

# *Food Processors Serve District Agriculture*

Nowadays tasty food items from Sixth District farms are readily available to American housewives. Canned Louisiana sweet potatoes, iced Georgia chicken, frozen Florida orange juice, or canned Alabama tomatoes, for example, are in plentiful supply at the local grocery store. The District housewife can also purchase without difficulty such locally produced items as eggs, sausage, frankfurters, ice cream, and cheese. All of which indicates that farmers in the District are tapping widespread markets. That welcome state of affairs stems in part from our intricate national distribution system. Much credit, however, must be given to the region's food processing industry, which funnels farmers' produce to consumers in usable, attractive form.

There is scarcely a rural area in the District that does not feel an economic impact, directly or indirectly, from the food processing industry. Operators of food processing plants not only create payrolls by employing local labor, they also provide markets for farmers to sell their produce. In helping communities to increase their income, food processors have promoted the District's economic progress.

## **Scope of the Processing Industry**

The food processing industry in District states is varied and diverse. Some processors make specialty items like pralines and fancy jams; others manufacture more prosaic products like corn meal, grits, and sauerkraut. Some processing plants are very large, such as the raw sugar mills in Louisiana; others, such as creameries, are quite small. Food processing activities bulk large in the region's economy; in 1947 there were about 4,000 food processing plants in District states, judging from census data. In 1954, the labor force in such plants totaled about 148,000 persons, or about an eighth of all workers engaged in manufacturing. Most of them were employed by canners, meat packers, and producers of dairy and sugar cane products.

Food processing in the District is also widely dispersed, since processors often locate their plants near centers of farm production. Vegetables like snap beans, limas, peas, and tomatoes are usually produced and processed in the same locality; fruits are packed locally; and meat packing and dairy plants are scattered throughout the region, because meat and milk production is so widespread.

## **Slow Growth**

Food processors perform essential services for both consumers and producers. Their principal function is to put raw materials into shapes, sizes, and conditions that will make them more desirable to the consumer. Sometimes this involves making a new product from one or more other foods, as is done in the manufacture of ice cream; sometimes it simply involves the standardizing of a food item, as in the grading and packing of eggs.

Perhaps processors' greatest achievement lies in their acquired ability to make perishable food products last even after they are out of season. Another major skill they have developed is that of reducing bulkiness of farm produce so it can be handled with greater ease and economy. By rea-

son of those services, farmers' produce can be economically shipped throughout the year for use at places far from areas of production.

To successfully serve their own purposes as well as their customers, processors have had to organize their operation so as to achieve maximum use of their capital and labor. Fluid milk handlers, for example, often widen their product lines by manufacturing dairy products. Canners adjust their operations to harvests of various local crops: In some instances they pack snap beans in early spring, then later peaches, then pimientos. Still later in the year they import beans for packing pork and beans. A growing tendency toward that type of organization has strengthened the food processing industry in the District.

The development of modern and complex forms of food processing was slow at first. It could come about only after the advent of such facilities as all-weather farm-to-market roads, motor trucks, new technology like refrigeration, and new ways of merchandising like the self-service supermarket. Then too, processors had to gear their expansion to the development of specialized areas of farm production. Finally, foods in packaged, prepared, and easily handled forms are luxuries rather than necessities, and consumer demand for them has not always been strong. For all these reasons the cracker barrel died hard.

## **Effects on Farm Income**

Farmers have gained income benefits from the food processing industry in several ways. They have been provided with large markets because processors buy sizable volumes of produce. District farmers' output of vegetables for processing in 1955, for example, was valued at 10 million dollars, and their gross income from sales of cattle, calves, and hogs, largely to local packers, totaled 500 million dollars. By having markets that can take such large quantities, farmers can realize the economies that volume production often brings. Also, since processors usually establish their plants in the area of production, nearby farmers are favored by economical marketing costs.

Food processors have widened the sales area for District products through their sales outlets and advertising programs in distant places. Citrus growers in Florida have received notable help in selling their oranges through activities of processors who manufacture and merchandise frozen concentrated orange juice. That product is sold over the nation. Even in the rival citrus area on the Pacific Coast more than six million gallons of frozen concentrated orange juice from Florida was sold in the 1954-55 crop season. True, when Florida citrus growers sell to processors they give up a portion of the consumer's food dollar for the processor's services, but they may sell a larger volume of produce at a favorable price. And they may sell their highly seasonal crop on national markets throughout the year. The growers receive a further benefit when their volume production helps the local processor to shave his costs.

Farmers can thus profit by selling to the processor even though their marketing margins may be larger: A farmer

who stands a marketing margin of 60 percent, yet sells all he produces, is certainly better off than one who obtains 100 percent of the consumer's dollar by doing his own processing, yet sells only a small portion of his crop.

