

## AMERICAN FRUIT AND VEGETABLE AUCTIONS<sup>1</sup>

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### INTRODUCTION

Immense quantities of fruits are sold at auction in the large city markets. Melons and vegetables are also sold in large quantities through the auctions in some cities. The city auctions function primarily as a means of breaking up carloads or cargoes into small units and moving them into the channels of distribution, although in the case of a few commodities in a few cities, auction sales are on a carload basis.

In 13 markets in which auction companies operated in 1930, 84 per cent of the domestic car-lot unloads and foreign receipts of citrus fruits and 54 per cent of the deciduous fruits were sold through the auctions. For melons, vegetables, and nuts combined, the corresponding figure was 3 per cent.

<sup>1</sup>This circular is based in large part on and supersedes Department Bulletin No. 1362, American Fruit and Produce Auctions, by Admer D. Miller and Charles W. Hauck, formerly of the Bureau of Agricultural Economics. The auction companies have given much assistance in supplying statistics and information and members of the trade and others interested in the auction business have furnished further information. Without this helpful cooperation the preparation of this circular would have been impossible.

This circular relates mainly to the auctions which sell fruits and vegetables after their arrival in the large city markets, and which are sometimes called "delivered auctions." A brief discussion is included on auction sales in producing districts, and f. o. b. auction sales conducted by means of a leased-wire system linking up a number of markets. The circular brings up to date statistics on city auction sales, traces developments in this method of selling during recent years, and describes the operation of the auctions and their position in the distributing machinery. Its purpose is to acquaint shippers, growers, and others interested in fruit and vegetable marketing with the methods and extent of operation of the auction.

### POSITION OF AUCTIONS IN CHANNELS OF DISTRIBUTION

The distributing agencies for fruits and vegetables may be classified in a general way into four main groups according to their functions:

- (1) Shippers or country assemblers who either grow or purchase the goods at shipping points or act as agents of the producers or buyers in assembling, conditioning, and forwarding the products to market.
- (2) Dealers or agencies that receive the products in car-lot quantities in the city markets and break them up into smaller units for distribution.
- (3) Dealers who purchase their supplies in less-than-carload lots and sell them to retailers.
- (4) Retailers who sell to the consumers.

There are many variations from this general outline of distribution. For example, the functions described under (2) and (3) are usually performed by one dealer in the small and medium-sized cities and frequently this is true in the large cities. Chain stores often purchase in carload lots in producing areas and ship direct to their warehouses in the large cities. Large quantities of fruits and vegetables are now moved by motor truck from the farms or concentration points in the producing areas direct to jobbers or retailers in the cities and towns.

The auctions which sell fruits and vegetables that have arrived in the large city markets are agencies for breaking up the carloads into smaller units and starting the products along in the channels of distribution, although large quantities of juice grapes and watermelons are now sold through the auctions in the larger cities in car-lot units.

The city auction occupies a position between the shippers and the retailers, and its functions approximate those of group (2) described above. Auction companies, with a few exceptions, will not accept direct shipments for sale. They require the owner of the goods to be represented at the sale. The usual marketing channel of fruits and vegetables sold through city auctions is illustrated in Figure 1. The factors of supply and demand meet in the auction and a price is determined at which the products will move on toward the consumer.

### DEVELOPMENT OF CITY AUCTIONS

Fruits and vegetables have been sold at auction in the United States for more than a century. Auction sales of Smyrna raisins,

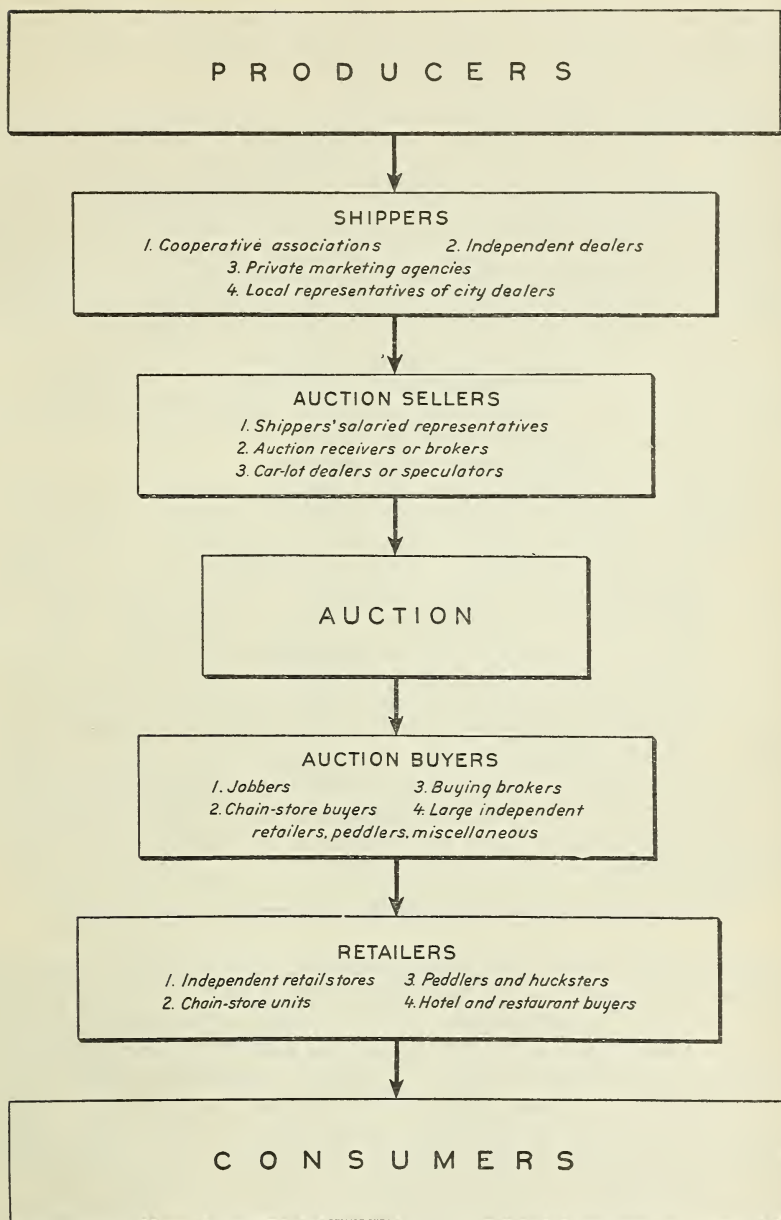


FIGURE 1.—Usual marketing channels of fruits and vegetables sold through city auctions. For the commodities which are marketed largely by this method, the factors of supply and demand converge in the auction to determine a price at which the supply will move into consumption. Of the car-lot unloads and foreign receipts in 13 large markets in 1930, approximately 84 per cent of the citrus fruits, 54 per cent of the deciduous fruits, and 3 per cent of the melons and vegetables were sold through the city auctions

currants, sweetpotatoes, Malaga grapes, oranges, and lemons were reported in a New York commercial journal as early as 1827. The importation of Italian lemons led to the establishment a few years later of regular auction sales for fruit.

Fruit auction sales have been conducted in Philadelphia and Chicago since 1885, and in Baltimore, Minneapolis, and St. Paul since the nineties. Of the auction companies which were engaged in business in August, 1931, only a few were in operation prior to 1900. Of these, a Boston company was organized in 1847; a New York company represented a consolidation of two companies organized respectively in 1839 and 1897; a Cleveland company was organized in 1890. New Orleans and St. Louis entered the field about 1900, at which time there were 13 auction companies in operation. Since then some new companies have been organized, and some failures, consolidations, and reorganizations have occurred. Auction companies operated in certain cities, such as Toledo, Newark, Kansas City, and Los Angeles, for limited periods, but they were not well supported by the trade and were discontinued.

Experience has shown that it is difficult to operate an auction successfully in cities of less than 500,000 population. There are exceptions to this rule where the auction companies have the support of a large part of the trade. There has recently been a tendency toward consolidation of auction companies in the larger cities. In 1931, 20 auctions were operating in 14 cities, selling domestic and foreign fruits and in some instances vegetables and melons. (Fig. 2.) These auctions were located in the following cities: Boston, New York, Philadelphia, Baltimore, Pittsburgh, Cleveland, Detroit, Cincinnati, Chicago, Minneapolis, St. Paul, St. Louis, New Orleans, and Buffalo. The auction at Buffalo was opened in the spring of 1931. In addition, a large growers' organization was selling at auction in Los Angeles, for use in the metropolitan area, large quantities of citrus fruits of sizes and grades which did not warrant shipping in the usual manner.

#### OWNERSHIP AND CONTROL OF AUCTION COMPANIES

On the basis of the controlling interest, the fruit and vegetable auctions doing business in the large cities may be grouped in two divisions: (1) Auctions independent of trade control, and (2) auctions controlled by the trade. Of 18 companies which reported on ownership and control in 1931, 5 reported ownership outside of the trade, whereas 13 stated that ownership was by the trade, which in most instances included both auction buyers and auction sellers or receivers who represented shippers at the auction sale. Regardless of the classification in which a given auction company is placed, the receivers doing business with the company are frequently in a position to determine its policies to some extent. The degree of success which an auction company attains depends largely upon the nature of the accounts it has with its receivers and the support it obtains from them. Consequently the receivers' demands are likely in any case to receive serious consideration from the stockholders.

The view is held by some elements of the trade that it is prejudicial to their interests for the control of an auction company to be in the



hands of a few powerful dealers or organizations directly interested in the supplies which are sold by the auction. Rightly or wrongly, these buyers and receivers consider that under such conditions it is possible for the supplies, the bidding, the rates, and charges, etc., to be so regulated as to give more or less advantage to the stockholders of the auction company.

The desire of the trade for impartiality in the services rendered and in the charges imposed has resulted in the correction of certain practices that at times have been a source of dissatisfaction. In some cities these causes, together with a desire for participation in the profits earned by the auctions, have brought about reorganizations of existing companies or the founding of new companies since 1920.



FIGURE 2.—The selling of fruits and vegetables at auction has increased substantially during recent years. It is an increasingly important factor in the distribution of these commodities. The auctions are located in the largest and most influential markets

Auctions have become better established as permanent organizations during the last decade and greater uniformity in their methods and practices is now apparent.

It is maintained by some that there is a decided benefit, particularly to the small buyer and seller, in having the policies and practices of the auction companies controlled by interests entirely independent of the trade, since such organizations are of a semipublic-service character and their stockholders have no financial interest in the commodities sold. On the other hand, it is possible that the local situation in some cities would cause the auction business to be unattractive to outside capital and that there would be no auctions in these cities if the dealers themselves did not form, operate, and support the companies. When the stock in an auction company is fairly evenly distributed among the members of the trade, there seems to be little dissatisfaction within the trade itself, and scant

opportunity for manipulation. The buyers, being stockholders in the auction company, patronize it as far as possible and, therefore, sales are usually well attended and the bidding is distributed among a large number. Irrespective of the type of organization, any honestly and equitably conducted agency which tends to bring the buying power of the market together and to stimulate active and unrestricted bidding would seem to exert a stabilizing influence in the market and, therefore, in the last analysis, to be a benefit to both buyers and sellers.

At times some of the auction companies have purchased outright, or have made cash advances on car lots which they believed could be sold at auction to the financial advantage of the company. Local factors inimical to the auction have endeavored at times to boycott it and thereby cause it to abandon sales. In such cases the auctions sometimes have resorted to direct purchases in order to have sufficient offerings to continue sales and to restore a normal auction market. But the company that uses its funds continuously for speculative purposes finds it more or less difficult to retain the confidence of its patrons.

Many of the trade auctions have been reorganized since 1915 and the stock holdings have been more widely distributed among the buyers and receivers. Nearly all the auction companies are incorporated.

#### VOLUME AND TREND OF AUCTION BUSINESS

The volume of fruit and vegetable auction sales in 12 markets for which comparable figures are available shows a steady increase from 127,235 cars in 1924 to 160,124 cars in 1929, then a slight decrease to 156,974 cars in 1930. (Table 1.) The volume of auction sales of domestic and foreign fruits and vegetables showed a 23 per cent increase from 1924 to 1930, and during this time the car-lot shipments in the United States increased only 11 per cent. The business of city auctions, therefore, has had a relatively rapid growth during the period. Among the markets showing the largest increases during the period were New York with 28 per cent, Philadelphia with 36 per cent, Minneapolis with 65 per cent, and Detroit with 77 per cent.

