
APPENDIXES

THE FOOD MARKETING SYSTEM

DEFINITION OF THE MARKETING SYSTEM

Food marketing is defined as the activities that take place within the food system between the farm gate and the consumer. This includes processing, wholesaling, retailing, food service, and transportation functions and excludes all functions performed by producers on the farm. Figure A-1 shows the major components of the domestic food system in the United States. The marketing components of the total food system are identified separately.

In certain instances, lines between production and marketing are somewhat blurred. When marketing functions are vertically linked and controlled by producers with facilities located on farms, they would by definition be excluded from what normally would be considered the marketing system. An example would be egg producers who clean, size, grade, and pack eggs on the farm and then sell to wholesalers, retailers, or directly to consumers. Direct marketing covers producers who perform the necessary processing and packaging functions, if any, and retail the product. Farmers who sell their own produce at a roadside stand or "pick your own produce" operators would be included in this definition and would, therefore, not be a part of the marketing system as defined.¹

¹H.R. Linstrom, *Farmer to Consumer Marketing*, U.S. Department of Agriculture, Economics, Statistics, and

The definition used here for a marketing system is suited for this report because it is general enough to include most marketing functions yet does not put manageable boundaries on the areas being considered.

The marketing system performs the services necessary to move food from the producer to the consumer. Most products are processed, packaged, stored, and transported as they move through the marketing channels. The extent and type of these operations depend on the nature of the product and its location relative to the consumer. In addition to farm production, energy, labor, and other inputs are utilized by firms to perform marketing functions. Finally, there must be a flow of information to facilitate the orderly exchange of goods and services among firms in the marketing system.

Private firms generally perform the marketing function, but other institutions such as local, State, and Federal governments usually provide inspection and grading services. Private and governmental agencies may also undertake research to increase efficiency at the individual firm level and in the system.

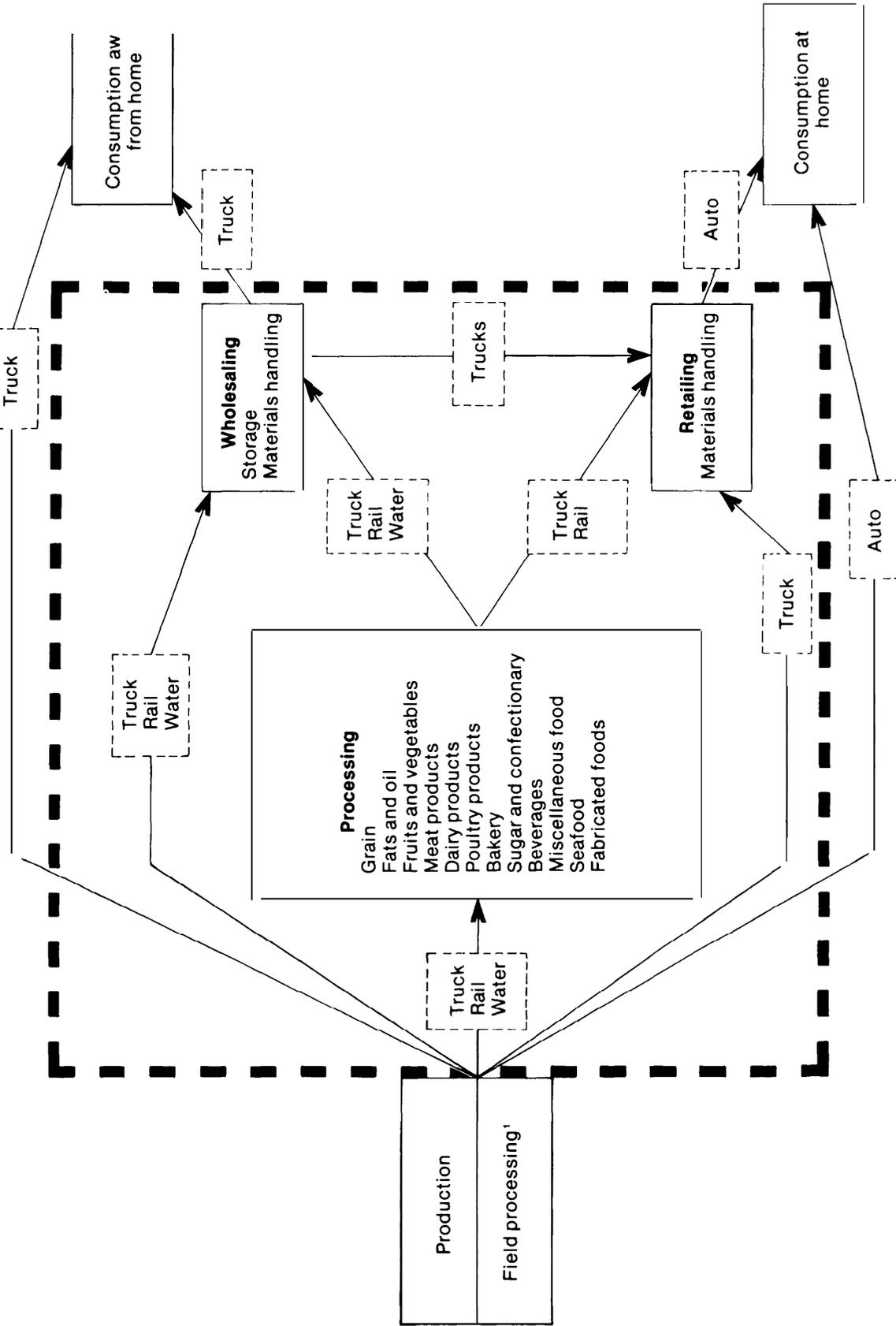
Cooperatives Service, Report No. ESCS-01, February 1978.

