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UNITED STATES DEPARTMENT OF AGRICULTURE
BULLETIN No. 267
Contribution from Office of Markets and Rural Organization
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Washington, D. C. August 16, 1915

METHODS OF WHOLESALE DISTRIBUTION OF FRUITS AND VEGETABLES ON LARGE MARKETS.


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INTRODUCTION.

The details of our present system of terminal distribution at large market centers are practically unknown to many producers and consumers. The elaborate commercial machinery whereby fruits and vegetables are brought from distant production areas to our large cities and are there received, divided into smaller lots, and finally passed on to the consumer is an unknown mechanism to the layman. Much confusion and unnecessary explanation could be avoided if those outside the produce trade had a clearer idea of the processes incident to the marketing and distribution of perishable food products. This is especially true in the case of the small shipper. Goods which have reached a large market usually have passed from the producer’s control, but the fact remains that an accurate knowledge of

1 For a discussion of outlets and methods of sale for shippers of fruits and vegetables, see Bul. 266, U. S. Dept. of Agriculture, by Fisher, J. W., Jr.; Collins, J. H., and Sherman, Wells, A.

Note.—This bulletin should be of interest to shippers, dealers, and consumers of fruits and vegetables throughout the United States.

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the means whereby his produce finally reaches the consumer might exert a very appreciable influence on the producer's method of grading, packing, shipping, or selling.

This bulletin is designed to assist the shipper in obtaining a better understanding of prevailing practices and of distributing agencies. This should enable him to use the existing machinery of distribution more intelligently and to avoid certain needless annoyances and losses. Attention is confined to general practices on the larger markets which receive fruits and vegetables in car lots from distant points. The facts are presented in explanatory form and some attempt has been made to give specific advice as to how certain results are to be secured.

A glossary of the trade terms and expressions as used in this bulletin will be found on pages 26 and 27. As these terms are not used in exactly the same sense in all parts of the country, this glossary should be consulted freely.

**NECESSITY FOR DISTRIBUTING AGENCIES.**

The development of transportation facilities and the extension of our agricultural area have widened the distance between producer and consumer. This is as true commercially as it is physically. This condition has brought with it many difficulties, and the services of specialists have been required to accomplish the distribution of large crops over wide areas. Certain channels of trade have been created and there are numerous avenues through which the farmer may reach the consumer. Few of these avenues are direct. The movement of farm products from producer to consumer appears to both to proceed in most cases along circuitous and devious ways.

This extensive commerce in food products has called into existence many special agencies in that large class known as "middlemen." During recent years there has been a great deal of agitation against those engaged in food distribution. Few people have any clear idea as to just who these middlemen are and what functions they perform. It is probably not going too far to say that, to the uninitiated, the middleman is a rather hazily defined person, whose chief function is to levy, arbitrarily, a heavy tribute on all foodstuffs passing from the producer to the consumer. The attention of the public has been directed to increased costs rather than to service rendered. Evidently it has never occurred to many who clamor for reform that economic conditions would not permit the long continued existence of a marketing agency which was simply a parasite. Sooner or later business competition must eliminate all intermediate agencies which perform no definite useful functions.

Several important factors have contributed to the establishment of many middlemen as necessary agents in the present system of market-
ing. Production during the last decade has increased greatly, and as a natural consequence improved methods and facilities for handling the increase have become necessary. Keeping pace with increased production has come the demand of consumers for more elaborate and efficient service. Little thought is given to the fact that service can become a very expensive luxury. With the widening of the distance between the city and the sources of its fruit and vegetable supplies there has arisen the necessity for special agencies to meet the changed conditions.

The fact should be recognized that present distributive machinery, with all its strong points and its weaknesses, has been created of necessity, and it has weathered the storm of much adverse criticism, because every part of the country is now enjoying the perishable products of the most remote districts. Any readjustment of present market practices must be based upon the fact that some agency must continue to perform the functions of the present-day middleman.

Handling goods through a large market is a very complex process. The problems involved differ greatly from those of production. Usually one man or one firm can not handle both production and distribution and succeed at both. The vast volume of business transacted at large market centers makes necessary some special agencies which can devote all their energies to distribution. Especially does the machinery for efficient marketing become necessary when perishable goods are to be handled. Commodities of this sort must be moved rapidly, must be distributed evenly, and from their very nature permit of no weakness in distributive machinery, if they are to be sold at a profit.

METHODS OF RECEIVING.

As soon as a shipper starts a car of perishables toward the market, he should notify the consignee. This one important detail is often omitted or neglected by shippers. Little thought is given to the fact that the consignee, especially if a large firm, may have many other shipments en route or on hand. The viewpoint of the small shipper whose annual output may be from 1 to 10 carloads is narrowed. The one or two cars which he may be rolling toward market are very important to him, and he usually loses sight of the fact that his property on arrival at the market will be only a very insignificant portion of the total receipts. The firm to which the shipment is made may have more carloads on track and for sale in one day than the shipper would forward in five years.

Keeping records of all these shipments is a great burden on large, wholesale, distributing concerns, and lack of proper notification often causes much needless confusion and costly delay at distributing cen-
ters. A grower who will have one or more cars of produce to market should get in touch with the concern to which he expects to ship his goods some time before they are ready to move. Thus he may secure some valuable suggestions as to packing, loading, or routing the shipment, and these preliminary negotiations will pave the way to a better understanding of terms and the means whereby the produce may be handled rapidly and efficiently. In cases where it is advisable to divert cars in transit or where special preparations must be made to receive and distribute goods immediately, notification of consignee by prepaid telegram should be coincident with shipment. Also, when there is any doubt about a letter reaching the consignee before the car arrives it is important that the wire be used. Telegraphic notifications must make plain just what the shipper has in mind. For instance, a shipper in Florida may consign a car to a commission merchant in Kansas City, and telegraph to him as follows:

Am to-day consigning to you car FGE 16438 containing 330 boxes Bright and Fancy Bright grapefruit: 30 boxes 36’s, 100 boxes 46’s, balance 54’s. Routed via Atlantic Coast Line, Louisville & Nashville, Missouri Pacific. Handle for my account. Letter and bill of lading follow.

The letter which follows should embody the following details: Name of commodity, date of shipment, whether shipped by freight or express, route, car number and initial, number of packages, size and type of packages, variety, and grade.

