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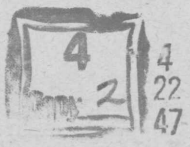

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REPORT ON WHOLESALE BAKING INDUSTRY

LETTER

FROM

CHAIRMAN FEDERAL TRADE COMMISSION

TRANSMITTING

THE REPORT OF THE FEDERAL TRADE COMMISSION, ENTITLED "WHOLESALE BAKING INDUSTRY, PART I—WASTE IN THE DISTRIBUTION OF BREAD."



APRIL 30, 1946.—Referred to the Committee on Interstate and Foreign Commerce and ordered to be printed with illustrations

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LETTER OF TRANSMITTAL

FEDERAL TRADE COMMISSION,
Washington, April 18, 1946.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES
OF THE UNITED STATES,
Washington, D. C.

MY DEAR MR. SPEAKER: I have the honor to transmit herewith the report of the Federal Trade Commission, entitled "Wholesale Baking Industry, Part I—Waste in the Distribution of Bread."

A limited number of copies of the report is being printed by the Federal Trade Commission.

By direction of the Commission.

Yours sincerely,

W. A. AYRES, *Chairman.*

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FEDERAL TRADE COMMISSION REPORT ON WHOLESALE BAKING INDUSTRY

PART I. WASTE IN THE DISTRIBUTION OF BREAD

SECTION 1. DEVELOPMENT OF SO-CALLED CONSIGNMENT SELLING

Early wartime interest in wasteful practices.—In 1941 the Federal Trade Commission made an inquiry into the wholesale bread industry for the Office of Price Administration in which it was developed that many retail bakeries and smaller wholesalers were being eliminated from the industry through certain trade practices, foremost of which was the practice of loading the retailers' bread racks with quantities of bread far in excess of the daily sales of retailers and later taking back any unsold bread with full credit to the retailer. The industry terms this practice "consignment selling." At the next delivery the unsold bread is taken back and the retail dealer is given full credit for the unsold bread. It was found the quantity taken back equalled 30 percent for some individual bakers, and in certain important markets the quantity returned was reported to average as high as 15 percent. Smaller wholesale bakers likewise were forced to take back any unsold bread or lose customers.

The periods of display before goods are taken back by the supplier vary from a day or 2 days for bread to several days for some kinds of sweet goods. Since the quantity of bread sold far exceeds that of sweet goods, and also since bread returns are taken back after shorter periods of retail display, the volume of bread returns to be disposed of exceeds that of sweet goods.

Marketing economics of so-called consignment selling.—The basis for the practice of consignment selling dates from the time that bakers began to sell bread to grocers and other food retailers. So long as the baker sold only over his own retail counter or at retail from his own wagon or truck traveling from house to house, his principal concern in catering to the preference of consumers for fresh bread and other products was to bake as little as possible in excess of what he could sell from day to day. He was in a position to adjust his daily bakings to the quantity necessary to insure that the last potential customer of the day would be offered a full line of his products in the freshest condition practicable.

When bakers began selling to retailers, the time element between baking and selling lengthened, and bakers were no longer in a position to closely appraise the daily sales of retailers or stocks in the hands of dealers at the end of the day. Delivery over the retailer's counter of products of maximum freshness in order to cater to the taste of consumers for fresh products, however, was on less important, and the practice of taking back from the counters of retailers unsold

stocks became the wholesale baker's way of insuring freshness of his products offered by the independent grocer in competition with the products of neighborhood retail bakers.

With the advent of the chain-store grocery, the chain bakery shop, and the growth of large house-to-house companies, the problem of the wholesale bakery in keeping its products fresh in the hands of retail food stores became even greater. Also, when the condition developed that several wholesale bakers were delivering their products to the same retail food store, a new phase of competition began among wholesalers. Multiple daily deliveries, especially by local wholesalers competing with others who trucked or shipped from a distance, became another means of insuring maximum freshness as a means of retaining and increasing sales. When mass display was added for further customer appeal, the tendency to overstock dealers and take back increasing quantities, especially of bread, from day to day became common. And when all wholesalers supplying a given market began overstocking, a practice originally intended to increase sales by catering to consumer taste tended to get out of hand and become a device resulting in competitive waste in distribution not necessarily bearing any reasonable relation to the need for maintaining only such quantities of products on the retailer's counter as were necessary to offer a reasonably full line of products of each brand to the last customer served each day.

Many members of the trade describe the situation prevailing in many markets prior to the war as being that the quantities of products taken back from day to day were limited only by the individual wholesale baker's ability and willingness to assume the financial responsibility of disposing of returned goods. Local bakers, in particular, maintain that, since they must succeed or fail on the basis of profit made in their respective local markets, they are in a weak position in absorbing such losses in competition with larger baking companies operating in many markets who can offset losses on excessive returns in some highly competitive areas against profits made in other, less competitive markets. In this respect, it is strongly maintained by local bakers that consignment selling becomes a wasteful device by which their larger competitors are able to impose such arduous competition both in price and in taking back returns in invading one local market after another, or in increasing sales in markets in which they are already established, as to squeeze out and, if they so desire, acquire local banking plants.

The trade is divided on the subject of the fairness of such competition, especially with respect to so-called consignment selling and the absorption of losses on returned goods. The division is between companies that feel that their solvency is threatened and their larger competitors who find consignment selling to be useful in promoting sales either in new markets or in markets already occupied, and in weakening or eliminating small competitors. Complaints of local bakers are strongest against the practice as used in entering new markets. More detailed discussion of competitive aspects of consignment selling appears in subsequent pages.

Disposal of returned bread.—Bread taken back as returns represents a cash outlay for ingredients and other costs of producing, distributing, and finally picking it up and returning it to the baking plant. Bakers

face the problem of finding a method of so disposing of returns as to recover the maximum of this outlay.

In recognition of the fact that bread properly protected from becoming soiled in handling does not lose nutritive value until it becomes moldy or bacterially decomposed, commercial bakers quite generally sell for human food as much as possible of bread picked up as returns. Routemen may, and it appears in normal times often do, pursue the practice known as "rolling" bread; that is, of picking up loaves as "returns" at early points of call and delivering them as fresh bread at later points on their routes. Rolling has the advantage to the baker that any returned picked up at one store and subsequently retailed as fresh by another yield the baker the full wholesale price. This practice is most general in markets where bread wrappers are not dated. Even though it may be followed, however, there normally will remain a considerable volume to be returned to the bakery.

The general practice is to sell as much as possible of such returns that are still in condition suitable for human consumption as "day-old" bread that retails at about half the retail price of fresh bread. The unfavorable implication of "stale" is avoided by characterizing such bread as "day old" although, in fact, it may be 2 or 3 days old before it appears on the day-old bread retailer's counter. Other portions suitable for human food may be given to charitable institutions, or made into bread crumbs or other bakery byproducts. And finally, any residue of returns suitable for human consumption, together with dirty or somewhat deteriorated bread and rolls may be sold, usually for a cent or less per pound, or given away for animal food. Any not so disposed of must be destroyed.

Facts developed in the 1941 and 1942 inquiries.—The 1941 inquiry of the Federal Trade Commission was made by the Federal Trade Commission pursuant to a request of the Administrator of the Office of Price Administration because he had the price of bread under close surveillance and was "anxious that its price be kept to a minimum because of its importance to the low income consumer." The Commission was requested, in particular, to make an "examination into the consignment of bread, with a view to the possible elimination of this practice." It was recognized that this practice was of long standing and was firmly established in the industry. Shortly after World War I, Hon. Bernard Baruch in a report of the War Industries Board, published in 1921, stated: [1]

* * * the Board canvassed trade practice after trade practice with a view to finding defined methods for eliminating large blocks of waste. A few examples of the earlier work will tell the story.

It was an established trade custom among bakers to allow the retailers to return unsold bread and this bread was disposed of largely as waste. Calculations showed that the elimination of this practice would save bread enough to feed 200,000 people and would save about 4 percent of the total man and equipment power devoted to handling bread between bakers, retailers, and consumers. The wealth and energy thus released would naturally turn to war effort. Agents were sent to many wholesale bakers, conferences were held in Washington with others, and a schedule of inquiries was circulated widely in the trade. Everybody seemed willing to discontinue the practice. A circular was issued on June 6, 1917, to all wholesale bakers, setting forth the general understanding and stating that it was the will of the Government that the return-of-unsold-bread privilege should be stopped on and after July 10, 1917.

[1] Ch. 5, Conservation, pp. 61–62.

As the result of its 1941 study for the Administrator of the Office of Price Administration, the Commission stated as follows:

The Commission believes that the maximum savings in food values and labor can be attained only by the prohibition of what amounts to selling bread to the retail distributor on a consignment basis.

Again in 1942, in response to a request from the Honorable James F. Byrnes, Director of the Office of Economic Stabilization, the Commission stated that:

The greatest source of waste results from the practice of consignment selling, which when competitively used results in excessive waste which, on the basis of September 1942 statistics, resulted in 250,000,000 pounds on an annual basis being destroyed or sold for other than human consumption.

This annual waste of bread would furnish one-third of a pound of bread per day for a population of 2,055,000, which is 156,000 greater than the entire State of South Carolina.

The cost to bake and wrap the 250,000,000 pounds of bread and rolls not sold for human consumption on the basis of September 1942 production costs aggregates $11,850,000.

In its 1944 report on Distribution Methods and Costs, Part I—Important Food Products, the Commission reviewed the situation based on the 1941 and 1942 studies mentioned above, and stated:

The purpose in prohibiting consignment selling was to eliminate the waste involved in the destruction or use for purposes other than human food of bread and rolls taken back as stales. This waste, according to the Commission's September 1942 survey, represented somewhat more than 2 percent of all bread and rolls produced.

Applying this percentage of waste to the estimated total bread production of commercial bakeries for 1942,[2] indicates a total waste of approximately 250,000,000 pounds for the year. This annual waste would furnish a ration of one-third pound of bread per day for 1 year to about 2,055,000 persons, representing a population somewhat greater than the total population of South Carolina or the combined populations of the States of Nevada, Wyoming, Idaho, New Mexico, Delaware, and Rhode Island, or of a city somewhat larger than Philadelphia. Such saving constitutes a worthwhile economy in essential foodstuffs to feed both our own and needy foreign populations both during and after the war.

Other abuses developed in the 1941 study for the Administrator of the Office of Price Administration and suggestions for reduction of costs of production and distribution were as follows:

Abuses in respect to furnishing free bread racks and other store facilities, giving free goods, coupons, prizes, combination deals, etc., or joining in unwholesome arrangments for cooperative advertising with retailers, should be eliminated to reduce bakery costs. To further reduce costs, and conserve paper, the use of only a single wrapper should be permitted.

For the protection of the consumer and to attain further savings in cost, permissible loaf weights should be limited to a few sizes. The weights suggested for household bread are 16, 20, and 24 ounces, with the weight clearly shown on the wrapper. Baked-weight tolerances should be definitely specified on the wrapper.

The sale of more than one brand of bread by a given baker made under the same formula should be prohibited.

In the interest of the consumer, and with a view of preventing the sale of stale bread as fresh bread, it is suggested that consideration be given to the dating of bread.

SECTION 2. WARTIME ELIMINATION OF CONSIGNMENT SELLING

History of wartime elimination.—In a study of the wholesale baking industry made for the Office of Price Administration in 1941, the Federal Trade Commission pointed out that the baking of somewhat

[2] Conservatively estimated at 15 percent greater than the total bread and rolls production for 1939 as shown by the Bureau of the Census. The trade estimated the increase in 1942 as 18.9 percent greater than in 1939.

more bread than is sold each day is unavoidable if the public is to be adequately served, but that the excessive production of bread for which there is no market except for animal food, or which is destroyed, constituted waste that should be eliminated, particularly as a wartime conservation measure. It was pointed out that the principal source of returned bread that constitutes waste results from consignment selling in which commercial bakers overstock retailers day after day as a competitive device and then take back, on succeeding days and at no cost to dealers, all bread and other bakery products remaining unsold. It was also pointed out that although this was one of the wholesale baker's competitive devices in promoting the sale of his bread in competition with the brands of other wholesale bakers, the opinion was quite widely held in the trade that the wastefulness of consignment selling could be greatly reduced to the profit of the industry, and without impairing service to consumers, but that there was no uniformity in opinion in the industry as to how, or to what extent this should be done. Some favored absolute prohibition while others, reluctant to give up consignment selling as a competitive device, favored merely self-regulation by the industry itself.

The Commission suggested that, in view of the industry's expressed desire to cooperate in attaining needed wartime economies, through voluntary self-regulation, wholesale bakers should be called upon to drastically reduce the competitive use of consignment selling and overstocking of bread racks that produces excessive returns, but that, if it were found, as many in the trade believed, that the industry could not, by itself, effectively regulate this wasteful competitive trade practice, that the next step properly to be taken as a war measure would be Government action prohibiting consignment selling and return of unsold bread altogether, and the establishment of effective machinery for policing the wholesale and retail trade.

For nearly a year, the matter of reducing waste was left to the industry's voluntary action. In the fall of 1942, the Federal Trade Commission made a second study at the request of the Honorable James F. Byrnes, Director of the Office of Economic Stabilization. The results of this study were summarized in the Commission's Report on Distribution Methods and Costs. This study, covering 377 wholesale bakery plants, developed the fact that, in March of 1942, percentages of total bread sent out that were returned ranged, for different plants, from two-tenths of 1 percent to a high of 33.11 percent with an average of 5.84 percent for all plants, and from five-tenths of 1 percent to 32.03 percent, with an average of 5.16 percent for September 1942.[3] On the basis of this study, it was estimated that an additional annual saving of about 250,000,000 pounds of bread suitable for, but not used for, human consumption could be made by the total elimination of the return of unsold bread, thereby reducing baker's costs and allowing an increase in wheat and flour prices without an increase in bread prices to the consumer.

This veiwpoint prevailed and Food Distribution Order No. 1 issued by the Secretary of Agriculture, effective January 18, 1943, prohibited consignment selling and the taking back by commercial bakers of any returns, or the giving of any refund, credit, discount, exchange, or

[3] Report of the Federal Trade Commission on Distribution Methods and Costs, pt. I—Important Food Products, p. 38.

allowance in connection with the sale or delivery of bread and bakery products.[4] This prohibition was retained and strengthened in War Food Order No. 1 effective July 1, 1943, by extending the prohibition against consignment selling and the taking back of returns to cover both bakers and retail distributors of bakery products.[5]

Interests involved.—According to nutritional chemists, the facts are that bread begins to grow stale as soon as it is baked and that the process of staling proceeds at a diminishing rate for a period of from 2 days to as much as a week or more, depending on climate and handling, without appreciable loss of nourishment content. During this period the bread merely becomes less pleasing to the taste of most consumers than freshly baked bread. Loss of wholesomeness and nutritive value begins only with the formation of molds or bacterial infection. Therefore, the principal effect of eliminating returns of unsold bread on the consumer is to cause him to eat some bread that may be generally considered somewhat less pleasing to the taste, though not less nourishing than fresh-baked bread. Even this minor effect may be greatly reduced by the fact that bread may be repeatedly returned to approximately its fresh bread state by the mere application of heat in the home, provided the total moisture content of the loaf does not fall from its normal fresh-baked content of 36 to 38 percent water to 30 percent or less.[6]

The effect on the retail grocer of eliminating returns was to put the burden of determining as accurately as possible the number of loaves of each kind and brand handled by him that his trade would take, and to buy from day to day as nearly as possible that number of loaves of each supplier's bread that he could sell. It also shifted from the wholesale baker to the retailer any loss incurred in disposing of goods that become unsalable as fresh products.

Some wholesale bakery companies took the position prior to Food Distribution Order No. 1 (January 1943) that, if the return of unsold bread were prohibited, grocers would limit their purchases to one or more bakers whose brands were their best sellers and, in so doing, would no longer be outlets for the smaller local independent bakers. Many other bakers, consisting very largely of smaller independents, took the position that they would expect no such effect for the reason that the local baker would be able to produce and deliver his bread in fresher condition, and at less cost than large bakers, especially in outlying markets to which bread is shipped by large companies by rail or truck and, consequently, is less fresh when delivered to the grocer than that produced locally.

Consignment selling as a competitive device.—As already indicated, consignment selling is a highly competitive weapon, especially in the hands of larger companies seeking to break into new markets, or to increase their sales in markets already shared with local bakers. In such use, larger companies covering wide distribution areas have marked advantage over local bakers serving only restricted local territories. The larger companies' advantage lies in the fact that they may be in a position to offset losses realized on excessive quanti-

[4] U. S. Department of Agriculture Food Distribution Order No. 1, pt. 1404, Bakery Products, December 29, 1942, p. 2, par. 5.
[5] War Food Administration, War Food Order No. 1, Bakery Products, pt. 1404, amendment No. 4, June 17, 1943.
[6] Cathcart, William H., Review of Progress in Research on Bread Staling, Cereal Chemistry vol. XVII, No. 1, January 1940; Greenquist, S. P., Staling of Bread, American Society of Bakery Engineers, Bulletin No. 124, February 1941.

ties of returns taken back in highly competitive local areas against profits made in other, less competitive territories, whereas, the local baker must stand or fall financially on the basis of his profits or losses in his local market. .

It followed quite naturally that the strongest proponents of retaining consignment selling and the taking back of returns were the larger companies. Over against this, many independent bakers claimed that the concern of big companies for their smaller competitors did not ring true in view of the importance of consignment selling to the larger companies as a competitive device. This viewpoint was strikingly summarized by a statement of a representative of one of the larger local baking companies at a conference of local wholesale bakers operating in the Middle and South Atlantic States in which he stated ironically that he had never before seen the large interstate bakers so solicitous for the welfare of the smaller bakers. Every member of this group favored elimination of the practice of consignment selling as a war measure to make it possible to avoid or delay a price increase.

On October 2, 1942, the president of a large baking company addressed a letter to the Federal Trade Commission stating his position respecting the retention of consignment selling and returns of unsold bread and, apparently, sent a copy of his letter to a market consultant, who replied under date of October 8, 1942, stating the position of local bakers in part as follows:

> Now, I want to point out, too, that your sympathy for the little fellow is inconsistent and paradoxical. On the one hand you plead for his right to exist and get established by putting bread in on consignment; on the other hand, you know that this very possibility, as practiced by the big fellows, is putting small bakers out of business in every town in the country, by slugging the stores in small communities for weeks and months. The mortality of small bakers, due to this very practice, is nothing short of appalling, so the plea for the little fellow really becomes a camouflage for the big baker to continue the practice of consignment selling. The tears shed by the big fellows are really crocodile tears, after all. * * *
>
> The whole practice of taking back stale returns is unsound from every logical viewpoint. It is unsound economically, and it is unsound from the standpoint of progress for our industry.
>
> In World War I, it was abolished and the bakers made more profits than ever before. No consumer was inconvenienced or disappointed; no dealer reported serious loss. Competitive conditions were, manifestly, better throughout the industry, and both volume and profits increased, as statistical records will show.
>
> No sound, practical excuse can be offered for the practice, based on logical, economic, or ethical consideration. It cheats the grocer (you and I have both driven a bread truck and know how easily possible it is to make a few dollars a week extra off the grocer); it deceives and cheats the consumer; it makes for unfair competition, and finally, it cheats the baker and arrests progress in the industry.

Also, at a conference sponsored by American Bakers Association and held in Chicago on October 20–21, 1942, strong arguments were presented by representatives of smaller bakers favoring the permanent elimination of return of unsold bread. The conference, however, adopted a report of its resolutions committee stating that, in view of reports of branch meetings indicating that any proposal to recommend elimination of returns could not pass, no recommendation was made on the subject. Proponents of elimination were outspoken in their opinion that the conference recommendations were dominated by the viewpoints of representatives of the larger companies who were reluctant to give up consignment selling and the taking back of unsold bread as a

competitive device. The viewpoint that a saving of a quarter of a billion pounds of bread produced largely if not entirely as the result of competitive consignment selling and taking back of returns would be a worth-while wartime saving, however, prevailed in government circles, with the result, as already stated, that War Food Distribution Order No. 1 prohibited both consignment selling and the taking back of returns.

General conditions under wartime regulations.—The Commission's present (1946) study of the baking industry indicates that during the war period the prohibition against taking back unsold bread was well observed and enforced in some areas with resultant marked savings of foodstuffs and increase in profits to bakers who were enabled by these and other savings under War Food Order No. 1 to absorb increasing material and labor costs notwithstanding the fact that their bread prices were not increased. In other areas, where some bakers continued to take back unsold bakery products as a competitive device, there was pronounced tendency for observance of the order to breakdown throughout their marketing areas. With the termination of hostilities, this tendency has become even more pronounced in some areas with the result that where observance has deteriorated, prewar waste through return of unsold bread is limited practically only by the efforts of bakers taking back unsold bread to keep their returns to a minimum in view of shortages of sugar, milk, fats, and flour. Competitive return to consignment selling often is practically forced on all wholesale bakers serving a particular market by the fact that one supplier, who may be either a large integrated company or a large local independent company, resumed the practice in a more or less secret or concealed manner. The result is a tendency for waste of breadstuffs to increase just when the gaps between the world's essential food requirements and depleted available food supplies are at their widest during the critical reconstruction period for war-devastated countries, including both allied and defeated peoples.

For example, Cleveland, Ohio, is a locality in which the principal bakers and at least one smaller local baker were found to be violating the no-return provisions of Food Distriubtion Order No. 1 during the latter part of 1943 and the early part of 1944. These bakers signed a consent decree, approved by the United States district court, in which they agreed to comply with the order in the future. Union truck drivers in Cleveland appear to have been unsympathetic to observance of the order, and, with encouragement from union officials, to have threatened to strike, if instructed by their employers to obey the prohibitions of War Food Order No. 1, against the return of unsold bread. Later investigations by enforcement officers in the fall of 1945 and early 1946 developed the fact that observance had again broken down, and that bakers selling a major portion of the bread in the locality again were taking back unsold bread. Proceedings for violation of the consent decree were brought in the United States district court for the Northern District of Ohio early in 1946. The court imposed fines ranging from $25 for truck drivers, to $100 for sales managers, and $500 for company officials.

Retailers desiring either resumption of consignment selling, or increase in retail margin to cover their increased responsibility for disposal of any bread that lost its freshness on their bread racks, often bring such pressure as they are able to exert on their wholesale sup-

pliers. Where dealers are organized, this may take the form of threats of or actual boycott of suppliers who will not resume taking back returns. For instance, the Northern Kentucky Independent Food Dealers' Association, Inc., consisting of retailers in and about Covington, Ky., an area supplied largely by bakeries located in Ohio, took the position, in March 1943, that their wholesale suppliers should either lower their wholesale price to retailers and thereby increase the retailers, gross margin of profit to cover the loss on "stale" bread that War Food Distribution Order No. 1 obliged them to assume, or should obtain modification of the order to permit the taking back of unsold bread. After conference with bakery representatives, at which the bakers were given 1 week in which to make reply, the bakers advised the retailers of their inability to comply with the request. The retailers then decided to apply pressure on the bakers. Two important suppliers, Rainbo Baking Co. and Taystee Bread Co., were selected. Word was passed informally to association members and some nonmember retailers to stop buying from these two companies. By April 1 some 74 retailers had ceased buying from one or both of these bakeries. Shortly thereafter the retail association was advised by its counsel that it was illegal to engaged in boycott. The Federal Trade Commission investigated this case and, after formal complaint and hearing, found that the acts and practices described above obstructed and hampered competition among both baking companies and among the respondent retailers, and constituted an attempt and threat by respondents to exercise unlawful oppressive power to injure the business of others, and deprive the public of the benefits of free competition in the sale and distribution of bread from the State of Ohio to the State of Kentucky. A cease and desist order accordingly was issued.[7]

The reluctance of many wholesale bakers to forego consignment selling and the taking back of bread at no cost to dealers as a competitive device, and the desire of retailers to avoid the financial responsibility of disposing of any bread retained on their bread racks after a fresher supply has been delivered, have been two important forces tending to break down the observance of War Food Order No. 1. This effect has been especially evident since the termination of hostilities. A very recent trade press item states:

> Trade gossip indicates that credit for unsold bread and pick-up of stales has been growing to a considerable extent in some areas in the past several months. A recent estimate by unusually reliable sources placed stale returns in the Chicago market, for example, at larger than 5 percent.[8]

Savings by eliminating returned bread.—In its 1942 study, when there were no actual statistics of possible savings, it was estimated that savings of at least 250,000,000 pounds of bread alone, representing an annual money saving to wholesale bakers of $11,850,000 in cost to bake and wrap bread, would be made through the elimination of consignment selling and returns of unsold bread as a wartime measure. Experience in the trade indicates that this was an extremely conservative estimate.

On June 19–21, 1944, a conference of general managers stated to represent independent wholesale bakers from all parts of the United States met in Chicago and adopted by almost unanimous vote a reso-

[7] Findings and order in re Northern Kentucky Independent Food Distributors Association, Federal Trade Commission D. 5140, July 12, 1945.
[8] The Northwestern Miller, March 19, 1946, p. 10.

lution dealing with their experience in operating under War Food Distribution Order No. 1. The significant paragraphs of this resolution are as follows:

After 2 years of wartime regulation, we have examined our results of operating under War Food Order No. 1 and find that we have been able to offset rising costs and consequent need for increased price to the consumer; that waste of vital raw materials has been prevented, while conservation of food for our allies and military forces has been accomplished; that we have achieved maximum utilization of both machinery and scarce manpower.

We, therefore, realize that certain trade practices herein enumerated are wasteful, uneconomic, and unworthy of a sanely managed industry, and believe that such practices should be abolished, in the interest of the consumer, the farmer, and the baker.

To that end, we favor continued prohibition of such practices whether by voluntary or mandatory means, so as to prevent unbridled indulgence in dangerous and destructive competitive practices after the war.

It is, therefore, resolved that the following trade practices (presently regulated by WFO 1), (*a*) having proved helpful in holding down production and distribution costs for bakery products, (*b*) saved valuable food materials, and (*c*) prevented unfair competitive practices that threaten to establish monopolies in the baking business, should be prohibited in the postwar period, namely:

1. Consignment selling, exchange or taking back of stale bread.
2. Giving of any secret refund, credit, allowance, or discount to either dealer or consumer.
3. Giving or offering of free bread or any other bakery product (except slices for sampling purposes only) to consumers.
4. Giving of free bread or other bakery products to dealers as an inducement for dealer cooperation.
5. Furnishing (by gift, sale, loan, or otherwise) of bread racks, stands, fixtures, or other equipment to the dealers in bakery products, or replacement, repair, alteration, painting, or maintenance of the same.

Further, that provision should be made for the continuation of effective control of these manifestly bad trade practices for the protection of the consumer, the farmer, and the baking industry.[9]

In commenting on this resolution, its sponsor at the convention stated:

This whole practice is a device of the large bakers who want to make use of consignment selling for the purpose of invading markets remote from their factory base and to crowd out the local bakers in that surrounding territory. These large bakers cobweb territories as remote as 150 miles from their base, and their proposition to the local baker is that they will take back all bread he does not sell. They then proceed to crowd more bread into each of these stores than can possibly be sold, or more, in many instances, than the whole market could consume, just to make an impressive showing and to dishearten the local bakers.

The independent bakers of the country are pretty much a unit in opposition to this practice. It is manifestly unfair competition, besides being a terrific waste which it forces all other bakers to sustain, and in addition to that is a filthy practice—that of bringing stale and moldy bread back to the bakery, which is to be sold as hog feed—the remainder dumped on the market at half price, thus reducing the potentialities for profitable business to all bakers.

The large bakers are almost a unit in opposition to this restraining order now in effect because it compels them to meet the competition of the independent baker whose life's savings are invested in his plant, on an equal basis.

There is no question but had it not been for War Food Order No. 1, the price of bread to the consumer could not have been maintained during this war period. Labor has advanced sharply, materials are all high in price and scarce, and the cost of enrichment, thrust upon the industry a charge which had to be absorbed. All of these conditions have been met and paid for out of the very wasteful practices which War Food Order No. 1, banished.

It is my earnest hope that some regulation of some kind can be imposed that will continue the benefits and the fairness to all bakers which War Food Order No. 1, has provided.

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[9] Resolution of Conference of General Managers of Independent Bakeries, Edgewater Beach Hotel, Chicago, June 19–21, 1944 (FTC File 3 Cor. 5 Lon. 5)

Some months prior to this expression of opinion by independent bakers on the effects of War Food Order No. 1 in general, and the elimination of consignment selling and return of unsold bread in particular, on the operations and earnings of bakers, a large eastern baking company's annual report for 1943 showed a net profit that was nearly 66 percent greater than for the preceding year. It was stated that no change in bread prices had occurred during the year 1943. In commenting on this satisfactory profit showing, the annual report stated:

> The improvement in earnings in 1943 over 1942 resulted partly from increased poundage and better cake prices referred to above and partly from savings effected by the elimination of consignment selling and other expensive selling methods resulting from competitive conditions in the industry, through orders of the War Food Administration prohibiting such practices as a means of food conservation. Opinions differ as to the wisdom of continuing these selling restrictions after the war as a permanent policy for the industry but there is no question of the saving since the orders were made effective in January 1943.

On March 7, 1946, the general manager of this company stated that the effect of observing War Food Order No. 1 was to reduce the company's returns of unsold bread from 8 percent to less than 1 percent. He also stated that since hostilities ceased there has been a definite let-down in compliance, but that termination of the order would injure both his company and the industry in general. In a letter to the plant managers of all wholesale plants of the company under date of March 1, 1946, he stated, among other things:

> I should like to call your attention to the fact that recently there has been a great deal of discussion regarding Food Distribution Order No. 1 relative to consignment selling.
>
> As you know, this statute is still on the books, and the return of bread or bakery goods from grocery stores has been prohibited.
>
> * * * * * * *
>
> It is true that since the cessation of the war there has been a general laxity throughout the entire industry regarding merchandise being picked up in the stores which was felt to be generally unsalable to the public.
>
> * * * * * * *
>
> Of course, one of the reasons there is so much discussion on this subject at the present time is because of the 80 percent extraction of flour. It has been called to the attention of the Government that had the baking industry lived up to FDO 1, it is possible we would not have had to go to a darker flour in this country.

The reports of another baking company operating in three markets in two of which it is stated that the order was quite well observed while, in the third, observance broke down and the taking back of unsold bread was generally resumed by all important wholesale bakers operating in the market, make the following interesting showing as to index numbers for net sales and profits, and average net profit per dollar of sales in the three locations:

Year	Where Food Distribution Order No. 1 was observed						Where observance broke down		
	Plant No. 1			Plant No. 2			Plant No. 3		
	Net sales	Profit on sales	Profit per sales dollar	Net sales	Profit on sales	Profit per sales dollar	Net sales	Profit on sales	Profit per sales dollar
	Index No.	*Index No.*	*Cents*	*Index No.*	*Index No.*	*Cents*	*Index No.*	*Index No.*	*Cents*
1942	100.0	100.0	3.25	100.0	100.0	2.17	100.0	100.0	2.38
1943	110.9	109.0	3.19	121.4	62.5	1.12	117.1	150.0	3.05
1944	122.5	20.7	.55	140.3	158.0	2.45	117.6	1.2	.02
1945	135.2	118.9	2.86	151.8	156.6	2.24	118.0	(1)	[1] 1.06

[1] Loss.

According to an official of the company, plant No. 3 is located in a market where observance of War Food Order No. 1 broke down due to the fact that a baking plant of one of the larger national companies continued to take back unsold bread. In self-defense, plant No. 3 resumed taking back bread in 1944 with the result that, although the plant did not lose in total volume of sales, its losses on bread taken back, added to increased material and labor costs, reduced its profits to 0.02 cent per dollar of sales in 1944 with the result that its total profit was only a little more than 1 percent of the amount made in 1942. In 1945 this plant experienced a slight increase in total volume of sales but showed a loss of 1.06 cents per dollar of sales. In the other two locations where plants No. 1 and No. 2 operated, and War Food Order No. 1 was well observed, total sales increased, profits fluctuated from year to year and total profits for the year 1945 were greater than those realized in 1942. Representatives of the company state that savings accomplished by eliminating losses on returned bread aided in absorbing increased costs and contributed materially to the 1945 profit showings for both plants No. 1 and No. 2, and that inability of plant No. 3 to maintain its profit showing in 1944 and 1945 was due primarily to losses incurred in disposing of returns.

When the results for the three plants are consolidated, the ability of a company operating in several markets to offset low earnings or even losses in one market against better profits in others is rather strikingly shown, as indicated below for the three plants combined. This showing is made without elimination of interplant transactions, which, for these three primarily bread-baking plants, were not important:

Year	Sales	Total profit on sales	Net profit per sales dollar
	Index No.	*Index No.*	*Cents*
1942	100.0	100.0	2.69
1943	115.7	108.3	2.51
1944	126.3	48.4	1.03
1945	135.2	84.6	1.68

Briefly, the showing is that although one of the three plants showed a loss in 1945, when the operations of this plant are combined with the other two, the total profit of all was 84.6 percent of that of 1942. This was accomplished notwithstanding the fact that the average profit realized per dollar of sales (1.68 cents) in 1945 was materially less than the average for 1942 (2.69 cents). Increased volume of sales is, of course, the factor accounting for the failure of total profit to decrease in the same proportion as net profit per dollar of sales.

Weak position of the local baker using consignment selling as a competitive device.—The fact that this medium-sized company operating in only three localities was thus able to absorb losses on bread returns in one of its markets indicates the superior economic position of large companies to use bread returns as a competitive device against local bakers operating in any one market. A local operator owning plant No. 3, would have been reduced practically to turning over his dollars in 1944, and to a loss in 1945. The loss realized by this plant for the

year 1945 represented 6.04 percent on the depreciated value of its fixed investment. This loss was before the payment of any interest or taxes. Such a showing would certainly be discouraging if not financially dangerous had the owner of the plant operated in no other market.

Under such unequal ability to compete in consignment selling and the taking of losses on bread returned, it is easy to understand why local bakers regard consignment selling, as practiced by some of their larger competitors, as an inequitable, if not positively unfair, method of competition. Beyond this point lies overstocking of bread racks for mass display purposes, or to crowd competitor's brands off the dealer's rack, or out of the most favorable position.

Estimated 1945 savings.—Notwithstanding the tendency for observance of War Food Order No. 1 to break down, indications are that the savings, even from partial observance have been material. Such savings are of two types. The first is the financial saving to the wholesale baker by keeping his losses on bread returned to the minimum. The second is the saving in breadstuffs resulting from the elimination of returns. The first saving is important today to prevent undue increase in bread prices adding its bit to the already dangerous inflationary spiral of living costs. The second is important in conserving the world's now critically short supply of most bread ingredients to the end that more human beings may not starve during the reconstruction of war devastated economies. Both of these savings accrue from the elimination of consignment selling and the taking back of returns.

Prior to War Food Order No. 1, the independent retail grocer handling bread on consignment had no investment in the stock of bread carried in his store. He, however, received a retail margin of 1 to 3 cents per loaf, generally representing from 10 to 25 percent of his retail selling price per loaf. This selling commission, or margin, for bread in which he formerly carried no investment in stock compares quite favorably with the average gross margin of 22 cents per dollar of sales of all products handled (on most of which he bore the burden of investment in stocks) by the sample of 156 independent retail grocers covered in the Commission's 1942 study of distribution methods and costs.[10]

Other factors in the retail bakery trade, such as house-to-house bakers, chain bakery stores, and chain grocers that bake and retail their own bread, normally assume the responsibility of minimizing their losses from the baking of excessive quantities that become stale and are sold at reduced prices for human or animal food, or destroyed. With the responsibility for minimizing losses in the disposal of stale bread transferred to the independent grocer, the financial savings effected by War Food Order No. 1 accrued to the wholesale baking industry.

Information obtained in the Commission's 1946 study of the baking industry indicates that even though observance of War Food Order No. 1 has been imperfect, the actual saving of foodstuffs accomplished were materially greater than the 2.31 percent of total bread produc-

[10] Report of the Federal Trade Commission on Distribution Methods and Costs, pt. I, Principal Food Products, p. 210.

tion estimated as possible in 1942.[11] For instance, bakery groups composed of small- to medium-sized bakers, national in areas of operations, reported reductions in return of unsold bread averaging 3.18 percent between September 1942 and September 1945.

Estimated possible savings of bread.—It appears that the total bread production by commercial bakeries of the country in 1945 was about 40 percent greater than that of 1940, the last year for which census data are available. A 40-percent increase over the 10,448,000,000 pounds of bread baked in 1940 would give a total commercial production in the United States, for 1945, of 14,627,000,000 pounds of bread. The average possible saving of 3.18 percent, as indicated above, for these bakery groups would give a total annual saving of 465,138,000 pounds of bread and yeast-raised bakery products for the year 1945.

This quantity of bread would be sufficient to supply the 46,467,000 total 1940 population of England, Scotland and Wales with a daily ration of one-third pound of bread for 30 days; for the entire population of France for over 36 days; or a similar ration for the 9,090,000 population of the Netherlands for 5 months; for the 8,387,000 population of Belgium for 5½ months; or for the 3,887,000 population of Finland for nearly 1 year. This estimate of savings covers only bread and yeast raised products. Additional savings would have resulted from discontinuing the taking back of unsold cakes and other sweet goods.

The quantity of bread sent out and not taken back as returns represents an economic saving to the industry amounting to the difference between its selling price as fresh bread and the lower price that would have been recovered in disposing of it as returns. In September 1942 the average recovery price on returned bread for 377 wholesale bakery companies was 2.27 cents per pound.[12] No comparable figure is available for September 1945. If it is assumed that bakers generally might have obtained a similar realization in disposing of returns in 1945, and that the average wholesale price of 7.72 cents per pound for bread realized by 283 wholesale baking companies during the September 1945 accounting period covered in the Commission's present study is fairly representative of the entire baking industry, the estimated average economic saving in net sales income to the industry would be of the order of 5.45 cents per pound on 465,138,000 pounds or more than $25,000,000 on bread alone. Moreover, this does not include any savings that might have been made on sweet goods. Neither does it include anything for savings in selling and other expenses involved in the return of goods to the bakeries and subsequent disposal as "day-old" bread for animal food. This saving exceeded the combined net profits of the largest eight companies, whose sales equal about 20 percent of the total for the entire industry. Had there been strict compliance with War Food Order No. 1, beginning in 1943, and had such observance continued in all parts of the country as was the case where bakers put forth a real effort to cooperate with the Government, the savings to the industry would have been substantially greater.

It is, of course, impossible for the baking industry to eliminate all waste. Some bread is damaged in production and distribution, or

[11] The Bread Baking Industry, Report of the Federal Trade Commission to Hon. James F. Byrnes, Director, Office of Economic Stabilization, December 1, 1942, p. 30.

[12] Report of the Federal Trade Commission on Distribution Methods and Costs, pt. I, Important Food Products, p. 55.

becomes contaminated, or grows so stale in the course of distribution as to be unfit for human food. Only ingredients contained in bread taken back in condition satisfactory for human food and not disposed of for human consumption can be counted as actual waste of breadstuffs. Wholesale bakers covered in the Commission's 1942 study took back slightly more than 5 percent of all bread sent out and subsequently sold about half of the returns for human consumption. On the basis of this showing the Commission estimated that a saving, at least equal to the quantity sold for animal food or destroyed, amounting to some 250,000,000 pounds of bread that might have been made.[13]

The estimated reduction in returns accomplished under the imperfect compliance with the wartime prohibition against return of stales, amounting to 465,138,000 pounds in 1945 exceeded the previous, 1942, estimate of possible savings by over 200,000,000 pounds. Some of this excess undoubtedly become unfit for human consumption in the hands of retailers. How much may have been so lost is not known. It would seem, however, that the actual saving of bread for human food in 1945 exceeded the 250,000,000 pounds for 1942. On the basis of the average bread formula in use by wholesale bakers reporting for September, 1945, a saving of the minimum estimate of 250,000,000 pounds would amount to 162,500,000 pounds (829,000 barrels) of flour, 6,634,875 pounds (3,317 tons) of milk solids, 3,191,500 pounds (1,596 tons) of shortening, and 7,522,125 pounds (3,761 tons) of sugar.

Manufacture of 829,000 barrels of flour would require 3,869,000 bushels of wheat at 70 percent flour extraction or 3,385,000 bushels at 80 percent extraction.

The milling of this quantity of wheat into flour to which nearly 8,700 tons of scarce milk, shortening, and sugar were added to produce the bread, that after being distributed to retailers is returned to bakeries to be disposed of at additional cost for use as animal food, constitutes an economic burden that someone must bear. Under the practice of returning unsold bread, this burden is divided unequally between competing bakers in higher costs and fresh-bread consumers in higher prices, with the latter, in the long run, bearing the bulk of the cost included in the prices paid for fresh bread. Furthermore, due to fermentation loss, any part of the returns ultimately used for animal food actually contains less food value derived from wheat than would be obtained from the same quantity of wheat used as animal food on the farm for animal food.

Possible saving in the use of feed wheat.—Comment has been made in the trade that the wheat saving that could be accomplished by faithful observance of the prohibition of return of unsold bread is relatively small in comparison with the quantity of wheat consumed for animal-feed purposes, particularly in 1943. The fact is that consumption of wheat for feed in 1943 was abnormally large and occurred before a wheat shortage was anticipated. It was occasioned by the price relationship between wheat and the prices of livestock and poultry, which made it profitable for farmers to use wheat for stock food rather than to conserve it for sale for milling purposes. The quantities of wheat consumed for feed by years from 1931 through

[13] Federal Trade Commission Report on Distribution Methods and Costs, pt. I, pp. 40 and 55.

1944, as reported in the Statistical Abstract of the United States are as follows:

Use of wheat for animal feed, for years beginning July 1, 1931, to July 1, 1945

Period	Used for animal feed	United States carry-over July 1
5-year average:	*Bushels*	*Bushels*
1931–35	129,735,000	296,859,000
1936–40	123,557,000	181,289,000
Year:		
1939–40	108,102,000	250,015,000
1940–41	114,265,000	279,722,000
1941–42	114,166,000	384,916,000
1942–43	303,378,000	632,103,000
1943–44	503,307,000	621,659,000
1944–45	289,000,000	314,846,000
1945–46	[1] 250,000,000	[2]

[1] Estimated.
[2] Not available.

Source: Statistical Abstract og the United States, 1943 and 1944–45.

Normally wheat used for animal food is of inferior grade and not suitable for milling purposes. With the growth of abnormally large carry-over from 1939 onward, the use of wheat for food increased to its peak of about 503,000,000 bushels in the crop year beginning July 1, 1943. This peak was more than four times the normal consumption of wheat for feed during the crop years beginning July 1, 1936 to 1941, inclusive. It was the result of large available supplies and favorable feeding ratios between wheat on the one hand and meat, dairy, and poultry products on the other. Marked conservation of wheat for human food obviously are possible by reducing feed wheat consumption from its 1943 peak. Such saving did begin in the crop year 1944–45 notwithstanding the large carry-over of 621,659,000 bushels on July 1, 1944. This saving began although no serious steps were taken to reduce use for feed in anticipation of the present acute world food shortage. Animal feed consumption, however, did not fall to anything like its 10-year prewar avearge of about 120,000,000 bushels, consisting mainly of grades of wheat and screenings that millers normally would not convert into flour for human consumption. Further restriction in feed use is now being made with the result that the estimate of 250,000,000 bushes for 1945–46 may be reduced materially.

Economic loss involved in feeding bread to stock.—The practice of regularly selling returned bread to farmers for stock food by some bakers has been developed by field investigation in this inquiry.

It has been contended by certain wholesale bakers that, in reality, there was no waste of wheat when returned bread is used for animal food—that what happens is, that bread so disposed of produces other human food in the form of meat. This suggestion completely ignores the economic waste involved in using such a high-cost product as bread for hog feed. When the farmer feeds a bushel of wheat to stock on the farm compared with the equivalent in the form of bread purchased from wholesale bakers, there is the saving of all the costs involved in marketing the wheat, transporting it to millers, in processing the flour, shipping the flour to the wholesale baker, baking and delivery of bread to retailers, plus the expense of collecting unsold

bread from retailers and selling it to farmers. The following computation has been made to demonstrate the approximate economic loss:

Total costs, expenses and profits involved in marketing, transporting, milling, baking and distributing 100 pounds of bread	$6. 60
Average value of wheat required to produce 100 pounds of bread in 1945	1. 51
Excess of cost of returned bread used for stock feed over average farm value of equivalent wheat	5. 09

As previously estimated, this wastage of human food involved not less than 3,869,000 bushels of wheat representing an aggregate economic loss of $12,725,000. This sum nearly equals the aggregate profits for 1945 of the largest three bread-baking companies. These three companies had approximately 12 percent of the total commercial bread production of the United States.

Of course, farmers will not pay more for returned bread than they consider it worth for stock feed, hence the cost of the economic waste is borne either by the baking industry or by the consumer.

Economic pressure for return of unsold bread.—The initial pressure, particularly in the case of multiple-plant bakers, results from demands of the head office for larger sales. A larger volume of sales reduces overhead costs per unit and increases profits. Plant managers in turn press their driver-salesmen for larger sales, and they in turn exert pressure on the retail grocer to take and sell larger quantities of their company's bread. Under War Food Order No. 1, many retail grocers limited their purchases unless the driver-salesmen would agree to take back at the full wholesale price all bread remaining unsold from the preceding day's delivery rather than to attempt to sell any unsold bread at a lower price. The driver-salesman's weekly wage in turn is increased through larger sales as he is partly on a commission basis. Consequently, the driver finds pressure being exerted both by the grocer and by company officials in addition to his own desire for larger earnings. This pressure on the salesman-driver was described by the secretary-treasurer of a driver's union in substance as follows:

> It is the practice of certain branch plant supervisors of large baking companies to overload their drivers and then refuse to take back or give them credit for returned bread. With respect to bread returned fresh, it is their practice to require the driver to keep it on his truck and then the next day to insist that he take just as large quantities as if he had sold out completely the day before.

To use the exact words of the union official, "this is making thieves out of the drivers"—meaning that returned bread would be "rolled," that is, delivered to another dealer or otherwise disposed of because he cannot return it to the baker. In this same territory, particularly on Mondays, this union official stated: "Large quantities of unsold bread were dumped in a nearby river."

