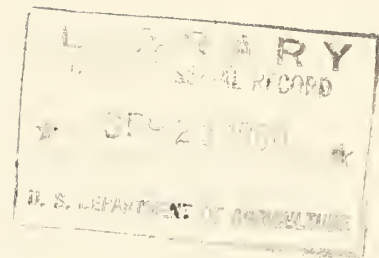


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# ADVERTISING EXPENDITURES BY FOOD MANUFACTURING CORPORATIONS, 1947-57

Reprinted From  
The Marketing and Transportation Situation  
July 1960

U.S. DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service  
Marketing Economics Research Division

AMS-399

## ADVERTISING EXPENDITURES BY FOOD MANUFACTURING CORPORATIONS, 1947-57 <sup>1/</sup>

Information on advertising expenditures by the food manufacturing, wholesaling, and retailing industries was published in the January 1960 issue of this Situation. This article presents data on advertising expenditures for individual food manufacturing industries.

Advertising expenditures by corporations engaged in manufacturing farm food products increased from \$320 million in 1947 to \$759 million in 1957, the latest year for which data are available (table 18). <sup>2/</sup> Some of the reasons for this increase are (1) an 8-percent rise in number of food manufacturing firms, as reported by the Internal Revenue Service; (2) large introductory promotion of new products; (3) constantly rising media rates, and (4) efforts to increase market share.

During the last 10 years all food manufacturing industries except those classified under Cereal preparations have experienced larger percentage increases in their advertising expenditures than in their total costs or gross sales, hence, their advertising expenditures increased as a percentage of total costs and gross sales (table 19). Efforts to increase market share offer one explanation why food manufacturers' advertising expenditures have grown faster than gross sales and total costs.

Among the 10 major food manufacturing industries, 4 had advertising expenditures of more than \$100 million--Bakery products; Canning fruits, vegetables, and seafoods; Food and kindred products not allocable to other food manufacturing groups; and Other food and kindred products not elsewhere classified (table 18).

Among industries, advertising expenditures varied widely as a percentage of total costs and gross sales (table 19). Over the 10-year period studied, advertising costs ranged from less than 1 percent of total costs and gross sales in the sugar and meat industries to about 5 percent in the Cereal preparations industry and about 7 percent in the Food and kindred products not allocable group.

The industry categories, Other food products not elsewhere classified and Food and kindred products not allocable to other food manufacturing groups, are two classifications used by Internal Revenue Service (tables 18 and 19). The former includes firms manufacturing products included in the miscellaneous food preparations and kindred products category of the Census Standard Industrial Classification Code, but the latter is a special category established by the Internal Revenue Service. This category includes all corporations whose self-classification did not enable the Internal Revenue Service to place them in a specific industry category. For example, if a company either did not report specific percentages of its sales which were derived from each of its commodities, or reported 50 percent for each of two commodities, it would have been included under this category. Many large multi-product companies fall in this group.

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<sup>1/</sup> Prepared by Roberta Lamb, Agricultural Economist, Marketing Economics Research Division, Agricultural Marketing Service.

<sup>2/</sup> Estimates of food manufacturing corporations' advertising expenditures were made by the Agricultural Marketing Service from data obtained from the Internal Revenue Service. For a discussion of the IRS definition of advertising costs, see January 1960 issue of this Situation (MIS-136), p. 41.

Table 18. ---Advertising expenditures by corporations manufacturing food and kindred products,  
by industry group, 1947-51 and 1953-57 <sup>1/</sup>

Industry group	1947	1948	1949	1950	1951	1953	1954	1955	1956	1957
	Mill. dol.	Mill. dol.	Mill. dol.	Mill. dol.	Mill. dol.	Mill. dol.	Mill. dol.	Mill. dol.	Mill. dol.	Mill. dol.
Bakery products .....	38.8	43.3	51.8	56.9	62.8	72.8	75.4	92.2	97.5	111.1
Canning fruits, vegetables and seafoods .....	41.1	45.6	53.3	57.1	64.7	80.4	91.3	106.9	110.9	112.4
Cereal preparations .....	18.7	20.7	22.0	25.3	28.3	18.7	20.1	22.0	25.6	26.0
Confectionery .....	34.7	33.5	31.5	34.2	38.8	39.6	42.5	46.7	48.3	54.2
Dairy products .....	42.4	42.4	47.2	54.3	65.3	70.9	80.3	87.0	91.5	78.1
Grain mill products except cereal preparations <sup>2/</sup> .....	20.8	21.1	21.8	23.3	25.0	36.8	36.3	39.9	33.4	31.0
Meat products .....	38.4	46.5	51.7	51.5	50.0	61.5	72.7	75.3	86.5	88.5
Sugar .....	1.1	1.4	1.8	2.5	2.9	2.9	2.9	3.5	3.8	4.2
Food and kindred products not allocable .....	36.1	39.9	43.3	69.2	63.6	83.7	87.9	102.6	104.8	115.1
Other food and kindred products .....	47.4	51.3	50.0	60.8	68.7	91.1	101.5	112.2	121.7	138.2
Total .....	319.5	345.7	374.4	435.1	470.1	558.4	610.9	688.3	724.0	758.8

<sup>1/</sup> Data for 1952 are not available

<sup>2/</sup> Figures have been adjusted to exclude nonfood items.

Estimates based on data obtained from Internal Revenue Service.

Table 19.--Advertising costs of food manufacturing corporations as a percentage of total costs and gross sales, 1947 and 1957

Industry	As a percentage of total costs		As a percentage of gross sales	
	1947	1957	1947	1957
	Percent	Percent	Percent	Percent
Bakery .....	1.7	2.9	1.6	2.8
Canning fruits, vegetables, and seafoods .....	1.9	2.7	1.8	2.6
Cereal preparations .....	5.4	5.4	5.0	4.8
Confectionery .....	2.9	3.8	2.6	3.5
Dairy .....	1.2	1.9	1.2	1.9
Food and kindred products not allocable to other food manufacturers .....	3.5	7.3	3.3	6.8
Grain mill .....	.9	1.7	.8	1.7
Meat .....	.3	.6	.3	.6
Other food and kindred products not elsewhere classified .....	2.5	4.3	2.3	4.0
Sugar .....	<u>1/</u>	.3	<u>1/</u>	.3

1/ Less than 0.05 percent.

The changes in dollar expenditures for advertising by corporations in the group, Food and kindred products not allocable, must be interpreted with great caution as the number of establishments within this category fluctuated by 17<sup>4</sup> percent over the 1947-57 period.

The group, Other food and kindred products not elsewhere classified, spent more for advertising than any other food processing industry during this period. Its advertising expenditures ranged from 14 to 18 percent of the total spent by food manufacturers from 1947-57, and the number of establishments in this category was quite stable. This group also had the largest number of firms over the 10-year period.

Sugar manufacturers accounted for the smallest percentage of total advertising expenditures by food manufacturers over the period studied (table 18). The lack of differentiation in the physical properties of sugar produced by different companies, the small percentage of their product sold at retail, and the very low income elasticity of sugar all help to explain why this industry spends less on advertising than other food manufacturers.

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