765.8	42.6
Broker or agency:								
Buying broker	19	5,597	84.7	4.7	18	6,222	114.3	6.4
Distributor	--	--	--	--	1			
Carlot distributor	1	6,880	104.2	5.8	1	9,176	168.7	9.4
Selling broker	2				4			
Auction representative	5	3,246	49.2	2.7	3	1,945	35.7	2.0
Auction	1	4,861	73.6	4.1	1	3,890	71.5	4.0
Cooperative sales agency	2	7,449	112.8	6.2	2	5,677	104.3	5.8
Importer's sales agency	2				2			
All brokers and agencies	32	28,033	424.5	23.5	32	26,910	494.5	27.5
All wholesalers 3/	207	87,882	1,330.8	73.7	154	68,569	1,260.3	70.1
Retail chainstore organizations:								
National chain	1	23,431	354.8	19.7	1			
Regional chain	2				2	29,292	538.4	29.9
Local chain	1	7,854	118.9	6.6	1			
Other chainstore groups	5				--	--	--	--
All retail organizations	9	31,285	473.7	26.3	4	29,292	538.4	29.9
All firms 4/	216	119,167	1,804.5	100.0	158	97,861	1,798.7	100.0

1/ Carlot equivalent of 15.143 tons.
2/ Carlot equivalent of 18.380 tons.
3/ Wholesale handlers and brokers and agencies.
4/ Total volume of all firms, including resales among wholesalers and to chains.

Most of the 1958-64 decline in the number of wholesalers was among small firms (table 2). In 1958 there were 117 small firms handling less than 3,000 tons of produce a year, 35 medium-sized firms handling from 3,000 to 7,500 tons, and 55 large firms handling over 7,500 tons. In 1964 there were 64 small, 39 medium-sized, and 51 large firms. In the 1958-64 interval, the share of the total market volume handled by small firms decreased, that handled by medium-sized firms increased, and that handled by large firms remained constant.

Market Location

In 1958, 120 produce wholesalers were located in the Dock Street Market area--nearly 60 percent of all fruit and vegetable wholesalers in Philadelphia (table 3). These firms handled 665,900 tons of produce, half of the total volume handled by all Philadelphia wholesalers in that year (table 4). In 1964, 79 produce wholesalers were located in the Food Distribution Center--about half of all produce wholesalers in Philadelphia. These firms handled 819,000 tons of produce--nearly two-thirds of the total volume handled by wholesalers in 1964 and about one-fourth more than was handled by Dock Street Market Wholesalers in 1958.

About half of the 120 wholesalers in the Dock Street Market area in 1958 were small firms and one-fourth were large firms. One-fourth of the 79 wholesalers in the Food Distribution Center in 1964 were small firms and about half were large firms. In 1958, the Dock Street area contained two-thirds of all medium-sized wholesale firms in Philadelphia and over half of both the large and small firms. In 1964, the Food Distribution Center contained half of all medium-sized wholesale firms, two-thirds of the large firms, and only about a third of the small firms. Twelve wholesalers located in the Terminal Market area in 1958 handled 284,400 tons of produce; in 1964, 13 wholesalers handled 213,300 tons, 14 percent less produce. However, these data do not fully reflect the importance of the Terminal Market, as most of the produce arriving in Philadelphia by rail moves through the Terminal Market regardless of the market location of the wholesalers handling the produce.

In the Callowhill Street Market, 25 wholesalers in 1958 handled 30,400 tons of produce, and 27 wholesalers in 1964 handled 45,800 tons--a 50-percent increase. The increasing importance of the Callowhill Street area was a result of increased volume handled by purveyors.

The number of wholesalers in no defined market area dropped from 50 in 1958 to 35 in 1964, and the volume they handled was cut in half.

Form of Legal Organization

In 1964, only 28 percent of all Philadelphia wholesalers were incorporated (table 5). Eighty percent of the prepackager-repackers were incorporated, as were 40 percent of the receivers and commission merchants. Sixty-one percent of the jobbers, jobbers (delivery), and truck jobbers and 55 percent of the brokers, distributors, and auction representatives were proprietorships.

Table 2.--Distribution of wholesale firms and volume handled, by firm type and size, Philadelphia wholesale produce market, 1958 and 1964

Type of firm	Distribution of firms by size 1/						Percentage of volume handled					
	1958			1964			1958			1964		
	Small	Medium	Large	Small	Medium	Large	Small firms	Medium firms	Large firms	Small firms	Medium firms	Large firms
	Number	Number	Number	Number	Number	Number	Percent	Percent	Percent	Percent	Percent	Percent
Wholesale handler:												
Receiver	1	2	10	1	3	11	1	3	96	2/	5	95
Commission merchant	7	8	13	2	4	9	4	20	76	3	14	83
Receiver-jobber	3	4	2	1	2	2	7	31	62	7	25	68
Commission wholesaler	3	5	4	5	5	2	5	34	61	13	49	38
Service wholesaler	--	1	2	--	--	1	--	22	78	--	--	100
Service jobber	1	--	--	1	3	2	100	--	--	6	36	58
Jobber	41	7	2	21	2	1	32	26	42	55	22	23
Jobber (delivery)	10	1	1	13	2	1	44	18	38	29	17	54
Truck jobber	3	--	--	1	--	--	100	--	--	100	--	--
Secondary wholesaler	4	--	--	--	--	--	100	--	--	--	--	--
Purveyor	22	1	1	8	5	3	60	13	27	16	34	50
Receiver-purveyor	3	--	--	1	--	--	100	--	--	100	--	--
Prepackager-repacker	8	2	3	4	3	3	13	17	70	7	23	70
All wholesale handlers	106	31	38	58	29	35	11	16	73	9	18	73
Broker or agency:												
Buying broker	11	3	5	5	8	5	17	16	67	6	35	59
Distributor	--	--	--	--	1	--	--	--	--	--	100	--
Carlot distributor	--	--	1	--	--	1	--	--	100	--	--	100
Selling broker	--	--	2	1	--	3	--	--	100	2	--	98
Auction representative	--	1	4	--	1	2	--	11	89	--	20	80
Auction	--	--	1	--	--	1	--	--	100	--	--	100
Cooperative sales agency	--	--	2	--	--	2	--	--	100	--	--	100
Import sales agency	--	--	2	--	--	2	--	--	100	--	--	100
All brokers and agencies	11	4	17	6	10	16	4	4	92	2	10	88
All wholesalers	117	35	55	64	39	51	9	12	79	6	15	79

1/ Small firms handle less than 3,000 tons per year, medium firms 3,000 to 7,500 tons, and large firms over 7,500 tons.
2/ Less than 0.5 percent.

Table 3.--Number of firms, by market area and type of firm, Philadelphia wholesale produce market, 1958 and 1964

Type of firm	Dock St. area	Food center	Terminal area		Callowhill area		Other areas	
	1958	1964	1958	1964	1958	1964	1958	1964
	Number							
Wholesale handler:								
Receiver	10	11	1	3	--	--	2	1
Commission merchant	23	15	3	--	1	--	1	--
Receiver-jobber	8	4	--	--	--	--	1	1
Commission wholesaler	11	12	1	--	--	--	--	--
Service wholesaler	--	--	--	--	--	--	3	1
Service jobber	--	--	--	--	--	--	1	6
Jobber	30	10	--	--	19	13	1	1
Jobber (delivery)	2	3	--	--	--	4	10	9
Truck jobber	--	--	--	--	--	--	3	1
Secondary wholesaler	4	--	--	--	--	--	--	--
Purveyor	12	--	--	--	5	9	7	7
Receiver-purveyor	--	--	--	--	--	--	3	1
Prepackager-repacker	6	5	1	3	--	--	6	2
All wholesale handlers	106	60	6	6	25	26	38	30
Broker or agency:								
Buying broker	14	13	2	2	--	1	3	2
Distributor	--	--	--	--	--	--	--	1
Carlot distributor	--	1	1	--	--	--	--	--
Selling broker	--	2	1	1	--	--	1	1
Auction representative	--	--	1	3	--	--	4	--
Auction	--	--	1	1	--	--	--	--
Cooperative sales agency	--	2	--	--	--	--	2	--
Importer's sales agency	--	1	--	--	--	--	2	1
All brokers and agencies	14	19	6	7	--	1	12	5
All wholesalers	120	79	12	13	25	27	50	35
All retail organizations	1	--	--	1	--	--	8	3
All firms	121	79	12	14	25	27	58	38

