The Organization of the Wholesale Fruit and Vegetable Market in Pittsburgh

Marketing Research Report No. 557

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service
Marketing Economics Division

FOREWORD

This is the fifth in a group of reports under the general title, The Organization of Wholesale Fruit and Vegetable Markets. The first four 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, December 1961.

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

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

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

Other reports, some of which will be published by cooperating agricultural experiment stations, will describe 43 other markets throughout the Nation. A final report will summarize the reports on the individual markets, bring up 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.

The data from the Pittsburgh firms were obtained by the Midwest Research Institute under contract. The contract was entered into jointly by the Marketing Economics Division of the Economic Research Service and the Transportation and Facilities Research Division of the Agricultural Marketing Service. The Agricultural Marketing Service will publish a report dealing with the marketing facilities.

Definitions of many of the terms used in this study will be found 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.

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HIGHLIGHTS

The Pittsburgh wholesale produce market is the ninth largest in the Nation, supplying fresh fruits and vegetables to over 3 million people. The total supply entering the Pittsburgh market in 1959 was 34,200 carlots. Brokers and sales agencies accounted for 21 percent and chains for 24 percent. The chains bought an additional 11 percent from Pittsburgh wholesalers.

The Pittsburgh market had 116 firms of 17 types in 1959. Receivers and jobbers (delivery) were the most numerous. Receivers made 23 percent of the sales, a considerably larger proportion than any other type of firm.

The 25 large wholesalers -- those selling 500 or more carlots each in 1959 -- accounted for two-thirds of the sales of wholesalers. The 57 small wholesalers -- sales of less than 200 carlots each -- made 11 percent of the sales. The large firms were mostly receivers, commission merchants, and selling brokers. The small firms were mostly jobbers of various types.

The total volume of fresh fruits and vegetables unloaded in the Pittsburgh market was nearly 27,000 carlots in 1930. It reached a high of 32,000 carlots in 1939 and again in 1952. Between 1958 and 1960, the volume averaged about 30,000 carlots. The volume on the fruit auction declined from 3,100 carlots in 1936 to 2,100 in 1959. During the same period, direct receipts of wholesale handlers declined 9 percent, while those of chains increased 75 percent. Total purchases of chains (including purchases on the local market) increased 52 percent between 1936 and 1959.

The number of Pittsburgh wholesalers declined 38 percent between 1939 and 1958. Most of the decrease was in numbers of receivers, commission merchants, and brokers.

THE ORGANIZATION OF THE WHOLESALE FRUIT AND VEGETABLE MARKET IN PITTSBURGH

By Alden C. Manchester, agricultural economist
Marketing Economics Division
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INTRODUCTION

The Pittsburgh wholesale produce market supplies fresh fruits and vegetables to over 3 million people in southwestern Pennsylvania, southeastern Ohio, and substantial areas in West Virginia. It is the major market of western Pennsylvania, and the ninth largest market in the country.

This report describes the organization and operation of the Pittsburgh wholesale fruit and vegetable market, the buying, selling, and operating practices of wholesalers in the market, and the changes that have taken place during the past 30 years. The information on which the report is based was obtained as a part of a nationwide study of the organization and operations of wholesale fruit and vegetable markets. The purpose of the study was to describe and appraise the current status of wholesale markets and the changes that had taken place in them. The finding should give firms in wholesale and shipping-point markets, farmers, 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.

Basic data for the nationwide study of which this is a part were obtained by personal interviews with over 2,600 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 State agricultural experiment stations. The interviews in Pittsburgh were conducted by the Midwest Research Institute.

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

The Pittsburgh market was defined for purposes of this study as the standard metropolitan statistical area, which includes: Allegheny, Beaver, Washington, and Westmoreland counties, Pennsylvania.

MARKET AREAS

The wholesale produce business in Pittsburgh is concentrated near the Pennsylvania Railroad Produce Terminal at 21st and Smallwood Streets. Over 70 percent of the wholesalers selling more than 90 percent of the total volume of all wholesalers are located in the Terminal Area (table 1). All of the large wholesalers (those handling 500 carlots or more) are here. Wholesalers located elsewhere in Pittsburgh and in the suburbs are mostly jobbers, plus 3 receiver-jobbers, 3 truck jobbers, and 2 purveyors.

Table 1.--Number of firms and volume handled, by market area and type of firm, Pittsburgh wholesale produce market, 1959

Type of firm	Terminal area			Other areas in Pittsburgh			Suburbs		
	Firms		Volume	Firms		Volume	Firms		Volume
	Total	Large 1/		Total	Large 1/		Total	Large 1/	
	Number	Number	Carlots	Number	Number	Carlots	Number	Number	Carlots
Receiver	26	8	12,303	--	--	--	--	--	--
Commission merchant	10	4	5,698	--	--	--	--	--	--
Receiver-jobber, commission wholesaler	3	--	572	1	--	2/	2	--	2/
Service jobber	3	--	661	--	--	--	--	--	--
Jobber	10	--	2/	--	--	--	1	--	2/
Jobber (delivery)	3	--	2/	1	--	2/	22	--	3,001
Truck jobber	1	--	2/	1	--	2/	2	--	2/
Purveyor	3	--	2/	2	--	2/	--	--	--
Repacker, prepackager	4	3	2,081	--	--	--	--	--	--
Buying broker	7	1	1,616	--	--	--	--	--	--
Selling broker	6	5	7,360	--	--	--	--	--	--
Sales agency	3	3	4,591	--	--	--	--	--	--
Auction	1	1	2,117	--	--	--	--	--	--
All wholesalers	80	25	39,432	5	--	286	27	--	3,561
Chain	--	--	--	3	3	2/	1	1	2/
Grand total	80	25	39,432	8	3	2/	28	1	2/

1/ Large firms are those selling 500 or more carlots in 1959.
2/ Figure withheld to avoid disclosure of individual operations.

