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The Texas Wholesale Mea
Distribution Industry —

Structure, Operational Characteristics and Competitive Practices

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HIGHLIGHTS

The wholesale meat distribution industry has undergone a dramatic change in the United States and Texas during the last decade. The number of establishments declined slightly, while industry sales and sales per firm increased sharply. Increases in sales were especially significant for merchant wholesalers and sausage and prepared meat plants. Packer branch house numbers continued their long-time decline, but total and average sales of these firms also increased substantially.

This study is the third in a series of studies designed to analyze the market structure, performance, and competitive practices of the Texas meat industry at the retail, wholesale, and slaughter levels. Data for this study were obtained through personal interviews with wholesale meat distributors (merchant wholesalers and sausage and prepared meat plants) and owners or managers of packer branch houses in Texas for 1974. Respondents were selected on a stratified random sample basis to represent every segment of the wholesale meat distribution industry.

Texas wholesale meat distributors and packer branch houses handled approximately 1.5 billion pounds of fresh and processed meat items during 1974. Wholesale meat distributors accounted for 85 percent of this total. Cow and bull beef represented more than one-half of the meat volume handled by wholesale meat distributors, followed by steer beef with 36 percent of the total. Fresh and cured pork represented more than 60 percent of the total meat items handled by packer branch houses.

Wholesale meat distributors and packer branch houses were dependent primarily on Texas suppliers for fresh beef in 1974. However, geographic sources of supply for other types of meat items varied considerably.

With the exception of veal, packers were the predominant suppliers for all types of fresh and processed meat items merchandised by wholesale meat distributors and packer branch houses.

Although wholesale meat distributors purchased steer and heifer beef predominantly in the form of carcasses or quarters, less than 10 percent of the steer and heifer beef was merchandised in these forms. Steer and heifer beef were merchandised mostly as boneless beef, retail cuts, primals, or ground meat. Similarly, cow and bull beef were purchased mostly in the form of carcasses or quarters but merchandised primarily as ground meat or boneless beef.

The form of steer, heifer, and fresh pork sales by packer branch houses were generally similar to the form in which they were purchased. Most of the cow and bull beef handled by packer branch houses was fabricated into ground meat before sale.

Wholesale meat distributors merchandised fresh and cured meat products to all types of clients in contrast to packer branch houses who were dependent predominantly on retail and hotel, restaurant, and institutional (HR&I) outlets. Major outlets for wholesale meat distributors were HR&I, followed by retailers, processors, other wholesale meat distributors, and government agencies.

Packer branch houses sold almost all of their fresh and cured meat products to Texas customers in 1974. Wholesale meat distributors were also strongly dependent on Texas outlets but sold substantial proportions of their beef, calf, or veal to customers in other states, primarily in the Southeast and on the West Coast.

Grading practices varied considerably among wholesale meat distributors and packer branch houses. Wholesale meat distributors marked almost all of their steer and heifer beef with U. S. grades, while packer branch houses marked less than one-half of these items with U. S. grades. Fresh and cured pork items were marked primarily with packer brands by branch houses and wholesale meat distributors.

Approximately 50 percent of the wholesale meat distributors and packer branch houses used a predetermined markup or gross margin goal in establishing prices for their fresh and cured meat products. Gross margins ranged from about 15 to 35 percent and were generally highest for those products requiring more processing and labor inputs.

THE TEXAS WHOLESALE MEAT DISTRIBUTION INDUSTRY -- STRUCTURE, OPERATIONAL CHARACTERISTICS AND COMPETITIVE PRACTICES

Raymond A. Dietrich*

The wholesale meat distribution industry has undergone numerous changes in structure, operational characteristics, and competitive practices during the last 3 decades. During this period, the livestock and meat industry witnessed the advent and rapid expansion of a concentrated commercial livestock feeding sector, the establishment of specialized livestock slaughtering facilities near concentrated livestock feeding areas, the construction of increased fabrication facilities, and the establishment of centralized warehousing and fabrication facilities by large retail firms. These factors, along with the enactment of the Wholesome Meat Act in 1967, and the continued technological improvements in handling and distribution systems available to firms in the meat industry have had an effect upon the structure and competitive practices of firms in the wholesale meat distribution industry. Meat merchant wholesalers, for example, have declined in numbers, while total sales and average sales per firm have increased substantially. Packer branch houses, a major generator of revenue for parent packing firms in the 1920's and 1930's, have declined sharply within the meat industry. Sausage and prepared meat plants, similar to meat merchant wholesalers, have declined in numbers but increased in total sales and average sales per firm.

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This study is designed to analyze some of the structural changes occurring in the wholesale meat distribution industry with special emphasis on the marketing and buying practices and competitive strategies employed by the Texas wholesale meat distribution industry. This is the third in a series of studies designed to analyze the market structure, performance, and competitive practices of the Texas meat industry at the retail, slaughter, and wholesale meat distribution levels. The first two studies in the series focused on the Texas retail and the Texas slaughter industries (1, 2).

Data for this study were obtained through personal interviews with managers and owners of wholesale meat distribution firms in Texas for 1974. Respondents were selected on a stratified random sample basis to represent 40 percent of the federally inspected meat merchant wholesalers and processors and 50 percent of the packer branch houses (Table 1). Completed questionnaires represented approximately 25 percent of the federally inspected meat merchant wholesalers and processors and almost 50 percent of the packer branch houses. State inspected wholesalers and processors are generally low-volume operations and a small proportion of these firms were also sampled.

Structural Characteristics of the U. S. and Texas Wholesale Meat Industries

Wholesale meat distributors, which are defined to include meat merchant wholesalers[1/] and sausage and prepared meat plants, and packer

[1/] Nonslaughtering firms which are primarily buyers of fresh carcasses, quarters, and primals and sellers of primals, subprimals and retail cuts. These firms are often referred to as jobbers, breakers, or hotel and restaurant supply houses.

branch houses[2/] all declined in numbers in the United States during 1963-72, while total sales and average sales per firm increased (Tables 2 and 3). Regional data were not available for packer branch houses for 1972. However, the U. S. Census of Wholesale Trade reported 464 branch houses in the United States during 1972, down almost 20 percent from 1963. Total and average sales of branch houses, however, increased approximately 27 and 58 percent, respectively, during 1963-72.

Table 1. Meat merchant wholesaler, processor and packer branch house population, sampling rates by type of inspection, and percent of population represented by completed questionnaires, Texas, 1974

Item	Total population		Sampling rate		Population represented by completed questionnaires	
	Under federal inspection	Other	Under federal inspection	Other	Under federal inspection	Other
	Number	Number	Percent	Percent	Percent	Percent
Wholesalers and processors	95	244	40	10	24.2	6.1
Packer branch houses	15	1/	50	1/	46.7	1/

1/ Included with federally inspected plants.

Total meat and meat product sales by all types of wholesalers and sausage and prepared meat plants totaled about 23 billion dollars in the United States during 1972. Wholesalers accounted for 55 percent of this total, followed by sausage and prepared meat plants with 20 percent, packer branch houses with almost 19 percent, and merchandise agents and brokers with 6 percent.

2/ Nonslaughtering establishments which process and distribute fresh and processed meat and are generally affiliated with national packers.

