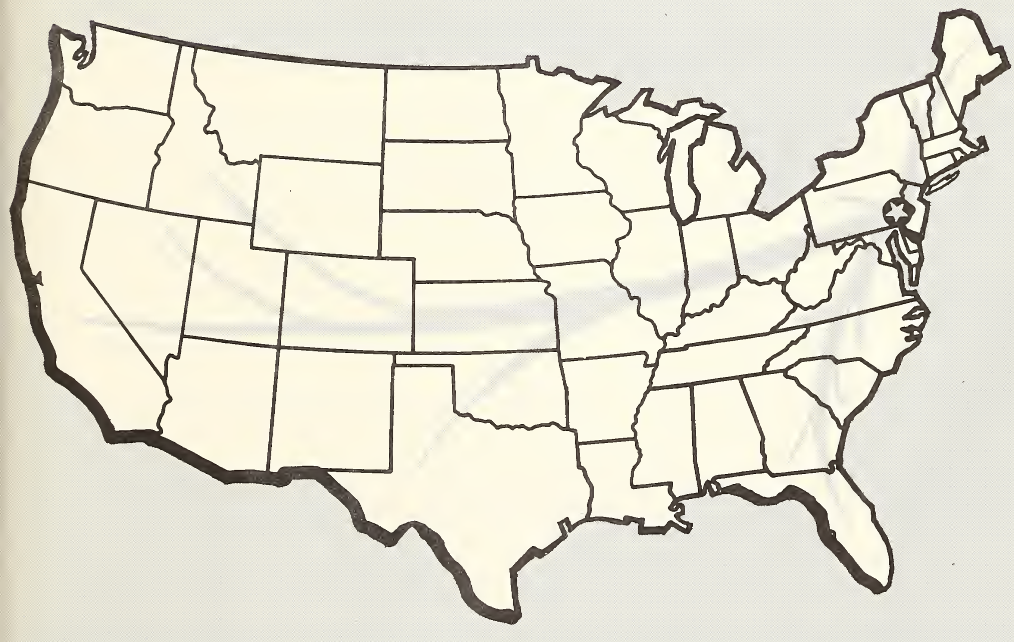
The Organization of the Wholesale Fruit and Vegetable Market in Philadelphia



Marketing Research Report No. 559

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service
Marketing Economics Division

FOREWORD

This is the seventh in a group of reports under the general title, The Organization of Wholesale Fruit and Vegetable Markets. The first six reports in the group are:

The Organization of the Wholesale Fruit and Vegetable Market in Boston, by Alden C. Manchester, Mktg. Res. Rpt. No. 515, Dec. 1961.

The Organization of the Wholesale Fruit and Vegetable Market in Washington, D. C., by Alden C. Manchester, Mktg. Res. Rpt. No. 524, Feb. 1962.

The Organization of the Wholesale Fruit and Vegetable Market in Denver, Salt Lake City, El Paso, Albuquerque, Butte, by Alden C. Manchester, Mktg. Res. Rpt. No. 541, June 1962.

The Organization of the New York City Wholesale Fruit and Vegetable Market, by Alden C. Manchester, Mktg. Res. Rpt. No. 542, June 1962.

The Organization of the Wholesale Fruit and Vegetable Market in Pittsburgh, by Alden C. Manchester. (In press.)

The Organization of the Wholesale Fruit and Vegetable Market in Dallas, Fort Worth, Houston, Little Rock, by Alden C. Manchester. (In press.)

Other reports, some of which will be published by cooperating agricultural experiment stations, will describe 39 other markets throughout the Nation. A final report will summarize the reports on the individual markets, bring to date the analysis of the organization of wholesale fruit and vegetable markets, analyze changes that have taken place since the beginning of the study, and survey the outlook for the years ahead.

This work is a part of a program of research designed to broaden understanding of the food marketing system and thereby make it more efficient. Earlier reports on this general subject include:

The Changing Role of the Fruit Auctions, by Alden C. Manchester, Mktg. Res. Rpt. No. 331, June 1959.

Chainstore Merchandising and Procurement Practices: The Changing Retail Market for Fresh Fruits and Vegetables, by William E. Folz and Alden C. Manchester, Mktg. Res. Rpt. No. 417, July 1960.

Many of the terms used in this study are defined in the appendix.

Further research is now underway on the impact of changes taking place in the organization and operation of wholesale fruit and vegetable markets on shipping-point markets, including growers, packers, and shippers.

The Fruit and Vegetable Division of the Agricultural Marketing Service was most helpful in planning and conducting the study.

Field work for this study was supervised by Alden C. Manchester of the Marketing Economics Division, Economic Research Service, USDA. Other MED personnel who participated in the collection of original data were John K. Hanes, Merritt M. Thomas, W. Fred Chapman, Robert W. Bohall and Alvin Z. Macomber.

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Washington, D. C. August 1962

HIGHLIGHTS

The Philadelphia wholesale produce market received 69,500 carlots of fresh fruits and vegetables in 1958. Receivers and commission merchants received the biggest share of the total -- 40 percent. Chains accounted for 23 percent and the various other types of wholesale handlers the rest.

The Philadelphia wholesale produce market in 1958 consisted of 216 firms. Nine of these were retail organizations: 8 chains and 1 retailer corporative. The others were various types of wholesalers. The most numerous were jobbers, commission merchants, purveyors, buying brokers, receivers, repackers, commission wholesalers and jobbers (delivery), in that order. The most important types in terms of volume were receivers, commission merchants, jobbers and buying brokers.

The 55 large wholesalers -- those selling over 500 carlots apiece -- sold 79 percent of the volume of all wholesalers excluding chains. The 117 small wholesalers -- selling less than 200 carlots apiece -- acounted for only 9 percent of the total sales of wholesalers. The large firms were mostly receivers, commission merchants, brokers, and auction representatives. The small firms included 1 receiver, 7 commission men, and nearly all the jobbers, truck jobbers, repackers and purveyors.

The volume of fresh fruits and vegetables received in the Philadelphia market has fluctuated considerably during the past 30 years. For the past several years the trend in receipts appears to be downward. Between 1936 and 1958 direct receipts of wholesalers decreased 10 percent, but those of chains nearly tripled.

The number of wholesalers in the Philadelphia market decreased 56 percent between 1939 and 1958. There were substantial decreases in receiver and jobber numbers.

THE ORGANIZATION OF THE WHOLESALE FRUIT AND VEGETABLE MARKET IN PHILADELPHIA

By Joseph C. Podany, Agricultural Economist
Marketing Economics Division
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INTRODUCTION

The Philadelphia produce market is the fourth largest in the United States in terms of unloads of fruits and vegetables; only New York, Los Angeles and Chicago surpass it.

