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FOOD RETAILING AND PROCESSING PRACTICES

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSUMER ECONOMICS

OF THE

JOINT ECONOMIC COMMITTEE

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SUBMISSIONS FOR THE RECORD

TUESDAY, MAY 21, 1974

FOOD RETAILING AND PROCESSING PRACTICES

TUESDAY, MAY 21, 1974

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON CONSUMER ECONOMICS
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 6202, Dirksen Senate Office Building, Hon. Hubert H. Humphrey (chairman of the subcommittee) presiding.

Present: Senator Humphrey.

Also present: Loughlin F. McHugh, senior economist; Lucy A. Falcone, Jerry Jasinowski, and Courtenay M. Slater, professional staff members; Michael J. Runde, administrative assistant; and George D. Krumbhaar, Jr., minority counsel.

OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. Mr. Paarlberg, we surely welcome you here this morning. I have a brief opening statement. Might I say to the witnesses as we begin, it may very well be an inconvenient session for all of us. There happen to be three executive committee meetings this morning, of which I am a member, and I have got to be there somehow or another. Also we have three pieces of legislation up that I am supposed to be working on in the Senate, all of which nobody knows when we schedule these hearings. So such is the way of the supreme organization of the congressional body. I think we are not even sure it will not be winter before we finish the day.

In the past year the Subcommittee on Consumer Economics has held a number of hearings on farm prices and supplies. Today we turn to the processing, wholesaling, and retailing sectors to determine how practices in these industries increase or add to the price of food, or affect the quality of that product to the consumer. The consumer's food bill has become the subject of increasing controversy. In 1973, for example, food price increases accounted for half of the rise in the Consumer Price Index, and as prices rose most consumers had to allocate a larger share of their family budgets to food purchases.

Let me digress from this comment to say that I consider even what I have said to be less than factual. The truth is that for people of moderate income, food and clothing and rent are the big items. All of these general figures that we come out with in Washington here actually have little application to anything but pets and canaries. They really do not have much to do with people because the average

person of income of $6,000 to $8,000 to $10,000 or $12,000 a year is not victimized by 10 and 11 percent inflation. He is victimized by 30 or 40 percent inflation because the things that that family needs or that individual needs as the head of the family are the items that have gone up very rapidly. He does not buy some of the durable goods that we talk about that are in the total index figure.

So I want to clear again that for the person of fixed income, the old age recipient of social security and pension, the working family with incomes of under $12,000 a year, which comprises a vast majority of the American families, that those people are not being victimized by inflation of 10 percent, but rather inflation of 20, 30, and 40 percent, depending on what their income is. And that is what is wrong with Government figures, and that is why people think we are a bunch of liars. When I go out into the country and talk to anybody and tell them that the inflation rate is 10½ percent, they look at me like I have some wheels missing, and then a mother walks up and says, did you ever buy a pair of shoes, have you ever been in the supermarket, or do they deliver your goods at home and give you a Government order for it? Have you ever rented a home? Did you ever try to build a garage? Or did you ever try to buy storm windows?

And by the time they get through listing out the things that really affect peoples' lives instead of all this garbage that we put in here to make up the total index figure, you begin to realize that you are talking in one world and they are living in another. I know, Mr. Paarlberg, that you understand this because you have to deal with food prices. But I want to repeat that I think there is something wrong with Government figures because they deceive the people, and I guess this is as good a time as any to register my protest. I do not know what we are going to do about it, but I think you have got to have a different set of inflation figures for different income groups.

I think the inflation figures we are talking about relate to corporations, relate to people of high income or moderately high income, not to people of low income. I had 1,200 senior citizens on my back Saturday in Minneapolis, 1,200 of them, and when I got up and told them that the rate of inflation was about 10 percent, they hooted. To them it was about 100 percent as far as they were concerned. It was unbelievable. Then they start reciting what the facts are. And their problem is that we really do not try to differentiate between income groups in the society.

Well, now, as a result of the well-publicized increases in farm prices, farmers have been blamed almost exclusively for the rise in retail food prices. Yet in the last 6 months—you check me on these figures now—prices received by farmers have fallen by about 13 percent. Retail prices have been slow to follow, as in the common practice, they rarely fall by the same amount as farm prices. Almost every major category of farm products, grains, cattle, hogs, poultry, and eggs has declined in the last 2 months. It is only in the past few weeks that even a modest decline has occurred in the grocery store. One of the questions that we will explore with our witnesses this morning is why the farm-retail price spread is so slow to re-

spond to declines in farm prices, but so quick to move up when farm prices rise.

Aside from the farm-retail spread, there are a number of other factors which indirectly increase consumer food prices. The level of concentration in some food processing industries reaches 80 or 90 percent. In cereals, canned soups, canned fruits and vegetables, three or four large firms dominate the industry.

I was told last evening by a prominent economist that the canning industry is having a very difficult time getting certain products. Not only are they having a difficult time getting tin cans, which they are, they have gone up, but they are having a difficult time getting the product to go with the tin can, and certain types of commodities, and fruits and vegetables, and that those prices will undoubtedly increase very rapidly.

Well, not, in addition to this horizontal concentration, in the past few years there has been a disturbing trend among the larger corporations to gain control over the whole production, processing, wholesaling, and retailing process, so that one company is responsible for a food product from the farm to the table. How does this increasing vertical concentration affect not only the price, but also the quality to the consumer is a question that we need to look into.

And finally, once the product reaches the retail level, how is the price affected by the level of competition in a particular metropolitan area? In some cities, Washington, D.C., being an excellent example, three or four major chains completely dominate the market.

Then I would like you to tell me how come eggs have the price differential they do. This is one that has bugged me all my life. I was home again this weekend, three dozen eggs, $1.35 on the farms right where I live, three dozen. I bought three dozen eggs, $1.35, large. I go here to a store in southwest Washington into a supermarket, 99 cents for a dozen large eggs, $1.18 for super or jumbo. And these eggs are almost jumbo that I got off the farm. And you know, there's no processing, as I have said a number of times. The hen does all the processing. And I cannot believe eggs weigh that much in transportation.

So if you could just tell me what happens between the egg and the consumer, I would sure like to know about it, Mr. Paarlberg, because it is one that has hit me for about 25 years.

As chairman of the subcommittee on this Consumer Economics Subcommittee, I intend to make use of the testimony we receive today to pursue an investigation into retail food quality and prices. One subject which we expect to examine in future hearings is the Federal Government's role in monitoring and challenging food pricing practices in the food industry.

It is unfortunate that during the escalation in food prices recently, all attention has been focused on the farmer. Actually, he has less control over the price paid by the consumer for his products than anyone else in the whole food marketing process. The witnesses we have invited this morning are all eminently qualified to discuss the problems of food marketing and retailing.

Our first witness. Mr. Don Paarlberg, Director of Agricultural Economics for the Department of Agriculture, has often provided this committee with excellent testimony, and we are very grateful to you. Mr. Russell Parker, who is Assistant to the Director of the Bureau of Economics in the Federal Trade Commission has been responsible for a number of studies prepared by the FTC on the structure of food marketing. Jim Hightower and Susan DeMarco of the Agribusiness Accountability Project, a public-interest research group, have conducted a number of valuable investigations into food quality and concentration in farming, processing, and retailing.

In the interest of having enough time for questions, we ask that you limit your oral statements from 10 to 15 minutes. The entire prepared statements and any exhibits you wish to include will be printed in full in the record at the end of your oral statements.

And now we will open the hearings with Mr. Paarlberg as our first witness.

Mr. Paarlberg, it may be necessary for you to take a little more time, I know, but we have some questions that I think will elicit more information.

Mr. PAARLBERG. I will try to stay within the time, Senator Humphrey.

Chairman HUMPHREY. Thank you. Please proceed.

STATEMENT OF HON. DON PAARLBERG, DIRECTOR, AGRICULTURAL ECONOMICS, DEPARTMENT OF AGRICULTURE

Mr. PAARLBERG. I think the best way to use my time is to comment briefly on the charts and tables which are at the latter part of my prepared statement. If we can turn to that part of the prepared statement, you will find there figure 1 which shows, on an index basis, the farm value and the retail cost of foods from 1952 to 1973.

As you can see from looking at figure 1, the farm value of foods has escalated very sharply, and during the 1973 year, the retail cost has gone up, but at a lesser rate, and the marketing spread went up the least in 1973. It is now widening more sharply as my later testimony will indicate.

Figure 2 shows from 1958 to the present the farm food marketing bill and consumer food expenditures, and what that shows is that over time the marketing bill has been about double the farm value of food products. This is primarily because of added services provided in the marketing of food and because of increasing costs attributed chiefly to increasing labor costs.

Chairman HUMPHREY. That matter I would like to have you not just pass over.

Mr. PAARLBERG. All right.

Chairman HUMPHREY. The increases in labor during this period of time have been rather modest because they have stayed within the wage-price guidelines.

Mr. PAARLBERG. During the last year that is true, Senator.

Chairman HUMPHREY. The last 2 years.

Mr. PAARLBERG. The last 2 years, that is true, but I was referring to the entire span of time from 1958 to the present.

Chairman HUMPHREY. I see.

Mr. PAARLBERG. Yes.

Figure 3 shows the agency components of the marketing bill as between the processors, the wholesalers, the retailers and the eating places, and they all have been increasing in terms of actual dollars, largely because of rising price levels.

The most rapidly growing sectors have been eating out and retail costs, as you can see from that chart.

Figure 4 is a pie chart showing the components of the bill for marketing farm foods during 1973. Labor costs, as you see there, are about half. Another very interesting slice of that pie is corporate profits, and that is before taxes. They stood at 4 percent in the year 1973. And the other items are clearly shown in the chart.

Chairman HUMPHREY. I notice you have advertising only 3 percent.

Mr. PAARLBERG. Yes; that is correct, 3 percent.

Chairman HUMPHREY. Where do you get those facts?

It seems to me that we are eating more advertising than we are food. Take a look at the daily newspaper.

Mr. PAARLBERG. But of course, the volume of sales in food is enormous. It runs well over $100 billion a year, and you can have a sizable expenditure for advertising, and that would still be a relatively small share of that enormous total size. We figure it at 3 percent.

In table 1, we show the farmer's share of the retail cost of food, and we show also the components that are used in computing it. The farmer's share is the last column of this table, and it is shown annually for a period of years, and then by quarter since 1971, and then monthly from 1972 on.

Historically during the 1960's, the farmers share of the consumer's dollar ran around 40 percent. That increased during 1973, as you have said, with the inflation, and got into the 40's, indeed the high 40's, and in 1 month, in August, it stood at 52 percent. It is now drifting downward, and for the month of April stood at 42 percent.

Table 2 shows the movements in the market basket statistics before and during economic stabilization program. We have there the period prior to the economic stabilization program, then phase 1, phase 2, phase 3 and phase 4, and the overall period of controls. These are seasonally adjusted annual rates, and I think the main thing they show there is the economic stabilization program did not prevent retail prices from rising in the food business. While the program did distort the relationships among the various sectors of the food industry, it had, I think, relatively little effect on the totals, and I will come back and respond to further questions you might have on this subject.

Table 3 shows the market basket of farm foods by product types. Now, the market basket is a package of foods at retail that is representative of the foods that move through the retail process, and the market basket has these in the same portion as they are purchased, as determined at a base period. We show the retail cost of that basket, the farm value of it, and the farm retail spread, which is the cost of all the services that go into it, and this is shown comparing

the first quarter of 1974, the quarter just completed, with the previous quarter and with a year ago.

Chairman HUMPHREY. All right, summarize that.

What does it show? Those are a lot of figures there.

Mr. PAARLBERG. It is a lot of figures. What it shows is that retail prices in the first quarter of 1974 were rising at a rapid rate as compared with the last quarter of 1973. This was true for virtually all sectors, particularly fresh vegetables, and it shows that all food groups were sharply above where they were a year ago at the retail level.

Now, Senator, I think that since the first quarter this rapid upward surge in retail prices has abated. They will come out today, the Consumer Price Index, and it will have in it the food sector.

Our anticipation from watching the market behavior of these products is that the CPI for food will be down.

Chairman HUMPHREY. One or 2 percent?

Mr. PAARLBERG. One or 2 percent for the month of April, which we are reporting, compared with the month of March.

Chairman HUMPHREY. I just received this, apparently a 10 a.m. release, the Department of Labor, Bureau of Labor Statistics. The seasonally abjusted changes from the preceding month, in April, went down .4 of 1 percent. Is there a projection here as to what it is going down—the April CPI was 10.2 percent higher than a year ago. The Consumer Price Index rose .6 of 1 percent in April to 144, that is, using 1967 as 100.

Mr. PAARLBERG. That is the total index.

Chairman HUMPHREY. That is the total index. And the rise was due to higher prices for many consumer goods and services, notably used cars, apparel commodities, energy resources, and restaurant meals.

The effect of this increase was partially offset by the lower prices for some grocery store foods, particularly meats. The April CPI was 10.2 higher than a year ago.

Mr. PAARLBERG. Do you have the foods on the unadjusted basis?

Chairman HUMPHREY. Yes. It is .3.

Mr. PAARLBERG. Down .3. We thought it would be down a little bit more, but it is nevertheless down.

Chairman HUMPHREY. You see, what bothers people is, again, a nice part about getting home in the rural areas, you see, I have the hog farmers come up to me and say, "What are you going to do about the price of hogs?" and I said, "Are they too high?" and the fellow almost threw me out of the hall. I was joking with him. He did not think it was a joke.

Mr. PAARLBERG. It is not a joke.

Chairman HUMPHREY. I know. And the price of hogs is way down.

Mr. PAARLBERG. It is way down. They are losing money. The cattle feeders are losing money. They are losing $100 a head or thereabouts,

Chairman HUMPHREY. The delay in translating those price reductions into the wholesale and retail market is several months, is it not?

Mr. PAARLBERG. It is a serious matter, and I will come to a table in just a minute, Senator, that will document the nature of the delay.

I may say that we anticapate in the Department of Agriculture that most of the price increase in foods for the year 1974 has already been experienced, and that for the balance of the year, the retail price of food will plateau and stay fairly close to where it now is. That is our anticipation based on farm price behavior, on the prospects of the crop that is now going into the ground.

All right, we will take a look at table 4, which gives the situation for bread, the breakdown of the retail price of bread, comparing March of this year with March of last year, and what that shows is as compared with a year ago, the price of bread in March had increased, sharply more than 8 cents a loaf, and compared with a year ago, the farmers had received about 3 cents of that, and the bakers and wholesalers had received a little less than 3 cents of it. We have a later figure which I will come to shortly that indicates that since March of 1974 the price of wheat has gone down sharply and that the margin taken by bakers and other people in the industry has increased and the retail price has gone up while the price of wheat has gone down. We will show that in a little bit.

Now, the next table, table 5, is again a complicated one. It shows profit ratios in the food business over a period of time. It has data also on manufacturing activities and apparel and other sort of comparison industries. These are shown after taxes.

The top half of the table is showing a percentage on stockholder equity. The bottom half is shown as a percentage of sales.

Now, to summarize that very briefly, Senator, I would say that the food industry is comparison with other enterprises, when you look at it on the basis of return to stockholder equity, is about in line with other enterprises, and these are after taxes, and they show returns in the neighborhood of 10, 11, 12 percent, and they show for the year 1973 for the later months of that year, very attractive returns in the food business.

Now, as a percentage of sales, there the food business shows a relatively low return as compared with the other activities, and the reason for that is the large and rather rapid turnover in the food business.

Chairman HUMPHREY. I think it is important to note that the percentage of profit on sales is really lower in the food industry.

Mr. PAARLBERG. Yes, sir, it really is.

Chairman HUMPHREY. Yes, it is quite surprisingly low in light of what other retail industries generally get.

Mr. PAARLBERG. Well, it is because the turnover is so rapid, but in terms of equity, the industry appears to be reasonably competitive with other activities.

Chairman HUMPHREY. So from a point of view of investment, what you are saying is that the investment opportunities in the food industry are comparable to other industries.

Mr. PAARLBERG. That is right.

Chairman HUMPHREY. But in terms of the percentage on sales as compared to, say, appliances or clothing in stores, et cetera, it is very much smaller.

Mr. PAARLBERG. That is true.

And another thing that says, if you follow the logic of it, is that the profits in the food business are not really large enough to explain the upward surge in the price of food. They are not that big.

Now the next table, table 6, again is a very detailed one. It shows price spreads for selected market basket foods. These are on a monthly basis. We watch the retail food business. We monitor it carefully, and report annually on retail prices by commodities. We break that retail price down into its components, what is the carcass value, for instance, of the beef, which is the first item there, and what is the net farm value, and the farm-retail spread. We break down the spread between the farm and the retail cost into two sectors; one, essentially what the packer gets, and the other essentially what the retailer gets, and we make comparisons over time.

Now, you will see if you look at that table, Senator, the farm-retail spread. Let's look at that one for beef. That is now 56.2 as of March. Now, in the whole year 1972, that was 41.3. In the whole year 1971 it was 36.4. In the whole year 1973, it was 45.4. In other words, that farm-retail spread is now large compared with historical levels.

Chairman HUMPHREY. In other words, the prices have been raised faster in the 1974 period than in the preceding 2 years; that is, the relationship between what the farmer got for his beef and what the customer paid at the retail counter.

Mr. PAARLBERG. That is correct.

Now, what has happened is that for beef, the farm value has come down. If you take a look at the farm value of beef—well, it reached a peak in August, $1.08. Now that is for 2.28 pounds of live animal, equivalent to 1 pound. It has come down from then to now to 86 cents a pound, but the retail price during that period has hung on. It was $1.44 in August, and in March it was still $1.42. So the retail price stayed up while the farm value came down.

Now, our weekly figures, Senator, during April and May, show that the retail price has been coming down. It was very, very sticky, hung up there a long time, but it is now inching its way down. But this illustrates the point you made in your opening statement that there is an enormous lag in this business.

Chairman HUMPHREY. Is that due to inventory in part, Mr. Paarlberg, or is this just a traditional pattern?

Mr. PAARLBERG. It is an institutional thing. It is a traditional way of pricing, and I must say in all truthfulness that a lag is shown on the way up as well. The lag is not as great on the way up as it is on the way down, but there is a lag on the way up, and that can be documented also from this table.

If you look, for example, at the retail price of beef from the early months of 1973 to the peak in August, you will see that they rose only gradually, whereas the farm value shot up during that period. So it lags both ways. It is an institutional thing. I think it is a defect in the pricing mechanism. It should reflect more promptly the changes in their acquisition cost.

Part of this is because the retailers do not want to change that retail price. They know if they change that retail price up they will

aggravate the consumers, and so they hold it for a while thinking maybe they will not have to increase it. And you know, if they drop the price now because they can buy their meat a little cheaper at wholesale, they may have to raise it next week, and they will aggravate the consumers that way. It is an institutional lag.

Chairman HUMPHREY. I think another point we might emphasize here from what I have been told about this, that in the meat business, in particular, the whole business of how we cut the carcass, what the consumer wants in terms of the trimmed meat and the fat that it is out there in the open refrigerated counter, much of it is packaged, it is put in cellophane and all of this, all of which most consumers want, that is the type marketing that is done where they can pick it all over and look at it to see whether or not they are getting the cuts they want. I think the housewife needs to know that that costs money.

Mr. PAARLBERG. It does, and that cost does not change. That cost tends to be stable.

Chairman HUMPHREY. Except for the price of the paper which goes into the carton considerably.

Mr. PAARLBERG. Well, I will not bore you with details of all of these commodities. If you look at the price of pork as shown here, you will find that it has behaved in the last year much like beef.

There is an interesting one in table 6, which relates to the price of bread. Now, you see, if you look at the price of bread for March, you will see that while the price of wheat at the farm level went down from 8.8 cents to 7.8 cents, that the retail price went up from 32.5 to 34 cents, so the retail spread widened for that product at a time when the farm price was going down.

Now, we heard a great deal from the bakers 6 weeks ago about how the price of wheat was going to shoot the price of bread up through the roof, and it was going to be $1 a loaf. Well, they were quite wrong. The price of wheat went down rather than up, and the price of bread went up a scratch, but it went up because the farm-to-retail margin increased. So, they were in error in alleging that we were going to run out of wheat and the price of bread was going to go through the roof.

Chairman HUMPHREY. Now, on that subject, again, to try to get as fair a picture as we can, because it is easy to demagogue all of this business, during this period of time, did transportation rates go up, because flour has to be transported. Did the cost of the bag go up or the barrel in which the flour may be packaged? Did labor costs go up? Lots of other items go into what is known as the retail, the retail price.

Mr. PAARLBERG. That is correct.

Chairman HUMPHREY. Besides just the raw product.

Mr. PAARLBERG. That is quite correct, Senator. I am not sure just how much all of those costs went up, but they did go up. Both the point is, the logic that they offered, namely, that the price of wheat was going to go up and therefore the price of bread was going to go up, they abstracted from all of these other things. That logic was fallacious.

If that logic was true, then when the price of wheat went down, then the retail price should have gone down.

Chairman HUMPHREY. The price of flour has gone down.

Mr. PAARLBERG. The price of flour has gone down.

Chairman HUMPHREY. Yet the price of bread has gone up.

Mr. PAARLBERG. That is correct.

But I think their labor, and the packaging and the interest rates, these have gone up.

Chairman HUMPHREY. I might add that this is a factor that has got to be put into this equation all of the time, these interest rates. I see the prime rate went to 11¾. I had a visit yesterday with some people in the financial markets and I stopped in at the New York Stock Exchange, and might I say that the concern in these areas over these interest rates is a concern as deep as you would find in the average consumer.

I consider these rates to be disastrous. If they continue, they will not only fuel the fires of inflation, but they will bring us down to a recession. It will be like going through the windshield. Something has got to be done about this, and to permit these interest rates to skyrocket to 11¾ is just unbelievable.

Also I found out something else that is very interesting, that the capital outflow from this country is much greater than the capital intake. That is, the capital is not accumulating in the capital centers, in the banks and the stockmarkets, but the money is leaving. It is going out more than it is coming in, all of which is bringing a very serious investment crisis.

On the one hand you have these high interest rates which are going to curb investment for productivity purposes at least, if the moneys are borrowed or the money is borrowed at these rates, it is passed along, and particularly this is true for anybody that has to build inventory or to have new capital plants.

So if the interest rates continue at this rate, it is very possible that a large number of people that planned on investment will not do so.

I think we have just gotten ourselves into a jam here in reference to the monetary policy of this country which is affecting every one of these calculations.

I noticed this morning, by the way, in the financial page of the Post, some comment about your views and also what they believe, what the writers, their belief will be the rising tide of inflation, a whole series of items, which is exactly what I said in this room a week ago in this committee, that I believe that the impact of the energy crisis and the followthrough of the increase in energy costs and transportation costs and money costs has yet to be felt. And I think we are going down the road for a much higher rate of inflation than we have now, and while some of the analysts say that it is going to cool, I want to go on the record on this day in May that it is going to heat up, it is going to be higher instead of lower even though the food sector temporarily may be less. But there are reasons to believe that come the fall, late fall, or early winter, that the meat prices and others may be going up again.

Would you say that, Mr. Paarlberg, or do you disagree?

Mr. PAARLBERG. We are not at all sure of what the prospect is. We think, as I said, that the retail price index for food probably will hang in fairly close to right now for the rest of this year. There may be some increases in the price of meat, but we do not think major. We think there will be a bigger per capita supply of both beef and pork by a small margin.

Chairman HUMPHREY. What about fruits and vegetables?

Mr. PAARLBERG. Canning crops, as you indicated from your visit with the processors yesterday, canned fruits and canned vegetables are going to be much more expensive this fall. They are having to pay much more for their new product.

Chairman HUMPHREY. And their labor?

Mr. PAARLBERG. And their labor. And, this will be in the prices of their product when they market them in the fall of this year.

Fresh fruits and vegetables, probably not that degree of price strength. The cereals we think will diminish in price. Dairy products probably appreciably above last year. Dairy products are still in relatively short supply.

Chairman HUMPHREY. Could you just give me your reflection on the population or the census of dairy cattle?

Is that going up or down ?

Mr. PAARLBERG. That is going down. That has been drifting down for many years by a percentage or 2 per year.

Chairman HUMPHREY. Is that compensated for by greater production from the cows that remain?

Mr. PAARLBERG. Almost, but not quite. The total production of milk has been diminishing now for several decades at a modest rate. The liquidation in the number of dairy cattle has somewhat exceeded the increased production per cow.

Chairman HUMPHREY. Just due to the high cost of dairy as compared to the price the farmer receives, or to what do you attribute this?

Mr. PAARLBERG. There has been a reduction in the per capita consumption of milk, and basically the consumers' lack of desire to consume fluid milk is at the cause of this, and there are various explanations for this.

I think myself that the cholesterol matter of concern is fundamental to this.

Chairman HUMPHREY. Some of the reactions I get is that the dairy interest takes so much time to invest, to get hired people that want to work 7 days a week. We have not been able to invent a 5-day dairy cow or a 40-hour-a-week dairy cow.

Mr. PAARLBERG. Well, that is true, and the way the farmers are doing it, Senator, is to get herds from the production units that are big enough to be really two-man operations so that they can alternate and take the weekend off. You see, the old idea of a small herd and a full-time operation for one man, 7 days a week, 365 days a year, just does not go anymore. You cannot get the young fellows to take that on, or, if you would, he cannot get his wife to bargain for that kind of life.

Chairman HUMPHREY. Yes. I had an interview with a young chap that was an expert on dairy cows. He found out that they have udders and four feet and ears and they moo, and that was about his knowledge of the dairy industry. He was writing a special report on it showing how the dairy industry was ganging up on the people.

I offered him a job at my neighbor's place because my neighbor had 75 cattle and cannot get anybody to come out and work. It pays pretty good, and this fellow did not show much interest, in that he preferred to write an article about it which he did not know a damn thing rather than to really know the dairy industry.

I have a lot of sympathy for these people. I live in a county, in Wright County, Minn., which has the largest amount of dairy production in our State. They are going out of business by the dozens every week. Every week I come home, some farmer has sold off his herd. He cannot get anybody to work on a dairy farm. He cannot get anybody to work. They all want to have office jobs. They do not want to work on the dairy farm, and not only that, the cost in our State is terrific because we have very high standards of sanitation.

When you have to have these steel containers and storage tanks and all the inspections that you have, and these big trucks that pick up. I wish that every reporter would have to spend a week on a dairy farm, or every politician. I think that is what we ought to do. They tried to do that in China, to get all the newspapermen, all the politicians and everybody else to go out and work in a factory, working in stoop labor, picking up sugarbeets or something else, and I think it would be good for all of us, and we could come back and we would have a whole new insight and what people—I will be darned if I want to run one of those places. It is bad enough to be a Senator, and to get out there and to work on these farms, whatever they get, they deserve, believe me, if they make any money.

All right, Mr. Paarlberg, I want to ask you some questions about the Department of Agriculture.

What efforts or actions has the Department taken in recent months to bring a pressure to bear against firms that were excessively increasing processing or marketing margins wherever you found such conditions to exist?

Mr. PAARLBERG. The Secretary of Agriculture spoke out on this subject. This is about 2 weeks ago, a widely publicized statement calling on the retailers to merchandise meat, to adjust the price and to reflect back to the farmers a larger share of the consumers' food dollar. A statement of a similar kind has been readied for release today. The Secretary has met with the food industry on several occasions and has pressed this point with them. I would say that he has made the case for adjusting retail prices as decisively as he is able to make them.

Chairman HUMPHREY. Well, to be quite honest about it, I guess the Department, what it has really done is to protest or to advise and counsel. It has not or it does not have any authority.

Mr. PAARLBERG. No, we do not.

Chairman HUMPHREY. If the Department has not been doing anymore than you have indicated you did, in your prepared statement

you indicated what the Department was trying to do, who in the Federal Government is responsible or has the responsibility for ensuring that the consumer is protected from price gouging by food processors and distributors?

Is there anybody that has that responsibility?

Mr. PAARLBERG. Yes, the Federal Trade Commission has responsibility, the Department of Justice has responsibility, while it was in existence the Cost of Living Council had responsibility. The Council of Economic Advisers is concerned about these things, and I could add and I should add that there are several things the Secretary of Agriculture now has done. He has given support to the special study on efficiency in merchandising. He has tried to improve the transportation facilities available in the food business. He has called attention to the efficiencies of centralized meatcutting. He has called attention to the need for standardization of containers which would result in certain cost lowering efficiencies. He has supported research to improve marketing and to reduce marketing margins. He did a very interesting thing a year or so ago. He set up marketing teams in the Department of Agriculture, multidisciplinary, engineers, geneticists, economists, agronomists, focused on a number of particular commodities, on potatoes and on eggs and on canning peaches, and on pork, and they looked at the whole marketing process for these commodities, and interviewed the trade and recommended certain changes and certain research undertakings that would lower the cost to improve the efficiency in moving these products.

Now, these things are not very dramatic, but as you say, we do not have authority to intervene directly and command people to do things. We must work through education, research and through various sorts of jawboning and coersion. This we do. These things are not dramatic, but in the long run I think they are reasonably effective.

Chairman HUMPHREY. Is there not less and less competition in the food industry? These mom and pop stores and all the smaller stores have been practically pushed out of the grocery industry.

Mr. PAARLBERG. Well, they have in many cases, excepting in the inner city where, in some cases, they continue for special ethnic groups or for special needs.

The degree of concentration in food retailing is less than in food processing. It may be that the—well, the concentration in food retailing is greater than it was. On the other hand, the concentration in the meat packing business is somewhat less than it was. I do not really know how you measure the degree of competition overall.

We are getting more vertical integration in this business, and what this does to competition is not all that clear. I think perhaps, Senator, the ultimate test in this is the rate of return. If there indeed is such a degree of concentration as to lessen competition, this should show up in the profits, and I do not see over the passage of time that much change in the profit picture compared with earlier times or compared with earlier activities. I will have to give an equivocal answer.

Chairman HUMPHREY. Well, you know, I live down in southwest Washington. There is one Safeway Store for about 50,000 people. If you want to really have yourself something that will make everything else look like a Sunday school picnic, you go down and go shopping. One Safeway Store in the entire southwest, from Maine clear down to South Capitol and beyond. There are two liquor stores, but there is one Safeway Store, just one for everybody.

Now, that is the—what do they call this fake outfit we have got around here, the Redevelopment Land Agency, the slumlord of Washington. In order to get another store in there you have got to go through about 60 committees in the city. That is an outrage.

And I watch the people down there that pay those prices, and, you know, there is a gourmet shop if you really want to go in there. It is very nice. They have all of the imported, expensive foods. And there is a very fine meat market there, a specialized meat market for specialty types of meats. But again, the average consumer cannot go in any of those places.

But there is an instance where there is no retail competition. Of course, this is obviously a local pattern here, but I have never been able to understand it.

I am going to South Dakota Thursday. I manage a little family store there. There are six drug stores in a town of 12,000, and we got competition, greater than here. In that whole area of all of those apartments in southwest Washington, all of them, just whole blocks of beautiful condominiums and apartments, plus the low-income families, that whole vast area, one pharmacy, one retail store. Boy, they have really got it locked in. And I tell you, I think God himself could not break through the bureaucracy to get another one in there.

Do you want to look into that? I would like to have you do that. I am speaking for 50,000 people that live in that area that have been complaining.

I thought maybe the Washington Post might want to look into that, if it is here, or the Washington Star. It would be interesting. Why? It is really unbelievable, unbelievable anything like this should happen in a city where they have got the Antitrust Division, the Federal Trade Commission, the Secretaries and Exchange Commission, the Department of Agriculture. We have got more consumer oriented public service groups than anyplace in the United States, and I do not even go down here eight blocks away, just eight blocks from this very building, and there is another grocery store, by the way, there is not one that you can find a retail shop. If you start uptown at the old Willard Hotel and make a circle all the way on up North Capitol, clear on around and go way on out here to the stadium and all the way around down here, you will find one Safeway Store. And here is the whole damned Government sitting here talking about competition.

I suggest that they are more academic than they are practical. I want to know why that happens, and I want to know why the media is not interested in it, I want to know why the Government is not interested in it, and all around here, if anybody is here, because there are a few spies in these rooms. I want to know why somebody

does not do something about it. There has got to be—obviously there is business there. You cannot even get in. Most of the people in the area that I live are upper middle income levels. So where do they have to go to shop? They get in the car and they go clear to Chevy Chase or Connecticut Avenue, way out on Wisconsin or into the suburbs. And then you talk about competition.

And I did not get a chance to write a letter to the editor about it. It does not do much good anyway, but it just seems to me that this is something that indicates what I am talking about.

There is a reason for it, obviously. It is not that they could not make any money because you could be dumber than Mortimer Snerd and make money out where we are because everybody is lined up. I know that the people—the liquor store makes a lot of money. Harry's is doing good. I cannot get in there either.

Mr. PAARLBERG. Well, I certainly do not defend that.

Chairman HUMPHREY. Well, I am kind of a practical fellow. After all, I brought up a family. I understand this business. I was born above a drugstore, raised inside one. I understand the retail business. I had to take inventory, file income taxes, hire help, keep books. I know what I am talking about.

Yet I get down here to Washington, D.C., the Nation's capital, where they have got more government than they have got fleas on a dog's back, and so help me, they talk about competition, they have got the Justice Department, they have got the Federal Trade Commission, they have got the whole kit and caboodle around here, and in a 40-block area, more than that, 100,000 people, there is one store, and they say they are for competition. And I guarantee you the poor people out our way really get taken except if they have food stamps or are a little better off. And they have food stamps, thank God. But there is no way that they have any choice.

First of all, you have got to be a football player to work your way through. You really ought to give everybody pads and helmet when you go into the store.

Have you been down there, Mr. Paarlberg?

Mr. PAARLBERG. No, sir.

Chairman HUMPHREY. Come with me some time.

All right, my wife told me about it and I thought she was just complaining, you know, there are times that they do. I went over there once, once. Then I went over a second time because I thought it was unusual, and I am telling you this. But, this is really unbelievable.

Of course, this really gets down to what I really want to get at is the pricing structure in the ghetto areas and the low-income areas as compared to other areas.

Now, in this instance I think that we see that pricing structure where I live because the ghetto residents and the higher income residents all trade at the same place. It is good for us because we find out what the other people go through. It is just outrageous, just outrageous.

If there is anybody here from Safeway, I want to tell them they ought to be ashamed of themselves.

Mr. PAARLBERG. Well, I do not for a moment defend the situation just described, Senator.

Chairman HUMPHREY. Speaking of these profits, and we did discuss the profits and sales which I think is pretty well documented, then you were talking about the profits on stockholders' equity, which is of course an entirely different legion of profits.

In the first quarter of 1974, for example, the return on stockholders' equity was very strong for a number of retailers, for Fisher Foods it was 21 percent, for Lucky Stores it was 22 percent, Winn-Dixie Stores it was 22 percent.

Would you say that is a rather unusual profit on stockholders' equity?

Mr. PAARLBERG. Yes, sir; I would.

Chairman HUMPHREY. Would that not indicate that there was what you might call unusual price rises that would cause that because the volume of sales obviously could not have increased that much.

Mr. PAARLBERG. I think that was due largely to the matter of pricing, to the effort on the part of the trade to recoup some of the losses that they had experienced, the reduced income they had experienced through the unusual events of 1973, and the capacity to do that.

Chairman HUMPHREY. I would like from you within a reasonable period of time, Mr. Paarlberg, a comprehensive review of profits in the food processing and retaining industries.

Now, maybe we will have to ask for that, too, from the Federal Trade Commission. Maybe we will have to get cooperative activity, using not only profits as a percent of stockholders' equity, but also profits as a percent of stockholders' equity plus long-term debt.

We would like a comparison of the food industry over the last 10 years with other industries. I am going to ask the staff to prepare this in a more careful form so that we can ask you precisely what we want. And we would like to have it broken down, if possible, on product lines. The purpose here is we want to follow through with this point. We do not have the time to do that.

Now, Mr. Paarlberg, just a general question here. In the first quarter of this year wholesale farm prices did decrease about 8 percent, or at a 32 percent annual rate. Over the same period, consumer food prices increased about 4 percent, or to a 16 percent annual rate.

This strikes me as an extraordinary divergence between these two price trends. Do these statistics mean it is accurate to say that the current food price increase, that is to say, the price increases that occurred in the early part of 1974 is due entirely or mainly to price increases that occur in the stages of production between the farmer and the consumer?

Mr. PAARLBERG. The answer is yes.

Chairman HUMPHREY. Have we ever had a period in recent history where there has been such a marked divergence between the movements of retail and farm food prices?

Mr. PAARLBERG. If we have, I am not aware of it, Senator.

Chairman HUMPHREY. Do you believe that the current price increases that are occurring in the middle stages of food production and distribution are generally justified?

Mr. PAARLBERG. No, I do not. I would append this comment, that since the first quarter there has come some adjustment, some improvement in this situation that you are describing from the latest figures available to you in this statement you just made.

Chairman HUMPHREY. I believe it would be helpful if you or your office, Mr. Paarlberg, could work with our committee staff to take a look at the range of products in which there seems to be a wide divergence in price between the farm product and the retail.

Mr. PAARLBERG. We will be happy to do that.

Chairman HUMPHREY. And help us identify it.

Mr. PAARLBERG. We will be glad.

Chairman HUMPHREY. You see, I think maybe the only real force that we have here to moderate these increases is the focus of public attention and public opinion, and we hope to be able to do that.

Now, I am not one that believes that a businessman is not entitled to a profit. I do believe in it, and I have been brought up in that kind of milieu, and I understand the nature of retailing. I can tell you, I started taking inventory in a retail store when I was 10 years old. I still watch it every month. I have to.

I have a fiduciary responsibility to a family corporation and to a family. So I am aware of what some of the problems are in retailing, but it is in a different area, not in the food areas. But the merchandising problems are very difficult. But there are areas in which there are what I think are excessive price differentials between the raw products, so to speak, and the retail products, and we ought to identify them.

I was going to question a little bit on the whole subject of the pork products, but I think we can do that better by what I just mentioned, by going into particular products and seeing what the price spread is. It is fair to say, though, is it not, that hog prices have dropped precipitously?

Mr. PAARLBERG. Yes, very sharply, put hog producers in a loss position.

Chairman HUMPHREY. In August a year ago, or last August, as a matter of fact, hog prices were about $60 a hundredweight.

Mr. PAARLBERG. Yes.

Chairman HUMPHREY. What are they now, do you recall?

Mr. PAARLBERG. About $27 or $28.

Chairman HUMPHREY. Corn is what?

Mr. PAARLBERG. Corn is around $2.40.

Chairman HUMPHREY. $2.40, $2.50 depending on where you buy it?

Mr. PAARLBERG. One time it got up over $3.

Chairman HUMPHREY. It is coming down.

Mr. PAARLBERG. Yes.

Chairman HUMPHREY. So we have had a very precipitous drop in pork prices.

Mr. PAARLBERG. Yes, we have.

Chairman HUMPHREY. And yet that has not been truly related in the retail market, has it?

Mr. PAARLBERG. That is correct. I should say, though, that the price last August was an extraordinarily high one, and it is not a fair reference point.

Chairman HUMPHREY. I agree with that, and $50 would be much closer to the real price.

Mr. PAARLBERG. Even though it was an artificially high price. We had an extraordinary situation in which there was a freeze on the price of beef and the farmers were holding back their beef. Pork was free to increase in price and so most of the demands for meat were focused on pork and shot that price up to an extraordinary high level. It is not really a case point from which to refer price change.

Chairman HUMPHREY. Wouldn't you say that a farmer had to get about, today, about $35 or more to break even in hogs?

Mr. PAARLBERG. $27 or $28.

Chairman HUMPHREY. Our staff has looked over your prepared statement, and the question they prepared for me, as stated in your prepared statement, you say that the, "Farm-retail spreads for a market basket of foods from U.S. farms rose 25 percent from August 1973 to March 1974."

This increase seems rather extraordinary to me. Over the same period, the prices received by farmers fell about 6 percent.

Mr. PAARLBERG. I would say, Senator, that this is in part because of the extraordinary situation that prevailed in August of 1973 that I just described, the situation distorted by the price freezes and by the farmers' holdbacks as a result of the boycott, and a very extraordinary and unusual situation in which farm prices zoomed up and pinched marketing costs to a very low level. Then when that situation moved toward a more open, competitive nature, we got a very great widening of these margins, part of which was the recouping of losses experienced earlier, but part of which I think was excessive returns in the food business, a result of their institutional system for pricing.

Chairman HUMPHREY. Well, now, we see an increase in the farm retail spread during the last 7 months of about 25 percent, as we said, and I recognize that base period there of August was kind of unusual.

How much increase in the spread would you expect in 1974?

Mr. PAARLBERG. We would expect that the increase in the price spread for 1974, the average of the 12 months over the average of the 12 months for 1973 would be about 17 percent. We think that farm prices will increase for 1974 about 8 percent on the average over 1973.

Chairman HUMPHREY. Increase or decrease?

Mr. PAARLBERG. Increase. That is the average of the 12 months I am talking about, compared with the average of the previous 12 months.

Chairman HUMPHREY. Yes.

Mr. PAARLBERG. A small increase. We think the retail price for 1974 over 1973 will increase about 12 percent, much of which has already been experienced, and that the marketing spread will increase about 17 percent, with of course very distorted conditions for the 1973 period from which these changes are referenced.

Chairman HUMPHREY. So what we are really seeing is the farmer to retail price spread increasing much faster or higher than the current rate of inflation.

Mr. PAARLBERG. That is what we anticipate.

Chairman HUMPHREY. And would you say that would merit some very careful monitoring by the Congress and the agencies of government to see if we cannot bring those into closer balance?

Mr. PAARLBERG. I think it does deserve close monitoring, and I think it deserves the focus of public attention, and I think the people in the trade should be given the opportunity to explain the price behavior that we are now witnessing.

Chairman HUMPHREY. Mr. Paarlberg, this is my last question to you.

The Department of Agriculture's livestock and meat situation report published last February predicted that, "Livestock prices in the first half of 1974 will continue strong and remain above those in early 1973." The report went on to predict that, "Higher fed cattle prices are in prospect and that hog prices would be $5 to $7 higher than last January and June, $36 at seven markets."

Now, since this prediction was published, livestock prices have moved in exactly the opposite direction. Instead of moving up, the price of choice steers has decreased about 16 percent from early February. Your forecasters were even more inaccurate in the price of hogs. Early this month, as you indicated, hogs were going for $25.80 or $27 now compared to $41 and $43 range anticipated by the Government's top experts on hog prices.

In your prepared statement you said that these prices are expected to strengthen in early summer and hog prices are expected to advance from the early May level.

What was the basis for the decrease in prices that your forecasters were unable to anticipate, or put more directly, based on this past experience, how much confidence can we have in the Department of Agriculture's present forecasts?

It took me a long time to get at that question.

Mr. PAARLBERG. I could see the question coming as you went through that statement, Senator.

I would say that our failure to anticipate the price weakness for cattle and hogs during the first quarter of 1974 is traceable to several things. First of all, the farmers held their animals longer than had been anticipated, and they marketed them at heavier weights, so there was more total tonnage that came on the market than we had anticipated. Some of these animals were overfinished and therefore discounted because they were not attractive to the buyers. It was one force.

Another force, I think, was that the economy was weaker than we had thought it would be. The GNP in real terms declined and the buying power was not there. I would say probably that these are the two major forces that contributed to our inaccurate outlook statements.

Now, your second question was how much confidence can we put in the new estimates that we project, and I would have to say that our poor performance, and it was a poor performance for the first quarter, has got to cast some doubt on our projections for the rest of the year. But, on the other hand, we have I think been reasonably accurate in other areas. Our estimate of retail food prices for 1974

turns out I think to be on target. So that we hit some home runs and we strike out sometimes.

Chairman HUMPHREY. I know what you mean.

Mr. PAARLBERG. You cannot really project what kind of a performance a man is going to make at the plate for the rest of the ballgame based on what he did the first time he came to bat.

So, I would say the accuracy of our projections for the rest of 1974 are better judged on the basis of our overall performance for many years time in this business, which overall performance has been pretty good, better than to simply try to judge it on the basis of the first time up for 1974.

Chairman HUMPHREY. It is very difficult to get safe predictions, I realize, on what the consumer behavior will be on these perishable commodities in particular, and it is a fact that the farmers did hold off marketing. It is a fact that they held too long.

Mr. PAARLBERG. That is right.

Chairman HUMPHREY. And many of them were stuck with these overfed, overfinished cattle.

Mr. PAARLBERG. My phone rings all the time.

Chairman HUMPHREY. All right, Mr. Paarlberg, we thank you.

I want to say for the record you have always been a very helpful and cooperative witness. We respect your professionalism and your objectivity. We have some honest disagreements at times over these predictions because they are really guesses at best. As you know, I had a feeling that your prediction on the corn crop was a little bit excessive for this coming year. I have told the Secretary that, and I think that I am going to be right, too, because there is a lot of tough or difficult planting out our way right now, as you know.

In the wheat crop, by the way, in North Dakota, the fields are too wet. In South Dakota they are too dry. In Minnesota we had lots of cold weather, which is not really good for this time of the year for either beans or corn.

But maybe, you know, you never can tell the weather changes, and boom, all at once out it comes. But it is always kind of interesting to make these guesses, if the people that depended on them did not have to suffer sometimes. But let's hope that we come through with a very, very good crop.

The winter wheat crop was very good, was it not?

Mr. PAARLBERG. An excellent, all-time record by a wide margin.

Chairman HUMPHREY. What was it, 1.4 billion?

Mr. PAARLBERG. 1.6 billion.

Chairman HUMPHREY. Very good. That is about 100 million more than you thought you would get.

Mr. PAARLBERG. Yes.

Chairman HUMPHREY. That is a very, very good record.

Of course, for the specialized wheat products it could have a very serious effect on the market if they do not come through, for example, the Durums that we have in North Dakota. This bad weather, you know, in the Red River Valley. We have had lots of rain, a big flood

up there today. I do not know, what is it like out on the west coast, in the Washington, Oregon——

Mr. PAARLBERG. They are in good shape there.

Chairman HUMPHREY. Much better than last year?

Mr. PAARLBERG. Yes.

Chairman HUMPHREY. What about the dry wheatland areas?

Mr. PAARLBERG. They are in fairly good shape. Nationwide the weather conditions are on the whole favorable. You have got some trouble up in your area, as you said.

Chairman HUMPHREY. Yes.

Mr. PAARLBERG. And there is some dry weather down on the Panhandle of Texas, and that cut into the wheat crop some, but through much of the hard red winter wheat area in Kansas and so on, the conditions are good; in the northwest they are better than last year. The soft red winter wheat area, which is east of the Mississippi, is phenomenally good compared to last year.

Chairman HUMPHREY. In Ohio and those areas?

Mr. PAARLBERG. Yes, both more acreage and higher yields per acre.

Chairman HUMPHREY. I knew there was more acreage. You are still holding to that 2.1 billion maybe plus?

Mr. PAARLBERG. 2.2 billion.

Chairman HUMPHREY. 2.2 billion. If we get that, there will be a substantial price moderation in wheat, will there not?

Mr. PAARLBERG. Yes; there already has been. It has gone down from over $6 to $3.50.

Chairman HUMPHREY. What do you expect it will drop to, or is that a bad question?

Mr. PAARLBERG. That is a perfectly good question. The answer may not be that good.

We think that the price of wheat may hang in not too far from where it has been in recent months. If you take a look at the futures markets, you will see the distant futures are now quoting higher figures than the near futures. For a long time, the distant futures were just cotton. Everybody saw the big crop coming and discounted the long-term price, but now it may be, Senator, that the wheat market has again come within the marker buoys that show where the channel is likely to be, but after floundering for a year without reference really to anything that constitutes a base market, it has come somewhere into a reasonable notion about the price corollary.

Chairman HUMPHREY. Are the export orders holding up?

Mr. PAARLBERG. The export trade is holding off its orders. They are slow in purchasing out of the 1974 crop. A year ago there was a great rush to purchase out of the 1973 crop. Now, I think what the trade is doing is waiting to see how is the weather around the world, how is it in Asia? They are going to get a good crop, are they not? If they are going to get a good crop, they will probably stay about where they are. If they have a serious shortfall there, I think the price of wheat would take off again.

Chairman HUMPHREY. I want to be talking to you very shortly

about whether or not we are going to be able to have a food aid program internationally, but this is not the place for it.

Mr. PAARLBERG. That is another subject.

Chairman HUMPHREY. But I do thank you very much, Mr. Paarlberg, for your testimony this morning. Thank you very much.

[The prepared statement of Mr. Paarlberg follows:]

PREPARED STATEMENT OF HON. DON PAARLBERG

Over the past couple of years, marketing charges and food prices have been increasing rapidly. That the public is highly concerned and insisting on an explanation is indeed understandable. A fairly good idea of what has been happening can be gotten by first looking at the two major components of the price of food—one going to the farmer and the other to marketing agencies. The Economic Research Service develops statistics showing the shares of the retail dollar going to each.

FARM AND MARKET SHARES OF THE CONSUMER'S DOLLAR

Retail costs and farm values are estimated monthly for 65 individual food products included in the basket of foods originating on U.S. farms. This allows derivation of a farm-retail spread which is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting and distributing the products in the market basket. The market basket statistics measure price changes of fixed quantities of food moving through retail food stores. The quantity weights are those obtained in a consumer expenditure survey in the early 1960's for an urban household. The market basket statistics exclude foods sold in away-from-home eating places, fishery products and imported foods.

First let's review the long-term trend in these statistics (figure 1). Between 1952 and 1971, retail prices of U.S. farm foods increased 27 percent, reflecting a 4 percent increase in farm prices and a 46 percent increase in farm-retail spreads. Thus, during this period 94 percent of the rise in retail prices of farm foods was due to the rise in farm-retail spreads. The remaining 6 percent was due to the rise in farm value.

Thus, the long-term rise in the level of food prices was due to persistently and relentlessly rising market margins. Marketing margins have risen nearly every year in the last 20 years.

On the other hand, farm prices have moved up and down and have only recently achieved the level of 1952. Interim years have seen the farmer's share of the consumer's dollar decline from about 50 cents to as little as 37 cents. The farmer's share ranged between 37 and 41 cents for most years during the last decade. This past year it rose significantly averaging 46 cents for the year, up from 40 cents in 1972. The farmer's share reached 52 cents in August of last year, 44 cents in March, and it may now be closer to 42 cents (table 1).

As we have observed, changes in farm-retail spreads over time are determined mainly by changes in the accumulation of charges made by agencies moving products from the farmer to the consumer.

Recent changes in market basket statistics immediately before and during economic controls differ dramatically from the long-term trend. Since August 1971, when economic controls were first imposed, about half of the rise in retail prices of farm food was due to a 51 percent rise in the value of raw product equivalents at the farm level. The remaining half was due to a 30 percent rise in the farm-retail spread.

Phase I and Phase II appear to have been instrumental in holding down marketing margins. Phase III and Phase IV were far less effective. In Phase IV spreads widened at an annual rate of 25 percent (table 2).

Farm-retail spreads for a market basket of foods from U.S. farms rose 25 percent from August 1973 to March 1974, as marketing firms continued to recover from increased operating costs and the effect of the price freeze last summer. Rising wage rates, energy and material costs, and transportation charges are expected to continue the upward push on marketing margins during the remainder of 1974.

Many economists are forecasting further substantial increases in the general price level this year, at 7 percent or more depending on the impact of the energy crisis and weather. Historically, the trend in the farm-retail price spread for food has tended to parallel rather closely movements in the general price level. This parallel is not surprising since the operating needs of food marketing firms are fairly similar to those of firms in the nonagricultural sector. Because of this relationship and the expected rise in the general price level, farm-retail spreads are expected to increase substantially in 1974. Unless restraint is exercised, the retail cost of market basket foods may not fully reflect any decrease in returns to farmers that may occur.

Much of the price increases for 1973 and 1974 have reflected strong domestic and foreign demand and reduced food supplies. Increasing employment, higher wages, and longer workweeks boosted personal incomes and domestic demand for food. Meanwhile, a number of conditions significantly reduced the amount of food available for consumption. Unfavorable weather conditions reduced harvests of several important fruit and vegetable crops and seriously hampered grain and soybean harvests during the fall of 1972, causing reduced food supplies in the first half of last year.

Seriously adding to this setback, production of livestock commodities declined, largely reflecting reduced profitability of livestock and poultry feeding during much of the year as feed grain and protein meal prices rose sharply. Price ceilings imposed on red meats in late March of 1973 disrupted normal marketing patterns and created uncertainty among producers about expanding output in light of rapidly rising feed costs.

Overall, the farm-retail spread for the market basket of foods averaged 6½ percent higher in 1973 than in 1972, continuing a long-term upward trend. The 1973 increase was slightly less than the record 7½ percent increase that occurred in 1951 and 1970.

COMMODITY HIGHLIGHTS

The farmer's share and marketing margins vary widely for individual products. This is as expected since products differ in the handling and processing methods required. Nonetheless, margins for all groups of similar foods have widened since last year (table 3). Spreads for fresh vegetables, which have risen more than the average of all foods over the years, widened 17 percent from the first quarter of last year to the first quarter of this year. Spreads for poultry, usually relatively stable, increased 24 percent. Meat margins, however, registered the largest gain for all commodity groups, averaging 34 percent higher than a year ago.

Beef

There has been much concern recently over the relationship between what farmers get for their cattle and what consumers pay for beef. Fed cattle prices have declined severely since February, but retail prices of beef have been slow in reflecting this decrease. In the short run, farm-retail spreads generally widen when livestock prices are falling and narrow when livestock prices are rising. The livestock price decline left cattle feeders again in a serious loss position, one they had been in most of the time since last September as a rsult of high prices paid for feeder cattle and feed.

As noted in April 2 testimony before the Subcommittee on Domestic Marketing and Consumer Relations of the House Agricultural Committee, by J. Dawson Ahalt, the Department of Agriculture is concerned over the cattle feeders' financial situation and has taken steps to remove bottlenecks in distribution channels and to improve prices to cattle feeders.

We are also concerned over high prices that consumers have to pay for beef. When the bottom fell out the cattle market earlier this year, Secretary Butz reacted by urging retailers to bring retail prices down more in line with the cattle and beef markets and thus move the larger supplies of beef into consumption. He also urged retailers to promote beef through special sales programs.

Retail meat prices have declined in both March and April. During the month of March, the average price of Choice grade beef products was down 7.8 cents per pound from February. In April, retail prices were nearly at the level they were when ceiling prices were imposed in March 1973, but the marketing spread was about 8 cents higher per retail pound. The carcass-retail portion of the total spread, mainly charges for retailing, wholesaling, and transportation ac-

counted for three-fourths of this increase. We believe that retailers have recently reduced their margins and prices. This will encourage stepped up purchases by consumers and get beef moving through the marketing system more normally.

In the first quarter of 1974, fed cattle marketings were down sharply from a year earlier, but larger slaughter of non-fed steers and heifers and cows lifted total slaughter to near last year' level. Cattle feeders intend to market about the same number of catatle this spring as last, but as in the winter, total slaughter will be boosted by more non-fed cattle. In the summer, an increase in all classes is expected with total slaughter exceeding spring levels. Fed cattle prices in early May were near $41 per 100 pounds (Choice grade steers, Omaha). This is down about $5 from a year earlier and nearly $8 below mid-January. Prices are expected to strengthen in early summer before declining in the fall.

Pork

After the violent fluctuations in livestock and meat markets last summer, retail pork prices were relatively steady until the decline in March and April.

The farm-retail spread for pork increased even more rapidly than for beef as hog prices dropped faster than retail prices. Changes at retail normally lag changes on the live market to some extent. However, as with beef, the large magnitude of th farm-retail spread incrase was most unusual. The spread for pork was 48 percent higher in March of this year than in March a year earlier. This increase occurred entirely in the wholesale-retail spread, mainly the charges for wholesaling, transportation and retailing. Retail pork prices will probably trend upward during the spring and into summer, following the normal seasonal trend of declining hog slaughter and rising hog prices.

Hog slaughter this spring and summer will run above a year earlier. On March 1 there were more hogs on Corn Belt farms in weight groups that will be marketed in the spring. Weights indicated the bulk of summer supplies will be off slightly, but slaughter is expected to be larger than last summer when supplies were restricted by market disruptions related to high feed costs and price-ceilings on meat.

Barrows and gilts at 7 markets averaged $38.40 per 100 pounds during January–March this year, up $2.80 from a year ago. Hog prices are expected to advance from the early May level near $30 into the summer but will not approach last August's record levels. Prices may reach the high $30's by mid-summer.

Bread

Unprecedented world demand and reduced supplies resulted in record-high wheat prices last year and early this year. Millers were able to pass on their substantially increased costs for bread-type flour under the pricing provisions of the Economic Stabilization Program. On the other hand, baker and retail prices were constrained until after midyear. From August to March, the farm-retail spread widened about 5.6 cents a loaf, or 27 percent.

The retail price in March averaged 34 cents per one-pound loaf—up 8.6 cents or one-third from a year earlier. This is the largest 12-month increase on record, and equals the total of all increases in bread prices for the prior 19 years (table 4).