In case the car is billed to a broker or sales agency the instructions, whether by telegram or letter, should read, "Sale subject to confirmation by shipper," as in this way the shipper has the final word as to the disposition of his property.

Inexperienced shippers may overlook the fact that all railway cars are designated by number and initials painted on the outside of the car. Thus a refrigerator car owned by the Great Northern Railroad Co., No. 51028, would be known as GN 51028. Car 16438, operated by the Fruit Growers' Express, is designated as FGE 16438.

Shortly before the goods reach their destination or immediately after arrival the consignee is notified by the railroad. When highly perishable goods, such as strawberries, are moving, some railroads receive passing reports of cars en route and notify the consignee by telephone several hours before the car arrives, thus giving him opportunity to issue any special instructions or to make arrangements for prompt handling and distribution of the contents on the arrival of the car. In handling fruits and vegetables not so perishable, the railroad, as a rule, notifies the consignee after the car has arrived and confirms this telephone notification by a mailed card, giving car number, initials, and contents.

When no special instructions are given by the consignee many railroads place the cars on their team track soon after arrival in order
that inspection and unloading may be accomplished immediately. When firms have private sidings running into their places of business, it is usual for all cars shipped direct to them to be placed on these sidings without special instructions. Prompt notification by railroads enables the consignees to divert cars to auction sidings without loss of time when it is expected that the contents will be handled through an auction.

INSPECTION.

Soon after arrival it is necessary that an inspection be made. The inspector may be the consignee or his representative. In case the car has been shipped to a broker or a commission man, preliminary inspection is often made by a prospective buyer. If the shipment was made under a "straight" bill of lading, it is necessary that the inspector have a written order issued by the consignee in a form similar to the following:

AGENT, MISSOURI PACIFIC RAILROAD COMPANY,
Kansas City, Missouri.

Dear Sir: Please permit bearer, John Jones, to inspect the contents of car GN 51023 now on track, consigned to me.

(Signed) J. J. Doe.

Whenever a shipment is billed "Order notify" or "Shipper's order," the bill of lading should be indorsed thus: "Permit inspection without surrender of bill of lading." This will remove the necessity for issuing inspection orders. As a matter of fact, all bills of lading whether "straight" or "order" should read, "Permit inspection," in order to avoid possible complications at destination.

Usually the right of inspection by the purchaser is assured in the case of perishable goods, as it would be very unbusinesslike to purchase or accept a carload of perishables without a careful inspection.

In all cases where the shipper has no market representative he should arrange to have inspection made by disinterested inspectors in case the shipment is rejected.

REJECTIONS.

There are a surprising number of rejections on large markets where great quantities of perishable goods are handled. Few shippers have any idea how large this number is. The facts for one product in one market may illustrate this point.

From the beginning of the shipping season to July 28, 1914, 3 of the 15 railroads touching Kansas City, Mo., brought to that market 227 cars of watermelons. Of this number 47 were rejected
outright and a number of the remainder were reconsigned and subsequently refused at other points. This example does not, of course, indicate normal conditions on this market, nor is this particular distribution center more prone to reject produce than are other similar markets. No exact data as to the causes for these rejections are available and unfortunate conditions may have justified the refusal of any or all of these melons. As a matter of fact, carelessness in grading, packing, and loading are largely responsible for the high percentage of rejections which occurs in the handling of fruits and vegetables. Perishable goods, from their very nature, may be said to invite rejections, and the figures here given are probably indicative of conditions in other distribution centers during periods of market depression.

JUST CAUSES FOR REJECTION.

Satisfactory compromises can be made only where both the shipper and the buyer are broad minded and willing to make reasonable concessions. A very common source of misunderstanding is shrinkage. A shipper who sends fruits or vegetables several hundred miles to market can not understand why his shipment should weigh so much less on arrival than it did at the point of origin. Thus the invoice weight of a car of bulk apples shipped from southwest Missouri on October 16, 1914, was 22,427 pounds. These apples arrived at market on October 23, and were reweighed, barreled, and sold. The weight of the apples at destination was 17,971 pounds, indicating a loss of 4,456 pounds, or 19 per cent, due to shrinkage in transit and to the discarding of a small quantity of culls and spoiled fruit. Very few shippers could be made to believe that a legitimate loss as great as this could occur even though the shipment was graded and loaded carelessly.

An all too common source of trouble between shippers and consignees is nonfulfillment of contract by the shipper. This may furnish just ground for a rejection. Thus, a shipment may be due to leave the point of origin on a certain day, but the actual movement may be postponed by the shipper for several days. A break in the market in the meantime, if the purchaser gives prompt notice to the shipper, will justify him in refusing the shipment when it finally arrives. Again, goods are often not up to the grade specified in the contract. For instance, a grower agrees to ship a carload of fancy, barreled apples. When the car arrives, the purchaser discovers that from 25 to 50 per cent of the shipment is below the standard specified and he very justly refuses the entire shipment or demands a considerable allowance. Often with the best management there remain possibilities for great losses, so that both producers and distributors should
take into consideration the character of the product which is being moved, live up to all agreements, and accept any losses which justly fall to either.

UNJUST REJECTIONS.

A break in the market price may be another cause for rejection and one which can not be justified. A dealer may buy a carload of a certain commodity and certain grade and agree to pay a specified price. Before the car arrives the market price may drop materially. To accept the produce at the contract price may entail considerable loss. Hence, when the car arrives it is given a very rigid inspection, and it is seldom difficult to discover a number of defects in perishable produce when the inspector is devoting close attention to the effort. Thus a drop in market price may convert a car of extra fancy apples into "C-grade" stuff in the opinion of the buyer who sees a loss confronting him.

This practice of rejecting on a declining market is being disapproved more and more by reliable concerns. It injures the business standing of the buyer. One of the worst things that can be said about a produce dealer is that he is a ready rejector. Refusal on a declining market is unfair to everyone concerned. In the case of the buyer, the reputation of a firm may be seriously injured by this practice. In addition, if the buyer is able to effect a compromise with the shipper whereby he is able to secure the produce for a greatly reduced price, he can afford to throw the produce on the market at a price which will depress it still further.

All firms which propose to remain in business are anxious to build up reputations for integrity. All prominent firms have established reputations to maintain and transactions with them are usually safe. Many firms operating on a smaller scale have gilt-edged reputations where they are known and are ambitious to expand their business by giving the best service possible.

