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From Car Door to Consumer

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The delivery of merchandise from a freight car direct to the purchaser has been a common practice for many years. Coal, lumber, brick, apples, oranges, peaches, watermelons, potatoes, hay, salt, sugar, and a long list of other commodities have been handled in this way. Wholesalers, jobbers, retailers, producers, consumers, and even itinerant box car peddlers have used railway cars for storage, and sometimes for salesrooms, as well as for transportation.

The retail coal dealer has been able to cut down the cost of handling by unloading from the car direct to his delivery wagon; the wholesale fruit and produce firm has found that refrigerator cars furnish cheap storage for perishables; the apple grower has enlarged his market and increased his profit by selling his crop from the car door; and consumers' organizations have saved their members many dollars by distributing goods direct from the car without the necessity of transfer or storage.

At first the practice was common only among wholesalers, but spread to the retailers in the Middle West when the country was first settled and storage was scarce. In the early nineties the members of the Farmers' Alliance ordered hundreds of cars of coal which was unloaded direct into their wagons. At about this same time the "apple car" from which the producer sold the fruit that he had grown first appeared upon the sidetracks in Nebraska villages.

*Results of cooperative investigation by the University of Nebraska and Bureau of Markets of the United States Department of Agriculture.

The use of cars for retail salesrooms developed rapidly following the panic of 1907. Growers of apples, potatoes, cabbage, and similar products found that they could dispose of their surplus in this way. Even California raisins were marketed from the car door in many towns in the Middle West because the grower was unable to meet the expenses of production when he sold his crop thru "regular" channels.

This system of direct marketing in carload lots made possible such a decrease in the cost of handling that a place was made for a new type of middleman, the box car peddler. Many farmers are unable to leave home for a week or two while marketing a car of produce. The box car merchant, who sometimes handled many cars in a single season, would buy the product of the grower and ship it to towns where the demand was good. He based his appeal for trade upon price. The consumer was interested because he was searching for some method of cutting down the ever increasing cost of living.

Farmers have been active in forming organizations which would help lower costs of distribution. The Farmers' Educational and Cooperative Union, the Grange, the Equity Union, and cooperative elevator companies have become accustomed to ordering merchandise for their members in carload lots and distributing it from the car door.

Within recent years complaint was made by the railroads that the peddlers often detained cars for many days while unloading, thus aggravating the car shortage. These cars also caused considerable annoyance to freight crews, as it was necessary to move them when switching other cars on the same siding, and afterward to "spot" them in some accessible location. The "peddler car" from which was retailed fruit or vegetables also brought many people upon the railway right of way, among them women and children, and railway officials saw in this practice a constant source of danger.

In many states the railway companies placed in effect either a tariff or operating rule prohibiting the selling of goods from cars upon the railway right of way. So far as known their rules have never been applied to the "regular" dealers who transfer goods from the car direct to the consumer's conveyance.

A tariff effective on most Nebraska roads October 25, 1915, placed a ban upon "car door peddling" in Nebraska. Consumers' organizations and producers objected strenuously to the rule, and at the request of the Nebraska State

Railway Commission it was so modified as to exempt intrastate shipments. In August, 1916 the Nebraska State Grange, the Nebraska Farmers' Union, and H. R. Sullivan filed a complaint before the Interstate Commerce Commission against the Union Pacific and other railroads doing business in Nebraska praying "that the defendants be required to permit as to interstate shipments the retailing or selling direct of commodities from cars in the yards of the defendants."

A hearing was held in Lincoln, and upon June 21, 1917 the Interstate Commerce Commission handed down its decision. The following summary covers the principal points at issue:

> "1. The view that the use by a shipper of a car on the carrier's tracks at destination as a place for peddling or vending to the public the carload shipment arriving in it is a service of transportation has no sanction at common law or in the act to regulate commerce; and the mere toleration by certain carriers thru a period of years of such a use of their property affords no basis for a ruling that the practice has grown into a shipper's right and a carrier's duty.
>
> "2. Tariff items providing free time for unloading and demurrage charges for a further detention of a car for that purpose, do not embrace the use of the carrier's equipment and station grounds as a place where the carload shipper may transact business with the public for his own profit.
>
> "3. The business of a carrier is transportation, and its property may not be subjected against its will to a use not connected with transportation.
>
> "4. Discrimination in according or withholding a car-peddling privilege is condemned and a distinction is made between car peddling and consolidated shipments to agents of granges and other farmer organizations."