TABLE 1.—Fruits and vegetables sold at city auctions, 1924-1930<sup>1</sup>

City	1924	1925	1926	1927	1928	1929	1930
	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>
Baltimore.....	5,101	5,560	5,597	6,016	5,954	6,545	6,265
Boston.....	<sup>2</sup> 10,277	<sup>2</sup> 10,299	<sup>2</sup> 11,340	10,785	10,959	11,876	11,405
Chicago.....	14,270	13,263	14,980	14,727	15,062	16,029	15,343
Cincinnati.....	<sup>2</sup> 2,850	2,806	2,897	2,923	2,731	3,232	3,425
Cleveland.....	4,862	4,872	4,857	4,463	4,307	5,264	4,510
Detroit.....	<sup>2</sup> 2,540	2,392	2,613	2,315	3,636	5,197	4,500
Minneapolis <sup>3</sup> .....	483	557	682	635	801	604	799
New York.....	<sup>4</sup> 62,182	<sup>4</sup> 70,475	<sup>4</sup> 69,987	<sup>4</sup> 72,420	<sup>4</sup> 75,570	<sup>4</sup> 79,070	79,454
Philadelphia.....	15,644	16,229	17,744	19,536	19,682	22,113	21,290
Pittsburgh.....	<sup>2</sup> 5,125	<sup>2</sup> 4,996	<sup>2</sup> 5,112	<sup>2</sup> 5,383	<sup>2</sup> 5,423	6,159	5,718
St. Louis.....	3,587	3,305	3,550	3,467	3,297	3,576	3,668
St. Paul.....	314	400	394	387	408	459	547
Total.....	127,235	135,154	139,753	143,057	147,830	160,124	156,974
New Orleans.....	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	2,088
Total.....							159,062

<sup>1</sup> Includes both foreign and domestic fruits and vegetables. Bananas were auctioned at New York, Philadelphia, and Baltimore and are included, 450 bunches being here considered equivalent to a carload. In addition to figures shown in this table, at Los Angeles, one large cooperative organization is auctioning for local use, loose citrus fruit of sizes and grades that do not warrant packing and shipping. From May through October, 1930, sales amounted to the equivalent of 845 cars consisting of oranges, lemons, and grapefruit; also in Los Angeles in 1928-29, two auction companies sold 4,285 cars, 93 per cent of which consisted of apples, cantaloupes, grapes, lettuce, pears, potatoes, and watermelons. One company operated from May 24, 1928, to May 24, 1929, and the other from November 26, 1928, to May 24, 1929.

<sup>2</sup> Auction records for years and cities indicated were not complete, and these totals are partly or wholly estimated.

<sup>3</sup> In addition to the sales listed for Minneapolis there were some additional sales through an auction company which operated during the period from March, 1925, to March, 1926, and again about 1928, and for which records are not available.

<sup>4</sup> Figures for number of cars sold were not available from one New York company from 1924-1929 and for another company from 1924-1928. Estimates for these companies based on the gross value of their sales have been combined with complete records from two other companies in obtaining the figures shown. Estimates for auction sales at Newark for 1924, 1925, and 1926 are mostly included in the New York estimates for those years.

<sup>5</sup> No records or basis for estimate available.

The gross sale value in 13 markets in 1930 was \$221,058,252. Gross sale figures in all these markets were not available for 1924 but the figure for 1923 was \$158,070,154 and includes transactions at the Newark Auction which did not operate in 1930. (Table 2.) The increase in value of sales from 1923 to 1930 was, therefore, 40 per cent.

TABLE 2.—Gross sale value of domestic and foreign fruits and vegetables sold through city auctions in the United States, 1923 and 1930

Market	Gross sale value		Market	Gross sale value	
	1923	1930		1923	1930
	<i>Dollars</i>	<i>Dollars</i>		<i>Dollars</i>	<i>Dollars</i>
Baltimore.....	4,374,387	5,292,243	Newark.....	3,174,477	0
Boston.....	16,629,206	18,338,162	New Orleans.....	<sup>1</sup> 3,723,300	3,251,545
Chicago.....	14,045,431	26,703,314	New York.....	72,180,617	104,543,393
Cincinnati.....	3,753,442	5,037,726	Philadelphia.....	17,328,371	24,491,273
Cleveland.....	6,357,940	7,671,000	Pittsburgh.....	6,115,403	9,958,004
Detroit.....	<sup>1</sup> 4,072,187	8,097,426	St. Louis.....	4,989,211	5,927,622
Minneapolis and St. Paul.....	1,326,182	1,746,544	Total.....	158,070,154	221,058,252

<sup>1</sup> Estimated.

Auction sales in 13 markets in 1930 totaled 159,062 cars. Exclusive of bananas the total was 130,300 cars. (Table 3.) Exclusive of foreign and Puerto Rican products there were approximately 120,000 cars. This is about 11 per cent of the total domestic car-lot shipments of 1,054,000 cars of fruits and vegetables in 1930. A comparison of auction sales in the 13 markets with United States shipments by commodity groups shows that approximately 45 per cent of the car-lot citrus fruit shipments from points in continental United States were sold at auction in the 13 markets in 1930. For deciduous fruits the corresponding figure is roughly 21 per cent and for melons and vegetables combined less than 2 per cent. For further analysis of auction sales by commodities see p. 9.)

TABLE 3.—Auction sales by commodity classification in 13 markets, 1930

Market	Citrus fruits	Deciduous fruits	Melons, vegetables, and miscellaneous	Bananas	Pineapples	Total	Total, exclusive of bananas
	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i> <sup>1</sup>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>
Baltimore.....	1,376	925	37	3,856	71	6,265	2,409
Boston.....	5,098	6,127	<sup>2</sup> 123	0	57	11,405	11,405
Chicago.....	7,464	7,349	29	0	501	15,343	15,343
Cincinnati.....	1,862	776	<sup>3</sup> 787	0	( <sup>3</sup> )	3,425	3,425
Cleveland.....	2,440	1,841	30	0	199	4,510	4,510
Detroit.....	2,396	1,882	18	0	204	4,500	4,500
Minneapolis.....		799		0		799	799
New Orleans.....	684	389	1,004	0	11	2,088	2,088
New York.....	22,057	31,034	<sup>4</sup> 6,657	17,797	1,909	79,454	61,657
Philadelphia.....	5,900	<sup>5</sup> 6,234	<sup>6</sup> 1,740	7,109	307	21,290	14,181
Pittsburgh <sup>7</sup> .....	3,231	2,033	228	0	226	5,718	5,718
St. Louis.....	2,135	1,307	87	0	139	3,668	3,668
St. Paul.....		597		0		597	597
Total.....	54,643	61,293	10,740	28,762	3,624	159,062	130,300

<sup>1</sup> 450 bunches of bananas are here considered equivalent to one car.

<sup>2</sup> All watermelons.

<sup>3</sup> Some pineapples may be included with the 787 cars shown under Melons, vegetables, and miscellaneous.

<sup>4</sup> 2,705 cars of watermelons, 504 cantaloupes, 314 Honeydew melons, 259 Honey Ball melons, 1,454 tomatoes, 215 chestnuts, and 1,206 cars of other commodities.

<sup>5</sup> Includes 326 cars of strawberries.

<sup>6</sup> 576 cars of watermelons, 286 cars of tomatoes, and 878 cars of several other commodities.

<sup>7</sup> Figures were compiled from the New York Daily Fruit Reporter with the exception of 228 cars which were included under Melons, vegetables, and miscellaneous to make the total agree with the total of 5,718 cars reported by the auction companies.

The 13 auction markets had a total population in 1930 of about 19,450,000, equal to 16 per cent of the United States population, and equal to 39 per cent of the population of all cities of 25,000 or more in the United States. In these 13 markets approximately 500,000 cars of fruits and vegetables were unloaded in 1930 which was nearly one-half of the total United States car-lot shipments. The unloads in these large cities reach a large number of people in the surrounding areas.

For the 13 markets 26 per cent of the car-lot unloads and imports of fruits and vegetables exclusive of bananas were sold through the auctions in 1930.



TABLE 4.—Relation of auction sales to car-lot unloads<sup>1</sup> by commodity classification, in 13 markets, 1930

Market	Auction sales of—				
	Citrus fruits	Deciduous fruits <sup>2</sup>	Melons, vegetables, and miscellaneous <sup>3</sup>	Pineapples	Total
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Baltimore.....	57	40	0.3	55	14
Boston.....	87	68	.5	43	27
Chicago.....	86	42	4.1	4 69	21
Cincinnati.....	97	22	<sup>5</sup> 7.2	<sup>(3)</sup>	21
Cleveland.....	92	44	.2	99	23
Detroit.....	72	31	.1	76	15
Minneapolis <sup>6</sup> .....		31			11
New Orleans.....	73	48	20.6	15	31
New York.....	87	70	6.0	71	34
Philadelphia.....	85	62	5.1	88	28
Pittsburgh.....	7 95	25	1.3	7 95	20
St. Louis.....	94	40	.6	87	18
St. Paul <sup>6</sup> .....		40			16
Total.....	84	54	3.4	69	26

<sup>1</sup> Includes domestic and foreign unloads except bananas, boat receipts being reduced to carloads in the computations. Comparable figures on banana unloads for 1930 are not available for all markets. Bananas were auctioned in three markets only—New York, Philadelphia, and Baltimore. In these three markets practically 100 per cent of the bananas unloaded for use in the metropolitan areas were auctioned. The relation to unloads of all commodities sold at auction including bananas was for Baltimore, 30 per cent; for New York, 39 per cent; and for Philadelphia, 37 per cent.

<sup>2</sup> Includes small fruits and berries.

<sup>3</sup> Unloads of peanuts are not included in making computations in this column.

<sup>4</sup> Records of unloads of the less important vegetables in Chicago in 1930 were not available and in this computation it was estimated that about 60 per cent of the car-lot arrivals of these less important vegetables were unloaded. For Chicago pineapples, the percentage 69 is the ratio between auction sales and arrivals.

<sup>5</sup> Some pineapples may be included under Melons, vegetables, and miscellaneous.

<sup>6</sup> The Minneapolis and St. Paul auction sales were reported as all deciduous although a few cars of other commodities as pineapples may have been included.

<sup>7</sup> The auction sales of citrus fruits and pineapples reported for Pittsburgh slightly exceed the reported unloads. Since some citrus fruits and pineapples were sold at private sale, 95 per cent is arbitrarily used in this table.

Bananas which are auctioned in three cities—New York, Philadelphia, and Baltimore—are included in Table 1, but are also shown separately in Tables 3 and 5, since they are sold separately and under different conditions than other fruits or vegetables. The banana sales in each of the three markets have shown a considerable increase from 1924 to 1930. For the three cities combined the increase in volume of banana sales during the period was 31 per cent.

FRUITS AND VEGETABLES SOLD AT AUCTION

Auctions draw their supplies from both foreign and domestic sources, but citrus fruits from California and Florida; grapes, pears, apples, and other deciduous fruits from the Western States constitute the greater part of the sales. Immense quantities of bananas are also auctioned in New York, Philadelphia, and Baltimore. Table 3 shows the quantities of certain commodities or groups of commodities sold at auction in 13 city markets in 1930. Of the auction sales of 159,062 cars, 34 per cent was citrus fruits; 39 per cent deciduous fruits; 7 per cent melons, vegetables, and miscellaneous; 18 per cent bananas; and 2 per cent pineapples. Auction sales of melons and vegetables are not in large volume except in New York, Phila-

delphia, and New Orleans. (Table 3.) In Minneapolis and St. Paul, deciduous fruits constitute practically the entire volume of auction sales. The Philadelphia market is unique in that practically all the city's strawberry receipts were sold through the auctions in 1930.

The ratio of cars sold at auction to car-lot unloads of the same commodities varies considerably among the 13 cities. (Table 4.) For example, in Cincinnati only 22 per cent of the car-lot unloads of deciduous fruits were sold at auction compared with 70 per cent at New York. The percentage of all car-lot unloads of fruits and vegetables (excluding bananas) which were sold at auction was smallest in Minneapolis with 11 per cent and largest in New York with 34 per cent.



FIGURE 3.—A cargo of foreign lemons unloaded and stacked on one of the New York piers ready for sale at auction

The sale of foreign commodities at auction is confined largely to the seaboard markets. (Fig. 3.) The principal imports sold at auction in 1930 were bananas from Central America and the West Indies, chestnuts from southern Europe, grapes from Argentina, lemons from Italy, onions from Spain, peas from Mexico, pineapples from Cuba, and tomatoes from Cuba and Mexico. Large quantities of Puerto Rican pineapples, grapefruit, and oranges are sold at auction in New York.

#### AUCTION SALES OF BANANAS

Since auction sales of bananas are held at different locations than auction sales of other fruits, and are handled differently, banana sales are here discussed separately. Bananas have been sold at auction for many years in New York City and Baltimore. Since

1914 the largest importer of bananas has used the auction method in Baltimore for selling fruit intended for local consumption. In 1917 this same importer adopted the auction method exclusively for New York City distribution and extended this policy to the Philadelphia market in 1918.

At the ports of New York, Philadelphia, and Baltimore all bananas going into local consumption are sold at auction at the time the cargo is unloaded. This fruit is unloaded on the dock side of the banana ship into wagons or trucks, each load consisting of bunches of approximately the same size and quality. Thirty to one hundred and twenty-five bunches of bananas constitute a load, according to the size of the fruit and the type of wagon or truck. The banana buyers inspect the fruit as it is being transferred from the hold of the vessel into the trucks or wagons which belong to draymen's organizations or companies. Each load is auctioned separately and is delivered immediately, in compliance with instructions issued by the successful bidder. If the buyer wishes to take delivery in his own truck the load must be transferred to the buyer's truck, and there is a charge for this service. Bananas destined for inland points are loaded into refrigerator cars on the pier or on lighters or floats alongside the vessel.