Until recently, retail bread prices increased steadily, mostly because of widening marketing margins. However, the sharp bread price increase during the last 12 months reflects an increase in both the farm-retail margin and the farm value.

The retail price for a highly manufactured food such as bread generally is heavily influenced by changes in the marketing margins which account for the largest portion of retail price.

Eggs and poultry

The demand for eggs and poultry was exceptionally strong in 1973 due in part to higher prices and short supplies of beef and pork. Thus, retail and farm prices of eggs, frying chickens, and turkeys rose substantially from 1972.

Producer price increases were accompanied by rising costs of inputs, particularly feed. Feed prices, one of the main cost components in egg production, increased 56 percent over 1972.

Marketing costs also increased but not nearly as much as feed prices. The total farm-to-consumer margin averaged 25.6 cents per dozen on Grade A large

eggs, compared with 22.9 cents per dozen in 1972. The retail margin averaged 11 cents per dozen eggs during 1973 compared with 9.1 cents in 1972. The farm-to-retail margin averaged 14.6 cents per dozen in 1973 and 13.8 cents in 1972.

The farm-to-consumer spread for frying chickens averaged 26.69 cents per pound last year compared with 23 cents in 1972. Most of this 17 percent increase occurred in the retail margin which rose from 9.8 cents per pound in 1972 to 14.2 cents in 1973.

Additional information on prices and margins for eggs was presented in testimony by George Rogers on April 30, before the Subcommittee on Domestic Marketing and Consumer Relations by the House Agricultural Committee.

Fruits and vegetables

Marketing costs and margins vary widely for different fruits and vegetables. Major marketing costs for fresh items are the retail store margin, representing slightly over one-third of the retail price, and packing costs, representing 15 percent. For processed items, processing costs represent about half of the retail price, and the retail store margin about 20 percent.

Labor is the largest cost component of the retail store margin for fresh and processed items and of packing costs for fresh items. Containers and packaging materials comprise the largest component of processing costs for processed fruits and vegetables.

Marketing margins for fresh vegetables widened in 1973, continuing a long-term upward trend. Retail prices also increased for all major fresh vegetables. Prices were particularly high in the winter, spring, and early summer, because of short supplies and strong demand. Supplies of onions and potatoes (stored from extremely short crops in the summer and fall of 1972) resulted in extremely high retail prices until new supplies became available in the spring and summer of 1973.

Short supplies and temporarily high lettuce prices were the result of poor weather conditions in California and Arizona. Fresh vegetable prices were moderated some in the late summer and fall as increased supplies became available, but were still above a year earlier.

Farm prices of most vegetables were considerably higher than in 1972. The farmer's share of the retail price of vegetables averaged nearly 36 percent in 1973, up from 32 percent in 1972. The marketing spread increased for most processed fruits and vegetables in 1972/73—in some cases more than the retail price increases.

Higher retail prices for most processed deciduous fruits resulted from smaller supplies. Both the season's pack and carryin were below the previous year. Although supplies of processed citrus products were larger than the year before, retail prices remained stable due to strong demand.

Canned and frozen vegetable supplies were about the same as a year earlier; however, strong demand and brisk movement resulted in higher prices in 1973.

Farm value increased for about two-thirds of the canned and frozen fruits and vegetable items. However, the farmer's share averaged around 19 percent in 1973, about the same as in 1972. While costs of marketing fruits and vegetables increased during 1973 and the first quarter of 1974, increases also occurred in the cost of production. Severe shortages of many farm inputs have resulted in rapidly increasing prices, and costs of most are expected to continue rising. Therefore, production as well as marketing cost increases will create some pressure for higher retail fruit and vegetable prices during coming months.

Two commodities experiencing the most explosive change in price as a result of strong demand and short supplies were dry beans and potatoes. In the first quarter of this year. retail prices for *dry beans* (navy) averaged 66 cents per pound, up 40 cents from a year earlier. The farm value averaged 42 cents, 32 cents higher than a year ago: and the farm-retail spread was 24 cents, wider by 8 cents. Marketing margins for *potatoes* widened 24.5 cents in the first quarter of 1974 over a year earlier. Retail prices for potatoes averaged $1.64 for 10 pounds, up 53 cents.

THE MAKEUP OF MARKETING CHARGES

The Department's annual marketing bill statistics serve the purpose of showing the distribution of the consumer's food dollar. (The marketing bill is an estimate of total charges for processing, transporting, wholesaling and retailing

foods originating on farms in this country, including foods sold in the form
of meals in restaurants and other eating places.)

In 1973 these data show that $83 billion, or about three-fifths of the $134 bil-
lion consumer expeditures for farm foods, went to firms for assembling, proc-
essing, transporting, and distributing food. Two-fifths went to farmers to cover
their expenses and provide a return for their investment, labor and manage-
ment (figure 2).

Agency's share of the bill

Among the various marketing agencies, retailing and eating places accounted
for about half of the total marketing bill in 1973. Processing accounted for
over a third of total costs. Wholesaling, the smallest of the three major func-
tions, accounted for an eighth (figure 3).

Cost and profit components of the bill

Dismantling the marketing bill into cost and profit components reveals that
labor cost is the dominant element followed by packaging and transportation.
The breakdown among the components in 1973 was as follows (figure 4):

	Percent		Percent
Labor	48	Depreciation	4
Packaging	12	Rent	3
Transportation, intercity	8	Advertising	3
Corporate profit before taxes	4	Energy cost	3
Business taxes	4	Other	7
Interest, repairs, etc	4		
		Total	100

Labor.—Direct labor cost for marketing U.S. farm foods amounted to $40.5
billion in 1973. Last year, rising labor costs accounted for 52 percent of the $6
billion increase in the marketing bill. This labor cost does not include the labor
engaged in for-hire transportation or in manufacturing of packaging materials
used by marketing firms.

Employment in food marketing has gone up only about 15 percent during the
past decade in spite of a 20 percent increase in volume of food handled by the
marketing system, and an increase in services per unit of product. The farm
food marketing system employed 5.6 million persons (full-time equivalent
basis) in 1972 compared with 4.7 million in 1962. These workers made up about
7 percent of the U.S. civilian labor force in 1962 and 1972. Employment in
public eating places rose more during this period than employment in process-
ing, wholesaling and retailing.

Since 1962, earnings of employees in food marketing establishments have
increased about 5.0 percent annually—closely approximating increases in earn-
ings for the nonagricultural sector of the economy. In the last three years rising
labor cost has impacted even more severely as hourly earnings have risen 7.3
percent a year. Hourly earnings in February 1974 (latest data available) were
2.9 percent above the December 1973 level, indicating an annual rate of 11.2
percent.

Hourly labor costs of food marketing firms increased 70 percent since 1962.
This would have increased unit labor cost and food prices substantially more
if output per man-hour had not dampened the effect of the increase in hourly
earnings by about a third. The increase in output per man-hour limited the
additional labor cost per unit of product marketed to 47 percent.

For all food marketing activities including processing and retailing, the an-
nual increase in labor productivity during 1960–72 was 2.6 percent. The rate is
now about 2.2 percent per year.

Much of the growth in labor productivity has resulted from improvements in
marketing facilities and equipment. These improvements have been achieved
by large expenditures for new plants, warehouses, stores, and other facilities.
For example, expenditures by firms manufacturing food and kindred products
have almost tripled in the last decade—increasing from $1.06 billion in 1964 to
$3.03 billion in 1973.

Rising prices of new plant and equipment have eroded some of the cost saving
of substituting capital for labor. From 1962 to 1973; prices of new plant and

equipment rose about 3.3 percent per year. Since 1970, the prices paid for new plant and equipment increased around 4.5 percent per year. Also, purchases of new plant and equipment have been made more costly by higher interest rates. Interest rates charged to business have advanced and are now at record levels.

Packaging.—Packaging materials represented the second largest cost for firms. marketing farm foods in 1973. They accounted for 12 percent of the marketing bill. Food processors are the large users of packaging materials, using over four-fifths of the total used by all food marketing firms. The value of packaging. materials used for farm-raised foods jumped over 8 percent last year, from. $9.7 billion to $10.4 billion. Most of this was due to higher prices, with only about 1½ percent of the rise due to increased quantity of packaging materials. used. All classes of packaging materials rose in value in 1973 with the exception of textiles.

Until recent years, prices of packaging materials were relatively stable. Now these materials are in short supply and prices are rising sufficiently to place pressure on farm-retail spreads. Tight supplies put two packaging materials. particularly in the news in 1973 : solid fiber and corrugated shipping boxes . . . and grocery bags. The price of the latter increased 14 percent in 1973. Paper boxes and grocery bags are expected to continue in tight supply this year even though mills are operating much closer to full capacity than usual.

Rail and truck transportation.—The cost of shipping food by rail and truck was $6.4 billion in 1973 or about 8 percent of the marketing bill. This does not include intracity truck transportation or water and air transportation. Transportation costs have risen further in the first four months of 1974. For example, railroads have been granted a 3 percent surcharge to cover rising fuel costs and have filed for a 10 percent general rate increase. Regulated truckers have been granted a 6 percent fuel surcharge and exempt truck rates have also risen because of increased fuel costs and a reduced truck supply.

Transportation costs are likely to continue upward in 1974 as a result of high fuel prices and the reduced supply of transportation services due to reduced speed limits and restrictions on fuel. Also, some labor contracts are up for re-negotiation in 1974, and truck drivers paid on a mileage basis are negotiating mileage pay increases to offset effects of lower speed limits.

Energy.—Direct energy cost for food marketing firms, excluding transportation, amounted to over $2.5 billion in 1973, accounting for about 3 percent of the marketing bill. The wholesale price index for fuels and power increased 23 percent from 1972 to 1973, the same as the increase between 1962 and 1972. In recent months, energy costs have been leading the rise in the cost of other marketing inputs. The fuel and power index increased at an annual rate of 104 percent during the first quarter of 1974. In all, total goods and services increased at 23 percent annual rate for the first 3 months of 1974. Coupled with increased wages, if the present rates are sustained, total marketing cost for 1974 could rise 17 percent or $14.1 billion. This would bring farm food marketing almost to the $100 billion mark for the first time in history. Hopefully fuel price increases will moderate during the coming year if administrative action, such as restoring Arab oil supplies, stimulating production of new oil, and better utilization of alternative fuels is effective on these fronts.

Corporate profits.—Higher food prices are sometimes attributed to profits. Total profits have increased over the years as volume of sales has grown. However, corporate profits per sales dollar (before taxes) of retailers, wholsalers. and processors combined now account for about 3 cents, slightly less than a decade ago.

From a decrease over the past two years, profits of food retailers are returning to historical levels. Profits (after taxes) of 15 leading chains increased to 0.9 percent of sales in the fourth quarter of 1973 from 0.5 percent of sales in the third quaretr. Data from a few chains indicate profits will be around 1 percent of sales in the first quarter of 1974. The increase in profit rates for the fourth and first quarters is in line with seasonal patterns.

Profits after taxes of corporations processing and manufacturing food and kindred products averaged 2.4 percent in 1973, the same as 1971 and 1972 (table 5). However, the profit rate was increasing at year's end to 2.7 percent of sales. In contrast. profit of all manufacturing industries increased to 4.7 percent of sales in 1973 as compared to 4.3 percent in 1972. Bakery manufacturers' profit

fell to 1.1 in 1973, down from 2.2 percent of sales in 1972. Profits for dairy manufacturers remained unchanged at 2.0 percent of sales. Meat packers' profit increased one-tenth of one percent of sales for a 1973 average of 1.1.

Profit as a percentage of stockholders' equity exhibits the same trends as profit to sales ratios. Food manufacturers' profits averaged 12.8 percent on equity in 1973 compared with 11.3 in 1972.

TOWARD HIGHER PERFORMANCE IN THE FOOD SYSTEM

We all realize that higher food prices are not welcomed—particularly by consumers with low or fixed incomes. Department policies are intended to encourage a food production and marketing system which provides consumers their choice of food at the lowest prices consistent with reasonable returns to farmers and marketers.

Increasing food supplies to meet the growing domestic and export demand will go a long way toward stabilizing food prices. The Department is doing all it can to encourage increased production and more efficient marketing of food. It was announced by the Department that there would be not set-aside requirements and no restrictions on plantings for the 1974 crop program which will allow farmers to greatly increase plantings this year. March 1 planting intentions for 16 crops show a total of 227 million acres, 4 percent (9 million acres) more than planted last year and 14 percent (29 million acres) above 1972 plantings. To further relieve pressure on supplies, relaxation of restrictions on food imports has been implemented.

The energy situation is also being monitored at the county level in an effort to see that agriculture receives adequate supplies of fuel to avoid impairing the production of food. To help increase transportation services for agriculture, Secretary Butz has asked the ICC to make additional railroad cars available to haul fertilizer and other farm supplies.

The Secretary is also striving to achieve better performance in the marketing sector. He has been urging food distribution firms to make price adjustments, particularly for meats and breads that will equitably reflect changes at the farm level. But since farm products in general account for only about 40 percent of the cost of food to consumers, achievement of better pricing efficiency relative to these commodities would still leave a broad area for introducing other potential efficiencies.

As pointed out on many occasions by the Secretary and mentioned in the report of the National Commission on Productivity, there are a number of impediments to productivity growth in the food marketing system.

Among the more important of these are: inflexible labor-management practices; unreliable and costly transportation services; outmoded and excessive product handling between the farm and consumer; disregard for possible benefits from container standardization; and, deficiencies in the coordination of the warehousing and transportaation functions (although development and adoption of the Universal Product Code has allowed some progress in this area).

Various levels of government can also help in solving some of the problems. There are many possibilities for eliminating contradictions in local, State and Federal regulations that generate marketing inefficiencies. These could be made more uniform and harmonious with the needs of consumers, marketers and agricultural producers.

But to be more specific about everyday faults in the marketing system relating to productivity, I will cite two more or less familiar examples. It has been fairly well established that centralized meat cutting can reduce meat marketing costs substantially. While some firms have adopted this practice, labor-management agreements still stand in the way of the realization of its full potential for the meat marketing sector at large. In the case of fruits and vegetables, a number of studies have demonstrated efficiencies that can be gained from use of standardized containers and pallets. This approach would allow automated handling at all points in the distribution system, improve product quality and permit saving in both time and labor costs. Yet, despite the evidence, this practice is far from receiving universal acceptance and application by the industry.

The Department is disturubed over the continuation of such trouble spots in the food system. We shall continue to monitor developments and conduct research that will help promote better performance in this highly important sector.

RETAIL COST, FARM VALUE, AND MARKETING SPREAD

% OF 1952

FOR A MARKET BASKET OF FARM FOODS.

U.S. DEPARTMENT OF AGRICULTURE   NEG. ERS 76 - 73 (8)   ECONOMIC RESEARCH SERVICE

FIGURE 1

FARM-FOOD MARKETING BILL AND CONSUMER FOOD EXPENDITURES

$ BIL.

FOR DOMESTIC FARM FOODS PURCHASED BY U.S. CIVILIAN CONSUMERS FOR CONSUMPTION
BOTH AT HOME AND AWAY FROM HOME.   △ PRELIMINARY.

U.S. DEPARTMENT OF AGRICULTURE   NEG. ERS 8837-74 (1)   ECONOMIC RESEARCH SERVICE

FIGURE 2

41-662 O - 75 - 3

FIGURE 3

FIGURE 4

TABLE 1.—THE MARKET BASKET OF FARM FOOD: RETAIL COST, FARM VALUE, FARM-RETAIL SPREAD, AND FARMER'S SHARE OF THE RETAIL COST[1]

[1967=100]

Year and quarter	Retail cost	Farm value	Farm-retail spread	Farmer's share, percent	Month	Retail cost	Farm value	Farm-retail spread	Farmer's share, percent
Average:					1972:				
1947–49	82.9	106.9	67.7	50	January	117.8	120.7	115.9	40
1957–59	91.5	94.8	89.5	40	February	120.3	122.5	118.9	39
					March	120.4	120.3	120.4	39
1963	93.2	90.2	95.1	38	April	119.9	119.9	119.9	39
1964	93.4	90.0	95.5	37	May	119.8	122.1	118.3	40
1965	96.0	99.2	93.9	40	June	120.6	125.2	117.7	40
1966	101.1	106.3	97.8	41	July	122.2	128.9	118.0	41
1967	100.0	100.0	100.0	39	August	122.6	126.8	120.0	40
1968	103.6	105.3	102.5	39	September	122.6	129.5	118.2	41
1969	109.1	114.8	105.5	41	October	122.5	125.8	120.4	40
1970	113.7	114.1	113.4	39	November	123.1	126.3	121.0	40
1971	115.7	114.4	116.5	38	December	123.8	132.8	118.1	42
1972	121.3	125.1	118.9	40	1973:				
1973[2]	142.3	167.0	126.6	46	January	127.2	142.3	117.7	43
					February	130.4	147.6	119.5	44
1971:					March	134.9	157.9	120.3	45
I	113.2	112.3	113.8	38	April	137.0	158.1	123.6	45
II	115.7	113.8	117.0	38	May	138.2	158.0	125.6	44
III	117.3	115.5	118.4	38	June	140.4	166.4	123.9	46
IV	116.7	116.1	116.9	39	July	141.5	171.1	122.8	47
					August	153.0	205.8	119.5	52
1972:					September	150.7	180.8	131.6	47
I	119.5	121.2	118.4	39	October	149.9	174.4	134.4	45
II	120.1	122.4	118.6	40	November	151.2	168.9	140.0	43
III	122.5	128.4	118.7	41	December	152.7	173.6	139.5	44
IV	123.1	128.3	119.9	40	1974:[3]				
					January	155.5	184.6	137.0	46
1973:					February	160.3	189.8	141.6	46
I	130.8	149.2	119.2	44	March	161.7	181.8	148.9	44
II	138.5	160.9	124.4	45	April[3]	159.8	171.4	152.4	42
III	148.4	185.9	124.6	49	May				
IV	151.3	172.0	138.2	44	June				
					July				
1974:					August				
I	159.2	185.4	142.5	45	September				
II					October				
III					November				
IV					December				

[1] The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket. The farm-retail spread—difference between the retail cost and farm value—is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket. Quarterly and monthly data are annual rates. Additional historical data are published in "Farm-Retail Spreads for Food Products," miscellaneous publication 741, January 1972.
[2] Preliminary.
[3] Estimated.

TABLE 2.—MOVEMENTS IN MARKET BASKET STATISTICS BEFORE AND DURING ECONOMIC STABILIZATION PROGRAM

[Seasonally adjusted annual rates, in percent]

Period	Retail cost	Farm-retail spread	Farm value
8 months prior to phase I (Jan. 1, to August 1971)	4.1	4.3	9.0
Phase I (August to November 1971)	2.8	6.4	14.0
Phase II (November 1971 to January 1973)	8.5	2.2	16.1
Phase III (January to June 1973)	20.6	12.7	36.5
Phase IV [1] (June 1973 to April 1974)	16.4	25.3	5.5
Since controls (August 1971 to April 1974)	14.0	10.8	18.5

[1] Included a general price freeze from June 8 to July 18.

TABLE 3.—THE MARKET BASKET OF FARM FOODS BY PRODUCT GROUP: RETAIL COST, FARM VALUE AND FARM-RETAIL SPREAD, 1ST QUARTER 1974 WITH COMPARISONS [1]

Item	1st quarter of 1974	Change from—			
		Previous quarter		Year ago	
		Amount	Percent	Amount	Percent
RETAIL COST					
Market basket	$1,720.02	$85.37	5.2	$306.19	21.7
Meat	560.36	12.71	2.3	82.46	17.3
Dairy	292.42	16.48	6.0	58.27	24.9
Poultry	72.30	2.97	4.3	12.40	20.7
Eggs	66.42	3.81	6.1	16.18	32.2
Bakery and cereal	259.45	16.05	6.6	63.72	32.6
Fresh fruits	68.61	−.09	−.1	7.99	13.2
Fresh vegetables	116.24	15.66	15.6	15.28	15.1
Processed fruits and vegetables	151.65	8.99	6.3	21.40	16.4
Fats and oils	63.65	4.30	7.2	19.10	42.9
Miscellaneous	68.92	4.49	7.0	9.39	15.8
FARM VALUE					
Market basket	777.04	55.06	7.6	151.62	24.2
Meat	326.52	5.36	1.7	22.79	7.5
Dairy	156.27	12.63	8.8	43.45	38.5
Poultry	39.97	1.99	5.2	6.06	17.9
Eggs	46.85	2.72	6.2	13.40	40.1
Bakery and cereal	71.70	11.93	20.0	33.77	89.0
Fresh fruits	20.12	−.31	−1.5	−.81	−3.9
Fresh vegetables	40.42	10.11	33.4	4.24	11.7
Processed fruits and vegetables	32.16	3.78	13.3	7.81	32.1
Fats and oils	29.24	5.08	21.0	16.84	135.8
Miscellaneous	13.79	1.77	14.7	4.07	41.9
FARM-RETAIL SPREAD					
Market basket	942.98	30.31	3.3	154.57	19.6
Meat	233.84	7.35	3.2	59.67	34.3
Dairy	136.15	3.85	2.9	14.82	12.2
Poultry	32.33	.98	3.1	6.34	24.4
Eggs	19.57	1.09	5.9	2.78	16.6
Bakery and cereal	187.75	4.12	2.2	29.95	19.0
Fresh fruits	48.49	.22	.5	8.80	22.2
Fresh vegetables	75.82	5.55	7.9	11.04	17.0
Processed fruits and vegetables	119.49	5.21	4.6	13.59	12.8
Fats and oils	34.41	−.78	−2.2	2.26	7.0
Miscellaneous	55.13	2.72	5.2	5.32	10.7

[1] The market basket contains the average quantities of farm-originated foods purchased annually per household in 1960–61. Retail cost is calculated from U.S. average retail prices collected by the Bureau of Labor Statistics. Farm value is payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing. Quarterly data are annual rates.

TABLE 4.—DISTRIBUTION OF THE RISE IN BREAD PRICES AMONG MARKETING AGENCIES AND FARMERS

[In cents per pound loaf]

Item	March 1973 to March 1974	January 1954 to March 1973
Retailer	1.3	2.2
Baker-wholesaler	2.7	4.1
Miller	.7	.3
Other marketing items	.6	.8
Farmers	3.3	1.2
Total charge	8.6	8.6

TABLE 5.—PROFIT RATIOS (AFTER FEDERAL INCOME TAXES) OF ALL MANUFACTURING, MANUFACTURERS OF FOOD, TEXTILES, APPAREL AND 15 RETAIL FOOD CHAINS, ANNUAL 1960-73, QUARTERLY 1972-74 [1]

Year and quarter	Food Total[2]	Food Dairy	Food Bakery	Food Meat-packers[3]	Textile-mill products	Apparel and other finished products	All manu-facturing industries	15 retail food chains[3]
PROFITS AS PERCENTAGE OF STOCKHOLDER EQUITY								
1960	9.2				5.8	7.7	9.3	13.0
1961	9.4				5.0	7.3	8.9	12.0
1962	9.2		9.2		6.2	9.3	9.8	11.7
1963	9.3	8.6	9.4		6.1	7.7	10.3	11.4
1964	10.4	9.5	9.1		8.6	11.9	11.7	11.5
1965	11.0	10.7	9.2		10.9	12.8	13.1	11.3
1966	11.5	11.4	10.9	7.1	10.3	13.8	13.6	11.4
1967	11.1	10.3	12.2	11.5	7.6	12.2	11.8	10.3
1968	10.9	9.8	11.9	10.2	8.8	13.0	12.2	10.3
1969	11.0	10.1	8.6	8.8	7.9	11.9	11.5	10.4
1970	10.9	10.2	8.8	8.7	5.1	9.3	9.3	10.6
1971	11.1	11.1	10.7	10.8	6.7	11.2	9.7	10.1
1972	11.3	10.1	10.6	10.6	7.5	12.0	10.6	6.1
1973	12.8	10.8	5.8		9.0	10.8	12.6	
1972:								
January to March	10.1	10.0	11.3		6.4	10.9	9.5	
April to June	11.7	11.1	11.3		7.3	9.3	1.3	
July to September	10.9	10.0	10.4		7.3	12.4	10.1	
October to December	11.7	9.6	9.6		9.0	15.1	11.5	
1973:								
January to March	11.2	9.6	8.1		8.4	8.0	11.6	
April to June	12.5	11.1	5.0		11.1	14.6	14.0	
July to September	13.7	12.7	1.4		8.6	6.3	12.3	
October to December	15.2	9.6	8.6		7.9	14.3	13.4	
PROFITS AS A PERCENTAGE OF SALES								
1960	2.2				2.5	1.4	4.4	1.3
1961	2.2				2.1	1.3	4.3	1.2
1962	2.2		2.3		2.4	1.6	4.5	1.2
1963	2.2	1.9	2.2		2.3	1.4	4.7	1.2
1964	2.5	2.3	2.2		3.1	2.1	5.2	1.3
1965	2.6	2.5	2.1		3.8	2.3	5.6	1.2
1966	2.5	2.5	2.3	.9	3.6	2.4	5.6	1.2
1967	2.4	2.4	2.6	1.4	2.9	2.3	5.0	1.1
1968	2.4	2.3	2.6	1.2	3.1	2.4	5.1	1.1
1969	2.4	2.2	1.9	1.2	2.9	2.3	4.8	1.1
1970	2.3	2.1	1.9	.9	1.9	1.9	4.0	1.1
1971	2.4	2.3	2.3	1.3	2.4	2.4	4.1	.9
1972	2.4	2.0	2.2	1.0	2.6	2.4	4.3	.6
1973	2.4	2.0	1.1	1.1			4.7	.6
1972:								
January to March	2.2	1.9	2.4	1.0	2.3	2.3	4.0	1.1
April to June	2.5	2.1	2.4	0.8	2.5	2.0	4.5	.4
July to September	2.3	2.0	2.2	0.9	2.6	2.3	4.2	.1
October to December	2.4	1.9	2.0	1.2	2.8	2.7	4.4	.8
1973:								
January to March	2.2	1.9	1.6	1.0	2.8	1.6	4.5	.4
April to June	2.4	2.0	1.0	.9	3.4	2.8	5.1	.7
July to September	2.5	2.3	.3	1.0	2.8	1.2	4.6	.5
October to December	2.7	1.7	1.4	1.7	2.4	2.6	4.7	.9
1974: January to March								[4]1.0

[1] Compiled from "Quarterly Financial Report for Manufacturing Corporations" published by the Federal Trade Commission and Securities and Exchange Commission.
[2] Food and kindred products excluding alcoholic beverages.
[3] Compiled from "Moody's Industrial Manual".
[4] Partial results.

TABLE 6.—PRICE SPREADS FOR SELECTED MARKET BASKET FOODS

[In cents]

Item	1971	1972	1973	1973												1974		
				January	February	March	April	May	June	July	August	September	October	November	December	January	February	March
Beef choice:																		
Retail price, pound	104.3	113.8	135.5	122.1	130.3	135.3	136.0	136.0	135.5	136.3	144.2	144.9	136.0	134.9	134.4	143.0	150.0	142.2
Carcass value	75.6	80.0	98.1	90.3	95.7	99.1	99.7	99.0	101.4	102.5	111.8	101.8	92.6	90.1	93.4	106.7	108.2	95.9
Net farm value	67.9	72.5	90.1	82.4	87.5	92.3	91.3	92.7	94.6	96.7	108.5	91.9	83.2	80.0	79.6	96.9	94.5	86.0
Farm-retail spread	36.4	41.3	45.4	39.7	42.8	43.0	44.7	43.3	40.9	39.6	35.7	53.0	52.8	54.9	54.8	46.1	55.5	56.2
Carcass-retail spread	28.7	33.8	37.4	31.8	34.6	36.2	36.3	37.0	34.1	33.8	32.4	43.1	43.4	44.8	41.0	36.3	41.8	46.3
Farm-carcass spread	7.7	7.5	8.0	7.9	8.2	6.8	8.4	6.3	6.8	5.8	3.3	9.9	9.4	10.1	13.8	9.8	13.7	9.9
Farmer's share	65.0	64.0	66.0	67.0	67.0	68.0	67.0	68.0	70.0	71.0	75.0	63.0	61.0	59.0	59.0	68.0	63.0	60.0
Pork:																		
Retail price, pound	70.3	83.2	109.8	94.1	97.1	103.0	102.7	102.4	104.1	107.5	131.5	126.3	117.1	115.4	115.8	116.7	117.2	111.8
Wholesale value	52.1	65.2	87.1	76.3	80.1	83.2	79.1	78.3	80.1	95.4	112.8	96.3	87.0	87.8	88.3	85.4	85.4	74.7
Net farm value	32.4	47.9	71.8	58.5	64.8	67.9	63.0	64.0	67.8	82.5	99.3	76.9	73.3	71.9	69.8	70.8	68.3	59.8
Farm-retail spread	37.9	35.3	38.0	35.6	32.3	35.1	39.7	38.4	36.3	25.0	32.2	49.4	43.8	43.5	46.0	45.9	48.9	52.0
Wholesale-retail spread	18.2	18.0	22.7	17.8	17.0	19.8	23.6	24.1	24.0	12.1	18.7	30.0	30.1	27.6	27.5	31.3	31.8	37.1
Farm-wholesale spread	19.7	17.3	15.3	17.8	15.3	15.3	16.1	14.3	12.3	12.9	13.5	19.4	13.7	15.9	18.5	14.6	17.1	14.9
Farmer's share	46.0	58.0	65.0	62.0	67.0	66.0	61.0	62.0	65.0	77.0	76.0	61.0	63.0	62.0	60.0	61.0	58.0	53.0
Cheese:																		
Retail price, ½-pound	52.8	54.3	60.4	55.9	56.5	56.9	57.5	58.6	59.1	59.2	59.7	60.5	63.3	66.6	68.8	70.5	73.1	74.3
Farm value	22.9	24.1	29.8	25.5	25.9	26.4	26.8	27.2	27.5	27.7	30.7	32.9	34.9	35.9	37.3	38.4	39.1	39.4
Farm-retail spread	29.9	30.2	30.6	30.4	30.6	30.5	30.7	31.4	31.6	31.5	29.0	27.6	28.4	30.7	31.5	32.1	34.0	34.9
Farmer's share	43.0	44.0	49.0	46.0	46.0	46.0	47.0	46.0	47.0	47.0	51.0	54.0	55.0	54.0	54.0	54.0	53.0	53.0
Milk, fresh:																		
Retail price, ½-gallon	58.9	59.8	65.4	60.6	61.9	61.9	61.9	62.7	63.1	63.2	64.7	66.3	70.3	73.1	75.3	75.9	77.6	78.9
Farm value	29.6	30.2	34.1	31.2	31.8	32.1	32.1	32.5	32.7	32.8	33.3	35.4	36.0	38.2	41.0	41.6	42.8	43.4
Farm-retail spread	29.3	29.6	31.3	29.4	30.1	29.8	29.8	30.2	30.4	30.4	31.4	30.9	34.3	34.9	34.3	34.3	34.8	35.5
Farmer's share	50.0	51.0	52.0	51.0	51.0	52.0	52.0	52.0	52.0	52.0	51.0	53.0	51.0	52.0	54.0	55.0	55.0	55.0
Frying chicken:																		
Retail price, pound	41.0	41.4	59.6	44.0	45.9	59.9	58.7	58.4	57.9	59.7	92.2	72.8	58.3	54.5	53.2	59.1	58.7	57.5
Farm value	19.3	20.0	35.3	24.1	24.7	36.2	35.2	32.0	33.1	36.4	62.9	46.4	33.0	28.5	27.6	32.3	32.3	33.0
Farm-retail spread	21.7	21.4	24.3	19.9	21.2	23.7	23.5	26.4	24.8	23.3	29.3	26.4	25.3	26.0	25.6	26.8	26.4	24.5
Farmer's share	47.0	48.0	59.0	55.0	54.0	60.0	60.0	55.0	57.0	61.0	68.0	64.0	57.0	52.0	52.0	55.0	55.0	57.0

Item																		
Eggs:																		
Retail price, dozen	52.8	52.4	78.1	73.9	68.8	66.4	67.7	67.6	71.4	73.7	96.7	91.8	87.3	82.3	88.9	93.0	94.5	85.6
Farm value	30.2	30.0	54.4	51.9	43.5	43.8	44.4	43.4	50.2	50.1	75.1	67.6	61.7	56.5	64.0	67.2	66.7	58.7
Farm-retail spread	22.6	22.4	23.7	22.0	25.3	22.6	23.3	24.2	21.2	23.6	21.6	24.2	25.6	25.8	24.9	25.8	27.8	26.9
Farmer's share	57.0	57.0	70.0	70.0	63.0	66.0	66.0	64.0	70.0	68.0	78.0	74.0	71.0	69.0	72.0	72.0	71.0	69.0
Bread, white:																		
Retail price, pound	24.8	24.7	27.6	24.9	25.1	25.4	25.8	26.3	26.4	26.5	27.2	29.5	30.6	31.5	31.9	·31.9	32.5	34.0
Farm value, all	3.5	3.8	5.5	4.8	4.4	4.5	4.7	4.7	5.2	4.2	6.6	7.0	6.5	6.4	7.2	8.2	8.8	7.8
Farm-retail spread	21.3	20.9	22.1	20.1	20.7	20.9	21.1	21.6	21.2	22.3	20.6	22.5	24.1	25.1	24.7	23.7	23.7	26.2
Farmer's share	14.0	15.0	20.0	19.0	18.0	18.0	18.0	18.0	19.0	16.0	24.0	24.0	21.0	20.0	23.0	26.0	27.0	23.0
Corn flakes:																		
Retail price 12-oz	33.4	31.2	32.2	30.7	30.7	30.7	31.2	32.0	32.4	32.6	32.7	32.8	33.1	33.3	34.7	35.7	36.6	37.0
Farm value	2.2	2.0	3.4	2.3	2.3	2.5	2.9	3.1	3.6	3.9	4.4	4.0	3.9	3.9	4.2	4.2	4.7	4.5
Farm-retail spread	31.2	29.2	28.8	28.4	28.4	28.2	28.3	28.9	28.8	28.7	28.3	28.8	29.2	29.4	30.5	31.5	31.9	32.5
Farmer's share	7.0	6.0	11.0	7.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	12.0	12.0	12.0	12.0	12.0	13.0	12.0
Flour:																		
Retail price, 5-lb	59.9	59.6	75.6	62.5	64.2	66.4	67.6	69.1	69.6	70.0	70.8	79.8	92.9	96.6	97.1	97.2	102.0	106.4
Farm value	20.9	22.9	33.9	29.7	26.4	26.6	28.5	27.5	31.0	23.8	40.9	46.4	40.5	39.9	45.8	52.7	55.9	49.2
Farm-retail spread	39.0	36.7	41.7	32.8	37.8	39.8	39.1	40.6	39.5	46.2	29.9	33.4	52.4	56.7	51.3	44.5	46.1	57.2
Farmer's share	35.0	38.0	45.0	48.0	41.0	40.0	42.0	40.0	45.0	34.0	58.0	58.0	44.0	41.0	47.0	54.0	55.0	46.0
Rice:																		
Retail price, pound	23.8	24.0	30.8	24.7	25.3	25.7	26.1	26.7	27.3	27.5	27.5	29.6	34.5	45.6	48.6	50.2	51.8	52.4
Farm value	7.7	8.7	15.2	11.4	11.5	11.6	11.9	11.9	11.9	11.9	15.5	16.8	19.9	24.8	23.3	22.9	24.7	25.1
Farm-retail spread	16.1	15.3	15.6	13.3	13.8	14.1	14.2	14.8	15.4	15.6	12.0	12.8	14.6	20.8	25.3	27.3	27.1	27.3
Farmer's share	32.0	31.0	49.0	46.0	45.0	45.0	46.0	45.0	44.0	43.0	56.0	57.0	58.0	54.0	48.0	46.0	48.0	48.0
Apples:																		
Retail price, pound	23.3	25.0	30.2	24.6	25.5	26.3	28.0	30.4	34.6	37.2	35.2	32.5	28.9	29.9	31.2	31.8	32.1	32.7
Farm value	7.0	7.9	11.1	9.0	9.4	10.3	11.1	13.0	14.9	10.9	10.0	10.7	11.3	11.1	11.1	10.8	10.9	11.1
Farm-retail spread	16.3	17.1	19.1	15.6	16.1	16.0	16.9	17.4	19.7	26.3	25.2	21.8	17.6	18.8	20.1	21.0	21.2	21.6
Farmer's share	30.0	32.0	37.0	37.0	37.0	39.0	40.0	43.0	43.0	29.0	28.0	32.0	39.0	37.0	36.0	34.0	34.0	34.0
Oranges:																		
Retail price, dozen	94.2	94.0	105.3	97.1	97.0	99.8	101.7	103.2	101.5	101.5	110.6	110.6	118.2	116.4	106.2	104.9	104.8	104.3
Farm value	23.0	20.5	23.4	20.2	21.8	22.4	23.2	21.4	21.2	23.1	28.1	27.2	30.8	20.6	21.1	25.2	27.6	23.2
Farm-retail spread	71.2	73.5	81.9	76.9	75.2	77.4	78.5	81.8	80.3	78.4	82.5	83.4	87.4	95.8	85.1	79.7	77.2	81.1
Farmer's share	24.0	22.0	22.0	21.0	22.0	22.0	23.0	21.0	21.0	23.0	25.0	25.0	26.0	18.0	20.0	24.0	26.0	22.0
Lettuce:																		
Retail price, head	34.0	34.1	41.8	39.0	36.4	36.6	43.9	45.1	60.9	51.5	50.5	35.9	34.3	34.5	32.4	32.7	32.5	37.4
Farm value	11.6	11.5	14.2	13.9	12.0	11.7	18.2	21.5	27.5	14.8	13.1	11.7	8.2	7.8	9.7	7.4	13.7	12.0
Farm-retail spread	22.4	22.6	27.6	25.1	24.4	24.9	25.7	23.6	33.5	36.7	37.4	24.2	26.1	26.7	22.7	25.3	18.8	25.4
Farmer's share	34.0	34.0	34.0	36.0	33.0	32.0	41.0	48.0	45.0	29.0	26.0	33.0	24.0	23.0	30.0	23.0	42.0	32.0
Potatoes:																		
Retail price, 10-lb	85.9	92.4	136.8	103.4	111.1	119.2	124.5	134.0	164.6	180.9	183.5	128.8	122.8	130.8	135.3	137.1	163.4	191.2
Farm value	21.2	24.3	45.4	32.9	31.6	39.8	42.8	49.9	64.0	77.8	60.2	32.6	28.4	35.6	38.6	48.6	64.4	76.0
Farm-retail spread	64.7	68.1	91.4	70.5	79.5	79.4	81.7	84.1	100.6	103.1	123.3	96.2	94.4	95.2	96.7	88.5	99.0	15.2
Farmer's share	25.0	26.0	33.0	32.0	30.0	33.0	34.0	37.0	39.0	43.0	33.0	25.0	23.0	27.0	29.0	35.0	39.0	40.0

Item	1971	1972	1973	1973 January	February	March	April	May	June	July	August	September	October	November	December	1974 January	February	March
Tomatoes:																		
Retail price, pound_	46.5	46.8	48.2	58.0	51.8	48.9	47.2	44.8	48.3	57.0	50.1	36.4	39.3	47.6	48.8	56.5	61.3	58.7
Farm value_____	18.8	16.7	19.8	25.6	18.2	19.5	22.5	15.9	20.9	32.0	17.9	12.0	14.5	21.4	16.7	19.9	25.2	16.8
Farm-retail spread_	27.7	30.1	28.4	32.4	33.6	29.4	24.7	28.9	27.5	25.0	32.2	24.4	24.8	26.2	32.1	36.6	36.1	41.9
Farmer's share_____	40.0	36.0	41.0	44.0	35.0	40.0	48.0	35.0	43.0	56.0	36.0	33.0	37.0	45.0	34.0	35.0	41.0	29.0
Onions:																		
Retail price, pound_	14.3	17.7	25.2	20.3	24.0	28.9	34.5	41.6	27.8	24.1	23.4	19.3	18.8	19.3	20.3	20.1	25.5	25.3
Farm value_____	4.2	6.4	11.1	9.0	11.4	18.0	26.5	17.8	8.7	7.7	7.5	5.3	6.4	7.1	7.7	9.0	12.1	7.4
Farm-retail spread__	10.1	11.3	14.1	11.3	12.6	10.9	8.0	23.8	19.1	16.4	15.9	14.0	12.4	12.2	12.6	11.1	13.4	17.9
Farmer's share_____	30.0	36.0	44.0	44.0	48.0	62.0	77.0	43.0	31.0	32.0	32.0	27.0	34.0	37.0	38.0	45.0	47.0	29.0
Dry beans:																		
Retail price, pound_	22.3	24.9	31.2	25.7	25.8	25.8	26.1	26.6	27.6	28.0	29.4	32.0	36.1	44.9	53.1	58.4	66.8	72.1
Farm value_____	11.4	10.7	17.1	9.5	9.5	9.7	10.3	12.3	15.9	15.9	16.5	19.3	23.7	29.1	33.5	35.1	42.4	48.3
Farm-retail spread__	10.9	14.2	14.1	16.2	16.3	16.1	15.8	14.3	11.7	12.1	12.9	12.7	12.4	15.8	19.6	23.3	24.4	23.8
Farmer's share_____	51.0	43.0	55.0	37.0	37.0	38.0	39.0	46.0	58.0	57.0	56.0	60.0	66.0	65.0	63.0	60.0	63.0	67.0
Vegetable shortening:																		
Retail price, 3-lb___	96.9	97.4	110.6	96.4	96.6	97.1	99.2	101.7	103.1	105.0	106.5	113.0	130.2	136.3	136.5	138.2	143.5	143.5
Farm value_____	35.9	30.2	48.8	21.6	32.6	40.9	41.4	44.3	46.8	36.6	73.6	55.1	74.7	53.4	65.1	69.2	86.1	80.5
Farm-retail spread__	61.0	67.2	61.8	74.8	64.0	56.2	57.8	57.4	56.3	68.4	32.9	57.9	55.5	82.9	71.4	69.0	57.4	63.0
Farmer's share_____	37.0	31.0	44.0	22.0	34.0	42.0	42.0	44.0	45.0	35.0	69.0	49.0	57.0	39.0	48.0	50.0	60.0	56.0
Sugar:																		
Retail price, 5-lb___	68.1	69.5	75.5	70.6	71.2	71.7	72.1	72.9	74.2	74.6	75.3	76.8	79.9	82.5	83.9	84.9	88.8	104.0
Farm value_____	29.7	29.4	31.2	31 5	31.5	31.5	31.5	31.5	31.5	31.5	31.5	31.5	29.9	30.4	31.0	35.1	35.1	35.1
Farm-retail spread__	38.4	40.1	44.3	39.1	39.7	40.2	40.6	41.4	42.7	43.1	43.8	45.3	50.0	52.1	52.9	49.8	53.7	68.9
Farmer's share_____	44.0	42.0	41.0	45.0	44.0	44.0	44.0	43.0	42.0	42.0	42.0	41.0	37.0	37.0	37.0	41.0	40.0	34.0

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Chairman HUMPHREY. The next witnesses we have are Mr. Parker, I believe, and Mr. Hightower and Ms. DeMarco. If we have all of those present, please come to the witness stand.

Mr. Parker, I am going to ask you to bear with me for just a minute, but I want you to proceed, because I need to make a quick exit and come right back.

But if you would permit Mr. Jasinowski and Ms. Falcone, JEC staff members to take testimony from the prepared statement, whatever you wish to say, and also ask you some questions, I will be back. We are just trying to build a record today for further investigation, and I need to get over to the Senate because there is a bill there in which I have deep interest, and I just need to be there long enough to see what is going on, and to have a moment or two of participation.

Is that all right with you?

Mr. PARKER. I understand.

Chairman HUMPHREY. I appreciate that.

Mr. Hightower and Ms. DeMarco, is that agreeable with you?

Ms. DeMARCO. Yes.

Chairman HUMPHREY. Fine.

Mr. Jasinowski, you take it from here. We hoped that we could have committee members present, but we have a heavy legislative day. We are apparently going to have a recess this week, so take over.

Mr. JASINOWSKI. I think the best thing for each of you to do is to abbreviate your prepared statements as Mr. Paarlberg did. The Senator is taking your prepared statements along with him, and hopefully he will be back in time for questions.

So I would like both of you to present your testimony in 10 or 15 minutes. Then we will see where we are at that point.

Please proceed, Mr. Parker.

STATEMENT OF HON. RUSSELL C. PARKER, ASSISTANT TO THE DIRECTOR, BUREAU OF ECONOMICS, FEDERAL TRADE COMMISSION

Mr. PARKER. I hope you will bear with me. I am suffering from a case of laryngitis, and I think I will be able to hold up through the session, but I may not be able to.

I am Russell C. Parker, assistant to the Director of the Bureau of Economics in the Federal Trade Commission, and I want to say that I am appearing here today not as a representative of the Federal Trade Commission, and that the views that I present should not be construed as necessarily representing those of the five commissioners. It is a privilege to appear before this committee to testify on the subject of concentration in the food processing and retailing industries and the consequences of this concentration for the consumer.

The best single, generally available, measure for evaluating the importance of monopoly in industries is the level of market concentration. The degree of product differentiation between the outputs of competing sellers and the difficulty faced by potential entrants are also important but the existence of these leads to, and therefore are highly correlated with, high concentration.

The level of concentration in a product market indicates the extent to which competing sellers are likely to be affected by the selling strategies of others. Market concentration ratios are an index of the degree of interdependence of firms. Competitors in unconcentrated markets are each so small they are not concerned with possible competitor reactions when choosing their marketing strategies. When concentration is substantial, the interdependence of leading firms is so great that strong communities of interest develop to identify and avoid these strategies most likely to lead to competitive reactions which are destructive to profits. Strong price rivalry is usually the first to be identified. This situation is called oligopoly. When concentration is great enough, this is when all firms can act without fear of effective dissent in achieving joint profit maximization, monopoly exists. The several firms acting together in this fashion are generally referred to as participating in a shared monopoly. Competition in concentrated, oligopolistic type markets mainly occurs in terms of product variations, additional advertising, and services.

The Bureau of the Census computes concentration statistics which show the percent of production or sales in a market accounted for by the 4, 8, or 20 largest producers. These measures are computed for manufacturing industries about 3 years after each regular census year which is supposed to be every 5 years. The latest census year for which complete concentration data are currently available is 1967.

In addition to manufacturing, grocery retailing concentration ratios for 230 metropolitan areas are computed by Census every census year for the Federal Trade Commission. The most recent tabulations are for 1967. What do these concentration data show about the state of competition in food processing and retailing?

Table 1 in my prepared statement is an update of a similar table based on 1958 data appearing in the Federal Trade Commission staff report on the structure of food manufacturing, which was published by the National Commission on Food Marketing as technical study No. 8. The table is a classification of food industries by level of concentration. It shows that over three-fourths of all food manufacturing industries and nearly three-fourths of total food industry value added originates in industries which under Professor Bain's classification system would be called oligopolistic. Nearly three-tenths of all food industries value added falls within Professor Bain's definition of "highly concentrated" or "very highly concentrated" oligopolies.

How has concentration changed? Between 1958, the census year on which the original table was based, and 1970, there were several definitional changes which make comparisons over time difficult. However, an anlysis of concentration changes is possible for the 31 industries whose definitions remained unchanged. Of these 21, 14 showed concentration increases of more than 2 percentage points and 9 showed declines of that magnitude. In other words, there was an upward shift in concentration.

The most significant concentration increases in the 1958 to 1970 period were confectionary products, beer and wine industries. Mergers and high advertising expenditures were important factors in each of these industries. The brightest spot in the concentration picture is

meatpacking. This is a very important industry accounting for about 10 percent of all food industry value added and nearly $1 out of $5 spent by consumers. Since World War II meatpackers went down from 41 percent to 23 percent. Meatpacking is an area where advertising is unimportant and consumers are aided in their purchase of meat by U.S. Government inspection and grading.

Besides the high and probably increasing level of concentration in individual food industries, concentration is also high for food manufacturing overall because of the multi-industry participation of large food manufacturing corporations. Just 50 food manufacturing corporations control most of the important producing positions in all of the individual food industries and product classes according to Census Bureau tabulation. These 50 corporations owned half of all food manufacturing assets in 1965 and there is an increasing trend. The 50 largest of 1950 controlled less than 42 percent and, since 1965, asset concentration with the 50 largest has continued to increase to where I estimate that the current 50 largest companies may account for close to 60 percent of total food manufacturing assets.

Concentration of profits and advertising expenditures is even greater than assets and is also increasing. Whereas the 50 largest companies controlled 50 percent of assets in 1964, they accounted for 61 percent of profits and nearly 90 percent of television advertising.

All of the increase in concentration of food manufacturing assets within the 50 largest food manufacturers between 1950 and 1965 was due to mergers. Acquired firms were often large. Many ranked among the largest food manufacturers prior to being acquired. Many were substantial advertisers of well known food product brands. In this regard, it is significant to observe the change in advertising after acquisition. Almost immediately the average amount of advertising expenditure for the acquired brands was doubled, with television advertising showing the greatest increase. Another interesting fact is that acquisition was almost the sole route by which the largest companies entered new industries.

Mr. JASINOWSKI. Mr. Parker, would you elaborate on why that is the case, why there was a large increase in advertising generally after the acquisition?

Mr. PARKER. The largest firms in the food industry are heavier advertisers on television than medium sized and small firms. So when they acquired medium sized and small firms they switched their products to the type of advertising and to the intensity of advertising that they use for their own products.

Mr. JASINOWSKI. Why are the larger companies more advertising prone than the intermediate size?

Mr. PARKER. Several studies in the past have shown that access to television advertising is much more available to large companies. This is particularly true in the sponsoring of regular network programs as opposed to spot advertising. Television advertising requires a very large budget and there are substantial pecuniary advantages to large-scale users. The advantages to large-scale users come from continuity discounts, and other kinds of volume discounts. In addition there are substantial savings to the larger purchasers of programing material.

Mr. JASINOWSKI. Would either of the other two witnesses like to comment on why the larger firms advertise so much more than the medium-sized firms?

Mr. HIGHTOWER. Yes. I think Mr. Parker hit it right on the head. Essentially the larger firms have more access to media—because they advertise nationally and they advertise in prime time. They have larger advertising budgets to begin with.

You take a firm like Del Monte, which spends $15 million a year on advertising. Because it spends that amount of money, it gets a discount of somewhere between 30 and 70 percent on advertising on national television. You can't get that if you are a small, independent firm. Then of course, because they spend that amount on national prime time advertising, they get premium space in supermarkets for displays. So the same firm that builds up to its $15 million advertising expenditure has a much higher payoff than the small firms' expenditure would.

Mr. JASINOWSKI. Thank you.

Do you want to continue, Mr. Parker?

Mr. PARKER. Yes, thank you. In addition to being heavy advertisers, large food industry companies characteristically have low R. & D. budgets. Worley, doing research on the subject of R. & D. intensity, found that food manufacturing was the only major industrial group where there was an inverse relationship between size of firm and the number of research and development personnel per 1,000 employees. The picture that emerges from these data and others, such as use of field sales force personnel and advertising intensity, is that large food manufacturers are primarily concerned with exploitation of product areas developed originally by smaller firms. The exploitation by large corporations is mainly based on competition reducing advertising and other forms of product differentiation.

Since the 1960's, merger activity involving food companies has remained very vigorous in spite of the overall decline. The rate of acquisition of larger food manufacturing companies is particularly significant. The Federal Trade Commission's merger series of acquired companies with more than $10 million in assets shows that 111 such companies were acquired in the two decades between 1948 and 1968. In just 3 years, 1969 through 1971, 46 such companies have been acquired. Food industry mergers, as a share of all mining and manufacturing large mergers, have increased by nearly half. The food industries are facing a major threat to their small and medium size viable firms.

Now, I would like to review briefly the importance of monopoly in food retailing. Concentration in grocery retailing is showing a strong upward trend. Just 20 large grocery chains accounted for 40 percent of total grocery store sales in the United States in 1970, according to Census tabulations. This was a one-third increase from the 30 percent controlled by the 20 largest chains in 1954, as shown in table 2 of my prepared statement. It is important to note that none of the 20 largest is a national chain. This is important because competition in grocery retailing occurs at the local level. Few consumers consider traveling to another city to purchase groceries. At the city level, concentration in grocery retailing is high and increasing. For the

200-plus metropolitan areas defined by the Census, the four largest corporate grocery chains accounted for an average of 51.1 percent of sales in 1967. In 1954, the four-chain average was only 45.5 percent.

The national average of all cities hides the fact that in many individual cities, concentration is very high. Washington, D.C., is one of those cities.

Major studies of grocery retailing, including those of the staff of the Federal Trade Commission and the National Commission on Food Marketing have found significant barriers to entry and significant pecuniary advantages of size to the largest established food chains in local markets. The latter are especially important in the areas of newspaper advertising and purchasing, especially of some products. The largest established chains also have strategies available to them in building and remodeling stores and in pricing that can discourage entrants. Given these, there is little hope in sight of a quick erosion of existing levels of concentration in grocery retailing or even a reversal of the present upward trend.

What is the evidence that oligopoly leads to higher prices? Two types of collusive actions lead to higher than competitive prices. One type is explicit price-fixing. The second is tacit price-fixing.

Explicit price-fixing is the classic collusive arrangement when sellers meet secretly in hotel rooms. This kind of price-fixing still exists. Some industries are prone to this kind of conspiracy. The high level of concentration in regional markets of the baking and dairy industries enhances the opportunity for firms to get together and fix prices. These two industries have a history of extensive conspiratorial behavior.

The Bakers of Washington case, successfully prosecuted by the Federal Trade Commission in the mid-1960's, is an example. During the period of the price-fixing, the leading bakers of the State of Washington conspired among themselves and with the largest food chains in the area, and succeeded in raising the price of bread paid by residents of the State. Figure 1 in my prepared statement is a graphic picture of what happened. Before the conspiracy, Seattle prices were nearly identical to the national average. During the period of the conspiracy, they were between 15 and 20 percent higher. Consumers in the State of Washington paid approximately $30 million more for their bread than they would have paid if local prices had been the same as the national average during the period of the conspiracy. Following the conclusion of an FTC antitrust action, vigorous price competition developed; the Seattle price level ultimately dropped well below the overall national average and has continued this way.

The above is an illustration of an explicit price conspiracy. Although I do not intend to minimize the importance of such conspiracies, available data and analysis indicate that tacit price collusion is much more pervasive. Tacit price collusion is the typical conduct of oligopolies. It results from the various forms of price leadership practiced in oligopolistic industries. A large and growing number of statistical studies are demonstrating the existence of a relationship between the dimensions of market structure and profit rates, gross markups and cost-price margins. The empirical relation-

ships are very similar in widely different industrial sectors and in statistical formulations that use different data sets and statistical techniques.

The staff of the Federal Trade Commission has conducted two such analyses that are particularly relevant to the food industries. One develops the relationship between concentration, advertising intensity, and other structural variables, and the level of profits of food manufacturers. The relationship of concentration, advertising intensity, and profit rates is summarized in table 3 of my prepared statement. This table shows where four-firm concentration averaged 40 percent and advertising-to-sales concentration averaged 1 percent, companies earned an average profit to stockholder rate of 6.3 percent. On the other hand, in industries where four-firm concentration averaged 70 percent and advertising expenditures averaged 5 percent of sales, there was an average net profit rate of 15.9 percent. In short, this means that the high frequency of moderate and high concentration industries in food manufacturing, table 1 of my prepared statement, is having a great effect on consumer prices.

Mr. JASINOWSKI. Excuse me again, Mr. Parker.

What of the analogy of the FTC study? Has this been released at all?

Mr. PARKER. Yes, it was published in 1969 and is called the Relationship of Market Structure to Profit Performance of Food Manufacturing Corporations.

Mr. JASINOWSKI. Yes. Thank you.

Mr. PARKER. Table 4 in my prepared statement summarizes a statistical relationship between food chain market shares, average gross markup, and profit rates developed from company supplied data in the matter of National Tea, FTC docket 7457. The relationship is positive and very strong. Tabulations of data submitted to the National Commission on Food Marketing by nine other large food chains show very similar positive relationships.

A study by the staff of the Federal Trade Commission shows that food discounting in Washington, D.C., resulted in a 3 percent reduction in prices and retailers still earned profits. Another important point, in recent years low-margin retailers have been among the most profitable firms in the food chain business.

Mr. JASINOWSKI. Let me ask you for the record, Mr. Parker, to elaborate on that last sentence, a point that is often misunderstood, and explain why we have a case where low margin retailers are often the most profitable firms.

Mr. PARKER. Profitability in food retailing is closely related to sales per square foot, turnover and to other measures of volume. It costs about as much for a supermarket to serve 1,000 customers an hour as it does for it to serve only 2 or 3. You have to have about the same staff in the store. So if you can find some way of getting customers into your store to build volume, you can cut average costs considerably. This is precisely what discounters try to do. They attract additional customers by lowering prices.