Under this decision box car peddling may be prohibited, and the place where the goods are inspected and sold is made the test of peddling. If the transaction takes place in the car the goods are peddled; if they are inspected and sold at some other place, as in a merchant's store, or in a wagon some distance from the railway right of way, and merely delivered from a car, or are ordered in advance by Grange or elevator company members, then the goods are not peddled. Each person has the right to take away the portion of a shipment which he has arranged for or purchased.

This decision of the Interstate Commerce Commission will undoubtedly stimulate carload buying by merchants and cooperative organizations. While they cannot use a car as a salesroom, they can readily deliver a large part of the con-

tents to customers or members who ordered in advance and store the remainder in cellar or warehouse. If the place of the "box car merchant" is to be entirely filled by other men, it is essential that merchants and consumers realize the extent of his business and the reasons for his success.

The Nebraska College of Agriculture and the Bureau of Markets of the United States Department of Agriculture conducted during 1916 an investigation to ascertain the extent to which merchandise is sold from the car and the advantages and disadvantages of this method of marketing. The practice is so extensive that it was soon found necessary to limit the study to apples and potatoes.

Loading apples for delivery direct to the consumer

In collecting the data, the word "peddled" was used to include all delivery of goods direct from a car without regard to the place of actual sale, since this is the sense in which the word was at that time commonly used. In many instances it was impossible to make a distinction. For example, the secretary of a cooperative association received orders for 300 bushels of apples, and ordered a carload of 500 bushels. When the car arrived some of the members wished to take more apples than they ordered, and other members of the

organization purchased the balance. From a technical point of view 200 bushels were peddled. Merchants sometimes sold apples from a sample in the store, and sent the buyer to the car to get the fruit. This was not peddling. Another man came direct to the car for apples without first visiting the store. Probably this should be called peddling. The distinction is technical and not material so far as obtaining data upon either direct marketing or car shortage. The important point is the rapid unloading of the car and the freeing of the consumer from paying unnecessary marketing costs.

Unquestionably more discussion has arisen concerning the marketing of apples from the car door than any other one product. Apple shipments from almost any station in the apple region of Nebraska can be used to illustrate the extent of the practice. For example, out of 97 cars of apples loaded at Peru and Brownville between September 1 and December 1, 1915, at least 48 cars were peddled in whole or in part. Of the remainder, 17 cars were sold to vinegar companies, 14 cars to wholesale houses or thru commission men, 12 cars were placed in cold storage by the grower, 3 were sold to retailers, and the exact disposition of 3 cars was not learned. A part of the cars handled by commission men and wholesalers were placed in storage while it is probable that a part of them were peddled.

The number of cars which were peddled seems all the more surprising when it is remembered that this practice was forbidden on part of the Nebraska railroad lines October 25, 1915, with the result that some of the better apples which otherwise would have been peddled were placed in storage while others were made into cider. Many carloads of the poorer apples rotted on the ground because the vinegar factories were unable to handle them.

In 1912, 1,436 cars of apples were shipped from Nebraska stations on the Burlington and Missouri Pacific Railroads. Of this number 732 cars, practically one-half, were billed to towns having fewer than 10,000 population. About one-third of the cars were billed to towns having not to exceed 2,000 population. The major part of these apples were sold direct from the car.

Some of the cars shipped to distant terminals were afterward rebilled and peddled. For example, 161 cars were shipped to Minneapolis and St. Paul. Either while in transit or upon arrival a large number of these cars were rebilled

to small towns for direct sale. The market was located while the cars were en route to the large terminal.

All available figures indicate that in recent years at least one-half of Nebraska's apple crop has been delivered from the car direct to the consumer without the aid of a wholesale house or commission firm. The practice seems to have been increasing.

The determining factor which has popularized direct selling is the question of price. Apples can be sold more cheaply by this method than by any other. Nearly all purchasers must consider price. With these facts well known, a still greater extension of this method of marketing may be expected.

The following comparison of selling costs between "regular" and car door sales shows the economy of the latter method. For the shipping station I have chosen Peru, Nemaha County, and for the receiving station Ansley, Custer County. We will suppose that growers are receiving $1.50 per cwt., 72 cents per bushel, for apples delivered in bulk at the siding at Peru, Nebraska. To the man who buys at retail this price does not seem high, but if the growers could be sure of receiving it for No. 1 and No. 2 apples in bulk, many orchards would be set out within the next few years. For "orchard run" which includes number 3 apples, but should not include either windfalls or culls, a price of $1.00 per cwt. should net the grower a fair profit. If apples are shipped to Ansley, Nebraska, we have to add only freight and selling expense.