The Philadelphia market is the main source of supply of fruits and vegetables for about 4 million people living in the metropolitan area. It also provides large quantities of fruits and vegetables to nearby densely populated areas along the Atlantic seaboard.

This report describes the organization and operation of the Philadelphia market, the buying, selling, and operating practices of the wholesalers in the market, and the changes which have taken place during the past 30 years. The information on which the report is based was obtained as part of a nationwide study of the organization and operations of wholesale produce markets. The purpose of the study was to describe and appraise the current status of wholesale markets and the changes which have taken place in them. The findings should give wholesale and shipping-point markets, farmers, and interested citizens and public agencies a better understanding of the forces at work in the marketing system for fresh fruits and vegetables, and provide a basis for making better decisions in adjusting to the changes taking place throughout the structure of marketing.

This report describes the situation in the Philadelphia wholesale produce market in 1958, before the new market was opened. The many changes which have taken place since the opening of new market facilities will be described and analyzed at some future date when future studies have been completed.

The basic data for the nationwide study were obtained in 1959 and 1960 by personal interviews with representatives of over 3,000 wholesale firms in 52 markets throughout the United States. Most of the interviews were conducted by personnel of the U. S. Department of Agriculture, but much assistance was generously given by many agricultural experiment stations.

All firms in the market were classified as to type, commodity specialization, and volume on the basis of a combination mail-and telephone survey. A random sample of firms from each group were interviewed.

Data on changes in the market were obtained from a variety of sources which are listed in the references at the end of this report. They include unload reports of the Market News Service, the Census of Business, the Packer Red Book, and reports of earlier studies of the market by the U. S. Department of Agriculture.

MARKET AREAS

The four major produce market areas in Philadelphia in 1958 were: The Dock Street Market; the Callowhill Street Market; the Baltimore and Ohio Produce Terminal (used for auction sales only); and the Pennsylvania Railroad Produce Terminal (used for auction and private sales).

The Dock Street Market

About half of all the fruit and vegetable wholesalers in Philadelphia were located on the Dock Street Market in 1958 (table 1). This market included winding Dock Street and the immediately surrounding streets and was the city's oldest market area. Nearly all of Philadelphia's commission merchants, commission wholesalers, secondary wholesalers and brokers were located on the Dock Street Market in 1958, as were also over half of the receivers, jobbers and purveyors.

In June 1959 a new wholesale produce market area opened at South Galloway Street and Patterson Avenue, just below the Walt Whitman Bridge. Most of the produce firms which previously occupied Dock Street moved there. The Dock Street Market area was vacated and razed to make room for apartment houses and town houses.

The Callowhill Street Market

The Callowhill Market area was located on Callowhill and surrounding streets in 1958 about two-thirds of a mile from the site of the Dock Street Market. There were 19 jobbers, 5 purveyors, and 1 commission merchant in the Callowhill area in 1958.

The Terminal Private Sale

Private sale facilities were available to Philadelphia fruit and vegetable dealers at the Pennsylvania Railroad Produce Terminal in 1958. Each firm transacting business there set up its own displays and conducted its own sales. During the summer, private sales were held Monday through Friday starting at 5:30 A. M. Sales during the winter started at 6:45 A. M.

There were 11 firms engaged in the wholesaling of fruits and vegetables which transacted all their business at private sales at the terminal. Eight of these were large wholesalers.

Five firms had locations at Dock Street and also sold fruits and vegetables at private sale at the Pennsylvania Railroad Terminal. All but one of these were large wholesalers.

Other Market Areas

Seventy-eight firms were located in other parts of the city or the suburbs, including 9 firms which transacted business at the auction. Sales at auctions were rotated between the Baltimore and Ohio-Reading Produce Terminal on Delaware and Weccacoe Avenue and the Pennsylvania Railroad Produce Terminal at Oregon and Delaware Avenues.

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

Type of firm	Dock Street			Dock Street-Terminal			Terminal			Callowhill			Other Areas		
	Firms		Volume	Firms		Volume	Firms		Volume	Firms		Volume	Firms		Volume
	Total	Large 1/		Total	Large 1/		Total	Large 1/		Total	Large 1/		Total	Large 1/	
	Number	Number	Carlots	Number	Number	Carlots	Number	Number	Carlots	Number	Number	Carlots	Number	Number	Carlots
Wholesale handlers:															
Receiver	5	4	5,072	5	4	13,020	1	--	2/	--	--	--	2	2	
Commission merchant	22	9	10,414	1	1	2/	3	2	2,480	1	--		1	1	5,960
Receiver-jobber	8	2	3,240	--	--	--	--	--	--	--	--		1	--	
Commission wholesaler	11	3	3,774	--	--	--	1	1	2/	--	--	1,060	--	--	2,513
Service wholesaler	--	--	--	--	--	--	--	--	--	--	--		3	2	
Jobber	30	1	4,288	--	--	--	--	--	--	19	--		2	1	
Jobber (delivery)	2	--	92	--	--	--	--	--	--	--	--	--	9	1	3,189
Secondary wholesaler	4	--	526	--	--	--	--	--	--	--	--	--	1	--	
Service jobber	--	--	--	--	--	--	--	--	--	--	--	--	3	--	123
Purveyor	12	--	869	--	--	--	--	--	--	5	1	1,067	7	--	316
Receiver-purveyor	--	--	--	--	--	--	--	--	--	--	--	--	3	--	216
Prepackager, repacker	6	--	279	--	--	--	1	1	2/	--	--	--	6	2	3,016
Brokers and agencies:															
Carlot distributor	--	--	--	--	--	--	1	1	2/	--	--	--	--	--	--
Auction	--	--	--	--	--	--	--	--	--	--	--	--	1	1	5,253
Buying broker	14	4	4,934	--	--	--	2	1		--	--	--	--	--	--
Selling broker	--	--	--	--	--	--	1	1	3,046	--	--	--	1	1	3,491
Auction representative	--	--	--	--	--	--	1	1		--	--	--	4	3	
Cooperative sales agency	--	--	--	--	--	--	--	--	--	--	--	--	2	2	
Importers' sales agency	--	--	--	--	--	--	--	--	--	--	--	--	2	2	8,123
All wholesalers	114	23	33,488	6	5	13,020	11	8	12,226	25	1	2,127	78	45	32,640
Chains	1	1	2/	--	--	--	--	--	--	--	--	--	4	4	2/
All firms 3/	115	24	2/	6	5	13,020	11	8	12,226	25	1	2,127	82	49	2/

1/ Large firms are those selling 500 carlots or more per year.
2/ Withheld to avoid disclosure of individual operations.
3/ Total sales of all firms, including resales among wholesalers and to chains.

