

THE ASSEMBLING OF AGRICULTURAL COMMODITIES BY RETAILERS

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INTRODUCTION

Many retailers in the small city and rural market area (that is, outside of cities of 10,000 population and over) in addition to retail merchandising play an important part in the initial movement of agricultural products into wider channels of distribution; that is, they engage in the handling of farm products, either on the basis of outright purchase and sale to some manufacturer or distributor or else act as assembling agents for such concerns. That these retailers do carry on such business has been a matter of common knowledge for years but never before have data been available as to the volume of this assembling business.

This report on the assembling of agricultural commodities by retailers (that is, in places outside of cities of 10,000 population and over) is one of the series of reports on the distribution of agricultural commodities issued by the Bureau of the Census. These reports represent one phase of the work of the first census of distribution taken in 1930, and cover the operations of assemblers and distributors of agricultural commodities for the year 1929 or the crop year most closely corresponding thereto. The reports have been prepared under the supervision of Robert J. McFall, chief statistician for distribution, in the Section of Agricultural and Rural Distribution, by Charles D. Bohannan, in charge of the section, assisted by D. W. Sawtelle, associate economist.

The scope of the census of distribution.—The census of distribution, conducted on the enumerator basis early in 1930, was taken on the establishment basis; that is, the census covered all types of assemblers and dealers where such persons and firms had established places of business. The census of distribution did not cover storage or warehouse concerns, the transportation business, or strictly service businesses.

The purpose of the series.—The purpose of the series of reports on the distribution of agricultural commodities is to present a unified picture of the distribution of the major agricultural products, such as will be of the greatest value to persons, firms, and organizations concerned with any phase of the industry—producers, buyers, dealers, manufacturers, and consumers, and also to students of the economics of agriculture in its relation to the broader problems of our national economic life. To that end the reports include not only the tabular presentation of the data from the census of distribution and the above-mentioned related economic data, but also incorporate such analytic and descriptive materials as is felt will aid in the interpretation of the problems arising in connection with the distribution of the various products. In addition to this report on the assembling of agricultural commodities by retailers the series includes reports on the distribution of grain, cotton, tobacco and its products, dairy products, fruits and vegetables, poultry and eggs, livestock, and meat and meat products.

The reports in this series present the distribution data as gathered on the schedules and by certain supplementary inquiries from various classes of buyers, assemblers, dealers, and other distributors of the various agricultural commodities at wholesale and also at retail in cases where the agricultural product con-

cerned is sold at retail to consumers in practically its original form or after a preliminary processing form. Thus while the report on the distribution of cotton will deal only with the various classes of buyers and dealers in lint cotton, the reports on fruits and vegetables, poultry and eggs, and on dairy products will include data on assembling, wholesaling, and retailing. The report on tobacco and its products will be a combined report covering both leaf tobacco and manufactured tobacco.

The scope of the report on the assembling of agricultural commodities by retailers.—“Agricultural commodities” as the term is here used refers to farm products, including farm-made butter, farm dressed or cured meats, and in short, any of the products of the farm or products made therefrom on the farm. The term “retailers” in this report refers to retail stores in the small city and rural area, that is, in all places outside of cities of 10,000 population and over. It thus includes stores located in the smaller cities, in towns and villages, and country crossroads stores. Thus the “assembling of agricultural commodities by retailers” refers to that part of the total business of these retailers which consists in the purchase (for their own account or on a commission basis) and handling of one or more farm products for shipment and/or sale to some other distributor or to some processor or manufacturer either locally or on another market.

The schedules from which the data here presented were tabulated are the regular census of distribution schedules which were used in securing reports on all kinds of retail establishments in the small city and rural market area, as well as for wholesale and other nonretail lines of business. In addition to the inquiries concerning the name of the store, principal kind of business, name of proprietor, address, total sales, employees, salaries and wages, stocks on hand, and the like, the schedule contained the following special inquiry covering the assembling of agricultural commodities.

12. FARM PRODUCTS BOUGHT OR TAKEN IN FROM FARMERS (to be included in No. 10) (i.e., total sales):

- a. Total purchase value of farm products bought for others on salary or commission basis..... \$.....
 - b. Sales to wholesalers, retailers, and manufacturers, and consignments to commission merchants.
Total sales value..... \$.....
 - c. Name principal commodities thus handled, in relative order of importance, using the following classification (milk and cream, butter, eggs, poultry, cattle, swine, sheep, etc., wheat, corn, etc., hay, cotton, tobacco, hides, wool, potatoes, beans, fruits, and vegetables, furs—other products, indicate which).
- (1) (3) (5)
 (2) (4) (6)

While considerable information has been available in the past concerning certain phases of the distribution of agricultural commodities, relatively little has been known concerning the initial steps of such distribution. This, the first nation-wide census of distribution, provided an opportunity to gather data on this point and to ascertain among other things the extent to which retail stores function in the assembling of agricultural commodities and in passing them on into wider channels of distribution. To that end the inquiry as shown above concerned itself not with agricultural commodities purchased and resold to consumers over the counters of the stores, but only with such as were resold to wholesalers, retailers, and manufacturers or purchased for them on commission or salary for some other distributor or for a processor or manufacturer.

As a result of the census of distribution, schedules were received for retailers in the small city and rural area doing a total business in 1929 of \$14,812,783,000. Of these retailers 73,006, or 11 per cent, reported the assembling of agricultural commodities having a total value of \$450,054,767, of which \$111,019,507 represented purchases on salary or commission for some other firm or individual and \$339,035,260 represented sales of commodities bought outright and resold. Thus for those retailers which reported doing this kind of business it represented 24 per cent of their total business.