Most of the abuses with which the distributing trade in general is charged are traceable directly to the operations of irresponsible dealers, with little financial backing, who do not remain very long in business in any one market. Unjustified rejection is coming to be confined more and more to comparatively unimportant marketing concerns.

REDRESS FOR REJECTIONS.

In case a car is rejected the shipper may sell elsewhere, or may make an allowance on the price to the original purchaser in order to close the transaction. A claim may be entered against the railroad in case the company was at fault in any way. Usually dealers
will accept a car and sell it for what it will bring, and then enter a claim against the railroad through their traffic department in favor of the shipper. When this is done the shipment is accepted from the railroad "under protest," which means that the consignee reserves the right to enter a claim later. Thus, if a car of boxed apples, for instance, should arrive at destination in bad condition, the consignee might give written notice to the railroad of conditional acceptance in some such form as follows:

Chicago, Ill., September 20, 1914.

Mr. J. J. Doe,


Dear Sir: On September 20, 1914, you notified us of the arrival of car FGE 29853, containing apples. This is to inform you that the contents of this car did not arrive in good order, and we hereby notify you that the receipt of same and payment of freight is made under protest, and claim will be entered for the following reason:

Entire car is badly shifted, causing a number of boxes to be broken and contents spilled on floor. Exact amount of damage can not be determined until car is unloaded.

(Signed) ____________

Consignee.

There are several essentials to be observed in filing claims. A written notice of the intended claim should be filed with the railroad at once, so as to permit the company to make immediate inspection in order to protect itself. As soon as the exact loss is ascertained by the consignee, claims should be filed in accordance with printed railroad instructions and should offer complete details, backed in every case by affidavits. It is very important that the original bill of lading be in the possession of the party who files the claim, otherwise there may be great difficulty in collecting.

One advantage of handling business through a cooperative organization or other large company is the ease and rapidity with which these concerns can collect just railroad claims. The large associations are in a position to employ trained traffic managers, who, by carefully submitting only those claims which are clearly justified and by backing up those claims with affidavits and evidence, are able to make prompt and full collections.

TERMINAL DISTRIBUTION AND SALES METHODS.

A panoramic view of the activities at one of the large distribution centers of the country would probably reveal some astonishing facts to the layman. When sales are being made on one of our large markets, the mingling of various types of middlemen and the activi-
ties being carried on cause the market to present an appearance peculiar to the produce trade. A great amount is moved by the wholesale trade in the very early morning. At this time, before most of the activities in the city have started, produce distributors find their busiest period. Trucks of fruit and vegetables from freshly "broken" cars are being unloaded on the walk before each business house; ranks of crates, boxes, and baskets nearly block all passageways; and more or less elaborate displays of the day's offerings are being arranged to attract passing buyers. Jobbers, grocers, hucksters, and fruitstand vendors elbow their way through narrow passageways between the tiers of produce, stopping every few feet to inspect goods and ask prices. Street salesmen for each produce firm endeavor to withstand the assault of the throng and each attempts to devote attention to three or four buyers at once. Prices are quoted and violent arguments take place as to quality, pack, and price. After much wrangling and discussion of price and terms, sales are finally made.

Figure 1 shows South Water Street, Chicago, at 8.30 a.m., which is after the rush hours. There is not sufficient light to secure a good picture when the congestion is greatest.

Where a few years ago goods coming to market passed, as a rule, by definite, direct channels to the consumer, to-day the same goods may take any one of a great number of channels, whose directness may or may not be in proportion to the size, type, or quality of the shipment. Large distributing organizations and firms have grown and spread their business activities over much wider fields, but each has worked along its own lines, and each by itself to a certain extent; hence the present lack of uniform practices and systems. In other words, there is no continuous articulation between the different phases of distribution. This does not mean that members of the trade have no common interests. As a matter of fact, their business success depends to a large extent on their ability to secure when needed the help and cooperation of certain of their associates. This community of interests, however, does not obtain among all those engaged in distribution. Distributors are often working at cross-purposes, so that general economy and efficiency are lost in the conflict of interests.

In this discussion rather arbitrary lines are laid down as boundaries for the activities of various types of middlemen, yet in actual practice these activities so overlap and encroach upon each other that resulting market practices are exceedingly complicated.

Goods do not pass in regular order through definite channels, but are sold by any available means. While for purposes of clearness the distinction between the various types of distributing agencies has
been very closely drawn in this bulletin, this distinction is not so apparent in actual practice. One man or one firm may combine the functions of several middlemen. Many distributors act simulta-

neously as car-lot wholesalers, commission men, and jobbers. As a matter of fact, few firms confine their activities to one line of business. Thus, of the goods sold by a firm on one day, part may have
been purchased outright in car lots, part purchased in small lots from other receivers, and part consigned on commission. While one firm may act in the triple capacity of car-lot wholesaler, commission man, and jobber, the three lines of business thus carried on at the same time are very distinct and for purposes of discussion may be considered as being performed by three separate firms. In every large market there are concerns which confine themselves to one of these lines, but by far the greater number of produce distributors do business in several lines.

CAUSES OF COMPLICATED METHODS.

Various factors have contributed to the development of manifold methods of marketing. The use of refrigerator cars for shipping perishables from distant producing sections and the attendant growth of business in handling goods out of season have had a tremendous effect. With the radius of the zone of supplies thus lengthened, marketing activities have increased to keep pace with the movement, and with increased activity have come increases in complexity and in costs.

When consideration is given to the vast territory which supplies any one of our large cities with its fruits and vegetables, the wonder is that distributive machinery is not more hampered and labored in its action. Thus, on one day in the fall of 1914 Kansas City was receiving peaches from Utah, Idaho, and Washington; grapes from California and Michigan; cantaloupes from Colorado, New Mexico, Arkansas, and Missouri; pears from California and Colorado; sweet potatoes from Virginia and Georgia; and apples from Colorado, Washington, New Mexico, New York, Arkansas, and Missouri. With daily supplies coming from all sections of the country and with the necessity for adjusting machinery to care for varying quantities, it is not to be expected that the flow of produce through market channels will be smooth and uninterrupted, nor that prices will be stable and uniformly satisfactory.

SALES BY BROKERS.