Table 4.--Volume of produce handled, by market area and class of firm, Philadelphia wholesale produce market, 1958 and 1964

Groups of firms	Volume of produce							
	Dock St. area	Food center	Terminal area		Callowhill area		Other areas	
	1958	1964	1958	1964	1958	1964	1958	1964
	1,000 tons							
Primary handlers	513.5	446.5	61.1	85.4	--	--	130.7	21.1
Secondary handlers	82.9	56.8	--	--	1/ 30.4	2/ 45.8	87.7	113.5
All wholesale handlers	596.4	503.3	61.1	56.4	30.4	2/ 45.8	218.4	134.6
Brokers, agencies, and auction	69.5	315.7	187.3	127.9	--	--	167.7	47.6
All wholesalers	665.9	819.0	248.4	213.3	30.4	45.8	386.1	182.2
All retail organizations	3/	--	--	3/	--	--	3/	3/
All firms 4/	5/	819.0	248.4	5/	30.4	45.8	5/	5/

1/ Includes volume of 1 primary handler. 2/ Includes volume of 1 buying broker.
3/ Withheld to avoid disclosure of individual operations. 4/ Total sales of all firms, including resales among wholesalers and to chains. 5/ Total withheld to avoid disclosure of individual operations.

Table 5.--Form of legal organization, by class of firm, Philadelphia produce wholesalers, 1964

Class of firm	Form of organization			
	Proprietorship	Partnership	Corporation	Cooperative
	Percent	Percent	Percent	Percent
Broker, distributor, auction representative	55	19	26	--
Sales agency	--	--	50	50
Auction	--	--	100	--
Receiver, commission merchant	37	23	40	--
Receiver-jobber, service wholesaler, service jobber, commission wholesaler	46	37	17	--
Jobber, jobber (delivery), truck jobber	61	32	7	--
Purveyor, receiver-purveyor	41	24	35	--
Prepackager-repacker	20	--	80	--
All wholesalers	46	25	28	1

Commodity Specialization

Sixty-one percent of the wholesalers handled a specialized line of produce in 1958, compared with only 40 percent in 1964 (table 6). The shift in commodity specialization was limited to wholesale handlers; brokers and agencies handled about the same line of produce in both years. Except for prepackager-repackers, all classes of wholesale handlers became less specialized. The proportion of wholesalers handling other types of food in addition to a complete line of produce doubled during the period. In 1958, purveyors were the only firm type handling other types of food in addition to produce, but by 1964 service jobbers and jobbers (delivery) also handled other types of food.

Market Volume

The total quality of fresh fruits and vegetables entering the Philadelphia market fluctuated considerably during the 35 years prior to 1965, and especially before 1950 (fig. 1). From a record high of 58,712 carlots in 1931, Philadelphia unloads decreased to a low of 46,182 carlots in 1943. 4/ During the next 10 years, there was an upward trend in unloads. Following 1953 there was a downward trend, with small increases in some years. In 1964, unloads were about 9 percent greater than in 1958. 5/

4/ Carlots of 18.38 tons.

5/ U.S. Department of Agriculture. Fresh Fruit and Vegetable Unloads in Eastern Cities, by Commodities, States and Months. U. S. Consumer and Marketing Service, C&MS-3 (1964), 143 pp. 1965. (Also similar publications for other years).

Table 6.--Percentage distribution of wholesale firms by degree of commodity specialization, by class of firm, Philadelphia wholesale produce market, 1958 and 1964

(Percent of firms in each class)

Class of firm	Firms handling complete line of produce: With no specialization		With some specialization		Plus other types of food		Firms specializing in--: A single commodity		One class of commodities		Several commodity classes	
	1958	1964	1958	1964	1958	1964	1958	1964	1958	1964	1958	1964
Receiver, commission merchant	17	33	5	17	--	--	7	--	17	7	54	43
Receiver-jobber, commission wholesaler, service wholesaler, service jobber	28	54	4	17	--	4	4	--	17	4	47	21
Jobber, jobber (delivery), truck jobber, secondary wholesaler	40	49	--	10	--	7	20	12	3	--	37	22
Purveyor, receiver-purveyor	69	76	--	--	14	18	--	--	--	--	17	6
Prepackager-repacker	--	--	--	--	--	--	59	60	31	20	10	20
All wholesaler handlers	34	46	2	11	2	6	15	9	11	4	38	24
Broker, distributor, auction representative	41	48	7	--	--	--	7	4	--	7	45	41
Auction	--	--	--	--	--	--	--	--	--	--	100	100
Sales agency	--	--	--	--	--	--	50	50	50	50	--	--
All brokers and agencies	34	41	6	--	--	--	12	9	--	13	41	37
All wholesalers	34	45	3	8	2	5	14	9	9	6	38	27

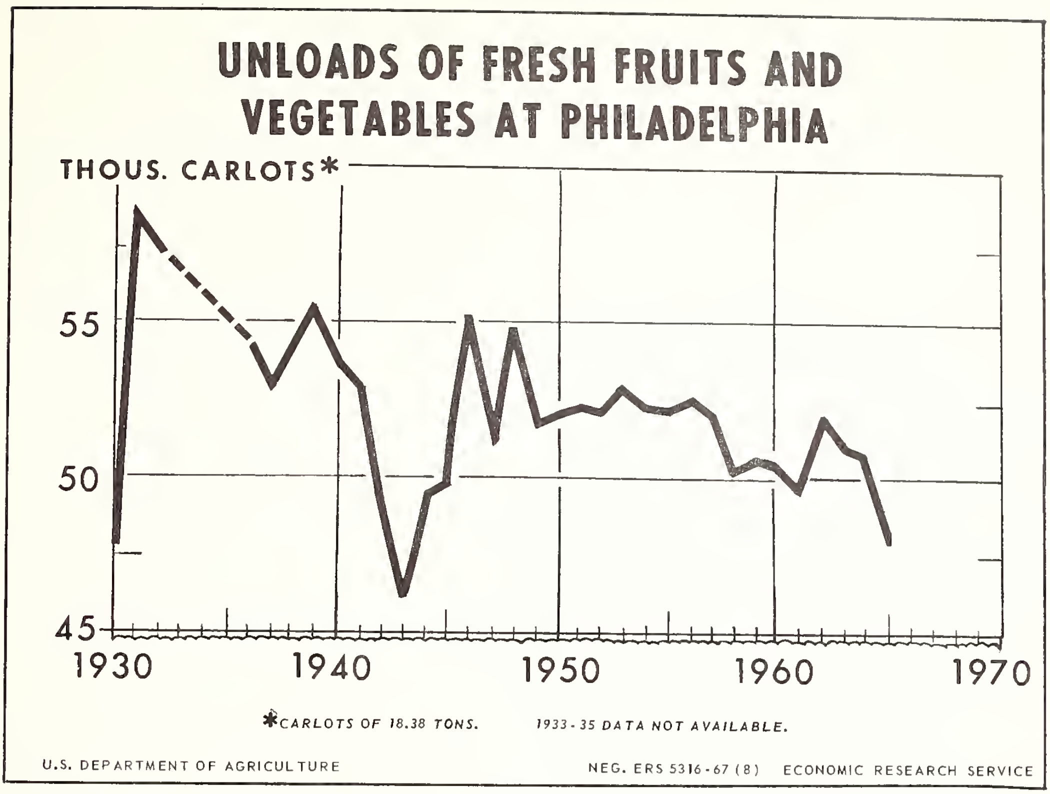

Figure 1

Marketing Channels

Purchases

Philadelphia wholesale and retail firms purchased 84,300 tons more fresh produce from sources outside the Philadelphia market in 1964 than in 1958 (table 7). This was an increase of 62,700 tons in produce entering the Philadelphia market and an increase of 21,600 tons in produce bypassing Philadelphia (sold by Philadelphia firms to out-of-town buyers and delivered directly to the buyers) (table 8).