The Terminal was built and operated by the Pennsylvania Railroad for years. In September 1960 it was leased to the Pittsburgh Produce Terminal Association, a non-profit organization of terminal wholesalers, for a year. Under this setup, wholesalers are now able to receive either railroad cars or trucks at the Terminal. Previously, only rail cars had been permitted.

THE STRUCTURE OF THE MARKET

The Pittsburgh wholesale produce market was made up of 116 firms of 17 types in 1959 (table 2). Receivers and jobbers who deliver had the most firms, with 26 of each type. Receivers handled 23 percent of the total sales volume, while jobbers (delivery) handled 6 percent. The 10 commission merchants handled 10 percent of the total and the 6 selling brokers 13 percent. The 4 large chains accounted for 21 percent of total sales.

Only 22 percent of the wholesalers handled 500 or more carlots, but they accounted for two-thirds of all sales by wholesalers. Over half the wholesalers were small, but this group sold only 11 percent of the total for wholesalers.

Fifty-five percent of wholesalers are specialized in one or more commodities or commodity lines (table 3). Only 27 percent of the receivers and 40 percent of commission merchants handle a complete line. Jobbers are mostly banana jobbers, while jobbers (delivery) are mostly general-line firms.

Specialists handle over half the volume in the Pittsburgh market. General-line firms sell a third of the volume of brokers and agencies and 42 percent of the volume of wholesale handlers.

Six Pittsburgh produce wholesalers own or control other firms in the produce business. The owning firms include 3 receivers, 1 commission merchant, and 2 repackers or prepackagers. The businesses owned or controlled include 4 farms, 1 prepackager in Pittsburgh, and 1 receiver in Pittsburgh. In addition, 2 other wholesalers operate related businesses: A used-crate business and a traffic management and claims business.

Firms outside Pittsburgh own or control 1 commission merchant in this market. Another 6 firms are part of multiple-establishment organizations with offices in several cities. These include 1 selling broker, the 3 sales agencies, and the 2 national chains.

Marketing Channels

Nearly half of the produce arriving in the Pittsburgh market is handled at some stage by the receivers and commission merchants (fig. 1). They are the dominant group of wholesalers. The total supply entering the market in 1959 was 34,200 carlots (table 4). An additional 6,500 carlots were sold by firms in Pittsburgh to out-of-town buyers and bypassed Pittsburgh. Brokers and sales agencies accounted for 21 percent of the supply entering the market and chains for 24 percent. The chains purchased another 11 percent from Pittsburgh wholesalers.

About one-third of the produce arriving in the Pittsburgh market was resold by one wholesaler to another (table 5). Most of these sales were made by brokers, sales agencies, receivers, and commission merchants. The principal buyers were jobbers of both types, receivers and commission merchants, and the auction.

Table 2.--Number of firms by size and type, and volume handled, by type of firm, Pittsburgh wholesale produce market, 1959

Type of firm	All firms			Distribution of of firms by size 1/			Percentage of volume handled by --		
	Number	Volume handled: Quantity	Volume handled: Percentage of total market	Small	Medium	Large	Small firms	Medium firms	Large firms
		Carlots	Percent	Number	Number	Number	Percent	Percent	Percent
Receiver	26	12,303	23	8	10	8	5	28	67
Commission merchant	10	5,698	10	2	4	4	2/	2/	71
Receiver-jobber	5	854	1	4	1	--	55	45	--
Commission wholesaler	1			1	--	--	100	--	--
Service jobber	3	661	1	1	2	--	2/	2/	--
Jobber	11	2,046	4	5	6	--	13	87	--
Jobber (delivery)	26	3,223	6	22	4	--	65	35	--
Truck jobber	4	69	3/	4	--	--	100	--	--
Purveyor	5	660	1	4	1	--	2/	2/	--
Prepackager, repacker	4	2,081	4	1	--	3	2/	--	2/
Buying broker	7	1,616	3	5	1	1	2/	2/	2/
Selling broker	6	7,360	14	--	1	5	--	2/	2/
Auction	1	2,117	4	--	--	1	--	--	100
Cooperative sales agency	1	4,591	8	--	--	1	--	--	100
Importer's sales agency	2			--	--	2	--	--	100
Total wholesalers	112	43,279	79	57	30	25	11	22	67
National chain	2	2/	2/	--	--	2	--	--	100
Local chain with warehouse	2	2/	2/	--	--	2	--	--	100
Total - retail organizations	4	11,755	21	--	--	4	--	--	100
Grand total 4/	116	55,034	100	57	30	29	8	18	74

1/ Small firms handle less than 200 carlots per year, medium firms 200-499, and large firms 500 or more.
2/ Withheld to avoid disclosure of individual operations.
3/ Less than 0.5 percent.
4/ Total sales of all firms, including resales among wholesalers and to chains.