THE STRUCTURE OF THE MARKET

Number and Size of Firms

The Philadelphia wholesale produce market was composed of 216 firms of 25 types (table 2). 1/ Nine of these were retail organizations: A national chain, 2 regional chains, 5 local chains, and 1 retailer cooperative. These 9 retail organizations handled 27 percent of the total sales volume of all firms in the Philadelphia market.

About 30 percent of the wholesalers were receivers, commission merchants, receiver-jobbers, or commission wholesalers. These 62 firms sold 36 percent of the total volume. Sixty-seven jobbers handled 6 percent of the volume and 27 purveyors handled 2 percent of the volume.

Brokers, carlot distributors and auction representatives handled 14 percent of the total. The sales agencies and the auction handled another 10 percent. The remaining 5 percent was handled by repackers, prepackagers, and service wholesalers.

The 55 large wholesalers sold 79 percent of the volume of all wholesalers, the 35 middle-sized firms sold 12 percent and the 117 small wholesalers sold 9 percent. Most of the large wholesalers were receivers, commission merchants, commission wholesalers, and brokers.

Thirty-seven percent of the wholesalers were complete-line firms. Receivers, commission merchants, commission wholesalers, and jobbers were mostly specialists (table 3). All repackers, prepackagers, selling brokers, sales agencies, carlot distributors, receivers, purveyors and secondary wholesalers were specialists. On the other hand, truck jobbers, jobbers (delivery), purveyors, service wholesalers, buying brokers, and service jobbers usually handle a complete line of produce.

Interfirm Relationships

Twenty-six Philadelphia wholesalers owned or controlled other firms in the produce business in 1958. Sixteen owned packing sheds, 7 owned other wholesale firms in the Philadelphia market, and 3 had working agreements with other firms for handling produce -- 1 on warehousing and 2 on preparations of products for sale.

Marketing Channels

The largest share of the volume in the Philadelphia market is handled by receivers and commission merchants -- 40 percent of the total arriving in the market (excluding quantities sold by Philadelphia firms to out-of-town buyers and delivered directly to the buyers). Receivers and other first handlers buy the greatest volume directly from shipping points (figure 1).

Eighty-eight percent of the total quantity coming into the market was bought directly from shipping point; 11 percent from local growers; and about 1 percent through brokers and sales agencies in other markets and from other terminal markets in the Northeast (table 4).

1/ See appendix for definitions of the different types of firms.

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

Type of firm	All firms: Number	All firms: Volume handled: Quantity	All firms: Volume handled: Percentage of total market	Distribution of firms by size 1/: Small	Medium	Large	Percentage of volume handled by--: Small firms	Medium firms	Large firms
		Carlots	Percent	Number	Number	Number	Percent	Percent	Percent
Wholesale handlers:									
Receiver	13	21,352	17	1	2	10	1	3	96
Commission merchant	28	15,648	12	7	8	13	4	20	76
Receiver-jobber	9	3,480	3	3	4	2	7	31	62
Commission wholesaler	12	4,974	4	3	5	4	5	34	61
Service wholesaler	3	2,313	2	--	1	2	--	22	78
Service jobber	1			1	--	--	100	--	--
Jobber	50	6,974	5	41	7	2	32	26	42
Jobber (delivery)	12	1,561	1	10	1	1	44	18	38
Secondary wholesaler	4	526	2/	4	--	--	100	--	--
Truck jobber	3	123	2/	3	--	--	100	--	--
Purveyor	24	2,252	2	22	1	1	60	13	27
Receiver-purveyor	3	216	2/	3	--	--	100	--	--
Prepackager; repacker	13	3,795	3	8	2	3	13	17	70
Brokers and agencies:									
Buying broker	19	6,020	5	11	3	5	17	16	67
Carlot distributor	1	7,400	6	--	--	1	--	--	100
Selling broker	2			--	--	2	--	--	100
Auction representative	5	3,491	3	--	1	4	--	11	89
Auction	1	5,253	4	--	--	1	--	--	100
Cooperative sales agency	2	8,123	6	--	--	2	--	--	100
Importer's sales agency	2			--	--	2	--	--	100
All wholesalers 3/	207	93,501	73	117	35	55	9	12	79
Retail organizations:									
National chain	1	25,552	20	--	--	1	--	--	100
Regional chain	2			--	--	2	--	--	100
Local chain with warehouse	1	8,565	7	--	--	1	--	--	100
Local chain without warehouse	4			3	--	1	19	--	81
Retailer cooperative	1			--	--	1	--	--	100
All retail organizations	9	34,117	27	3	--	6	1	--	99
All firms 4/	216	127,618	100	120	35	61	6	9	85

1/ Small firms handle less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.
2/ Less than 0.5 percent.
3/ Wholesale handlers and brokers and agencies.
4/ Total sales of all firms, including resales among wholesalers and to chains.

Table 3.--Degree of commodity specialization of wholesalers, by type of firm, Philadelphia wholesale produce market, 1958

(Percent of each type of firm)

Type of firm	Firms handling complete line of produce			Firms specializing in--			
	No specialization	Some specialization	Plus other types of food	Several commodity classes	One class of commodities	A single commodity	Several commodities of different classes
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Wholesale handlers:							
Receiver	8	8	--	54	15	15	--
Commission merchant	21	4	--	32	18	4	21
Receiver-jobber ..	11	11	--	32	35	11	--
Commission wholesaler	17	--	--	58	8	--	17
Service wholesaler	100	--	--	--	--	--	--
Service jobber ...	100	--	--	--	--	--	--
Jobber	37	--	--	36	--	27	--
Jobber (delivery).	52	--	--	48	--	--	--
Secondary wholesaler	--	--	--	50	50	--	--
Truck jobber	100	--	--	--	--	--	--
Purveyor	77	--	16	7	--	--	--
Receiver-purveyor	--	--	--	100	--	--	--
Prepackager; repacker	--	--	--	58	8	--	17
Buying broker	58	5	--	32	--	5	--
Carlot distributor	--	--	--	100	--	--	--
Selling broker ...	--	--	--	50	--	50	--
Auction representative	--	20	--	80	--	--	--
Auction	--	--	--	100	--	--	--
Cooperative sales agency	--	--	--	100	--	--	--
Importer's sales agency	--	--	--	--	--	100	--
All wholesalers ..	37	2	1	33	8	15	4

MAJOR MARKETING CHANNELS, PHILADELPHIA WHOLESALE PRODUCE MARKET, 1958
(THOUSANDS OF CARLOTS)