In spite of general complexity, however, explanations of the sales methods of some of the principal, independent, distributing agencies may prove useful. Thus, there is the broker who handles car lots only, as a rule, and who draws his business from cooperative associations, country speculators, large operators, private exchanges, and in some cases private shippers. According to strict interpretation, the term “broker” can be applied only to those middlemen who act as intermediaries between the principals in contemplated transactions and have nothing further to do with the contract itself. The broker normally does not have possession of the articles he deals in,
but must carry on all business in the name of his principal. Commodities handled by brokers, as a rule, are sold to car-lot wholesalers or jobbers.

At the beginning of each business day the broker looks over his business, ascertains conditions on other markets, and takes note of the number of cars he has on hand, number en route, etc. With all this well in mind, he is ready to approach the wholesale trade. His next step is to make a careful canvass of the wholesale district, visiting or calling up by telephone all those who may be interested in what he has to offer. When a possible customer is found, the next step, in case the car or cars have arrived, is to allow the prospective buyer to inspect the contents. After inspection, satisfactory terms are arranged and then before the sale can be consummated it is necessary that the shipper confirm the broker's action. Assuming that the broker is selling a car of apples, Ganos and Grimes for instance, he may telegraph the shipper as follows:

Jones offers on car MC sixteen eight fifty-four, two fifty Ganos, two seventy-five Grimes, delivered.

In case this offer is satisfactory, the shipper's reply may read:

Confirm car MC sixteen eight fifty-four Jones, two fifty Ganos, two seventy-five Grimes, delivered.

Or in case the price is unsatisfactory, the shipper might refuse as follows:

Jones too low; car MC sixteen eight fifty-four; must have three Grimes.

Collection is often made through a bank located at destination. The shipper sends the bill of lading with draft attached to a bank, at the time the car is shipped, and after inspection the purchaser pays the draft and secures the bill of lading. Some large shipping organizations whose responsibility is well known to railroad officials often temporarily retain possession of the original bill of lading and effect delivery by a signed delivery order somewhat as follows:

KANSAS CITY, Mo., September 21, 1914.

AGENT, MISSOURI PACIFIC RAILROAD CO.

DEAR SIR: Please deliver on this order without bill of lading car of apples C. B. & Q. 36066 to John Jones, Kansas City. We pay all charges.

The bill of lading is retained temporarily in this case, as evidence of former ownership, or for use in case a dispute should arise later or claim be entered. It is absolutely necessary to insert the clause "We pay all charges," as in many cases railroads will refuse such delivery unless it is understood definitely which party pays the freight.

Broker's Settlements.

Sales by brokers are, as a rule, strictly cash transactions and collection is made when delivery is offered. All cartage expenses in get-
ting the goods from the car to the dealers' place of business are paid by the buyer. In case the broker did not make a direct sale, but handled the goods through auction, his activities would be confined to seeing that the goods arrived at the auction and attending the sale to withdraw the shipment if prices were unsatisfactory.

**Broker's Expenses.**

The broker perhaps handles more business at less cost to himself than any other type of middleman. He has no considerable amount of capital in his business and a large part of his expenses is practically fixed. His heaviest items of expense are usually rent, clerical help, and telegraph charges. The latter, of course, varies with the amount of business handled. As a rule, most of the broker's business is composed of association accounts and accounts of large private shippers, and a very small portion is drawn from small shippers. The broker acts as the exclusive agent on his market for each concern that he represents, and since he handles car lots only and moves large quantities in relatively short periods of time he is enabled to render important services at a very low cost to the shipper.

**Broker's Abuses.**

Brokers are often charged with misuse of their privileges in that they may sometimes speculate on goods passing through their hands. For instance, a broker may make returns out of his own funds for a supposed sale, but hold the produce for a rising market before actual sale is made. If the expected advance occurs, he pockets the increase in price. This practice would prevent a shipper from getting just returns and his goods would not be on an actively competitive basis with other market offerings. In other words, such sales would secure to the grower or shipper the lowest market price quoted on the day returns were made and he would get no benefit from either the expected rise in price or the broker's ability as a salesman. This tendency toward speculation is ordinarily done away with entirely when there is direct dealing between the vendor and vendee, so far as the handling of money is concerned. As a matter of fact, according to a strict interpretation of the term, the shipper's selling agent ceases to be a broker when he assumes responsibility for collecting and remitting, and so the term "broker" as here used is applied according to trade usage and common understanding. Brokers are charged sometimes with failing truly to represent the shipper. Being always in close personal touch with buyers and having no such close relation to the shipper; there is sometimes the tendency to favor the buyer unduly in order to retain his good will.
Brokers act as market salesmen for those producers who are unable to make direct sales and who have no other market representative. They represent shippers at large distribution centers, and by the payment of the very small brokerage fee the shipper can be certain that his goods will be accepted on arrival. The broker, by making prompt disposition of a consignment immediately upon arrival, often saves the shipper many times the brokerage fee. Brokers stimulate and expand the market to a certain extent by their expert canvassing of the trade and any influence that stimulates active buying and selling must be regarded favorably. In general, their chief usefulness lies in the fact that their activities on the market tend to maintain a steady flow of business.

Auction sales.

Auction companies are organizations (usually incorporated as stock companies) which sell fruits at public sale to the highest bidder. The auction offers an outlet for a great deal of produce that can not find immediate, direct sale. Those who sell through an auction may be brokers (representing shippers and associations), speculators, operators, car-lot wholesalers, and in rare cases individual shippers. Sales are made largely to jobbers. Before sales are started a display is made in the showrooms. Produce to be sold is divided into “lines” which consist of from 1 to 100 or more packages. Each line is marked with a designating number and listed in definite order on the various sheets which make up the "catalogue." Before bidding starts buyers who are interested in the day’s offerings make careful inspection of the various lines and make notes on the catalogue as to comparative values. By the time of the opening of a sale each buyer has a pretty definite idea of the value of the various lines in which he is interested.

Sales start at a definite hour and are conducted much as other auction sales are handled. Bids are started at a fairly low figure and the final price received is dependent to a large extent on the size of the day’s offerings and the activity of the bidding. After other offerings have been disposed of miscellaneous broken packages are sold. As sales are made prices are listed opposite the number of the line on the catalogue. A complete catalogue with the prices received for the goods listed opposite the lines is known as a "realizer." Sales are supposed to be strictly for cash, and since, as a rule, single lines are not of any great size the amounts due in each case are not very large.
Auction Charges.