There are also other ways discounters reduce their costs. For example, when discounting came to Washington in 1970, one of the first things that happened was that the major chain in the area

dropped food stamps. The other major food chain dropped games of chance. According to studies, trading stamps and games of chance generally cost the food chains up to 2½ percent of sales.

Mr. JASINOWSKI. I think we will want to come back to this question after the others have finished their statement, because I think it bears further discussion.

Well, is there any concluding remark you would like to make?

Mr. PARKER. I think I will leave the rest of my prepared statement to be put into the record.

Mr. JASINOWSKI. All right.

Thank you very much for an excellent prepared statement. The subcommittee is pleased to have it.

[The prepared statement of Mr. Parker follows:]

PREPARED STATEMENT OF HON. RUSSELL C. PARKER

CONCENTRATION IN THE FOOD PROCESSING AND RETAILING INDUSTRIES AND THE CONSEQUENCES FOR THE CONSUMER

Mr. Chairman and Members of the Subcommittee on Consumer Economics. I am Russell C. Parker, Assistant to the Director, Bureau of Economics, Federal Trade Commission.* It is a privilege to appear before this Committee to testify on the subject of Concentration in the food processing and retailing industries and the consequences of this concentration for the consumer.

The best single, generally available, measure for evaluating the importance of monopoly in industries is the level of market concentration. The degree of product differentiation between the outputs of competing sellers and the difficulty faced by potential entrants are also important but the existence of these leads to, and therefore aare highly correlated with, high concentration.

The level of concentration in a product market indicates the extent to which competing sellers are likely to be affected by the selling strategies of others. Market concentration ratios are an index of the degree of interdependence of firms. Competitors in unconcentrated markets are each so small they are not concerned with possible competitor reactions when choosing their marketing strategies. When concentration is substantial, the interdependence of leading firms is so great that strong communuities of interest develop to identify and avoid those strategies most likely to lead to competitive reactions which 'are destructive to profits. Strong price rivalry is usually the first to be identified. This situuation is called oligopoly. When contration is great enough—this is when all firms can act without fear of effective dissent in achieving joint profit maximization—monopoly exists. The several firms acting together in this fashion are generally referred to as participating in a shared monopoly. Competition in concentrated, oligopolistic types, markets mainly occurs in terms of product variations, additional advertising and services.

The Bureau of the Census computes concentration statistics which show the percent of production or sales in a market accounted for by the 4, 8, or 20 largest producers. These measures are computed for manufacturing industries about three years after each regular Census year which is supposed to be every five years. The latest Census year for which complete concentration data are currently available is 1967. On two occasions since World War II, 1966 and 1970, the Census has provided very limited concentration tabulations based on its annual survey of manufacturers. In addition to manufacturing, grocery retailing concentration ratios for 230 metropolitan areas are computed by Census every Census year for the Federal Trade Commission. The most recent tabulations are for 1967. What do these concentration data show about the state of competition in food processing and retailing?

Table 1 is an update of a similar tablel based on 1958 data appearing in the Federal Trade Commission Staff Report on the *Structure of Food Manufuacturing*, which was published by the National Commission on Food Marketing as

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* This statement represents only the views of a member of the FTC staff. It is not intended to be, and should not be construed as, representative of an official Commission policy.

Technical Study No. 8. The table is a classification of food industries by level of concentration. It shows that over three-fourths of all food manufacturing industries and nearly three-fourths of total food industry value added originates in industries which under Professor Bain's classification system would be called oligopolistic. Nearly three-tenths of all food industries value added falls within Bains [1] definition of "highly concentrated" or "very highly concentrated" oligopolies.

TABLE 1.—CLASSIFICATION OF FOOD MANUFACTURING INDUSTRIES ACCORDING TO BAIN'S CONCENTRATION TYPES, 1970

	Number of industries and percent of food industry [2] value added					
	National or regional industries		Local market industries (average concentration)		Total for type	
Bain's industry concentration type [1]	Number	Value added	Number	Value addrd	Number	Value added
I. Very highly concentrated oligopolies_____	4	5	[3] 1	6	5	11
II. Highly concentrated oligopolies_____	4	6	2	11	6	17
III. High-moderate concentrated oligopolies_____	8	12	2	15	10	27
IV. "Low-grade" oligopolies_____	12	17	None _____		12	17
V. Unconcentrated industries_____	10	28	None _____		10	28
Total_____	38	68	5	32	43	100

[1] Joe S. Bain, "Industrial Organization," John Wiley & Sons, 1959, pp. 124–133. Bain's type I, very highly concentrated class, includes industries whose top 8 firms control 90 percent or more of production or whose top 4 control 75 percent or more. The equivalent percentages for type II are 85–90 percent for the top 8 or 65–75 percent for the top 4. Type III, 70–85 percent for the top 8 or 50–65 percent for the top 4. Type IV, 45–70 for the top 8 or 35–5u for the top 4. Unconcentrated industries would fall below type IV.
[2] Food and kindred products industries.
[3] Local and small regional market industries were classified by average concentration.

How has concentration changed? Between 1958, the Census year on which the original table was based, and 1970 there were several definitional changes which make comparisons over time difficult. However, an anlysis of concentration changes is possible for the 31 industries whose definitions remained unchanged. Of these 31, fourteen showed concentration increases of more than two percentage points and nine showed declines of that magnitude. In other words there was an upward shift in concentration. Of the redefined industries, five caused the industry to move to a lower concentration category and three caused changes in the reverse direction. The downward moving industries were quite large and in net the redefinitions caused a significant downward shift in the distribution of industries.

The most significant concentration increases in the 1958 to 1970 period were confectionary products, beer and wine industries. Mergers and high advertising expenditures were important factors in each of these industries. The brightest spot in the concentration picture is meat packing (2011). This is a very important industry accounting for about 10 percent of all food industry value added and nearly one out of five dollars spent by consumers. Since World War II meat packers went down from 41 percent to 23 percent. Meat packing (2011) is an area where advertising is unimportant and consumers are aided in their purchase of meat by U.S. Government inspection and grading.

Besides the high and probably increasing level of concentration in individual food industries, concentration is also high for food manufacturing overall because of the multi-industry participation of large food manufacturing corporations. Just 50 food manufacturing corporations control most of the important producing position in all of the individual food industries and product classes according to Census Bureau tabulation.[2] These fifty corporations owned half of all food manufacturing assets in 1965 and there is an increasing trend. The 50 largest of 1950 controlled less than 42 percent and, since 1965, asset concentration with the 50 largest has continued to increase to where I estimate that the

[1] Joe Bain, *Industrial Organization*, John Wiley & Sons, 1959, pp. 124–133.
[2] *The Structure of Food Manufacturing*, op. cit., pp. 44–45.

current 50 largest companies may account for close to 60 percent of total food manufacturing assets. Concentration of profits and advertising expenditures is even greater than assets and is also increasing. Whereas the 50 largest companies controlled 50 percent of assets in 1964, they accounted for 61 percent of profits and nearly 90 percent of television advertising.

All of the increase in concentration of food manufacturing assets within the 50 largest food manufacturers between 1950 and 1965 was due to mergers.[3] Although some of the merger activity was horizontal in nature, most was conglomerate. This was particularly true of mergers taking place after the early 1950's. The conglomerate activity was primarily the acquisition of companies in related products or in the same product but in different geographic markets.[4] Acquired firms were often large. Many ranked among the largest food manufacturers prior to being acquired.[5] Many were substantial advertisers of well known food product brands. In this regard, it is significant to observe the change in advertising after acquisition. Almost immediately the average amount of advertising expenditure for the acquired brands was doubled, with television advertising showing the greatest increase.[6] Another interesting fact is that acquisition was almost the sole route by which the largest companies entered new industries. FTC detailed product data for the 20 largest food manufacturers showed that nearly 90 percent of the product areas entered by the companies were directly traceable to merger. Others, that could not be definitely traced, were likely due to merger. Only a very small number of the entries into new product areas could be definitely identified as internal expansion. The very low research and development expnditures of the largest food manufacturers are consistent with this finding. Worley[7] found that food manufacturing was the only major industrial group where there was an inverse relationship between size of firm and the number of research and development personnel per 1,000 employees. The picture that emerges from these data and others, such as us of field sales force personnel and advertising intensity, is that large food manufacturers are primarily concerned with exploitation of product areas developed originally by smaller firms. The exploitation by large corporations is mainly based on competition reducing advertising and other forms of product differentiation.

Since the 1960's, merger activity involving food companies has remained very vigorous in spite of the overall decline. The rate of acquisition of larger food manufacturing companies is particularly significant. The Federal Trade Commission's merger series of acquired companies with more than $10 million in assets shows that 111 such companies were acquired in the two decades between 1948 and 1968. In just three years, 1969 through 1971, 46 such companies have been acquired. Food industry mergers, as a share of all mining and manufacturing large mergers, have increased by nearly half. The food industries are facing a major threat to their small and medium size viable firms.

Now I would like to review briefly the importance of monopoly in food retailing. Concentration in grocery retailing is showing a strong upward trend. Just 20 large grocery chains accounted for 40 percent of total grocery store sales in the United States in 1970, according to Census tabulations. This was a one-third increase from the 30 percent controlled by the 20 largest chains in 1954 (table 2). It is important to note that none of the 20 largest is a national chain. This is important because competition in grocery retailing occurs at the local level. Few consumers consider traveling to another city to purchase groceries. At the city level, concentration in grocery retailing is high and increasing. For the 200-plus metropolitan areas defined by the Census, the four largest corporate grocery chains accounted for an average of 51.1 percent of sales in 1967. In 1954, the 4-chain average was only 45.5 percent. If the Census would tabulate voluntary and cooperative food chains on a consolidated basis rather than by individual store ownership, the average 4-chain percentage would be several points higher.

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[3] Ibid., p. 120.
[4] Ibid. pp. 110–111.
[5] Ibid. p. 126.
[6] Ibid. p. 126.
[7] James S. Worley, "Industrial Research and the New Competition," *The Journal of Political Economy*, April 1961.

TABLE 2.—MARKET SHARE OF 20 LEADING GROCERY CHAINS, SELECTED YEARS, 1954–70

[In percent]

Chains	Share of total grocery store sales in—					
	1954	1958	1963	1967	1969	1970
1st to 4th largest	20.9	21.7	20.0	20.0	20.5	20.1
5th to 8th largest	4.5	5.8	6.6	7.2	8.0	8.1
1st to 8th largest	25.4	27.5	26.6	27.2	28.5	28.2
9th to 20th largest	4.5	6.6	7.4	9.8	11.5	11.8
1st to 20th largest	29.9	34.1	34.0	37.0	40.0	40.0

Source: National Commission on Food Marketing, Organization and Competition in Food Retailing, June 1966; estimates for 1967, 1969, and 1970 were computed from sales of food chains, and total sales of grocery stores reported by the Bureau of the Census, Census of Business Retail Trade and Annual Retail Trade Reports.

The national average of all cities hides the fact that in many individual cities, concentration is very high. Washington, D.C., is one of those cities. Here in the Washington metropolitan area, four chains accounted for 70.3 percent of sales in 1967 and private sources indicate that the percentage has increased since 1967.

Major studies of grocery retailing, including those of the staff of the Federal Trade Commission [8] and the National Commission on Food Marketing,[9] have found significant barriers to entry and significant pecuniary advantages of size to the largest established food chains in local markets. The latter are especially important in the areas of newspaper advertising and purchasing especially of some products. The largest established chains also have strategies available to them in building and remodeling stores and in pricing that can discourage entrants.[10] Given these, there is little hope in sight of a quick erosion of existing levels of concentration in grocery retailing or even a reversal of the present upward trend.

What is the evidence that oligopoly leads to higher prices? Two types of collusive actions lead to higher than competitive prices. One type is explicit price-fixing; the second is tacit price-fixing.

Explicit price-fixing is the classic collusive arrangement when sellers meet secretly in hotel rooms. This kind of price-fixing still exists. Some industries are prone to this kind of conspiracy. The high level of concentration in regional markets of the baking and dairy industries enhances the opportunity for firms to get together and fix prices. These two industries have a history of extensive conspiratorial behavior.

The *Bakers of Washington* case, successfully prosecuted by the Federal Trade Commission in the mid-1960's, is an example.[11] During the period of the price-fixing, the leading bakers of the State of Washington conspired among themselves and with the largest food chains in the area, one of which operated its own baking plant, and succeeded in raising the price of bread paid by residents of the State by 15 to 20 percent over a 10-year period extending from the mid-1950's to the mid-1960's. An antitrust investigation was ultimately begun and, upon conviction of the companies involved for price-fixing, prices dropped. The Federal Trade Commission found that the wholesale bakers and the leading retailers in the conspiracy area had met frequently at State trade association meetings and that, by means of agreements or understandings reached at those meetings, had suppressed price competition at both the wholesale and retail levels and established and maintained uniform and noncompetitive prices. Figure 1 is a graphic picture of what happened. Before the conspiracy, Seattle prices were nearly identical to the national average. During the period of the conspiracy, they were (as can be seen in the figure) between 15 and 20 percent higher. Consumers in the State of Washington paid approximately $30 million more for their bread than they would have paid if local prices had been the

[8] Federal Trade Commission, *Economic Report on Food Retailing*, 1966, Ch. II.
[9] *Food From Farmer to Consumer*, 1966, p. 75.
[10] *Food Chain Selling Practices in the District of Columbia and San Francisco*, Staff Report of the Federal Trade Commission. 1969.
[11] Federal Trade Commission, Docket 8309.

same as the national average during the period of the conspiracy. Following the conclusion of an FTC antitrust action, vigorous price competition developed; the Seattle price level ultimately dropped well below the overall national average and has continued this way. It is interesting to note that although the vigorous price competition reduced bakers' profits, its main effect was to increase efficiency by driving many inefficient firms out of the market.

FIGURE 1.—Average retail prices for white bread, Seattle and United States, 1950–67.
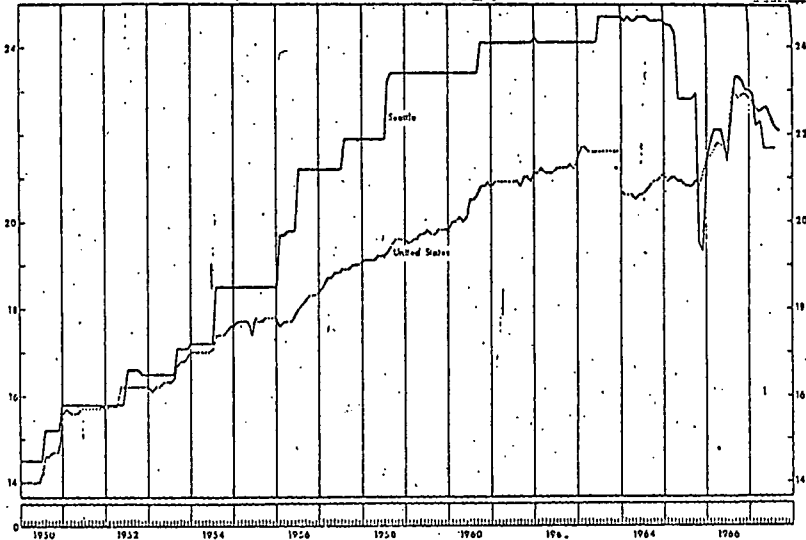
*December 1963 and January 1964 not comparable due to a revision in sampling procedures.

Source: Appendix Tables 1 and 2.

Economic Report on the Baking Industry, Federal Trade Commission, 1966

The same Economic Report which analyzed the State of Washington situation analyzed, in depth, the price behavior in five other areas. These areas were chosen for study without regard to any known price behavior. Two of these areas were found to have prices above the national average and trends similar to that found in the *Bakers of Washington* case. In both instances, the Department of Justice brought suits based on the analysis and won victories. In Baltimore, where subsequent price data have been analyzed, the average price of bread appears to have dropped approximately 15 percent. In doing so, an estimated $5 million a year in consumer overcharge which had existed for a ten-year period was eliminated.

The frequency of explicit price-fixing is not well documented since it is done in secrecy.[12] Investigations are initiated only in those instances where pricing patterns strongly suggest collusive behavior or when someone becomes an informer.

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[12] The 1966 Staff Report of the Federal Trade Commission reported a total of 55 price-fixing and market allocation cases initiated against food manufacturing companies by the Federal Trade Commission and the Department of Justice between 1950 and 1965. However, with the sole exception of the *Bakers of Washington* case, no data are available indicating the extent of consumer loss.

The above is an illustration of an explicit price conspiracy. Although I do not intend to minimize the importance of such conspiracies, available data and analysis indicate that tacit price collusion is much more pervasive. Tacit price collusion is the typical conduct of oligopolies. It results from the various forms of price leadership practiced in oligopolistic industries. A large and growing number of statistical studies are demonstrating the existence of a relationship between the dimensions of market structure and profit rates, gross markups and cost-price margins. The empirical relationships are very similar in widely different industrial sectors and in statistical formulations that use different data sets and statistical techniques.

The staff of the Federal Trade Commission has conducted two such analyses that are particularly relevant to the food industries. One develops the relationship between concentration, advertising intensity, and other structural variables, and the level of profits of food manufacturers. The relationship of concentration, advertising intensity, and profit rates is summarized in table 3. This table shows where 4-firm concentration averaged 40 percent and advertising-to-sales concentration averaged 1 percent, companies earned an average profit to stockholder rate of 6.3 percent. On the other hand, in industries where 4-firm concentration averaged 70 percent and advertising expenditures averaged 5 percent of sales, there was an average net profit rate of 15.9 percent. Another variable in the analysis (not summarized in table 3) shows that firms holding the dominant positions in the industries enjoy even higher profit rates. In short, this means that the high frequency of moderate and high concentration industries in food manufacturing (table 1) is having a great effect on consumer prices.

TABLE 3.—PROFIT RATES OF FOOD MANUFACTURING FIRMS ASSOCIATED WITH VARIOUS LEVELS OF INDUSTRY CONCENTRATION AND ADVERTISING-TO-SALES RATIOS

Advertising-to-sales ratio (percent)	1.0	2.0	3.0	4.0	5.0
	Associated net firm profit rates as a percent of stockholders' equity [2]				
4-firm concentration: [1]					
40	6.3	7.4	8.5	9.6	10.7
45	8.0	9.1	10.2	11.3	12.4
50	9.3	10.4	11.5	12.6	13.7
55	10.3	11.4	12.5	13.6	14.7
60	11.0	12.1	13.2	14.3	15.4
65	11.4	12.5	13.6	14.7	15.8
70	11.5	12.6	13.7	14.8	15.9

[1] The average concentration ratio (weighted by the company's value of shipments) of the product classes the company operated in in 1950.
[2] Profit rates were calculated from the regression equation shown in appendix table 4-2. Other variables influencing company profitability were held constant at their respective means. These variables were the firm's relative market share, growth in industry demand, firm diversification, and absolute firm size. Profit rates are averages for the years 1949–52. Advertising-to-sales ratio is for the year 1950.

Source: Federal Trade Commission, Economic Report on The Influence of Market Structure on the Profit Performance of Food Manufacturing Firms, 1969.

Table 4 summaries a statistical relationship between food chain market shares, average gross markup, and profit rates, developed from company supplied data *In the Matter of National Tea* (FTC Docket 7457). The relationship is positive and very strong. Tabulations of data submitted to the National Commission on Food Marketing by nine other large food chains show very similar positive relationships.[13]

[13] *Organization and Competition in Food Retailing,* Technical Study No. 7, pp. 191–201.

Figure 2

RETAIL GROSS MARGINS OF LARGE FOOD CHAINS, 1921-1969
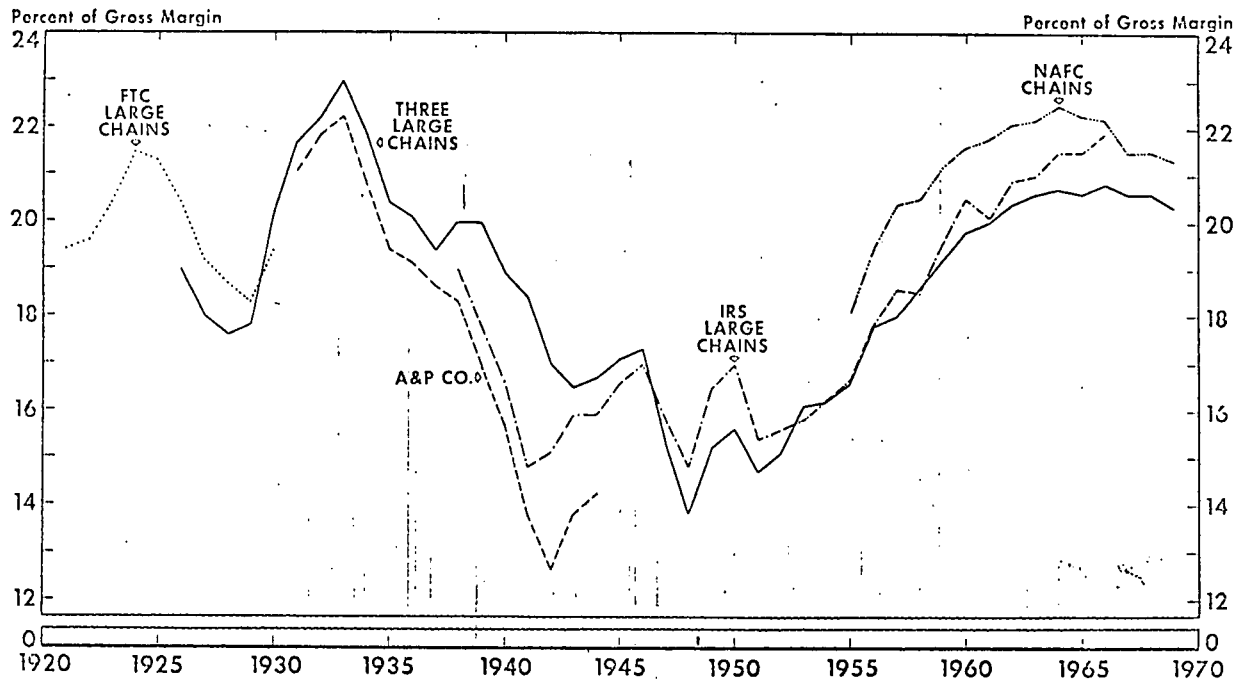
TABLE 4.—DISTRIBUTION OF THE MARKET SHARE RATIOS FOR NATIONAL TEA CO.'S OPERATION IN 899 CITIES—1958

Market share (percent)	Number of cities	Average gross profit ratio	Average contribution ratio [1]
Under 5.0	48	14.9	[2](2.3)
5.0 to 9.9	93	16.4	1.6
10.0 to 14.9	83	17.0	3.7
15.0 to 19.9	55	17.0	4.0
20.0 to 24.9	47	17.5	5.7
25.0 to 34.9	44	17.5	5.5
35.0 and over	29	17.3	6.5
Total	399		

[1] Ratios in percentages. Simple average of the arithmetic means of the cities.
[2] Negative ratio in parenthesis.

Source: Federal Trade Commission, In the Matter of National Tea, Docket No. 7457, CX483.

We often hear that prices charged by grocery chains cannot be greatly affected by concentration or other structural variables because their profits-to-sales ratios are low. Most food chains do have profits-to-sales in the 2 to 5 percent range before taxes. A look at the evidence, however, shows that prices can be reduced and profits are not driven to negative levels. A study by the staff of the Federal Trade Commission shows that food discounting in Washington, D.C., resulted in a 3 percent reduction in prices and retailers still earned profits.[14] Another important point, in recent years low-margin retailers have been among the most profitable firms in the food chain business.

Figure 2 shows there have been wide swings in average gross markups of chains yet industry profits rates (not shown) have experienced remarkably little year-to-year variation. Between the early 1930's and 1950's average gross margins decreased almost 10 percentage points. This was due mainly to the supermarket revolution. From 1950 to 1965 average markups climbed again to the early 1930's level. This was due mainly to trading stamps, games of chance, more expensive stores, added in-store services, increased advertising, and other nonprice elements of competition. Underlying this shift to nonprice factors as the principal dimension of competition was the outbreak of a major merger movement which eliminated entry of chains into each others markets as a significant competitive force. In the mid-1960's anti-competitive mergers by large grocery chains were curtailed by an FTC merger policy and there is evidence that competition which had been stopped by the mergers has resumed.[15] Since 1965, gross margins have dropped by more than 1 percentage point. Considering that annual food store sales are over $100 billion, every percentage point decline in gross margins means an additional saving to consumers of $1 billion.

Mr. JASINOWSKI. We now have a statement from the Agribusiness Accountability Project that has been prepared by Susan DeMarco and Jim Hightower. I do not know how to present it. Do you want to split it up or does one of you want to present it?

Mr. HIGHTOWER. I will go on and present it.

Mr. JASINOWSKI. OK, that is fine.

Would you go ahead?

[14] *Discount Food Pricing in Washington, D.C.,* 1971, p. 9.
[15] Ibid, pp. 14–17.

STATEMENT OF JIM HIGHTOWER, CODIRECTOR, AGRIBUSINESS ACCOUNTABILITY PROJECT, ACCOMPANIED BY SUSAN DeMARCO, CODIRECTOR

Mr. HIGHTOWER. I am Jim Hightower and I am here with Susan DeMarco. We are codirectors of the Agribusiness Accountability Project. We appreciate this opportunity to present testimony on corporate power in the food economy and its impact an food prices.

President Nixon, intending to characterize himself as the farmer's friend, recently did the verbal equivalent of stepping in a fresh cow pattie. What he did was to say, "farmers never had it so good." As you might imagine, they did not take kindly to that out in the farm country.

Not only was the President's statement bad politics, it was wrong. No one knows that better than farmers. Sure, the farmer's income was up in 1973, but two facts in particular bother farmers about the President's statement. First, farmers neither caused the exorbitant food prices of 1973, nor did they profit most from them—it was food middlemen that continued to take the big bite out of the consumer's food dollar. Also, the President was trying to make political hay out of a temporary price boom that already is fizzling out—1974 does not look all that great to farmers.

MIDDLEMEN NEVER HAD IT SO GOOD

Consider the first question: Who profited? There can be no doubt that 1973 was a good year for farm income, especially for grain and livestock farmers. As it turns out, administration publicists were a bit overzealous in their initial claims for farm income, and they had to revise their early figures downward by $2 billion. And there is considearble doubt that all of that $24 billion in farm income actually ended up on the farm, since a good many corporate processors and marketers of such commodities as eggs and poultry get counted as "farmers." These quibbles aside, however, 1973 was not a bad year to have been a farmer.

But it was not the kind of year that warrants being singled out in a Presidential press conference. Even with the record income levels of 1973, farmers received only 46 cents out of the consumer's food dollar. The rest went to corporate middlemen. And lest you think that every farmer in America is drawing 46 cents every time a consumer lays down a dollar, you ought to know that most farmers never see that kind of ratio. For example, the chicken that you pay $1.50 for pays the chicken farmer 6 cents. Department of Agriculture statistics show that a can of peaches cost consumers 41 cents last year, but the peach farmer got only 7 cents of it. You spent 28 cents for a loaf of white bread, and only 4 cents of it trickled back to the wheat farmer. That can of corn that cost you a quarter returned only 3 cents to the farmer.

At a time of skyrocketing food prices and consumer disgruntlement, the President pointed to farmers, without bothering to mention that food corporations were enjoying even better times. Cattle ranchers are said to have done especially well in 1973, but none did anywhere

near as well as such corporate cowboys as Iowa Beef Processors, with a 77–percent profit increase last year, or Missouri Beef Packers, with a 110-percent profit increase. And food processors whined all last year about Government price controls, but they whined all the way to the bank. For example, the big canners of fruits and vegetables did much better than the farmers who grow the stuff, with such firms as Del Monte taking a 35-percent profit increase in 1973, Campbell Soup up 23 percent and Castle & Cook up 52 percent.

Mr. Paarlberg mentioned the impact of labor costs in the food economy. That is often cited by the food industry. But they never mention high executive salaries.

The May 4 issue of Business Week offered another interesting insight into how the chips actually fell last year. In a listing of salary increases for corporate executives, the food industry was found to be very generous. Food manufacturing firms ranked 9 out of 32 industries surveyed, boosting the pay of their top executives by an average of 17.7 percent. For example, while consumers were advised by Government and industry to switch from beef to beans, Kraftco increased the salary of its board chairman from $264,000 to $321,000. Of course, consumers ultimately get to pay for Kraftco's internal largesse. Grocery chain executives ranked fourth in Business Week's listing, taking home a 24.3-percent pay increase. Safeway, which complained all last year about its paper-thin margins, scraped up an extra $16,000 from somewhere to round off its chairman's salary at a neat $200,000 a year. Precious few farmers make the equivalent of a $16,000 salary, much less $200,000. And Business Week reports that these top executives now are feeling "the pinch of inflation," so we can expect their pay levels "to take another big jump with the expiration of controls," which have now gone off.

PRICES : DOWN ON THE FARM

Food middlemen are the ones who never had it so good, and now they are having it even better. Grocery shoppers undoubtedly are puzzled over the phenomenon of the "disappearing price drop" in our food economy. Since September of 1973, the news media has been reporting each month that the farm value of food has been falling. But, somehow, that price drop on the farm has not made its way into the supermarkets. In fact, farm prices fizzled 16 percent from August to December of last year, but supermarket prices remained sizzling hot. Even as President Nixon was making his remark in March about the good fortunes of American farmers, the price they were being paid was falling for the sixth straight month, while the price charged to consumers actually was rising.

The decrease in farm prices is disappearing directly into middleman bookkeeping. The Federal Reserve Bank of Chicago reports that food middlemen increased their take from consumers by 6.5 percent in 1973. That is an increase exceeded only once in the last 20 years. And the Department of Agriculture reports that these firms will increase their share in 1974 at a rate that "may be more than double the 1973 increase." What that means is that consumers will pay much more for food this year, and much less of what they pay will go to farmers.

In 1973, the farmer was getting 46 cents of the food dollar. By March of 1974, that already had fallen to 43.6 cents. In April, the price of farm products fell another 5.5 percent, and it is expected to fall even more during the year. But the retail price of food is hardly keeping pace. The administration is well-known for its way with words and statistics, but a remark earlier this month by Herbert Stein, Chairman of the President's Council of Economic Advisers, is enough to drive both farmers and consumers crazy. He said, "The declines in farm product prices are likely to be reflected in much smaller increases in retail food prices than occurred in the first quarter of 1974." Only the National Association of Food Chains can appreciate the logic of that.

In fact, that is the kind of logic that food chains can carry to the bank, for there are profits in them thar credibility gaps. Food retailers in the first 3 months of this year had profits that were 59 percent higher than a year ago, even though their sales were up just 14 percent.

To a significant degree, this level of profit is the result of monopoly power in the food industry. There are 32,000 food manufacturing firms, but 100 of those make 71 percent of the profits in the industry. Those few firms, powerfully situated between millions of farmers and millions of consumers, are the decisive force in the American food economy. Mr. William Shepherd, a leading authority on market concentration, reports that the food industry falls well within the category of "tight oligopoly," with the average four-firm concentration within the industry being 55 percent.

In many food lines, shared monopolies exert much greater control. For example, 91 percent of all breakfast cereal is sold by four firms—Kellogg, General Mills, General Foods, and Quaker. Three firms—Dale, Del Monte, and United Brands—sell 85 percent of all the bananas. Gerbers alone sells 60 percent of baby food, and Campbell Soup sells 90 percent of all soup. The same high levels of concentration exist in food retailing, with more than half the cities in the country being dominated by four or fewer chains. In the Washington, D.C., area, for example, Safeway, Giant, Grand Union, and A&P control 72 percent of the grocery market. Nationally, Southland Corp., the parent of the 7-11 chain, owns a third of all the convenience stores.

Senator Humphrey earlier mentioned the disappearance of the "mom" and "pop" stores. They have not disappeared, just "mom" and "pop" have disappeared, and now we have convenience stores in their place. Instead of paying our food dollars to a locally owned store in our own neighborhoods, we now pay most of them to the Southland Corp. located in Nashville, Tenn.

COSTS: UP ON THE FARM

The administration has made a mess of our food economy over the past few years. Now they are allowing monopolistic food middlemen to extract big profits from the wreckage, while publically drawing attention to the modest and long overdue profit levels of family farmers. That alone is enough to make even the most reticent farmer swear. But there is another harsh economic reality that is squeezing

farmers and causing them to think seriously about the advice of old-time populist leader Mary E. Lease: "Raise less corn and more hell."

That reality is the rise in farm production costs. Not much of what the farmer gets stays in his pockets, for he has a mess of bills to pay. President Nixon missed this fine point of farm finance when he was telling farmers how well off they are. As farmers move through spring plantings they are massively pessimistic. The cost of their production supplies has increased even more dramatically than the fizzling of farm prices. The Department of Agriculture predicts that farmers' expenses in 1974 will be "more than $9 billion above last year."

A corn farmer in Iowa told the Des Moines Register of fertilizer prices this year 40 percent higher than last, of diesel fuel prices doubling since last year, and of corn seed that has gone from $25 a bushel to $37 a bushel. The cost of new machinery has gone out of sight, and repair of old machinery is about as costly; as this corn farmer put it, "You don't need too big a truck to haul away $500 in parts. He is having to shell out this kind of money now, while the price he can expect for his corn already has tumbled this year from $3.25 a bushel to $2.27.

At work here is the other jaw of the corporate vise that is squeezing family farmers. There may be a profit made on the farm in 1974, but there will be much more profit made off the farmer. Here's a sample of profit increases farmer suppliers already have had in the first quarter of this year:

International Harvester's profits are up 113 percent for the first quarter of 1974 compared to a first quarter 1974 sales increase of 16 percent. Stauffer Chemical's profit increase is 55 percent compared to a 31 percent sales increase. Occidental Petroleum profit increase is 716 percent with a 96 percent sales increase. Firestone Tire & Rubber has a first quarter profit increase of 19 percent with a sales increase of 17 percent. And Pfizer is up 33 percent in profit with a 26 percent sales increase.[1]

To put these profits into perspective, the average profit increase in all industries in this first quarter was 16 percent. Farm suppliers might be said to have never had it so good. And again, these profits can be traced to the existence of monopoly power within the industries. For example, Mr. Shepherd reports that the four leading farm machinery firms hold 70 percent of the relevant market. The Federal Trade Commission staff found that farmers were overcharged $251 million in 1972 because of the existence of monopoly power in the farm machinery industry. The four-firm concentration ratio in the chemical industry is 71 percent; in petroleum refining, 65 percent; and in tires, 71 percent.

PROSPEROUS FARMERS—HAPPY CONSUMERS

The vast majority of the American people no longer know how to produce their own food. That fact is hailed as a major achievement of American agriculture—millions have been "freed," in Secretary

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[1] Source, Business Week, May 11, 1974, pp. 70–90, "Survey of Corporate Performance: First Quarter 1974."

Butz's phrase, from the necessity of producing food for themselves. While that freedom is a blessing, it also leaves us vulnerable. We are dependent on the tiny majority that manages our food economy. And Food power today rests squarely with giant corporations. And those corporations are taking advantage of our vulnerability, they are working to restructure American agriculture to fit their marketing needs, and they are jacking up prices and reaping enormous profits. Government, which ought to intervene against this power to assure a food policy that satisfies the broader public interest, has sided instead with corporations.

I am not talking here about farmers. A great deal of official lipservice is paid to family farmers, but they actually have negligible power in the food economy and, in fact, have been made as vulnerable as the rest of us.

Secretary Butz fairly gloated about the consumer plight last year, exultantly declaring at one point that "the day of cheap food is over." No one is suggesting that food ought to be "cheap," but there is no question that food ought not to be expensive. We are not talking here about automobiles or television sets. Food happens to be the most basic of all consumer items. It is not something to put up for the highest cash bid or to turn over to the whims of concentrated market power. Food, health care and housing are three human necessities, and it ought to be a matter of Government policy to assure that none of these are priced out of reach of any citizen. But that is not Government policy, and it has been priced out of reach for a number of citizens of this country.

The evidence indicates that the Nixon-Butz administration is pursuing a policy of high-priced food, without adequate protections for farmers and consumers. That policy is allowing farm input corporations to increase their prices without restriction or serious questioning. It is demanding that family farmers increase production and lower their prices, ostensibly to lower retail prices. But it also is allowing processors, marketers and retailers to hold consumer prices up in order to increase their margins and profit levels. And, as the final straw, it is demanding that consumers pay the tab while swallowing the official line that all this is the inexorable workings of a free market.

Despite the divisive rhetoric that has come out of the Department of Agriculture over the past months, farmers and consumers are not enemies. Even at the height of last year's food crisis, the opinion polls consistently showed broad public support of family farmers, coupled with a distrust of food corporations. Both are well-placed.

The question is whether there will be any relief. Consumers and farmers alike want action. They will not get it from the Department of Agriculture. If consumers and farmers ever are to have it good again, they must look to Congress.

It is possible to pursue a food policy that would produce inexpensive food, happy consumers and prosperous farmers. At least we ought to try it. But it is impossible to lower food prices and to raise farm income without dealing directly with the structure of the food economy. President Nixon, in his 1973 farm message, said that it was time to "get the government off the farmer's back." The real problem is to get corporate power off the farmer's back, not to mention out

of the consumer's pocket. That means such action as strong antitrust enforcement among farm suppliers and food middlemen; serious consideration of such protections as the Family Farm Act and collective bargaining for farmers; establishment of an international grains reserve; and, development of a regional marketing system utilizing both farm and consumer cooperatives.

Mr. JASINOWSKI. Thank you, Mr. Hightower, for a colorful statement.

Ms. DeMarco, do you have anything to add to what he said before we start the questioning?

Ms. DeMARCO. No, I do not. I think we can just go to the questions. It would be easier for us to determine what your needs are and respond.

Mr. JASINOWSKI. Thank you.

In addition to myself, Ms. Falcone is on the dais, and she will be asking questions, too.

You wanted to add something?

Mr. HIGHTOWER. Yes, we have three inserts for the record I would like to make here, and I would like to get that out of the way now. They are all from Business Week magazine.

The first is entitled "1973 Profits: A Year To Remember" from Business Week of March 9, 1974. The second one is entitled "Executive Compensation: Getting Richer in '73," from Business Week of May 4th. And the third is entitled "Profits: Better Than Expected," first quarter of 1974, from the May 11th Business Week.

Mr. JASINOWSKI. Thank you.

Without objection, those will be included in the record at this point.

[The articles referred to follow:]

1973 PROFITS: A YEAR TO REMEMBER

SURVEY OF CORPORATE PERFORMANCE: FOURTH QUARTER 1973

Earnings soared 27%. But inflation cut into 'real' profit gains. The big winners: paper, steel, aerospace, metals, and oils.

Rapidly rising costs, price controls, materials shortages, and the initial impact of the energy crisis combined to dampen corporate profits during the final quarter of 1973. But that was not enough to cool the spectacular profit performance for the year as a whole. When all the counting is done, U.S. corporations will have made more than $70-billion after taxes during 1973, 27% more than the $55.4-billion recorded in 1972. That was the biggest percentage increase since the post-Korean War boom days of 1955 and the biggest dollar increase in U.S. business history.

For this survey of fourth quarter and full year 1973 financial results, BUSINESS WEEK is including 1,200 companies, 50% more than are polled for regular quarterly performance reports. Four new industry categories appear on the list: food and lodging, real estate and housing, oil service and supply, with retailing now broken into separate food and nonfood categories. Finally, this survey includes not only composite figures for all the companies in an industry, but, for the first time, an all-industry composite covering all 1,200 companies.

All the data was compiled by Denver-based Investors Management Sciences, Inc., a subsidiary of Standard & Poor's Corp., and includes nearly all U.S. industrial corporations with fourh-quarter sales of $18-million or more, utilities with quarterly revenues greater than $50-million, and banks with deposits of at least $1-billion. Companies whose most recent fiscal quarter ended before Nov. 1 were left out unless their sales for the three months topped $100-million.

Together, these 1,200 companies had combined sales of $261.5-billion in the fourth quarter, up 22% from the same quarter a year earlier. Their profits totaled $15.3-billion, up 23%. For full year 1973, these same 1,200 companies

racked up sales of $955.1-billion, 19% higher than for all of 1972. And they recorded annual profits of $55.9-billion, an increase of 25% from 1972, the previous record earnings year.

The one visible sign of trouble came in fourth-quarter profit margins. Margins for these companies were the same in both the final quarters of 1972 and 1973—5.8%. Margins had run nicely ahead of year-ago levels in the first three quarters of 1973.

The five industries that turned in the best fourth-quarter profit performance also led the pack for the whole year. But their order of finish, as well as the magnitude of their earnings increases, was considerably different. The paper industry was the big profit winner for 1973 with earnings up by 67%. It was closely followed by steel, up 66% for the year, aerospace, up 64%; metals up 62%; and oil, up 55%. But two of those industries did not hit their stride until the fourth quarter. Spurred by new defense spending, aerospace profits rocketed ahead by 313% during the final quarter of 1973. And profits for the oil industry grew by 80%, fueled by rapidly rising prices for energy. The paper industry, after six quarters of extremely high profit increases, found its fourth-quarter gains cooling a bit to 57%.
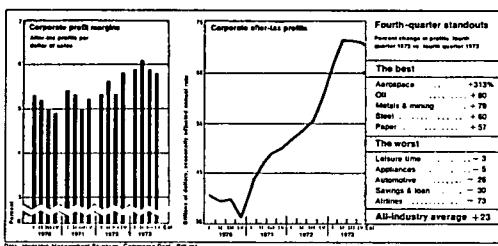
Fourth-quarter profits took a nosedive in the automotive and airlines industries, hard-hit by the energy crisis and rising costs. Savings and loan associations were hard hit by stiff competition for the savings dollar at a time when money market rates seesawed. But these industries did considerably better for the entire year, although they were still among 1973's poorer performers. Airlines profits were off by 8% for the year, while s&Ls showed only a 2% gain and autos produced a subpar 13% increase. The big loser in 1973 was the leisure-time industry, where profits skidded by 15%.

If the big oil companies made big profits during 1973, their smaller brethren did even better. Earnings for the year were up 996% at Commonwealth Oil, 432% at Amerada Hess, and 305% at Occidental Petroleum.

Steel industry earnings were led by annual boosts of 258% at McLouth, 101% at Republic, and 108% at U.S. Steel. Wheeling-Pittsburgh nailed down a 199% profits increase in the fourth quarter. Paper industry leaders were Hammermill, up 274% for 1973, and Westvaco, up 232%.

Reflecting a bad year on Wall Street, annual profits fell by 66% at Dean Witter, 56% at Reynolds Securities, and 55% at E.F. Hutton. In the airlines industry, Eastern, Pan Am, and American all racked up big losses for the year, but profits were up 151% at UAL and 194% at Northwest.

Metals companies made a particularly strong showing during 1973's final quarter. Profits at Reynolds Metals were up by 987%, followed by Revere Copper & Brass (up 738%) and Kaiser Aluminum (up 372%). And earnings at Martin Marietta Aluminum grew by 583% during 1973.

THE BEST PERFORMERS

Of the 1,200 companies surveyed by BUSINESS WEEK. the glamour stocks continued to command the highest price/earnings ratio during 1973. Leading the pace was the drug industry, with a p/e of 23, followed by oil service and supply

with a p/e of 21. Personal care products, office equipment, beverages, and instruments again commanded high multiples, with p/e ratios ranging from 14 to 20. Industries with the lowest current p/e's include aerospace, steel, conglomerates, automotive, textiles, s&Ls, and containers—all with p/e ratios from 5 to 7.

Many of the highly touted glamour industries also continued to give their common shareholders the best return on equity during 1973. Long an institutional favorite, the personal-care products industry led the list with a return on common equity of 20.7%. But the trucking industry also provided common shareholders with a 20.7% return, even though it was among the poorer performers when it came to profit increases.

Other industries with high returns on common equity included drugs, 20%; instruments and office equipment, both 17%; and radio and TV broadcasting, 16.8%—all members of the glamour set. Industries with the poorest annual return for shareholders were airlines, with 5.2%; railroads, 6.3%; and steel, 9.1%; followed by food retailers (9.6%) and textiles and apparel (10.8%).

The key question, of course, amid all the talk of record profits is just how "real" these spectacular gains actually are (page 133). A big chunk of the hefty 1973 earnings increases can be attributed to inventory profits—profits generated by the increase in the value of inventories between the time of purchase or production and the time of sale.

Last year, U.S. corporations earned a huge $127-billion before taxes, 30% above the handsome $98-billion earned in 1972. But the Commerce Dept. estimates that $17.3-billion of total 1973 earnings came from inventory profits, compared with inventory profits of only $6.9-billion in 1972. If the data for both years is adjusted, the "real" increase in pretax profits for 1973 was only 19.9%.

Inventory profits, of course, still count as solid profits on the bottom line. But the investor should be aware that inventories may have to be replaced during 1974 at much higher prices, and that could be a drag on corporate results if the prices that the company is able to charge do not keep pace. And if prices of raw materials and other commodities should tumble later in the year, these corporations may experience still another drag on earnings as they use up relatively higher priced inventories. Companies that use first in-first out (FIFO) accounting, and whose inventories are rather slow to turn over, are particularly vulnerable.

For this reason, the Securities & Exchange Commission recently suggested that companies break out their inventory profits, if they are significant, in their financial reports for 1973. But few, if any, corporations are likely to make such disclosure. Inventories are only one item in the financial statements that are affected by inflation. To only show the effect on inventories would be "potentially misleading," they argue.

Breaking out inventory profits is only "a piecemeal, patchwork solution," says Donald H. Chapin, partner at Arthur Young & Co., one of the nation's Big Eight CPA firms. Most corporate managers are waiting until the new Financial Accounting Standards Board can put its stamp of approval on some kind of price-level adjustments for the entire income statement and balance sheet. That kind of "inflation accounting," which now is being tried in Great Britain, lets investors compare the present financial results based on historical costs with a new set of figures expressed in constant dollars. The FASB has scheduled a public hearing on the issue late next month.

In its preliminary profits report, Bethlehem Steel's chairman, Stewart S. Cort, did take note of the inflation factor in discussing his company's 1973 earnings, which rose from $134.6-million to $206.6-million. He noted that Bethlehem's net income was only about 8% higher than it was in 1957—the company's previous record earnings year—although it shipped 3-million more tons last year than in 1957. "In fact," Cort summed up, "our 1973 earnings were about 30% lower than 1957's in constant dollars—that is, adjusting the figures to compensate for the effects of inflation."

REFIGURING OVERSEAS INVESTMENTS

Economists estimate that the over-all impact of currency realignments of 1973 profits was negligible—amounting to no more than 1% or 2% of total U.S. corporate earnings. But for multinational corporations, the impact was considerably greater. Those companies also now have a wide range of accounting alternatives, and can choose how and when they want to taake some of the gains.

BankAmerica Corp. says that its revaluation of overseas investments during 1973 produced $9.7-million in after-tax profits. But the bank will put aside $5.5-million of this amount into a special reserve to offset possible future losses if

the dollar continue to strengthen against other currencies during 1974. And Eastman Kodak Co. says that $13.8-million of its $635.5-million 1973 earnings came from foreign currency exchange gains. But the company set aside another $19-million in a special reserve to help offset inventory losses caused by the decline of "certain European currencies in early 1974."

Many economists are predicting almost no growth in corporate profits for 1974. But businessmen, more optimistic, expect industry to show respectable earnings gains (page 45). Part of the gap may be explained by the "inventory profits" issue. But how corporate profits rank at this time next year will depend on the depth of any economic slow-down, the rate of inflation, the effect of any remaining price controls, and the severity of the energy crisis.

Uncertainties about the direction that oil company profits will take—or will be allowed to take—are enough to throw a monkey wrench into the best of predictions.

THE 1973 LEADERS

IN RETURN ON COMMON EQUITY

[In percent]

Industries	12 months ending December 31, 1973
1. {Personal care products	20.7
{Trucking	20.7
3. Drugs	20.0
4. Instruments	17.2
5. Office equipment, computers	17.1

Individual companies	Industry	12 months ending December 31, 1973
1. Valmac Industries	Food processing	86.9
2. Bowmar Instrument	Electrical, electronics	69.6
3. Cook Industries	Food processing	65.6
4. Sierra Pacific Industries	Building materials	49.9
5. National Semiconductor	Electrical, electronics	42.3
6. American Beef Packers	Food processing	41.8
7. Tampax	Personal care products	41.6
8. Bandag	Tire and rubber	41.5
9. K-Tel International	Leisure time	41.0
10. Edgington oil	oil	40.7
All-industry composite		14.0

AND IMPROVED PROFIT MARGINS

[In percent]

Industries	4th quarter, 1973	4th quarter, 1972	Change
1. Aerospace	2.4	0.7	+243
2. Metals & mining	8.3	5.6	+48
3. Paper	6.5	5.0	+30
4. Oil	9.0	7.0	+29
5. Steel	4.9	3.9	+26

Individual companies	Industry	4th quarter, 1973	4th quarter, 1972	Change
1. Kaiser Steel	Steel	22.4	0.2	+11,100
2. Wean United	General machinery	2.7	0.1	+2,600
3. Natomas	Oil	21.5	1.8	+1,094
4. Bibb	Textiles, apparel	1.9	.2	+850
5. Reynolds Metals	Metals and mining	7.0	.9	+678
6. Revere Copper & Brass	do	2.2	.3	+633
7. PVO International	Service industries	1.3	.2	+550
8. Libby, McNeill & Libby	Food processing	1.7	.3	+467
9. Commercial Solvents	Chemicals	4.6	.9	+411
10. Northwest Airlines	Airlines	9.0	1.8	+400
All-industry composite		5.8	5.8	+0

Data: Investors Management Sciences, Inc.

Company	Sales 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Aerospace—Airframes, general aircraft and parts:													
Beech Aircraft [1]	$49.2	—1	$204.3	10	$2.4	2	$10.1	24	4.9	4.8	19.3	5	$1.44
Boeing	942.8	70	3,335.2	41	13.9	89	51.2	68	1.5	1.3	5.9	6	2.38
Cessna Aircraft [1]	103.4	28	393.4	41	5.0	15	22.2	41	4.8	5.4	19.7	5	2.92
General Dynamics	432.0	11	1,641.8	7	12.8	62	40.3	55	3.0	2.0	10.8	6	3.84
Grumman	[2] 359.6	70	1,087.9	59	4.3	NM	16.9	NM	1.2	NM	12.9	5	2.49
Lockheed Aircraft	832.8	25	2,760.0	12	4.7	60	14.1	8	.6	.4	5.2	4	1.24
McDonnell Douglas	655.5	—18	3,002.6	10	27.3	—19	129.5	16	4.2	4.2	15.0	6	3.26
Northrop	231.8	46	699.0	22	5.2	62	11.6	4	2.2	2.0	7.3	7	2.93
Rockwell International [1]	908.0	30	3,387.6	21	30.3	37	134.4	36	3.3	3.2	14.2	6	4.43
Thiokol	74.3	18	279.7	10	3.3	27	12.8	29	4.4	4.1	13.9	5	2.19
United Aircraft	634.9	8	2,288.9	13	14.6	5	58.1	15	2.3	2.4	10.8	5	4.92
VSI [3]	34.3	37	125.3	28	2.1	45	8.2	33	6.0	5.7	19.7	6	2.61
Industry composite	5,258.7	23	19,205.8	20	125.8	313	509.4	64	2.4	.7	11.4	5	3.17
Airlines:													
Allegheny Airlines	87.5	15	324.9	23	3.4	23	5.6	4	3.8	3.6	9.3	8	.88
American Airlines	395.4	19	1,482.0	9	—13.4	NM	—48.0	NM	NM	NM	—1.69	NM	—1.69
Braniff International	117.2	24	432.3	16	4.4	15	23.2	35	3.8	4.1	19.6	10	1.15
Continental Air Lines	101.6	10	387.3	6	—1.4	NM	.1	—99	NM	.6	.1	NM	.01
Delta Air Lines [3]	292.3	15	1,123.0	16	22.8	26	75.0	44	7.8	7.1	20.5	13	3.77
Eastern Air Lines	312.7	6	1,259.8	9	—27.3	NM	—51.3	NM	NM	NM	—14.9	NM	—2.73
Flying Tiger	83.4	18	291.0	13	10.8	8	34.5	16	13.0	14.2	19.5	7	2.68
Frontier Air Lines	32.5	15	127.3	17	.7	—30	5.8	4	2.3	3.7	61.2	6	.87
National Airlines [3]	105.3	11	413.8	13	5.6	11	20.6	—1	5.3	5.3	12.9	7	2.41
North Central Airlines	34.1	13	127.4	6	1.7	278	6.4	10	5.0	1.5	18.0	6	.52
Northwest Airlines	159.4	61	584.3	49	14.3	711	51.9	194	9.0	1.8	10.2	10	2.04
PSA	28.0	—6	121.1	8	—.2	NM	.6	—89	NM	1.9	.8	51	.18
Pan American World Airways	341.6	10	1,433.1	10	—19.7	NM	—18.4	NM	NM	NM	—4.6	NM	—.45
Piedmont Aviation	35.1	30	129.0	19	1.5	104	3.3	36	4.3	2.7	30.4	4	1.35
Trans World Airlines	187.3	—47	1,379.3	—3	—6.7	NM	46.5	8	NM	NM	10.7	5	3.25
UAL	533.8	16	2,060.3	13	8.5	198	51.1	151	1.6	.6	7.1	13	2.03
Western Air Lines	102.0	13	414.7	13	3.0	94	20.4	82	3.0	1.7	19.5	8	1.39
Industry composite	2,949.2	8	12,090.7	11	8.2	—73	227.4	—8	.3	1.1	5.2	12	.84

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Appliances:

Hoover	149.1	22	534.6	17	10.6	8	33.0	12	7.1	8.1	18.9	7	2.50
Magic Chef [3]	49.1	−10	222.7	2	.9	−68	5.3	−49	1.9	5.2	6.6	8	.68
Maytag	59.5	2	226.6	9	8.5	−4	29.4	5	14.3	15.3	30.0	12	2.20
Schick [4]	29.7	−21	107.6	22	−5.3	NM	−4.1	NM	NM	6.0	−44.6	NM	−2.86
Singer	720.4	18	2,527.6	14	31.5	2	94.5	8	4.4	5.1	11.7	7	5.32
Sunbeam [5]	256.9	21	701.2	23	10.0	12	30.4	22	3.9	4.2	13.2	8	2.19
Tappan	60.6	−2	249.3	13	1.1	−49	4.6	−28	1.8	3.4	6.7	5	1.50
Whirlpool	370.4	4	1,636.9	16	21.8	22	86.6	27	5.9	5.0	24.2	12	2.41
Industry composite	1,695.8	12	6,206.5	15	79.1	−5	279.6	8	4.7	5.5	15.4	8	2.60

Automotive—Autos, trucks, equipment and parts:

Allen Group	52.5	35	196.5	31	1.1	210	4.6	20	2.2	.9	9.2	6	1.44
American Motors	478.9	17	1,806.9	22	8.7	23	46.1	135	1.8	1.7	15.7	6	1.69
Arvin Industries	68.5	22	233.9	14	1.4	−41	6.9	−8	2.0	4.1	10.3	9	1.23
Bearings [3]	38.1	29	140.4	25	2.0	46	8.0	44	5.2	4.6	19.9	10	2.01
Bendix [1]	[3]584.2	23	2,337.3	26	16.2	14	71.3	14	2.8	3.0	10.5	6	4.33
Borg-Warner	405.1	22	1,546.8	21	23.0	16	71.3	20	5.7	6.0	11.6	5	3.70
Budd	200.6	13	776.8	16	5.9	55	23.7	60	3.0	2.2	14.1	3	3.60
Chrysler	3,410.3	26	11,774.4	21	74.4	−12	255.4	16	2.2	3.1	9.8	4	4.80
Cummins Engine	185.5	24	685.8	32	7.7	90	24.8	201	4.1	2.7	13.4	10	3.61
Dana [6]	269.4	16	1,026.4	19	15.2	13	57.8	20	5.6	5.8	17.3	6	4.05
Eaton	408.8	26	1,550.2	27	20.0	4	85.6	22	4.9	5.9	16.2	6	4.84
Eltra [1]	178.9	16	694.3	15	8.4	6	32.9	23	4.7	5.1	13.7	6	4.34
Federal-Mogul	87.8	17	341.2	18	3.5	−1	14.1	−3	4.0	4.7	10.3	9	2.46
Filter Dynamics International [7]	18.8	28	63.3	25	.1	−72	2.7	12	.8	3.5	13.9	5	1.16
Ford Motor	5,631.5	1	23,015.1	14	56.6	−76	906.5	4	1.0	4.3	14.8	5	9.13
Fruehauf	254.1	75	727.4	32	14.2	64	37.5	40	5.6	5.9	15.3	6	4.03
General Motors	9,015.0	2	35,797.5	18	517.0	−22	2,397.9	11	5.7	7.6	20.2	6	8.34
Gould [3]	186.0	25	696.7	29	7.6	23	26.6	25	4.1	4.2	12.6	7	3.15
Harman International Industries [6]	[3]21.8	55	70.7	48	1.4	63	4.7	75	6.5	6.2	26.7	4	2.73
Houdaille Industries	79.9	20	305.2	23	5.7	13	17.2	35	7.1	7.5	18.9	5	2.01
International Harvester [8]	1,143.0	11	4,192.5	20	27.0	−16	106.9	23	2.4	3.1	8.6	7	3.86
Kysor Industrial [9]	25.9	6	98.7	12	.9	−13	4.1	16	3.6	4.4	12.5	5	2.04
Libbey-Owens-Ford	175.7	9	689.2	16	15.5	11	62.2	18	8.8	8.7	18.3	5	5.14
Maremont [6]	31.5	−47	238.0	−12	−1.6	NM	11.0	−3	NM	4.3	15.0	6	2.50
McCord [6]	39.7	4	157.9	29	1.5	15	6.0	40	3.8	3.4	14.1	4	3.02
Monroe Auto Equipment [3]	34.1	23	154.6	14	3.9	12	23.0	10	11.5	12.6	22.6	7	1.77
Purolator	66.7	22	257.8	18	3.2	21	13.0	13	4.9	4.9	19.1	9	2.81
Questor	88.0	16	366.5	9	−.7	NM	11.1	−22	NM	3.2	8.0	10	1.15
Raybestos-Manhattan	42.4	12	174.2	14	1.1	−2	5.5	17	2.5	2.9	9.0	5	4.07
Royal Industries	46.6	19	186.0	20	1.8	22	7.3	28	3.9	3.8	16.7	5	1.45
SOS Consclidated [6]	19.1	7	76.7	12	1.0	10	4.1	16	5.4	5.2	16.5	5	1.30
Safeguard Industries	18.6	46	72.8	24	.4	−22	2.1	17	2.2	4.2	9.1	6	0.51
Sealed Power	31.4	25	120.0	21	1.8	0	7.4	7	5.6	7.0	13.3	5	2.19
Sheller-Globe [1]	67.2	3	286.3	15	1.4	−6	7.8	8	2.1	2.3	9.0	4	1.87

Footnotes at end of table.