Table 2. Number of meat merchant wholesalers, total and average sales, by census regions a
Texas, 1972 and percentage changes, 1963-72 1/

Region and state	Number of plants: 1972	Number of plants: Percentage change, 1963-72	Total sales 2/: 1972	Total sales 2/: Percentage change, 1963-72	Average sales 2/: 1972	Average sales 2/: Percenta chang 1963-7
	Number	Percent	1,000 Dollars	Percent	1,000 Dollars	Percent
Northeastern states	1,702	-10.8	4,687,755	47.2	2,754	65.1
New England 3/	364	-10.3	1,109,159	4/	3,047	4/
Middle Atlantic 5/	1,338	-11.0	3,578,596	4/	2,675	4/
North Central states	1,187	- 9.2	3,511,702	75.3	2,958	93.0
East North Central 6/	883	-11.0	2,773,021	61.4	3,140	81.3
West North Central 7/	304	- 3.5	738,681	159.2	2,430	168.5
The South	1,112	3.4	2,092,670	114.3	1,882	107.3
South Atlantic 8/	495	5.1	1,048,687	121.2	2,119	110.4
East South Central 9/	191	3.2	316,109	144.0	1,655	136.4
West South Central 10/	426	1.7	727,874	95.2	1,709	92.0
Texas	253	- 2.4	532,342	122.7	2,104	128.0
The West	846	- 3.8	2,319,024	97.6	2,741	105.3
Mountain 11/	165	- 8.8	297,466	83.3	1,803	101.2
Pacific 12/	681	- 2.4	2,021,558	99.9	2,969	104.9
United States	4,847	- 6.2	12,611,151	71.8	2,602	83.4

1/ Meat merchant wholesalers are generally referred to by the meat trade as jobbers, hotel
restaurant supply houses, breakers, or frozen meat handlers.

2/ The 1963 sales were adjusted to represent 1972 prices by the Consumer Price Index, 1967

3/ New Hampshire and Massachusetts.

4/ Not available.

5/ New York, New Jersey, and Pennsylvania.

6/ Ohio, Indiana, Illinois, Michigan, and Wisconsin.

7/ Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas.

8/ Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida.

9/ Kentucky, Tennessee, Alabama, and Mississippi.

10/ Arkansas, Louisiana, Oklahoma, and Texas.

11/ Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, and Utah.

12/ Washington, Oregon, California, and Hawaii.

Source: Census of Business, Wholesale Trade, and Census of Wholesale Trade, Department of Commerce.

e 3. Number of sausage and prepared meat plants, total and average sales, by Census ons and Texas, 1972, and percentage changes, 1963-72

on and ate1/	Number of plants		Total sales2/		Average sales2/	
	1972	Percentage change, 1963-72	1972	Percentage change, 1963-72	1972	Percentage change, 1963-72
	Number	Percent	1,000 Dollars	Percent	1,000 Dollars	Percent
heastern States	394	-13.6	1,438,900	38.6	3,652	60.4
w England	106	- 8.6	372,500	25.5	3,514	37.4
ddle Atlantic	288	-15.3	1,066,400	43.8	3,703	69.8
h Central States	403	- 5.6	1,675,100	64.4	4,157	74.2
st North Central	308	-11.7	1,274,700	52.7	4,139	73.1
st North Central	95	21.8	400,400	117.2	4,215	78.4
South	325	19.5	775,100	97.7	2,385	65.5
uth Atlantic	167	19.3	465,500	105.2	2,787	71.9
st South Central	69	43.8	3/	3/	3/	3/
est South Central	89	6.0	3/	3/	3/	3/
Texas	59	7.3	3/	3/	3/	3/
West	189	5.0	743,300	76.0	3,933	67.6
untain	32	28.0	50,300	108.7	1,572	63.1
acific	157	1.3	693,000	74.0	4,414	73.0
ted States	1,311	- 1.8	4,632,400	61.3	3,533	64.2

he regions are defined in footnote 2, Table 2.

he 1963 sales were adjusted to represent 1972 prices by the Consumer Price Index, 1967 = 10

ithheld to avoid disclosure.

rce: Census of Manufacturers, U. S. Department of Commerce, Bureau of Census.

The number of meat merchant wholesalers reached an all-time high in the United States at about 5,200 firms during 1963 but declined more than 6 percent by 1972 (Table 2). Meat merchant wholesalers declined in all regions of the United States except the South during 1963-72. Decreases in terms of numbers and percentages were most prevalent in the areas where merchant wholesalers were most concentrated, in the Northeastern and North Central states. However, total and average sales per firm increased substantially in all regions with the largest increases occurring in the West North Central and East South Central regions and also in Texas.

Processed meat plants were most prominent in the North Central and Northeastern states during 1972 in terms of the number of plants and total sales (Table 3). Although processed meat plants peaked in the United States at almost 1,500 firms by 1958, they have shown a gradual decline since that time. Numbers of processed meat plants declined primarily in the Northeastern and East North Central states during 1963-72, while increasing in all other regions of the United States. Total and average sales of processed meat plants, similar to merchant wholesalers, increased substantially in all regions of the United States during 1963-72 (Table 3). The largest increases in total sales occurred in the West North Central, the Mountain and South Atlantic regions. In Texas, processed meat plant numbers increased slightly during 1963-72, but total sales were not reported for 1972.

Packer branch houses continued their decline in the United States from 577 in 1963 to 464 by 1972. During this period, total sales by packer branch houses increased more than 27 percent, and average sales increased more than 58 percent. Regional and state statistics were not available for packer branch houses for 1972. The declining importance of packer branch houses is also indicated by the proportion of packer branch house sales to total packing house - packer branch house sales which decreased from more than 21 percent of the total in 1954 to almost 16 percent by 1972.

Legal forms of ownership varied by type of wholesalers in Texas during 1974 (Table 4). All packer branch houses were incorporated, compared with about 60 percent for wholesale meat distributors. The single proprietor form of ownership accounted for almost all of the remaining wholesale meat distributors.

Table 4. Legal forms of ownership, wholesale meat distributors, meat distributors, and packer branch houses, Texas, 1974

	Type of ownership					
Item	Single proprietor	Partnership	Corporation	Cooperative	Other	Total
	Percent					
Wholesale meat distributors	28.9	5.9	60.5	1/	4.7	100.0
Packer branch houses	1/	1/	100.0	1/	1/	100.0

1/ None reported by respondents interviewed.

The proportion of the labor force allocated to a particular function or job varied considerably between wholesale meat distributors and packer branch houses (Table 5). Since a principal function of wholesale meat distributors consists of fabrication and processing, wholesale meat distributors allocated a higher proportion of their labor force to this function than did packer branch houses. Conversely, since packer branch houses receive a higher proportion of their meat products in processed or fabricated form, primarily from their parent plant, they often assign a higher percent of their labor force to sales than do wholesale meat distributors. Additionally, packer branch houses assigned more than twice the proportion of their labor force to administrative duties than did wholesale meat distributors in 1974.

Table 5. Type of employment, by function performed, Texas wholesale meat distributors and packer branch houses, 1974

Item	Fabrication or processing	Sales	Distribution	Administration	Other	Total
	Function or job performed					
	Percent					
Wholesale meat distributor	64.5	7.8	14.0	10.5	3.2	100.0
Packer branch house	47.3	14.0	12.8	23.4	2.5	100.0

Meat Purchasing Practices

Volume and Quality of Meat Purchased

Texas wholesale meat distributors and packer branch houses handled approximately 1.5 billion pounds of fresh and processed meat items during 1974 (Table 6). Wholesale meat distributors accounted for about 85 percent of this total.

Cow and bull beef accounted for more than one-half of the meat volume handled by wholesale meat distributors, followed by steer beef with another 36 percent of the total (Table 6). The large proportion of cow and bull beef handled by wholesale meat distributors reflects the production of portion control meat items, such as patties, and other meat items by many wholesale meat distributors. Additionally, wholesale meat distributors also include jobbers and hotel, restaurant, and institutional (HR&I) suppliers who often fabricate meat items, such as steer beef, into specialty cuts for

Table 6. Volume of meat handled, by kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Kind of meat	Type of meat distributor: Wholesale meat distributors	Packer branch houses
	---------1,000 pounds---------	
Beef		
Steer	475,203	38,974
Heifer	35,261	9,254
Cow and bull	708,944	11,331
Calf	8,741	77
Veal	12,011	28
Lamb and mutton	9,123	287
Fresh pork	34,456	98,734
Smoked and cured pork	8,118	37,692
Sausage, variety, and other	34,306	26,473

dining and restaurant establishments and other firms that require specialty cuts.