Auction service charges are from 2 to 15 per cent (usually 3 per cent) on gross selling price. Where the selling charge is under 5 per cent a "terminal charge" to cover costs of unloading and handling is sometimes added. This terminal charge is paid by the buyers and is simply a means for securing increased revenue, since business reasons make it necessary for certain auctions to handle goods on a very low selling charge, and some additional income is needed to offset the costs of doing business. Since the auction itself operates strictly on a nonspeculative basis its costs are fixed, in a measure, and as a rule consist of such charges as rental, interest on investment, and employment of help.

Auction Abuses.

One weakness of auctions lies in the possibility of manipulating the sales so that goods sold on certain days will not move at true market prices. In some cases members of the distributing trade in certain cities may be interested financially in the local auction. In such cases it is possible that the business will be conducted so as to favor those who are supporting the auction. Thus, those who are interested financially may secure more or less extended credit, while all others must deal on a strictly cash basis. This, of course, would give an immense advantage to those especially favored and tend to create dissatisfaction among the greater number of buyers.

Another weakness lies in the possibility of tampering with sample boxes in particular lines. However, in justice to the many reputable auctions operating in different parts of the country, it should be said that there is little evidence that any of the abuses mentioned affects the great volume of business handled daily by them.

Advantages of the Auction.

Auctions offer quick outlets for fruits which must be kept moving in a more or less steady stream from producer to consumer. Large quantities of citrus fruits are sold at auction on several of our large markets. When this fruit starts toward market there arises the necessity for keeping a steady stream flowing to the consuming public, and the auction provides one means whereby distributing channels are continuously supplied. Auctions offer an outlet for surplus holdings on well-stocked markets, and, by attracting buyers, tend to expand the market to a certain extent. They afford a good index of market conditions, and when the auction company sells the major part of the supply of certain commodities or is patronized by most of the buyers, it tends to be a more or less accurate determiner of basic wholesale prices.
CAR-LOT WHOLESALERS.

A very important factor in market distribution is the car-lot wholesaler. These men purchase fruits and vegetables from cooperative associations, country merchants, car-lot assemblers, traveling buyers, buying brokers, individual growers, speculators, and city brokers. They distribute goods to the jobbing and retail trade or to the country trade. Thus it will be seen that their activities cover a wider field than do those of almost any other type of distributor.

A large part of the business done by the car-lot wholesaler is transacted very early in the day. Most of these early morning sidewalk sales are for cash, and in a great many cases the buyer does his own delivering. Later in the day, beginning about 8 or 9 o'clock in the morning, telephone orders come in from grocers all over the city for deliveries to be made later in the day. The greater portion of this business is for credit, but settlement is usually demanded within a period of one or two weeks. Still later in the day shipments are made up for distribution to country customers in neighboring towns. Thirty to sixty days' credit is extended to these customers. The orders from this country trade may be by telegram, by letter, or through private traveling salesmen. As a rule, these sales to the country trade are the most uniformly profitable of any to the car-lot wholesaler. Prices charged are usually slightly higher than can be secured from resident buyers on the market. This, of course, is justified, as extra packing and cartage charges are involved. The country trade, as a rule, makes little attempt to keep in close touch with market prices, but prefers to place orders regularly with selected wholesalers or jobbers and depend upon receiving fair treatment.

In addition to selling to the retail trade, popularly known as "retailing," car-lot wholesalers distribute considerable quantities of goods to jobbers. The "jobbing price," it should be noted, is usually less than prices charged the retail trade for the same articles. This lower jobbing price is, of course, to protect the jobber and insure him at least a small margin or profit when he, in turn, sells to the retailer.

SALES OUT OF STORAGE AND CLEAN-UP SALES.

Many car-lot wholesalers buy when prices are cheap and put the produce in storage, distributing later when prices admit of a fair profit. This involves a certain element of risk, as a market may not take on a better tone in time for the wholesaler to move his stored goods to advantage. Some of the heaviest losses in the wholesale trade are the direct result of dealing in stored goods.

After a heavy day's sale there is usually a considerable amount of miscellaneous produce left on hand. At this point hucksters and peddlers purchase the odds and ends that are unsold and clear the
market for the next day's offerings. These sales are to be commended, as considerable quantities of low-grade stuff are thus placed within the reach of the consumer at reasonable rates, and the practice serves to rid the market of a surplus of low-grade produce.

**Costs and Profits.**

Profits to the car-lot wholesaler vary greatly. Since he deals very largely in perishables in large quantities and on his own account, his aim is to make as much profit as possible on each sale. He has better chances to make wide margins than has the jobber, because in many instances he deals directly with the farmer, who is an inexperienced seller and unfamiliar with market methods. However, the car-lot wholesaler buys in large quantities for future sale and thus takes greater risks than the jobber, who buys in small quantities from day to day, moves goods rapidly, and in cases of sharp market declines is able to close out very quickly.

Average net profits at this step in distribution are usually less than is popularly supposed. For instance, during the fall of 1914 apples were handled in Chicago and Kansas City on a gross margin of 25 cents a barrel, oranges at 10 and 15 cents a box, and lemons at 25 cents a box. The margin of profit varies greatly on individual sales and ranges from less than nothing to 50 per cent. Business competition is usually very keen and prevents any long-continued, excessive margin or profit. The car-lot wholesaler's business is subject to all overhead fixed charges, such as interest on investment, labor, and rentals, and in addition he is subject to the costs of much extra service, such as resorting, repacking, and the making of special deliveries. Considering his costs of doing business and the services which he renders, the car-lot wholesaler probably operates on as small a margin of profit as any middleman concerned in food distribution.

**Functions Performed by Car-lot Wholesalers.**

These men perform the absolutely essential functions of acting as primary distributors of produce arriving at market in car lots. Any reforms which may be accomplished in distributive methods must take into consideration the fact that some definite agency must undertake the work of breaking car lots and starting distribution at market centers. Hence, the car-lot wholesaler is undoubtedly a highly important element in present-day distributing machinery.

**Sales Through Commission Merchants.**

The commission merchant is a professional agent whose business is the selling of goods on commission. He has possession of the
commodities, and all transactions are in his own name. He may dictate terms and methods of sale, but must obey instructions if given, and he is responsible to the shipper only for a proper accounting in the final terms.

