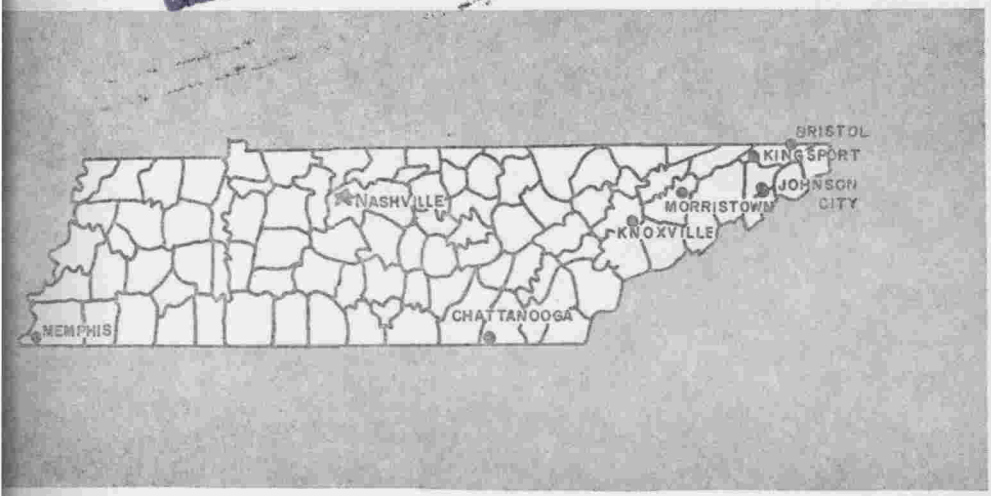
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# THE ORGANIZATION OF WHOLESALE FRUIT AND VEGETABLE MARKETS IN SELECTED TENNESSEE CITIES

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by
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## SUMMARY

THIS STUDY included 144 wholesale fruit and vegetable markets in Memphis, Nashville, Knoxville, Chattanooga, and 4 Upper East Tennessee cities.

The number of people in the trade areas for the cities studied were as follows: Memphis, 4,620,000; Nashville, 1,970,000; Knoxville, 1,126,000; Chattanooga, 1,200,000; and 4 Upper East Tennessee cities, 1,323,000, according to the *1959 U. S. Census of Population.*

**Table 1. Number of firms, total volume handled, volume handled by wholesalers and chain stores, and volume purchased direct from shipping point in Memphis, Nashville, Knoxville, Chattanooga, and 4 Upper East Tennessee cities, 1959**

| City | No. of firms | Total volume handled | Volume handled by: | | Volume direct from shipping point |
|---|---|---|---|---|---|
| | | | Wholesalers | Chain stores | |
| | | | Carlots | | |
| Memphis | 29 | 21,853 | 15,177 | 6,676 | 14,469 |
| Nashville | 32 | 10,323 | 9,106 | 1,217 | 8,246 |
| Knoxville | 34 | 8,227 | 6,112 | 2,115 | 6,894 |
| Chattanooga | 27 | 8,158 | 6,931 | 1,227 | 5,560 |
| 4 Upper East Tennessee cities | 22 | 5,118 | 4,585 | 533 | 4,684 |
| Total | 144 | 53,679 | 41,911 | 11,768 | 39,853 |

The changes in the number of wholesale firms in the cities studied, from 1949 to 1960, were as follows: Memphis, 25 to 29; Nashville, 31 to 32; Knoxville, 16 to 34; Chattanooga, 18 to 27; and 4 Upper East Tennessee cities, 14 to 22.

## ACKNOWLEDGMENTS

The authors gratefully acknowledge the courtesies extended to interviewers and the contributions made to this study by the managers of 144 wholesale fruit and vegetable firms in Tennessee's principal cities. These firms included 29 in Memphis, 32 in Nashville, 34 in Knoxville, 27 in Chattanooga, and 22 in Bristol, Johnson City, Kingsport and Morristown.

## TABLE OF CONTENTS

Page

Summary ..... 2

Introduction ..... 4

I. The Memphis Wholesale Produce Market ..... 5

Structure of the Retail Market ..... 14

Two Decades of Change in the Market ..... 15

II. The Nashville Wholesale Produce Market ..... 18

Structure of the Retail Market ..... 26

Two Decades of Change in the Market ..... 26

III. The Knoxville Wholesale Produce Market ..... 29

Structure of the Retail Market ..... 38

Two Decades of Change in the Market ..... 39

IV. The Chattanooga Wholesale Produce Market ..... 40

Structure of the Retail Market ..... 49

Two Decades of Change in the Market ..... 49

V. Four Upper East Tennessee Markets ..... 51

Structure of the Retail Markets ..... 61

Two Decades of Change in the Markets ..... 61

Bibliography ..... 63

Appendix ..... 64

# The Organization of Wholesale Fruit and Vegetable Markets In Selected Tennessee Cities

by

William E. Goble and Willie K. Davis[1]

## INTRODUCTION

### Importance of the Study

THIS MARKETING report covers the structure and operation of the wholesale fruit and vegetable markets in Memphis, Nashville, Knoxville, Chattanooga, and four cities in Upper East Tennessee (Bristol, Johnson City, Kingsport, and Morristown). It is part of a nationwide analysis of the organization and operation of wholesale fruit and vegetable markets being made by the Marketing Economics Division of the Economic Research Service to describe and appraise the current status of wholesale markets and the changes that have taken place in them. The data for the nationwide study were obtained during 1959 and 1960 from over 2,600 wholesale fruit and vegetable firms in 52 markets in various parts of the United States.

Numerous changes have been made in the produce marketing system in the part quarter century. These changes include: 1) a sharp increase in direct buying by chain and other retail stores, 2) a large number of wholesalers having gone out of business, 3) many other firms having established new businesses, and 4) consumer packaging and other technological changes becoming an important type of business in wholesale and retail markets.[2]

This study should provide managers of wholesale produce markets, shipping-point markets, farmers, civic leaders, and public agencies with information on the changes that have occurred in the marketing system for fresh fruits and vegetables and the implications of these changes. It should also provide information

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[1]Assistant Professor and former Graduate Student, respectively.

[2]Manchester, Alden C., *The Changing Organization of Wholesale Markets, Produce Marketing*, May 1962, p. 55.

for making decisions required for adjustment to the changes occurring in the structure of marketing.

### Objectives of the Study

The specific objectives of the study were:

1) To determine the organization and method of operation of the Memphis, Nashville, Knoxville, Chattanooga, and four Upper East Tennessee markets.

2) To ascertain the buying, selling and operating practices of the wholesalers in these markets.

3) To determine the changes that have taken place in these markets during the past 20 years.

### Method of Obtaining Data

A separate questionnaire was used for wholesalers, brokers, and chain stores. Interviews were conducted with managers of wholesale fresh fruit and vegetable firms and chain stores. All firms were classified into groups on the basis of type of firm, volume, and commodity specialization. Wholesale handlers of fresh fruit and vegetables were grouped on the basis of major functions, which are outlined in the Appendix, page 64. These markets are described separately as follows: Part I. Memphis; Part II. Nashville; Part III. Knoxville; Part IV. Chattanooga; Part V. Four Upper East Tennessee cities.

## I. THE MEMPHIS WHOLESALE PRODUCE MARKET

### Trade Area

The Memphis wholesale produce market supplies a large volume of produce to a trade area consisting of most of West Tennessee, a large portion of Mississippi, parts of Alabama, Arkansas, Illinois, Kentucky, and Missouri. The population of the trade area is over 4,620,000 people.[3] See Figure 1.1 for specific boundaries of the trade area.

### Market Areas

The fruit and vegetable marketing centers in Memphis consist of: 1) a wholesale market district; 2) a farmer's, some trucker's, and some wholesale establishments; 3) four chain store ware-

[3]U. S. Department of Commerce, *U. S. Census of Population. 1960, Alabama, Arkansas, Illinois, Mississippi, Missouri, Tennessee* (Washington: U. S. Government Printing Office, 1961).

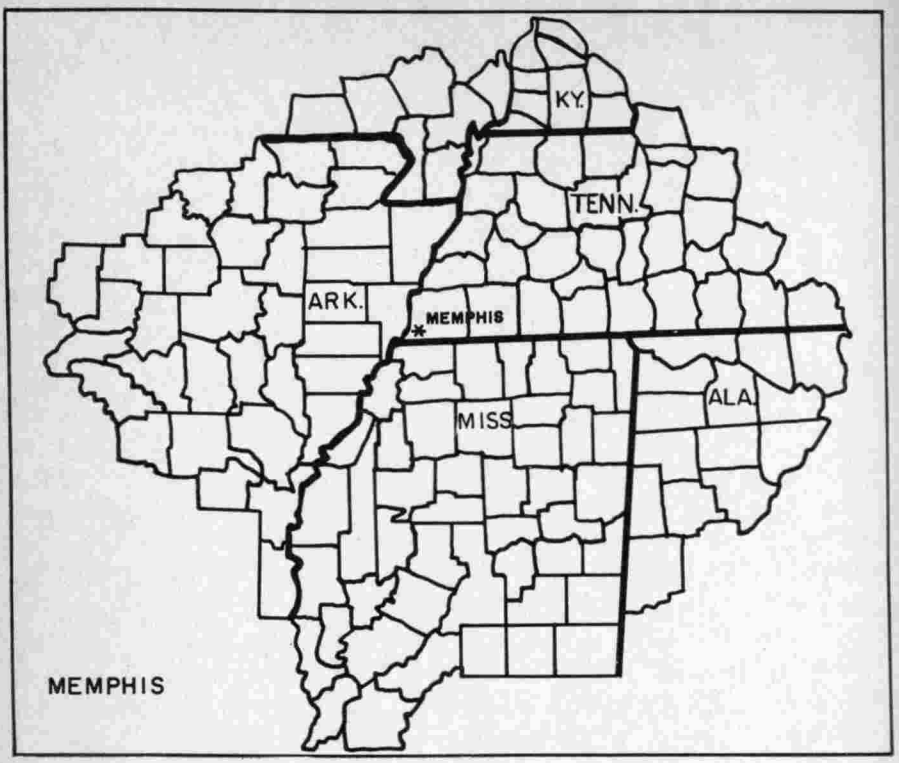



Figure 1.1. Trade areas of the Memphis wholesalers' market, 1959.

houses; and 4) two farmers' retail markets. Figure 1.2 shows the location of these marketing centers.

## The Structure of the Market

The Memphis wholesale produce market in 1959 consisted of 29 firms of 11 different types (Table 1.1). The four chain store firms sold 31 percent of the total volume, while the brokers and agencies sold 41 percent and the wholesale handlers sold the remaining 28 percent.

Small wholesalers—those with sales of less than 200 carlots each—numbered 10 and accounted for 4 percent of the carlots sold. Four wholesale firms, with sales of 200-499 carlots each, accounted for 5 percent of the carlots sold, and the 15 large wholesalers accounted for 91 percent of all wholesalers' sales. The large firms were mostly brokers, cooperative sales agencies, and chain stores.

Fifty-six percent of all wholesalers sold a complete line of fruits and vegetables (Table 1.2). General-line firms sold approximately 50 percent of produce sold. The service wholesalers, service jobber, and selling brokers handled a complete line of produce, while 50 and 80 percent, respectively, of the receivers and jobbers handled a complete line.

Over 900 persons were employed by wholesale firms in Mem-

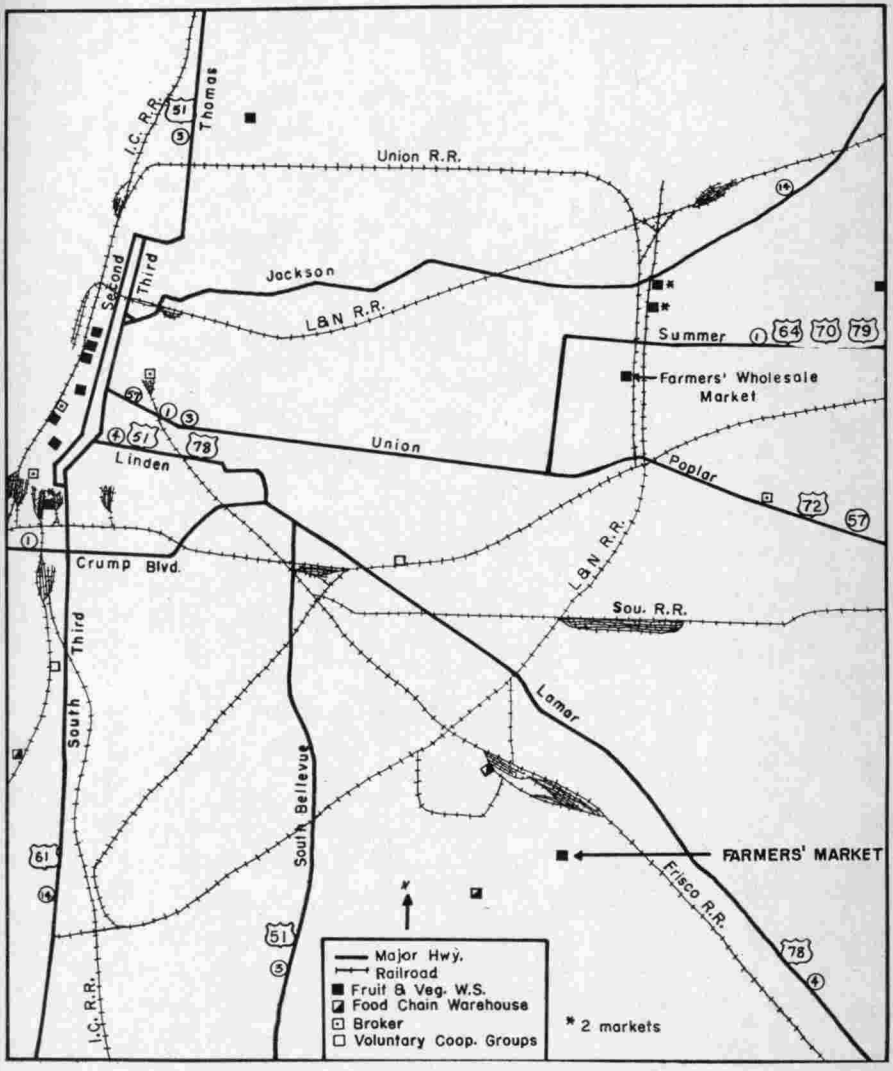



Figure 1.2. Location of the wholesale facilities in Memphis, Tennessee, 1959.

**Table 1.1. Number of firms by size and type, and volume handled, Memphis wholesale produce market, 1959**

| Type of firm | All firms | | | Distribution of firms by size[b] | | | Percentage of volume handled by: | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Volume handled[a] Quantity | Volume handled[a] Percentage of total market | Small | Medium | Large | Small firms | Medium firms | Large firms |
| | | Carlots | Percent | Number | | | Percent | | |
| Wholesale handlers: | | | | | | | | | |
| Receiver | 2 | | | 1 | 0 | 1 | 15 | 0 | 85 |
| Service wholesaler | 2 | 4,665 | 21 | 0 | 0 | 2 | 0 | 0 | 100 |
| Receiver-jobber | 1 | | | 0 | 1 | 0 | 0 | 100 | 0 |
| Jobber | 5 | 593 | 3 | 4 | 1 | 0 | 53 | 47 | 0 |
| Service jobber | 1 | | | 1 | 0 | 0 | 100 | 0 | 0 |
| Repacker; prepackager | 6 | 884 | 4 | 4 | 2 | 0 | 52 | 48 | 0 |
| Brokers and agencies: | | | | | | | | | |
| Selling broker | 5 | 4,850 | 22 | 0 | 0 | 5 | 0 | 0 | 100 |
| Cooperative sales agency | 2 | 4,185 | 19 | 0 | 0 | 2 | 0 | 0 | 100 |
| Importer | 1 | | | 0 | 0 | 1 | 0 | 0 | 100 |
| All wholesalers | 25 | 15,177 | 69 | 10 | 4 | 11 | 6 | 7 | 87 |
| Chain stores: | | | | | | | | | |
| Regional chain | 3 | 6,676 | 31 | 0 | 0 | 3 | 0 | 0 | 100 |
| Local chain | 1 | | | 0 | 0 | 1 | 0 | 0 | 100 |
| All firms | 29 | 21,853 | 100 | 10 | 4 | 15 | 4 | 5 | 91 |

[a] Includes resales among wholesalers and sales to chains.

[b] Small firms handle less than 200 carlots per year; medium firms 200 to 499; and large firms 500 or more.

Table 1.2. Degree of commodity specialization of wholesalers, by type of firm, Memphis wholesale produce market, 1959

| Type of firm | Percent of each type of firm | | | |
|---|---|---|---|---|
| | Firms handling complete line of produce | | Firms specializing in: | |
| | No specialization | Some specialization | One class of commodities[a] | A single fruit or vegetable |
| | Percent | | | |
| Receiver | 50 | 0 | 0 | 50 |
| Service wholesaler | 100 | 0 | 0 | 0 |
| Receiver-jobber | 0 | 100 | 0 | 0 |
| Jobber | 80 | 20 | 0 | 0 |
| Service jobber | 100 | 0 | 0 | 0 |
| Repacker; prepackager | 0 | 0 | 0 | 100 |
| Importer | 0 | 0 | 0 | 100 |
| Selling broker | 100 | 0 | 0 | 0 |
| Sales agency | 50 | 0 | 50 | 0 |
| All wholesalers | 56 | 8 | 4 | 32 |

[a] Commodity classes: citrus; all other fruits; Irish and sweet potatoes; all green vegetables; all other vegetables.

phis during 1959 (Table 1.3). Receivers, service wholesalers, repackers, prepackagers, and the chains were the largest employers. The average number of employees per firm was 16 for small firms, 110 for medium-size firms and 20 for large firms. Two of the medium-size firms employed relatively more labor than the others because 1 firm processed potato chips and 1 firm repacked tomatoes; each of these firms required a large amount of hand labor.