All of the increase in volume entering Philadelphia was attributable to chains, as wholesalers' purchases entering Philadelphia dropped 11 percent between 1958 and 1964. However, wholesalers' purchases bypassing Philadelphia increased 10 percent during this period.

Purchases from outside Philadelphia by chains increased from 23 percent of all produce entering the market in 1958 to 37 percent in 1964. The large increase in direct purchases by chains is partially a result of one chain organization absorbing three wholesale firms after 1958. The chain purchased all its produce in the local market primarily from the three wholesalers in 1958. In 1964, the chain owned the three wholesale firms and its purchases through these firms were considered direct purchases by the chain.

Table 7.--Sources of supply for purchases outside the market area, by class of firm, Philadelphia wholesale produce market, 1958 and 1964

Class of buyer	Direct from shipping point		From local growers		Through terminal market outlets in other cities		Total	
	1958	1964	1958	1964	1958	1964	1958	1964
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Broker, distributor, auction representative	157.6	220.7	1.3	2.4	---	1.7	158.9	224.8
Sales agency	113.5	104.3	---	---	---	---	113.5	104.3
Receiver, commission merchant	482.9	370.4	24.3	14.6	2.9	1.3	510.1	386.3
Receiver jobber, service wholesaler, service jobber, commission wholesaler	102.7	89.1	22.8	9.1	1.4	3.1	126.9	101.3
Jobber, jobber (delivery), truck jobber, secondary wholesaler	2.9	4.0	2.9	1.7	1.4	2.0	7.2	7.7
Purveyor, receiver-purveyor	1.4	1.5	---	3.3	---	1.1	1.4	5.9
Prepackager-repacker	37.3	57.4	1.4	6.1	---	.2	38.7	63.7
All wholesalers	898.3	847.4	52.7	37.2	5.7	9.4	956.7	894.0
Retail chainstore organizations	1/ 187.9	358.9	1/ 50.0	26.0	---	---	1/ 237.9	384.9
Grand total	1,086.2	1,206.3	102.7	63.2	5.7	9.4	1,194.6	1,278.9

1/ Includes purchases made by one processor and one chain restaurant.

Table 8.--Purchases from outside the market bypassing Philadelphia and entering Philadelphia by class of firm, Philadelphia wholesale produce market, 1958 and 1964

Class of buyer	Purchases entering Philadelphia market		Purchases bypassing Philadelphia market		Total purchases from outside Philadelphia market	
	1958	1964	1958	1964	1958	1964
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Broker, distributor, auction representative	98.6	101.6	60.3	123.2	158.9	224.8
Sales agency	80.2	73.5	33.3	30.8	113.5	104.3
Receiver, commission merchant	395.5	312.7	114.6	73.6	510.1	386.3
Receiver-jobber, service wholesaler, service jobber, commission wholesaler	126.9	99.2	---	2.1	126.9	101.3
Jobber, jobber (delivery), truck jobber, secondary wholesaler	7.2	7.7	---	---	7.2	7.7
Purveyor, receiver-purveyor	1.4	5.8	---	.1	1.4	5.9
Prepackager-repacker	38.7	63.7	---	---	38.7	63.7
All wholesalers	748.5	664.2	208.2	229.8	956.7	894.0
Retail chainstore organizations	1/ 237.9	384.9	---	---	1/ 237.9	384.9
Grand total	986.4	1,049.1	208.2	229.8	1,194.6	1,278.9

1/ Includes purchases made by one processor and one chain restaurant.

Although several classes of wholesalers increased their actual volume of purchases entering Philadelphia between 1958 and 1964, the purveyors and receiver-purveyor and the prepackager-repacker classes were the only ones to increase their share of the volume entering the market. All other classes of wholesalers lost some of their market share, with the receiver and commission merchant class suffering the greatest loss--a drop from 40 percent to 30 percent.

Receipts

A firm's direct receipts of produce include both direct purchases and purchases through brokers, sales agencies, and others in the terminal market where the actual shipment is made directly to the buyer. Between 1936 and 1958, direct receipts of produce by chains in the Philadelphia market increased from 116,662 tons to 318,291 tons; by 1964, they had increased another 39 percent to 442,348 tons (fig. 2).

Direct receipts by chains accounted for an increasing proportion of total market receipts from 1936 through 1964--9 percent in 1936, 33 percent in 1958, and 42 percent in 1964. Meanwhile, the proportion of Philadelphia chains' purchases in the local market declined from 42 percent of their total purchases in 1936 to 33 percent in 1958, and to 18 percent in 1964.

Direct receipts by wholesale handlers (excluding supplies going to the auction) declined from 629,631 tons in 1936 to 568,302 tons in 1958, and 516,467 tons in 1964. Auction receipts declined from 225,555 tons in 1936 to 74,579 in 1958, and 71,420 in 1964.

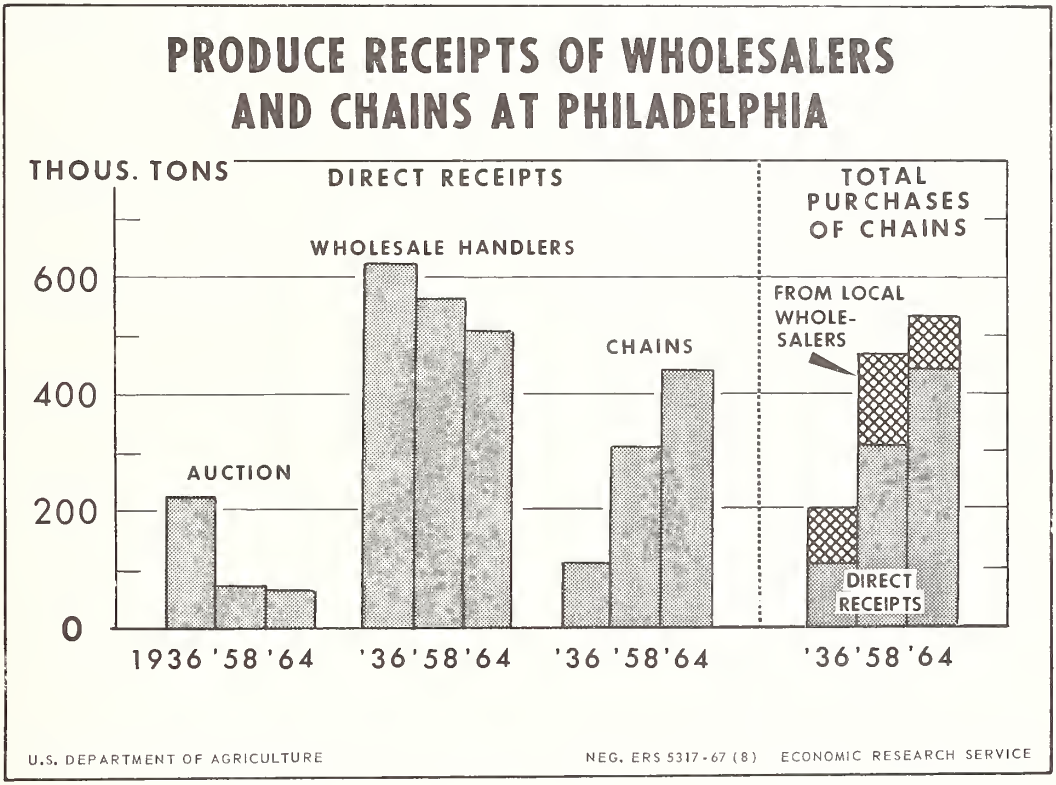

Figure 2

Sales

The total volume of produce sold by Philadelphia wholesalers declined about 5 percent between 1958 and 1964 despite a 26-percent increase in sales to out-of-town buyers (table 9). Sales to Philadelphia buyers dropped 19 percent, with purveyors and receiver-purveyors the only firm class to increase their sales to Philadelphia buyers. Several firm classes increased their sales to out-of-town buyers. The most significant change was in sales by brokers, distributors, and auction representatives. Firms in this class sold about 28 percent less produce in Philadelphia in 1964 than in 1958, but they more than doubled their out-of-town sales.