Table 3.--Degree of commodity specialization, Pittsburgh wholesale produce market, 1959

(Percent of each type of firm)

Type of firm	Complete line of produce	Complete line but some specialization	Firms specializing in --			
			Several commodity classes	One class of commodities	A single commodity	Several commodities of different classes
	Percent	Percent	Percent	Percent	Percent	Percent
Wholesaler handlers:						
Receiver	27	--	23	19	23	8
Commission merchant	20	20	40	--	--	20
Receiver-jobber, commission wholesaler	50	--	17	--	33	--
Service jobber	67	--	--	--	33	--
Jobber	9	--	18	--	64	9
Jobber (delivery)	92	--	--	--	8	--
Truck jobber	75	--	--	--	25	--
Purveyor	100	--	--	--	--	--
Prepackager, repacker	--	--	--	50	50	--
Brokers and agencies:						
Buying broker	--	--	57	43	--	--
Selling broker	50	--	17	17	--	16
Auction	--	--	100	--	--	--
Sales agency	--	--	--	33	67	--
All wholesalers	45	2	17	11	20	5

MAJOR MARKETING CHANNELS, PITTSBURGH WHOLESALE PRODUCE MARKET, 1959
(THOUSANDS OF CARLOTS)

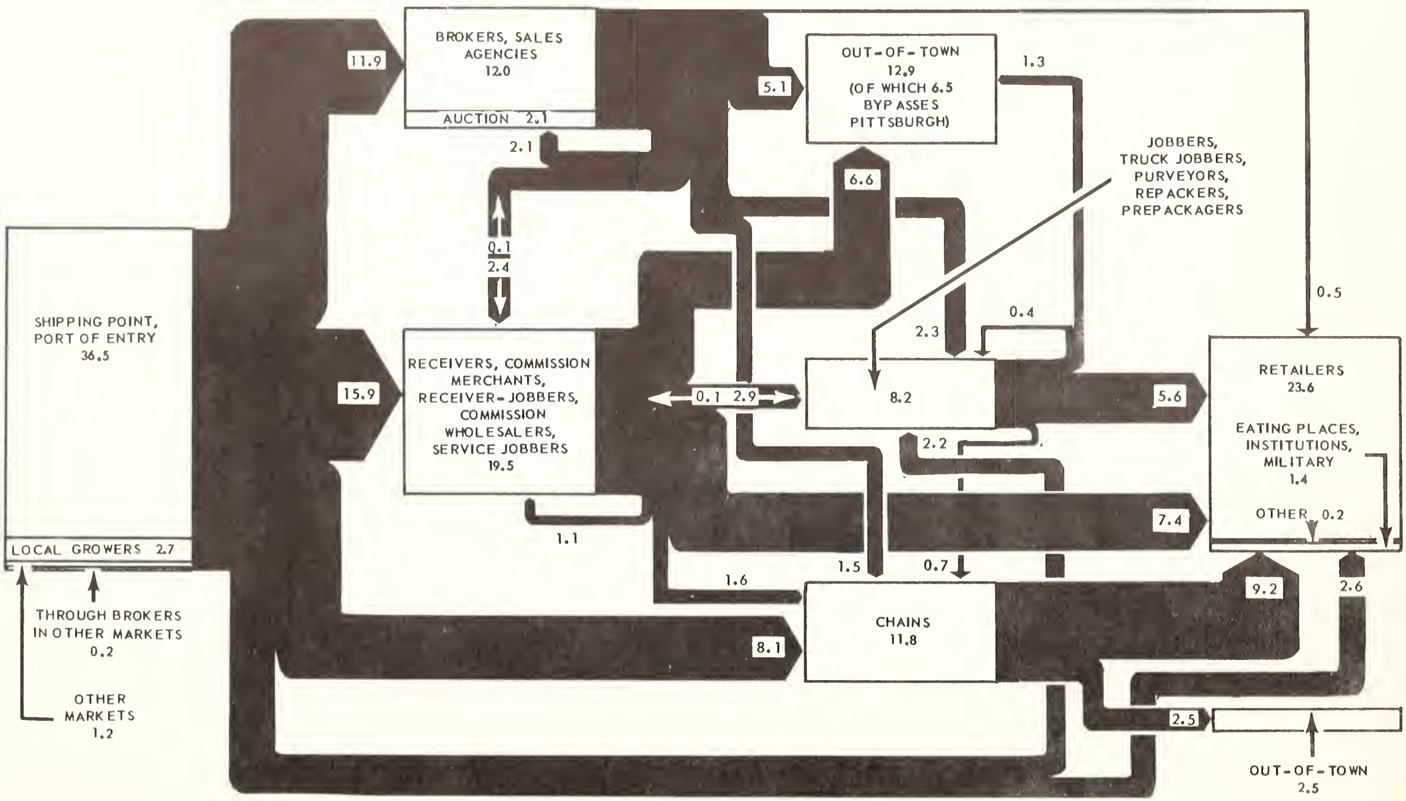

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Figure 1

Table 4.--Purchases from outside the market by class of buyer, Pittsburgh wholesale produce market, 1959

Class of buyer	Direct from shipping point or port of entry	From other terminal markets	Through sales agencies or brokers in other cities	From local growers	Total	Volume by-passing the Pittsburgh market	Volume passing through the Pittsburgh market
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker	7.1	0.1	0.1	--	7.3	2.9	4.4
Sales agency	4.6	--	--	--	4.6	1.6	3.0
Auction	--	--	--	--	--	--	--
Receiver, commission merchant	14.9	.1	.1	0.4	15.5	2.0	13.5
Receiver-jobber, commission wholesaler, service jobber	.3	--	--	.1	.4	--	.4
Jobber, jobber (delivery)	.3	--	--	.1	.4	--	.4
Truck jobber	--	--	--	1/	1/	--	1/
Purveyor	1/	--	--	1/	1/	--	1/
Repacker, prepackager	1.7	--	--	1/	1.8	--	1.8
Total wholesalers	29.0	.2	.2	.6	30.0	6.5	23.5
Chain	7.5	--	--	.6	8.1	--	8.1
Retailer, processor, eating place	--	1.0	--	1.6	2.6	--	2.6
Grand total	36.5	1.2	.2	2.7	40.7	6.5	34.2