This situation exists today regardless of the appeals by the President of the United States, ex-President Hoover, the Secretary of Agriculture, the head of the UNRRA, church leaders, and others urging a reduction in bread consumption in this country for benefit of starving millions in war-devastated Europe and in Asia.

In other sections of the country, particularly before some of the large companies were fined in violation of a court order, unsold bread taken back from retailers was returned and accepted at the bakery plants. At some plants, at least, this returned bread was sold regularly to farmers for stock food.

SECTION 3. THE CASE FOR CONTINUED ELIMINATION OF WASTEFUL DISPOSAL OF BAKERY PRODUCTS FOR ANIMAL FOOD

The need for strict economy.—Today, in the words of the Secretary of Agriculture, "the full impact of greatly curtailed crop production in many parts of the world, particularly in Europe, is now making itself felt," and "as each new adverse report of the outturn of crops and livestock becomes available, the gap between essential requirements and available supplies widens."[14] Under these circumstances, there are two compelling reasons for continuing and tightening the enforcement of the prohibition against consignment selling and the taking back of unsold bread. The first is humanitarian and world wide. It involves the responsibility of the American people and American industry to contribute their share toward the preservation of human lives and the rebuilding of war-torn economies on the sound economic bases necessary to future peaceful international relations. The second is national in scope and has to do with the efficient functioning of the commercial bakery industry of the United States in serving its customers. It also ties in directly with and, in fact, is vitally related to the first.

Inability of the industry to eliminate consignment selling waste.—It has been shown that the wholesale bread industry has not eliminated waste resulting from consignment selling, although it has existed for more than a quarter of a century. The basis for the industry's inability voluntarily (or even in cooperation with the Government in time of war) to eliminate wasteful consignment selling lies in the utility of heavy use by individual bakers of the device in invading new markets or increasing sales in markets already partially occupied. When the individual wholesale baker engages, over long periods of time, in the overstocking of dealers day after day with more of his bread than consumers buy at the prevailing price level, he assumes the financial responsibility of disposing of returned bread in excess of that reasonably necessary to insure consumers an opportunity to buy his product in fresh state at all times. The assumption of such losses is limited only by his financial ability and willingness to absorb them. The unequal economic strength of small bakers operating in only one, or at most a few, highly competitive local markets to absorb large losses resulting from competitive overstocking in comparison with the ability of larger companies operating in other, less highly competitive markets as well as in the local competitive markets is the basis for division of trade opinion already noted as to where the boundary line lies between fair and unfair use of consignment selling as a competitive device.

Assumption of competitive losses and wastes in distribution of product for such periods as may be necessary to driver out or acquire competitors is a well-recognized method of establishing and retaining dominant, or monopolistic, control of markets. The perishability of bakery products limits the market area that can be served most economically from a given baking plant. This makes the industry especially suited to the employment of the device of temporary competitive waste and loss as the means of embarrassing, driving out, or even acquiring weaker local competitors. Such use of the device is to be distinguished sharply from legitimate price competition based

[14] Statement of Secretary of Agriculture Clinton P. Anderson, February 15, 1946.

on low costs attained by some competitors through volume production and distribution of goods of a quality highly acceptable to consumers. It may be used by a concern having large financial ability even though it has no advantage in cost of baking and delivering bread to a particular local market, as in the case where it is heavily used by some baker whose plant is so distant from the local market that his cost of transporting and delivering bread may absorb any advantage he may have in baking cost over local bakers. Such use, especially in distant markets, either with or without direct competition in price, is often the subject of complaint by local bakers, particularly those that are threatened with bankruptcy. The following tabular statement illustrates the wide range in the percentage of bread taken back: [15]

Average, minimum, and maximum percentages of unsold bread returns to total send-out of bread by 377 wholesale baking plants during accounting periods, including Mar. 31 and Sept. 30, 1942, respectively, by geographical areas

Area	Number of plants	Accounting period including Mar. 31, 1942			Accounting period including Sept. 30, 1942		
		Average	Minimum	Maximum	Average	Minimum	Maximum
No. 1	142	5.64	0.20	17.03	4.80	0.50	12.37
No. 2	44	5.67	.34	33.11	5.40	1.56	32.03
No. 3	79	5.52	.92	15.86	4.67	.77	12.37
No. 4	83	6.10	.35	21.07	5.17	.54	16.07
No. 5	12	5.47	.64	11.10	4.21	1.16	8.47
No. 6	17	5.92	2.04	8.96	4.83	2.03	6.86
All	377	5.84	.20	33.11	5.16	.50	32.03

The low losses for companies having the minimum return of unsold bread, particularly those under 1 percent, indicate that each of these companies were not taking back any bread except loaves that were damaged in handling and, therefore, show what can be accomplished. At the other extreme is the 33.11 and 32.03 percentage of returns indicating an effort to force acceptance of the bakers' products regardless of cost.

Experience following World War I was that when wartime restrictions were relaxed, competition in consignment selling soon was resumed on an intensified basis in many markets. Furthermore, the experience of the 1920's was that, once the practice was resumed, it tended to get out of control.

Growth of large companies.—The period from 1921 through 1928 also was a period of marked growth of large wholesale baking companies by acquisition and consolidation. Briefly reviewed, the four principal developments along this line were as follows:

General Baking Co., organized in 1911 as a consolidation of 19 baking companies then operating 21 or more plants in 18 cities, added to its stature during the years 1920 to 1925 by acquiring 4 relatively large companies operating plants in 18 cities. In 1945 it operated 42 plants in 21 States and the District of Columbia.[16]

[15] Federal Trade Commission Report on Methods and Costs of Distribution, pt. I, Important Food Products, p. 38.

[16] Hearings before Subcommittee No. 3 of the House Committee on the Judiciary, 79th Cong., 1st sess., on H. R. 2357, Serial No. 8, pp. 197–198.

Ward Baking Co. was organized in 1912 as a consolidation of four companies operating plants in seven cities. It subsequently acquired five other companies prior to 1926. In 1923 control of Ward Baking Co. was vested in Ward Baking Corp., a holding company formed in that year. In 1926 Ward Food Products Corp. was formed to acquire control of Ward Baking Corp. and other baking and food concerns. The latter acquisition, however, was enjoined under a consent decree of April 3, 1926, in an antitrust case brought by the Department of Justice. In 1938 Ward Baking Corp. (the holding company of 1923) was merged into Ward Baking Co. From 1926 through 1944, the company appears not to have been active in acquiring new plants, but in 1944 it was stated that it had purchased or contemplated purchasing a number of plant sites or plant buildings in selected localities in contemplation of postwar expansion of its operations.[17]

Continental Baking Co. was organized in 1924, as a consolidation of 7 companies operating baking plants in 34 cities. In 1925 it acquired 19 additional companies with plants in 46 cities, making a total of 26 companies and 80 plants acquired at or soon after its organization. In 1945 it operated 82 bakeries in 28 States.[18]

Purity Bakeries Corp. also was organized in 1924 as a consolidation of three previously existing large companies with plants in 15 cities. In 1925 and 1928 it acquired 10 companies operating plants in 28 cities, making a total of 43 city locations acquired from 1924 through 1928. In 1945, it operated 49 plants in 14 States.[19]

These large companies constitute what is known as the Big Four of the wholesale baking industry. At the end of 1944 they operated a total of 192 plants, as compared with 166 in 1925. During 1944 their combined output of bread was about 2.2 billion pounds, or about 14 percent of the estimated total commercial bread production of the United States for that year. In addition, they produced large quantities of cake and other bakery products, and had total combined sales of over $284,000,000 in 1944 divided among the companies as follows:[20]

Continental Baking Co	$101, 776, 000
General Baking Co	70, 056, 000
Ward Baking Co	56, 174, 000
Purity Bakeries Corp	56, 130, 000
Total	284, 136, 000

The plants of these 4 large companies are located in 98 of the larger cities of 34 States and the District of Columbia. It frequently happens that two or more of the Big Four operate plants in the same city, or at least in the immediately contiguous areas, as indicated below:

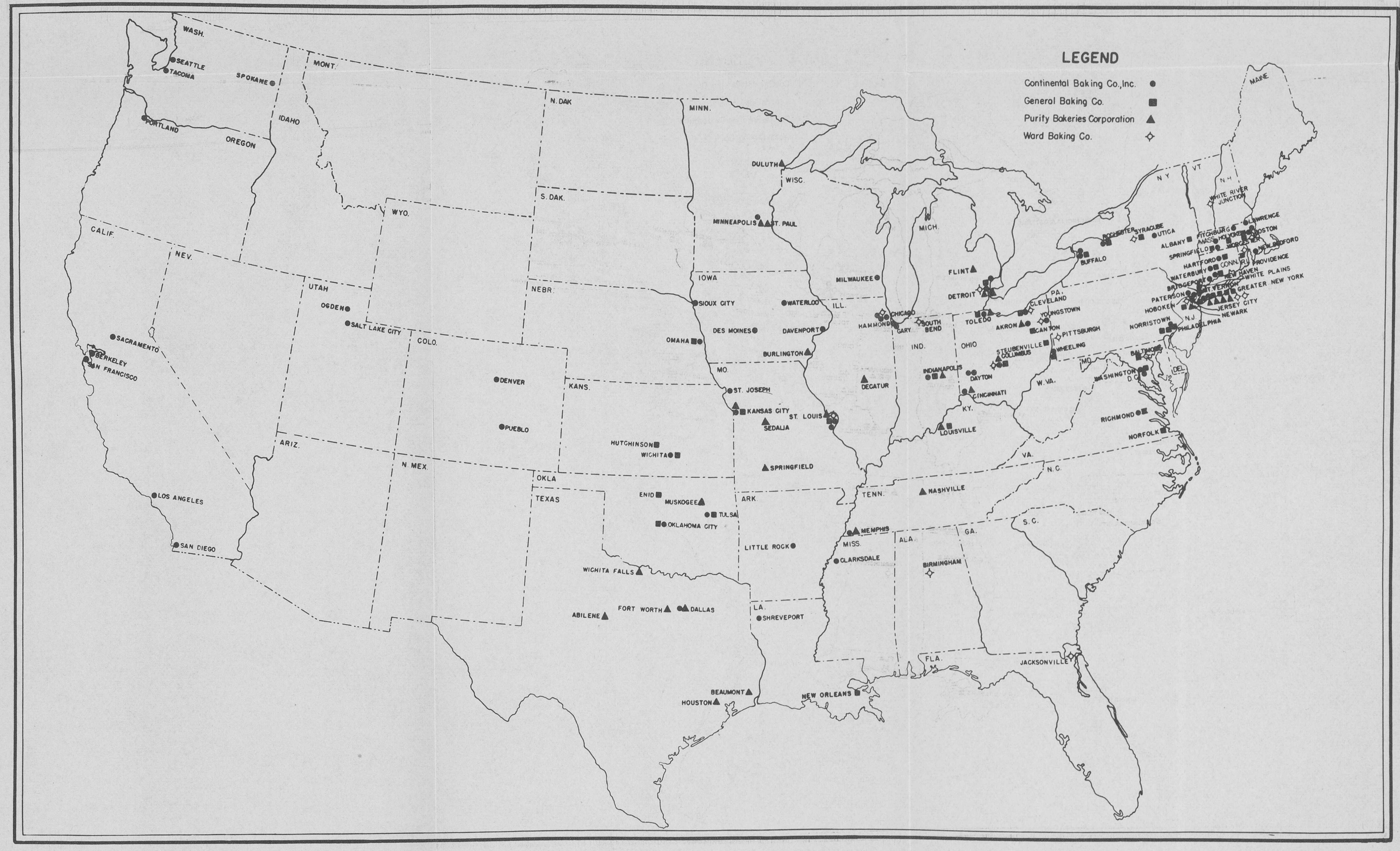
Four large city areas in which all four large companies have plants: Detroit, St. Louis, Mo., New York (including Brooklyn, Jersey City, Hoboken, and Mount Vernon), and Columbus, Ohio.

Six large city areas in which three large companies have plants: Cleveland, Indianapolis, Boston, Kansas City, Newark (N. J.), and Toledo.

Twenty-four cities in which two large companies have plants: Hartford, New Haven, and Waterbury, Conn.; Wichita, Kans.; Louisville, Ky.; Baltimore, Md.; Twin Cities (Minneapolis and St. Paul). Minn.; Springfield, Mass.; Omaha, Nebr.; Rochester and Syracuse, N. Y.; Akron, Cincinnati, and Youngstown, Ohio;

[17] Ibid, pp. 198–199.
[18] Ibid, pp. 200–201.
[19] Ibid, pp. 201–202.
[20] Ibid, p. 203.

BIG FOUR BAKING COMPANY PLANTS, JANUARY 1, 1946.



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Oklahoma City and Tulsa, Okla.; Providence, R. I.; Memphis, Tenn.; Dallas, Tex.; Richmond, Va.; Wheeling, W. Va.; and Washington, D. C.

Fifty-nine cities in each of which one large company has a plant: Birmingham, Ala.; Little Rock, Ark.; Berkeley, Los Angeles, Sacramento, San Diego, and San Francisco, Calif.; Denver and Pueblo, Colo.; Bridgeport, Conn.; Jacksonville, Fla.; Decatur, Ill.; Gary, Hammond, and South Bend, Ind.; Burlington, Davenport, Des Moines, Sioux City, and Waterloo, Iowa; Hutchinson, Kans.; New Orleans and Shreveport, La.; Fitchburg, Holyoke, Lawrence, New Bedford, and Worcester, Mass.; Flint, Mich.; Duluth, Minn.; Clarksdale, Miss.; St. Joseph, Sedalia, and Springfield, Mo.; Paterson, N. J.; Albany and Utica, N. Y.; Canton, Dayton, and Steubenville, Ohio; Enid and Muskogee, Okla.; Portland, Oreg.; Norristown, Philadelphia, and Pittsburgh, Pa.; Nashville, Tenn.; Abilene, Beaumont, Fort Worth, Houston, and Wichita Falls, Tex.; Ogden and Salt Lake City, Utah; Norfolk, Va.; Seattle, Spokane, and Tacoma, Wash.; and Milwaukee, Wis.

It will be noted that the above listing totals to 93 instead of 98 cities. This discrepancy in the listing is due to the fact that plants in Brooklyn, Mount Vernon, Hoboken, and Jersey City have been included as being in the New York metropolitan area and plants in Minneapolis and St. Paul have been counted together as being in the Twin City, Minn., metropolitan area. The general location of Big Four baking plants in the 98 cities throughout the country is shown in the map facing this page.

In addition to these four outstandingly large companies that were originally set up by acquiring control of and consolidating a considerable number of already existing companies, there has been a continuation of the growth of smaller, but locally none the less important, companies operating in one or more markets. A single large company, or even a small group of very large companies, do not exercise dominant control over the entire wholesale baking industry, but a comparatively few companies dominate large sections of the country. Moreover, dominant leadership is exercised by large companies in many local markets. Where, as in New York, or Detroit, or Cleveland, all of the Big Four market bread, their competition generally sets the pace for all wholesale bakers in the area served from the plants they own. The same is likely to be true in market areas where as few as one of the Big Four operates, although in such markets, distinct leadership may be exercised by some well-managed and efficiently operated local company.

Role of consignment selling in growth of large companies.—Resumption of consignment selling following World War I preceded by about 3 years the rapid growth of bakery company consolidations from 1924 through 1928. Its use by large companies as a means of increasing their sales in order to operate their acquired plants at capacity undoubtedly tended to sharpen competition for volume and territory in particular markets that created conditions favorable to the formation of the four outstandingly large consolidations. Its use also undoubtedly has contributed in a similar manner to the growth of lesser companies both during and since the early 1920's in areas served by the Big Four as well as in markets where the Big Four do not operate. The extent to which it was used as a highly competitive device varied widely in different markets, but with a tendency for returns to increase to the point of waste until consignment selling was prohibited as a wartime measure in January 1943.

Wasteful competition normally leads to absorption and consolidation of competitors, or to agreements for alleviation of the competition.

Both tendencies have been present in the wholesale baking industry. Instances of the latter are to be noted in two indictments brought by the Department of Justice against Freihofer Baking Co., et al. (Philadelphia), and New England Bakers Association, et al., respectively, in 1941 and 1942. These cases involved the large interstate bakers marketing bread in the areas covered by the price agreements. Both of these indictments alleged, among other things, combination and conspiracy to fix and enhance fresh-bread prices and restrain competition.[21] It appears that consignment selling could be continued in both areas, but both indictments charged that, to make the conspiracies effective in increasing the sale of fresh bread at the prices agreed upon, no "day old" bread was to be sold for human consumption. Competitive waste might be continued, even in competition among the conspirators, but it seems most likely that it would be directed more particularly against nonmembers of the conspiring groups. The indictment in the Philadelphia case alleged that returns so withdrawn from human consumption represented about 10 percent of the bread baked and delivered to retailers daily by the defendants.[22]

Neither of these cases came to trial for the reason that all principal defendants pleaded nolo contendere and accepted substantial fines.

Simultaneously with the Philadelphia price fixing conspiracy mentioned above, Freihofer Baking Co. and its affiliated company, William Freihofer Baking Co., were also indicted for unlawful combination and conspiracy to assist each other in establishing and maintaining themselves in particular areas by the conduct of price wars in which fighting brands (brands not commonly associated with the companies using them) were used to destroy the established markets of competitors as a means of forcing them to cease selling loaves of a size or weight not in conformity with loaves offered by the defendants, and to maintain prices comparable with those of standard loaves sold by the defendants. The indictment alleged use of such fighting brands sold at reduced prices, and at a loss to the Freihofer companies, first in Atlantic City, N. J., and Wilmington, Del., and later in Philadelphia, Pa., and Camden, N. J., with the result that 5 competitors lost business in one or more of the markets affected by the price wars.[23] In this as in the two previously described cases, the defendants pleaded nolo contendere and accepted fines.

The possibility of combining competitive consignment selling with price competition and even with forms of competition definitely recognized as unfair—in this instance with fighting brands—is exemplified in this last case. Competitive overstocking of dealers and the taking back of unsold products has one point in common with the fighting brand. Both can be used in some parts, but not in all, of a large company's distribution territory, so that the losses entailed may be offset by profits made in other territory. This selectivity may even extend to its use on particular routes within a particular market area.

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[21] *U. S.* v *Freihofer Baking Co. et al.*, No. 8847 (Criminal) in U. S. District Court for the Eastern District of Pennsylvania, Jan. 9, 1941, and *U. S.* v *New England Bakers Association, et al.*, No. 15,778 (Criminal) in U. S. District Court for the District of Massachusetts, May 28, 1942.

[22] *U. S.* v *Freihofer Baking Co., et al.*, No. 8847 (Criminal).

[23] *U. S.* v. *Freihofer Baking Co. and Wm. Freihofer Baking Co. et al.*, No. 8848 (Criminal) in U. S. District Court for the Eastern District of Pennsylvania.

Returning veterans' interest.—The Department of Commerce is furnishing information to returning servicemen featuring certain industries as affording individuals with small capital an opportunity to become established in a useful business that offers an opportunity of growth. The bakery business is one of the businesses featured. Many thousands of servicemen have spent several years baking bread and other bakery products for the different branches of our wartime military organization. They have mastered formulas that produce highly nutritious bread and other bakery products. However, smaller experienced bakers call attention to the fact that the business of a small baker is extremely hazardous and, unless certain predatory practices are eliminated from the wholesale bread industry, a veteran would have little chance of success. The practice considered by experienced bakers most destructive of small companies is that of taking back unsold bread, followed by the practice of certain larger bakers in installing in retailers' stores bread racks free and even, in some instances, furnishing expensive counters without cost to the retailer, and otherwise obligating retail dealers to buy their bread.

Without the elimination of the losses occasioned by the return of unsold bread and the discontinuance of other predatory competitive practices, a veteran engaging either in the retail or wholesale bread baking industry would have small chance of success.

Fairness of consignment-selling competition.—At its best, the picking up of unsold bakery products is the individual baker's method of assuring freshness of his products offered to potential consumers. At its worst it becomes a patent, but wasteful, method of competition in which several wholesale bakers supplying a given retailer vie with each other in mass display that results in overstocking dealers, increased cost to wholesale bakers and in waste of food for human consumption. The demand for bread is quite inelastic. Consequently, when all suppliers compete in oversupplying dealers, the practice normally fails to increase total sales in proportion to the expensive waste shouldered by the bakers. The retailer has no investment in the overstocks placed with him, hence he is not personally concerned about any waste or loss involved. On the other hand, he has an interest in preventing any shifting of responsibility to himself, and does not hesitate to refuse to handle the bread of any of his suppliers who proposes to discontinue taking back returns so long as others continue to do so. Therefore, if one of his suppliers takes back bread it is practically necessary for all to do so. Under these circumstances the industry itself can eliminate taking back unsold products only by standing as a unit against it. Past experience has been that the industry is unable so to act as a unit because normally one or more suppliers in many markets chooses to continue taking back unsold products as a competitive device. Where smaller companies dominate the market, excellent results have been obtained in certain areas; in others, where there is keen competition for volume, there has been large waste.

It is obvious that the most economical distribution territory of each bakery is that adjacent to it. Consequently, the large city baker with capacity in excess of the quantity he is selling in his most profitable central territory faces the problem of whether he will cut the price

per pound and compete sharply in that territory, or whether he will seek additional volume by reducing prices in fringe territory and competing in other ways in fringe territory. Sometimes this price competition takes the form of selling a 20- or 22-ounce loaf at the same price in competitive territories as a 16-ounce loaf is sold in the home territory, notwithstanding the fact that the cost of distribution is less in the home city. It is this type of price competition from distant bakeries that the local independent, dependent upon their success or failure on profits in their local market, find impossible or most difficult to meet; while their large competitor offsets low profits, or even losses, in one market against good or high profits from other plants.

Reduction of overhead costs through increased volume, even though this increase in volume is obtained through a smaller net profit per dollar of sales, than is realized in the home market, furnishes the incentive to invade smaller city markets in territories contiguous to a large company plant. Hundreds of towns and small cities today that have demand sufficient to maintain a home bakery depend entirely on bread trucked from the plants of multiplant bakeries. Such towns and small cities would afford an opportunity for returning veterans to establish a profitable local bakery business provided wasteful return of unsold bread and other predatory competitive practices were permanently eliminated from the bakery business.

In conclusion, then, there are several sound reasons for continuing and strengthening, rather than relaxing the waste-preventing provisions of wartime regulations respecting consignment selling of bakery products that may be summarized as follows:

1. Humanitarian considerations growing out of the world-wide need for conservation of foodstuffs at least until war-devastated economies are rehabilitated.

2. Need in the baking industry for such reasonable public assistance and direction, short of dictatorial control, as may be necessary for the maintenance of fair and equitable competitive conditions under which small local bakers can compete with units of large bakery consolidations on the basis of their efficiency in supplying the local market rather than on their relative financial ability to withstand competitive losses due to wasteful competition in consignment selling.

3. American consumer interest in the elimination of competitive waste to the end that food supplies adequate to maintain national health and welfare shall be available both during and after the present emergency at minimum prices consistent with healthy development and operation of the wholesale baking industry.

4. Make available to returning veterans a field of useful business in which they may have a fair chance to develop a profitable and growing business. A skillful small baker can furnish the public a product equal or superior to that of the large baker, particularly where the bakery products are trucked considerable distances.

Elimination of competitive waste and unfair and inequitable aspects of consignment selling as now practiced by the industry contributes materially to all of these sound objectives without danger to American standards of living or public health with a minimum of inconvenience to consumers of wholesale bakery products during the present emergency, and can continue to do so after the emergency is past.

The remedy.—The only thing needed to stop waste from the return of unsold bread is to obtain complete cooperation of wholesale bakery officials, driver salesmen, and retail dealers in the observance of War Food Order No. 1 in the present emergency. It has been suggested by a union official in a territory in which returned bread was destroyed by being dumped in a river, that the cooperation of national union officials would be helpful.

It is also suggested that a careful examination of present laws be made by the legislative and executive branches of the Government to determine what legislation, if any, is needed to permanently eliminate wasteful trade practices and predatory competition which threatens the existence of many small bakers, foredooms new ventures to failure, and promotes regional monopolistic control of the wholesale bread-baking industry.

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79th Congress, 2d Session - - - - House Document No. 535.

REPORT OF THE
FEDERAL TRADE COMMISSION
ON
WHOLESALE BAKING INDUSTRY

Submitted to the Congress, August 7, 1946

PART II AND SUMMARY.
COSTS, PRICES AND PROFITS

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1946

FEDERAL TRADE COMMISSION

WILLIAM A. AYRES, *Chairman*

GARLAND S. FERGUSON — ROBERT E. FREER

EWIN L. DAVIS — LOWELL B. MASON

OTIS B. JOHNSON, *Secretary*

LETTER OF TRANSMITTAL

August 7, 1946.

THE PRESIDENT OF THE SENATE
OF THE UNITED STATES,
Washington, D. C.

MY DEAR MR. PRESIDENT: I have the honor to transmit herewith the report of the Federal Trade Commission, entitled "Wholesale Baking Industry, Part II—Costs, Prices and Profits of the Wholesale Baking Industry."

A limited number of copies of the report is being printed by the Federal Trade Commission.

By direction of the Commission.

Yours sincerely,

W. A. AYRES, *Chairman.*

August 7, 1946.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES
OF THE UNITED STATES,
Washington, D. C.

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W. A. AYRES, *Chairman.*

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SUMMARY

The baking industry.—The commercial baking of bread and other bakery products increased considerably during the war period. A recent survey indicated that 85 percent of the bread and 35 percent of the cake consumed in this country was produced by commercial bakers. It is estimated that the baking industry in 1945 had annual sales in excess of 2 billion dollars compared with total sales of 1.4 billion dollars reported by the Bureau of the Census for 1939. The estimated quantity of commercial bread produced in 1945 amounted to 15 billion pounds compared with 10.5 billion pounds for 1939.

There is no recent estimate of the number of bakeries in operation, but the United States Census showed 18,043 bakeries for 1939. There have been some casualties, particularly among the smaller bakeries, during the war period. These were estimated as approximately 1,500. On the other hand, some returned war veterans have opened new bakeries, principally retail bakeries where they can employ their service-trained skill in their own businesses.

The baking industry classifies into the following types based upon the method of distribution:

1. Wholesale bakers;
2. House-to-house bakers;
3. Chain store bakers;
4. Retail bakers; and
5. Retail chain bakers.

Wholesale bakers sell to retail grocers, restaurants, public institutions and other large users. House-to-house bakers sell direct to the housewife from delivery trucks. Chain store bakers sell through their own retail grocery stores, and retail bakers, independently owned and operated, sell over their own counters. The retail chain bakers bake in centrally located bakeries and sell through their own or affiliated chains of retail bake shops. Many bakeries sell both at wholesale and retail. For example, nearly all house-to-house bakers sell wholesale to restaurants and public institutions while some wholesale bakers operate house-to-house routes in addition to their regular wholesale routes.

Wholesale bakeries may vary greatly in size from plants serving only a few local routes to plants serving markets within a radius of 100 or more miles by means of fleets of transport trucks which supply outlying depots from which deliveries are made. However, essentially, each plant is a comparatively local unit as distribution is limited to the geographical area which can be supplied daily with fresh bakery products.

The growth of multiple plant companies in the baking industry has been outstanding in recent years. A current trade directory lists 72 multiple plant companies with a total of 655 plants located in nearly every state.

Wholesale baking industry costs.—In the Commission's current inquiry of the wholesale baking industry, information was obtained from representative wholesale, house-to-house and chain store bakeries of their costs of production and distribution for bread and rolls, other bakery products and all bakery products, for two operating periods in 1945, namely, the 4-week, monthly or 5-week accounting periods including March 31 and September 30.

The costs of production and distribution reported by 283 wholesale baking plants averaged 96.72 cents per dollar of sales for bread and rolls, 88.28 cents per dollar of sales for other bakery products and 94.33 cents per dollar of sales for all bakery products for March 1945. For September 1945, the total cost of production and distribution averaged 97.34 cents per dollar of sales for bread and rolls, 89.12 cents per dollar of sales for other bakery products and 95.14 cents per dollar of sales for all bakery products. The net profit on sales reported for this group of wholesale baking plants averaged 3.28 cents per dollar of sales for bread and rolls compared with 11.72 cents per dollar of sales for other bakery products for the March period and for the September period averaged 2.66 cents per dollar of sales for bread and rolls compared with 10.88 cents per dollar of sales for other bakery products. It is readily apparent that the baking and sale of cake and other sweet goods was more profitable in each of the periods in 1945 than the baking and sale of bread and rolls. This difference largely resulted from the pricing policies of the Office of Price Administration which limited price raises of bread but allowed the bakeries semi-annually to adjust the prices for sweet goods to reflect higher costs of material and labor.

Production and distribution costs of bread and rolls.—The cost of production and distribution of bread and rolls represents the

average costs for all types of bread and rolls, including white bread, whole wheat bread, rye bread, and other varieties of bread in addition to the variety of rolls produced by modern baking plants. However, as white bread constitutes about 70 percent of the bread produced, the costs are generally indicative of the cost of such bread.

For March the average sales realization per pound for bread and rolls was 7.78 cents for all plants and ranged from a high of 8.2 cents for the Middle Atlantic area to a low of 7.27 cents for the Mountain area. The average sales realization for September for all plants was 7.76 cents per pound, slightly less than the average sales realization for March, and ranged from a high of 8.19 cents per pound for the Middle Atlantic area to a low of 7.24 cents per pound for the Mountain area. The higher sales realization for the bakeries located in the Middle Atlantic area resulted from the greater quantities of bread-type rolls sold in Eastern Metropolitan areas.

The total cost of production and distribution for March 1945, averaged 7.52 cents per pound for all plants, ranging from a high of 7.96 cents per pound for plants located in the Middle Atlantic area to a low of 6.74 cents per pound for plants located in the West South Central area. In only the New England area did the total cost of production and distribution exceed the average sales realization.

For September 1945 total cost of production and distribution averaged 7.55 cents for all plants, ranging from an average of 7.97 cents per pound for the Middle Atlantic area to an average cost of 6.83 cents per pound for the West South Central area. As a result of generally lower costs in the West South Central area, those plants reported an average net profit on sales of 0.61 cents per pound in March compared with a net profit on sales for the plants located in the Middle Atlantic of 0.24 cents per pound. For September 1945, the net profit on sales for all plants averaged 0.21 cents per pound compared with 0.26 cents per pound for March.

Flour cost.—As flour constitutes the principal ingredient of bread and rolls, the cost of the flour is a considerable factor in the total cost of production. The proximity of the bakery to flour mills or wheat-growing areas lowers the freight on the flour and consequently lowers the total cost of the flour to the bakery. The bakeries located in the wheat-growing areas of the West North Central, West South Central and Mountain States had the lowest flour costs, averaging $3.13, $3.10, and $3.10 per hundred-weight,

respectively, for March 1945. For September, 1945, the bakeries located in these areas reported flour cost of $3.20 per hundred-weight for the West North Central area, $3.19 per hundred-weight for the West South Central area and $3.12 per hundred-weight for the Mountain area. The average cost for all wholesale bakeries reporting was $3.39 per hundred-weight for March compared with $3.45 per hundred-weight for September 1945.

Conversely, the highest cost of wheat bread flour was paid by bakeries located in the South Atlantic and New England states, being $3.61 and $3.64 per hundred-weight, respectively, for September 1945. For that reason, the cost of all ingredient materials for the bakeries located in those two areas was higher than the average for all bakeries, being 3.52 cents per pound for New England and 3.59 cents per pound for the South Atlantic area compared with an average of 3.49 cents per pound for all bakery plants.

Average hourly wages of plant employees.—The highest wage rates were paid by bakeries located in the Pacific area, being 106.81 cents per hour for March and 109.25 cents per hour for September, excluding overtime; and including overtime, 120.05 cents per hour for March and 122.84 cents per hour for September. On the other hand, the lowest average hourly wage rates were paid by bakeries located in the East South Central area which averaged 60.29 cents per hour for March and 62.67 cents per hour for September, for straight time, and including overtime averaged 70.76 cents per hour for March and 71.10 cents per hour for September. The wide variation between the average wage rates paid by bakeries in those two areas represents the difference in availability of labor. In the Pacific Coast States, for example, there was a great demand for workers in wartime plants so that bakeries were forced to pay higher wages than formerly in order to retain their employees. With the increasing availability of bakery labor, there will probably be a decrease in the amount of overtime and consequently a reduction in the weekly earnings of plant employees. Also there will be a tendency to place returning veterans in jobs which have been filled during the war with inexperienced help and women.

Average weekly earnings of driver-salesmen.—In nearly all cases, driver-salesmen are paid on a commission basis, although they generally receive a guarantee or minimum weekly wage. The average weekly earnings of driver-salesmen for all wholesale bakeries reported was $66.27 for the September 1945 period

compared with $62.67 for March, an increase of 5.7 percent. As was found to be true of plant employees, the highest average weekly earnings were received by driver-salesmen employed by wholesale baking companies located in the Pacific States who were paid $74.74 a week during March and $76.94 a week during September 1945. The lowest average weekly wage was received by driver-salesmen for wholesale baking plants located in the New England area who were paid $56.39 a week for March and $60.67 a week during September 1945.

Comparison of 1945 and 1942 wholesale baking industry costs.—In the Commission's 1942 inquiry, costs to produce and sell bread and rolls were obtained from 377 wholesale baking plants for March and September. As previously stated in the current inquiry of the wholesale baking industry, the Commission obtained the cost reports from 283 wholesale baking plants for March and September 1945.

A comparison of the 1942 and 1945 costs shows that there was an increase in the aggregate cost to produce and sell bread and rolls, from 6.7 cents per pound for March 1942 to 7.55 cents per pound for September 1945, an increase of 12.7 percent over a three and one-half year period. Although there was an increase in the average sales realization for bread and rolls from 7.07 cents per pound for March 1942 to 7.76 cents per pound for September 1945, this increase was more than offset by the increase in the cost of production and distribution. Consequently, the net profit on sales was reduced from 0.37 cents per pound for March 1942 to 0.21 cents per pound for September 1945. These net profits represented 5.2 percent of the sale price for March 1942 compared with 2.7 percent for September 1945, a reduction of almost 50 percent.

Comparative plant wages for 1942 and 1945.—The average hourly wage rate for plant employees increased from 64.83 cents per hour for March 1942 to 69.15 cents per hour for September 1942, an increase of 6.7 percent. By March 1945 the average hourly wage had increased to 77.84 cents, an increase of 20.07 percent over March 1942. There was a further increase by September 1945 to 80.77 cents per hour, representing an increase of 3.8 percent over March 1945 and an aggregate increase over March 1942 of 24.59 percent. This increase in the average hourly wage substantiates the increase of the unit cost of direct production labor between March 1942 and September 1945 of 24 percent.

Including overtime, the average hourly wage of wholesale bakery plant employees increased a total of 31.38 percent between March 1942 and September 1945.

Comparative earnings of driver-salesmen for 1942 and 1945.—As bakery routes were reduced in number and in length in compliance with orders of the Office of Defense Transportation, there was an increase in sales per route which was reflected in higher earnings of driver-salesmen who operate on a commission basis. The average weekly earnings of driver-salesmen for wholesale bakeries increased from $42.83 for March 1942 to $49.41 for September 1942, an increase of 15.4 percent. By March 1945 the average weekly earnings had increased to $62.67 which represented an increase of 46.3 percent over March 1942. The average weekly earnings for September 1945 averaged $66.27, an increase of 5.7 percent over March 1945 and an aggregate increase of 54.7 percent over March 1942.

Comparative costs of bread and rolls by plant size.—The wholesale baking plants reporting for 1945 were classified in four groups on the basis of the poundage sold during the month of September 1945. The first group included plants selling less than 250,000 pounds of bread and rolls per month; the second group included plants selling between 250,000 and 500,000 pounds per month; the third group included plants selling monthly from 500,000 to 1,000,000 pounds; and the fourth group included plants selling in excess of 1,000,000 pounds a month.

The group of smallest plants had the highest net realization per pound which averaged 9.48 cents per pound for September 1945; for the other groups the average net realization per pound decreased with the increase in poundage sold, averaging 8 cents per pound for the group selling between 250,000 and 500,000 pounds monthly, 7.84 cents per pound for the group selling between 500,000 and 1,000,000 pounds monthly, and 7.66 cents per pound for the group selling over 1,000,000 pounds monthly. Similarly, the total cost of production and distribution was highest for the group of smallest sized plants, averaging 9.12 cents per pound for September 1945. For the next smallest sized group, the average was 7.78 cents per pound. For the next to the largest sized group, the average was 7.60 cents per pound, and for the group of largest baking plants the average cost was 7.47 cents per pound. Although the group of bakeries having the smallest volume of sales had the highest cost, they also reported the highest average net profit on sales, 0.36 cents per pound for September

1945. The largest sized group had the lowest average net profit on sales of 0.19 cents per pound, while the next to the largest sized group had an average net profit on sales of 0.24 cents per pound and the next to the smallest sized group had an average net profit on sales of 0.22 cents per pound.

Multiple plant baking costs.—As previously stated, 72 multiple plant baking companies operate a total of 655 plants located in all sections of the country. Included in these multiple plant bakeries were the largest four baking companies, namely, Continental Baking Co., Inc., General Baking Co., Purity Bakeries Corp. and Ward Baking Co. These four companies operated 202 plants located in 32 States and the District of Columbia. The costs to bake and sell bread and rolls were obtained from the four largest companies and, in addition, from ten other large multiple plant baking companies which operated a total of 160 baking plants located throughout the country.

The total cost to bake and sell bread and rolls reported by the largest four baking companies averaged 7.55 cents per pound for March 1945 and 7.58 cents per pound for September 1945. These costs compare with total costs to bake and sell reported by the ten other large multiple plant baking companies of 7.39 cents per pound for March and 7.41 cents per pound for September 1945. There was only a slight variation in the average sales realization per pound reported by either group of baking companies. However, the group of 10 large multiple plant baking companies reported net profits on sales of 0.22 cents per pound for March and 0.19 cents per pound for September, compared with 0.07 cents per pound and 0.03 cents per pound, respectively, reported by the largest four baking companies. Consequently, it is apparent that size alone was not a guarantee of profitableness.

Comparative baking costs by types of distribution.—Although this report is primarily concerned with the operations of wholesale baking companies, cost data were obtained from house-to-house bakeries and from chain store bakeries as both of these types of bakery operations compete with wholesale bakeries for the housewife's purchases of bakery products. Both the house-to-house bakeries and chain store bakeries sell at retail directly to the housewife, the former by means of door-to-door delivery trucks and the latter through its affiliated retail grocery stores.

The average net sales realization of the house-to-house bakeries was much higher than for the other two types of distribution, averaging 10.42 cents per pound for March and 10.52 cents per

pound for September 1945. These average prices compare with an average price reported by the wholesale bakeries of 7.78 cents per pound for March and 7.76 cents per pound for September 1945. The average sales realizations of the chain store bakeries were 6.97 cents per pound for March and 6.88 cents per pound for September 1945. The chain store bakeries had the highest average unit cost to produce and wrap bread and rolls for both the March and September periods, averaging 5.96 cents per pound and 6.25 cents per pound, respectively. The unit cost to produce and wrap for the house-to-house bakeries averaged 5.94 cents per pound for March and 6.12 cents per pound for September. The wholesale bakeries had an average unit cost of 5.40 cents per pound for March and 5.50 cents per pound for September.

The selling and delivery expenses of the house-to-house bakeries were substantially higher than the same expenses for the wholesale bakeries because of the difference in the type of distribution. The chain store bakeries employed no driver-salesmen but only delivered their products to their affiliated retail grocery stores and consequently the only distribution expense sustained by the chain store bakeries was delivery vehicle expense, including truck drivers' wages.

The aggregate cost to produce and sell bread and rolls averaged 7.52 cents per pound for the wholesale bakeries, 9.94 cents per pound for the house-to-house bakeries and 7.03 cents per pound for the chain store bakeries for March. For September the total cost to produce and sell bread and rolls averaged 7.38 cents per pound for the chain store bakeries compared with 7.55 cents per pound for the wholesale bakeries and 10.10 cents per pound for the house-to-house bakeries.

The house-to-house bakeries reported the highest net profit on sales averaging 0.48 cents per pound for March and 0.42 cents per pound for September compared with the profit on sales reported by the wholesale bakeries of 0.26 cents per pound and 0.21 cents per pound, respectively. The chain store bakeries reported net losses of 0.06 cents per pound for March and 0.50 cents per pound for September.

Profits of wholesale baking industry.—Usable financial data were obtained from a maximum of 332 wholesale baking companies with plants located in all sections of the United States for the years 1936 to 1945, inclusive. Such information was received from the largest four companies in the industry as well

as from a representative number of other large, medium and small sized baking companies.

The companies have been classified into five size groups based on sales of the latest full year of operations reported, that is, either 1944 or 1945. The first group includes baking companies with annual sales under $500,000; the second group includes baking companies with annual sales from $500,000 to $1,000,000; the third group includes baking companies with annual sales from $1,000,000 to $10,000,000; the fourth group includes baking companies with annual sales from $10,000,000 to $50,000,000; and the fifth group includes companies with annual sales over $50,000,000. The last group includes the largest four baking companies in the industry, namely, Continental Baking Co., Inc., General Baking Co., Purity Bakeries Corp. and Ward Baking Co.

The average rate of profit on sales for all baking companies combined ranged from a minimum of 4.05 percent for 1937 to a maximum of 7.63 percent of sales for 1943. The average rate of profit on sales was 5.15 percent for 1936, dropping to 4.05 percent for 1937, increasing to 5.66 percent for 1938 and then declining each year to 4.38 percent for 1941. The highest average profits were reported for each of the war years 1942 to 1945, inclusive, reaching a maximum of 7.63 percent for 1943.

The highest rates of profit on sales for most years were reported by the group of the largest four companies in the industry. For this group the average rate of profits ranged from a low of 4.54 percent for 1941 to a high of 8.47 percent for 1943. The rates of profit on sales for this group were higher for each of the war years 1942–45 than for any pre-war year beginning with 1936. None of the companies in this group reported a loss in any year.

The group of companies reporting the lowest average rate of profit on sales was the group with annual sales of less than $500,000. The average rate of profit on sales for this group ranged from a low of 1.27 percent for 1937 to a high of 5.04 percent for 1943. In 1937, 51 of the 139 companies in this group reported losses. In 1943 only 10 companies, or 13 percent of the total number of companies in this group in that year, reported losses.

The average rate of return on net worth for all baking companies combined ranged from a minimum of 10.20 percent for 1937 to a maximum of 27.96 percent for 1943. The rates of return on average net worth vary considerably for each size group although profits reported were much higher for the war years

from 1942 to 1945, inclusive, for each group. Generally each group of companies reported the maximum profit for the year 1943 and reported the minimum profit for the year 1937.

On the basis that the reporting companies were representative of the wholesale baking industry, it is apparent that the industry as a whole under wartime price regulations and controls has considerably improved its profit position. Largely these improvements in profits have resulted from restrictions on costly and uneconomic trade practices such as consignment selling, return of stales, furnishing bread racks and other equipment free and giving away premiums which were prohibited by War Food Order No. 1. Although compliance with the Order was incomplete, partial elimination of these uneconomic and wasteful practices has permitted the industry to earn higher profits than in prewar years in spite of increases in ingredient and labor cost. From the profit motive it would be advantageous for the wholesale baking industry to eliminate permanently such trade practices. Especially would this benefit the smaller companies which, because of their limited capital, were unable to combat the extensive price wars and intense competition prevalent in the wholesale baking industry prior to wartime regulation.

The capital turnover, that is, the ratio of net sales to net worth or capital investment, ranged from a low of 2.17 times for 1939 for all companies combined to a high of 3.96 times for 1945. The group of baking companies with annual sales under $500,000 reported maximum capital turnover for each year 1936 to 1945, inclusive. In other words, this group of companies operated at or near capacity and utilized available capital to the fullest extent. On the other hand, the group of the largest four companies in the industry reported the minimum capital turnover in every year except 1944 and 1945. The capital turnover for this last group ranged from a low of 1.79 times for 1939 to a high of 4.05 times for 1945. The increased volume of sales during the war years resulted in higher rates of capital turnover indicating better utilization of plant capacity.

Prices of bread.—It is difficult for bakers to adjust prices of their bread to meet changing ingredient and labor costs by direct increase or decrease in the price per loaf. Price increases are naturally unpopular and the retail price of a loaf of bread can not be changed by less than a full cent. Changes in the pound price of bread may be, and frequently are, effected through variation of the loaf weight rather than a change in the loaf price. In this way the per pound prices may be increased or decreased

by fractional cents with the added or reduced weights of the loaves.

Retail and wholesale prices of loaves of white, rye and whole wheat breads sold for home consumption and wholesale prices of the same types of bread for restaurant use were secured from a representative sample of large, medium and small sized wholesale bakeries for September 1945. The average retail price per pound reported by all bakeries combined for white home bread was 9.18 cents compared with an average wholesale price of 7.57 cents, indicating a retail margin of 1.61 cents. Rye bread for home consumption was reported sold at an average retail price of 10.26 cents per pound and at an average wholesale price of 8.53 cents per pound, indicating a retail margin of 1.73 cents per pound. The average retail price per pound of whole wheat bread for home consumption was reported as 10.27 cents compared with an average wholesale price of 8.47 cents, resulting in an average retail margin of 1.8 cents per pound.

The average wholesale price of restaurant bread was 7.66 cents per pound for white bread, 8.01 cents per pound for rye bread and 7.83 cents per pound for whole wheat bread.

Pricing practices.—Each market tends to have its own standard price per loaf and its own standard weight per loaf, usually determined by a large interstate baking company or a substantial local bakery. The standard price in any given territory tends to remain unchanged over longer periods of time than the weight of loaves for the reason that changes in weight of loaves becomes the means of varying the price per pound without disturbing the price per loaf.

Large wholesale baking companies operating in many markets price their home loaves at varying prices in different marketing areas. For instance, a large baking company in March 1943 sold a 20-ounce loaf of white home bread at prices varying from 8 cents (6.4 cents per pound) to 9 cents (7.2 cents per pound). This same company sold an 18-ounce loaf in other markets at 8 cents (7.1 cents per pound) and at 9 cents (8 cents per pound) and a 16-ounce loaf at prices varying from 7½ cents to 9 cents per loaf. The range from 6.4 cents per pound to 9 cents per pound represents a difference of 40.6 percent between the lowest and the highest prices per pound in the different territories served.

