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MARKETING MARGINS FOR FRUITS AND VEGETABLES

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MARKETING MARGINS FOR FRUITS AND VEGETABLES 1/

Marketing margins, retail prices, and farm values for fresh fruits and vegetables each increased 3 percent from 1961 to 1962. The farmer's share of the retail price remained unchanged at 34 percent.

Margins and prices for processed fruits and vegetables decreased from 1961 to 1962. The farm value was down 12 percent, the retail price 4 percent, and the marketing margin 1 percent. The farmer's share of the retail cost dropped from 23 to 21 percent.

In 1961-62, the margin for Washington Delicious apples sold in Chicago was up sharply from the preceding season, while for those sold in New York City the margin decreased substantially. However, in each market the margin was larger than the average of the last 6 seasons. Margins for California Valencia, California Navel and Florida oranges sold in Chicago in 1961-62 were all larger than in the preceding season; retail prices were higher for the California types but lower for Florida oranges. Margins for Florida grapefruit sold in Detroit and Pittsburgh during 1960-61 moved in almost exact proportion to the changes in the retail price, leaving the percentage margin essentially unchanged. The margins for lemons in 1960-61 increased for the second consecutive season, both in dollars and as a percentage of the retail price.

The 1962 index of retail prices for fruits and vegetables in the farm food market basket, both fresh and processed, was 129 (1947-49 = 100), the same as in 1961. 2/ The marketing margin (farm-retail spread) index increased -- 137 compared with 135 in 1961. However, both the index of farm value and the farmer's share of the retail cost of fruits and vegetables in the market basket decreased in 1962. The farm value index averaged 114, down 2 points from the level of 1961 and 3 points below 1960. The farmer's share of the retail cost, which remained at 30 percent during 1960 and 1961, dropped to 29 percent in 1962 (table 8).

Fresh Fruits and Vegetables

The retail cost to the consumer for fresh fruits and vegetables in the family market basket increased from $140 in 1961 to $144 in 1962 (table 8) 3/. About $3 of the increase went to the marketing system and $1 to the producer. The farmer's percentage share of the retail cost, which varied little in the last 10 years, remained at 34 percent.

Processed Fruits and Vegetables

The retail cost to consumers for processed fruits and vegetables included in

1/ Prepared by Victor G. Edman, agricultural economist, Marketing Economics Division, ERS.

2/ The freeze which occurred in Florida in December caused price increases in both fruits and vegetables but occurred too late to affect reported December prices.

3/ The market basket contains the average quantities of farm-produced food products purchased for consumption at home by urban wage-earner and clerical-worker families in 1952.

Table 8.--Fruits and vegetables: Retail cost, farm value, marketing margin and farmer's share of retail cost, 1953 and 1958-62 1/

Year	Retail cost	Farm value	Margin	Farmer's share
	All fruits and vegetables			
	Dollars	Dollars	Dollars	Percent
1953	210.56	62.39	148.17	30
1958	233.60	66.59	167.01	29
1959	230.60	68.00	162.60	29
1960	237.07	71.44	165.63	30
1961	237.89	70.50	167.39	30
1962 2/	238.70	69.25	169.45	29
	Fresh fruits and vegetables			
1953	121.48	44.40	77.08	37
1958	139.57	49.30	90.27	35
1959	133.38	45.68	87.70	34
1960	143.30	52.14	91.16	36
1961	140.27	48.25	92.02	34
1962 2/	144.49	49.73	94.76	34
	Processed fruits and vegetables			
1953	89.09	17.99	71.10	20
1958	94.02	17.29	76.73	18
1959	97.23	22.32	74.91	23
1960	93.77	19.30	74.47	21
1961	97.62	22.25	75.37	23
1962 2/	94.20	19.53	74.67	21

1/ Data are for quantities of fruits and vegetables included in the market basket of farm foods, which includes quantities of farm-originated foods bought for home consumption per family in 1952 by urban wage-earner and clerical-worker families.
2/ Preliminary.

the market basket decreased from $98 in 1961 to $94 in 1962. Nearly all of the decrease was absorbed by the producer. Consequently, the farmer's share of the retail cost dropped from 23 percent in 1961 to 21 percent in 1962.