Auction sales of bananas have altered to some extent the distribution of the fruit in these seaboard markets. At private sale the number of buyers in any market consisted of not more than 5 or 10 large operators who sold to the small jobbers. The auctions opened the sale to all buyers who can handle truckload or wagonload quantities, so that the total number of buyers has increased under the auction method. For example, in Baltimore in 1931, approximately 200 had established credit with the auction company, although other buyers made purchases through those who had credit connections. The total number of buyers handling the bananas sold at auction in Baltimore was probably 700 to 800.

TABLE 5.—*Bananas sold at city auctions, 1924-1930*

City	1924	1925	1926	1927	1928	1929	1930
	<i>1,000 bunches</i>	<i>1,000 bunches</i>	<i>1,000 bunches</i>	<i>1,000 bunches</i>	<i>1,000 bunches</i>	<i>1,000 bunches</i>	<i>1,000 bunches</i>
New York.....	6,378	7,247	6,084	6,880	7,005	7,484	8,009
Philadelphia.....	2,266	2,554	2,824	3,057	3,149	3,502	3,199
Baltimore.....	1,212	1,545	1,410	1,585	1,664	1,744	1,735
Total.....	9,856	11,346	10,318	11,522	11,818	12,730	12,943

Banana sales at auction for local consumption in these three ports of entry increased every year from 1924 to 1930 with the exception of 1926, and totaled 12,943,000 bunches in 1930. (Table 5.)

#### NEW YORK CITY SALES

New York City is by far the leading United States auction market. The New York sales comprised approximately half of the entire volume which moved through the auctions in 13 cities in 1930.



(Table 3.) In New York, too, the variety of fruits and vegetables sold at auction is greater than in any other market. Table 6 shows 56 different fruits and vegetables in the New York City auction sales in 1930. Some of these, such as artichokes, horseradish, olives, and parsley were sold in small quantities of one or a few cars. The table also includes some rather rare commodities in surprisingly large volume, as, for example, 51 cars of persimmons and 91 cars of pomegranates. The largest item in the New York sales in 1930 was bananas with the equivalent of 17,797 cars, followed by grapes with 15,737 cars, and oranges with 11,965 cars. In 1930 the volume of auction sales in New York was greatest in October and smallest in March. (Table 7.)

New York City's auction supplies in 1930 came from 25 States, Puerto Rico, and a number of foreign countries. (Table 6.)



TABLE 6.—Auction sales of fruits and vegetables, in carload lots, by commodity and by State of origin, at New York City, 1930

Commodity	Arizona	Arkansas	California	Colorado	Delaware	Florida	Georgia	Idaho	Maine	Maryland	Massachusetts	Mississippi	Montana	New Hampshire	New Mexico	New York	North Carolina	Oregon	Pennsylvania	South Carolina	Tennessee	Texas	Utah	Virginia	Washington	Puerto Rico	Foreign	Various	Total
Anise			9													2		259	17					5	3,987		101	1	9
Apples		1	249				23				13	248	17																4,873
Apricots			183																						3				186
Artichokes			1																										1
Bananas <sup>1</sup>						10																							117,797
Beets																													19
Broccoli																													15
Cabbage						26																14							6
Cantaloupes			476												1							15				2			45
Cardoons																													1
Carrots			33																			12							1
Cauliflower			97			1																							45
Celery			56			44																					1		99
Cherries			371				49											103							85		1		100
Chestnuts																													739
Chicory																													215
Cocoanuts			1																										1
Corn, sweet																													5
Crab apples																						2							2
Cucumbers																													2
Dates						2																							29
Escarole																													22
Figs			86																										86
Garlic																													1
Grapefruit			27																										29
Grapes			3,292																										22
Honey Ball melons			15,578			1																							22
Honeydew melons			259																										29
Horseradish			301																										7
Lemons			1,531																										86
Lettuce			203			11																							1
Locuats			78									1																	2
Melons, miscellaneous																													2
Mixed citrus			73			1,160																							79
																													1,233

<sup>1</sup> 450 bunches of bananas are here considered equivalent to one car.

<sup>2</sup> In addition, possibly, some of the 131 cars of cherries included in the total, but reported only as northwestern cherries.

<sup>3</sup> Northwestern cherries; State of origin not stated.

TABLE 6.—Auction sales of fruits and vegetables, in carload lots, by State of origin, at New York City, 1930—Con.

Commodity	Arizona	Arkansas	California	Colorado	Delaware	Florida	Georgia	Idaho	Maine	Maryland	Massachusetts	Mississippi	Montana	New Hampshire	New Mexico	New York	North Carolina	Oregon	Pennsylvania	South Carolina	Tennessee	Texas	T Utah	Virginia	Washington	Puerto Rico	Foreign	Various	Total
Mixed deciduous			325			40											1	1							2				328
Mixed vegetables			23																			23		1					88
Mustard greens			1																										1
Nectarines			14																								1		14
Nuts			2																								1		2
Olive																						3					47	54	
Onions		5	6,714			4,881																6			354		11	11,965	
Parsley																							3						637
Peaches			630	6			25	13									21	1,831			11		3		1				6,699
Pears			3,538	15																					698		97	100	
Peas			2																										637
Peppers																													6,699
Persimmons			51																										100
Pineapples																													97
Plums and prunes						3																							637
Pomegranates			1,672					362																					6,699
Potatoes			91															164								1,060			1,909
Quinces			8																										100
Radishes																													97
Spinach																													637
Sweetpotatoes																													100
Sweetpeas																													97
Tangerines			16																										637
Tomatoes						639																							1,431
Watermelons						(5)	(5)																						2,215
Total	99	2	32,712	21	1	10,426	25	447	4	1	13	85	218	17	1	2	32	2,358	17	15	26	258	3	29	4,712	2,848	22,181	2,841	79,454

Tabulated from the New York Daily Fruit Reporter, except banana and watermelon figures, which are from records of auction companies.

<sup>2</sup> In addition, possibly, some of the 131 cars of cherries included in the total, but reported only as northwestern cherries.

<sup>4</sup> Listed as western onions.

<sup>5</sup> The 2,705 cars of watermelons listed under Various include shipments from Florida, Georgia, the Carolinas, and possibly from a few other Atlantic seaboard States.

<sup>6</sup> Not including watermelons.

TABLE 7.—Auction sales of fruits and vegetables, classified by groups and by months, New York City, 1930<sup>1</sup>

Month	California citrus fruits	Florida citrus fruits	Domestic deciduous fruits	Domestic melons	Domestic vegetables	Foreign and insular fruits and nuts <sup>1</sup>	Foreign vegetables	Total <sup>1</sup>
	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>
January.....	430	1,735	809	1	353	661	279	4,268
February.....	385	1,361	795	-----	333	467	162	3,503
March.....	455	1,212	851	-----	124	561	108	3,311
April.....	785	882	852	-----	46	1,090	50	3,705
May.....	922	478	709	116	196	1,196	-----	3,617
June.....	1,020	122	1,247	1,206	250	954	-----	4,799
July.....	876	15	2,128	1,760	35	376	11	5,201
August.....	932	1	2,774	680	-----	148	-----	4,535
September.....	837	95	4,387	84	-----	223	-----	5,626
October.....	682	640	9,026	7	8	173	6	10,542
November.....	366	1,529	5,483	-----	11	190	63	7,642
December.....	<sup>2</sup> 660	1,902	1,824	-----	8	106	408	4,908
Total.....	<sup>2</sup> 8,350	9,972	30,885	3,854	1,364	6,145	1,087	61,657

Compiled from the New York Daily Fruit Reporter.

<sup>1</sup> Bananas are not included, as records of sales by months were not available. Banana sales for the year were equivalent to 17,797 cars of 450 bunches.

<sup>2</sup> Includes 5 cars of Arizona oranges in December.

#### CHICAGO SALES

Chicago is by far the most important auction market in the Middle West but its auction sales of 15,343 cars in 1930 were less than 20 per cent of the volume of the New York City sales. Sixteen commodities are itemized in the record of Chicago auction sales of that year, but mixed deciduous undoubtedly included a number of different fruits. (Table 8.) Oranges were far in the lead in the Chicago sales and grapes were in second place. California originated almost two-thirds of the Chicago auction supplies. Florida was second in importance as a source of auction shipments with about one-sixth of the total. Auction sales of foreign commodities in Chicago are relatively small and in 1930 amounted to a little more than 3 per cent of the total volume.

TABLE 8.—Auction sales of fruits and vegetables, by commodity and by State of origin, Chicago, 1930

Commodity	California	Florida	Louisiana	Northwest States	Puerto Rico	Texas	Foreign	Total
	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>	<i>Cars</i>
Apples.....	104			1,287				1,391
Apricots.....	86			2		4		92
Cherries.....	115			165				280
Figs.....	7							7
Grapefruit.....	34	1,265			16	116	10	1,441
Grapes.....	2,685							2,685
Lemons.....	1,154						2	1,156
Mixed deciduous.....	471							471
Nectarines.....	5							5
Oranges.....	3,631	1,030			1	9		4,671
Peaches.....	284			58				342
Pears.....	927			547				1,474
Persimmons.....	11							11
Pineapples.....					2		499	501
Plums.....	370			191		2		563
Pomegranates.....	28							28
Tangerines.....		1,210	114			1		225
Total.....	9,912	2,505	14	2,250	19	132	511	15,343

<sup>1</sup> 2 cars of Satsuma oranges are included under Florida tangerines; Louisiana tangerines include some Satsuma oranges.

### REQUIREMENTS OF AN AUCTION COMMODITY

In the past a widespread misunderstanding of the auction method of selling has prevailed. Some have had the impression that most of the products sold at auction are of poor quality, are damaged, or are in bad condition, and must be sold immediately at any price. It is believed, however, that this misconception is waning rapidly.

Everything that is merchantable finds a buyer on the auction at some price, but this fact does not justify the shipment of commodities that are poorly graded or packed. To sell most successfully at auction, fruits and vegetables, whether of foreign or domestic origin, must be uniformly graded, and packed in standardized containers (unless shipped in bulk as in the case of watermelons), must be offered at auction in volume sufficient to attract the buying trade, and must appear regularly on the auction when in season. Otherwise there may be a scarcity of buyers in the auction room or a trade more or less completely supplied at private sale, as a result of which the auction can not be expected to secure as satisfactory returns.

Auction selling is facilitated when a large part of the market's supply of a commodity is concentrated at one place. This is more easily accomplished when the control of shipment of a commodity from any area is in the hands of a cooperative association or shipping organization.

Auction sales on the large receiving markets have been restricted to car-lot receipts (except imports), early express shipments, and lots out of cold storage. Few, if any, motor-truck receipts have been sold through the city auctions.

Some of the reasons why motor-truck shipments have not been auctioned in the markets are: The motor-truck receipts in the large eastern and mid-western cities are mostly from producing districts that have not adopted the auction method of selling to any consider-



able extent; it is necessary to know the quantity to be sold at auction and have an invoice of the goods in advance of the sale so that catalogues can be printed, and this information would be difficult to obtain in the case of truck receipts, which are not usually concentrated at one place; much of the receipts by truck are not standardized sufficiently to be handled successfully through the auctions; the auction terminal facilities have been constructed to handle rail shipments.

Containers for auction commodities should be well made, neat, and clean, and when opened should show the contents attractively. Each package should bear a label with a distinctive brand name, in order that the shipment may be distinguished readily from the offerings of other shippers. The label should always represent dependable, uniform quality, because the factors which determine the value of the product are associated in the buyer's mind with the identification mark on the package. The purchaser is forced to base his judgment as to prices on the value of the sample displayed, and unless he has the assurance that it fairly represents the lot he must figure on a sufficient margin to cover the additional risk.

The frequency with which a commodity appears at the auction sales is a factor that has a great influence on the results obtained. A uniform product that is exhibited in volume before the auction buyers regularly during its season sooner or later will be sought by them as a regular source of supply. Intermittent shipments can not be expected to bring the most satisfactory returns. A constant supply will draw more buyers, thereby increasing the opportunities for sale and widening the distribution, and in time should result in higher prices than if the supply is small and irregular.

A car containing several commodities or a large number of brands, marks, grades, or sizes, necessitating the separation of the shipment into more than the usual 15 or 20 "lines" or display units, is expensive and cumbersome to handle, requires considerable space for display, and takes additional time to sell. Consequently such shipments are not solicited by the auction companies, and they usually sell at some disadvantage. Instances were noted in 1930 in which it was necessary to include as many as 60 lines in the catalogue of a car-lot shipment because of the large number of sizes, grades, and growers' marks in the shipment.