Variations in price, whether reflected in differences in price of loaves of like weight or in differences in weights of loaves sold at the same price, are important factors in competition among large and small bakers. The prices charged by large

companies in any given area usually are the same for competing loaves of like weight. These prices may or may not be the lowest per pound charged by any bakery in the market. For instance, in Chicago the larger bakeries sold a 22.25 to 22.5-ounce loaf for 9½ cents (6.8 cents per pound) in September 1945. In this market the severest competition was from the "secondary" bakers who sold a 22-ounce loaf at 9 cents (6.5 cents per pound).

Based on costs, it might be expected that large baking companies would charge higher prices for bread in markets distant from their plants than are charged in the immediate or nearby territory. The contrary, however, quite often is the case. For example, the large Kansas City bakers sold a 16-ounce loaf in Kansas City at a wholesale price of 8 cents while the same bakeries sold a 20-ounce loaf in Leavenworth, Kansas, at the same price of 8 cents per loaf which was equivalent to 6.4 cents per pound.

Wartime regulation of bread prices.—Prior to World War II bread prices were unregulated and presumably reflected increased or decreased costs of production and distribution with due regard to competitive conditions. In June 1941 the Government made its first move to control bread prices. In a letter from the Administrator of the Office of Price Administration to the baking industry, the bakers were requested to refrain from advancing their bread prices. However, on July 18, 1941, a letter was addressed to these bakers in which it was stated that price adjustments may be necessary because of cost increases which could not be offset by operating economies.

This communication was construed by the baking industry as a "lift-the-lid" order, for soon thereafter the price of bread was increased either through an increase in the wholesale and retail prices or by substituting a smaller size loaf with no change in the loaf price. On March 1, 1942, prices of all bakery products were frozen and no increases were permissible without the authorization of the Office of Price Administration.

Subsequently, on December 18, 1943, the Office of Price Administration permitted bakers to increase prices up to 25 percent if the weight of the loaf was increased proportionately. Some bakers took advantage of this price increase, but many, because of State laws regulating loaf weights, inability to obtain larger bread pans or competitive conditions, were unable to put into effect the increased prices and loaf weights.

The Office of Price Administration, in addition, granted increased prices without a corresponding increase in loaf weights

in market areas where the prices were below the general level or for so-called "hardship" cases.

Subsquently, as of March 15, 1946, in connection with the effort to reduce the quantity of flour used in this country, the Office of Price Administration requested bakers to reduce their loaf weights by 10 percent without requiring a corresponding reduction in the loaf price. Many bakeries complied with the request but in other cases, because of restrictive state laws, the bakeries were unable to decrease the loaf weights. Consequently, as of June 1, 1946, War Food Order No. 1 was amended, making it compulsory for all bakeries to reduce the weight of bread and rolls to 90 percent of the weight prevailing on March 15, 1946.

Previously, effective May 1, 1946, the Department of Agriculture had ordered a reduction in flour production to 75 percent of the quantity milled in the corresponding month of 1945. The mills placed their bakery customers on a voluntary quota based on 1945 purchases and consequently the bread production of the bakeries was reduced in the same proportion. However, volume decrease meant higher unit cost so the bakeries demanded higher prices for bread and rolls to offset the increased unit costs. Effective June 12, 1946, the Office of Price Administration authorized price increases on bread and bread-type rolls to the extent of 1 cent per pound on bread and 1 cent per dozen on rolls. The order did not apply to rye bread and rolls which had been increased previously by 2 cents per pound or per dozen, respectively.

The increase could be made by a higher price, adjustment of weight or a combination of both and must be applied to the loaf weights in effect as of March 15 before the 10 percent reduction requested was put into effect.

Quantity discounts.—Bread is usually sold to retailers, restaurants and other customers of wholesale bakeries at a fixed wholesale price. However, quantity or trade discounts were sometimes granted to jobbers, distributors and peddlers (bob-tailers). In the Commission's inquiry, it was found that 48 percent of the wholesale bakeries reporting granted such trade discounts and, in addition, about 18 percent of the plants gave discounts to retail stores and restaurants. The discounts granted to bob-tailers, jobbers and distributors ranged from 10 to 34.5 percent, and averaged 21.23 percent. The discounts granted to stores and restaurants ranged from 1 to 20 percent and averaged 5.62 percent.

Discounts for warehouse delivery.—In 1940 an unusual development in food distribution had its beginning, namely, the delivery to warehouses of grocery chains of certain lines of foods that prior to that time, because of their perishability had consistently been trucked by the manufacturer directly from his plant or warehouse to the individual retail stores of the chain as well as to the stores of the independent retailers. Although some manufacturers of these food items had for some years, in a limited way, made delivery at the warehouse of the chain, no pronounced demand or aggressive campaign for such delivery had been made prior to 1939 or 1940.

It was contended that delivery by the manufacturers' trucks to the retailers' stores was a costly service which was not needed and that delivery could be made at the customers' warehouses or at the warehouses or factories of the manufacturers with a concession in price amounting to the savings which the elmination of the service might give the manufacturers.

In 1941 and early in 1942, there were complaints from retail grocers on the Pacific coast because of special discounts being given large quantity buyers, particularly a large grocery chain, by a considerable number of baking companies. In some instances, the baking company made no pretense of offering the discount to any other than this chain, and some other large grocery chains complained of what they regarded as an unjustifiable discriminatory practice. Generally, the baking company made no condition regarding the quantity required to be purchased and the only condition was that delivery should be made at the bakery plant or at the chain's warehouse. The discounts given generally were 20 percent and sometimes 25 percent of the wholesale price.

Discounts for warehouse delivery of bread were not confined exclusively to the Pacific coast for in the Richmond, Virginia, market, a large bakery granted a discount of 20 percent off the prevailing wholesale price to a retail drug chain. The drug chain picked up the merchandise at the bakery platform and was classified by the bakery as a "bob-tailer" although the bread was not sold to the consumer except in the form of sandwiches or a part of the meal at the drug store.

Methods employed by large bakers in eliminating competition of smaller concerns.—The Commission found consignment sales by large chain bakers to be the principal method used by the large bakers to force smaller concerns out of the market. This finding is in harmony with the views of a vast majority of smaller wholesale bakers. In addition to consignment selling, furnishing re-

tailers with bread racks free, giving premiums, allowing special discounts, and distributing free bread, likewise were methods reported as being used by the large concerns in efforts to monopolize different markets. Large concerns with multiple units scattered over wide areas were said to have a decided advantage in that they subsidize the costs of operation for one plant with the profits from the group as a whole. That is, while charging higher prices in an established market, in a new territory, they take heavy losses from returned products, furnish retailers with bread racks, and sometimes furnish counters free, give free goods, sell at lower prices openly or through heavier loaves, etc., until they build up their volume to a profitable basis. Reduced prices granted by small concerns in search of additional business were alleged to have started price wars in which certain large bakers cut prices below costs in attempts to eliminate their smaller competitors.

Present situation with reference to smaller wholesale bakers and veterans.—The practices described above are condemned by nearly all of the smaller bakers and also by many of the larger wholesale bakers. Smaller bakers, in particular, believe such practices will lead to the elimination of many smaller concerns and to further concentration in the baking business. However, many small bakers were eliminated during the war period and, today, because of the reduction of their operations on account of flour shortage, the position of many other small bakers is extremely precarious.

Recent price increases granted by the Office of Price Administration, first a 10 percent reduction in weight of bread and later an increase in price of one cent per pound loaf,[1] would seem to make possible the profitable operation of a small bakery such as would appeal to a returning veteran were it not for the hazardous nature of the undertaking brought about by the predatory methods of competition still in use.

[1] Applies to loaf weight before 10 percent reduction.

FEDERAL TRADE COMMISSION REPORT ON WHOLESALE BAKING INDUSTRY

PART II. COSTS, PRICES AND PROFITS

SECTION 1. BAKERY INDUSTRY COSTS

The Baking Industry.—The commercial baking of bread and other bakery products increased considerably during the war period. A recent survey indicated that 85 percent of the bread and 35 percent of the cake consumed in this country were produced by commercial bakers. It is estimated that the baking industry in 1945 had annual sales in excess of 2 billion dollars compared with total sales of 1.4 billion dollars reported by the Bureau of the Census for 1939. The estimated quantity of commercial bread produced in 1945 amounted to 15 billion pounds compared with 10.5 billion pounds for 1939.

There is no recent estimate of the number of bakeries in operation, but the U. S. Census for 1939 showed 18,043 bakeries classified by size groups on the basis of annual sales as follows:

Annual Sales	No. of bakeries	Percent of bakeries	Percent of sales
Under $20,000	9,978	54.3	9
From $20,000 to $50,000	4,804	26.6	12
Over $50,000	3,441	19.1	79

There have been some casualties, particularly among the smaller bakeries, during the war period. These were estimated as approximately 1,500. On the other hand, since V-J day, some returning veterans have opened new bakeries, principally retail bakeries where they can employ their service-trained skill in their own businesses.

While there undoubtedly has been some shift in bakery goods produced by different types of bakery operations, the general pattern is indicated by the 1939 census:

Type of operation	No. of bakeries	Percent of total bakery sales	Percent of bread sales	Percent of bread poundage
Wholesale only	2,569	31.8	33.1	35.5
Retail only	8,978	22.0	17.4	14.0
Wholesale and retail combined	6,496	46.2	49.5	50.5

Although the census reports only two general types of bakery operations, the industry classified its bakeries into the following types based upon the method of distribution:

1. Wholesale bakers.
2. House-to-house bakers.
3. Chain-store bakers.
4. Retail bakers.
5. Retail chain bakers.

Wholesale bakers sell to retail grocers, restaurants, institutions and other large users. House-to-house bakers sell direct to the housewife from delivery trucks. Chain-store bakers sell through their own retail grocery stores. Retail bakers, independently owned and operated, sell over their own counters. The retail chain bakers bake in centrally located bakeries and sell through owned or affiliated chains of retail bake shops. All but the first class, it will be noted, sell at retail to the consumer. However, as indicated by the census figures, many bakeries sell both at wholesale and at retail. For example, nearly all house-to-house bakers sell at wholesale to restaurants and institutions while some wholesale bakers operate house-to-house routes in addition to their regular wholesale routes. Also, some retail bakers operate wholesale routes to supply restaurants and other large users or even retail grocery stores. However, this report is primarily concerned with the operations of wholesale bakeries.

Wholesale bakeries may vary greatly in size from plants serving only a few local routes to plants serving markets within a radius of 100 or more miles by means of fleets of transport trucks which supply outlying depots from which local deliveries are made. However, essentially each plant is a comparatively local unit as distribution is limited to the geographical area which can be supplied daily with fresh products.

Because of the limited distribution of wholesale bakeries they were historically locally owned. However, in 1911, occurred the first consolidation of a wider territorial scope in the organization of General Baking Co., which brought under one ownership 21 bakeries located in 17 cities. Other mergers and consolidations

followed in succeeding years, including the organization of Ward Baking Company, with 7 plants, Continental Baking Co., with 39 plants, and Purity Bakeries Corp., with 16 plants. These baking companies have constituted for some time the largest in the industry and currently operate a total of 202 plants located in 36 States and the District of Columbia.

The growth of multiple-plant companies in the baking industry has been outstanding in recent years. A current trade directory lists 72 multiple-plant companies, exclusive of chain-store bakeries, with a total of 655 plants located in nearly every state. For the most part, these plants are located in thickly populated areas.

Wholesale baking industry costs.—In the Commission's current inquiry of the wholesale baking industry, information was obtained from representative wholesale, house-to-house and chain store bakeries. Data obtained includes the details of production and distribution costs for bread and rolls, other bakery products and all bakery products, for two operating periods of 1945, namely, the 4-week, monthly or 5-week accounting periods including March 31 and September 30.

Comparison of the costs of production and distribution for the two operating periods for bread and rolls, other bakery products and all bakery products, by geographical areas, is presented. In addition, comparisons of costs of production and distribution are made by size groups of wholesale bakeries and of 1945 costs with the 1942 costs compiled in the Commission's earlier inquiry for the Director of the Office of Economic Stabilization.

Table No. 1 presents the costs of production and distribution for bread and rolls, other bakery products and all bakery products for 283 wholesale baking plants for March and September, 1945, expressed in cents per dollar of sales.

For the baking plants included in the table there was an increase in total cost of production and distribution for bread and rolls from 96.72 cents per dollar of sales for March, to 97.34 cents per dollar of sales for September. This increase resulted from higher production costs which increased from 69.48 cents per dollar of sales for March, to 70.91 cents per dollar of sales for September, an increase of over two percent, reflecting higher material and labor costs. The decrease in selling and delivery expenses from 22.50 cents per dollar of sales for March, to 22.02 cents per dollar of sales for September, together with the decrease in administrative and general expenses from 4.74 cents per dollar of sales for March, to 4.41 cents per dollar of sales for September, was not sufficient to offset the increase in production

TABLE 1.—*Costs of production and distribution for bread and rolls, other bakery products and all bakery products expressed in cents per dollar of sales for 283 wholesale baking plants, for the cost periods[1] including March 31, 1945 and September 30, 1945*

	Bread and rolls	Other bakery products	All bakery products
Period including March 31, 1945			
Total net sales	$21,392,102	$8,442,175	$29,834,277
	Cents per dollar of sales		
Cost of goods sold:			
Bakery products purchased	.....	13.50	3.82
Materials	44.10	33.92	41.22
Direct production labor	11.21	7.95	10.29
Indirect labor and overhead	9.04	6.28	8.26
Wrapping materials	5.13	4.25	4.88
Total cost of goods sold	69.48	65.90	68.47
Selling and delivery expense:			
Routemen and supervisors' compensation	11.93	10.97	11.66
Delivery vehicle expense	4.18	2.81	3.79
Other selling expense	6.39	5.32	6.09
Total selling and delivery expense	22.50	19.10	21.54
Administrative and general expense	4.74	3.28	4.32
Total selling, delivery and administrative expense	27.24	22.38	25.86
Total cost of production and distribution	96.72	88.28	94.33
Net profit on sales	3.28	11.72	5.67
Period including September 30, 1945			
Total net sales	$23,199,686	$8,458,088	$31,657,774
	Cents per dollar of sales		
Cost of goods sold:			
Bakery products purchased	.....	12.56	3.36
Materials	44.97	34.48	42.16
Direct production labor	11.82	8.22	10.86
Indirect labor and overhead	8.84	6.51	8.22
Wrapping materials	5.28	5.10	5.23
Total cost of goods sold	70.91	66.87	69.83
Selling and delivery expense:			
Routemen and supervisors' compensation	11.75	10.67	11.46
Delivery vehicle expense	4.08	2.58	3.68
Other selling expense	6.19	5.72	6.06
Total selling and delivery expense	22.02	18.97	21.20
Administrative and general expense	4.41	3.28	4.11
Total selling, delivery and administrative expense	26.43	22.25	25.31
Total cost of production and distribution	97.34	89.12	95.14
Net profit on sales	2.66	10.88	4.86

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.

cost of bread and rolls. At the same time, sales of bread and rolls, which averaged $75,590 per plant for March, compared with $81,978 per plant for September, increased 8.5 percent.

The average sales per plant of other bakery products was $29,831 for March, compared with $29,887 for September, only a slight increase. During the same period, the total cost of production and distribution for other bakery products increased from

88.28 cents per dollar of sales for March, to 89.12 cents per dollar of sales for September. Higher ingredient, labor and overhead costs accounted for an increase in cost of goods sold from 65.90 cents per dollar of sales for March, to 66.87 cents per dollar of sales for September. Selling and delivery expenses allocated to other bakery products were slightly lower for September than for March, being, respectively, 18.97 and 19.10 cents per dollar of sales. Administrative and general expense averaged 3.28 cents per dollar of sales for both periods.

It will be noted that the net profit on sales of other bakery products for both March and September exceeded the net profits on sales of bread and rolls. This difference largely resulted from the pricing policies of the Office of Price Administration which limited price raises of bread, but allowed the bakeries semi-annually to adjust the prices for sweet goods to reflect higher costs. The net profit on sales for bread and rolls averaged 3.28 cents per dollar of sales for March and 2.66 cents for September, compared with an average net profit on sales of 11.72 cents per dollar of sales for other bakery products for March and 10.88 cents for September. The 283 wholesale baking plants averaged a net profit on sales for all bakery products of 5.67 cents per dollar of sales for March, 1945, compared with an average net profit on sales of 4.86 cents per dollar net sales for September 1945.

Production and distribution costs of bakery products by geographical areas.—The cost of production and distribution for bakery products varies to some extent with the location of the plant according to the proximity of wheat-producing areas or to the labor rates in different parts of the country. Table 2 presents the cost of production and distribution for all bakery products for 283 wholesale baking plants arranged by geographical areas for March and September, 1945.

The geographical classification by areas follows:

EAST NORTH CENTRAL:
- Ohio
- Indiana
- Illinois
- Michigan
- Wisconsin

EAST SOUTH CENTRAL:
- Kentucky
- Tennessee
- Alabama
- Mississippi

WEST NORTH CENTRAL:
- Minnesota
- Iowa
- Missouri
- North Dakota
- South Dakota
- Nebraska
- Kansas

WEST SOUTH CENTRAL:
- Arkansas
- Louisiana
- Oklahoma
- Texas

NEW ENGLAND:
- Maine
- New Hampshire
- Vermont
- Massachusetts
- Rhode Island
- Connecticut

SOUTH ATLANTIC:
- Delaware
- Maryland
- District of Columbia
- Virginia
- West Virginia
- North Carolina
- South Carolina
- Georgia
- Florida

MIDDLE ATLANTIC:
- New York
- New Jersey
- Pennsylvania

MOUNTAIN:
- Montana
- Idaho
- Wyoming
- Colorado
- New Mexico
- Arizona
- Utah
- Nevada

PACIFIC:
- Washington
- Oregon
- California

As shown by Table 2, the total cost of production and distribution for all bakery products for March 1945, varied from 96.71 cents per dollar of sales for the East North Central area, to 91.45 cents per dollar net sales for the bakeries included in the West South Central area, averaging 94.33 cents per dollar of net sales for all areas combined. It will be noted that the total cost to produce and wrap averaged 70.63 cents per dollar net sales for the 59 plants included in the East North Central area compared to 66.17 cents per dollar of net sales for the 20 plants included in the West South Central area. Also it will be noted that the selling and delivery expense of 21.91 cents per dollar of sales for the plants located in the East North Central area was higher than the same expense of 19.52 cents per dollar of sales for the plants located in the West South Central area. On the other hand, the administrative and general expense for the plants located in the West South Central area averaged 5.76 cents per dollar of sales compared with the average of 4.17 cents per dollar of sales for plants located in the East North Central area.

For the month of September, the area showing the highest total cost of production and distribution was the New England area which averaged 98.26 cents per dollar of sales compared with an average cost of production and distribution for the 47

TABLE 2.—*Costs of production and distribution for all bakery products for 283 wholesale baking plants, arranged by geographical areas, for the cost periods[1] including March 31, 1945 and September 30, 1945*

	New England 24 plants	Middle Atlantic 52 plants	East North Central 59 plants	West North Central 36 plants	South Atlantic 47 plants	East South Central 9 plants	West South Central 20 plants	Mountain 8 plants	Pacific 28 plants	Total all areas 283 plants
Period including March 31, 1945										
Net sales	$2,007,553	$7,898,206	$5,938,214	$3,044,094	$4,826,416	$1,091,630	$1,432,082	$490,692	$3,105,390	$29,834,277
	Cents per dollar of sales									
Cost of goods sold:										
Bakery products purchased	4.66	5.18	6.89	1.56	1.99	.....	3.74	.....	1.00	3.82
Materials	39.97	39.14	39.37	40.62	43.29	47.73	40.89	44.08	45.65	41.22
Direct production labor	10.25	9.86	10.14	11.04	9.19	11.31	10.10	9.95	12.44	10.29
Indirect labor and overhead	9.62	7.91	9.33	9.58	8.12	6.18	7.05	9.39	6.29	8.26
Wrapping materials	4.99	4.69	4.90	5.16	5.03	3.94	4.39	4.82	5.31	4.88
Total cost of goods sold	69.49	66.78	70.63	67.96	67.62	69.16	66.17	68.24	70.69	68.47
Selling and delivery expense:										
Routemen and supervisors' compensation	12.55	12.83	13.13	10.13	9.80	10.51	10.98	8.76	10.84	11.66
Delivery vehicle expense	4.14	4.01	3.97	3.82	3.74	2.51	4.43	2.45	3.10	3.79
Other selling expense	6.39	6.37	4.81	6.56	6.06	7.99	4.11	6.84	7.32	6.09
Total selling and delivery expense	23.08	23.21	21.91	20.51	19.60	21.01	19.52	18.05	21.26	21.54
Administrative and general expense	4.11	4.04	4.17	4.97	4.42	3.02	5.76	6.83	4.10	4.32
Total selling, administrative and general expense	27.19	27.25	26.08	25.48	24.02	24.03	25.28	24.88	25.36	25.86
Total cost of production and distribution	96.68	94.03	96.71	93.44	91.64	93.19	91.45	93.12	96.05	94.33
Net profit on sales	3.32	5.97	3.29	6.56	8.36	6.81	8.55	6.88	3.95	5.67

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.

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TABLE 2.—*Costs of production and distribution for all bakery products for 283 wholesale baking plants, arranged by geographical areas, for the cost periods[1] including March 31, 1945 and September 30, 1945 (Continued)*

	New England 24 plants	Middle Atlantic 52 plants	East North Central 59 plants	West North Central 36 plants	South Atlantic 47 plants	East South Central 9 plants	West South Central 20 plants	Mountain 8 plants	Pacific 28 plants	Total all areas 283 plants
Period including September 30, 1945										
Net sales	$2,029,832	$8,246,400	$6,300,709	$3,403,703	$5,118,743	$1,153,031	$1,519,404	$566,335	$3,319,617	$31,657,774
	Cents per dollar of sales									
Cost of goods sold:										
Bakery products purchased	4.42	4.23	6.43	1.30	1.88	0.09	3.10	.....	0.91	3.36
Materials	41.71	40.44	40.18	41.71	44.18	47.18	42.60	44.80	45.48	42.16
Direct production labor	10.35	10.47	10.66	11.47	9.59	13.06	11.20	10.21	13.00	10.86
Indirect labor and overhead	9.01	8.14	8.98	9.84	7.77	6.17	6.89	8.92	6.75	8.22
Wrapping materials	5.16	5.22	5.23	5.33	5.50	4.37	4.74	5.05	5.34	5.23
Total cost of goods sold	70.65	68.50	71.48	69.65	68.92	70.87	68.53	68.98	71.48	69.83
Selling and delivery expense:										
Routemen and supervisors' compensation	12.60	12.77	12.78	10.25	9.59	9.89	10.97	8.39	10.44	11.46
Delivery vehicle expense	4.02	3.78	3.95	3.78	3.66	2.63	4.24	2.17	3.00	3.68
Other selling expense	6.95	5.65	4.75	6.89	6.20	8.77	4.06	7.28	7.73	6.06
Total selling and delivery expense	23.57	22.20	21.48	20.92	19.45	21.29	19.27	17.84	21.17	21.20
Administrative and general expense	4.04	3.78	3.67	4.95	4.13	2.68	5.55	6.99	4.23	4.11
Total selling, administrative and general expense	27.61	25.98	25.15	25.87	23.58	23.97	24.82	24.83	25.40	25.31
Total cost of production and distribution	98.26	94.48	96.63	95.52	92.50	84.84	93.35	93.81	96.88	95.14
Net profit on sales	1.74	5.52	3.37	4.48	7.50	5.16	6.65	6.19	3.12	4.86

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.

plants located in the South Atlantic area of 92.50 cents per dollar of sales. Comparing the costs for these two areas, it is noted that for the New England plants the average cost of goods sold amounted to 70.65 cents per dollar of sales, while for the South Atlantic plants the average cost was 68.92 cents per dollar of sales. However, the plants located in East North Central area and in the Pacific area had higher average costs of goods sold which amounted to 71.48 cents per dollar of sales for both areas, for September, 1945. Also the plants located in both the Middle Atlantic and West South Central areas had lower average costs of goods sold than the average cost for the South Atlantic area, being, respectively, 68.50 cents per dollar of sales and 68.53 cents per dollar of sales.

Selling and delivery expense for September ranged from a low of 17.84 cents per dollar of sales for the 8 plants located in the Mountain area to a high of 23.57 cents per dollar of sales for the 24 plants located in the New England area, and averaged 21.20 cents per dollar of sales for all plants combined. The selling and delivery expense for the 47 plants located in the South Atlantic area, which plants had the lowest aggregate cost, averaged 19.45 cents per dollar of sales. Administrative and general expense ranged from a high of 6.99 cents per dollar of sales for the baking plants located in the Mountain area to a low of 2.68 cents for the 9 plants located in the East South Central area. For all plants combined, administrative and general expense averaged 4.11 cents per dollar of sales.

The net profit on sales for March ranged from a high of 8.55 cents per dollar of sales for the West South Central area to a low of 3.29 cents per dollar of sales for the 59 plants located in the East North Central area. For the September period, the net profit on sales ranged from a high of 7.50 cents per dollar of sales for the 47 plants located in the South Atlantic area to a low of 1.74 cents per dollar of sales for the 24 plants located in the New England area. For March, 1945, 235 baking plants reported profits on sales of all bakery products while 48 baking plants reported losses. For individual baking plants there was a range from a net profit of 26.86 cents per dollar of sales for a bakery located in the South Atlantic area to a net loss of 11.25 cents per dollar of sales for a bakery located in the East North Central area. For September, 1945, a total of 238 baking companies reported net profits on sales of all bakery products and 45 baking plants reported losses. For the individual baking plants the highest net profit for September was 18.81 cents per dollar of sales

for a bakery located in the New England area and the lowest net loss was 20.82 cents per dollar of sales for a bakery located in the Middle Atlantic area.

Production and distribution costs of bread and rolls.—As previously indicated, the sale of bread and rolls on the average was less profitable than sales of other bakery products. All of the baking plants which reported costs in the Commission's inquiry produced and distributed bread and rolls. Some plants did not produce other bakery products but bought sweet goods from plants specializing in that type of bakery products. Also, a few plants neither produced nor sold any bakery products except bread and rolls. As most of the plants produced and sold other bakery products besides bread and rolls, it was necessary for these plants to allocate certain costs between bread and rolls and other bakery products. As a general rule production cost could be applied directly to the specified product, but selling and delivery expense and administrative and general expense were allocated generally on the basis of sales. Some companies, however, maintained more detailed cost accounting systems which allocated delivery, advertising and other distribution expenses on a direct basis. For example, delivery expenses were allocated to products on the basis of poundage transported instead of the dollar sales value and advertising expenses were allocated to products on the basis of the advertising space used.

The cost of production and distribution of bread and rolls expressed in cents per dollar of sales for 283 wholesale baking plants arranged by geographical areas is presented in Table No. 3 for March and September, 1945.

For the New England area, it will be noted that the total cost of production and distribution for bread and rolls exceeded sales in both the March and September periods. In March, the cost of production and distribution for the 24 plants included in the New England area averaged 100.99 cents per dollar of sales resulting in a net loss on sales of 0.99 cents and for the month of September the same plants averaged a total cost of production and distribution of 102.33 cents per dollar of net sales resulting in a net loss of 2.33 cents per dollar of sales. The remaining areas for March, ranged from a high of 98.45 cents per dollar of sales for the 59 plants included in the East North Central area to a low of 91.68 cents per dollar of sales for the 20 plants in the West South Central area. For September, the areas outside of New England ranged from a high of 99.71 cents per dollar

TABLE 3.—*Costs of production and distribution of bread and rolls expressed in cents per dollar of sales for 283 wholesale baking plants, arranged by geographical areas, for the cost periods[1] including March 31, 1945 and September 30, 1945*

	New England 24 plants	Middle Atlantic 52 plants	East North Central 59 plants	West North Central 36 plants	South Atlantic 47 plants	East South Central 9 plants	West South Central 20 plants	Mountain 8 plants	Pacific 28 plants	Total all areas 283 plants
Period including March 31, 1945										
Net sales	$1,328,364	$5,058,754	$4,620,577	$2,267,159	$3,253,302	$717,758	$1,077,394	$391,745	$2,677,050	$21,392,103
	Cents per dollar of sales									
Cost to produce and wrap:										
Materials	44.82	43.14	44.19	42.17	44.06	49.52	42.68	44.14	46.21	44.10
Direct production labor	11.17	10.35	11.39	11.64	10.53	12.63	11.03	10.97	12.75	11.21
Indirect labor and overhead	11.58	9.31	10.44	10.25	8.50	6.39	6.42	6.85	6.58	9.04
Wrapping materials	4.83	4.78	5.37	5.22	5.48	4.11	4.70	5.23	5.46	5.13
Total cost to produce and wrap	72.40	67.58	71.39	69.28	68.57	72.65	64.83	67.19	71.00	69.48
Selling and delivery expense:										
Routemen and supervisors' compensation	12.74	13.17	13.18	10.64	10.32	11.32	11.28	9.00	10.92	11.93
Delivery vehicle expense	4.60	4.53	4.32	4.25	4.19	3.04	5.06	2.91	3.13	4.18
Other selling expense	6.58	7.24	5.01	6.31	6.30	7.75	4.20	7.71	7.55	6.39
Total selling and delivery expense	23.92	24.94	22.51	21.20	20.81	22.11	20.54	19.62	21.60	22.50
Administrative and general expense	4.67	4.50	4.55	5.31	4.90	3.46	6.31	7.75	4.16	4.74
Total selling, administrative and general expense	28.59	29.44	27.06	26.51	25.71	25.57	26.85	27.37	25.76	27.24
Total cost of production and distribution	100.99	97.02	98.45	95.79	94.28	98.22	91.68	94.56	96.76	96.72
Net profit on sales	[2]0.99	2.98	1.55	4.21	5.72	1.78	8.32	5.44	3.24	3.28

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.
[2] Denotes loss.

TABLE 3.—*Costs of production and distribution of bread and rolls expressed in cents per dollar of sales for 283 wholesale baking plants, arranged by geographical areas, for the cost periods[1] including March 31, 1945 and September 30, 1945 (Continued)*

	New England 24 plants	Middle Atlantic 52 plants	East North Central 59 plants	West North Central 36 plants	South Atlantic 47 plants	East South Central 9 plants	West South Central 20 plants	Mountain 8 plants	Pacific 28 plants	Total all areas 283 plants
Period including September 30, 1945										
Net sales	$1,374,558	$5,428,505	$4,997,716	$2,591,000	$3,487,103	$772,287	$1,192,083	$466,245	$2,890,189	$23,199,686
	Cents per dollar of sales									
Cost to produce and wrap:										
Materials	46.46	44.23	44.96	43.16	45.31	48.36	44.26	45.30	46.19	44.97
Direct production labor	11.44	11.15	11.92	12.15	10.81	14.94	11.94	11.17	13.20	11.82
Indirect labor and overhead	10.71	9.12	9.99	10.27	8.28	6.41	6.30	6.01	7.01	8.84
Wrapping materials	4.88	4.89	5.66	5.24	5.80	4.52	4.78	5.44	5.36	5.28
Total cost to produce and wrap	73.49	69.39	72.53	70.82	70.20	74.23	67.28	67.92	71.76	70.91
Selling and delivery expense:										
Routemen and supervisors' compensation	12.94	13.23	12.88	10.56	10.17	10.60	11.03	8.52	10.58	11.75
Delivery vehicle expense	4.44	4.40	4.29	4.19	4.08	3.23	4.73	2.50	3.05	4.08
Other selling expense	6.85	6.30	4.90	6.62	5.90	8.58	4.14	8.11	7.73	6.19
Total selling and delivery expense	24.23	23.93	22.07	21.37	20.15	22.41	19.90	19.13	21.36	22.02
Administrative and general expense	4.61	3.99	3.92	5.26	4.56	3.07	5.85	7.65	4.24	4.41
Total selling, administrative and general expense	28.84	27.92	25.99	26.63	24.71	25.48	25.75	26.78	25.60	26.43
Total cost of production and distribution	102.33	97.31	98.52	97.45	94.91	99.71	93.03	94.70	97.36	97.34
Net profit on sales	[2]2.33	2.69	1.48	2.55	5.09	.29	6.97	5.30	2.64	2.66

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.
[2] Denotes loss.

of sales for the plants located in the East South Central area to a low of 93.03 cents per dollar of sales for the West South Central baking plants.

The net profit on sales for March ranged from a high of 8.32 cents per dollar of sales for the plants located in the West South Central states to a low of 1.55 cents per dollar of sales for the plants located in the East North Central States, excluding the loss on sales shown by the plants located in the New England States. For September, the net profit on sales, exclusive of the New England area, ranged from a high of 6.97 cents per dollar of sales for the West South Central area to a low of 0.29 cents per dollar of sales for the plants located in the East South Central States. The average net profit on sales for the 283 baking plants was 3.28 cents per dollar of sales for March 1945, compared with an average net profit on sales for September 1945, of 2.66 cents per dollar of sales. Without exception, the plants in each area showed a lower net profit on sales for September than for March.

For the month of March 1945, 210 baking plants reported net profits on sales of bread and rolls and 73 baking plants reported net losses on sales. The maximum net profit on sales for March was reported by a baking plant located in the South Atlantic area which amounted to 27.68 cents per dollar of sales. For September, 202 baking plants reported net profits on sales while 81 reported net losses on sales. The highest net profit on sales for September was 18.81 cents per dollar of sales reported by a bakery in the New England area. A bakery in the Middle Atlantic area reported a net loss of 43.01 cents per dollar of sales.

Production and distribution costs of bread and rolls per pound. —Previously, the cost of production and distribution of bread and rolls has been stated in cents per dollar of sales. Table No. 4 presents the cost of production and distribution of bread and rolls in cents per pound for 283 wholesale baking plants arranged by geographical areas for the cost periods including March 31, 1945 and September 30, 1945. These costs represent the average costs for each area for bread and rolls which includes white bread, whole wheat bread, rye bread and other varieties of bread, in addition to the variety of rolls produced by modern baking plants. However, as white bread constitutes about 70 percent of the bread produced, the costs are generally indicative of the cost of such bread.

For March, the average sales realization per pound for bread and rolls was 7.78 cents for all plants and ranged from a high of

TABLE 4.—*Costs of production and distribution of bread and rolls per pound for 283 wholesale baking plants, arranged by geographical areas, for the cost periods[1] including March 31, 1945 and September 30, 1945*

	New England 24 plants	Middle Atlantic 52 plants	East North Central 59 plants	West North Central 36 plants	South Atlantic 47 plants	East South Central 9 plants	West South Central 20 plants	Mountain 8 plants	Pacific 28 plants	Total all areas 283 plants
Period including March 31, 1945										
Total pounds sold	17,394,346	61,659,221	59,164,566	30,134,470	40,578,794	9,313,285	14,649,188	5,391,915	36,724,908	275,010,693
	Cents per pound									
Average sales realization	7.64	8.20	7.81	7.52	8.02	7.71	7.35	7.27	7.29	7.78
Cost to produce and wrap:										
Materials	3.42	3.54	3.45	3.17	3.53	3.82	3.14	3.20	3.37	3.43
Direct production labor	.85	.85	.89	.88	.85	.97	.81	.80	.93	.87
Indirect labor and overhead	.89	.76	.82	.77	.68	.49	.47	.50	.48	.70
Wrapping materials	.37	.39	.42	.39	.44	.32	.35	.38	.40	.40
Total cost to produce and wrap	5.53	5.54	5.58	5.21	5.50	5.60	4.77	4.88	5.18	5.40
Selling and delivery expense:										
Routemen and supervisors' compensation	.97	1.08	1.03	0.80	.83	.87	.83	.66	.80	.93
Delivery vehicle expense	.35	.37	.34	.32	.34	.23	.37	.21	.23	.32
Other selling expense	.50	.60	.39	.47	.50	.60	.31	.56	.55	.50
Total selling and delivery expense	1.82	2.05	1.76	1.59	1.67	1.70	1.51	1.43	1.57	1.75
Administrative and general expense	.36	.37	.35	.40	.39	.27	.46	.56	.30	.37
Total selling, administrative and general expense	2.18	2.42	2.11	1.99	2.06	1.97	1.97	1.99	1.87	2.12
Total cost of production and distribution	7.71	7.96	7.69	7.20	7.56	7.57	6.74	6.87	7.05	7.52
Net profit on sales	[2].07	.24	.12	.32	.46	.14	.61	.40	.24	.26

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.
[2] Denotes loss.

TABLE 4.—*Costs of production and distribution of bread and rolls per pound for 283 wholesale baking plants, arranged by geographical areas, for the cost periods[1] including March 31, 1945 and September 30, 1945*
(Continued)

	New England 24 plants	Middle Atlantic 52 plants	East North Central 59 plants	West North Central 36 plants	South Atlantic 47 plants	East South Central 9 plants	West South Central 20 plants	Mountain 8 plants	Pacific 28 plants	Total all areas 283 plants
Period including September 30, 1945										
Total pounds sold	18,131,040	66,242,280	64,288,578	34,319,276	43,992,542	10,202,370	16,230,810	6,436,532	39,264,297	299,107,725
	Cents per pound									
Average sales realization	7.58	8.19	7.77	7.55	7.93	7.57	7.34	7.24	7.36	7.76
Cost to produce and wrap:										
Materials	3.52	3.63	3.50	3.26	3.59	3.66	3.25	3.28	3.40	3.49
Direct production labor	.87	.91	.92	.92	.86	1.13	.88	.81	.97	.92
Indirect labor and overhead	.81	.75	.78	.77	.66	.49	.46	.44	.52	.68
Wrapping materials	.37	.40	.44	.40	.46	.34	.35	.39	.39	.41
Total cost to produce and wrap	5.57	5.69	5.64	5.35	5.57	5.62	4.94	4.92	5.28	5.50
Selling and delivery expense:										
Routemen and supervisors' compensation	.98	1.08	1.00	.80	.81	.80	.81	.62	.78	.91
Delivery vehicle expense	.34	.36	.33	.31	.32	.24	.35	.18	.23	.32
Other selling expense	.52	.52	.38	.50	.47	.65	.30	.59	.57	.48
Total selling and delivery expense	1.84	1.96	1.71	1.61	1.60	1.70	1.46	1.39	1.58	1.71
Administrative and general expense	.35	.32	.30	.40	.36	.23	.43	.55	.31	.34
Total selling, administrative and general expense	2.19	2.28	2.01	2.01	1.96	1.93	1.89	1.94	1.89	2.05
Total cost of production and distribution	7.76	7.97	7.65	7.36	7.53	7.55	6.83	6.86	7.17	7.55
Net profit on sales	[2]0.18	.22	.12	.19	.40	.02	.51	.38	.19	.21

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.
[2] Denotes loss.

8.20 cents for the Middle Atlantic area to a low of 7.27 cents for the Mountain area. Only one other area besides the Middle Atlantic had an average sales realization exceeding 8 cents per pound, which was the South Atlantic area with an average of 8.02 cents per pound. The average sales realization for September for all plants was 7.76 cents per pound, slightly less than the average sales realization for March. The average sales realization for each of the areas with the exception of the Pacific and West North Central areas was lower in September than in March. For the month of September the average sales realization ranged from a high of 8.19 cents per pound for the Middle Atlantic area to a low of 7.24 cents per pound for the Mountain area. The higher sales realization for the bakeries located in the Middle Atlantic area resulted from the greater quantities of higher priced bread-type rolls sold in Eastern metropolitan centers.

The total cost of production and distribution for March 1945, averaged 7.52 cents per pound for all plants, ranging from a high of 7.96 cents per pound for the plants located in the Middle Atlantic area to a low of 6.74 cents per pound for the plants located in the West South Central area. The lower costs in the West South Central area than in the Middle Atlantic area reflected lower costs of ingredients averaging 3.14 cents per pound for the former compared with 3.54 cents per pound for the latter.

The total cost to produce and wrap bread and rolls for the plants located in the West South Central area averaged 4.77 cents per pound for March, compared with an average cost of 5.54 cents per pound for the plants located in the Middle Atlantic area. Likewise, selling and delivery expenses for March were lower for the plants located in the West South Central area than for the plants located in the Middle Atlantic area, being respectively, 1.51 cents per pound and 2.05 cents per pound. Conversely, administrative and general expenses averaged 0.46 cents per pound for the plants located in the West South Central area compared with 0.37 cents per pound for the plants located in the Middle Atlantic area. As a result of generally lower costs in the West South Central area, those plants reported an average net profit on sales of 0.61 cents per pound for March compared with a net profit on sales for the plants located in the Middle Atlantic area of 0.24 cents per pound. In only the New England area did the total cost of production and distribution exceed the average sales realization which area reported an average net loss on sales of 0.07 cents per pound for March. For all areas there was an average net profit on sales of 0.26 cents per pound.

The same two areas, namely West South Central and the Middle Atlantic, reported the lowest and highest average cost of production and distribution for September. For September, 1945, the plants located in the Middle Atlantic area reported an average cost of production and distribution of 7.97 cents per pound compared with an average cost of 6.83 cents for the plants located in the West South Central area. However, the latter reported the highest net profit on sales amounting to 0.51 cents per pound while the Middle Atlantic plants had an average net profit on sales of 0.22 cents per pound. The New England plants reported a net loss on sales of 0.18 cents per pound. These profits compared with an average net profit on sales for all areas of 0.21 cents per pound for September, 1945.

The lower cost of production and distribution reported by the baking plants in the West South Central area for September, 1945, than for plants located in the Middle Atlantic area, was a result of lower cost of ingredients stemming from proximity to flour production areas and lower labor costs because of lower average labor rates per hour.

Flour cost.—As flour constitutes the principal ingredient of bread, the cost of the flour is a considerable factor in the total cost of production of bread and rolls. As previously stated, the proximity of the bakery to flour mills or wheat growing areas lowers the freight on the flour and consequently lowers the total cost of the flour to the bakery. This is apparent from the following tabulation which shows the average cost per hundred-weight for white bread flour by areas for March and September 1945.

TABLE 5.—*Flour cost per 100 pounds for wholesale bakeries, by geographical areas, March and September 1945*

Area	Mar. 1945	Sept. 1945
	Per cwt.	*Per cwt.*
New England	$3.57	$3.64
Middle Atlantic	3.51	3.59
East North Central	3.33	3.40
West North Central	3.13	3.20
South Atlantic	3.56	3.61
East South Central	3.52	3.55
West South Central	3.10	3.19
Mountain	3.10	3.12
Pacific	3.37	3.41
All areas	3.39	3.45

As shown by the foregoing tabulation, the bakeries located in the wheat growing areas of the West North Central, West South Central and Mountain areas had the lowest flour costs. As shown

by table No. 4, the bakeries located in these areas had lower material costs than the average for all bakeries as well as lower total production costs. For example, the bakeries located in the West North Central area had materal costs of 3.26 cents per pound on bread and rolls compared with the average for all plants of 3.49 cents for September 1945. The same correlation between the cost of flour and the cost of all ingredients applied to the bakeries located in the wheat-producing areas of the West South Central and Mountain states.

Conversely, the highest costs of white bread flour were paid by bakeries located in the South Atlantic and New England states, being $3.61 and $3.64 per hundred-weight, respectively, for September 1945. For that reason, the cost of all ingredient materials for the bakeries located in these two areas was higher than the average for all bakeries, being 3.52 cents per pound for New England and 3.59 cents per pound for the South Atlantic area compared with an average of 3.49 cents per pound for all bakery plants.

Average white bread formula.—Although flour is the principal ingredient of bread and rolls, these bakery products include milk, shortening and sugar in addition, each of which costs more per pound than flour, but which are used in much smaller quantities. Table 6 shows the average formula for wheat bread for wholesale bakeries by geographical areas for March and September 1945.

It will be noted from the following tabulation that the average amount of milk solids used per hundred pounds of flour increased in each area between March and September 1945. On the other hand, with the exception of the bakeries located in the East North Central states, the amount of shortening used decreased between March and September 1945, and in every case the amount of sugar used decreased. The increase in the amount of milk solids used resulted from greater availability of milk as production increased during the summer months. However, there were increasing shortages of shortening and sugar and, consequently, the bakeries were required to reduce the amount included in their formulas. Also War Food Order No. 1, as amended from time to time, limited the amount of shortening and sugar which could be included in the production of bakery products. Originally, when the order was issued in January 1943, the amount of shortening was limited to 2 pounds of shortening to every 100 pounds of flour. Subsequently, the amount of shortening permitted was increased to 3 pounds per 100 pounds of flour. Initially, sugar was limited to a maximum of four pounds to every 100 pounds

of flour, but in June 1943, the maximum was lifted to 6 pounds of sugar to every hundred pounds of flour. The order as promulgated in January 1943, provided for a minimum of 3 pounds and a maximum of 4 pounds of milk solids to every 100 pounds of flour as a means of maintaining the food value of wartime bread. Subsequently, in June 1943, the minimum requirement was eliminated but the maximum requirement was maintained until 1945, when increased supplies of milk resulted in removal of any restrictions.

TABLE 6.—*Weighted average formula of white bread, by areas, March and September 1945*

[Based on 100 lbs. flour]

Area	Milk solids	Shortening	Sugar
March 1945	*Lbs.*	*Lbs.*	*Lbs.*
New England	3.78	2.37	5.50
Middle Atlantic	3.37	2.29	5.33
East North Central	3.67	1.86	5.46
West North Central	3.03	1.86	5.19
South Atlantic	3.71	2.30	4.97
East South Central	3.02	2.38	4.71
West South Central	3.51	1.95	5.34
Mountain	3.54	1.90	5.48
Pacific	2.88	1.86	5.39
All areas	3.42	2.07	5.29
September 1945			
New England	4.71	2.26	4.73
Middle Atlantic	4.32	2.14	4.45
East North Central	4.39	1.95	4.58
West North Central	3.66	1.67	4.44
South Atlantic	4.27	2.02	4.61
East South Central	3.98	2.26	4.02
West South Central	3.85	1.87	4.63
Mountain	3.94	1.76	5.21
Pacific	3.13	1.77	5.26
All areas	4.08	1.96	4.63

It is interesting to note that bakeries reported using as high as 10 pounds of milk solids in both March and September 1945, and a few reported using no milk solids. With respect to shortening, the formulas reported ranged from a maximum use of 5.78 pounds per 100 pounds of flour to a minimum of no shortening. The maximum use of sugar reported was 9.68 pounds per 100 pounds of flour and the minimum was 0.50 pounds of sugar per 100 pounds of flour. This wide range of formulas indicates that there was not the uniformity in wartime bread that many bakers and other people feared would be the result when War Food Order No. 1 was issued.