During the last 5 years, the farmer's share of the retail cost for processed fruits and vegetables has varied more than the farmer's share of the retail cost for fresh products. An explanation is found in the behavior of the respective marketing margins. During 1958-62, the marketing margin for processed fruits and vegetables varied 3 percent from the low to the high annual average. As a consequence of this relative stability, practically all changes in the retail cost were absorbed by the farmer, and his share of the retail cost ranged from 18 to 23 percent. For fresh fruits and vegetables, on the other hand, the marketing margin varied almost 8 percent from 1958-1962, generally increasing and decreasing with the retail cost. Consequently, retail cost changes were shared more or less proportionately between marketing agencies and the producers, resulting in a farmer's share that ranged from 34 to 36 percent.

Studies of specific commodities have been conducted to measure the portion of the total margin (farm-retail spread) received by individual marketing agencies. Findings from studies of Washington Delicious apples, California and Florida oranges, Florida grapefruit, and California lemons follow.

Washington Delicious Apples

The 1961-62 Washington Delicious apple situation was characterized by extremes. The average retail price in both Chicago and New York City was highest of the last 6 seasons (figure 5).4/ Production for the 1961-62 season was 32 percent below the 6-season average and 20 percent below the volume of the preceding season. The retail price per 42-pound carton averaged 20 cents higher in Chicago than in New York City from 1956-57 to 1961-62, but in 1961-62 the difference was considerably more -- $10.42 per carton in Chicago compared with $9.70 in New York City. Auction prices, which are usually higher in New York City, also differed by more than the 26-cent average of the last 6 seasons -- $6.21 per carton in New York City compared with $5.67 in Chicago.

The total marketing margin for apples marketed in Chicago rose sharply from 1960-61 to 1961-62 -- from $6.42 to $7.63 per carton. All but 3 cents of the increase was accounted for by an increase in the combined wholesale-retail margin. This margin was 46 percent of the retail

4/ The season includes October through April.