TABLE 1—*The cost of direct marketing*

Apples per bu. Peru, Nebraska	$ .72
Freight, Peru to Ansley (15.95 cts. per cwt.)	.077
Selling expense and profit of shipper	.153
Price to consumer	$ .95

In order that the retailer may handle apples during the winter, storage is necessary. Storage implies boxing or barreling. When apples are barreled there is always some expense besides the cost of the barrel. Usually they are graded rather closely, but the allowance made in Table 2, 20 cents per bushel, which is the average estimate of 20 growers, would allow only for cost of barrel and labor of packing and heading. The consumer secures greater service

by buying apples in small amounts during the winter months, but he must pay for the service. The following approximation may be considered typical.

TABLE 2—*The cost of "regular" marketing including cold storage*

Apples per bu. Peru, Nebraska	$ .72
Barreling (over cost of selling in bulk) per bu	.20
Freight, Peru to Lincoln (10.725 cts. per cwt.)	.051
Storage, three months, (per bbl. 35 cts.)	.117
Wholesaler's margin, expense and profit	.15
Local freight, Lincoln to Ansley (37.8 cts. per cwt.)	.181
Drayage, etc.	.021
Retailer's cost per bushel	$1.44
Retailer's cost per bbl.	$4.32
Retailer's price per bbl.	5.75
Retailer's price per bu.	1.90
Retailer's price per peck	.50

The price which the consumer pays for apples seems to depend more upon the method of marketing and number of men who handle them than upon the price received by the grower and the distance shipped. Ordinarily no one person makes an exorbitant profit upon apples marketed thru the regular wholesale and retail trade. The apples travel a somewhat circuitous route. The consumer receives a distinct service in being able to order in small amounts during the winter and must necessarily expect to pay for this service.

The retailer makes the largest gross profit according to the figures given, but this is only 25 per cent of the selling price when apples are sold by the bushel, and 28 per cent when sold by the peck. When it is remembered that apples are perishable, that the grocer must always carry them in stock, that the demand for fruit is variable and that the overhead expense in the grocery business is high, the estimated margin can hardly be considered unduly high. In fact, in many small towns the grocer carries apples and other fruit not for the direct profit but because good business demands that he have goods with which to supply his customer's wants. On the other hand the retailer's gross profit is often larger than the estimate given, and the price of the apples correspondingly higher. A selling price of 55 cents per peck would give to the retailer a gross profit of nearly 35 per cent of sales.

Before being placed in storage the wholesale price of the apples would probably not be more than $3.50 per barrel. This price would permit that they be sold at 40 or 45 cents a peck, and would still give the retailer a fair profit. The general public buys comparatively few apples when the price is higher than 50 cents a peck.* It is necessary for the wholesale fruit dealer to purchase apples at a price low enough to allow him to pay the necessary costs of handling, receive a fair profit for his work, and still sell them to the retailer at 35 cents per peck ($4.20 per bbl.) or less.

If the figures given are approximately correct, then under the car-lot method of marketing the producer receives for growing the apples 76 per cent of the price which the consumer pays. Under the "regular" method he receives only 36 per cent if the apples are sold by the bushel, and less than 33 per cent if sold by the peck.

Is the extra service worth the money? Unquestionably it is to the family living in a city apartment which has no place for storing apples. Consumers to whom price is not an object prefer boxed or barreled apples carefully graded. Fruit stands must exhibit apples which attract the eye even tho the price is high. Where the quantity sold is small, the price is a secondary factor. Because of these classes of consumers there will always be a demand for fancy boxed and barreled apples. This demand can be stimulated by improving the quality and attractiveness of the product.

On the other hand it would be manifestly unfair to expect everyone either to pay for the service or to do without apples. The city laborer appreciates the opportunity of buying good fruit at a comparatively low price for even a few weeks in autumn. The farmer who has a good cellar or "cave" is in a position to store his own fruit economically. There will always be a demand for a good grade of bulk apples.

THE PRODUCER'S VIEWPOINT

Every producer interviewed in eastern Nemaha County, 34 in number, believed in delivering apples from box cars direct to consumers. Nearly all had sold apples in this way, and many of the others had sold to "box car merchants." With a single exception Colorado growers to whom a circular letter was sent had the same view.

*These prices apply to the years the data were collected. Because of the general increase in prices since the outbreak of the war, consumers will now (1917) purchase apples at a price considered prohibitive in 1915.