Historically, packer branch houses have handled relatively large proportions of fresh and cured pork items in Texas since Texas is a pork-deficit area. During 1974, fresh and cured pork represented more than 60 percent of the total meat items handled by packer branch houses in Texas, compared with 52 percent in 1959 (3). Fresh pork accounted for 44 percent of the packer branch house volume in 1974. The next most important fresh meat item was steer beef, followed by cow and bull beef.

Grades of fresh meat items handled by wholesale meat distributors and branch houses were generally similar in 1974 (Table 7). The majority of the steer beef handled by both types of wholesalers was U. S. Choice, although some variation existed in the grades of heifer beef merchandised. Cow and bull beef, which is used primarily for further manufacturing and processing, consisted almost entirely of U. S. Commercial and lower grades. Calf was U. S. Good and U. S. Standard, while lamb was U. S. Choice.

Source of Meat Purchases

Wholesale meat distributors and packer branch houses were dependent primarily on Texas suppliers for fresh beef in 1974 (Table 8). However, geographic sources of supply for other types of meat items varied considerably. Wholesale meat distributors obtained about equal quantities of fresh pork, more than 40 percent, from both Texas and Iowa (Figure 1). Packer branch houses, in contrast, obtained about 90 percent of their fresh pork from suppliers in the Lake states. Wholesale meat distributors relied mostly on Texas sources for smoked and cured pork, although sub-

Table 7. U. S. grade equivalents of dressed meat purchased, by kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Type of distributor and kind of meat	U. S. grade equivalents					
	Prime	Choice	Good	Standard 1/	Commercial and lower 2/	Total
	Percent					
Wholesale meat distributors						
Beef						
Steer	.5	78.8	20.6	.1	3/	100.0
Heifer	3/	18.0	80.5	1.0	.5	100.0
Cow and bull	3/	4/	.8	.6	98.6	100.0
Calf	3/	29.9	70.1	3/	3/	100.0
Veal	3/	3/	3/	86.0	14.0	100.0
Lamb and mutton	3/	98.7	3/	3/	1.3	100.0
Packer branch houses						
Beef						
Steer	3/	64.1	35.9	3/	3/	100.0
Heifer	3/	64.7	35.3	3/	3/	100.0
Cow and bull	3/	3/	3/	3/	100.0	100.0
Calf	3/	3/	50.0	50.0	3/	100.0
Veal	3/	3/	100.0	3/	3/	100.0
Lamb and mutton	3/	100.0	3/	3/	3/	100.0

1/ The lamb and mutton is U. S. Utility.

2/ The lamb and mutton is U. S. Cull. There is no Commercial grade for calf or veal.

3/ None reported by respondents interviewed.

4/ Less than .05 percent.

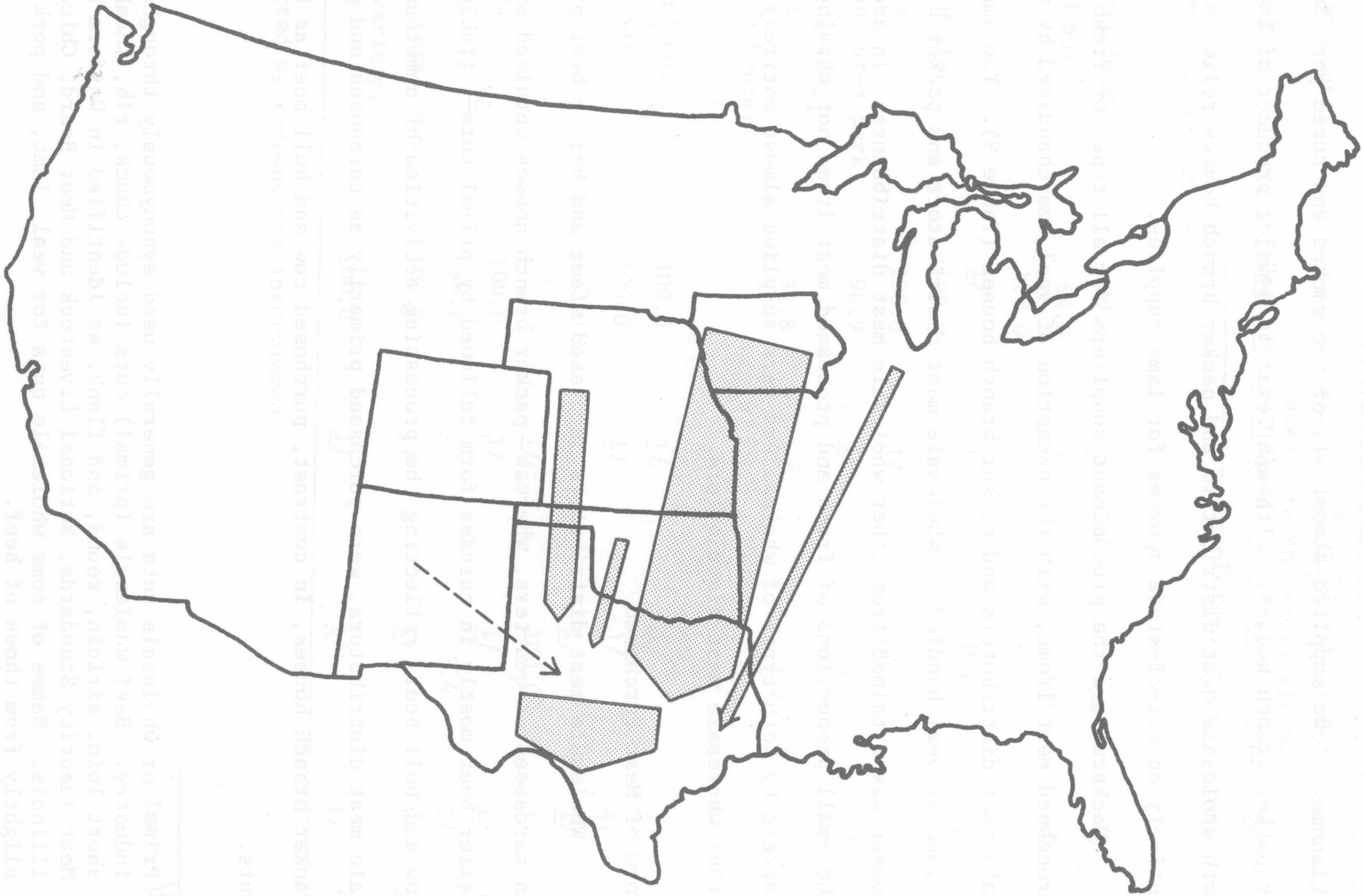
Table 8. Geographic sources of dressed meat purchased, by kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Type of distributor and kind of meat	Geographic source							
	Texas	Okla-homa	New Mexico	Kansas-Nebraska	Colo-rado	Iowa	Other states	Total
	Percent							
Wholesale meat distributors								
Beef								
Steer and heifer	77.0	1/	2.0	11.7	.5	7.2	1.6	100.0
Cow and bull	88.4	4.0	1.6	3.2	1.5	.1	1.2	100.0
Calf	100.0	1/	1/	1/	1/	1/	1/	100.0
Veal	1/	1/	1/	1/	1/	1/	100.0	100.0
Lamb and mutton	.1	.9	86.0	.8	.8	.5	10.9	100.0
Fresh pork	41.8	.3	1/	9.0	1/	45.9	3.0	100.0
Smoked and cured pork	71.5	6.4	1/	7.2	1/	7.6	7.3	100.0
Sausage, variety, and other	28.7	8.7	3.6	34.2	3.6	17.7	3.5	100.0
Packer branch houses								
Beef								
Steer and heifer	65.4	1/	1/	33.7	1/	.9	1/	100.0
Cow and bull	89.0	1/	1/	3.6	1/	1/	7.4	100.0
Calf	100.0	1/	1/	1/	1/	1/	1/	100.0
Veal	1/	1/	1/	100.0	1/	1/	1/	100.0
Lamb and mutton	10.4	1/	1/	89.6	1/	1/	1/	100.0
Fresh pork	3.5	1/	1/	5.1	1/	1.6	89.8 2/	100.0
Smoked and cured pork	.5	1/	1/	1/	1/	99.5	1/	100.0
Sausage, variety, and other	81.8	1/	1/	7.7	1/	1/	10.5	100.0

1/ None reported by respondents interviewed.