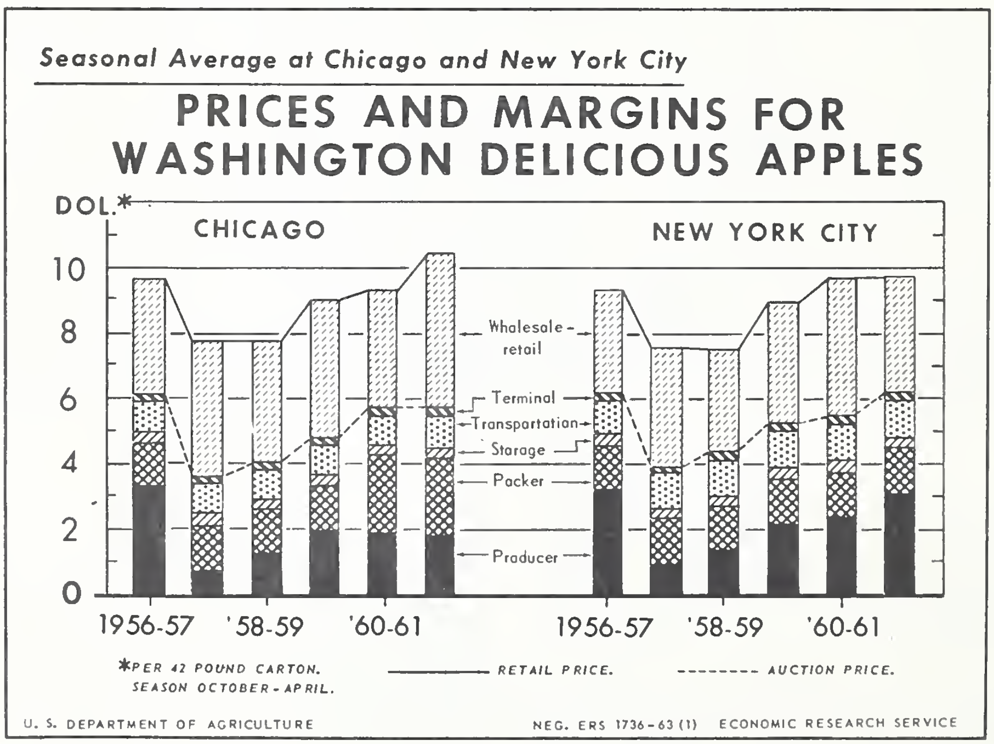

Figure 5

price in 1961-62 compared with 39 percent the preceding season. The entire retail price increase of $1.16 was absorbed by the marketing system plus an additional 5 cents which came out of growers' returns. Therefore, returns to growers dropped from $2.84 per carton in 1960-61 to $2.79 in 1961-62. As a percentage of the retail price, farmers received 31 percent in 1960-61 and 27 percent in 1961-62. The average share to the growers from 1956-57 to 1961-62 was 24 percent.

The retail price of Washington Delicious apples sold in New York City in 1961-62 averaged 5 cents per carton higher than in 1960-61. The total marketing margin decreased 66 cents per carton in the same period. The growers received the benefit of both changes, and the average growers' return increased from $2.35 per carton in 1960-61 to $3.06 in 1961-62. As a percentage of the retail price, the 1960-61 returns to growers was 24 percent and the 1961-62 return, 32 percent. Growers received an average of 25 percent of the retail price for apples sold in New York City in the 6 seasons.

Of the differences between the markets, most significant was the substantially smaller wholesale-retail margin in New York City. It was less than in Chicago during 5 of the 6 seasons by amounts ranging from 44 cents to $1.26 per carton. Consequently, although consumers of Washington Delicious apples in New York City paid an average of 2 percent less than consumers in Chicago, the producers received slightly more for those sold in New York.

Oranges

Retail prices for California Navel and Valencia oranges in Chicago increased from 1961 to 1962 (table 9). The retail price of Florida oranges, however, declined. In each instance the retail price moved opposite to the change in volume of production.

The allocation of the retail price among various marketing agencies and the grower

Table 9.--Oranges: Retail prices, marketing margins and growers' returns for sales in Chicago, and seasonal production, 1961-1962 1/

Item	California Valencias		California Navels		Florida all varieties	
	1961	1962 2/	1960-61	1961-62 2/	1960-61	1961-62 2/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Retail price 3/	6.50	7.54	7.17	7.68	9.33	8.68
Total marketing margin	4.81	5.70	4.84	4.87	6.51	6.85
Growers' returns	1.69	1.84	2.33	2.81	2.82	1.83
	1,000 boxes	1,000 boxes	1,000 boxes	1,000 boxes	1,000 boxes	1,000 boxes
Production	16,000	12,800	9,500	7,600	88,000	113,400

1/ California Valencia season - May through November; California Navel season - December through May; and Florida season - November through May.
2/ Preliminary.
3/ California data are for 37.5-pound cartons; Florida data are for 90-pound boxes.

changes from season to season. For example, of the $1.04 increase in the Valencia price from 1961 to 1962, 89 cents went for marketing and 15 cents to the growers. The 51-cent increase in the Navel price went mostly to the growers -- 48 cents. Although the Florida orange price decreased 65 cents, the marketing margin increased 34 cents from 1960-61 to 1961-62. Both of these changes were absorbed by the growers, reducing their returns by 99 cents per box.