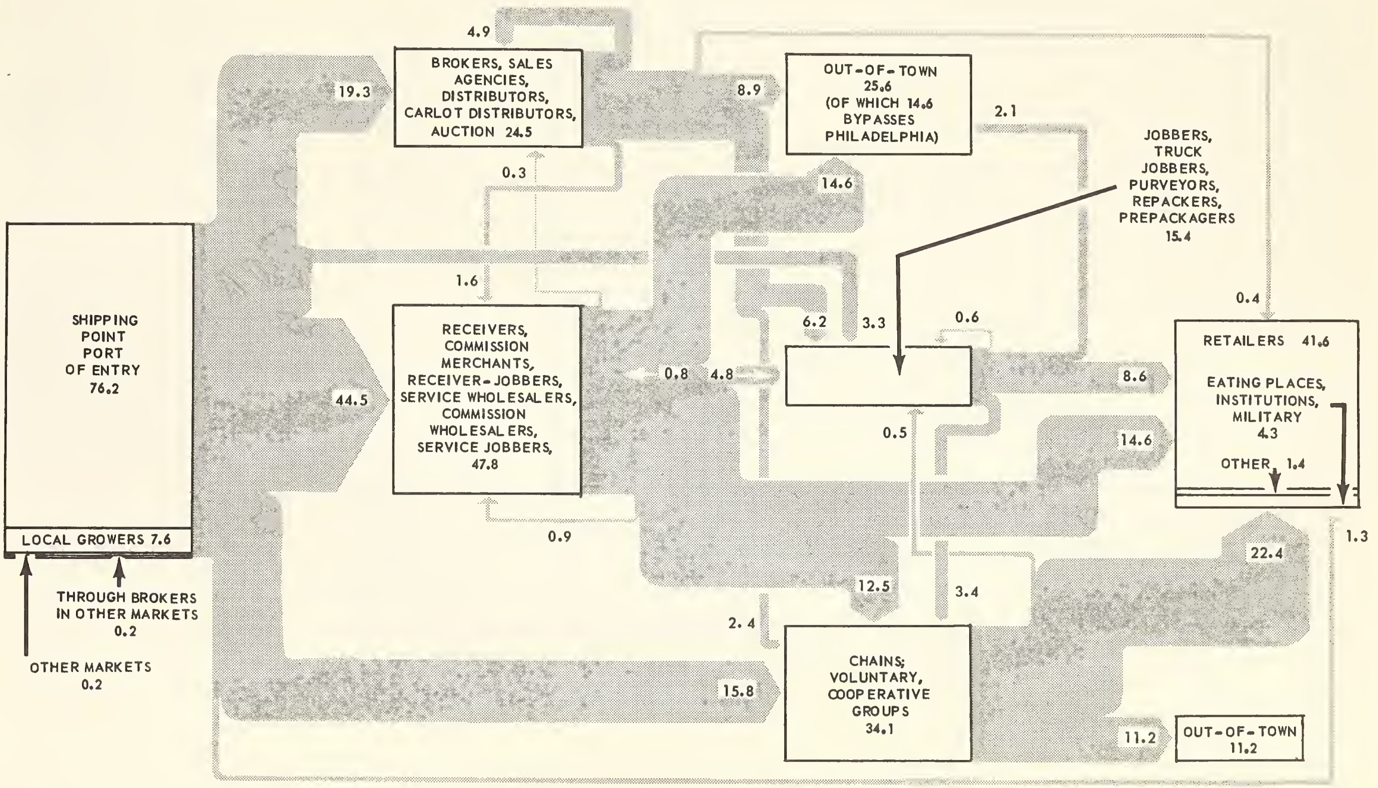

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Figure I

Table 4.--Sources of supply, by class of firm, Philadelphia wholesale produce market, 1958

Class of buyer	Purchases from outside this market: Direct from shipping point or port of entry	From other terminal markets	Through sales agencies or brokers in other cities	From local growers	Total	Produce by-passing Philadelphia market	Produce entering Philadelphia market
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker, carlot distributor, auction representative 2/	11.1	--	--	.1	11.2	4.2	7.0
Sales agency	8.1	--	--	--	8.1	2.4	5.7
Receiver, commission merchant	33.7	--	.2	1.7	35.6	8.0	27.6
Receiver-jobber, service wholesaler, service jobber, commission wholesaler	7.2	.1	1/	1.6	8.9	--	8.9
Jobber, jobber (delivery), secondary wholesaler	.2	.1	--	.2	.5	--	.5
Truck jobber	--	--	--	--	1/	--	--
Purveyor, receiver-purveyor	.1	--	--	1/	.1	--	.1
Prepackager, repacker	2.6	1/	--	.1	2.7	--	2.7
All wholesalers	63.0	.2	.2	3.7	67.1	14.6	52.5
Chain, retailer cooperative	13.0	--	--	2.8	15.8	--	15.8
Retailer, processor, eating place	.2	--	--	1.1	1.3	--	1.3
Grand total	76.2	.2	.2	7.6	84.2	14.6	69.6

1/ Less than 50 carlots.
2/ Includes 268 carlots bought direct from local grower by buying broker.
Figures may not add exactly to the total because of rounding.

Receivers and commission merchants received 40 percent of the total, chains 23 percent, receiver-jobbers and service wholesalers 13 percent, brokers 10 percent, sales agencies 8 percent, repackers 4 percent and jobbers, purveyors and eating places taken together the remaining 2 percent.

Sales from one Philadelphia wholesaler to another were 29 percent of the total received in the market (table 5). Brokers, receivers, sales agencies and the auction made most of these sales. Jobbers, the auction, purveyors and receiver-jobbers were the most important buyers.

About 60 percent of the total quantity was sold to retail outlets by Philadelphia area wholesalers (table 6). Of this, 43 percent went to chains, 42 percent to other retail stores and the rest to eating places and processors. Receivers and commission merchants were the most important suppliers to these outlets.

Out-of-town sales are important to Philadelphia wholesalers (table 7). In 1958, 11,000 carlots received in the Philadelphia market were sold to buyers outside the metropolitan area. Another 14,600 carlots were sold by brokers, commission men and sales agencies to out-of-town buyers and delivered directly to them (table 4).

Buying Methods

Forty percent of the volume obtained by wholesale handlers directly from shipping point was handled on a consignment basis (table 8). Twenty-eight percent was bought directly by phone or wire. Receivers make nearly half their shipping-point purchases this way. Purchases through shipping-point buying brokers and by personal contact with the shipper each accounted for 13 percent of the total shipping-point purchases. Service wholesalers bought 94 percent of their shipping-point supplies through brokers; repackers 65 percent and receiver-jobbers 41 percent. But 73 percent of shipping-point purchases by jobbers and 28 percent by receivers were made by personally contacting a shipper.