Between 1958 and 1964, wholesalers' sales to each class of Philadelphia buyer declined (table 10). In 1964, 38 percent of all wholesalers' sales to Philadelphia buyers went to other wholesalers; 30 percent to corporate chains and voluntary or cooperative groups; 23 percent to independent retail stores and peddlers; and 9 percent to processors, consumers, eating places, and institutions.

Between 1958 and 1964, wholesalers' sales to all classes of out-of-town buyers except independent retail stores increased (table 11). In 1964, 54 percent of all sales to out-of-town buyers were to wholesalers; 32 percent to corporate chains and voluntary or cooperative groups; 8 percent to independent retail stores; and 6 percent to processors, eating places, and institutions.

Buying Methods

Wholesale handlers in the Philadelphia market utilized about the same methods in 1964 as in 1958 when buying directly from sellers at the shipping point (table 12). Buying on consignment was a leading method in both years. Together with buying by telephone or wire it accounted for 80 percent of the volume purchased directly from shipping point by wholesale handlers in 1964.

Table 9.--Wholesalers' sales to Philadelphia and out-of-town buyers, by class of seller, Philadelphia wholesale produce market, 1958 and 1964

Class of seller	Wholesalers' sales to-- Philadelphia buyers 1958	Philadelphia buyers 1964	Out-of-town buyers 1958	Out-of-town buyers 1964	All buyers 1958	All buyers 1964
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Broker, distributor, auction representative	128.7	92.7	109.4	226.0	238.1	318.7
Sales agency	78.7	73.1	34.1	31.2	112.8	104.3
Auction	48.4	47.1	25.2	24.4	73.6	71.5
Receiver, commission merchant	346.8	263.7	183.7	137.7	530.5	401.4
Receiver-jobber, service-jobber, service wholesaler, commission wholesaler	127.2	98.6	27.1	44.8	154.3	143.4
Jobber, jobber (delivery), truck jobber, secondary wholesaler	116.6	81.9	15.1	19.1	131.7	101.0
Purveyor, receiver-purveyor	28.8	45.2	6.6	10.7	35.4	55.9
Prepackager-repacker	43.9	40.3	10.5	23.8	54.4	64.1
All wholesalers	919.1	742.6	411.7	517.7	1,330.8	1,260.3

Table 10.--Quantities of produce sold by wholesalers in the Philadelphia market to Philadelphia buyers, 1958 and 1964

Class of seller	Class of buyer: Wholesaler		Corporate chain; voluntary and cooperative groups		Retail store, peddler		Processor, consumer, eating place, institution		All Philadelphia buyers	
	1958	1964	1958	1964	1958	1964	1958	1964	1958	1964
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Broker, distributor, auction representative	95.4	56.5	12.1	34.7	16.7	0.3	4.5	1.2	128.7	92.7
Sales agency	62.1	56.5	16.6	16.6	--	--	--	--	78.7	73.1
Auction	37.8	37.2	9.1	8.2	1.5	1.7	--	--	48.4	47.1
Receiver, commission merchant	69.7	81.9	163.6	118.5	87.8	58.1	25.7	5.2	346.8	263.7
Receiver-jobber, service-jobber, service wholesaler, commission wholesaler	15.1	14.9	15.1	15.6	90.9	61.2	6.1	6.9	127.2	98.6
Jobber, jobber (delivery), truck jobber, secondary wholesaler	16.7	16.7	12.1	13.7	69.7	43.7	18.1	7.8	116.6	81.9
Purveyor, receiver-purveyor	--	--	--	.1	3.0	1.7	25.8	43.4	28.8	45.2
Prepackager-repacker	3.0	17.0	37.9	18.3	3.0	3.3	--	1.7	43.9	40.3
All wholesalers	299.8	280.7	266.5	225.7	272.6	170.0	80.2	66.2	919.1	742.6

Table 11.--Quantities of produce sold to out-of-town firms by firms in the Philadelphia wholesale produce market, 1958 and 1964

Class of seller	Class of out-of-town buyer: Wholesaler		Corporate chain; voluntary and cooperative groups		Retail store		Processor, eating place, institution		All out-of-town buyers	
	1958	1964	1958	1964	1958	1964	1958	1964	1958	1964
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Broker, distributor, auction representative	25.8	112.8	57.8	94.4	25.8	1.0	--	17.8	109.4	226.0
Sales agency	31.0	25.6	3.1	5.6	--	--	--	--	34.1	31.2
Auction	15.1	20.0	10.1	4.4	--	--	--	--	25.2	24.4
Receiver, commission merchant	154.5	95.7	6.1	32.4	23.1	9.2	--	.4	183.7	137.7
Receiver-jobber, service-jobber, service wholesaler, commission wholesaler	4.5	5.4	6.1	9.7	16.5	29.0	--	.7	27.1	44.8
Jobber, jobber (delivery), truck jobber, secondary wholesaler	9.1	9.0	6.0	5.3	--	3.9	--	.9	15.1	19.1
Purveyor, receiver-purveyor	--	--	--	--	--	.4	6.6	10.3	6.6	10.7
Prepackager-repacker	7.5	10.2	3.0	12.7	--	.1	--	.8	10.5	23.8
All wholesalers	247.5	278.7	92.2	164.5	65.4	43.6	6.6	30.9	411.7	517.7

Table 12.--Percentage distribution of shipping-point purchases made by wholesale handlers, by method of purchase and type of firm, Philadelphia wholesale produce market, 1958 and 1964

(Percentage of purchases by each type of firm)

Type of firm	Consignment		Direct by phone or wire		Through shipping-point buying broker		On joint account with shippers		Other methods	
	1958	1964	1958	1964	1958	1964	1958	1964	1958	1964
Receiver	15	18	46	58	6	13	1	4	32	7
Commission merchant	78	77	16	13	3	4	3	6	--	--
Receiver-jobber	23	20	20	72	41	8	11	--	4	--
Service-jobber	--	--	--	54	--	46	--	--	--	--
Service wholesaler	--	--	3	100	94	--	--	--	3	--
Commission wholesaler	78	80	18	18	1/	2	3	--	1	--
Secondary wholesaler	100	--	--	--	--	--	--	--	--	--
Jobber	--	82	--	15	27	3	--	--	73	--
Jobber (delivery)	--	40	--	60	--	--	--	--	--	--
Truck jobber	--	--	--	--	--	--	--	--	--	100
Purveyor	76	--	24	87	--	13	--	--	--	--
Receiver-purveyor	--	--	--	--	--	39	--	--	--	61
Prepackager-repacker	1/	6	10	43	65	51	--	--	25	--
Wholesale handlers	40	39	28	41	13	13	2	4	16	4

1/ Less than 0.5 percent.

Individual types of firms differed widely in buying methods used. Among primary handlers (those buying most of their volume from shipping point), commission merchants and commission wholesalers obtained most of their supplies on consignment; receivers, receiver-jobbers, and service wholesalers relied mostly on direct purchases by wire or telephone; and prepackager-repackers bought mostly through shipping point buying brokers. Secondary handlers (those buying most of their volume in the local market) mostly used wire or telephone for direct purchases.

Marketing Functions and Services

Many of the functions performed by the firms in the Philadelphia wholesale market are more or less implicit in the definition of each type of firm as given in the appendix. Other functions are performed and services provided on the decision of management. Thus, some firms deliver; others do not. Some firms haul a portion of their receipts from the terminals or team tracks to their stores; others have no stores and sell out of rail cars. Some firms extend credit to their customers; others sell for cash only.