2/ Primarily Lake states.

Figure 1. Fresh pork and smoked and cured pork procurement patterns, Texas wholesale meat distributors, 1974. The width of the bars represents the proportionate sources of 43 million pounds of fresh pork and smoked and cured pork.



stantial quantities were also obtained from Iowa, Kansas-Nebraska, and Oklahoma. Iowa supplied almost all of the smoked and cured pork handled by packer branch houses. Although Texas is a major producer of lamb, both wholesale meat distributors and packer branch houses relied almost entirely on out-of-state sources for lamb supplies.

Packers were the predominant suppliers for all types of fresh and processed meat items, with the exception of veal, merchandised by wholesale meat distributors and packer branch houses (Table 9). The small volume of veal handled by wholesale meat distributors and packer branch houses was obtained from other wholesale meat distributors. In addition, the small proportions of fresh and processed meat items not obtained from packers by both types of wholesalers were supplied almost entirely by other wholesale meat distributors.

Form of Meat Purchased

Wholesale meat distributors purchased steer and heifer beef primarily as carcasses or quarters, whereas packer branch houses obtained steer and heifer beef mostly in carcass form followed by primal cuts[3/] (Table 10). Cow and bull beef, reflecting the processing activities of numerous wholesale meat distributors, were purchased primarily as carcasses and quarters. Packer branch houses, in contrast, purchased cow and bull beef as boneless cuts.

[3/] Primal or wholesale cuts are generally used synonymously throughout the industry. Beef wholesale (primal) cuts include chuck, rib, shank, plate, short loin, sirloin, round, and flank, as identified in Uniform Retail Meat Identity Standards, National Livestock and Meat Board, Chicago, Illinois. Names of some wholesale cuts for veal, lamb, and pork differ slightly from those of beef.

Table 9. Source of meat purchases, by type of supplier and kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Type of distributor and kind of meat	Type of supplier: Packers	Packer branch houses	Wholesale meat distributors	Other	Total
	-----------------------	Percent	-----------------------		
Wholesale meat distributors					
Beef					
Steer and heifer	99.6	1/	.4	1/	100.0
Cow and bull	94.0	1/	5.4	.6	100.0
Calf	100.0	1/	1/	1/	100.0
Veal	1/	1/	100.0	1/	100.0
Lamb and mutton	100.0	1/	1/	1/	100.0
Fresh pork	100.0	1/	1/	1/	100.0
Smoked and cured pork	96.9	1/	3.1	1/	100.0
Sausage, variety, and other	92.8	1/	7.2	1/	100.0
Packer branch houses					
Beef					
Steer and heifer	100.0	1/	1/	1/	100.0
Cow and bull	100.0	1/	1/	1/	100.0
Calf	100.0	1/	1/	1/	100.0
Veal	1/	1/	100.0	1/	100.0
Lamb and mutton	100.0	1/	1/	1/	100.0
Fresh pork	96.6	1/	3.4	1/	100.0
Smoked and cured pork	100.0	1/	1/	1/	100.0
Sausage, variety, and other	100.0	1/	1/	1/	100.0

1/ None reported by respondents interviewed.

Table 10. Form of meat purchases, by kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Type of distributor and kind of meat	Form of purchases							
	Carcass	Quarters	Primals	Sub-primals	Retail cuts	Ground meat	Other 1/	Total
	Percent							
Wholesale meat distributors								
Beef								
Steer and heifer	42.5	35.6	4.2	10.8	2/	.2	6.7	100.0
Cow and bull	50.3	35.8	2/	.1	2/	2.8	11.1	100.0
Calf	47.1	5.7	2/	2/	2/	2/	47.2	100.0
Veal	14.0	8.6	2/	8.6	2/	2/	68.8	100.0
Lamb and mutton	4.4	2/	1.5	4.8	2/	2/	89.2	100.0
Fresh pork	2/	2/	41.3	41.5	2/	2/	17.2	100.0
Smoked and cured pork	2/	2/	33.6	12.8	25.3	2/	28.3	100.0
Sausage, variety, and other	2/	2/	2/	2/	6.1	2/	93.9	100.0
Packer branch houses								
Beef								
Steer and heifer	69.6	2.1	23.8	2/	2/	2/	4.5	100.0
Cow and bull	2/	2/	2/	2/	2/	2/	100.0	100.0
Calf	2/	2/	100.0	2/	2/	2/	2/	100.0
Veal	2/	2/	2/	2/	2/	2/	100.0	100.0
Lamb and mutton	2/	2/	100.0	2/	2/	2/	2/	100.0
Fresh pork	2/	2/	95.0	2/	2/	2/	5.0	100.0
Smoked and cured pork	3/	3/	84.0	3/	2/	3/	16.0	100.0
Sausage, variety, and and other	3/	3/	3/	3/	92.6	3/	7.4	100.0

1/ Primarily trimmings, boneless meat, or offal items.

2/ None reported by respondents interviewed.

Calf purchases by wholesale meat distributors were about equally split between carcass and boneless meat, while veal was purchased primarily as boneless meat (Table 10). Wholesale meat distributors also acquired most of their lamb as boneless cuts, while fresh pork was received primarily as primals or subprimals.[4/] Packer branch houses acquired all of their calf and lamb and almost all of their pork as primals. Veal items were obtained as boneless meat by branch houses.

Meat Processing Practices

Wholesale meat distributors were not heavily engaged in the production of cured meat items in 1974 (Table 11). However, packer branch houses used almost 80 percent of their cow and bull beef for producing sausage items. In addition, packer branch houses used about 40 percent of their fresh pork for producing smoked and cured pork and another 40 percent for sausage items. Only small proportions of steer and heifer beef were used for producing sausage or variety meat items by both types of wholesalers.

Sales and Distribution Practices

Although wholesale meat distributors purchased almost 80 percent of their steer and heifer beef as carcasses or quarters, less than 10 percent of their steer and heifer beef was merchandised in these forms (Tables 10 and 12). The highest proportion of the steer and heifer beef was sold as boneless beef, followed by retail cuts, primals, and ground meat. Calf, veal, and lamb were merchandised in about the same proportions relative to

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4/ Subprimals are further breakdowns of primals, including bone-in or boneless cuts, but do not include retail cuts.

Table 11. Percent of fresh meat items transferred to smoked and cured pork or to sausage and variety meat, Texas wholesale meat distributors and packer branch houses, 1974

Type of distributor and kind of meat	Transferred to: Smoked and cured pork	Sausage and variety meats	Total
	----------------Percent----------------		
Wholesale meat distributors			
Beef			
Steer	--	5.9	5.9
Heifer	--	3.6	3.6
Cow and bull	--	3.9	3.9
Calf	--	1/	1/
Veal	--	1/	1/
Lamb and mutton	--	1/	1/
Fresh pork	2.5	12.5	15.0
Packer branch houses			
Beef			
Steer	--	4.6	4.6
Heifer	--	4.8	4.8
Cow and bull	--	78.7	78.7
Calf	--	1/	1/
Veal	--	1/	1/
Lamb and mutton	--	1/	1/
Fresh pork	39.4	40.2	79.6

1/ None reported by respondents interviewed.