SURVEY OF CORPORATE PERFORMANCE: 4TH QUARTER 1973—Continued

Company	Sales				Profits				Margins		Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (percent)	4th quarter 1972 (percent)			
Automotive—Continued													
Smith (A.O.)	$148.7	13	$610.5	24	$3.4	66	$15.2	52	2.3	1.6	9.3	4	$3.08
Standard Products[3]	23.0	0	96.8	12	.5	-54	4.5	10	2.4	5.1	20.4	3	3.66
TRW	569.5	26	2,164.6	28	22.9	11	95.1	25	4.0	4.6	12.8	6	2.95
Wagner Electric	64.6	7	265.9	12	2.8	-6	10.8	8	4.3	4.9	13.5	5	1.83
White Motor	322.4	28	1,179.4	25	10.1	332	21.4	202	3.1	0.9	9.6	5	2.46
Industry composite	24,533.7	9	95,174.4	18	887.1	-26	4,513.9	13	3.6	5.4	16.1	6	6.01
Banks and bank holding companies:													
Alabama Bancorporation	24.1	36	83.2	33	3.5	23	12.4	14	14.7	16.2	12.7	11	2.38
BanCal Tri-State	60.1	51	202.5	38	1.7	-32	6.4	3	2.8	6.1	7.4	12	2.07
BancOhio	54.7	44	187.0	32	4.5	-14	18.9	2	8.2	13.8	10.6	8	2.62
Bank of New York	81.2	46	269.3	31	9.4	21	29.5	11	11.6	14.0	14.3	7	4.86
Bank America	645.8	47	2,205.6	34	64.8	20	219.2	16	10.0	12.3	14.6	14	3.18
Bankers Trust New York	347.4	85	1,168.8	69	20.4	11	65.9	9	5.9	9.7	12.7	8	6.25
CBT	36.6	48	125.2	40	3.1	27	10.5	10	8.5	9.9	12.1	8	5.73
C.I.T. Financial	186.0	26	665.7	18	26.6	8	89.1	4	14.3	16.7	13.1	10	4.28
Cameron Financial	46.2	45	164.3	36	3.4	-2	13.7	5	7.3	10.7	14.2	7	2.24
Charter New York	183.9	93	585.7	74	8.4	3	32.1	14	4.6	8.6	10.2	8	3.69
Chase Manhattan	756.4	85	2,367.4	61	45.2	6	164.7	11	6.0	10.4	12.6	10	5.14
Chemical New York	368.4	87	1,154.6	66	20.4	15	68.9	8	5.6	9.0	10.1	9	5.02
Citizens & Southern National Bank	69.0	41	242.3	36	5.7	-12	22.7	-4	8.3	13.3	12.3	18	.95
Cleveland Trust	60.3	40	205.2	30	10.1	23	34.0	27	16.7	19.1	11.3	7	11.29
Continental Illinois	355.3	108	1,086.7	86	25.5	14	86.3	10	7.2	13.1	13.1	12	5.00
Crocker National	178.0	55	575.7	36	7.9	-16	32.0	-6	4.4	8.2	10.7	8	3.12
Detroitbank	51.4	36	181.2	28	6.6	29	23.9	30	12.9	13.7	13.5	6	7.09
Fidelity	60.0	48	200.9	38	5.7	12	20.5	17	9.6	12.6	16.2	9	4.38
First & Merchants	35.1	46	117.7	37	3.3	-16	12.1	17	9.3	11.8	14.8	9	3.69
First Bank System	119.9	39	421.3	31	13.7	4	52.8	7	11.4	15.2	14.2	17	3.59
First Chicago	339.6	108	1,075.5	86	26.2	24	91.4	17	7.7	12.9	13.6	16	4.64
First Empire State	36.3	28	131.8	38	1.7	-34	6.8	-13	4.6	8.9	9.3	8	2.37
First International Bancshares	115.6	58	298.2	52	13.3	15	36.2	15	11.5	15.8	18.0	20	2.64
First National Boston	196.6	101	609.1	79	14.7	27	51.7	23	7.5	11.9	12.3	10	4.28
First National City	950.7	75	3,091.6	58	67.1	21	254.8	26	7.1	10.2	15.5	18	2.14

First Pennsylvania	136.5	42	461.0	34	12.4	16	43.3	12	9.1	11.1	17.2	13	3.35
First Security	33.6	30	117.5	24	4.9	17	17.8	11	14.7	16.3	16.7	13	3.36
First Wisconsin Bankshares	68.1	52	241.7	49	3.7	−24	17.9	8	5.4	11.0	11.8	7	4.27
Franklin New York	109.8	96	344.0	72	3.9	8	13.5	3	3.6	6.5	8.2	9	2.30
Girard	64.9	48	220.3	41	5.7	9	17.3	9	8.8	12.0	12.4	7	6.94
Harris Bankcorp	77.6	78	255.7	69	7.6	27	23.3	29	9.7	13.6	12.5	7	7.67
Hartford National	33.9	56	114.8	37	2.7	21	8.9	3	7.9	10.2	10.3	7	3.12
Indiana National	43.2	64	140.0	53	3.1	−1	12.0	8	7.2	12.0	12.2	9	2.44
Industrial National	45.2	75	151.0	62	4.4	22	16.8	23	9.8	14.1	16.6	8	3.40
Lincoln First Banks	47.9	25	172.0	22	4.1	8	13.3	−9	8.5	9.9	9.3	7	3.48
Manufacturers Hanover	377.4	84	1,232.8	72	29.9	25	99.3	23	7.9	11.7	12.9	11	3.44
Manufacturers National	46.2	34	165.4	27	4.4	11	16.6	17	9.5	11.5	13.5	5	5.36
Marine Bancorp. (Seattle)	46.3	49	156.6	31	3.5	43	11.6	24	7.5	7.8	10.3	7	3.14
Marine Midland Banks	255.4	68	840.6	53	11.4	−4	40.8	−8	4.5	7.9	10.4	8	3.25
Mellon National	185.2	93	569.1	73	14.4	12	52.0	14	7.7	13.4	9.7	9	5.29
Midlantic Banks	34.2	33	114.1	29	3.6	−9	13.7	0	10.7	15.6	12.2	6	4.57
Morgan (J.P.)	388.9	87	1258.2	67	38.7	19	145.6	22	10.0	15.6	16.0	16	3.89
NCNB	84.4	73	282.3	63	6.7	13	26.6	21	7.9	12.1	17.7	20	1.60
National Detroit	117.7	58	404.9	43	12.7	39	42.0	21	10.8	12.2	12.1	6	7.02
New England Merchants	25.1	20	97.5	28	2.0	4	7.0	12	8.0	9.2	12.7	7	2.84
Northwest Bancorporation	120.6	34	431.1	31	12.3	11	47.0	11	10.2	12.3	13.8	16	4.00
Nortrust	66.1	78	214.0	57	6.2	14	21.6	20	9.4	14.8	13.8	8	4.29
Provident National	49.9	41	168.7	36	4.3	−5	15.9	12	8.7	12.8	11.8	8	3.93
Republic National Bank of Dallas	97.1	88	302.7	71	8.8	18	26.3	11	9.1	14.5	15.1	14	2.80
Riggs National Bank	23.4	31	83.6	23	4.0	12	14.4	16	17.1	19.9	14.3	7	5.65
Seattle-First National Bank	84.4	63	275.8	44	7.0	26	25.6	13	8.3	10.7	13.8	12	5.68
Security National Bank (Hempstead)	39.6	25	144.8	28	2.4	−31	9.2	−34	6.0	10.9	7.6	8	1.87
Security Pacific	264.7	64	883.2	46	15.9	7	60.1	5	6.0	9.2	11.1	8	2.99
Shawmut Association	44.7	38	156.8	33	3.3	−7	10.5	−9	7.3	10.9	8.7	7	5.47
Society	30.3	33	107.4	26	2.2	8	8.4	20	7.2	9.0	11.5	6	4.33
Southeast Banking	52.0	61	174.0	50	6.3	48	20.6	40	12.1	13.2	15.9	15	2.25
Southwest Bancshares	30.4	40	106.1	39	4.0	33	14.1	13	13.1	13.8	12.0	9	2.29
State Street Boston Financial	38.4	62	124.6	38	3.3	26	11.4	25	8.6	11.0	12.1	6	5.76
Texas Commerce Bancshares	54.2	90	163.2	79	6.0	28	21.4	26	11.0	16.4	13.7	19	2.28
Trust Co. of Georgia	34.5	41	121.7	36	3.7	8	13.6	24	10.7	13.9	14.6	15	3.15
U.S. Bancorp	49.0	37	173.3	29	5.4	19	20.1	21	11.0	12.7	15.0	10	2.48
United Bank Corp. of N.Y.	22.4	28	82.6	22	3.6	16	13.9	12	16.0	17.8	11.6	7	2.56
United Virginia Bankshares	45.0	38	154.1	37	4.3	6	14.8	3	9.5	12.4	13.7	9	2.87
Valley National Bank of Arizona	56.1	39	194.1	27	3.7	−8	14.8	−8	6.5	9.9	12.0	12	1.67
Virginia National Bankshares	37.2	45	125.5	34	3.4	13	12.3	15	9.1	11.6	15.2	9	2.68
Wells Fargo	232.7	67	773.6	54	12.0	5	44.2	13	5.2	8.2	11.7	11	2.25
Western Bancorporation	339.9	49	1,166.8	38	21.0	11	76.4	11	6.2	8.2	11.6	9	3.32
Industry composite	9,392.6	66	30,883.5	51	735.5	13	2,612.0	13	7.8	11.5	13.0	10	3.36

Footnotes at end of table.

Company	Sales				Profits				Margins		Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (percent)	4th quarter 1972 (percent)			
Beverages—Brewers, distillers, soft drinks:													
Anheuser-Busch	$296.4	28	$1,109.7	14	$10.6	−30	$65.6	−14	3.6	6.6	13.7	20	$1.46
Coca-Cola Bottling Co. of L.A.	27.5	15	109.3	6	1.7	19	7.2	5	6.3	6.1	NA	9	1.50
Dr. Pepper	22.3	23	98.9	21	2.2	27	9.7	19	9.8	9.5	29.1	36	.51
Glenmore Distilleries [3]	[10] 45.3	−1	168.0	4	.3	−25	.7	−15	.7	1.0	2.0	13	.56
Heilman (G.) Brewing	[10] 41.3	8	176.2	26	1.6	−10	6.0	4	3.8	4.5	18.0	6	1.57
Heublein [3]	[10] 335.3	29	1,089.4	28	13.0	18	48.4	19	3.9	4.2	20.6	21	2.39
National Distillers & Chemical	[10] 359.4	8	1,245.8	8	15.4	30	46.3	32	4.3	3.6	9.9	8	1.71
Olympia Brewing	[10] 31.2	13	141.4	10	1.3	112	3.5	4	4.1	2.2	8.3	9	1.69
Pabst Brewing	[10] 109.6	10	472.5	5	3.8	−45	23.8	−15	3.5	7.0	10.9	8	2.51
PepsiCo	542.8	19	1,697.9	21	23.1	10	79.6	11	4.3	4.6	5.7	20	3.36
Royal Crown Cola	49.9	3	195.4	2	2.2	9	12.2	4	4.5	4.3	19.8	11	1.53
Schaefer (F. & M.)	59.6	9	235.9	3	−.4	NM	1.0	NM	NM	NM	1.8	15	.51
Schlitz (Jos.) Brewing	165.3	13	703.0	15	10.8	12	55.2	20	6.5	6.6	20.5	26	1.90
Seven-Up	35.8	18	146.7	11	3.3	16	14.1	17	9.3	9.5	28.1	21	1.30
Southdown	[2] 65.2	32	221.7	14	4.6	6	14.4	9	7.1	8.8	14.1	4	2.75
Industry composite	2,187.0	17	7,811.8	17	93.4	4	388.0	8	4.3	4.8	14.5	15	1.64
Building materials—Cement, wood, paint, heating and plumbing, roofing, etc.:													
Amcord	31.8	−2	160.2	8	1.1	22	5.4	22	3.5	2.8	6.1	6	.75
American Standard	429.0	−13	1,529.0	5	11.2	42	39.5	57	2.6	1.6	9.5	6	2.16
Ameron [7]	41.8	10	157.5	22	1.5	−9	5.5	16	3.6	4.4	NA	5	2.40
Bird & Son	36.3	30	136.8	18	2.7	55	9.6	14	7.4	6.2	NA	4	5.89
Bliss & Laughlin Industries	[2] 48.7	10	162.9	22	2.0	−1	8.2	25	4.1	4.6	15.4	5	2.62
Boise Cascade	333.7	14	1,324.4	17	24.5	52	90.2	107	7.3	5.5	13.6	6	2.89
Brown [7]	92.8	31	322.8	30	3.1	91	9.5	190	3.4	2.3	14.8	5	2.14
Carrier [8]	208.3	10	876.7	16	10.4	40	40.8	25	5.0	3.9	12.8	9	1.64
Certain-teed Products	121.4	19	476.2	21	5.8	−9	25.2	6	4.7	6.2	14.1	7	2.20
Champion International	553.0	17	2,208.0	18	17.4	26	86.8	46	3.2	2.9	12.3	6	2.71
Cook Paint & Varnish [7]	20.3	3	82.0	11	0	NM	1.7	−6	NM	1.3	5.4	7	1.88
Copeland [1]	45.8	20	194.2	19	1.7	7	10.0	18	3.8	4.3	21.8	8	1.62

Crane	248.2	14	947.1	12	7.4	54	20.6	65	3.0	2.2	12.4	5	3.93
De Soto	62.5	8	274.3	16	1.6	—22	8.3	48	2.6	3.5	12.1	6	1.53
Evans Products	[3]283.0	15	1,126.5	17	5.3	—18	31.1	9	1.9	2.6	12.7	6	1.81
Fedders [6]	[3]88.8	51	368.3	34	3.3	511	13.3	367	3.7	.9	9.0	11	1.13
Flintkote	112.4	11	442.3	10	4.4	—1	18.0	9	3.9	4.3	8.3	6	2.91
Gable Industries [5]	[2]58.7	96	212.4	68	.2	—84	3.5	—33	.4	4.6	11.9	5	1.50
Georgia-Pacific	551.8	11	2,228.7	26	38.0	45	168.8	73	6.9	5.3	22.0	12	3.07
Gifford-Hill	[2]45.1	39	181.2	24	1.9	21	9.9	10	4.1	4.8	13.2	6	2.36
Hydrometals [1]	27.1	31	96.7	30	.8	36	3.3	40	3.1	3.0	13.0	6	1.41
Ideal Basic Industries	52.7	23	224.7	11	6.4	43	26.6	23	12.2	10.5	14.9	9	1.97
Interpace	52.9	12	211.8	5	2.4	1	8.1	8	4.6	5.1	8.6	6	2.47
Johns-Manville	258.3	20	905.4	13	19.8	70	55.8	13	7.7	5.4	11.6	6	3.04
Kaiser Cement & Gypsum	41.2	14	169.7	13	.8	—51	9.7	12	1.9	4.4	9.4	6	1.27
Lehigh Portland Cement	34.8	19	137.8	10	2.2	2	10.8	43	6.4	7.5	9.8	6	2.94
Lone Star Industries	191.4	28	685.8	43	7.8	2	28.3	17	4.1	5.1	11.8	7	2.57
Louisiana Pacific	103.3	37	416.9	53	14.9	82	66.5	115	14.4	10.8	NA	8	2.52
Marquette Cement Manufacturing	27.0	12	116.8	12	.5	NM	4.7	287	1.9	NM	4.8	8	1.36
Masco	50.5	26	210.6	39	4.8	42	22.0	33	9.5	8.4	23.0	23	1.81
Masonite [6]	80.2	21	309.7	19	8.6	14	33.8	26	10.7	11.4	17.9	16	2.1₺
Medusa	37.3	18	141.9	15	1.9	4	8.4	22	5.0	5.7	9.5	8	3.31
NL Industries	382.4	45	1,334.2	32	12.5	56	47.1	28	3.3	3.0	11.0	7	1.95
National Gypsum	136.1	7	554.5	7	7.5	—1	31.3	2	5.5	6.0	9.8	7	1.93
Norris Industries	96.1	13	375.5	19	4.7	19	17.5	5	4.9	4.7	17.5	5	4.20
OKC [1]	22.4	81	63.3	28	2.0	102	8.0	59	9.1	8.1	28.2	6	4.65
Owens-Corning Fiberglas	192.9	15	729.0	18	10.8	1	46.1	29	5.6	6.4	14.4	14	3.11
Pope & Talbot	[3]22.2	8	109.1	44	.7	—67	16.4	131	3.4	10.7	40.5	4	5.50
Potlatch	106.7	14	442.4	17	4.9	94	34.0	105	4.6	2.7	15.9	6	4.65
Robertson (H.H.)	89.0	12	276.9	10	3.5	11	8.2	22	3.9	4.0	12.2	6	2.97
SCM [3]	291.2	21	1,068.8	14	7.9	35	20.6	46	2.7	2.4	8.7	5	2.25
Sherwin-Williams [6]	172.9	11	721.2	8	5.3	35	25.9	26	3.1	2.5	10.0	8	4.61
Sierra Pacific Industries	28.1	27	124.4	47	2.8	48	13.7	132	9.9	8.7	49.9	3	3.90
Southwest Forest Industries	121.8	32	452.6	42	3.4	40	13.6	38	2.8	2.6	11.1	4	2.21
Susquehanna	28.8	—10	120.6	5	0	NM	1.8	—50	NM	.9	2.4	65	.05
Texas Industries [6]	[3]27.7	8	115.1	14	1.7	—7	6.6	—4	6.1	7.1	14.3	7	2.44
Trane	76.1	4	317.4	15	.7	—87	15.8	—9	.9	7.6	9.7	11	2.83
U.S. Gypsum	208.9	23	759.1	16	12.4	—7	51.1	3	5.9	7.9	10.7	7	2.90
Wallace-Murray	79.8	15	295.7	12	2.7	—3	10.6	11	3.4	4.1	11.1	3	2.81
Walter (Jim) [6]	276.3	9	1,085.8	14	14.5	—1	53.9	10	5.2	5.8	14.0	7	3.03
Weil-McLain	39.7	8	151.0	10	1.4	—19	5.4	—5	3.5	4.6	9.4	5	1.47
Weyerhaeuser	569.6	19	2,301.7	37	72.4	71	348.8	121	12.7	8.9	29.7	14	2.74
Industry composite	7,339.0	20	28,437.3	21	386.3	32	1,660.2	50	5.3	4.8	15.1	8	2.54

See footnotes at end of table.

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Company	Sales 4th quarter 1973 (millions)	Sales Change from 1972 (percent)	Sales 12 months 1973 (millions)	Sales Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Profits Change from 1972 (percent)	Profits 12 months 1973 (millions)	Profits Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	Margins 4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Chemicals:													
Air Products & Chemicals [1]	$108.5	27	$422.0	18	$7.6	61	$26.9	42	7.0	5.5	13.5	25	$2.05
Airco	168.3	25	583.8	19	5.6	99	19.1	6	3.3	2.1	7.0	8	1.66
Akzona	180.5	15	704.4	23	11.3	33	35.7	54	6.3	5.4	12.4	7	2.87
Allied Chemical	435.4	7	1,665.0	11	23.3	29	95.0	45	5.3	4.5	11.1	13	3.45
American Cyanamid	380.3	11	1,472.2	8	28.9	0	114.0	7	7.6	8.4	12.7	9	2.37
Ansul	20.6	46	82.6	54	0.7	62	3.3	62	3.6	3.3	16.3	7	2.03
Betz Laboratories	18.7	24	70.4	21	1.4	19	5.8	21	7.5	7.8	19.8	46	.74
Big Three Industries	32.9	30	118.9	23	3.2	14	13.1	28	9.7	11.1	14.0	19	2.50
Cabot [1]	83.7	20	315.7	13	5.2	17	22.9	19	6.2	6.4	9.8	6	4.23
Celanese	424.2	16	1,609.0	16	20.7	38	75.0	47	4.9	4.7	12.6	6	5.12
Chemed	51.9	19	164.3	17	3.9	19	12.3	18	7.4	7.4	NA	16	1.34
Chemetron	92.8	15	353.4	11	3.1	44	10.4	27	3.3	2.6	6.3	6	2.50
Commercial Solvents	36.4	22	128.9	16	1.7	504	5.5	157	4.6	.9	9.6	11	1.76
Dart Industries	271.3	16	993.0	11	19.6	8	62.0	15	7.2	7.8	11.0	7	2.77
Dexter	29.3	61	100.2	52	1.4	38	5.3	31	4.7	5.5	11.3	10	1.28
Diamond Shamrock	176.7	28	651.1	18	12.2	82	48.0	76	6.9	4.9	11.1	10	2.67
Dow Chemical	833.7	30	3,067.9	28	59.4	36	271.2	44	7.1	6.8	19.4	20	2.94
Du Pont	1,366.0	20	5,275.8	21	143.0	36	585.9	41	10.5	9.2	18.3	14	12.04
Emery Industries [5]	38.4	43	137.9	30	2.4	38	8.4	27	6.4	6.6	13.1	9	1.02
Ethyl	178.5	10	699.0	11	11.9	5	52.9	18	6.7	7.0	15.8	5	5.02
Ferro	68.9	24	255.9	21	2.2	—30	15.8	21	3.2	5.7	18.1	5	3.67
Freeport Minerals	47.6	27	167.5	10	13.2	183	32.9	92	27.8	12.5	13.6	13	2.12
GAF	218.0	10	848.9	10	7.1	4	28.9	4	3.2	3.4	7.8	6	1.85
Grow Chemical [2]	19.9	13	78.8	12	.1	—76	.7	—50	.4	1.8	4.5	13	.38
Hercules	302.0	17	1,155.0	19	20.6	21	91.1	24	6.8	6.6	17.0	15	2.18
Inmont	105.9	16	413.6	16	2.0	8	10.9	30	1.9	2.0	9.1	5	1.34
International Minerals & Chemical [3]	186.9	49	650.0	26	8.8	63	31.7	36	4.7	4.3	16.1	15	2.60
Kewanee Oil	[2] 59.9	41	208.3	25	5.1	20	16.2	27	8.5	10.0	12.1	11	1.68
Koppers	193.0	17	723.9	18	7.5	3	29.5	28	3.9	4.4	11.9	9	5.14
Lea-Ronal [4]	[2] 18.2	54	72.8	82	.6	29	1.9	38	3.1	3.7	23.4	9	1.37
Lubrizol	[2] 75.4	32	279.1	26	8.2	22	36.7	40	10.9	11.8	24.1	21	1.81
MacAndrews & Forbes	27.4	28	92.0	35	1.2	9	3.9	174	4.4	5.1	16.1	4	2.76
Millmaster Onyx [5]	30.1	32	111.1	23	1.3	25	4.8	19	4.2	4.4	13.7	4	1.61
Monsanto	659.6	26	2,648.0	19	44.3	85	238.2	95	6.7	4.6	17.0	8	6.90
Nalco Chemical	56.3	10	218.2	12	6.7	27	25.0	24	11.9	10.3	22.6	21	1.25
National Starch & Chemical	55.3	22	211.5	20	4.7	22	17.2	22	8.5	8.5	18.1	19	2.68

Olin	318.3	17	1,239.3	13	8.8	44	47.7	29	2.8	2.2	8.3	7	2.02
Pennwalt	127.7	15	504.0	14	5.4	11	20.1	25	4.2	4.3	7.4	10	2.13
Purex [3]	96.3	13	399.5	7	2.7	—6	16.9	4	2.8	3.4	12.9	8	1.49
Reichhold Chemicals	82.8	49	294.0	32	3.1	83	11.0	43	3.8	3.1	12.2	5	1.65
Rohm & Haas	212.3	31	788.6	27	18.1	35	65.7	42	8.5	8.3	15.6	16	5.16
Standex International [3]	46.6	17	163.4	17	1.9	11	6.3	8	4.1	4.3	12.2	6	2.30
Stauffer Chemical	155.7	18	621.1	14	9.8	19	46.4	39	6.3	6.2	14.9	10	4.69
Stepan Chemical	18.2	30	68.4	27	1.1	44	3.4	37	5.8	5.2	15.3	10	1.85
Texasgulf	111.2	55	363.7	34	26.7	174	73.9	142	24.0	13.6	18.5	14	2.43
Union Carbide	1,008.2	15	3,938.8	21	74.3	26	290.9	40	7.4	6.8	14.7	7	4.78
Witco Chemical	99.9	29	370.7	26	4.2	30	16.5	30	4.2	4.2	13.6	6	3.05
Industry composite	9,329.7	21	35,501.4	19	656.2	36	2,656.8	41	7.0	6.3	14.8	11	3.57
Conglomerates:												
Avco [7]	183.8	—1	670.5	10	—4.7	NM	29.7	—31	NM	6.0	2.9	7	1.13
City Investing	525.7	21	2,000.2	18	20.4	0	74.8	7	3.8	4.7	10.4	4	2.57
Colt Industries	230.9	23	862.1	22	8.9	66	26.7	64	3.9	2.9	8.6	5	3.41
Gulf & Western Industries [11]	522.6	21	2,010.7	16	22.5	12	91.7	26	4.3	4.7	13.3	5	4.92
IU International	440.7	25	1,548.6	25	19.4	21	73.9	23	4.4	4.5	19.7	8	2.31
Illinois Central Industries	310.4	23	1,171.6	22	13.6	7	58.3	11	4.4	5.1	6.1	5	3.42
Indian Head [7]	143.7	—3	551.3	7	4.7	9	18.4	17	3.3	2.9	15.4	6	3.47
Kaiser Industries	77.2	27	245.9	—3	—4.3	NM	32.3	493	NM	.4	6.1	7	1.13
Kaman	38.4	17	136.9	18	.8	36	3.1	35	2.2	1.9	NA	4	3.14
Kidde (Walter)	251.6	14	977.8	17	9.9	8	37.7	17	3.9	4.1	12.3	4	3.58
LTV	1,089.3	18	4,150.6	21	11.0	80	38.6	182	1.0	.6	15.4	3	4.08
Litton Industries [11]	[3] 677.8	6	2,505.7	8	10.9	12	46.3	479	1.6	1.5	5.0	8	1.06
Martin Marietta	288.3	—1	1,139.9	9	14.7	10	57.3	7	5.1	4.6	11.5	7	2.55
Northwest Industries	253.4	47	846.1	27	14.5	12	57.1	12	5.7	7.4	15.2	4	5.59
Signal	370.9	22	1,433.9	20	10.1	2	43.4	22	2.7	3.3	6.9	10	1.88
Studebaker-Worthington	305.0	34	1,122.0	28	9.9	1	32.3	8	3.3	4.3	12.6	4	8.33
Teledyne [6]	410.1	29	1,455.5	20	18.8	35	65.4	14	4.6	4.4	11.9	5	2.45
Tenneco	1,068.5	17	3,890.0	19	96.4	36	245.7	21	9.0	7.7	14.3	7	3.08
Textron	499.3	22	1,854.4	11	29.2	11	100.8	14	5.9	6.5	18.0	8	2.65
Whittaker [6]	177.1	27	652.7	24	2.8	—28	13.4	—9	1.7	2.9	7.0	5	.60
Industry composite	7,858.6	26	29,230.2	17	309.6	9	1,146.9	24	3.9	4.5	11.3	6	2.54

See footnotes at end of table.

Company	Sales 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Containers:													
American Can	$562.4	17	$2,181.6	8	$12.0	26	$66.4	20	2.1	2.0	9.8	8	$3.58
Anchor Hocking	95.1	7	367.1	8	5.6	—5	18.7	—10	5.9	6.6	11.3	6	2.66
Brockway Glass	64.1	5	259.5	10	2.0	—34	10.2	—30	3.1	5.0	8.2	6	2.12
Continental Can	645.0	22	2,539.7	16	21.3	13	95.1	18	3.3	3.6	12.4	8	3.25
Crown Cork & Seal	145.9	28	571.8	17	8.0	9	34.3	10	5.5	6.5	14.5	12	1.81
Dorsey	32.0	18	129.1	13	.9	—3	2.7	—37	2.9	3.5	6.4	6	.88
Federal Paper Board	91.3	12	275.9	11	4.3	8	12.8	34	4.7	4.9	8.7	5	3.62
Fibreboard	70.3	20	269.2	24	2.3	51	11.7	90	3.3	2.6	13.7	4	3.54
Hoerner Waldorf [8]	² 103.2	23	377.8	24	7.9	39	27.4	58	7.6	6.8	19.8	8	3.97
Inland Container	72.8	24	263.1	18	4.7	85	15.2	71	6.4	4.3	12.7	9	5.10
Maryland Cup [1]	41.5	22	197.0	14	1.2	38	10.4	19	2.9	2.5	11.8	7	2.39
Midland Glass [1]	20.3	14	79.4	10	.4	—9	3.0	12	2.2	2.7	20.4	4	1.26
National Can	135.3	28	542.1	14	2.0	—8	14.4	2	1.5	2.1	10.4	4	1.84
Owens-Illinois	501.1	21	1,856.9	13	20.4	28	74.5	15	4.1	3.8	10.6	7	4.70
Stone Container	46.2	37	160.1	27	2.1	82	6.9	109	4.6	3.4	15.6	6	2.06
Industry composite	2,626.4	20	10,070.3	14	95.2	19	403.7	18	3.6	3.7	11.6	7	3.05
Drugs—Ethical, proprietary, medical and hospital supplies:													
Abbott Laboratories	178.6	19	620.4	19	14.3	14	46.0	17	8.0	8.3	15.2	16	3.35
American Home Products	473.2	14	1,898.0	12	48.1	11	199.2	15	10.2	10.5	29.3	30	1.25
American Hospital Supply	225.0	21	829.0	20	11.3	13	39.9	14	5.0	5.3	11.3	32	1.13
American Sterilizer	29.3	21	105.8	18	2.2	26	6.7	16	7.4	7.1	12.7	14	.79
Bard (C. R.)	26.5	18	102.8	15	1.9	17	7.7	16	7.1	7.2	13.3	23	.87
Baxter Laboratories	100.8	34	356.0	28	7.6	32	28.9	30	7.5	7.6	14.3	40	.99
Becton, Dickinson [1]	92.8	22	357.3	20	6.3	15	25.3	17	6.8	7.2	14.4	23	1.50
Bristol-Myers	359.4	16	1,363.0	13	28.8	21	101.8	21	8.0	7.7	20.1	15	3.16
Carter-Wallace [6]	31.4	—23	150.8	—7	—.7	NM	2.2	—80	NM	3.8	1.9	25	.29
Damon [6]	31.1	16	125.6	16	2.8	26	10.0	28	9.0	8.3	20.6	25	1.51
ICN Pharmaceuticals [7]	45.8	14	170.6	6	.4	170	3.8	13	1.0	.4	5.7	13	.57
Johnson & Johnson	405.3	27	1,611.8	22	34.1	25	148.4	23	8.4	8.6	19.2	40	2.59
Lilly (Eli)	227.6	18	972.5	19	37.3	20	155.5	23	16.4	16.1	24.3	30	2.26
Mallinckrodt Chemical Works	41.1	28	160.7	33	3.2	25	10.7	36	7.8	7.9	NA	29	1.31
Merck	287.6	18	1,115.3	16	42.3	16	178.4	21	14.7	14.9	28.6	32	2.40
Miles Laboratories	86.3	7	347.9	9	4.1	4	17.0	12	4.8	5.0	14.2	9	3.19
Morton-Norwich Products [3]	120.8	18	440.3	15	7.5	9	24.7	1	6.2	6.8	11.5	10	1.97

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Pfizer	359.9	19	1,280.0	17	35.3	13	120.7	17	9.8	10.3	17.3	22	1.74
Richardson-Merrell [3]	158.2	17	548.3	15	13.6	13	45.0	13	8.6	8.9	15.8	14	1.91
Robins (A. H.)	50.3	16	189.3	14	6.2	21	26.4	16	12.4	12.0	21.8	23	1.02
Rorer-Amchem	46.8	8	194.6	17	7.5	2	24.3	15	16.0	17.1	24.1	13	1.74
Schering-Plough	151.4	22	611.6	21	21.2	20	106.0	37	14.0	14.3	29.3	35	1.97
Searle (G. D.)	131.3	17	471.7	17	16.8	23	59.8	23	12.8	12.2	33.3	20	1.24
Smith Kline	131.7	14	444.2	10	15.1	6	52.8	8	11.5	12.3	22.3	14	3.55
Squibb	242.7	12	880.6	14	23.5	18	80.8	16	9.7	9.1	16.7	22	3.60
Sterling Drug	215.1	13	800.4	11	21.4	12	76.2	11	9.9	10.0	19.7	22	1.29
Upjohn	172.6	26	647.5	27	13.8	32	68.6	47	8.0	7.6	20.6	26	2.33
Warner-Lambert	444.5	15	1,670.4	12	36.0	13	138.6	13	8.1	8.3	16.5	20	1.78
Industry Composite	4,867.1	19	18,466.6	15	461.9	15	1,805.4	17	9.5	9.7	20.0	23	1.82

Electrical, electronics—Heavy equipment, components, radio and TV sets, etc.:

AMP	118.2	40	417.9	38	11.6	23	45.4	37	9.8	11.1	26.3	29	1.23
Admiral	139.9	13	522.6	11	1.9	−53	9.7	−9	1.4	3.3	10.2	7	1.66
Ambac Industries	44.4	24	164.0	25	1.7	53	7.2	63	3.8	3.1	12.2	5	1.70
Avnet [3]	144.0	30	503.3	28	7.0	34	25.1	39	4.9	4.8	18.8	5	1.81
Bourns	21.5	39	78.7	30	1.9	49	6.7	42	8.9	8.3	16.3	7	2.09
Bowmar Instrument [1]	22.2	79	74.6	91	2.4	72	8.9	205	10.8	11.3	69.6	4	4.38
Bunker Ramo	74.6	16	290.6	15	−.2	NM	7.7	−43	NM	7.4	4.3	9	.82
CTS	32.9	18	138.2	29	2.4	−13	11.9	20	7.2	9.8	21.2	5	2.43
Capitol Industries-EMI [3]	46.0	21	156.1	22	3.3	72	7.7	249	7.1	5.0	14.7	9	1.68
Conrac	19.9	26	69.1	18	.8	21	2.8	19	4.2	4.4	11.9	8	2.11
Crouse-Hinds	30.5	16	109.4	18	2.0	18	7.0	19	6.6	6.5	15.0	12	1.60
Cutler-Hammer	84.0	9	323.6	15	3.6	19	13.6	35	4.3	3.9	13.9	7	4.12
ESB [8]	118.6	17	409.3	12	4.9	10	16.7	18	4.1	4.3	11.4	9	3.05
E-Systems	48.1	12	166.4	7	1.2	8	3.7	17	2.4	2.5	9.7	6	1.80
Echlin Manufacturing [6]	34.0	31	133.8	34	.2	22	8.1	27	6.3	6.8	22.1	20	1.37
Emerson Electric	243.1	18	978.4	18	20.3	13	78.6	13	8.3	8.7	18.5	25	1.59
Fairchild Camera & Instrument	101.1	55	351.2	57	9.2	179	26.7	246	9.1	5.0	27.1	12	5.12
General Electric	3,263.5	15	11,575.3	13	191.1	8	585.1	10	5.9	6.2	18.9	18	3.21
General Instrument [4]	112.5	33	400.0	32	4.5	50	13.1	54	4.0	3.6	8.9	8	1.68
Globe-Union [1]	72.3	12	245.8	25	2.1	1	6.2	32	2.9	3.2	8.5	6	2.79
Gulton Industries [4]	23.5	8	93.8	11	.2	−26	1.5	78	1.0	1.4	5.4	8	.48
Hazeltine	[2] 24.5	6	79.4	23	3.2	−58	1.2	75	.8	2.0	5.2	10	.61
Hubbell (Harvey)	38.2	31	141.7	20	.2	14	12.1	18	8.3	9.5	16.0	13	2.89
I-T-E Imperial	110.1	13	427.1	13	5.1	1	18.5	5	4.6	5.2	11.5	7	2.27
LCA	73.5	12	281.4	20	5.3	−18	19.5	1	7.2	9.9	11.7	5	1.89
Lafayette Radio Electronics [3]	27.6	8	86.1	12	1.0	−26	3.7	−4	3.6	5.2	11.9	4	1.50
Lear Siegler [3]	164.7	11	652.8	12	4.7	24	19.0	37	2.8	2.5	8.7	5	1.06
Magnavox	179.8	−13	620.2	−10	1.8	−65	5.3	−74	1.0	2.4	2.6	26	.30
Mallory (P.R.)	63.6	20	225.8	19	3.3	26	9.5	28	5.1	4.9	11.7	8	2.44

See footnotes at end of table.

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Company	Sales 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Electrical, electronics—Continued													
McGraw-Edison	³ $186.0	−7	$821.0	10	$5.9	−46	$37.1	−7	3.2	5.4	11.3	8	$2.41
Motorola	² 395.4	12	1,437.1	24	21.5	28	82.0	58	5.4	4.8	18.6	15	2.95
National Semiconductor ⁹	48.3	131	155.5	106	3.3	355	9.6	271	6.9	3.5	42.3	29	.79
North American Philips	186.7	17	727.6	15	10.4	12	33.5	19	5.5	5.8	13.9	6	3.68
Oak Industries	32.3	27	118.0	21	1.4	50	4.4	59	4.3	3.6	15.1	5	2.50
Onan	24.6	14	105.3	34	2.1	8	8.6	34	8.5	9.0	25.3	5	2.88
RCA	³ 1,184.1	12	4,280.7	11	53.4	20	183.7	16	4.5	4.2	18.1	8	2.39
Raytheon	437.6	17	1,590.5	9	10.9	21	46.2	12	2.5	2.4	13.6	12	3.03
Reliance Electric ⁸	128.1	17	484.4	21	7.6	61	23.2	51	5.9	4.3	15.1	11	2.05
RTE ⁵	19.1	32	72.5	38	1.0	135	4.5	352	5.0	2.8	32.6	12	.88
Sola Basic Industries ⁵	38.3	29	141.2	23	1.8	35	6.4	29	4.7	4.5	12.0	9	1.89
Sperry Rand ⁵	649.2	15	2,514.0	17	2.96	26	107.9	33	4.6	4.1	12.2	13	3.14
Sprague Electric	53.3	36	197.6	35	2.2	48	8.2	NM	4.1	3.8	17.2	8	2.41
Square D	102.5	13	386.6	12	10.0	4	33.7	−5	9.8	10.6	19.8	22	1.45
Texas Instruments	369.5	40	1,287.3	36	24.7	80	83.2	73	6.7	5.2	19.8	29	3.67
Thomas & Betts	25.9	23	103.1	24	3.4	23	13.7	27	13.0	13.0	27.2	26	1.80
Thomas Industries	29.3	21	118.0	21	1.6	1	5.9	17	5.4	6.5	16.4	6	1.48
Westinghouse Electric	1,632.8	15	5,702.3	12	23.6	−56	161.9	−18	1.4	3.8	8.4	12	1.82
Industry composite	11,019.8	16	39,959.3	16	512.9	6	1,835.9	16	4.7	5.1	15.1	11	2.34
Food processing—Baked goods, canned and packaged foods, dairy products, meat, condiments, etc.:													
Alexander & Baldwin	40.4	48	170.2	28	4.2	NM	15.9	82	10.3	.6	NA	8	1.72
Amalgamated Sugar ¹	¹⁰ 35.0	45	139.4	20	2.4	82	8.1	34	6.9	5.5	13.0	7	3.94
American Beef Packers ⁹	242.5	23	860.0	39	2.3	55	6.7	288	1.0	.8	41.8	2	3.45
Amstar ³	197.8	27	756.1	13	5.1	68	18.4	31	2.6	1.9	10.6	8	4.23
Anderson, Clayton ³	220.0	26	783.3	21	7.2	97	24.8	40	3.3	2.1	10.5	7	3.92
Arizona-Colorado Land & Cattle	³ 36.0	47	128.0	81	1.6	20	5.7	53	4.3	5.3	24.8	8	1.55
Beatrice Foods ⁴	913.7	20	3,320.8	18	33.2	15	112.3	17	3.6	3.8	16.9	14	1.54
Borden	691.6	21	2,554.0	14	17.9	6	73.0	8	2.6	3.0	9.8	10	2.37
Brewer (C.)	59.2	51	191.5	37	2.8	66	8.8	21	4.7	4.3	8.9	5	1.94
CHB Foods ³	32.7	87	114.6	70	.6	43	1.9	63	1.8	2.4	22.4	4	1.55
CPC International	549.4	37	1,874.3	21	25.4	13	75.5	17	4.6	5.6	14.7	10	3.19
Cagle's ⁸	32.6	65	112.0	76	.4	106	3.7	291	1.2	1.0	31.4	4	1.60
Campbell Soup ¹¹	339.7	19	1,287.7	14	18.4	12	80.7	23	5.4	5.8	14.2	15	2.42
Campbell-Taggart	121.1	26	456.6	23	3.0	16	12.3	3	2.5	2.7	NA	9	2.75
Carnation	444.6	21	1,472.2	14	20.2	15	64.9	13	4.5	4.8	16.2	17	3.64

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Company												
Castle & Cooke	229.4	26	694.9	18	5.8	89	26.9	52	2.5	1.7	NA	8	1.90
Central Soya [6]	387.4	49	1,425.8	47	8.8	92	30.2	77	2.3	1.8	18.0	10	1.96
ConAgra [3]	195.3	59	549.1	59	-3.9	NM	-1.6	NM	NM	1.7	-5.1	NM	-.65
Consolidated Foods [3]	574.6	17	2,188.6	16	19.4	6	75.1	4	3.4	3.7	13.0	9	2.64
Cook Industries [9]	86.3	99	377.5	92	11.7	839	42.2	784	13.6	2.9	65.6	2	13.88
Del Monte [9]	286.5	17	1,022.2	12	10.2	82	32.9	35	3.6	2.3	13.2	8	2.73
Esmark [8]	1,074.4	26	3,951.0	22	16.3	29	48.8	32	1.5	1.5	10.8	7	3.86
Fairmont Foods [4]	108.5	17	410.8	11	1.3	21	4.9	-5	1.2	1.2	7.2	10	1.09
Federal [9]	112.5	58	398.8	44	3.0	44	12.4	80	2.7	3.0	18.6	4	3.97
Flavorland Industries [8]	74.9	5	284.7	3	1.0	48	2.5	45	1.3	.9	15.3	3	2.90
Flowers Industries [1]	32.6	60	116.8	36	.9	38	3.7	22	2.9	3.4	19.1	7	1.65
General Foods [5]	764.1	16	2,859.0	13	30.4	12	117.1	8	4.0	4.1	14.2	12	2.35
General Host	[2] 156.3	10	636.2	17	1.8	-27	4.7	44	1.2	1.8	12.5	4	2.17
General Mills [9]	555.8	21	1,801.8	19	25.0	15	71.9	16	4.5	4.7	16.1	19	3.05
Gerber Products [5]	71.2	5	279.6	1	.9	-67	10.7	-36	1.3	4.0	8.6	9	1.29
Great Western United [9]	57.9	16	251.2	13	2.2	NM	1.5	10	3.8	NM	-5.6	NM	-1.50
Green Giant [8]	103.2	11	374.7	14	2.3	56	9.2	25	2.2	1.6	9.5	8	2.62
Greyhound	[3] 918.8	17	3,420.6	16	25.2	38	76.4	9	2.7	2.3	NA	9	1.81
Heinz (H.J.) [13]	390.8	21	1,335.4	11	15.0	5	51.2	9	3.8	4.4	12.5	13	3.39
Hershey Foods	117.9	9	442.7	6	3.8	-35	14.3	-31	3.2	5.4	8.9	11	1.10
Hormel (Geo. A.) [8]	235.5	22	825.7	15	4.0	38	7.4	-5	1.7	1.5	7.2	13	1.54
Hygrade Food Products [8]	132.4	34	462.0	25	1.3	44	4.5	62	1.0	.9	14.6	6	4.08
Interstate Brands	79.0	37	308.0	12	0.7	NM	.1	-95	.8	NM	.1	NM	.02
International Multifoods [2]	213.0	49	687.2	36	3.7	22	11.6	23	1.8	2.1	11.6	8	3.20
Iowa Beef Processors [8]	253.7	-25	1,422.3	14	4.3	49	12.2	66	1.7	.8	23.8	4	4.96
Kane-Miller	176.5	48	644.7	52	2.9	114	9.5	147	1.6	1.1	16.8	4	4.05
Keebler	58.3	25	233.9	15	1.0	3	1.8	-56	1.8	2.2	4.0	28	1.01
Kellogg	193.2	30	828.4	18	14.3	2	65.0	7	7.4	9.4	21.8	19	.89
Kraftco	62.0	14	3,601.5	13	28.1	2	103.4	3	2.9	3.2	13.3	12	3.70
Libby, McNeill & Libby [8]	124.3	17	464.5	9	2.1	571	7.7	NM	1.7	.3	6.1	7	.77
Mayer (Oscar) [8]	255.1	34	887.2	25	4.3	8	17.4	9	1.7	2.1	12.0	12	1.84
McCormick [7]	59.7	18	182.9	16	3.7	32	7.4	29	6.2	5.5	NA	23	1.46
Nabisco	421.4	20	1,454.6	14	8.0	-56	44.0	-24	1.9	5.2	12.9	12	2.75
Norton Simon [3]	420.8	11	1,532.2	9	22.1	8	75.5	6	5.2	5.4	14.0	8	1.74
Pet [5]	247.3	19	846.3	11	7.2	10	20.2	-7	2.9	3.1	8.2	8	2.86
Pillsbury [9]	305.1	43	985.6	33	11.0	41	26.2	39	3.6	3.7	14.3	9	4.86
Quaker Oats [3]	330.5	19	1,089.5	19	13.0	-3	36.1	-13	3.9	4.8	12.5	14	1.72
Ralston Purina [1]	737.6	43	2,654.8	40	22.0	15	80.4	23	3.0	3.7	15.7	17	2.29
Rath Packing [1]	104.5	30	387.4	35	0.3	NM	1.0	NM	.2	NM	5.7	6	.87
Russell Stover Candies [6]	22.5	8	69.3	8	2.2	7	8.0	10	9.9	10.0	21.9	11	1.17
Seaboard Allied Milling [9]	63.0	71	222.6	48	0.5	12	2.5	14	.8	1.3	10.3	4	1.85
Staley (A.E.) Manufactu4ing [1]	121.9	30	489.2	38	2.0	101	8.9	37	1.6	1.0	8.2	9	3.34
Standard Brands	[1] 435.4	17	1,469.5	13	14.7	11	48.8	11	3.4	3.6	15.2	15	3.55
Stokely-Van Camp [9]	100.0	24	349.3	12	2.2	11	8.6	8	2.2	2.5	8.1	7	2.39
Sucrest [3]	43.8	20	171.0	12	.2	NM	-.6	NM	.6	NM	-2.9	NM	-.64
Tasty Baking	37.5	14	114.8	15	1.7	27	3.8	7	4.5	4.0	15.4	8	1.60
Tropicana Products [6]	30.2	5	122.6	11	2.0	17	10.3	14	6.5	5.9	22.3	14	1.09

See footnotes at end of table.

Company	Sales 4th quarter 1973 (millions)	Sales Change from 1972 (percent)	Sales 12 months 1973 (millions)	Sales Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Profits Change from 1972 (percent)	Profits 12 months 1973 (millions)	Profits Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	Margins 4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Food processing—Continued													
United Foods [4]	$25.2	3	$94.6	9	$1.1	27	$2.7	9	4.3	3.4	12.0	6	$0.36
Valmac Industries [5]	29.3	81	116.8	64	2.8	465	12.5	482	9.5	3.0	86.9	2	8.52
Ward Foods	73.1	0	358.1	0	.5	NM	—.6	NM	.7	NM	—1.9	NM	—.17
Wrigley (Wm.) Jr	56.9	18	231.9	12	4.2	—2	19.8	8	7.4	8.9	15.0	12	5.04
Industry composite	16,603.1	24	60,350.3	20	513.7	21	1,803.7	17	3.1	3.2	13.6	9	2.23
Food and lodging:													
ARA Services [1]	269.4	12	1,020.8	12	8.2	7	31.5	8	3.1	3.2	15.4	16	5.21
Denny's [3]	[2]52.6	30	195.2	25	1.6	53	6.8	43	3.1	2.7	16.4	10	.91
Hilton Hotels	96.7	9	372.4	9	5.7	18	21.6	27	5.9	5.5	1.3	7	2.60
Holiday Inns	[2]218.6	15	885.7	14	7.3	—19	46.4	10	3.3	4.7	12.1	9	1.50
Host International	44.5	18	167.8	17	2.2	13	7.0	13	5.0	5.2	18.5	6	1.26
Howard Johnson	78.0	5	356.9	10	3.7	10	22.0	13	4.8	4.6	13.9	10	1.01
International Industries [6]	[3]20.4	29	76.0	—4	.4	—41	—10.3	NM	1.9	4.1	NA	NM	—1.91
Marriott [11]	142.9	23	565.0	26	6.0	11	22.2	18	4.2	4.6	11.5	23	.74
Pizza Hut [5]	26.9	49	92.8	45	1.4	46	4.8	53	5.1	5.3	21.0	12	1.46
Ponderosa System [4]	[2]28.0	58	102.9	64	2.5	49	8.9	71	9.0	9.6	38.3	14	2.03
Ramada Inns	[2]46.2	31	187.8	27	2.0	—21	15.1	11	4.4	7.3	12.9	10	.61
Saga Administrative [3]	82.2	32	258.2	36	2.4	—1	4.5	—9	3.0	3.9	16.6	8	1.06
Industry composite	1,106.5	19	4,281.5	18	43.6	5	180.5	9	3.9	4.4	13.6	11	1.17
General machinery—Machine tools, industrial machinery, metal fabricators, etc.:													
Acme-Cleveland [1]	34.7	24	134.6	32	1.3	4	6.7	61	3.7	4.4	10.3	8	1.76
Amtel	63.9	79	198.6	72	2.1	281	5.6	647	3.3	1.5	19.2	8	1.21
Associated Spring	44.2	20	173.5	19	1.7	—4	7.6	19	3.9	4.9	13.0	6	3.39
Babcock & Wilcox	309.3	20	1,063.7	11	9.2	27	22.1	—10	3.0	2.8	7.2	18	1.82
Black & Decker Manufacturing [1]	143.1	58	479.6	33	8.7	42	36.8	30	6.1	6.8	16.6	38	.92
Briggs & Stratton [3]	83.4	21	285.2	20	7.9	2	27.7	9	9.5	11.2	27.9	10	3.83
Brown & Sharpe Manufacturing	22.6	15	82.5	31	.7	0	2.6	187	3.2	3.7	6.0	9	1.13
Cincinnati Milacron	95.1	18	270.8	31	3.0	112	9.7	418	3.1	1.7	6.8	11	2.62
Combustion Engineering	387.0	5	1,272.7	7	15.0	13	43.1	9	3.9	3.6	14.2	23	4.05
Continental Copper & Steel [3]	36.7	66	130.8	51	2.4	NM	9.0	NM	6.5	NM	25.3	3	3.12

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Cooper Industries	95.6	49	320.4	42	5.5	88	19.0	64	5.8	4.6	17.4	10	4.04
Crompton & Knowles	33.8	11	122.9	1	.5	11	4.4	6	4.3	4.3	10.5	6	1.96
Dorr-Oliver	[2] 30.1	34	96.8	3	1.7	160	3.0	2	5.5	2.8	9.7	7	1.17
Dover	76.7	36	285.4	44	4.6	16	17.8	24	6.0	7.1	19.8	9	3.95
Dymo Industries [3]	40.8	29	146.6	27	1.5	15	4.8	31	3.6	4.1	12.0	7	1.86
Ecodyne	[3] 33.8	34	96.3	26	1.6	15	3.9	21	4.9	5.7	9.5	11	.78
Emhart	73.9	7	275.9	3	6.1	12	16.1	7	8.2	7.8	10.7	7	3.18
Envirotech [5]	[2] 64.5	50	235.6	45	1.3	—18	5.9	9	2.0	3.7	8.7	13	1.49
Ex-Cell-O [3]	90.1	18	335.2	19	4.7	35	17.2	76	5.2	4.5	9.6	8	2.07
Foster Wheeler	162.7	41	540.6	10	2.8	10	9.3	31	1.7	2.2	12.3	15	2.85
Gardner-Denver	75.5	34	276.3	32	7.5	14	27.0	18	9.9	11.6	16.1	18	1.64
Garlock	32.0	9	126.1	20	1.5	7	5.6	24	4.6	4.7	13.0	7	2.35
Giddings & Lewis	19.3	—11	68.4	14	.0	NM	.8	NM	.2	NM	1.9	24	.23
Harris-Intertype [3]	126.4	17	488.0	22	5.3	29	18.4	28	4.2	3.8	10.2	10	2.95
Ingersoll-Rand	286.8	21	1,038.8	19	23.3	15	82.2	16	8.1	8.5	14.6	18	4.91
Joy Manufacturing [1]	81.6	9	335.3	5	2.6	27	12.0	4	3.2	2.8	7.5	18	2.31
Keene	41.3	16	163.0	18	.8	—9	2.9	—13	2.0	2.6	6.3	5	.72
Leesona	[2] 31.7	55	95.2	41	1.8	141	4.9	147	5.6	3.6	14.1	4	2.77
McNeil	34.1	6	133.1	9	1.7	—1	5.9	29	5.0	5.3	9.4	6	2.01
Midland-Ross	[2] 98.3	28	344.0	22	4.7	57	12.5	42	4.8	3.9	3.0	5	2.07
Omark Industries [3]	29.2	25	107.1	15	2.3	49	7.9	35	7.9	6.6	13.4	5	1.75
Otis Elevator	[3] 447.2	30	1,093.4	24	11.2	31	40.4	43	2.5	2.5	15.7	7	5.02
Outboard Marine [1]	97.7	24	490.8	19	2.0	194	35.5	20	2.1	.9	18.3	5	4.30
Parker-Hannifin [3]	92.4	22	357.3	25	3.9	26	16.6	32	4.2	4.1	17.5	9	2.85
Peabody Galion [1]	58.0	44	201.3	30	2.0	23	8.0	30	3.4	3.9	12.7	17	1.32
Riley [3]	42.0	81	147.0	79	1.0	72	3.6	213	2.4	2.5	18.0	7	2.37
Roper	58.5	14	293.9	17	2.1	27	7.5	8	3.5	3.2	10.3	5	2.93
Sundstrand	108.1	21	383.6	26	4.7	68	14.8	67	4.4	3.2	8.6	11	2.18
Turbodyne	21.9	21	77.2	5	.4	—16	1.0	—56	1.6	2.4	2.3	27	.25
USM [4]	158.3	20	610.8	21	5.2	56	17.7	124	3.3	2.6	8.4	5	3.80
Warner & Swasey	55.6	32	212.6	39	3.2	75	12.4	132	5.7	4.3	11.0	9	3.52
Wean United	62.9	13	181.0	—12	1.7	NM	.2	NM	2.7	.1	—1.5	NM	—.19
Zurn Industries [5]	53.7	26	208.3	20	1.8	14	6.6	33	3.4	3.7	12.3	9	1.13
Industry composite	4,034.4	27	14,080.0	21	174.0	33	615.7	33	4.3	4.1	12.4	11	2.34

See footnotes at end of table.