## Interfirm Relationships

Six firms in the Memphis market owned or controlled six other firms in the produce business, consisting of 3 farms, 1 shipper, 1 repackager, and 1 freight-trucking line.

## Marketing Channels

The channels through which produce was supplied to the Memphis trade area are shown in Figure 1.3.

Out-of-town purchases of the Memphis market in 1959 totaled 18,328 carlots. The 796 carlots, which bypassed Memphis, were sold by firms in Memphis to out-of-town buyers. Brokers, importers, and sales agencies accounted for 9,035 carlots, or 49 percent of the supply entering the market (Table 1.4). Receipts di-

Table 1.3. Number of employees, by type and size of firm, Memphis wholesale produce market, 1959

| Type of firm | All firms | | Small firms[a] | Medium firms[a] | Large firms[a] |
|---|---|---|---|---|---|
| | Firms | Employees | | Employees | |
| Wholesale handlers: | | | | | |
| Receiver | 2 | 26 | 7 | 0 | 19 |
| Service wholesaler | 2 | 138 | 0 | 0 | 138 |
| Receiver-jobber | 1 | 18 | 0 | 18 | 0 |
| Jobber | 5 | 13 | 10 | 3 | 0 |
| Service jobber | 1 | 4 | 4 | 0 | 0 |
| Repacker; prepackager | 6 | 561 | 141 | 420 | 0 |
| Brokers and agencies: | | | | | |
| Selling broker | 5 | 15 | 0 | 0 | 15 |
| Cooperative sales agency | 2 | 12 | 0 | 0 | 12 |
| Importer | 1 | 7 | 0 | 0 | 7 |
| Chain stores: | | | | | |
| Regional chains | 3 | 72 | 0 | 0 | 72 |
| Local chains | 1 | 35 | 0 | 0 | 35 |
| All firms | 29 | 901 | 162 | 441 | 298 |

[a] Small firms buy less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

rect from shipping point or imported accounted for 14,469 carlots, or 79 percent of the supply, and those from local farmers were 3,859 carlots, or 21 percent.

Sales among wholesalers in the Memphis market consisted of 899 carlots or 5 percent of the market supply. Brokers and cooperative sales agencies made almost 60 percent of these sales. The most important buyers were the service wholesalers.

Wholesalers sold 3,888 carlots to Memphis chains and a retail cooperative, 5,207 carlots to retail stores and peddlers, and 839 carlots to eating places, institutions, military and processors (Table 1.5). About 52 percent of the carlots sold to chains were sold by brokers and service wholesalers.

Service wholesalers and sales agencies sold 89 percent of the carlots to eating places, institutions, and military organizations.

Memphis wholesalers sold 4,542 carlots to out-of-town customers. One-fourth of the volume that entered the market was sold out-of-town, with chains and wholesalers being the most important buyers.

## Buying Methods

Memphis wholesale handlers bought nearly one-half of the produce handled from the shipper through shipping point buying

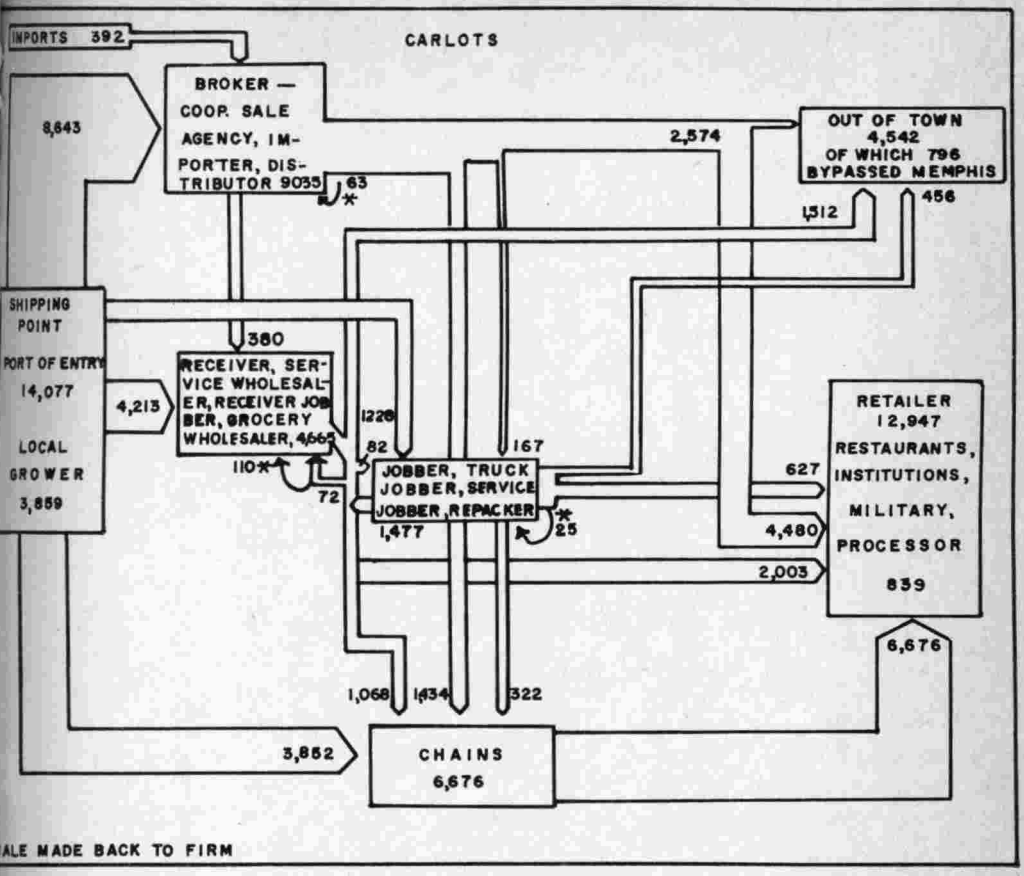



Figure 1.3. Major marketing channels, Memphis wholesale produce market, 1959.

brokers. Another 32 percent was bought direct by phone or wire, and 15 percent by the firm's own or affiliated shipper at shipping point. The remaining 5 percent of the volume was purchased from shipping point farmers' markets through own buyers or by personal contact with growers.

## Functions and Services

Eighty-eight percent of the wholesale handlers provided delivery service in 1959. Eighty-two percent of the produce sold by wholesale handlers was delivered to the customers in the handlers' own trucks.

Memphis wholesale dealers prepackaged or repacked 1,042 carlots, or about 5 percent, of the fresh fruits and vegetables sold

**Table 1.4. Source of supply by class of firm, Memphis, Tennessee, wholesale produce market, 1959**

| Class of buyer | Direct from shipping point or port of entry | From local growers | Total | Produce bypassing Memphis market | Produce entering Memphis market |
|---|---|---|---|---|---|
| | | | Carlots | | |
| Wholesale handlers: | | | | | |
| Receivers, Service wholesalers, Receiver-jobber | 4,012 | 201 | 4,213 | 0 | 4,213 |
| Jobbers, Service jobber | 57 | 287 | 344 | 0 | 344 |
| Repacker; prepackager | 869 | 15 | 884 | 0 | 884 |
| Total | 4,938 | 503 | 5,441 | 0 | 5,441 |
| Brokers and agencies: | | | | | |
| Selling broker | 4,850 | 0 | 4,850 | 796 | 4,054 |
| Cooperative sales agency, Importer | 1,347 | 2,838 | 4,185 | 0 | 4,185 |
| All wholesalers | 11,135 | 3,341 | 14,476 | 796 | 13,680 |
| Chain stores: | | | | | |
| Regional chains, Local chains | 3,334 | 518 | 3,852 | 0 | 3,852 |
| Grand total | 14,469 | 3,859 | 18,328 | 796 | 17,532 |

**Table 1.5. Wholesalers' sales to retail outlets, by class of firm, Memphis wholesale produce market, 1959**

| Class of seller | Type of retail outlet: Chains, retail cooperative | Retail store, peddler | Eating place, institution, military, processor | Total |
|---|---|---|---|---|
| | | Carlots | | |
| Selling broker, Coop. sales agency, Importer | 2,111 | 3,576 | 227 | 5,914 |
| Receiver, Receiver-jobber, Service wholesaler | 1,280 | 1,247 | 544 | 3,071 |
| Jobber, Service jobber, Repacker | 497 | 384 | 68 | 949 |
| Total | 3,888 | 5,207 | 839 | 9,934 |

**Table 1.6. Volume prepackaged or repacked by type of firm, Memphis wholesale produce market, 1959**

| Commodity | Prepackaged or repacked by: 6 repackers and prepackagers | 2 service wholesalers | 1 receiver jobber | 1 jobber | Total |
|---|---|---|---|---|---|
| | | | Carlots | | |
| Potatoes | 589 | 50 | 48 | 0 | 687 |
| Tomatoes | 250 | 0 | 0 | 27 | 277 |
| General line | 0 | 78 | 0 | 0 | 78 |
| Total | 839 | 128 | 48 | 27 | 1,042 |

(Table 1.6). Almost two-thirds, or 687 carlots, were potatoes, and 277 carlots were tomatoes. About 80 percent of the volume prepackaged was done by specialized repackers and the remainder was done by service wholesalers, a receiver-jobber and a jobber.

Almost 50 percent of the wholesale firms offered credit to their customers. Fourteen firms reported on credit terms extended to customers. Seven firms offered credit for 30 days. Three firms offered credit for 10 days, and 4 firms offered credit for 7 days.

All of the wholesalers in the Memphis wholesale produce market except receiver-jobbers and jobbers reported that their sales were made to regular customers.

### Margins

Firms quoted target margins, in terms of percentage of sales price and as percent of markup on cost (Table 1.7). Margins in terms of percentage of sales price ranged from 8 to 20 percent. Receiver-jobbers and jobbers each reported a 20 percent margin, while the service jobbers and service wholesalers reported 8 and 15 percent margins, respectively. One jobber reported a 5 percent margin on cost, whereas the repackers and prepackagers reported a 25 percent margin as a percentage of selling price. The margin is usually directly related to the amount of service furnished by the wholesaler.

A detailed analysis was made of costs and margins for 11 firms, consisting of 7 small and 4 large firms (Table 1.8). Small firms did not report any payroll for corporation officers while large firms reported their executive payroll as 3 percent of gross margins. Small firms' payrolls for employees were 14.7 percent of their gross margins compared to 36.1 percent of gross margins for large firms. The smaller share of gross margins for small firms was due to owners of small firms contributing their labor to the operation of the business. Managers of small firms did not specify the opportunity cost of their managerial service.

Building and equipment costs for small and large firms were 26.2 and 47.9 percent of gross margins, respectively. Cartages, delivery, storage, materials and supplies, and buying and selling expenses were 23.8 and 24.2 percent, of gross margins for small and large firms, respectively. Total costs of operation for the small and large firms were 71.1 and 80.7 percent of gross margins, respectively.

## STRUCTURE OF THE RETAIL MARKET

There were 997 retail food stores with annual sales of $157,051,000 in the Memphis metropolitan (Shelby County) area in 1958.[4] Grocery stores, including delicatessens, numbered 876 and had sales of $151,168,000. There were 22 fruit and vegetable stores with sales of $581,000.

Two regional and 3 local chains served 246 stores from their Memphis warehouses. A national, 2 regional, and 3 local chains had 63 stores in Memphis in 1958.

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[4]U. S. Bureau of the Census, *Vol. II. Retail Trade—Area Statistics* (Washington: U. S. Government Printing Office, 1958).

Table 1.7. Target margins of wholesalers, Memphis, wholesale produce market, 1959

| Type of firm | Average target margin of firms quoting in terms of: | | Percentage of firms quoting a target margin |
|---|---|---|---|
| | Percentage of sales price | Percent markup on cost | |
| | | Percent | |
| Service wholesaler | 15 | 0 | 50 |
| Receiver-jobber | 20 | 0 | 100 |
| Jobber | 20 | 5 | 40 |
| Service jobber | 8 | 0 | 100 |
| Repacker; prepackager | 0 | 25 | 33 |

## TWO DECADES OF CHANGE IN THE MARKET

### Number and Type of Firms

There were 25 wholesale produce firms in Memphis in 1941. These firms consisted of 12 wholesalers, 10 brokers, 1 importer, and 2 chains.

### Entrance and Exit of Wholesalers

From 1941 to 1950 the total number of firms increased from 25 to 44, but by 1960 they had declined to 29.[5] Between 1941 and 1960 the number of receivers remained the same. New types of firms established since 1941 included 2 service wholesalers, 1 service jobber, 13 truck jobbers, and 6 repackers. By 1960 the truck jobbers had gone out of business. The number of receiver-jobber firms was 4 in 1941, 6 in 1950, and 1 in 1960. Jobber firms decreased 1 from 1950. Broker firms decreased from 10 to 5 during the same period.

Forty-eight percent of the wholesalers in the Memphis market in 1960 had been in business from 10 to 29 years. Sixteen percent had entered business during the last 9 years while 36 percent had been in business 30 years or more.

The median number of years in business for all wholesalers was 20 years. The oldest types of firms in terms of median years in business were receiver, service wholesaler, receiver-jobber, im-

[5]Produce Reporter Company, 1941, 1950, 1960, Wheaton, Illinois.

**Table 1.8. Average marketing costs and margins of a sample of 11 wholesalers, Memphis wholesale produce market, 1959**

| Items | Size of firm by 1959 sales volume[a] | |
|---|---|---|
| | Small, less than 200 carlots | Large, 500 or more carlots |
| Sales | $1,242,000 | $8,748,000 |
| Delivered cost of goods | 891,000 | 7,238,000 |
| Gross margin | 351,000 | 1,510,000 |
| | Percent of gross margins | |
| Cost of operation: | | |
| Payroll: | | |
| Corporation officers | * | 3.0 |
| Others | 14.7 | 36.1 |
| Buildings and equipment: | | |
| Rent | 3.5 | 1.8 |
| Repairs and maintenance | 1.3 | 1.1 |
| Utilities | 0.9 | 0.8 |
| Depreciation | 5.7 | 4.3 |
| Equipment rentals | 0.1 | 0.1 |
| Store expense | | 0.7 |
| Total | 26.2 | 47.9 |
| Cartage, delivery, storage | 6.9 | 12.9 |
| Materials and supplies | 10.6 | 5.4 |
| Buying and selling expense: | | |
| Travel and entertainment | 1.1 | 3.4 |
| Telephone and telegraph | 4.8 | 1.5 |
| Inspection | 0.0 | 0.0 |
| Advertising | 0.4 | 1.0 |
| Total | 23.8 | 24.2 |
| Overhead: | | |
| Taxes | 1.8 | 3.1 |
| Interest | 14.4 | 0.5 |
| Bad debts | 3.2 | 1.0 |
| Contributions | 0.2 | 0.1 |
| Insurance | 0.9 | 1.6 |
| Accounting, audit, legal | 0.3 | 0.5 |
| Other | 0.3 | 1.9 |
| Total costs of operation | 71.1 | 80.7 |
| Net income before income tax | 28.9 | 19.3 |
| Net income after income tax | 15.7 | 10.3 |

*Not specified.

[a] Information was not obtained from medium-size firms.

porter, and cooperative sales agency; the newest types were service jobber, repacker, and broker.

## Growth and Decline of Firms

The changes in the total sales volume of 19 firms reporting, which had been in business for 10 years or more, 1949 to 1959, are indicative of the changes occurring in the Memphis market. Seventy-one percent of the firms reported an increase of more than 10 percent in sales from 1949 to 1959. Eight percent of the firms reported little or no change and 21 percent reported a decrease of more than 10 percent.

## Changes in Trade Channels

Eight of the 22 Memphis wholesale firms reporting did not change their source of supply for fruit and vegetables from 1949 to 1959. Two firms—an importer and a repacker—had changed their supply areas. Seven firms were obtaining more directly from production areas.

Of the 17 firms in business over 10 years, 4 firms did not report any change in sale outlets. Twelve firms reported more sales to chains or independent stores. One firm sold less to chain stores and one firm had fewer customers but sold more per customer. Two of the firms in business less than 10 years did not report any change.

## Changes in Service

Changes in service were reported by 8 firms. One of the more recent changes by 6 firms included suggesting retail prices to stores and, in addition, assisting with merchandising, promotion, and advertising. Delivery service had been added by 2 firms. Packaging for chains was an innovation by one firm.

## Outlook for Wholesalers

Of 28 firms reporting in 1960, 32 percent reported that the outlook for their business was good. Twenty-five percent indicated that the outlook for their business was about the same. Eighteen percent of the firms believed their future was poor because chains are taking more of their sales volume. Eleven percent of the firms thought the outlook for their business would be fair. The outlook for the 4 chains was good.