Most purchases directly from shipping point where the buyer takes title are made on an f.o.b. basis. This method of purchase was listed as first choice by 26 firms which bought 26,000 carlots directly from shipping point and as second choice by 15 firms who bought 9,300 carlots. Three firms buying 3,300 carlots directly from shipping point bought the biggest part of that volume on a delivered basis. The delivered basis was second choice for 10 firms buying 14,500 carlots directly.

Functions and Services

No wholesale store in Dock Street and Callowhill market areas had rail connections. All produce arriving by rail and intended for sale in these market areas had to be carted to the stores from railroad terminals or team tracks.

Unloading of rail cars and trucks was done for the most part by employees of the wholesalers. Thirty-five firms reported unloading rail cars at the terminals, 3 on team tracks, and 2 at store siding. All but 7 of the firms used their own employees. Sixty-three firms reported unloading trucks at their store using their own employees.

About 2,200 carlots of produce were hauled to the store from the terminal or team tracks prior to sale by 16 wholesalers. A little more than half of this was

Table 5.--Wholesalers' sales to other Philadelphia wholesalers, by class of firm, Philadelphia wholesale produce market, 1958

Class of seller	Type of buyer							
	Receiver, commission merchant	Receiver-jobber, service wholesaler, service-jobber, commission wholesaler	Auction	Jobber, jobber (delivery), secondary wholesaler	Truck jobber	Purveyor	Prepackager, repacker	Total
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker, carlot distributor, auction representative	1/	.7	3.1	1.0	--	.5	.4	5.7
Sales agency	.2	--	1.8	2.5	--	--	--	4.5
Auction	.3	.4	--	1.6	1/	.3	--	2.6
Receiver, commission merchant	.2	.6	.3	2.2	.1	1.3	.2	4.9
Receiver-jobber, service wholesaler, service jobber, commission wholesaler	--	.1	--	.9	1/	.1	--	1.1
Jobber, jobber (delivery), secondary wholesaler	.8	1/	--	.2	--	.2	--	1.2
Purveyor, receiver-purveyor	--	--	--	1/	--	--	--	1/
Prepackager, repacker	--	--	--	.2	--	--	--	.2
Total	1.5	1.8	5.2	8.6	.1	2.4	.6	20.2

1/ Less than 50 carlots.
Figures may not add exactly to the total because of rounding.

Table 6.--Wholesalers' sales to retail outlets, by class of firm, Philadelphia wholesale produce market, 1958

Class of seller	Type of retail outlet				Total
	Chain, retailer cooperative	Retail store, peddler	Processor, consumer	Eating place, institution, military	
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker, carlot distributor, auction representative	.6	.2	.1	--	.9
Sales agency	1.2	--	--	1/	1.2
Auction	.7	.1	--	--	.8
Receiver, commission merchant	11.4	6.2	.9	.8	19.3
Receiver-jobber, service wholesaler, service jobber, commission wholesaler	1.1	6.3	--	.4	7.8
Jobber, jobber (delivery), secondary jobber	.8	4.8	.3	1.0	6.9
Truck jobber	--	.1	1/	--	.1
Purveyor, receiver-purveyor	1/	.2	1/	1.9	2.1
Prepackager, repacker	2.6	.2	1/	--	2.8
Total	18.4	18.1	1.3	4.1	41.9

1/ Less than 50 carlots.
Figures may not add exactly to the total because of rounding.

Table 7.--Wholesalers' out-of-town sales, and sales in the Philadelphia market, by class of firm, Philadelphia wholesale produce market, 1958

Class of seller	Type of out-of-town buyer				Total out-of-town sales	Sales in Philadelphia market	Total sales
	Wholesaler	Chain; voluntary or cooperative group	Retailer	Eating place, institution, military			
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker, carlot distributor, auction representative	1.4	3.2	--	--	4.6	6.6	11.2
Sales agency	2.2	.2	--	--	2.4	5.7	8.1
Auction	1.1	.8	--	--	1.9	3.4	5.3
Receiver, commission merchant	10.7	.4	1.6	--	12.7	24.2	36.9
Receiver-jobber, service wholesaler, service-jobber, commission wholesaler	.3	.4	1.1	--	1.9	8.9	10.8
Jobber, jobber (delivery), secondary wholesaler	.7	.3	--	--	1.0	8.1	9.1
Truck jobber	--	--	--	--	--	.1	.1
Purveyor, receiver-purveyor	--	1/	--	.4	.4	2.1	2.5
Prepackager, repacker	.5	.2	--	--	.7	3.0	3.7
Total	16.9	5.5	2.7	.4	25.6	62.1	87.7

1/ Less than 50 carlots.
Figures may not add exactly to the total because of rounding.

Table 8.--Percentage distribution of shipping-point purchases made by wholesale handlers, by method of purchase, Philadelphia wholesale produce market, 1958

Type of firm	Consignment	On joint account with shipper	Direct by: phone or wire	Through shipping point buying broker	Through shipping point selling broker	By personal contact with shipper	Other	Total
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Receiver	15	1	46	6	1/	28	4	100
Commission merchant	78	3	16	3	--	--	--	100
Commission wholesaler	78	3	18	1/	--	--	1	100
Service wholesaler	--	--	3	94	--	--	2	100
Receiver-jobber	23	11	20	41	--	--	4	100
Purveyor	76	--	24	--	--	--	--	100
Prepackager, repacker	1/	--	10	65	12	13	--	100
Secondary wholesaler	100	--	--	--	--	--	--	100
Jobber	--	--	--	27	--	73	--	100
Wholesale handlers	40	2	28	13	1/	13	3	100

1/ Less than 0.5 percent.

Table 9.--Extent of delivery service by Philadelphia wholesale produce handlers, 1958

Type of firm	Percentage of firms providing delivery service	Volume delivered as percentage of sales of --		Percentage of deliveries by --	
		All firms of this type	Firms making some deliveries	Firms' trucks	Hired trucks
	Percent	Percent	Percent	Percent	Percent
Receiver	8	1/	2	--	100
Commission merchant	4	8	100	100	--
Receiver-jobber	37	9	83	100	--
Service wholesaler	100	97	97	100	--
Jobber	8	9	32	2	98
Jobber (delivery)	97	9	90	100	--
Truck jobber	100	100	100	--	--
Purveyor	74	86	100	69	31
Prepackager, repacker	18	26	100	9	91
Service jobber	100	100	100	--	--
Receiver-purveyor	90	99	99	100	--
Secondary wholesaler	50	18	35	--	100
All wholesale handlers	32	20	63	76	24

1/ Less than 0.5 percent.

done by 4 receivers and 6 commission men. Most of the rest was hauled by purveyors, receiver-purveyors and commission wholesalers. Nine of the 16 firms accounting for about 50 percent of the total hauled to stores used their own trucks and employees. The other 7 used hired trucks.