SURVEY OF CORPORATE PERFORMANCE: 4TH QUARTER 1973—Continued

Company	Sales 4th quarter 1973 (millions)	Sales Change from 1972 (percent)	Sales 12 months 1973 (millions)	Sales Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Profits Change from 1972 (percent)	Profits 12 months 1973 (millions)	Profits Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	Margins 4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Instruments—Controls, measuring devices, photo and optical:													
Ametek	$48.1	21	$191.8	19	$2.3	29	$9.2	39	4.8	4.5	18.0	8	$1.80
Bausch & Lomb	62.5	24	228.4	24	4.3	253	12.8	70	6.9	2.4	14.4	17	2.22
Beckman Instruments [3]	46.8	21	174.8	13	1.6	27	6.6	25	3.3	3.2	8.2	17	1.81
Bell & Howell	10C.8	−5	407.6	8	4.5	7	19.2	11	4.5	4.0	11.7	7	3.36
Bulova Watch [5]	62.8	14	205.3	22	2.7	7	7.2	30	4.3	4.5	9.5	6	1.93
Dentsply International	?21.6	16	81.9	22	1.9	26	6.9	30	8.9	8.2	17.1	14	1.55
EG&G	38.2	10	137.8	3	1.3	2	4.5	16	3.5	3.7	13.2	17	.81
Eastman Kodak	1,289.4	14	4,035.5	16	189.2	1	653.5	20	14.7	16.5	22.8	25	4.05
Fisher Scientific	36.7	13	140.8	11	−.3	NM	1.8	−38	NM	2.7	3.7	12	.49
General Signal	105.9	16	392.1	13	5.8	13	19.0	16	5.5	5.6	12.8	19	2.51
Hewlett-Packard [6]	206.6	48	661.3	38	16.9	32	50.7	36	8.2	9.2	16.0	41	1.89
Itek	56.7	10	204.5	8	.1	−95	3.7	−28	.1	3.0	4.9	12	1.30
Johnson Service	79.3	6	251.2	9	2.6	−32	9.1	−11	3.3	5.1	10.9	7	2.11
Kollmorgen	20.5	62	67.9	57	.7	56	2.6	90	3.5	4.7	15.1	11	1.98
Leeds & Northrup [9]	29.6	14	111.8	5	.7	399	2.3	−16	2.4	.6	5.8	14	1.23
Narco Sciencitific Industries [7]	?21.0	24	76.8	27	.6	−23	2.2	4	2.7	4.3	9.7	7	1.27
Neptune Meter	21.2	25	77.2	15	.7	35	2.4	49	3.4	3.1	7.6	9	.98
Polaroid	?253.2	34	700.6	23	21.1	20	51.8	22	8.3	9.3	9.8	46	1.58
Ranco [2]	23.8	36	119.3	26	1.4	50	6.0	29	4.2	3.8	16.0	5	2.51
Robertshaw Controls	48.2	7	193.3	12	1.7	−29	9.6	−2	3.6	5.4	11.4	7	2.48
Sangamo Electric	24.4	5	96.2	10	1.4	34	4.9	26	5.8	4.6	11.7	6	1.82
Sherwood Medical Industries	34.3	12	131.2	7	3.0	13	9.7	12	8.9	8.8	17.5	9	1.92
Sybron	109.3	12	402.3	13	5.7	5	21.7	9	5.2	5.6	11.0	16	1.80
Talley Industries [5]	80.8	17	278.7	7	2.3	21	8.5	−4	2.9	2.8	8.2	5	1.29
Tektronix [9]	61.7	46	232.2	33	5.1	67	19.2	38	8.3	7.2	12.8	15	2.35
Varian Associates [1]	67.4	23	253.9	20	1.7	15	7.0	47	2.5	2.6	5.8	11	1.02
Veeder Industries	20.3	28	78.3	23	1.6	55	5.4	44	8.1	6.7	13.6	6	4.33
Industry composite	2,979.7	18	9,932.9	17	280.7	6	957.6	20	9.4	10.4	17.2	14	2.09

Leisure time industries:

AMF	259.0	—1	962.0	4	14.7	1	57.8	4	5.6	5.5	21.5	7	3.15
American Greetings [4]	3 70.6	17	201.8	14	9.4	10	16.0	13	13.3	14.1	17.5	24	1.17
Arctic Enterprises [5]	31.3	—23	97.7	—19	—1.5	NM	—3.5	NM	NM	3.2	—10.2	NM	—1.06
Brunswick	177.7	7	683.4	8	12.4	3	39.7	14	7.0	7.2	16.2	7	2.26
Champion Home Builders [4]	4 67.0	—3	312.3	12	.8	—81	11.3	—33	1.2	6.1	22.9	13	.32
Coleman	42.0	4	186.3	14	2.1	26	11.3	15	4.9	4.1	14.5	6	1.54
Columbia Pictures Industries [3]	64.0	2	209.6	—16	.3	NM	—43.7	NM	.4	NM	NM	NM	—5.74
Disney (Walt) Productions [1]	78.9	14	395.0	16	5.9	17	48.6	22	7.5	7.3	10.0	25	1.67
Fuqua Industries	134.0	13	479.2	24	4.4	—22	20.3	28	3.3	4.8	11.8	4	2.10
Hammond [5]	38.6	15	124.3	23	1.9	11	4.7	16	5.0	5.2	14.0	5	1.30
Harrah's [8]	23.8	22	101.1	12	.8	13	8.4	17	3.2	3.5	15.2	11	1.19
Huffman (Manufacturing) [3]	27.9	21	115.7	23	.8	9	1.7	—24	3.0	3.3	7.3	8	1.02
I-Tel International [8]	34.0	58	59.6	81	3.1	14	3.5	33	9.1	12.7	41.0	5	.87
Madison Square Garden [9]	41.4	73	136.6	26	1.5	NM	2.0	—23	3.6	NM	22	17	.42
Mattel [13]	115.6	25	254.8	30	7.2	—25	—16.0	NM	6.2	10.4	—27.1	NM	—.97
Medalist Industries	20.7	25	85.5	35	.7	39	3.3	54	3.4	3.1	15.7	4	2.02
Metro-Goldwyn-Mayer [6]	3 34.5	8	155.5	6	5.4	173	5.3	—39	15.6	6.2	5.0	17	.71
Midland	24.7	4	99.6	11	.7	—39	3.1	28	3.0	5.1	11.0	4	1.71
Milton Bradley	53.4	24	146.5	17	3.0	7	7.0	—18	5.6	6.5	10.5	10	1.10
Murray Ohio Manufacturing	29.2	1	133.3	13	1.4	15	5.9	22	4.9	4.3	16.9	8	2.90
Norlin	57.0	36	177.9	29	3.5	22	8.0	24	6.1	6.8	NA	4	4.09
Rust Craft Greeting Cards [4]	23.6	11	76.5	14	1.3	—14	4.1	—2	5.5	7.1	9.9	5	1.73
Skyline [9]	75.8	—9	350.7	3	2.4	—36	13.8	—31	3.1	4.5	18.5	12	1.22
Technicolor [8]	3 32.3	12	115.6	6	1.1	4	4.5	10	3.5	3.8	11.8	6	1.22
Tonka	26.0	32	83.4	35	1.2	67	3.6	50	4.6	3.6	16.2	6	2.28
Western Publishing	57.1	6	205.5	9	3.0	5	9.9	17	5.2	5.3	12.5	5	2.54
Winnebago Industries [4]	29.5	—43	165.1	—17	—.8	NM	4.2	—78	NM	7.9	5.6	37	.17
Wurlitzer [5]	25.6	0	87.1	7	.2	—78	0.1	—94	.8	3.9	.4	73	.10
Industry composite	1,695.0	8	6,302.0	10	86.9	—3	234.7	—15	5.1	5.8	11.3	13	.89

Metals and mining—Nonferrous metals, coal, iron ore, etc.:

Aluminum Co. of America	573.4	27	2,157.8	23	29.6	—22	104.2	1	5.2	8.4	7.9	15	3.09
American Metal Climax	361.4	56	1,337.0	53	32.9	75	105.1	59	9.1	8.1	13.5	12	4.03
American Smelting & Refining	288.0	40	1,068.4	31	36.9	199	113.4	142	12.8	6.0	16.0	6	4.25
Anaconda	382.0	48	1,343.1	33	24.3	155	69.7	58	6.4	3.7	7.0	9	3.16
Belden	39.6	24	152.2	25	1.5	38	5.4	11	3.7	3.3	15.3	7	2.68
Brush Wellman	18.8	18	74.3	20	2.0	59	8.0	38	10.7	7.9	14.2	7	3.53
Cleveland-Cliffs Iron	3 39.4	—2	135.2	13	5.1	0	20.8	25	13.0	14.4	12.4	10	6.78
Copper Range	40.4	71	144.8	48	4.7	NM	10.5	NM	11.7	NM	10.6	7	4.49
Eastern Gas & Fuel Associates	90.0	7	333.5	1	7.4	95	17.3	2	8.2	4.5	9.9	13	1.84
Fansteel	23.8	20	90.4	18	.9	47	3.3	69	3.9	3.2	9.5	6	2.00
Florida Rock Industries [1]	25.7	32	101.8	73	1.4	37	5.9	53	5.3	5.1	24.8	5	1.27
Foote Mineral	20.9	9	86.4	21	1.4	NM	2.6	NM	6.6	NM	1.6	13	.84
Gulf Resources & Chemical	3 38.6	18	147.3	16	1.2	7	6.3	79	3.1	3.4	15.9	12	1.18
Homestake Mining	28.2	56	112.4	91	6.3	266	22.5	215	22.4	9.5	25.2	23	4.00

See footnotes at end of table.

SURVEY OF CORPORATE PERFORMANCE: 4TH QUARTER 1973—Continued

Company	Sales				Profits				Margins		Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (percent)	4th quarter 1972 (percent)			
Metals and mining—Continued													
Inspiration Cons. Copper	$27.5	25	$89.4	5	$6.1	170	$14.6	20	21.8	10.2	18.8	8	$6.05
Kaiser Aluminum & Chemical	332.6	36	1,280.7	29	13.4	372	44.5	196	4.0	1.2	7.2	10	2.17
Kawecki Berylco Industries	23.9	25	86.7	24	1.4	212	4.7	187	6.1	2.4	9.8	9	1.45
Kennametal [3]	²29.7	31	109.0	28	3.5	77	14.0	96	11.9	8.8	24.3	6	5.06
Kennecott Copper	387.2	24	1,395.1	22	46.6	85	159.4	82	12.0	8.1	12.8	9	4.81
Martin Marietta Aluminum	62.4	20	247.0	21	2.1	NM	12.6	583	3.4	NM	7.3	6	1.59
Newmont Mining	150.8	80	482.0	60	32.4	204	102.2	112	21.2	15.9	21.1	8	4.10
North American Coal	34.2	28	125.2	25	1.3	47	4.0	41	3.7	3.2	12.6	12	2.40
Phelps Dodge	278.1	41	962.1	26	34.5	49	109.0	33	12.4	11.8	14.3	8	5.31
Pittston	216.3	29	682.5	9	9.0	53	25.4	5	4.1	3.5	11.5	19	1.47
Raychem [3]	28.3	39	101.2	34	2.0	67	6.8	72	7.0	5.8	18.3	39	5.84
Revere Copper & Brass	133.8	24	492.5	26	3.0	738	2.5	NM	2.2	.3	1.6	22	.43
Reynolds Metals	402.3	38	1,449.8	25	28.0	987	45.1	NM	7.0	.9	6.8	9	2.41
St. Joe Minerals	71.6	28	254.4	24	9.2	29	31.4	29	12.9	12.7	NA	11	3.69
U.S. Reduction [7]	21.9	33	94.8	44	-.6	NM	1.2	113	NM	1.1	14.2	7	1.43
Westmoreland Coal	44.7	18	173.1	8	.9	46	4.7	-8	2.1	1.7	NA	21	1.38
Industry composite	4,215.5	35	15,310.0	27	348.4	79	1,077.3	62	8.3	5.6	11.0	12	3.25
Miscellaneous manufacturing:													
ACF Industries	125.3	49	440.8	28	6.7	27	25.8	35	5.3	6.3	12.4	11	4.60
ASG Industries	18.8	16	67.3	11	2.0	76	2.9	-15	10.9	7.2	NA	5	.86
American Shipbuilding [1]	28.4	11	113.2	1	.9	425	3.7	-2	3.2	.7	10.9	7	1.80
Amsted Industries [1]	100.1	21	389.6	22	3.1	16	15.5	23	3.1	3.2	11.0	7	5.71
Apache	²43.1	17	162.9	20	1.8	14	6.9	23	4.2	4.3	12.6	7	1.91
Armstrong Cork	199.9	14	794.8	16	11.4	17	55.7	33	5.7	5.6	13.6	13	2.15
Athlone Industries	49.6	13	188.0	18	2.6	113	7.3	88	5.2	2.7	18.9	3	4.02
Bangor Punta [1]	²92.5	22	356.7	23	2.2	3	8.7	16	2.3	2.8	5.6	3	1.78
Bemis	²149.6	28	514.6	20	4.6	48	13.9	34	3.1	2.7	11.7	5	3.00
Butler Manufacturing	62.5	31	230.8	27	3.1	86	13.4	77	4.9	3.5	NA	7	3.43
Campbell Industries [5]	19.4	73	59.5	84	.5	56	1.7	111	2.5	2.8	25.5	3	2.94
Carborundum	110.7	24	415.1	22	5.2	12	20.6	27	4.7	5.2	10.8	7	5.58
Ceco	65.8	15	248.4	14	3.6	45	8.9	5	5.5	4.4	12.2	6	2.58
Chamberlain Manufacturing [3]	35.6	22	124.7	16	.5	27	2.6	NM	1.3	1.3	13.0	4	1.76
Conroy [6]	20.3	-16	69.2	5	.6	-56	2.1	-41	3.0	5.8	9.0	6	.53
Corning Glass Works	246.1	32	945.8	32	16.6	15	70.4	32	6.7	7.7	14.7	20	4.00
Cosco	18.0	3	68.9	11	.4	-21	1.7	25	2.4	3.0	10.1	5	1.01

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Dayco [6]	109.8	12	399.6	17	3.5	10	9.5	17	3.2	32.	15.2	5	2.95
Eagle-Picher Industries [7]	81.3	25	313.0	22	4.0	16	14.8	25	4.9	5.3	15.8	6	3.28
Fasco	45.2	22	159.9	20	1.9	22	5.9	25	4.2	4.2	11.2	5	2.08
Franklin Mint	33.1	45	112.6	40	3.2	41	9.2	36	9.7	9.9	30.1	15	1.12
GF Business Equipment	27.1	18	96.9	13	1.0	NM	2.5	NM	3.8	NM	6.6	6	.98
General Cable	117.4	22	469.6	27	4.6	59	18.1	19	3.9	3.0	11.3	7	1.27
Guardian Industries	22.4	42	87.2	38	1.5	120	9.2	61	6.5	4.2	34.0	10	1.62
Hillenbrand Industires [7]	27.4	19	92.9	22	2.9	44	10.0	25	10.6	8.8	19.2	11	2.04
Howmet	90.0	17	370.9	18	4.5	109	17.6	23	5.0	2.8	13.6	9	1.64
Illinois Tool Works	50.2	25	193.8	25	6.2	22	18.7	31	12.3	12.7	19.9	15	1.61
Insilco	87.1	4	366.7	8	3.8	14	14.9	12	4.4	4.0	14.1	6	1.51
Instrument Systems [1]	53.2	13	205.9	8	.4	−21	2.0	32	.7	1.0	4.7	9	.21
International Systems & Controls [3]	52.8	9	185.1	7	1.3	−37	2.2	−63	2.4	4.2	5.4	54	.71
Jostens [3]	27.6	18	115.7	11	1.7	14	6.5	9	6.0	6.3	18.8	7	2.17
Kirsch [3]	25.6	10	95.1	15	1.8	40	5.8	15	6.9	5.5	14.7	7	2.39
Krcehler Manufacturing	35.3	8	143.4	11	1.5	13	3.4	0	4.2	2.4	6.7	6	2.63
Lamson & Sessions	24.0	11	100.7	19	.7	30	2.9	45	3.1	2.7	7.4	6	2.11
Lancaster Colony [3]	35.3	−3	131.0	1	1.9	−13	6.4	−12	5.3	5.9	16.7	4	1.66
Ludlow	59.2	6	220.4	9	1.4	−29	4.8	−27	2.4	3.6	7.6	8	1.31
MSL Industries	23.6	14	96.0	25	2.0	48	6.8	54	8.5	6.5	NA	5	4.64
Microdot	52.6	23	207.1	28	1.9	1	8.4	28	3.6	4.4	18.7	5	2.02
Minnesota Mining & Manufacturing	662.8	21	2,546.0	20	76.9	16	295.5	21	11.6	12.1	21.3	29	2.62
Mirro Aluminum	23.7	4	87.2	8	1.3	15	3.9	−4	5.4	4.9	10.1	7	1.72
Mohasco Industries	139.6	18	518.0	20	5.7	31	17.7	20	4.1	3.7	11.2	6	2.76
Monogram Industries [3]	45.9	17	186.5	24	1.6	4	7.2	9	3.6	4.0	10.1	3	1.53
Norton	127.9	27	475.4	27	3.6	32	21.3	47	2.8	2.7	9.5	7	3.94
Nucor	32.8	38	113.2	35	2.0	23	6.0	29	6.1	6.9	27.3	5	3.01
PPG Industries	386.4	6	1,512.6	8	23.8	8	93.1	13	6.2	6.1	12.4	6	4.48
Parker Pen [4]	35.6	37	109.0	31	4.2	100	8.0	83	11.9	8.2	17.6	7	2.58
Phillips Industries [7]	45.5	−8	211.5	0	−4	NM	5.4	−8	NM	1.4	10.7	5	.91
Pittsburgh-Des Moines Steel	57.4	3	144.4	11	1.0	26	2.7	8	1.7	1.4	7.7	18	1.87
Pittsburgh Forgings	[2] 28.4	51	85.5	9	.7	41	2.4	11	2.5	2.7	7.5	13	1.26
Portec	[3] 19.6	27	73.6	10	1.1	134	2.4	23	5.5	3.0	10.5	6	2.31
Porter (H.K.)	70.1	17	267.7	16	.4	−61	2.1	103	.6	1.7	1.9	24	1.20
Premier Industrial [9]	36.9	26	136.7	22	2.4	18	8.7	17	6.4	6.7	15.5	8	1.04
Pullman	[2] 303.8	41	1,012.6	33	12.4	109	36.5	105	4.1	2.7	14.9	13	5.06
Remington Arms	25.2	23	142.0	12	2.2	105	12.0	36	8.5	5.1	11.8	6	1.66
Risdon Manufacturing	18.2	74	55.9	62	.6	NM	2.0	139	3.2	NM	15.2	4	1.89
Robintech [3]	19.8	85	72.8	71	1.0	177	3.4	160	5.2	3.5	25.8	14	2.22
Scott & Fetzer [7]	72.5	16	270.7	18	6.0	7	20.9	15	8.2	8.9	24.2	7	2.72
Scovill Manufacturing	168.2	5	614.5	12	5.8	12	20.5	13	3.4	3.2	12.2	6	2.59
Shaw Industries [3]	23.1	21	88.7	40	1.5	22	5.8	44	6.4	6.4	30.8	5	1.74
Signode	92.4	25	342.1	23	5.9	19	21.8	21	6.3	6.6	16.5	13	3.01
Simmons	[2] 140.5	23	406.2	19	4.3	11	14.9	18	3.0	3.3	10.5	9	2.21
Skill	28.9	15	106.8	13	−.7	NM	2.1	−50	NM	4.9	6.0	14	1.10

See footnotes at end of table.

Company	Sales				Profits				Margins		Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (percent)	4th quarter 1972 (percent)			
Miscellaneous manfuacturing—Continued													
Stanadyne	$53.2	28	$201.7	30	$2.9	37	$11.0	36	5.4	5.1	NA	6	$2.30
Standard Pressed Steel	40.6	29	152.0	24	2.2	74	7.3	135	5.3	3.9	11.7	5	1.40
Stanley Works	132.4	24	491.3	23	5.8	—3	22.8	14	4.4	5.6	13.8	9	2.95
Stanray	22.8	19	91.0	19	.8	11	3.1	16	3.6	3.8	12.9	7	1.62
Sterndent	24.1	28	83.1	33	.8	28	2.7	40	3.3	3.3	11.9	8	1.32
Swank	28.3	—2	75.6	2	2.1	17	3.3	20	7.3	6.1	12.3	5	1.12
Todd Shipyards[5]	53.8	26	175.8	—3	.3	NM	1.3	NM	.5	NM	2.5	14	.91
Trans Union	100.8	22	348.7	21	7.8	13	29.3	13	7.7	8.4	14.5	13	2.93
Trinity Industries[6]	52.0	148	180.4	144	1.7	81	5.1	84	3.3	4.6	17.6	8	2.71
Tyler	55.6	45	193.9	28	2.2	11	8.8	9	3.9	5.2	19.0	5	3.20
Union[3]	28.6	21	109.4	24	.7	33	2.9	30	2.4	2.2	7.5	12	.69
Vulcan Materials	88.6	29	325.3	22	6.6	36	23.2	36	7.4	7.0	18.2	7	4.00
Walco National[3]	27.4	15	106.8	17	.7	30	2.0	40	2.7	2.4	11.0	6	2.28
Wheelabrator-Frye	76.8	42	257.3	32	3.5	24	10.0	25	4.6	5.2	11.0	12	1.26
Industry composite	5,856.1	21	21,725.8	20	318.8	20	1,190.7	25	5.4	5.4	14.4	9	2.43
Nonbank financial:													
Aetna Life & Casualty	1,169.2	16	4,709.2	13	51.2	15	195.0	12	4.4	4.4	12.6	9	7.32
Beneficial	109.0	8	416.3	10	18.0	—28	73.7	—11	16.6	25.0	12.4	7	3.40
Capital Holding	106.7	26	339.6	6	13.8	25	43.3	12	13.0	13.1	18.5	18	1.51
Coldwell, Banker[3]	19.3	15	70.9	20	.9	—30	3.4	—23	4.7	7.8	16.3	7	1.68
Continental Corp	427.4	2	1,652.1	4	35.5	4	131.2	9	8.3	8.2	8.8	7	5.22
Credithrift Financial	[2]34.9	21	127.9	13	2.2	—16	9.1	—12	6.4	9.2	13.5	8	.87
Hayden Stone[3]	[2]19.4	31	61.5	7	.8	56	—1.7	NM	4.2	3.5	—8.4	NM	—.61
Heller (Walter E.) International	83.2	122	228.6	71	7.7	19	25.2	13	9.3	17.3	15.8	17	2.25
Hutton (E.F.) Group	[2]51.4	37	157.1	6	4.2	130	4.9	—55	8.2	4.9	8.5	8	1.05
INAL	485.3	11	1,895.4	17	35.5	38	111.7	4	7.3	5.9	10.5	8	4.71
Mariennan	[2]54.2	11	218.7	10	6.7	34	30.5	20	12.4	10.2	27.9	21	2.29
Merrill Lynch	201.1	15	686.0	—2	15.5	—15	33.7	—52	7.7	10.4	7.6	11	1.04
Paine, Webber[1]	[2]39.8	12	124.6	—5	2.6	44	—.7	NM	6.5	5.1	—7.3	NM	—46
Pasco	[2]36.2	NA	127.9	NA	1.8	NA	6.7	670	5.1	NA	NA	14	1.44
Reliance Group	[2]191.2	13	732.5	12	5.9	—28	39.9	—2	3.1	4.9	14.2	4	2.55
Reynolds Securities	[2]24.6	4	86.4	—11	1.9	—14	4.0	—56	7.7	9.3	5.9	10	.91
TI	38.2	—8	159.5	7	2.6	—46	15.7	—19	6.8	11.6	8.8	8	2.43
Witter (Dean)[6]	[2]37.5	10	140.1	—10	1.7	20	3.4	—66	4.5	4.1	5.1	9	.81
Industry composite	3,128.7	15	11,934.2	12	208.6	8	728.9	—3	6.7	7.2	10.9	10	2.98

Office equipment, computers:

Addressograph-Multigraph [11]	123.9	17	507.7	12	1.5	−1	3.2	−81	1.2	1.4	1.5	24	.40
Apeco [7]	33.6	NM	138.7	15	−.9	NM	.4	−89	NM	NM	.9	63	.04
Burroughs	[2] 389.0	18	1,284.2	22	49.7	28	115.9	32	12.8	11.7	13.3	31	6.01
California Computer Products [3]	[2] 31.4	53	103.9	68	1.3	80	4.0	NM	4.1	3.4	39.8	7	1.33
Control Data	277.9	33	948.2	39	15.0	1	60.4	4	5.4	7.1	7.2	10	3.70
Data Products [4]	18.3	28	72.4	29	1.3	355	4.0	392	7.0	2.0	13.0	7	.59
Dick (A.B.)	61.3	30	227.0	19	2.6	17	10.7	12	4.3	4.8	17.5	8	1.98
Dictaphone	27.4	20	100.4	16	1.6	50	5.2	67	5.8	4.6	16.6	79	1.32
Diebold	52.0	21	189.4	21	3.3	1	11.8	25	6.3	7.6	16.5	16	2.2
Digital Equipment [3]	96.9	61	332.1	54	9.9	116	31.9	91	10.2	7.7	12.9	38	2.83
Elec. Memories & Magnetics	27.4	24	105.8	38	1.2	48	4.5	294	4.5	3.8	33.6	6	.65
Honeywell	707.6	12	2,390.6	12	40.2	8	97.3	27	5.7	5.9	11.3	15	5.12
International Business Machines	3,240.2	28	10,993.2	15	468.7	38	1,575.5	23	14.5	13.5	19.2	22	10.79
Nashua	61.2	35	223.3	31	3.1	7	11.5	19	5.1	6.4	18.2	16	2.55
National Cash Register	577.4	26	1,816.3	17	34.7	NM	72.0	NM	6.0	NM	11.6	12	3.10
Pitney-Bowes	110.9	14	384.9	13	6.9	16	19.9	32	6.3	6.2	15.1	7	1.50
Standard Register	36.5	28	127.8	18	2.1	89	5.5	87	5.8	4.0	13.2	5	2.56
Telex [5]	[2] 24.9	−6	67.9	−15	−4.5	NM	−30.3	NM	NM	3.2	NM	NM	−2.90
Uarco [1]	38.4	27	137.0	18	2.0	112	6.2	61	5.3	3.2	14.9	6	3.01
Xerox	806.0	23	2,989.7	24	77.2	17	300.5	20	9.6	10.1	22.8	30	3.80
Industry composite	**6,742.4**	**25**	**23,140.4**	**18**	**717.0**	**56**	**2,310.1**	**30**	**10.6**	**8.5**	**17.1**	**17**	**5.84**

Oil—Crude, integrated domestic and international:

Amerada Hess	[2] 658.3	76	1,920.3	42	131.9	NM	245.8	432	2.0	NM	33.9	5	6.59
American Petrofina	168.1	132	447.8	57	16.7	218	36.9	104	9.9	7.3	18.3	9	4.09
Apco Oil	[2] 41.6	33	141.2	14	1.9	45	−5.7	NM	4.7	4.2	−9.0	NM	−2.02
Ashland Oil [1]	637.4	32	2,206.6	20	34.4	52	97.0	37	5.4	4.7	18.2	6	3.87
Atlantic Richfield	[10] 1,335.4	32	4,489.1	17	92.0	48	270.5	40	6.9	6.1	7.8	21	4.76
Charter	[10] 158.8	53	481.9	24	11.2	289	23.1	150	7.0	2.8	21.2	5	5.25
Cities Service	581.4	19	2,034.7	9	42.1	50	135.6	37	7.2	5.7	9.3	11	5.21
Clark Oil & Refining	[2] 126.2	55	418.0	45	8.1	141	30.5	266	6.4	4.1	33.4	4	4.29
Commonwealth Oil Refining	188.6	126	487.3	63	15.1	NM	34.1	996	8.0	NM	20.5	6	2.30
Continental Oil	[14] 1,410.3	38	4,500.0	22	89.3	92	242.7	43	6.3	4.5	14.5	9	4.81
Crystal Oil	[2] 31.2	66	95.6	51	−.3	NM	1.9	NM	NM	NM	11.5	14	1.10
Earth Resources [6]	[2] 25.7	81	99.7	52	.8	307	3.0	300	3.0	1.3	18.7	12	.71
Edgington Oil [3]	[2] 42.8	136	117.5	102	3.6	NM	7.4	194	8.5	1.8	40.7	5	4.76
Exxon	7,541.0	38	25,683.0	26	784.0	59	2,440.0	59	10.4	9.0	19.4	8	10.89
General American Oil [3]	[2] 18.5	27	63.7	11	6.2	156	13.7	−5	33.5	16.6	6.1	18	2.17
Getty Oil	479.1	31	1,600.9	14	52.6	115	135.0	77	11.0	6.7	9.1	20	7.15
Gulf Oil	[14] 2,908.0	48	9,900.0	29	230.0	153	800.0	79	7.9	4.8	14.8	6	4.06
Kerr-McGee	194.7	15	728.0	7	18.7	36	62.8	24	9.6	8.2	12.5	31	2.52
Louisiana Land & Exploration	[2] 56.2	26	183.3	20	20.6	26	70.2	11	36.7	36.7	32.2	22	1.94
Marathon Oil	[14] 558.6	35	1,858.0	23	46.9	93	129.4	62	8.4	5.9	15.9	10	4.32
Mobil Oil	[14] 3,720.0	36	12,700.0	23	271.6	68	842.8	47	7.3	5.9	16.0	6	8.28
Murphy Oil	[2] 160.3	47	512.4	29	13.9	181	48.5	239	8.7	4.3	25.4	10	8.32

See footnotes at end of table.

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Oil—Continued													
Natomas	[10] $40.8	129	$110.5	57	$8.8	NM	$11.2	179	21.5	1.8	8.0	17	$2.75
Occidental Petroleum	1,073.5	47	3,455.7	27	24.3	272	79.8	305	2.3	1.2	7.2	10	1.10
Pennzoil	[2] 297.5	26	1,061.9	19	25.4	77	83.7	43	8.5	6.1	13.4	11	2.43
Petrolane [1]	122.2	41	338.1	30	6.5	30	17.7	24	5.3	5.8	18.8	7	1.78
Phillips Petroleum	[2] 960.1	43	3,073.5	20	86.7	127	230.4	55	9.0	5.7	12.4	17	3.05
Quaker State Oil Refining	57.2	29	203.3	22	5.7	54	19.2	26	9.9	8.3	20.7	18	1.36
Reserve Oil & Gas	[2] 162.8	88	406.0	57	5.3	325	10.3	120	3.2	1.4	NA	10	.81
Shell Oil	1,392.4	29	4,883.8	20	79.4	−2	332.7	28	5.7	7.5	11.1	12	4.94
Skelly Oil	[2] 164.2	17	582.0	9	16.8	31	44.0	17	10.3	9.1	7.7	17	3.71
Standard Oil (Indiana)	[14] 1,883.0	33	6,468.0	18	121.5	53	511.2	36	6.5	5.6	13.1	13	7.33
Standard Oil Co. of California	2,316.3	49	7,761.8	33	283.1	94	843.6	54	12.2	9.4	15.7	6	4.97
Standard Oil (Ohio)	[2] 386.6	7	1,482.0	8	11.6	−40	74.1	24	3.0	5.4	6.8	23	2.71
Suburban Propane Gas [1]	52.1	22	177.8	20	3.7	27	10.1	21	7.0	6.8	14.9	7	2.27
Sun Oil	708.1	33	2,286.0	19	74.9	61	229.7	48	10.6	8.8	10.8	9	5.25
Tesoro Petroleum [1]	[2] 112.1	94	341.3	55	12.6	183	28.0	97	11.2	7.7	27.6	9	5.37
Texaco	[2] 3,579.0	47	11,834.0	32	453.5	70	1,292.4	45	12.7	10.9	17.6	6	4.75
Union Oil Co. of California	[2] 772.5	39	2,601.1	22	51.0	55	180.2	48	6.6	5.9	10.1	8	5.50
United Refining	[2] 39.4	70	124.2	50	2.7	90	6.1	65	6.7	6.0	20.2	5	3.39
Industry composite	35,162.0	40	117,910.5	27	3,164.7	80	9,669.6	55	9.0	7.0	15.1	11	5.38
Oil service and supply:													
Baker oil Tools [1]	52.3	26	194.7	14	3.4	41	12.6	13	6.4	5.8	17.0	27	1.26
Chicago Bridge & Iron	111.6	−6	364.8	3	11.6	−12	29.4	−11	10.4	11.1	NA	32	3.04
Dresser Industries [5]	306.7	21	1,025.2	13	14.9	23	44.2	14	4.8	4.8	8.6	16	3.38
Halliburton	553.5	20	2,131.0	50	24.9	44	90.4	37	4.5	3.7	18.4	33	5.04
Hughes Tool	34.0	22	121.8	22	3.9	39	13.6	31	11.5	10.1	NA	26	2.71
Marathon Manufacturing	55.7	−4	252.1	12	−9.8	NM	−19.0	NM	NM	5.1	−29.1	NM	−5.92
McDermott (J. Ray) [6]	102.6	4	386.2	6	10.6	74	26.4	67	10.3	6.2	12.5	23	3.91
Offshore	32.8	45	107.5	20	4.6	26	16.3	18	14.1	16.2	NA	11	2.38
Parsons (Ralph M.)	63.9	17	182.7	−15	1.5	27	3.7	24	2.3	2.1	15.4	15	1.62
Reading & Bates [1]	28.6	38	103.0	27	2.2	59	9.0	55	7.7	7.6	11.0	21	1.48
Rucker	27.0	60	85.1	35	1.0	NM	2.5	401	3.8	NM	19.5	15	.67
Sedco [3]	[2] 46.1	36	142.9	9	6.9	40	21.2	37	15.1	14.7	16.9	25	2.09
Smoth International Industries	37.3	38	129.6	32	2.9	83	8.5	49	7.7	5.8	13.4	22	1.17
Universal Oil Products	135.0	−19	636.0	28	6.9	93	18.8	50	5.1	2.1	11.1	9	1.88
Industry composite	1,587.3	13	5,862.7	24	85.4	18	277.5	16	5.4	5.2	12.1	21	2.45

Paper:

Avery Products[7]	65.2	27	242.7	29	3.5	27	12.8	50	5.3	5.3	18.0	25	1.39
Chesapeake Corp. of Virginia	24.0	26	99.8	21	2.3	40	8.1	47	9.7	8.7	13.4	8	4.43
Consolidated Papers	50.2	24	183.3	21	5.2	152	14.1	108	10.3	5.1	NA	6	5.58
Crown Zellerbach	341.3	15	1,363.6	21	21.8	73	102.6	126	6.4	4.3	17.1	8	4.26
Dennison Manufacturing	[3]57.4	19	207.0	16	2.8	5	10.2	13	4.9	5.5	13.4	5	3.50
Diamond International	214.7	13	687.7	14	13.4	25	44.3	17	6.3	5.7	7.0	8	3.74
Fort Howard Paper	31.6	23	119.4	16	3.6	−2	14.2	10	11.5	14.4	17.9	15	1.08
Great Northern Nekoosa	145.4	29	505.1	23	8.9	62	27.5	51	6.1	4.8	10.8	9	5.02
Hammermill Paper	155.7	25	477.9	21	7.9	245	17.4	274	5.1	1.8	NA	7	2.56
International Paper	589.2	12	2,314.3	11	46.9	53	159.8	56	8.0	5.8	14.2	13	3.60
Kimberly-Clark	335.2	29	1,179.8	17	17.9	17	77.1	39	5.3	5.9	13.5	9	3.31
Mead	330.8	17	1,298.6	15	13.2	69	49.5	90	4.0	2.8	10.3	6	2.66
Rexham	22.1	29	81.8	21	.9	102	3.0	33	4.2	2.7	7.9	6	.68
St. Regis Paper	297.3	10	1,133.8	12	16.6	19	61.7	49	5.6	5.2	10.9	11	2.88
Scott Paper	249.9	20	931.3	14	13.8	26	56.6	47	5.5	5.2	10.3	10	1.63
Sonoco Products	52.2	23	188.6	22	3.0	19	10.6	22·	5.8	6.0	NA	10	2.24
Union Camp	193.7	24	750.4	25	15.4	49	60.5	56	8.0	6.6	18.7	14	4.01
Westvaco[8]	186.0	23	655.5	19	21.0	224	43.5	232	11.3	4.3	15.5	8	4.06
Industry composite	3,341.9	22	12,420.6	18	218.1	57	773.5	67	6.5	5.0	13.6	10	3.00

Personal care products—Cosmetics, soap, etc.:

Alberto-Culver[1]	37.8	−15	177.8	−6	.2	−82	4.3	−28	.6	2.6	8.8	9	.93
Avon Products	406.2	14	1,150.7	14	58.6	7	135.7	9	14.4	15.4	36.4	20	2.34
Chesebrough-Pond's	118.9	14	464.3	12	7.9	10	37.4	13	6.7	6.9	21.1	25	2.48
Clorox[3]	127.1	45	478.7	30	5.7	−1	25.7	−1	4.4	6.5	24.0	10	1.16
Colgate-Palmolive	578.3	19	2,195.3	15	24.6	39	88.8	28	4.2	3.6	16.2	18	1.31
Economics Laboratory[3]	55.9	25	213.3	26	3.1	18	12.5	21	5.6	5.9	19.2	34	1.01
Gillette	323.2	35	1,064.4	22	23.7	17	86.7	16	7.3	8.5	23.8	13	2.91
Helene Curtis Industries[4]	18.9	14	65.8	12	.3	NM	0	NM	1.4	NM	.2	NM	.01
International Flavors & Fragrances	43.9	31	174.1	26	6.2	19	27.0	25	14.2	15.6	23.7	48	.75
Procter & Gamble[3]	1,136.1	24	4,312.9	17	71.8	1	297.5	3	6.3	7.8	17.3	24	3.62
Tampax	31.0	15	119.4	12	8.2	14	29.0	10	26.5	26.5	41.6	17	2.57
Industry composite	2,877.4	23	10,416.6	19	210.3	10	744.5	9	7.3	6.6	20.7	20	2.63

See footnotes at end of table.

Company	Sales				Profits				Margins		Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (percent)	4th quarter 1972 (percent)			
Publishing—Periodicals, books, newspapers:													
Banta (George)	$22.5	43	$83.4	25	$0.4	9	$3.0	15	1.7	2.3	NA	6	$1.64
Dow Jones	47.8	9	180.4	11	6.7	25	23.3	17	14.0	12.2	NA	13	1.56
Gannett	³80.0	—3	300.2	4	9.7	26	28.8	25	12.1	9.3	16.2	22	1.41
Harcourt Brace Jovanovich	41.9	4	176.9	10	2.1	25	10.9	11	5.0	4.2	13.7	7	2.81
Knight Newspapers	95.8	12	341.9	10	6.5	—7	22.1	6	6.8	8.2	14.9	12	2.11
Macmillan	125.3	7	420.4	7	7.3	9	16.7	12	5.8	5.7	7.5	5	1.27
McGraw-Hill	136.8	9	470.3	9	10.3	23	27.7	20	7.6	6.7	13.8	6	1.11
Media General	33.1	8	125.7	13	3.1	8	10.1	21	9.3	9.3	13.5	8	2.82
Meredith ³	37.3	10	148.6	6	1.8	46	5.9	93	4.8	3.6	9.8	4	2.47
New York Times	94.8	3	356.6	8	5.1	—2	19.0	54	5.3	5.6	16.2	6	1.68
Playboy Enterprises ³	54.6	8	200.1	13	1.4	—63	8.4	—30	2.6	7.4	11.3	6	.90
Prentice-Hall	43.3	10	153.2	6	5.9	9	18.8	10	13.5	13.6	NA	10	1.85
Ridder Publications	45.4	18	166.0	16	4.2	26	14.4	18	9.3	8.7	12.6	8	1.57
Time	210.1	24	728.3	20	16.7	29	49.9	30	8.0	7.6	16.4	7	4.81
Times Mirror	³181.3	10	706.1	16	13.7	1	54.9	31	7.5	8.2	17.0	9	1.63
Washington Post	70.2	12	246.9	13	4.9	6	13.3	33	7.0	7.4	16.7	7	2.80
Industry composite	1,320.1	10	4,805.0	10	99.8	12	327.2	21	7.6	7.5	14.4	9	1.78
Radio and TV broadcasting:													
American Broadcasting	253.8	7	880.5	7	12.1	10	45.5	34	4.8	4.6	17.0	9	2.69
Capital Cities Communication	34.4	6	127.5	8	6.1	19	20.1	18	17.6	15.7	16.0	13	2.61
Columbia Broadcasting	466.6	12	1,555.2	11	30.4	4	94.6	14	6.5	7.0	19.9	9	3.32
Cox Broadcasting	25.3	19	90.6	17	2.9	—4	10.6	5	11.5	14.2	14.6	9	1.82
Metromedia	54.4	—4	194.9	7	4.2	—26	9.9	—21	7.8	10.1	10.0	5	1.53
Storer Broadcasting	27.7	—3	96.1	1	3.7	—12	10.0	—16	13.2	14.6	12.4	7	2.10
Womelco Enterprises	42.9	25	135.1	21	2.8	26	8.4	23	6.5	6.5	14.5	7	1.38
Industry composite	905.2	.3	3,080.0	8	62.2	1	199.1	13	6.9	7.1	16.8	8	2.61

Railroads:

Burlington Northern	355.4	13	1,331.5	12	26.1	38	51.5	6	7.3	6.0	3.4	11	4.01
Chessie System	271.5	−15	1,100.0	2	21.0	27	67.0	19	7.7	5.2	6.7	7	7.71
Kansas City Southern Industries	39.3	12	155.0	12	.3	−86	2.7	−61	.7	6.1	2.1	11	1.59
Norfolk & Western RR	233.7	8	902.5	6	19.0	−15	68.3	5	8.1	10.3	5.7	11	6.49
Rio Grande Industries	43.4	12	155.0	9	4.5	9	15.3	1	10.4	10.6	6.2	6	2.49
St. Louis-San Francisco Ry	67.9	9	263.9	10	4.1	48	6.8	−18	6.0	4.4	2.6	12	2.61
Santa Fe Industries	337.2	31	1,218.8	25	33.5	67	102.8	27	9.9	7.8	7.6	8	4.01
Seaboard Coast Line Industries	325.2	12	1,230.1	10	29.3	31	75.8	−8	9.0	7.7	8.1	6	5.21
Southern Pacific	408.2	9	1,551.3	7	39.6	23	100.5	−7	9.7	8.6	5.9	10	3.77
Southern Ry	203.0	10	778.7	8	14.9	17	67.1	13	7.3	6.9	7.3	10	4.47
Union Pacific	342.4	21	1,224.2	12	37.6	9	127.1	22	11.0	12.2	8.0	15	5.61
Western Pacific Industries	22.5	−3	89.6	2	.8	−9	3.1	22	3.5	3.7	2.2	9	.93
Industry composite	2,649.7	10	10,000.7	10	230.7	22	688.0	8	8.7	7.9	6.3	10	4.61

Real estate and housing:

Centex [5]	84.0	15	333.6	27	4.5	7	15.7	25	5.4	5.8	19.4	15	1.10
Chase Manhattan M&R [9]	25.6	70	82.8	58	5.9	0	22.6	7	23.0	38.9	17.4	8	4.66
Continental Mortgage Investors [6]	23.3	73	78.4	61	10.7	134	24.6	35	46.1	34.1	17.6	6	1.42
Dillingham	169.7	19	609.6	14	6.6	137	13.7	75	3.9	2.0	7.9	7	1.02
Fluor [8]	133.5	47	423.5	3	3.8	393	11.3	44	2.9	.9	6.6	47	1.03
General Development	2 51.3	44	172.7	25	2.4	3	10.5	6	4.8	6.7	8.7	7	1.03
Horizon [9]	19.8	−11	88.9	−6	1.2	−21	5.7	−33	6.2	6.9	8.4	4	1.27
Kaufman & Broad [7]	72.2	3	264.4	14	6.2	5	24.6	36	8.6	8.3	15.5	7	1.50
Lennar [7]	2 24.9	54	95.7	55	1.6	−19	6.4	−11	6.2	11.8	17.9	5	1.78
McKeon Construction [4]	21.8	59	69.2	8	.7	81	1.6	−42	3.2	2.8	6.6	6	.47
Ryan Homes	50.4	19	189.1	26	2.7	13	9.1	11	5.3	5.6	26.3	11	1.42
Shapell Industries	2 31.4	55	95.9	31	1.8	0	7.4	16	5.6	8.7	14.9	5	2.10
Technical Operations [1]	24.4	30	84.9	16	.3	25	1.3	84	1.2	1.3	15.5	5	.96
U.S. Home [4]	90.9	12	339.8	33	3.4	−31	16.3	14	3.7	6.0	18.8	4	1.70
Zapata [1]	66.9	68	235.2	12	8.0	614	18.8	31	12.0	2.8	10.8	8	3.46
Industry composite	890.0	21	3,163.6	16	59.9	26	189.6	13	6.7	5.8	12.6	10	1.44

See footnotes at end of table.

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SURVEY OF CORPORATE PERFORMANCE: 4TH QUARTER 1973—Continued

Company	Sales 4th quarter 1973 (millions)	Sales Change from 1972 (percent)	Sales 12 months 1973 (millions)	Sales Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Profits Change from 1972 (percent)	Profits 12 months 1973 (millions)	Profits Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	Margins 4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Retailing (food):													
Albertson's [13]	$217.0	25	$821.0	31	$2.4	14	$9.0	30	1.1	1.2	NA	10	$1.42
Allied Supermarkets [8]	244.8	3	1,051.5	5	.5	-47	2.0	4	.2	.4	4.9	10	.39
American Stores [5]	608.8	15	2,240.5	14	6.0	192	15.4	324	1.0	.4	8.2	7	4.43
Bayless (A.J.) Markets	36.9	13	145.8	15	.8	24	2.2	-2	2.3	2.1	13.4	6	1.87
Big Bear Stores [4]	2 68.2	4	261.1	11	1.4	6	4.4	16	2.0	2.0	13.8	6	3.48
Colonial Stores	206.0	19	827.2	15	4.1	64	11.1	23	2.0	1.4	13.1	9	2.57
Cook United	168.0	15	603.9	18	4.1	8	7.2	6	2.5	2.6	8.7	4	1.62
Dillon [3]	192.7	24	710.6	48	3.2	19	11.8	40	1.6	1.7	24.3	14	2.21
First National Stores [5]	217.9	3	862.4	3	-3.1	NM	-5.2	NM	NM	.1	-6.6	NM	-3.78
Fisher Foods	228.9	26	868.8	34	2.5	17	9.4	16	1.1	1.2	19.5	10	1.51
Food Fair Stores [11]	661.8	10	2,150.5	8	2.1	35	6.7	33	.3	.3	5.0	9	.87
Grand Union [4]	377.7	11	1,484.8	11	1.8	-6	8.1	-10	.5	.6	5.3	10	1.26
Great Atlantic & Pac. Tea [4]	1,663.4	3	6,643.9	9	.8	NM	-1.5	NM	0	NM	-.3	NM	-.06
Jewel [13]	511.2	14	2,176.1	13	4.6	-10	28.4	3	.9	1.1	11.8	10	3.80
Kroger	1,056.9	12	4,204.7	11	14.1	41	29.9	19	1.3	1.1	8.6	10	2.22
Lucky Stores [13]	559.4	14	2,203.1	15	7.5	13	32.8	11	1.3	1.4	21.9	13	1.01
Penn Fruit [6]	72.6	-4	321.0	-10	-1.9	NM	-4.5	NM	NM	NM	-21.9	NM	-3.37
Pneumo Dynamics [7]	2 88.3	19	324.1	16	1.0	NM	2.9	NM	1.1	NM	9.0	4	1.23
Pueblo International [13]	139.2	10	539.1	12	1.4	NM	2.1	27	1.0	NM	4.6	13	.46
Ruddick [1]	56.6	15	213.0	6	.6	106	-.5	NM	1.0	.5	-5.8	NM	-.66
Safeway Stores	2,169.7	12	6,773.7	12	29.8	-6	86.2	-5	1.4	1.6	14.2	12	3.34
Southland	2 368.1	17	1,397.8	14	5.7	11	23.3	14	1.6	1.6	11.7	11	1.42
Star Supermarkets	47.0	13	145.1	15	.5	80	1.1	41	1.0	.6	12.2	5	1.97
Stop & Shop [13]	247.6	10	1,059.4	10	1.7	46	9.0	96	.7	.5	13.7	6	2.85
Supermarkets General [13]	333.7	14	1,304.9	17	.8	150	6.6	54	.3	.1	9.8	10	.78
Weis Markets	73.0	7	268.0	12	3.2	3	10.3	5	4.4	4.6	17.3	9	1.71
Winn-Dixie Stores [3]	767.7	22	2,338.9	20	14.4	24	46.5	14	1.9	1.8	21.7	18	2.29
Industry composite	11,383.1	12	41,941.2	13	109.8	26	354.7	32	1.0	.9	9.6	9	1.59
Retailing (nonfood)—Department, discount, mail order, variety, specialty stores:													
Allied Stores [13]	366.4	8	1,588.2	13	3.9	44	33.2	38	1.1	.8	10.6	6	3.90
Amfac	290.3	27	950.1	27	7.3	11	27.0	9	2.5	2.9	11.1	7	2.36
Arlen Realty & Development [4]	213.1	-2	783.9	-1	.8	-81	2.7	-80	.4	2.1	1.6	28	.13
Associated Dry Goods [13]	299.6	11	1,221.3	12	8.6	-7	45.3	15	2.9	3.4	12.6	8	3.36
Broadway-Hale Stores [13]	247.2	18	1,026.1	18	7.4	17	38.0	22	3.0	3.0	12.5	14	2.04
Coit International [9]	25.9	71	96.7	79	-.3	NM	1.6	-63	NM	8.2	3.6	12	.18

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Cunningham Drug Stores [1]	34.0	14	107.1	12	.9	31	1.2	32	2.7	2.4	5.2	6	1.05
Daylin [6]	139.5	5	550.9	8	1.8	−21	6.9	−31	1.3	1.8	8.3	4	1.14
Dayton-Hudson [13]	334.3	7	1,395.9	15	4.4	12	26.8	6	1.3	1.2	8.4	6	1.66
Drug Fair [3]	48.1	7	173.3	7	.3	−22	.9	−25	.7	.9	4.6	10	.58
Eckerd Drugs [6]	53.0	14	169.8	17	2.4	13	5.6	2	4.5	4.6	19.9	13	1.22
Eckerd (Jack) [10]	100.5	22	396.7	33	2.4	24	18.3	37	2.4	2.4	19.1	21	1.03
Edison Brothers Stores	102.9	4	372.4	12	5.2	1	13.8	14	5.1	5.3	17.0	7	3.30
Fed-Mart [6]	63.8	21	265.8	19	.7	5	3.6	24	1.1	1.2	16.3	5	2.87
Federated Department Stores [13]	706.1	13	2,902.0	14	25.2	−4	114.8	12	3.6	4.2	14.0	13	2.59
Fingerhut [6]	*70.5	21	234.9	21	1.1	−53	6.6	−14	1.6	4.2	14.1	4	1.00
Gamble-Skogmo [13]	348.3	0	1,377.8	4	5.6	21	24.8	17	1.6	1.3	11.0	5	5.21
Gordon Jewelry [6]	39.7	21	154.0	21	1.6	21	9.1	34	4.0	3.9	13.2	5	1.67
Grant (W.T.) [13]	443.6	10	1,824.9	18	−3.9	NM	27.0	−21	NM	.7	9.3	4	2.00
Heck's	36.8	28	110.9	29	2.8	15	4.9	21	7.6	8.4	17.9	6	1.60
Interstate United [3]	55.1	28	213.5	21	.9	2	3.5	32	1.5	1.9	9.0	4	1.19
Kresge (S.S.) [13]	1,132.4	24	4,457.5	24	28.7	29	133.9	29	2.5	2.4	18.2	30	1.14
Kuhn's Big K Stores	49.2	29	127.9	32	2.3	12	3.0	9	4.7	5.3	21.9	4	1.71
Macke [1]	*45.1	19	173.2	20	.6	−29	2.8	−12	1.3	2.2	7.1	4	.92
Macy (R.H.) [11]	280.2	4	1,144.3	8	3.9	−37	29.6	3	1.4	2.3	10.9	6	2.89
Marcor [13]	1,050.3	20	3,874.1	19	21.7	41	91.6	39	2.1	1.8	8.6	8	2.85
Marshall Field [13]	127.3	5	510.4	5	4.5	−10	21.5	7	3.6	4.1	10.7	8	2.35
May Department Stores [13]	368.9	6	1,544.3	10	9.8	−3	50.9	15	2.7	2.9	11.6	8	3.33
McCrory [13]	337.3	8	1,448.6	35	1.3	−39	17.2	6	.4	.7	28.2	5	3.29
Medco Jewelry [6]	18.3	15	38.8	22	1.1	−6	.8	−9	5.8	7.0	13.2	4	.87
Mercantile Stores [13]	123.9	10	501.3	15	4.5	−3	21.3	15	3.6	4.2	15.5	11	3.61
Mobile Home Industries [6]	27.9	10	114.9	25	.1	−90	3.8	−27	.5	5.7	13.3	7	.86
Morton's Shoe Stores [11]	18.9	1	68.9	7	.5	9	.8	−23	2.7	2.5	5.7	7	.50
Murphy (G.C.) [13]	163.1	10	470.2	10	5.6	17	8.9	13	3.4	3.2	8.2	7	2.27
New Process	33.2	−2	129.7	5	1.9	−12	7.5	0	5.8	6.5	27.1	10	.75
Pargas	27.8	21	85.0	22	2.7	−11	5.6	14	9.6	13.0	12.2	8	1.56
Penney (J.C.) [13]	1,558.9	11	6,035.7	14	49.0	8	179.8	18	3.1	3.2	15.7	24	3.10
Peoples Drug Stores	69.6	1	241.8	2	1.3	0	2.4	83	1.8	1.8	6.8	7	.97
Pier 1 Imports [6]	31.1	30	76.2	28	2.5	11	4.8	1	8.1	9.5	11.9	6	.88
Rapid-American [13]	673.8	13	2,712.4	22	9.7	80	39.8	75	1.4	.9	17.4	3	4.25
Revco D.S. [6]	81.3	26	330.5	21	2.4	12	10.6	11	2.9	3.3	16.5	13	1.70
Rite Aid [4]	66.9	26	259.6	32	2.3	−4	9.8	20	3.5	4.6	16.1	8	.95
Scotty's [3]	19.6	23	74.2	36	.7	20	2.9	39	3.3	3.4	18.0	14	.94
Sears, Roebuck [13]	3,111.0	10	12,018.3	12	150.7	6	668.5	14	4.8	5.0	14.7	20	4.26
Skaggs	136.0	18	412.3	15	3.7	15	7.2	57	2.7	2.8	12.7	9	1.46
Slater, Walker of America [3]	66.4	16	180.5	11	2.0	7	2.9	6	3.0	3.2	9.6	6	1.80
Spencer Cos. [9]	18.3	−23	83.9	1	−.2	NM	1.5	−31	NM	2.8	10.1	3	.75
Standard Brands Paint [1]	20.7	16	83.7	14	1.5	17	6.4	15	7.1	7.1	19.3	33	1.21
Tandy [3]	191.6	24	566.7	22	11.2	20	21.7	18	5.8	6.0	12.5	10	2.04
Thrifty Drug Stores [6]	89.4	−4	422.3	6	.1	−96	8.2	−9	.1	1.6	10.9	8	.84
Triangle Pacific	52.4	5	233.5	27	1.4	−17	6.1	35	2.6	3.3	17.6	4	3.16
Unity Buying Service [3]	*27.8	21	53.3	29	−1.4	27	2.2	30	4.9	4.7	36.8	8	1.61
Vornado [13]	192.0	10	795.0	11	.3	−87	3.9	−64	.2	1.4	NA	7	.65
Walgreen [1]	284.2	4	942.4	6	6.7	6	14.1	14	2.3	2.3	12.5	7	2.16

See footnotes at end of table.