## II. THE NASHVILLE WHOLESALE PRODUCE MARKET

### Trade Area

The Nashville wholesale produce market supplies a large volume of produce to a trade area consisting of several Middle Tennessee counties extending north to Kentucky, east to Cookeville, south to Alabama, and west to Jackson, one county in Illinois, 24 counties in Kentucky, and 3 counties in Alabama. The population of the trade area is over 1,970,000 people (Figure 2.1).[1]

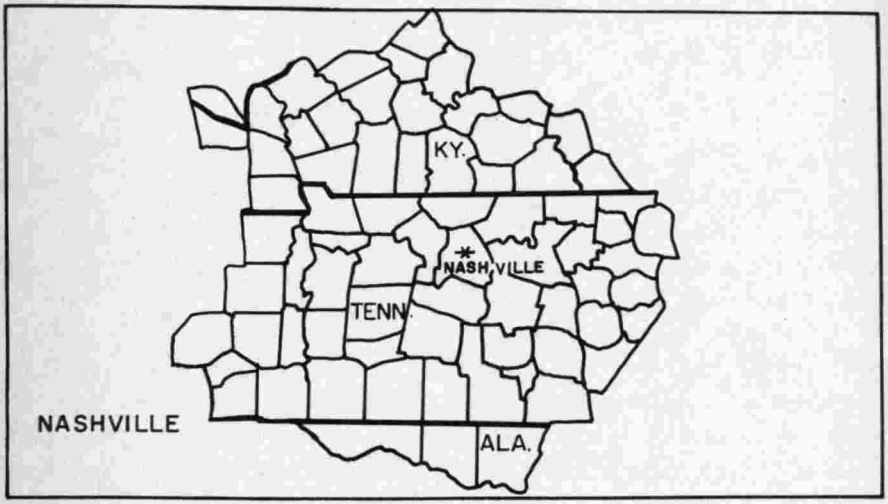



Figure 2.1. Trade area of the Nashville wholesalers' market, 1959.

### Market Areas

The Nashville wholesale fruit and vegetable market consists of the independent wholesale dealers, brokers, chain stores, and the farmers' market. Figure 2.2 shows that most of the wholesalers and the farmers' market are located in the North Central section of the city. Total volume of fresh fruit and vegetables handled in Nashville was 10,323 carlots in 1959. This volume does not include direct purchases from farmers and truckers by retailers, processors, or consumers.

### The Structure of the Market

The Nashville wholesale produce market consisted of 32 firms of 13 types. Receivers, receiver-jobbers, jobbers, service whole-

[1]U. S. Department of Commerce, *U. S. Census of Population, 1960, Tennessee, Kentucky, Alabama, and Illinois* (Washington: U. S. Government Printing Office, 1961).

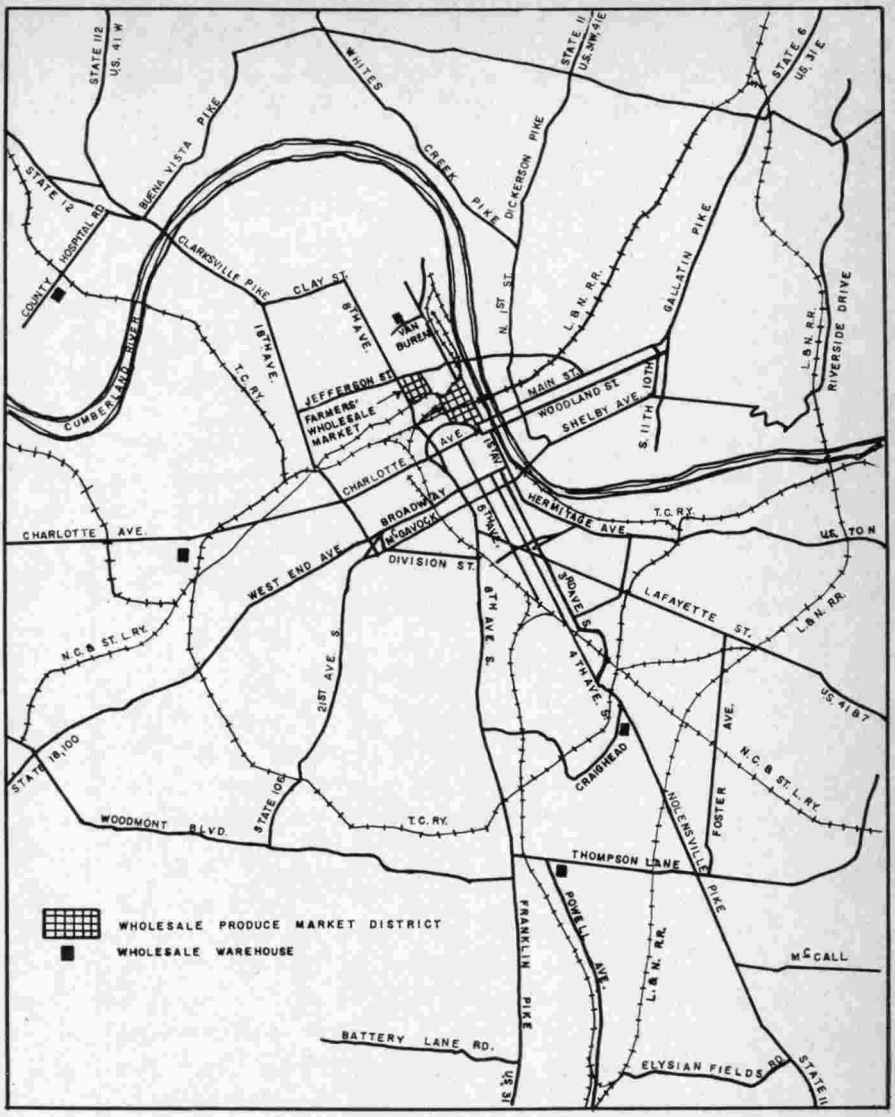



Figure 2.2. Location of the wholesale facilities in Nashville, Tennessee, 1959.

salers, purveyors, and repackers totaled 23 of the 32 firms. The 9 additional firms included a merchant trucker, a merchant wholesaler, a wholesale grocer, a service jobber, a selling broker, and 4 chain stores.

Eight of the wholesalers reported a volume of 500 or more

carlots of produce handled annually (Table 2.1). These large firms handled 81 percent of the total wholesalers' volume. The three medium-size wholesaler firms, with a volume of 200-499 carlots each per year, handled 8 percent of the wholesalers' volume. Seventeen small firms each handling less than 200 carlots per year, sold the remaining 11 percent. When chains were included with wholesalers, the large, medium, and small firms handled 77, 12, and 11 percent of the volume, in the order named.

Table 2.2 shows that 55 percent of the wholesalers were complete line firms, with no specialization. Receivers, receiver-jobbers, and purveyors reported some specialization, and merchant wholesalers, wholesale grocers and repackers reported a high degree of specialization.

At the time of this study, 689 persons were employed by produce firms in Nashville. Service wholesalers, purveyors, receivers, receiver-jobbers, repackers, and chain stores were the major employers (Table 2.3). The average number of employees for wholesale firms and chain stores was 22; for small firms it was 11; for medium firms 12, and for large firms 48.

## Interfirm Relationships

Six Nashville wholesalers owned or controlled other firms in the produce business in 1959. Three owned repacking firms, one in Nashville and two in other cities. Two wholesalers had branch operations in other cities and one firm produced vegetables.

## Marketing Channels

The total supply of fruits and vegetables entering the Nashville wholesale market in 1959 was 8,607 carlots, which included 526 carlots sold by local growers and 60 carlots purchased from other terminal markets (Table 2.4). The brokers sold 225 carlots which bypassed Nashville. About 53 percent of the volume in the Nashville market was handled by receivers, receiver-jobbers, service jobbers, service wholesalers, and merchant truckers. The variety of channels through which produce was supplied to the Nashville trade area is shown in Figure 2.3.

About 93 percent of the total volume of produce coming into the market was bought directly from shipping point, 1 percent was purchased from other terminal markets, and 6 percent from local growers. The volume of sales from one Nashville wholesaler to another was 1,184 carlots.

**Table 2.1. Number of firms by size and type, and volume handled, Nashville wholesale produce market, 1959**

| Type of firm | All firms: Number | All firms: Volume handled[a]: Quantity | All firms: Volume handled[a]: Percentage of total market | Distribution of firms by size[b]: Small | Distribution of firms by size[b]: Medium | Distribution of firms by size[b]: Large | Percentage of volume handled by: Small firms | Percentage of volume handled by: Medium firms | Percentage of volume handled by: Large firms |
|---|---|---|---|---|---|---|---|---|---|
| | | Carlots | Percent | Number | | | Percent | | |
| Wholesalers: | | | | | | | | | |
| Receiver | 4 | 1,695 | 16 | 2 | 0 | 2 | 9 | 0 | 91 |
| Receiver-jobber | 5 | 1,876 | 18 | 1 | 2 | 2 | [c] | [c] | [c] |
| Merchant trucker | 1 | | | 1 | 0 | 0 | 100 | 0 | 0 |
| Merchant wholesaler | 1 | 71 | 1 | 1 | 0 | 0 | 100 | 0 | 0 |
| Wholesale grocer | 1 | | | 1 | 0 | 0 | 100 | 0 | 0 |
| Jobber | 3 | 322 | 3 | 3 | 0 | 0 | 100 | 0 | 0 |
| Service jobber | 1 | | | 1 | 0 | 0 | 100 | 0 | 0 |
| Repacker; prepackager | 5 | 1,664 | 16 | 3 | 1 | 1 | [c] | [c] | [c] |
| Purveyor | 4 | 178 | 2 | 4 | 0 | 0 | 100 | 0 | 0 |
| Selling broker | 1 | 3,300 | 32 | 0 | 0 | 1 | 0 | 0 | 100 |
| Service wholesaler | 2 | | | 0 | 0 | 2 | 0 | 0 | 100 |
| Total wholesalers | 28 | 9,106 | 88 | 17 | 3 | 8 | 11 | 8 | 81 |
| Chain stores: | | | | | | | | | |
| Regional chain | 2 | 1,217 | 12 | 0 | 1 | 1 | 0 | 27 | 73 |
| Local chain | 2 | | | 1 | 1 | 0 | 25 | 75 | 0 |
| Total all firms | 32 | 10,323 | 100 | 18 | 5 | 9 | 11 | 12 | 77 |

[a]Includes resales among wholesalers and sales to chains.

[b]Small firms buy less than 200 carlots per year, medium firms 200 to 499, large firms 500 or more.

[c]Withheld to avoid disclosure of individual operations; total includes withheld figures.

**Table 2.2. Degree of commodity specialization of wholesalers, by type of firm, Nashville wholesale produce market, 1959**

| Type of firm | Percent of each type of firm | | | | |
|---|---|---|---|---|---|
| | Firms handling complete line of produce | | Firms specializing in: | | |
| | No specialization | Some specialization | Two or more commodity classes[a] | A single fruit or vegetable | Total |
| | | | Percent | | |
| Receiver | 25 | 50 | 25 | 0 | 100 |
| Receiver-jobber | 60 | 20 | 20 | 0 | 100 |
| Merchant trucker | 100 | 0 | 0 | 0 | 100 |
| Merchant wholesaler | 0 | 0 | 100 | 0 | 100 |
| Wholesale grocer | 0 | 0 | 0 | 100 | 100 |
| Jobber; service jobber | 100 | 0 | 0 | 0 | 100 |
| Repacker; prepackager | 20 | 0 | 40 | 40 | 100 |
| Purveyor | 75 | 25 | 0 | 0 | 100 |
| Selling broker | 100 | 0 | 0 | 0 | 100 |
| Service wholesaler | 100 | 0 | 0 | 0 | 100 |
| All wholesalers | 55 | 15 | 19 | 11 | 100 |
| No. of wholesalers | 16 | 4 | 5 | 3 | 28 |

[a]Commodity classes: citrus; all other fruits; Irish and sweet potatoes; all green vegetables; all other vegetables.

**Table 2.3. Number of employees, by type and size of firm, Nashville wholesale produce market, 1959**

| Type of firm | All firms | | Small firms[a] | Medium firms[a] | Large firms[a] |
|---|---|---|---|---|---|
| | Number | Employees | Employees | | |
| Receiver | 4 | 64 | 13 | 0 | 51 |
| Receiver-jobber | 5 | 79 | 7 | 39 | 33 |
| Jobber | 3 | 22 | 22 | 0 | 0 |
| Service jobber | 1 | 5 | 5 | 0 | 0 |
| Purveyor | 4 | 116 | 116 | 0 | 0 |
| Repacker; prepackager | 5 | 53 | 25 | 8 | 20 |
| Merchant trucker | 1 | 3 | 3 | 0 | 0 |
| Merchant wholesaler | 1 | 3 | 3 | 0 | 0 |
| Wholesale grocer | 1 | 3 | 3 | 0 | 0 |
| Selling broker | 1 | 7 | 0 | 0 | 7 |
| Service wholesaler | 2 | 287 | 0 | 0 | 287 |
| Chain: | | | | | |
| Regional and local | 4 | 47 | 4 | 11 | 32 |
| All firms | 32 | 689 | 201 | 58 | 430 |

[a]Small firms handle less than 200 carlots per year; medium firms 200 to 499; and large firms 500 or more.

**Table 2.4. Sources of supply, by class of firm, Nashville wholesale produce market, 1959**

| Class of buyer | Direct from shipping point or port of entry | From local growers | From other terminal markets | Total | Produce bypassing Nashville market | Produce entering Nashville market |
|---|---|---|---|---|---|---|
| | | | Carlots | | | |
| Receiver | 1,647 | 42 | 0 | 1,689 | 0 | 1,689 |
| Receiver-jobber | 1,512 | 96 | 25 | 1,633 | 0 | 1,633 |
| Merchant trucker, Merchant wholesaler, Wholesale grocer | 34 | 14 | 15 | 63 | 0 | 63 |
| Jobber, Service jobber | 165 | 18 | 0 | 183 | 0 | 183 |
| Repacker | 1,501 | 20 | 0 | 1,521 | 0 | 1,521 |
| Purveyor | 5 | 15 | 20 | 40 | 0 | 40 |
| Selling broker, Service wholesaler | 2,910 | 190 | 0 | 3,100 | 225 | 2,875 |
| Total | 7,774 | 395 | 60 | 8,229 | 225 | 8,004 |
| Chains | 472 | 131 | 0 | 603 | 0 | 603 |
| Total all firms | 8,246 | 526 | 60 | 8,832 | 225 | 8,607 |

A volume of 5,265 carlots of produce was sold by Nashville wholesalers to Nashville retail outlets in 1959 (Table 2.5). Chain stores bought 12 percent, or 614 carlots. An additional 70 percent, or 3,692 carlots, was bought by independent retail stores and

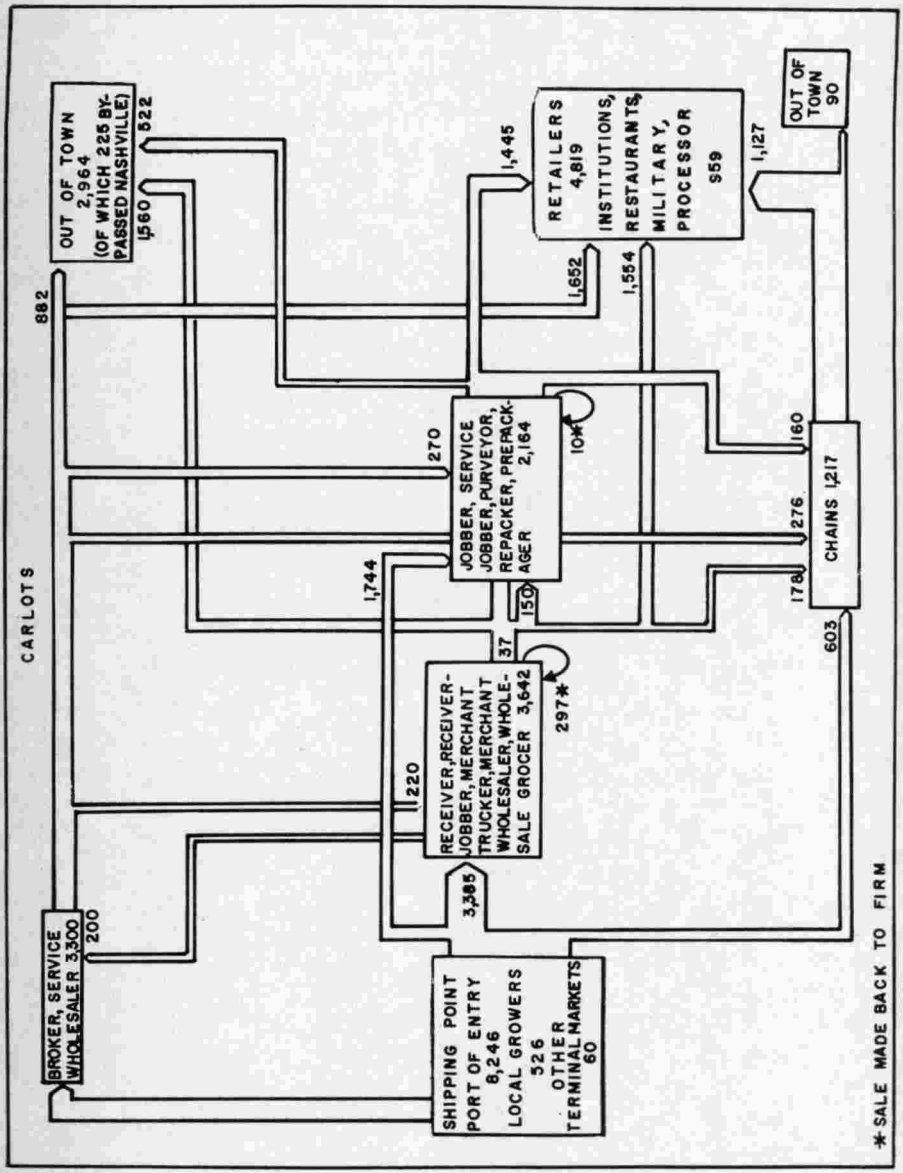



Figure 2.3. Major marketing channels, Nashville wholesale produce market, 1959.

