

Thompson Seedless Grapes

distribution channels and marketing margins of fresh grapes from production areas to consumers studied

Jerry Foytik

Thirty-five cents of each retail dollar spent for Thompson Seedless grapes in California goes to the grower to cover costs of production, harvest, and field packing.

The rest goes in approximately equal parts to the retailer and for distributive charges such as packing, transporting and wholesaling.

A study investigated the distribution channels utilized and the marketing margins incurred in moving fresh Thompson Seedless grapes from production areas to the housewife. Although drying is the major outlet for the Thompson Seedless, substantial quantities of the grapes are sold for fresh consumption within the state.

Thompson Seedless grapes sold fresh in California retail stores come chiefly from south San Joaquin Valley. Of the 180,000 acres of bearing Thompson Seedless in California, more than 100,000 acres are in Fresno County, and 43,000 acres in the adjoining counties of Tulare and Madera.

In northern California, a substantial portion of grapes—21%—are obtained from local growers. South of the Tehachapi Mountains only 2% of the grapes sold are obtained directly from the grower.

Almost the entire remaining quantity—98% in southern California, and 77% in the north—is handled by wholesalers. About half of the wholesalers' supplies come directly from growers, and half from grower-shippers or packers. Packers are much more important in northern California than in areas south of the Tehachapi Mountains.

Truck-jobbers who usually follow a regular truck route of delivery to retail stores play only a small part. Within their range they are twice as important in northern California than in the southern parts of the state.

The source of the retailers' grape supplies varies strikingly due to the geographical location of stores. Retailers in large cities—except those in the Sacramento and San Joaquin valleys—obtain almost their entire supply from nearby wholesalers. Retailers in the large cities of the Sacramento and San Joaquin valleys and in small cities obtain 30% of the grapes they sell from producers, packers, truckers, and truck-jobbers, 70% from

wholesalers, usually those located in neighboring large cities.

Southern California retailers obtain the bulk of their grapes from Kern, Kings, and Tulare counties. Retailers in northern California are supplied primarily from producing areas north of those counties.

Cost Components

The average lug included in this study left the vineyard containing 27.2 pounds of fruit. Of this weight 24.7 pounds were sold to consumers, and 2.5 pounds were unsalable due to physical waste and spoilage. The spoilage loss is shown as a part of the retailer's margin.

The cost of retailing—even apart from the spoilage factor—is an important element in the total cost of moving grapes to the consumer. About 34¢ of the retail dollar go to cover the retailer's margin.

The preretail margin is 31¢ of each retail dollar. Almost half of this margin consists of charges for packing and container. About 30% was accounted for by the wholesale margin which includes all charges, fees, commissions, and net profits by dealers between packers and retailers. The rest of the preretail margin—less than 25%—is spent for transportation.

The farm price—35¢ for each consumer's dollar—is derived by subtracting the retail and preretail margins from the price charged consumers.

At the time of the study, California consumers paid an average price of 10.6¢ per pound for Thompson Seedless grapes. As 24.7 pounds of fruit were sold to consumers per lug, consumers paid \$2.62 per lug. Of this amount, 92¢ went to the grower, 82¢ to the retailer, and 88¢ to cover the preretail margin.

Variations

There was considerable variation among the stores covered in this study with respect to spoilage, retail margin, and consumer price.

Spoilage was about one third greater in large than in small cities. There was also some tendency for these losses to be slightly higher in large stores, in cash-carry stores, and in stores in northern California.

More pronounced differences existed in retail prices and margins. The most noticeable difference is the considerable higher price and margin prevailing at credit-delivery stores. The average retail price and retail margin were also greater, though to a lesser extent, for stores in small towns and rural areas than for those in large cities. In addition, the price charged by small stores, generally, was more than at large stores, although their retail margins were not appreciably more, indicating that the purchase price is somewhat higher for small stores.

In the metropolitan centers of San Francisco, Los Angeles, and San Diego consumer prices, retail margins, and spoilage losses were considerably lower at cash-carry stores than at stores offering credit or delivery services. There were no significant differences between large and small stores, nor between grocery and fruit-vegetable stores within these metropolitan areas.

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