Unloading and Cartage

Although nearly half of the produce entering Philadelphia arrived by rail, in both 1958 and 1964 less than one-fifth of the Philadelphia wholesale handlers had rail connections to their stores. In 1958, neither the Dock Street Market nor the Callowhill Street Market had rail facilities. In 1964, there still were no rail connections to stores in the Callowhill Street Market. Six handlers having private buildings in the Food Distribution Center had direct rail connections in 1964 but there were no rail connections to rental units in the Center. All produce arriving in Philadelphia by rail and intended for sale by handlers not having rail connections had to be carted to the stores from the railroad terminals or team tracks or sold directly from rail cars at the terminals or team tracks.

Forty firms reported unloading rail cars in 1958--35 at terminals, three on team tracks and two at store sidings. Forty-two firms unloaded cars in 1964--29 at the terminals, two on team tracks, nine at store sidings, and two at both store sidings and the terminals. In 1958, unloading of rail cars was done mostly by employees of the wholesalers; in 1964, 21 firms used their own employees, 17 used hired truckers who also hauled the produce to the store, and four used other labor.

In 1958, 33,617 tons of produce were hauled to wholesale stores from the terminals or team tracks prior to sale by 16 wholesalers. Four receivers and six commission merchants hauled a little over half of the volume. Nine firms, accounting for about half of the total hauled, used their own trucks and the other seven firms used hired trucks.

Thirty-one wholesalers hauled 54,056 tons of produce from the terminals or team tracks in 1964 (table 13). Ninety-four percent of the total was hauled in hired trucks, with only two firms using their own trucks.

Selling Out of Rail Cars and Trucks

In both 1958 and 1964, about one-fourth of the Philadelphia wholesale handlers sold some produce out of rail cars or trucks (table 14). Eight handlers sold all their produce in this manner in both years. In 1958, wholesale handlers sold 223,000 tons of produce out of rail cars or trucks; in 1964, they sold 238,000 tons. Firms of different types varied substantially in the proportion of their sales made from rail cars or trucks, but in both years receivers and commission merchants accounted for most of the produce sold by this method.

Packaging

Nineteen wholesale handlers prepackaged or repacked 99,859 tons of produce in 1964, over 200 tons more than was packed by 26 firms in 1958 (table 15). In

Table 13.--Rail unloads hauled to stores from terminals or team tracks, by type of wholesale handler, Philadelphia wholesale produce market, 1964

Type of firm	Number of firms	Tons hauled	Percent of total
Receiver	5	14,134	26
Receiver-jobber	3	15,072	28
Commission wholesaler	6	14,759	27
Commission merchant	8	4,007	8
Prepackager-repacker	4	3,419	6
Jobber, jobber (delivery), and receiver-purveyor	5	2,665	5
All firms	31	54,056	100

Table 14.--Extent of selling out of rail cars and trucks by wholesale handlers, Philadelphia wholesale produce market, 1958 and 1964

Type of firm	Number of firms selling some produce out of rail cars or trucks: 1958	Number of firms selling some produce out of rail cars or trucks: 1964	Volume of produce sold out of rail cars or trucks: 1958	Volume of produce sold out of rail cars or trucks: 1964	Sales out of rail cars or trucks as a percent of total market sales: 1958	Sales out of rail cars or trucks as a percent of total market sales: 1964
	Number	Number	1,000 tons	1,000 tons	Percent	Percent
Receiver	11	12	142.5	183.3	47	72
Commission merchant	14	6	47.4	38.6	21	26
Receiver-jobber	5	0	4.5	--	9	--
Service-jobber	0	1	--	1/	--	1
Service-wholesaler	0	0	--	--	--	--
Commission wholesaler	7	2	22.6	1/	32	1/
Jobber	0	3	--	1.8	--	4
Jobber (delivery)	2	1	1/	1/	1/	1/
Truck jobber	3	1	1.8	1/	100	100
Secondary wholesaler	0	0	--	--	--	--
Purveyor	0	1	--	1/	--	1/
Receiver-purveyor	0	0	--	--	--	--
Prepackager-repacker	1	2	1/	1/	1/	1/
Wholesale handlers	43	29	223.0	238.0	25	31

1/ Withheld to avoid disclosure of individual operations.

Table 15.--Number of firms repacking or prepackaging one or more items, and volume packed, by class of firm, Philadelphia wholesale produce market, 1958 and 1964

Class of firm	1958: Firms packing	1958: Volume packed	1964: Firms packing	1964: Volume packed
	Number	Tons	Number	Tons
Receiver, commission merchant, receiver-jobber, commission wholesaler	6	44,127	5	30,695
Service wholesaler, service-jobber, jobber, jobber (delivery)	7	4,633	4	9,025
Prepackager-repacker	13	50,866	10	60,139
Wholesale handlers	26	99,626	19	99,859
Chain	1	1/	2	1/
All firms	27	1/	21	1/

1/ Withheld to avoid disclosure of individual operations.

both years, most firms packaged only one commodity. In 1964, 10 wholesalers, including five repackers, ripened and repacked tomatoes, four packaged potatoes, three onions, three garlic, and one each packaged apples, bananas, celery, grapefruit, oranges, and salad vegetables.

Delivery

In 1964, 54 Philadelphia wholesale handlers provided delivery service to their customers. This was just one more than in 1958, but the volume delivered increased from 132,500 tons to 206,000 tons (table 16). In both years, these firms delivered a little over three-fourths of their total sales. In 1958, about three-fourths of the produce was delivered in wholesalers' own trucks and one-fourth in hired trucks. By 1964, about two-thirds of the produce was delivered in wholesalers' own trucks and one-third in hired trucks.

Slightly over one-half of the firms providing delivery service in 1964 were located in areas other than the three major market areas. These firms delivered about 90 percent of their total sales, accounting for 60 percent of all produce delivered. About 30 percent of the firms providing delivery service were located in the Callowhill Street Market area. These firms delivered 95 percent of their sales, which was 15 percent of all produce delivered. Firms in the Food Distribution Center and the Terminal Market area providing delivery service delivered about half of their total sales.

Credit

Over 90 percent of the Philadelphia wholesale handlers offered some form of credit to their customers in 1964 (table 17). Over one-half of the handlers were

Table 16.--Extent of delivery service by wholesale handlers, Philadelphia wholesale produce market, 1958 and 1964

Type of firm	Firms providing delivery service		Volume delivered		Volume delivered as percentage of sales of--			
					Firms making some deliveries		All firms of this type	
	1958	1964	1958	1964	1958	1964	1958	1964
	Number	Number	1,000 tons	1,000 tons	Percent	Percent	Percent	Percent
Receiver	1	3	1/	8.3	2	16	2/	3
Commission merchant	1	--	1/	--	100	--	8	--
Commission wholesaler	--	--	--	--	--	--	--	--
Receiver-jobber	3	1	4.3	1/	83	100	9	7
Service wholesaler	3	1	31.6	1/	97	100	97	100
Service jobber	1	6	1/	37.1	100	98	100	98
Jobber	4	5	10.5	5.0	32	41	10	11
Jobber (delivery)	12	16	20.1	53.5	90	94	90	94
Truck jobber	3	1	1.8	1/	100	100	100	100
Secondary wholesaler	2	--	1/	--	35	--	18	--
Purveyor	18	16	27.9	53.3	100	97	86	97
Receiver-purveyor	3	1	3.1	1/	99	100	99	100
Prepackager-repacker	2	4	1/	27.4	100	76	26	43
All wholesale handlers	53	54	132.5	206.0	77	76	15	27

1/ Withheld to avoid disclosure of individual operations.
2/ Less than 0.5 percent.