Table 2.5. Wholesalers' sales to retail outlets, by class of firm, Nashville wholesale produce market, 1959

| Class of seller | Type of retail outlet: Chains, retail cooperative | Retail store, peddler | Eating place, institution, military | Total |
|---|---|---|---|---|
| | | Carlots | | |
| Selling broker<br>Service wholesaler | 276 | 1,389 | 263 | 1,928 |
| Receiver<br>Receiver-jobber<br>Merchant trucker<br>Merchant wholesaler<br>Wholesale grocer | 178 | 1,282 | 272 | 1,732 |
| Jobber<br>Service jobber<br>Repacker; prepackager<br>Purveyor | 160 | 1,021 | 424 | 1,605 |
| Total | 614 | 3,692 | 959 | 5,265 |

peddlers. The remaining 18 percent, or 959 carlots, was purchased by eating establishments and institutions.

About 34 percent of the total supply entering the market was sold to out-of-town buyers by wholesalers. Over three-fourths of this volume was handled by receivers, receiver-jobbers, service wholesalers and selling brokers. Wholesalers in other markets purchased 46 percent of the volume.

## Buying Methods

Purchasing from shipping point by telephone contact was used in the Nashville market for 56 percent of the fruits and vegetables bought directly in 1959. Receivers, receiver-jobbers, service wholesalers and merchant wholesalers made the majority of their direct purchases over the phone.

Purveyors used a broker to obtain half of their volume of produce. Prepackagers obtained about three-fourths of their volume through personal contact with the grower.

## Functions and Services

Ninety-six percent of the produce sold by wholesale handlers was delivered in the firms' own trucks. All deliveries were made by six types of firms in their own trucks. Most wholesale handlers in the Nashville market reported that most of their sales were made to regular customers.

Nashville wholesale handlers repacked or prepackaged 2,195 carlots of produce in 1959 (Table 2.6). Repackers handled about 70 percent of this total of which about 60 percent was tomatoes.

Twenty wholesale firms offered 7 days credit. Sixteen of them also offered 30 days credit, and one offered 50 days credit. The institutional firms usually received 30 days credit.

### Margins

The gross margins or difference between the buying and selling price expressed as a percentage of selling price varied from 8 to 12.5 percent among the different types of wholesalers (Table 2.7). Target margins expressed in terms of percent were lower for repacker, prepackager, service wholesaler, and purveyor than for jobber, service jobber, receiver, and receiver-jobber. The average target margin for all wholesalers reporting was 10.9 percent.

## STRUCTURE OF THE RETAIL MARKET

There were 630 retail food stores with total sales of $122,317,000 in Nashville in 1958.[2] Grocery stores, including delicatessens, numbered 575, and had sales of $119,466,000. There were 20 specialty fruit and vegetable stores with sales of $696,000 and 33 other specialty food stores.

A regional and three local chains served 99 stores from their Nashville warehouses. One national, 2 regional, and 3 local chains had 61 stores in Nashville in 1958.

## TWO DECADES OF CHANGE IN THE MARKET

### Number and Types of Firms

There were 31 wholesalers in Nashville in 1941, 41 in 1950, and 32 in 1960. These firms consisted of 2 receivers, 11 receiver-jobbers, 5 jobbers, 4 wholesale grocers, 1 truck jobber, 6 selling brokers, and 2 regional chains in 1941.

### Entrance and Exit of Wholesalers

Between 1941 and 1960, the number of receivers increased from 2 to 4, the number of receiver-jobbers decreased from 11 to 5, and purveyors increased to 4.[3] During the same period the number of jobbers decreased from 5 to 3, and selling brokers de-

[2]U. S. Bureau of the Census, *Vol. II. Retail Trade—Area Statistics* (Washington: U. S. Government Printing Office, 1958).

[3]Produce Reporter Company, 1941, 1950, 1960, Wheaton, Illinois.

**Table 2.6. Volume prepackaged or repacked, by type of firm, Nashville wholesale produce market, 1959**

| Commodity | Prepackaged or repacked by: 5 repackers and prepackagers | 2 receivers | 5 receiver-jobbers | 2 purveyors | 2 service wholesalers | Total |
|---|---|---|---|---|---|---|
| | | | Carlots | | | |
| Potatoes | 50 | 0 | 25 | 4 | 17 | 96 |
| Tomatoes | 1,109 | 159 | 31 | 0 | 0 | 1,299 |
| Bananas | 145 | 0 | 130 | 0 | 0 | 275 |
| Onions | 0 | 0 | 25 | 0 | 16 | 41 |
| Citrus | 0 | 0 | 25 | 0 | 0 | 25 |
| Pickles | 0 | 0 | 0 | 2 | 0 | 2 |
| Apples | 0 | 0 | 0 | 0 | 17 | 17 |
| General line | 200 | 0 | 40 | 0 | 200 | 440 |
| Total | 1,504 | 159 | 276 | 6 | 250 | 2,195 |

Table 2.7. Target margins of wholesalers, Nashville wholesale produce market, 1959

| Type of firm | Average target margin of firms quoting in terms of percentage of sales price | Percentage of firms quoting a target margin |
|---|---|---|
| | Percent | |
| Receiver | 12.2 | 50 |
| Receiver-jobber | 11.8 | 40 |
| Service wholesaler | 10.0 | 50 |
| Jobber; service jobber | 12.5 | 100 |
| Purveyor | 10.0 | 25 |
| Repacker; prepackager | 8.0 | 80 |
| Wholesale grocer | 12.0 | 100 |
| Total wholesale handlers | 10.9 | |

creased from 6 to 1. All wholesalers decreased from 29 to 28. Chains increased from 2 to 4 for the same period.

## Growth and Decline of Firms

The changes in the sales volume of 17 wholesale firms which have been in business for at least 10 years indicate the changes taking place in the market. Seventy percent of the firms reported an increase of more than 10 percent in sales from 1949 to 1959; 12 percent reported little or no change in sales; and 18 percent reported a decrease of more than 10 percent.

Twenty-five percent of the wholesalers have been in business 30 years or more. Twenty-nine percent have been in business 20-29 years, 21 percent 10-19 years, and 25 percent less than 10 years.

The median number of years in business for all wholesalers is 20 years. The oldest type of firms, in terms of median years in business, were receivers, service jobbers, merchant truckers, merchant wholesalers, and selling brokers. The newest firms were jobbers, receiver-jobbers, service wholesalers, repackers, and purveyors.

## Changes in Trade Channels

Thirteen of the 28 produce firms reporting in Nashville did not indicate any change in their source of supply from 1949 to 1959, while 11 of the wholesalers purchased more from shipping point during the 1949-1959 period. Two firms obtained more of

their volume from brokers; one firm bought locally, and the other did not; one firm bought through wholesalers instead of doing its own buying.

Of the 21 firms in business over 10 years, 8 firms did not report any change in sales outlets. Three firms reported more sales to chains, while 2 firms indicated relatively fewer sales to chains during the period. One firm experienced a decline in the volume sold to independent stores.

Three of the 7 firms in business less than 10 years did not report any change in sales outlets. Two firms reported more sales to institutions; one firm sold relatively less to chain stores while one firm sold more to chain stores.

### Changes in Service

Forty-four percent of the firms did not indicate any change in the type or amount of service offered from 1949 to 1959. Over that period, 14 firms provided more service. Of those firms, 6 provided more delivery service, 4 provided more packaging service, and 4 firms offered more service in general. Two of the 4 chains reported that more refrigeration space had been added.

### Outlook of Wholesalers

In 1960, 50 percent of the 28 wholesalers reporting felt that the outlook for their type of business was good; 25 percent indicated the outlook was fair; 7 percent indicated their volume would decrease; 18 percent reported that frozen food sales were increasing and, therefore, their business would increase. Two chains reported the outlook for their business was good.

## III. THE KNOXVILLE WHOLESALE PRODUCE MARKET

### Trade Area

The Knoxville wholesale produce market supplies a large volume of produce to a trade area that includes 24 East Tennessee counties, 4 counties in Kentucky and 3 counties in Virginia. The population of the trade area is over 1,126,000.[1] See Figure 3.1 for specific boundaries of the trade area.

[1]U. S. Department of Commerce, *U. S. Census of Population, 1960, Kentucky, Tennessee, and Virginia* (Washington: U. S. Government Printing Office, 1961).

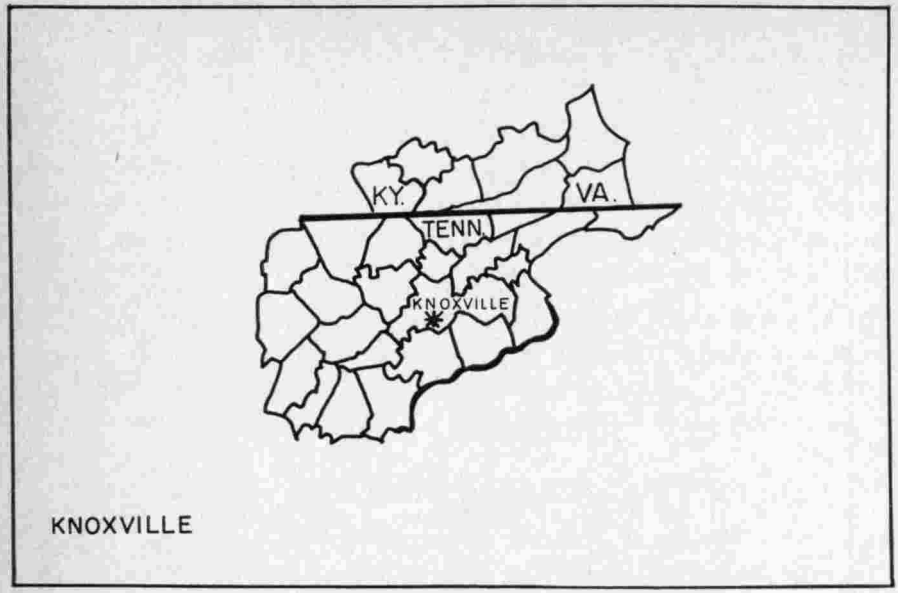



Figure 3.1. Trade area of the Knoxville, Tennessee, wholesalers' market, 1959.

## Market Areas

The Knoxville wholesale fruit and vegetable market consists of the independent wholesale dealers, brokers, chain stores, and the farmers' markets. Figure 3.2 shows their locations. Total receipts of fresh fruits and vegetables in Knoxville was 8,227 carlots in 1959. This volume did not include direct purchases from farmers and truckers by retail stores, restaurants, processors or consumers.

## The Structure of the Market

The Knoxville wholesale produce market consisted of 34 firms (Table 3.1). There were 11 different types of firms. Receivers, receiver-jobbers, jobbers, repackers, merchant truckers, and selling brokers comprised 27 of the 34 firms. The additional 7 firms consisted of a service wholesaler, a commission wholesaler, an institutional grocer, two chain stores, and two chain restaurants. Four of the firms each reported volumes of 500 or more carlots of produce purchased annually, which represented 44 percent of the total volume. The 9 medium-size firms, each with a volume of 200-499 carlots per year, handled 39 percent, while 21 small firms,

## Table 3.1. Number of firms by size and type, and volume handled, Knoxville wholesale produce market, 1959

| Type of firm | All firms: Number | All firms: Volume handled[a]: Quantity | All firms: Volume handled[a]: Percentage of total market | Distribution of firms by size[b]: Small | Distribution of firms by size[b]: Medium | Distribution of firms by size[b]: Large | Percentage of volume handled by: Small firms | Percentage of volume handled by: Medium firms | Percentage of volume handled by: Large firms |
|---|---|---|---|---|---|---|---|---|---|
| | | Carlots | Percent | | Number | | | Percent | |
| Wholesalers: | | | | | | | | | |
| Receiver | 8 | 1,548 | 19 | 4 | 4 | 0 | 24 | 76 | 0 |
| Receiver-jobber | 3 | 788 | 9 | 1 | 1 | 1 | [c] | [c] | [c] |
| Merchant trucker | 2 | | | 2 | 0 | 0 | 100 | 0 | 0 |
| Commission wholesaler | 1 | 659 | 8 | 0 | 1 | 0 | 0 | 100 | 0 |
| Institutional grocer | 1 | | | 1 | 0 | 0 | 100 | 0 | 0 |
| Jobber | 2 | | | 1 | 0 | 1 | [c] | 0 | [c] |
| Repacker; prepackager | 10 | 1,464 | 18 | 9 | 1 | 0 | [c] | [c] | 0 |
| Selling broker | 2 | | | 0 | 1 | 1 | 0 | [c] | [c] |
| Service wholesaler | 1 | 1,653 | 20 | 1 | 0 | 0 | 100 | 0 | 0 |
| All wholesalers | 30 | 6,112 | 74 | 19 | 8 | 3 | 23 | 44 | 33 |
| Local chain | 2 | 2,115 | 26 | 0 | 1 | 1 | 0 | [c] | [c] |
| Chain restaurant | 2 | | | 2 | 0 | 0 | 100 | 0 | 0 |
| Total all firms | 34 | 8,227 | 100 | 21 | 9 | 4 | 17 | 39 | 44 |

[a]Includes resales to wholesalers and sales to chains.

[b]Small firms buy less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

[c]Withheld to avoid disclosure of individual operations.

each handling less than 200 carlots per year, sold the remaining 17 percent of the volume.

Thirty percent of the wholesalers were complete-line firms with some specialization (Table 3.2). Most of the receivers, repackers, and prepackagers reported some specialization or a high degree of specialization. Two receiver-jobbers reported no specialization and one was highly specialized.

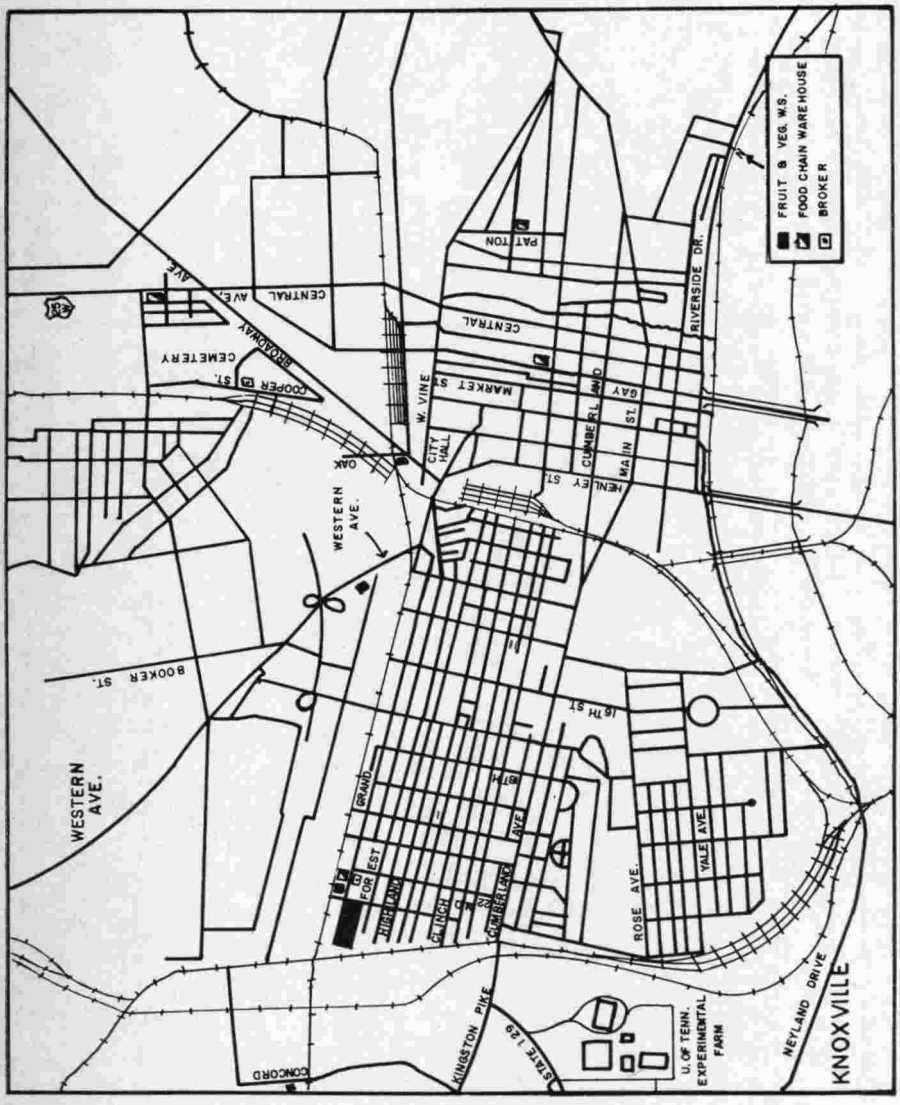



Figure 3.2. Location of the wholesale facilities in Knoxville, Tennessee, 1959.

**Table 3.2. Degree of commodity specialization of wholesalers, by type of firm, Knoxville wholesale produce market, 1959**

| Type of firm | No. of firms | Percent of each type of firm: Firms handling complete line of produce — No specialization | Firms handling complete line of produce — Some specialization | Firms specializing in: Two or more commodity classes[a] | Firms specializing in: A single vegetable or fruit |
|---|---|---|---|---|---|
| | | Percent | | | |
| Receiver | 8 | 37 | 50 | 13 | 0 |
| Receiver-jobber | 3 | 67 | 0 | 33 | 0 |
| Merchant trucker | 2 | 100 | 0 | 0 | 0 |
| Commission wholesaler | 1 | 100 | 0 | 0 | 0 |
| Institutional grocer | 1 | 100 | 0 | 0 | 0 |
| Jobber | 2 | 50 | 50 | 0 | 0 |
| Repacker; prepackager | 10 | 0 | 40 | 0 | 60 |
| Selling broker | 2 | 100 | 0 | 0 | 0 |
| Service wholesaler | 1 | 100 | 0 | 0 | 0 |
| Total | 30 | 43 | 30 | 7 | 20 |

[a]Commodity classes: citrus; all other fruit; Irish and sweet potatoes; all green vegetables; all other vegetables.