The average formulas for white bread reported by wholesale bakers in September 1945 were not as rich as the formulas reported in the Commission's 1942 bread inquiry. For September, 1942, the average formula included 3.80 pounds of milk, 3.29 pounds of shortening and 6.21 pounds of sugar per 100 pounds of flour, compared with 4.08 pounds of milk solids, 1.96 pounds of shortening and 4.63 pounds of sugar for September 1945.

Average hourly wages of plant employees.—As shown by table 4, the cost of production of bread and rolls included 0.87 cents per pound for direct labor and 0.70 cents per pound for indirect labor and overhead for March 1945, and for September 1945, included 0.92 cents per pound for direct labor and 0.68 cents per pound for indirect labor and overhead. Direct production labor

TABLE 7.—*Average hourly wage rates of plant employees for March and September 1945*

Area	Excluding overtime		Including overtime	
	March 1945	September 1945	March 1945	September 1945
	Cents	*Cents*	*Cents*	*Cents*
New England	75.73	77.73	84.31	87.51
Middle Atlantic	81.09	84.79	89.16	94.80
East North Central	73.62	82.36	90.13	93.95
West North Central	76.78	79.21	86.11	88.70
South Atlantic	64.33	67.32	73.97	77.83
East South Central	60.29	62.67	70.76	71.10
West South Central	68.53	72.27	77.81	82.19
Mountain	72.45	74.19	78.48	81.24
Pacific	106.81	109.25	120.05	122.84
Total	77.84	80.77	87.56	91.31

represents the wages of bakers, wrappers and helpers, while the wages of maintenance men would be included in indirect labor and overhead.

Table No. 7 shows the average hourly wage rates of plant employees for wholesale bakeries for the months of March and September 1945. The average hourly wage rates are stated upon two bases, first on the basis of straight time or excluding overtime, and second, on the basis including overtime.

It is apparent from the foregoing table that the highest wage rates were paid by bakeries located in the Pacific area, being 106.81 cents per hour for March and 109.25 cents per hour for September, excluding overtime, and, including overtime, 120.05 cents per hour for March and 122.84 cents per hour for September. On the other hand, the lowest average hourly wage rates

were paid by bakeries located in the East South Central area which averaged 60.29 cents per hour for March and 62.67 cents per hour for September for straight time, and, including overtime, averaged 70.76 cents per hour for March and 71.10 cents per hour for September. The wide variation between the average wage rates paid by bakeries in these two areas represents the difference in availability of labor supply. In the Pacific States, for example, there was a great demand for workers in wartime plants at high wages so that bakeries were forced to pay higher wages than formerly in order to retain their employees. Also, the differences in the plant wages in the two areas reflects to some degree the extent of unionization of bakery employees.

In all cases the wage rates were higher for September than for March and on the basis of straight time averaged 80.77 cents per hour for September 1945, compared with 77.84 cents per hour for March, an increase of 3.8 percent. Likewise, the wage rates, including overtime, were higher for September than for March. For all areas the average wage, including overtime, increased from 87.56 cents per hour for March to 91.31 cents per hour for September 1945, an increase of 4.3 percent. It is apparent that in all areas it was necessary, because of shortage of bakery help or for other reasons, to continue working plant employees a considerable amount of overtime. With the increasing availability of bakery labor there will probably be a decrease in the amount of overtime and consequently a reduction in the weekly earnings of plant employees. Also, there will be a tendency to put returning veterans in jobs which have been filled during the war by inexperienced help.

Average weekly earnings of driver-salesmen.—As shown by table 4, routemen's and supervisors' compensation averaged 0.93 cents per pound for March 1945, and 0.91 cents per pound for September 1945, for all wholesale bakery plants. In nearly all cases driver-salesmen are paid on a commission basis, although they generally receive a guaranteed or minimum weekly wage. The average weekly earnings of driver-salesmen for wholesale baking plants by geographical areas are shown in Table 8 for March and September 1945.

As shown by the following tabulation, the average weekly earnings of driver-salesmen for all areas was $66.27 for September 1945, compared with $62.67 for March 1945, an increase of 5.7 percent. As was found to be true of plant employees, the highest weekly earnings were received by driver-salesmen em-

ployed by wholesale baking companies located in the Pacific area who were paid $74.74 a week during March and $76.94 during September 1945. The lowest average weekly wage was received by driver-salesmen for wholesale baking plants located in the New England area who were paid $56.39 a week for March and $60.67 a week for September 1945.

TABLE 8.—*Average weekly earnings of driver-salesmen for wholesale baking plants*

Area	1945	
	March	September
New England	$56.39	$60.67
Middle Atlantic	62.57	66.65
East North Central	64.21	69.10
West North Central	58.71	62.43
South Atlantic	61.66	62.68
East South Central	57.93	63.28
West South Central	60.29	63.31
Mountain	66.79	75.37
Pacific	74.74	76.94
All areas	62.67	66.27

As previously stated, the driver-salesmen are paid on a commission basis with a weekly minimum or guarantee. For a group of cities throughout the country in which the driver-salesmen are organized and have union contracts with the bakeries, this weekly guarantee averaged $40.52 compared with an average earning for the driver-salesmen working in those cities of $63.74 for March and $66.04 for September 1945. This minimum wage or weekly guarantee represented 63.57 percent of the average weekly earnings for March and 61.36 percent for September. Information was not available on the amount of the weekly guarantee paid by bakers located in cities in which there were no bakery drivers' unions. However, it appears reasonable to assume that the weekly guarantees in nonunion bakery plants were closely comparable with the weekly guarantees paid by union bakeries since the average weekly earnings of driver-salesmen in the union bakeries closely approximated the average weekly earnings of driver-salesmen for all bakery plants covered by the Commission's inquiry.

Average route sales.—As shown by table No. 4, delivery vehicle expense averaged 0.32 cents per pound for both March and September 1945. Under the wartime regulations established by the Office of Defense Transportation, the bakeries were required to reduce their delivery truck mileage by 25 percent beginning in

June 1942. As a consequence, many bakeries abandoned unprofitable routes and shortened others so that there was an increase in the average sales per route. Table No. 9 shows the average route sales per week, by geographical areas, for March and September 1945, for the wholesale bakeries covered by the Commission's inquiry.

TABLE 9.—*Wholesale bakery route sales, by geographical areas, March and September 1945*

Area	March 1945		September 1945	
	No. of routes	Average route sales per week	No. of routes	Average route sales per week
New England	786	$599	774	$621
Middle Atlantic	2,622	615	2,640	641
East North Central	2,458	593	2,490	632
West North Central	1,251	625	1,265	688
South Atlantic	1,426	720	1,450	750
East South Central	307	751	307	822
West South Central	533	686	531	745
Mountain	134	714	136	836
Pacific	930	718	957	749
All areas	10,447	$642	10,550	$681

It will be noted from the foregoing table that the total number of routes covered by all bakeries increased from 10,447 for March to 10,550 for September, an increase of less than 1 percent. However, it will also be noted that the average sales per route per week increased from $642 for March to $681 for September, an increase of 6.1 percent. The highest average route sales per week for March was reported by bakeries located in the East South Central area, with an average of $751 and for September by the bakeries located in the Mountain area, with an average of $836. The lowest average route sales per week for March was reported by the bakeries located in the East North Central area, with an average of $593, and for September by the bakeries located in New England area with an average of $621. There was a wide variation in the average route sales ranging for March from a high of $1,405 for a bakery located in the Middle Atlantic area to a low of $152 for a bakery located in the South Atlantic area. For September, the range was from a high of $1,548 for a bakery located in the East North Central area, to a low of $145 for a bakery located in the South Atlantic area. As the poundage of bread and rolls delivered varied directly with the dollar sales, it is apparent that the unit delivery vehicle expense would be reduced with an increase in the average route sales per week.

Comparison of 1945 and 1942 wholesale baking industry costs. —In the Commission's 1942 inquiry, costs to produce and sell bread and rolls were obtained from 377 wholesale baking plants for the accounting periods including March 31, 1942 and September 30, 1942. As previously shown in the current inquiry of the wholesale baking industry, the Commission obtained cost reports from 283 wholesale baking plants for the accounting period including March 31, 1945, and September 30, 1945. Table No. 10 presents a comparison of the cost per pound to produce and sell bread and rolls for 377 wholesale baking plants in 1942 with the cost reported by 283 wholesale baking plants in 1945.

TABLE 10.—*Cost per pound to produce and sell bread and rolls for 377 wholesale baking plants in 1942 and 283 wholesale baking plants in 1945*

	377 wholesale baking plants		283 wholesale baking plants	
	Mar. 1942	Sept. 1942	Mar. 1945	Sept. 1945
Total pounds sold	365,924,100	417,503,200	275,010,693	299,107,725
	Cents per pound			
Average sales realization	7.07	7.18	7.78	7.76
Cost to produce and wrap:				
Materials	2.85	2.92	3.43	3.49
Direct production labor	.74	.81	.87	.92
Indirect labor and overhead	.63	.59	.70	.68
Wrapping materials	.44	.43	.40	.41
Total cost to produce and wrap	4.66	4.75	5.40	5.50
Selling and delivery expense:				
Routemen's and supervisors' compensation	.85	.85	.93	.91
Delivery vehicle expense	.34	.28	.32	.32
Other selling expense	.47	.48	.50	.48
Total selling and delivery expense	1.66	1.61	1.75	1.71
Administrative and general expense	.38	.37	.37	.34
Total selling, administrative and general expense	2.04	1.98	2.12	2.05
Total cost to produce and sell	6.70	6.73	7.52	7.55
Net profit on sales	.37	.45	.26	.21

Under the wartime regulations of the Office of Price Administration, the prices of bread and rolls were frozen as of March 1942, but as shown by the foregoing tabulations the average price realized had increased from 7.07 cents per pound for March 1942, to 7.76 cents per pound for September 1945, an increase of 0.69 cents per pound, or 9.8 percent. During the period covered, there had been no general price increase for bread and bread-type rolls granted by the Office of Price Administration, although price increases had been granted in hardship cases in a limited number of markets. However, all of this increase in average sales realization may not result from price increases but may result

to some extent from increased sales of higher priced products. For example, a company may have been selling a 1½-pound loaf of white bread at a lower price per pound than it was selling a 1 pound loaf of bread in March 1942. Subsequent to that date it may have dropped the sale of the 1½-pound loaf and sold only the 1 pound loaf at the higher price per pound.

It will be noted from table 10 that the costs to produce and wrap increased from 4.66 cents per pound for March 1942, to 5.50 cents per pound for September 1945, an increase of 18 percent over the 3½-year period. Most of this increase resulted from higher costs of ingredient materials which increased from 2.85 cents per pound for March 1942, to 3.49 cents per pound for September 1945, an increase of 22.5 percent. During the same period, direct production labor increased from 0.74 cents per pound for March 1942, to 0.92 cents per pound for September 1945, an increase of 24.3 percent. This increase in labor cost reflected higher wage rates and decreased efficiency or output per man hour. Indirect labor and overhead increased from 0.63 cents per pound for March 1942, to 0.68 cents per pound for September 1945. This increase, likewise, reflected higher wage rates. The cost of wrapping materials, on the other hand, decreased from 0.44 cents per pound for March 1942, to 0.41 cents per pound for September 1945. This decrease in unit cost of wrapping materials resulted from the curtailment in the use of double wrappers and inner wrappers, which had been banned for a time by War Food Order No. 1.

Selling and delivery expense increased from 1.66 cents per pound for March 1942, to 1.71 cents per pound for September 1945. All of this increase was due to higher routemen's and supervisors' compensation, which increased from 0.85 cents per pound for March 1942, to 0.91 cents per pound for September 1945. The increased unit cost of this expense in September 1945, over March 1942, resulted from higher guarantees and commission rates paid driver-salesmen. It will be noted that delivery vehicle expense decreased from 0.34 cents per pound for March 1942 to 0.32 cents per pound for September 1945, reflecting a reduction in route mileage effected by O.D.T. Order No. 17. Other selling expense, which includes advertising, remained nearly the same unit cost for all periods.

There was a decrease in the unit cost of administrative and general expense, which includes executive and office salaries, from 0.38 cents per pound for March 1942 to 0.34 cents per pound for September 1945.

The aggregate cost to produce and sell bread and rolls for these wholesale bakeries increased from 6.70 cents per pound for March 1942, to 7.55 cents per pound for September 1945, an increase of 12.7 percent over the 3½-year period. Although there was a substantial increase in the average sales realization for bread and rolls between March 1942 and September 1945, this increase was more than offset by the increase in cost of production and distribution. Consequently, the net profit on sales was reduced from 0.37 cents per pound for March 1942, to 0.21 cents per pound for September 1945. These net profits represented 5.2 percent of the sales price for March 1942; 6.3 percent for September 1942; 3.3 percent for March 1945, and 2.7 percent for September 1945. In relation to the sales price, the net profits were reduced almost one-half between March 1942 and September 1945.

Comparative plant wages for 1942 and 1945.—As shown by table No. 10, there was a substantial increase in the unit cost of production labor in 1945 over 1942. Table No. 11 presents the comparative average hourly wage rate for wholesale bakery plant employees and the percentage of increase by geographical areas for March and September 1942, and for March and September 1945, both excluding and including overtime.

As shown by the following tabulation, excluding overtime, the average hourly wage rate for plant employees increased from 64.83 cents per hour for March 1942, to 69.15 cents for September 1942, an increase of 6.7 percent. By March 1945, the average hourly wage had increased to 77.84 cents, an increase of 20.07 percent over March 1942. There was a further increase by September 1945 to 80.77 cents per hour representing an increase of 3.76 percent over March 1945, an aggregate increase over March 1942, of 24.59 percent. This increase in the average hourly wages substantiates the increase shown on table No. 10 of the unit cost of direct production labor between March 1942 and September 1945 of 24 percent.

Including overtime, the average hourly wages of wholesale bakery plant employees increased a total of 31.38 percent between March 1942 and September 1945. Bakery plant employees are usually paid time and a half for overtime. Only the Mountain area showed a decrease in the average hourly wage including overtime. There the average hourly wage including overtime was slightly lower in March 1945, than in March 1942, but by Sep-

tember 1945, the average wage had increased so that there was a total increase of 2.8 percent between September 1945 and March 1942.

TABLE 11.—*Comparative average hourly wage rates for wholesale bakery plant employees and percent of increase — 1942 and 1945*

	1942			March 1945	Increase over March 1942	Sept. 1945	Increase—Sept. over March 1945	Increase—Sept. 1945 over March 1942
	March	Sept.	Increase—Sept. over March					
	Excluding overtime							
	Cents	*Cents*	*Percent*	*Cents*	*Percent*	*Cents*	*Percent*	*Percent*
New England	63.27	68.47	8.22	75.73	19.69	77.73	2.64	22.85
Middle Atlantic	71.33	74.50	4.44	81.09	13.68	84.79	4.56	18.87
East North Central	67.76	72.26	6.64	73.62	8.65	82.36	11.87	21.55
West North Central	68.10	72.93	7.09	76.78	11.72	79.21	3.16	16.31
South Atlantic	49.38	52.41	6.14	64.33	30.28	67.32	4.65	36.33
East South Central	44.24	51.46	16.32	60.29	36.28	62.67	3.95	41.66
West South Central	54.88	58.76	7.08	68.53	24.87	72.27	5.46	31.69
Mountain	71.18	74.95	5.30	72.45	1.78	74.19	2.40	4.23
Pacific	99.93	109.31	9.39	106.81	6.88	109.25	2.28	9.33
All areas	64.83	69.15	6.66	77.84	20.07	80.77	3.76	24.59
	Including overtime							
New England	68.20	74.83	9.72	84.31	23.62	87.51	3.80	28.31
Middle Atlantic	75.50	80.24	6.28	89.16	18.09	94.80	6.33	25.56
East North Central	72.33	78.52	8.56	90.13	24.61	93.95	4.24	29.89
West North Central	71.16	78.02	9.64	86.11	21.01	88.70	3.01	24.65
South Atlantic	56.66	60.56	6.88	73.97	30.55	77.83	5.22	37.36
East South Central	49.16	57.47	16.90	70.76	43.94	71.10	.48	44.63
West South Central	58.21	63.93	9.83	77.81	33.67	82.19	5.63	41.20
Mountain	79.03	84.42	6.82	78.48	[1].70	81.24	3.52	2.80
Pacific	103.58	120.73	16.56	120.05	15.90	122.84	2.32	18.59
All areas	69.50	75.58	8.75	87.56	25.99	91.31	4.28	31.38

[1] Denotes decrease.

Comparative earnings of driver-salesmen for 1942 and 1945.— As shown by table No. 10, the routemen's and supervisors' compensation increased from 0.85 cents per pound for March 1942 to 0.91 cents per pound for September 1945, an increase of 7.1 percent. As bakery routes were reduced in number and length in compliance with ODT Order No. 17, there was an increase in sales per route which was reflected in higher earnings of driver-salesmen who operate on a commission basis. The comparative average weekly earnings of driver-salesmen for wholesale bakeries for 1942 and 1945 are presented in table No. 12. This table shows the average weekly earnings of driver-salesmen, by areas, comparatively, for March and September 1942, and for March and Sep-

tember 1945, and the increase for each period over the preceding period and the total increase for September 1945 over March 1942.

TABLE 12.—*Comparative average weekly earnings of wholesale bakery driver-salesmen — 1942 and 1945*

Area	1942		Increase—Sept. over March	March 1945	Increase over March 1942	Sept. 1945	Increase—Sept. over March	Increase—Sept. 1945 over March 1942
	March	Sept.						
			Percent		*Percent*		*Percent*	*Percent*
New England	$43.39	$49.12	13.21	$56.39	29.96	$60.67	7.59	39.82
Middle Atlantic	43.39	48.56	11.92	62.57	44.20	66.65	6.52	53.61
East North Central	45.24	52.27	15.54	64.21	41.93	69.10	7.62	52.74
West North Central	40.17	48.34	20.34	58.71	46.15	62.43	6.34	55.41
South Atlantic	41.46	47.99	15.75	61.66	48.72	62.68	1.65	51.18
East South Central	39.82	47.19	18.51	57.93	45.48	63.28	9.24	58.92
West South Central	40.82	47.76	17.00	60.29	47.70	63.31	5.01	55.10
Mountain	36.71	47.95	30.62	66.79	81.94	75.37	12.85	105.31
Pacific	49.34	54.54	10.54	74.74	51.48	76.94	2.94	55.94
All areas	42.83	49.41	15.36	62.67	46.32	66.27	5.74	54.73

As shown by the foregoing tabulation the average weekly earnings of driver-salesmen for wholesale bakeries increased from $42.83 for March 1942, to $49.41 for September 1942, an increase of 15.36 percent. By March 1945, the average weekly earnings had increased to $62.67, which represented an increase of 46.32 percent over March 1942. The average weekly earnings for September 1945, averaged $66.27, an increase of 5.74 percent over March 1945, and an increase of 54.73 percent over March 1942.

For March 1942, the bakeries located in the Pacific area reported the highest average weekly earnings of $49.34 compared with $36.71 for the bakeries located in the Mountain area which reported the lowest average for that period. The average weekly earnings increased each period for each area, the highest increase being reported by the bakeries located in th Mountain area. For September 1945, the bakeries in each area reported higher weekly earnings for their driver-salesmen, ranging from a maximum of $76.94 for the Pacific area to a minimum of $60.67 for bakeries located in New England. The percent of increase of average weekly earnings for September 1945 over March 1942 ranged from 105.31 percent for bakeries located in the Mountain area to a minimum of 39.82 percent for bakeries located in the New England area and averaged 54.73 percent.

The highest weekly earnings for September 1945 reported for driver-salesmen of any bakery was $115.30 for a bakery located in the Middle Atlantic area. The lowest weekly earnings reported for September 1945 was $32 for a bakery located in the East South Central area. These compare with maximum weekly earnings for March 1942 of $83.03 for a bakery located in the West South Central area and minimum weekly earnings of $23.83 for a bakery located in the South Atlantic area. It is apparent that there has been a wide variation in the weekly earnings of driver-salesmen of wholesale bakeries, but that on the average they have received substantial increases during the war period.

Comparative costs of bread and rolls by size groups.—The cost of production and distribution of bread and rolls for 283 wholesale baking plants is presented in table No. 13 for size groups based on poundage sold for the cost periods including March 31, 1945 and September 30, 1945. These baking plants were classified in four groups on the basis of the poundage sold during the month of September 1945. The first group includes 26 wholesale baking plants selling less than 250,000 pounds of bread per month; the second group includes 48 wholesale baking plants selling between 250,000 pounds and 500,000 pounds per month; the third group includes 107 wholesale baking plants selling monthly from 500,000 pounds to 1,000,000 pounds; and the fourth group includes 102 wholesale baking plants selling in excess of 1,000,000 pounds per month.

It will be noted from the following tabulation that the group of smallest sized companies had the highest net realization per pound which averaged 9.48 cents per pound for September 1945. For the other groups the average net realization per pound decreased with the increase in poundage sold, averaging 8.00 cents per pound for the group selling between 250,000 and 500,000 pounds monthly; 7.84 cents per pound for the group selling between 500,000 and 1,000,000 pounds monthly and 7.66 cents per pound for the group selling over 1,000,000 pounds monthly, compared with an average of 7.76 cents for all bakeries. Similarly, the total cost of production and distribution was highest for the group of smallest sized plants, averaging 9.12 cents per pound for September 1945. For the next smallest sized group, the average was 7.78 cents per pound; for the next to largest sized group, 7.60 cents per pound; and for the group of largest baking plants the average cost of production and distribution was 7.47 cents per pound, compared with an average of 7.55 for all plants. The high

cost of materials and direct labor for the group of smallest plants indicates that they produced principally hand-made rather than machine-made products. The greater volume of the larger plants permitted them to produce bread and rolls by machine methods at lower costs per pound.

TABLE 13.—*Costs of production and distribution of bread and rolls for 283 wholesale baking plants, grouped by poundage sold, for the cost periods[1] including March 31, 1945 and September 30, 1945*

	Under 250,000 lbs.	250,000 to 500,000 lbs.	500,000 to 1,000,000 lbs.	Over 1,000,000 lbs.	Total
Period including March 31, 1945					
Number of plants	26	48	107	102	283
Average pounds per plant	159,398	334,845	641,722	1,824,799	971,769
	Cents per pound				
Net sales	9.74	8.06	7.84	7.69	7.78
Cost to produce and wrap:					
Materials	4.11	3.47	3.40	3.42	3.43
Direct production labor	1.56	1.03	.90	.83	.87
Indirect labor and overhead	.55	.61	.66	.73	.70
Wrapping materials	.51	.45	.44	.38	.40
Total cost to produce and wrap	6.73	5.56	5.40	5.36	5.40
Selling and delivery expense:					
Routemen's and supervisors' compensation	1.12	.87	.89	.95	.93
Delivery vehicle expense	.42	.37	.34	.31	.32
Other selling expense	.29	.43	.44	.53	.50
Total selling and delivery expense	1.83	1.67	1.67	1.79	1.75
Administrative and general expense	.78	.65	.49	.29	.37
Total selling, administrative and general expense	2.61	2.32	2.16	2.08	2.12
Total cost of production and distribution	9.34	7.88	7.56	7.44	7.52
Net profit on sales	.40	.18	.28	.25	.26
Period including September 30, 1945					
Number of plants	26	48	107	102	283
Average pounds per plant	169,824	360,305	714,170	1,970,407	1,056,917
	Cents per pound				
Net sales	9.48	8.00	7.84	7.66	7.76
Cost to produce and wrap:					
Materials	4.08	3.47	3.45	3.49	3.49
Direct production labor	1.49	1.07	.94	.88	.92
Indirect labor and overhead	.53	.57	.65	.72	.68
Wrapping materials	.51	.46	.44	.39	.41
Total cost to produce and wrap	6.61	5.57	5.48	5.48	5.50
Selling and delivery expense:					
Routemen's and supervisors' compensation	1.08	.85	.87	.93	.91
Delivery vehicle expense	.37	.35	.33	.31	.32
Other selling expense	29	.43	.46	.49	.48
Total selling and delivery expense	1.74	1.63	1.66	1.73	1.71
Administrative and general expense	.77	.58	.46	.26	.34
Total selling, administrative and general expense	2.51	2.21	2.12	1.99	2.05
Total cost of production and distribution	9.12	7.78	7.60	7.47	7.55
Net profit on sales	.36	.22	.24	.19	.21

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.

Although the group of bakeries having the smallest volume had the highest cost, they also had the highest average net profit on sales which averaged 0.36 cents per pound for September 1945. The largest sized group had the lowest average net profit on sales of 0.19 cents per pound, the next to the largest group had average net profit on sales of 0.24 cents, and the next to smallest sized plants had an average net profit on sales of 0.22 cents per pound.

The same trend in average net realization, costs and profits obtained in March 1945 as was shown for September 1945. Each group, with the exception of the second, reported lower profits for September than for March 1945.

As shown by table 13, direct production labor per pound of bread and rolls sold was highest for the group of smallest sized plants and decreased with the increase in the size of the plants. However, as shown by the following tabulation, the average hourly wage for wholesale baking plant employees was lowest for both March and September 1945 for the bakery group selling between 250,000 and 500,000 pounds monthly, and the average hourly wage was highest for the group of largest sized plants:

	Average hourly wage rate—plant employees			
	Excluding overtime		Including overtime	
	March 1945	September 1945	March 1945	September 1945
	Cents	*Cents*	*Cents*	*Cents*
Under 250,000 pounds	75.08	78.09	85.26	89.80
250,000 to 500,000 pounds	73.74	76.75	82.38	87.11
500,000 to 1,000,000 pounds	76.62	79.83	87.07	91.10
Over 1,000,000 pounds	82.56	84.92	92.39	95.40

The plants included in the smallest size group paid both the maximum and minimum wage rates reported by all baking plants. For March 1945, the maximum hourly wage, excluding overtime, was $1.62 per hour and for September, $1.70 per hour. The minimum average hourly wage for straight time paid by any plant was 36 cents for March and 40.40 cents for September.

Table No. 13 also shows that the group of smallest sized plants had the highest average unit cost for routemen's and supervisors' compensation for both March and September 1945. However, the driver-salesmen of these smallest sized plants averaged $52.21 per week for March and $55.43 for September, compared with

average weekly earnings of driver-salesmen of the largest sized group of $66.89 for March and $70.16 for September. The baking plants included in the group having sales of 250,000 to 500,000 pounds monthly paid driver-salesmen average weekly earnings of $58.06 for March and $60.82 for September. The average weekly earnings of driver-salesmen employed by the group of baking plants having monthly sales of 500,000 to 1,000,000 pounds was $64.07 for March and $68.16 for September. The lower wages received by the driver-salesmen of the smallest sized group of plants indicates that these smaller bakeries had lower average route sales than the larger bakeries.

This is borne out by the amount of route sales per week reported by the smallest sized plants compared with the average route sales per week reported by the groups of larger plants. For the smallest sized plants the route sales per week averaged $622 for March 1945, and $630 for September 1945, an increase of 1.3 percent, ranging for the latter month from a high of $1,037 to a low of $399. For the largest sized baking plants the average route sales per week were $648 for March, compared with $681 for September 1945, an increase of 5.1 percent. For the latter month the route sales per week for this group ranged from a high of $1,178 to a low of $365. The size group including plants with monthly sales from 250,000 to 500,000 pounds reported route sales per week averaging $585 for March and $638 for September 1945, an increase of 9.1 percent. The average route sales per week for the baking plants included in the size group selling from 500,000 pounds to 1,000,000 pounds monthly was $642 for March and $703 for September, an increase of 9.5 percent. For all plants the average route sales per week were $642 for March, compared with $683 for September, an increase of 6.4 percent. The range for March was from a high of $1,150 to a low of $152 and for September from a high of $1,443 to a low of $216 for the individual baking plants. There was an increase in the total number of routes for all plants from 9,540 for March to 9,631 for September 1945. This indicates that the baking plants to some extent were expanding their market coverage and beginning to restore certain routes which had been eliminatd during the war period. The smallest sized companies averaged about 8 routes each, compared with 13 for the next larger group of bakeries, 22 for the next to largest sized bakeries, and 62 per plant for the largest sized bakeries.

Multiple-plant baking costs.—As previously stated, a recent directory of the bakery industry listed 72 multiple-plant baking

companies which operated a total of 655 plants. Not all of these plants distributed bread and other bakery products on a wholesale basis, as some distributed house-to-house and a few operated retail bake shops. Costs of production and distribution were obtained from a number of the wholesale baking companies which operate multiple-plants. Included in these multiple plant bakeries were the largest four baking companies, namely, Continental Baking Co., Inc., General Baking Co., Purity Bakeries Corp., and Ward Baking Co. These four baking companies operated 202 plants located in 36 states and the District of Columbia. In addi-

TABLE 14.—*Cost per pound to produce and sell bread and rolls for 14 multiple-plant baking companies for the periods[1] including March 31, 1945 and September 30, 1945*

	Largest 4 baking companies		10 large baking companies		14 multiple-plant baking companies	
	March 1945	September 1945	March 1945	September 1945	March 1945	September 1945
Number of plants...	57	57	62	62	119	119
Total pounds sold...	86,743,250	94,684,482	76,902,214	82,773,932	163,645,464	177,458,414
	Cents per pound					
Average sales realization.....	7.62	7.61	7.61	7.60	7.61	7.60
Cost to produce and wrap:						
Materials.....	3.29	3.44	3.47	3.49	3.37	3.46
Direct production labor.....	.82	.85	.90	.96	.86	.90
Indirect labor and overhead...	1.01	.95	.60	.59	.82	.79
Wrapping materials.....	.37	.37	.40	.42	.38	.39
Total cost to produce and wrap.....	5.49	5.61	5.37	5.46	5.43	5.54
Selling and delivery expense:						
Routemen and supervisors' compensation..	.94	.94	.93	.90	.94	.92
Delivery vehicle expense.....	.31	.30	.32	.32	.31	.31
Other selling expense.....	.58	.52	.38	.39	.48	.46
Total selling and delivery expense.....	1.83	1.76	1.63	1.61	1.73	1.69
Administrative and general expense..	.23	.21	.39	.34	.31	.27
Total selling, administrative and general expense.....	2.06	1.97	2.02	1.95	2.04	1.96
Total cost to produce and sell.....	7.55	7.58	7.39	7.41	7.47	7.50
Net profit on sales.....	.07	.03	.22	.19	.14	.10

[1] Cost accounting period represents 4 weeks, a month or 5 weeks.

BREAD PLANTS OF 14 LARGE BAKING COMPANIES — 1945.



tion to the costs of production and distribution from the 4 largest companies, costs were obtained from 10 other large multiple-plant baking companies which operated a total of 160 baking plants located throughout the country.

The cost per pound to produce and sell bread and rolls is presented for the largest four baking companies and for ten other large multiple-plant baking companies, separately, and for the 14 multiple-plant baking companies, combined, for the cost periods including March 31, 1945, and September 30, 1945. The locations of all plants of the 14 multiple-plant bakeries for which costs are presented in table 14 are shown on the map facing page 48. The costs included in table 14 do not reflect the operations of all baking plants operated by these 14 companies but include only the operations of representative plants owned and operated by these 14 multiple-plant baking companies.

As shown by the foregoing tabulation, there was only a slight variation in the average sales realization per pound for the group of the largest four baking companies and for the group of ten large multiple-plant baking companies. However, the cost to produce and wrap for the 4 largest baking companies averaged 5.49 cents per pound for March compared with 5.37 cents per pound for the 10 large baking companies for the same period, and averaged 5.43 cents per pound for all 14 baking companies combined. For September 1945, the cost to produce and wrap averaged 5.61 cents per pound for the largest 4 baking companies compared with 5.46 cents per pound for the 10 large baking companies and for the 14 multiple-plant baking companies, combined, averaged 5.54 cents per pound. It will be noted that the cost of materials, which includes flour, sugar, shortening, milk and other ingredients, was higher in each period for the 10 large baking companies than for the largest four. Likewise, the unit cost per pound of direct labor was higher for both periods for the 10 large baking companies than for the largest 4. The same was true for the unit cost of wrapping materials. On the other hand, the cost per pound for indirect labor and overhead for the 10 large baking companies was much lower than for the largest 4 in both periods. In fact, the lower indirect labor and overhead cost more than offset the higher cost of materials, direct labor and wrapping materials. The higher unit cost of indirect labor and overhead for the largest four baking companies reflected higher provisions for depreciation, taxes and maintenance on the baking plants operated by these companies. Many

of these plants had excess capacity based on anticipated sales which had never been realized.

Selling and delivery expense for the largest four baking companies exceeded cost for the 10 large baking companies in both periods. For the largest 4, selling and delivery expense averaged 1.83 cents per pound for March compared with 1.63 cents per pound for the 10 large baking companies for the same month, and 1.76 cents per pound for September compared with 1.61 cents per pound for the 10 large baking companies. It will be noted that the routemen's and supervisors' compensation was slightly lower for the 10 large baking companies than for the largest 4. On the other hand, delivery vehicle expense per pound was slightly lower for the largest four baking companies than the average for the 10 large baking companies. However, unit cost of other selling expense was much higher for the largest 4 baking companies, averaging 0.58 cent per pound and 0.52 cent per pound, respectively, for March and September, compared with 0.38 cent per pound and 0.39 cent per pound for the 10 large baking companies. The higher unit cost for other selling expense reflects largely more substantial advertising and sales promotion expense incurred by the largest four baking companies. The extensive advertising campaigns utilized in pushing sales of Wonder Bread by Continental Baking Co., Bond Bread by General Baking Co., Taystee Bread by Purity Bakeries Corp., and TipTop Bread by Ward Baking Co., are large factors in promoting the sales of the products of these companies.

Administrative and general expense averaged 0.39 cent per pound and 0.34 cent per pound, respectively, for March and September for the ten large baking companies compared with 0.23 cent per pound and 0.21 cent per pound for the largest four baking companies. The total cost to produce and sell bread and rolls averaged 7.55 cents per pound for March for the largest four compared with 7.39 cents per pound for the 10 large baking companies, and averaged 7.58 cents per pound for September for the largest 4 compared with 7.41 cents per pound for the 10 large baking companies. As a consequence of the lower aggregate cost, the 10 large baking companies reported an average net profit on sales of 0.22 cent per pound and 0.19 cent per pound, respectively, for March and September compared with the net profit on sales reported by the largest 4 baking companies of 0.07 cent per pound and 0.03 cent per pound. For the 14 multiple plant baking companies combined, the net profit on sales averaged

0.14 cent per pound for March and 0.10 cent per pound for September 1945.

There was only a small difference between the cost of white bread flour for the two groups of companies as freight from flour producing areas is a more important factor. Flour cost the largest four baking companies an average of $3.36 per hundred-weight compared with an average cost of $3.37 per hundred-weight for the 10 large baking companies. For September, flour cost the latter an average of $3.41 per hundred-weight compared with an average cost to the four largest baking companies of $3.47 per hundred-weight.

The average formula for white bread reported by the largest four baking companies included 2.94 pounds of milk solids, 2.04 pounds of shortening and 5.71 pounds of sugar per hundred pounds of flour for March 1945. By September, the milk solids had been increased to 4.76 pounds and shortening to 2.09 pounds, while the sugar had been reduced to 4.29 pounds per hundred pounds of flour. For the 10 large multiple plant baking companies the average formula for March included 3.55 pounds of milk solids, 1.73 pounds of shortening and 5.41 pounds of sugar per hundred-weight of flour. By September, the average milk solids had been increased to 3.73 pounds, while the shortening had been reduced to 1.64 pounds and the sugar content had dropped to 4.98 pounds per hundred-weight of flour. These formulas compare with an average formula for all wholesale baking companies reporting of 4.08 pounds of milk solids, 1.96 pounds of shortening and 4.63 pounds of sugar for September 1945.

The average hourly wages paid plant employees by the largest 4 baking companies and by 10 other large multiple-plant baking companies are shown in the following tabulation on the basis of straight time (excluding overtime) and on the basis including overtime for March and September 1945:

	Average hourly wages of plant employees			
	Excluding overtime		Including overtime	
	March 1945	September 1945	March 1945	September 1945
	Cents	*Cents*	*Cents*	*Cents*
Largest 4 baking companies	80.44	83.52	89.38	93.45
10 large multiple-plant baking companies	81.78	85.23	94.09	96.76

Excluding overtime, the average hourly plant wage paid by the largest 4 baking companies increased from 80.44 cents for March to 83.52 cents for September, an increase of 3.8 percent. On the same basis, the average hourly wage of plant employees of 10 other large baking companies increased from 81.78 cents for March to 85.23 cents for September, an increase of 4.2 percent. It will be noted that the average hourly wage paid by the group of 10 large multiple-plant baking companies was higher for each period and on each basis than the average hourly wage paid by the largest four baking companies. For the latter group, the average hourly wage, excluding overtime, ranged from a maximum of $1.22 to a minimum of $0.65 for September. The range for the group of 10 large multiple-plant baking companies was from a high of $1.47 per hour to a low of $0.53 for March and for September from a high of $1.35 to a low of $0.55.

As indicated by table No. 14, the unit cost of routemen's and supervisor's compensation was the same for both periods for the group of the largest four baking companies. For the group of 10 large multiple-plant baking companies, the unit cost decreased from 0.93 cents per pound to 0.90 cents per pound. However, there was an increase in the average weekly earnings of driver-salesmen for all 14 companies as shown by the following tabulation:

	Average weekly earnings of driver-salesmen	
	March 1945	September 1945
Largest 4 baking companies	$65.94	$70.27
10 large multiple-plant baking companies	65.98	68.43

The increase in average weekly earnings of driver-salesmen for the group of largest 4 baking companies was 6.6 percent compared with an increase of 3.7 percent in the average weekly earnings of driver-salesmen for the group of 10 large baking companies. These increased earnings resulted from higher route sales in September over March.

The average route sales per week of the largest 4 baking companies increased 4.9 percent compared with the increase of 5.2 percent for the 10 large multiple-plant baking companies. The latter averaged $639 per route per week for March compared with $595 for the 4 largest baking companies. For September the 10 large multiple-plant companies averaged $672 compared with $624 for the largest 4 baking companies. The number of

routes operated by the plants included in table 14 increased between March and September 1945. Consequently the higher average route sales reported by both groups for September over March reflects substantial increased sales. The sales of the largest 4 baking companies increased 9.2 percent during the period from March to September 1945, while the sales of the 10 large multiple-plant baking companies increased 7.6 percent during the same period.

Comparative baking costs by types of distribution.—Although this report is primarily concerned with the operations of wholesale baking companies, cost data were obtained from house-to-

TABLE 15.—*Cost per pound to produce and sell bread and rolls for bakeries grouped by type of business — March and September 1945*

	March 1945			September 1945		
	283 wholesale bakeries	15 house-to-house bakeries	20 chain store bakeries	283 wholesale bakeries	15 house-to-house bakeries	20 chain store bakeries
Total pounds sold...	275,010,693	18,593,581	15,278,068	299,107,725	18,739,478	16,379,522
	Cents per pound					
Average sales realization.....	7.78	10.42	[1]6.97	7.76	10.52	[1]6.88
Cost to produce and wrap:						
Materials.....	3.43	3.87	3.81	3.49	3.98	3.77
Direct production labor.....	.87	.90	.88	.92	.93	.93
Indirect labor and overhead...	.70	.78	.82	.68	.76	1.10
Wrapping material.....	.40	.39	.45	.41	.45	.45
Total cost to produce and wrap....	5.40	5.94	5.96	5.50	6.12	6.25
Selling and delivery expense:						
Routemen and supervisors' compensation...	.93	2.29	.....	.91	2.30	.....
Delivery vehicle expense.....	.32	.67	.97	.32	.65	1.03
Other selling expense.....	.50	.57	.....	.48	.56	.....
Total selling and delivery expense.....	1.75	3.53	.97	1.71	3.51	1.03
Administrative and general expense..	.37	.47	.10	.34	.47	.10
Total selling, administrative and general expense.....	2.12	4.00	1.07	2.05	3.98	1.13
Total cost to produce and sell.....	7.52	9.94	7.03	7.55	10.10	7.38
Net profit on sales.....	.26	.48	[2].06	.21	.42	[2].50

[1] Represents average billing price to own stores.
[2] Denotes loss.

house bakeries and from chain store bakeries, as both of these types of bakery operations compete with the wholesale bakeries for the housewife's purchases of bakery products. Both the house-to-house bakeries and chain store bakeries sell directly to the housewife, the former by means of door-to-door delivery trucks and the latter through its affiliated retail grocery stores. There is presented in table 15 comparative costs per pound to produce and sell bread and rolls for 283 wholesale bakeries, 15 house-to-house bakeries and 20 chain store bakeries for March and September 1945.

As shown by the foregoing tabulation, the average net sales realization of the house-to-house bakeries was much higher than for the other two types of distribution, averaging 10.42 cents per pound for March and 10.52 cents per pound for September. These average prices compare with an average price reported by the wholesale bakeries of 7.78 cents per pound for March and 7.76 cents per pound for September. The average billing price of the chain store bakeries was 6.97 cents per pound for March and 6.88 cents per pound for September.

The chain store bakeries had the highest average unit cost to produce and wrap bread and rolls for both the March and September periods, averaging 5.96 cents per pound and 6.25 cents per pound, respectively. The unit cost to produce and wrap for the house-to-house bakeries averaged 5.94 cents per pound for March and 6.12 cents per pound for September. The costs of both the chain store and house-to-house bakeries were substantially higher than the costs of the wholesale bakeries which had an average unit cost of 5.40 cents per pound for March and 5.50 cents per pound for September. The increased costs to produce and wrap for the house-to-house and chain store bakeries resulted largely from higher costs of ingredient materials although both these types of operations also reported higher unit costs of direct production labor and indirect labor and overhead, for both March and September.

It will be noted that the selling and delivery expense of the house-to-house bakers was substantially higher than the same expense for the wholesale bakeries. This resulted from the different types of operations and particularly from the difference in the average sales per customer as the house-to-house bakers were selling at retail the daily requirements of the average household compared with the relatively much larger daily purchases of the store and restaurant customers of the wholesale bakeries. As the house-to-house driver-salesmen had smaller aggregate

weekly sales than the wholesale driver-salesmen, the former received a much higher rate of commission than the latter, which larger commission was reflected in the higher selling expense per pound of the house-to-house bakeries. The chain store bakeries employed no salesmen but only delivered their products to their affiliated retail grocery stores. Consequently, the only distribution expense sustained by the chain store bakeries was delivery vehicle expense, including truck drivers' wages.

The total cost to produce and sell bread and rolls for September 1945 ranged from 7.38 cents per pound for chain store bakeries to 10.10 cents per pound for house-to-house bakeries, with the wholesale bakers averaging 7.55 cents per pound. The aggregate cost to produce and sell bread and rolls for March averaged 7.52 cents per pound for the wholesale bakeries, 9.94 cents per pound for the house-to-house bakeries and 7.03 cents per pound for the chain store bakeries.

The house-to-house bakeries had the higher net profit on sales, averaging 0.48 cent per pound for March compared with 0.42 cent per pound for September. The next highest profit was reported by the wholesale bakeries which averaged 0.26 cent per pound for March compared with 0.21 cent per pound for September. The chain store bakeries reported net losses for both periods, averaging a net loss on sales of 0.06 cent per pound for March and 0.50 cent per pound for September. It will be noted that the costs for each type of operation increased in September over March 1945, and consequently the profits decreased as there was no substantial change in average prices realized.

Comparative bread and rolls costs for house-to-house bakeries.—In the Commission's 1942 inquiry of the wholesale bread industry, reports were obtained from house-to-house bakeries for the cost to produce and sell bread and rolls. Table 15 showed the costs as reported by 15 house-to-house bakeries for March and September 1945. As the number of house-to-house bakeries varied between 1942 and 1945, a statement was prepared showing the cost per pound to produce and sell bread and rolls for ten identical house-to-house bakeries for both periods in 1942 and 1945, and is presented as table 16.

As shown by the following tabulation the average sales realization obtained by house-to-house bakers for bread and rolls increased from 8.84 cents per pound for March 1942, to 9.60 cents per pound for September 1945, an increase of 8.6 percent. During the same period, total cost to produce and sell bread and rolls increased from 8.41 cents per pound for March 1942, to 9.41

cents per pound for September 1945, an increase of 11.9 percent. The larger increase in costs to produce and sell bread and rolls than in the average price realized was reflected in the lower net profit on sales which declined from 0.43 cent per pound for March 1942, to 0.19 cent per pound for September 1945. In other words, the net profit on sales decreased from 4.9 percent of net sales for this group of house-to-house bakeries for March 1942 to 2.0 percent of sales for September 1945.

TABLE 16.—*Cost per pound to produce and sell bread and rolls for 10 identical house-to-house bakeries for 1942 and 1945*

	10 house-to-house bakeries		10 house-to-house bakeries	
	March 1942	September 1942	March 1945	September 1945
Total pounds sold	9,597,815	9,971,007	10,365,981	10,366,078
	Cents per pound			
Average sales realization	8.84	8.79	9.56	9.60
Cost to produce and wrap:				
Materials	3.05	3.07	3.67	3.74
Direct production labor	.72	.77	.88	.91
Indirect labor and overhead	.70	.67	.72	.69
Wrapping materials	.36	.35	.31	.36
Total cost to produce and wrap	4.83	4.86	5.58	5.70
Selling and delivery expense:				
Routemen and supervisors' compensation	1.91	1.97	2.18	2.19
Delivery vehicle expense	.74	.68	.62	.60
Other selling expense	.55	.46	.47	.48
Total selling and delivery expense	3.20	3.11	3.27	3.27
Administrative and general expense	.38	.37	.44	.44
Total selling, administrative and general expense	3.58	3.48	3.71	3.71
Total cost to produce and sell	8.41	8.34	9.29	9.41
Net profit on sales	.43	.45	.27	.19

It will be noted from table 16 that the total cost to produce and wrap bread and rolls increased from 4.83 cents per pound for March 1942, to 5.70 cents per pound for September 1945, an increase of 0.87 cent per pound, or 18.0 percent. This increase in the total cost to produce and wrap bread and rolls reflected the higher costs of ingredient materials and higher wage rates. The cost of materials increased from 3.05 cents per pound for March 1942, to 3.74 cents for September 1945, while the unit cost of direct production labor increased from 0.72 cent per pound for March 1942, to 0.91 cent per pound for September 1945.