Their experience indicated that more apples could be marketed in this way than could be sold thru regular channels. The grower is interested in selling all of his crop every year. He will not be satisfied if limited to a system which ordinarily will market only the better fruit, and in years of overproduction leave him with an abundance of fruit for which there is no demand. The following excerpt from a letter written by a grower living in the Grand Valley (Colorado) is characteristic of many replies received:

"You no doubt know that we have one of the best mutual selling associations here, of which I am a member. In the fall of 1914 the association manager was uncertain whether or not he could sell our apples, and advised us to build caves. He told us that the commission men would not buy, because the merchants said there were so many apples that they could buy them at their own price when they wished. We, as growers, with our year's work tied up in fruit and unpaid bills due, were desperate and dozens of growers put their apples in cars and scattered from Dakota to Texas and Iowa and sold direct to the consumer, realizing for bulk apples from 50 cents to $1.00 per bushel."

Other growers wrote that they received as much in that year of overproduction with no European demand, as they had ordinarily received when apples were sold "regular." Some men told of being so well pleased that the following spring they purchased apples from growers who had stored, and sold the fruit at a fair profit. This success was followed with a similar sale of peaches and apples the following autumn.

It is sometimes maintained that only poor apples, culls and windfalls are ever distributed from the car door. The statement is very evidently untrue, since all the apples from the Grand Valley were carefully sprayed, were grown in a region not troubled with fungous diseases, and graded No. 1 and No. 2 by the local association. Of 24 men who sold apples from cars, 23 found that the public demanded good fruit. The poorer apples would sell only when there were no good apples obtainable at a fair price. All admitted that there is a ready sale for "off grade" fruit in seasons when No. 1 and No. 2 apples are scarce and dear. The fall of 1915 may be cited as an example. Because of the wet season Nebraska orchardists had trouble with apple scab and other fungous growths. The frequent rains reduced the effectiveness of the spray while furnishing ideal growing conditions

for the fungus. Dealers paid a high price for the best fruit, but were unable to handle the "off grades." Much of this fruit could not be stored with safety, but was well suited for immediate consumption. In those parts of the country where fruit is scarce, apples have little opportunity to spoil.

These apples were delivered from the car door at from 60 cents to $1.00 per bushel to the satisfaction of the growers and the buying public. The major part of them were consumed within two or three months. In some instances, however, when carefully sorted and stored in caves or fruit cellars they were kept until the following spring. It would have been an economic waste to use such apples for cider, since they were in demand for cooking and eating.

Apples offered at a high price either at a fruit stand or grocery store must appeal to the eye as well as the taste. They must be free from scab or blotch, of good color, and of uniform size. So large a proportion of the 1915 crop did not meet these requirements that those which were stored did not sell well the following spring. Then, too, the anti-peddling rule of October 25 of that year forced too many apples into storage. As a result the growers in many instances faced a heavy loss.

One of the most careful growers at Peru, Nebraska, whose orchard is always sprayed and who year after year has won premiums whenever his fruit has been entered in competition, gave the following figures upon apples which he was compelled to place in storage:

TABLE 3—*Effect of market limitation*

Sold, April 11, per bbl.		$2.25
Barreling over cost of bulking	$ .65	
Freight	.20	
Storage	.50	
Other costs	.15	1.50
Net, for growing apples, labor, interest on investment, and profit per bbl.		$. 75
Apples, if bulked at $1.00 per cwt., per bu. (price at which he sold several carloads in October)		$ .48
Net per bu. for growing when stored, (per bbl. $.75 see above)		.25
Loss per bu. due to market limitation		$ .23

Every banker interviewed in the apple-producing section believed that a limiting of the methods by which growers may market their crops will result in a serious loss. They prophesied that many orchardists would be driven from business if it were not for the influence of direct marketing upon price and consumption.

The grower's chief interest is in finding a market for his product. In order to continue in business he must receive a price for his fruit that will enable him not only to meet current operating expenses, but give adequate returns for his labor and pay a fair rate of interest upon his capital invested. Primarily he cares little whether his fruit is handled by wholesalers, retailers, box car peddlers, commission men, or selling associations. The methods which will dispose of the most fruit, other things being equal, is the method which he favors.