Over 1,000 people were employed by wholesalers, chains, and chain restaurants in the Knoxville market during 1959 (Table 3.3). Receivers, repackers, prepackagers, the institutional grocer,

**Table 3.3. Number of employees, by type and size of firm, Knoxville wholesale produce market, 1959**

| Type of firm | All firms: Firms | All firms: Employees | Small firms[a] | Medium firms[a] | Large firms[a] |
|---|---|---|---|---|---|
| | | | Employees | | |
| Wholesalers: | | | | | |
| Receiver | 8 | 53 | 15 | 38 | 0 |
| Receiver-jobber | 3 | 30 | 10 | 6 | 14 |
| Merchant trucker | 2 | 9 | 9 | 0 | 0 |
| Commission wholesaler | 1 | 7 | 0 | 7 | 0 |
| Institutional grocer | 1 | 31 | 31 | 0 | 0 |
| Jobber | 2 | 24 | 2 | 0 | 22 |
| Repacker; prepackager | 10 | 211 | 51 | 160 | 0 |
| Selling broker | 2 | 5 | 0 | 2 | 3 |
| Service wholesaler | 1 | 5 | 5 | 0 | 0 |
| All wholesalers | 30 | 375 | 123 | 213 | 39 |
| Local chain | 2 | 33 | 0 | 7 | 26 |
| Chain restaurant | 2 | 689 | 689 | 0 | 0 |
| Total all firms | 34 | 1,097 | 812 | 220 | 65 |

[a]Small firms handle less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

chains, and restaurants were the largest employers. The average number of employees for firms handling less than 200 carlots was 39, for firms handling 200-499 carlots, 24, and for firms handling 500 or more carlots, 16.

## Interfirm Relationships

Three Knoxville wholesalers owned or controlled other firms in the produce business in 1959. One firm owned a cattle farm, one firm operated a banana house, and one repacker owned a tomato repacking firm.

## Marketing Channels

The total supply of fresh fruits and vegetables entering the Knoxville market in 1959 was 7,112 carlots. An additional 434 carlots was sold by Knoxville firms to out-of-town buyers and that volume bypassed Knoxville (Figure 3.3 and Table 3.4). Receivers, receiver-jobbers, repackers, and jobbers brought in 47 percent of the produce entering the market; chains, restaurants, brokers and the service wholesaler, 45 percent; and the remaining 8 percent was brought in by the merchant trucker, commission wholesaler, and institutional grocer. Receipts direct from shipping point accounted for 91 percent of the supply, and receipts from local growers accounted for 3 percent. Other terminal market supplies accounted for the remaining 6 percent.

Resales among wholesalers in the market amounted to 15 percent of the supply bought. Most resales were made by selling brokers, service wholesalers, receivers, jobbers, and repackers. The principal buyers were truck jobbers and service wholesalers.

Of the volume coming into the Knoxville market, 1,879 carlots were sold to Knoxville retail outlets (Table 3.5). About 82 percent of this volume went to independent retail stores and peddlers. About 8 percent was sold to chain and retail cooperative stores, and 10 percent went to eating places and institutions.

Out-of-town sales were 3,691 carlots in 1959, including 434 carlots that bypassed the market. Receivers, receiver-jobbers, merchant truckers, the commission wholesaler, and the institutional grocer made 55 percent of the sales to out-of-town buyers.

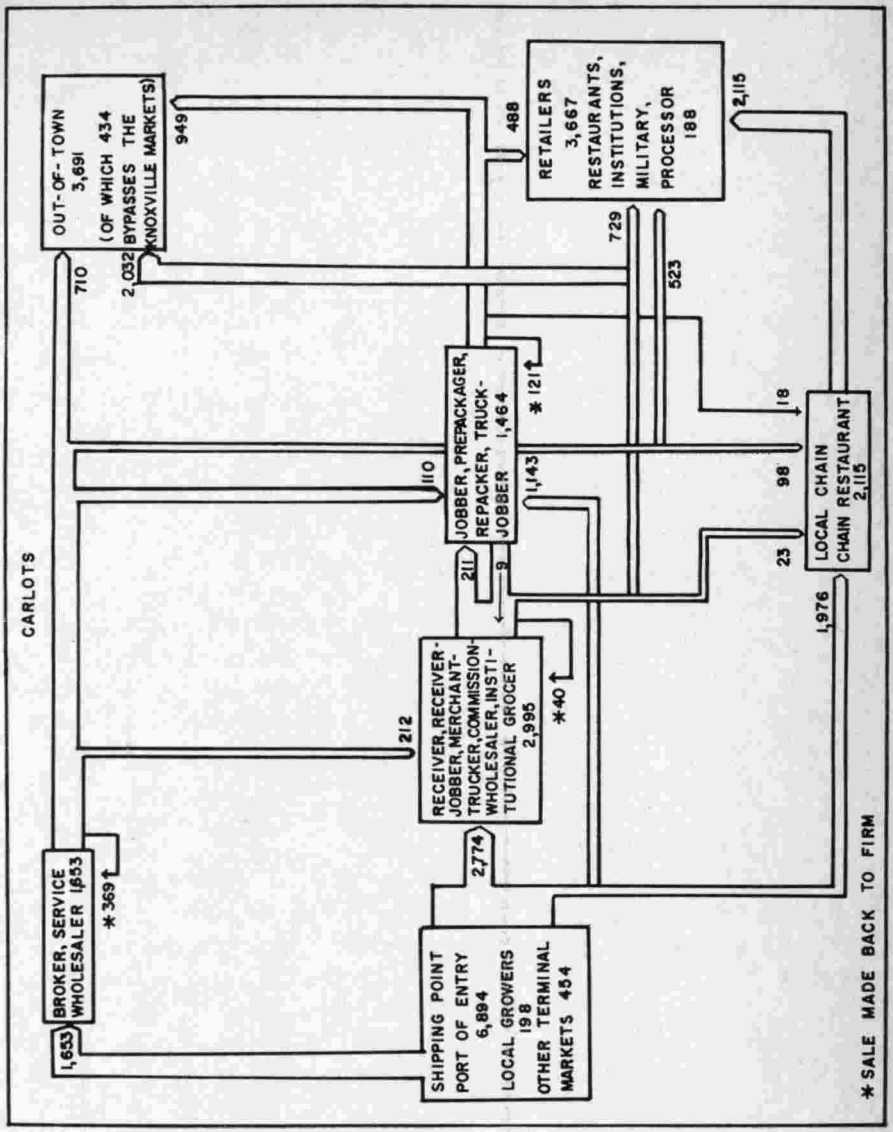



Figure 3.3. Major marketing channels, Knoxville wholesale produce market, 1959.

About 90 percent of the sales were to wholesalers and retailers and the remainder to chains, eating places, military, institutions, and processors.

## Buying Methods

Thirty-eight percent of the carlots were purchased directly from the shipping point by wholesalers through shipping point

**Table 3.4. Source of supply, by class of firm, Knoxville wholesale produce market, 1959**

| Class of firm | Direct from shipping point or port of entry | Local grower | From other terminal market | Total | Produce bypassing Knoxville market | Produce entering Knoxville market |
|---|---|---|---|---|---|---|
| | | | Carlots | | | |
| Wholesalers: | | | | | | |
| Receiver | 1,485 | 8 | 55 | 1,548 | 0 | 1,548 |
| Receiver-jobber | 623 | 27 | 25 | 675 | 0 | 675 |
| Merchant trucker<br>Commission wholesaler<br>Institutional grocer | 363 | 34 | 154 | 551 | 0 | 551 |
| Jobber<br>Repacker; prepackager | 1,126 | 2 | 15 | 1,143 | 0 | 1,143 |
| Selling broker<br>Service wholesaler | 1,563 | 0 | 90 | 1,653 | 434 | 1,219 |
| Total wholesalers | 5,160 | 71 | 339 | 5,570 | 434 | 5,136 |
| Chain, chain restaurant | 1,734 | 127 | 115 | 1,976 | 0 | 1,976 |
| All firms | 6,894 | 198 | 454 | 7,546 | 434 | 7,112 |

Table 3.5. Wholesalers' sales to Knoxville retail outlets, by class of firm, Knoxville wholesale produce market, 1959

| Class of seller | Type of retail outlet: Chains, retail cooperative | Retail store, peddler | Eating place, institution | Total |
|---|---|---|---|---|
| | Carlots | | | |
| Receiver, Receiver-jobber, Merchant trucker, Commission wholesaler, Institutional grocer | 23 | 677 | 52 | 752 |
| Jobber, Repacker; prepackager | 18 | 352 | 136 | 506 |
| Selling broker, Service wholesaler | 98 | 523 | 0 | 621 |
| Total | 139 | 1,552 | 188 | 1,879 |

buying brokers. Thirty percent were purchased directly, mostly by phone. Only 13 percent of the carlots were handled on consignment. The additional 19 percent were purchased through salaried buyers, by personal contact with grower, from shipping point farmers' market, or through own or affiliated packer or shipper.

## Functions and Services

Almost one-third of the produce sold by wholesale handlers was delivered to the customers in 1959. Ninety-nine percent of the firms delivered 50 percent of their volume, mostly in their own trucks. Receivers delivered very little, while jobbers, repackers, and the institutional grocer delivered 85, 75, and 100 percent of their sales volume, respectively.

Most of the wholesalers extended credit to their customers. The most common credit terms to buyers were 7 days. The usual terms to the institutional trade were 30 days. One firm extended credit for 14 days.

Nearly 1,500 carlots of fresh fruits and vegetables were repacked or prepackaged by Knoxville wholesale handlers (Table 3.6). This amount was 17 percent of their sales. Tomato and potato repackers did 78 percent of the prepackaging.

Most wholesale handlers in the Knoxville market indicated that they sold most of their produce to regular customers. The produce sold to regular customers ranged from 70 percent for receiver-jobbers to 100 percent for institutional grocers and the service wholesaler.

Table 3.6. Volume prepackaged or repacked, by commodity and type of firm, Knoxville wholesale produce market, 1959

| Type of firm | No. of firms | Commodity | | | | |
|---|---|---|---|---|---|---|
| | | Tomatoes | Potatoes | Corn | Bananas | Total |
| | | | | Carlots | | |
| Repacker; prepackager | 10 | 428 | 470 | 15 | 0 | 913 |
| Receiver | 3 | 50 | 5 | 0 | 305 | 360 |
| Jobber; receiver-jobber | 2 | 25 | 75 | 0 | 0 | 100 |
| Commission wholesaler | 1 | 40 | 40 | 0 | 0 | 80 |
| All wholesalers | 16 | 543 | 590 | 15 | 305 | 1,453 |

## Margins

The gross margins or difference between the buying and selling price expressed as a percentage of selling price varied from 6 to 31 percent among the different types of wholesalers (Table 3.7). Target margins expressed in terms of percents were lower for jobbers and commission wholesalers than for receiver-jobbers, repackers, and prepackagers.

# STRUCTURE OF THE RETAIL MARKET

There were 698 retail food stores with total sales of $91,418,000 in Knoxville in 1958.[2] Grocery stores, including delicatessens, numbered 628 and had sales of $88,145,000. There were 9

[2]U. S. Bureau of the Census, *Vol. II. Retail Trade—Area Statistics* (Washington: U. S. Government Printing Office, 1958).

Table 3.7. Target margins of wholesalers, Knoxville wholesale produce market, 1959

| Type of firm | Average target margin of firms quoting in terms of: | | Percentage of firms quoting a target margin |
|---|---|---|---|
| | Percentage of sales price | Cents per package | |
| | Percent | Cents | Percent |
| Receiver | 0 | 16.0 | 25 |
| Receiver-jobber | 15.4 | 0 | 66 |
| Commission wholesaler | 12.0 | 0 | 100 |
| Jobber | 6.0 | 0 | 100 |
| Repacker; prepackager | 31.0 | 0 | 20 |

specialty food and vegetable stores with sales of $113,000 and 37 other specialty food stores.

Two local chains served 54 stores from their Knoxville warehouses in 1958. These 2 local chains with local warehouses, a national chain, and a regional chain had 29 stores in Knoxville in 1958.

## TWO DECADES OF CHANGE IN THE MARKET

### Number and Type of Firms

There were 16 wholesalers in Knoxville in 1941, 50 in 1950, and 32 in 1960. The firms consisted of 2 receivers, 5 receiver-jobbers, 1 jobber, 2 repacker-prepackagers, 2 truck jobbers, 3 selling brokers and 1 local chain in 1941.

### Entrance and Exit of Wholesalers

Between 1941 and 1960, the number of receivers increased from 2 to 8 while the number of receiver-jobbers decreased from 5 to 3.[3] Jobber firms were increased by 1 for the respective period, while repacker-prepackagers increased from 2 to 10 for the same period. There were no truckers in 1941, 14 in 1950, and none in 1960. Truck jobbers increased from 2 to 12 from 1941 to 1950, and none were reported in 1960.

Only 3 percent of the wholesalers had been in business 30 years or more. Thirty-seven percent of the firms had been in business 20-29 years, 43 percent 10-19 years, and 17 percent less than 10 years. Three-fifths of the wholesalers had been in business less than 20 years.

### Growth and Decline of Firms

The changes in sales volume of 25 firms which have been in business for at least 10 years indicate the changes taking place in the market. Thirty-three percent of the firms reported an increase of more than 10 percent in sales from 1949 to 1959, while 37 percent reported a decrease of more than 10 percent. Thirty percent of the firms reported little or no change in sales.

### Changes in Trade Channels

Fifty percent of the 34 produce firms in Knoxville reported no change in their source of supply from 1949 to 1959. Seven of the wholesalers purchased more from shipping point during the

[3]Produce Reporter Company, 1941, 1950, 1960, Wheaton, Illinois.

10-year period. Five firms were buying more locally. Three firms increased the area from which produce was purchased, and 2 firms switched from direct shipping point purchases to buying from brokers.

Of the 29 firms in business over 10 years, 14 firms did not report any change in sales outlets. Five firms reported their sales had declined. Three firms sold more to chains. Three firms had increased sales to general outlets. Four firms were selling relatively more to wholesalers.

### Changes in Service

Of the 30 firms reporting, 10 of the firms did not indicate any change in the type or amount of service offered from 1949 to 1959. Nine firms provided more repackaging service. Four firms provided more delivery service while 3 firms provided less delivery service. Two firms had ceased employing salesmen. One firm was providing more frozen food service and 1 firm had gone to automation in packaging.

### Outlook of Wholesalers

Thirty-six percent of the 30 firms reporting in 1960 believed the outlook for their type of business was good. Managers of 7 percent of the firms indicated the outlook was fair, 23 percent indicated the volume would decrease, and 7 percent reported that frozen food sales were increasing. Ten percent of the wholesalers reported that pink tomatoes were gaining in popularity over greenwrap tomatoes. The managers of 3 percent of the firms believed brokers were gaining in importance. Two chains indicated that they were just beginning to scratch the surface on prepackaging and automation. The future outlook for the 2 chain restaurants was reported to be good.

## IV. THE CHATTANOOGA WHOLESALE PRODUCE MARKET

### Trade Area

The Chattanooga wholesale produce market supplies a large volume of produce to a trade area that includes 22 counties in Tennessee, 6 counties in Alabama and 8 counties in Georgia. The population of the trade area is over 1,200,000.[1] See Figure 4.1 for specific boundaries of the trade area.

[1]U. S. Department of Commerce, *U. S. Census of Population, 1960, Tennessee, Alabama, Georgia* (Washington: U. S. Government Printing Office, 1961).

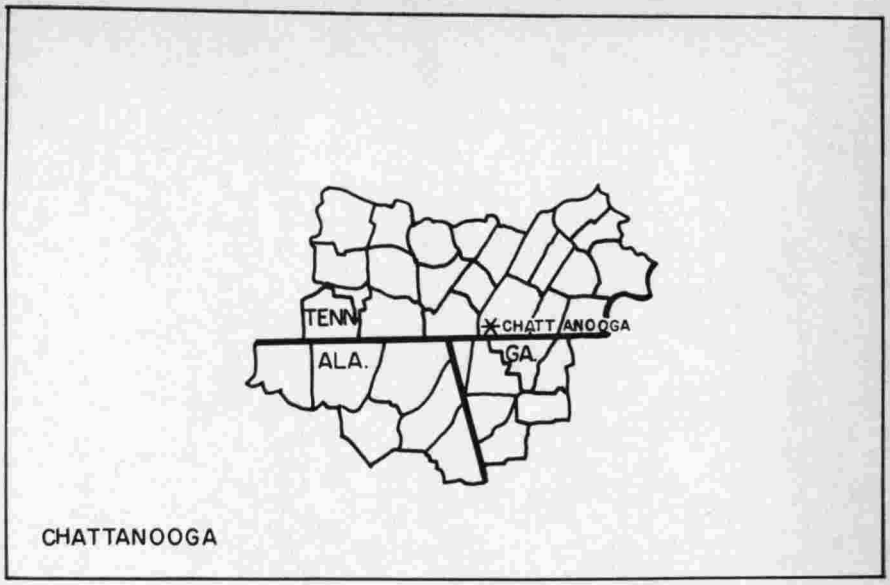



Figure 4.1. Trade area of the Chattanooga wholesalers' market, 1959.