Company	Sales 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Retailing (nonfood)—Continued													
Wards [5]	$24.6	8	$73.5	11	$0.3	−25	$0.5	53	1.2	1.7	8.1	4	$0.68
Wickes [13]	304.0	21	1,092.4	34	6.1	1	19.1	22	2.0	2.4	10.6	6	2.24
Woolworth (F.W.) [13]	[2] 914.5	18	NA	NA	17.8	50	NA	NA	1.9	1.5	NA	NA	NA
Yale [5]	218.9	14	564.5	15	17.6	14	31.1	21	8.0	8.1	11.8	7	2.38
Zayre [13]	225.2	0	993.8	12	1.0	−60	9.7	−14	.4	1.1	9.7	3	1.98
Industry composite	16,200.9	12	58,851.9	15	457.5	5	1,868.2	14	2.8	3.0	13.3	9	2.44
Savings and loan:													
Ahmanson (H.F.)	[2] 100.2	10	391.7	13	11.0	−5	49.5	7	11.0	12.7	12.9	6	2.17
Financial Federation	25.3	8	98.9	10	2.9	14	10.4	17	11.3	10.6	11.4	5	2.85
First Charter Financial	[2] 79.6	11	307.9	14	.2	−98	35.9	−23	.3	17.2	9.9	12	1.41
Great Western Financial	89.1	15	341.3	17	9.2	−12	41.1	10	10.0	13.5	13.1	8	2.75
Imperial Corp. of America	[2] 53.5	13	203.1	17	6.9	2	16.8	16	12.8	14.3	12.9	6	1.81
United Financial of California	26.5	20	98.6	23	2.2	−15	10.4	15	8.4	11.9	10.2	5	1.62
Industry composite	374.2	13	1,441.7	15	32.4	−30	174.1	2	8.6	13.9	11.9	7	1.98
Service industries—Leasing, vending machines, wholesaling, etc.:													
AAV [4]	23.5	14	94.7	68	.5	8	1.6	5	2.0	2.1	11.0	4	1.30
APL [3]	44.6	3	165.0	6	1.3	4	4.1	5	2.8	2.8	10.9	5	1.90
Airborne Freight	26.8	7	98.0	11	.8	21	2.2	50	2.9	2.6	19.9	8	.80
Alco Standard [1]	[2] 223.8	30	829.9	24	5.0	33	20.0	44	2.2	2.2	13.4	5	1.75
Alpha Portland Industries	[2] 46.9	30	172.3	23	1.3	367	5.4	52	2.9	.8	11.0	5	2.82
American District Telegraph	[2] 40.0	15	148.3	12	3.1	8	10.7	9	7.7	8.2	11.9	15	1.96
American Medical International [6]	38.2	11	150.6	11	1.3	−47	6.4	−27	3.3	7.0	8.5	6	1.00
Arcata National [3]	57.1	7	204.0	11	2.3	13	5.8	−30	4.1	3.9	6.3	7	.87
Atalanta	[10] 57.0	46	201.1	34	.5	29	1.6	45	.8	1.0	21.1	5	1.65
Automatic Data Processing [3]	27.2	25	102.7	24	2.4	24	9.6	37	8.9	9.0	19.0	31	1.53
Automatic Service [1]	[2] 20.3	19	78.8	23	.3	13	1.0	23	1.2	1.3	14.3	7	1.13
Avis	87.5	23	348.6	19	1.5	−23	11.8	7	1.7	2.8	18.3	8	1.96
Baker Industries	28.6	14	107.7	14	1.7	7	6.7	17	6.1	6.5	13.5	15	1.11
Bell Industries [3]	18.4	4	78.4	9	.5	6	1.7	−10	3.0	2.9	12.2	5	.37
Bergen Brunswig [6]	[2] 67.0	9	253.5	5	.4	−24	1.2	NM	.6	.9	.4	75	.04
Blair (John)	[2] 22.1	23	75.9	5	1.2	7	3.2	−3	5.4	6.2	12.2	6	1.31
Blount [4]	74.0	25	271.8	24	.5	−67	4.5	34	.7	2.6	25.4	5	.53
Browning-Ferris Industries [1]	[1] 88.6	63	302.4	51	3.9	20	16.5	21	4.5	6.0	14.4	12	.94

Castle (A.M.)	41.7	33	163.5	36	.4	−32	2.5	92	.9	1.7	12.5	4	5.29
Commercial Metals[5]	109.8	113	384.0	79	1.6	114	6.6	142	1.4	1.4	22.3	4	3.97
Computer Sciences[5]	37.2	24	142.5	23	.2	NM	−3.7	NM	.6	NM	−48.4	NM	−.27
Cramer Electronics[1]	34.3	26	128.9	34	.7	111	3.1	471	2.2	1.3	18.9	4	1.53
De Luxe Check Printers	39.1	18	149.3	17	4.1	12	13.9	12	10.5	11.0	NA	27	1.17
Di Giorgio	123.1	11	521.4	13	1.2	−20	8.3	2	1.0	1.4	10.8	6	1.43
Donnelley (R.R.) & Sons	114.8	11	378.8	7	11.0	30	31.1	19	9.6	8.1	12.3	14	1.64
Doric	23.6	18	88.2	30	1.5	62	3.5	24	6.3	4.7	11.3	6	3.12
Dravo	143.7	−18	415.5	10	3.4	45	8.5	31	2.4	1.3	9.3	12	3.72
Ducommun	49.2	25	186.9	22	.9	80	3.2	57	1.8	1.2	NA	6	2.02
Dun & Bradstreet	123.8	13	457.7	14	10.6	7	38.3	13	8.6	9.1	22.5	21	1.47
Electronic Data Systems[3]	28.7	5	116.3	13	4.2	18	16.6	21	14.7	13.0	26.2	11	1.38
Emery Air Freight[3]	45.3	10	174.6	23	2.9	5	10.7	30	6.3	6.6	41.4	35	1.38
Engelhard Mineral & Chemicals	1,042.5	61	3,046.1	58	13.7	31	52.5	43	1.3	1.6	17.6	10	1.87
Fischbach & Moore[1]	124.8	15	522.4	10	2.4	13	10.0	11	1.9	2.0	20.6	14	3.4
Fleming	255.1	12	985.2	13	2.0	16	7.6	19	.8	.8	16.4	8	1.42
Flickinger (S.M.)[1]	101.4	2	391.0	7	.7	13	2.4	1	.6	.6	11.1	5	2.30
Foremost-McKesson[5]	588.1	8	2,100.4	7	8.8	2	28.9	−7	1.5	1.6	16.2	6	2.12
General Medical[5]	29.2	19	106.4	13	.8	11	3.0	10	2.7	3.0	11.0	11	1.20
Genuine Parts[5]	122.8	10	501.2	11	8.2	24	20.3	16	6.6	5.9	18.6	21	1.30
Grainger (W.W.)	69.0	24	255.9	29	5.6	39	17.7	43	8.1	7.3	23.6	26	1.37
Gulfstream Land & Development[1]	44.5	19	189.2	45	2.4	6	10.1	24	5.5	6.2	31.9	4	2.61
Hall (W.F.) Printing[5]	27.9	9	98.1	7	1.4	11	5.2	8	4.9	4.8	10.8	6	2.75
Hines (Edward) Lumber	46.3	13	202.7	27	3.5	273	12.7	174	7.7	2.3	NA	3	14.39
Humana[6]	29.9	27	111.4	28	1.3	14	5.3	19	4.4	4.8	10.0	6	1.04
Interphoto[4]	29.8	−8	84.6	−7	.3	−34	−4.2	NM	.9	1.3	NA	NM	−4.10
Interway	18.1	41	63.0	41	2.2	50	7.5	119	12.4	11.6	18.6	6	2.54
Ipco Hospital Supply[3]	31.5	9	124.7	7	.4	2	2.4	71	1.4	1.5	7.8	10	.46
Jorgensen (Earle M.)	47.3	35	170.8	30	2.5	73	7.6	51	5.2	4.1	15.8	5	5.02
Lloyd's Electronics[5]	31.3	21	87.9	37	1.7	−7	4.6	14	5.5	7.2	31.5	3	2.43
Malone & Hyde[3]	167.0	23	661.7	21	2.1	14	8.3	14	1.3	1.4	17.2	16	1.38
Manpower[3]	9 39.1	33	150.4	28	1.2	34	4.8	52	3.0	3.0	21.7	5	2.60
Means (F.W.)	18.9	6	73.4	4	.7	37	2.7	18	3.9	3.0	7.9	7	1.61
Morrison-Knudsen	2 109.7	31	394.5	6	1.9	13	8.2	23	1.8	2.0	10.2	8	3.11
Morse Electro Products[5]	58.1	10	171.9	15	1.5	−31	5.2	−3	2.5	4.0	13.9	3	1.81
Myers (L.E.)	33.4	18	116.0	18	0	NM	1.7	−38	NM	3.5	5.5	14	.78
National Distributing[3]	10 37.9	5	129.5	9	.5	1	1.6	11	1.4	1.5	13.4	6	1.02
National Service Indus.[6]	110.9	7	437.3	9	4.9	−2	22.6	1	4.4	4.8	16.6	7	1.56
Niagara Frontier Service[3]	38.0	26	137.5	31	.9	33	2.9	18	2.3	2.2	19.7	6	1.24
Nielsen (A.C.)[6]	40.3	16	154.2	16	2.6	−10	11.7	10	6.5	8.3	18.0	18	1.11
Ogden	347.6	33	1,275.7	19	8.0	29	26.7	29	2.3	2.4	12.0	7	2.45
PVO International[3]	48.4	53	148.1	17	.6	747	2.2	NM	1.3	.2	14.4	3	2.77
Pat Fashions Industries[7]	18.5	14	63.4	9	−.1	NM	.1	−94	NM	2.3	.9	35	.05
Pemcor[5]	25.1	1	91.2	8	.4	29	1.2	149	1.5	1.2	9.7	3	.75
Planning Research[3]	27.0	19	104.7	15	.7	197	1.8	18	2.5	1.0	8.2	12	.27
Raymond International	42.5	44	151.7	26	.9	22	2.8	35	2.0	2.4	7.0	12	1.02
Retail Credit	2 50.8	3	203.2	4	1.9	−16	7.5	−19	3.8	4.6	16.5	8	2.37
Rollins[3]	45.2	20	NA	NA	3.3	16	NA	NA	7.3	7.6	NA	NA	NA

See footnotes at end of table.

SURVEY OF CORPORATE PERFORMANCE: 4TH QUARTER 1973—Continued

Company	Sales 4th quarter 1973 (millions)	Sales Change from 1972 (percent)	Sales 12 months 1973 (millions)	Sales Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Profits Change from 1972 (percent)	Profits 12 months 1973 (millions)	Profits Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	Margins 4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Service industries—Continued													
Rollins International [1]	$43.6	21	$175.9	23	$0.5	−39	$4.2	−13	1.2	2.4	8.5	5	$0.97
Ryder System	136.5	29	510.4	35	5.4	12	21.6	29	4.0	4.6	14.7	15	1.60
SCA Services [5]	44.9	50	159.4	30	2.4	30	9.8	35	5.4	6.3	23.2	8	1.03
Sanitas Service [3]	25.5	−9	103.8	17	−.6	NM	−1.7	NM	NM	3.8	−8.5	NM	−.18
Sav-A-Stop [6]	56.4	9	217.7	13	.5	−52	2.2	−26	.9	2.0	6.3	7	.53
Scot Lad Foods [3]	175.5	12	667.9	10	1.3	−1	4.5	−17	.7	.8	12.3	6	2.03
Scrivner-Boogaart [3]	74.6	48	248.1	38	.7	106	2.1	63	.9	.7	18.8	5	1.77
Seatrain Lines [3]	92.9	33	340.0	37	3.3	246	−22.4	NM	3.6	1.4	−47.6	NM	−1.64
Servomation [3]	2 92.7	13	350.1	12	2.4	−18	11.0	5	2.6	3.6	13.1	5	2.05
Sperry & Hutchinson	2 161.7	1	615.5	1	6.6	−49	27.4	−30	4.1	8.1	11.5	4	2.70
Steelmet [7]	22.9	84	84.4	42	.3	232	1.0	168	1.4	.8	16.1	7	.67
Super Food Services [6]	75.3	16	300.4	8	.3	20	1.2	32	.4	.4	11.9	5	1.02
Super Valu Stores [4]	343.2	18	1,392.4	16	2.2	6	8.8	−5	.7	.7	16.8	8	2.29
Superscope	35.9	12	119.0	41	3.4	17	9.8	74	9.4	8.9	27.4	6	4.27
Sysco [3]	108.8	15	422.1	19	1.5	19	5.7	19	1.3	1.3	16.3	11	1.72
Telecor [9]	21.5	−1	59.6	−5	1.1	10	2.8	−6	5.2	4.6	18.1	4	1.01
UMC Industries	54.1	12	192.8	13	3.1	9	9.5	3	5.6	5.8	15.2	6	2.15
U.S. Freight	133.1	21	487.5	15	4.8	49	15.2	26	3.6	2.9	17.0	8	2.35
Universal Leaf Tobacco [3]	2 236.9	11	576.2	13	4.4	11	10.2	9	1.8	1.8	11.8	6	4.28
VWR United [4]	102.6	31	361.0	24	2.4	164	6.8	286	2.3	1.4	15.7	5	2.76
Waste Management	2 39.1	37	132.1	35	2.5	31	8.6	38	6.3	6.6	15.3	16	.85
Wetterau [5]	159.9	18	572.1	15	1.9	14	6.9	13	1.2	1.2	21.1	12	1.39
Work Wear	44.0	16	160.1	16	1.9	31	6.3	27	4.3	3.9	13.3	4	1.95
Industry composite	8,085.3	22	28,745.4	21	213.4	13	714.2	21	2.6	2.9	14.1	10	1.58
Special Machinery—Farm, construction, materials handling:													
Allis-Chalmers	310.6	22	1,166.4	21	4.3	133	16.3	87	1.4	.7	4.2	8	1.30
American Hoist & Derrick [7]	54.9	25	263.9	23	1.5	10	7.0	40	2.8	3.1	11.7	8	1.92
Bucyrus-Erie	48.7	16	187.1	11	4.5	30	16.4	13	9.3	8.3	12.4	20	1.86
Caterpillar Tractor	80.70	24	3,182.4	22	56.7	12	246.8	20	7.0	7.8	19.8	14	4.32
Clark Equipment	301.2	29	1,127.9	25	15.2	34	55.2	37	5.1	4.8	16.8	10	4.08
Deere [3]	556.9	31	2,003.0	34	45.6	29	168.5	50	8.2	8.3	19.4	8	5.75
FMC	457.0	16	1,719.3	15	16.9	6	79.2	15	3.7	4.1	11.5	8	2.34

Hesston [1]	32.7	99	114.5	68	1.5	141	7.1	104	4.7	3.9	32.4	8	3.80
Koehring [7]	94.6	19	367.8	26	2.8	−11	10.4	61	3.0	4.2	13.4	5	3.02
Rexnord [8]	118.6	25	442.1	22	4.7	10	14.8	11	3.9	4.4	10.0	8	2.28
Industry composite	2,782.4	24	10,574.3	23	153.9	20	621.8	30	5.5	5.7	15.9	10	3.67

Steel:

Alan Wood Steel	38.6	22	143.2	21	.5	−24	2.5	106	1.3	2.2	5.5	5	3.00
Allegheny Ludlum Industries	197.9	31	763.0	33	6.9	44	28.8	63	3.5	3.2	8.8	6	4.79
Ampco-Pittsburgh	27.9	29	108.6	32	1.6	69	4.9	72	5.9	4.5	11.8	5	1.60
Armco Steel	662.2	31	2,390.6	25	27.1	26	107.5	42	4.1	4.3	9.1	7	3.38
Bethlehem Steel	1,099.6	28	4,137.6	33	52.1	0	206.6	54	4.7	6.1	9.6	7	4.72
Carpenter Technology [3]	[2]61.7	32	233.8	33	4.1	27	16.3	52	6.7	6.9	15.0	7	3.85
Clow	22.5	−21	115.9	9	−1.9	NM	.3	−95	NM	6.5	NA	NM	.03
Copperweld	55.9	16	223.1	21	4.6	27	12.7	30	8.2	7.5	18.5	5	5.18
Cyclops	139.6	17	520.0	26	2.2	−54	8.6	12	1.6	4.0	5.9	5	3.66
Dayton Malleable [6]	31.6	12	121.8	18	1.0	7	4.6	16	3.2	3.3	12.6	4	4.57
Florida Steel [1]	30.4	27	112.3	27	1.9	55	6.3	10	6.3	5.1	17.2	6	4.28
Harsco	106.5	13	400.6	14	6.9	36	21.9	20	6.5	5.4	13.9	5	2.58
Inland Steel	477.2	24	1,829.0	24	18.5	10	83.1	26	3.9	4.4	9.7	7	4.39
Interlake	121.2	19	460.1	19	6.4	92	16.8	29	5.3	3.3	8.0	6	4.42
Jones & Laughlin Steel	402.2	24	1,534.4	29	12.9	9	50.2	28	3.2	3.7	7.1	6	3.12
Kaiser Steel	154.4	38	608.8	36	34.6	NM	52.7	NM	22.4	.2	19.5	2	7.53
Keystone Cons. Industries [3]	69.7	20	275.4	14	1.7	151	6.6	68	2.4	1.1	7.0	5	3.49
Lukens Steel	49.8	23	191.3	25	1.9	−2	7.2	11	3.9	4.9	8.1	13	2.82
Lykes-Youngstown	[2]333.4	24	1,260.1	24	13.9	45	24.9	41	4.2	3.6	2.2	6	1.24
McLouth Steel	94.4	22	369.0	26	4.2	177	16.1	258	4.5	2.0	10.5	5	4.51
NVF	104.4	19	393.6	15	4.0	57	12.1	38	3.8	2.9	20.0	3	4.88
National Standard [1]	47.2	17	185.0	23	2.1	29	7.3	93	4.4	4.0	10.8	11	1.69
National Steel	[2]533.5	28	2,103.3	27	29.9	51	98.1	38	5.6	4.7	9.5	6	5.27
Phoenix Steel	24.7	29	95.3	20	−1.5	NM	−3.2	NM	NM	NM	−81.9	NM	−.76
Republic Steel	527.9	25	2,068.6	30	20.9	158	86.7	101	4.0	1.9	NA	5	5.36
Standard Alliance Industries	18.1	28	66.4	21	0.4	29	1.3	33	2.0	2.0	NA	5	2.77
United States Steel	[2]1,895.8	12	7,044.7	30	104.5	91	325.8	108	5.5	3.6	9.0	7	6.01
Washington Steel [1]	18.8	30	70.5	26	1.2	45	4.5	36	6.5	5.8	16.3	5	3.20
Wheeling-Pittsburgh Steel	205.7	26	761.1	25	9.6	199	19.3	27	4.7	2.0	5.9	5	4.45
Industry composite	7,552.7	26	28,587.3	28	372.2	60	1,230.6	66	4.9	3.9	9.1	6	4.39

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See footnotes at ond of table.

Company	Sales				Profits				Margins		Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (percent)	4th quarter 1972 (percent)			
Textiles and apparel:													
Adams-Millis	$19.4	12	$78.4	25	$0.1	−76	$1.3	165	.5	2.5	5.9	8	$0.59
Avondale Mills [6]	52.2	12	180.1	13	2.0	5	8.2	45	3.8	4.0	12.0	7	4.37
Bibb [6]	42.7	29	145.6	24	.8	922	1.1	161	1.9	.2	1.9	15	.56
Blue Bell [1]	100.7	34	438.0	24	2.8	38	15.9	4	2.8	2.7	13.2	7	2.63
Brown Group [6]	187.6	16	653.9	15	8.1	8	24.6	8	4.3	4.7	13.4	8	3.31
Burlington Industries [1]	542.4	12	2,154.3	16	24.0	48	89.9	66	4.4	3.4	11.3	7	3.32
Chelsea Industries [1]	56.0	23	200.4	15	1.5	27	4.9	16	2.7	2.6	14.8	4	1.81
Cluett, Peabody	150.9	−1	536.3	−2	2.9	−31	8.1	−40	1.9	2.7	4.2	9	.75
Collins & Aikman [4]	90.7	8	352.1	10	3.7	−5	14.9	−9	4.1	4.6	12.3	6	1.28
Cone Mills	99.2	26	372.2	12	3.3	79	9.7	18	3.3	2.3	6.9	6	3.16
D H J Industries [9]	42.2	15	154.3	17	.9	10	4.0	345	2.2	2.2	16.3	3	2.46
Dan River	111.0	7	423.2	15	3.4	127	10.4	161	3.0	1.4	7.3	5	1.79
Duplan [1]	36.5	5	154.1	12	−.1	NM	1.1	−40	NM	2.6	2.2	10	.37
Fieldcrest Mills	88.7	21	290.8	19	4.4	80	9.4	25	4.9	3.3	10.8	7	2.62
Genesco [11]	314.3	−2	1,271.0	7	7.8	−4	14.1	−26	2.5	2.5	NA	8	.82
Graniteville	47.0	14	176.8	9	.8	−60	6.3	24	1.8	5.0	10.5	5	2.99
Guilford Mills [3]	25.2	59	90.5	56	.7	26	2.7	0	2.7	3.4	14.8	5	1.27
Hanes	79.6	18	275.9	13	3.0	6	9.4	14	3.8	4.2	10.1	4	2.20
Hart Schaffner & Marx [7]	128.0	9	469.2	11	4.6	6	16.1	14	3.6	3.7	10.0	6	1.84
Huyck	20.6	40	64.6	25	2.4	43	6.4	23	11.4	11.2	15.5	24	1.05
Interco [4]	269.6	3	1,047.4	7	12.4	8	42.2	11	4.6	4.4	13.8	7	4.09
Jantzen [6]	20.2	18	98.8	14	.4	37	4.0	33	2.2	1.9	13.1	5	2.15
Jonathan Logan	84.8	−5	361.1	9	2.2	−48	18.1	−2	2.6	4.8	12.7	4	3.42
Kayser-Roth [3]	143.3	3	553.7	3	3.9	−2	14.8	4	2.7	2.8	8.4	6	2.41
Levi Strauss [7]	181.7	36	653.0	30	−7.2	NM	11.9	−53	NM	3.3	6.8	16	1.09
Melville Shoe	200.9	7	710.5	12	10.8	−10	30.6	7	5.4	6.4	23.8	9	1.23
Mount Vernon Mills	21.6	13	75.9	9	1.3	51	2.6	35	5.8	4.4	6.5	6	2.82
Munsingwear	23.6	6	98.2	7	.7	−45	3.2	−29	2.9	5.6	9.3	6	2.40
National Spinning	29.1	6	97.4	18	.5	−40	2.9	29	1.9	3.3	10.5	4	1.11
Oxford Industries [9]	65.3	23	228.4	16	2.1	31	9.7	52	3.2	3.0	20.5	4	3.46

Puritan Fashions [7]	46.9	6	182.0	28	-.7	NM	3.1	-28	NM	2.6	12.2	4	.96
Reeves Bros. [8]	46.4	-13	192.9	-3	1.7	19	8.1	44	3.7	2.7	12.5	5	4.76
Riegel Textile [1]	61.1	15	232.3	11	1.9	19	8.8	65	3.2	3.1	12.9	4	3.45
Russell	22.9	18	91.0	21	.8	44	3.6	27	3.6	2.9	11.1	4	2.14
Salant [7]	43.7	1	160.4	10	1.3	14	4.9	18	3.0	2.6	15.2	4	1.61
Springs Mills	158.5	37	538.7	35	7.7	23	19.3	35	4.8	5.4	7.5	5	2.22
Stevens (J.P.) [9]	312.0	12	1,114.0	18	10.3	82	30.8	98	3.3	2.0	8.3	5	5.23
United Merchants & Mfgrs. [5]	267.7	18	918.2	15	12.2	72	27.9	80	4.6	3.1	10.2	4	4.65
V.F.	92.9	23	345.2	16	5.3	21	20.2	16	5.7	5.8	17.3	9	2.07
Warnaco	52.7	13	285.5	16	4.0	46	10.4	29	7.5	5.8	13.1	4	2.62
West Point-Pepperell [6]	126.4	17	500.1	18	4.9	44	19.3	69	3.9	3.2	9.4	6	4.07
Industry composite	4,506.4	12	16,912.4	14	153.5	9	555.0	22	3.4	3.5	10.8	7	2.29
Tire and rubber:													
Amerace	57.4	20	223.0	19	2.8	12	9.8	13	4.9	5.3	10.4	6	3.15
Armstrong Rubber [1]	53.1	6	235.1	8	1.6	1	6.0	-22	3.0	3.2	6.5	7	3.22
Bandag	28.1	36	95.1	32	3.8	40	12.1	41	13.3	12.9	41.5	27	.96
Carlisle	33.1	26	123.3	22	1.7	12	6.4	28	5.1	5.7	16.6	6	2.73
Cooper Tire & Rubber	37.2	17	153.2	14	.9	-2	4.1	-5	2.5	3.0	11.9	6	1.99
Firestone Tire & Rubber [8]	910.3	17	3,154.9	17	51.4	15	164.9	21	5.6	5.8	12.6	5	2.89
General Tire & Rubber [7]	394.8	21	1,380.0	26	23.2	26	77.5	20	5.9	5.6	14.5	4	3.65
Goodrich (B.F.)	433.5	14	1,661.1	15	18.5	46	61.5	27	4.3	3.7	9.1	4	4.14
Goodyear Tire & Rubber	1,241.5	14	4,680.0	15	54.0	-4	184.8	-4	4.4	5.2	11.5	7	2.53
Mansfield Tire & Rubber	25.2	6	97.6	4	.5	237	1.6	-18	2.1	.7	4.6	6	1.07
Mohawk Rubber	32.8	19	116.7	12	.8	29	3.9	3	2.6	4.4	14.3	4	3.56
Richardson	32.6	5	119.9	1	2.3	39	4.7	21	6.9	5.2	11.2	4	2.34
Rubbermaid	30.8	19	123.1	20	2.4	10	9.7	14	7.9	8.6	18.2	25	1.29
Uniroyal	536.9	17	2,082.7	16	12.1	13	47.1	1	2.3	2.3	8.1	6	1.58
Industry composite	3,847.3	15	14,245.8	16	176.2	13	594.1	10	4.6	4.7	11.6	8	2.59
Tobacco—Cigars, cigarettes:													
American Brands	[10]799.5	5	3,096.4	3	30.8	3	131.3	6	3.9	3.9	14.3	8	4.90
Liggett & Myers	[10]193.0	1	728.9	-4	6.5	-32	29.2	-3	3.4	4.9	8.2	9	3.39
Loews [6]	124.1	2	519.1	-6	18.5	3	63.7	-6	14.9	14.7	15.5	4	4.64
Philip Morris	[10]714.5	28	2,602.5	22	35.6	16	148.6	19	5.0	5.5	20.7	19	5.42
Reynolds (R.J.) Industries	[10]884.0	14	3,294.9	11	66.4	10	263.6	14	7.5	7.8	18.4	8	5.89
U.S. Tobacco	[10]26.0	10	100.2	9	3.1	12	11.4	9	11.9	11.8	18.9	9	1.45
Industry composite	2,741.1	14	10,342.0	9	161.0	6	647.8	9	5.9	6.2	16.7	10	5.00

See footnotes at end of table.

Company	Sales 4th quarter 1973 (millions)	Sales Change from 1972 (percent)	Sales 12 months 1973 (millions)	Sales Change from 1972 (percent)	Profits 4th quarter 1973 (millions)	Profits Change from 1972 (percent)	Profits 12 months 1973 (millions)	Profits Change from 1972 (percent)	Margins 4th quarter 1973 (percent)	Margins 4th quarter 1972 (percent)	Return on common equity 12 months ending Dec. 31	Price earnings Feb. 22	12 months earnings per share
Trucking:													
Arkansas Best	$32.1	20	$118.6	18	−$2.4	NM	−$1.3	NM	NM	5.8	−3.4	NM	−$0.48
Banner Industries[3]	21.3	23	80.7	14	.7	11	2.8	8	3.2	3.5	19.7	5	.64
Carolina Freight Carriers	29.3	13	88.9	13	1.0	−20	2.2	−18	3.4	4.8	NA	7	1.04
Consolidated Freightways	191.7	21	706.2	19	9.1	19	28.6	13	4.7	4.8	24.2	7	2.41
Hall's Motor Transit	21.8	18	65.4	18	1.3	117	3.4	57	6.1	3.3	NA	4	2.00
Leaseway Transportation	112.3	8	440.3	21	6.3	13	19.9	22	5.6	5.4	30.1	6	2.83
McLean Trucking[3]	75.4	33	263.6	25	2.2	1	10.3	12	2.9	3.9	21.9	11	3.68
Merchants	20.2	68	77.0	53	1.8	11	5.4	18	8.8	13.3	23.7	6	2.47
National City Lines	[2]85.9	14	333.0	17	.8	−53	4.2	−12	1.0	2.4	7.7	6	2.00
Overnite Transportation	24.0	17	91.7	16	1.7	−23	7.7	−7	7.0	10.6	NA	6	2.54
Roadway Express	147.0	19	447.1	20	8.7	19	26.4	12	5.9	5.9	26.7	28	1.34
Smith's Transfer	38.2	16	116.3	17	1.5	−16	4.6	−6	4.0	5.5	19.2	7	1.94
Spector Industries	35.2	7	136.3	9	.8	NM	1.3	277	2.2	0	NA	5	1.21
T.I.M.E.-DC	50.1	18	187.4	19	.5	−49	4.0	31	1.1	2.5	NA	6	1.20
Transcon Lines	34.9	9	130.8	4	1.4	−7	4.0	11	4.0	4.6	12.6	6	1.27
Woods	23.7	27	87.6	31	1.2	−4	5.2	33	5.2	6.8	17.1	6	1.96
Yellow Freight System	88.5	21	336.4	27	4.7	26	17.7	14	5.4	5.1	25.6	20	2.51
Industry composite	1,031.9	20	3,707.4	20	41.4	−2	146.2	7	4.0	4.9	20.7	9	1.85
Utilities—Telephone, electric, gas:													
Allegheny Power System	97.4	10	387.6	12	17.6	−6	6.91	1	18.0	21.2	12.9	9	2.33
American Electric Power	262.3	15	966.5	12	53.6	17	207.6	18	20.5	20.1	15.0	9	2.85
American Natural Gas	200.5	3	773.8	7	24.7	34	86.8	20	12.3	9.5	14.3	8	4.71
American Telephone & Telegraph[7]	6,044.1	12	23,285.6	12	751.7	12	2,933.7	17	12.4	12.4	NA	11	4.97
Arizona Public Service	55.7	17	225.0	19	6.4	33	31.3	22	11.5	10.1	13.6	7	2.63
Arkansas Louisiana Gas	60.8	5	274.9	11	5.2	8	29.9	20	8.6	8.4	16.1	8	2.96
Baltimore Gas & Electric	113.5	5	473.6	11	16.5	−4	85.2	14	14.5	15.8	11.7	8	2.96
Boston Edison	82.3	21	318.7	18	8.7	−4	30.5	−9	10.6	13.3	10.2	10	2.88
Brooklyn Union Gas[1]	54.2	3	179.9	NA	6.2	15	14.2	NA	11.4	10.2	10.4	9	2.27
Carolina Power & Light	84.7	5	341.2	11	14.2	−15	66.0	9	16.8	20.9	10.9	9	2.58
Central & South West	122.9	13	483.6	10	21.2	19	84.5	12	17.2	16.2	16.1	9	1.72
Central Telephone & Utilities	77.5	11	304.0	13	9.1	13	36.3	14	11.7	11.5	15.5	11	1.91
Cincinnati Gas & Electric	87.9	2	349.2	7	8.7	−31	50.2	6	9.9	14.7	13.9	10	2.25
Cleveland Electric Illuminating	81.3	9	328.8	12	13.0	0	49.4	1	16.0	17.5	13.0	11	3.05

Columbia Gas System	298.4	7	1,048.8	3	29.9	1	106.2	4	10.0	10.6	12.2	8	3.28
Commonwealth Edison	321.4	10	1,266.2	11	47.1	5	184.4	6	14.7	15.5	12.1	9	3.16
Consolidated Edison of N.Y	446.9	18	1,736.2	17	36.9	33	181.6	23	8.3	7.3	8.4	9	2.34
Consolidated Natural Gas	194.5	−9	717.7	−3	8.1	−43	55.8	−11	4.2	6.6	8.7	9	2.95
Consumers Power	220.3	9	835.0	11	11.0	−38	80.9	3	5.0	8.8	9.1	10	2.41
Continental Telephone	154.0	19	589.7	23	16.9	8	61.4	16	11.0	12.1	14.8	10	1.76
Dayton Power & Light	58.9	1	229.4	4	6.8	−2	27.0	0	11.5	11.9	10.2	11	1.87
Detroit Edison	195.4	16	753.1	12	23.3	−8	94.5	−1	11.9	14.4	8.6	10	1.77
Duke Power	153.0	17	600.7	18	24.0	14	99.6	24	15.7	16.1	9.6	10	1.87
Duquesne Light	66.6	17	247.6	12	14.2	25	51.8	13	21.3	19.9	11.0	9	2.34
El Paso Natural Gas	266.4	17	982.9	9	11.1	5	53.1	26	4.2	4.6	9.6	9	1.64
Florida Power	68.5	30	255.0	26	14.2	16	44.1	5	20.7	23.3	12.2	8	3.40
Florida Power & Light	191.3	23	714.0	25	28.1	6	108.6	21	14.7	17.1	13.3	8	3.09
General Public Utilities	173.4	14	662.3	14	29.4	7	115.9	17	17.0	18.1	10.6	9	2.25
General Telephone & Electric	1,417.2	15	5,105.3	16	104.0	11	352.1	15	7.3	7.6	14.0	9	2.87
Gulf States Utilities	75.3	22	288.6	20	11.3	−9	50.2	11	14.9	19.9	13.0	8	1.70
Houston Lighting & Power	109.0	20	409.1	12	21.3	49	71.9	9	19.5	15.7	13.9	9	3.05
Illinois Power	71.6	2	294.4	8	7.8	−3	47.2	15	10.9	11.5	13.8	11	2.51
Lone Star Gas	91.3	17	352.4	18	10.3	12	41.9	12	11.3	11.8	16.7	10	2.82
Middle South Utilities	170.1	12	658.4	11	26.4	14	103.7	15	15.5	15.3	14.1	8	2.09
Mountain States Telephone & Telegraph[7]	276.2	18	1,056.3	19	36.3	17	142.5	25	13.1	13.3	NA	10	2.43
National Fuel Gas	70.2	−3	226.0	−4	8.0	−7	16.5	−14	11.4	11.9	10.4	7	3.23
New England Telephone & Telegraph[7]	307.0	12	1,170.6	13	28.8	0	107.1	7	9.4	10.5	NA	12	2.67
New England Electric System	70.0	−32	410.4	1	11.0	−20	47.1	−4	15.8	13.5	10.9	9	2.35
New England Gas & Electric	54.8	24	184.8	17	3.6	−16	11.4	7	6.6	9.8	11.0	8	1.70
New York State Electric & Gas	62.7	2	253.2	7	7.1	8	32.4	6	11.3	10.7	10.7	9	2.98
Niagara Mohawk Power	172.9	8	671.4	7	10.2	0	63.1	−10	5.9	6.4	8.2	11	1.39
Northeast Utilities	136.7	12	536.9	14	21.1	22	80.1	−2	15.4	14.1	11.2	9	1.42
Northern Illinois Gas	106.1	−2	447.6	5	3.4	−29	40.9	0	3.2	4.4	14.0	8	2.82
Northern Indiana Public Service	97.6	−1	391.8	5	16.4	11	51.9	14	16.8	15.1	15.0	8	2.29
Northern Natural Gas	215.8	17	772.4	21	17.5	39	58.1	29	8.1	6.9	11.8	10	4.91
Northern States Power	117.8	3	468.0	7	15.6	−10	67.4	2	13.2	15.1	11.8	10	2.61
Ohio Edison	99.2	12	385.8	12	19.5	37	67.6	25	19.7	16.1	14.7	10	2.14
Pacific Gas & Electric	386.1	14	1,490.2	10	62.3	19	243.6	13	16.1	15.4	12.1	7	3.23
Pacific Lighting	239.0	2	831.0	2	16.7	12	45.7	5	7.0	6.5	9.1	9	2.30
Pacific Northwest Bell Telephone[7]	161.5	18	593.7	13	20.8	31	69.9	19	12.9	11.6	NA	9	1.57
Pacific Power & Light	50.7	5	223.1	14	11.4	4	53.2	13	22.5	22.7	12.7	10	2.27
Pacific Telephone & Telegraph[7]	680.5	7	2,665.1	12	67.2	5	267.5	25	9.9	10.0	NA	10	1.66
Panhandle Eastern Pipe Line	136.2	5	519.0	4	16.2	8	64.4	8	11.9	11.6	17.9	8	4.26
Pennsylvania Power & Light	95.6	7	384.8	11	16.8	17	66.9	16	17.5	16.0	11.3	9	2.57
Peoples Gas[1]	192.0	6	692.4	0	16.2	−14	74.6	−6	8.4	10.4	12.5	8	3.84
Philadelphia Electric	194.7	11	766.7	12	29.4	11	122.9	14	15.1	15.2	9.8	10	1.99
Potomac Electric Power	78.2	10	320.4	17	16.7	51	56.0	25	21.4	15.6	12.1	8	1.71
Public Service Co. of Colorado	77.8	5	309.2	15	10.3	−11	42.0	15	13.2	15.7	13.0	8	2.10
Public Service Co. of Indiana	61.3	6	243.4	10	12.2	15	47.5	29	20.0	18.3	14.4	10	3.64
Public Service Electric & Gas	275.2	8	1,076.3	11	29.0	−17	131.5	13	10.5	13.6	8.7	9	2.20
Rochester Gas & Electric	54.8	8	212.3	11	4.8	−14	24.3	22	8.7	11.0	13.0	8	2.39
San Diego Gas & Electric	59.7	10	227.8	16	4.9	−15	27.7	14	8.3	10.7	9.7	9	1.78

See footnotes at end of table.

| Company | Sales | | | | Profits | | | | Margins | | Return on common equity 12 months ending Dec. 31 | Price earnings Feb. 22 | 12 months earnings per share |
	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (millions)	Change from 1972 (percent)	12 months 1973 (millions)	Change from 1972 (percent)	4th quarter 1973 (percent)	4th quarter 1972 (percent)			
Utilities—Continued													
South Carolina Electric & Gas	$51.4	12	$204.2	13	$6.5	−5	$26.7	0	12.7	14.9	10.0	10	$1.75
Southern California Edison	300.2	25	1,079.7	16	42.1	21	147.7	8	14.0	14.4	9.7	7	2.70
Southern	299.9	21	1,165.8	19	44.8	22	178.5	23	14.9	14.7	12.3	8	2.07
Southern Natural Resources²	122.4	18	439.1	13	14.6	15	53.8	12	11.9	12.2	18.0	9	5.28
Southern New England Telephone	107.1	9	410.0	13	11.1	−4	46.1	17	10.4	11.9	10.3	9	4.21
Texas Eastern Transmission	226.4	9	826.9	5	23.7	12	88.6	14	10.5	10.2	NA	13	3.48
Texas Gas Transmission	169.3	18	591.1	14	12.3	7	38.5	7	7.2	8.0	14.4	8	3.94
Texas Utilities	149.0	6	615.1	9	29.9	8	124.3	5	20.0	19.7	15.2	11	1.94
Union Electric	96.6	7	417.9	11	13.1	22	67.4	26	13.5	11.9	10.5	10	1.62
United Telecommunications	244.8	25	788.7	21	19.8	15	69.6	11	8.1	8.8	12.4	10	1.61
Virginia Electric & Power	133.4	10	551.0	17	31.3	4	124.1	20	23.5	25.0	11.4	7	2.13
Western Union	²101.8	−7	492.3	8	−12.0	NM	28.1	−18	NM	4.8	4.7	8	1.89
Wisconsin Electric Power	101.5	7	408.8	11	11.2	69	50.2	8	11.0	7.0	12.0	8	2.88
Industry composite	18,802.2	10	71,959.6	12	2,220.7	7	8,873.6	14	11.8	12.1	11.9	9	2.91
Composite composite	261,460.1	22	955,052.2	19	15,266.0	23	55,943.7	25	5.8	5.8	14.0	11	3.09

1 1st quarter and most recent 12 months ending Dec. 31.
2 Sales include other income.
3 2d quarter and most recent 12 months ending Dec. 31.
4 3d quarter and most recent 12 months ending Nov. 30.
5 3d quarter and most recent 12 months ending Dec. 31.
6 1st quarter and most recent 12 months ending Nov. 30.
7 4th quarter ending Nov. 30.
8 4th quarter ending Oct. 31.
9 2d quarter and most recent 12 months ending Nov. 30.
10 Sales include excise taxes.
11 1st quarter and most recent 12 months ending Oct. 31.
12 2d quarter and most recent 12 months ending Oct. 31.
13 3d quarter and most recent 12 months ending Oct. 31.
14 Sales include excise taxes and other income.
NA—Not available.

NM—Not meaningful.
Data: Investors Management Sciences.

Source: Business Week: Mar. 9, 1974.

GLOSSARY

Sales—Includes all sales and other operating revenues. For banks, includes all operating revenues.
Profits—Net income before extraordinary items. For banks, profits are before security gains or losses.
Margins—Net income before extraordinary items as percent of sales.
Return on common equity—Ratio of net available for common stockholders to average common equity, which includes common stock, capital surplus, retained earnings.
Price-earnings ratio—Based on Feb. 22 stock price and earnings for latest 12 months.
Earnings per share—For latest 12 months, includes all common stock equivalents.

[From Business Week, May 4, 1974]

EXECUTIVE COMPENSATION : GETTING RICHER IN '73

CHIEF EXECUTIVE : A DEBATE AHEAD OVER WHETHER EXECUTIVES ARE BEING PAID TOO MUCH

The typical chief executive officer is working harder these days but BUSINESS WEEK's Annual Survey of Executive Compensation shows that he is being paid more, too.

Despite the on-again, off-again federal controls on executive pay, the total compensation of managers in the BUSINESS WEEK suruvey rose 13.3% in 1973, vs. 13.5% in 1972. Bonuses accounted for much of the gain as corporate profits jumped 27% last year, but salaries alone rose 10.2%—just about keeping pace with the rate of inflation.

The Cost of Living Council, responsible for enforcing the federal controls, reports "general compliance" by companies. In its own broader survey, of more than 500 companies, the CLC says it found that total compensation rose only about 7%, and salaries 6%.

Not all CEOs got substantial pay boosts last year. Chairman Harold Geneen of International Telephone & Telegraph Corp. got only a $998 raise last year, pushing his salary to $814,299, and Ford Motor Co. Chairman Henry Ford II took a pay cut of $9,050, dropping his salary to $878,746. The brokerage house executives in the BW survey took cuts averaging 16.3% in 1973.

But the compensation figures ignore the juicy "perks" that many top executives get. More important, the executive pay ceiling is to be rescinded this year, and 1974 promises to bring what one compensation specialist calls "an explosion" in pay boosts at the top. If executive salaries do rise sharply this year, it will certainly fuel the debate over whether America's executives are paid too much.

More executives edged closer to the magic $1-million pay mark in 1973. The highest-paid corporate chieftain, according to this spring's crop of proxy statements. apparently was former chairman Paul Hofmann of Johnson & Johnson. He pulled down $978.000 for the 3½ months he spent as CEO before retiring. That put him ahead of Chairman Richard Gerstenberg of General Motors, whose total pay package rose 5% to $938,000.

Far more CEOs received raises in 1973—some of them very substantial—than took cuts. Chairman James D. Finley of J.P. Stevens & Co., for instance, got a 107% increase to $289,875 last year. Chairman Richard S. Reynolds, Jr., of Reynolds Metals Co. had a 48% increase to $254,000, and Kroger's Chairman Robert O. Aders received a 51% boost to $197,299. The bulk of each man's raise came through a substantial bonus, legal under the CLC guidelines. Indeed. only $300,000 of Gerstenberg's pay package came in salary last year; the rest was a bonus. At Chrysler Corp., Chairman Lynn A. Townsend earned $228,000 in salary, plus a $444,200 bonus.

And top managers still are reaping the advantages of the Tax Reform Act of 1969, which economist Paul Samuelson of MIT calls "the greatest thing that ever happened to executives." The new law lowered from 70% to 50% the maximum tax rate on earned income so that, in terms of take-home pay, modest pay increases in the higher brackets may be worth much more than they seem.

Yet Samuelson argues more against the tax structure than against the level of executive salaries. "My own judgment," he says, "is that there should be no outright limits on executive pay. In a healthy democracy you shouldn't level salaries, because they provide an economic incentive. There should be a progressive tax structure, with social security to provide a sensible form of mutual reinsurance. But now we've gutted estate taxes and lowered personal income tax rates. so the structure is no longer progressive."

Samuelson points out that managers don't make fortunes on the scale that some entrepreneurs do. "Besides," he says, "businessmen don't get to enjoy their money until the last 10 years of their lives."

THE YARDSTICK OF PRODUCTIVITY

George H. Foote, a director of McKinsey & Co. and an author of many executive compensation plans, thinks that most CEOs probably are worth what they get. "Who is to say that Hofmann at Johnson & Johnson or Geneen at ITT gets too much money?" he asks. "After all, Johnson & Johnson under Hofmann had

a phenomenal growth record, and the stock sells for a very high multiple. And Geneen almost singlehandedly built ITT. Who can say that they haven't been worth what they have been paid?"

John T. Dunlop, the Harvard economics professor who heads the CLC, takes a somewhat different tack. He thinks that executive salaries should be tied to productivity. Aware of accusations that many executives, in his words, "aren't worth their salt," Dunlop would apply the same analytical standards to CEOS as are applied to production workers to determine their contribution, hence their pay.

The strongest attack on executive pay, predictably enough, comes from labor leaders. Leon Stein, editor of *Justice*, the publication of the International Ladies' Garment Workers' Union, says: "I can't understand what any businessman does to earn a salary four times as much as President Nixon officially makes. But in the case of Mr. Geneen, it may have been his ability to walk in and out of offices of high government officials with hardly knocking."

Another predictable critic of executive pay scales is Senator William Proxmire of Wisconsin, the ranking Democratic senator on the Joint Economic Committee. "Some professionals," he says, "have argued that big salary hikes are needed to insure productivity. It is hard to believe that." And although Congress has refused to extend federal wage controls, a round of executive pay boosts could make it politically expedient to reimpose controls.

What is most significant, perhaps, is that executive pay scales are being examined today by the institutional investors whose buying decisions can have a dramatic effect on the performance of a company's stock. One large institution has already asked a compensation consultant to analyze the effect of executive salaries on the earnings per share and the return on investment of all the companies in its portfolio.

BOTTLED-UP DEMAND FOR BIG RAISES

For all that, executive pay is still likely to take another jump with the expiration of controls. To begin with, inflation has been so intense for so long that even the man at the top claims he is beginning to feel the pinch. "This is the first time we're hearing about inflation from chief executive officers," says Louis J. Brindisi, Jr., executive compensation specialist at Peat, Marwick, Mitchell & Co. "And I expect some dramatic increases in compensation with the controls gone."

Pearl Meyer, vice-president at Handy Associates, the management consultants, agrees. "There will be explosions in executive compensation for a couple of reasons," she says. "First, federal regulations were poorly written and poorly interpreted. Second, there is a lot of pressure at lower levels for increases, and if you raise salaries there, you almost have to raise the CEOS or else ruin traditional relationships in the structure and produce inequities." Edwin Mruk of Arthur Young & Co. looks for executive pay hikes of 10% to 12% or even 14% this year if the economy turns strong in the second half and corporate profits rise.

Many corporations will play it cool this year, splitting compensation gains between generally modest hikes in base pay and fairly substantial bonuses. And perquisites, those amenities that lend status and give comfort to the chief executive, could loom particularly important in the compensation package this year, since they do not show up on the company's proxy statement.

While CEOS have long been accustomed to having limousines and country club memberships paid for by the company, some are now getting full medical coverage and financial and tax counseling as well. The new full medical reimbursement programs usually cover any out-of-pocket costs that the CEO and his family incur, including dental and psychiatric care. "These programs can save an executive several thousand dollars in cash each year," says Brindisi at Peat Marwick. "Most companies do this secretaly because medical insurance is an emotional issue, and if the rank and file found out, they could be upset," says Graef S. Crystal, a compensation specialist and vice-president of Towers, Perrin, Forster & Crosby.

Tax and financial planning is another currently popular but controversial perk. The theory is that the stockholders' best interest is served if the CEO and other executives maximize the value of their income. Yet some experts feel that if the recommended investments turn sour, as many have, the executive may take out his frustrations on his company as well as the adviser. "Financial plan-

ning has been roundly touted," adds Booz, Allen & Hamilton Vice-President Frederickk A. Teague (page 10). "But it is difficult to put into practice. It purports to take the place of professional service organizations such as accountants and lawyers, but the truth is that there are very few around with that kind of breadth and expertise." But Peat Marwick's Brindisi thinks personal tax counseling is important, a service that typically costs about $3,500 a year.

Meanwhile, stock option plans and performance shares continue to add an extra dimension to the executive's pay package. Many plans now in effect are worthless because the current price of many stocks is below the option price. But with the market so low, many experts feel 1974 is the best time in years for initiating new plans. "The upside potential is tremendous," enthuses one.

THE PAY PICTURE FOR TOP EXECUTIVES IN 1973

	Percentage change from 1972	
	Salary	Total pay package
Apparel and textiles	+10.4	+39.4
Management consultants	+36.7	+39.4
Nonferrous metals	+20.4	+29.9
Grocery chains	+6.7	+24.3
Oil	+11.2	+20.9
Chemicals	+8.6	+19.1
Banking	+7.7	+18.7
Transportation	+13.2	+17.8
Food products	+9.9	+17.7
Steel	+16.0	+17.4
Paper	+8.4	+15.5
Office machines	+14.1	+14.9
Conglomerates	+17.9	+13.5
Retailing	+10.3	+13.3
Pharmaceuticals	+13.9	+12.5
Glass	+11.8	+11.3
Agricultural and construcion equipment	+10.4	+10.3
Aircraft & missiles	+11.7	+9.9
Autos & parts	+7.3	+9.4
Advertising	+13.1	+9.4
Tobacco	+9.9	+9.3
Utilities	+9.3	+8.5
Publishing	+4.6	+8.1
Containers	+7.2	+7.2
Communications	+4.8	+6.8
Soap and toiletries	+3.4	+5.9
Tire and rubber	+4.9	+5.4
Distilling	+4.5	+5.1
Building materials	+4.1	+4.1
Miscellaneous manufacturing	+4.5	+3.7
Electrical equipment	+8.7	+1.7
Brockerage	−14.9	−16.3

THE 15 HIGHEST PAID U.S. EXECUTIVES LAST YEAR

	Total individual compensation	Corporate	
		Sales (millions)	Profits (millions)
1. Paul B. Hofmann, former chairman, Johnson & Johnson	$978,000	$1,611	$148
2. Richard C. Gerstenberg chairman, General Motors	938,000	35,789	2,398
3. {Henry Ford II, chairman, Ford	878,746 }	23,015	906
4. {Lee A. Iacocca, president, Ford	878,746 }		
5. Edward N. Cole, president, General Motors	846,500	35,789	2,398
6. Harold S. Geneen, chairman, ITT	814,299	10,183	527
7. Thomas A. Murphy, vice-chairman, General Motors	776,125	35,789	2,398
8. Lynn A. Townsend, chairman, Chyrsler	683,600	11,774	255
9. Richard B. Sellars, chairman, Johnson & Johnson	678,968	1,611	148
10. John K. Jamieson, chairman, Exxon	620,766	28,508	2,433
11. John J. Riccardo, president, Chrysler	590,987	1,774	255
12. William F. Laporte, chairman, American Home Products	540,409	1,898	199
13. Rawleigh Warner, Jr., chairman, Mobil Oil	530,009	12,755	849
14. Robert W. Sarnoff, chairman, RCA	525,000	4,280	183
15. C. Peter McColough, chairman, Xerox	506,461	2,989	300

ADVERTISING

Company	1973 salary	Other payments	1972 salary	Other payments
Doyle Dane Bernbach, Inc. (Fiscal year ending Oct. 31, 1973):				
William Bernbach, chairman	$132,798	$19,545	$122,212	$18,000
Joseph R. Daly, president	112,368	16,538	105,257	15,500
Other company contributions to profit sharing plan.				
Foote, Cone & Belding Communications, Inc.:				
Arthur W. Schultz, chairman	115,000	19,743	115,000	13,451
John E. O'Toole, president	115,000	19,743	115,000	13,451
Other: company contributions and accruals to profit sharing plan. In addition, Company contributions to stock purchase plan: O'Toole, $3,833 in 1973; in 1972, $3,791. Also, Schultz and O'Toole each received $25,000 bonus in 1973 and 1972.				
Ogilvy & Mather International, Inc.:				
David Ogilvy, chairman	144,253	-----------	100,135	15,307
John Elliot, Jr., chairman, O. & M., New York	110,135	16,852	100,135	15,307
Andrew Kershaw, vice-president, O. & M., Canada	113,165	11,413 ·	101,665	13,623
Other: company contributions to profit sharing plan. In addition, Kershaw has use of company-owned New York apartment. Options exercised: Elliot, $124.470 ($436,500); Kershaw, $182,580 ($453.375); from January. 1972, through March, 1973.				
Wells, Rich, Greene, Inc. (Fiscal year ending Oct. 31, 1973):				
Mary Wells Lawrence, chairman	225,000	185,595	225,000	159,127
Charles Moss, president	130,000	30,000	130,000	20,000
Other: executive incentive compensation award. In addition, deferred compensation: Lawrence, $30,000; Moss, $20,000 in 1973 and 1972.		·		

AGRICULTURAL/CONSTRUCTION EQUIPMENT

Company	1973 salary	Other payments	1972 salary	Other payments
Allis-Chalmers Corp.:				
David C. Scott, chairman and president	$328,165	-----------	$275,004	-----------
J. H. Maloney, executive vice-president	166,076	-----------	†NA	†NA
†Not available.				
Salary includes incentive compensation.				
Caterpillar Tractor Co.:				
W. H. Franklin, chairman	250,000	$7,500	233,333	$7,000
W. L. Naumann, vice-chairman	180,000	5,400	167,500	5,025
L. L. Morgan, president	175,000	5,250	164,583	4,938
Other: company contributions under investment plan. Options exercised: Franklin, $362,694 ($632,406); Naumann, $203,750 ($324,438); Morgan, $101,875 ($135,938) for 1973. In 1972, Franklin, $18,650 ($48,000); Morgan, $101,875 ($137,031).				
Deere & Co.:				
William A. Hewitt, chairman	429,273	-----------	386,839	-----------
Ellwood F. Curtis, president	346,923	-----------	312,362	-----------
Salary includes annual bonus payment. Options exercised: Hewitt, $455,234 ($1,062,390); Curtis, $316,546 ($566,244) from Oct. 31, 1968, to Feb. 13, 1974.				
International Harvester Co.:				
Brooks McCormick, president	285,716	s. 211	257,931	s. 206
Omer G. Voss, executive vice-president	190,200	s. 140	172,854	s. 141
Other: common shares credited under savings and investment program. Options exercised: Voss, $218,156 ($260,587) from Nov. 1, 1972, to Jan. 2, 1974.				

AIRCRAFT AND MISSILES

Company	1973 salary	Other payments	1972 salary	Other payments
Avco Corp.:				
Kendrick R. Wilson, Jr., chairman	$140,000	-----------	$190,000	-----------
James R. Kerr, president	180,000	-----------	300,000	-----------
Boeing Co.:				
Thornton A. Wilson, chairman †	180,100	-----------	141,329	-----------
M. T. Stamper, president †	139,632	-----------	90,932	-----------
† After October 1972.				
Company contributions to savings and financial security plan not shown. Options exercised: Wilson, $30,307 ($135,369) from January 1967, to February 1972.				

AIRCRAFT AND MISSILES—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
General Dynamics Corp.:				
David S. Lewis, chairman and president †_____	$180,000	$80,000	$180,000	$55,000
Hilliard W. Paige, president ††_____	127,250	_____	150,000	25,000
Gene K. Beare, exec. v-p. †††_____	127,850	40,000	62,500	15,000

† After Sept. 14, 1973.
†† Until Sept. 14, 1973.
††† After July 1, 1972.
Other: incentive compensation 'paid |in contingent units in combination with stock options, except for Paige in 1972, which was in common stock. In addition, company contributions to savings plan, Lewis, $8,838; Beare, $3,186 for 1973. In 1972, Lewis, $8,838; Paige, $3,753.

Lockheed Aircraft Corp.:				
Daniel J. Haughton, chairman_____	127,587	45,079	116,178	45,079
A. Carl Kotchian, president_____	122,483	_____	111,531	_____

Other: prior years' incentive awards paid during year. In addition, company contributions to savings plan: Haughton, $4,976; Kotchian, $2,391 in 1973. In 1972, Haughton, $4,647; Kotchian, $4,461.