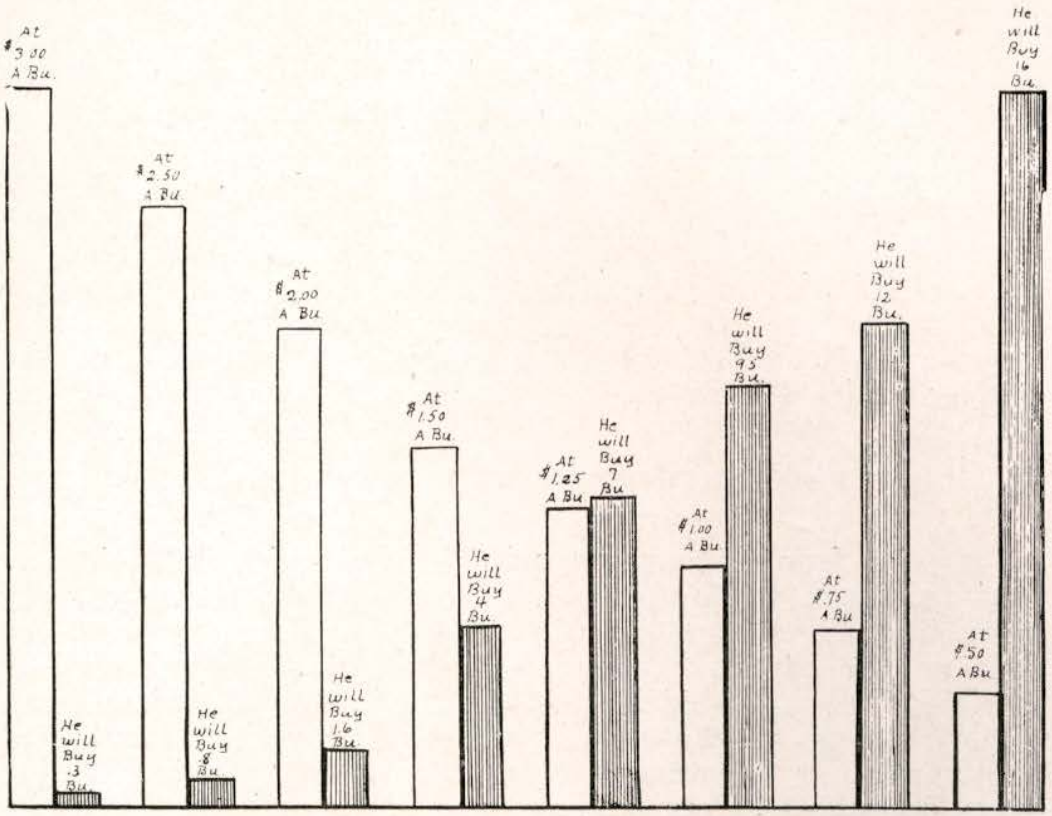
EFFECT OF PRICE UPON THE DEMAND FOR APPLES

Replies from consumers indicate that price is an important factor in consumption and that the growers are right when they say that retailing from the car door increases the demand for apples. When apples sell at $1.00 a bushel or less they are regarded as a staple food. On the other hand, apples selling at $2.00 or more per bushel are considered a luxury and consumption is curtailed. The illustration given on page 12 shows the average of the estimates made by 243 consumers. These estimates were based upon the quantity of apples which had been bought at different prices. Comparatively few men had purchased apples at 50 cents per bushel, so this figure is doubtless less accurate than the others.

When apples may be purchased for 50 cents per bushel, the average farm family will use 16 bushels. If the price is increased to 75 cents the quantity purchased is reduced to 12 bushels. With every rise in price there is a decided reduction in consumption, until when apples are retailed at $3.00 per bushel, farm families will consume on the average only 0.3 of a bushel each. In fact only a few families purchase apples freely when they sell at more than 50 cents per peck. The others prefer to buy oranges, bananas, and dried fruit.

Apple growers estimated that four times as many apples will be consumed when retailed at $1.00, as when $2.00 per

bushel is asked for the same grade. Merchants estimated that a little less than three times as many would be consumed at $1.00 per bushel as at $2.00 per bushel. The farmers themselves estimate that they would use approxi-



The consumption of apples decreases as the price increases

mately six bushels at $1.00 where they would use one bushel at $2.00. The farmer's estimate would hardly apply to city residents, since ordinarily they are less careful buyers than farmers. People who live upon the wages they expect to get Saturday night are usually lacking in the farmer's thrift. To a few people cost makes no difference.

AN EXAMPLE OF THE ECONOMY OF CAR-LOT BUYING

In October, 1916 barreled apples grown in eastern Nebraska were sold to a wholesale fruit house, the barrels being labeled with the wholesaler's private brand. The apples were grades No. 1 and No. 2 mixed. A carload of similar apples was sold to a farmers' elevator company in central Ne-

braska, and delivered from the car door. A careful check was made of Lincoln retail stores handling the fruit which passed thru the wholesale house and a comparison made with the price paid by farmers to their elevator company.