About one-third of the wholesale handlers provided delivery service to their customers (table 9). These firms deliver 63 percent of their sales volume -- about three-fourths of it in their own trucks.

Twenty-six wholesalers and 1 chain prepackaged or repacked 8,530 carlots of produce in 1958 (table 10). Most such firms prepackaged or repacked only one commodity.

MARGINS

The gross margins, or differences between the buying and selling prices expressed as a percentage of selling price, varied widely among the different types of wholesalers (table 11).

The average target margin of prepackers was 7.6 percent but that of receiver-jobbers was 23.8 percent. Commission rates were between 9 and 10 percent.

THE STRUCTURE OF THE RETAIL MARKET

The Philadelphia retail food market is composed of 10,523 food stores; 6,106 of these are grocery stores and delicatessens, 617 are specialty fruit and vegetable stores, and the remainder are other types of specialty stores. Total sales of all retail food stores were over $1.2 billion in 1958. Grocery stores accounted for 83 percent of the total and fruit and vegetable stores 2 percent.

Chains with 11 or more stores apiece made 53 percent of total food store sales; those with 4 to 10 stores each, 14 percent; those with 2 to 3 stores each, 22 percent; and the independent single-unit grocery stores, the remaining 43 percent.

Five supermarket chains with 11 or more stores apiece operated 386 stores in the Philadelphia area in 1958. Four of the chains serviced their stores from warehouses in Philadelphia. The other chain did not warehouse produce. Three supermarket chains with 4 to 10 stores apiece operated 18 of 30 such stores in the metropolitan area. Chains with 2 to 3 stores apiece operated 69 stores.

The supermarket chains included 1 national chain, 2 regional chains, and 2 local chains.

A retailer cooperative of 1,740 stores serviced about one-fourth of its stores with fruits and vegetables.

THREE DECADES OF CHANGE IN THE MARKET

The total quantity of fresh fruits and vegetables entering the Philadelphia market appears to have fluctuated considerably over the past 30 years (fig. 2). Between 1939 and 1943 the volume of fresh fruits and vegetables decreased from 70,723

Table 10.--Volume and number of items prepackaged or repacked, by type of firm, Philadelphia wholesale produce market, 1958

Type of firm	Firms prepackaging or repacking -- 1 item	2 items	3 items	4 items	5 or more items	Total	Volume prepackaged or repacked
	Firms	Firms	Firms	Firms	Firms	Firms	Carlots
Receiver	2	--	--	1	--	3	2,013
Commission merchant	1	--	--	--	1	2	1/
Receiver-jobber	--	--	1	--	--	1	1/
Jobber	2	--	2	--	--	4	180
Jobber (delivery)	--	1	1	--	--	2	1/
Repacker, prepackager	9	3	1	--	--	13	3,548
Chain	--	--	--	--	1	1	1/
Total	14	4	5	1	2	27	8,530

1/ Withheld to avoid disclosure of individual operations.

Table 11.--Target margins and commission rates, by type of firm, Philadelphia wholesale produce market, 1958

Type of firm	Average target margin	Average commission rate	Firms quoting a target margin	Firms quoting commission rate
	Percent of sales price	Percent of sales price	Percent of each type	Percent of each type
Receiver	7.8	9.2	23	38
Commission merchant	10.1	9.7	14	68
Receiver-jobber	23.8	10.0	32	22
Commission wholesaler	20.0	9.6	8	83
Jobber	16.8	--	54	--
Jobber (delivery)	16.8	--	46	--
Purveyor	21.2	--	26	--
Prepackager, repacker	7.6	10.0	33	8

carlots to 56,277. 2/ Then there was an upward trend in Philadelphia unloads until 1953 when 64,441 carlots were unloaded. From 1953 to 1958 the trend was downward again.

Receipts of produce were mostly downward during the 30-year period, but retail food sales increased. Between 1936 and 1958 unloads of fruits and vegetables decreased 8 percent, while retail food store sales (adjusted for changes in food prices), rose 90 percent between 1935 and 1958.

Direct receipts of wholesale handlers decreased about 10 percent but those of chains nearly tripled between 1936 and 1958. Direct receipts by chains accounted for about 9 percent of the market total in 1936 but about 33 percent in 1958. Chains were buying a somewhat reduced proportion of their needs on the Philadelphia market -- 33 percent in 1958 compared to 42 percent in 1936 (fig. 3).

Number and Type of Firms

The number of wholesalers in Philadelphia decreased from 327 in 1939 to 145 in 1958, according to a leading trade directory (table 12), but numbers of brokers listed in the directory and other categories changed little. The number of brokers decreased from 27 in 1939 to 23 in 1948, then increased to 25 in 1958. The number of buying brokers increased from 12 in 1939 to 14 in 1948, then decreased to 8 in 1958. The number of distributor sales agencies increased from 6 in 1939 to 8 in 1948 with no change in number between 1948 and 1958.

The number of chains listed as receivers of produce increased from 5 to 7 between 1948 and 1958. The number of wholesale grocers decreased from 7 in 1948 to 4 in 1958.

The classifications in table 12 may not be the same as those used elsewhere in this report. They are based on the first listing in the trade directory. Often several different types are listed for a particular firm -- indicating a variety of functions and services performed by that firm. Elsewhere in this report the firms are classified on the basis of information obtained in the survey and definitions found in the appendix.

Entrance and Exit of Wholesalers

Only 106 of the 198 firms shown in table 12 were listed in all three of the years 1939, 1948, and 1958. One hundred sixty-three of the 381 firms listed in 1939 went out of business before 1948 and another 165 between 1948 and 1958. Twenty-seven firms entered the produce business between 1939 and 1948 and 63 between 1948 and 1958.

Seventy percent of the firms contacted in the survey had been in business more than 20 years (table 13). Three percent were in business less than 1 year; 4 percent had been in business from 1 to 4 years, 7 percent from 5 to 9 years and 13 percent from 10 to 19 years.

2/ Throughout this section, all carlots have been converted to 30,286 pounds, the average weight per carlot in 1958.

