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Public Markets: Functional  
Anachronisms or Functional Necessities?

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Public Markets: Functional Anachronisms or Functional Necessities?

Over the years, the market has been stoutly defended  
by those who see in it old-fashioned virtues of  
individuality and direct connection with Mother  
Earth, has been attacked by those who see in it an  
unwarranted subsidy of inefficiency in small-scale  
distribution, is fondly remembered by those who  
think it no longer exists, and is faithfully  
patronized by those who prefer the quality of  
freshness over quantity, or even over price.

Jane Pyle 1971:197

Is it true that public markets<sup>1</sup> in the U.S. are "functional anachronisms" as Pyle (1971) suggested? Or do existing markets make a real economic contribution to society? Based on evidence from an ongoing study of Soulard Farmers Market in St. Louis, Missouri, I argue the latter. Public markets have obviously declined in number and importance in the past 40 years. They have been replaced by huge chains of supermarkets, vertically integrated with agricultural and transportation interests. In many ways these giant corporations have decreased costs and provided high levels of services to consumers. However this progress has created its own waste, inefficiency, and decline in economic services. Huge

scale imposes a need for standardization that creates its own waste. Anyone who has walked through a field after a large firm's picking outfit has been through can testify to the produce that is plowed back into the ground. Viable public markets can fit in with this system of huge supermarket chains to ameliorate some of the inefficiencies, decrease the waste and increase the level of services. These claims run counter to the conventional wisdom that there is no economic place for public markets in a modern system of produce distribution. They will be supported after some introductory material is presented on public markets and produce distribution in general and on Souldard Market in particular.

#### Public Markets in the U.S.

Public markets have certainly lost the place they once held in the U.S. as the main arena where firms competed to supply fresh food directly to consumers. Existing markets are appreciated more as symbols of conservative cultural values than as places where people buy things of common value. For example Burke lists the reasons several modern communities have recently decided to maintain public markets: The architectural quality of the building, the market's role in local history, the faith that markets represent a "physical and psychological point of interface between the natural world and the built environment" and finally the fact that marketing is a "public ceremony" were all mentioned before the buying and selling of basic foodstuffs (Burke 1977:38).

Expert opinion supports the view that surviving public markets, in the U.S. have at best a vestigial economic function in modern produce distribution:

During the last three decades most types of produce markets have declined in number, and in absolute, as well as relative importance because of the growth of chain store organizations as marketing agencies for fresh vegetables, and the relative

efficiency with which the chains can perform the functions formerly provided by produce markets. The chains benefit from large volume purchases, and their precise knowledge about and control over their retail outlets. Chain organizations have increasingly bought directly from producing areas, bypassing consumer-oriented markets, and often producer-oriented markets as well.

S. R. Jumper 1974:389

Paradoxically there has been a recent resurgence of interest in public markets. Many millions of dollars have been spent renovating old markets such as Pike Place Market in Seattle (Pike Place Project 1974) and Quincy Market in Boston (Whitehill 1977). The renovations, however, stress boutiques, exclusive shops and restaurants more than produce. This trend has led one observer to remark: "Somewhere along the line it appears that a number of cities are missing the point. The public market's integrity is dependent upon the simple fact that it is essentially an egalitarian setting where real people buy real and essential things". (Burke 1978:12)

#### Soulard Farmers Market

Soulard Farmers Market has been in existence for over 150 years and continues to provide a wide assortment of basic - not luxury - foodstuffs to thousands of shoppers each week. Instead of being peripheral to the dominant structure of large-scale produce distribution in the area, this public market seems to occupy an integral, albeit minor functional position. The market occupies about two city blocks in a neighborhood of mixed heavy industry and decaying housing in the southeastern part of St. Louis city. It is possible that the market existed as early as 1780 on land which belonged to Antoine and Julia Soulard. Their property, which

stood midway between the farming village of Carondalet and the growing urban center of St. Louis, included extensive fruit orchards which could have drawn buyers to form a nucleus of a market. Its location would have made it a convenient bulking market where wholesale buyers from St. Louis amassed loads to resell in town. By 1845 the market certainly existed. In that year Julia Cerre Souldard willed the land to the city, stipulating that the property be used as a market forever.

The present market is operated by St. Louis as the only surviving municipal market in the city. The majority of the open-air stalls are rented annually by 84 firms (in summer 1978) specializing primarily in fresh produce. In addition six enclosed shops in a central brick building sell meat, bakery goods, spices and prepared foods. A few vendors rent stalls on a daily basis on Saturdays, the busy market day, to sell trinkets, clothing and other non-food items. Sellers who do not deal in food are restricted to daily rentals to insure that the market remains primarily devoted to produce.

Twenty-nine of the ninety regular firms on the market are farmers, who sell produce they or their neighbors have produced; thirtyfive are merchants, who sell produce bought from the local wholesale produce market; and nine combine farming with wholesale produce merchandising. Sixteen sell other sorts of foodstuffs such as spices, bakery and short-order foods and meat. About half of the 304 people working on the market (see Table 1) work for produce merchants, twenty percent work for farmers, and the rest for the other regular firms.