Commission men solicit shipments from growers, car-lot assemblers, and cooperative associations. It should be stated, however, that cooperative associations do not favor the promiscuous consignment of their products and seek to eliminate this method as far as possible. Consigning is a very common means for disposing of less than car-lot shipments and offers practically the only means for disposing of poor, unstandardized products which could find no direct sale to the wholesale trade. Commission merchants handle goods for 5 to 10 per cent of the gross selling price. In many cases, however, the dealer, by sharp practices, increases his margin to 15 per cent or over. As sales are made he presumably keeps a careful record of each man's transactions, but may or may not give the consignor this detailed information as to the distribution of the shipment. As soon as the shipment is "closed out" the commission man deducts freight and other expenses and his charges and remits the balance to the shipper, together with an "account sales." Costs of doing business are much the same as for the car-lot receiver.

**Abuses by Commission Merchants.**

One charge made against dealers of this type is that they sometimes remit more than the market price to a new shipper in order to get future business. As this does not give the shipper a fair idea of the market and does give him a false impression of the dealer's ability as a salesman, it is a practice which should be regarded with great disfavor by all interests in the market. Another malpractice sometimes attributed to commission merchants is selling for more than the market price and remitting to the shipper on the basis of the market price. Many have regarded this practice as legitimate, because the increased selling price is not due to the superior quality of the goods sold but to the dealer's excellent salesmanship. These practices certainly are not common to most commission men and are not universal, as is generally supposed. Much that the shipper considers dishonest can be explained, his suspicions being due to misunderstanding, or the trouble may be traceable to the shipper himself.

The commission merchant occupies a rather difficult position with respect to his dealings with shippers and shipping associations. The handling of large quantities of fruits and vegetables involves a greater opportunity for mutual misunderstanding than almost any other line of business. The very facts that the commission merchant assumes complete charge of goods intrusted to him, that distribution
is effected according to the commission man’s own ideas, and that the shipper’s returns are in direct proportion to the dealer’s honesty and ability, all tend to encourage a suspicious attitude on the part of the producer. It is not because commission men as a class have proven to be dishonest, but the very fact that the commission man has great opportunities for dishonesty, if he chooses to avail himself of them, has caused shippers to condemn unhesitatingly any practices which did not appear to be perfectly plain.

A shipper is seldom able to inspect his own output with an unprejudiced eye. The car which he is shipping usually appears better to him than does his neighbor’s offering. The buyers with whom the commission merchant must deal, however, have no such biased viewpoint. The shipper’s goods are compared critically with competing offerings from many sections and quality and pack are the sole deciding factors which determine relative values. Often, therefore, the shipper who considers his goods on a par with the best market offerings is disappointed when returns are below the figures listed on current wholesale quotations. The dealer, who may have exerted every effort on behalf of his shipper, is then accused of dishonesty in that returns were not up to expectations.

Often, too, perishables which leave the point of origin in first-class shape arrive at destination in a greatly deteriorated condition, must be repacked or regraded by the commission men, and finally sold at a considerable loss to the shipper. The grower, who last saw his produce in first-class marketable condition, does not understand or appreciate the conditions which were responsible for this loss.

In general, it may be said that a large part of the stigma which attaches to the business of the commission merchant arises directly from the difficult position which this middleman occupies in distributive machinery.

**PLACE OF THE COMMISSION MERCHANT IN DISTRIBUTION**

Commission houses offer almost the only good outlet for unstandardized goods which can not be sold direct to the wholesale trade. Acting as primary receivers of less than car-lot shipments, they serve as a medium through which to market all goods which can not be sold direct to car-lot wholesalers, and, when honest and efficient, they offer to inexperienced shippers the valuable services of trained market experts in disposing of their produce.

**JOBBERS’ SALES.**

Next in importance to car-lot wholesalers on large markets is the jobbing trade. Jobbers are middlemen at distributing centers who usually buy in less-car-lot quantities from car-lot wholesalers or
commission men and in turn sell to the retail trade; in other words, they are intermediaries between primary receivers and retailers. The term as here used must be distinguished from the term "jobber" as used in connection with wholesale distribution for manufacturing concerns, where the jobber distributes the total output of several factories direct to large wholesale houses.

Jobbers in fruits and vegetables get their supplies from commission merchants, car-lot wholesalers, auctions, and public markets, and in turn sell to the retailer or to other jobbers. The chief outlet for the jobber, however, is the retailer. Methods of sale by jobbers and car-lot wholesalers are practically identical. The jobber, acting as the intermediary between the car-lot wholesaler and the retailer, buys in less than car lots, as a rule, makes quick sales, operates on a relatively small margin, and secures his profits by rapidly turning over his capital.

In general, the jobber is subject to much the same charges and costs of doing business as the car-lot wholesaler. Often, however, these costs are relatively less in proportion to the quantity of produce handled. The jobber usually has a smaller initial investment than the car-lot wholesaler, hence his general expenses may not run quite so high.

THE JOBBER’S PLACE IN DISTRIBUTION.

The jobber’s chief usefulness at the present time is in facilitating the rapid distribution of extremely perishable products. A car of strawberries, for instance, will usually be disposed of much more rapidly when handled by several jobbers than would be the case if a single car-lot wholesaler attempted to complete the distribution to the retail trade. With the growth of standardization, better grading and packing, together with greater efficiency in the business of car-lot receivers, it is possible that many of the present functions of the jobber may be assumed by the car-lot wholesaler. This applies to our smaller markets especially. On the great terminal markets, however, the jobbers must remain important factors for some time to come. In these cities they sell to the vast number of those retailers who buy in small quantities and who can not take time or trouble to go to primary markets and select their goods.

If the entire retail trade were to attempt to get in direct touch with car-lot wholesalers on our large markets, the congestion of business would be so great as to block most seriously the economical movement of perishable food products.

PUBLIC MARKETS.