TABLE 4—*The economy of car-lot buying*

GROWER RECEIVED F. O. B. ..... Nebr.	CONSUMER PAID TO			
	Farmers' Elevator	Retail Merchants (Average)		
		In Bbl. Lots	In Bu. Lots	In Pk. Lots
Jonathan, per bbl., $3.50	$5.00	$5.94	$6.30	6.72
Grimes Golden, per bbl. $3.00	4.50	5.60	5.91	6.24

This indicates that the farmers were able to handle apples more economically than the regular retail trade. The fruit was nearly all sold before it was ordered. No criticism is made of the price charged by the merchant. He must necessarily receive more for apples sold in small quantities because of the extra service required. The farmers were practicing the more economic system of marketing.

Barreled apples were selected for the comparison because of their being of a uniform grade. This makes them cost the consumer at least 60 cents per barrel more than when sold in bulk. Farmers ordinarily prefer bulk apples. Of the 243 men who answered our questionnaire, only 30 expressed a preference for barreled apples, and but 14 for boxed apples.

Nearly all farmers and many town people have had apples or potatoes delivered to them direct from a box car, and of those from whom we received data 83 per cent said they received good value for their money. Ninety-one per cent of those who had ordered thru a farmers' organization were well satisfied.

DIRECT MARKETING OF POTATOES

The shipment of potatoes by the grower to a retail grocer or consumers' organization for direct distribution to consumers has increased with the development of specialized potato-growing sections. The potato is a staple, which while perishable may be readily kept in cellars or caves during the winter months. The farmer and the merchant of the small town expect to purchase their winter's supply at digging time.

The variable quality of potatoes has often deterred the merchant from buying of an unknown grower, while the growers themselves hesitate to ship to an unknown merchant for fear that the shipment may be refused if the market should happen to fall. A more careful grading of potatoes should help to alleviate these difficulties.

The following figures obtained during the autumn of 1916 are believed to be fairly typical:

POTATOES DELIVERED FROM CAR TO CONSUMER

Value of potatoes, Hemingford, Nebraska	$ .95
Freight to B, a village in southeastern Nebr. (19.55 cts. per cwt.)	.1173
Selling margin	.1827
Selling price to consumer, per bu.	$1.2500

POTATOES SOLD "REGULAR"

Value of potatoes, Hemingford, Nebraska	$ .95
Freight to Lincoln, (17 cts. per cwt.)	.102
Wholesaler's margin	.10
Local freight, Lincoln to B. (18.9 cts. per cwt.)	.113
Retailer's margin (including drayage)	.335
Retail price, per bu.	$1.600

Merchants can lower the selling price of potatoes by purchasing direct of the producer in carload lots at digging time. This gives them a thru freight rate on a carload lot and lessens the handling required. When orders are taken in advance and the potatoes delivered direct from the car upon arrival, a lower price is possible than when they are unloaded into a cellar or warehouse. The prices of other staple products can be lowered by following methods similar to that suggested for potatoes.

KINDS OF COMPETITION

Competition may be divided into three classes—competition in service, competition in quality and competition in price. Ordinarily when we speak of competition we consider only price, but the other two are just as important.

Competition in Service—In recent years more and more service has been given by retailers, and so long as all secure goods from the same source and give the same service, their prices are necessarily nearly identical. The crux of the "car door to consumer" problem comes in this question of service. Shall we compel all men to accept and pay for certain service when many consumers prefer less service and a lower price?

Growers who standardize their apple pack so carefully that each box contains a definite number of apples are offering greater service than the men who sell equally good fruit in bulk. It is doubtless important that the hotel chef bake apples of the same size in order that the portions served may be as nearly alike as possible. The housewife, however, usually cares more to have an abundance of apples suitable for cooking and eating than for uniformity of size and for wrappings of tissue paper.

Among the services performed by the retailer may be mentioned the carrying of apples and potatoes in stock, selling and delivering them in small quantities, and furnishing capital to consumers who do not pay cash. Many consumers demand and need this service. Practically everyone accepts all the service offered when no distinction is made in price. Many consumers, however, would prefer less service, providing that the price be correspondingly lowered.