## HOW A CITY AUCTION FUNCTIONS

### TERMINAL AND WAREHOUSE FACILITIES

Cars arriving for sale are unloaded either by the auction company or by the railroad company. Warehouse space is usually provided by the auction companies where shipments may be unloaded and displayed for sale. This space is usually rented by them from the carriers at the freight terminals in locations convenient for the buyers, thus saving unnecessary handling. In some markets space is allotted in the same warehouse for private-sale commodities as well as those to be auctioned. Ordinarily part or all of the warehouse is heated during the winter months.

During the last decade the carriers have improved their terminal facilities in many of the large markets, and in most markets the display space and facilities available to the auction companies are considered adequate. These warehouses or display rooms are usually of concrete and steel construction, and are rectangular in shape with the railroad tracks on both sides. To facilitate handling, the concrete floor of the display room is generally on the level of the floor of the car or truck. In New York the floor of the piers where the auction goods are displayed is on the street level and the packages must be lifted onto the drayage trucks. In most cities the auction display space is approximately 100 feet wide and in one of the largest markets is almost 900 feet in length. The capacity of warehouses of this type ranges from about 12 cars in the smaller markets to about 135 cars in Chicago. The five piers in New York which are used both for auction and private sales have an area under cover of approximately  $14\frac{1}{2}$  acres, and space is available for approximately 1,000 carloads in a 24-hour period.

In some of the large markets it is the practice to auction juice grapes in the railroad yards by the carload instead of unloading them in the warehouses. In some cities the cars are placed beside long platforms where samples can be inspected. The tremendous volume of juice-grape sales during the fall months and trade practice in handling have made this method necessary or advisable. Watermelons in New York and Philadelphia are auctioned in the yards by the carload.

#### THE RECEIVER, OR SELLER'S REPRESENTATIVE

Auction companies generally do not receive the goods that are to be sold direct from distant shippers. This duty falls either to a salaried representative of the seller or a broker or agent who acts for a stipulated fee or commission. These agents are usually termed "auction receivers," and except in the case of salaried representatives are usually brokers or dealers in the market who may conduct a general fruit and vegetable business in addition to their auction transactions. Some receivers, however, specialize as shippers' representatives at the auction. The auction receiver may represent individual growers, small local cooperative exchanges, cooperative sales agencies, private sales agencies, country dealers, etc.

It is the duty of the receiver, as the shippers' representative in the market, to receive the car upon arrival and to determine whether market conditions justify immediate sale, whether the car should be held over a day or more before being offered for sale, or whether it should be diverted to another market. He furnishes the auction company with a manifest showing the number of packages of each size and grade in the shipment so that the auction company can have its catalogue printed and can advertise the sale: he may file claims arising against the carrier for such causes as damage due to delay in transit. He inspects the shipment so that his principal can be informed as to its quality and condition at the time of sale.

The receiver represents the seller at the auction and may assist in obtaining a satisfactory price by attracting attention of buyers to the shipment either by personal contact or by making a brief an-

nouncement to the buyers from his post beside the auctioneer at the sale, referring to the prospective supplies, condition of the market, etc. If the receiver is well known among the buyers and enjoys a good reputation for honesty and fair dealing he may be of considerable assistance in obtaining a good price. He confers with the auctioneer as to the price which can reasonably be expected and if the bids are below the price he considers satisfactory he can withdraw a part or all of the car from sale. To render the best service the receiver must be in close touch with the trade so that he is well posted on the current price and demand situation.

Occasionally an auction buyer feels that he has suffered some injustice because the sample inspected did not properly represent the lot purchased or for some other reason. Although the purchase price is final so far as the auction company is concerned, the receiver may investigate such complaints, and if he is convinced an injustice has been done, he may recommend to the shipper that some allowance be made.

The receiver reports fully to the shipper on the sale, frequently by wire; he receives payment from the auction company and transmits the payment and account of sale to the shipper. The receiver charges the shipper a fee or commission for his services; the fee varies somewhat among different receivers, markets, commodities, and seasons. The charge may be \$25 or more per car and in some instances has been reported as low as \$10 per car for certain commodities. In some instances 5 per cent commission has been charged the shipper by the receiver out of which the auction company's charge of approximately 2 per cent has been paid.

The question frequently arises as to whether a receiver is necessary, and whether it would be practicable for an auction company to perform the services of a receiver in addition to selling the product. In a few instances shipments are received direct by auction companies, particularly in the case of the smaller companies. The opinion is general, however, among auction-company managers, buyers, and brokers that under present trade practices and conditions it is advisable to have a receiver to represent the shipper.

The criticism has been heard that in some instances there has been a close business relationship between the receiver and the auction company. Since the auction company is a selling agency and not a buyer it is doubtful whether this close relationship in itself would necessarily result in unfairness to the shipper.

Since an auction company handles products from a number of shippers it would be difficult to avoid complaints of preferential service to some shippers if it were not for the presence of the receiver at the sale as the shippers' representative. It is generally stated by those familiar with the auction business that a good receiver is worth more than the cost of his service to the shipper. The large and successful marketing organizations selling through the auctions have salaried representatives to perform the functions of a receiver for them in the markets.

#### ADVERTISEMENT OF SALE

Sales are advertised in such manner as local conditions seem to require. The trade publications, newspapers, and printed bulletins



published by the auction companies are the usual means employed to inform the trade of the supplies to be sold. Some auction companies state in the advertisement not only the number of cars of each commodity to be sold but also the brand and the receiver's name. Some companies issue no announcement in advance of the sales, and the buyers do not know what is being offered until they arrive at the display room. Many auction companies have bulletin boards in the display room on which a summary of the cars to be auctioned is shown.

#### DISPLAY OF SAMPLES

To display the goods and facilitate the sale, the products are separated into lines. Each line may consist of all packages in the car



FIGURE 4.—Display room in a large auction market. The fruit is stacked in lines and a box in each line is opened for inspection

containing a commodity of one brand, grade, variety, and size. In some instances the lines are further restricted to the product of one grower, usually identified by a grower's "mark" on the package. Occasionally packages containing fruit of two or more sizes may be included in a line. Samples are then selected at random by representatives of the auction company and are opened for the inspection of buyers. Typical displays are shown in Figures 4 and 5. If the fruit is wrapped, the wraps are removed from a number of specimens to show the grade and condition. Usually in lines of 50 packages or less only 1 package is opened, but in larger lines 2 or more are opened. The number of packages in a line may vary from one to several hundred.



Most auction companies state specifically in their terms of sale that the sale is not being made by sample but that the package displayed is for the inspection of the buyer in forming his opinion as to the value of the product. It is usually understood in display rooms that prospective buyers may be granted the privilege of opening other packages to determine whether the sample fairly represents the lot, provided such packages after examination, are placed in their original condition. In some cities it is found necessary to sell lines by sample without giving the buyer the privilege of further inspection. Foreign lemons are sold strictly by samples, which are displayed upon lifts or tables before the buyers. As soon as the sale begins the samples or "parts of marks" are nailed up and sold with the line, except where samples are not displayed with the line but are hauled to a display room elsewhere. (Fig. 6.) In such cases they are sold separately, and usually at a discount of approximately 10 per cent below the selling price of the remainder of the lot.

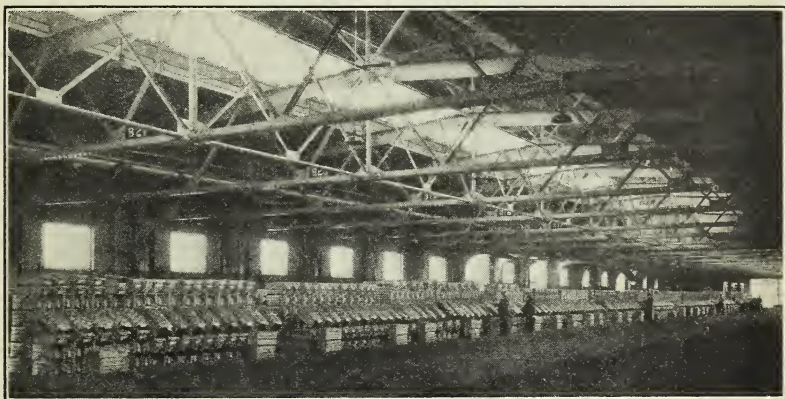


FIGURE 5.—An extensive display of fruit for auction on a New York pier

The selection of display samples by the auction companies is supposed to be and usually is carried on with strict impartiality. But in spite of the fact that most auction companies do not countenance the practice, instances have been noted in which auction receivers have removed decayed or otherwise defective fruit and have substituted sound specimens. This practice, known as "dressing the samples" is alleged to be rather common in a few markets. In some markets the auction companies do not permit the receivers to be present when the samples are opened and placed on display.

It is maintained by receivers who do not dress the samples that the practice is well known to the buyers and that they usually discount to a degree the lines offered by receivers who do it habitually. It is probably true that where the samples are displayed with the lines the buyers are seldom deceived by a dressed sample, since they have the privilege of examining other packages of their own selection.

Reliable brands of well-standardized goods soon gain the confidence of buyers who learn that they can depend on uniformity throughout the line.

## CATALOGUES

Catalogues are furnished by the auction companies describing each line, giving the name of the seller, the grower's name or brand, the grade, variety, and sizes, and other information, such as the time of sale, and the location of the display. (Fig. 7.) These catalogues are used by the buyers in inspecting the samples, and in bidding, and by the auctioneer as a program for the sale.

Some auction companies will omit the name of the seller from the catalogue if requested to do so, but buyers in general prefer to know who owns the goods on which they are bidding.

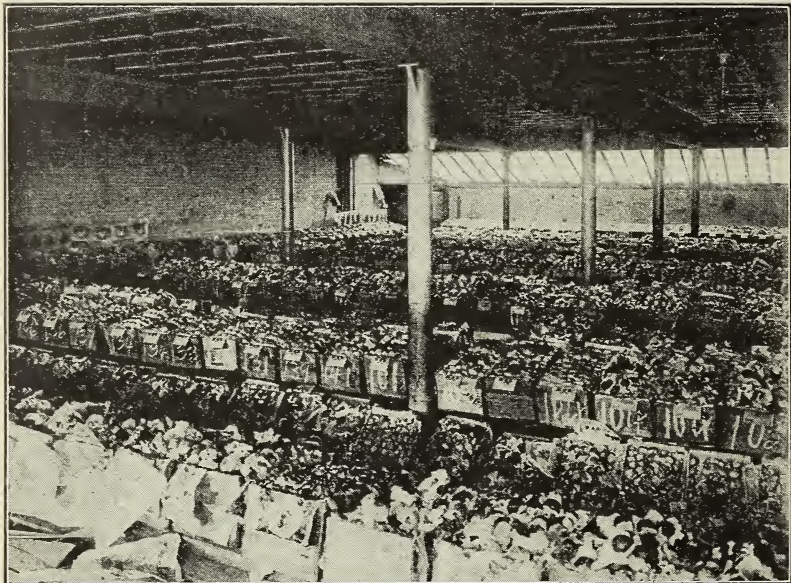


FIGURE 6.—Auction sample display room. These samples are shown separately from the lines from which they were taken. The line numbers written on the ends of the packages correspond to the numbers of the lines in the catalogue

Most of the large auction companies have their catalogues printed in pamphlet form with the lines numbered consecutively. Some companies do not assemble the sheets on which the cars are catalogued, and the buyers can take only the sheets in which they are interested. The listing of a car may fill a part of one page or several pages. In New York the auction companies print their terms of sale at the beginning of each catalogue.

“Price-realized” catalogues are issued by most companies to auction receivers after the sale in sufficient quantity to enable them to supply one to each shipper. These catalogues contain a record of the prices at which each line was sold. Some companies issue price-realized catalogues only when requested by the receiver. Representatives of cooperative marketing organizations selling through the auctions practically always request such catalogues for distribution among their members. On the other hand, city dealers who



have purchased cars f. o. b. for sale through the auction seldom request price-realized catalogues since they have been present at the sale and know the price paid for each line. A page from a typical price-realized catalogue is shown in Figure 8.

## SALE ROOMS

Most of the auction sale rooms are on the upper floors of the freight terminals or docks which are used for warehousing and displaying the products. The buyers occupy seats that are usually arranged in rising tiers as in a theater, to afford the auctioneer and the buyers an unobstructed view. Each seat may have a small desk in front of it or the seats may be equipped with wide arm rests for writing. In one recently constructed sale room in the Middle West the seats are arranged in rows with two seats side by side; the rows are in a fan shape and converge near the auctioneer's stand. The rows are far enough apart so that conversation among buyers in different rows is not likely to be carried on. In many cities auction sale rooms, in conjunction with warehouse or display rooms, have been built during the post-war period, and in general are well constructed to prevent unnecessary noise from the outside and are well arranged for the convenience of the buyers, and for efficient conduct of the sale. In a few cities voice amplifiers are installed in the auction rooms and may be used by the auctioneer if he wishes. A portion of a modern auction sale room is shown in Figure 9.