Public markets draw a considerable portion of their supplies from producers in neighboring districts. They are patronized by
jobbers, retailers, and consumers and enable some produce to pass directly from the grower to the consumer. As a rule they are not highly important factors in the distribution of perishables arriving in car lots from distant production areas. During late years more and more attention has been directed toward extending the usefulness of this form of distribution.¹

**DISTRIBUTION CHANNELS.**

The foregoing discussions indicate in a general way the great complexity which attends the distribution of food products. The impression may have been left, however, that all perishables pass through each of the steps in distribution which have been noted. This is not the case, as various factors decide what channels each shipment is to take. A complete discussion of the various means by which produce is collected, concentrated at market centers, and finally distributed to consumers is impracticable in a publication of this kind. Perhaps the subject can be made more clear by graphic representation of the more common steps in distribution.

In figure 2 the interlocking circles are intended to show the intimate relationship existing between certain of the agencies interested in distribution. Thus the grower may operate individually or he may combine with his neighbors and all do business collectively or through a cooperative organization. On the other hand, one firm often performs the functions of the car-lot wholesaler, the commission merchant, and the jobber, and the business details overlap in such a way that it is difficult to dissociate the three lines of business. In a single diagram of this kind it is impossible to indicate all the possibilities. Attention has been confined, therefore, to primary distributing channels.

An attempt has been made to emphasize the routes through which the great bulk of traffic passes. Perishables do not and can not pass through the hands of all the distributing agencies which are indicated. As a matter of fact, usually only a few agencies are instrumental in handling the contents of any given car. The contents of two cars coming to a large market on the same day may pass into consumption through very different channels. Thus one car may be consigned to a commission merchant, who divides the car among a large number of jobbers and retailers, while the other car may be purchased by a buyer for a car-lot wholesaler who sells to the jobbing and retail trade. In either case the retailer is the intermediary with whom the consumer comes in contact.

¹ For a discussion of the place and needs of city markets, see "Retail Public Markets," by G. V. Branch, Yearbook U. S. Dept. of Agriculture, 1914, pp. 167-184. (Y. B. Separate 636.)
There are usually very definite reasons why goods coming to market pass on to consumption through such diverse channels. Among those factors which decide along what course and through what hands perishables shall pass in going from producer to consumer are: (1) The condition or tone of the market; (2) grade, pack, and quality of the shipment; (3) district in which the shipment originates; and (4) the shipper’s knowledge of market conditions.

As a rule, certain types of distributors handle most of the produce coming to market. One principal line of distribution is from grower to car-lot wholesaler, to jobber, to retailer, to consumer. Goods consigned on commission may pass from grower to commission man, to retailer, to consumer. The car-lot wholesaler, commission merchant, jobber, and retailer are highly important market factors.
and collectively handle the great bulk of all perishable food products coming into the city. The diagram (fig. 2) is not intended as either a justification or a condemnation of present market practices but rather to portray distributing machinery, its importance, and the relation of its several parts in the present scheme of marketing.

LOSSES AND WASTES.

Losses and wastes due to deterioration of goods are heavier than is usually believed, and especially is this true in the case of perishables. On such commodities as strawberries, peaches, and grapes the losses sometimes amount to 30 or 40 per cent of the whole. Out of one car of bulk Ben Davis apples from the Ozarks which went to a large neighboring market 19 per cent was lost before the fruit reached the hands of the retail trade. Losses due to spoiling may be the result of the shipper's sending overripe or diseased fruit, or failing to give proper attention to packing, to loading, or to bracing the packages in the car. Sometimes the railroad is at fault. Delay in transit, improper ventilation or refrigeration, or unnecessarily rough handling of cars may contribute to rapid deterioration of the shipment on arrival.

The lack of proper refrigeration facilities at distributing centers is a cause of much loss. When produce moves slowly, there is often much spoilage before complete sales can be made. Rough handling during unloading or carting is another important cause of loss. As a matter of fact, the opportunities for losses due to the spoiling of commodities are so manifold that it is impossible to enter into a complete discussion of them.

In any discussion of losses and wastes it is always well to bear in mind the really serious side of this question. The spoiling of a dozen cantaloupes, a basket of grapes, or a crate of strawberries represents an absolute loss to the community. No benefit accrues to producer, distributor, or consumer from such a condition. The loss occurring at this point must be borne both by producer and consumer, and in a great many cases the distributor must bear his part of the burden. In many cases losses and wastes are entirely too heavy a tax on food distribution. It is probably safe to say that the elimination of unnecessary wastes would do as much toward effecting permanent, substantial economies in marketing and distributing as any readjustment of present marketing methods could do. The fact that a large percentage of these losses can be avoided by proper grading, packing, and shipping, together with prompt, efficient handling while the goods are in process of distribution, makes it imperative that this subject be given special consideration by those interested in the efficient marketing of farm crops.
CONCLUSION.

The car-lot movement of fruits and vegetables from distant production areas to large distribution centers has assumed its present importance during the last 20 years. This means that our present marketing methods are of comparatively recent origin. Many believe that the solution of present marketing problems would be reached by a return to the simple, direct methods which sufficed for the preceding generation. It should be borne in mind, however, that our present market machinery has been evolved because changing conditions of supply have made necessary many changes in the methods of handling food products.

A knowledge of the manner in which perishables were handled and marketed 40 years ago helps very little toward solving present difficulties. Any intelligent attempt to better marketing conditions must be based on a good working knowledge of present agencies and their functions. The nearer that both producer and consumer can come to an understanding and appreciation of the work devolving upon the distributor, the nearer will we approach a solution of many of the problems incident to the movement of fruits and vegetables.

A better knowledge of present methods of marketing would assist greatly in clearing away many problems, even though no changes in the present scheme of distribution were made. The shipper who has a more or less definite knowledge of the course his goods will take when they reach a big market has a great advantage over the man who has no idea of methods of distribution. He can safeguard his interests by retaining a measure of control over his product after it reaches destination.

Shippers or prospective shippers of fruits and vegetables are advised to get in touch with their principal market, learn its likes, dislikes, and peculiarities, study the means whereby their goods are distributed to consumers, and secure a working knowledge of the chief problems incident to the handling of their commodities.

SUMMARY.

1. In treating the subject of market distribution of fruits and vegetables, an effort has been made to explain certain general practices at large distribution centers which receive fruits and vegetables in car-lot quantities.

2. The widening distance between producer and consumer has called into existence the middleman of to-day. The fact that the middleman has certain useful functions to perform makes it inadvisable to eliminate him without arranging for some other agency to assume his duties.
3. The shipper who starts a car toward market should notify the consignee in such detail that prompt disposition of the goods may be made after the arrival of the car. This notification is often made by telegram and should include all information necessary to insure the prompt acceptance and disposal of the shipment.