Type of distributor and kind of meat	Form of sales							
	Carcass	Quarters	Primals	Sub-primals	Retail cuts	Ground meat	Other 1/	Total
	Percent							
Wholesale meat distributors								
Beef								
Steer and heifer	6.7	2.5	14.8	3.2	23.9	11.6	37.3	100.0
Cow and bull	2/	2/	5.7	2/	4.8	49.1	40.4	100.0
Calf	31.9	3.5	2/	3.5	8.1	2/	53.0	100.0
Veal	14.0	8.6	2/	8.6	2/	2/	68.8	100.0
Lamb and mutton	4.5	1.1	.5	4.8	2/	2/	89.1	100.0
Fresh pork	2/	2/	25.6	57.8	3.7	2/	12.9	100.0
Smoked and cured pork	2/	2/	26.8	13.0	39.4	2/	20.8	100.0
Sausage, variety, and other	2/	2/	2/	2/	35.5	2/	64.5	100.0
Packer branch houses								
Beef								
Steer and heifer	50.6	4.6	18.5	.4	6.3	.4	19.2	100.0
Cow and bull	2/	2/	2/	2/	2/	57.4	42.6	100.0
Calf	2/	2/	2/	2/	95.0	5.0	2/	100.0
Veal	2/	2/	2/	2/	100.0	2/	2/	100.0
Lamb and mutton	2/	2/	89.6	2/	10.4	2/	2/	100.0
Fresh pork	2/	2/	99.4	2/	.6	2/	2/	100.0
Smoked and cured pork	3/	3/	47.2	2/	44.9	3/	7.9	100.0
Sausage, variety, and other	3/	3/	3/	3/	76.8	3/	23.2	100.0

1/ Primarily trimmings, boneless meat, or offal items.

2/ None reported by respondents interviewed.

3/ Not applicable.

the forms they were purchased as by wholesale meat distributors. This was also generally true for fresh and cured pork items, although some of the fresh pork purchased as primals was fabricated into subprimals before sale. In addition, wholesale meat distributors also fabricated some of their smoked and cured pork into retail cuts before sale.

The forms of steer and heifer beef sales by packer branch houses, in contrast to wholesale meat distributors, was generally very similar to the form in which it was purchased (Tables 10 and 12). Almost 60 percent of the cow and bull beef, which was bought as boneless meat, was fabricated into ground meat prior to sale by branch houses. Calf and veal, which were purchased as primals and boneless meat, respectively, were fabricated into mostly retail cuts before delivery. Fresh pork merchandised by branch houses was sold almost entirely as primals.

Wholesale meat distributors merchandised fresh and cured meat products to all types of clients in contrast to packer branch houses who were dependent almost entirely on retail and HR&I outlets (Tables 13 and 14). Major outlets for wholesale meat distributors were HR&I, followed by retailers, processors, other wholesale meat distributors, and government agencies. Retailers accounted for more than 76 percent of the total meat products sold by packer branch houses.

Primary sales outlets for steer and heifer beef by wholesale meat distributors during 1974 included the HR&I trade, followed by government agencies and retailers (Table 13). Cow and bull beef sales were about equally divided among retailers, processors, and the HR&I trade. Major outlets for calf were processors and retailers, while veal and lamb were distributed almost entirely to processors. Fresh pork went primarily to retailers and the HR&I outlets. Smoked and cured pork, in contrast, was ble 13. Sales by type of buyer and kind of meat, Texas wholesale meat distributors, 74

nd of eat	Type of buyer: Consumers	Retailers	HR&I 1/	Wholesalers or jobbers	Pro-cessors	Gov-ern-ment	Other	Total
	Percent							
ef								
Steer and heifer	1.0	11.4	44.3	7.0	4.9	26.3	5.1	100.0
Cow and bull	7.6	30.9	22.1	13.7	25.6	2/	.1	100.0
f	4.0	35.4	7.6	4.7	48.3	2/	2/	100.0
l	2/	2/	2/	2/	86.0	3/	14.0	100.0
nb and mutton	.2	2.5	1.7	2/	95.6	2/	2/	100.0
esh pork	1.2	56.4	29.2	.7	7.8	2/	4.7	100.0
oked and cured pork	6.3	17.0	54.5	1.3	4.6	.8	15.5	100.0
usage, variety, and ther	6.2	4.0	31.5	12.6	41.9	2.1	1.7	100.0
Total	4.8	22.7	31.0	10.6	18.4	10.1	2.4	100.0

Hotel, restaurant, and institutional outlets.

None reported by respondents interviewed.

Less than .05 percent.

Table 14. Sales by type of buyer and kind of meat, Texas packer branch houses, 1974

Kind of meat	Consumers	Retailers	HR&I 1/	Wholesalers or jobbers	Processors	Government	Other	Total
	Percent							
Beef								
Steer and heifer	2/	59.4	40.2	.4	2/	2/	2/	100.0
Cow and bull	2/	42.6	57.4	2/	2/	2/	2/	100.0
Calf	2/	2/	100.0	2/	2/	2/	2/	100.0
Veal	2/	2/	100.0	2/	2/	2/	2/	100.0
Lamb and mutton	2/	89.6	10.4	2/	2/	2/	2/	100.0
Fresh pork	2/	77.2	21.7	1.1	2/	2/	2/	100.0
Smoked and cured pork	2/	77.3	22.7	2/	2/	2/	2/	100.0
Sausage, variety and other	2/	85.7	11.9	2.4	2/	2/	2/	100.0
Total	2/	76.1	22.9	1.0	2/	2/	2/	100.0

1/ Hotel, restaurant, and institutional outlets.

2/ None reported by respondents interviewed.

sold primarily to the HR&I trade, followed by retailers. Processors and HR&I were primary outlets for sausage and variety meat merchandised by wholesale meat distributors.

Major sales outlets by type of meat item for packer branch houses were retailers, with the exception of calf, veal, and much of the cow and bull beef which was distributed to the HR&I trade (Table 14). The HR&I trade also accounted for more than 40 percent of the steer and heifer beef merchandised by branch houses during 1974.

Chain retailers accounted for more than 80 percent of the fresh and processed meat items sold to retailers by wholesale meat distributors (Table 15). Further, national chains accounted for more than 80 percent of the purchases by chains. However, when cow and bull beef were deleted from retail sales, chain sales comprised about two-thirds of the retail sales, and national chain sales made up about one-third of the chain sales by wholesale meat distributors. With the exception of cow and bull beef, this latter sales pattern was generally true for all fresh and processed meat items.

Percent of retail sales accounted for by chains were somewhat more varied by type of meat item for packer branch houses than for wholesale meat distributors (Table 15). Although chains accounted for almost all of the cow and bull beef purchases from wholesale meat distributors by retailers, they accounted for only 5 percent of the retail cow and bull beef purchases from packer branch houses. Branch houses also merchandised most of their fresh pork, smoked and cured pork, and sausage items to independent retailers rather than chains. National chains accounted for either all or the majority of the chain purchases from branch houses with the exception

Table 15. Chain store sales as a percentage of total retail sales, and national chain store sales as a percentage of total chain store sales, by kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Item	Beef: Steer and heifer	Beef: Cow and bull	Calf	Lamb and mutton	Fresh pork	Smoked and cured pork	Sausage, variety, and other
	Percent						
Wholesale meat distributors							
Percentage of retail sales to chains	68.2	92.5	70.0	70.0	68.4	47.9	43.7
Percentage of chain sales to national chains 1/	37.5	97.2	30.0	30.0	30.0	29.9	27.3
Packer branch houses							
Percentage of retail sales to chains	67.4	5.0	2/	100.0	18.5	48.0	47.4
Percentage of chain sales to national chains 1/	12.6	100.0	2/	100.0	56.5	52.3	56.7

1/ Respondents were asked to delineate between national chains versus regional or local chains.

2/ None reported by respondents interviewed.

of steer and heifer beef. Local and regional chains accounted for almost all of the chain purchases of steer and heifer beef from branch houses.

Geographic area of sales varied considerably between wholesale meat distributors and packer branch houses. Packer branch houses relied almost entirely on Texas outlets for their fresh and processed meat products, while wholesale meat distributors merchandised a substantial proportion of some fresh meat items to out-of-state customers (Tables 16 and 17). Although wholesale meat distributors sold an average of more than 70 percent of fresh and processed meat items to Texas customers in 1974, substantial proportions of beef, calf, and veal were sold to customers in other states (Table 16). For example, more than 40 percent of the steer and heifer beef merchandised by wholesale meat distributors was sold to out-of-state customers, with shipments to the Southeastern states accounting for one-half of this volume (Figure 2). Oklahoma was a primary out-of-state customer for cow and bull beef and calf. However, the West Coast area was the major out-of-state market for calf in 1974. The Southeastern states received two-thirds of the veal sold by wholesale distributors, and that area also accounted for almost all of the lamb sold to non-Texas customers.