MEASURES OF THE SIZE OF THE FOOD MARKETING SYSTEM

The food marketing system is large. Estimates for 1977 show that out of the \$180 billion consumers spent on domestically pro-

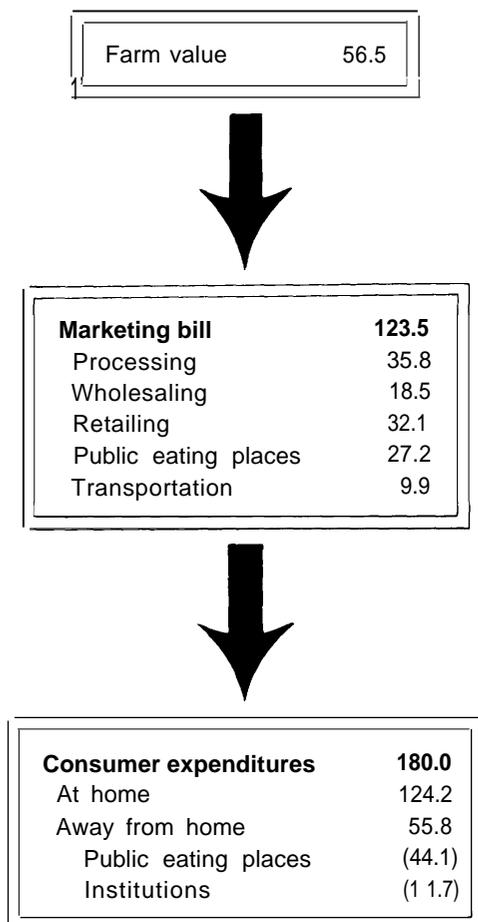
duced food, the marketing bill was \$123.5 billion (see figure A-2). This is more than twice the farm value of the food. Processing at

Figure A-1.—Major Components of the Domestic Food System*



*Field processing includes cleaning, grading, and packaging of vegetables and fruit. Transportation shown by lines between major components. Marketing functions enclosed by heavy dotted line.
 *Prepared by Office of Technology Assessment.

Figure A-2.— Farm Value, Marketing Bill, and Consumer Expenditures for Food, 1977
(billions of dollars)*