Flour cost for this group of house-to-house bakeries increased from an average of $2.84 per hundred-weight for March 1942, to $3.57 per hundred-weight for September 1945, an increase of 25.7 percent. This increased cost of flour was in addition to the

government subsidy on wheat milled into flour which for September 1945 amounted to the equivalent of 46 cents per hundredweight of flour.

The average white bread formula of the house-to-house bakeries for September 1942 contained 3.33 pounds of milk solids, 3.20 pounds of shortening and 6.05 pounds of sugar per hundredweight of flour. By September 1945, the milk content of the average formula had been increased to 3.96 pounds but as a result of shortages, the shortening had been reduced to 2.13 pounds and sugar to 5.59 pounds per hundred-weight of flour.

The increased unit cost of production labor in 1945 compared with 1942 resulted from higher wage rates. The average hourly wage, including overtime, for plant employees increased from 67.9 cents for March 1942 to 83.6 cents for September 1945, an increase of 23.1 percent.

Total selling and delivery expense for this group of house-to-house bakers increased from 3.20 cents per pound for March 1942, to 3.27 cents per pound for September 1945. This increase resulted from higher unit cost for routemen's and supervisors' compensation which increased from 1.91 cents per pound for March 1942, to 2.19 cents per pound for September 1945, while delivery vehicle expense showed a steady decline for 0.74 cent per pound for March 1942, to 0.60 cent per pound for September 1945. Savings in the latter expense resulted from wartime restrictions on the use of delivery vehicles. Higher cost of routemen's and supervisors' compensation resulted from increased commission rates paid driver-salesmen. Average weekly earnings of driver-salesmen for this group of house-to-house bakeries increased from $40.44 for March 1942, to $69.89 for September 1945, an increase of 72.8 percent.

There was an increase of 8.0 percent in total poundage of bread and rolls sold and an increase of 17.3 percent in dollar sales between March 1942 and September 1945. Route sales for house-to-house bakeries averaged $371 per week for March 1945 and $380 per week for September 1945. The weekly route sales for March 1945 ranged from a high of $531 for a Pacific coast bakery to a low of $215 for a bakery located in Iowa. For September 1945, the range was from a high of $522 for the same West Coast bakery to a low of $254 for an Indiana bakery. It will be noted that the average weekly route sales of house-to-house bakeries was much lower than for wholesale bakeries.

Administrative and general expense increased from 0.38 cent per pound for 1942 to 0.44 cent per pound for September 1945, an increase of 15.8 percent.

Comparative bread and rolls costs for chain store bakeries for 1942 and 1945.—The costs per pound to produce and sell bread and rolls for 20 chain store bakeries is presented in table 15. In order to present comparable costs with those obtained in the Commission's 1942 inquiry of the baking industry, there is presented in table 17 the costs per pound to produce and sell bread and rolls for 15 identical chain store bakeries for both periods in 1942 and 1945.

TABLE 17.—*Cost per pound to produce and sell bread and rolls for 15 identical chain store bakeries for 1942 and 1945*

	15 chain store bakeries		15 chain store bakeries	
	March 1942	September 1942	March 1945	September 1945
Total pounds sold	11,978,236	11,900,902	9,502,013	10,652,569
	Cents per pound			
Average billing price	6.23	6.27	6.70	6.55
Cost to produce and wrap:				
Materials	3.06	3.12	3.68	3.65
Direct production labor	.51	.57	.94	.95
Indirect labor and overhead	.63	.63	.87	.84
Wrapping materials	.44	.45	.38	.38
Total cost to produce and wrap	4.64	4.77	5.87	5.82
Selling and delivery expense:				
Routemen and supervisors' compensation	.01	.01	.....	.....
Delivery vehicle expense	.53	.58	.90	.94
Other selling expense	.20	.21	.....	.....
Total selling and delivery expense	.74	.80	.90	.94
Administrative and general expense	.40	.42	.09	.07
Total selling, administrative and general expense	1.14	1.22	.99	1.01
Total cost to produce and sell	5.78	5.99	6.86	6.83
Net profit on sales	.45	.28	[1].16	[1].28

[1] Denotes loss.

The foregoing tabulation of chain store bakeries reflects operations of baking plants operated by First National Stores Co. The Great Atlantic & Pacific Tea Co. and Safeway Stores, Inc., three of the largest chain retail grocery systems in the country.

It will be noted that the total pounds sold decreased slightly in September 1942 compared with March 1942, decreased in March 1945, but increased in September 1945 over March 1945. The net decrease in the poundage sold between March 1942 and September 1945 amounted to 11.1 percent. The average billing

price per pound increased from 6.23 cents for March 1942, to 6.55 cents for September 1945, an increase of 5.1 percent.

For this group of chain store bakeries, the total cost per pound to produce and wrap bread and rolls increased from 4.64 cents for March 1942, to 5.82 cents for September 1945, an increase of 1.18 cents per pound, or 25.4 percent. This increase in production cost resulted from higher costs of ingredient materials and higher labor costs, although these costs were offset by a small decrease in the cost of wrapping materials.

The cost of white flour for this group of chain store baking plants increased from $2.78 per hundred-weight for March 1942 to $3.47 per hundred-weight for September 1945, or 24.8 percent. The costs of other ingredients, likewise, have risen over the 3½-year period. However, there has been no substantial change in the average formula for white bread for chain store bakeries. In September 1942, the average formula contained 4.12 pounds of milk solids, 3.55 pounds of shortening and 5.32 pounds of sugar compared with an average formula for September 1945 of 4.42 pounds of milk solids, 2.23 pounds of shortening and 5.52 pounds of sugar.

The increased cost of production labor resulted partly from higher wage rates. The average hourly wage rate, including overtime, of plant employees increased from 91.8 cents for March 1942 to 96 cents for September 1945.

Selling and delivery expense for this group of chain store bakeries increased from 0.74 cent per pound for March 1942, to 0.94 cent per pound for September 1945, an increase of 27 percent. There was a substantial decrease in administrative and general expense from 0.40 cent per pound for March 1942, to 0.07 cent per pound for September 1945. However, in spite of this reduction in the latter expense, there was an increase in the total cost to produce and sell bread and rolls, from 5.78 cents per pound for March 1942, to 6.83 cents per pound in September 1945, an increase of 1.05 cents per pound, or 18.2 percent. As a result of the substantial increase in costs and expenses for this group of chain store bakeries, net profit on sales were reduced from 0.45 cent per pound for March 1942, to a loss of 0.28 cent per pound for September 1945, a decrease of 0.73 cent per pound.

SECTION 2. PROFITS OF WHOLESALE BAKING INDUSTRY

Introduction.—Information concerning the profitableness of the operations of the Wholesale Baking Industry is presented in this section of the report in terms of the profit or loss on net

sales and the return on net worth for the years 1936 to 1945, inclusive. The financial data were obtained for the years 1936 to 1941, inclusive, in the Commission's 1942 inquiry of the Bread Industry for the Director of the Office of Economic Stabilization, and financial data for the years 1942 to 1945, inclusive, were obtained in the Commission's current inquiry of the Wholesale Baking Industry.

Usable financial data were obtained from a maximum of 332 baking companies with plants located in all sections of the United States. Such information was received from the largest four companies in the industry as well as from a representative number of other large, medium and small-sized baking companies.

The companies have been classified into five size groups based on the sales of the latest available full year of operations, that is, either 1944 or 1945. The first group includes baking companies with annual sales under $500,000; the second group includes baking companies with annual sales from $500,000 to $1,000,000; the third group includes baking companies with annual sales from $1,000,000 to $10,000,000; the fourth group includes baking companies with annual sales from $10,000,000 to $50,000,000; and the fifth group includes companies with annual sales over $50,000,000. The last named group includes the largest four baking companies in the industry, namely, Continental Baking Company, Inc., General Baking Company, Purity Bakeries Corporation and Ward Baking Company.

Profits on bakery sales.—The average rates of profit on net sales is presented in table 18 comparatively for each size group for the years 1936 to 1945, inclusive. Also, this table shows the number of companies reporting profits and the number reporting losses for each size group by years.

The average rate of profit on sales for all baking companies included in the above table ranged from a maximum of 7.63 percent for 1943 to a minimum of 4.05 percent for 1937. The average rate of profit on sales was 5.15 percent for 1936, dropping to 4.05 percent for 1937, increasing to 5.66 percent for 1938, then declining each year to 4.38 percent for 1941. The highest average profits were reported for each of the war years 1942 to 1945, inclusive, reaching a maximum of 7.63 percent for 1943. Similar patterns were reported by baking companies included in each of the various sized groups which reported higher profits during the war years than in any of the preceding 6 years beginning in 1936.

TABLE 18.—*Average rates of profit on net sales of bakery companies and number of companies reporting net profit (or loss) by size groups — years 1936–45*

Year	Sales under $500,000	Sales of $500,000 to $1,000,000	Sales of $1,000,000 to $10,000,000	Sales of $10,000,000 to $50,000,000	Sales over $50,000,000	All companies
	Average rate of profit (percent) on net sales					
1936	2.37	4.43	4.30	4.58	6.27	5.15
1937	1.27	3.50	3.11	4.12	5.01	4.05
1938	2.08	4.32	5.95	6.44	6.19	5.66
1939	2.90	4.92	5.99	6.62	5.45	5.41
1940	2.47	4.62	4.91	5.98	4.93	4.79
1941	2.68	4.25	4.22	5.54	4.54	4.38
1942	3.57	5.26	5.35	6.81	7.17	6.38
1943	5.04	6.39	6.77	7.80	8.47	7.63
1944	3.18	4.87	5.93	6.60	7.09	6.39
1945	4.93	5.75	6.93	6.25	6.35	6.36
	Number of companies reporting profits					
1936	86	56	33	5	4	184
1937	88	54	29	5	4	180
1938	103	59	34	6	4	206
1939	121	63	35	6	4	229
1940	127	63	34	6	4	234
1941	145	65	35	6	4	255
1942	60	60	59	8	4	191
1943	68	62	60	8	4	202
1944	55	58	59	8	4	184
1945	55	59	54	8	4	180
	Number of companies reporting losses					
1936	43	12	2	0	0	57
1937	51	19	9	1	0	80
1938	46	15	5	0	0	66
1939	42	12	4	0	0	58
1940	50	13	5	0	0	68
1941	54	15	8	0	0	77
1942	16	3	2	0	0	21
1943	10	2	1	0	0	13
1944	23	6	1	0	0	30
1945	10	3	1	0	0	14

The highest rates of profit on sales were reported for most years by the largest four companies in the industry, with sales in 1945 in excess of $50,000,000 each. For this group of companies, the average rate of profits ranged from the low of 4.54 percent for 1941 to a high of 8.47 percent for 1943, an increase of 87 percent. The rate of profit decreased to 7.09 percent for 1944 and to 6.35 percent for 1945. The rates of profits on sales for each of the last 2 years was higher than for any prewar year since 1936. None of the companies in this group reported a loss in any year.

The group of companies reporting the lowest average rate of profit on sales was the baking companies with annual sales of

less than $500,000. The rate of profit on sales for this group ranged from a low of 1.27 percent in 1937 to a high of 5.04 percent for 1943, an increase of nearly 300 percent. It will be noted that in 1937, 51 out of the 139 companies in this group reported losses, while in 1943, the year in which the companies reported the maximum average profit, only 10 companies reported losses, or 13 percent of the total number of companies in this group, in that year.

For the group of wholesale baking companies reporting annual sales from $500,000 to $1,000,000, the average rate of profit on sales ranged from a low of 3.5 percent for 1937 to a high of 6.39 percent for 1943. In this group, 19 companies reported losses for 1937, compared with 54 reporting profits for the same year. However, for 1943, 62 companies reported profits compared with only 2 companies reporting losses.

The range of rate of profit on sales for the group of wholesale baking companies with annual sales from $1,000,000 to $10,000,000 was from a maximum of 6.93 percent for 1945 to a minimum of 3.11 percent for 1937. For 1943, the year in which each of the other groups reported maximum profits, this group reported an average profit on sales of 6.77 percent. The number of companies included in this group reporting losses was 9 for 1937, while in each of the years 1943 to 1945, inclusive, only one company reported a loss.

For the group of companies reporting annual sales from $10,000,000 to $50,000,000, the average rate of profit on sales ranged from a minimum of 4.12 percent for 1937 to a maximum of 7.80 percent for 1943. While there are only a small number of companies in this group, in 1937 only did a single company in this group report a loss during the entire 10-year period from 1936 to 1945, inclusive.

While the number of companies reporting varied from year to year, percentagewise the greatest number of companies reporting losses was in 1937 when it reached 31 percent of all the companies included in the tabulation. On the other hand, the smallest number of companies reporting losses was 13 for the year 1943, or only 6 percent of the total number of companies reporting for that year. On the basis that the reporting companies were representative of the Wholesale Baking Industry, it is apparent that the industry as a whole under war-time price regulations and controls has considerably improved its profit position. Largely, these improvements in profits have resulted from restrictions on costly and uneconomic trade practices such

as consignment selling, return of stales, furnishing free bread racks and other equipment, and giving away premiums, which were prohibited by War Food Order No. 1. Although compliance with the order was incomplete, partial elimination of these uneconomic and wasteful practices has permitted the industry to earn higher profits than in the prewar years in spite of increase in ingredient and labor costs. From the profit motive, it would be advantageous for the Wholesale Baking Industry to eliminate permanently such trade practices. Especially would this benefit the smaller companies which, because of their limited capital, were unable to combat the extensive price wars and intense competition prevalent in the Wholesale Baking Industry prior to wartime regulations.

The range of net profit on sales reported by individual companies included in each size group for the years 1936 to 1945, inclusive, are presented in table 19.

TABLE 19.—*Range of rates of net profit (or loss) on sales of bakery companies by size groups — 1936 to 1945*

Sales Group	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
	Rates of profit									
	Per-cent	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*
Under $500,000:										
Low	0.11	0.02	0.02	0.05	0.04	0.07	0.25	0.23	0.34	0.25
High	25.73	19.37	21.47	28.53	24.72	22.00	21.21	22.34	23.83	19.34
$500,000 to $1,000,000:										
Low	0.01	0.69	0.07	0.21	0.34	0.11	0.37	0.19	0.49	0.68
High	20.61	18.80	23.22	20.53	18.31	18.58	14.91	14.38	13.71	13.56
$1,000,000 to $10,000,000:										
Low	0.63	0.18	0.10	0.09	0.26	0.74	0.64	1.02	0.47	0.43
High	15.44	13.67	14.03	17.26	14.41	15.25	17.75	17.53	15.15	18.77
$10,000,000 to $50,000,000:										
Low	1.39	1.22	1.57	2.23	2.75	0.99	1.53	1.03	2.53	2.90
High	9.20	8.33	11.24	13.13	13.04	12.70	15.31	15.51	15.98	14.51
Over $50,000,000:										
Low	4.29	2.88	2.70	0.65	0.01	0.37	4.02	5.51	5.90	4.98
High	7.40	6.72	7.71	7.32	7.16	6.07	8.17	10.00	9.44	9.38
	Rates of loss									
Under $500,000:										
Low	0.01	0.02	0.08	0.04	0.06	0.11	0.07	0.11	0.04	0.01
High	20.07	14.88	10.91	11.99	8.60	16.22	13.65	11.93	12.11	7.52
$500,000 to $1,000,000:										
Low	0.01	0.02	0.03	0.28	0.16	0.03	0.07	1.22	0.55	0.89
High	20.26	4.75	3.35	7.52	5.73	8.60	3.58	1.74	3.61	4.90
$1,000,000 to $10,000,000:										
Low	1.37	0.60	0.06	0.21	0.17	0.07	1.12	4.94	0.23	0.40
High	4.61	3.28	1.78	1.03	1.25	3.61	1.53	4.94	0.23	0.40
$10,000,000 to $50,000,000:										
Low	0	0.23	0	0	0	0	0	0	0	0
High	0	0.23	0	0	0	0	0	0	0	0
Over $50,000,000:										
Low	0	0	0	0	0	0	0	0	0	0
High	0	0	0	0	0	0	0	0	0	0

As shown by the foregoing tabulation, the baking companies with annual sales under $500,000 showed the widest range of net profits on sales, varying from a loss of 20.07 percent for 1936 to a profit of 28.53 percent reported by a company for 1939. On the other hand, the group of companies with annual sales in excess of $50,000,000 reported no losses for any year, and the rates of profit ranged from a maximum of 10 percent reported by one company for 1943 to a minimum of 0.01 percent reported for 1940. For the group of companies having annual sales ranging from $500,000 to $1,000,000, the net profit on sales reported by any individual company reached a maximum of 23.22 percent for 1938, compared with a net loss on sales for a company in the same group of 2.26 percent for 1936. The maximum profit reported by any company included in the sales group from $1,000,000 to $10,000,000 was 18.77 percent for 1945, while the greatest loss was 4.94 percent reported by a company for 1943. The baking companies with annual sales from $10,000,000 to $50,000,000 reported net profits on sales ranging from a maximum profit of 15.98 percent for 1944 to a loss of 0.23 percent for 1937. As previously stated, only one company in this group reported a loss in any year during the period from 1936 to 1945, inclusive.

TABLE 20.—*Number of bakery companies reporting net profits (or loss) on net sales by 5 percent range groups — years 1936 to 1945*

Year	0. to 4.99 percent	5.00 to 9.99 percent	10.00 to 14.99 percent	15.00 to 19.99 percent	20.00 to 24.99 percent	25.00 to 29.00 percent	Total companies
	Number of companies reporting net profits on net sales						
1936	103	55	15	9	1	1	184
1937	127	37	10	6	.....	.....	180
1938	116	61	19	7	3	.....	206
1939	126	67	22	12	1	1	229
1940	147	61	18	7	1	.....	234
1941	152	71	23	8	1	.....	255
1942	105	57	25	3	1	.....	191
1943	82	85	30	4	1	.....	202
1944	95	69	16	3	1	.....	184
1945	69	81	26	4	.....	.....	180
	Number of companies reporting losses on net sales						
1936	49	6	.....	.....	2	.....	57
1937	71	6	3	.....	.....	.....	80
1938	62	3	1	.....	.....	.....	66
1939	50	7	1	.....	.....	.....	58
1940	61	7	.....	.....	.....	.....	68
1941	66	8	2	1	.....	.....	77
1942	19	1	1	.....	.....	.....	21
1943	12	.....	1	.....	.....	.....	13
1944	28	1	1	.....	.....	.....	30
1945	13	1	.....	.....	.....	.....	14

Table 20 presents the number of baking companies reporting net profits or losses on sales for each of the years 1936 to 1945, inclusive, by 5 percent range groups.

As shown by the foregoing tabulation, a majority of the companies reporting for each year reported net profits on sales of less than 5 percent with the exception of the years 1943 and 1945, when a majority of the baking companies reported net profits on sales of 5.0 to 9.99 percent. For the entire period from 1936 to 1945, inclusive, an annual average of 112 companies reported profits up to 4.99 percent; an average of 64 companies reported profits from 5.0 to 9.99 percent; an average of 20 companies reported profits ranging from 10.0 to 14.99 percent; an average of 6 companies reported profits ranging from 15.0 to 19.99 percent; and an average of only 1 company reported profits ranging above 20 percent in any one year. On the other hand, an annual average of 43 companies reported losses of less than 5 percent; an average of 4 companies reported losses ranging from 5 to 9.99 percent; and an average of only one company per year reported losses in excess of 10 percent. Over the entire period an annual average of 204 companies reported profits and an average of 48 companies reported losses.

Return on net worth for wholesale baking companies.—The average rates of return on net worth are presented in table 21 for a representative group of wholesale baking companies by sales groups for the years 1936 to 1945, inclusive. Net worth includes for incorporated companies capital stock, surplus and surplus reserves; and for unincorporated companies, includes the proprietors' or partners' investment in the enterprise. The profits available for return on average net worth represent the net income available for dividends or for credit to the partners' or proprietors' accounts before deduction of income taxes. As many of the wholesale baking companies, particularly the smaller companies, are owned by partnerships or individuals the income taxes are paid by the individual owners. Consequently, on this basis the rates of return on average net worth for both incorporated and unincorporated businesses are comparable. Many of the companies furnished financial data for only part of the year 1945, so the rates of return for the part year have been converted to an annual basis.

The average rate of return on net worth for all baking companies included in the tabulation ranged from a maximum of 27.96 percent for 1943 to a minimum of 10.20 percent for 1937. The rates of return for all companies combined varied only

TABLE 21.—*Average rates of profit[1] on net worth for bakery companies and number of companies reporting net profit (or loss) by size groups — years 1936–45*

Year	Sales under $500,000	Sales of $500,000 to $1,000,000	Sales of $1,000,000 to $10,000,000	Sales of $10,000,000 to $50,000,000	Sales over $50,000,000	Total
	Average rates of profit[1] (percent) on net worth					
1936	8.74	14.75	10.25	10.49	11.86	11.47
1937	6.43	13.01	8.49	10.66	10.60	10.20
1938	7.44	15.65	13.43	17.04	12.06	12.97
1939	9.47	15.71	13.57	16.17	10.49	12.14
1940	8.80	16.13	12.01	15.56	9.60	11.30
1941	11.06	16.09	12.17	16.76	10.09	12.05
1942	15.56	21.90	20.84	20.68	21.64	21.06
1943	23.27	26.54	28.03	27.21	28.86	27.96
1944	15.18	21.09	24.80	23.79	25.78	24.42
1945	21.80	23.82	29.94	23.28	25.25	25.57
	Number of companies reporting profits					
1936	85	54	31	5	4	179
1937	95	55	31	5	4	190
1938	95	56	36	6	4	197
1939	120	59	36	6	4	225
1940	121	64	36	6	4	231
1941	149	68	38	6	4	265
1942	64	60	61	8	4	197
1943	71	61	61	8	4	205
1944	57	58	61	8	4	188
1945	58	57	54	8	4	181
	Number of companies reporting losses					
1936	34	12	3	0	0	49
1937	38	17	7	1	0	63
1938	47	17	3	0	0	67
1939	38	14	4	0	0	56
1940	48	11	4	0	0	63
1941	43	10	5	0	0	58
1942	13	1	1	0	0	15
1943	8	1	1	0	0	10
1944	22	4	0	0	0	26
1945	7	3	1	0	0	11

[1] Before income taxes.

slightly from the years 1936 to 1941, but in 1942, the average rate of return on net worth increased to 21.06 percent compared with 12.05 percent for 1941. Thereafter, the rates of return increased to 27.96 percent for 1943, decreased to 24.42 percent for 1944, and increased to 25.57 percent for 1945. It will be noted that the rates of return on average net worth varied considerably for each size group, and that profits were much higher for the war years, 1942 to 1945, inclusive.

For the group reporting sales in excess of $50,000,000 annually, the average rates of return on net worth ranged from a high of 28.86 percent for 1943 to a low of 9.60 percent for

1940. All four companies included in this group reported profits in each of the years from 1936 to 1945, inclusive.

For the group of companies reporting annual sales from $10,000,000 to $50,000,000, the average rates of return on net worth ranged from a maximum of 27.21 percent for 1943, to a minimum of 10.49 percent for 1936. There was a general upward trend of the profits applicable to net worth for this group of companies from 1936 to 1943, and thereafter a small reduction for each of the years 1944 and 1945. Only one of the companies in this group reported a loss in any year and that was for the year 1937.

For the group of companies reporting annual sales from $1,000,000 to $10,000,000, the average rate of return on net worth ranged from a maximum of 29.94 percent for 1945, to a minimum of 8.49 percent for 1937. The average rate of return for 1945 reported by this group was the highest for any group in any year. Most of the companies in this group reported profits for each year, although as many as 7 companies reported losses for the year 1937.

For the group of companies reporting annual sales of $500,000 to $1,000,000, the rate of return on average net worth ranged from a high of 26.54 percent for 1943 to a low of 13.01 percent for 1937. An average of 59 companies included in this group reported profits each year and an average of 9 companies reported losses. A maximum number of 17 companies reported losses for each of the years 1937 and 1938.

For the group of companies reporting sales under $500,000 annually, the rates of return on average net worth ranged from a high of 23.27 percent for 1943 to a low of 6.43 percent for 1937. It will be noted that there was a big improvement in the rates of return for this group beginning with the year 1941, reflecting improved business conditions in the industry. An average of 92 companies included in this group reported profits each year, and an average of 30 companies reported losses.

Generally speaking, it will be noted that each group of companies reported the maximum profit for the year 1943, and reported the minimum profit for 1937. Also, it will be noted that there has been considerable improvement in the average rates of return on net worth beginning in 1941, although during the period from 1942 to 1945, inclusive, the Wholesale Baking Industry was operated under wartime controls of prices and trade practices. During this war period, there was no general price increase for bread and rolls, although the bakers were allowed

to adjust prices of sweet goods in line with increases in ingredient and labor costs. As a result of the prohibition by War Food Order No. 1 of certain wasteful and uneconomic trade practices such as consignment selling, return of stales, furnishing of bread racks and other equipment, and the giving away of premiums, the Wholesale Baking Industry, as a whole, although observance was incomplete, has been enabled to increase its profits in spite of increased ingredient and labor costs.

The range of the rates of return on average net worth by size groups for each of the years 1936 to 1945, inclusive, is presented in table 22. This table shows the wide variation in rates of return on average net worth.

For the group of companies with sales under $500,000 annually, the rate of return on average net worth ranged from a profit of

TABLE 22.—*Range of rates of return[1] on net worth for bakery companies by size groups — 1936–45*

Sales groups	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
	Rate of profit[1]									
	Per-cent	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*	*Per-cent*
Under $500,000:										
Low	0.19	0.16	0.06	0.02	0.15	0.04	0.83	0.68	1.88	0.62
High	204.23	139.40	138.00	122.95	63.03	118.47	112.62	203.72	143.57	180.66
$500,000 to $1,000,000:										
Low	2.75	1.78	1.64	0.96	1.32	1.64	1.73	0.87	2.59	4.44
High	74.66	49.07	61.78	76.96	184.25	197.11	121.73	82.08	87.70	82.78
$1,000,000 to $10,000,000:										
Low	0.87	0.92	0.01	0.54	0.50	0.32	2.64	9.57	3.01	8.57
High	54.16	41.81	66.38	121.75	72.93	94.95	69.23	77.04	73.37	82.69
$10,000,000 to $50,000,000:										
Low	2.51	4.80	3.37	4.40	7.54	2.41	2.89	3.40	5.84	6.10
High	22.87	23.48	29.45	35.75	41.24	56.53	45.98	54.98	54.04	47.42
Over $50,000,000:										
Low	9.43	6.49	5.10	1.85	0.47	1.81	11.35	17.91	19.73	20.03
High	13.81	14.02	14.77	16.39	12.30	15.82	30.07	42.55	35.55	34.87
	Rate of loss									
Under $500,000:										
Low	0.30	0.25	0.08	0.20	0.01	0.07	0.42	2.78	0.53	0.35
High	242.08	286.11	147.31	199.08	164.45	197.70	333.90	77.99	302.78	216.97
$500,000 to $1,000,000:										
Low	0.01	0.91	0.37	0.03	1.15	1.16	1.88	10.56	1.38	4.24
High	85.77	65.71	62.86	98.41	73.50	27.11	1.88	10.56	23.21	8.32
$1,000,000 to $10,000,000:										
Low	1.10	0.37	1.55	0.05	0.39	0.49	7.00	24.91	0	0.77
High	24.62	8.13	11.39	4.30	4.80	27.75	7.00	24.91	0	0.77
$10,000,000 to $50,000,000:										
Low	0	1.25	.....	.....	.....	.....	0	.....	.....	.....
High	0	1.25	.....	.....	.....	.....	0	.....	.....	.....
Over $50,000,000:										
Low	0	.....	.....	.....	.....	.....	0	.....	.....	.....
High	0	.....	.....	.....	.....	.....	0	.....	.....	.....

[1] Before income taxes.

204.23 percent reported by a company for 1936, to a loss of 333.9 percent reported by another company for the year 1942. For the group of companies with sales ranging from $500,000 to $1,000,000 the rate of return on average net worth ranged from a profit of 197.11 percent for a company in 1941 to a loss of 98.41 percent for another company for 1939. For the group of companies reporting sales from $1,000,000 to $10,000,000, the

TABLE 23.—*Number of bakery companies reporting net profits[1] (or loss) on average net worth by 5 percent range groups — years 1936–45*

Profit and loss ranges	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
	Number of companies reporting net profits[1] on average net worth									
Percent										
0 to 4.99	33	45	45	43	45	43	15	7	8	7
5.00 to 9.99	31	43	30	44	39	50	16	14	17	15
10.00 to 14.99	38	31	32	29	42	34	39	31	29	25
15.00 to 19.99	14	17	28	37	34	38	26	23	30	14
20.00 to 24.99	18	16	12	17	15	28	25	20	24	30
25.00 to 29.99	12	12	12	14	6	15	20	26	16	19
30.00 to 34.99	8	8	9	12	14	15	17	13	13	16
35.00 to 39.99	3	2	8	4	10	12	11	16	13	18
40.00 to 44.99	4	5	4	5	6	4	4	14	10	8
45.00 to 49.99	2	5	6	5	8	6	9	7	6	4
50.00 to 54.99	6	.....	2	5	4	6	3	5	10	8
55.00 to 59.99	2	.....	2	2	2	3	2	10	6	2
60.00 to 64.99	.....	.....	3	2	2	2	2	6	.....	1
65.00 to 69.99	1	1	1	.....	.....	2	3	1	1	3
70.00 to 74.99	1	2	.....	1	2	1	1	6	1	2
75.00 to 79.99	2	.....	.....	1	.....	1	1	1	.....	2
80.00 to 84.99	.....	.....	.....	.....	.....	.....	.....	2	.....	3
85.00 to 89.99	.....	.....	1	.....	.....	1	1	.....	1	.....
90.00 to 94.99	.....	.....	.....	1	1	1	.....	.....	1	.....
95.00 to 99.99	1	1	.....	.....	.....	1	.....	.....	.....	.....
100.00 and over	3	2	2	3	1	2	2	3	2	4
	179	190	197	225	231	265	197	205	188	181
	Number of companies reporting net loss on average net worth									
0 to 4.99	29	28	34	27	27	15	6	1	6	4
5.00 to 9.99	4	15	9	10	13	15	2	3	6	4
10.00 to 14.99	3	7	9	5	11	9	3	1	2	.....
15.00 to 19.99	3	3	2	3	4	4	.....	1	4	.....
20.00 to 24.99	4	3	3	2	3	1	.....	1	2	.....
25.00 to 29.99	.....	2	2	2	.....	4	.....	.....	.....	.....
30.00 to 34.99	.....	1	1	.....	.....	1	.....	.....	.....	.....
35.00 to 39.99	1	.....	.....	1	.....	1	.....	2	1	.....
40.00 to 44.99	1	.....	3	.....	1	2	1	.....	1	1
45.00 to 49.99	1	.....	1	1	.....	1	.....	.....	.....	.....
50.00 to 54.99	.....	.....	.....	.....	1	1	.....	.....	.....	1
55.00 to 59.99	.....	.....	.....	.....	1	.....	.....	.....	-	.....
60.00 to 64.99	1	1	1	.....	1	.....	1	.....	.....	.....
65.00 to 69.99	.....	1	.....	1	.....	1	.....	.....	.....	.....
70.00 to 74.99	.....	.....	1	1	1	.....	.....	.....	.....	.....
75.00 to 79.99	.....	.....	.....	.....	.....	.....	.....	1	.....	.....
80.00 to 84.99	.....	1	.....	.....	.....	1	.....	.....	.....	.....
85.00 to 89.99	1	.....	.....	1	.....	.....	.....	.....	.....	.....
90.00 to 94.99	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
95.00 to 99.99	.....	.....	.....	1	.....	.....	.....	.....	.....	.....
100.00 and over	1	1	1	1	1	2	2	.....	3	1
	49	63	67	56	63	58	15	10	26	11

[1] Before deducting income taxes.

rate of return on average net worth ranged from a profit of 121.75 percent for 1939 to a loss of 27.75 percent for a company in 1941. The rate of return on average net worth for companies included in the group with sales of $10,000,000 to $50,000,000 ranged from a profit of 56.53 percent for one company in 1941 to a loss of 1.25 percent for a single company in 1937. The range for the group of four companies reporting sales in excess of $50,000,000 annually was from a maximum of 42.55 percent for one company in 1943 to a minimum of 0.47 percent for another company in the group for 1940.

The number of wholesale baking companies reporting net profits or net losses on average net worth by 5 percent range groups is presented in table 23 for the years 1936 to 1945, inclusive.

Capital turnover.—The profits on sales and the rates of return on net worth for the wholesale bakery industry by size groups have been presented and explained for the years 1936 to 1945, inclusive. Table 24 presents a comparison of the capital turnover

TABLE 24.—*Comparison of capital turnover, rate of profit on sales and rate of return on net worth for bakery companies by size groups, 1936 to 1945, inclusive*

Year	Sales under $500,000			Sales from $500,000 to $1,000,000			Sales from $1,000,000 to $10,000,000		
	Capital turnover	Rate of profit on sales	Rate of return on net worth	Capital turnover	Rate of profit on sales	Rate of return on net worth	Capital turnover	Rate of profit on sales	Rate of return on net worth
	Times	*Percent*	*Percent*	*Times*	*Percent*	*Percent*	*Times*	*Percent*	*Percent*
1936	3.39	2.37	8.74	3.12	4.43	14.75	2.22	4.30	10.25
1937	3.65	1.27	6.43	3.29	3.50	13.01	2.34	3.11	8.49
1938	3.37	2.08	7.44	3.20	4.82	15.65	2.19	5.95	13.43
1939	3.33	2.90	9.47	3.15	4.92	15.71	2.16	5.99	13.57
1940	3.48	2.47	8.80	3.33	4.62	16.13	2.27	4.91	12.01
1941	3.77	2.68	11.06	3.52	4.25	16.09	2.62	4.22	12.17
1942	3.94	3.57	15.56	3.78	5.26	21.90	3.41	5.35	20.84
1943	4.21	5.04	23.27	4.03	6.39	26.54	3.76	6.77	28.03
1944	4.23	3.18	15.18	4.10	4.87	21.09	3.87	5.93	24.80
1945	4.12	4.93	21.80	3.96	5.75	23.82	4.02	6.93	29.94
	Sales from $10,000,000 to $50,000,000			Sales over $50,000,000			All companies		
1936	2.64	4.58	10.49	1.85	6.27	11.86	2.19	5.15	11.47
1937	2.87	4.12	10.66	2.07	5.01	10.60	2.41	4.05	10.20
1938	2.79	6.44	17.04	1.93	6.19	12.06	2.28	5.66	12.97
1939	2.62	6.62	16.17	1.79	5.45	10.49	2.17	5.41	12.14
1940	2.75	5.98	15.56	1.80	4.93	9.60	2.25	4.79	11.30
1941	3.11	5.54	16.76	2.16	4.54	10.09	2.64	4.38	12.05
1942	3.05	6.81	20.68	3.02	7.17	21.64	3.19	6.38	21.06
1943	3.43	7.80	27.21	3.42	8.47	28.86	3.57	7.63	27.96
1944	3.65	6.60	23.79	3.69	7.09	25.78	3.77	6.39	24.42
1945	3.72	6.25	23.28	4.05	6.35	25.25	3.96	6.36	25.57

with the rate of profit on sales and the rate of return on net worth by size groups for each of the years 1936 to 1945, inclusive. The capital turnover represents the ratio of annual sales to investment, or net worth, and is an indication of the utilization of capital by the enterprise.

As shown by the foregoing table the group of baking companies with annual sales under $500,000 reported the maximum capital turnover for each year from 1936 to 1945, inclusive. The capital turnover for this group ranged from a low of 3.33 times for 1939 to a high of 4.23 times for 1944. These rates of turnover compare with 2.17 times for 1939 for all companies combined and 3.77 times for 1944. As a correlation of investment in the enterprise and net sales, the rates of capital turnover for this group indicate the relative higher efficiency of the smallest sized baking companies. In other words, the companies were operating at or near capacity and utilizing available capital to the fullest extent. Also, it will be noted that the rates of profit for this group were lower each year than for any other group, indicating that the group as a whole was able to operate profitably on a lower profit margin. There was a definite improvement in the profits reported by this group during the war period, 1942-45, as was likewise reported by each of the other groups of baking companies.

The trend of the rate of capital turnover, although somewhat lower in each case, was similar for the group of bakery companies with annual sales from $500,000 to $1,000,000, for the group of baking companies with annual sales from $1,000,000 to $10,000,000, and for the group of baking companies with annual sales from $10,000,000 to $50,000,000. The increased volume of sales during the war years resulted in higher rates of capital turnover, indicating better utilization of plant capacity. This was particularly true of the group of baking companies reporting annual sales in excess of $50,000,000, representing the largest four companies in the industry.

The capital turnover for this last group ranged from a low of 1.79 times for 1939, compared with 2.17 times for all companies for the same year, to a high of 4.05 times for 1945, compared to 3.96 times for that year for all companies combined. For most years during the period covered this group reported the highest rate of profit on sales and the highest rate of return on net worth.

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SECTION 3. PRICES AND PRICING PRACTICES OF WHOLESALE BAKING INDUSTRY.

Prices of bread.—It is difficult, and sometimes impossible, for bakers to adjust the prices of their bread in order to meet changing ingredient and labor costs by direct increase or decrease in the price per loaf. Increases are naturally unpopular and the retail price of a loaf of bread cannot be changed by less than a full cent. Likewise, the wholesale price is seldom changed except by a full cent, although in some markets wholesale prices change by half-cent steps. Changes in the pound price of bread may be, and frequently are, effected through variation of loaf weights rather than a change in the loaf prices. In this way, the per pound prices may be increased or decreased by fractional cents with the added or reduced weight of the loaves. However, in some states, laws regulating the weights and sizes of bread loaves limit the variations that may be made in loaf weights.

Statistics of wholesale and retail prices of bread were secured from a representative sample of large, medium and small-sized wholesale bakeries for September 1945. The data secured included the retail and wholesale prices, baked weight of the loaf, and the number of pounds of white, rye and whole-wheat breads sold for home consumption; also the wholesale price, baked weight of loaf, and pounds sold of the same types of bread for restaurant use. The prices furnished by the wholesale bakers were applied to the poundage reported sold for the most popular size loaf to

TABLE 25.—*Average retail price, average wholesale price and average retailer's margin per pound for the most popular size loaf of white bread for home consumption and average wholesale price per pound for white bread for restaurant use, by geographic areas — September 1945*

Area[1]	Average price per pound			
	Home consumption			Restaurant
	Retail	Wholesale	Retail Margin	Wholesale
	Cents	*Cents*	*Cents*	*Cents*
New England	9.00	7.37	1.63	8.03
Middle Atlantic	9.51	7.90	1.61	7.87
East North Central	8.71	7.29	1.42	7.59
West North Central	9.11	7.46	1.65	7.80
South Atlantic	9.86	8.14	1.72	7.97
East South Central	9.10	7.49	1.61	8.17
West South Central	8.90	7.40	1.50	7.28
Mountain	8.92	7.34	1.58	7.05
Pacific	8.94	7.16	1.78	7.13
All areas	9.18	7.57	1.61	7.66

[1] For list of States included in each area, see page 20.

arrive at the price per pound of each type of bread baked. Adequate data were secured from 322 wholesale baking plants located in nine geographic divisions or zone areas.

The range in wholesale prices for white bread for home consumption as of September 1945, was from 7.16 cents in the Pacific area to 8.14 cents in the South Atlantic area, a difference of 13.7 percent from the lowest to the highest average price. The retail prices ranged from 8.71 cents in the East North Central area to 9.86 cents in the South Atlantic area, a difference of 13.2 percent from low to high. The range of retail margin from 1.42 cents in the East North Central area to 1.78 cents in the Pacific area represents a difference of 25.4 percent.

TABLE 26.—*Average retail prices, average wholesale prices and average retailer's margin per pound for the most popular size loaf of rye bread for home consumption and average wholesale price per pound for rye bread for restaurant use, by geographic areas — September 1945*

Area[1]	Average price per pound			
	Home consumption			Restaurant
	Retail	Wholesale	Retail Margin	Wholesale
	Cents	*Cents*	*Cents*	*Cents*
New England	10.25	8.55	1.70	8.04
Middle Atlantic	10.45	8.70	1.75	8.02
East North Central	10.05	8.46	1.59	7.95
West North Central	10.16	8.28	1.88	8.09
South Atlantic	10.60	8.90	1.70	7.91
East South Central	9.22	7.84	1.38	7.90
West South Central	9.99	8.18	1.81	8.33
Mountain	10.76	8.76	2.00	8.00
Pacific	10.53	8.50	2.03	8.11
All areas	10.26	8.53	1.73	8.01

[1] For list of States included in each area, see page 20.

The retail grocer's margin is usually in even cents, 1 or 2 cents per loaf, but because of the variation in the weight of loaves the average margin falls in fractional cents. The margin per loaf, however, may be in fractional cents if the wholesale or retail price per loaf sold in quantities is in fractional cents. In the Chicago market, for instance, the volume loaf was the 20-ounce loaf priced at 8½ cents wholesale and 10 cents retail, resulting in a retail margin of 1½ cents. On the Pacific Coast the wholesale price was usually based on a stated percentage of the suggested retail price. For example, the retail margin on the popular 24-ounce loaf was 2.8 cents which represented 20 percent of the retail price of 14 cents.

The range in wholesale prices of white bread for restaurant use was from 7.05 cents in the Mountain area to 8.17 cents in the East South Central area, a difference of 15.9 percent.

The range in wholesale prices of rye bread for home consumption was from 7.84 cents for the East South Central area to 8.90 cents for the South Atlantic area, a difference of 13.5 percent. The retail price ranged from 9.22 cents for the East South Central area to 10.76 cents for the Mountain area, a difference of 16.7 percent. The smallest retail margin per pound likewise was in the East South Central area, 1.38 cents, while the highest margin was 2.03 cents for the Pacific area. The average price to restaurants ranged from 7.90 cents for the East South Central

TABLE 27.—*Average retail prices, average wholesale prices and average retailer's margin per pound for the most popular size loaf of whole wheat bread for home consumption and average wholesale price per pound for restaurant use, by geographic areas, September 1945*

Area[1]	Average price per pound			
	Home consumption			Restaurant
	Retail	Wholesale	Retail Margin	Wholesale
	Cents	*Cents*	*Cents*	*Cents*
New England	10.55	8.83	1.72	8.07
Middle Atlantic	10.74	8.96	1.78	8.00
East North Central	10.46	8.75	1.71	7.87
West North Central	10.01	8.16	1.85	8.01
South Atlantic	10.53	8.66	1.87	8.04
East South Central	9.31	7.65	1.66	7.97
West South Central	9.58	7.82	1.76	7.36
Mountain	9.49	7.65	1.84	7.12
Pacific	9.99	8.07	1.92	7.55
All areas	10.27	8.47	1.80	7.83

[1] For list of States included in each area, see page 20.

area to 8.33 cents for the West South Central area, a difference of only 5.4 percent. Restaurant bread is universally priced at close to 8 cents per pound.

The range in wholesale prices of whole wheat bread for home consumption was from 7.65 cents for the East South Central and Mountain areas to 8.96 cents for the Middle Atlantic area, a difference of 17.1 percent. The average retail price ranged from 9.31 cents for the East South Central area to 10.74 cents for the Middle Atlantic area, a difference of 15.4 percent. The average retail margin ranged from 1.66 cents per pound for the East South Central area to 1.92 cents for bread sold in the Pacific area. The average wholesale price to restaurants ranged from

7.12 cents for the Mountain area to 8.07 cents for the New England area, a difference of 13.3 percent.

Pricing practices.—Each market tends to have its own standard price per loaf and its own standard weight per loaf usually determined by a large interstate baking company or a substantial local bakery. The standard price in any given territory tends to remain unchanged over longer periods of time than the weight of loaves for the reason that changes in weight of loaves become the means of varying the price per pound without disturbing the standard price per loaf. The maintenance of "artificial" prices in low-cost years invites heavy competition of the chain-store bakery and expansion of smaller bakers resulting in so-called "bread wars" when the larger companies seek to regain lost sales volume.

Large wholesale baking companies operating in many markets price their home loaves at varying prices in different marketing areas. For instance, a large baking company in March 1943 sold a 20-ounce loaf of white pan bread at 8½ cents (6.8 cents per pound) in Chicago; 8 cents (6.4 cents per pound) in Gary, Ind., and Kankakee, Ill.; 9 cents (7.2 cents per pound) in Boston, Mass., Cleveland and Columbus, Ohio, Detroit, Mich., Logansport, Ind., New York City, Providence, R. I., St. Joseph, Mich., South Bend, Ind., and Syracuse, N. Y. This same company sold an 18-ounce loaf in St. Louis, Mo., at 8 cents (7.1 cents per pound) and at 9 cents (8 cents per pound) in Newark, N. J., and the metropolitan area of New York City; and a 16-ounce loaf at 7½ cents in Columbus, Ohio, Logansport, Ind., and St. Joseph, Mich.; 8 cents in Birmingham, Ala., and St. Louis, Mo.; and for 9 cents in Jacksonville, Fla. The range from 6.4 cents in Kankakee, and Gary, to 9 cents per pound in the Jacksonville area represents a difference of 40.6 percent between the lowest and the highest pric per pound in different territories served.

Variations in price, whether reflected in differences in price of loaves of like weight, or in differences in weights of loaves sold at the same price, are important factors in competition among large and small bakeries. The prices charged by large companies in any given area usually are the same for competing loaves of like weight. These prices may or may not be the lowest per pound charged by any bakery in the market. For instance, in Chicago, the larger bakeries sold a 22.25 to 22.5-ounce loaf for 9.5 cents (6.8 cents per pound) in September 1945. In this market the severest competition was from the "secondary" bakers

who sold a 22-ounce loaf at 9 cents (6.5 cents per pound). Other local bakers sold a 22-ounce loaf at 9.5 cents (6.9 cents per pound).