The auctioneer and usually his clerical assistants occupy the platform, and as a rule there is a place for the auction receiver. Frequently desks are provided near the platform which may be used by clerical assistants, receivers, and representatives of the trade

18		
LINES	MARKS	DESCRIPTION
	F C E 2179	<b>JOHN DOE CITRUS COMPANY</b>
	A Brand	<b>F. G. E. CAR 31199</b>
		VIA PENN. R. R.
		FLORIDA ORANGES
<b>574</b>	150-3 176-22	<b>24 BOXES</b>
<b>575</b>	200	<b>12</b>
<b>576</b>	216	<b>28</b>
<b>577</b>	250-15 288-1 324-1	<b>16</b>
<b>578</b>	Parts of marks opened	<b>4</b>
<b>579</b>	B Brand 150-1 176-10	<b>10</b>
<b>580</b>	200	<b>12</b>
<b>581</b>	216	<b>21</b>
<b>582</b>	250	<b>19</b>
<b>583</b>	288-3 324-5	<b>7</b>
<b>384</b>	Parts of marks opened	<b>5</b>
	A Brand	<b>SATSUMAS</b>
<b>585</b>	76-1 106-2 120-6 144-5 168-7 196-2 216-1	<b>23 HALF BOXES</b>
<b>586</b>	Parts of marks opened	<b>1</b>

FIGURE 7.—Page from a catalogue used during an auction sale

publications. In most auction rooms telephone booths are provided to enable the buyers to keep conveniently in touch with their offices. The auction sale rooms of most companies in the larger cities will

LOTS	MARKS	DESCRIPTION		
	John Doe Citrus Company	<b>FGE 27121</b> CONSIGNMENT NO. 2959		
<b>502</b>	A Brand	29 Exs.	Grapefruit	3 25
A	Bright	46		
<b>503</b>		1		2 80
A		37		3 65
		1	brkn	2 00
<b>504</b>		12		4 05
<b>505</b>		2		4 15
A		1	brka	2 00
<b>506</b>	Golden 3-36 5-46	8		3 00
<b>507</b>		59		3 25
A		1	brkn	2 00
<b>508</b>	4-64 2-70 4-80	10		3 85
<b>509</b>	Busset	36	3	2 80
<b>510</b>		46	19	2 80
<b>511</b>		54	55	3 10
A			2	2 00
<b>512</b>		64	26	3 35
A			1	2 00
<b>513</b>		70	41	3 50
<b>514</b>		80	5	3 50
<b>515</b>	Plain	46	5	2 80
A			1	2 00
<b>516</b>		54	16	2 95
A			1	2 00
<b>517</b>	4-64 11-70	15		2 95
A			1	2 00
<b>518</b>	4-80 4-96	8		2 80

FIGURE 8.—Page from a price-realized catalogue showing prices obtained at the sale

seat from 200 to 240 buyers. In some instances the seats in the sale room are numbered and regular buyers are expected to occupy the same seat at each sale.

THE AUCTIONEER

The post of auctioneer is one of great responsibility and demands the services of an alert and vigorous man of strong personality,



who is experienced in the produce business and well acquainted with the individual members of the trade. The auctioneer should know the character of the commodities and their approximate market value, together with the particular requirements of the individual buyers. Most of the successful auctioneers make it a practice to inspect the products that they will sell so they will be well informed as to the quality and condition. They keep in touch with prices on other markets through telegraphic reports. The auctioneer who is so informed is in a position to stimulate bidding in a manner not otherwise possible. It is important that the auctioneer understand local conditions, including methods and practices of the various buyers and the sizes and grades on which they customarily bid, so that he can detect any combination among them that may have in view a restriction of the bidding.



FIGURE 9.—View of a city auction sale showing the auctioneer's stand, receivers, clerks, and buyers

The duties of an auctioneer are strenuous, both from a mental and physical standpoint. He must keep the goods moving so that interest among the buyers does not lag and must keep a sharp lookout among the 100 or 200 buyers to be sure that all bids are recognized. He talks fast and vigorously and frequently works without coat or collar.

An auctioneer usually operates under a State or municipal license, the cost of which is borne by the company employing him. He customarily has certain definite duties to perform outside of his selling activities. A number of auctioneers are members of the auction companies; in some instances they are part owners.

#### CLERKS

The auctioneer is accompanied by two or more clerks throughout the sale and all transactions are recorded as rapidly as made. The clerks must be thoroughly familiar with the auction methods and buying personnel, and must be capable of rapid and accurate work, so that the record of sales showing the number of packages, price,

and purchaser will be correct. As soon as a sales sheet is filled it is dispatched promptly to the office, where it is checked immediately and sent to the delivery clerk. Purchases usually are billed to the buyers the same day and always within 48 hours after the sale.

#### THE BUYERS

Fruit and produce auction sales are open to the public, and any buyer may bid who has complied with the requirements of the auction company or is ready to meet the conditions under which the sale is conducted. The principal classes of buyers who frequent auction sales are: (1) The jobber who buys in considerable quantities and sells mostly to the retail trade in lots of one or a few packages. Some jobbers specialize in supplying hotels, restaurants, etc. In some instances, particularly in the smaller cities, the jobber may also act as a car-lot receiver. (2) The broker who buys at auction. He is a specialist who is in constant touch with the price and supply situation and is thoroughly familiar with auction methods. He attends the auction sales regularly and buys for out-of-town dealers, motor-truck operators, or others who are not present. His fee is usually 5 to 10 cents per package. Most auction companies have a rule that no one can buy for another who is present in the auction room. This has been deemed necessary to prevent collusion among buyers for control of prices. Some auction companies require the broker to call out the names of the parties for whom purchases have been made at the time of sale. (3) The chain-store buyer. The auction is a convenient place to get certain grades and sizes of fruits desired; and for this reason some chain stores, though not all, prefer the auction to other methods of purchase. Certain brands have been sold entirely through the auction and if the chain stores wished to handle them they were obliged to purchase at auction. (4) The independent retailers, peddlers, etc. The large independent retailers sometimes buy direct from the auction. The small peddlers frequently combine in a pool so they can purchase in quantities equal to one or more auction units. One of their number, the "boss peddler," does the buying and in some respects acts as a broker.

The relative importance of these classes of buyers varies with different conditions and in different markets. Estimates were obtained from 14 auction companies in the leading markets of the percentage of their annual volume of sales made to the various classes of buyers enumerated in the preceding paragraph. The unweighted averages of these estimates were: Jobbers, 57 per cent; brokers, 13 per cent; chain-store buyers, 20 per cent; and independent retailers, peddlers, and miscellaneous, 10 per cent. Only 2 of the 14 companies estimated that less than 40 per cent of their sales were to jobbers; the highest estimate was 90 per cent. The highest estimate of sales to chain stores was 35 per cent, reported by two companies. For sales to independent retailers, peddlers, and miscellaneous the highest estimate was 25 per cent. Some of the sales reported to brokers may, of course, go indirectly to jobbers or others.

Records of a New York auction company covering an 8-month period ended April, 1931, and representing more than 6,000,000

packages, showed the following distribution of sales: To jobbers, 71 per cent; to brokers, 14 per cent; to retailers and peddlers, 8 per cent; to chain stores, 7 per cent. These same records disclosed interesting facts regarding the geographic distribution of the sales in the New York area. They indicated that approximately 54 per cent of the volume sold went to the Washington Street market, 16 per cent to Brooklyn, 15 per cent to the Harlem market, 13 per cent to Newark, and 2 per cent to out-of-town trade.

Auction men have stated that in 1931 there were about 525 auction buyers in New York City. In the smallest auction markets the number of buyers is 25 to 50. The buyers are of various national and racial extractions, and a wide diversity of interests is represented at the sales.

One of the first questions that usually comes to the mind of a shipper who is considering the auction method of selling is whether there may be collusion among buyers to control prices. This matter has been discussed with auction officials, buyers, and receivers in the various auction markets in the course of a recent survey. The results indicate that in a large majority of the auctions the bidding is on an open competitive basis and the prices are the result of the free play of the factors of supply and demand. The great diversity of interests represented where a sufficient number of buyers is present would make any arrangement for control of prices difficult. At times buyers have attempted price control by forming pools. Auctioneers have used various methods which tend to break up these pools quickly. Such means as overlooking the bid or requiring the buyer to take delivery to his store or in his trucks of all his purchases have usually been effective. There are, of course, instances in which buyers are alleged to have succeeded in controlling prices. It is obvious, however, that in order to survive, an auction company must obtain prices which, in the long run, will compare satisfactorily with the private sale prices in the same market or with auction prices in other near-by markets.

The buyers who patronize the car-lot auction sales of juice grapes and watermelons usually include a different element than the buyers at sales of other commodities. Peddlers, truckers, and others may specialize in handling these commodities which move in large volume during certain periods in the year.

Since practically all classes of the wholesale buying trade are represented at the auction, a buyer can be found at some price for each line offered, regardless of its quality or condition, provided the goods have some merchantable value. Since the commodities are sorted into lines, the buyer at auction can buy the variety, grade, and size that he wishes, and is not compelled to purchase something he does not need in order to secure something he wants.

#### TERMS OF SALE

Most auction companies post their terms of sale in their auction rooms and some of the large companies print them in full at the front of each sale catalogue. These terms of sale or operating rules vary in some respects among the different markets and different companies, but, in general, the essential points are similar.



Some of the chief points usually covered in the terms of sale are: Goods are bought and sold "as is" and are not warranted to be of the same quality and condition or otherwise like the sample displayed; the auction price is final, and sales are for cash except to those buyers whose credit has been approved by the auction company, and who will be allowed credit for definite limited periods; if the buyer fails to take delivery of his goods or have them removed before the display space is needed the auction company can have them removed at the buyer's expense; the seller reserves the right to withdraw from the sale at any time a part or all of the goods advertised; some companies rule that no receiver shall be allowed to bid on his own goods nor to arrange his samples in the display room; the rules of some companies state that no buyer will be allowed to divide a purchase with any one attending the sale. In addition rules may be included regarding the time of sale, number of packages in a sale unit, time at which cars must be on the siding if they are to be included in the day's offerings, etc.

#### UNITS OF SALE

To expedite the business, as well as to make it an object to buy in quantities, all auction companies require purchasers to take a certain minimum number of packages, the number varying in the different cities. The unit for citrus-fruit sales is usually 20 or 30 packages, whereas, for deciduous-fruit sales the unit varies from 20 to 50 packages. In New York, for example, the unit for citrus fruits, pears, and apples is 20 boxes and for small deciduous fruits, 40 boxes. In instances in which the number of packages in a line is less than the designated sale unit or exceeds it by only a small number, the entire line becomes the sale unit. In auction sales of juice grapes and watermelons in the large markets the carload is usually the unit of sale.

Estimates from auction companies indicate that as a general average a carload sold at auction is usually distributed to 15 or 20 buyers.

The receiver may exercise the right of "no privilege." This phrase is used by the auctioneer when announcing from the stand that the quantity offered by the receiver will be limited to one auction unit. The buyer understands that he will not have the usual privilege of taking as many units as he wishes at the price finally determined for the line. This right is sometimes exercised by the receiver when the market on that commodity is unsettled and the bidding is lower than he believes it should be.

#### THE SALE

All auction sales are open to the public. In the larger markets they are usually held five days a week and in the smaller markets usually three days a week. The sale starts at a scheduled hour customarily from 8 a. m. to 11 a. m., and may last several hours depending on the quantity of offerings. In New York cantaloupes are auctioned at 1 a. m. and vegetables at 4 a. m. Watermelons and juice grapes have been auctioned in the afternoon in the railroad yards in New Jersey near New York City.

In starting the sale the auctioneer announces the line or lines offered and calls for bids from the buyers who have their catalogues before them containing their notes as to quality and condition and estimated worth representing the buyer's opinion at time of inspection. He generally accepts 5-cent increases on a "per package" basis. In some instances the increases may be reduced to 2½ cents, as in sales of juice grapes. It is customary for the auctioneer to call for bids at a price somewhat above the prevailing market, to work down until he gets an offer, and then to accept competing bids in the usual manner. Bids may be made vocally or by sign.

Occasionally the sale of a car or a line is influenced more or less by "puffers." A puffer is a person who, without having any intention to purchase, is employed by the seller at an auction to raise the price by fictitious bids, thereby increasing competition among the bidders while he himself is secured from risk by a secret agreement with the seller that he shall not be bound by his bids. These fictitious bidders are also known as "by-bidders" or "cappers." At times receivers or owners bid on their own cars in order to run up the price of the commodity, although most auction companies will not countenance this practice. If by-bidding is discovered, most auctioneers will resell the goods at once, but the receiver retains the privilege of "pulling," or withdrawing from sale, any line or car of his offerings which in his judgment is likely to be sacrificed at the sale. Where the owner of the goods or his representative announces before the sale that no bid less than a designated amount will be received, the auctioneer may reject any bid that is less than that amount.