## Market Areas

The major market area in Chattanooga is concentrated on 11th and 12th Streets (Figure 4.2). The 11th Street Development Company provides facilities for wholesalers to store, refrigerate, and distribute their products. In addition, the 11th Street Farmers' and Truckers' Market is used for both a wholesale and retail market. Ten wholesalers were located at the 11th Street Market when this study was made. Seven wholesalers were located on 12th Street; 2 of the 7 firms were local chains. Ten additional wholesale firms, including 2 chains, were located in other parts of the city.

A new food terminal was constructed by a railroad company across the railroad from the 11th Street Wholesale and Farmers' Market. The food terminal provided facilities for a farmers' wholesale market, a retail market, and 3,000,000 cubic feet of cold storage space.

## The Structure of the Market

There were 27 firms in the Chattanooga wholesale produce market in 1959—23 wholesalers and 4 chains (Table 4.1). The chains handled 15 percent of the volume sold on the market. The repackers sold 17 percent and jobbers, service-jobbers, and purveyors sold 17 percent; receivers, service wholesalers, and mer-

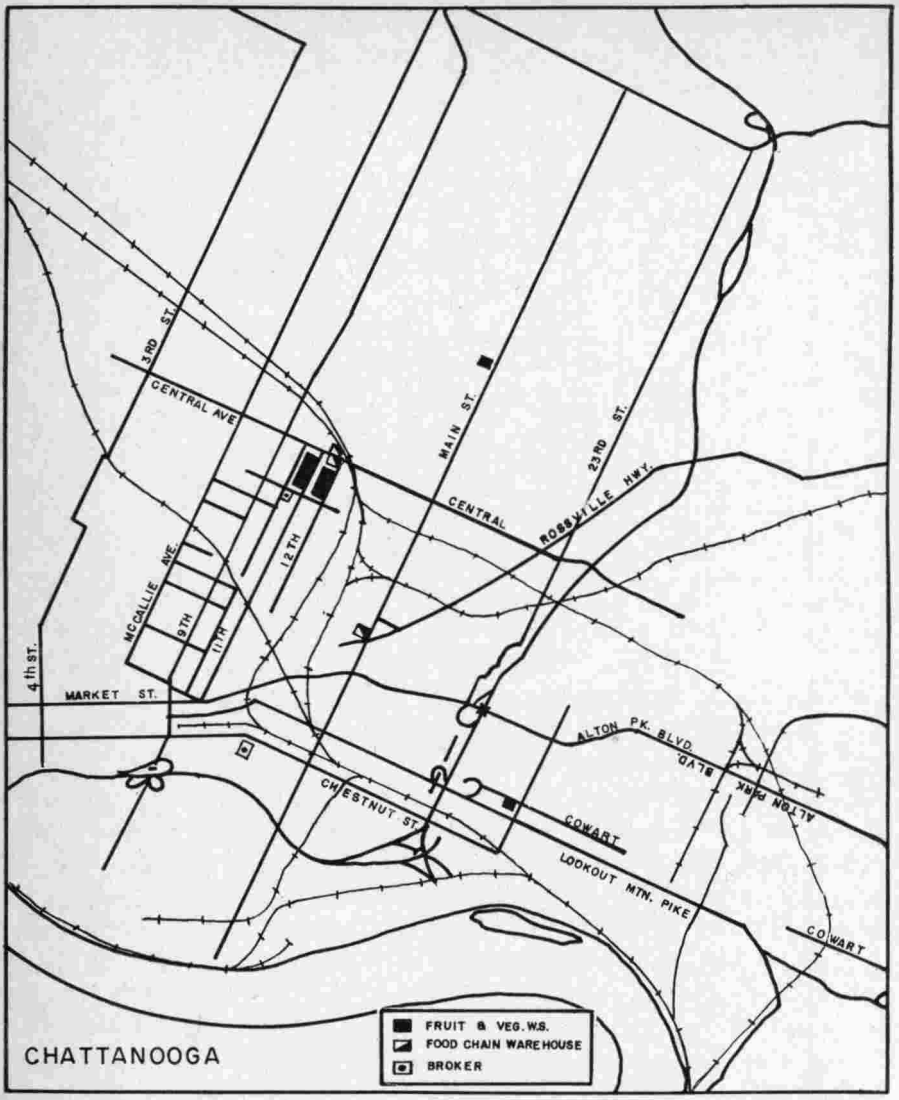



Figure 4.2. Location of the wholesale facilities in Chattanooga, Tennessee, 1959.

chant truckers sold 15 percent. The remainder, 36 percent, was accounted for by the selling brokers and distributor. Four large firms (buying 500 or more carlots each) sold 55 percent of the produce, the 7 medium-size firms accounted for 30 percent, and the 16 small firms accounted for only 15 percent.

Some of the receivers and jobbers, and all of the repackers and prepackagers were specialists, handling only one or a few

**Table 4.1. Number of firms by size and type, and volume handled, Chattanooga wholesale produce market, 1959**

| Type of firm | All firms: Number | All firms: Volume handled[a]: Quantity | All firms: Volume handled[a]: Percentage of total market | Distribution of firms by size[b]: Small | Medium | Large | Percentage of volume handled by: Small firms | Medium firms | Large firms |
|---|---|---|---|---|---|---|---|---|---|
| | | Carlots | Percent | | Number | | | Percent | |
| Wholesale handlers: | | | | | | | | | |
| Receiver | 3 | 649 | 8 | 2 | 1 | 0 | [c] | [c] | 0 |
| Service wholesaler | 1 | 540 | 7 | 0 | 1 | 0 | 0 | 100 | 0 |
| Merchant trucker | 2 | | | 2 | 0 | 0 | 100 | 0 | 0 |
| Jobber | 6 | 1,268 | 15 | 3 | 2 | 1 | 15 | [c] | [c] |
| Repacker; prepackager | 4 | 1,363 | 17 | 2 | 1 | 1 | [c] | [c] | [c] |
| Service jobber | 1 | 167 | 2 | 1 | 0 | 0 | 100 | 0 | 0 |
| Purveyor | 3 | | | 3 | 0 | 0 | 100 | 0 | 0 |
| Brokers: | | | | | | | | | |
| Selling broker | 2 | 2,944 | 36 | 0 | 1 | 1 | 0 | 14 | 86 |
| Distributor | 1 | | | 1 | 0 | 0 | 100 | 0 | 0 |
| All wholesalers | 23 | 6,931 | 85 | 14 | 6 | 3 | 13 | 31 | 56 |
| Chain stores: | | | | | | | | | |
| Local chain | 4 | 1,227 | 15 | 2 | 1 | 1 | [c] | [c] | [c] |
| All firms | 27 | 8,158 | 100 | 16 | 7 | 4 | 15 | 30 | 55 |

[a]Includes resales among wholesalers and sales to chains.

[b]Small firms handle less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

[c]Figure withheld to avoid disclosure of individual operations.

classes of commodities. Service wholesalers, service jobbers, purveyors, merchant truckers, and distributors handled a full line (Table 4.2).

The number of employees in the Chattanooga market in 1959 was 265 (Table 4.3). About one-third of these persons were em-

**Table 4.2. Degree of commodity specialization of wholesalers, by type of firm, Chattanooga wholesale produce market, 1959**

| Type of firm | Firms handling complete line of produce | | Firms specializing in: | |
|---|---|---|---|---|
| | No specialization | Some specialization | Two or more commodity classes[a] | A single fruit or vegetable |
| | Percent | | | |
| Receiver | 67 | 0 | 33 | 0 |
| Service wholesaler | 100 | 0 | 0 | 0 |
| Jobber | 67 | 0 | 0 | 33 |
| Service jobber | 100 | 0 | 0 | 0 |
| Purveyor | 100 | 0 | 0 | 0 |
| Repacker; prepackager | 0 | 0 | 25 | 75 |
| Merchant trucker | 100 | 0 | 0 | 0 |
| Distributor | 100 | 0 | 0 | 0 |
| Selling broker | 50 | 50 | 0 | 0 |
| All wholesalers | 65 | 4 | 9 | 22 |

[a]Commodity classes: citrus; all other fruit; Irish and sweet potatoes; all green vegetables; all other vegetables.

**Table 4.3. Number of employees, by type and size of firm, Chattanooga wholesale produce market, 1959**

| Type of firm | All firms | | Small firms[a] | Medium firms[a] | Large firms[a] |
|---|---|---|---|---|---|
| | Firms | Employees | | Employees | |
| Receiver | 3 | 16 | 8 | 8 | 0 |
| Service wholesaler | 1 | 24 | 0 | 24 | 0 |
| Jobber | 6 | 36 | 16 | 14 | 6 |
| Service jobber | 1 | 1 | 1 | 0 | 0 |
| Purveyor | 3 | 31 | 31 | 0 | 0 |
| Repacker; prepackager | 4 | 78 | 52 | 10 | 16 |
| Merchant trucker | 2 | 5 | 5 | 0 | 0 |
| Distributor | 1 | 2 | 2 | 0 | 0 |
| All wholesale handlers | 21 | 193 | 115 | 56 | 22 |
| Selling broker | 2 | 9 | 0 | 2 | 7 |
| Chain stores: | | | | | |
| Local chain | 4 | 63 | 35 | 11 | 17 |
| All firms | 27 | 265 | 150 | 69 | 46 |

[a]Small firms handle less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

ployed by repackers and over one-fifth were employed by chains. Small, medium, and large firms employed an average of 9, 10, and 11 persons, respectively.

## Interfirm Relationships

Three of the wholesalers had interests in other firms. These other firms were wholesale groceries, a trucking line, a grocery, a creamery, and a meat market.

## Marketing Channels

A total of 8,158 carlots of fresh fruits and vegetables was purchased by firms in the Chattanooga market in 1959. Fifty carlots sold by Chattanooga brokers bypassed the Chattanooga market. The channels through which the total supply passed are shown in Figure 4.3. The selling brokers and distributor accounted for 44 percent of the 6,641 carlots that actually entered Chattanooga; the jobbers, service jobber, repackers, and purveyors accounted for 32 percent; the receivers, service wholesaler, and merchant trucker, 14 percent; and the chains, 10 percent (Table 4.4).

The brokers were important sources of produce for the major wholesalers in Chattanooga. They sold 758 carlots to Chattanooga wholesalers in 1959, 503 carlots to jobbers, and the remainder —255 carlots—to receivers and purveyors. Repackers sold some of their volume to service wholesalers, while jobbers sold 40 and 104 carlots to service wholesalers, and purveyors, respectively.

Wholesalers sold 4,216 carlots to retail outlets (Table 4.5). The sales were made to chains, retail cooperatives, retail stores, peddlers, eating places, institutions, and military. Eighty percent of the produce was sold to retail stores and peddlers, 13 percent to chains and retail cooperatives, and the remainder to eating places, institutions, and military establishments.

About 27 percent of the produce coming into Chattanooga was sold to out-of-town buyers by wholesalers. The selling brokers, distributors, and jobbers accounted for 74 percent of the out-of-town business.

## Buying Methods

Twenty-six percent of the volume purchased direct from shipping point by Chattanooga wholesale handlers in 1959 was bought by telephone or wire; an additional 15 percent was purchased through shipping point buying brokers located in the production areas. Receivers, service wholesalers, and merchant truckers

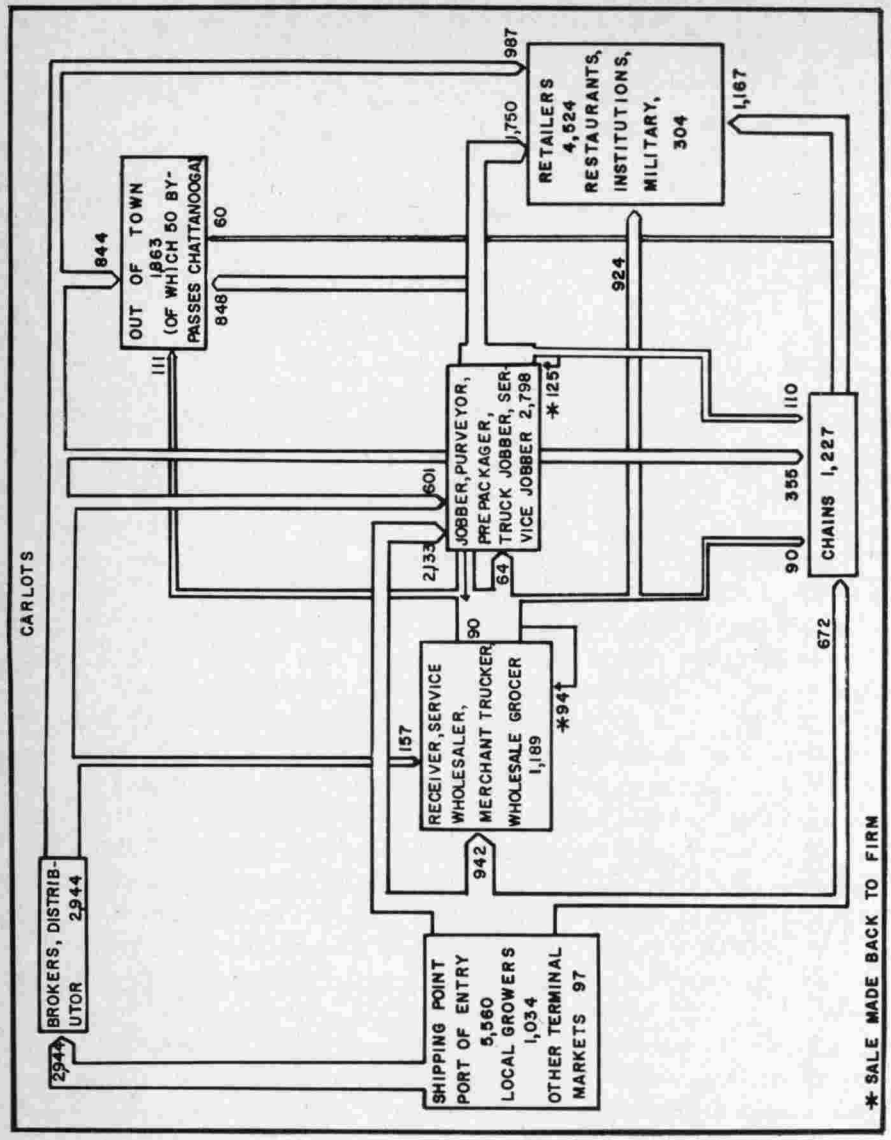



Figure 4.3. Major marketing channels, Chattanooga wholesale produce market, 1959.

bought 20 percent of their purchases direct by phone or wire and 76 percent through shipping point buying brokers. Purveyors and service jobbers bought entirely by wire, while repackers made 70 percent of their purchases direct by phone or wire and 30 percent through shipping point buying brokers. Jobbers made 100 percent of their purchases direct by phone or wire.

**Table 4.4. Source of supply by class of firm, Chattanooga wholesale produce market, 1959**

| Class of buyer | Direct from shipping point or port of entry | From local growers | Other terminal markets | Total | Produce bypassing Chattanooga market | Produce entering Chattanooga market |
|---|---|---|---|---|---|---|
| | | | Carlots | | | |
| Wholesale handlers: | | | | | | |
| Receiver | 395 | 72 | 35 | 502 | 0 | 502 |
| Service wholesaler / Merchant trucker | 294 | 90 | 56 | 440 | 0 | 440 |
| Jobber | 721 | 19 | 0 | 740 | 0 | 740 |
| Repacker; prepackager | 697 | 666 | 0 | 1,363 | 0 | 1,363 |
| Service jobber / Purveyor | 11 | 13 | 6 | 30 | 0 | 30 |
| Total | 2,118 | 860 | 97 | 3,075 | 0 | 3,075 |
| Brokers: | | | | | | |
| Selling broker / Distributor | 2,944 | 0 | 0 | 2,944 | 50 | 2,894 |
| All wholesalers | 5,062 | 860 | 97 | 6,019 | 50 | 5,969 |
| Chain stores: | | | | | | |
| Local chain | 498 | 174 | 0 | 672 | 0 | 672 |
| Total all firms | 5,560 | 1,034 | 97 | 6,691 | 50 | 6,641 |

**Table 4.5. Wholesalers' sales to Chattanooga retail outlets, by class of firm, Chattanooga wholesale produce market, 1959**

| Class of seller | Type of retail outlet: Chains, retail cooperative | Retail store, peddler | Eating place, institution, military | Total |
|---|---|---|---|---|
| | | Carlots | | |
| Receiver, Service wholesaler, Merchant trucker | 90 | 834 | 90 | 1,014 |
| Jobber, Repacker; prepackager | 110 | 1,536 | 214 | 1,860 |
| Purveyor, Distributor, Selling broker | 355 | 987 | 0 | 1,342 |
| Total | 555 | 3,357 | 304 | 4,216 |

## Functions and Services

All Chattanooga wholesale produce handlers provided delivery service in 1959. The volume delivered by the firms varied from 70 percent for service wholesalers to 100 percent for receivers, purveyors, and service jobbers. All firms delivered in their own trucks.

Nine wholesalers repacked or prepackaged 2,208 carlots of produce in 1959 (Table 4.6). Over 1,300 carlots were done by the 4 repackers and prepackagers, 630 carlots by 2 jobbers, and the additional 220 carlots by 2 receivers and 1 service wholesaler.

The usual credit terms offered by wholesale handlers in 1959 were 7 days for non-institutional trade and 30 days for institutional trade.