Based on wholesale costs, it might be expected that large baking companies would charge higher prices for bread in markets distant from their baking plants than are charged in nearby territory. The contrary, however, quite often is the case. For example, one large Chicago bakery reported as of September 1945, that it sold its 18-ounce white pan loaf for home consumption at 8, 8½, 9 and 9½ cents, and a 22.35-ounce loaf of the same grade and quality at 8, 9, 9½, and 10 cents. The variations in prices for the same weights denotes different prices prevailing in the several trade territories where this plant operates. This practice is illustrated on the maps facing pages 88 and 114. These maps are based on data obtained by Commission examiners from company records and checking of certain routes by interviews with depot managers, retailers and local bakers in the Spring of 1943. Similar situations exist in other markets and are discussed more fully in connection with variations in loaf weights and sizes.

Variations in the wholesale price of restaurant bread on a per pound basis from January 1941 through March 20, 1943, is exemplified by the prices charged by a large baking company in various markets. In Cleveland, Ohio, the price was increased from 6 cents per pound to 7.5 cents during the 5-week period ending July 5, 1941, where it remained through March 1943. In Baltimore, Md., the 7 cents price was increased to 7.5 cents about August 13, 1941, and in Columbus, Ohio, Boston, Providence, New York City, Syracuse, Newark, Philadelphia, Chicago, and South Bend, the price was raised from 7 cents to 8 cents during the summer or fall of 1941. In Birmingham, Ala., the price of 6.5 cents was not changed until March 1942, when it was increased to 8 cents, while in the Jacksonville, Fla., and St. Louis markets the price of 8 cents remained unchanged as did the 7 cents price in the Pittsburgh and Detroit markets, and the 7.5 cents price at Youngstown, Ohio.

Retail grocer's margin.—Bread in the hands of the retailer is a fast moving item usually handled on margins ranging from 1 to 1.5 or 2 cents per loaf on popular-size household loaves weighing one-pound to 1¼ pounds each, retailing at 10 or 11 cents per loaf. A margin of 1.5 cents on a 10-cent loaf represents a gross profit on sales of 15 percent, and a margin of 2

cents on an 11-cent loaf represents a gross profit of 18.2 percent on sales.

The average margin of 1.61 cents per pound represents a 17.5 percent gross return on the average weighted retail price of 9.18 cents per pound of white pan bread for all sections of the country. The grocer, however, received higher average margins on the dark breads. Rye bread averaged 1.73 cents per pound or 16.9 percent of the average retail price. The grocer's margin of 1.8 cents on the popular-size domestic loaves of whole wheat bread represents a gross profit of 17.5 percent of the average selling price.

Prior to War Food Order No. 1, effective January 18, 1943, the independent retail grocer handling bread on consignment had no investment in the stock of bread carried in his store. He, however, received a retail margin of 1 to 3 cents per loaf, representing approximately from 10 to 20 percent of the retail selling price. This seemingly narrow margin per dollar of sales, however, taking into consideration the relatively small capital required to stock bread and its daily turnover, becomes a substantial item of profit.

Loaf weights.—The number of different weights of loaf bread of the same kind varies in the different markets and even with different bakers in the same market. Some markets are spoken of as "one-size," "two-size" or "three-size" markets depending upon the number of weights in which bread is predominantly sold. For instance, in the Boston market the best selling weights baked by various bakers were reported to be the 20-ounce loaf, which seemed to predominate, and the 13-ounce, 18-ounce and 24-ounce weights. According to the report, 7 bakeries in the Baltimore market "reported 9 best selling breads made in 19 different weights, ranging from 13-ounces to 24-ounces per loaf, baked weight."

In September 1945, there was a greater number of sizes because of the Office of Price Administration order permitting prices to be increased up to 25 percent provided the weights of the loaves were increased proportionately. In the Chicago market, for instance, the regular 20-ounce loaves had been increased to baked weights of 22, 22.25, 22.35, and 22.5 ounces per loaf by four different bakeries. White pan domestic loaves were reported from 8-ounce loaves to 46-ounce loaves, the so-called 1-pound,

1¼-pound and 1½-pound loaves predominating. In the dark breads the largest sellers were in the 16– 17.9-ounce and 18–19.9-ounce loaves, representing 84 percent of the rye bread and 77.8 percent of the whole wheat bread reported sold for home consumption.

TABLE 28.—*Range of loaf weights of white, rye and whole wheat bread for home consumption — September 1945*

Loaf size	White	Rye	Whole wheat
	Percent	*Percent*	*Percent*
Under 12 ounces	0.04	.....	.....
12–13.9 ounces	1.58	0.79	.....
14–15.9 ounces	0.58	1.03	2.39
16–17.9 ounces	21.24	28.74	44.87
18–19.9 ounces	12.91	55.27	33.02
20–21.9 ounces	22.19	6.89	7.04
22–23.9 ounces	22.06	2.17	0.51
24–25.9 ounces	18.16	4.02	12.17
26–27.9 ounces	1.08	0.50	.....
28 ounces and over	0.16	0.59	.....

Restaurant white bread was reported from 8-ounce loaves to 68-ounce loaves. Restaurant bread is usually sold on a per pound basis, the 1½, 2, and 3-pound loaves predominating. It will be noted that the 1½-pound loaves (24–25.9-ounces) represented 25.03 percent; the 2-pound (32–33.9-ounces), 35.86 percent; and the 3-pound loaves (48–49.9-ounces), 7.97 percent. In rye bread, the largest sales to restaurant trade were in the 3-pound size (35.62 percent) as compared to 32.46 percent for the 2-pound

TABLE 29.—*Range of loaf weights of white, rye and whole wheat bread for restaurant trade — September 1945*

Loaf size	White	Rye	Whole wheat
	Percent	*Percent*	*Percent*
Under 16 ounces	0.84	0.18	.....
16–17.9 ounces	2.78	0.95	3.25
18–19.9 ounces	1.02	2.31	0.71
20–21.9 ounces	2.36	0.40	0.44
22–23.9 ounces	2.70	0.86	0.57
24–25.9 ounces	25.03	8.17	28.55
26–27.9 ounces	3.49	2.84	2.12
28–29.9 ounces	2.64	0.31	1.50
30–31.9 ounces	2.33	0.75	2.69
32–33.9 ounces	35.86	32.46	35.04
34–35.9 ounces	4.54	2.57	8.69
36–37.9 ounces	1.69	0.72	0.89
38–39.9 ounces	0.62	0.43	0.54
40–41.9 ounces	2.51	1.02	1.47
42–47.9 ounces	0.46	1.50	0.60
48–49.9 ounces	7.97	35.62	9.88
50–63.9 ounces	0.55	0.19	0.96
64–65.9 ounces	2.43	8.54	2.10
66 ounces and over	0.18	0.18	.....

loaf and 8.17 percent sold in the 1½-pound loaf. The 2-pound loaf of whole wheat bread was the most popular with the restaurant trade, while the 1½-pound loaf was second with 28.55 percent and the 3-pound loaf was third most popular.

Prices and weights of popular selling loaves of white bread in 72 cities.—There is presented in table 30 the range of loaf weights, retail prices per loaf and per pound and the wholesale prices per loaf and per pound for popular selling loaves of white home pan bread in 72 cities in September 1945. The cities are grouped in geographical areas since it has been found that prices and loaf weights tend to be the same in contiguous areas.

In the New England area it will be noted that the loaf weights varied from 19-ounces in Springfield, Mass., to 22½-ounces in Boston, Mass., while the retail prices per loaf ranged from 10 cents for the 19-ounce loaf sold in Springfield, to 12 cents for the 20–22½-ounce loaves sold in other cities. However, the retail price per pound varied from a maximum of 9.42 cents for the 20 and 21-ounce loaves sold in Manchester, N. H., to 8.38 cents for the 21-ounce loaf sold in Fall River, Mass. As there was uniformly a 2-cent margin between the wholesale and retail prices, the latter varied in direct proportion to the wholesale price which likewise was highest on a per pound basis for the bread sold in Manchester but was lowest for the bread sold in Springfield.

The range of loaf weights of the most popular selling loaves of white home pan bread in the Middle Atlantic area was from 16-ounces for a loaf sold in Scranton, Pa., to 22.25-ounces for loaves sold in New York City and Syracuse, N. Y. However, it will be noted that the prices per loaf were uniformly 12 cents with the exception of the loaf sold in Scranton, which was priced at 10 cents retail. Because of the wide variation in weights, the average retail price per pound ranged from a maximum of 9.77 cents for bread sold in New York City to a minimum of 8.64 cents for bread sold in Syracuse, N. Y. The wholesale prices for the popular selling loaves of white home pan bread sold in the Middle Atlantic area ranged from a high of 8.14 cents per pound in New York City to a low of 7.20 cents per pound in Syracuse.

In the East North Central area, the loaf weights of the most popular selling loaves of white home pan bread varied from 16-ounces for a loaf sold in Madison, Wis., to 25.85-ounces for a loaf sold in Milwaukee. The loaf weights reported in fractional ounces resulted from the bakeries increasing their loaf weights proportionately with an increase in loaf prices as permitted by

TABLE 30.—*Loaf weights, retail prices and wholesale prices of popular selling loaves of white home pan bread in 72 cities — September 1945*

	Loaf weights	Retail price		Wholesale price	
		Per loaf	Per pound	Per loaf	Per pound
	Ounces	*Cents*	*Cents*	*Cents*	*Cents*
NEW ENGLAND					
Boston, Mass.	22–22.5	12	8.62	10	7.19
Fall River, Mass.	21	11	8.38	9	6.86
Manchester, N. H.	20–21	12	9.42	10	7.89
Portland, Maine	22	12	8.73	10	7.27
Providence, R. I.	22.25	12	8.63	10	7.19
Springfield, Mass.	19	10	8.42	8	6.74
Waterbury, Conn.	21	12	9.14	10	7.62
MIDDLE ATLANTIC					
Albany, N. Y.	21–21.11	12	9.11	10	7.59
Buffalo, N. Y.	21	12	9.14	10	7.62
Newark, N. J.	19.5–20	12	9.48	10	7.90
New York, N. Y.	18.75–22.25	12	9.77	10	8.14
Pittsburgh, Pa.	20–20.75	12	9.40	10	7.83
Rochester, N. Y.	22	12	8.73	10	7.27
Scranton, Pa.	16–18.29	10	9.37	8	7.49
Syracuse, N. Y.	22–22.25	12	8.64	10	7.20
EAST NORTH CENTRAL					
Chicago, Ill.	18–22.35	11	7.90	9–9.5	6.80
Cincinnati, Ohio	22–24	12–15	8.71	10–12	7.25
Cleveland, Ohio	24–25.25	14	8.97	12	7.68
Columbus, Ohio	22.25	12	8.62	10	7.18
Detroit, Mich.	22.13–22.25	12	8.64	10	7.20
Fort Wayne, Ind.	22.25	12	8.63	10	7.19
Madison, Wis.	16	10	10.00	8	8.00
Milwaukee, Wis.	25–25.85	13	8.12	11	6.87
Peoria, Ill.	17–18	11	9.88	9	8.08
Springfield, Ill.	19	11	9.26	9	7.58
Youngstown, Ohio	19–21.5	12	9.29	10	7.74
WEST NORTH CENTRAL					
Cedar Rapids, Iowa	20	11	8.80	9	7.20
Des Moines, Iowa	20	11	8.80	9	7.20
Kansas City, Mo.	16–17.36	10	9.55	8	7.64
Minneapolis, Minn.	24–25.17	13	8.41	11	7.11
Omaha, Nebr.	20	11	8.80	9	7.20
St. Louis, Mo.	16–17.55	10	9.63	8	7.90
St. Paul, Minn.	24–24.74	12–14	8.96	10–12	7.21
Wichita, Kans.	17.25–17.5	10	9.20	8	7.36
SOUTH ATLANTIC					
Atlanta, Ga.	17–18	11	9.97	9	8.15
Baltimore, Md.	18–22.5	11–13	9.45	9–11	7.90
Charleston, W. Va.	16–17	11	10.57	9	8.65
Charlotte, N. C.	17	11	10.35	9	8.47
Jacksonville, Fla.	17	11	10.35	9	8.47
Norfolk, Va.	16–17	11	10.48	9	8.57
Richmond, Va.	20	11	8.80	9	7.20
Savannah, Ga.	17.75	11	9.92	9	8.11
Tampa, Fla.	16–17	11	10.89	9	8.91
Washington, D. C.	16	9	9.00	8	8.00
Wilmington, Del.	20–21.5	12	9.17	10	7.64
Winston-Salem, N. C.	16	11	11.00	9	9.00
EAST SOUTH CENTRAL					
Birmingham, Ala.	17	10	9.41	8	7.53
Chattanooga, Tenn.	20	11	8.80	9	7.20
Louisville, Ky.	20	11	8.80	9.5	7.60
Nashville, Tenn.	18	10	8.89	8	7.11
Vicksburg, Miss.	16.5	10	9.70	8	7.76

TABLE 30.—*Loaf weights, retail prices and wholesale prices of popular selling loaves of white home pan bread in 72 cities—September 1945—(Continued)*

	Loaf weights	Retail price		Wholesale price	
		Per loaf	Per pound	Per loaf	Per pound
	Ounces	*Cents*	*Cents*	*Cents*	*Cents*
WEST SOUTH CENTRAL					
Abilene, Tex.	24	12	8.00	11	7.33
Beaumont, Tex.	24	11	7.33	9.5	6.33
Dallas, Tex.	23–24	13	8.40	11	7.11
Ft. Smith Ark.	16.5	10	9.70	8	7.76
New Orleans, La.	18.5	11	9.51	9	7.77
Oklahoma City, Okla.	17–18	10	9.16	8	7.32
San Antonio, Tex.	16–24	10–14	9.36	8.5–12	8.02
Shreveport, La.	17–24	10–15	9.68	8–12	7.75
Tulsa, Okla.	17	10	9.41	8	7.53
MOUNTAIN					
Albuquerque, N. M.	20	11	8.80	9	7.20
Billings, Mont.	24	13	8.67	11	7.33
Cheyenne, Wyo.	14	10	11.41	8	9.13
Denver, Colo.	16–22	10–12	9.06	8–10	7.47
Salt Lake City, Utah	20	11	8.80	9	7.20
Tucson, Arizona	16	10	10.00	8	8.00
PACIFIC					
Fresno, Calif.	24	13	8.67	10.4	6.93
Los Angeles, Calif.	24	13	8.67	10.4	6.93
Portland, Ore.	24	12–13	8.64	9.6–10.4	6.91
San Diego, Calif.	24	12	8.00	9.6	6.40
San Francisco, Calif.	16–24	10–15	10.00	8–12	8.00
Seattle, Wash.	24–27	13–15	9.65	10.5–12	7.73

an order of the Office of Price Administration allowing increases up to 25 percent in bread prices with a corresponding increase in the loaf weights. The retail prices of the popular selling loaves of white home pan bread reported by the cities in this area ranged from a maximum of 15 cents for a 24-ounce loaf sold in Cincinnati, Ohio, to a minimum of 10 cents for the 16-ounce loaf sold in Madison. On a poundage basis, the highest price was reported by the bakery in Madison and the lowest average price, 7.9 cents, reported by the Chicago bakeries. It will be noted that the retail margin reported in Chicago ranged from 1½ to 2 cents per loaf compared with 2 to 3 cents in Cincinnati and 2 cents in all other cities in this area. The average wholesale price per pound ranged from a maximum of 8.08 cents for Peoria, Illinois, to a minimum of 6.8 cents for Chicago. For the representative cities included in the West North Central area, the range of loaf weights for the popular selling loaves of white home pan bread in September 1945, was from 16 ounces in Kansas City and St. Louis, Mo., to 25.17 ounces in Minneapolis, Minn. The loaf prices at retail range from a maximum of 14 cents in St. Paul, Minn.,

to a minimum of 10 cents in Kansas City and St. Louis. The average retail price per pound ranges from a high of 9.63 cents in St. Louis, to a low of 8.41 cents in Minneapolis. The retail margin was uniformly 2 cents per loaf in each of the cities in this area. The average wholesale price per pound ranged from a maximum of 7.9 cents in St. Louis, to a minimum of 7.11 cents in Minneapolis, the same cities reporting the maximum and minimum average retail prices.

The cities included in the South Atlantic area reported a range of low weights of the most popular selling loaves of white home pan bread in September 1945, from 16 ounces in Charleston, W. Va., Norfolk, Va., Tampa, Fla., Washington, D. C., and Winston-Salem, N. C., to a maximum of 22.5 ounces in Baltimore, Md. It will be noted that the one-pound loaf predominates in this area, and that loaves weighing 20 ounces or more were reported in only three of the cities included in the South Atlantic area. The retail prices per loaf ranged from a maximum of 13 cents for a 22½-ounce loaf in Baltimore, to a minimum of 9 cents for a 16-ounce loaf in Washington, D. C. In all other cities, with the exception of Wilmington, Del., the retail price was 11 cents per loaf. Although there was uniformity in the loaf prices, the average retail price per pound varied from a maximum of 11 cents in Winston-Salem to a minimum of 8.8 cents in Richmond. The retail margin per loaf was uniformly 2 cents per loaf with the exception of Washington, D. C., where it is only 1 cent per loaf. The average wholesale price per pound ranged from a maximum of 9 cents in Winston-Salem, to a minimum of 7.2 cents in Richmond, the same cities which reported the maximum and minimum average retail price per pound.

In the East South Central area, the loaf weights of the most popular selling white home pan bread varied from 16½ to 20 ounces, the latter weight loaf selling in Chattanooga, Tenn., and Louisville, Ky., at 11 cents per loaf, while the 16-ounce loaf was reported in Vicksburg, Miss., at a retail price of 10 cents per loaf. The average retail price per pound ranged from a maximum of 9.7 cents in Vicksburg to a minimum of 8.8 cents in Chattanooga and Louisville. The retail margin was 1½ cents per loaf in Louisville and 2 cents per loaf in all other cities included in this area. The average wholesale price per pound varied from a maximum of 7.76 cents in Vicksburg to a minimum of 7.11 cents in Nashville, Tenn. It will be noted that while the loaf weights and retail prices in Chattanooga and Louisville were identical, the wholesale price was lower in Chattanooga.

The loaf weights of the popular selling loaves of white home pan bread in the West South Central area ranged from 16 ounces in San Antonio, Tex., to 24 ounces in Dallas and San Antonio, Tex., and Shreveport, La. It is unusual to have two widely different weights of bread sizes popular in one city, as reported in San Antonio and Shreveport, each of which reported both the one-pound and 1½-pound loaves as the most popular. The retail prices in this area showed a wide variation, ranging from 10 cents per loaf in five cities included in this area, to 15 cents for the 24-ounce loaf in Shreveport. The average retail price per pound ranged from a maximum of 9.7 cents in Ft. Smith, Ark., to a minimum of 7.33 cents in Beaumont, Tex. Retail margins were 2 cents per loaf in each of the cities with the exception of the 1½ cent margin in Beaumont, and on the 16-ounce loaf sold in San Antonio, and the 3 cents margin on the 24-ounce loaf in Shreveport. The average wholesale price per pound ranged from a maximum of 8.02 cents in San Antonio to a minimum of 6.33 cents in Beaumont.

The range of loaf weights of the popular selling loaves of white home pan bread in the cities included in the Mountain area was from a 14-ounce loaf reported in Cheyenne, Wyo., to a 24-ounce loaf in Billings, Mont. The retail prices ranged from a maximum of 13 cents for the 24-ounce loaf in Billings to a minimum of 10 cents for the 14-ounce loaf sold in Cheyenne and the 16-ounce loaves sold in Denver and Tucson. The average retail price per pound ranged from a high of 11.41 cents in Cheyenne to a low of 8.67 cents in Billings. The retail margin was uniformly 2 cents per loaf in each of the cities in this area. The average wholesale price per pound ranged from a maximum of 9.13 cents in Cheyenne to a minimum of 7.2 cents in Albuquerque and Salt Lake City.

In the Pacific Coast area, the 24-ounce loaf was predominantly the most popular selling loaf of white home pan bread. However, San Francisco reported a 16-ounce loaf and Seattle reported a 27-ounce loaf. There was more variation in the retail price for the 24-ounce loaf which ranged from 12 cents in San Diego to 15 cents in San Francisco. The average retail price per pound varied from a maximum of 10 cents in San Francisco to a minimum of 8 cents in San Diego. In Southern California, and Portland, Ore., the retail margin represents 20 percent of the suggested retail price. In San Francisco, the retail margin was 2 cents on the 16-ounce loaf and 3 cents on the 24-ounce loaf, while in Seattle, the retail margin was 2½ cents on the 24-ounce loaf

and 3 cents on the 27-ounce loaf. The average wholesale price per pound ranged from a maximum of 8 cents in San Francisco to a minimum of 6.4 cents in San Diego, the same cities which reported the maximum and minimum average retail prices.

Wartime regulation of bread prices.—Prior to World War II bread prices were unregulated and presumably reflected increased or decreased costs of production and distribution with due regard to competitive conditions. In June 1941, the Government made its first move to control bread prices. In a letter from the Administrator of the Office of Price Administration to the baking industry, the bakers were requested to refrain from advancing their bread prices. However, under date of July 18, 1941, the Administrator of the Office of Price Administration addressed a letter to leading bakers in which he stated in part:

> In a few localities price adjustments may be necessary because of costs increases which cannot be offset by operating economies. For this reason, I am no longer requesting the bakers who find themselves in such a situation to consult with this office before making an adjustment. However, since average ingredient costs have risen only about a half a cent per pound loaf, fractional increase in the selling price would be more in line with cost changes than would increases of a full cent. In no locality does it appear that an increase of more than one cent would be warranted.[1]

This communication was construed by the baking industry as a "lift-the-lid" order, for soon thereafter the price of bread was increased either through an increase in the wholesale and retail prices or by substituting a smaller size loaf with no change in the loaf price. On March 1, 1942, prices of all bakery products were frozen and no increases were permissible without the authorization of the Office of Price Administration.

Subsequently on December 18, 1943, the Office of Price Administration by amendment to the general maximum price regulation permitted bakers to increase prices up to 25 percent if the weight of the loaf was increased by the same percentage. Some bakers took advantage of this price increase by increasing the loaf weights but many, because of State laws regulating the weight of loaves, inability to obtain larger bread pans or competitive conditions, were unable to put into effect the increased prices and loaf weights. An example of the application of the price increase was an increase in the wholesale price from 9 cents to 10 cents per loaf and a corresponding increase in the loaf weight from 20 ounces to 22.25 ounces. In both cases this would

[1] Bakers Weekly, July 26, 1941.

represent an increase of 11.11 percent. Under this order the baker benefitted as his only increased costs were for additional materials and salesmen's commissions on the higher price which together constituted less than one-half cent per pound loaf. The remainder of the increase was available to cover higher labor costs and other increased expenses.

Price and weight increases under the terms of this order were reported in Boston and other New England points, Philadelphia, Western Pennsylvania, New Jersey, Upper New York State, New York City Metropolitan Area, Ohio, Indiana, Chicago, and other points.

The Office of Price Administration, in addition, granted increased prices without a corresponding increase in loaf weights in market areas where the prices were below the general level, or for so-called "hardship" cases. For example, a bread price war of long duration had resulted in prices in Jackson, Miss., at a level lower than the prices in any other part of the State. As a remedy, the Office of Price Administration granted a 1-cent increase in the price per loaf for bakeries located in this city. Other bread price increases were authorized by the Office of Price Administration on the basis of hardship in Union County, S. C.; Clinton, Iowa; Hutchison, Kans.; Fargo, N. Dak.; Moorehead, Minn.; State of Utah; Dallas, and 46 other counties in Texas; Santa Barbara County, Calif., and Breathitt and Perry Counties, Ky. In nearly all these cases the price was increased 1-cent per loaf, at both the wholesale and retail levels. In addition, as of March 15, 1946, bread prices were increased in the Chicago marketing area which includes the counties of Cook, Lake and Du Page in Illinois and Lake County in Indiana. The order permitted the bakers to increase the price per loaf or to reduce the weight of the loaf.

In connection with the effort to reduce the quantity of flour used in this country, the Office of Price Administration, as of March 15, 1946, requested bakers to reduce the loaf weights by 10 percent without a corresponding reduction in the loaf price. Most of the states which had weight laws limiting the size and weights of loaves of bread waived the provisions of these laws and regulations in order that the bakeries could comply with the request of the Office of Price Administration. However, eight states and the District of Columbia failed to permit the bakers to change the loaf weights so that as of June 1, 1946, War Food Order No. 1 was amended making it compulsory for all bakeries to reduce the weight of bread and rolls to 90 percent of the

weight prevailing on March 15, 1946. In effect, this amendment provided a 10 percent reduction in the loaf weights of all bread produced in the United States.

Previously, effective May 1, 1946, the Department of Agriculture had ordered a reduction in flour production to 75 percent of the quantity milled in the corresponding month of 1945. This was in addition to the milling of 80 percent extraction of flour. Although the order did not apply directly to the bakers and other purchasers, the mills placed their bakery customers on a voluntary quota based on 1945 purchases. Consequently, the bread production of the bakeries was reduced in the same proportion.

Lower production meant higher unit costs so the bakers demanded higher prices for bread and rolls to offset the increased unit costs. Effective June 12, 1946, the Office of Price Administration authorized price increases on bread and bread-type rolls to the extent of one cent per pound on bread and one cent per dozen on rolls. The order did not apply to rye bread and rolls which had been increased recently.

The increase could be made by a higher price by adjustment of weight, or a combination of both. The increase did not apply where prices had been increased with corresponding weight adjustments since March 15, 1946, as provided under an earlier order of the Office of Price Administration. However, bakers who took such action could go back to their prices and weights as of March 15 and make adjustments on that basis. Bakers were still required to reduce their loaf weights by 10 percent in order to conserve wheat and flour.

The flour shortage has created many problems of production and distribution in the bakery industry. The trade press and the daily newspapers have chronicled many stories of bread lines and even near-riots. Consumers have complained that some bakers apparently diverted flour from bread to the production of sweet goods or other higher priced lines as there was more profit.

An outstanding example of this occurred in Washington, D. C., in the stores of a leading grocery chain. These stores which had shown an increasing shortage of regular bread were suddenly plentifully supplied with a cinnamon loaf which was priced at 17 cents for 14.4 ounces. The price for the regular white bread was 8 cents for the same weight loaf.

Variations in bread prices.—Some bakeries sell bread of like grade and quality at varying prices in different trade areas or communities, while in other communities served from the same

plant, the identical quality of bread is sold in different sized loaves at the same price. This variation in price per loaf or weight per loaf may even be effective on the same route. For example, a bakery may sell a 20-ounce loaf of white pan home bread at 8 cents wholesale to certain customers along the route and to other customers a 16-ounce loaf for the same price per loaf. Actually, the price of the bread varies from 6.4 cents per pound for the 20-ounce loaf to 8 cents per pound for the 16-ounce loaf, a variation of 25 percent in the wholesale price per pound. Or such price variation may take the form of a straight difference in price, a 20-ounce loaf being sold at 10 cents and the 16-ounce loaf being sold at 8 cents, both being priced at 8 cents per pound.

These variations in prices and loaf weights resulted from many competitive factors. For instance, a local bakery may have been selling a 16-ounce loaf at 8 cents wholesale and another bakery in a nearby community wishing to invade the market of the local bakery put out a 20-ounce loaf selling at the same price of 8 cents per loaf. It was then necessary for the local bakery, in order to retain its business, to produce and sell a 20-ounce loaf for the same price of 8 cents per loaf. Its only alternative was to reduce the price of the 16-ounce loaf to an equivalent price per pound of 6.4 cents, but even then it would be at a competitive disadvantage since the invading bakery would be selling a larger loaf which would have a more attractive appeal to the housewife.

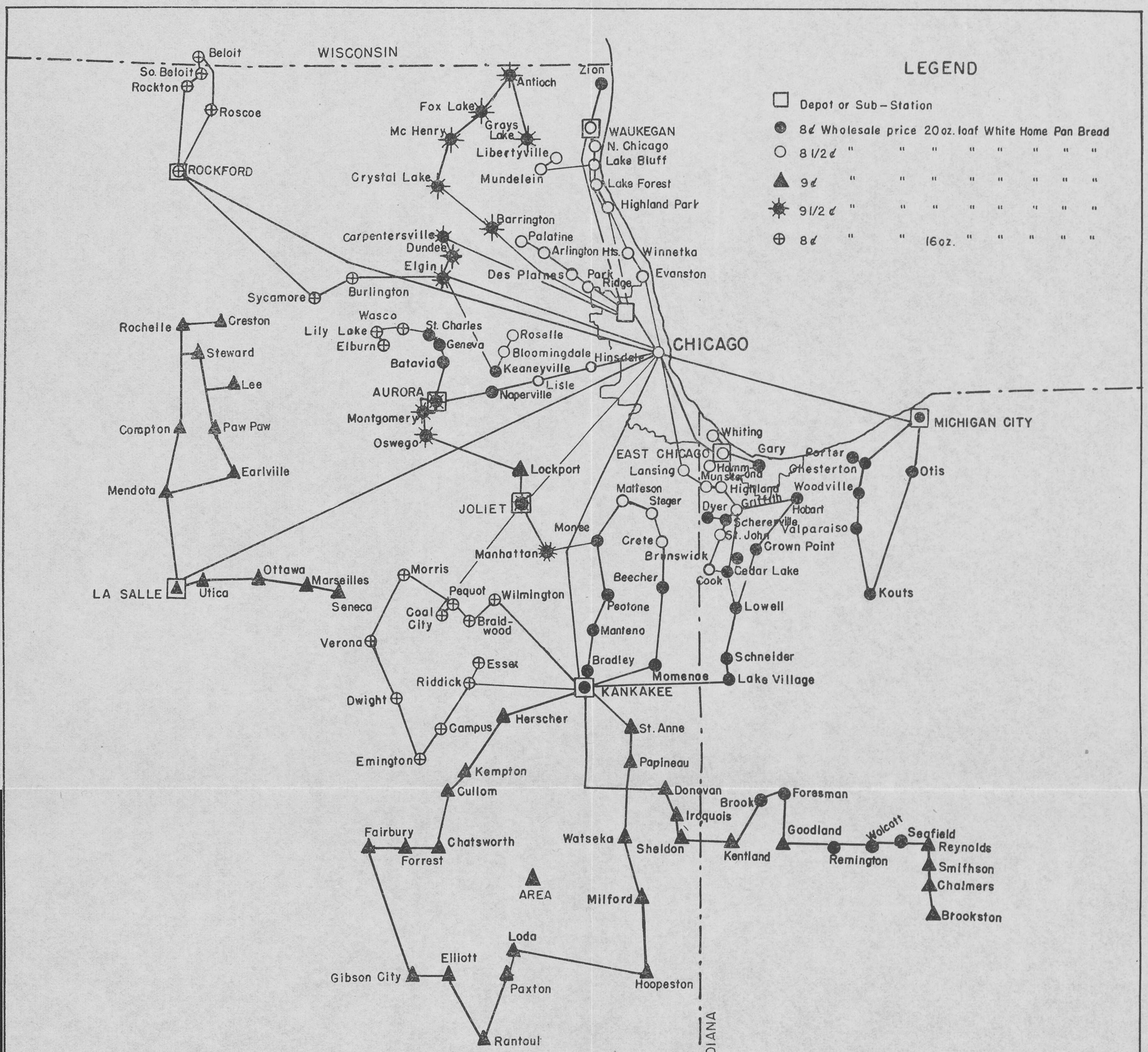
The effect of these varying prices and weights may be substantially to lessen competition in the line of commerce in which these bakeries are engaged and to injure, destroy and prevent competition between such baking companies and their competitors in the sale and distribution of bread and other bakery products. It also tends to create a monopoly in various communities or trading areas in which these bakeries and their competitors distribute their products. The fact that these bakeries sell their bread at different prices for the same weight loaf and quality in different communities or trading areas is generally conceded. However, it is usually contended that where such price variations exist, it is made necessary by local competitive conditions. Invariably, the larger baking companies contend that they have not been the aggressor in any "price wars," doing nothing more than meeting the lower prices actually quoted by local competitors. Instances of such price competition are cited in the following paragraphs.

Variations in bread prices in the Chicago marketing area.—In the Chicago market the 20-ounce loaf was the predominant or best selling loaf of white pan bread. When the Commission made a survey of this market in March 1943, the 20-ounce loaf was selling at 8½ cents wholesale and 10 cents retail. This same loaf was sold by Chicago bakeries in nearby territories at prices varying from 8 to 9½ cents per loaf. A map of the territory served by two Chicago bakeries showing the variation in prices in different communities in northern Illinois and Indiana for white pan home bread appears facing page 88.

As of January 2, 1940, the leading loaf of white pan home bread sold in the Chicago metropolitan market was a 20-ounce loaf priced at 8½ cents wholesale and 10 cents retail. On September 15, 1941, the large bakers in the Chicago area apparently, according to previous understanding, changed the weight of the 20-ounce loaf of white pan home bread to 16 ounces. The selling price remained at 8½ cents wholesale. Prior to the larger bakers taking this action, an effort was made to get the smaller "secondary" bakers to adopt the 16-ounce loaf to be priced at 8½ cents wholesale. At this time the smaller bakers were manufacturing a variety of sizes at prices inducive of building volume and their 20-ounce loaf selling at 8 cents wholesale was the chief competition of the larger bakers.

A meeting was held at the Chicago Bakers' Club in the Sherman Hotel in late August or early September 1941 during which the district manager for one of the large national bakeries, acting as spokesman for the large bakers, demanded that the small or secondary bakers fall in line with the larger companies by reducing the 20-ounce loaf to 16 ounces and at the same time increasing the wholesale price from 8 cents to 8½ cents per loaf. Bread pans were offered free or at a nominal cost to those small bakers unable to purchase them. While some of the smaller bakers were willing to go along with the larger bakers, some held out so that the smaller bakers began to increase their sales volume. On October 27, 1941, the larger bakers became incensed at the tactics of the smaller bakers and replaced the 16-ounce loaf with a 20-ounce loaf at the same wholesale price of 8½ cents. This larger 20-ounce loaf again became the predominant loaf in the Chicago market area. The increased volume for the small bakers was of short duration because by increasing the loaf to 20-ounces and by instituting advertising and sales promotion campaigns, the larger bakers recaptured the greater portion of the volume. There was no further change in the price or weight of the leading

VARIATION IN THE WHOLESALE PRICES AND LOAF SIZES IN DIFFERENT LOCALITIES FOR WHITE HOME PAN BREAD PRODUCED BY TWO CHICAGO BAKERIES AND DISTRIBUTED IN NORTHERN ILLINOIS AND INDIANA, MARCH 1943.



loaf of white home pan bread in the Chicago market until May 1944 when, in accordance with Office of Price Administration regulations, the price was increased to 9½ cents and the loaf weight to 22¼ ounces.

War Food Order No. 1 which was effective January 18, 1943, limited the number of varieties of bread that a baker could produce or sell. Varieties was defined to include different weights of the same kind and quality of bread. Machine molded breads such as produced by wholesale baking companies were restricted to six varieties of which not more than three could be white pan bread. In the Chicago metropolitan area the larger bakers produced four sizes of white home bread but only three sizes were sold in any one market. The popular sizes of the metropolitan area early in 1943 were a 12-ounce white home loaf selling at 5 cents wholesale, a 20-ounce white home loaf selling at 8½ cents wholesale and a 24-ounce white home loaf selling at 10 cents wholesale. The retail prices were 6 cents, 10 cents and 12 cents, respectively.

In addition to serving the Chicago market, the larger bakeries delivered by truck to retail outlets over routes covering up to more than 100 miles per day, while more distant areas were supplied by trucks operating from substations. In the Chicago metropolitan area, one price for each size loaf of white home bread usually prevailed. In some instances, however, different prices prevailed for the same size loaf on the routes out of Chicago baking plants. For instance, from the Southside plant of a large bakery, a route operated in Willow Springs, Lamont, Palace Park, Orland Park and Tinley Park, all suburbs of Chicago, sold a 20-ounce loaf at the same price prevailing in Chicago, that is 8½ cents wholesale, with the exception of Orland Park where the price was 8 cents for the 20-ounce loaf.

A second route of this bakery operated through Lansing, Ill., Munster, Highland, Griffith, Schererville, St. John, Brunswick, Cook and Cedar Lake, Ind. The 20-ounce loaf sold at 8½ cents wholesale on this route up to and including Brunswick, Ind., and at 8 cents per loaf throughout the balance of the route. The plant manager of the bakery stated that all prices were set to meet the prices of competitive bakers which included a secondary baker from Chicago and a local bakery operating out of Joliet, Ill. Since the secondary bakers operate in the Chicago metropolitan area and compete with the primary bakers at prices below those of the latter, the statement that meeting competition was the

basis for price discrimination in certain towns was not substantiated.

The route supervisor of one of the large Chicago bakeries stated that generally in a particular community, a large local baker, well established in such a locality, sets the wholesale and retail price of bread. The so-called national bakeries honor this price and consider that particular community the local baker's market. Immediately outside this market, the competition begins and the bread consequently often sells at a lower price. Where the local baker is small and does not possess the resources to fight back the large bakers who wish to come into his market, the latter pay no attention to him and set their own prices in that particular trade area.

Larger bakers producing nationally advertised products, in addition to operating numerous routes out of their own plants, maintain sub-stations or depots out of which they operate delivery routes covering their market territory. The bakery products are shipped from the main plant to those depots via public transportation or by use of their own trailer trucks. For example, one of the large Chicago bakeries has such depots located at Aurora, LaSalle, Kankakee, and Rockford, Ill.; Mishawaka and Michigan City, Ind.; and St. Joseph, Mich. Another served by transport trucks depots located in the Chicago Northside, East Chicago, Joliet, Ill., and South Bend, Ind.

One of the routes operating out of Kankakee sold customers at Donovan, Iroquois, and Sheldon, Ill., and Kentland, Ind., its 20-ounce loaf of white pan home bread at 9 cents wholesale. Proceeding to Brook and Foresman, Ind., the price of the 20-ounce loaf dropped to 8 cents wholesale. At Goodland, Ind., the next stop, the price of the 20-ounce loaf was returned to 9 cents and further on, at Remington, Wolcott and Seafield, Ind., the price again became 8 cents wholesale. Continuing about five miles to the next town, Reynolds, Ind., the price of the 20-ounce loaf was again returned to 9 cents, which also applied to the last three towns served, Smithson, Chalmers, and Brookstone.

The supervisor for this route reported that in the first four towns served, prices were set to meet competition north of their territory and that the rest of the towns were either in competition with bakeries coming up from the south or local bakeries. However, he insisted that their prices were the same as their competitors' in each town. In the first four towns served by this route out of Kankakee, and in Goodland, Ind., the wholesale price of 9 cents for a 20-ounce loaf was the uniform price for all baker-

ies serving these towns. At Remington and Seafield, Ind., this bakery route had virtually a complete monopoly on sales of white bread which was priced at 8 cents for the 20-ounce loaf. At Remington, Ind., one customer of this company admitted that he had a verbal agreement with the route salesman providing that in return for the granting of the 8-cent price, the grocer would keep out competing bakers. It was this grocer's understanding that similar agreements were made by other retail outlets in town.

Expensive metal bread racks had been installed in all stores in these two towns and at Goodland, Ind., where the price was 9 cents wholesale, and which was located between Foresman and Remington where the prices were 8 cents wholesale and 10 cents retail. The retail grocers at Goodland complained of losing customers to grocers located in those two cities by reason of the cheaper bread prices. One of the Goodland grocers stated that he had complained to the route salesman with regard to the difference in prices paid by Goodland and Remington grocers and had been told that the prices in these localities were arranged to meet competition. Another of the Goodland grocers stated that he had complained about the price differentials and was informed by the route salesman that he was not allowed to cut the price of a competitor which was established at 9 cents wholesale for the 20-ounce loaf in this town. However, at Goodland, there was a local baker who had been in business since 1932 who sold a 16-ounce loaf of white bread at 8 cents wholesale, which was one cent below the price of the 20-ounce loaf sold by the bakery route operated out of Kankakee, Ill.

Prior to 1941, Remington, Ind., was served by locally owned and operated bakeries located at Rensselaer, Lafayette and Monticello, Ind. All of these bakeries were eliminated from the town of Remington because of the 8-cent price of the 20-ounce loaf quoted by the Chicago bakery operating its route from its Kankakee depot. It is impossible to understand how this Chicago bakery can ship bread to its Kankakee depot and deliver it by local truck at a point over 100 miles distant from Chicago and sell it at a price one-half cent below the Chicago price for the same size and quality loaf.

At Brook, Ind., in the fall of 1941, a Chicago bakery serving this town raised the wholesale price of its 20-ounce loaf from 8 cents to 9 cents, the retail price being increased from 10 cents to 11 cents. The local bakery continued to sell its 20-ounce loaf at the regular 8-cent price with the result that its sales volume

increased so that after about a period of six weeks, the Chicago bakery reduced its price back to 8 cents wholesale. In 1942, because of higher cost of ingredients and labor, the local bakery was forced to reduce the weight of its loaf from 20-ounces to 16-ounces, continuing its price at 8 cents per loaf. Also, the local bakery, because of wartime restrictions on truck mileage, was forced to eliminate sales at Foresman, Ind., although the Chicago bakery continued to operate its route out of Kankakee, Ill., serving this territory.

The policy of some of the large Chicago bakeries of selling the same size loaf at different prices in certain communities served by the same route was not always consistently followed. Prior to January 18, 1943, the effective date of War Food Order No. 1, all baking companies operating out of Aurora, Ill., serviced that territory including Geneva, Batavia, St. Charles and Naperville, Ill., with a 16-ounce loaf of white pan home bread at a price of 8 cents wholesale. At the same time a local baker in Elgin, Ill., marketed a 20-ounce loaf in these towns at 9½ cents wholesale, and he also sold a 16-ounce loaf in Elgin at 8 cents wholesale. In order to come within the limitations of the number of varieties imposed by War Food Order No. 1, this Elgin baker was forced to discontinue the 20-ounce loaf and concentrate on the 16-ounce loaf which he sold in all areas served by his plant at a price of 8 cents per loaf. On January 19, 1943, one of the large Chicago bakeries substituted a 20-ounce loaf for the 16-ounce loaf at the same wholesale price of 8 cents per loaf in Geneva, St. Charles and Batavia. As a result, the Elgin baker was practically eliminated from those markets as he was unable to sell his 16-ounce loaf at 8 cents in competition with the 20-ounce loaf of his competitors at the same price.

This action on the part of the large Chicago bakeries created a situation whereby the grocers located in Elgin paid 9½ cents for the 20-ounce loaf and 8 cents for the 16-ounce loaf. Just south of Elgin, at St. Charles, and on through Geneva and Batavia, grocers purchased the 20-ounce loaf at 8 cents. Upon reaching Aurora, nine miles farther south, the price again became 9½ cents, respecting the local bakers' market. Likewise the Chicago price of 8½ cents wholesale for the 20-ounce loaf prevailed up to Bartlett which is approximately eight miles east of Elgin. At Bartlett the price dropped to 8 cents per loaf until reaching the environs of Elgin where the price became 9½ cents for the 20-ounce loaf.

As shown by the map facing page 88, the 20-ounce loaf of white home pan bread produced and distributed by large Chicago bakers was sold at prices varying from 8 cents to 9½ cents wholesale without regard to the actual distance from Chicago in competition with locally produced bread, to the detriment of the small local bakeries.

Bread prices in Kansas City.—The Kansas City market is another illustration where the larger baking companies sold bread of a definite grade, quality and weight at one price and on the same wholesale route from the same plant sold bread of the same quality and grade but greater in weight for the same price as the bread of less weight.

Early in 1938, the large Kansas City bakers manufactured a 20-ounce loaf of white home pan bread which sold at 8 cents wholesale to retail grocery customers. In the summer of 1938 the weight of this particular loaf was changed to 24-ounces and sold from the Kansas City plants in part of the territories served from those plants, both in the States of Kansas and Missouri, to the retail trade at the same price of 8 cents wholesale. At the same time and from the same plants these companies continued to sell a 20-ounce loaf in Kansas City, Mo., and other areas for 8 cents wholesale.

In the fall of 1938 this 24-ounce loaf disappeared from some areas, being replaced with the 20-ounce loaf at the same price of 8 cents wholesale. In other areas it was introduced and was used by the larger bakers until January or February 1940 when the 24-ounce loaf, which had been gradually eliminated, was replaced by the 20-ounce loaf and sold in all areas served by the Kansas City plant.

In October 1938, a small baker in Leavenworth, Kans., who acted as his own mixer of dough and baker, with one wholesale route, manufactured a 24-ounce loaf of bread which was sold at a price of 8 cents wholesale. At that time this bakery was baking approximately 100 loaves of this bread per day, which it sold to 40 retail stores out of approximately 100 in the Leavenworth area.

Other local bakers paid no attention to this bakery's increase in the weight of its loaf, but one of the large Kansas City baking companies in December 1938 placed a similar loaf at 8 cents per loaf in Leavenworth, this action being followed almost immediately by other large Kansas City bakeries. Some of the local bakeries followed, for a short period, with a similar loaf although

to sell such a loaf at this price was unprofitable. At this time the six local bakeries operated an average of four wholesale routes each. During the period in which the large Kansas City bakers continued to sell the 24-ounce loaf in the Leavenworth-Lansing area at 8 cents as compared to the 20-ounce or 18-ounce sold by the local bakers at the same price, the business of the local bakers showed a steady decline in sales. By the time the large companies had discontinued the 24-ounce loaf, replacing it with a 20-ounce loaf at 8 cents wholesale, the local bakers were baking an 18-ounce loaf which they sold at 8 cents wholesale, the same price at which the large companies sold their larger loaves.