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

Table 5.--Wholesalers' sales to other Pittsburgh wholesalers, by class of firm, Pittsburgh wholesale produce market, 1959

Class of seller	Class of buyer								
	Broker	Auction	Receiver, commission merchant	Receiver-jobber, commission wholesaler, service jobber	Jobber, jobber (delivery)	Truck jobber	Purveyor	Repacker, prepackager	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	1,000 carlots
Broker	--	1.2	2.0	0.2	0.4	1/	1/	0.2	4.1
Sales agency	--	.9	--	.2	1.1	--	1/	--	2.2
Auction	--	--	1/	1/	.5	1/	0.1	1/	.8
Receiver, commission merchant	0.1	--	.5	.6	2.3	0.1	.4	.1	3.9
Receiver-jobber, commission wholesaler, service jobber	--	--	--	--	1/	--	--	--	1/
Jobber, jobber (delivery)	--	--	--	1/	.1	--	1/	--	.2
Truck jobber, purveyor	--	--	--	--	--	--	--	--	--
Repacker, prepackager	--	--	--	.1	.3	--	1/	--	.4
Total	.1	2.1	2.5	1.1	4.9	.1	.6	.3	11.7

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

Half of the market supply was sold to various retail outlets by wholesalers (table 6). Two-thirds of the sales to retail outlets were to retail stores (including a few peddlers), 22 percent to chains, 8 percent to eating places, institutions, and the military, and 2 percent to processors and consumers. Chains made most of their low produce purchases from receivers, commission merchants, and sales agencies. Most of the sales to other retailers were made by receivers, commission merchants and jobbers. Purveyors, receivers, and commission merchants accounted for most sales to institutional outlets.

Pittsburgh wholesalers sold 12,900 carlots to out-of-town buyers (table 7). Just over half of this bypassed the market. About half of the out-of-town sales were made by receivers and commission merchants and most of the remainder by brokers and sales agencies. The buyers were largely wholesalers, with 22 percent going to chains in other markets.

About three-fourths of the purchases at the auction were made by buying brokers on behalf of various buyers. The volume was distributed among the following types of buyers:

Pittsburgh firms	Percent
Jobbers	24
Purveyors	9
Other wholesalers	2
Chains	11
Retailers	24
Out-of-town firms	
Wholesalers	27
Chains	3

Buying Methods

Most purchases by wholesale handlers from shipping points were made by phone or wire or on consignment (table 8). Receivers, prepackagers, and repackers relied mostly on direct purchases by phone, although they handled some consignment business and obtained some volume through shipping point buying brokers. Receiver-jobbers, service jobbers, jobbers (delivery), and purveyors relied mainly on shipping point buying brokers. Commission merchants obtained 83 percent of their volume on a consignment basis, including 33 percent solicited through the firm's field man located at shipping point.

Most of these purchases from shipping point were made on an f.o.b. basis. Substantial quantities were also bought on a delivered basis and f.o.b. acceptance. Smaller amounts were bought on a shipping point inspection basis and subject approval wired Government inspection.

Functions and Services

The different types of firms have been defined partly in terms of the functions they perform and the services they provide. For instance, by definition truck jobbers and jobbers (delivery) provide delivery service, while receivers or prepackagers may or may not do so. This section discusses the variations in functions performed and services offered by wholesalers.

Table 6.--Wholesalers' sales to retail outlets, by class of firm, Pittsburgh wholesale produce market, 1959

Class of seller	Class of retail outlet				
	Chain	Retail store, peddler	Processor, consumer	Eating place, institution, military	Total
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker	0.2	0.1	--	--	0.2
Sales agency	.8	--	--	--	.8
Auction	.5	.4	--	--	.9
Receiver, commission merchant	1.6	5.5	0.1	0.5	7.7
Receiver-jobber, commission wholesaler, service jobber	1/	1.2	1/	.1	1.3
Jobber, jobber (delivery)	.1	3.9	.1	.2	4.3
Truck jobber	--	.1	1/	1/	.1
Purveyor	--	.1	--	.6	.7
Repacker, prepackager	.6	.6	--	--	1.2
Total	3.7	11.8	.2	1.4	17.1

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

Table 7.--Wholesalers' out-of-town sales and total sales, by class of firm, Pittsburgh wholesale produce market, 1959

Class of seller	Class of out-of-town buyer				Total sales in the Pittsburgh market	Total sales
	Wholesaler	Chain; voluntary, cooperative group	Retailer	Total		
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker	2.4	0.6	--	3.0	4.4	7.4
Sales agency	1.1	.5	--	1.6	3.0	4.6
Auction	.4	.1	--	.5	1.6	2.1
Receiver, commission merchant	5.1	1.3	--	6.4	11.6	18.0
Receiver-jobber, commission wholesaler, service jobber	.2	1/	0.1	.2	1.3	1.5
Jobber, jobber (delivery)	.5	.2	.1	.8	4.5	5.3
Truck jobber	--	--	--	--	.1	.1
Purveyor	--	--	--	--	.7	.7
Repacker, prepackager	.1	.4	--	.5	1.6	2.1
Total	9.8	2.9	.1	12.9	28.8	41.7