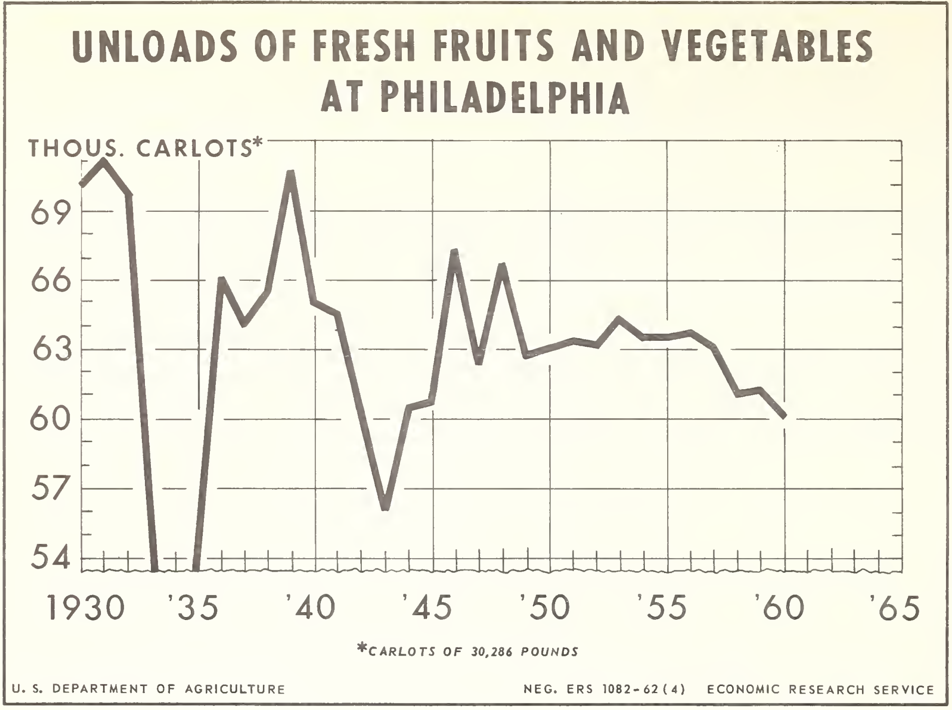

Figure 2

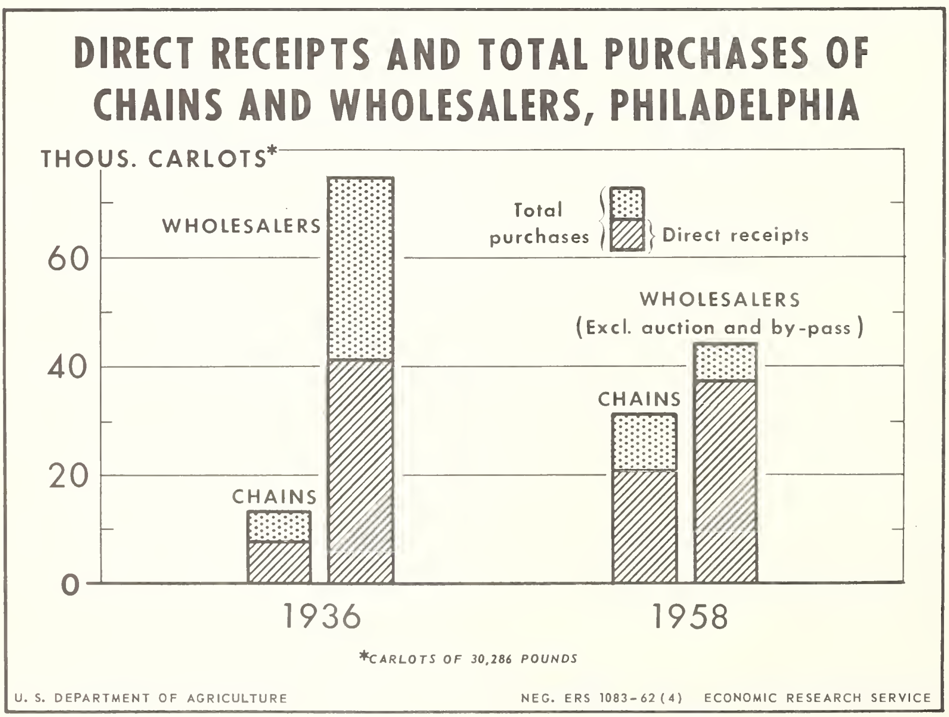

Figure 3

Table 12.--Number of firms, by type, Philadelphia wholesale produce market, 1939, 1948, and 1958

Type of firm	1939	1948	1958
	Firms	Firms	Firms
Receiver, commission merchant	159	138	95
Jobber	161	93	33
Repacker, prepackager	--	5	15
Shipper, packer	7	4	2
Wholesale handlers	327	240	145
Broker	27	23	25
Buying broker	12	14	8
Distributor, sales agency	6	8	8
Auction	1	1	1
Brokers and agencies	46	46	42
All wholesalers	373	286	187
Chain	5	5	7
Wholesale grocer	3	7	4
All firms	381	298	198

Packer Red Book, 1939 and 1948; Fresh Year Book Issue -- The Packer, 1958.

Table 13.--Percentage of firms in business for specified periods, by type of firm, Philadelphia wholesale produce market, 1958

Type of firm	1-4 years	5-9 years	10-19 years	20-29 years	30-39 years	40-49 years	50-59 years	60 years or more	Total
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Receiver	--	--	33	33	8	8	17	--	100
Commission merchant	3	11	11	29	29	14	3	--	100
Receiver-jobber	--	11	--	--	46	37	--	11	100
Service wholesaler	--	--	33	33	34	--	--	--	100
Jobber	2	8	11	34	6	33	6	--	100
Jobber (delivery)	--	9	9	9	37	17	20	--	100
Truck jobber	--	--	--	67	33	--	--	--	100
Purveyor	7	11	24	7	26	13	--	11	100
Service jobber	--	--	--	--	--	--	100	--	100
Receiver-purveyor	--	--	--	100	--	--	--	--	100
Secondary wholesaler	--	--	--	50	--	--	50	--	100
Prepackager	21	18	9	30	12	9	--	--	100
Commission wholesaler	8	--	--	8	34	8	8	34	100
Buying broker	5	--	21	37	10	21	5	--	100
Selling broker, general	50	--	--	50	--	--	--	--	100
Selling broker, auction representative	--	--	20	40	20	--	--	20	100
Carlot distributor	--	--	--	--	100	--	--	--	100
Auction	--	--	--	--	--	--	100	--	100
All firms	5	7	13	27	19	18	7	4	100

Growth and Decline

The changes in sales volume of the 168 firms in business for at least 10 years indicate the changes taking place in the market. One fourth of them reported an increase in sales of 10 percent or more during that period; one half little or no change; and one fourth a decline of 10 percent or more. Sixty-two percent of firms reporting a decline in sales said that sales had declined 43 percent or more since 1948. These figures refer only to firms which stayed in business throughout the period. To complete the picture the 165 firms which went out of business between 1948 and 1958 should be considered.