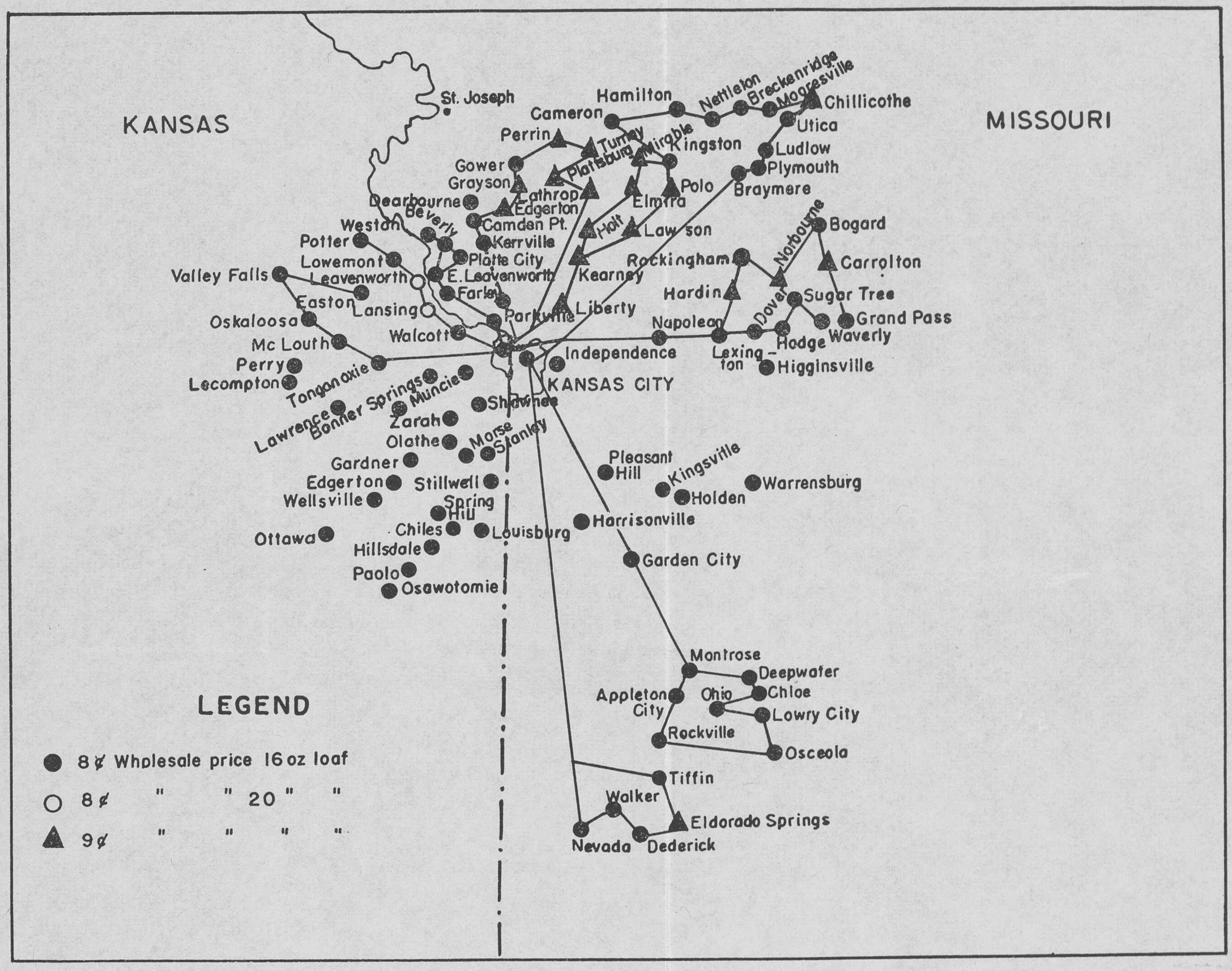
In the summer of 1941 when the general trend was to increase the price of bread, either through an increased price or by decreasing the weight of the loaf, the Kansas City bakers, through a spokesman, approached the Leavenworth bakers with regard to the possibility of having these bakers go along with the Kansas City bakers in their program of reducing the weight of the 20-ounce loaf then sold in Leavenworth market to a 16-ounce loaf to be sold at the same price of 8 cents per loaf.

The local bakers objected to attending any meeting, but appointed a local baker as their representative. Although one of the local bakers averred his willingness to go along, and to show his good faith purchased $160 worth of smaller pans, the other local Leavenworth bakers had, because of lack of confidence in the large Kansas City bakers, preferred to await developments. One baker stated that the practices of the large companies, in the past, did not warrant making any change in the size of the loaf until the larger bakers came into their market with a 16-ounce loaf. The local bakers were putting out an 18-ounce (baked weight) loaf and because they all operated hand-craft shops using a "brake" to knead the dough, they could produce a slightly longer loaf equal in weight to that produced by the larger bakers.

On August 18, 1941, the large Kansas City bakers changed the size of the loaf from 20-ounces to 16-ounces priced at 8 cents wholesale, which they sold in all trade areas except the Leavenworth-Lansing market where they continued to sell the 20-ounce loaf of identical grade and quality at the same price of 8 cents per loaf in competition with the 18-ounce loaf marketed by the local Leavenworth bakers at 8 cents per loaf.

One of the Leavenworth bakers stated that prior to the introduction of the 24-ounce loaf in 1938 he had baked approximately 3,000 loaves of bread per day and had operated four wholesale routes serving grocery stores in the Leavenworth area.

VARIATION IN THE WHOLESALE PRICES AND LOAF SIZES IN DIFFERENT LOCALITIES FOR WHITE HOME PAN BREAD PRODUCED BY THREE KANSAS CITY BAKERIES AND DISTRIBUTED IN MISSOURI AND KANSAS, MARCH — APRIL 1943.



Because of the competitive practices of the larger bakers, this baker stated he was unable to compete with the 20-ounce loaf sold by the large bakers and, therefore, had suffered a continued decrease in business to where he operated in the summer of 1943 only two wholesale routes and the volume of business had dropped to about 300 loaves per day. Another baker stated his business had shown a steady decline in sales until it was necessary, except for a few stops served by private automobile, to retire from the wholesale bakery business. Another estimated that his wholesale business to grocery stores had dropped 66-2/3 percent, and only because of his trade with the Post Exchange at Ft. Leavenworth had he survived the competition of the larger Kansas City bakers. Two other bakeries were forced to close.

The explanation advanced by the large Kansas City bakers as the reason for not changing the weight of their standard white loaves from 20-ounces to approximately 16-ounces in the Leavenworth market was that the local bakeries in Leavenworth continued to make a 20-ounce loaf of bread and would not go along on a change in weight. One of the local Leavenworth bakers stated that the local bakers had raised such a "howl" that one of the larger bakers offered the explanation, on behalf of the Kansas City bakers, to the effect that they could not reduce the size of the loaf they marketed in the Leavenworth market because they had to meet the competition of a bakery located in St. Joseph, Mo.

This St. Joseph bakery is owned by a wholesale grocery house, which, through an affiliate, operates a chain of retail grocery stores. In addition to the grocery stores owned and operated by these interests, the wholesale grocery house enters into contracts with independent grocers for the purpose of supplying them with its products. According to the proprietor of a controlled retail store, the profits of the bakery were distributed to those grocers who agreed to carry in stock and purchase the full line of groceries.

At this store the affiliated bakery's bread predominated, but small quantities of loaves manufactured by the large Kansas City bakeries as well as the product of a local bakery were stocked to supply requests of certain customers. The bread of the affiliated bakery consisted of the home style twin loaf, which was marked 18-ounces or over and was sold to the consumer-customer at 10 cents per loaf. This loaf was invoiced to the grocery store at 7 cents wholesale, plus 3 percent, plus freight or express. Another loaf marked 16-ounces or over was invoiced at 6 cents net

and marked to sell at retail two loaves for 15 cents. A Pullman type loaf in a wrapper marked 24-ounces or over was invoiced at 9 cents per loaf less 25 percent discount and retailed at 9 cents per loaf or two for 17 cents.

The St. Joseph bakery was not selling its bread products in Kansas City, Mo., but at one time did attempt to sell its bakery products in combination with its grocery line. However, the local driver-salesmen's union objected so that the St. Joseph bakery agreed not to deliver any bakery goods in Kansas City, if it was permitted to deliver its grocery line to its Kansas City customers. Similar tactics were employed against one of the Leavenworth bakers when he attempted to enter the Kansas City market. One of the Kansas City bakers referred to the St. Joseph bakery as severe competition, but readily admitted that their method of merchandising was not strictly comparable to that of the wholesale bakery.

On August 18, 1941, when the large Kansas City bakers introduced the 16-ounce loaf at an 8 cents wholesale price, subsequent investigation was productive of information that the large Kansas City companies acted in collaboration with each other. It appears orders for wrappers marked one-pound were placed by four of these large companies during the period August 4 to 13, 1941, specifying delivery date on or before August 18, 1941. One of these bakeries did not place an order for wrappers but merely an order for bands, reading "one pound weight." Another of the large bakers did not place an order for wrappers but it did start production and sale of the one-pound loaf in all of the Kansas City trade area, with the exception of Leavenworth, Kansas.

With reference to the price change in August 1941 whereby the size of the 20-ounce loaf was reduced to a one-pound loaf, with no change in the price, an officer of one of the larger companies stated that there was no mystery as to its introduction. This man stated that all of the larger bakers had been talking and that he attended a meeting and was asked to agree to start the production of a smaller loaf on August 18, 1941. He stated he did not agree to this and walked out of the meeting but nevertheless his plant did start manufacturing the smaller loaf on that date.

As illustrative of the practice pursued by the Kansas City bakers selling their bread of different weights at the same price on the same route from the same plant, on August 18, 1941, the Kansas City bakers reduced the weight of the 20-ounce loaf in

all trade areas served from their Kansas City plants to 16-ounces and sold it for 8 cents wholesale, being the price theretofore charged for the 20-ounce loaf. These companies continued to sell their 20-ounce loaf on the route serving the Leavenworth-Lansing market from their Kansas City plants for 8 cents wholesale.

One of the local Leavenworth bakers stated that these Kansas City bakers sold the 16-ounce loaf as far north as Wallula, Kans., located a short distance outside of Lansing. There was but one small store in Wallula. Many of its consumer-customers often shopped in Lansing, Kans., where they could purchase a 20-ounce loaf of the same brand at the same retail price of 10 cents per loaf, as charged for the 16-ounce loaf by the store in Wallula. In such instances, the public, not aware of the actual facts, blamed the store keeper for "chiseling."

After serving the Lansing-Leavenworth market with the 20-ounce loaf at 8 cents wholesale some of these routes continued north of Leavenworth to Lowemont, Potter, and Salt Creek Valley where the 16-ounce loaf was sold at the same price of 8 cents wholesale, as shown by the map facing page 94. Other routes serving territories to the east and west of Leavenworth sold the 16-ounce loaf of these Kansas City bakeries at 8 cents wholesale. For instance, in the towns of Tonganoxie, Oskaloosa, Valley Falls, Winchester, and Easton, the 16-ounce loaf was sold at 8 cents wholesale. Easton is approximately 15 miles northwest of Leavenworth where the 20-ounce loaf sold at 8 cents wholesale.

On October 1, 1942, the larger Kansas City companies re-established the 20-ounce loaf, which had been discontinued August 18, 1941, in some territories at 9 cents per loaf wholesale. This loaf was not sold in competition with the 16-ounce loaf of like grade and quality but was generally sold in territories where these routes followed the price of the St. Joseph, Missouri, bakers. For instance, the records of one of these plants showed that in June 1943 a route served stops in Liberty, Kearney, Holt, Lawson, Elmira, Mirable, and Polo, Mo., where the 20-ounce white pan loaves were sold at 9 cents wholesale. Another route out of Kansas City served several stops before reaching Edgerton, Mo., where the 16-ounce loaf was sold at 8 cents per loaf, but beginning with Edgerton, the 20-ounce loaf of equal grade and quality was sold for 9 cents wholesale in lieu of the 16-ounce loaf at 8 cents wholesale. This route continued through Grayson, Gower, Plattsburg, Lathrop and Perrin, Mo. At Gower, the 16-ounce loaf replaced the 20-ounce loaf but no explanation was forthcoming as to the reason.

Other routes out of Kansas City served towns as far as Chillicothe, Carollton, and Grand Pass, Mo. On these routes the larger bakers sold in some communities a 16-ounce white home pan loaf at 8 cents wholesale, while on the same route the 20-ounce loaf was sold in other trade areas or localities at 9 cents wholesale.

At St. Joseph, Mo., prior to August 1941 the 20-ounce white home pan loaf was the popular size in that market at 8 cents wholesale. On August 18, 1941, as in the Kansas City markets, the 20-ounce loaf was discontinued, being replaced with a 16-ounce loaf which was sold to the retail grocery trade at 8 cents per loaf wholesale. This market experienced considerable use of smaller sized loaves in attempts to meet the alleged practice of a chain store selling its bread at 1 cent below that of the larger bakers.

As of May 1943, there was in production in St. Joseph a 16-ounce loaf which wholesaled at 8 cents per loaf and a 20-ounce loaf which wholesaled at 9 cents per loaf, the retail price being 10 cents and 11 cents respectively. Routes from these plants operate as far as Kirksville, Moberly, Brookfield, and Chillicothe, Mo., as well as in towns in Kansas. Competition on the north comes from baking companies located in Omaha, Nebr.

Another competitive situation in the Kansas City area was the baking and delivery of bread under the label of a cooperative in certain cooperative retail grocery stores by one of the principal Kansas City bakeries at a lower net price than the latter was receiving for its own bread.

The stock in the cooperative bakery was owned by the retail grocers affiliated with three different wholesale buyer cooperatives. This cooperative bakery was organized by a former employee of one of the major Kansas City baking companies. Early in 1942 this cooperative baking company was liquidated and all of the baking equipment sold. The manager and organizer of the cooperative returned to the major baking company as plant manager. In the summer of 1942 this large national bakery entered into a licensing agreement with the cooperative wherein the baking company was licensed to use copyright trade-marks, trade names, formula, labels, etc., of the cooperative and was further licensed to manufacture and sell loaves of white and wheat breads under the cooperative labels. In consideration for the license to use these trade names, formulas, etc., the baking company paid the cooperative 10 percent of the dollar value of its gross sales of bread sold under the cooperative's trade-marks. One-half of the royalty paid to the cooperative was passed on to

member stores upon their presentation of sales slips totaling $50.00 or more.

Pursuant to the terms of the agreement, this baking company manufactured at its Kansas City plant and sold to the cooperative member stores the following loaves of bread under the private label (trade-mark) of the cooperative:

16–oz. White Home Pan loaf priced at 8¢ wholesale.
20–oz. White Home Pan loaf priced at 9½¢ wholesale.
16–oz. White Home Made type loaf priced at 8¢ wholesale.
20–oz. White Home Made type loaf priced at 9½¢ wholesale.
16–oz. Potato Bread priced at 8¢ wholesale.
16–oz. Wheat Bread priced at 8¢ wholesale.

These loaves were of the same grade, quality and formula as the baking company's own bread and were sold in different wrappers depending upon whether they were to be retailed under the private label of the cooperative or under the trade name of the baking company.

Approximately 55 percent of the bread manufactured for and sold to the members of these cooperative groups was the 16-ounce white home pan loaf which was sold to the store at 8 cents wholesale. The cooperative received a royalty of 10 percent and in turn passed to the member 5 percent, making the cost to the retailer of this particular loaf 7.6 cents as compared with 8 cents for a loaf of the same grade and quality purchased from the baking company under a different trade-mark. The price received by the baking company for the cooperative 16-ounce loaf was 7.2 cents per loaf compared with 8 cents for its own bread. The price received by the bakery for the 9½ cents 20-ounce loaf was 8.55 cents per loaf and the cost to the member store 9 cents. Each member store also participated in the additional 5 percent paid by the bakery if and when the cooperative declared a participating dividend.

In addition to the royalty of 10 percent on gross sales of "private label" bread, this baking company gave advertising allowances to the three groups comprising the cooperative. The baking company was billed at the national rate of 60 cents per line whereas one of the cooperatives paid 25 cents a line, and another 29 cents a line to the respective newspapers. These advertisements related to the cooperative brand of bread and also to the private brand of the baking company.

Competing baking companies in the Kansas City area regarded this licensing agreement as nothing more than the granting of a discount to these cooperative groups, but because of the emer-

gency program, these competing bakers had refrained from bringing the issue into the open.

Bread prices in Minneapolis-St. Paul.—Effective September 26, 1938, one of the major baking companies authorized its Minneapolis plant to reduce the wholesale price of its 24-ounce loaf of domestic white bread from 12 cents to 11 cents. This price was to be effective throughout Minnesota, with the exception of a relatively small area in the southwest corner, where the price was to remain at 8 cents per loaf, and a small portion of the northern territory where the price was to remain at 12 cents. The one-pound loaf was priced at 8 cents wholesale.

This bakery also sold a twin loaf, scaling weight 28½ ounces, baked weight approximately 25 ounces, in the Greater Minneapolis area wherever twin loaves were sold. Effective September 26, the scaling weight was increased to 32 ounces or an increase of approximately three ounces more of baked bread with no increase in the prevailing wholesale price of 11 cents per loaf.

Between October 1938 and August 1940, the wholesale price of the 24-ounce domestic loaf was reduced to 10 cents in some areas; to 9 cents in other areas, while in other areas, including parts of Wisconsin served by this plant, the price remained at 11 cents per loaf. The twin loaf[2] formula was changed and the baked weight reduced from 28½ to 25 ounces in December 1939. Shortly thereafter this twin loaf was sold at 8 cents wholesale in some communities, and from time to time in other sections of this plant's marketing area it sold at 8 cents, while in other areas it was sold at 11 cents wholesale.

These low prices on the twin loaf, however, did not prevail for any great length of time, usually 6 weeks to 4 months. The use of this loaf as a competitive or "fighting" brand is best illustrated at Long Prairie, Minn., located about 100 miles west of Minneapolis.

On March 12, 1940, the wholesale price of the 25-ounce twin loaf was reduced from 11 cents to 8 cents. On May 21, 1940, the price was increased to 10 cents per loaf, but on July 3 the price was again reduced to 8 cents. This same procedure was followed in many of the towns affected throughout July 1940, so that this twin loaf was sold at 11, 10, and 8 cents to various customers served by this Minneapolis bakery.

[2] This loaf was of an inferior quality and did not always conform to State requirements prescribing weights of 1, 1½-pound loaves and multiples thereof. A representative of this bakery stated that the Relief Commission in September 1938 requested either an increase in the weight or decrease in the price of this loaf.

In March of 1941, this bakery reduced the price of its 16-ounce loaf from 8 cents wholesale to 6½ cents and later to 6 cents because of demands of retailers for wider margin of profit. The 24-ounce loaf was reduced from 11 cents wholesale to 9½ cents. These reduced prices were applicable in more than 160 cities and towns including the metropolitan area of Minneapolis and St. Paul, Minn., while other customers in Minnesota and Wisconsin continued to be served from this plant at the regular prevailing price of 8 cents for the 16-ounce loaf and 11 cents for the 24-ounce.

At the same time, the twin loaf formula was again changed, the weight remaining the same, 25 ounces. The wholesale price of this loaf was 8½ cents in those towns in which the domestic loaves were sold at reduced prices. In all other markets in which this loaf was sold, it was priced at 11 cents wholesale.

The loaves sold at reduced prices were labelled with price bands stating the price to the consumer of the 24-ounce loaf as 12 cents; the 16-ounce loaf as 8 cents (2 for 15 cents); and 10 cents for the 25-ounce twin loaf, thus tending to fix the price to the consumer. The retail prices charged consumers in towns other than those affected by the low prices were 13 cents and 14 cents for the 24-ounce and 10 cents for the 16-ounce loaf.

An official of a large baking company operating plants in the Twin Cities stated that his company met the reduced prices wherever it touched his markets. This official stated costs of material and labor were definitely increasing and that a price cut at that time, in his opinion, was not justified on the basis of any reduction in the manufactured cost of bread.

This official further stated that in many of the country towns, as well as in Minneapolis and St. Paul, local bakers had been selling at less than the bakers of well-known advertised brands of bread for some time. He stated it was not the policy of his company to try to meet the prices of all local bakers. His company only cut prices when lower manufacturing cost indicated a reduction or when a competitor also selling an advertised brand of bread made a cut which must be met. According to this baker, a St. Paul bakery whose bread he regarded as inferior to the "advertised" bread was a factor in the price situation. This bakery had built its business by selling bread cheaper than makers of advertised bread and often cheaper than local bakers. While this bakery specialized in country sales where the bread was sold only to one or two of the larger stores in each town at low prices, these stores in turn sold at retail at lower prices than did

the other stores in the town. This usually resulted in these other stores putting pressure on the local bakers to sell them cheap enough to complete with this cheap bread, often causing the local bakers to reduce prices also.

The reduced prices it appears did not extend beyond the State of Minnesota nor were they Statewide, being confined to the Twin Cities and a number of smaller Minnesota towns. It was alleged that the purpose of this price cut by the major baking company was for the purpose of increasing its volume at the expense of the smaller bakers.

On or about August 11, 1941, the wholesale price of the 16-ounce loaf was restored to 8 cents and the 24-ounce loaf to 11 cents in all of the cities and towns where the prices had been reduced. The rise and fall of prices during the period March 27–August 11, 1941, was alleged by the major baking company to be the result of competition and preponderance of cheap bread by chain-stores, super markets, and smaller wholesale bakers.

Bread prices in Cincinnati.—In Cincinnati there are many small neighborhood bakers who bake a complete line of sweet goods, rolls and bread. Many of these bakers, in addition to selling at retail from their bakeries, also operate house-to-house routes. In most instances the trucks operating on these routes are owned by the route salesman. These route salesmen purchased their bakery products from the local baker at an over-all discount from the established retail prices of from 25 to 28 percent.

A few years prior to World War II one of the larger baking companies, together with one or two other Cincinnati bakers, began to solicit this business, generally referred to in the trade as "bob-tail" routes. These bob-tailers did not call at the baking company's plant for their merchandise but were served by regular company route salesmen at places contiguous to the small bakery where these bob-tailers purchased the bulk of their wares. These bob-tailers purchased the bread of these larger companies at 8 cents and 7½ cents for the 20-ounce loaf of white pan bread although the prevailing wholesale price was 9 cents in the Cincinnati area to competing retail grocery stores.

One of the small bakers estimated a shrinkage in sales of approximately $100 per week from loss of this business, although when he sold his bread to other hucksters his sales volume was reduced much more because of this price cutting on the part of this large baking company.

Although the prevailing price for a 20-ounce loaf of white pan bread was 9 cents in the greater Cincinnati area, it developed that in Sadieville, Ky., this same loaf was sold at a wholesale price of 8½ cents, whereas the wholesale price for a 20-ounce loaf of the same grade and quality was 9½ cents in Lexington, Ky.

A route of one of the larger companies out of Cincinnati served municipalities of White Oak, Barnesburg, Taylor Creek, Miami, Blue Jay, and Harrison, Ohio, then served New Trenton, Cedar Grove, Brookville, Whitcomb, and Bath, Ind., and on the return route served College Corner, Oxford, Darrtown, and McGonigle Station, Ohio. At each stop the price for the 20-ounce loaf was 9 cents wholesale with the exception of Whitcomb, Bath, and College Corner where the price was 8 cents per loaf.

In addition to the price differentials referred to above, this company also granted allowances of 1 cent under the prevailing prices to hospitals, colleges, schools and camps operated by the U. S. Army.

Boycott of Cincinnati bakeries.—Price changes in a given territory or municipality are not always due to the voluntary action of any one baking company. In November 1941, the price of the 20-ounce loaf of white pan bread was increased from 8½ cents to 9½ cents to the retailer and in turn raised from 10 cents to 11 cents to the consumer-customer. The profit margin to the grocers remained unchanged at 1½ cents per loaf. Shortly thereafter, the grocers of Covington, Newport and other northern Kentucky communities demanded a ½ cent reduction in the wholesale price from 9½ cents to 9 cents, so as to give the grocer a 2 cents margin per loaf. These demands were refused by the Cincinnati bakers.

When the bakers refused the demands for an additional ½ cent margin of profit for the grocers, the members of the Northern Kentucky Independent Food Dealers Association then selected the largest baking company from the standpoint of sales volume in the Cincinnati market for reprisal. The reprisal took the form of a boycott against this baking company's product as a result of which this bakery finally capitulated and granted the additional ½ cent to the grocers. This reduction in the price from 9½ to 9 cents was granted not only to the members of the association[3] but also to all retail customers in the greater Cincinnati area. Immediately all other Cincinnati bakeries reduced the price

[3] There were approximately 150 members, all located in Kenton and Campbell Counties, Ky.

of their loaves from 9½ to 9 cents wholesale. Since December 1941, the price of the 20-ounce loaf of white pan bread has remained statienary in this market at 9 cents wholesale and 11 cents retail.

Soon after War Food Order No. 1 became effective on January 18, 1943, the members of the association began to agitate for a ½ cent reduction in the wholeale price of bread, thus increasing their profit margin to 2½ cents per loaf to compensate them for the non-return of stale bread.

On March 3, 1943, a meeting called at the instance of the association was held at its Covington, Ky., office. Those who attended were members of the executive committee of the association and representatives of the larger baking companies of Cincinnati. The bakers were informed that any one of them who refused to reduce the price of the 20-ounce loaf from 9 cents to 8½ cents would be eliminated as suppliers by members of the association. The bakers were granted one week in which to reach a decision. The representatives of two of the baking companies were outspoken in opposition to any reduction in the wholesale price, pointing out to the grocers the substantial increase in the cost of ingredients used in the manufacture of bread, as well as higher labor costs.

On March 12, 1943, when the driver-salesmen of the two largest Cincinnati bakers entered the stores of many of the association members, they were asked if the price of the 20-ounce loaf had been reduced to 8½ cents, and when the responses were in the negative, they were told to return when the price reduction had been granted. One of the baking companies was eliminated from sales to approximately 63 former customers, all members of the association, and the other baker lost about 80 customers on the same day. Officials of the association did not confine their boycotting activities to its own membership; nonmembers were contacted and prevailed upon to participate in the movement.

The two largest distributors of bread in the northern Kentucky area were selected for boycott as the officials of the association concluded that if these two could be forced to grant the price reduction all of the other baking companies would be compelled to do likewise. As previously noted in 1941, this same association was successful in forcing a reduction of the then regular price of the 20-ounce loaf from 9½ to 9 cents wholesale.

On April 5, 1943, the officials of one of the baking ocmpanies met with officers and members of the association endeavoring

to have the boycott lifted, but were unsuccessful. This company's representatives were informed by spokesmen for the association that:

> We broke you before and we will again * * *.

Meanwhile at a regular meeting of the board of directors of the association the attorney for the association advised the members of the board that a boycott was illegal under the laws of Kentucky and the board thereupon declined to sanction the boycott. However, on May 15, 1943, another meeting was held at which union labor officials, representatives of the boycotted baking companies and officials and members of the association were in attendance. Association representatives offered to lift the boycott if the baking companies would either reduce the wholesale price of bread or agree to replace stales, notwithstanding the fact that the replacement of stales would be a violation of War Food Order No. 1. Disregarding the official action of the board of directors of the association in refusing to sanction the boycott, individual members of the association continued to boycott the two baking companies. The Federal Trade Commission investigated the situation and on March 23, 1944, issued a complaint against Northern Kentucky Independent Food Dealers Association, Inc., et al., for violation of section 5 of the Federal Trade Commission Act, and on July 12, 1945, issued an order to cease and desist from hindering or restraining competition in the sale and distribution of bakery products.

Bread prices in South Bend, Ind.—The practice of selling bread of like grade and quality and of a definite weight at different prices on the same route, probably had its origin in this market. Early in 1925, following a price war, one of the major baking companies began selling at several points in Indiana and Michigan from its South Bend plant a 24-ounce loaf at 10 cents, or 1 cent below the regular prevailing price of 11 cents. The bread was not sold openly at cut prices but was done by billing a customer at the "regular" price and then giving him enough free bread to make the price of the total amount delivered 1 cent per loaf less than the regular price. This was accomplished by the driver-salesman taking a receipt from the customer for the free bread and turning it in to the company as the equivalent of cash at the established price. The reason for having different prices, even on the same route, was to meet competition, presumably by companies not a party to a price agreement entered

into by bakers of South Bend and surrounding territory including points in Michigan in October 1924.[4]

In late years the popular size loaf of domestic white bread was the 20-ounce loaf which was priced at 8 cents wholesale and 10 cents retail prior to the summer of 1941, when the price was increased to 9 cents wholesale and 11 cents retail. Dark breads (rye and whole wheat) and restaurant bread sold at 8 cents per pound.

Large Chicago bakers transport their bread from their Chicago plants to South Bend in trailer trucks and redistribute from depots by route trucks to points in Michigan and Indiana. South Bend is approximately 95 miles from the Chicago plants where the price of the 20-ounce loaf in 1943 was 8½ cents. The price for the same size loaf in the South Bend market was 9 cents wholesale.

From these depots, routes serving New Carlisle, Hudson Lake, Rolling Prairie, La Porte and other La Porte County stops sold the same 20-ounce loaf at 8 cents wholesale, and Crumstown and North Liberty at 9 cents. At LaPorte, Ind., there is a long established independent bakery which for a number of years had been the price leader in the LaPorte County market. The large bakers, upon entering this market, lowered their prices to conform with prices set by the local bakery.

This local baker stated that in 1941, because of increasing costs of materials and the competition of the larger bakers with the installation of expensive bread racks, furnishing of screen doors, painting of store fronts, free goods, etc., he was compelled to request the larger bakers to raise the price of the 20-ounce loaf from 8 cents to 9 cents. The larger companies insisted on a two-cent increase which went into effect in September 1941. He stated his sales volume increased but that shortly thereafter the larger bakers replaced the 20-ounce loaf with a 16-ounce loaf to sell at 8 cents wholesale. Although advised of the contemplated change, the local baker stated that because of large stocks of the larger size wrappers, he could not economically switch to the 16-ounce loaf in spite of the fact that the plant manager of one of the major companies offered to furnish him with one-pound pans free of charge. This offer was declined.

On October 27, 1941, the larger bakers replaced the 16-ounce loaf with a 20-ounce loaf at the wholesale price of 8 cents without notifying the local baker and as a result this local baker

[4] Federal Trade Commission Report on Competition and Profits in Bread and Flour, S.Doc. 98, 70 C., 1st S., pp. 163–170.

was forced to refund to his customers the 2 cents per loaf between his price of 10 cents and the 8 cents price of his competitors.

Outside of LaPorte County, the price of the 20-ounce loaf again became 9 cents until the route reached Knox, Ind., where the price was again reduced to 8 cents to meet the price of a small local baker. This local baker had operated as many as four routes within a radius of 40 to 50 miles of Knox but by 1943 he had been forced to discontinue all of these but the route serving Knox and surrounding areas of Toto and North Judson. This baker stated he had been selling the 20-ounce loaf at 8 cents wholesale for 3 or more years prior to 1943. The replacing of his bread racks with more expensive racks, furnishing of screen doors, painting store fronts, furnishing paper-bag racks and string racks resulted in competitors obtaining the most favorable display of their products.

Bread prices in the Richmond-Norfolk area.—Similar to the illustrations enumerated above, the large baking companies pursued the practice of selling loaves of different weights at the same price in other territories.

As of January 1937, in Richmond, Va., the prevailing loaves of white home pan bread were the 14-ounce at 7 cents wholesale and the 18-ounce (labeled 16-ounces) loaf at 8 cents wholesale. At a meeting of the principal local bakers at Richmond, they were requested by a representative of one of the large national baking companies to decrease the size and weight of loaves of bread manufactured by them and to increase the price of such loaves. This the bakers refused to do. One of the local bakers was told by the representative of the larger bakery, "You will be sorry if you don't come across and follow suit." The purpose of this meeting was to get the local bakers, competitors of this large national baking company, to reduce the pan size of their 18-ounce loaf white home bread from 11 inches to 10 inches and increase the wholesale price from 8 cents to 9 cents, the retail price to remain at 10 cents and the 1 cent increase to be absorbed by the retail grocery store.

Within a short period of time after the meeting, one of the large national companies supplemented its 18-ounce (labeled 16-ounces) loaf of bread with a loaf weighing 23 ounces (labeled 20 ounces) and sold the increased weight loaf at the same price as was formerly charged by this company for its 18-ounce loaf, namely, 8 cents. The price of its 14-ounce loaf was reduced from 7 cents to 6 cents wholesale in the Richmond area, while it con-

tinued to sell from the same plant the 14-ounce loaf in the Newport News area at 7 cents wholesale. It was stated that the 6 cents wholesale price was to enable this bakery to meet the competitive chain store 16-ounce loaf priced to the consumer at 6 cents per loaf. At the same time that this company was selling its 23-ounce loaf of bread at 8 cents wholesale in the Richmond area, it was charging 8 cents for its 18-ounce loaf of bread in the Williamsburg and Newport News area, such bread being manufactured at the Richmond plant.

This action, it is alleged, severely injured the business of its competitors, mainly through the loss of volume in sales and the loss of customers and it was not until 1½ years later that the decreased cost of ingredients used in the manufacture of bread and allied products permitted its competitors to meet this price and weight change.

One of the Richmond bakers stated that in September 1938 he increased the size of his 18-ounce loaf to 20-ounce baked weight to meet the competitive loaf introduced by the major company early in 1937. The wholesale price remained unchanged at 8 cents and at the same time he reduced the price of his small loaf (baked weight 15 ounces) from 7 cents to 6 cents wholesale, meeting the price of his competitor set early in 1937. This baker stated that the cost of ingredients did not justify an increase in the weight of the larger loaf nor a decrease in the price of the smaller loaf prior to September 1938. Other local bakers followed so that the 20-ounce became the most popular size loaf sold in the Richmond territory.

These prices continued in effect until the summer of 1941 when the price was increased to 9 cents wholesale for the 20-ounce loaf and 7 cents for the 15-16-ounce loaf and continued at these levels through November 1945.

The Richmond plants service communities such as Warsaw, Fredericksburg, South Hill, Charlottesville, Petersburg, Hopewell, and Newport News, the latter being approximately 90 miles from the Richmond plants.

In November 1945, one of the leading baking companies produced and distributed from its Richmond plant a 20-ounce loaf of white home pan bread at 9 cents wholesale and a 16-ounce loaf at 7 cents wholesale. The larger loaf was sold in all markets except Norfolk, where only the smaller loaf was sold. The wholesale price of the smaller loaf was 9 cents in Norfolk. This company transported the 20-ounce loaf 110 miles to Norfolk and then to Newport News where it was sold at the same price,

9 cents, as the smaller so-called 1 pound loaf which was marketed in the Norfolk area.

The Newport News market included Hampton, Phoebus, Yorktown and surrounding territory up to, but not including, Williamsburg, Va. The prevailing domestic loaf of white bread in January of 1937 was the so-called 16-ounce loaf marketed by all of the bakeries at 8 cents per loaf.

In December 1938, the Norfolk and Richmond bakers replaced the 16-ounce loaf with the 20-ounce loaf at the same price of 8 cents wholesale, while the local wholesale bakery continued to sell a 16-ounce loaf at the same price of 8 cents. There appears to have ben no change in price until the summer of 1941 when the price was increased to 9 cents per loaf wholesale by all bakers. These prices were still in effect in November 1945. In the meantime, the local baker had increased his loaf weight from 16 ounces to 18 ounces to meet the competition of the bread trucked in from Norfolk and Richmond.

The Norfolk bakers adopted the so-called one-pound loaf of white pan bread which gives the consumer 3 to 4 ounces less bread for the same price (11 cents) as compared to the Richmond and Newport News areas. One Norfolk baker, when asked if he was in favor of a regulation which would require the same size, weight, and priced loaf of bread, stated:

> Well, of course, we have that now, but I advocated that 6 or 7 years ago. I think it is an excellent idea. One thing, it keeps a baker from stepping out of line and coming out with a loaf two or three inches longer and upsetting the entire market * * * All independent bakers in this community have the same size pans.

One baking company stated they serve Suffolk, Westpoint, Reedville, Kinsale, Tappahannock, and Urbana from their Norfolk plant. This plant manufactured a 17-ounce loaf of white pan bread which was sold to the grocer at 9 cents wholesale and to the consumer at 11 cents per loaf. Their Richmond plant baked a 20-ounce loaf which it sold at 9 cents wholesale, 11 cents retail, and 16-ounce loaf which was priced at 7 cents wholesale, 9 cents retail, and served among other towns, Warsaw and Newport News. In serving the area enumerated above, the routes of this company transverse and serve practically the same area, varying the size and weights of loaves of bread to obtain competitive advantages.

Bread prices in Los Angeles and southern California.—Due to the preponderance of super markets and large chain store units, some of which bake their own private label bread, independent bakeries bake what is known as "secondary" bread which is sold to the independent retailer in order for him to meet the competition of the chain store and super market prices. This secondary bread is usually produced in addition to the "primary" or quality loaf normally manufactured and is what may be termed a "fighting" brand. Those breads which bear a secondary wrapper are usually of an inferior grade and quality but in some instances are baked from the same dough as primary breads. The primary loaves are sometimes referred to in trade as "advertised" breads, whereas the secondary loaves are classified as "unadvertised" breads.

Prior to the summer of 1939, the Los Angeles area bakers were concerned with the growth of alleged unethical practices such as: (1) pay-off for stops, (2) secret discounts, (3) defamation of competitor or his products, (4) variable wholesale prices, (5) overloading of stops, (6) pirating stops, (7) premiums, (8) route pushing, (9) trading bread, (10) negative advertising, and (11) marketing of secondary breads from primary mix.

Pay-off for stops included the buying of space in the retail stores, free bread for openings, financing repairs and additions to retail stores, furnishing bread racks, rental allowances, and giving other valuable considerations above and beyond values which would be justified by the normal relationship between the baker and retailer.

There is no economic justification why bread, the staff of life, should be forced to purchase its way into any point of distribution not under the control of the industry, and where the operator of that point of distribution makes a fair profit on the sale of the product.

Secret discounts were alleged to range as high as 35 percent. It was further alleged that the smaller bakeries in order to meet the competition of the large interstate bakeries, which do extensive advertising and sales promotion, found it necessary to give discounts as an inducement to the retailers to push the sale of their bread.

Prior to August 1939, the prices of the advertised or primary bread in the Los Angeles territory and the secondary or unadvertised bread were as follows:

	Wholesale		Retail	
	16 ounces	24 ounces	16 ounces	24 ounces
	Cents	*Cents*	*Cents*	*Cents*
Wholesale bakeries:				
Primary	8	10.5	10	13
Secondary	5.5–6.4	7.5–8.8	7–8	9–11
Chain store bakeries:				
Private label	.....	.....	8	11
Secondary	.....	.....	6–7	8–9

On August 2, 1939, one of the supermarket systems, operating approximately 29 supermarkets located in Los Angeles and vicinity, baking its own bread and other bakery products, in order to publicize the installation of new bakery equipment advertised in the Los Angles newspapers a special sale on its private label bread for 3 days only at a reduction in price on a 16-ounce loaf from 7 to 5 cents per loaf and on the 24-ounce loaf a reduction of 3 cents from the prevailing price of 9 cents per loaf.

On the following day, a competing chain store advertised the same price for its private label bread without any time limit. Another local chain store operator, which had for some time prior thereto sold a 16-ounce loaf of bread at 5 cents, announced the sale of 3 loaves for the price of 10 cents.

In the meantime, the independent supermarkets induced the bakers of secondary bread to reduce their wholesale prices on secondary bread in order for these retailers to meet the prices of the larger chain store units. As a result, the market became flooded with secondary bread. Several meetings were held by the bakers in an attempt to restore previous prices, but they were unsuccessful and on August 13, 1939, one of the larger interstate bakeries announced a reduction in wholesale price of its primary bread from 8 cents to 6.4 cents for the 16-ounce loaf, and from 10½ cents to 8 cents for the 24-ounce loaf. When this occurred, all the wholesale bakers met these prices. The prices quoted were as follows:

	Wholesale		Retail	
	16 ounces	24 ounces	16 ounces	24 ounces
	Cents	*Cents*	*Cents*	*Cents*
Wholesale bakeries:				
Primary	6.4	8	8	10
Secondary	4.5	5, 6, 6.5	5, 6	7, 8
Chain store bakeries:				
Private label	.....	.....	7	9
Secondary	.....	.....	5	6, 7

From August 14, 1939, when the baking industry as a whole entered the so-called price war, meetings were held in an effort to restore higher prices. The larger bakeries, through the Bread Institute, promulgated a set of trade practice rules which the smaller bakeries adopted, thereby hoping the larger companies would raise the prices. However, it seems that there was always one of the big companies which objected to an increase in price.

In the spring of 1940, the Bread Institute sponsored a proposed marketing order for the wholesale bakers of Southern California under the Processed Foodstuff Marketing Act of the State of California. This order provided for the filing of prices including all discounts applicable thereto. By this means, it was thought all indiscriminate and secret discounts could be controlled. There was some uncertainty of the legality of stipulating discounts in such an order because of the probability of discounts being classified as price fixing. Also, the smaller bakers through their association opposed such an order on the grounds that it did not include chain store, house-to-house, multiple-store bakeries and others, not classified as wholesale bakeries. Therefore, under the order, any changes would be passed on by producers of 65 percent of the volume which would place the industry under the control of the larger bakeries. Consequently, the enactment of such a law was abandoned.

Until the Fall of 1940, the price of bread in San Diego remained unchanged at 8 cents wholesale for the 16-ounce loaf and 10½ cents for the 24-ounce loaf of primary bread. On October 21, 1940, prices were reduced 1.6 cents per pound for the primary loaves and proportionately on the secondary loaves, which prices continued until August 1941 when the price of the primary bread was increased 1 cent per pound. The price decrease in the fall of 1940 was preceded by a meeting of local bakers to which the manager for one of the larger bakeries submitted a type-

written set of rules to the bakery representatives with the request that each company adhere to such rules. These rules prescribed uniform pan size, uniform slicing thickness, uniform packaging, no discounts to present customers, no discounts, cash considerations or tie-ups with any dealers after September 1, 1940, no free bread for store openings or otherwise, no painting of store walls or store fronts, and a readjustment of sale of secondary bread to a more equitable basis compared with sale of primary bread.

While no threats were made that prices would be reduced if the bakers failed to adhere to the rules, this representative of a large company did make the statement that prices should be made the same as the prevailing prices in Los Angeles, contending that his company had lost a large volume of its business to the chain store bakeries and bakeries producing secondary bread. It was contended that these bakeries were obtaining too much business and something had to be done to reduce the spread between the retail prices of secondary and primary bread and to eliminate special discounts to the retail trade. It appeared that the San Diego bakeries made every effort to maintain their suggested retail prices which practice is legal under the California Fair Trade Laws. However, it was alleged that the reduced prices undoubtedly forced some of the bakeries out of business and the secretary of the Associated Bakers of Southern California stated that during the period August 14, 1939, to September 14, 1941, nine bakeries passed through bankruptcy and fourteen others closed.

Under the Office of Price Administration's so-called "Lift the Lid Order" of July 18, 1941, the price of bread was increased 1 cent per pound in Los Angeles and Southern California. The 16-ounce loaf of primary bread was priced at 7.2 cents per loaf wholesale and the 24-ounce loaf at 9.6 cents per loaf. These prices were in effect when bread prices were frozen under the General Maximum Price Regulations as of March, 1942.

Because of a state law prescribing permissible weight of loaves in units of ½-pound and 1-pound or multiples thereof, the bakeries in southern California could not increase the weight of their loaves and obtain a proportionate increase in prices, as permitted under the order of the Office of Price Administration effective effective December 18, 1943. However, under an Office of Price Administration order, effective May 13, 1944, whereby bakeries were permitted to apply for relief where their maximum ceiling prices were below the general level for similar products,

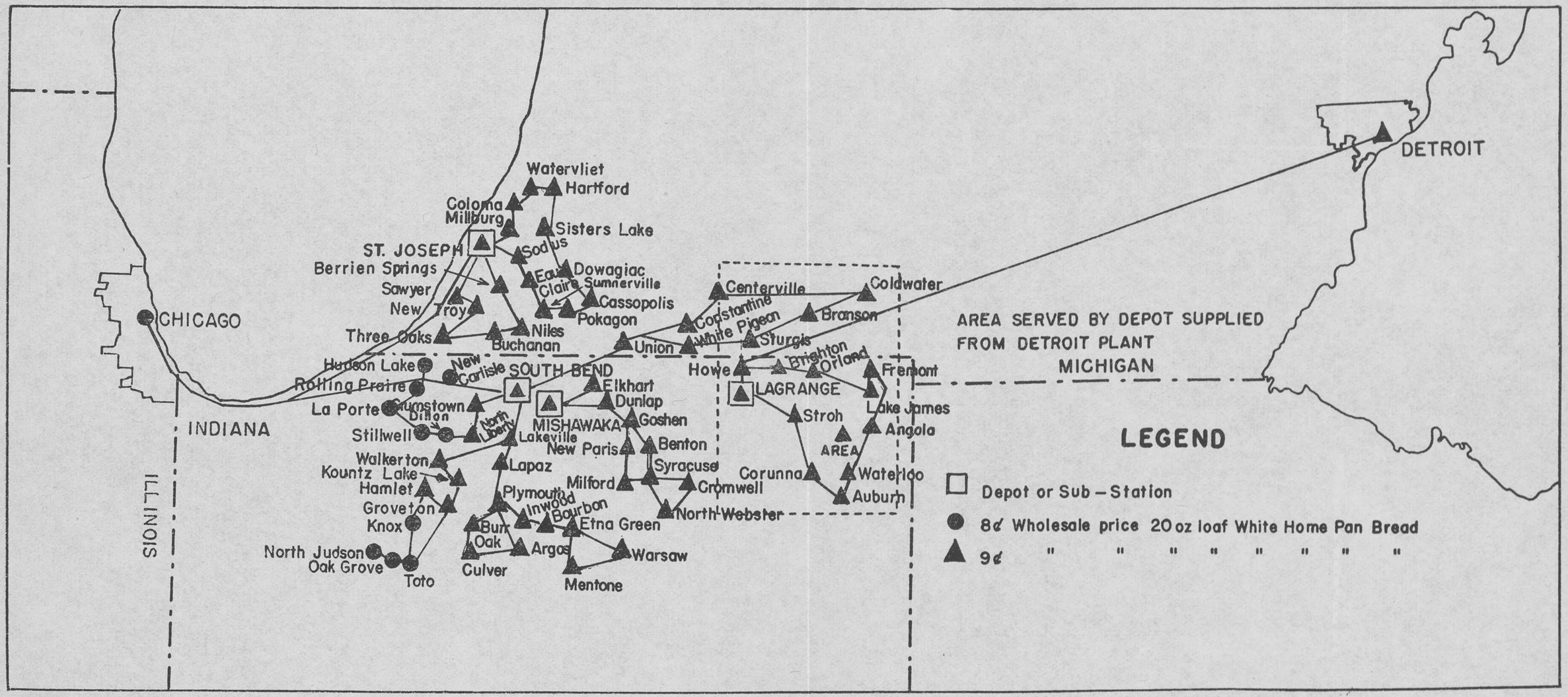
the Office of Price Administration increased the price of the 24-ounce loaf from 9.6 to 10.6 cents wholesale, and from 11 to 12 cents retail, effective August 11, 1944. Again on April 11, 1946, the Office of Price Administration adjusted the maximum price for the 24-ounce loaf of primary bread sold in Los Angeles to 11.2 cents wholesale and 14 cents retail. No change was made in the price of the 16-ounce loaf.