At times, particularly when the goods are in strong demand, there is much excitement and noise in the sale room. Buyers clamor to have their bids recognized or to get the remainder of a line at the same price or at a nickel less than the price paid by a successful bidder for a sale unit from the line. The auctioneer must work rapidly to maintain interest and obtain the best results.

It is extremely difficult for one not familiar with the auction to follow and understand the transactions even with a catalogue before him. The buyers who attend the sales regularly and know the approximate price of the goods, and who are accustomed to the conversation and methods of the auctioneer, apparently have little difficulty in following the progress of the sale. A surprisingly large volume of business is transacted in a relatively short time at these sales. It is not unusual for juice grapes or watermelons to be sold at the rate of a car a minute in the large markets. One company stated that it required about an hour to sell 18 cars of other commodities that are sold in smaller lots. The speed, of course, is influenced by the number of lines in a car and other factors.

Most, though not all, of the auction companies sell "choice of the page." This means that the successful bidder can take his choice of any unsold line on the page. He may take one or more sales units from the selected line or may take all of the unsold lines on the page. Reasons advanced for this method are: That the successful bidder is likely to take several, thus speeding up the sale; different buyers may have different ideas as to which is the best line on the page, so that bidding is stimulated more than if only the buyers who wanted a certain line were bidding on it. On the other hand, a company

which sells line by line stated that their method was preferred in their city because it was less confusing to the buyers, since it is no easy matter to choose the best on a page during the rapid progress of a sale. They said that when the choice-of-the-page method was used a successful bidder who realizes his bid has been too high or who has purposely bid high intending to force another buyer to pay a high price, may intentionally call out as his choice a line that has been sold so that he will not be required to pay the price which he has bid.

Most auctioneers adhere to certain general practices in reference to bidding. The buyer who has bid up to within 5 cents of the selling price may be given the first opportunity to bid back on the unsold remainder of a line at a nickel less than the selling price. This, of course, does not prevent further bids and an effort to get as high a price as possible on each sale unit. Considerable discretion can be exercised by an auctioneer in recognizing bids. If two buyers bid at the same time, the regular buyer who may be expected to take a full line or several lines may be given the preference. Bids from those whose credit is not good may go unrecognized.

#### DELIVERY

Goods are ready for delivery very soon after the sale has been made. Auction employees in the display rooms are informed as to the purchasers of various lines, and records are kept of the goods as they are loaded on the buyer's trucks or on hired trucks for delivery in accordance with the buyer's instructions. In most markets the auction employees will move the goods to the tailboard of the trucks. In New York all deliveries from the piers are handled by one organization. This organization has a definite charge per package varying according to place of delivery and commodity. It is responsible for any shortage in number of packages when delivered. The New York auction companies bill the cartage to the buyers.

Most companies allow the buyer, as soon as the goods have been "knocked down" or sold to him, to issue instructions to the auction company to deliver certain portions of the lot to persons other than himself. The written order giving such directions is commonly known as a division slip. Division slips are used chiefly by buying brokers to advise the auction company that the goods bought are to be charged to the principal rather than the agent. Auction companies generally will not allow these transfers of goods between buyers if both have been present at the sale nor in quantities less than the sale units.

#### BROKEN PACKAGES

When cars are unloaded frequently a few packages are found that have been broken in transit. These are repaired and repacked either by the carrier or by the auction company. Those which can be restored to their original condition are stacked and sold with the line and the remainder are sold at auction to the trade as broken packages or are turned over to the railroad company or to a designated dealer for disposition. If the auction company sells the broken packages, the carriers make prompt settlement for the difference



between the price of broken packages and the price of packages in the line from which they came. If the carrier takes over the broken packages the full price of sound packages from the same line is paid to the auction company.

Broken packages are known in some markets as A lines. This term is commonly employed to indicate not only broken packages but samples, parts of marks, and containers found to be wrongly marked, or in some way different from the remainder.

#### CREDIT FUNCTIONS AND SETTLEMENTS

One of the chief functions of a city auction is its credit and collection work. Large auction companies usually allow purchasers of domestic products a credit term of 7 to 15 days. This term is sometimes extended to 30 days on foreign products. In many cases the buyers carry deposit accounts with the auction companies in order to establish a credit, the companies paying interest on these deposits. Buyers who have not arranged for credit with the auction companies are required to pay cash before delivery. Some companies transact all their business on a cash basis. Auction companies guarantee the solvency of their buyers and settle with the receivers within 24 or 48 hours after the sale, so that any losses from bad accounts are borne by the auction companies.

Losses of auction companies due to bad accounts are in many instances surprisingly small. One company reported the excellent record of no losses from bad accounts in several years. Another company reported that losses were less than 0.1 per cent in a certain year. Buyers who wish to continue in business in a market find it necessary to keep in good financial standing with the auction company which is the source of important supplies, whereas these same buyers may, in some instances, allow their debts to private dealers to remain unpaid.

In order to make prompt settlement with their receivers while extending credit to their buyers it is often necessary for the auction companies to borrow relatively large sums from the banks, especially during active seasons when receipts are heavy.

Those who purchase through a buying broker usually arrange a credit with the auction company against which the purchases of the broker are charged. If the broker arranges the credit with the auction company, he usually makes an additional charge of 5 cents per package for his service.

#### CHARGES BY AUCTION COMPANIES

The commissions charged to the seller by the city auction companies vary somewhat, depending upon local conditions, the commodity, and the extent and character of the services rendered. The charges range generally from  $1\frac{1}{2}$  to 3 per cent, although there are instances of charges both above and below this range. A customary charge on domestic products is 2 per cent. Foreign lemons usually take a 3 per cent rate. Refunds of a fraction of a per cent to the seller or receiver have been made at the end of the year in instances in which a company has made satisfactory profits.

In some cases large and influential receivers or shippers have been able to secure from the auction companies a somewhat better rate than others are given. Apparently these preferential rates are often made by private arrangement and do not follow any definite schedule. A flat rate would appear to be more satisfactory from the standpoint of the small buyer or seller, although there may be some justification for charging a variable rate, graduated in accordance with the volume and character of the business, provided such rate is open to all who meet the required conditions.

In New York a charge for the assorting of the shipment as it is unloaded, reported as \$2.35 to \$4.00 per car, is paid by the seller. In a few of the smaller markets the unloading cost paid to the railroad is charged to the seller. When a car is withdrawn from the sale the cataloguing cost is usually charged to the owner of the car.

In addition to the charge to the seller many auction companies charge the buyer a certain amount per package which is supposed to cover the cost of unloading, handling in the display room or warehouse, and moving the goods to the tailboard of the delivery trucks. This charge to the buyer, which is sometimes called a terminal charge, varies in different cities and with different conditions and commodities, and ranges from 1 to 5 cents per package. In some cases where 5 cents per package is charged a refund of 2 cents is made to the buyer usually at the end of the year.

This charge to the buyers is an important source of income to many auctions and in some cases approximates or exceeds the income from the commission charged to the seller.

#### ADJUSTMENTS

In principle, auction sales are such that when the sale is once made it is binding on both the buyer and seller and the returns are bona fide, reducing the likelihood of dissatisfaction based on misunderstanding or sharp practice. Rebates, secret agreements, private adjustments, and manipulation of accounts are reduced to a minimum by the publicity attending all auction sales.

So far as the auction company is concerned, the price at which the line is sold by the auctioneer generally is final. After the sale is completed, should there be any cause for an adjustment by reason of condition of the product, or such mistakes as billing the wrong grades or sizes, or for any reason previously unknown to either buyer or seller that would work a material injustice, the buyer must deal directly with the receiver or his agent and not with the auction company. Mistakes in delivery, cataloguing, etc., which are directly traceable to the auction companies are adjusted by the companies and the adjusted price is the one shown on the price-realized catalogue. Since the buyer may examine not only the opened samples but other packages before the sale, there seldom is need for adjustments.

#### SOURCES OF AUCTION SUPPLIES

The growth of the fruit and produce auctions during recent years may be attributed largely to the patronage of large cooperative and private marketing exchanges. An auction company that handles the

accounts of one or more of these organizations usually is assured the steady and adequate supply necessary to attract the buying trade and to permit the successful continuation of business for reasonable charges.

In general, there are three chief sources of auction supplies. These are here named in order of the volume of business furnished. The percentages are weighted averages of the percentages reported by 11 auction companies in various cities:

(1) The larger marketing organizations which maintain salaried city representatives. Such organizations supply approximately 59 per cent of the tonnage sold at auction.

(2) Smaller independent shippers selling through a receiver or broker, who represents them for a fixed fee or an agreed commission. They supply approximately 26 per cent of the tonnage.

(3) Car-lot wholesalers, commission merchants, or speculators supplying approximately 15 per cent of the tonnage.

A small quantity totaling only a fraction of 1 per cent of the whole volume of auction supplies is shipped direct to certain auction companies which will accept this class of business.

An authoritative estimate of the source of New York City supplies follows: Large organizations with salaried representatives, 58 per cent; smaller independent receivers, 22 per cent; car-lot speculators, 13 per cent; car-lot brokers, 7 per cent. More than four-fifths of the supplies sold at auction are handled locally through the salaried city representatives and the auction receivers. The former represents only the organization with which he is connected. It may be one of the large cooperative exchanges, a private sales agency, or a large shipping organization. The auction receiver may represent individual growers, small local cooperative exchanges, cooperative sales agencies, private or noncooperative sales agencies, country dealers, etc.

### FINANCING PRODUCTION BY AUCTION COMPANIES

Most of the auction companies state that they do not loan funds to growers or shippers to finance production, but a few companies do this with the arrangement that the crops produced will pass through the auction. It has been stated by some who have a wide knowledge of the auction business that some auction companies, although not loaning directly to producers or shippers, have at times made loans to auction receivers taking as security the receiver's note or even an assigned crop mortgage. These funds may be used by the receivers for relending to shippers or growers for financing a crop to be marketed through the receiver and the auction company.

Auction companies in general do not use their funds to buy car-loads of produce to be sold through auction. At times, however, new companies or those which have had to resort to this practice to obtain a regular volume for sale, have speculated in this way.

### AUCTION SALES AS PRICE BAROMETERS

The auctions exercise a considerable influence as indicators of market values. The auction prices are made public immediately after the sale by the trade publications, by newspapers, and by the price-



realized catalogues and are used to a large extent as the basis for market reports issued by governmental and private agencies. Prices realized in the auction sales on well-established auction commodities are reflected directly in the street sales. In fact, when a considerable percentage of a commodity on a certain market is being sold at auction, private-sale transactions may be deferred or may be made on a tentative price basis, until the auction prices are known.

Because of the wide publicity of auction prices and their barometric value, it is advantageous to sellers in general to offer high-class products of desirable varieties and brands rather than to permit the auction prices to be established at a low figure because of low grade and poor condition of the products.

"Tramp cars" which may have been diverted several times in their trip across the country sometimes arrive in the eastern markets in poor condition and are placed on the auction as a method of quick sale. This may result in relatively low prices for some cars at auction and may influence adversely prices obtained for other cars at auction and at private sale.

Under present conditions of production and distribution it is extremely difficult to obtain the necessary cooperation among growers and shippers to adjust the supply of fruits and vegetables to the demand. During seasons of heavy production shipments greatly in excess of market requirements have frequently been sent into the large terminal markets on consignment to commission merchants or to receivers to sell at auction. When the large terminal markets are oversupplied with resulting low private and auction-sale prices, the effect of this situation is reflected throughout a wide territory.

The large markets at which auctions are located each have a considerable zone of market influence. Shipments by truck and in mixed carloads from these markets influence the prices in areas within a radius of 100 miles or farther. For commodities that are largely sold at auction, the auction price will practically determine the price in the smaller private-sale car-lot markets within a considerable distance.

Since the 1930 population of the 13 auction markets of 19,450,000 was 39 per cent of the urban population in places of 25,000 or more, and since large populations near the important cities receive commodities sold through the auction, it is evident that the city auctions have a direct influence on the prices of a large part of the national supply of deciduous and citrus fruits.

### SPLIT SALES

When sales of a commodity in a given market are divided between the auction and private sales or between two or three auction companies selling at the same time and in competition, the prime purpose of the auction—the bringing of the forces of supply and demand to a sharp focus—is defeated to a greater or lesser degree.

Split sales—that is, the use of both the auction and private sale by an individual or organization in selling a commodity in a given market—tend to complicate the distribution of that commodity somewhat and often cause the returns to be less satisfactory than if the sales were all made by one method. Split sales cause the product

of the same marketing organization to enter into competition with itself, and permit the buying trade which relies on that particular brand to fill its needs more or less completely at private sale before the auction opens, or vice versa. They cause the demand to be divided between the auction room and the street, thereby separating instead of convening the buyers. It is evident that the most satisfactory results can not be achieved by the auction when a large number of dealers are devoting their utmost efforts to sell, at private sale, as large blocks as possible of the best brands to their most discriminating trade and are offering only a residual portion of the commodity on the auction. The converse, of course, is likewise true.