Most regular firms are open for business from Friday morning to Saturday evening, although there are many more customers on the market on Saturdays. The winter is a slow season for produce firms and many sellers, especially the farmers, close up after the first hard freeze until the next spring. The market structure, built by the city in 1928, provides no storage for produce. Sellers back their trucks up to the rear of the stalls to unload, using the vehicles as storage.

The front of the stalls face the inner aisles and consist of wide display tables. Some sellers hawk their produce in loud voices, others are content with the hand-lettered price signs that almost all stalls display. During busy selling hours the aisles are crowded with shoppers who generally enjoy the challenge of comparison shopping and the bustle of a "real" market place.

Most of the regular firms are family operations. Only 12 of 180 people working on the market in regular produce firms of whom we have formal interview data were totally unrelated to anyone else on the market. Selling at Soulard Market is a tradition for many families, some having held stalls for three and four generations. Because of the stability of these family firms they attract the repeat business of loyal customers (Eckstein 1977).

Soulard market is a public market of merchant as well as farmer firms, rather than purely a farmer's market. This is common (cf. DeWeese 1975:12, Pyle 1971 185-188). Society obviously benefits from having farmers' markets in the strict sense of places where locally-grown produce is sold. Consumers obtain maximally fresh produce and enjoy the variety of non-standardized items (e.g., McPhee 1978). It is less obvious that the merchants' role in public marketing is positive and functional with respect to supermarket chain marketing. The rest of this paper will concentrate, therefore, on merchants.

### Produce Distribution

Soulard Market is predominantly a retail market. Some sellers have a few steady wholesale customers who own small restaurants or produce stores, but these buyers are limited to a few boxes at best. The wholesale terminal market in St. Louis is called "Produce Row" and is a private corporation whose shares are held by two types of firms: brokers, who deal in "paper", meaning they buy, sell and consign produce without physically handling it; and jobbers, who actually move boxes of produce from trucks into refrigerated storage and from there onto the

trucks of buyers. The retail merchants of Soulard Market buy produce from the thirty-four jobbing firms at Produce Row.

Of course, most of the produce sold in the St. Louis metropolitan region (the total was about 17,583 rail carlot equivalents<sup>2</sup> in 1977) do not pass through the wholesale market at all. Most produce is bought - often in the fields - directly from the producing area by the chain organization which owns or controls the final retail outlet as well as the trucks, warehouses, and processing equipment in between. In principle this vertical integration insures more efficient distribution, and keeps down expensive labor costs at the point of retail sale. Ideally the chains would buy all of their produce in the field, but in fact things rarely work out that way. Small chains and independent supermarkets buy proportionally more through Produce Row.

Produce Row firms are notoriously closed-mouthed about their operations. It is therefore almost impossible to obtain reliable figures about the volume of produce passing through the Row. With trepidation and humility I will try to construct this figure: An independent consulting firm estimated that the large chains and wholesalers occupied about 60 percent of the total produce market in St. Louis (The Packer, 1978:7d). Interviews with the produce managers of the five major chain stores revealed that, on the average, they buy about 85 percent of their produce directly from grower-shippers and about 15 percent through Produce Row (the actual estimates ranged from 3 to 25 percent). Combining these estimates with the U.S.D.A. estimate of total unloads in 1977 yields the following: the chains account for 60%, or 10,550 of the total 17,583 unloads in the St. Louis metropolitan area. Of this, 85% or 8,967 unloads are bought directly from producing areas and 15% or 1,583 through Produce Row. Adding these 1,583 unloads to the 40% of the total shipments that are not controlled by the five major chains yields 8,616 unloads sold through Produce Row in 1977. Interviews with jobbers



about Soulard Market's share of their total sales yielded rough estimates of "from 35 - 40% in the summer" to "maybe 25% all year round" to "practically nothing". Assuming that Soulard accounted for from 5 - 10% of the total would yield a range of 430 - 860 unloads, or between 2.5 and 5% of the total in the metropolitan area. This seems reasonable in light of the density of buyers and sellers in Soulard Market on a typical summer Saturday.

When a shipment of produce arrives it is inspected before it is unloaded. If the produce is below grade it can be rejected by the consignee, who often arranges for a U.S.D.A. official inspection to verify the condition of the produce. Produce does not have to be rotten to be rejected. Trimming is kept to a minimum because of the high cost of labor in the retail stores (for example, in St. Louis a major chain paid produce clerks with two years of experience \$7.65 an hour in 1978).

The head of the produce division of a local chain remarked, "a man who earns thirteen cents per minute cannot really trim lettuce at an economical rate, if the produce needs more than minor trimming". Thus it may not pay the store to trim a case of twenty-four heads of lettuce in which four heads are totally rotten while the rest need minor to medium trimming. When a shipment of such produce is rejected, the shipper will normally try to sell it for whatever he can get at Produce Row. At that point the shipper's costs are spent, the produce is not getting any better, and any money realized on the shipment is better than nothing.