Martin Marietta Corp.:				
George M. Bunker, chairman †_____	116,672	_____	191,667	_____
J. Donald Rauth, president ††_____	200,638	_____	164,113	_____

† After October 1972.
†† After Apr. 27, 1972.

McDonnell Douglas Corp.:				
James S. McDonnell, chairman †_____	120,626	_____	120,000	_____
Sanford N. McDonnell, preisdent_____	122,659	65,000	115,385	60,000
Donald W. Douglas, Jr., president of DDC_____	102,626	23,000	104,357	46,000

† J. McDonnell is also receiving a retirement benefit of $18,351 a year.
Other: incentive compensation in contingent credits for stock purchases. In addition, company contributions to savings plan: J. McDonnell, $1,526; S. McDonnell, $6,807; Douglas, $6,006 for 1973. For 1972, J. McDonnell, $7,354; S. McDonnell, $6,790; Douglas, $6,137.

Rockwell International Corp. (Fiscal year ending Spet. 30, 1973):				
Willard F. Rockwell, Jr., chairman_____	423,333	_____	810,000	_____
Robert Anderson, president_____	393,586	_____	295,000	_____

Salary includes incentive compensation. Options exercised: Anderson, $105,469 ($173,438) from Oct. 1, 1972, to Nov. 30, 1973. From Oct. 1, 1967, to Nov. 30, 1972. Rockwell, $2,252,500 ($3,457,680); Anderson $210,938 ($384,375).

United Aircraft Corp.:				
Arthur E. Smith, chairman †_____	318,846	_____	257,500	_____
Harry J. Gray, president_____	365,000	_____	304,999	_____

† As of Oct. 1, 1972.
Options exercised: Smith, $200,750 ($211,750); Gray, $30,250 ($35,750) from Jan. 1, 1973, to Feb. 19, 1974. From January 1972, to Feb. 15, 1973, Smith, $273,750 ($304,250).

APPAREL AND TEXTILES

Company	1973 salary	Other payments	1972 salary	Other payments
Burlington Industries, Inc. (Fiscal year ending Sept. 30, 1973):				
Charles F. Myers, Jr., chairman_____	$275,000	$12,908	$225,000	$9,562
Ely R. Callaway, Jr., president †_____	93,750	12,908	212,500	9,031
Horace C. Jones, president ††_____	220,417	9,776	145,000	5,100

† Retired May 1, 1973.
†† As of Mar. 6, 1973.
Other: amount paid to trustee under profit sharing plan.

Genesco, Inc. (Fiscal year ending July 31, 1973):				
Franklin M. Jarman, chairman_____	137,000	_____	133,083	_____
J. Owen Howell, president †_____	99,750	_____	110,500	_____
Eli G. White, executive vice president_____	80,833	22,155	79,244	6,000

† Until June 15, 1973.
Other: bonus. Options exercised: Jarman, $7,879 ($9,370); Howell $7,879 ($9,370) from August, 1971 to September, 1972

J. P. Stevens & Co. (Fiscal year ending Nov. 3, 1973):				
James D. Finley, chairman_____	166,667	113,200	139,583	_____
Whitney Stevens, president_____	135,000	90,500	118,750	_____

Other: incentive compensation. In addition, company contributions to savings and profit sharing plan: Finley, $10,008; Stevens, $8,097 in 1973.

United Merchants & Manufacturers, Inc. (Fiscal year ending June 30, 1973):				
Merwin R. Haskel, chairman_____	65,000	80,000	65,060	80,000
Martin J. Schwab, president_____	50,000	66,700	50,080	51,023

Other: profit participation. In addition, Haskel receives deferred compensation.

AUTOS AND PARTS

Company	1973 salary	Other payments	1972 salary	Other payments
American Motors Corp. (Fiscal year ending Sept. 30, 1973):				
Roy D. Chapin, Jr., chairman	$183,770	$103,400	$170,329	$98,000
William V. Luneburg, president	152,194	85,500	140,054	81,000
Other: deferred award bonus plan.				
Bendix Corp. (Fiscal year ending Sept. 30, 1973):				
W. Michael Blumenthal, chairman and president	152,582	150,000	146,496	120,000
W. M. Agee, executive vice president	110,804	80,000	39,607	25,000
Other: supplemental compensation paid in annual installments or deferred. Options exercised: Blumenthal, $199,800 ($353,250) from Oct. 1, 1968, to Dec. 31, 1973.				
Borg-Warner Corp.:				
James F. Beré, president	225,855	s. 4,059	193,373	s. 2,385
James J. Gavin, Jr., vice president	124,521	s. 2,029	118,540	s. 1,168
Other: contingent compensation shares valued at $20.32 each in 1973; at $31.43 each in 1971. Options exercised: Beré, $37,912 ($58,950) from Jan. 1, 1972, to Mar. 1, 1973.				
Chrysler Corp.:				
Lynn A. Townsend, chairman	228,000	455,600	225,000	424,850
John J. Riccardo, president	202,750	388,237	200,000	361,400
E. A. Cafiero, vice president	148,750	259,638	135,000	215,650
Other: incentive compensation and company contributions to thrift-stock ownership program.				
Ford Motor Co.:				
Henry Ford II, chairman	275,000	590,000	264,567	610,000
Lee A. Iacocca, president	275,000	590,000	251,290	610,000
Other: supplemental compensation payable in 4 annual installments or deferred. In addition, company contributions to stock and savings plan: Ford, $13,746; Iacocca, $13,746 for 1973. In 1972, Ford, $13,228; Iacocca, $12,562. Options exercised: Iacocca, $1,435,000 ($1,974,000) from Jan. 1, 1973, to Mar. 15, 1974; $2,096,875 ($3,110,188) from Jan. 1, 1972 through Mar. 6, 1973.				
General Motors Corp.:				
Richard C. Gerstenberg, chairman	300,000	311,725	300,000	251,575
Edward N. Cole, president	270,000	281,649	270,000	227,630
Thomas A. Murphy, vice-chairman	270,000	246,357	270,000	227,630
Other: cash bonus payable in 5 annual installments. In addition, bonus payable in stock: Gerstenberg, $311,275; Cole, $281,351; Muphy, $246,268 in 1973. In 1972, Gerstenberg, $251,550; Cole $227,370; Murphy, $227,370. Also company contibutions under savings-stock purchase program: Gerstenberg, $15,000; Cole, $15,500; Murphy, $13,500 in 1973. In 1972 Gerstenberg. $15,000; Cole, $13,500; Murphy, $13,500. Also ,stock contingent credits: Murphy, 1,023 shares in 1973. In 1972, Gerstenberg, 921 shares; Cole and Murphy, 833 shares each. Options exercised: Gerpenberg. $122,688 ($216,338); Cole, $68,184 ($100,500). Murphy, $130,989 ($213,242) from Jan. 1 1969, to Feb. 28, 1974.				
TRW Inc.:				
Horace A. Shepard, chairman	305,000	-----------	265,000	-----------
Simon Ramo, vice chairman	245,000	-----------	220,000	-----------
Ruben F. Mettler, president	250,000	-----------	220,000	-----------

BANKING

Company	1973 salary	Other payments	1972 salary	Other payments
BankAmerica Corp.:				
C. J. Medberry, chairman	$159,700	s. 700	$149,600	-----------
A. W. Clausen, president	209,900	s. 1,200	209,400	-----------
Other: shares awarded under restricted stock bonus plan valued at $44.39 a share at time of award. In addition, company contributions to family estate plan: Medberry, $3,763; Clausen, $3,715 for 1973. In 1972, Medberry, $3,445; Clausen, $3,401: Options exercised. Medberry, $287,874 ($437,580); Clausen, $172.847 ($250,886) from Jan. 1, 1968, to Dec. 31, 1972.				
Chase Manhattan Corp.				
David Rockefeller, chairman	230,000	$29,726	230,000	$29,593
Willard C. Butcher, president †	175,000	11,309	141,023	9,072
†After October 1972.				
Other: company contributions to thrift-incentive plan.				
Chemical New York Corp.:				
William S. Renchard, chairman †	75,917	1,072	215,000	12,198
Donald C. Platten, chairman††	172,917	10,348	133,333	7,565
Norborne Berkley, Jr., president†††	132,083	7,904	93,333	5,295
†Until Jan. 31, 1973.				
††President from Sept. 1, 1972, to Jan. 31, 1973; chairman from Feb. 1, 1973.				
†††As of Feb. 1, 1973.				
Other: company contributions to profit sharing plan. Options exercised: Renchard, $312,580 ($403,875); Platten, $161,923 ($206,943) from Jan. 1, 1968, to Feb. 1, 1973.				

BANKING—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
Continental Illinois Corp.:				
Donald M. Graham, chairman†	$50,000	$6,600	$200,000	$29,600
Roger E. Anderson, chairman††	172,500	25,600	115,000	16,800
Tilden Cummings, president†	43,750	5,700	175,000	25,800
John H. Perkins, president††	161,250	23,100	115,000	16,800

†Retired March 1973.
††As of Mar. 26, 1973.
Other: estimated profit sharing allocations. Options exercised: Graham, $712,569 ($1,019,849); Anderson, $331,735 ($406,361); Cummings, $712,569 ($1,019,849); Perkins, $312,983 ($396,832) from Jan. 1, 1969, to Jan. 31, 1974.

First Chicago Corp.:				
Gaylord Freeman, chairman	276,850	122,500	262,160	116,000
John E. Drick, president	168,575	44,000	159,562	40,000

Other: incentive compensation. Options exercised: Freeman, $1,391,875 ($2,688,750); Drick, $374,063 ($748,500) from Jan. 1, 1969, to Jan. 15, 1974.

First National City Corp.:				
Walter B. Wriston, chairman	253,599	30,660	239,052	24,973
William I. Spencer, president	204,971	24,528	200,000	20,920
Edward L. Palmer, executive vice president	166,174	20,236	165,000	17,259

In addition, in 1973 under executive incentive compensation plan granted in cash or stock, current or deferred, Wriston, $113,750; Spencer, $90,350; Palmer, $67,600. Options exercised: Wriston, $810,079 ($1,758.840); Spencer, $298,775 ($720,594); Palmer, $411,727 ($996,030) in 1973. From January, 1968, to December 1972, Wriston, $592,707 ($1,175,685); Spencer, $431,054 ($700,095); Palmer, $490,001 ($784,562).

Manufacturers Hanover Corp.:				
Gabriel Hauge, chairman	229,327	23,066	200,000	17,276
John F. McGillicuddy, president	178,365	17,940	135,000	11,662

Other: profit sharing.

J. P. Morgan & Co.:				
Ellmore C. Patterson, chairman	180,000	71,000	165,000	68,000
Walter H. Page, president	155,000	61,000	140,000	58,000

Other: additional compensation plan. In addition, deferred profit sharing for 1973: Patterson, $27,000; Page, $23,250. In 1972, Patterson, $24,750; Page, $21,000.

Security Pacific Corp.:				
F. G. Larkin, chairman	200,000	11,428	180,000	10,426
Carl E. Hartnack, vice-chairman†	160,000	9,195	125,000	7.188
R. J. Flamson III, president†	115,625	6,586	††NA	††NA

†As of Aug. 14, 1973.
††Not available.
Other company contributions to profit sharing plan.

Western Bancorporation:				
Clifford Tweter, chairman	152,850	-----------	149,700	-----------
Ralph J. Voss, president	146,104	-----------	140,043	-----------

In addition, deferred compensation. Options exercised: Tweter, $107,683 ($161,500) from Jan. 1, 1969, to Feb. 19, 1974.

BROKERAGE

Donaldson, Lufkin & Jenrette Corp.:				
William H. Donaldson, chairman	$153,624	-----------	$185,250	$7,919
Richard H. Jenrette, president	168,250	-----------	185,250	7,919

Salary includes bonus.
Other: company contributions to deferred profit sharing.

Merrill Lynch, Inc.:				
Donald T. Regan, chairman	210,417	-----------	240,000	-----------
Ned B. Ball, president	175,000	-----------	203,500	-----------

Salary includes bonus.

Reynolds Securities, Inc.:				
Thomas F. Staley, chairman	100,000	$1,109	125,000	2,795
Robert M. Gardiner, president	125,000	1,135	150,000	2,862

Salary includes bonus in 1972.
Other: company contributions to profit sharing

BUILDING MATERIALS

Company	1973 salary	Other payments	1972 salary	Other payments
American-Standard, Inc :				
William A. Marquard, president	$220,500	-----------	$200,000	-----------
Jonn L. Grant, executive vice-president	117,000	-----------	98,750	-----------
Armstrong Cork Co.:				
M. J. Warnock, chairman	125,000	-----------	125,000	-----------
James H. Binns, president	219,440	-----------	208,000	-----------
Options exercised: Binns, $63,456 ($82,283) from Jan. 1, 1969, to Feb. 1, 1974.				
Boise Cascade Corp.:				
John B. Fery, president†	240,460	$5,628	170,000	-----------
Stephen B. Moser, chairman†	189,868	-----------	122,500	-----------
†As of October 1972.				
Other: company contrioutions to investment savings plan.				
Champion International Corp.:				
T. F. Willers chairman and president†	175,000	s. 8,053	152,371	$100,000
Karl R. Bendetsen, chairman executive committee	135,417	-----------	191,667	s. 6,000
†Since Jan. 1 1973.				
Other: incentive compensation in restricted shares or cash.				
Georgia-Pacific Corp.:				
Robert B. Pamplin, chairman and president	175,000	17,500	170,000	17,000
Robert E. Flowerree. executive vice-president	125,000	12,500	120,000	12,000
Other: company contributions to stock bonus trust. Options exercised: From 1969 to Feb. 6, 1974, Pamplin, $598,750 ($1,027,394); Flowerree, $236,250 ($560,289).				
Weyerhaeuser Co.:				
George H. Weyerhaeuser, president	325,000	-----------	305,000	-----------
Harry E. Morgan, Jr., senior vice-president	190,000	-----------	160,000	-----------
Salary includes bonus awards, portions of which are deferred. Options exercised: Weyerhaeuser, $171,279 ($485,087); Morgan, $64,274 ($178,924) from Jan. 1, 1973, to Jan. 28, 1974. From Jan. 1, 1968 to Jan. 31, 1973, Weyerhaeuser, $668,876 ($1,634,740), Morgan, $218,010 ($532,057).				

CHEMICALS

Company	1973 salary	Other payments	1972 salary	Other payments
Allied Chemical Corp.:				
John T. Conner, chairman	$185,000	$140,000	$180,000	$39,000
Frederick L. Bissinger, president	165,000	130,000	160,000	36,000
Other incentive compensation. Options exercised: Connor, $18,000 ($25,267); Bissinger, $17,000 ($22,157) from Apr. 28, 1969, to Mar. 1, 1974.				
American Cyanamid Co.:				
Clifford D. Siverd, chairman†	221,102	125,000	191,762	125,000
J. G. Affleck, president†	132,383	45,923	93,053	55,500
†As of October 1972.				
Other: current incentive compensation. In addition, contingent incentive compensation in common stock: Affleck, 932 shares in 1973 at $20.875 a share. Options exercised: Siverd, $402,000 ($437,250); Affleck, $201,000 ($221,625) from January 1968, to Feb. 26, 1973.				
Dow Chemical Co.:				
Carl A. Gerstacker, chairman	195,178	-----------	184,698	-----------
Charles B. Branch, president	348,412	-----------	322,247	-----------
Options exercised: Branch $184,312 ($480,313) from Jan. 1, 1973, to Mar. 11, 1974. From January 1972, to Mar. 5, 1973, Branch, $714,593 ($1,363,973).				
E. I. du Pont de Nemours & Co.:				
Charles B. McCoy, chairman	208,510	122,000	197,280	91,000
Irving S. Shapiro, chairman††	146,443	107,000	127,732	78,000
Edward R. Kane, president††	157,590	111,000	147,960	84,000
†As of December 1973, chairman of finance committee.				
††As of December 1973.				
Other: bonus. In addition, dividend units awarded: McCoy, 2,826 units; Shapiro, 1,635 units; Kane, 1,974 units in 1973. For 1972, McCoy 1,914 units; Shapiro, 906 units; Kane, 1,332 units. Also, amounts received under existing dividend units: McCoy, $146,533; Shapiro, $17,026; Kane, $38,519 for 1973. In 1972, McCoy, $128,457; Shapiro, $11,200; Kane, $29,250.				
Eastman Kodak Co.:				
Gerald B. Zornow, chairman†	270,000	39,154	256,038	32,003
Walter A. Fallon, president†	300,000	31,080	231,423	21,522
†As of May 1972.				
Other: set aside or accrued to savings and investment plan.				
W. R. Grace & Co.:				
J. Peter Grace, chairman	335,833	-----------	315,000	-----------
F. E. Larkin, president	230,000	-----------	207,833	-----------
Salary includes both incentive and deferred compensation.				

CHEMICALS—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
Monsanto Co.:				
Charles H. Sommer, chairman_____	$203,475	$100,000	$182,283	$90,000
John W. Hanley, president†_____	281,900	125,000	45,833	50,000
†As of Nov. 1, 1972.				
Other bonus. Options exercised. Hanley, $1C2,750 ($107,500) from 1969 to Feb. 8, 1974.				
Olin Corp.:				
James F. Towey, chairman†_____	175,000	125,000	169,583	150,000
John M. Henske, president††_____	136,250	80,000	121,250	85,000
†Since Apr. 27, 1972.				
††Since Dec. 13, 1973.				
Other: Incentive compensation. In addition, company contributions to thrift plan in 1972: Towey, $2,135; Henske, $2,100. Options exercised: Towey, $19,597 ($24,927) from Feb. 12, 1969 to Feb. 15, 1974.				
Union Carbide Corp.:				
F. Perry Wilson, chairman_____	280,00C	28,013	250,000	27,000
William S. Sneath, president_____	205,000	8,300	175,000	8,000
Other: payments in dividend equivalents under incentive plan. In addition, company contributions to savings plan: Wilson, $3,469; Sneath, $2,625 in 1973. In 1972, Wilson, $3C0; Sneath, $300.				

COMMUNICATIONS

Company	1973 salary	Other payments	1972 salary	Other payments
American Telephone & Telegraph Co.:				
John D. deButts, chairman†_____	$325,738	------------	$256,250	$7,688
William L. Lindholm, vice-chairman†_____	266,513	------------	212,500	6,375
Robert D. Lilley, president†_____	266,513	------------	212,500	6,375
†As of Apr. 1, 1972.				
Salary includes company contributions to savings plan in 1973. In 1972, other: company contributions to savings plan.				
CBS, Inc.:				
William S. Paley, chairman_____	200,481	$185,000	200,000	185,000
Arthur R. Taylor, president†_____	175,481	175,000	70,673	53,000
Frank Stanton, vice-chairman††_____	53,846	50,000	200,000	200,000
†As of July 31, 1972.				
††Retired Mar. 31, 1973.				
Other: additional paid out compensation. In addition, deferred compensation: Paley, $15,000 in 1973. In 1972, Paley, $15,00C. Also, contingent stock units: Paley, 4,540 units; Taylor, 1,764 units in 1973. In 1972, Taylor, 7,057 units.				
General Telephone & Electronics Corp.				
Leslie H. Warner, chairman_____	275,000	------------	251,422	----------==
Theodore F. Brophy, president†_____	206,154	------------	188,923	------------
†As of Jan. 12, 1972.				
Performance shares awarded in 1972: Warner, 10,000 shares; Brophy, 8,000. Options exercised: Warner, $295,805 ($411,812); Brophy, $12,175 ($14,438) from Jan. 1, 1969, to Jan. 1, 1974.				
RCA Corp.:				
Robert W. Sarnoff, chairman_____	300,000	75,000	275,000	66,667
Anthony L. Conrad, president___ _____	200,000	58,333	200,000	50,000
Other: incentive compensation paid during year. In addition incentive awards contingently payable in 3 annual installments: Sarnoff, $150,000; Conrad, $116,667 in 1973. In 1972, Sarnoff, $133,333; Conrad, $100,000.				

CONGLOMERATES

Company	1973 salary	Other payments	1972 salary	Other payments
Gulf & Western Industries, Inc. (Fiscal year ending July 31, 1973):				
Charles G. Bluhdorn, chairman_____	$252,525	$3,702	$252,600	$3,750
David N Judelson, president_____	202,280	2,962	202,400	3,000
Other: company contributions to savings plan. Options exercised: Judelson, $131,811 ($809,683) from Aug. 1, 1968, to Sept. 30, 1973.				
International Telephone & Telegraph Corp.:				
Harold S. Geneen, chairman _____	403,299	411,000	402,311	411,000
Francis J. Dunleavy, president†_____	226,628	235,000	182,084	200,000
†President since January 1973.				
Other: bonus.				
LTV Corp.:				
Paul Thayer, chairman_____	374,054	------------	199,816	57,316
Roscoe G Haynie, president_____	299,238	------------	160,271	29,583
Salary includes incentive compensation. Other: salary paid by subsidiaries and former subsidiaries. Options exercised: Haynie, $47,042 ($227,632) in series A preferred stock from January 1968 to March 1973. Thayer, $126,499 ($997,989) in LTV Aerospace stock from January 1968, to May 1972.				

CONGLOMERATES—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
Litton Industries, Inc. (Fiscal year ending July 31, 1973):				
Charles B. Thornton, chairman	$200,000	-----------	$200,000	-----------
Fred W. O'Green, president†	178,500	-----------	155,048	-----------
†Since December 1972.				
Signal Companies Inc.:				
William E. Walkup, chairman	165,000	$30,000	150,225	$20,000
Forrest N. Shumway, president	180,000	50,000	180,300	20,000
Other: Incentive compensation awards. In addition, company contributions to savings and stock purchase plan: Walkup, $7,425; Shumway, $8,100 in 1973 In 1972, Walkup, $6,750; Shumway, $8,100.				
Singer Co.:				
Donald P. Kircher, chairman and president	200,000	37,500	179,167	11,250
Edwin J. Graf, group vice president	142,500	-----------	129,167	-----------
Charles F. McDevitt, group vice president	113,750	20,000	†NA	†NA
†Not available.				
Other: cash awards under incentive compensation plan. In addition, common shares as incentive compensation at $60 9375 a share in 1973: Kircher, 600 shares; Graf, 960 shares; McDevitt, 320 shares. In 1972 at $90.875 a share, Kircher, 643 shares; Graf, 694 shares. Options exercised: Kircher, $270,000 ($690,000); Graf, $200,125 ($271 250) from Jan. 1, 1969, to Feb. 22, 1974.				
Tenneco, Inc.:				
Nelson W. Freeman, chairman	289,000	43,793	248,580	55,647
R. E. McGee, president	217,170	89,182	191,220	80,380
Other: company contributions to retirement and thrift plans. Options exercised: Freeman, $164,250 ($174,000); McGee, $136,875 ($145,625) in 1972.				
Textron, Inc.:				
G. William Miller, president	235,680	22,366	231,276	20,653
Joseph B Collinson, executive vice president	101,042	9,589	93,773	8,374
Other: set aside or accrued under profit sharing plan. In addition, company contributions to stock savings plan: Miller, $6,000; Collinson, $4,080 in 1973. In 1972, Miller, $6,000; Collinson, $3,832.				
United Brands Co.:				
Eli M. Black, chairman and president	197,500	50,000	150,000	50,000
Maurice C. Kaplan, senior vice president	158,750	50,000	137,750	50,000
Other: deferred compensation.				

CONTAINERS

Company	1973 salary	Other payments	1972 salary	Other payments
American Can Co.:				
William F. May, chairman	$221,571	-----------	$221,571	-----------
Harry S. Howard, Jr., president†	165,834	-----------	143,740	-----------
William S. Woodside, executive vice president	115,361	-----------	105,361	-----------
†As of Aug. 29, 1972.				
Options exercised; May, $22,411 ($31,878) from Jan. 1, 1969, to Jan. 1, 1974.				
Continental Can Co.:				
Robert S. Hatfield, chairman, president	225,000	-----------	210,000	-----------
Charles B. Stauffacher, vice-chairman†	200,000	-----------	190,000	-----------
Raymond G. Fisher, vice-chairman††	128,542	$23,542	†††NA	†††NA
†Retired Dec. 19, 1973.				
††As of Dec. 19, 1973.				
†††Not available.				
Other: management incentive plan. Options exercised: Hatfield, $17,214 ($30,934) from January 1972 to February 1973.				
Owens-Illinois, Inc.:				
Edwin D. Dodd, chairman and president†	311,892	1,500	253,033	$1,500
Floyd M. Canter, executive vice president	129,167	1,500	115,200	1,500
†Chairman since February 1973.				
Salary includes cash bonus paid, but not deferred portion. Other: company contributions to stock purchase and savings plan. Options exercised: Canter, $22,344 ($25,125) from Jan. 1, 1972, to Jan. 31, 1973.				

DISTILLERS

Company	1973 salary	Other payments	1972 salary	Other payments
Foremost-McKesson, Inc. (Fiscal year ending Mar. 31, 1973):				
Rudolph J. Drews, chairman	$221,667	$1,860	$205,000	-----------
William W. Morison, president	166,667	1,500	150,000	-----------
Salary includes incentive compensation. Other: Company contributions to stock investment and profit sharing plans.				
National Distillers & Chemical Corp.:				
John E. Bierwirth, chairman	152,400	-----------	152,400	-----------
D. C. Bell, president	214,914	s. 4,205	207,413	s. 3,359
Other: common stock contingently awarded.				

ELECTRICAL EQUIPMENT

Company	1973 salary	Other payments	1972 salary	Other payments
General Electric Co.:				
Reginald H. Jones, chairman	$312,528	s. 2,148	$231,674	s. 1,294
Walter D. Dance, vice-chairman	262,385	s. 1,757	216,724	s. 1,254
Jack S. Parker, vice-chairman	390,500	-----------	264,045	s. 1,764
Herman L. Weiss, vice-chairman	271,500	s. 1,875	262,545	s. 1,764

†President after June 1972, chairman after December 1972.

Salary includes incentive compensation for services in previous year. Other: incentive compensation in deferred stock at $64 a share in 1973 and $63.75 a share in 1972. Options exercised: Jones, $16,215 ($24,462); Dance, $154,336 ($210,776); Parker, $271,875 ($338,250); Weiss, $344,741 ($561,620) from Jan. 1, 1973 to Feb. 1, 1974. From Jan. 1, 1968 to Feb. 1, 1973, Jones, $288,964 ($431,665); Dance, $116,406 ($183,787); Parker, $181,250 ($261,750); Weiss, $178,214 ($250,448).

Company	1973 salary	Other payments	1972 salary	Other payments
Honeywell, Inc.:				
James H. Binger, Chairman	288,500	-----------	288,000	-----------
Stephen F. Keating, president	231,500	-----------	231,000	-----------

Salary includes incentive compensation. Options exercised: Binger, $641,219 ($1,369,829); Keating, $500,309 ($927,812) from Jan. 1, 1969 to Mar. 11, 1974.

Company	1973 salary	Other payments	1972 salary	Other payments
Raytheon Co.:				
Charles F. Adams, chairman	159,334	-----------	156,613	-----------
Thomas L. Phillips, president	241,004	-----------	231,131	-----------
D. Brainerd Holmes, executive vice-president	196,004	-----------	185,670	-----------

Salary includes bonus awards paid, but not deferred portion. Options exercised: Phillips, $178,125 ($284,400) from Jan. 1, 1973, to Mar. 1, 1974. Adams, $94,500 ($398,000); Phillips, $287,250 ($1,081,500) between January, 1969, and March, 1973.

Company	1973 salary	Other payments	1972 salary	Other payments
Texas Instruments, Inc.:				
Patrick E. Haggerty, chairman	144,000	$15,307	144,000	$11,203
Mark Shepherd, Jr., president	178,000	20,356	155,000	8,550

Other: accruals to profit sharing plan. In addition, Shepherd received $17,940 and 172 shares in 1973 and $15,015 and 81 shares in 1972 in incentive compensation. Also, Shepherd received $71,970 and 686 shares in 1973 and $59,875 and 325 shares in deferred incentive compensation in 1972. Options exercised: Shepherd, $2,806,080 ($6,281,295) from Jan. 1, 1969, to Feb. 22, 1974.

Company	1973 salary	Other payments	1972 salary	Other payments
Westinghouse Electric Corp.:				
Donald C. Burnham, chairman	251,250	30,000	236,250	90,000
George L. Wilcox, vice-chairman	173,997	17,500	167,355	65,000
Robert E. Kirby, executive vice-president	187,497	25,000	177,498	70,000

Other: deferred incentive compensation payable in cash or stock. In addition, cash incentive compensation paid: Burnham, $30,000; Wilcox, $17,500; Kirby, $25,000 in 1973. In 1972, Burnham, $90,000; Wilcox,($65,000; Kirby, $70,000. Options exercised: Burnham, $1,565,000 ($3,518,750); Wilcox, $814,400 ($1,646,256); Kirby, $1,284,150 ($2,183,913) from Jan. 1, 1969 to Jan. 18, 1974.

Company	1973 salary	Other payments	1972 salary	Other payments
Zenith Radio Corp.:				
Joseph S. Wright, chairman	150,000	150,000	150,000	150,000
John J. Nevin, president	125,000	150,000	111,064	150,000

Other: incentive compensation or awards. Options exercised: Wright $197,250 ($297,375) from January, 1968, to February, 1973.

FOOD PRODUCTS

Company	1973 salary	Other payments	1972 salary	Other payments
Borden, Inc.:				
Augustine R. Marusi, chairman	$212,600	s. 5,821	$202,600	s. 4,026
Walter R. Olmstead, vice-chairman	124,100	-----------	118,100	-----------
Eugene J. Sullivan, president	124,100	-----------	118,100	s. 1,937

Other: shares awarded under incentive compensation plan. In addition, Olmstead, $68.953; Sullivan, $68,953 award under incentive plan for 1973. In 1972, Olmstead, $52,552. Options exercised: Sullivan, $5,547 ($10,164) from Jan. 1, 1969, to Feb. 19, 1974.

Company	1973 salary	Other payments	1972 salary	Other payments
Carnation Co.:				
H. Everett Olson, chairman	200,000	-----------	161,250	-----------
D. L. Stuart, president	140,167	$21,343	87,250	$13,292

Other: company contributions to profit sharing.

Company	1973 salary	Other payments	1972 salary	Other payments
Coca-Cola Co.:				
J. Paul Austin, chairman	205,512	50,000	200,000	50,000
Charles W. Duncan, Jr. president	205,000	-----------	200,000	-----------

Other: deferred compensation. Options exercised: Austin, $163,491 ($899,687) in 1972.

Company	1973 salary	Other payments	1972 salary	Other payments
Consolidated Foods Corp. (Fiscal year ending June 30, 1973):				
William A. Buzick, Jr., chairman	261,058	-----------	223,286	-----------
William Teets, president	215,419	-----------	228,286	-----------

Options exercised: Buzick, $377,000 ($397,500) from July 2, 1972, through Aug. 15, 1973. Buzick, $267,688 ($468,574) from June 1967, to Aug. 21, 1972.

FOOD PRODUCTS—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
CPC International, Inc.:				
James W. McKee, Jr. president	$215,000	s. 616	$197,000	s. 379
Walther Kniep, executive vice president	147,250	s. 378	126,250	s. 227

Salary includes executive incentive compensation. Other: deferred incentive compensation in stock at $28.375 a share in 1973; at $33 a share in 1972. In addition, company contributions to retirement income plan: McKee, $425; Kniep, $288 in 1973. In 1972, McKee, $3,200; Kniep, $1,655. Also, company contributions to savings plan in 1973: McKee, $3,200; Kniep, $2,300.

General Foods Corp. (Fiscal year ending Mar. 31, 1973):				
C. W. Cook, chairman†	260,000	$17,000	268,000	------------
M. R. Bohm, vice-chairman†	165,000	10,000	145,000	------------

†As of December 1972.
Other: incentive compensation paid. Options exercised: Cook $44,091 ($65,831); Bohm, $19,596 ($31,169) from Apr. 2, 1967, to May 18, 1972.

Kraftco Corp.:				
William O. Beers, chairman†	320,913	------------	263,809	------------
O. Everett Swain, vice president	209,883	------------	181,892	------------
Arthur W. Woelfle, president††	191,138	------------	NA	NA

† As of Apr. 20, 1972.
†† As of Jan. 4, 1973.
Salary includes incentive compensation. Options exercised: Beers, $168,462 ($222,690); Swain, $51,585 ($68,840); Woelfle, $20,825 ($24,063) from Dec. 28, 1968, to Feb. 1, 1974.

Nabisco, Inc.:				
Lee S. Bickmore, chairman†	177,417	------------	242,500	$50,690
Robert M. Schaeberle, chairman††	152,500	------------	137,917	28,830
Mattnew B. Rosenhaus, vice-chairman	200,000	------------	188,095	41,800

† Retired July 1, 1973.
†† As of July 1, 1973.
Other cash incentive awards currently payable. In addition, Bickmore, $14,500; Schaeberle, $17,000; Rosenhaus, $22,000 in deferred compensation in cash and stock in 1973. In 1972, Bickmore, $7,839; Schaeberle, $2,182. Options exercised: Schaeberle, $94,875 ($118,625) in 1972.

PepsiCo, Inc.: Donald M. Kendall, chairman	201,176	125,000	200,000	127,800
Andrall E. Pearson, president	168,336	101,000	168,000	105,300

Other: Incentive compensation. Options exercised: Kendall, $1,104,375 ($2,508,750) from Dec. 31, 1972, to Mar. 11, 1974. From Dec. 26, 1971, to Mar. 9, 1973, Kendall, $1,844,625 ($4,-425,625); Pearson, $1,334,375 ($2,090,625).

Ralston Purina Co. (Fiscal year ending Sept. 30, 1973):				
R. Hal Dean, chairman	265,155	------------	247,500	------------
Warren M. Shapleigh, president	185,000	------------	145,833	------------

Options exercised: For fiscal year ending Sept. 30, 1972; Dean, $128,750 ($174,375); Shapleigh, $128,750 ($174,375).

Standard Brands, Inc.:				
Henry Weigl, president	200,000	80,000	200,000	60,000
O. L. Applegate, senior vic-president	115,000	35,000	115,000	20,000

Other: deferred compensation. Options exercised: Weigl, $507,072 ($706,195); Applegate, $168,875 ($221,125) from January 1967, to March 1972.

GLASS

Company	1973 salary	Other payments	1972 salary	Other payments
Corning Glass Works:				
Amory Houghton, Jr., chairman	$231,080	$4,875	$217,500	$4,688
William H. Armistead, vice-chairman	140,517	2,688	121,675	2,438
Thomas C. MacAvoy, president	171,069	3,375	144,167	2,979

Salary includes additional compensation. Other: company contributions to under investment plan.

PPG Industries, Inc.:				
Robinson F. Barker, chairman	314,888	8,261	294,720	5,908
Joseph F. Neubauer, president	272,416	7,768	252,540	5,537

Salary includes incentive compensation. Other: company contributions to savings plan. Options exercised: Neubauer, $183,845 ($346,800) from January 1972, to February 1973.

GROCERY CHAINS

Company	1973 salary	Other payments	1972 salary	Other payments
Kroger Co.:				
Robert O. Aders, chairman	$150,000	$47,299	$130,000	------------
James P. Herring, president	180,000	54,056	173,846	------------
Other: bonus. Options exercised: Herring, $4,488 ($6,400) since January 1972, to February 1973.				
Safeway Stores, Inc.:				
Quentin Reynolds, chairman	200,000	16,525	184,231	$19,718
William S. Mitchell, president	155,000	12,807	145,539	15,576
Other: company contributions to profit sharing. Options exercised: Reynolds, $293,563 ($402,125); Mitchell, $183,563 ($227,625) from Dec. 29, 1968, to Mar. 1, 1974.				

MANAGEMENT CONSULTANTS

Company	1973 salary	Other payments	1972 salary	Other payments
Booz, Allen & Hamilton, Inc.:				
Charles P. Bowen, Jr., chairman	$175,000	$22,500	$133,956	$13,396
James B. Farley, president†	143,878	15,000	87,500	6,750
†As of Mar. 6, 1973.				
Other: company contributions to retirement plan.				
Arthur D. Little, Inc.:				
James M. Gavin, chairman	129,542	3,828	98,820	2,886
John F. Magee, president	104,990	3,093	67,994	2,406
Other: company contributions to investment plan. In addition, company contributions to retirement plan: Gavin, $11,000; Magee, $8,900 in 1973. In 1972, Gavin, $4,754; Magee, $3,238.				

MISCELLANEOUS MANUFACTURING

Company	1973 salary	Other payments	1972 salary	Other payments
FMC Corp.:				
Robert H. Malott, chairman and president†	$251,418	s. 11,255	$210,000	------------
Emiel T. Nielsen, Jr., executive vice-president	150,235	s. 6,275	133,718	------------
†Since Apr. 27, 1973.				
Other: incentive shares contingently awarded. In addition, company contributions to thrift plan: Malott, $2,753; Nielsen, $1,799 in 1973. In 1972, Malott, $1,703 and Nielsen, $1,383.				
Whirlpool Corp.:				
John H. Platts, chairman	175,146	$22,500	173,500	$22,500
Jack D. Sparks, group vice-president	85,238	10,950	84,437	10,950
Salary includes bonus. Other: company contributions to profit sharing plan. In addition, under incentive plan partially deferred , Platts, $83,000; Sparks, $35,000 for 1973. In 1972, Platts, $110,000; Sparks, $50,000. Options exercised: Sparks, $148,410 ($230,495) from Jan. 1, 1973 to Feb. 20, 1974. From Jan. 1, 1972 to Feb. 15, 1973, Sparks, $142,590 ($256,809).				

NONFERROUS METALS

Company	1973 salary	Other payments	1972 salary	Other payments
Aluminum Co. of America:				
John D. Harper, chairman	$400,020	$40,000	$352,610	$33,750
W. H. Krome George, president	249,250	43,750	223,000	25,000
John S. Harrison, executive vice-president	205,500	22,500	194,000	20,000
Other: deferred compensation contingently credited. In addition, company contributions to savings plan: Harper, $24,570; George, $9,760; Harrison, $13,185 for 1973. In 1972, Harper, $22,118; George, $8,314; Harrison, $11,862. Options exercised: Harper, $113,250 ($129,516); George, $5,850 ($7,361); Harrison, $11,575 ($15,606) from Jan. 1, 1968, to Feb. 2, 1973.				
Anaconda Co.:				
John B. M. Place, chairman	220,833	8,833	200,000	8,000
William E. Quigley, vice-chairman	150,000	6,000	137,500	5,500
Other: company contributions to savings plan. In addition, incentive award compensation in 1973: Place, $45,000; Quigley, $25,000.				
Kaiser Aluminum & Chemical Corp.:				
Edgar F. Kaiser, chairman	216,200	------------	143,600	------------
Cornell Maier, president†	213,600	------------	109,475	------------
†As of Jan. 25, 1972.				
Salary includes bonus. Options exercised: Maier, $50,650 ($57,707) from Jan. 1, 1969, to Feb. 1, 1974.				

NONFERROUS METALS—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
Kennecott Copper Corp.:				
Frank R. Milliken, president_____	$295,000	$7,500	$225,000	$5,906
Charles D. Michaelson, president, Metal Mining Division_____	175,000	4,500	142,500	4,275
Salary includes incentive compensation paid. Other: company contributions to savings and investment plan.				
Phelps Dodge Corp.:				
George B. Munroe, president_____	172,400	80,000	162,800	33,000
Warren E. Fenzi, executive vice-president_____	135,400	70,000	127,600	26,000
Other: additional compensation. In addition, deferred profit sharing: Munroe, $17,000; Fenzi, $13,300 for 1973. In 1972, Munroe, $9,632; Fenzi, $7,525.				
Reynolds Metals Co.:				
Richard S. Reynolds, Jr., chairman and president_____	200,140	_____	128,656	_____
J. Louis Reynolds, chairman, Reynolds International_____	198,623	_____	140,998	_____
In addition, R. S. Reynolds received $53,900 in 1973 and $41,900 in 1972 as chairman of Robertshaw Controls Co.				

OFFICE MACHINES

Company	1973 salary	Other payments	1972 salary	Other payments
Burroughs Corp.:				
Ray W. Macdonald, chairman†_____	$205,000	$80,000	$200,000	$72,000
Paul S. Mirabito, president†_____	123,333	40,000	118,333	30,000
†As of Nov. 28, 1973.				
Other: incentive compensation paid. In addition, incentive compensation to be paid in 3 annual installments: Macdonald, $120,000; Mirabito, $60,000 for 1973. In 1972, Macdonald, $108,000, Mirabito, $45,000. Options exercised: Macdonald, $303,438 ($773,125); Mirabito, $45,516 ($114,656) from January 1972, to February 1973.				
International Business Machines Corp.:				
Frank T. Cary, chairman and president _____	200,000	246,900	150,000	244,549
Gilbert E. Jones, senior vice president_____	160,000	174,100	135,000	158,627
† Named chairman Jan. 1, 1973.				
Other: supplemental compensation. Options exercised: Jones, $682,910 ($964,283) from Jan. 1, 1973, to Jan. 31, 1974. Cary, $1,064,098 ($3,039,805); Jones, $1,439,291 ($2,783,484) from January 1968, to February 1973.				
Minnesota Mining & Manufacturing Co.:				
Harry Heltzer, chairman_____	198,375	208,712	341,405	_____
Raymond H. Herzog, president_____	139,225	150,348	245,019	_____
1972 salary is aggregate remuneration. Other: company contributions to profit sharing. Options exercised: Heltzer, $330,450 ($974,375); Herzog, $467,863 ($828,563) from Jan. 1, 1969, to Feb. 28, 1974.				
National Cash Register Co.:				
Robert S. Oelman, chairman_____	275,000	2,467	215,000	4,263
William S. Anderson, president †_____	275,000	1,455	142,845	_____
† As of May 17, 1972.				
Other: dividends from trust established in 1926 by 4 stockholders. Options exercised: Oelman, $691,814 ($1,489,760) from January 1968, to February 1973.				
Xerox Corp.:				
C. Peter McColough, chairman_____	442,771	63,690	405,075	54,074
Archie R. McCardell, president_____	371,990	56,618	347,436	43,897
Joseph B. Flavin, executive vice president_____	283,986	40,314	262,341	36,000
Raymond A. Hay, executive vice president_____	292,018	40,314	255,966	36,000
Other: company contributions to profit sharing retirement plan. In addition, McColough deferred compensation, $20,729 in 1973; $20,730 in 1972. Also, deferred compensation under restricted stock purchase plan: McCardell, $110,297; Flavin, $87,640; Hay, $82,423 in 1973. In 1972, McCardell, $110,297; Flavin, $87,640; Hay, $82,423. Options exercised: McColough, $1,016,244 ($1,885,527); Hay, $40,400 ($102,226) from January 1968, to March 1973.				

OIL

Company	1973 salary	Other payments	1972 salary	Other payments
Cities Service Co.:				
Robert V. Sellers, chairman	$185,573	$45,800	$137,660	....
Charles J. Waidelich, president	150,373	37,100	119,326	....

Other: incentive compensation awards. In addition, company contributions to thrift plan: Sellers, $9,180; Waidelich, $7,424 in 1973. In 1972, Sellers, $5,400; Waidelich, $4,666. Options exercised: Sellers, $3,472 ($5,054); Waidelich, $10,354 ($17,910) from Jan. 1, 1973 to Jan. 11, 1974. From January 1972 to January 1973, Sellers,$6,882 ($9,575); Waidelich, $10,292 ($12,159).

Exxon Corp.:				
J. K. Jamieson, chairman	401,666	195,000	364,166	$175,000
C. C. Garvin, Jr., president†	275,000	120,000	222,916	105,000

†After November 1972.

Other: bonus. In addition, company contributions to thrift plan: Jamieson, $24,100; Garvin, $16,500 for 1973. For 1972, Jamieson, $21,850; Garvin, $13,375. Options exercised: Jamieson, $1,596,167 ($1,982,919); Garvin, $299,187 ($400,650) from January 1968, to March 1973.

Gulf Oil Corp.:				
B. R. Dorsey, chairman†	300,000	190,000	250,000	95,000
James E. Lee, president†	171,666	95,000	184,000	67,500

†As of January 1973.

Other: contingent incentive compensation plan. In addition, no share units contingently awarded in 1973. In 1972, Dorsey, 3,667 units. Options exercised: Lee, $10,387 ($17,000) from January 1969, to March 1974.

Mobile Oil Corp.:				
Rawleigh Warner, Jr., chairman	287,667	212,000	260,000	195,000
William P. Tavoulareas, president	235,000	155,000	210,000	140,000

Other: Incentive compensation in cash, stock, restricted stock. In addition, company contributions to savings plan: Warner, $33,342, Tavoulareas, $48,518 in 1973. In 1972, Warner, $10,403; Tavoulareas, $10,510. Options exercised: Warner, $1,622,328 ($2,216,671), Tavoulareas, $838,044 ($1,230,192) from Jan. 1, 1969, to Feb. 8, 1974.

Philipps Petroleum Co.:				
W. W. Keeler, chairman†	105,593	....	300,000	42,000
John M. Houchin, chairman ††	274,038	58,510	250,000	35,000
W. F. Martin, president	190,968	45,640	164,480	23,100

† Retired Apr. 1, 1973.
†† From Apr. 1, 1973 until retirement Jan. 1, 1974.

Other: incentive compensation awards. In addition, company contributions to thrift plan: Houchin, $12,510; Martin, $9,555 in 1973. In 1972, Keeler, $16,125; Houchin, $13,136; Martin, $8,456.

Shell Oil Co.:				
Harry Bridges, president	240,000	125,000	225,000	100,000
J. B. St. Clair, executive vice-president	143,340	60,000	129,996	50,000

Other: Incentive compensation. In addition, the company contributes to provident fund: Bridges, $24,000; St. Clair, $14,334 in in 1973. In 1972, Bridges, $22,500, St. Clair, $13,000.

Standard Oil Co. of California:				
Otto N. Miller, chairman	450,000	28,432	275,000	24,620
J. E. Gosline, vice-chairman	201,987	18,680	200,000	17,833
H. J. Haynes, president	200,000	20,591	200,000	17,833

Other: contingent stock plan allocations. In addition, deferred management incentive awards in stock and dividend units: Gasoline, 2,454 shares; Haynes, 2,454 shares in 1973. In 1972, Miller, 2,526 shares; Gosline, 1,432 shares; Haynes, 1,432 shares.

Sun Oil Co.:				
Robert G. Dunlop, chairman	168,877	93,800	166,600	84,000
H. Robert Sharbaugh, president	140,354	70,000	135,601	56,000

Other: awards under executive compensation plan. In addition, company contributions to stock purchase plan: Dunlop, $8,377; Sharbaugh, $6,981 in 1973. In 1972, Dunlop, $6,590; Sharbaugh, $1,278. Also in 1972 performance share units: Sharbaugh, 3,137 units.

Texaco, Inc.:				
Maurice F. Granville, chairman	266,752	6,996	212,450	5,664
John K. McKinley, president	171,245	4,764	145,810	4,152

Salary includes incentive compensation. Other: company contributions to savings plan. In addition, under incentive compensation plan: Granville, 7,000 units; McKinley, 2,500 units in 1973. In 1972, Granville, 4,500 units; McKinley, 2,500 units. Options exercised: Granville, $241,556 ($305,078); McKinley, $61,937 ($75,863) from January 1972 to January 1973.

Union Oil Co. of California:				
Fred L. Hartley, president	223,333	71,250	210,000	41,500
Charles F. Parker, senior vice-president	116,000	18,700	112,333	25,575

Other: incentive compensation in cash or restricted stock. In addition, deferred compensation: Hartley, $51,302; Parker, $27,194 for 1973. In 1972, Hartley, $60,970; Parker, $13,884.

Company	1973 salary	Other payments	1972 salary	Other payments
International Paper Co.:				
Paul A. Gorman, chairman and president	$269,231	$6,250	$250,000	$4,687
J. Stanford Smith, vice-chairman†	144,103	-----------	††NA	††NA
Joseph P. Monge, chairman, finance committee	156,741	3,766	158,307	1,719
Judson W. Hannigan, executive vice-president	153,513	3,766	145,808	3,583
†As of April 1973.				
††Not available.				

Other: company contributions to savings investment plan. In addition, performance shares awarded contingently at $42.25 a share: Gorman, 3,455 shares; Smith, 1,986 shares; Monge, 2,789 shares; Hannigan, 2,789 shares for 1973. In 1972, Gorman, 3,455 shares; Monge, 2,789 shares; Hannigan, 2,789 shares at $41.125 a share.

Mead Corp.:				
James W. McSwiney, chairman	221,954	-----------	150,000	-----------
William W. Wommack, vice-chairman	138,298	-----------	115,000	-----------

Other: incentive compensation. Options exercised: McSwiney, $806,000 ($1,247,000); Wommack, $239,250 ($324,125) from Jan. 1, 1969, to Feb. 28, 1974.

St. Regis Paper Co.:				
George J. Kneeland, chairman†	154,167	-----------	121,666	-----------
William E. Caldwell, president††	43,333	-----------	125,000	-----------
William R. Haselton, president†††	132,500	32,500	101,000	12,500
†As of Apr. 27, 1973.				
††Until Apr. 30, 1973.				
†††As of May 23, 1973.				

Other: cash payments under management incentive compensation program. In addition, deferred shares at $31 a share: Kneeland, 2,741 shares; Haselton, 1,048 shares for 1973. In 1972 Caldwell, 849 shares; Kneeland, 893 shares; Haselton, 279 shares at $44.75 a share. Options exercised: Caldwell, $56,841 ($71,755); Haselton, $40,425 ($53,213) from Jan. 1, 1973, to Feb. 11, 1974. From April 1970, to February 1973, Caldwell $110,030 ($153,347); Kneeland, $38,518 ($63,092).

PHARMACEUTICALS

American Home Products Corp.:				
William F. Laporte, chairman	$270,208	s. 6,955	$250,000	s. 2,065
John W. Culligan, president†	169,166	s. 4,350	133,083	s. 1,100
†As of May 1973.				

Other: contingent stock awards in 1973 at $38.85, and in 1972, at $120.90 a share. Options exercised: Laporte, $940,000 ($1,602,425). Culligan, $556,950 ($933,206) from January 1969, to Feb. 1, 1974.

Eli Lilly & Co.:				
Eugene N. Beesley, chairman†	113,832	$1,764	336,000	$7,056
Richard D. Wood, chairman††	219,306	5,292	150,484	4,158
Thomas H. Lake, president††	189,193	5,510	150,750	4,998
†Until Mar. 31, 1973.				
††As of Apr. 1, 1973.				

Other: company contributions to savings plan. Options exercised: Beesley, $999,000 ($1,989,000); Wood, $158,200 ($287,500) from Jan. 1, 1973, to Feb. 19, 1974. From January 1972, to Feb. 20, 1973, Beesley, $621,000 ($1,554,000); Wood, $62,100 ($133,400); Lake, $730,300 ($1,597,500).

Johnson & Johnson:				
Phillip B. Hofmann, chairman	347,679	410,211	337,669	369,190
Richard B. Sellars, chairman††	322,023	283,601	262,034	247,641
J. E. Burke, vice-chairman††	254,845	139,450	218,256	121,705
F. B. Whitlock, vice-chairman††	245,421	154,620	219,057	126,808
†Until Apr. 10, 1973.				
††As of Apr. 10, 1973.				

Other: certificates of extra compensation deferred. In addition, amount expensed for value of common stock accrued under stock compensation agreements: Hofmann, $220,150; Sellars, $73,344; Burke, $74,966; Whitlock, $49,977 for 1973. In 1972, Hofmann, $166,813; Sellars, $89,358; Burke, $46,721; Whitlock, $35,041. Options exercised: Sellars, $389,100 ($740,625); Burke, $291,825 ($663,075); Whitlock, $389,100 ($740,625) from Jan. 1, 1973, to Jan. 31, 1974.

Merck & Co.:				
Henry W. Gadsden, chairman	196,667	135,000	180,000	125,000
Antonio T. Knoppers, president	133,333	100,000	120,000	100,000

Other: executive incentive plan awards. Options exercised: Gadsden, $868,963 ($1,592,869); Knoppers, $482,750 ($819,000) from Jan. 1, 1969, to Jan. 31, 1974.

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PHARMACEUTICALS—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
Warner-Lambert Co.:				
Stuart K. Hensley, chairman†	$118,650	$24,000	$231,250	$80,000
E. Burke Giblin, chairman††	229,167	79,000	187,500	60,000
Robert T. Wieringa, president††	142,500	59,000	115,833	45,000

†Until June 30, 1973.
††After June 30, 1973.
Other: incentive compensation paid. In addition, company contributions to savings and stock plan: Giblin, $1,146; Wieringa, $713 for 1973. In 1972, Giblin, $469.

PUBLISHING

Company	1973 salary	Other payments	1972 salary	Other payments
McGraw-Hill, Inc.:				
John L. McGraw, chairman	$95,000	-----------	$95,000	-----------
Shelton Fisher, president	160,000	-----------	160,000	-----------
Robert E. Slaughter, executive vice-president	130,000	-----------	130,000	-----------

Options exercised: Slaughter, $2,762 ($3,906) from January 1972, to March 1973.

New York Times Co.:				
Arthur Ochs Sulzberger, chairman and president	161,250	$20,000	150,000	-----------
Harding F. Bancroft, vice-chairman	107,500	22,000	100,000	$10,000
Ivan Veit, executive vice-president	107,500	27,000	100,000	10,000

Other: supplemental remuneration. In addition, incentive compensation including dividend equivalents: Sulzberger, $2,297; Bancroft, $5,909; Veit, $18,926 for 1973. In 1972, Sulzberger, $2,208; Bancroft, $5,529; Veit, $18,190. Options; Veit, $54,000 ($220,500) from Jan. 1, 1969, to Mar. 1, 1974.

Time, Inc.:				
Andrew Heiskell, chairman	242,493	20,809	200,900	9,397
Hedley Donovan, editor-in-chief	241,693	20,809	200,400	9,397

Salary includes bonus. Other: company contributions to profit sharing savings plan. In addition, company contributions to retirement plan: Heiskell, $20,914; Donovan, $22,146 for 1973. In 1972, Heiskell, $14,218; Donovan, $15,039. Options exercised: Heiskell, $315,000 ($1,455,000); Donovan, $63,000 ($309,000) from Jan. 1, 1968, to Feb. 1, 1973.

Times Mirror Co.:				
Franklin B. Murphy, chairman	265,668	1,107	279,808	2,458
Otis Chandler, vice-chairman	228,993	(795)	238,303	4,326
Albert V. Casey, president	218,998	66	229,808	3,160

Salary includes incentive bonus paid in cash. Other: company contributions to profit sharing plan. In addition, deferred incentive bonus, Casey, $10,000 in 1972 and 1973. Options exercised: Casey, $130,875 ($156,375) from Jan. 1, 1972, through Mar. 19, 1973.

RETAILERS

Company	1973 salary	Other payments	1972 salary	Other payments
Marcor, Inc. (Fiscal year ending Jan. 31, 1974):				
Leo H. Schoenhofen, chairman	$334,841	-----------	$300,456	-----------
Edward S. Donnell, president	238,775	$40,000	211,277	$28,750

Other: deferred compensation.

J. C. Penney Co. (Fiscal year ending Jan. 25, 1973):				
William M. Batten, chairman	$407,711	16,601	385,267	14,288
Jack B. Jackson, president†	237,996	9,000	196,303	5,981

†Since Apr. 1, 1972.
Other: company contributions in stock to profit sharing plan. In addition, under stock bonus plan: Batten, 757 shares; Jackson, 505 shares in 1973. In 1972, Batten, 1,836; Jackson, 1,138 shares in 1972. Options exercised: Batten $619,688 ($1,395,625); Jackson, $188,719 ($411,769) from Jan. 26, 1969, to Feb. 28, 1974.

Sears, Roebuck and Co. (Fiscal year ending January 31, 1974):				
Arthur M. Wood, chairman†	345,000	1,830	305,000	1,830
A. Dean Swift, president†	245,833	1,830	160,000	1,830

†As of Jan. 31, 1973.
Other: company contributions to profit sharing. Options exercised: Wood, $227,280 ($427,000); Swift, $67,662 ($176,787) from Feb. 1, 1972, through Feb. 28, 1973.

SOAP AND TOILETRIES

Company	1973 salary	Other payments	1972 salary	Other payments
Bristol-Myers Co.:				
Gavin K. MacBain, chairman_____	$175,000	$138,241	$175,000	$117,033
Richard L. Gelb, president_____	205,000	146,141	187,000	123,727
Other: percentage compensation payable in cash or deferred. In addition, company contributions to retirement income and savings plan: MacBain, $18,136; Gelb, $21,244 in 1973. In 1972, MacBain, $17,874; Gelb, $19,099.				
Proctor & Gamble Co. (Fiscal year ending June 30, 1973):				
Howard J. Morgens, chairman_____	425,000	61,170	425,000	61,450
Edward G. Harness, president_____	325,000	48,936	313,889	46,429
Other: set aside profit sharing plan. Options exercised: Morgens, $849,100 ($1,914,600); Harness, $188,600 ($473,500) from July 1, 1972, to Aug. 10. 1973. Morgens, $1,442,800 ($3,071,500); Harness, $125,900 ($319,000) from July, 1971 to Aug. 11. 1972.				