Larger incomes in local areas are generated by food processing activities that promote more intensive use of local resources. Sometimes farmers can increase the use of their available capital, particularly land, when processors stand ready to buy their output. Those District farmers who have recently shifted from cash crop production to live-stock found the shift easier by virtue of the 300-odd meat packing plants in the region which provided necessary local markets. Other farmers used their surplus labor to produce broilers for processing into iced or frozen forms.

Farmers who shift some of the grading, packing, and manufacturing jobs to processors can specialize their own production efforts and thus use their resources more intensively. In the first place, they can put more effort, time, and study into their best adapted production activities. And in so doing, they can exploit their advantages over growers in other areas. As large-scale pimiento canning facilities developed, for example, Georgia pimiento growers have been able to take greater advantage of the favorable climatic and soil conditions for pimiento production.

By specializing, they can produce enough to support large-scale, low-cost processing plants, such as the broiler dressing stations in Georgia and Alabama. Actually, profitable broiler processing in an area is impossible until farmers specialize sufficiently to provide processors with a sizable and dependable supply of birds. As farmers become production specialists, they generally increase their yields, lower their unit costs, and upgrade the quality of their produce, and hence raise their income.

### Further Progress Possible

Processing activities will probably continue to have a favorable influence on District farm income, provided obstacles to low costs are avoided or overcome. Both processors and farmers will have to share in that task. Processors have to avoid excess processing capacity and duplication of facilities. A study of District broiler processing made in 1952 showed that under existing conditions further expanding capacity may raise rather than lower unit costs for processed broilers with ill-effects on farmers, processors, and consumers. Furthermore, canners in some areas are probably packing volumes far below their possible outputs. In Louisiana in 1945, for example, seven canneries with a daily capacity of 16,000 cases of vegetables packed only 96,000 cases for the season, which was actually just six days of production at full capacity. In such a case local farmers have high marketing costs that eat into their share of the consumer's food dollar.

Processors who battle against the problem of excess capacity, therefore, will serve our farm economy well. Their efforts will be even more rewarding when they use better mechanical and technical methods, improved work systems, and more serviceable containers.

Farmers will strengthen the District's food processing industry as they concentrate on growing quality produce. Such produce will reduce waste, will pack or manufacture

well, and will have sales appeal. To raise the quality, more farmers will have to plant improved varieties, grade or sort their produce more closely, and handle it so it remains free from blemishes and is clean and wholesome.

Local lenders have a place in sparking improvements within the food processing industry. Not only can they learn about existing needs for improving services, cutting costs, or gaining efficiencies, but also they can become sufficiently familiar with the financial requirements of local processing firms to risk some funds for use by such firms. Lenders may therefore help solidify the position of District food processing as a vital adjunct to the farm economy.

ARTHUR KANTNER

*This is the first in a series of articles that will appear in the MONTHLY REVIEW in which various phases of the food processing industry will be discussed.*

## Bank Announcements

*The Federal Reserve Bank of Atlanta is pleased to welcome the First National Bank at Winter Park, Winter Park, Florida, as a new member in the System March 1, 1956. The bank's officers are W. R. Rosenfelt, President; P. E. Davis, Executive Vice President and Cashier; H. W. Barnum, Vice President; R. B. Colville, Vice President and Trust Officer; and D. M. McBride, T. G. Grant, and T. L. Mattox, Assistant Cashiers. Its capital amounts to \$250,000 and surplus to \$500,000.*

*On March 1, the Commercial Bank, a nonmember bank at Thomasville, Georgia, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Its officers are L. D. Ferguson, President; W. J. Miller, Jr., Executive Vice President; W. B. Bulloch, Vice President; David G. Hutchings, Assistant Vice President; A. F. Kimbrough, Cashier; and Mrs. Lila Lee Davis, R. Bruce McRae, and F. H. Hancock, Assistant Cashiers. Capital amounts to \$200,000 and surplus and undivided profits to \$185,609.*

*On March 1, the Bank of Thomas County, a nonmember bank in Thomasville, Georgia, began to remit at par. Officers are W. F. Scott, President; E. A. Dawes, Vice President; H. B. Gurley, Executive Vice President; Joe J. Keyton, Cashier; James B. Stubbs, Assistant Vice President; Herbert Whitfield, Assistant Cashier; and Harold H. Spangle, Assistant Cashier and Auditor. Capital is \$100,000; surplus and undivided profits \$211,536.*

*On March 7, The Exchange Bank of Palatka, Palatka, Florida, opened as a newly organized, nonmember, par-remitting bank. Frank D. Upchurch is President, James K. Wiley is Vice President, and Victor M. Cavanaugh is Vice President and Cashier. Its capital totals \$300,000 and its surplus and undivided profits \$210,000.*

*On March 8, the newly organized, nonmember First Bank of Boca Raton, Boca Raton, Florida, began operations as a par-remitting bank. Thomas F. Fleming, Jr., is President, William M. Stowe is Executive Vice President, and Spencer E. Bowen is Cashier. Capital amounts to \$200,000 and surplus and undivided profits total \$100,000.*