4. As perishables should always be inspected promptly on arrival at destination, the shipper should give shipping instructions which permit inspection without unnecessary delay at destination.

5. Rejecting shipments of fruits and vegetables is an all too common practice on large markets. Often rejection may be justified, as when goods have arrived in a greatly deteriorated condition, but sometimes the actual cause for rejection is simply a decline in the market price.

6. In case a buyer rejects a car the shipper has the option of selling elsewhere or making an allowance to the original purchaser in order to close the transaction immediately. Claims against railroads should be filed in proper form and supported by a presentation of the facts in the case.

7. Perishables after arrival at market pass on to the consumer through many channels. Often, however, one firm may combine the functions of several middlemen, so that while there are many types of distributors it does not follow that goods actually change hands as often as a scrutiny of the list of middlemen might seem to indicate.

8. The fact that large cities secure supplies of fruits and vegetables from distant producing areas has been one of the main causes of increasingly complex marketing methods.

9. Brokers act as shippers' or buyers' agents. They handle car lots only and offer their services at very low rates. While many brokers are charged with abusing their privileges, they often save the shipper several times the brokerage fee by insuring the acceptance of goods at destination.

10. Fruit auctions sell goods for shippers, dealers, and others who have local representatives to withdraw offerings if prices are unsatisfactory. They secure their revenue by levying definite assessments against each package sold, and by attracting buyers and stimulating competition often expand the market for particular commodities.

11. The car-lot wholesalers constitute one of the most important factors in our large terminal markets. They handle great quantities of perishables annually and act as primary distributors of produce arriving at market in car-lot quantities.

12. The commission merchant receives goods on consignment and acts as the shipper's agent in disposing of these products to the jobbing and retail trade. While the commission merchant is viewed with much suspicion by many shippers, he nevertheless is a very
important factor in that he furnishes to shippers the services of a skilled specialist in salesmanship.

13. The jobber acts as a secondary distributor, buying from car- lot receivers and selling largely to the retail trade. His chief usefulness lies in facilitating rapid distribution of highly perishable products and in preventing a congestion of business on large wholesale markets.

14. Public markets are not important in distributing fruits and vegetables arriving at market in car lots, but do offer direct outlets for neighboring producers.

15. Perishables arriving at market usually take certain definite channels in passing on to the consuming public. There are several important factors which decide just what course the contents of any given car will take in going into consumption.

16. Losses and wastes are a very heavy tax on food distribution. The prevention of much needless waste would reduce present marketing costs very materially.

17. One of the most practical steps the shipper can take to better his condition is to familiarize himself with business practices and to secure a better knowledge of the way his produce is handled on the market.

GLOSSARY OF TRADE TERMS AND EXPRESSIONS AS USED IN THIS BULLETIN.

Account sales. The statement which a commission merchant renders to a shipper showing what disposition has been made of the shipper’s goods.

Allowance. The reduction in price which a shipper makes to a buyer in order to induce the buyer to accept a car that he (the buyer) has rejected.

Auctions. Organizations (usually incorporated as stock companies) which sell fruits at public sale to the highest bidder, charging a definite fee for this service.

Auction catalogues. Sheets in which the auction offerings for the day are listed.

Auction lines. The units into which auction offerings are divided before being exposed for sale. Each line is composed of packages of one commodity of the same size, grade, and type.

Auction realizer. A statement which shows the prices at which goods were sold by the auction.

Auction terminal charge. A package charge levied on the buyers by some auctions. Supposed to cover the expenses of opening sample lines for inspection and general expenses of the auction company.

Bill of lading. A written statement issued by a carrier acknowledging the receipt of goods for transportation. A “straight” bill of lading simply authorizes the carrier to deliver the goods to the consignee at destination. An “order notify” or “shipper’s order” bill of lading requires that an order be issued by the shipper before delivery of the shipment can be made.

Brokers. Agents who negotiate the purchase or sale of goods. They have no financial interest in the goods they handle and their compensation is a definite fee.
Broken car. A trade term referring to a car from which a part of the contents have been removed.

Car-lot assembler. A term commonly applied to country merchants or buyers who purchase in small lots and combine into car-lot quantities.

Car-lot wholesalers. Distributors who buy fruits and vegetables in car-lot quantities and sell to the jobbing or retail trade.

Commission merchant. A dealer on the market who receives shipments on consignment and sells to the best advantage, remitting the proceeds to the shipper after deducting freight, drayage and other expenses, and a specified commission.

Consignee. A party to whom goods are consigned or shipped.

Cooperative associations. Organizations of producers incorporated for the purpose of grading, packing, shipping, or selling products grown by members of the association.

Distributors. Individuals, corporations, or associations whose business it is to route, distribute, or market agricultural products.

Draft. A written order from one person to another to pay to the order of the drawer or of a third person a stated sum of money. In the marketing of perishable products the term "draft" is used most frequently to designate that document which is attached to the bill of lading and forwarded through the banks for collection.

Invoice. A statement sent to a consignee which gives a list of goods which have been shipped to the consignee in question.

Jobbers. Dealers at distributing centers who buy, usually in less than car-lot quantities, from car-lot wholesalers or commission merchants and who in turn sell to the retail trade.

Jobbing price. The price at which the jobber buys his goods.

Middlemen. According to popular usage this term applies to all those who share in the profits and losses incident to the handling of goods between the producer and consumer.

Operators. Large wholesale firms which send their buyers or solicitors into producing sections and which, through representatives or branch houses in several large markets, secure a wide distribution for products which they purchase or handle on consignment.

Private exchanges. Distributing organizations incorporated as stock companies and operated for profit. They distribute car-lot shipments for individual shippers or producers' organizations, selling through salaried representatives or brokers.

Protest, acceptance under. Acceptance of a car by the consignee with the proviso that he reserves the right to enter claim later against the railroad.

Retailing. According to strict interpretation this term refers to sales made by the retailer. On large terminal markets, however, selling to the retail trade is popularly referred to as retailing.

Vendor. One to whom a sale is made.

Vendor. One who makes a sale.
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Factors Governing the Successful Storage of California Table Grapes. By A. V. Stubenrauch. Pp. 31, pls. 8, figs. 5. 1913. (Department Bulletin 35.) Price, 10 cents.