Bread prices in Detroit, Mich.—A large Detroit baking company, operating more than 125 routes, serving the retail trade of Detroit, and by relay trucks supplying outlying substations which in turn served communities in Michigan, Ind., and Ohio, priced its bread prior to August 1, 1941, at 7 cents wholesale for the 16-ounce loaf, at 8 cents wholesale for the 20-ounce loaf, and at 10 cents wholesale for the 24-ounce loaf of white pan home bread. In August, 1941, the 16 and 24-ounce loaves were discontinued and the company concentrated on the 20-ounce loaf.

From January 2, 1940, to September 2, 1941, there were three price changes in the white pan home bread sold in Detroit markets. On January 22, 1940, the price was raised 1 cent per loaf for the 16-ounce, 20-ounce and 24-ounce loaves of white home pan bread. However, on May 27, 1940, the price was reduced 1 cent per loaf and the increase was not restored until September 22, 1941. On that date the 16-ounce and 24-ounce loaves were discontinued. No changes were made in the prices of pullman type restaurant loaves which remained at 7 cents per pound. This action of the larger bakeries in increasing the price of the home bread and not the price of the restaurant white bread caused the smaller bakeries serving the hotel and restaurant trade much concern. The latter maintained that they could not increase prices in advance of an increase by the larger bakeries and found it extremely difficult to operate at the prevailing prices because of increasing cost of ingredients and labor.

These same prices prevailed in Flint, Saginaw, Bay City, Jackson, and Battle Creek, Mich.; and LaGrange, Ind., which markets were served by bakeries located in Detroit. In the Toledo, Ohio, market the price of the 20-ounce loaf of white home pan bread was increased on September 22, 1941, from 8 cents to 9 cents wholesale and the restaurant or pullman loaf was increased 1 cent per pound, or from 14 to 16 cents for the popular selling 2-pound loaf. The Detroit bakeries which sold their products in the Toledo area therefore increased the price of their restaurant bread 1 cent per pound for all sales in Toledo and Monroe. This resulted in the 2-pound pullman loaf

VARIATION IN THE WHOLESALE PRICES AND LOAF SIZES IN DIFFERENT LOCALITIES FOR WHITE HOME PAN BREAD PRODUCED BY TWO LARGE CHICAGO BAKERIES AND ONE DETROIT BAKERY AND DISTRIBUTED IN NORTHERN INDIANA AND SOUTHERN MICHIGAN, MARCH — APRIL 1943.



baked in Detroit and generally sold at 14 cents per loaf, to be sold at 16 cents in the Toledo and Monroe markets.

One of the large Detroit bakeries maintained a depot or substation in LaGrange, Ind., which was served by trailer truck from its Detroit plant. From this substation, routes served towns in Indiana and southern Michigan as indicated by the map facing page 114. This map shows the wholesale prices and loaf sizes in different communities in southern Michigan and in northern Indiana for white home pan bread baked by two Chicago bakeries and one Detroit bakery as of March 1943. It will be noted that the prevailing prices for the 20-ounce loaf of white home pan bread was uniformly 9 cents in the territory served by the Detroit bakery. However, in several communities in the territory served by the two Chicago bakeries, the price of the 20-ounce loaf of white home pan bread was 8 cents. Where the routes of the Chicago and Detroit bakeries overlapped, a uniform price of 9 cents per loaf was maintained. This price was the same as the prevailing price in the Detroit market and compared with the price of 8½ cents for the 20-ounce loaf in the Chicago market.

This price of 9 cents for a 20-ounce loaf was maintained in Detroit and the area served by bakeries operating out of Detroit until the early part of 1944 when the price was raised to 10 cents per loaf wholesale and the weight of the loaf was increased proportionately to 22.25 ounces, in accordance with an order of the Office of Price Administration permitting proportionate increases in weights and prices.

Price fixing.—During the Commission's inquiry of the extent of price discrimination in the baking industry, it developed that in some markets there was evidence of concerted action by leading bakeries in price fixing.

In the Kansas City area all of the major baking companies on August 18, 1941, changed the weight of domestic white bread from 20 ounces to 16 ounces without a change in the price, namely, 8 cents per loaf wholesale. The pan size was changed from 12 x 4½" to 10 x 4½". All of the larger companies acted in concert in making these changes, as evidenced by their action in placing orders for the smaller pans in which to bake the smaller size loaf and for wrappers suitable for the one-pound loaves, sufficiently in advance for use on August 18, 1941. One of the bakeries already had the smaller-sized pan in stock but did purchase along with the others bread wrappers from the same paper company just prior to the effective change date.

On August 18, 1941, all driver-salesmen for all the major bakeries delivered to their respective customers a one-pound loaf priced at 8 cents wholesale, to retail at 10 cents, which had theretofore been the price for the 20-ounce loaf.

When questioned regarding the smaller size loaf which was introduced in August 1941, and as to just how he knew that such a loaf was going to be brought on the market, a St. Joseph, Mo., baker stated:

> There was no mystery about that because all the larger bakeries had been talking and that a meeting had been held which he attended and he was asked to agree to start the production of a smaller loaf on August 18. He stated he did not agree to this and walked out of the meeting but nevertheless his plant did start the smaller loaf on that date.

The price of white domestic bread in this area established by concert of action and made effective on August 18, 1941, became the selling price of bread of the respective bakers and no change had been made therein up to February, 1946.

In the Chicago area all of the major bakeries on September 15, 1941, changed the weight of the predominate loaf of white home bread from 20 ounces to 16 ounces and thereafter, until October 27, 1941, sold it at wholesale at the same price at which sales of the 20-ounce loaf had been selling, that is, at 8½ cents wholesale with a retail price of 10 cents per loaf. On October 27, 1941, major bakeries returned to the making of the 20-ounce loaf at the 8½ cents wholesale price. This change back to the larger sized loaf was due to the fact that chain stores and independent bakers did not make the change from a 20-ounce loaf to a 16-ounce loaf and the competition from the chains and independent or so-called "secondary" bakers was so intense that the major bakers found themselves losing sales. This latter move was also by concert of action on the part of the large baking companies. The price of 8½ cents wholesale and 10 cents retail for the 20-ounce loaf became the Office of Price Administration ceiling price and remained so until the Office of Price Administration permitted a 10 percent increase to 22-ounce loaves with a price of 9½ cents wholesale in May 1944.

The major bakeries admitted changing the loaf size on the same day but denied any collusion, claiming that each acted on its own independent judgment. But these large companies anticipated the change in the size of the loaf as is evidenced by the purchase of the proper size pans and bread wrappers sufficiently in advance to put the change into effect on the same date.

There is some evidence to the effect that meetings were held prior to making changes affecting the metropolitan Chicago territory as well as other markets in Illinois. For instance, although none of the major bakeries was a member of the Bakers Club of Chicago in the summer of 1941, a meeting was held in the club rooms at which representatives of independent bakeries were present and at which a representative of one of the major baking companies is alleged to have threatened the ruin of any independent who would not reduce the size of pans and weight of the principal loaf marketed in that area. The smaller size pans were offered to the smaller bakers if they could not buy them, or if they did not desire to accept charity, they would be furnished proper size pans at 5 cents per set. These pans usually sell at $1.25 per set new. This fact was attested by several of the smaller bakers. One stated that he was baking a 20-ounce loaf when the larger bakers replaced their 20-ounce loaf with a 16-ounce loaf on September 15, 1941. This baker stated he did not immediately reduce the weight of the loaf manufactured by him, whereupon he received a telephone call from the spokesman for the larger bakers, and that because of the threatening attitude, he reduced the size of his loaf of bread.

With specific reference to the alleged meeting in the rooms of the Bakers Club of Chicago, the secretary, at that time, stated that he

> made telephone calls and wrote some notices of the meeting as a "courtesy on an industry problem,"

but would not admit that either he or the representative of the larger bakery was present at the meeting in question. Questioned about an alleged conversation with a Joliet baker concerning the reduction in the size loaf and change in pan size, the former secretary admitted calling this baker and advising him of the contemplated change in the size of the loaf.

The aforesaid secretary was also secretary of the Associated Bakers of Illinois from May 11, 1938, until February 1943. Its membership includes about 60 of the leading bakers in Illinois, exclusive of Chicago, and the southern portion of the State. This Association, through its secretary, was active in eliminating instances of "excessive sampling," installation of free counter racks in retailers' stores, wasteful deliveries, giving of premiums and other practices, since abolished by Food Distribution Order No. 1.

Correspondence indicated that this group was concerned with the price situation prior to the summer of 1941. There is evidence to the affect that informal meetings were held throughout Illinois in which the adoption of a smaller loaf of bread, possibly a 1-pound loaf baked in a 10½-inch pan, to wholesale at 8 cents, was discussed.

Following a picnic meeting of bakers at Quincy, Ill., June 11, 1941, a letter, dated June 12, 1941, was directed to the secretary, in which the following suggestion was made:

I talked to several bakers there about the price situation which more than likely will have to be adjusted in the future and not too distant.

Those bakers that I talked to were interested in going to a smaller loaf, possibly 1# baked in a 10½-inch pan, to wholesale at 8 cents. Before that program could be worked out I think that a cut in weight could be taken to somewhere around 18 ounces baked. Anything below 18 ounces in the present pans would deteriorate the bread quality too much.

I thought it might be a good idea to suggest to you that you make a trip throughout the state, gathering the opinion of the different bakers, as some change certainly will have to come. Those bakers that have flour contracted on a low basis of course will be less inclined to want to do anything until they use up their cheap material, but looking at it from another angle they should base their price of bread on the market prices now and anticipate advances that are almost certain to come.

You and I both know it will take considerable time to get the bakers to adjust their prices, so any program that will be undertaken very soon perhaps would not be completed for two or three months or more.

The secretary replied under date of June 13, 1941, as follows:

Since you were talking with bakers around the Quincy area, what would you think of a meeting in Jacksonville on July 2, and inviting bakers from Peoria, Quincy, Alton, Springfield, Bloomington, Macomb, etc.? Then the following week we could have a meeting in Galesburg including the Tri-Cities, Burlington, Peoria, etc.

If this sounds logical, let me know and I shall get the notices out immediately.

Because of the elapsed time between these alleged meetings and the Commission's survey, it was difficult to establish what action, if any, resulted from this exchange of letters. Following the release of the so-called "Lift the Lid Order" as contained in the letter of July 18, 1941, directed to certain bakers by the Office of Price Administration, the bakers in Bloomington, Normal, Champaign and Urbana, as well as bakers in northern Illinois, increased the wholesale price of bread 1 cent per loaf, about the same time the Chicago major bakeries increased the price by substituting a 1-pound loaf for the 20-ounce loaf.

Earlier in 1941, the secretary of this association was actively engaged in having the bakers adopt a 12-inch pan replacing the 13- or 14-inch Pullman loaf marketed north and west of Peoria, Ill. This would include bakeries located at Burlington, Galesburg, Tri-Cities, etc., excluding Peoria unless the Peoria bakers wanted to get together themselves and put it into effect locally.

The secretary was questioned concerning this activity and stated that there was no attempt to increase the price by reducing the weight of the loaf, but that the attempt was one to secure uniformity in the size of the loaf.

Quantity discounts.—Bread is seldom sold subject to any quantity discounts. Some of the bakeries stated that "positively no discounts or allowances whatever were given to any customer." In some instances, however, companies operating cafeterias, restaurants at defense plants, service schools, boarding clubs, etc., where soldiers were quartered, as well as companies specializing in feeding railroad construction crews or other groups of workmen, purchase bakery products at discounts from the prevailing wholesale price.

An official of one buyer in Kansas City stated his company is considered by the bakery trade as a large volume buyer. The bread is delivered to the various locations by the baking company's driver-salesmen. This company was purchasing its requirements in the Spring of 1943 from two of the large national bakeries at a discount of 12½ percent or 1 cent a pound below the prevailing wholesale price.

One of the large companies, under a licensing agreement with a non-operating corporation owned by members of three cooperative grocery groups, grants a royalty of 10 percent of gross sales of bread sold under private label to member stores. Competing bakers alleged that the licensing agreement amounted to nothing more than the granting of a discount.

Other instances, are cited, of bakers selling bakery products to certain retail distributors at prices below generally prevailing prices.

One of the national bakers in Kansas City sold doughnuts packed under private labels at a discount of 30 percent from list prices, delivery at baking plant. The purchaser of the private label merchandise also purchased the baking company's regular packaged doughnuts delivered at stores at 1 cent per dozen less than was charged competing retail outlets. The 30 percent discount was based on the fact that the purchaser was not

permitted to return stale doughnuts which were stated to be approximately 20.5 percent of gross sales. This selling agreement was inaugurated in 1942, when the consignment method of merchandising was still in vogue. The plant classified this customer as a "distributor" or "shipping customer" whereby such customers were usually sold f.o.b. their place of business or destination, at a discount from the regular prevailing price charged dealers served by company wholesale routes. Sales to distributors or shipping customers were usually outright without the privilege of returning stales.

The Chicago plant of this same baking company, prior to April 7, 1943, regularly granted a discount of 2 cents per loaf on its 2-pound Pullman loaf sold to a certain drug store. On April 7, 1943, the price was increased to the regular prevailing price of 16 cents per loaf. It developed, however, that the former route salesman had sold this loaf at 12 cents and later at 14 cents to this customer. It was stated that the salesman's action was an arbitrary one and as the result thereof, the salesman was discharged. The company, however, continued to sell this customer after the discharge of the salesman at the 14 cents price until after the Commission started its inquiry when the price was raised to 16 cents per loaf.

In other instances it was found that a drug chain in Kansas City purchased its bakery products at a discount of 5 percent from this large bakery, whereas a few of its outlets were serviced by a competing national bakery which granted no discount from its wholesale prices.

Another drug chain in Baltimore purchased their bread requirements for use at their lunch counters at a discount of 10 percent from one of the large national baking companies. This arrangements had been in force for a number of years, perhaps as far back as 1930. A local baker approached this drug chain to inquire why the chain did not patronize home industry. He was informed he could have a portion of the chain's business, providing he would meet the prices being paid to the larger baker, which the local baker did.

In Baltimore certain leading confectionery and variety chains were granted discounts of ½ cent per pound on bread served in restaurants and lunch counters, which discounts were withheld from their competitors. A discount of 7 percent was allowed to another chain by one of the national bakeries. A restaurant chain purchased its baking products from this bakery at 7 cents

per pound, one cent below the generally prevailing territorial price.

Other plants of this company sold at varied prices and discounts. The prices of one plant in 1941, for example, varied from 6 cents to 8 cents per pound for restaurant-type bread but as of September 1941, the prevailing prices were 7 cents and 8 cents per pound, the lower prices being accorded to volume purchasers. In May 1943 the manager of this plant stated that the price was standard at 8 cents per pound, but customers whose purchases exceed $50 per week paid 1 cent per pound less. Chains were entitled to this differential even though the individual units purchased in quantities less than $50 per week. These differentials were claimed as justifiable by the fact that the customers made no returns. However, under War Food Order No. 1 returns are prohibited, nevertheless, the lower prices have continued to prevail.

In some territories the large national bakers baked a number of private brand breads for chain stores. These loaves were originally made from a different formula than the bakers' principal loaf. The price to the chain stores was less than that to an independent retailer for a comparable loaf. In 1943, it was found that these private label brands had practically disappeared due to the fact that the chains found that their sales of the nationally advertised bread exceeded those of their private brands even though the price to the consumer was higher for a loaf of the same grade and quality. The manager of one plant stated the lower prices to the chains in the past were to enable them to meet the competition of such chains as operate their own bakeries.

In another instance a private label 19-ounce loaf was produced and sold by a national bakery at 7½ cents to dairies as a sideline to their regular product. This price was 1½ cents below the regular prevailing wholesale price of the regular 19-ounce loaf of same grade and quality distributed by this plant in competition with the private brand loaf. It was stated that the lower price was based on savings resulting from no returns and delivery at bakery platform.

In Philadelphia this baking company granted rebates of 1 cent per loaf to certain retailers. This rebate was referred to by the bakery as an "advertising allowance" but the record discloses that it is a price reduction. Of the favored customers contacted, four of them stated that at the time this bakery granted the 1 cent rebate several of its competitors made similar offers. These

four customers have continued to buy bread from this baker's competitors. Two customers named by the plant manager as receiving a rebate of 1 cent per loaf denied receiving any rebate. Another stated that he had seriously considered dropping the sale of the bread entirely, whereupon the bakery salesman insisted upon leaving 20 loaves daily and started allowing a weekly rebate of $1. Another favored customer buys 20 loaves from this bakery daily, a like amount from one competitor and 15 from another. Neither of the competitors is granting a 1 cent rebate.

The latter retailer, when asked what service was rendered for the allowance, stated:

> I have to put it in front, here on the counter, and keep.....[5] and .....[5] bread on the shelf in back of the show case. I always keep .....[5] bread here in front so anyone who comes into the store can see it. I have had that arrangement ever since they started selling me bread, about three years ago. I have never asked other bakers for any allowance nor have they offered me anything. This allowance hasn't made any difference in the quantity of bread I buy from each baker. I only buy what my customers want and what I can sell. The.....[5] man comes around once a month and gives me the money for the allowance. He said if I don't keep the bread out in the front counter he would stop giving me the allowance.

Another retail grocer stated he sold about 25 loaves of each of three leading brands per day. He paid 9 cents wholesale to each bakery but the above-mentioned bakery allows 1 cent per loaf rebate. When this 1 cent rebate was first offered, about 1938, informant stated competing bakeries were offering the same rebate. No particular agreements for services were entered into as a consideration for the 1 cent rebate. Up to a year prior to date of interview (May 24, 1943) this grocer stated this 1 cent rebate was passed on to the consumer. This grocer also stated that to the best of his knowledge no other bakers have offered any special rebate, discounts or allowances since January 1, 1941.

The plant manager serving this area stated no written agreements exist but that the retailer is supposed to push the sale of their bread and give it a good display. "These retailers," stated the manager, "are among our largest customers although others just as large receive no allowances. These stores are of the type having a larger volume of transient traffic. A good display and sales push at these points has the effect of leading these transient customers to ask for our bread at their neighborhood grocers." Customers purchasing a loaf of bread at the stores which pass on the rebate through the medium of lower consumer prices are

[5] Names of bakeries deleted.

not apt to be impressed when they are charged the regular prevailing price at their neighborhood store.

The Commission has had a number of occasions to consider prohibition of alleged advertising allowances or payments by the seller to or for the buyer for services or facilities when undertaken to be supplied by the buyer unless available to all buyers on proportionally equal terms.

Cooperative grocery chains which use the medium of group advertising, through regular use of newspaper, circular or handbill advertising, often put pressure on one of a number of bakeries supplying their member stores for an advertising allowance. Failure to comply means the loss of some, if not all, sales of their bakery products. Further pressure is exerted until some baker grants an allowance for advertising which is the opening wedge to get other competing bakers to grant similar allowances.

Bakers state that the advertising allotted to them by the cooperative is not worth what they have to pay for it. They do not want to pay this advertising allowance but because of the pressure and the fact that another baker is granting such an allowance they do so to protect their sales volume. However, in so doing they are in violation of section 2 (d) of the Robinson-Patman Act unless such payment is available on proportionally equal terms to all other competing customers.

In negotiating an advertising allowance the headquarters of the cooperative group or other organization usually notifies their member stores that an advertising arrangement has been made with a particular baking company. Members are requested to feature the particular brand or brands, granting such allowances, to the extent of increasing their sales.

In one case the Commission charged that the respondent, which sold its products to customers who are competitively engaged in the sale of such bakery bread, had paid one of its preferred customers the sum of $250 per month as compensation for advertising services and facilities. The medium of advertising was the cooperative's weekly newspaper advertising and by handbills and bulletins.

Payment of valuable consideration to and for the benefit of one preferred customer, without making such payments available to other competing customers, the complaint charged, was in violation of the provisions of section 2 (d) of the Robinson-Patman Act. The respondent admitted the material facts alleged in the complaint whereupon the Commission ordered the respondent to cease and desist from paying or contracting to pay anything of

value to or for the benefit of any customers for services or facilities furnished by such customer in connection with the handling of its products unless such payment is available to all other competing customers on proportionally equal terms.

In another instance, the Commission charged a national baking company with violating section 2 (d) of the Robinson-Patman Act by paying approximately 35 so-called preferred customers for rendering advertising services and facilities without making such payments available on proportionally equal terms to all other competing customers. The payments, which varied from a minimum of 50 cents a week to $525 a month, were made to certain customers in New York, N. Y., Washington, D. C., Canton, Columbus, Cleveland, Ohio, Indianapolis, Louisville, New Orleans, Wheeling, W. Va., and elsewhere. The respondent filed an answer admitting the alleged charges and the Commission issued an order on April 27, 1944, requiring the respondent to discontinue the practice.

In due time respondent bakery filed a report to the effect that all previously existing contracts or other arrangements for payments or allowances of any nature to or for the benefit of any customer have been canceled or otherwise terminated. The report stated that where the respondent contemplated making payments to certain customers in certain cities and surrounding territories in connection with newspaper, circular or handbill cooperative advertising and special services furnished by customers, such as radio programs, billboards, painted outside walls, poster services and similar advertising media and facilities, all competing customers in such cities and territories would be advised by printed or written notice that the respondent would make payments available to them for similar advertising services or facilities on proportionally equal terms.

Quantity discounts September 1945.—Of 322 wholesale bakeries reporting, 155 or 48.1 percent reported discounts granted to peddlers (bob-tailers), jobbers and distributors, and 58 plants or about 18 percent gave discounts to stores, restaurants, etc. These discounts are based on the total sales of all bakery products as reported for the accounting period including September 30, 1945, and are presented as reported by schedule return.

The total sales on which allowances to bob-tailers, jobbers and distributors were reported amounted to 10.83 percent of the total sales of all plants reporting such discounts in September 1945. The average discount off the wholesale price was 21.23 percent, ranging from 10 to 34.5 percent.

TABLE 31.—*Summary of quantity discounts by 155 baking plants to bob-tailers, jobbers and distributors, and by 58 plants to stores and restaurants by geographical areas — September 1945*

[All bakery products]

Area	Bob-tailers, jobbers and distributors					Stores and restaurants				
	No. of plants	Percent of sales sold at discount	Average discount allowed (percent)	Range		No. of plants	Percent of sales sold at discount	Average discount allowed (percent)	Range	
				High (percent)	Low (percent)				High (percent)	Low (percent)
New England	16	14.61	19.18	25.0	12.0	5	7.11	4.04	15.0	1.0
Middle Atlantic	28	8.88	19.09	25.0	10.0	15	20.47	5.69	10.0	2.0
East No. Central	29	7.67	22.23	34.5	15.0	6	5.76	6.36	10.0	2.0
West No. Central	22	11.14	20.87	27.5	15.0	2	10.72	10.00	10.0	10.0
South Atlantic	21	13.37	22.10	30.0	19.0	9	4.98	7.85	20.0	2.0
East So. Central	7	15.17	20.02	25.0	19.6	2	13.70	5.37	6.0	5.0
West So. Central	11	12.26	20.60	30.0	15.0	3	6.73	4.70	5.0	2.0
Mountain	7	18.03	24.93	25.0	25.0	.....	.....	.....	.....	.....
Pacific	14	9.17	22.97	25.0	20.0	16	13.26	5.19	10.0	5.0
All areas	155	10.83	21.23	34.5	10.0	58	12.99	5.62	20.00	1.0

Stores and restaurant trade were granted allowances by 58 of the wholesale bakeries on sales representing 13.0 percent of the total sales of all bakery products by these bakeries. The average discount amounted to 5.62 percent, ranging from 1 to 20 percent. In some instances bakeries reported progressive rates of discounts ranging from 2 to 20 percent, while in other instances plants reported no discounts to stores or restaurants but reported discounts to jobbers, bob-tailers and distributors, including sales to retail chains for redistribution or to drug chains for restaurant or fountain service, the purchaser taking delivery at bakery "dock" or company warehouse. In such instances, the purchaser was classified as a jobber, distributor or shipping account.

Warehouse delivery discounts.—The question of discount for warehouse delivery is probably the most important issue between manufacturer and distributor with respect to such delivery.

In the fall of 1940, attention was called to an unusual development in food distribution that had its beginning some months earlier, namely, the delivery to the warehouses of grocery chains of certain lines of foods that, prior to this time, because of their perishability, had rather consistently been trucked by the manufacturer directly from his plant or warehouse to the individual retail store of the chain, as well as to the store of the independent retailer. These are usually referred to as "direct items." Al-

though some manufacturers of these food items had for some years in a limited way been making delivery at the warehouse of the chain desiring it, no pronounced demand or aggressive campaign for such delivery had been made prior to 1939 or 1940.

The plan has been applied to cheese, the biscuit and cracker line of products, bread and certain other bakery products, soft drinks, potato chips, mayonnaise and other salad dressings, spreads, coffee and many other food specialty products, all having a relatively high degree of perishability.

Distribution by truck from the manufacturer's plant or warehouse to the retailer's store has long been a common practice in perishable and semiperishable food lines. It is contended that this is a costly service which is not needed and that delivery could be made at the customer's warehouse or at the warehouse or factory of the manufacturer, with a concession in price amounting to the savings which the elimination of the service may give the manufacturer.

It is claimed that, in many instances, the purchaser can make deliveries to its stores more cheaply than can the manufacturer, since (1) the delivery is made in trucks in combination with other merchandise; (2) unlike the manufacturer's delivery service, stops are made only where a delivery is actually made; and (3) less time is taken at a stop since only a delivery and not a sale is made. In addition, the store manager's time is saved, as the district or warehouse manager does the buying for all the stores served by the warehouse.

It is the announced policy of one retail chain, therefore, to take direct store-door delivery only in cases of highly perishable items, such as, perhaps, yeast and some bakery products. And, in at least some instances, it appeared to be attempting to eliminate the manufacturer's store delivery, even though it does not receive the desired price concession, on the ground that it wished to control more effectively its selling policies within its own stores, conserve its store managers' time and prevent overstocks and overdisplays of some products and brands to the competitive detriment of others.

It was asserted by those opposed to the plan that the chain desiring to adopt the plan in the purchase of any product will at the outset rely heavily on the foregoing argument with little or no reference to price concession, but that after warehouse delivery is granted it will press for a price concession to the extent of any savings the change has brought to the manufacturer. If the manufacturer insists that he cannot justify any consider-

able discount on the basis of savings effected by the change, the chain, it was stated, may offer to have its own accountants go into the manufacturer's books and show him savings. Finally, if the manufacturer refuses to grant the discount desired, his line allegedly is eliminated from the chain's stores, which then concentrate on a similar line of some other manufacturer who will grant a discount in return for warehouse delivery.

All chains are eager to get as low a price on their purchases as possible, but not all are equally aggressive in attempting to obtain a lower price through warehouse delivery. One of the largest grocery chains of the country, with extensive warehouse facilities, stated in a letter to the Commission that, while it "prefers to take deliveries at its warehouses, if, all factors considered, it is to its advantage to do so," as a matter of fact, it was taking such deliveries from only one of those food manufacturers who offer a choice between the two methods of store-door and warehouse deliveries, with discounts for the latter.

There was much complaint among retail grocers on the Pacific coast in 1941 and early in 1942 because of the special discounts being given large-quantity buyers, particularly a large grocery chain, by a considerable number of baking companies. It was complained that the chain was taking delivery of a large part of the bakery products it purchased at either its own warehouse or the plant of the bakery from which it was purchasing, the baking company making an alleged saving from such delivery the justification for a sizeable discount.

In some instances the baking company made no pretense of offering the discount to any other than this chain, and some other large grocery chains, both corporate and cooperative, were bitter against the bakery for what they regarded as an unjustifiable discriminatory practice. These competitors of the chain were not inclined to accept the reasoning that because the chain operated bakeries here and there it should have for its widespread system of stores the advantage of the courtesy discount customarily allowed by one bakery to another.

Generally, the baking company made no condition regarding the quantity required to be taken by the chain to qualify for the special discount, although, as a rule, its purchases were relatively large. The one usual condition was that delivery should be taken at the bakery plant or at the chain's warehouse.

The general availability of a discount on a warehouse delivery basis was seldom announced by the baker making it to the chain,

and few chains knew that such a discount was ever given by the baker except as discovered from other sources.

The advantages in the discount given the chain over other buyers was found by the Commission generally to be substantial, although to be set over against this advantage was any saving the baker might make resulting from not only a differing method or quantity of sale and delivery, but relief from the losses accruing from unsold bakery products which the chain usually assumed. While these savings were claimed by the baker as justification for the discount, the Commission's examiners found that almost without exception the baking companies' accounting records were not adequate to determine whether or not the price differences made the different buyers were equalled by differences in costs of sale and delivery resulting from the different methods or quantities sold or delivered to such buyers. The amount, in many instances, of the difference in price made to the chain and to others raises serious question whether, if accounting records were adequate, justification could be shown.

The Commission's staff examined the records of 13 or more large and small bakeries, all located on the Pacific coast, selling to this chain, which were deemed fairly representative of the situation in that region.

A Los Angeles bakery company doing a general baking business since September 1938 allowed the chain a discount off the wholesale or store-door price of 20 percent (25 percent for a short time in the beginning) on all purchases, including breads and sweet goods, plus a flat amount of $200 per month said to be for the chain's picking up goods at bakery dock instead of taking delivery at its warehouse. The bakery absorbed losses from unsold products up to 5 percent.[6]

Aside from independent distributors (bob-tailers) who pick up bakery products at the bakery and distribute over their own routes with their own equipment, absorbing all losses from unsold products and receiving a discount of 25 percent, no others received a discount comparable to that given the chain, which is classified as a "distributor" by this bakery. Distributors (bob-tailers) accepted secondary bread as well as primary bread, whereas this chain purchased only the primary bread of this bakery on which there was a greater profit. Some chains accepting store-door delivery from this bakery received no discounts, whereas one chain with store-door delivery received 5 percent

[6] Return of unsold products prohibited under War Food Distribution Order No. 1 since January 18, 1943.

discount off the wholesale price, while three other chains accepting store-door delivery were granted discounts of 10 percent.

An Oakland bakery since July 1, 1941, has granted this same chain, and from February 1942, another chain, a discount of 25 percent off the wholesale price. It was stated that the granting of this discount was based on three reasons: (1) implied quantity purchases, (2) warehouse delivery, (3) assumption of loss on stales by the respective chains. The only other discounts granted by this bakery were 5 percent discounts off the wholesale price to four retail stores which were stated to have three or four times the volume of the ordinary retailer. These were stated to have been in effect 2 to 3 years and these stores took store-door delivery and did not assume loss on unsold merchandise.

Another Oakland bakery has sold rye and milk breads in one-pound loaves to this chain at different periods for a number of years. To all other retailers this bread has been sold at 8 cents, delivery being store-door and the bakery absorbing losses from unsold merchandise. The chain has had a price of 7 cents and 2 percent discount for cash, taking delivery at its warehouse and absorbing losses from so-called "stales." No other chain, regardless of quantity purchased, received any discount, cash or other, or had been offered warehouse delivery.

A third Oakland bakery sold its one-pound loaf of French bread to this chain in 1941 at a discount of 2 cents per loaf below the regular wholesale price of 8 cents per loaf.

Another bakery stated that in the Modesto, Calif., area all grocers including the chain received store-door delivery paying the full wholesale price. In the Fresno market where this bakery operated a second plant, the chain also operated a bakery, where it baked its own white and wheat bread. There it purchased this baking company's variety bread which it picked up at the bakery dock receiving a discount of 20 percent off the wholesale price and absorbing any loss incurred on unsold merchandise.

An official of this bakery stated that as far back as 1933 when they began serving the chain's outlying stores with store-door delivery, the chain also picked up bread at the bakery dock for which service it received a discount of 15 percent. In 1939 when the chain's purchases became much heavier, an increase to 20 percent discount was requested but because of a "price war" that was on, the increase was refused until prices were adjusted. This was done in the fall of 1940.

The Los Angeles plant of a large national baking company sold to various customers in that plant's territory and granted to some

of its customers varying discounts where such customers were in competition with other of its customers not receiving discounts. The chain purchased this bakery's product at a discount of 20 percent from the current wholesale price taking delivery at its own warehouse. This bakery also sold its bread to competitors of the chain at a discount of 10 percent off the wholesale price.

In the San Diego territory, the chain baked its own brand of white and wheat breads. From one bakery specialty breads, rolls, doughnuts and sweet goods were purchased at a discount of 25 percent off the wholesale price prior to January 1, 1942, when the discount was reduced to 20 percent, because of higher material costs. The chain took delivery at the bakery dock, absorbing all loss on unsold merchandise. The bakery serviced the chain's stores at the regular wholesale price in the communities suburban to San Diego, such as Coronado, Oceanside, La Jolla, and La Mesa. The "stale" losses on store-door delivery estimated at approximately 6½ percent of sales were absorbed by the bakery. No discounts other than the implied quantity discounts granted the chain and bob-tailers for bakery dock delivery were made by this bakery.

Since May 1941 the San Diego unit of the chain received a discount of 17½ percent off the wholesale price, taking delivery at its warehouse and absorbing losses from unsold merchandise, from a bakery specializing in variety breads. This bakery distributed its products to retailers by its own trucks, to independent distributors and by direct shipments. Distribution was made in four states. Most distributors of this bakery received a discount of 21.4 percent off the wholesale or store-door price but with some variation from this, depending on their distance from the baking plant. The bakery absorbed losses from unsold bread. One distributor received a discount of 27.5 percent but bore his losses from unsold bread.

Discounts off the wholesale price, ranging from 5 to 15 percent, were given to more than 40 retail buyers, the bakery absorbing losses from stales and making store-door deliveries. Only one of these discounts was at 15 percent. The sales manager of the company claims that competition is the explanation of this discount situation.

With respect to bakery products, it developed that the discount for warehouse or plant delivery was confined principally to the Pacific Coast area. However, the general availability of a discount on a warehouse or plant delivery basis was seldom announced by the baker making it, and comparatively few chains

knew that such a discount was ever given by the baker. In some instances the chain was classified as a "distributor" by the bakery and discounts debited to a general "distributor or jobber" account. In other instances, the chain was classified as a "baker" which classification permitted the granting of a price comparable to that quoted independent wholesale bakers.

Other bakery products such as cakes, doughnuts, cookies, etc., were usually sold to the chain at discounts greater than those on bread for warehouse or plant delivery.

In some instances varying discounts in addition to the usual trade discounts were granted the chain by biscuit and cracker manufacturers on items delivered to the individual stores. These were based on "elimination of salesmen's services" or "allowance for order system." In this respect, orders for all stores were gathered in a particular territory. This is not a consolidated order or an order to be delivered to one destination but merely a service saving salesmen's time in gathering orders. Deliveries were made to the individual stores by the manufacturer.

Discounts for warehouse delivery of bread were not confined exclusively to the Pacific Coast for in the Richmond, Virginia, market a major bakery granted a discount of 20 percent off the prevailing wholesale price to a drug chain for its requirements of 8 or 9 units. The drug chain picked up the merchandise at the bakery platform. The bakery classified this account as a "bob-tailer," although the bread was not sold to the consumer except in the form of a sandwich, toast, or a part of a meal at the drug store.

SECTION 4. METHODS EMPLOYED BY LARGE BAKERS IN ELIMINATING COMPETITION OF SMALLER CONCERNS

Introduction.—The Commission found consignment sales by large chain bakers to be the principal method used by the large bakers to force smaller concerns out of the market. This finding is in harmony with the views of a vast majority of smaller wholesale bakers. In addition to consignment selling, furnishing retailers with bread racks free, giving premiums, allowing special discounts, and distributing free bread, likewise were methods reported as being used by the large concerns in efforts to monopolize different markets. Large concerns with multiple units scattered over wide areas were said to have a decided advantage in that they subsidize the costs of operation for one plant with the profits from the group as a whole. That is, they take heavy

losses from returned products, furnish retailers with bread racks, and sometimes furnish counters free, give free goods, sell at lower prices openly or through heavier loaves, etc., in a new territory, until they build up their volume to a profitable basis; while higher prices are charged in markets in which they are established. Reduced prices granted by small concerns in search of additional business were alleged to have started price wars in which certain large bakers cut prices below costs in attempts to eliminate their smaller competitors. The above methods are treated in greater detail immediately following.

Consignment sales as a means of eliminating competition of smaller concerns.—Throughout the United States representatives of the smaller bakers complained that the larger concerns used consignment selling, even in violation of War Food Order No. 1, in an effort to crowd their product, chiefly bread, out of grocery stores. Although prohibited by War Food Order No. 1, consignment selling was found to have flourished in many cities, especially Dallas, Texas, where it was alleged that four bakers were taking back as many as 150,000 loaves of unsold bread per month. Cleveland, Ohio, was another market in which the Commission found great quantities of bread to have been sold on consignment, likewise to the detriment of the smaller baker. The metropolitan area of New York and Philadelphia and the Pacific coast were other areas in which violations were flagrant. Many concerns were fined more than once for taking back unsold bread and for other violations.

As a rule the smaller bakers favor the total elimination of consignment sales while a few think they should be permitted to take back unsold merchandise to the extent of one-half of one percent of gross sales to cover moldy or damaged bread, but admit that if any percentage control of consignment selling was attempted it would be impossible to enforce any law prohibiting it.

On the other hand, particularly in sections still dominated by smaller bakers, War Food Order No. 1 was well observed.

Bread racks.—Recently the State of Oregon passed a law prohibiting the furnishing of free bread racks, while the State of Washington passed a law against consignment selling but did not attempt to prohibit furnishing of bread racks free.

Many of the smaller bakers throughout the United States favor laws or regulations to prohibit the furnishing of bread racks free. Some who have failed in business attribute their failure largely to the fact that they have been unable to meet competition, re-

sulting from the furnishing, by large bakers, of bread racks and the dominating influence thereby attained in controlling choice display locations in stores to which the racks were furnished.

One incident of particular interest, in connection with the furnishing of free bread racks, happened in Cleveland, Ohio. It has been reliably reported to the Commission that on the very day when one of the large bakers was fined for contempt of court in Cleveland, Ohio, it had 15 bread racks transported to Cleveland from a nearby point—apparently in an effort to have the racks delivered before sentence was imposed by the court for prior violations of War Food Order No. 1.

In Baltimore, Md., one baker is reported to have spent $20,000 during one year for bread racks which were furnished free to customers. A competitor considered setting aside a like amount but finally decided that such an expenditure was not good business.

Depending upon the size and material from which constructed, bread racks are reported to have cost as much as $80 apiece before the war. One large West Coast baker is reported to have circumvented the Oregon law against furnishing bread racks by buying up display space during the entire war period. The baker who reported this matter stated there is no difference between furnishing bread racks and buying up display space. He then admitted that his own company had a contract with a distributor calling for the payment of $20 per month for a neon sign in connection with a yearly contract with said distributor. Recently a representative of a Des Moines firm, which sells bread racks, is reported to have advised a Dallas, Texas, baker that he had sold more bread racks "since December than I ever sold in a year before the war."

Premiums, discounts and free bread.—A baker located in Sacramento, California, stated that the giving of premiums had been discontinued on the Pacific coast before the war. A similar report was received from a Spokane, Wash., baker. Premiums were reported to have ceased to be a problem for the last 15 years in the Dallas, Tex., market. The foregoing condition with respect to premiums appears to be typical of the various sections of the United States.

However, one medium-size baker operating on the West Coast complained that a large local baker was particularly vicious on the matter of discounts which were granted to chain stores. He mentioned also the buying up of display space and the giving away of free bread which he stated had been largely responsible

in forcing him to violate War Food Order No. 1. He stated he had found it necessary to support his bakery out of income from other businesses in which he was financially interested.

In further discussing the problem of the small baker, he said:

> There won't be a single independent wholesale baker in all Southern California in another year if certain practices in the wholesale baking industry are not eliminated by government action.

Another baker located in Sacramento, Calif., stated that three wholesale bakers operating locally were giving flat discounts of 5 percent to certain large stores.

Free bread was stated to have been used as the medium of payment for first positions in distributors' stores. One southern baker, when asked if he ever gave away free bread, replied, "Certainly not." Later he handed the Commission's representative one of his calling cards on the back of which was printed:

> "Present this card
> at Bakery
> and receive a hot
> Loaf of Bread
> With Our Compliments."

Price wars.—From about 1932 until late in World War II price wars broke out among bakers in various parts of the United States. For instance, during 1932 a small baker in Spokane started selling bread at five cents for a pound loaf. Other bakers followed with sales of two similar loaves at five cents and put the baker who first cut prices out of business. Two years earlier, during a price war, bread sold, in Spokane, at 3 cents for a pound loaf. After the passage of the Federal Agricultural Administration Act the price was advanced to 7 and 8 cents per pound. During 1932 and 1933, a bread price war broke out among Seattle bakers in which small concerns were eliminated from the Seattle market. During 1932, a bread price war was started in Beaumont, Tex., and lasted for approximately 1 year. The Chamber of Commerce took an active part in getting the latter settled and no bakeries were closed, but a price war again broke out in Beaumont during 1939 causing the failure of 18 or 20 smaller wholesale bakers.

Likewise a price war was alleged to have started in Los Angeles during 1932, when one of the large bakers cut the price of bread from 8 to 4 cents for a pound loaf. It also gave free a package of cup cakes or a package of tea biscuits, representing a loss said to equal 21 cents alone on these items. In addition, for each loaf of bread purchased, a chance was given on an automobile raffled

off each week. A threat to call the State Legislature into session, to deal directly with the matter, caused this price war to be terminated.

During 1944 and 1945, price wars broke out in Portland, Ore., which were said to have been initiated by small bakers in search of additional business.

The Commission has received numerous complaints from smaller bakers with respect to the fact that large baking concerns having multiple plants subsidize below cost operations of one plant with profits derived from the operations of other baking plants belonging to the same concern. A West Coast baker stated that the price war during 1932, in Los Angeles, referred to above, could not have been carried on if the large baker who started the war had not been able to draw on the profits of numerous of its plants located outside of the State of California, to finance the price war it was carrying on in Los Angeles.

The above instances are typical of many complaints received by the Commission concerning methods used by the larger baking concerns in their efforts to eliminate competition of their smaller competitors.

SECTION 5. PRESENT SITUATION WITH REFERENCE TO SMALLER WHOLESALE BAKERS AND VETERANS

Nearly all of the smaller bakers, as well as many of the larger wholesale bakers, condemn the practices described in detail above, namely, consignment selling; the giving of premiums and free goods; the furnishing of free bread racks and free counters; the granting of advertising allowances; discrimination in price, either directly or indirectly, through the distribution of a heavier loaf at the same price per loaf; and the operation of bread routes at a loss, until, through the use of some of these practices, trade can be taken from competitors in sufficient volume to make the route a paying one. Smaller bakers, in particular, fear that continuation of such trade practices will lead to the elimination of many small concerns and to further concentration in the baking business. Many small bakeries were eliminated during the war years and today, because of the reduction of their operations on account of the flour shortage, the position of many others is extremely precarious.

Recent price increases granted by O.P.A., first a 10 percent reduction in weight of bread and later an increase in price of

one cent per pound loaf,[1] would seem to make possible the profitable operation of a small bakery such as would appeal to a returning veteran were it not for the hazardous nature of the undertaking brought about by the predatory methods of competition still in use.

Increased concentration in the bread industry will make the economic security of the remaining smaller companies less secure. As an aftermath of World War II, the world food situation was such that a reduction of 25 percent was ordered in the production of flour for domestic consumption. This in turn reduced by a like percentage the flour available for the commercial baking industry, with the result that many small flour mills and many small bakers found it impossible temporarily to obtain wheat and flour. An equitable distribution of flour among large and small bakers, during the present emergency, would prevent the threatened elimination of many of the smaller bakers not possessing the capital to assure themselves of their fair share of available flour. The seriousness of this situation is indicated by the following statement addressed to the President and the Congress by "Bakers of California":

> Regulations which are inequitable and discriminatory are now in effect. Bakeries that have large inventories and future flour contracts can continue to operate. Bakers that have had small inventories of flour have closed their doors.

In Part I of this report entitled, "Waste in the Distribution of Bread," transmitted to Congress, April 22, 1946, the Commission called attention to the fact that many thousands of servicemen spent years baking bread and other bakery products for the different branches of our wartime military organizations. The Commission stated:

> They have mastered formulas that produce highly nutritious bread and other bakery products. However, smaller (and some large) experienced bakers call attention to the fact that the business of a small baker is extremely hazardous and, unless certain practices are eliminated from the wholesale bread industry, a veteran would have little chance of success.

An industry trade journal, issued in March 1946, (before the flour shortage became acute) reported a survey of three army stores and revealed that over 90 percent, or 147 out of 157 women questioned, stated a preference for bread baked by the army formula rather than for the regular commercial bakery bread, because "they liked it better."

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[1] Applies to loaf weight before 10 percent reduction.

Probably in no other important industry in the United States is there a greater opportunity for small and medium sized business to efficiently serve the consumer than in the baking industry. To be insured an opportunity to do so requires the elimination of many uneconomic practices. The Commission, therefore, repeats its suggestion contained in Part I of this report, as follows:

> * * * that a careful examination of present laws be made by the legislative and executive branches of the Government to determine what legislation, if any, is needed to permanently eliminate wasteful trade practices and predatory competition which threatens the existence of many small bakers, foredooms new ventures to failure and promotes regional monopolistic control of the wholesale bread baking industry.

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