Table 17.--Credit terms offered by wholesale handlers, Philadelphia wholesale produce market, 1964

Type of firm	Firms giving no credit	Members of credit bureau 1/	Firms offering credit for-- 7-10 days	14 days	30 days	Over 30 days	Total replying
	Firms						
Receiver	--	13	1	--	--	--	14
Commission merchant	--	15	--	--	--	--	15
Receiver-jobber	--	4	1	--	--	--	5
Service-jobber	--	--	3	2	1	--	6
Service-wholesaler	--	--	1	--	--	--	1
Commission-wholesaler	--	12	--	--	--	--	12
Jobber	5	10	6	--	2	1	24
Jobber (delivery)	2	3	8	--	2	1	16
Truck jobber	1	--	--	--	--	--	1
Purveyor	--	2	2	--	7	4	15
Receiver-purveyor	--	--	--	1	--	--	1
Prepackager-repacker	--	7	3	--	--	--	10
All wholesale handlers	8	66	25	3	12	6	120

1/ The Philadelphia Produce Credit and Collection Bureau.

members of the Philadelphia Produce Credit and Collection Bureau. The Bureau, established in 1886, is an organization of wholesale produce dealers, which, for a fee, coordinates and regulates the extention of credit and collection of payment for member wholesalers. The Bureau bills members' customers weekly, and payment is expected within a specified period. Depending on which day the sale is made, members of Philadelphia Credit and Collection Bureau extend from 5 to 10 days' credit to their customers. Another 20 percent of the wholesale handlers extend 7 to 10 days' credit. Thus, about three-fourths of the wholesale handlers extend up to 10 days' credit to their customers. Fifteen percent of the handlers extend credit for 30 or more days.

All of the commission merchants, commission wholesalers, receiver-jobbers, service wholesalers, and prepackager-repackers, and most of the receivers and jobbers extend up to 10 days' credit. Most of the purveyors and other individual firms catering to the institutional trade extend 30 days' credit or more.

Over 90 percent of the firms in the Food Distribution Center and 80 percent of the firms in the Terminal area were members of the Philadelphia Produce Credit and Collection Bureau. The remaining firms in the two market areas also extended up to 10 days' credit. About half of the firms in the Callowhill Street Market and half of the firms in no clearly defined market area extended up to 10 days' credit.

Only 10 percent of the wholesale handlers reported any variation in credit terms; the major variation was a longer period of credit extended to institutional customers.

Other Services

Twenty-one wholesalers offered other services to their customers in 1964. The six service jobbers and one service wholesaler offered two or more merchandising services. These firms suggested retail selling prices and assisted with merchandising displays, advertising, and promotion. Three of these firms assisted in training retail produce personnel. Fourteen other wholesalers offered one service to retail customers--eight suggested retail selling prices and six assisted with merchandising displays, advertising, and promotion.

Changes in Operating Costs

In planning for a new market in Philadelphia, it was estimated that, in addition to the advantages of new modern facilities, wholesalers moving to the new market from the Dock Street area would benefit from reduced rental costs; lower porterage costs; and smaller losses from spoilage, shrinkage, and theft. 6/ 7/ Forty-eight wholesale handlers who operated stores in the Dock Street area in 1958 and moved to store units in the Food Distribution Center were still operating in 1964. These firms were asked to compare certain operating costs in their Dock Street location in 1958 with similar costs in the Food Distribution Center in 1959. Only a small proportion of the firms reported that any of the costs decreased when they moved to the Center (table 18). Forty-four percent of the firms reported that both their monthly rental charge and average operating costs per package increased. Fifty-two percent of the firms reported no change in annual losses from spoilage, shrinkage, and theft; 23 percent reported an increase.

Target Margins and Commission Rates

To survive and remain in business, a produce wholesaler must cover his costs of doing business. An approximation of the level of costs which must be covered

Table 18.--Percentage of firms estimating certain changes in operating costs between 1958 and 1959; 48 wholesale handlers with stores in the Dock Street Market in 1958 and store units in the Food Distribution Center in 1959, Philadelphia wholesale produce market, 1964

Cost item	Direction of estimated cost change: Increased	Decreased	No change	No response
	Percent of firms			
Monthly rental charge	44	4	35	17
Annual loss from spoilage, shrinkage, and theft	23	6	52	19
Average cost per package for porterage 1/	21	4	23	52
Average cost per package for loading and delivery to customers	8	-	42	50
Average operating costs per package	44	2	17	37

1/ Porterage is the unloading of produce from a truck or rail car onto the platform or first floor of a wholesale store; it does not include cartage from the rail terminal.

6/ Lowstuter, A. B., Vermeer, H. N., Hallowell, C. H., and McFeely, H. F. Wholesale Produce Market Facilities for Philadelphia, Pa. 25 pp., illus. (U.S. Dept. Agr. and Pa. State Col. Coop.) 1951.

7/ U.S. Department of Agriculture. Wholesale Food Distribution Facilities for Philadelphia, Pa. U.S. Dept. Agr., Mktg. Res. Rpt. 201, 59 pp., illus. 1958.

is supplied by wholesale handlers' statements as to the gross margins which they aim to achieve. Seventy-three percent of the Philadelphia wholesale handlers gave an answer to this question in 1958. Thirty percent replied in terms of a target margin as a percentage of sale price, 5 percent in terms of cents per package, and 38 percent said that the firm had no target margin--it charged according to the existing market conditions or determined prices by supply and demand. In 1964, 83 percent of the wholesale handlers replied to the question. Fifty-three percent gave a target margin as a percentage of sales price, and 30 percent said they had no target margin--they charged according to supply and demand or according to the existing market conditions.

For those handlers quoting a percent target margin, the average margin, expressed as a percentage of sales price, increased from 11.1 percent in 1958 to 13.3 percent in 1964 (table 19). Between 1958 and 1964, the average margin increased for all classes of wholesale handlers. The prepackager-repackers experienced the largest increase while the purveyor and receiver-purveyor class had the smallest increase.

Commission rates, the charges by wholesale handlers on consignment sales where the wholesaler physically handles the merchandise in addition to selling for the account of the shipper, averaged 9.6 percent of selling price for all handlers in 1958 and 10.2 percent in 1964. Most of those handling consignment sales were receivers, commission merchants, and commission wholesalers.

Entrance and Exit of Wholesalers

Both entry and exit of firms are relatively easy in the wholesale produce business, which means that there is frequent entry of new firms and exit of old firms. In addition to this turnover of firms, there is also a frequent turnover in ownership

Table 19.--Target margins and commission rates, by class of firm, Philadelphia wholesale produce market, 1958 and 1964

Class of firm	Average target margin--percentage of sales price		Firms quoting a target margin--percentage of each class		Average commission rate--percentage of sales price		Firms quoting a commission rate--percentage of each class	
	1958	1964	1958	1964	1958	1964	1958	1964
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Receiver, commission merchant	8.9	9.8	17	23	9.6	10.3	59	83
Receiver-jobber, commission wholesaler, service wholesaler, service jobber	10.2	11.4	20	50	9.7	10.2	48	71
Jobber, jobber (delivery) truck jobber, secondary wholesaler	10.1	10.8	45	60	9.0	10.2	3	15
Purveyor, receiver-purveyor	21.2	21.3	23	88	--	--	--	--
Prepackager-repacker	8.4	12.5	33	30	10.0	10.0	8	20
Wholesale handlers	11.1	13.3	30	52	9.6	10.2	24	41

and management. Often as owners reach retirement age or otherwise leave the business, they turn over the management to relatives or sell the business to someone in the firm or others in the produce business.

Between 1958 and 1964, there was a net decline of 53 wholesale produce firms in Philadelphia--60 firms operating in 1958 went out of business; four firms merged into two; and nine firms began operating after 1958 and were still in business in 1964.

In both 1958 and 1964, about one-fourth of the Philadelphia wholesalers had been in business less than 20 years and 12 percent less than 10 years (table 20). Sixteen percent of the firms had been in business 50 years or more in 1964, compared with 12 percent in 1958. Thus, there were fewer firms under 20 years of age in 1964 than in 1958 and about an equal number of firms 50 years or older in both years.