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

Table 8.--Percentage distribution of shipping point purchases made by each type of firm, by method of purchase, Pittsburgh wholesale produce market, 1959

Type of firm	Consign-ment	On joint account with shipper	Direct by phone or wire	Through shipping point buying broker	Through shipping point selling broker	From own or affiliated shipper or packing-house	Through own salaried buyer	From shipping point farmers' market	Total
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Receiver	14	--	57	23	1	1	1	3	100
Commission merchant 2/	83	1	16	--	--	--	--	--	100
Receiver-jobber, commission wholesaler	33	--	5	62	--	--	--	--	100
Service jobber	--	--	--	100	--	--	--	--	100
Jobber (delivery)	--	--	33	67	--	--	--	--	100
Purveyor	--	--	48	52	--	--	--	--	100
Prepackager, repacker	11	--	59	7	--	22	--	1	100
Wholesale handlers	34	1/	44	16	1	3	1/	2	100

1/ Less than 0.5 percent.
2/ Includes 33 percent on consignment through the firm's field man at shipping point.

Three-fourths of the wholesalers reporting have railroad cars unloaded at the terminal by railroad employees. The auction has its own employees who do the unloading onto the platform for display. Five medium-sized wholesalers also unload cars with their own employees. Railroad cars on team tracks generally are unloaded by the firm's employees; only 14 percent of the firms hired railroad employees for unloading. All firms unloaded rail cars on their own sidings by use of their own employees.

Most trucks are unloaded by the wholesalers' employees. One firm hires stevedores to unload trucks, 4 report that the trucker unloads, and 6 that the trucker unloads to the tailgate and their firm's own employees from that point.

Most produce was sold at the point of original receipt. Only about 1,100 carlots were hauled from team tracks or terminal prior to sale. Receivers and commission merchants accounted for 900 carlots of this, with jobbers, purveyors, and receiver-jobbers accounting for small quantities. About half of the volume was hauled in the firm's own trucks and the remainder in hired trucks.

About 8,000 carlots of produce were sold out of rail car or truck and delivery taken directly by the customer in 1959. This produce did not pass through the store of the original receiver. Nine receivers, 1 commission merchant, and 6 other jobbers and receiver-jobbers sold everything out of rail car or truck in 1959. The proportion of the volume passing through the store of each type of wholesale handler was as follows:

Wholesale handler	Percent
Receiver	51
Commission merchant	61
Receiver-jobber	82
Commission wholesaler	100
Service jobber	100
Jobber	95
Jobber (delivery)	99
Truck jobber	0
Purveyor	100
Repacker, prepackager	100

Less than a quarter of the sales of wholesale handlers were delivered to the customer in 1959 (table 9). A little over half of the firms delivered 63 percent of their sales, mostly in their own trucks. Receivers and commission merchants delivered very little and repackers, prepackagers, and receiver-jobbers 35-38 percent of their volume.

Nearly 2,100 carlots of produce were prepackaged or repacked in 1959 by 5 firms -- 1 chain and 4 repackers or prepackagers. The chain prepackaged a broad line of commodities, while 3 of the repackers and prepackagers handled only one commodity apiece. The fourth prepackager put up 4 items.

Few Pittsburgh wholesalers offer other services to their customers. Only 6 firms suggest selling prices to their retail customers. These include 3 service jobbers, a jobber (delivery), a truck jobber, and a prepackager. Two assist in training retail store produce personnel. The service jobbers, a prepackager, a broker, and 2 sales agencies assist retailers with merchandising activities, displays, or promotion. One prepackager advertises his brand on radio and television.

Over half of the Pittsburgh wholesalers offer 7-day credit to their customers (table 10). Credit terms of 10 and 30 days are also offered by a number of firms. About 10 percent sell only for cash. Most firms are governed by the credit terms of the Pittsburgh Credit Association: Payment for all purchases during a given week is due on the following Wednesday.

Two wholesalers -- a receiver and a commission merchant -- reported that they occasionally finance production of fruits and vegetables. Another had done so in the past but has stopped the practice.

The 90 wholesalers who provided information on employees had 841 employees in 1959 (table 11). The large firms employed 405 workers, including proprietors and partners; the medium firms 289; and the small firms 147. The variations in number of employees per firm among different types of firms are due largely to differences in volume handled and functions performed.

MARGINS

Target margins -- the gross margins which wholesalers aimed at -- averaged between 9 and 10 percent of sales price for receivers, commission merchants, receiver-jobbers, commission wholesalers, and service jobbers (table 12). Those of jobbers (delivery) and purveyors were 13.2 to 13.4 percent. Jobbers -- most of which were banana jobbers performing more functions than other types of jobbers -- averaged 22.2 percent.

Commission charges of most types of firms were between 9.1 and 10.3 percent. The auction's average selling fee was 2 percent of sales price. The charges of buying brokers averaged 12.8 cents per package. Selling brokers generally charged from $25 to $40 per carlot sold, with the rate depending on the commodity sold.

THE STRUCTURE OF THE RETAIL MARKET

Pittsburgh had 5,338 retail food stores in 1958 with total sales of $751 million. These included 3,240 grocery stores and delicatessens with sales of $630 million, 244 fruit and vegetable specialty stores with sales of $13 million, and 1,854 other specialty food stores.