Most wholesalers made 100 percent of their sales to regular

**Table 4.6. Volume prepackaged or repacked, by type of firm, Chattanooga wholesale produce market, 1959**

| Commodity | Prepacked or repacked by: 4 repackers & prepackagers | 2 receivers | 2 jobbers | 1 service wholesaler | Total |
|---|---|---|---|---|---|
| | | | Carlots | | |
| Tomatoes | 1,058 | 129 | 0 | 0 | 1,187 |
| Bananas | 225 | 0 | 630 | 0 | 855 |
| Potatoes | 75 | 23 | 0 | 34 | 132 |
| Apples | 0 | 0 | 0 | 34 | 34 |
| Total | 1,358 | 152 | 630 | 68 | 2,208 |

customers. The exceptions were service wholesalers and repackers, who made 95 and 73 percent, respectively, of their sales to regular customers.

### Margins

The gross margins, or difference between the buying and selling price expressed as a percentage of selling price, ranged from 11 to 15 percent among the different types of wholesalers (Table 4.7). Target margins in terms of percent were lower for repackers and receivers than for jobbers and purveyors. All receivers quoted a target margin while only half of the repackers and one-third each of jobbers and purveyors did so.

Table 4.7. Target margins of wholesalers, Chattanooga wholesale produce market, 1959

| Type of firm | Average target margins of firms quoting in terms of percentage of sales price | Percentage of firms quoting a target margin |
|---|---|---|
| | Percent | |
| Receiver | 12.8 | 100 |
| Jobber | 13.0 | 33 |
| Purveyor | 15.0 | 33 |
| Repacker | 11.0 | 50 |
| Average | 12.9 | 54 |

## STRUCTURE OF THE RETAIL MARKET

There were 626 retail food stores with total sales of $89,228,000 in Chattanooga in 1958.[2] Grocery stores, including delicatessens, numbered 572 and had sales of $87,389,000. There were 7 fruit and vegetable stores with sales of $130,000 and 45 additional specialty food stores.

Four local chains served 63 stores from their Chattanooga warehouses. A national, a regional, and 4 local chains had 52 stores in Chattanooga in 1958.

## TWO DECADES OF CHANGE IN THE MARKET

### Number and Type of Firms

There were 18 firms in Chattanooga in 1941. These firms consisted of 16 wholesalers and 2 chains.

### Entrance and Exit of Wholesalers

Only 6 of the 18 firms listed in the trade directory in 1941

[2]U. S. Bureau of the Census, *Vol. II. Retail Trade—Area Statistics* (Washington: U. S. Government Printing Office, 1958).

were still in business in 1960.[3] One of the twelve which went out of business stopped before 1950 and the others between 1950 and 1960. Twenty additional firms came into the business between 1940 and 1950, only 5 of which were still in business in 1960. Another 16 firms entered the business between 1950 and 1960.

None of the firms in business on the Chattanooga market in 1960 had been in business less than 5 years. Ninety-one percent of the firms had been in business from 5 to 19 years, while 9 percent of the firms had been in business from 20 to 29 years.

## Growth and Decline of Firms

Sixty-five percent of the wholesalers reported an increase in sales of more than 10 percent from 1949 to 1959 on the Chattanooga wholesale produce market. Only one wholesaler reported that his sales had decreased more than 10 percent during that period.

## Changes in Trade Channels

Fifteen of 27 produce firms reporting in Chattanooga did not indicate any change in their source of supply from 1949 to 1959, while 12 firms did indicate some changes. Five firms purchased more from brokers during the 10-year period. Two firms bought more in pool cars. Three firms purchased produce over a wider area. Two firms sold more produce to chains and one firm purchased more directly from shipping point.

Twelve firms in business over 10 years did not indicate any change in sales outlets. Seven firms reported more sales to chains, while only 2 firms reported less sales to chains during the period. Three firms experienced a decline in the volume sold to independent stores while 2 firms sold more to cooperative stores. One firm sold more to restaurants and 1 firm sold more to peddlers.

## Changes in Service

Nineteen of the 27 firms did not indicate any change in the amount of service offered from 1949 to 1959. Two firms provided more packaging service. Two firms had not made final plans on the changes they would make. Two firms added frozen foods to their lines. One firm made fewer sales to independent stores while 1 firm provided less service in suggesting prices, advertising and promotion of sales.

## Outlook of Wholesalers

Forty-eight percent of the wholesalers reporting in 1960 expressed an optimistic feeling about the outlook for their type of

[3]Produce Reporter Company, 1941, 1950, 1960, Wheaton, Illinois.

business. Thirty percent of the wholesalers indicated the outlook for their type of business was fair. One wholesaler did not report much change in his business, while 17 percent of the wholesalers did not express an opinion.

## V. FOUR UPPER EAST TENNESSEE MARKETS

### Bristol, Johnson City, Kingsport, Morristown Trade Area

The 4 Upper East Tennessee markets supply a considerable volume of produce to a trade area that includes 10 counties in Kentucky, 11 counties in Tennessee, 18 counties in Virginia, and 8 counties in West Virginia. The population of the trade area is over 1,323,000.[1] See Figure 5.1 for specific boundaries of the trade area.

### Market Areas

The wholesale produce markets in 4 Upper East Tennessee cities consisted of the independent wholesale dealers, brokers, and chain stores. Total receipts of fresh fruits and vegetables in the 4 Upper East Tennessee cities was 5,118 carlots in 1959. This volume did not include direct purchases from farmers and truckers by retail stores, institutional outlets, processors or consumers.

[1]U. S. Department of Commerce, *U. S. Census of Population, 1960, Kentucky, Tennessee, West Virginia,* and *Virginia* (Washington: U. S. Government Printing Office, 1961).

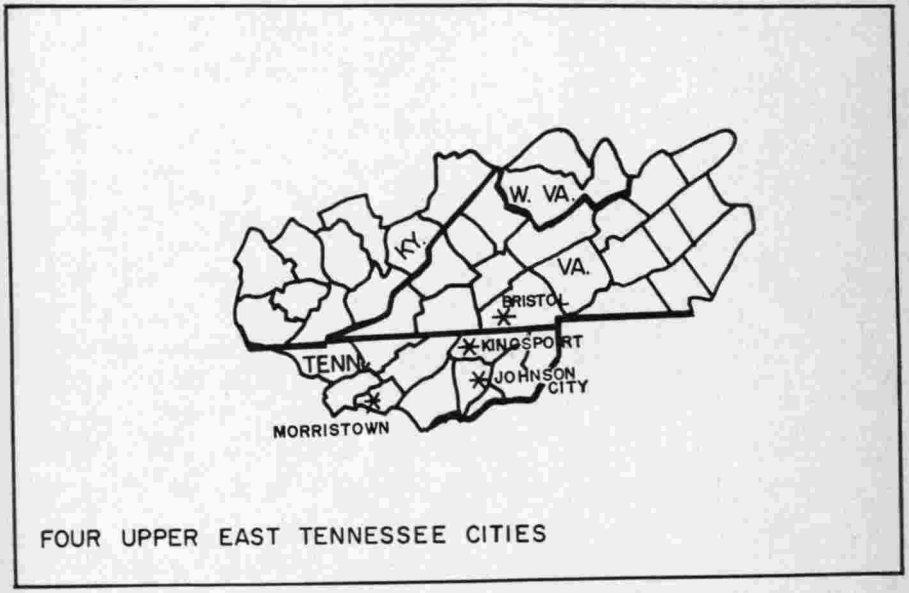



Figure 5.1. Trade area of the four Upper East Tennessee wholesalers markets, 1959.

There were 9 firms in the Bristol wholesale produce market in 1959, 6 in Johnson City, and 6 in Kingsport (Figures 5.2, 5.3, and 5.4). There was only one wholesale produce firm in Morristown in 1959 (Figure 5.5).

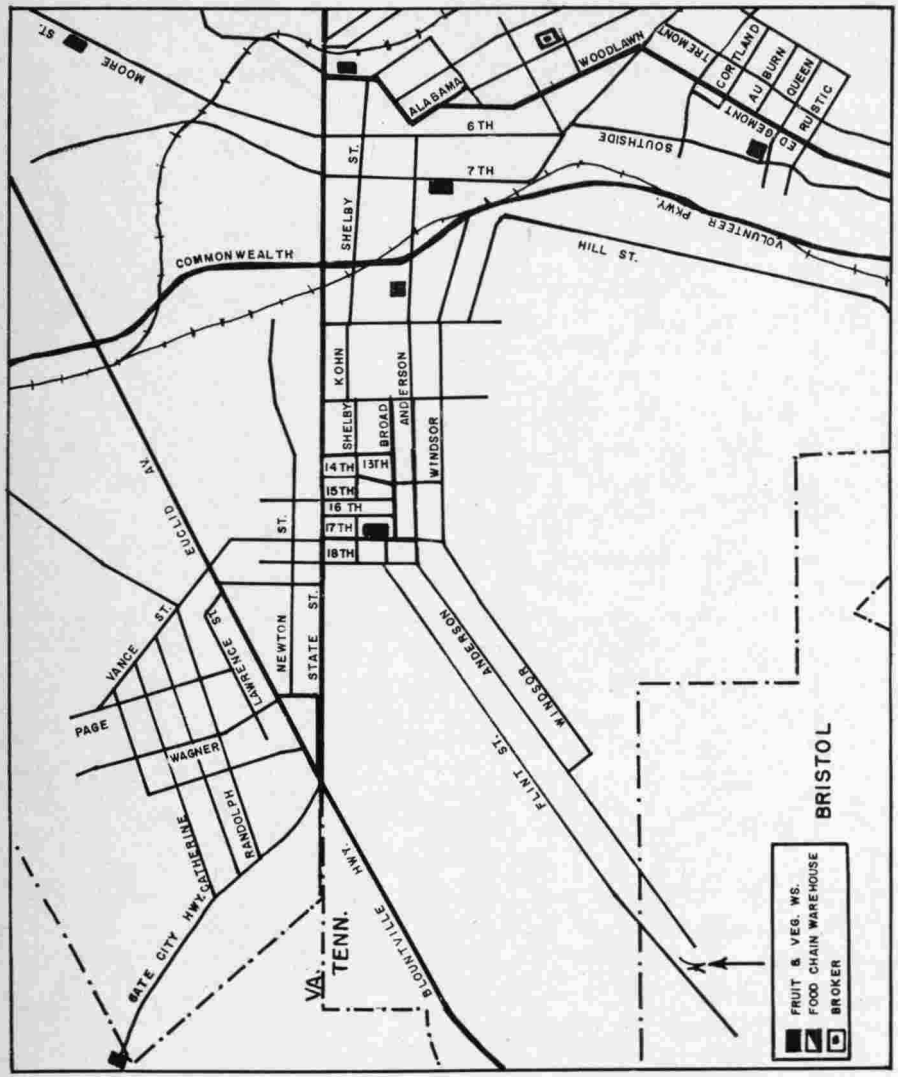



Figure 5.2. Location of the wholesale facilities in Bristol, Tennessee, 1959.

## The Structure of the Markets

The 4 specified wholesale produce markets consisted of 22 firms of 7 different types (Table 5.1). The 3 large firms, each selling 500 or more carlots per year, sold 64 percent of the pro-

duce handled by the wholesalers in the 4 Upper East Tennessee markets. The 4 medium-size firms, selling 200 to 499 carlots each, sold 23 percent, and 15 small firms, selling less than 200 carlots each, sold the remaining 13 percent of the volume.

About half of the wholesalers handled a complete line of produce (Table 5.2). The specified wholesale handlers were jobbers, repackers-prepackagers, and merchant truckers. The repackers and prepackagers handled tomatoes and potatoes.

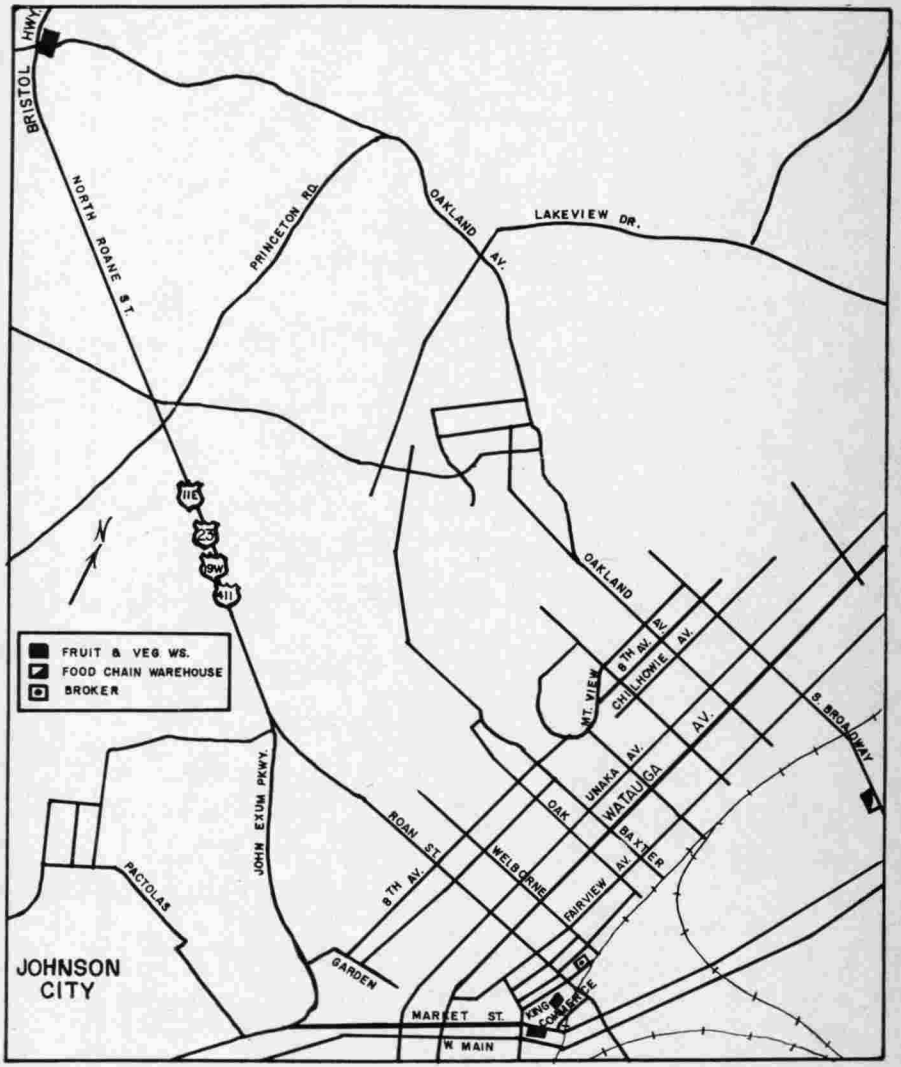



Figure 5.3. Location of the wholesale facilities in Johnson City, Tennessee, 1959.

## Table 5.1. Number of firms by size and type, and volume handled, 4 Upper East Tennessee produce markets, 1959

| Type of firm | All firms: Number | All firms: Volume handled[a]: Quantity | All firms: Volume handled[a]: Percentage of total market | Distribution of firms by size[b]: Small | Medium | Large | Percentage of volume handled by: Small firms | Medium firms | Large firms |
|---|---|---|---|---|---|---|---|---|---|
| | | Carlots | Percent | Number | | | Percent | | |
| Wholesalers: | | | | | | | | | |
| Merchant trucker | 4 | 99 | 2 | 4 | 0 | 0 | 100 | 0 | 0 |
| Jobber | 2 | 683 | 13 | 1 | 1 | 0 | [c] | [c] | 0 |
| Repacker; prepackager | 8 | | | 8 | 0 | 0 | 100 | 0 | 0 |
| Selling broker | 2 | 3,803 | 74 | 0 | 2 | 0 | 0 | 100 | 0 |
| Service wholesaler | 3 | | | 0 | 0 | 3 | 0 | 0 | 100 |
| Total wholesalers | 19 | 4,585 | 89 | 13 | 3 | 3 | 10 | 19 | 71 |
| Retail organizations: | | | | | | | | | |
| Local chain | 2 | 533 | 11 | 1 | 1 | 0 | [c] | [c] | 0 |
| Independent grocer | 1 | | | 1 | 0 | 0 | 100 | 0 | 0 |
| All firms | 22 | 5,118 | 100 | 15 | 4 | 3 | 13 | 23 | 64 |

[a]Includes resales among wholesalers and sales to chains.

[b]Small firms handle less than 200 carlots per year, medium firms 200 499, and large firms 500 or more.

[c]Withheld to avoid disclosure of individual operations.

Table 5.2. Degree of commodity specialization of wholesalers, by type of firm, 4 Upper East Tennessee wholesale produce markets, 1959

| Type of firm | Firms handling complete line of produce: No specialization | Firms handling complete line of produce: Some specialization | Firms specializing in: Two or more commodity classes[a] | Firms specializing in: One class of commodities | Firms specializing in: A single fruit or vegetable |
|---|---|---|---|---|---|
| | | | Percent | | |
| Merchant trucker | 75 | 0 | 0 | 25 | 0 |
| Jobber | 50 | 0 | 0 | 0 | 50 |
| Repacker; prepackager | 0 | 12 | 12 | 12 | 63 |
| Selling broker | 100 | 0 | 0 | 0 | 0 |
| Service wholesaler | 100 | 0 | 0 | 0 | 0 |
| All wholesalers | 47 | 5 | 5 | 11 | 32 |

[a]Commodity classes: citrus; all other fruit; Irish and sweet potatoes; all green vegetables; all other vegetables.

Persons employed on the 4 markets in 1959 totaled 286 (Table 5.3). The large firms employed an average of 37 persons, medium firms 13, and the small firms 8.

## Interfirm Relationships

The wholesale firms in the 4 markets did not own or control any other firms in the produce business in 1959.