Competition in Quality—The better the quality of goods, the easier they are sold. Unfortunately not all apples are perfect in form, coloring, texture, and flavor, and not all potatoes of uniform size. The consumer will buy the "off grades" only when the price is low. The lower grades of apples, and to a considerable extent of other fruit and vegetables, do not enter into competition with the fancy grades to any very great extent. They are sold in greater part to buyers who must purchase cheap or not at all. The thrifty housewife will dry and can apples and make apple butter only when the fruit is low in price.

It is not only essential that an opportunity be given the consumer to buy blemished fruit and vegetables cheap, but also essential that these wholesome foods shall not be wasted.

Unless some one is to go hungry, we must reduce marketing expense by reducing service, and by thus reducing the price of low quality products lessen to a slight extent the demand for the fancy goods.

Competition in Price—"The number of people who can ignore the question of price is less than one per cent of the population."* Among the great majority of people the dollar will be spent where the greatest returns are received, quality and service being considered. It is obvious that there can be little competition in price between retailers who secure their goods from the same source and offer the same service. Competition implies competition between different systems of marketing as well as competition between men engaged in any one system.

THE CONSUMER'S VIEWPOINT

The average consumer believes in free competition. He believes that it is his right to choose the market in which he will buy. He doubtless patronizes the regular retail store, but appreciates the competition afforded by public markets, mail order houses, chain stores, and cooperative organizations.

The farmer in particular has chafed under the restraints sometimes imposed upon free competition. He lacks respect for the retailer who tries to stifle a public market or who would impose burdensome restrictions upon the free exchange of merchandise. He wishes to buy goods wherever he can get the most for his money. It is as easy for him to load his wagon with apples, potatoes, and cabbage from a box car as from the merchant's store. Unlike the city housewife he usually dislikes to purchase goods in small quantities. Time is too valuable to drive to the store each day; he wants a reserve on hand.

The farmer is handling his own business to an increasing degree. At first his cooperative elevator handled only grain. Then it added coal and sometimes lumber, flour, and feed. Shipping associations are increasing in number, and cooperative organizations which purchase supplies have become popular. He is interested in increasing his profits and in limiting his expense for necessities in order that he may purchase more comforts and luxuries.

*Van Hise, C. R. Concentration and Control, p. 74.

THE TREND OF MODERN MERCHANDISING

Probably no one who has made a study of modern business believes that the jobber will be entirely eliminated so long as we have the competitive system. His services in assembling, sorting, and storing goods, and in shipping them out to retailers as needed, are of primary importance. On the other hand, it is true that the practice of direct marketing has increased rapidly in recent years and that in many lines the jobber has been almost crowded out of the field. Ready-made clothing, with but few exceptions, passes from manufacturer direct to retailer; several large shoe manufacturing companies own their own retail stores; flour is purchased by the merchant direct from the mill; large department stores buy many lines of the manufacturer; chain stores in some instances manufacture no small part of the goods sold over their counters; and automobile and machine manufacturers organize selling companies as an aid in more direct distribution.

The combining of many orders into a car lot and delivering the merchandise from the car door to the consumer is a development of better business and in no sense a return to primeval methods. It has grown because under certain conditions it has proved an efficient system of marketing. As has been previously stated, there are conditions under which it is not efficient, because it does not give the service demanded.

DELAY OF FREIGHT CARS

There is no question but that the use of freight cars for storage and salesrooms has been a contributing cause of the car shortage of the past two years. Railways are justified in their demands that shippers use cars for transportation only and unload them as rapidly as possible upon arrival. In the present emergency the public will sustain the railways in any reasonable action which they may take to keep their cars moving.

Railways make a demurrage charge for the detention of cars beyond a certain specified time, called free time. The free time allowed for loading and unloading all commodities is 48 hours, beginning the first 7 A. M. after empty cars are placed for loading, or after placement and notice of arrival of cars for unloading. Sunday and legal holidays are not counted in computing free time.

In nearly all states the demurrage charge for cars held longer than 48 hours is $1.00 per day. This charge has proved too small to keep the cars moving rapidly. Cars by the thousands have been held at terminals by grain speculators during a rising market. If the grain rises even 1 cent a bushel during the day, the speculator has made a good profit. Coal dealers hold cars overtime in order to deliver direct to the consumers. Among the most serious abuses has been the detention of refrigerator cars. Usually it is not the producer of fruit or vegetables but the wholesale fruit dealers who have been responsible for this delinquency.

In times of car shortage it is usually the producers who suffer most. This is particularly true of the producers of fruits and vegetables. Perishables must be shipped at the proper season, or not at all. Every car that is used as a storage house by anyone at the receiving end, whether wholesaler, retailer or car peddler, is a car of which some shipper is in vital need.