The percentages of firms of each type with changes in sales of over 10 percent during the past 10 years are:

Type of firm	Sales increased more than 10 percent	Sales decreased more than 10 percent
	(Percent of firms)	
Receiver	64	27
Commission merchant	27	32
Receiver-jobber	12	12
Service wholesaler	100	--
Jobber	27	5
Truck jobber	10	58
Purveyors	33	--
Prepackager, repacker	72	--
Commission wholesaler	20	60
Receiver-purveyor	--	100

Changes in Trade Channels

Most wholesalers reported no major changes in their sources of supply during the past 10 years. Two receivers and two commission merchants shifted from nearby to more distant sources. One firm of each of the following types also did so: Receiver-jobber, service wholesaler, commission wholesaler and prepackager.

Three receivers and 2 commissions changed geographic sources of supply from one distant source to another. About 5 percent of the wholesalers indicated they were buying more directly at shipping point than 10 years earlier. Only about 2 percent of the wholesalers bought less in the local market in 1958 than in 1948.

Two chains reported buying more directly from shipping point and less from the local market.

Changes in outlets have varied greatly among firms during the past 10 years.

Outlet	Firms reporting -- increased sales	Firms reporting -- decreased sales
	(Number of firms)	
Chain	25	18
Retailer cooperative	3	--
Independent grocery stores	1	21
Institutional outlets	6	1
Local jobbers	4	2
Receivers	3	--

Changes in Services

Few Philadelphia wholesalers reported changes in services and functions during the past 10 years. Six jobbing firms and two secondary wholesalers provided more delivery service while one jobber provided less. Two firms discontinued delivery service altogether. Two jobbers were doing more prepackaging, one receiver and two service wholesalers were providing more merchandising assistance to retail stores. Two firms quit jobbing to become brokers.

Outlook of Wholesalers

About one-third of the Philadelphia wholesalers feel that the outlook for their type of business is good. Sixty percent said that the outlook was bad, about 4 percent said it was fair. The purveyors, service wholesalers and repackers tended to be more optimistic about the future than other types of wholesalers.

About three-fourths of the purveyors, one-half of the repackers and two service wholesalers felt that the outlook for their type of business was good.

Receivers, commission merchants, jobbers, truck jobbers all were rather pessimistic about the future. About 80 percent or more of each group said the outlook for their type of business was bad.

Yet only about a third of the Philadelphia wholesalers expected changes in their business in the next few years. The changes anticipated by percentage of firms expecting such changes were:

	Percent of firms expecting changes
Go out of business	27
Expand business volume	19
Sell more in prepackaged form	8
Change to different type of business	5
Move to shipping point	3
Buy more directly	3
Sell more to chains	3

Nearly as many firms who thought the outlook favorable for their type of business had plans for a change as those whose view of the future was unfavorable. Nearly half the latter, however, expected to go out of business.

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APPENDIX

Territory Included in the Market

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

Types of Firms

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

- Auction
- Auction representative
- Buying broker
- Buying office
- Carlot distributor
- Cooperative sales agency
- Distributor
- Importer's sales agency
- Sales agent
- Selling broker
- Terminal broker

Retail organizations:

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

Wholesale handlers (firms that physically handle merchandise):

- Banana jobber
- Commission importer
- Commission merchant
- Commission wholesaler
- Exporter
- Importer
- Itinerant trucker
- Jobber
- Jobber (delivery)
- L.c.l. shipper
- Merchant trucker
- Mixed load shipper
- Packer-shipper
- Prepackager
- Purveyor
- Receiver
- Receiver-jobber
- Receiver-purveyor
- Repacker
- Secondary wholesaler
- Service jobber
- Service wholesaler
- Truck jobber
- Wholesale grocer

Definitions of Terms Used in This Study

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

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

Banana jobber.--Considered a special case and classified as a jobber, even though he is usually the first receiver in the market. He ripens, cuts, and boxes bananas.

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

Buying office.--A salaried buyer for an out-of-town wholesaler or chainstore. Arranges for loading and shipment but does not handle the produce himself.

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

Commission importer.--An importer who operates on a commission basis.

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

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

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

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

Direct receipts from shipping point.--Receipts of produce directly from shipping point, including both direct purchases from shipping point and purchases through brokers, sales agencies, and others in the terminal market where the actual shipment is made directly to the first receiver.

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

Exporter.--Buys produce on his own account and ships to foreign countries or to noncontiguous areas of the United States (for example, Alaska, Hawaii, Puerto Rico).

Firm.--The firm in this study is a separate business operation. It does not necessarily coincide with the legal or other definition of the firm. For example, a single corporation which operated a prepackaging plant and a receiving operation generally would be treated as two firms in this study. The relationships between the two firms so defined is indicated under interfirm relationships. This type of definition permits us to treat different types of operations as relatively pure single-function firms, rather than trying to handle multiple operations as a single firm which does not fit in any category.

Importer.--Imports produce from foreign countries and takes title.

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

Itinerant trucker.--A trucker who does not maintain a store or warehouse. Usually buys on speculation and hauls to another city where he hopes to resell at a higher price. May operate as a for-hire trucker at one time and as an itinerant trucker at another time.

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

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

Large firms.--Those selling 500 or more carlots of produce annually.

L.c.l. shipper.--Buys in the terminal market and takes title. Ships less-than-carload lots to wholesalers and chainstores in other markets.

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

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

Market.--The standard metropolitan statistical area or, if area has not been defined, the county concerned.

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

Medium firms.--Those selling 200 to 499 carlots of produce annually.

Merchant trucker.--A trucker who buys at shipping point or in other markets and hauls in his own truck to the terminal market where he maintains a store or warehouse.

Mixed load shipper.--Buys in the terminal market and takes title. Ships full loads (mostly truckloads) to wholesalers in other markets.

National chain.--The three largest chains with warehouse distribution areas over more than half the country.

Packer-shipper.--Receives products directly from farms, packs and ships. Most such firms are located in the country, but a few are found in markets such as Los Angeles.

Produce.--Used interchangeably with "fresh fruits and vegetables."

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

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

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

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

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

Repacker, prepackager.--A prepackager has more than half his produce in consumer packages. A tomato repacker ripens, sorts and packages tomatoes.

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

Sales agent.--An independent selling agency for a wholesaler, who receives a commission on sales made for the principal. Typically a one-man operation selling for a purveyor.

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

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

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

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

Small firms.--Those selling less than 200 carlots of produce annually.

Terminal broker.--Operates like a selling broker except that he represents buyers rather than sellers, and collects his fee from the buyer.

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

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

Wholesale grocer.--A receiver-jobber or service wholesaler with a main line of dry groceries who does not sponsor a voluntary group or retailer cooperative.

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