Packaging, Grading, and Transportation Practices

Packaging Practices

Most of the steer and heifer beef carcasses and quarters sold by wholesale meat distributors were packaged in plastic wrap, while the remainder were sold primarily without packaging or wrapping material (Table 18). All of the calf carcasses and quarters were sold unwrapped by wholesale distributors, while the lamb carcasses were sold in stockinettes.

Table 16. Geographic sales areas for fresh and processed meat, by kind of meat, Texas wholesale meat distributors, 1974

Kind of meat	Sales area							
	Texas	Okla-homa	New Mexico	West Coast	South-eastern states	North-eastern states	Other	Total
	Percent							
Beef								
Steer and heifer	57.6	2.0	.3	2.4	20.8	2.3	14.6	100.0
Cow and bull	77.7	12.4	1/	.2	1.5	.4	7.8	100.0
Calf	67.2	15.6	1/	16.1	1/	1/	1.1	100.0
Veal	22.4	1/	.7	10.3	65.9	1/	.7	100.0
Lamb and mutton	80.9	1/	1/	1/	19.1	1/	1/	100.0
Fresh pork	96.6	1.6	.2	1/	.5	1/	1.1	100.0
Smoked and cured pork	95.6	.2	.6	.1	1.4	.3	1.8	100.0
Sausage, variety, and other	80.3	.6	1/	10.5	1.2	.1	7.3	100.0

1/ None reported by respondents interviewed.

Table 17. Geographic sales areas for fresh and processed meat, by kind of meat, Texas packer branch houses, 1974

Kind of meat	Sales area							
	Texas	Okla-homa	New Mexico	West Coast	South-eastern states	North-eastern states	Other	Total
	Percent							
Beef								
Steer and heifer	100.0	1/	1/	1/	1/	1/	1/	100.0
Cow and bull	100.0	1/	1/	1/	1/	1/	1/	100.0
Calf	100.0	1/	1/	1/	1/	1/	1/	100.0
Veal	100.0	1/	1/	1/	1/	1/	1/	100.0
Lamb and mutton	100.0	1/	1/	1/	1/	1/	1/	100.0
Fresh pork	98.3	1/	1/	1/	1.7	1/	1/	100.0
Smoked and cured pork	92.0	4.0	2.0	2.0	1/	1/	1/	100.0
Sausage, variety, and other	82.3	6.5	2.8	2.8	5.6	1/	1/	100.0

1/ None reported by respondents interviewed.

Figure 2. Steer and heifer beef distribution patterns, Texas wholesale meat distributors, 1974. The width of the bars represents the proportionate distribution of 481 million pounds of steer and heifer beef.

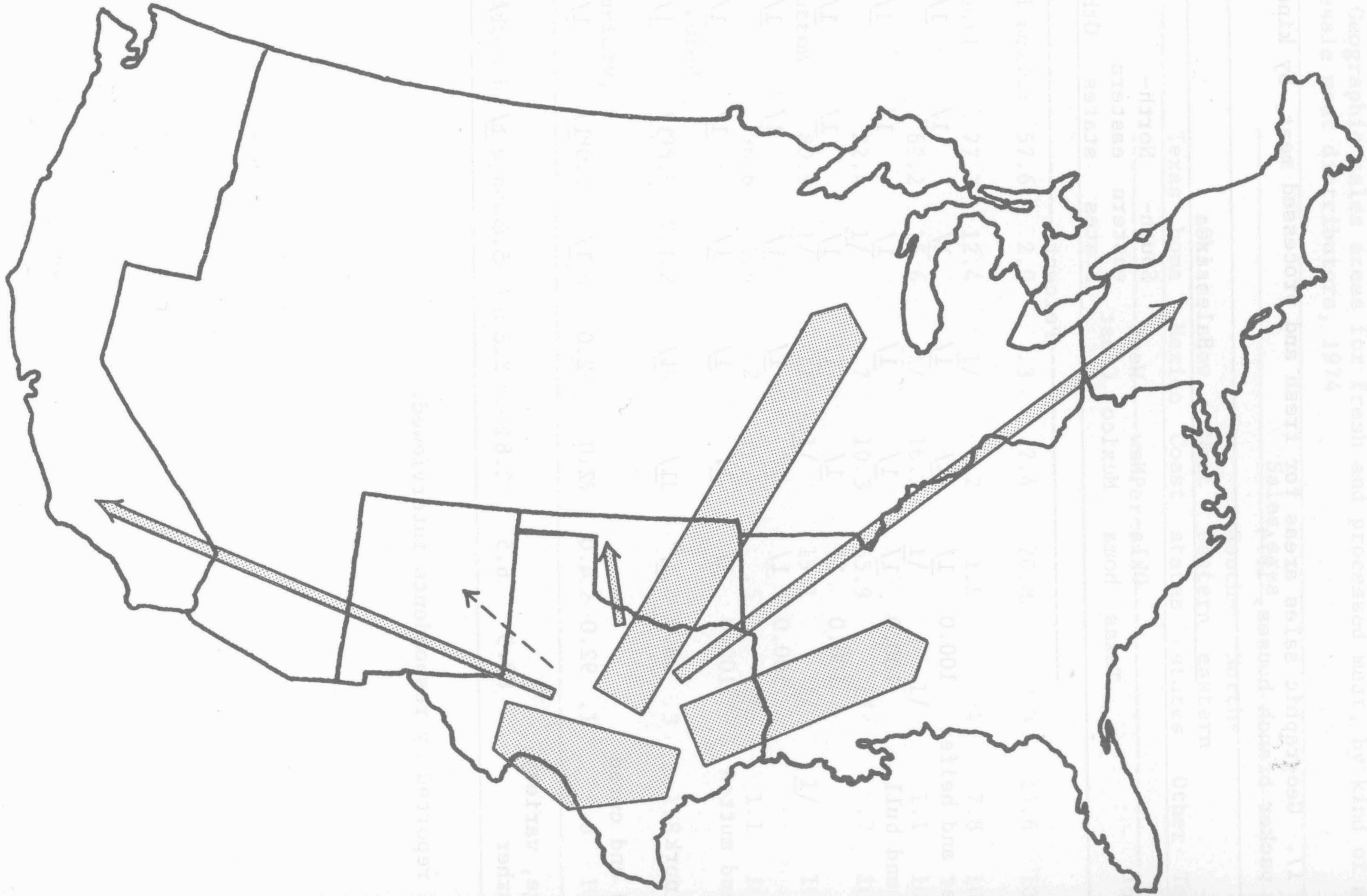

Table 18. Packaging or wrapping materials used for fresh meat, by kind of meat and type of cut, Texas wholesale meat distributors, 1974

Type of cut and packaging material	Beef: Steer and heifer	Beef: Cow and bull	Beef: Calf	Lamb and mutton	Fresh pork
	------------------------Percent------------------------				
Carcass and quarters					
Naked	36.9	1/	100.0	1/	1/
Stockinette	5.6	1/	1/	100.0	1/
Plastic wrap	55.7	1/	1/	1/	1/
Other 2/	1.8	1/	1/	1/	1/
Total	100.0	1/	100.0	100.0	1/
Primals and sub-primals					
Naked	14.0	95.8	1/	1/	5.2
Stockinette	24.4	1/	1/	8.8	1/
Plastic wrap	7.3	1/	1/	91.2	12.9
Vacuum pack	1.7	1/	1/	1/	12.7
Other 2/	52.6	4.2	1/	1/	69.2
Total	100.0	100.0	1/	100.0	100.0

1/ None reported by respondents interviewed.

2/ Paper bag or boxed and wrapped in paper.