Chains with 11 or more stores each operated 331 food stores and accounted for 49 percent of total food store sales. Chains of 4-10 stores had 102 stores and made 4 percent of the sales. Those with 2-3 stores operated 201 stores with 8 percent of sales. Single-unit independent stores number 4,704 with 39 percent of sales. The chains include a number of specialty-store organizations, in addition to the supermarket chains.

The supermarket chains include 2 national, 1 regional, and 2 local chains with produce warehouses. The regional chain does not operate a produce warehouse in the Pittsburgh area. The 4 chains with warehouses in the Pittsburgh market service a total of 204 stores in the metropolitan area and 45 outside the area.

Table 9.--Extent of delivery services by Pittsburgh wholesale produce handlers, 1959

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	Firm's trucks	Method unknown
	Percent	Percent	Percent	Percent	Percent
Receiver	31	7	25	66	34
Commission merchant	20	2	19	100	--
Receiver-jobber	60	38	100	100	--
Service jobber	100	75	75	75	25
Jobber (delivery)	100	97	97	80	20
Truck jobber	100	100	100	100	--
Purveyor	100	99	99	100	--
Repacker, prepackager	25	35	90	100	--
Wholesale handlers	55	23	63	83	17

Table 10.--Number of firms in the Pittsburgh wholesale produce market offering various credit terms to noninstitutional trade, 1959

Type of firm	Number of days credit offered								Total replying
	0	1-2	7	10	14	15	30	Other	
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Receiver	--	--	21	4	1	--	--	--	26
Commission merchant	1	--	6	3	--	--	--	--	10
Receiver-jobber, commission wholesaler	1	--	3	1	--	--	1	--	6
Service jobber	--	--	2	1	--	--	--	--	3
Jobber	3	3	4	1	--	--	--	--	11
Jobber (delivery)	2	--	9	1	2	6	6	--	26
Truck jobber	2	2	--	--	--	--	--	--	4
Purveyor	1	--	1	--	--	--	2	1	5
Prepackager, repacker	--	--	3	1	--	--	--	--	4
All wholesale handlers	10	5	49	12	3	6	9	1	95

Table 11.--Number of employees, by type and size of firm, Pittsburgh wholesale produce market, 1959

Type of firm	All sizes of firms		Size of firm, by 1959 sales volume -- Less than 200 carlots	200-499 carlots	500 or more carlots
	Firms	Employees	Employees	Employees	Employees
Receiver	26	270	39	83	148
Commission merchant	10	126	6	45	75
Receiver-jobber, commission wholesaler	4	22	6	16	--
Service jobber	3	26	5	21	--
Jobber	11	80	9	71	--
Jobber (delivery)	10	78	38	40	--
Truck jobber	2	3	3	--	--
Purveyor	4	39	29	10	--
Repacker, prepackager	4	120	3	--	117
All wholesale handlers	74	764	138	286	340
Selling broker	6	19	--	2	17
Buying broker	7	22	9	1	12
Auction	1	32	--	--	32
Sales agency	2	4	--	--	4
All brokers and agencies	16	77	9	3	65
All wholesalers	90	841	147	289	405

THREE DECADES OF CHANGE IN THE MARKET

Total unloads of fresh fruits and vegetables in Pittsburgh were nearly 27,000 carlots in 1930 (fig. 2). They fell to a low of a little less than 23,000 carlots in 1932 and 1933, and then climbed to a high of 32,000 carlots in 1939. Unloads declined somewhat during the War and then reporting of truck unloads was discontinued. When reporting was resumed in 1952, the total slightly exceeded the 1939 figure. During the 1958-1960 period, total unloads have been nearly constant at slightly under 30,000 carlots. 1/

Between 1936 and 1959, the volume handled on the fruit auction declined nearly a third, from about 3,100 carlots to about 2,100 carlots (fig. 3). Direct receipts of wholesale handlers declined 9 percent, from 21,400 carlots to 19,500 carlots, over the same period. Those of chains increased 75 percent, from 4,900 carlots to 8,500 carlots, while total purchases of chains (direct receipts plus local purchases) increased 52 percent.

1/ Throughout this section, all carlots have been converted to a standard weight of 30,286 pounds, equal to the average rail carlot in 1958.

Table 12.--Target margins, brokerage and commission rates, Pittsburgh wholesale produce market, 1959

Type of firm	Average target margin	Average brokerage or commission rate	Firms quoting a target margin	Firms quoting brokerage or commission rate
	Percent of sales price	Percent of sales price	Percent of each type	Percent of each type
Receiver	9.8	9.1	38	85
Commission merchant	9.3	9.4	60	100
Receiver-jobber, commission wholesaler	9.0	10.3	33	50
Service jobber	10.0	--	67	--
Jobber	22.2	--	60	--
Jobber (delivery)	13.2	--	21	--
Purveyor	13.4	--	60	--
Prepackager, repacker	--	10.0	--	50
Auction	--	2.0	--	100

Numbers and Types of Firms

The number of wholesalers in the Pittsburgh market declined 38 percent between 1939 and 1958, according to a leading trade directory (table 13). Most of the decline was in receivers, commission merchants, and brokers. The number of receivers and commission merchants declined about one-half, while that of brokers went down 40 percent.

The classifications in table 13 are not necessarily the same as those in the remainder of this study. They are based on the first listing in the trade directory. For most firms, several different types are listed -- often as many as five or six types -- indicating the variety of functions and services performed by many firms. Throughout the remainder of this study (except in table 13), the firms are classified on the basis of information obtained in the survey and the definitions found in the Appendix.