Entry

The nine firms which began operating after 1958 and were still operating in 1964 were all handlers--five jobbers, two purveyors, one receiver, and one receiver-jobber. Eight of the nine owners had been associated with the produce industry prior to ownership of a wholesale firm--in most cases as employees of either the firm they bought or another firm. The receiver and receiver-jobber were located in the Food Distribution Center, the five jobbers in the Callowhill Street area, and the two purveyors near the Callowhill Street area.

Table 20.--Percentage of firms in business for specified periods, by type of firm, Philadelphia wholesale produce market, 1964, with 1958 comparison

Type of firm	1-4 years	5-9 years	10-19 years	20-29 years	30-39 years	40-49 years	50-59 years	60 years or more
	Percent							
Receiver	--	7	7	33	26	7	20	--
Commission merchant	--	--	12	27	27	20	7	7
Receiver-jobber	20	--	20	20	--	40	--	--
Service-jobber	--	--	--	17	33	50	--	--
Service wholesaler	--	--	--	100	--	--	--	--
Commission wholesaler	--	8	17	--	25	33	--	17
Jobber	4	21	--	21	29	21	--	4
Jobber (delivery)	--	19	19	12	19	12	19	--
Truck jobber	--	--	100	--	--	--	--	--
Purveyor	7	12	25	12	19	--	7	18
Receiver purveyor	--	--	--	--	--	--	--	100
Prepackager-repacker	--	10	40	10	30	10	--	--
Buying broker	--	17	17	23	10	17	10	6
Selling broker	--	--	25	--	50	--	25	--
Auction representative	--	--	--	--	67	--	--	33
Distribution	--	--	100	--	--	--	--	--
Carlot distributor	--	--	--	--	100	--	--	--
Auction	--	--	--	--	--	--	100	--
All firms, 1964	2	10	15	17	24	16	9	7
All firms, 1958	5	7	13	27	19	18	7	4

The five jobbers and two purveyors were classified as small firms (annual volume less than 3,000 tons), the receiver and receiver-jobber as large firms (annual volume over 7,500 tons). The nine firms handled 24,078 tons of produce in 1964, about 2 percent of total sales by wholesalers. Eighty percent of the new firms' volume was purchased from outside the Philadelphia market, representing about 3 percent of all 1964 direct purchases by wholesalers.

Exit

Fifty-two wholesale handlers and eight brokers operating in 1958 had gone out of business by 1964 (table 21). Thus, almost one-third of all Philadelphia wholesalers operating in 1958 were out of business by 1964. Slightly over half of these firms were secondary handlers--primarily jobbers and purveyors. Over two-thirds of the firms were located in the Dock Street Market area in 1958.

These 60 wholesalers accounted for 180,822 tons of produce in 1958, about 14 percent of total sales by all Philadelphia wholesalers. Two-thirds of this volume was purchased from outside of the Philadelphia market, representing 14 percent of direct purchases by all wholesalers.

Table 21.--Wholesalers operating in 1958 that were out of business by 1964, by type of firm, volume handled, and size of firm, Philadelphia wholesale produce market, 1958

Type of firm	Wholesale firms	Volume handled: Quantity	Volume handled: As a percentage of volume handled by all firms of this type	Distribution of firms by size 1/: Small	Distribution of firms by size 1/: Medium	Distribution of firms by size 1/: Large
	Number	Tons	Percent	Number	Number	Number
Receiver	3	37,858	12	-	1	2
Commission merchant	8	48,488	22	5	-	3
Receiver-jobber	3	7,601 (Receiver-jobber and Commission wholesaler combined)	6	2	1	-
Commission wholesaler	2			2	-	-
Jobber	18	21,624	22	16	2	-
Jobber (delivery)	1	5,815 (Jobber (delivery), Truck jobber and Secondary wholesalers combined)	18	1	-	-
Truck jobber	3			3	-	-
Secondary wholesalers	2			2	-	-
Purveyor	9	6,360	20	9	-	-
Prepackager-repacker	3	29,620	54	1	1	1
All wholesale handlers	52	157,366	17	41	5	6
Buying broker	7	23,456 (Buying broker and Auction representative combined)	6	6	-	1
Auction representative	1			-	1	-
All wholesalers	60	180,822	14	47	6	7

1/ Small firms handle less than 3,000 tons per year, medium firms 3,000 to 7,500 tons, and large firms over 7,500 tons.

Seventy-eight percent of the firms were classified in 1958 as small, 10 percent as medium, and 12 percent as large. The average age of the 60 firms in 1958 was 28 years. About one-fourth of the firms had been in business less than 20 years; one-third, 40 years or more. Fifty-one of the 60 had started operating before 1948. The sales volume of half of these firms had changed more than 10 percent between 1948 and 1958--20 percent had increased sales and 30 percent had decreased sales.

In 1958, about two-thirds of the 60 wholesalers felt that the outlook for their business was bad. These were primarily firms whose volume between 1948 and 1958 had declined more than 10 percent and those whose volume had changed 10 percent or less. In 1958, 18 of the 60 firms expected changes in their business operations within a few years. Twelve of the firms--two-thirds of those expecting any change--expected to go out of business.

Growth and Decline

The constant turnover of firms in the wholesale produce business, as well as the relative growth and decline of various types of firms, can be observed in the changes which took place in sales volume during the periods 1948-58 and 1958-64. In 1964, there were 119 wholesalers who had been in business over 15 years (table 22). Between 1948 and 1958, the sales volume of 52 percent of these firms changed more than 10 percent--it increased for 30 percent and decreased for 22 percent. Between 1958 and 1964, sales volume of 78 percent of the same firms changed more than 10 percent--it increased for 39 percent and decreased for 39 percent.

Sales volume for 19 of the wholesalers increased more than 10 percent during both the 1948-58 and 1958-64 periods, while sales volume for 15 of the wholesalers decreased more than 10 percent in both periods. Firms with increased sales volume in both periods were mostly large or medium-sized, while those with decreased sales volume were mostly small.

Type of firm appeared to be important ingrowth or decline of the 119 wholesalers in business for over 15 years. In both 1948-58 and 1958-64, the largest increases in sales volume were registered by types of firms providing specialized services for their customers--service jobbers, prepackager-repackers, and purveyors. The decline in consignment selling is shown by decreases in sales volume of most commission merchants and commission wholesalers.

Outlook of Wholesalers

Philadelphia produce wholesalers as a group are not very optimistic about the future of the produce business. However, in 1964 wholesalers were less pessimistic than in 1958. In 1958, 60 percent of the firms felt that the outlook for their type of business was poor; in 1964 only 41 percent felt this way (table 23). In both years, less than one-third of the wholesalers felt that the outlook for their type of business was good, and only 3 percent that it was fair. One-fourth of the wholesalers in 1964 would not attempt a forecast.

In both 1958 and 1964, purveyors, receiver-purveyors, prepackager-repackers, and service wholesalers were more optimistic than other types of wholesalers about their future; receivers, receiver-jobbers, jobbers, jobbers (delivery), truck jobbers, buying brokers, selling brokers, and auction representatives were more pessimistic.