Cooperative organizations usually unload their cars within the two days free time, and therefore contribute but little to the car shortage. Sometimes, however, delays occur due to inclement weather and other unavoidable causes. It would seem advisable for each cooperative organization which handles any considerable volume of business to construct a warehouse holding at least one carload. Any goods uncalled for by the end of the second day could be stored for later delivery. The warehouse would also serve as a salesroom for any part of the carload not ordered in advance by members.

The demurrage rate in force in Nebraska for many years —$1 per day after free time—is not only too low to prevent the abuse of the demurrage privilege, but too low to pay the railroad an adequate return.* "It is not good business to use for storage, space which costs 50 cents per cubic foot to construct, when better storage space can be had for one-third cost or less, and especially when the higher priced space can earn so much more as a freight car than as mere storage. Storage space does not need costly trucks, steel underframes, automatic couplers and air brake equipment."†

*At the time of the preparation of this bulletin the State Railway Commission had proposed the following intrastate rates, conditional upon the railways allowing reciprocal demurrage: Two days—free. Next five days—$2 per day. Eighth day and thereafter—$5 per day.

These rates are the same as the present interstate rates, except that the interstate rates do not contain reciprocal demurrage provision upon which the Nebraska Railway Commission has insisted.

†White, G. S. Demurrage Information for Farmers, Bulletin 191, United States Department of Agriculture.

The decision of the Interstate Commerce Commission which permits railways to forbid the use of cars for peddling, removes the opportunity for those who use them for storage to claim that the peddlers are responsible for the car shortage. High demurrage rates will compel shippers to provide their own storage.

The farmers of the Middle West have felt the car shortages of 1916 and 1917 very keenly. They have been unable to market their grain because local elevators have been full and cars unobtainable. They wish no practice countenanced which will cause the unwarranted delay of cars.

Opinions upon what constitutes a fair demurrage charge are at variance. A large number of farmers approved the following schedule as worthy of trial.

First and second days	Free
Third day	$1.00
Fourth day	2.00
Fifth day	3.00
Sixth day	4.00
Seventh day and thereafter	5.00

With this scale of charges in force but few cars would be detained longer than four days. All men who use cars would be placed upon the same basis, whether producers, wholesalers, retailers, or grain speculators.

FUNCTIONS OF THE RAILWAYS

In this State at least, railroads are distributed according to what the land produces. They are here quite as much for the purpose of marketing the products grown in this region as for the purpose of bringing in products not produced in the region. The grower of crops has a claim upon the roads and a vital interest in them as common carriers which will enable him to market his products.

As a business concern a railroad is interested in increasing production. An efficient method of marketing is one of the first considerations in increased production.

A railway exists primarily to provide transportation for people and merchandise. It is also a public utility, subject to regulation by the public. The public is interested in securing good service at a low cost. Thru shipments of carload lots can be handled more economically than can local shipments. The public is, therefore, interested in tariffs and

operating rules which encourage consumers' organizations and retailers to order their goods in carload lots.

CONCLUSION

Staple goods of all kinds should be distributed as economically as possible. This is essential from the standpoint of both producer and consumer. The higher the retail price the less the consumption. High distributing costs, therefore, limit consumption and restrict the market of the producer.

The box car peddler has been a popular and economical means of marketing apples, potatoes, and other products for many years. Unless the public is to suffer, his function must be filled by retail dealers and consumers' organizations. Where a single dealer is unable to order a carload himself, he should cooperate with other merchants and divide the car. Cooperative elevator companies, the Grange, Union and similar organizations should be prepared to order in carload lots provided their local merchants are inefficient.

When the merchant orders goods shipped direct from the grower or manufacturer and delivers them from the car direct to the purchaser, less service is given than where goods pass thru the ordinary business channels. He can, therefore, sell at a lower price. Many customers are pleased with this system of buying because of the saving effected. They should not be compelled to pay for service which they do not wish.

A cooperative association is nearly always the outgrowth of necessity. The members decide to do certain things for themselves because they believe that they can increase efficiency. Merchants who keep down the cost of service by carload buying and other economies are real community builders. If they cannot perform their function as economically as a cooperative association, they should study their own business methods.

In preparing material for this bulletin much valuable assistance was given by R. R. Spafford, Assistant Professor of Farm Management; E. L. Rhoades, Instructor in Farm Management; and J. E. Fate, graduate assistant.

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