Manifestly, the situation is different when practically the whole of a given line of produce, uniformly graded and packed in standardized containers, is offered exclusively at auction. As a matter of sales policy some of the largest distributors of citrus fruits dispose of their entire offerings in the large markets by auction.

### DIFFICULTIES IN TURNING NEW COMMODITIES TO AUCTION

Certain lines of fruits and vegetables are not now being offered for sale at auction. Only a small fraction, probably less than 1 per cent of the total car-lot shipments of vegetables, is sold by this method in the city markets, although most vegetables have been auctioned at times in a more or less limited way.

One reason why more commodities are not sold at auction in volume is the present method of financing crop production. Dealers frequently assist in financing the growers by advances of cash or supplies. In consideration of this financial assistance the grower agrees to deliver all or a stated part of his crop to be marketed by the dealer, and shipments are consigned to him. The dealer who secures a part or all of his revenue from commissions or profits on the sale of these consignments is not inclined to turn them over to the auction for sale, since this would reduce his income. The auction companies as a rule do not solicit this business, as they do not wish to antagonize that element of the trade, but in some instances, auction companies themselves or auction receivers have made advances to growers or shippers to assist in financing shipments intended for auction. The auction method of selling is opposed by many private-sale operators with whose business it competes. These dealers have a strong influence on the market even though they may not have financed crop production.

Auction supplies are also curtailed because many growers prefer f. o. b. selling and are unwilling to ship on a commission basis for sale at auction or privately. They consider that they have speculated on the crop sufficiently up to the time it is harvested and packed, without continuing the speculation throughout the marketing process. They prefer to sell f. o. b. shipping point and let the buyer take the chances of profit or loss on the market.

Vegetables and some fruits are commonly sold in the large wholesale markets between the hours of midnight and 7 a. m. The buyers of these commodities, except in New York City, are not accustomed to assemble at any one time during this period. Consequently in order to turn these lines to auction the habits of the trade would have to be overcome, and it is a difficult matter to effect a change in this respect.

Lack of organization among the growers and shippers of a commodity makes it more difficult to turn that line to the auction. The producers of vegetables have not been so thoroughly organized as the fruit growers, which may account in a measure for the difference in quantity of fruits and vegetables offered on the auction. This lack of organization, the establishment of an f. o. b. market, and the strong competition among the growers and shippers have all helped to develop a situation which makes it difficult for many producing sections to grade and pack any commodity uniformly and to ship a steady supply in the necessary volume required of a successful auction commodity.

### ARGUMENTS FOR AND AGAINST AUCTION SELLING

Arguments usually advanced in favor of the auction method of selling by those who advocate this method are:

(1) The publicity attending this method of sale inspires confidence. Distant shippers and growers, as well as buyers in the market, know the prices received for each line of goods, which sells on its individual merit.

(2) By the auction method immense quantities of fruits are moved on toward the consumer more rapidly than would be possible at private sale considering the facilities available in many cities.

(3) The meeting of the factors of supply and demand in the auction establishes a price at which the products will move into the distribution channels.

(4) The supply can be cleaned up each day and the market condition is more satisfactory in the long run.

(5) The small buyer of only one sale unit can purchase as cheaply as the large buyer (which is frequently not true at private sale). This tends to increase the number of small jobbers, thus stimulating consumption.

(6) The auction method saves the time of many salesmen.

(7) A wide range in selection of grades and sizes is possible.

(8) The retail trade knows what the jobbers paid for the goods and the jobbers' profit is necessarily limited. This may stimulate consumption.

(9) Auction companies have arrangements with railroads for prompt payment of claims for broken packages.

(10) Settlement in full is made promptly by the auction company, usually within 24 or 48 hours. The auction company assumes any losses due to bad accounts. Auction-company losses are asserted to be a smaller percentage of the sale value than is the average for private dealers.

(11) The auction buyer must be prepared to protect his purchases by bidding on other lines so that his competitors do not make purchases at considerably lower prices. This active competition stimulates the movement of the commodity.

Disadvantages of the auction method of selling which are cited by those opposed to this method include the following:

(1) The time of the buyers is wasted in waiting for the sale of certain lines in which they are interested. The aggregate time represented by 100 buyers sitting through a 2-hour sale is 200 hours.

(2) The auction may be used as a dumping ground for inferior products with a consequent depressing effect on the general price situation.

(3) The auction may not receive the support of the trade, particularly in the small markets. In such cases, the condition of the market will be unsatisfactory because of low auction prices received.

(4) Retailers know what the jobbers paid for goods, and it is difficult for the jobbers to make a satisfactory profit.

(5) Private dealers can at times obtain better prices by extending the period of sale of a car over a period of several days.

(6) The auction method makes a "buyers' market" because the buyers are fully informed as to the available supply.

(7) Buyers through combination have occasionally been able to control or influence auction prices.



## CAR-LOT F. O. B. TELEGRAPHIC AUCTIONS

The sale of fruits and vegetables by the f. o. b. telegraphic auction method has been used more or less since 1923. In that year two companies were organized for the purpose of auctioning car lots by telegraph while the goods were still at the loading stations, in transit, or in storage. The activities of f. o. b. auctions since 1923 have been more or less seasonal. Their operations have usually been expanded during the shipping periods of certain crops, such as cantaloupes and grapes, and contracted or even discontinued at certain seasons.

In 1931 one company with headquarters at Pittsburgh was making sales by telegram on an f. o. b. basis. Under this system a large number of markets on several telegraphic circuits were all linked up with the central office. By means of teletype machines the description of cars offered for sale were recorded in the branch offices or agents' offices in the various cities. The telegraphic circuit was generally open during the forenoon or till 1 p. m. The representatives of the auction company in many cities were brokers, well known to the trade, whose offices were connected on the telegraphic circuits. The auction company was also in close contact with shippers in the producing areas.

A catalogue describing the cars listed for sale each day was typed on a special machine at headquarters and could then be reproduced simultaneously in all the offices on the telegraphic circuits. The information catalogued frequently included the following items: The car number, shipping point, date of shipment, shipper's name, brand, the commodity and number of packages in the car, and for certain deciduous fruits the number of packages of each size of fruit. Government-State inspection had been made on many of the shipments, and in such cases a brief summary of the inspection certificate was included, such as: "Tight pack, green color, clean, smooth, well shaped, many turning, U. S. No. 1." In addition, a listed or offered price was shown.

With this information available in the various offices on the circuit, bids were received from those interested in the various cities. The bidder might be present in the office of the auction company's representative or he might transmit his bid as a result of a telephone conversation with the representative. Customarily the bid would be somewhat less than the listed price on the catalogue. If the bid was accepted by the central office, all other branch offices were notified that the car had been sold. All bids, however, were not sent over all of the circuits. Bids were received in increases as small as  $2\frac{1}{2}$  cents per package.

Strictly speaking, this method of sale can hardly be considered as the auction method. If none of the offers received during the day are considered satisfactory the car may not be sold.

Sales are on an f. o. b. shipping point basis. The buyer assumes transit risks and transportation charges. The selling charges may vary somewhat with the commodity and for some commodities were \$37.50 per car; for other commodities the charge was somewhat less. The company remits promptly to the seller after deducting selling charges, although collection from the buyer may not be made in some cases for several days.

The sales included such commodities as California pears, New Mexico cantaloupes, Georgia peaches, and California grapes. The same car may be resold by this method before reaching its destination or it may be sold through the delivered auctions upon arrival in one of the large markets.

Advocates of the f. o. b. auctions point to several advantages which they maintain may be expected to accompany this method of buying and selling fruits and vegetables. These claims are enumerated below :

(1) The shipper is said to benefit, in that he receives his returns within 24 or 48 hours after the car is billed or as soon as diversion to the buyer is confirmed. He may reduce materially the speculation which often accompanies the selling of a car of produce and can eliminate the expense of a private sales force in the terminal markets. Furthermore, f. o. b. auction sales put him into position to discontinue shipments as soon as prices drop to a point where profits are nonexistent, thus saving the expense of harvesting, grading, packing, and loading products which he knows in advance will sell at a loss. He does not have to wait until his car arrives in a terminal market to learn what it will sell for, and consequently the f. o. b. auctions tend to reduce shipments automatically and immediately in times of overstocked markets and low prices.

(2) It is asserted that since all buyers purchase on a plane of equality, irrespective of the volume of business done or the cities in which they are located, the best market for each car is found automatically and speedily. This permits the routing of the car direct to its ultimate destination. Because of the more prompt delivery, the risk of damage and deterioration in transit is reduced. Savings are accomplished by eliminating the time and expense involved in private telegrams, extra bookkeeping, multiple diversions, demurrage, extra icing, etc., that are caused by delays in finding a market for a given shipment.

(3) These auctions encourage the use of Government inspection at points of origin, and this inspection service to bring about an improvement in the quality of the shipments. The shipper naturally endeavors to secure a Government certificate which shows his products to be well graded and in good condition. Waste is reduced thereby, since the grower or shipper is induced to refrain from harvesting, packing, and paying freight charges on products of inferior quality which will not return a profit.

(4) The buyer is kept posted constantly on conditions in producing sections and in other competing markets, and this prompt information together with the Government inspection enables him to dispense with personal representatives in the shipping sections.

(5) It is contended that f. o. b. auction sales assist in equalizing prices and distribution among all markets represented at the sale in proportion to their capacity to absorb shipments.

In considering these claims it must be remembered that many of the claims are almost wholly dependent upon the auctions handling a volume of each commodity offered sufficient to attract a considerable part of the trade.

Some fruit and vegetable dealers who are familiar with f. o. b. auction operations say that this method of sale has certain limitations. Various modifications of the f. o. b. auction method have been used, more or less, since 1923 but the growth in volume of sales has not been great. It has been found that in seasons of heavy production, such as 1928, when the price offered on an f. o. b. basis was less than growers or shippers would accept, shipments were often consigned in the hope that prices would be higher upon arrival of the goods in the markets. Frequently, greater losses resulted than would have occurred if the price offered f. o. b. had been accepted. Consignments in large volume tend to unsettle the markets so that

buyers are unwilling to risk extensive purchases f. o. b. shipping points.

Even though shipments are inspected and certified in a certain grade at shipping point, there may be some variation in quality within the grade classification and there may be considerable variation in condition among different shipments upon arrival at market. For these reasons many city dealers prefer to see the shipment or to have their representative see it before making a purchase.

Many city dealers have financed production in various parts of the country and thus control its distribution. Crops which are thus financed are usually shipped in part at least to the city headquarters to be sold. Such operations may be detrimental to f. o. b. auction selling.

To attract and hold the city trade, an auction must have a regular and large supply of the leading products, including the well-known brands, during the seasonal movement from each important producing district. The car-lot f. o. b. auctions have not been able to do this regularly which is one reason why this type of selling has not developed rapidly.

To retain the confidence of the trade it is necessary to eliminate by-bidding and fictitious sales wherever such practices can be detected. Instances have been reported in the past in which the same car has been sold and resold at two or more successive sales, being listed at each sale for the account of the original shipper. In such cases it is popularly believed that when the wire bidding does not reach a figure at which the shipper is willing to sell, the car is bid in by the shipper, or by the auction company acting as his representative, and is then reoffered at subsequent sales in an effort to secure a better price.

### AUCTIONS IN PRODUCING DISTRICTS

The auction method of selling has been used for certain fruits and vegetables in producing districts in various parts of the country. These shipping-point auctions are of two general classes: (1) Those in which sales are made by the grower mostly in wagonload or truckload units; (2) auctions in which the unit of sale is the carload, and in which the seller is mostly an association of growers. In both cases the price is on a per-package basis.

#### SALES BY INDIVIDUAL GROWERS

Auctions included in the first classification—that is, those in which sales are mostly in wagonloads or truckloads by growers—are located principally in the Eastern seaboard States from New Jersey to North Carolina. Reports from the Eastern Shore of Maryland indicate that the auction method has been used there for at least 20 years and it has been used for about 15 years on the Eastern Shore of Virginia. In New Jersey, however, the present method of auction selling was not used till 1928.

According to Circular No. 185 of the New Jersey Department of Agriculture, issued in 1930, shipping-point auctions were operating at a number of places in New Jersey, and such commodities as strawberries, peas, beans, onions, peppers, blackberries, broccoli, sweet corn, apples, and peaches were auctioned, although not all of these



commodities were sold at all points. At two of the leading auction points in New Jersey, in 1929, about 222,000 packages of commodities were auctioned and they had a value of about \$409,000.

At Trenton, N. J., an auction has operated which is a modification of the shipping-point auction. Being under municipal management it can be considered an outgrowth of the farmers' wholesale market. Most of the buyers are local jobbers or retailers. Mixed loads are the rule, and, in 1929, 1,175 farmers' loads were auctioned at this market according to the New Jersey circular.