In the 1960-61 season, the percentage distribution of the retail price was quite similar for the 3 orange types, but in the following season wide differences occurred. Most noticeable were the large increase in the marketing margin for Florida oranges, from 70 to 79 percent of the retail price, and the large decrease in the growers' share, from 30 to 21 percent. The increase in the marketing charge was almost entirely in the wholesale-retail margin. In contrast, the share of the retail price to growers of California Navels increased from 32 percent in 1960-61 to 37 percent in 1961-62. As with Florida oranges, most of the change resulted from a change in the wholesale-retail share. For California Valencias, the growers' share decreased from 26 percent in 1961 to 24 percent in 1962. Also, there was some shifting among the marketing agencies. An increase in the wholesale-retail margin from 41 to 47 percent was partly offset by decreases in the shares for auction, transportation, and shipping-point services.

In summary, this is how the orange consumer's dollar was shared in 1960-61: California Valencias, 74 cents for marketing -- 26 for the grower; Florida, 70-30; and California Navels, 68-32. In the same order, the shares for 1960-62 were 76-24, 79-21, and 63-37.

Florida White Seedless Grapefruit

Prices and marketing margins for Florida grapefruit sold in Detroit and Pittsburgh were relatively stable from 1957-58 through 1960-61. In Detroit, the seasonal average retail price ranged from $9.74 to $10.37 per 1 3/5 bushel box. 5/ In Pittsburgh, the range was from $8.88 to $9.57.

Total marketing margins varied by 53 cents per box over the 4 seasons in Detroit or, as a percentage of the retail price, from 83 to 86 percent. In Pittsburgh, the total margin varied 86 cents per box during the 4 seasons, or from 81 to 85 percent of the retail value.

In both markets, the largest marketing cost was the combined wholesale-retail margin. For the 4 seasons, this margin averaged 67 percent of the retail price in Detroit and 63 percent in Pittsburgh. The second largest margin component was for shipping-point services, which included picking, hauling, packing and selling. This margin, which averaged about 19 percent of the retail price, increased nearly 5 percent during the 4 seasons. Most of the increase was in 1960-61.

Growers' returns from grapefruit sold in Pittsburgh from 1957-58 through 1960-61 ranged from $1.40 to $1.70 per box and from $1.46 to $1.75 or those marketed in Detroit. For fruit sold in Pittsburgh, the growers' return, both in dollars and as a percentage of the retail price, decreased each season. The total decrease was 30 cents per box or 18 percent. For fruits sold in Detroit, the growers received 6 cents more per box in 1960-61 than in the preceding season. However, the percentage of retail value remained at 15 percent.

The relative stability in grapefruit prices, margins, and growers' return during the 4 seasons may be partly explained by stability in the volume of production, and particularly in the part of the crop sold fresh. Fresh sales during the period ranged from 14,544,000 to 16,479,000 boxes, a variation of 13 percent. In comparison, sales of fresh Florida oranges varied 23 percent in the same period.

5/ Season extends from November through June.

California Lemons

For lemons sold fresh in New York City during 3 seasons (November-October), 1958-59 to 1960-61, season-average retail prices and marketing margins increased while the farm value decreased (table 10).

From 1958-59 to 1959-60, both the retail price and volume of production remained nearly constant. However, in 1960-61 production dropped by 3.1 million boxes or 18 percent, and the retail price increased 29 cents per carton or 4 percent.

During the 3 seasons, the retail price increased 30 cents per carton while the total marketing margin increased 42 cents. All but 4 cents of the increase in the margin was in the combined wholesale-retail margin. This margin, as a percentage of the retail price, increased from 47 percent in 1958-59 to 50 percent in 1960-61.

As a consequence of marketing charges increasing more than the retail price, the growers' return decreased. This was true on both an absolute and percentage basis. In 1958-59, the growers' return was 17 percent of the retail price, in 1959-60, it was slightly more than 15 percent, and in 1960-61 it was slightly less than 15 percent.

Table 10.--California Lemons: Seasonal average retail price per carton, marketing margin, and farm value, New York City, 1958-59 to 1960-61

Item	1958-59	1959-60	1960-61
	Dollars	Dollars	Dollars
Retail price	6.92	6.93	7.22
Marketing margin	5.75	5.87	6.17
Farm value	1.17	1.06	1.05