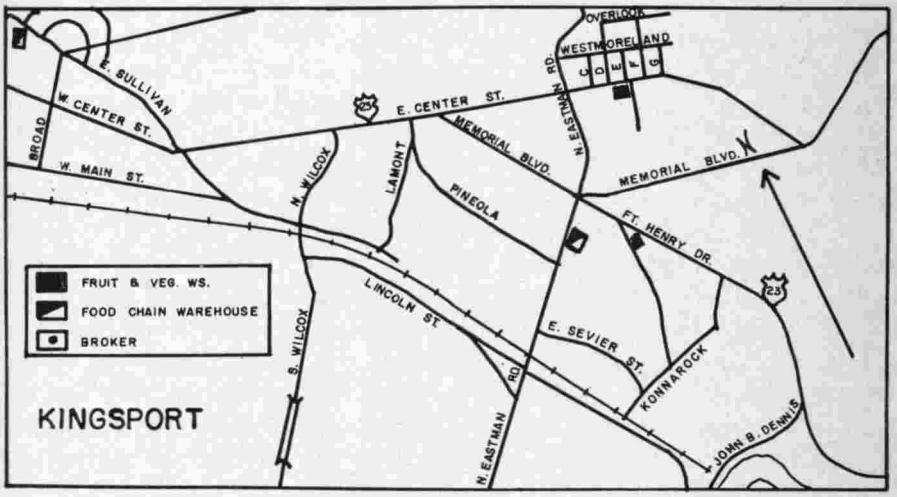



Figure 5.4. Location of the wholesale facilities in Kingsport, Tennessee, 1959.

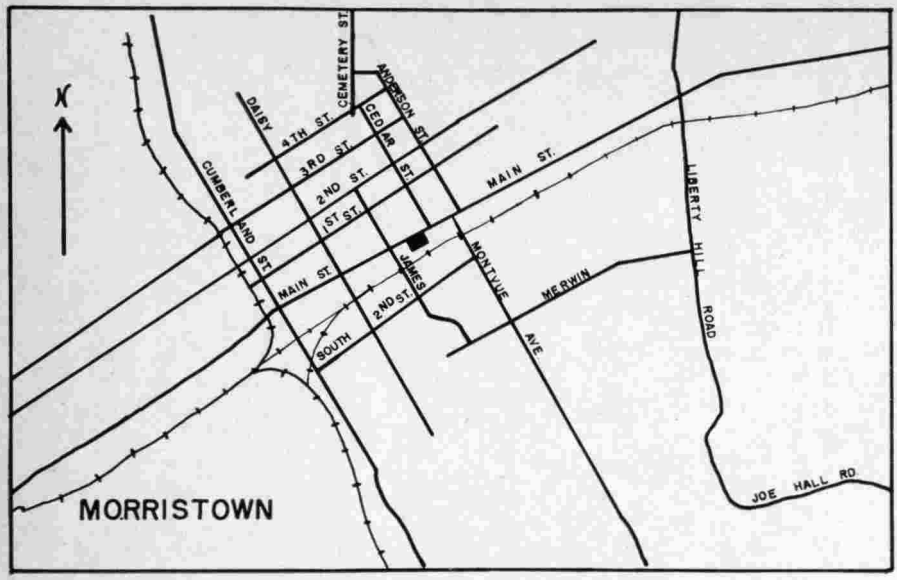



Figure 5.5. Location of the wholesale facilities in Morristown, Tennessee, 1959.

## Marketing Channels

The marketing channels for the 4 Upper East Tennessee markets were handled differently from the other markets studied in Tennessee. Each of the other markets (Memphis, Nashville, Chattanooga, and Knoxville) were studied separately since the number of wholesaler firms and volumes in these 4 large cities were each larger than these 4 Upper East Tennessee markets combined. The 4 markets' volumes were therefore combined into a single set of figures. Channels were compiled for each of the 4 markets and these figures were then totaled. Therefore, the figures shown in Tables 5.1-5.8 and Figure 5.6 are totals for the 4 markets studied in this report. This means that sales in one of the 4 markets to a firm in one of the other three markets are handled as out-of-town sales on the part of the seller and are considered as purchases from out-of-town wholesalers by the buyer.

The total supply entering the 4 markets studied in 1959 was 4,986 carlots (Table 5.4). Also, another 1,791 carlots were sold to out-of-town buyers. About 94 percent of the volume entering the market came directly from shipping point, 3 percent came from local growers, and 3 percent came from other terminal markets in nearby states.

Sales among wholesalers were relatively small in the 4 Upper

**Table 5.3. Number of employees, by type and size of firm, 4 Upper East Tennessee wholesale produce markets, 1959**

| Type of firm | All firms | | Small firms[a] | Medium firms[a] | Large firms[a] |
|---|---|---|---|---|---|
| | Firms | Employees | | Employees | |
| Wholesalers: | | | | | |
| Merchant trucker | 4 | 10 | 10 | 0 | 0 |
| Jobber | 2 | 16 | 4 | 12 | 0 |
| Repacker; prepackager | 8 | 89 | 89 | 0 | 0 |
| Selling broker | 2 | 5 | 0 | 5 | 0 |
| Service wholesaler | 3 | 110 | 0 | 0 | 110 |
| Total wholesalers | 19 | 230 | 103 | 17 | 110 |
| Retail organizations: | | | | | |
| Local chain | 2 | 45 | 10 | 35 | 0 |
| Independent grocer | 1 | 11 | 11 | 0 | 0 |
| Total all firms | 22 | 286 | 124 | 52 | 110 |

[a]Small firms handle less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

East Tennessee markets, totaling only 635 carlots. Brokers and service wholesalers sold 535 of the 635 carlots, while repackers, prepackagers, and jobbers sold 100 carlots.

Wholesalers in the 4 Upper East Tennessee markets sold 2,719 carlots of produce to retail outlets in 1959 (Table 5.5). About

**Table 5.4. Source of supply, by class of buyer, 4 Upper East Tennessee wholesale produce markets, 1959**

| Class of buyer | Direct from shipping point or port of entry | From local growers | From other terminal markets | Total |
|---|---|---|---|---|
| | | Carlots | | |
| Wholesalers: | | | | |
| Merchant trucker | 65 | 26 | 7 | 98 |
| Jobber<br>Repacker; prepackager | 611 | 68 | 0 | 679 |
| Selling broker<br>Service wholesaler | 3,733 | 0 | 0 | 3,733 |
| Total wholesalers | 4,409 | 94 | 7 | 4,510 |
| Retail organizations: | | | | |
| Local chain<br>Independent grocer | 275 | 41 | 160 | 476 |
| Total | 4,684 | 135 | 167 | 4,986 |

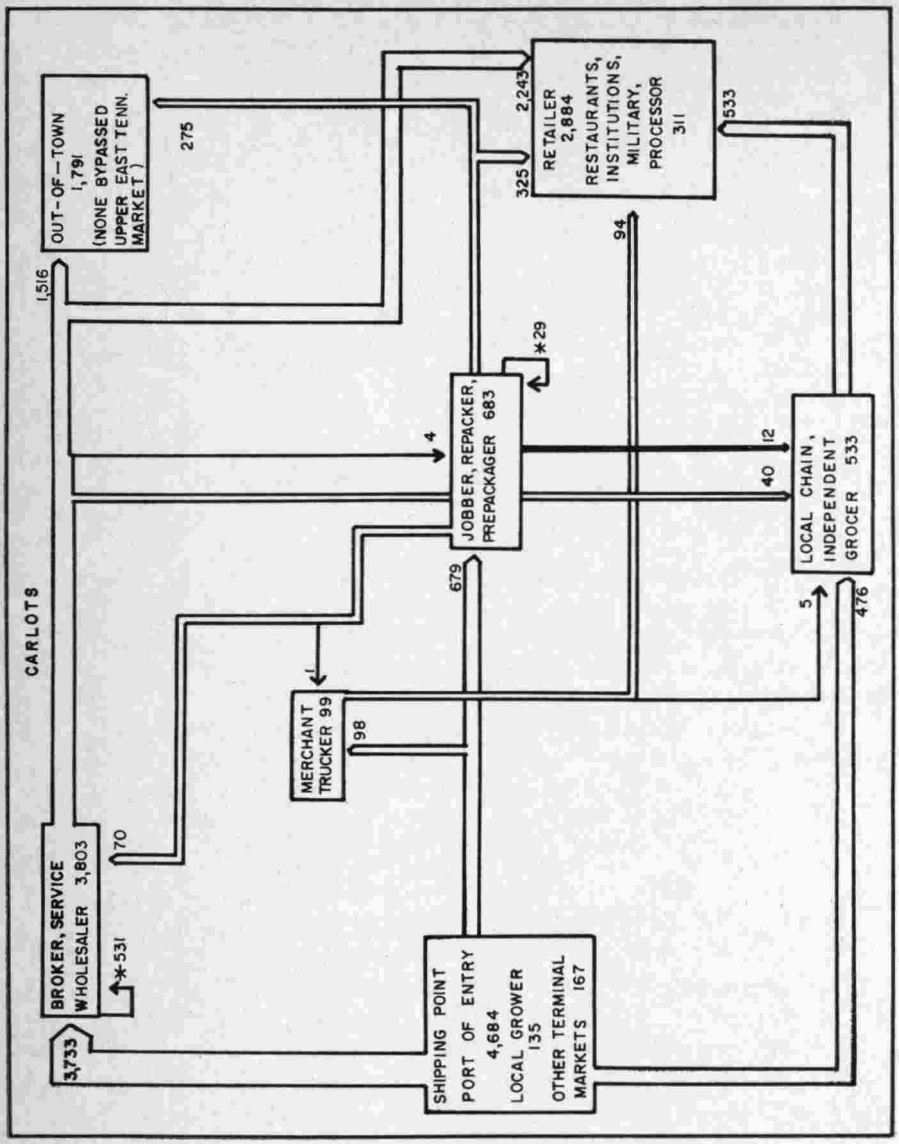



Figure 5.6. Major marketing channels, Upper East Tennessee wholesale produce market, 1959.

87 percent was sold to retail stores, 2 percent to chains and retail cooperatives, and 11 percent to eating places and institutions.

Sales to out-of-town buyers amounted to 1,791 carlots in 1959. Wholesalers purchased 16 percent of the volume; chains and voluntary or cooperative groups, 22 percent; independent retail-

Table 5.5. Wholesalers' sales to local retail outlets, by class of firm, 4 Upper East Tennessee wholesale produce markets, 1959

| Class of seller | Type of retail outlet: Chain, retail cooperative | Retail store, peddler | Eating place, institution, military | Total |
|---|---|---|---|---|
| | | Carlots | | |
| Merchant trucker | 5 | 89 | 5 | 99 |
| Jobber<br>Repacker; prepackager | 12 | 322 | 3 | 337 |
| Selling broker<br>Service wholesaler | 40 | 1,940 | 303 | 2,283 |
| Total | 57 | 2,351 | 311 | 2,719 |

ers, 39 percent; restaurants, institutions and military purchased 23 percent.

## Buying Methods

Sixty-six percent of the produce bought direct from shipping point by the 4 Upper East Tennessee markets was bought over the telephone or by wire. About 20 percent of the produce was bought through buying brokers at shipping point.

## Functions and Services

All but two of the wholesalers in the 4 Upper East Tennessee markets provided delivery service. Ninety-one percent of the vol ume of all the wholesale handlers was delivered to the customers in the firms' own trucks.

Service wholesalers and selling brokers reported that all their sales were made to regular customers. Percentages of produce sold to regular customers by jobbers, merchant truckers, and repackers-prepackagers were reported to be 75, 46, and 96 percent, respectively.

A volume of 753 carlots of produce was prepackaged or repacked by the 22 Upper East Tennessee firms in 1959 (Table 5.6). Sixty percent of the total was repacked or prepackaged by 3 service wholesalers and 1 jobber, and the remainder by 8 repackers and prepackagers.

Nine firms extended credit for 30 days. These firms included 3 service wholesalers, 4 repackers and prepackagers, and 2 jobbers. One repacker offered credit for 60 days, and three repackers offered credit for 7 days.

Table 5.6. Volume prepackaged or repacked, by type of firm, 4 Upper East Tennessee wholesale produce markets, 1959

| Commodity | Prepackaged or repacked by: 8 repackers and prepackagers | 3 service wholesalers, 1 jobber | All wholesalers |
|---|---|---|---|
| | | Carlots | |
| Tomatoes | 258 | 0 | 258 |
| Bananas | 0 | 312 | 312 |
| Potatoes | 39 | 36 | 75 |
| Onions | 0 | 34 | 34 |
| Apples | 0 | 19 | 19 |
| Oranges | 0 | 19 | 19 |
| Popcorn | 1 | 0 | 1 |
| General line (not specified) | 0 | 35 | 35 |
| Total | 298 | 455 | 753 |

## Margins

Target margins were only reported by repackers, prepackagers, and merchant truckers (Table 5.7). The average target margins reported as a percentage of sales price ranged from 25 to 27.5. Relatively higher margins are usually related to the greater amount of services provided.

Table 5.7. Target margins of wholesalers, 4 Upper East Tennessee wholesale produce markets, 1959

| Type of firm | Average target margin of firms quoting in terms of percentage of sales price | Percentage of firms quoting a target margin |
|---|---|---|
| | Percent | |
| Repacker; prepackager | 27.5 | 25 |
| Merchant trucker | 25.0 | 25 |

Table 5.8. Number of retail food stores and their sales in 4 Upper East Tennessee cities, 1958

| Cities | Number | Sales during 1958 |
|---|---|---|
| | | (000) |
| Bristol | 55 | $27,146 |
| Johnson City | 67 | 10,437 |
| Kingsport | 55 | 16,405 |
| Morristown | 48 | 6,725 |
| Total | 225 | $60,713 |

## STRUCTURE OF THE RETAIL MARKETS

The numbers of retail food stores in the 4 Upper East Tennessee cities and their sales are shown in Table 5.8. Chains had 16 stores in the 4 cities in 1959.[2]

## TWO DECADES OF CHANGE IN THE MARKETS

### Number and Type of Firms

There were 14 firms in the wholesale produce business in the 4 Upper East Tennessee cities in 1941.

### Entrance and Exit of Wholesalers

Only 4 of the 14 firms listed in the trade directory in 1941 were still in business in 1960.[3] Four of these 14 firms had gone out of business by 1950 while 18 new firms had been established during that period. Twenty-four of the firms in existence in 1950 were not operating in 1960, while 18 new firms were created during the period 1950 to 1960.

Twelve of the firms in the 4 cities in Upper East Tennessee had been in business less than 5 years, while 6 of the firms had been in business from 5 to 9 years. Expressed another way, almost 82 percent of the firms had been in business from 1 through 9 years and the remainder, 18 percent, had been in business 10 years or more.

### Growth and Decline of Firms

Fifty-nine percent of the wholesalers reported an increase in sales of more than 10 percent from 1949 to 1959 in the 4 Upper East Tennessee cities in this study. During the same period 25 percent of the merchant truckers and 13 percent of the repackers and prepackagers reported that their sales decreased more than 10 percent.

### Changes in Trade Channels

Eight of the 15 firms reporting did not indicate any change in their source of supply from 1949 to 1959. Three firms had started buying directly from grower at shipping point. One firm's purchases were made through a broker at shipping point while 1 firm's purchases were obtained from terminal markets instead of the production area. One firm bought more from truckers, while the buying area for 1 firm had been enlarged.

Nineteen of the 22 firms reported on changes in sales outlets.

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[2]U. S. Bureau of the Census, *Vol. II. Retail Trade—Area Statistics* (Washington: U. S. Government Printing Office, 1958).

[3]Produce Reporter Company, 1941, 1950, 1960, Wheaton, Illinois.

Nine of the firms were about the same. One merchant trucker indicated that his business with independent stores was picking up. Of 4 repacker-prepackagers reporting, 1 firm had more out-of-town sales, 1 firm was selling less to retailers, 1 firm had increased sales to chains and 1 firm was selling less to independent stores. One broker was selling more to chain stores while another broker's sales to retail outlets had declined. The sales of 2 service wholsalers with local chains and institutional outlets had increased, but decreased with independent stores. Two other service wholesalers' sales to small stores had decreased.

## Changes in Service

Seventeen of the 22 firms reported on the amount of service offered from 1949 to 1959. Two firms did not indicate any change in service; 11 firms had been making more deliveries during the specified period. Two firms were doing more prepackaging. Two firms reported they were handling better products.

## Outlook of Wholesalers

Nineteen of the 22 firms gave information on the outlook of wholesalers. Fifty-eight percent of the managers believed the future was good for their business, while the outlook for 26 percent of the firms was poor. Eleven percent indicated the outlook for their business was fair, and the manager of 1 firm believed his business of prepackaging was on the way out.

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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
Distribution
Importer's sales agency
Sales agent
Selling broker
Terminal broker

*Retail organizations:*
Corporate chains:
National chain
Regional chain
Local chain
Local chain without warehouse
Voluntary group
Retailer cooperative

*Wholesale handlers* (firms that physically handle merchandise):
Banana jobber
Commission importer
Commission merchant
Exporter
Importer
Itinerant trucker
Jobber
Jobber (delivery)
L.c.l. shipper
Merchant trucker
Mixed load shipper
Packer-shipper
Prepackager
Receiver
Receiver-jobber
Receiver-purveyor
Repacker
Secondary wholesaler
Service jobber
Service wholesaler
Truck jobber
Wholesale grocer

## Definitions of Terms Used in This Study

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

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

*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.

*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 relation-

ships 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.

*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.

*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 store which does not operate its own produce warehouse, although it almost 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.

*National chain*—The three largest chainstores with warehouse distribution areas over more than half the country.

*Produce*—Use 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.

*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.

*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 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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