Reports from Delaware are that auctions operated at six shipping points in 1931, and at one or more of these auctions the following commodities were handled: Strawberries, tomatoes, cantaloupes, cucumbers, sweetpotatoes, apples, and peaches. Auctions operate at a number of points on the Eastern Shore of Maryland and the commodities handled include strawberries, cucumbers, cantaloupes, and snap beans. At one important shipping point on the Eastern Shore of Maryland strawberries sufficient to load 500 or 600 cars have been sold through the auction in a season.

On the Eastern Shore of Virginia five auction blocks were reported to have been in operation in 1931. Strawberries were practically the only commodity handled; about one hundred and forty thousand 32-quart crates were sold. In North Carolina a number of auctions have functioned during recent years. Strawberries are the principal product sold, but some of the other commodities, such as cucumbers and even a few potatoes, have been handled.

There are variations in the plan of organization and control of these shipping-point auctions and in the methods of operation. In some instances the auction companies are incorporated; in others they are not. In some instances the growers or association of growers have organized the auction companies and control them; in others the control is jointly by growers and buyers; in others local dealers or buyers have control.

The cash outlay necessary for equipment and operating expense of a shipping-point auction is not large. An open shed, equipped with raised seats for buyers and a platform for the auctioneer, is usual. This is frequently on leased land. The growers' wagons or trucks line up and pass through the shed where each load is auctioned. The grower is usually given a ticket showing the price and number of packages on which an O. K. is placed when the load is transferred to a car or motor truck for shipment. The grower usually can obtain payment at once, but in some instances payments are made at specified times during the week. Payment may be made through the local banks, direct to growers by the buyers, or through the auction company.

At some places the buyers inspect each load before bidding, whereas at other places all offerings are inspected by Government-State inspectors and information on the quality and condition is furnished to the buyers. Rules are generally in force to insure an honest and uniform pack by the growers.

The buyers in general are made up of local dealers or brokers, representatives of city firms, and merchant-truckmen. Under the rules of some shipping-point auctions only local brokers can buy and outside dealers must purchase through the local brokers paying them

a commission of 5 to 10 cents per package in some instances. At other auctions the buying is open to all who have established satisfactory credit or who deposit cash. In some instances bonds are required from the buyers to secure payment. The number of buyers at a shipping-point auction is usually small; it may vary from two or three to a dozen or considerably more.

Charges to growers for selling through the auction have been reported from 1 cent to 3 cents per package with a usual charge of 2 cents. The charge is low because the overhead expense of this method of selling is small, and the operating expense is usually limited to the pay of an auctioneer and clerk, possibly some help in opening packages for inspection and in handling them, and in some instances demurrage on cars. In a few instances the auction company makes a charge to buyers as well as sellers. One company, operating a number of auctions, charges the buyers 12½ cents per package for strawberries and furnishes all labor for loading cars or trucks for shipment and pays cash to growers, allowing buyers to settle at the end of the day.

In general, the auction method in selling growers' loads at shipping points has proven satisfactory. Advantages cited by advocates of this method of selling are:

(1) The product sells on its merit in competition with the product of other growers and a premium in price is paid for good quality and pack; thus good production methods and proper grading and packing is encouraged.

(2) The grower receives payment promptly and has no trouble with adjustments, etc.

(3) The publicity enables the buyers to operate intelligently and establish a more stable market.

(4) The concentration of supply and buying power establishes confidence among buyers and growers.

(5) Buyers have a better opportunity to select the grades needed by their trade.

Disadvantages or adverse comments on the shipping-point auctions selling growers' loads include the following:

(1) There is always the possibility of control of prices by the buyers through collusion, although this is not common.

(2) At times there may not be enough buyers to insure satisfactory prices.

(3) At times there may not be sufficient volume of products to attract adequate buying power. One requisite of a successful auction is that the supply be regular and large enough through the shipping season so that buyers will find it worth while to patronize the auction.

#### SALES IN CARLOADS BY GROWERS' ASSOCIATIONS

The method of auctioning car lots at shipping points has been in operation in Louisiana since the season of 1923. Strawberries are the chief commodity handled, although cabbage and beans have been sold in this way. Strawberries have been auctioned in car lots at Missouri and Florida shipping points.

Two car-lot auctions are located at Hammond, La., in the strawberry-producing district. The auction system of sales is generally considered satisfactory, and it was estimated that at least 85 per cent of the car-lot strawberry shipments from this district were auctioned in 1931. It is claimed that the auction method places the small buyers on an equal basis with the large buyers or speculators who at times practically controlled the situation before the auction method was used. Both auctions are incorporated and deal with associa-

tions of growers and not with individual growers direct. The auctions have cooperative features and may at times make rebates, to the associations which ship through them, on a package basis or according to stock owned.

The local associations of growers furnish packages and load the cars. The car-lot shipments, all of which are in refrigerated express cars, are all inspected under the Federal-State service, for which the charge is 1 cent per crate and is paid by the auction company.

Cars loaded during a day are sold the same night. During the season sales are held every day, including Sunday. The sale starts from 7.30 to 9.30 p. m. and may last till midnight at the height of the season. The two companies alternate from day to day in time of selling. Usually 50 to 70 buyers are present, consisting of brokers or representatives of city dealers. Before the sale each buyer is furnished a catalogue which gives car numbers and initials, loading points, brands, and other pertinent information concerning the cars which are "rolled" each night toward Mattoon, Ill.—a diversion point.

The auction company can withdraw a car at any time during the sale if a satisfactory bid is not obtained. At times the auction company may have cars bid in when the price offered is considered too low. This practice has been criticized by the buyers, who claim that an artificial price situation may result and that goods belonging to the seller may enter into competition with the buyers' goods on the markets. This practice has been defended, however, on the ground that it is necessary for the protection of the growers. There is keen rivalry between the auction companies in obtaining high prices.

One auction company reported a charge of 8 cents per 24-pint crate in 1931, and the local associations charged 10 cents per crate for their services in loading, etc. The total marketing charge to the growers in the instance cited was, therefore, 18 cents per crate. No charges are assessed against the buyers.

## ESSENTIAL POINTS OF AUCTION LAW

### AUCTION

An auction is a public sale of property to the highest bidder by one licensed and authorized for that purpose. The main purpose of auction sales is to obtain the best financial returns for the owner of the property sold; hence competition among a number of bidders is a necessary element.

### AUCTIONEER

An auctioneer is one who sells goods at public auction for another on commission, or for a recompense; one who conducts a public sale or auction, although the goods sold are his own.

An auctioneer in making a sale of goods is, by virtue of his employment to make the sale, primarily the agent of the seller. When, however, the property is struck off the auctioneer is also made the agent of the purchaser to the extent of binding the parties by his memorandum of sale, by the act of the purchaser in giving him his bid and receiving from him without objection the announcement that the property is knocked down to him as purchaser, or by otherwise expressly or impliedly assenting thereto.



By virtue of his office an auctioneer has no authority to sell property at private sale. It is his duty to sell at public sale, unless he is expressly or impliedly authorized to sell at private sale.

In the absence of facts showing a different intention of the seller, an auctioneer authorized to sell personal property has authority to receive and collect the purchase price.

#### PARTIES TO A SALE

In a sale by auction there are usually three parties—the owner of the property to be sold, the auctioneer, and the portion of the public who attend to bid. To complete an auction sale there must be a bidder, the property must be struck off or knocked down, and the person to whom it is struck off must complete his purchase by complying with the terms of the sale. In conducting the sale it is part of the auctioneer's duty to invite and excite the competition of bidding, and to dispose of the property to the highest bidder. Some measure of discretion is vested in him as to the precise methods to be pursued in attaining that object, but it should be made in accordance with the laws governing public sales. A sale by auction is not governed by the strict rules applicable to formal contracts made with deliberation after ample opportunity to investigate and inquire.

#### CONDITIONS OF SALE

The owner of property offered for sale at auction has the right to prescribe the manner, conditions, and terms of sale. But in the absence of conditions prescribed by the seller an auctioneer may use his discretion in prescribing such terms of sale as will exclude puffers and fraudulent bidders and secure the confidence of honest purchasers, and he may even postpone the sale.

#### PRINTED CONDITIONS

Printed conditions under which a sale proceeds are binding on both buyer and seller, and can not be varied, although they may be explained by verbal statements of the auctioneer made at the time of the sale.

#### NOTICE OF CONDITIONS

The conditions of a public sale, announced by the auctioneer at the time and place of the sale, are binding upon a purchaser, whether he knew them or not. So, also, where it is the custom to post the conditions in the auctioneer's room and the auctioneer announces that the conditions are as usual, a purchaser is bound by the conditions, whether he sees them or not.

#### BIDS AND BIDDERS

A bid is an offer by an intending purchaser to pay a designated price for property which is to be sold at auction. A bidder is one who makes an offer for property on sale at auction.

A bid may be made in words uttered aloud in the hearing of the bystanders or spoken privately to the auctioneer, or by writing in words or figures, or it may be made by a wink or nod, or in any mode by which the bidder signifies his willingness and intention to give a particular sum or price for the property offered for sale. In the absence of instructions or limitations to the contrary an

auctioneer ordinarily should accept all bids. But he is not bound to accept all bids as a matter of course. He may refuse to accept bids from minors, from insolvents, or from persons irresponsible, either financially or mentally, from persons offering their bids in bad faith, or from a person making but a trifling advance in his bid over the bid last announced.

Where the owner of the property to be sold publicly announces that no bid less than a designated amount will be received, the auctioneer may reject a bid that falls below that amount.

#### RIGHT TO WITHDRAW PROPERTY OR BID

Until the hammer falls and the bid is accepted, the seller may withdraw his property from sale or the bidder may withdraw his bid, even though the conditions of sale provide that bids shall not be withdrawn.

#### SUMMARY

Companies selling fruits and vegetables at auction in the markets, operated in 13 large cities in 1930. Fruits are auctioned in much larger quantities than are vegetables. In the 13 markets, in 1930, 84 per cent of the domestic car-lot unloads and foreign receipts of citrus fruits and 54 per cent of the deciduous fruits were sold at auction. For melons, vegetables, and nuts combined, the corresponding figure was 3 per cent.

Sales of domestic and foreign fruits and vegetables at auction in the 13 markets totaled 159,062 cars in 1930 and about one-half of this quantity was sold in New York City. The increase in volume of auction sales from 1924 to 1930 was about 23 per cent. Approximately 11 per cent of the total domestic car-lot shipments of 1,054,000 cars of fruits and vegetables in 1930 were auctioned in the 13 markets.

City auctions draw their supplies from both foreign and domestic sources. Citrus fruits from California and Florida, grapes, pears, apples, and other deciduous fruits from the Western States constitute the greater part of the domestic auction supplies. Immense quantities of bananas are also auctioned in New York, Philadelphia, and Baltimore. Fifty-six different fruits and vegetables were included in the New York City auction sales in 1930.

Reorganizations, consolidations, and the establishment of new companies have occurred in recent years. Some of these changes have resulted from the demands of the trade for impartiality in the services rendered and the charges imposed, and from their desire to participate in the profits earned by the auctions. The tendency is toward greater uniformity in methods and practices. Economies of operation have been effected by reorganizations.

Some auctions are controlled by members of the trade, others are independent of the trade. Irrespective of the type of organization, an auction must render impartial service in order to merit the confidence of its patrons. If it is honestly and equitably conducted the auction tends to bring together the factors of supply and demand in the market.

Auctions in the receiving markets, the sales of which are made only after arrival of the goods, are known as "delivered auctions," in contrast to those selling by wire before arrival, known as f. o. b. auctions.

To sell successfully at auction fruits and vegetables should be uniformly graded and packed in standardized containers. They must be offered in volume sufficient to attract the trade and must appear regularly on the auction when in season.

In most markets the terminal and warehouse facilities available to the auction companies are considered adequate. The delivered auctions serve as a means of breaking up car lots into jobbing lots. In the case of juice grapes and watermelons in the large markets, however, the carload is the auction sale unit.

Auction companies generally do not receive supplies direct from distant shippers. The shipper must be represented in the market by an agent known as a receiver. Large cooperative associations or shipping organizations usually have salaried representatives in the markets.

The auction company advertises the sale, prints a catalogue of the supplies, arranges the display of goods in most instances, conducts the sale, collects from the buyers, and remits to the seller's agent, usually within 24 hours. Charges and commissions assessed by the auction are usually less than the cost of selling by private sale.

The principal class of auction buyers are the jobbers. Chain-store representatives, brokers, large independent retailers, peddlers, and truckers also buy at auction.

The auction disposes of a large volume of goods in a short time. The publicity attending the auction sales tends to create a confidence among buyers and sellers.

Car-lot f. o. b. telegraphic auctions have operated more or less since 1923. Under this system a number of markets are connected by leased telegraph wire, and cars are listed and sold when at shipping point or en route to market by means of the telegraphic connections. The cars are sold on an f. o. b. shipping-point basis.

The auction method of selling is also in use in certain producing districts. In the eastern seaboard States, from New Jersey to the Carolinas, there are a number of shipping-point auctions at which growers sell their products in truckloads or wagonloads. Strawberries are auctioned in carloads in Louisiana.

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