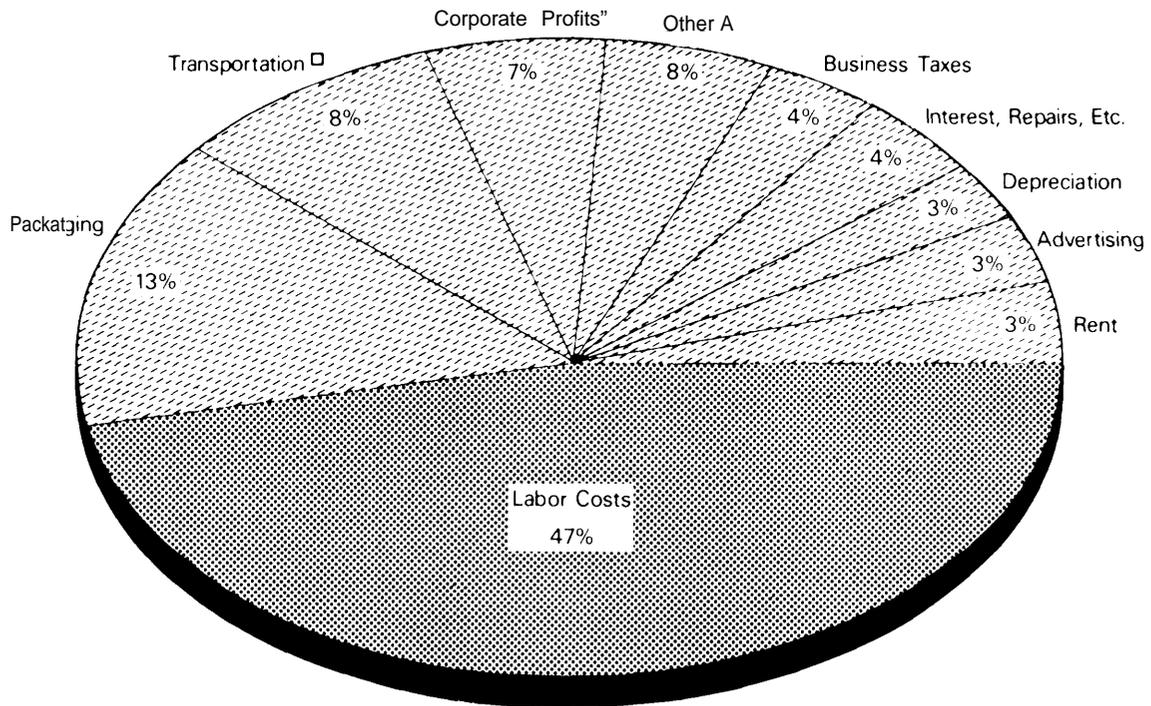
* Domestic farm food only
SOURCE U.S. Department of Agriculture, Economics, Statistics, and Cooperatives Service, Agricultural Economic Report 398, Washington, D.C., March 1978.

\$35.8 billion accounted for the largest amount, followed by retailing at \$32.1 billion. Sales of domestically produced foods were 25 percent of the total consumer expenditures (excluding energy and service) of \$730 billion in 1973. Stated another way, foodstores and away-from-home eating accounted for \$2.50 of every \$10 worth of consumer expenditures.

Components of the marketing bill as broken out by the U.S. Department of Agriculture (USDA) include transportation, packaging, labor, profits, etc., and are shown as a percent of the total marketing bill in figure A-3. Labor costs are the largest at 47 percent, and packaging is second at about 13 percent of marketing costs.

Census data for 1967 and 1972, the latest available, show the size of the marketing system and changes that are taking place. These data are not comparable to USDA data on the marketing bill because they include food and kindred products rather than just data for domestically produced food. In 1972, there were 588,000 food marketing establishments with \$356 billion in sales and 5.7 million employees (table A-1). The decrease in the number of establishments occurred primarily with processors and food retail stores, with only a slight decrease in the number of wholesale grocers.

Figure A.3.—Components of Bill for Marketing Farm Foods, 1976*



* Bill for marketing U.S. farm foods in 1976; shares for 1977 will closely approximate 1976 data. ◦ Before taxes.
 □ Intercity rail and truck. ◻ Residual includes such costs as utilities, fuel, promotion, local for-hire transportation, and insurance.

SOURCE: U.S. Department of Agriculture, Economic Research Service, Agricultural Outlook, AO-26, Washington, D.C., October 1977.

Table A.1.—Establishments, Sales, and Employees for Food Marketing Firms, 1967 and 1972

Kind of business and year	Establishments (number)	Sales (thousands of \$)	Employees (thousands)
Processors			
1967	37,521	\$83,975	1,650
1972	28,184	115,060	1,085
Wholesale grocers^a			
1967	40,055	74,391	534
1972	39,137	109,815	585
All foodstores^b			
1967	294,243	70,252	1,444
1972	267,352	100,719	1,722
Eating places^b			
1967	236,563	18,897	1,737
1972	253,136	30,385	2,317
Total—1967	608,382	\$247,515	5,365
Total—1972	587,809	\$355,979	5,709

^aprocessors of food and kindred products from U.S. Bureau of Census, Census of Manufactures, 1972. *Sub Series, General Summary*, MC 72(1)-1, Washington, D.C.
^bbus. Department of Agriculture, *Market Structure of the Food Industries*, Economic Research Service, MRR No. 971, September 1972.