Wholesale meat distributors packaged steer and heifer beef primals and subprimals mostly in paper bag materials, while stockinettes were also used for about one-fourth of the primals and subprimals (Table 18). Less than one percent of the cow and bull beef was merchandised as subprimals and was generally sold without any packaging and wrapping materials. The lamb and mutton primals and subprimals were sold predominantly in plastic wrap. The fresh pork was shipped mostly in paper wraps, although vacuum packaging and plastic wraps were also used by wholesale distributors.

Packer branch houses reported that almost all steer and heifer beef carcasses and quarters were sold in paper or polyethylene bags, while paper bags or boxes were the predominant packaging method for primals and subprimals. Packer branch houses also shipped almost all of their fresh pork primals and subprimals in boxes wrapped with white parchment paper.

With the exception of lamb and fresh pork, wholesale meat distributors and packer branch houses merchandised relatively small proportions of their fresh meat as boxed meat during 1974 (Table 19). Wholesale distributors sold almost 22 percent of their steer and heifer primals as boxed meat, but this was less than 4 percent of the steer and heifer beef they sold. Although the packer branch houses merchandised 90 percent of their steer and heifer subprimals as boxed beef, this was less than one percent of the branch house steer and beef sales during 1974. However, almost all of the cow and bull beef sold by wholesale distributors was merchandised as boxed meat.

Packer branch houses sold all of their lamb primals, about 90 percent of the total, as prefabricated meat in 1974 (Table 19). Branch houses also

Table 19. Percent of primals and subprimals sold as boxed meat by kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Type of distributor	Beef: Steer and heifer	Beef: Cow and bull	Calf	Lamb and mutton	Fresh pork
	Percent				
Wholesale meat distributors					
Primals	21.9	99.8	1/	1/	39.7
Subprimals	1/	1/	10.0	1/	83.4
Packer branch houses					
Primals	1/	1/	1/	100.0	99.2
Subprimals	90.0	1/	1/	1/	1/

1/ None reported by respondents interviewed.

sold more than 99 percent of their fresh pork primals, comprising more than 98 percent of the fresh pork sales by branch houses, as boxed meat. Wholesale distributors also sold substantial proportions of their fresh pork primals as boxed meat and more than 80 percent of their pork subprimals as boxed meat.

Almost one-half of the steer and heifer beef merchandised as boxed beef by wholesale meat distributors during 1974 were equivalent to U. S. yield grade 3, with the remainder almost equally split between yield grades 1 and 2 (Table 20). Steer and heifer beef in the packer branch house boxed beef programs were predominantly U. S. yield grade 3.

Grading Practices

More than 86 percent of the steer and heifer beef sold by wholesale meat distributors in 1974 was marked with U. S. (federal) grades (Table 21). This was not surprising since wholesale distributors merchandised steer and heifer beef primarily to the HR&I trade, government agencies and retailers. The majority of the calf was also rolled with federal grades, while cow and bull beef was generally sold without U. S. grades or packer brands. Veal and lamb sold by wholesale distributors were generally marked with both U. S. grades and packer brands. Most of the pork items and sausage products were marked with packer brands, although substantial proportions of the fresh pork and smoked and cured pork was sold without grades or brands.

Packer branch house grading practices differed considerably from those of the wholesale meat distributors (Table 21). Less than one-half of the steer and heifer beef sold by branch houses was U. S. graded,

Table 20. U. S. yield grade equivalents of steer and heifer beef in boxed beef program, Texas wholesale meat distributors and packer branch houses, 1974

Item	U. S. yield grade equivalents					
	1	2	3	4	5	Total
	Percent					
Wholesale meat distributors	27.5	24.8	45.0	1.4	1.3	100.0
Packer branch house	1/	35.0	65.0	1/	1/	100.0

1/ None reported by respondents interviewed.

Table 21. Grades or brands used for fresh and processed meat, by kind of meat, Texas wholesale meat distributors and packer branch houses, 1974

Type of distributor and kind of meat	Grade or brand				
	U. S. graded	Packer branded	U. S. graded and packer branded	Not graded or branded	Total
	Percent				
Wholesale meat distributors					
Beef					
Steer	86.0	.8	12.7	.5	100.0
Heifer	91.4	1/	8.5	.1	100.0
Cow and bull	13.5	7.8	2.9	75.8	100.0
Calf	88.9	1/	7.6	3.5	100.0
Veal	8.6	14.0	77.4	1/	100.0
Lamb and mutton	22.4	1/	76.5	1.1	100.0
Fresh pork	2/	61.5	2/	38.5	100.0
Smoked and cured pork	2/	73.3	2/	26.7	100.0
Sausage, variety, and other	2/	96.2	2/	3.8	100.0
Packer branch houses					
Beef					
Steer	44.1	18.2	.8	36.9	100.0
Heifer	39.6	21.0	2.8	36.6	100.0
Cow and bull	42.6	1/	1/	57.4	100.0
Calf	90.0	1/	1/	10.0	100.0
Veal	1/	1/	1/	100.0	100.0
Lamb and mutton	100.0	1/	1/	1/	100.0
Fresh pork	2/	97.0	2/	3.0	100.0
Smoked and cured pork	2/	59.6	2/	40.4	100.0
Sausage, variety, and other	2/	99.8	2/	.2	100.0

1/ None reported by respondents interviewed.

2/ There are no U. S. grades for pork or sausage items.

while a substantial proportion was neither U. S. graded nor packer branded and another one-fifth was merchandised with packer brands. Packer branch houses also rolled higher proportions of cow and bull beef with U. S. grades than did wholesale distributors. Almost all of the calf and lamb handled by branch houses were marked with federal grades, while the fresh pork and sausage items were marked with packer brands. Most of the smoked and cured pork sold by packer branch houses was also marked with packer brands. The smoked and cured pork not graded or branded generally reflected custom services provided by some branch houses for clients.

Transportation Practices

Wholesale meat distributors relied almost entirely on trucks for transporting fresh and processed meat items (Table 22). More than one-half of these trucks were owned or leased by wholesale distributors. Packer branch houses shipped all of their fresh meat and processed products in trucks which were also owned or leased by the parent company.

Buying and Selling Practices

Almost two-thirds of the wholesale meat distributors and about one-half of the packer branch houses relied on 5 to 10 suppliers for their fresh meat and cured meat requirements. Most wholesalers stated that this number of suppliers was necessary to assure consistent quantity and quality and a competitive pricing atmosphere among suppliers. Most of the remaining wholesale meat distributors and branch houses were dependent on more than 10 suppliers to assure consistent supplies and competitive prices plus diversity of products.

Table 22. Transportation facilities used for distributing fresh and processed meat and percent of meat items transported in company owned or leased facilities, Texas wholesale meat distributors, 1974

Item	Fresh meat	Smoked and cured meat	Sausage, variety and other
	Percent		
Transportation facilities utilized			
Truck	99.4	93.7	95.4
Rail	.6	1/	3.5
Air	1/	.7	.1
Other	1/	5.6	1.0
Total	100.0	100.0	100.0
Meat shipped in company or leased facilities			
Truck	54.7	88.1	59.4
Rail	1/	1/	1/
Air	1/	1/	1/
Other	1/	1/	1/

1/ None reported by respondents interviewed.

More than one-half of the wholesale meat distributors and packer branch houses determined prices charged for fresh and processed meat products by relying on costs of the various products along with a pre-determined markup for attaining a desired profit. Almost 20 percent used the National Provisioner "Yellow Sheet" as a guideline and the remainder stated that competition was the major determining factor in establishing prices.

Wholesale meat distribution and branch houses using a predetermined markup or gross margin goal, about 50 percent of the total, stated that gross margins varied with the type of product and especially the degree of processing and labor involved in producing the product. Gross margins were normally highest for those products requiring more processing and labor inputs. Both wholesale meat distributors and branch houses reported gross margins ranging from about 15 to 35 percent during 1974.

Approximately one-third of the wholesale meat distributors, compared to two-thirds of the packer branch houses forwarded weekly price lists to potential customers. Price lists were normally forwarded on Thursday and were in effect for the following week.