Entrance and Exit of Wholesalers

Turnover of firms in the wholesale produce business is somewhat more rapid than in many other types of business. Entry is fairly easy because firms are frequently for sale and capital requirements are relatively low.

Only 65 of the 160 firms listed in the trade directory in 1939 (table 13) were still in business in 1958. Another 35 were in business in 1939 and 1948 but out of business by 1958, and 60 went out of business between 1939 and 1948. An additional 21 firms came into the business between 1939 and 1948; 12 of them closed their doors before 1958. There were 27 firms which entered the produce business in Pittsburgh between 1948 and 1958.

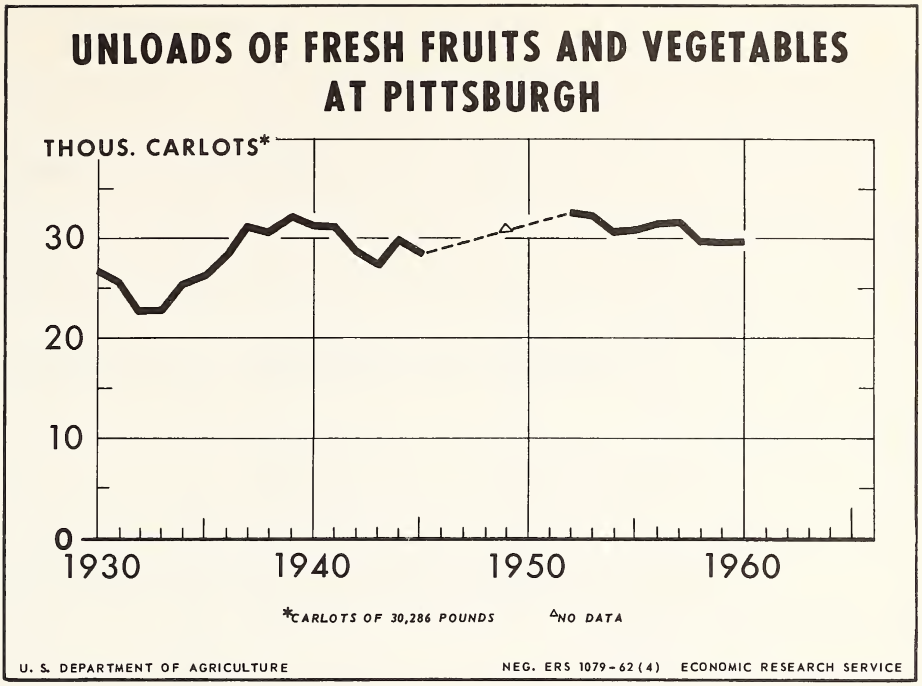

Figure 2

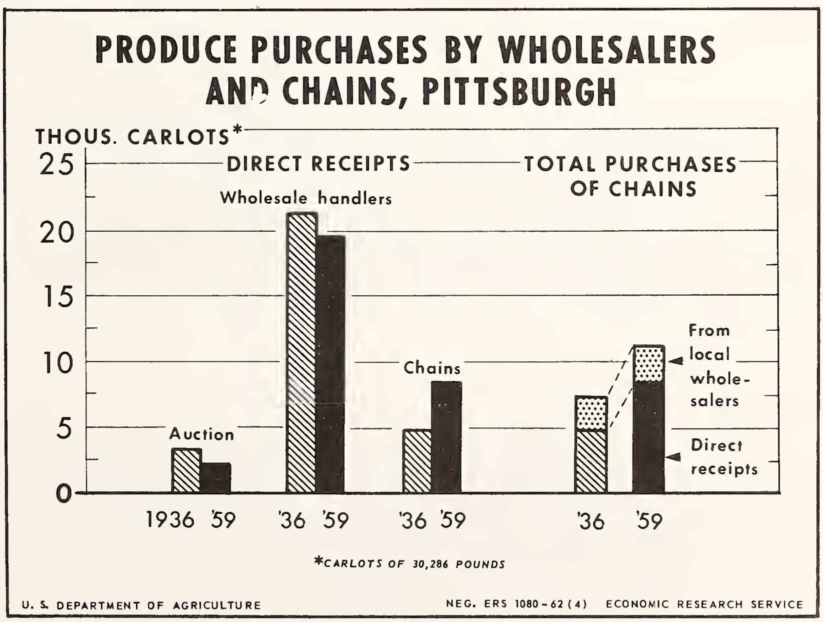

Figure 3

Table 13.--Number of firms by type, Pittsburgh wholesale produce market, 1939, 1948, and 1958

Type of firm	1939	1948	1958
	Number	Number	Number
Receiver, commission merchant	121	87	58
Jobber	9	7	13
Repacker; prepackager	--	1	4
Wholesale handlers	130	95	75
Broker	15	9	9
Buying broker	3	3	4
Distributor; sales agency	6	5	7
Auction	1	1	1
Brokers and agencies	25	18	21
All wholesalers	155	113	96
Chain	4	4	5
Wholesale grocer	1	2	--
Grand total	160	119	101

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

Nearly half the firms interviewed in the Pittsburgh market had been in business from 10 to 29 years (table 14). Only 12 percent had been in the produce business less than 10 years and nearly a quarter between 30 and 39 years. The median age of all wholesale firms in the market was 26 years -- that is, half of the firms were "older" than 26 years and half were "younger." The youngest type of firm in the market, in terms of the median age, was purveyors with a median age of 7 years. The oldest was truck jobbers at 40 years. Receivers, commission merchants, selling brokers, and sales agencies were older than the market average, while the other types were younger.