Table 22.--Changes in sales volume from 1948 to 1958 and 1958 to 1964, firms in business for over 15 years, Philadelphia wholesale produce market, 1964

1964 type of firm	Firms operating in 1964	Firms in business for over 15 years	Changes in sales volume 1948-1958: Sales increased more than 10 percent	1948-1958: Sales decreased more than 10 percent	1948-1958: Change in sales less than 10 percent	1958-1964: Sales increased more than 10 percent	1958-1964: Sales decreased more than 10 percent	1958-1964: Change in sales less than 10 percent
	Number	Number	Percent of firms					
Receiver	15	14	36	21	43	29	42	29
Commission merchant	15	13	23	15	62	39	46	15
Commission wholesaler	12	10	10	30	60	--	80	20
Jobber	24	18	22	22	56	22	56	22
Jobber (delivery)	16	12	33	33	33	33	50	17
Service jobber	6	6	66	17	17	50	17	33
Purveyor	16	9	56	22	22	89	--	11
Prepackager-repacker	10	6	67	--	33	50	33	17
Other handlers	8	5	60	20	20	40	40	20
All handlers	122	93	35	22	43	35	44	21
Buying broker	18	14	7	14	79	50	29	21
Sales agency	4	4	--	25	75	50	--	50
Other brokers and agencies	10	8	25	38	37	50	25	25
All brokers and agencies	32	26	12	23	65	50	23	27
All wholesalers	154	119	30	22	48	39	39	22

Table 23.--Outlook of wholesalers, by class of firm, Philadelphia wholesale produce market, 1958 and 1964

Class of firm	Percentage of firms in the group whose 1958 opinion of future for their type of business was--				Percentage of firms in the group whose 1964 opinion of future for their type of business was--			
	Good	Fair	Poor	Unknown	Good	Fair	Poor	Unknown
	Percent							
Receiver, commission merchant	24	2	69	5	28	3	41	28
Receiver jobber, service jobber, service wholesaler, commission wholesaler	33	--	63	4	33	10	38	19
Jobber, jobber (delivery), truck jobber, secondary wholesaler	12	3	74	11	22	2	57	19
Purveyor, receiver-purveyor	78	--	11	11	50	--	12	38
Prepackager-repacker	50	25	25	--	56	--	22	22
All wholesale handlers	31	3	58	8	32	4	40	24
Broker, distributor, auction representative	26	--	74	--	18	4	52	26
Sales agency	--	--	--	--	100	--	--	--
Auction	100	--	--	--	--	--	--	100
All brokers and agencies	29	--	71	--	28	3	44	25
All wholesalers	30	3	60	7	31	3	41	25

In 1958, about a third of the Philadelphia wholesalers expected some change in their business within a few years. By 1964, about 60 percent of the firms had experienced the changes they expected. The major changes expected were to go out of business (27 percent of the firms expecting changes), to expand business volume (19 percent), to sell more in prepackaged form (8 percent), and to change to a different type business (5 percent). By 1964, 75 percent of the firms that had expected to go out of business were no longer in the produce business, 40 percent of the firms that had expected to expand business volume had a greater volume, and 40 percent of those that had expected to sell more in prepackaged form were doing more prepackaging.

In 1964, only a fifth of the wholesalers expected any change in their business within a few years. The major changes expected were: to provide more delivery service (12 percent of the firms expecting changes), to purchase a greater volume direct from shipping point (12 percent), to handle more frozen and less fresh produce (12 percent), and to sell more in prepackaged form (9 percent). In 1964, only two wholesalers expected to leave the produce business within a few years.

APPENDIX

Territory Included in the Market

The territory defined here as the Philadelphia market is the standard metropolitan statistical area, which includes Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties of Pennsylvania; and Burlington, Camden and Gloucester Counties of New Jersey.

Types of Firms

Brokers and agencies (firms that do not physically handle merchandise although they may arrange for such physical handling by others):

- Auction
- Auction representative
- Buying broker
- Carlot distributor
- Cooperative sales agency
- Distributor
- Importer's sales agency
- Selling broker

Retail chainstore organizations:

- Corporate chains:
  - Local chain
  - Local chain without warehouse
  - National chain
  - Regional chain
- Other chainstore groups:
  - Retailer cooperative
  - Voluntary group

Wholesale handlers (firms that physically handle merchandise):

- Commission merchant
- Commission wholesaler
- Jobber
- Jobber (delivery)
- Prepackager-repacker
- Purveyor
- Receiver
- Receiver-jobber
- Receiver-purveyor
- Secondary-wholesaler
- Service jobber
- Service wholesaler
- Truck jobber

Definitions of Terms Used in This Report

Auction.--A terminal market fruit auction which acts strictly as a service agency, providing facilities and organization for selling and handling the produce (or arranging for such handling), but having no financial interest in the produce.

Auction representative.--A selling broker more than half of whose business is on the fruit auction as a shipper's representative.

Buying broker.--A broker who buys in less-than-carload lots in the terminal market, including the fruit auction, for out-of-town wholesalers and chainstores or for local retailers. May arrange for loading and shipment, but does not handle the produce himself. In some cases, he may accept billing for the produce (especially when buying for foreign customers, usually Canadian), but does this as a convenience for the buyer.

Carlot distributor.--A distributor who buys and sells full carlots and takes title. He may do some brokerage business as well. Does not physically handle the produce.

Class of firm.--A grouping of similar firm types.

Commission merchant.--A receiver who handles more than half his volume on consignment from growers or shippers.

Commission wholesaler.--A receiver-jobber who handles more than half his produce on consignment from growers or shippers, often nearby growers.

Cooperative sales agency.--Salaried representative of a farmer cooperative in the terminal market. Does not physically handle produce.

Direct purchases from shipping point.--Purchases by the buying firm from sellers located at a shipping point.

Direct receipts from shipping point.--Produce received by a firm directly from shipping point, including both direct purchases from shipping point and purchases through brokers, sales agencies, and others in the terminal market.

Distributor.--One who buys full carlots or trucklots. Sells in less-than-carload quantities to wholesalers, chainstores, and others. Does not physically handle the produce. Sells out of car, either before or after receipt. May do some brokerage business as well.

Importer's sales agency.--Salaried representative of an importer (usually a banana importer) in the terminal market. Does not physically handle produce.

Jobber.--A wholesaler who purchases more than half his produce from wholesale handlers in the local market. Sells more than half his produce to retail stores and institutional outlets. Handles the merchandise through his own store.

Jobber (delivery).--A jobber who delivers more than half his produce to his customers.

Large firms.--Firms selling over 7,500 tons of produce annually.

Local chain.--A corporate chain with only one warehouse distribution area.

Local chain without warehouse.--A local chain which does not operate its own produce warehouse, although it almost always operates a dry grocery warehouse.

Market.--The standard metropolitan statistical area.

Market area.--A limited area within the market where firms are concentrated.

Medium-sized firms.--Firms selling 3,000 to 7,500 tons of produce annually.

National chain.--One of the three largest chains with warehouse distribution area over more than half the country.

Prepackager-repacker.--A wholesaler who prepackages more than half his produce in consumer packages or who ripens, sorts, and repacks more than half of his produce.

Produce.--A term used interchangeably with "fresh fruits and vegetables."

Purveyor.--A jobber who sells more than half his produce to hotels, restaurants, and institutions.

Receiver.--A wholesaler who purchases produce for his own account usually in full carlots or trucklots. Direct receipts from shipping point account for more than half his purchases. Performs the physical functions of unloading and handling in his own facilities, on team track, or at the terminal. More than half his sales are to other wholesalers, chainstore warehouses, or processors.

Receiver-jobber.--A jobber who receives and handles produce in his own warehouse or store. Direct receipts from shipping point are more than half his purchases. More than half his sales are to retail stores and institutional outlets.

Receiver-purveyor.--A purveyor who receives more than half his produce directly from shipping point.

Regional chain.--A corporate chain organization with two or more warehouse distribution areas.

Retailer cooperative.--A wholesale operation owned by member retailers.

Secondary wholesaler.--A wholesaler who buys from local wholesale handlers and resells to other wholesalers such as jobbers and truck jobbers. Handles the produce and takes title.

Selling broker.--A broker who negotiates sales on behalf of a number of shippers, but does not take title and does not physically handle the produce.

Service jobber.--A service wholesaler who buys more than half his produce from local wholesale handlers.

Service wholesaler.--A receiver-jobber who performs additional services for his customers, the retail stores, such as suggesting retail prices, training produce personnel, and assisting with advertising and merchandising.

Small firms.--Firms selling less than 3,000 tons of produce annually.

Truck jobber.--A jobber who conducts his business from his truck. He does not sell from a store, but usually has a regular customer route, delivering on a fixed schedule.

Voluntary group.--A group of retail stores sponsored by an independent wholesale grocer.