Summary

Dramatic changes have occurred in the livestock and meat industry during the last two decades. These include a rapidly growing and shifting cattle feeding industry, the construction of large specialized slaughtering establishments within or near concentrated feeding areas (along with meat fabrication facilities and technological improvements in handling and storing meats including the development of boxed meat programs), and the continued expansion and growth of large, diversified supermarkets which feature mass selling techniques in meat retailing.

One of the major developments in the meat industry during the 1954-72 period was the increasing proportion of meat industry sales accounted for by merchant wholesalers and sausage and prepared meat plants relative to other major sectors of the meat industry, including slaughtering firms. The change in the proportion of meat industry sales accounted for by slaughtering firms, meat merchant wholesalers, sausage and prepared meat plants, packer branch houses, and merchandise agents and brokers from 1954 to 1972 were (1) wholesalers' proportionate shares of the meat industry sales increased from 16.5 to 27.4 percent, (2) sausage and prepared meat plants' shares increased from 8.1 to 10.1 percent, (3) merchandise agents and brokers' shares increased from 3.0 to 3.2 percent, (4) slaughter firms' shares decreased from 56.9 to 50.1 percent, and (5) packer branch houses' shares decreased from 15.5 to 9.2 percent of the total.

Total meat and meat product sales by all types of wholesalers and sausage and prepared meat plants totaled about $23 billion in the United States during 1972. Merchant wholesalers accounted for 55 percent of this total, followed by sausage and prepared meat plants with 20 percent, packer branch houses with almost 19 percent, and merchandise agents and brokers with 6 percent.

Meat merchant wholesalers declined in all regions of the United States during 1963-72 except the South. However, total and average sales per firm increased substantially in all regions with the largest increases occurring in the West North Central and East South Central regions and also in Texas.

Numbers of prepared meat and sausage plants declined slightly in the United States during 1963-72 with the declines taking place primarily in the Northeastern and East North Central states, while numbers increased in all other regions of the United States. Total and average sales of prepared meat plants, similar to the trend established among merchant wholesalers, increased substantially in all regions of the United States.

Packer branch house numbers continued their long-time decline in the United States during 1963-72. However, total sales by packer branch houses during this period increased more than 27 percent, and average sales increased more than 58 percent.

Texas wholesale meat distributors (merchant wholesalers and sausage and prepared meat plants) and packer branch houses handled approximately 1.5 billion pounds of fresh and processed meat items during 1974. Wholesale meat distributors accounted for about 85 percent of this total. Cow and bull beef represented more than one-half of the meat volume handled by wholesale meat distributors, followed by steer beef with 36 percent of the total.

Fresh and cured pork represented more than 60 percent of the total meat items handled by packer branch houses in Texas during 1974. Fresh pork alone accounted for 44 percent of the total. The next most important fresh meat items were steer beef, followed by cow and bull beef.

Wholesale meat distributors and packer branch houses were dependent primarily on Texas suppliers for fresh beef in 1974. However, geographic sources of supply for other types of meat items varied considerably. Wholesale meat distributors obtained their pork supplies primarily from Texas, Iowa, Kansas-Nebraska, and Oklahoma. Packer branch houses, in contrast, obtained their fresh pork supplies predominantly from the Lake

States and almost all of the smoked and cured pork from Iowa. Although Texas is a major producer of lamb, both wholesale meat distributors and packer branch houses relied almost entirely on out-of-state sources for lamb supplies.

Packers were the predominant suppliers for all types of fresh and processed meat items (except veal) merchandised by wholesale meat distributors and packer branch houses. Veal items were generally purchased from other wholesale meat distributors.

Wholesale meat distributors purchased steer and heifer beef primarily as carcasses or quarters, while packer branch houses obtained steer and heifer beef mostly in carcass form. Cow and bull beef purchases, which reflected the processing activities of numerous wholesale meat distributors, were mostly in the form of carcasses and quarters. Packer branch houses, in contrast, purchased cow and bull beef as boneless cuts.

Although wholesale meat distributors purchased almost 80 percent of their steer and heifer beef as carcasses or quarters, less than 10 percent of the steer and heifer beef was merchandised in these forms. Wholesale meat distributors merchandised the highest proportion of their steer and heifer beef as boneless beef followed by retail cuts, primals, and ground meat. Calf, veal, and lamb, and generally also fresh and cured pork, were merchandised in about the same proportions relative to form as they were purchased by wholesale meat distributors.

The form of steer, heifer and fresh pork sales by packer branch houses, in contrast to wholesale meat distributors, was generally very similar to the form in which they were purchased. The cow and bull beef was generally fabricated into ground meat. Calf and veal, which were purchased as primals, were fabricated into retail cuts before delivery.

Wholesale meat distributors merchandised fresh and cured meat products to all types of clients and contrasted with packer branch houses who were dependent almost entirely on retail and HR&I outlets. Major outlets for wholesale meat distributors were HR&I, followed by retailers, processors, other wholesale meat distributors, and government agencies. Retailers accounted for more than 76 percent of the total meat products sold by packer branch houses.

The geographic area of sales varied considerably between wholesale meat distributors and packer branch houses. Packer branch houses relied almost entirely on Texas outlets, while wholesale meat distributors merchandised two-thirds or more of all meat items, with the exception of veal, to Texas customers. However, wholesale meat distributors sold substantial proportions of beef, calf, and lamb to customers in other states. For example, more than 40 percent of the steer and heifer beef was sold to out-of-state customers with shipments to the Southeastern states, accounting for one-half of this volume. Further, the West Coast area was a major out-of-state market for calf in 1974.

With the exception of lamb and fresh pork, wholesale meat distributors and packer branch houses merchandised relatively small proportions of their fresh meat as boxed meat during 1974. Wholesale meat distributors sold less than 4 percent of their steer and heifer beef as boxed meat. Packer branch houses sold all of their lamb primals, about 90 percent of the lamb, as boxed meat in addition to almost all of the fresh pork as boxed primals.

More than 86 percent of the steer and heifer beef sold by wholesale meat distributors was marked or "rolled" with U. S. grades. Most of the calf was also rolled with federal grades, while the cow and bull beef was generally sold without U. S. grades or packer brands. Veal and lamb were often marked with both U. S. grades and packer brands, while pork items were generally marked with packer brands.

Packer branch house grading practices differed considerably from those of the wholesale meat distributors. For example, less than one-half of the steer and heifer beef sold by branch houses was U. S. graded, and branch houses also rolled higher proportions of cow and bull beef with U. S. grades than did wholesale distributors. In addition, the calf and lamb handled by branch houses were marked with federal grades, while the fresh pork and sausage items were marked with packer brands.

Almost two-thirds of the wholesale meat distributors and about one-half of the packer branch houses relied on 5 to 10 suppliers for their fresh meat and cured meat requirements. Most wholesalers stated that this number of suppliers was necessary to assure consistent quantity and quality and also to assure a competitive pricing atmosphere among suppliers.

Approximately 50 percent of the wholesale meat distributors and packer branch houses used a predetermined markup or gross margin goal but stated that gross margins varied with the type of product and especially the degree of processing and labor involved in producing the product. Gross margins ranged from about 15 to 35 percent during 1974 and were generally highest for those products requiring more processing and labor inputs.

Meat merchant wholesalers will likely continue declining in numbers, with most of the decrease taking place among the smaller volume firms. Sausage and prepared meat plants, who are dependent upon pork and other processing meat supplies such as cow and bull beef, may continue to increase in some areas of the South. However, the processing industry will continue to be located predominantly in the North Central and Northeastern states. Packer branch house data are sketchy, but indications are that they will continue their long-time downward trend in numbers, with increasing sales per firm as smaller branch houses cease operations. With a continued declining trend in numbers by wholesale meat distributors and an increase in sales per establishment, competition for market outlets may become increasingly dependent upon price and service. Service competition has been and will be of prime consideration for the HR&I wholesalers who are facing increased competition from slaughtering firms with fabrication and boxed beef facilities.

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