It is here that the economic benefit of markets such as Soulard enters. The Soulard merchant firms, using family labor, can afford to trim and rework produce where the chain stores cannot. Once trimmed the produce can be displayed in separate piles, each consisting of a different size or grade. Thus it is common at Soulard Market to see two or three prices for the same produce at one firm. This does not mean that market firms are selling inferior produce. Rather they are precisely matching price and value in a way that supermarkets cannot afford

to do. For example, it makes no economic (or other) sense for a person who lives alone and rarely eats salad to buy a large head of lettuce. In a supermarket that is usually the only choice. A public produce market can offer a range of choices, within the restricted domain of fresh produce. Of course, supermarkets compensate for their relatively restricted choices of fresh produce by offering many alternatives in other shopping needs.

If no strikes, refrigeration failures, dispatcher's errors or driver's mistakes ever occurred then the supermarkets could offer fresh produce with high efficiency. Even in this ideal circumstance consumers would sacrifice variety and quality. Supermarket methods stress large volume and uniform products. Produce is inherently variable, and quality is often sacrificed for uniformity. (e.g. Whiteside, 1977) On the other hand the owner-operated firms in public markets represent a pool of relatively skilled (compared with produce clerks) inexpensive labor. These small firms can handle variable and exotic produce. Thus the variety at a public market can always be greater than at a supermarket.

When the system breaks down and a load of produce is rejected by the supermarket then it is "kicked off onto the street", or sold through jobbing firms. The more outlets such as public markets exist for variable produce, the less probability that food will be junked because it is not economic to trim it. Thus the public market serves as a "shock absorber" for the modern produce distribution system, cushioning the effect of breakdowns in the system by allowing variable grade produce to be sold at reduced prices to consumers instead of being thrown away.

Of course, most of the produce sold at public markets such as Soulard is first quality. Proof of this is the fact that consumers invariably mention "quality" as the reason they shop at the market, usually after giving "price" (e.g., Jacobs 1973, DeWeese 1975:16). The proportion of total sales that consist of "kicked back" produce is small, certainly less than 10%. But small numbers can be significant.

In a highly competitive market, theory tells us that profits will be at a minimum. Losses will have major potential if dealers are operating near their thresholds. Produce Row is a microcosmic model of a competitive market (as is Soulard on the retail level). Wholesale buyers "shop the street", strolling around all the jobbing firms to inspect quality and determine price and availability (as retail shoppers do at Soulard). Thus Produce Row firms actively compete against each other and presumably work on relatively thin profit margins. This is probably the hidden meaning behind the remarks Soulard merchants made about their importance to the wholesalers: "Those guys (the jobbers) would be in big trouble if it wasn't for us."

This seemed like pure bravado, considering the relative volumes handled in each place. But the jobbers admitted: "Yeah, they (the Soulard merchants) help us when we're in trouble." "You know, they buy a lot of things that you need to get rid of." and more to the point: "We need them. This is perishable products." (field notes 7/5/78)

I submit that the wholesalers' remarks are true for public markets in general: they help the system out when its in trouble, thereby adding to the significant array of services public markets offer. The federal government has recently passed into law a bill to encourage farmers' markets (PL 94-463). This research suggests that the government would do well not to limit its conception of public marketing to farmers' markets. The petty merchants in public markets, who substitute low-paid family labor for capital in the classic style of poor economic actors, provide significant economic benefits to consumers as well as to produce producers and wholesalers. We would all be poorer if such merchants went totally out of business.

## NOTES

1. The term "public market" will be used in this paper to refer to public retail markets, meaning places where a variety of goods invariably including produce is sold on a periodic schedule by numerous small private firms. Wholesale, bulking or breaking bulk shipments may also be important in the same place, but the focus in this paper is on retailing. This usage lumps together municipal (owned by municipalities), farmers' (patronized by sellers who offer home-grown produce), and curb (where firms sell directly from their trucks) markets.

2. A rail carlot equivalent consists, for example, of 1,000 boxes of 48 one pound cellophane wrapped bags of carrots, or 32,000 pounds of bananas, etc. For comparison to St. Louis' volume, Chicago received 42,000 and Kansas City received 11,000 unloads in 1977. (source: U.S.D.A. 1978)

Table 1

Soulard Market Regular Firms (N=89, 8/78)

	Firms	Workers	Column %	Workers Firms	Stands	Column %	Stands Firms
Farmers	29	55	.18	1.9	45	.17	1.6
Merchants	35	159	.52	4.5	139	.52	4.0
Combinations	9	35	.12	3.9	37	.14	4.1
Others	16	55	.18	3.4	44	.17	2.8
Total	89	304	1.00	3.4*	265	1.00	3.0*

(Starred figures are population averages)

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