Growth and Decline

Over 60 percent of the wholesalers in business for at least 10 years experienced a decline of 10 percent or more in sales since 1948 (table 15). Only 19 percent reported an increase of 10 percent or more in sales. All selling brokers and commission wholesalers had lower sales than 10 years ago. Half of the service jobbers and truck jobbers and 42 percent of the receivers reported increased sales.

Table 14.--Percentage of firms in business for specified periods, by type of firm, Pittsburgh wholesale produce market, 1959

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	4	4	13	21	29	17	8	4	100
Commission merchant	--	--	11	33	56	--	--	--	100
Receiver-jobber, commission wholesaler	--	--	40	20	40	--	--	--	100
Service jobber	50	--	--	50	--	--	--	--	100
Jobber	--	--	30	60	10	--	--	--	100
Jobber (delivery)	11	5	21	26	16	11	5	5	100
Truck jobber	--	--	--	--	50	50	--	--	100
Purveyor	20	40	20	20	--	--	--	--	100
Prepackager, repacker	--	33	34	33	--	--	--	--	100
Buying broker	--	--	67	--	17	16	--	--	100
Selling broker	--	--	20	40	20	--	20	--	100
Sales agency	--	50	--	--	--	--	50	--	100
All wholesalers	5	7	22	27	23	9	5	2	100

Table 15.--Change in sales volume between 1948 and 1959, wholesalers in Pittsburgh produce market in 1959

Type of firm	Change in sales: Increased 10 percent or more	Change in sales: Changed less than 10 percent	Change in sales: Decreased 10 percent or more	Total reporting
	Percent	Percent	Percent	Percent
Receiver	42	16	42	100
Commission merchant	25	--	75	100
Receiver-jobber, commission wholesaler	--	--	100	100
Service jobber	50	--	50	100
Jobber	29	29	42	100
Jobber (delivery)	--	30	70	100
Truck jobber	50	50	--	100
Buying broker	20	20	60	100
Selling broker	--	--	100	100
All wholesalers 1/	19	18	63	100

1/ Including firm types not listed individually.

Changes in Trade Channels

Changes in sources of supply during the past 10 years have been minor. Three wholesalers shifted between different supply areas and a fourth from nearby to more distant supply areas. Five wholesalers reported buying more items directly from shipping point and 4 less in the local market. One of these firms shifted from using a shipping point buying broker to purchases by telephone. One is handling less on consignment and another is handling more on this basis.

Changes in outlets were more numerous than in sources of supply. Only one firm reported that the number of its customers was greater than 10 years ago, while 16 noted a decrease. Chains were a more important outlet for 11 wholesalers and less important for 5 others. One firm was selling more to retailer cooperatives. Two had increased sales to independent grocery stores, while 14 reported smaller sales to these stores. Four are selling more to local jobbers and 3 less. One wholesaler is selling more now to institutional outlets. Another is selling less to out-of-town wholesalers.

Changes in Services

Two wholesalers are delivering more now than 10 years ago and 3 others are delivering less. One who formerly regraded and repacked substantial quantities of onions no longer does so, because the cost has risen too much. The banana jobbers have shifted from selling by the bunch to cutting and boxing bananas. One formerly sold bananas directly out of rail cars but now handles them through his store where he cuts and boxes. A broker handles more pool cars than formerly and has started a traffic information service to keep buyers informed of the location of their cars.

The auction has started dealer service work; a field man helps customers build trade and assists with displays.

Credit terms have changed somewhat. Seventeen wholesalers offer shorter terms than they did 10 years ago. Only one offers credit for a longer period. One is granting less credit now than 10 years ago.

Outlook of Wholesalers

Most Pittsburgh wholesalers are pessimistic about the outlook for their type of business. Only 15 percent said the outlook was good; 7 percent fair; and the remainder bad or unknown. The most optimistic group was prepackagers -- half of them felt the outlook was good. New firms -- those in business less than 10 years -- were more optimistic than the older firms. Over half of the new firms said the outlook was good as compared with 10 percent of the firms over 10 years old.

Several firms were considering making changes in their businesses in the next few years. Two receivers planned to go out of business. Four planned to expand sales to a particular type of outlet -- one to chains, one to institutional outlets, one to small chains, and another to retailers. Several expected a shift in the banana business to cutting and boxing in the tropics. One prepackager anticipated increasing his commodity line.

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APPENDIX

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
- Cooperative sales agency
- Carlot distributor
- Distributor
- Importer's sales agency
- Sales agent
- Selling broker
- Terminal broker

Retail organizations:

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

Wholesale handlers (firms that physically handle merchandise):

- Banana jobber
- Commission importer
- Commission wholesaler
- Commission merchant
- 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 the billing for the merchandise (especially when buying for foreign customers, (usually Canadian) but this is done as a convenience for the buyer.

Brokers and agencies.--Firms which do not physically handle the produce although they may arrange for such physical handling by others.

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 of 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.

Importers' 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 of 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.

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

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

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

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

Market.--The standard metropolitan statistical area 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 chainstores with warehouse distribution areas over more than half the country.

Packer-shipper.--Receives products directly from farms, packs and ships. Most such firms are, of course, 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 direct from shipping point.

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

Repacker, prepackager.--A prepackager has more than half of 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 of 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, deliverying 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 whose main line is dry groceries and who does not sponsor a voluntary group or retailer cooperative.

Wholesale handlers.--Firms which physically handle the produce.

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