More stores (64,845) reported the assembling of eggs than any other single commodity, while 32,153 reported the assembling of poultry, 15,742 the assembling of fruits and vegetables, 15,565 the assembling of butter, and 10,063 the assembling of cream sold principally as butterfat.

Method of presentation of data.—Table 1 presents a United States summary by States and geographic divisions. It shows the total number of stores in the small city and rural market area in the following four kinds of business groups: Food group, general stores, hardware and farm-implement dealers group, farm-supplies dealers group, with all other retail stores shown under the caption "All other stores." The balance of the table is so arranged as to show for the United States as a whole and for each State and geographic subdivision the number and per cent of each of these kinds of stores which reported the assembling of agricultural commodities and the number of stores which did not assemble agricultural commodities, together with the germane data concerning the value of the agricultural commodities purchased in relation to total business, the average retail sales per store, and the number of stores reporting the assembling of each of six specified agricultural commodities.

The detailed data are presented only for the four merchandise groups mentioned since only 1 per cent of all the other kinds of stores reported doing an assembling business, while 14 per cent of the stores in the food group reported such business, 40 per cent of the general stores, 12 per cent of the farm-supplies group, and 2 per cent of the hardware and farm-implements stores.

For all stores and also for the stores in each of the various groups there is very little difference in the average retail sales per store as between the stores doing an assembling business and those not doing that business with the one exception of general stores, which have an average retail sales per store for those stores not doing assembling of practically \$6,000 more than for those stores which reported assembling. On the other hand, the average for all the stores in the group "All other stores" doing assembling is about \$12,000 larger than for the similar group of stores not reporting assembling.

Table 2 presents data for each county by States. The data include: Total number of retail stores and total sales in the small city and rural market area; the number and per cent of retail stores which reported the assembling of agricultural commodities; the value of the assembling business and the per cent this was of total business (that is, both retail sales and assembling); the number of assembling stores which reported credit sales; the amount of such credit sales together with the per cent such sales were of total sales; and the number of stores in each county which reported the assembling of each of certain specified farm products.

Table 3 presents comparative data on the credit business of stores reporting assembling and those not reporting doing such business. Since the table includes totals for the credit business of all stores in the small city and rural market area, it makes available for the first time, nation-wide data on the credit functions of rural retailers. The total amount of credit extended, as reported by such stores in 1929, amounted to \$4,242,509,789, or 30 per cent of their entire retail sales. These credit data are also presented for stores in each of four different kinds of business, namely, food stores, general stores, hardware and farm implement stores, and farm supply stores.

The right-hand side of Table 3 presents first, credit sales data of stores which reported the assembling of agricultural commodities and second, similar data for the other retail stores, that is, those which did not assemble agricultural commodities. The first column under Stores reporting assembling gives the number of such stores which definitely reported on their credit business. The per cent which these stores were of all stores reporting assembling is given in the second column. The third column gives the total credit sales as reported by these stores, while the fourth column gives the per cent which these credit sales represented of total retail sales of all such stores. The column arrangement of data on Stores not reporting assembling follows the same plan.

The importance of the assembling business in different sections.—As one would perhaps naturally expect, the various geographic divisions present considerable variation in the assembling business, due to differences in the general agricultural development and other economic and social conditions.

The East South Central (22 per cent); the West North Central (15 per cent); and the South Atlantic (14 per cent) divisions lead in the order named in the percentage of all stores in the small city and rural area which engaged in the assembling business. The total value of the products assembled is highest in the West North Central division, \$129,074,967; while the West South Central is second with a total of \$88,166,375, and the East North Central is third with a total of \$72,175,919. In six of the nine geographic divisions the average retail sales per store of the stores doing assembling is materially higher than the average retail sales of those stores not doing such business.

Detailed analysis by States and counties shows that in regions of more highly specialized agricultural production the assembling is to a greater extent done by specially developed agencies than is the case in the more general farming regions. Hence in the latter we find a larger amount of agricultural commodities moving through the retail stores. This sort of variation is also noticeable as between different commodities. These commodity variations are due to a number of factors, including in addition to the degree of specialization in products and the consequent volume of the commodities grown, the special facilities necessary for handling certain commodities, and the like. For example, we find few stores attempting the assembling of such agricultural commodities as grain and live-stock. Again, in a highly specialized fruit and vegetable region most of the assembling of such commodities is done by specialized agencies such as the field offices of the distributors and processors whose central offices are located as a rule in the larger cities. Retail stores also do relatively little assembling of tobacco, which is due both to the character of the physical properties of the tobacco leaf and the necessity of developing special handling agencies. Poultry, eggs, butter, and cream are in a different category as regards the physical possibilities of assembling by retail stores.

To what extent the handling of agricultural commodities is a profitable undertaking as far as the individual store is concerned is a point which the census of distribution data do not cover and is furthermore a point on which there is considerable difference of opinion. However, the examination of individual schedules and also a considerable amount of correspondence have demonstrated that at least some retailers in some communities have found this business quite profitable, either directly or indirectly. It seems to be true, beyond shadow of reasonable doubt, that many retailers have found it at least indirectly profitable to do everything reasonably possible to develop their stores as real centers of community service. These retailers have seen fit to take advantage of the fact that persons tend to trade where they can sell. This applies both to the individual store and to the community at large. Whether in the long run it will prove to be more profitable for the retailers in a community to continue to handle agricultural commodities individually or whether it would be more advantageous for the more progressively minded retailers in the community to set up a general community assembling and forwarding agency is also a problem which merits very careful consideration.

Retail stores are but one of many types of assemblers of agricultural commodities. Detailed information on these other types will be contained in the special reports on the assembling and distribution of each of the major farm products.