STEEL				
Allegheny Ludlum Industries, Inc.:				
Roger S. Ahlbrandt, chairman_____	$228,700	$6,100	$197,500	$5,500
Robert J. Buckley, president_____	186,200	3,125	148,000	_____
Other: company contributions to thrift plan.				
Armco Steel Corp.:				
C. William Verity, Jr., chairman_____	272,425	12,142	217,949	11,253
D. E. Reichelderfer, president_____	225,913	10,069	172,065	8,884
Harry Holiday, Jr., executive vice-president_____	172,757	5,200	149,123	5,200
Other: company contributions to thrift plan. In addition, shares awarded under incentive compensation plan in 1973: Verity, 600 shares; Holiday, 400 shares.				
Bethelehm Steel Corp.:				
Steward S. Cort, chairman_____	300,000	s. 10,070	291,670	u. 6,390
Lewis W. Foy, president_____	245,000	s. 7,925	220,000	u. 4,655
Other dividend units awarded under incentive compensation plan. In addition, cash payments on existing dividend units: Cort, $90,079; Foy, $59,499 in 1973. For 1972, Cort, $57,844; Foy, $37,688				
Inland Steel Co.:				
Frederick G. Jaicks, chairman_____	147,432	96,000	139,864	90,000
Michael Tenenbaum, president_____	103,536	65,500	98,468	61,000
Other: Incentive compensation. Options exercised: Tenenbaum, $28,033 ($31,141) from Jan. 1, 1973, to Mar. 1, 1974.				
National Steel Corp.:				
George A. Stinson, chairman and president_____	287,500	11,250	248,000	10,313
William S. Schwoebei, senior vice-president_____	127,500	7,313	110,500	6,531
Other: company contributions to stock investment plan.				
Republic Steel Corp.:				
Willis B. Boyer, chairman †_____	260,000	_____	225,000	_____
W. J. DeLancey, president †_____	195,334	_____	†† NA	†† NA
† After May 9, 1973.				
†† Not available.				
United States Steel Corp.:				
Edwin H. Gott, chairman †_____	64,700	2,000	300,000	12,000
Edgar B. Speer, chairman ††_____	266,667	10,667	225,000	9,000
R. Heath Larry, vice-chairman_____	225,000	9,000	225,000	9,000
Wilbert A. Walker, president ††_____	245,833	9,833	225,000	9,000
† Retired Feb. 28, 1973				
†† As of Mar. 1, 1973.				
Other: company contributions to savings fund plan.				

TIRE AND RUBBER

Company	1973 salary	Other payments	1972 salary	Other payments
Firestone Tire & Rubber Co. (Fiscal year ending Oct. 31, 1973):				
Raymond C. Firestone, chairman	$290,000	-----------	$275,000	-----------
Richard A. Riley, president†	189,750	-----------	124,267	-----------
†As of Sept. 7, 1972.				
Salary includes incentive compensation initial installment; balance payable over 4 years in cash and/or stock. Deferred contingent compensation not shown.				
General Tire & Rubber Co. (Fiscal year ending Nov. 30, 1973):				
Thomas F. O'Neil, chairman	200,265	$3,540	188,666	$3,490
Michael G. O'Neil, president†	203,948	3,070	190,776	2,870
†Salary includes value of shares issued as incentive compensation.				
Other: company contributions to profit sharing retirement plan.				
B. F. Goodrich Co.:				
O. Pendleton Thomas, chairman†	367,850	4,594	350,000	656
Harry B. Warner, president	203,250	3,263	187,500	2,400
†As of Apr. 18, 1972.				
Salary includes supplemental compensation. Other: company contributions to stock purchase and savings plan.				
Goodyear Tire & Rubber Co.:				
Russell DeYoung, chairman	395,070	s. 9,515	398,350	s. 6,181
Charles J. Pilliod, Jr., president†	263,556	s. 7,612	207,722	s. 3,863
†As of May 19, 1972.				
Other: stock contingently allotted as deferred incentive compensation. Options exercised: DeYoung, $63,000 ($91,313); Pilliod, $21,000 ($30.500) from January 1972 to February 1973.				

TOBACCO

Company	1973 salary	Other payments	1972 salary	Other payments
American Brands, Inc.:				
Robert K. Heimann, chairman and president†	$299,897	$40,843	$217,374	$33,632
Cyril F. Hetsko, senior vice president	188,184	25,444	162,125	24,964
†Chairman since January 1973.				
Salary includes undeferred noncontingent portion of incentive compensation. Other: company contributions to profit sharing plan. In addition, deferred contingent portion of incentive compensation: Heimann, $127,615; Hetsko, $60,267 for 1973. In 1972, Heimann, $92,374; Hetsko, $57,125. Options exercised: Heimann, $333,750 ($399,375); Hetsko, $146,250 $198,237) from January 1967, to February 1974.				
Phillip Morris, Inc.:				
Joseph F. Cullman III, chairman	220,916	112,530	206,667	102,300
George Weissman, president	179,316	90,200	167,833	82,000
Other: incentive compensation. In addition, under deferred profit sharing plan: Cullman, $12,048; Weissman, $9,643 for 1973. In 1972, Cullman, $11,309; Weissman, $9,047. Options exercised: Cullman, $623,563 ($1,762,000); Weissman, $1,054,063 ($2,404,- 188) from January 1969 to Jan. 15, 1974.				
R. J. Reynolds Industries, Inc.:				
A. H. Calloway, chairman†	132,372	1,733	334,342	4,716
Colin Stokes, chairman††	276,667	4,355	216,338	3,482
J. Paul Sticht, president†††	265,000	3,792	31,667	798
†Retired May 1, 1973.				
††As of April 1973.				
†††Joined the company in November 1972; elected president April 1973.				
Other: company contributions to stock purchase plan.				

TRANSPORTATION

Company	1973 salary	Other payments	1972 salary	Other payments
American Airlines, Inc.:				
George A. Spater, chairman†	$150,000	------------	$145,417	$93,125
George A. Warde, president††	125,000	------------	103,125	37,250
†Until Sept. 19, 1973.				
††As of July 1972.				
Other: stock appreciation plan payments.				
Chessie System, Inc.:				
Hays T. Watkins, chairman	251,398	------------	167,475	------------
John W. Hanifin, president	189,450	------------	89,092	------------
Salary includes incentive compensation: Watkins, $106,906; Hanifin, $79,908 in 1973.				
Eastern Air Lines, Inc.:				
Floyd D. Hall, chairman and president†	243,975	$100,000	227,300	------------
Samuel L. Higginbottom, president††	180,850	96,250	204,175	91,875
Charles J. Simons, executive vice president	174,246	78,313	158,885	67,085
†Assumed title of president Oct. 1, 1973.				
††Until Oct. 1, 1973.				
Other: incentive compensation and special incentive awards. Options exercised: Hall, $154,500 ($358,500); Higginbottom, $61,200 ($103,500); Simons, $6,576 ($10,500) from Jan. 1, 1968, to Mar. 1, 1974.				
Greyhound Corp.:				
Gerald H. Trautman, chairman	244,631	60,000	205,600	65,076
Raymond F. Shaffer, president	190,540	15,000	146,948	20,661
Other: deferred compensation payable in stock. Options: Trautman, $27,000 ($33,500) from Jan. 1, 1973, to Feb. 28, 1974; Shaffer, $42,745 ($87,515) from Jan. 1, 1968, to Feb. 28, 1973.				
Pan American World Airways, Inc.:				
William T. Seawell, chairman and president†	175,625	2,793	117,188	------------
James O. Leet, executive vice president	98,333	------------	84,375	------------
†As of March 1972.				
Other: company contributions to supplemental compensation plan.				
Southern Pacific Co.:				
Benjamin F. Biaggini, president	307,825	6,013	290,300	6,012
Alan C. Furth, vice president	138,192	2,988	126,300	2,712
Salary includes incentive compensation: Biaggini, $92,500; Furth, $38,700 for 1973. In 1972, Biaggini, $80,000; Furth, $36,000. Other: company contributions to stock purchase and savings plan. Options exercised: Biaggini, $51,250 ($75,750); Furth, $5,125 ($7,163) from Jan. 1, 1973, to Mar. 1, 1974. From July 16, 1970, to Mar. 1, 1973; Biaggini, $128,125 ($215,000); Furth, $15,378 ($26,825).				
Trans World Airlines, Inc.:				
Charles C. Tillinghast, Jr., chairman	134,373	157,517	127,305	145,533
Forwood C. Wiser, Jr., president	130,591	130,023	123,789	149,175
Other: incentive compensation plan. In addition, deferred compensation: Tillinghast, $25,000; Wiser, $20,000 in 1973. For 1972, Tillinghast, $25,000; Wiser, $23,334. Also, deferred shares of stock: Tillinghast 397 shares; Wiser, 390 shares valued at $17.625 a share for 1973. Options exercised: Tillinghast, $349,200 ($605,500) from Jan. 1, 1968, to Feb. 28, 1973.				
UAL, Inc.:				
Edward E. Carlson, president	168,750	------------	150,000	------------
L. P. Himmelman, chairman of Western International	106,040	------------	87,297	------------

UTILITIES

Company	1973 salary	Other payments	1972 salary	Other payments
American Electric Power Co.:				
Donald C. Cook, chairman	$259,375	$11,140	$258,675	$12,666
George V. Patterson, president	143,900	3,313	124,225	4,039
Herbert B. Cohn, vice-chairman	143,275	4,031	123,785	5,188
Other: partial interest paid by company on bank loans under stock purchase plan.				
Commonwealth Edison Co.:				
J. Harris Ward, chairman†	53,037	------------	187,749	------------
Thomas G. Ayers, chairman and president††	153,081	s. 5,000	144,668	------------
Gordon R. Corey, vice-chairman††	125,473	s. 3,000	120,268	------------
†Until Apr. 1, 1973.				
††After Apr. 1, 1973.				
Other: compensation units, entitling holder to deferred payment equal to dividends on one share of common stock per unit annually. Shares purchased: Ward, $10,977 ($12,196); Ayers, $9,101 ($10,112) in 1972.				

UTILITIES—Continued

Company	1973 salary	Other payments	1972 salary	Other payments
Consolidated Edison Co.:				
Charles F. Luce, chairman	$160,833	$50,000	$150,000	$50,000
Louis H. Roddis, Jr., vice-chairman†	130,000	-----------	130,000	-----------
William W. Lapsley, president†	107,500	20,000	††NA	††NA
†After Aug. 1, 1973.				
††Not available.				
Other: deferred compensation.				
El Paso Natural Gas Co.:				
Howard Boyd, chairman	199,077	7,700	182,229	7,028
Hugh F. Steen, president	167,458	6,372	152,104	5,820
Other: company contributions to savings plan. In addition, Boyd and Steen each receive $1,250 a month (plus 6 percent interest compounded monthly) in deferred compensation.				
Pacific Gas & Electric Co.:				
Shermer L. Sibley, chairman	170,000	5,100	165,000	4,950
John F. Bonner, president	115,000	3,450	98,333	2,950
Other: company contributions to savings plan.				
Public Service Electric & Gas Co.:				
Edward R. Eberle, chairman†	150,833	-----------	130,682	-----------
Robert I. Smith, president†	105,583	-----------	80,852	-----------
†As of Dec. 20, 1972.				
Southern California Edison Co.:				
Jack K. Horton, chairman	170,000	4,390	165,000	3,795
T. M. McDaniel, Jr., president	135,000	3,575	130,000	3,219
Other: company contributions to stock purchase plan.				
Southern Co.:				
Alvin W. Vogtle, Jr., president	140,000	-----------	120,833	-----------
George B. Campbell, financial vice-president	55,146	-----------	52,500	-----------

Note: 1st figure is price paid for the stock options. Figure in parentheses is market value on the date options were exercised.

Source: Business Week, May 4, 1974.

[From Business Week, May 11, 1974]

PROFITS: BETTER THAN EXPECTED

SURVEY OF CORPORATE PERFORMANCE: FIRST QUARTER 1974

EARNINGS ROSE SIXTEEN PERCENT WITH OIL AND METALS OUT IN FRONT—HARD HIT WERE THE AUTOS, AIRLINES, AND APPLIANCE INDUSTRIES

On paper at least, U.S. corporations earned money at an impressive rate in the first quarter of 1974 even though real gross national product plunged by 5.8% in the three months. Aftertax profits were up 16% over last year's first quarter for the 890 companies covered in the latest BUSINESS WEEK survey of corporate performance. When all the results are in, aftertax corporate profits may well top $75-billion, up at least 4% from the record-breaking fourth quarter of 1973.

These over-all numbers may look imposing, but it was a bleak quarter for a great many of the companies covered. The survey is compiled for BUSINESS WEEK by Investors Management Sciences, Inc., of Denver, a subsidiary of Standard & Poor's Corp. According to IMS calculations, profit margins for the 890 companies tumbled by 7% during the quarter, from 6.1% to 5.7%. Of the 40 industries covered in the survey, only 15 reported improved margins.

INVENTORY PROFITS

Aftertax profits for the 890 companies were up by 16%, but if soaring oil company profits are eliminated from the results, earnings for the remaining companies were up by only 3.7%. Eliminate the oil companies, and profit margins for the remaining companies fell by 13%.

Oil companies prospered, but the automobile companies took it on the chin in the first quarter, with industry earnings down by 71% (General Motors off 85%, Ford down 66%, Chrysler down 98%, and American Motors down 58%). With both the oil and the auto companies knocked out of the survey, profits were up by just over 7% in the quarter.

Even that does not tell the whole story because most, if not all, of the quarter's increase may stem from inventory profits—generated by the increase in the value of inventories between the time of purchase or production and the time of sale. There is no calculation of the impact of inventory profits on aftertax earnings, but the Commerce Dept. says they accounted for more than $17-billion of the $126-billion in pretax corporate profits in 1973. The best estimates are that inventory profits ran at a $25-billion to $30-billion rate in the first quarter of 1974.

The latest survey covers the giants of U.S. industry—industrial companies with quarterly sales of $34-million or more, utilities with at least $50-million in quarterly revenues, and banks with at least $1-billion in deposits. A company with a fiscal quarter ending before Feb. 1 needed at least $100-million in quarterly sales to qualify.

UPS AND DOWNS

The list shows plenty of companies with earnings down sharply in the quarter, and a few that did very well. If the auto companies were hard hit, so were their suppliers. But earnings were up by 113% at International Harvester and 38% at White Motor, thanks to a booming industrial and agricultural equipment sector.

The airlines industry also was severely hit by the energy crisis, with most companies showing a net loss for the period. Profits were up by 363% at Frontier Airlines, however, and by 173% at Western Air Lines.

Every company surveyed in the appliance industry showed an acute earnings slide. The industry has been caught by the soft housing market, a decrease in consumer spending, and a series of crippling strikes. The energy crisis also plagued the leisure time industry, where profits took a 17% downturn, as well as the food and lodging group, where earnings were off by 12%.

But rising fuel prices sent the profits of the natural resources industry rocketing ahead by 82%. Occidental Petroleum led the field, with earnings up by 716%. The oil service and supply industry also benefited from the scramble to find new energy sources, and profits climbed by 62% during the quarter.

Although housing was in a slump, some of the big construction and engineering companies in the real estate group chalked up handsome earnings from huge energy-related projects. Raw materials shortages and inventory profits helped to swell the earnings in the metals and mining industry by 94%. And a 50% increase in margins for the traditionally low-margin, high-volume food retailers sent industry profits ahead by 59%.
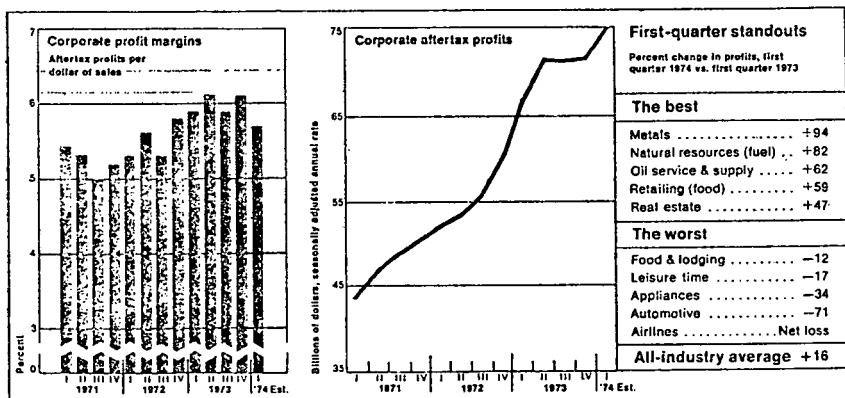
SURVEY OF CORPORATE PERFORMANCE: 1ST QUARTER 1974

| Company | Sales | | Profits | | Margins | | Ratios | | | 10 year growth | | Market value shares outstanding year end (millions) | 12 months earnings per share |
	1st quarter 1974 (millions)	Change from 1973 (percent)	1st quarter 1974 (millions)	Change from 1973 (percent)	1st quarter 1974 (percent)	1st quarter 1973 (percent)	Return on invested capital	Return on common equity	Price earning Apr. 30	Common equity (percent)	Earning per share (percent)		
Aerospace—Airframes, general aircraft and parts:													
Beech Aircraft [1]	$57.3	15	$2.9	20	5.1	4.9	14.0	19.7	6	4	8	$50	$1.52
Cessna Aircraft [1]	97.2	2	5.8	—4	6.0	6.4	14.8	18.5	5	10	7	95	2.88
Curtiss-Wright	67.4	17	2.1	24	3.1	2.9	5.1	5.4	10	—2	—4	96	1.05
Fairchild Industries	57.9	7	1.5	NM	2.6	NM	NM	3.8	11	8	11	18	.48
General Dynamics	414.8	4	8.6	17	2.1	1.9	9.2	10.5	6	NA	—9	209	3.96
Grumman	255.5	38	4.7	51	1.9	1.7	10.6	21.0	4	NA	6	57	2.73
Lockheed Aircraft	716.0	16	3.8	—24	.5	.8	5.9	5.2	4	1	—15	37	1.27
McDonnell Douglas	838.0	3	29.5	—14	3.5	4.2	10.9	14.0	5	28	18	548	3.16
Northrop	189.1	43	2.5	43	1.3	1.3	7.7	9.5	7	9	5	65	3.18
Rockwell International [1]	983.6	23	37.7	10	3.8	4.3	NA	14.4	6	9	—3	688	4.61
Rohr Industries [3]	[3] 111.1	12	1.9	27	1.7	1.5	9.2	8.3	9	11	6	70	1.66
Thiokol	71.3	1	5.0	64	7.0	4.3	15.8	15.8	6	6	6	57	2.56
United Aircraft	821.2	52	27.2	88	3.3	2.7	10.0	13.0	5	8	5	279	5.51
VSI [4]	38.1	32	2.5	12	6.6	7.7	19.8	19.8	6	13	10	38	2.71
Industry composite	4,718.5	20	135.8	19	2.9	3.0	9.2	12.9	6	9	—1	2,307	3.11
Airlines:													
Allegheny Airlines	80.2	11	—2.0	NM	NM	NM	7.5	12.8	6	27	5	33	1.09
American Airlines	358.8	11	—10.5	NM	NM	NM	NM	—5.1	NM	14	—23	246	—1.05
Braniff International	125.9	29	5.7	43	4.6	4.1	10.3	20.7	8	11	17	190	1.24
Delta Air Lines [4]	314.6	18	21.3	53	6.8	5.2	11.9	22.5	12	19	12	795	4.15
Eastern Air Lines	360.1	13	—1.6	NM	NM	NM	NM	—15.3	NM	21	NA	100	—2.72
Flying Tiger	72.3	17	2.5	—57	3.5	9.4	7.1	17.2	6	29	26	249	2.46
Frontier Airlines	37.3	29	4.1	363	11.1	3.1	19.2	91.9	5	3	11	19	1.33
National Airlines [4]	124.9	19	11.4	93	9.1	5.6	7.7	16.3	6	15	5	129	3.05
Northwest Airlines	168.0	40	13.9	75	8.3	6.6	8.0	11.3	9	21	0	429	2.68
Pan American World Airways	324.4	9	—24.4	NM	NM	NM	NM	—5.9	NM	9	17	166	—.58
Trans World Airlines	322.3	—1	—47.3	NM	NM	NM	2.8	2.9	11	10	—14	199	.97
UAL	522.2	18	10.0	NM	1.9	NM	5.1	9.9	9	11	—3	484	2.82
Western Air Lines	115.3	21	7.7	173	6.7	3.0	11.4	23.9	7	8	—7	127	1.73
Industry composite	2,926.3	15	—9.0	NM	NM	NM	4.2	6.3	8	13	—7	3,286	1.07

See footnotes at end of table.

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Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Appliances:													
Hoover	$131.8	4	$5.1	−37	3.9	6.4	11.7	15.8	8	7	9	$290	$2.28
Magic Chef [4]	45.0	−19	0.7	−37	1.6	2.0	5.7	6.0	9	30	11	44	0.63
Maytag	56.8	6	5.8	−12	10.2	12.3	28.6	28.6	12	5	6	338	2.13
Singer	661.1	15	16.7	−20	2.5	3.6	12.2	11.0	6	4	2	646	5.04
Tappan	55.5	−16	−0.3	NM	NM	2.9	4.0	3.3	10	12	7	20	0.77
Whirlpool	388.2	4	9.8	−46	2.5	4.9	18.1	21.0	12	13	10	904	2.17
Industry composite	1,338.4	7	37.8	−34	2.8	4.5	13.4	14.4	10	4	6	2,242	2.54
Automotive—Autos, trucks, equipment and parts:													
Allen Group	51.0	13	1.0	10	1.9	1.9	9.7	9.3	5	37	7	20	1.49
American Motors [1]	498.1	5	6.9	−58	1.4	3.5	10.6	11.8	6	0	−5	241	1.33
Arvin Industries	44.0	−16	0.1	−94	0.2	3.2	6.9	7.8	12	7	1	56	0.95
Bearings [4]	40.6	21	2.2	23	5.4	5.3	23.1	20.9	11	15	11	71	2.11
Bendix [1]	601.0	9	18.1	10	3.0	3.0	10.5	10.6	6	5	4	303	4.45
Borg-Warner	395.7	8	15.6	−7	3.9	4.6	10.3	11.0	5	4	4	333	3.65
Budd	193.8	2	4.1	−39	2.1	3.5	8.2	11.9	3	4	8	67	3.20
Chrysler	2,693.6	−6	1.6	−98	0.1	3.1	5.2	6.4	5	10	−4	851	3.13
Cummins Engine	186.1	20	5.2	10	2.8	3.1	9.3	13.3	9	11	2	210	3.68
Dana [6]	248.0	3	14.3	1	5.8	5.9	13.1	17.4	5	9	7	287	4.04
Eaton	409.2	10	20.7	−10	5.1	6.2	12.0	15.4	6	−9	7	438	4.77
Federal-Mogul	88.1	11	2.9	−10	3.3	4.0	9.6	9.9	8	2	−3	90	2.41
Ford Motor	5,462.5	−11	123.6	−66	2.3	5.9	10.1	10.8	7	5	7	4,017	6.84
Fruehauf	320.6	104	10.5	31	3.3	5.1	11.4	13.8	6	9	2	236	3.96
General Motors	6,986.3	−27	120.3	−85	1.7	8.5	13.4	14.3	8	6	0	13,179	5.90
Gould [4]	191.6	19	8.3	30	4.3	4.0	10.8	13.0	6	21	8	158	3.38
Houdaille Industries	76.3	8	3.8	20	5.0	4.5	14.1	19.1	5	14	4	81	2.08
International Harvester [7]	996.3	16	23.3	113	2.3	1.3	10.0	9.5	6	2	−1	716	4.29
Libbey-Owens-Ford	151.2	−14	7.1	−60	4.7	10.1	13.8	14.3	7	−1	1	271	4.11
Maremont	52.7	−7	0.6	−55	1.1	2.2	10.6	13.6	6	9	6	114	2.33
Monroe Auto Equipment [4]	35.5	−6	4.0	−24	11.2	14.0	21.4	20.8	7	22	25	162	1.67
Purolator	70.7	13	3.2	0	4.6	5.2	14.5	18.5	10	15	10	140	2.80
Questor	83.5	0	−2.7	NM	MM	2.6	4.8	4.3	14	17	4	66	0.65
Raybestos-Manhattan	45.1	0	0.4	−77	0.9	4.0	6.7	6.9	6	1	−6	25	3.05
Royal Industries	49.1	14	1.8	6	3.6	3.9	12.1	16.4	4	32	18	31	1.47

Sheller-Globe [1]	69.0	−3	1.7	−16	2.4	2.8	8.2	8.3	4	9	10	22	1.75
Smith (A.O.)	134.7	−14	0.6	−87	0.4	2.9	6.0	6.9	5	6	12	58	2.28
TRW	567.6	14	18.2	−14	3.2	4.3	11.8	12.4	6	10	9	455	2.84
Timken	149.5	6	11.2	−18	7.5	9.7	12.8	13.0	6	7	1	345	4.75
Wagner Electric	68.2	2	1.4	−42	2.1	3.7	9.6	11.9	5	NA	NA	45	1.66
White Motor	323.7	18	6.1	38	1.9	1.6	8.3	10.8	5	4	−14	76	2.83
Industry composite	21,283.2	−11	435.9	−71	2.0	6.2	11.0	12.2	7	5	1	23,163	4.70

Banks and bank holding companies:

BanCal Tri-State	61.6	42	1.1	−45	1.8	4.6	5.4	6.1	12	4	0	77	1.74
BancOhio	51.7	29	4.8	−1	9.3	12.1	9.7	10.5	8	11	6	152	2.63
Bank of Virginia	38.7	36	2.6	11	6.6	8.1	9.0	14.6	9	18	9	88	2.49
BankAmerica	673.9	47	55.1	16	8.2	10.3	11.9	14.8	13	7	9	3,213	3.29
Bankers Trust of New York	378.8	75	17.8	13	4.7	7.3	10.1	12.8	7	5	5	486	6.44
Barnett Banks of Florida	41.5	27	5.1	14	12.4	13.8	14.9	19.3	15	43	9	349	2.55
C.I.T. Financial	178.4	21	20.9	3	11.7	13.8	9.3	13.2	8	6	6	816	4.31
Cameron Financial	45.0	31	3.1	0	6.9	9.0	9.3	14.1	6	12	10	113	2.23
Charter New York	183.9	65	9.3	23	5.1	6.8	8.4	10.7	7	6	2	219	3.86
Chase Manhattan	773.3	68	42.9	7	5.5	8.7	10.0	12.6	9	5	7	1,808	5.23
Chemical New York	360.2	68	18.7	26	5.2	7.0	8.2	10.5	8	4	4	569	5.30
Citicorp	1,008.5	68	73.2	26	7.3	9.7	14.0	16.0	18	6	10	5,580	2.24
Citizens & Southern Natl. Bank	70.3	35	6.5	2	9.2	12.2	11.0	12.1	14	14	12	477	0.94
Cleveland Trust	59.9	39	9.0	16	15.0	18.0	11.3	11.3	7	7	10	218	5.84
Continental Illinois	365.5	86	24.1	10	6.6	11.2	11.9	13.2	10	6	8	897	5.12
Crocker National	178.3	51	4.6	−37	2.6	6.2	NM	9.7	8	5	5	227	2.58
Detroitbank	50.8	28	5.5	5	10.8	13.2	13.7	13.7	5	6	9	134	7.23
Fidelity	59.2	41	5.3	13	8.9	11.2	12.8	16.6	8	7	10	191	4.50
First Bank System	120.7	31	14.0	6	11.6	14.4	12.5	14.1	16	7	12	852	3.63
First Chicago	345.6	84	23.9	21	6.9	10.5	11.1	13.9	15	6	11	1,380	4.84
First City Bancorporation of Tex	72.4	66	6.2	28	8.6	11.2	15.2	15.3	14	6	9	325	2.58
First International Bancshares	96.8	63	10.3	23	10.7	14.1	18.7	18.7	19	10	10	793	2.79
First National Boston	188.6	64	13.3	18	7.0	9.8	9.0	12.5	9	5	8	494	4.46
First National Holding	51.2	66	3.7	29	7.3	9.4	10.2	13.1	8	6	6	95	3.26
First Pennsylvania	138.0	37	9.6	−7	6.9	10.1	12.9	17.0	10	9	13	525	3.30
First Wisconsin Bankshares	70.9	45	4.0	−10	5.6	9.0	8.2	11.4	6	7	10	140	4.18
Harris Bankcorp	75.5	55	6.3	28	8.4	10.1	11.4	13.3	7	8	9	158	8.14
Lincoln First Banks	46.0	15	3.1	−20	6.7	9.6	6.7	8.6	7	8	6	70	3.24
Manufacturers Hanover	390.5	66	30.8	32	7.9	9.9	12.6	13.9	7	8	6	70	3.24
Manufacturers National	46.7	27	4.3	14	9.3	10.4	11.3	13.9	5	7	8	85	5.54
Marine Bancorp. (Seattle)	46.9	42	2.9	18	6.2	7.5	10.5	10.5	7	9	9	82	3.25
Marine Midland Banks	262.2	58	10.4	8	4.0	5.8	8.3	10.5	7	6	5	284	3.31
Maryland National	34.4	.41	5.1	34	14.8	15.5	14.4	15.5	11	8	12	205	2.49
Mellon National	184.8	78	15.3	22	8.3	12.1	10.2	10.2	8	4	6	431	5.58
Michigan National	58.5	25	5.3	−1	9.1	11.5	13.7	19.8	6	14	9	148	5.59
NCNB	86.2	53	7.3	19	8.4	11.4	11.2	16.1	18	13	14	658	1.65
National Detroit	117.8	40	11.3	19	9.6	11.3	10.3	12.3	5	7	9	228	7.34
Northwest Bancorporation	121.0	28	12.5	7	10.3	12.4	11.4	13.8	14	6	10	710	4.05

See footnotes at end of table.

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Banks and bank holding companies:—Continued													
Nortrust	$66.0	62	$5.7	16	8.7	12.1	11.6	13.0	8	8	11	$161	$4.47
Provident National	44.9	−29	3.2	−6	7.1	9.7	10.8	11.4	6	7	8	124	3.87
Seattle-First National Bank	79.5	42	7.1	19	9.0	10.7	14.1	14.1	10	7	9	277	5.93
Security Natl. Bank (Hempstead)	36.6	15	2.5	−11	6.7	8.6	NM	7.3	8	24	10	70	1.77
Security Pacific	262.3	48	12.1	−18	4.6	8.4	9.3	10.5	7	6	7	448	2.85
Southeast Banking	53.2	45	5.4	21	10.1	12.1	11.4	16.8	13	18	12	292	2.29
State Street Boston Financial	38.4	40	3.6	19	9.5	11.2	11.1	12.7	6	4	7	77	5.74
U.S. Bancorp	49.7	30	5.8	26	11.7	12.1	12.4	15.9	10	5	9	192	2.63
Valley Natl. Bank of Arizona	54.9	27	3.8	−4	6.9	9.1	NM	11.8	10	9	8	183	1.67
Wachovia	91.5	28	7.7	−8	8.4	11.7	11.7	11.5	11	16	11	343	2.24
Wells Fargo	229.2	52	9.9	−3	4.3	6.8	8.5	11.1	11	5	6	447	2.23
Western Bancorporation	341.1	39	19.7	7	5.8	7.5	9.5	11.6	7	6	6	605	3.35
Industry composite	8,481.1	53	595.7	12	7.0	9.6	10.7	13.1	10	6	8	27,548	3.37
Beverages—Brewers, distillers, soft drinks:													
Anheuser-Busch	299.8	20	12.6	−32	4.2	7.4	9.7	12.4	25	12	16	1,482	1.33
Coca-Cola Bottling Co. of N.Y	58.8	9	1.7	−25	2.9	4.2	11.0	12.4	11	17	17	158	0.69
Falstaff Brewing	39.3	0	−1.0	NM	NM	NM	NM	−12.7	NM	−2	−22	10	−1.26
Glenmore Distilleries [4]	[3]41.0	0	0.3	NM	0.6	0.1	3.4	2.6	9	1	−4	7	0.74
Heileman (G.) Brewing	[3]35.9	−6	0.8	−39	2.1	3.3	10.8	16.0	5	18	22	36	1.44
Heublein (6)	[3]310.1	27	11.2	17	3.6	3.9	14.4	20.3	17	22	15	997	2.47
National Distillers & Chemical	[3]341.7	21	21.8	118	6.4	3.5	8.5	12.0	7	4	3	311	2.20
Pabst Brewing	[3]107.8	−1	2.6	−60	2.4	5.9	8.4	9.1	7	11	12	240	2.11
PepsiCo	413.2	23	14.9	10	3.6	4.0	13.0	17.2	17	18	10	1,643	3.42
Schlitz (Jos.) Brewing	186.4	22	11.9	20	6.4	6.5	16.8	21.2	28	6	15	1,626	1.97
Industry composite	1,834.1	19	76.7	9	4.2	4.6	10.8	14.2	14	10	11	6,511	1.88
Building materials—Cement, wood, paint, heating and plumbing, roofing, etc.:													
American Standard	401.4	10	10.7	23	2.7	2.4	9.3	10.1	6	−3	−8	134	2.30
Ameron [8]	36.5	13	0.4	−38	1.2	2.3	8.2	9.4	5	7	4	25	2.28
Bird & Son	37.2	32	2.1	33	5.8	5.8	17.1	19.3	4	6	19	29	6.33

Bliss & Laughlin Industries	$43.6	9	2.5	19	5.7	5.2	9.2	15.8	5	12	8	38	2.76
Boise Cascade	342.4	9	25.6	57	7.5	5.2	10.0	14.9	5	35	7	405	3.23
Brown[5]	91.2	44	1.7	88	1.9	1.5	9.8	15.8	5	1	-2	49	2.21
Carrier[7]	205.3	9	3.9	-37	1.9	3.3	NA	12.0	7	11	11	290	1.54
Certain-teed Products	131.7	32	4.4	0	3.4	4.4	11.7	13.3	7	10	13	174	2.16
Champion International	596.6	14	25.8	27	4.3	3.9	8.3	13.0	6	14	2	459	2.93
Copeland[1]	58.6	9	3.0	-1	5.1	5.7	19.5	21.2	8	14	16	77	1.62
Crane	257.9	20	7.1	169	2.8	1.2	8.4	14.9	5	4	12	77	4.84
De Soto	67.4	8	0.7	-51	1.1	2.3	11.6	10.9	6	15	-2	53	1.39
Evans Products	$249.2	7	0.7	-83	0.3	1.8	8.9	11.1	6	26	9	164	1.60
Fedders[6]	$88.8	8	-5.5	NM	NM	2.9	4.4	3.3	19	21	19	111	0.41
Gable Industries[4]	$54.5	25	0.1	-91	0.2	2.9	5.1	6.5	8	9	13	15	0.78
General Portland	38.3	15	1.0	45	2.7	2.2	7.3	10.0	6	6	4	88	1.81
Georgia-Pacific	580.8	12	43.1	17	7.4	7.1	12.7	24.5	13	14	13	2,084	3.18
Gifford-Hill	49.0	34	2.5	48	5.1	4.6	10.2	14.0	6	NA	NA	56	2.55
Ideal Basic Industries	51.2	13	6.6	36	13.0	10.8	11.7	15.0	9	2	0	227	2.04
Interpace	52.2	8	1.3	12	2.5	2.4	6.8	8.6	6	9	1	35	2.52
Johns-Manville	229.0	20	7.3	-22	3.2	5.0	9.7	10.9	6	5	5	303	2.93
Kaiser Cement & Gypsum	39.2	14	1.2	-11	3.1	4.0	7.6	9.3	6	2	-2	49	1.24
Lone Star Industries	139.3	10	-0.5	NM	NM	0.5	8.9	11.3	6	5	3	189	2.47
Louisiana Pacific	120.0	24	19.5	25	16.3	16.1	22.8	38.8	8	NA	NA	555	2.67
Masco	62.5	25	6.5	18	10.4	11.0	16.8	21.8	20	33	19	546	1.89
Masonite[6]	78.3	27	6.6	16	8.5	9.3	16.8	18.4	17	10	16	497	2.15
National Gypsum	125.1	0	3.2	-49	2.6	5.0	7.6	9.0	8	2	1	182	1.75
N L Industries	381.4	33	18.7	137	4.9	2.7	9.4	13.4	5	3	-5	268	2.40
Norris Industries	96.9	8	4.2	18	4.3	3.9	16.3	17.7	4	18	24	70	4.41
Owens-Corning Fiberglas	194.9	16	9.8	-16	5.0	6.9	10.5	13.5	16	9	9	632	2.98
Potlatch	121.5	10	12.6	51	10.4	7.6	13.0	17.8	6	6	8	191	5.23
Robertson (H.H.)	63.1	9	1.4	10	2.2	2.2	10.8	11.9	5	8	7	36	3.03
SCM[4]	308.6	25	7.6	119	2.5	1.4	7.9	10.2	4	24	4	80	2.70
Sherwin-Williams[6]	161.3	12	0.5	NM	0.3	NM	8.4	10.2	8	4	1	179	4.71
Southwest Forest Industries	111.9	8	2.5	-18	2.2	2.9	8.1	9.2	4	21	31	40	2.09
Trane	79.8	13	2.0	-56	2.5	6.5	7.3	8.1	12	10	6	163	2.37
U.S. Gypsum	201.1	11	11.6	0	5.8	6.8	10.2	10.6	7	1		98	.30
Wallace-Murray	81.8	18	2.6	12	3.2	3.2	8.6	11.4	3	5	11	27	2.93
Walter (Jim)[6]	$282.2	20	9.0	4	3.2	3.7	15.0	14.2	7	20	15	187	3.08
Weyerhaeuser	623.1	16	92.6	7	14.9	16.1	20.3	29.3	16	8	15	5,011	2.78
Willamette Industries	82.0	11	8.7	14	10.7	10.3	15.6	23.3	6	14	18	207	2.95
Industry composite	7,016.9	16	365.6	12	5.2	5.4	11.7	16.0	8	8	7	14,269	2.62

See footnotes at end of table.

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Return on invested capital	Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Chemicals:													
Air Products & Chemicals [1]	$136.2	42	$9.3	62	6.8	6.0	9.2	14.9	22	14	11	$516	$2.32
Airco	156.5	21	6.7	82	4.3	2.9	6.0	8.4	6	4	-3	153	1.93
Akzona	192.4	16	13.5	59	7.0	5.1	9.9	13.9	6	13	5	245	3.28
Allied Chemical	475.5	22	33.4	51	7.0	5.7	9.2	12.4	11	3	-2	1,355	3.90
American Cyanamid	410.5	15	34.9	19	8.5	8.2	10.9	13.3	9	6	3	925	2.49
Cabot [1]	100.2	27	6.5	28	6.5	6.5	8.0	10.2	6	8	11	143	4.54
Celanese	440.0	15	20.0	33	4.5	3.9	7.2	13.3	6	6	0	393	5.51
Chemed	42.3	18	2.9	15	6.9	7.1	16.9	17.3	17	NA	NA	161	1.38
Chemetron	96.3	14	3.2	21	3.3	3.1	5.9	6.4	6	7	-7	59	2.65
Commercial Solvents	37.7	36	2.6	196	6.8	3.1	8.3	11.8	12	1	-12	46	2.32
Dart Industries	278.0	20	16.7	25	6.0	5.8	9.0	11.4	6	16	8	358	2.84
Diamond ShaMrock	205.1	40	20.8	115	10.1	6.6	10.9	13.8	7	9	-2	393	3.39
Dow Chemical	1,016.6	45	83.6	44	8.2	8.2	13.3	20.8	19	7	10	5,305	3.21
Du Pont	1,612.0	15	144.0	4	8.9	9.9	15.7	18.0	14	NA	0	7,619	12.15
Ethyl	196.2	20	13.7	13	7.0	7.4	10.8	16.1	5	17	8	231	5.24
Ferro	68.6	21	3.7	-7	5.4	7.1	14.7	17.4	5	8	12	93	3.60
Foster Grant	49.3	33	4.5	134	9.1	5.2	13.3	18.5	6	12	18	39	NA
Freeport Minerals	48.2	29	18.9	304	39.2	12.5	16.6	19.0	9	5	2	394	3.03
GAF	215.8	12	6.0	4	2.8	3.0	7.3	7.8	5	4	5	120	1.87
Grace (W.R.)	742.1	20	26.0	129	3.5	1.8	9.9	13.8	8	9	-2	710	3.43
Hercules	331.9	26	25.8	25	7.8	7.8	15.0	17.4	16	8	7	1,440	2.31
Inmont	108.2	12	3.0	3	2.8	3.0	7.4	9.1	5	6	-5	46	1.36
Intl. Minerals & Chemical [4]	233.9	48	17.4	131	7.5	4.8	11.7	21.4	11	3	-6	419	3.46
Kenwanee Oil	60.9	32	6.1	70	10.0	7.8	12.7	14.5	7	8	11	184	2.13
Koppers	158.6	8	9.1	142	5.7	2.6	10.2	13.8	8	6	9	239	6.06
Lubrizol	77.8	33	9.4	29	12.0	12.4	24.3	24.9	19	16	17	757	1.91
Monsanto	838.2	21	107.4	46	12.8	10.6	14.8	19.2	8	5	3	1,820	7.87
Nalco Chemical	60.0	22	6.0	15	10.0	10.6	22.0	22.5	20	13	15	593	1.29
National Starch & Chemical	62.2	21	4.8	11	7.7	8.3	15.6	18.0	19	10	11	339	2.75
Olin	394.7	31	18.9	62	4.8	3.9	7.9	10.1	6	2	-5	290	2.33
Pennwalt	139.4	17	4.7	24	3.4	3.2	7.9	8.3	10	3	-3	150	2.24
Reichhold Chemicals	101.2	59	5.6	125	5.5	3.9	NA	15.7	5	6	5	54	2.12
Rohm & Haas	229.0	28	20.2	30	8.8	8.7	14.2	16.3	16	8	5	942	5.53
Stauffer Chemical	225.0	31	25.5	55	11.3	9.5	12.1	17.6	8	6	4	398	5.62

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Texasgulf	105.5	41	25.9	193	24.5	11.7	14.8	22.0	9	14	16	941	2.99
Union Carbide	1,109.6	23	94.1	42	8.5	7.3	11.8	15.8	7	6	1	2,077	5.23
Witco Chemical	119.9	41	7.5	106	6.3	4.3	12.8	16.7	6	9	6	85	3.83
Industry composite	10,875.7	23	862.2	41	7.9	6.9	11.3	15.5	10	6	3	30,031	4.06

Conglomerates:

Avco [6]	148.1	−1	9.9	−2	6.7	6.8	4.4	2.6	6	5	−6	72	1.11
Colt Industries	255.3	23	11.2	99	4.4	2.7	8.3	10.5	5	23	4	101	4.26
Gulf & Western Industries [3]	534.2	20	24.0	9	4.5	4.9	8.8	13.8	5	42	22	331	5.20
IU International	[5] 425.2	24	21.1	15	5.0	5.3	10.2	19.0	6	21	13	494	2.38
Illinois Central Industries	293.2	10	11.8	−21	4.0	5.6	NA	NA	6	4	10	278	3.16
Indian Head [6]	130.7	4	3.3	12	2.5	2.3	9.6	14.5	6	24	11	101	3.45
Kaiser Industries	59.2	36	10.3	112	17.4	11.1	9.2	9.6	4	12	0	199	1.80
Kidde (Walter)	250.2	8	10.2	12	4.1	3.9	8.7	12.4	4	36	18	146	3.72
LTV	1,129.4	15	12.2	24	1.1	1.0	8.3	18.5	2	38	−1	86	4.22
Litton Industries [3]	[5] 736.3	23	11.7	1	1.6	1.9	5.7	4.9	7	22	2	221	1.14
Martin Marietta	272.3	10	14.1	111	5.2	2.7	8.8	12.9	6	7	4	305	2.91
Northwest Industries	241.5	43	14.6	29	6.0	6.7	10.0	16.6	4	NA	NA	115	6.17
Signal	405.4	17	13.0	4	3.2	3.6	NA	NA	11	12	−3	460	1.90
Studebaker-Worthington	290.9	16	4.7	−25	1.6	2.5	10.0	11.6	4	8	9	93	8.04
Teledyne	405.4	21	19.9	38	4.9	4.3	8.2	12.9	NA	60	25	334	NA
Tenneco	1,115.0	25	84.0	57	7.5	6.0	9.7	14.7	7	10	7	1,535	3.29
Textron	477.1	6	23.6	3	4.9	5.1	12.9	17.9	8	11	10	588	2.67
Whittaker [7]	167.3	21	2.5	−18	1.5	2.2	6.4	6.6	4	44	19	41	0.58
Industry composite	7,336.6	18	302.1	26	4.1	3.9	8.7	12.2	5	12	6	5,501	2.77

Containers:

American Can	573.3	19	17.7	54	3.1	2.4	7.6	10.7	7	3	1	466	3.93
Anchor Hocking	103.3	17	4.4	−9	4.2	5.5	9.4	10.8	7	11	11	100	2.61
Brockway Glass	74.4	18	3.9	25	5.2	4.9	7.5	8.8	6	16	14	48	2.29
Continental Can	681.8	21	20.9	27	3.1	2.9	10.4	13.9	7	5	6	599	3.40
Crown Cork & Seal	156.4	27	8.8	18	5.6	6.1	12.4	15.0	11	13	15	423	1.90
Diamond International	176.5	15	11.4	19	6.8	6.6	12.9	14.9	7	9	5	329	3.92
Dorsey	39.3	30	0.9	51	2.4	2.0	5.7	7.2	6	9	15	14	.99
Federal Paper Board	70.5	22	3.4	100	4.8	2.9	8.5	9.7	5	9	10	54	4.20
Fibreboard	71.5	18	4.3	74	6.0	4.1	9.8	915.6	4	2	6	47	4.11
Hoerner Waldorf [7]	101.9	26	5.7	15	5.6	6.1	14.1	19.7	7	21	10	242	2.02
Inland Container	78.6	29	5.6	105	7.1	4.5	13.7	14.9	8	4	3	121	6.07
National Can	159.2	33	2.9	41	1.8	1.7	8.7	11.0	5	12	12	46	1.95
Owens-Illinois	521.5	24	24.7	89	4.7	3.1	8.9	12.1	7	8	6	428	5.60
Stone Container	48.4	41	2.7	97	5.5	4.0	14.4	18.0	5	8	2	38	2.46
Industry composite	2,847.5	22	117.1	43	4.1	3.5	9.7	12.9	7	7	6	2,954	3.27

See footnotes at end of table.

SURVEY OF CORPORATE PERFORMANCE: 1ST QUARTER 1974—Continued

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Drugs—Ethical, proprietary, medical and hospital supplies:													
Abbott Laboratories	$165.3	19	$12.5	17	7.6	7.7	12.9	15.4	16	9	6	$679	$3.48
American Home Products	546.1	12	58.8	14	10.8	10.6	29.2	30.0	31	16	11	6,275	1.29
American Hospital Supply	219.6	18	10.3	15	4.7	4.8	11.3	11.4	31	24	16	1,381	1.17
Baxter Laboratories	105.5	35	7.9	48	7.5	6.9	10.1	14.5	37	31	23	1,412	1.04
Becton, Dickinson [1]	104.4	22	7.4	17	7.1	7.4	11.0	14.5	22	21	14	634	1.56
Bristol-Myers	378.2	15	23.6	20	6.2	6.0	18.3	20.3	14	18	12	1,450	3.29
Damon [6]	35.5	17	2.6	16	7.4	7.4	NA	21.6	19	86	48	258	1.58
ICN Pharmaceuticals [8]	42.6	6	0.1	·39	0.3	3.0	5.9	4.3	13	87	41	51	0.40
Johnson & Johnson	464.0	20	42.6	19	9.2	9.3	18.7	19.4	40	17	21	6,486	2.70
Lilly (Eli)	313.4	13	58.3	16	18.6	18.3	24.1	24.2	31	15	18	5,106	2.37
Mallinckrodt Chemical Works	45.7	19	3.0	31	6.5	5.9	11.0	12.7	28	14	18	334	1.39
Merck	297.2	14	44.8	15	15.1	15.0	27.0	28.4	32	13	14	5,967	2.48
Miles Labortories	92.2	7	4.5	1	4.8	5.1	10.2	14.0	8	14	6	163	3.20
Morton-Norwich Products [4]	135.9	28	7.2	7	5.3	6.3	8.9	11.5	10	26	8	232	2.01
Pfizer	353.7	26	37.4	33	10.6	10.0	15.8	18.0	18	10	9	2,994	1.87
Richardson-Merrell [4]	142.1	7	13.3	9	9.3	9.2	14.9	15.8	13	8	9	688	1.99
Robins (A.H.)	54.9	12	8.5	9	15.4	16.0	19.9	21.7	21	19	15	496	1.04
Rorer-Amchem	67.1	12	7.7	0	11.5	12.8	22.0	23.0	11	28	8	400	1.74
Schering-Plough	[5] 177.1	14	31.9	16	18.0	17.7	29.1	29.5	34	21	18	3,804	2.05
Searle (G.D.)	127.7	13	15.5	16	12.1	11.8	19.5	28.3	18	13	8	1,263	1.28
SmithKline	116.9	14	13.4	12	11.5	11.7	22.2	21.9	14	9	3	742	3.65
Squibb	221.6	14	16.1	13	7.3	7.4	13.5	16.6	22	24	15	1,798	3.68
Sterling Drug	216.4	14	21.1	11	9.8	10.0	18.8	19.6	18	13	10	1,614	1.33
Upjohn	194.5	30	23.4	32	12.0	11.8	19.8	21.9	29	7	6	2,114	2.52
Warner-Lambert	431.8	9	38.0	10	8.8	8.7	14.8	16.5	18	25	11	2,915	1.82
Industry composite	5,049.4	16	509.8	16	10.1	10.1	18.1	20.4	22	15	12	49,256	1.92
Electrical, electronics—Heavy equipment, components, radio and TV sets, etc.:													
AMP	117.7	28	11.9	17	10.1	11.0	23.7	25.9	30	18	16	ʼ1,437	1.28
Ambac Industries	41.0	5	1.9	8	4.7	4.6	9.4	12.4	6	8	5	38	1.74
Avnet [4]	146.3	28	6.8	35	4.6	4.4	13.9	19.5	4	25	14	87	1.94
Bunker Ramo	76.9	20	2.5	−14	3.2	4.4	6.2	4.7	7	15	−15	39	0.91
CTS	37.2	12	2.6	−12	7.1	9.0	19.9	19.9	5	14	11	52	2.38

Capitol Industries-EMI [4]	36.2	−1	2.5	77	7.0	3.9	15.4	15.9	8	41	7	28	1.93
Cutler-Hammer	89.6	14	3.9	25	4.4	4.0	11.4	14.2	6	6	3	99	4.36
E-Systems	42.4	9	0.9	12	2.1	2.0	9.2	9.8	6	26	−6	16	1.84
Echlin Mfg. [6]	36.7	29	2.3	27	6.3	6.4	19.0	23.4	18	17	19	190	1.44
Fairchild Camera & Instrument	103.8	38	10.4	138	10.0	5.8	21.2	29.7	8	9	12	239	6.26
General Electric	2,909.3	14	122.3	7	4.2	4.5	16.1	18.4	16	6	7	11,475	3.26
General Instrument [9]	111.8	30	2.8	46	2.5	2.3	7.5	9.6	7	19	0	92	1.78
Globe-Union [1]	61.2	17	1.0	94	1.7	1.0	8.6	9.0	5	12	5	31	3.04
Hubbell (Harvey)	43.1	32	3.4	19	7.8	8.6	15.9	16.2	12	13	9	113	3.03
I-T-E Imperial	120.9	17	5.2	24	4.3	4.0	9.3	11.8	7	11	6	145	2.39
Joslyn Mfg. & Supply	42.7	19	1.4	4	3.2	3.7	8.2	8.8	6	4	1	30	2.21
LCA	66.5	1	4.1	−11	6.1	6.9	10.6	11.0	4	NA	NA	88	1.89
Lear Siegler [4]	163.5	5	5.0	9	3.1	2.9	9.5	8.8	5	−1	−4	60	1.10
Magnovox	124.8	−20	0.8	−59	0.6	1.3	3.6	2.0	26	16	−3	120	0.24
Mallory (P.R.)	59.8	13	3.3	75	5.5	3.6	11.4	13.1	6	7	3	63	2.80
McGraw-Edison	213.8		9.7	−13	4.1	4.8	9.9	10.6	8	7	4	315	2.30
Motorola	328.8	21	19.4	21	5.9	5.9	16.1	18.1	17	16	11	1,377	3.12
National Semiconductor [10]	52.7	130	3.9	373	7.4	3.6	34.2	42.3	18	108	NA	236	1.06
National Union Electric	37.4	3	.5	−18	5.0	6.2	13.1	18.9	7	13	2	30	3.72
North American Phillips	189.3	16	6.6	10	3.5	3.7	10.4	13.0	5	15	3	195	3.61
RCA	1,081.6	7	34.8	−17	3.2	4.1	11.0	16.6	7	7	4	1,377	2.30
Raytheon	429.1	17	12.3	14	2.9	2.9	12.5	13.8	11	14	14	464	3.16
Reliance Electric [7]	130.5	20	6.4	47	4.9	4.0	14.0	16.3	9	8	7	181	2.28
Sperry Rand	724.4	14	33.9	16	4.7	4.6	NA	12.4	12	11	17	1,521	3.27
Sprague Electric	54.2	19	4.9	185	9.0	3.8	11.7	23.1	5	−1	−8	59	3.32
Square D	105.8	18	8.6	15	8.2	8.4	18.3	20.0	20	8	5	615	1.50
Texas Instruments	375.5	30	24.8	31	6.6	6.5	19.0	21.2	25	16	13	2,445	3.92
UV Industries	126.4	23	6.5	69	5.1	3.7	9.8	17.6	4	14	22	76	5.96
Westinghouse Electric	1,452.9	15	29.4	−28	2.0	3.2	7.1	7.7	11	8	9	2,230	1.69
Zenith Radio	246.5	11	8.0	−50	3.3	7.2	17.5	17.7	10	8	6	493	2.49
Industry composite	9,980.8	14	404.9	6	4.1	4.4	12.5	14.8	10	8	7	26,055	2.51

Food processing—Baked goods, canned & packaged foods, dairy products, meat, condiments, etc.:

Alexander & Baldwin	35.5	13	1.4	−37	4.1	7.3	8.6	9.7	8	5	0	106	1.63
American Maize-Products	46.7	31	1.0	−12	2.2	3.2	6.8	8.6	8	7	7	21	1.09
Amstar [4]	249.0	57	5.9	99	2.4	1.9	8.7	12.4	5	5	5	87	5.03
Ariz.-Colo. Land & Cattle	40.7	48	1.7	29	4.1	4.8	13.2	24.2	10	53	90	39	1.68
Beatrice Foods [9]	949.8	25	24.0	16	2.5	2.7	13.6	17.7	13	17	11	1,397	1.55
Borden	706.5	23	18.0	15	2.5	2.7	8.1	10.0	10	6	2	631	2.44
Brewer (C.)	51.2	27	2.2	−5	4.3	5.8	7.8	9.0	7	8	11	43	2.01
CPC International	544.7	36	17.3	12	3.2	3.9	12.5	14.7	10	5	2	637	3.27

See footnotes at end of table.

SURVEY OF CORPORATE PERFORMANCE: 1ST QUARTER 1974—Continued

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 month earning per share
Food Processing—Continued													
Campbell Soup [3]	$402.8	23	$24.9	7	6.2	7.1	13.6	14.1	14	5	5	$1,000	$2.47
Campbell-Taggart	124.6	36	3.3	23	2.7	2.9	12.1	13.9	9	8	7	103	2.90
Castle & Cooke	139.0	2	4.7	−12	3.4	3.9	8.9	11.2	7	9	4	223	1.85
Central Soya [6]	474.9	55	11.7	51	2.5	2.5	16.7	20.3	8	9	8	290	2.22
Consolidated Foods [4]	565.9	14	15.8	5	2.8	3.0	11.1	13.0	7	19	11	541	2.68
Cook Industries [10]	[5]108.7	50	18.4	103	16.9	12.5	62.2	80.1	2	17	6	81	16.93
Del Monte [10]	263.2	9	9.1	53	3.4	2.5	11.5	14.5	7	3	2	224	3.00
Esmark [7]	1,117.7	29	15.3	63	1.4	1.1	8.9	12.0	7	0	8	303	4.37
Fairmont Foods [9]	97.2	5	1.6	44	1.6	1.2	7.5	8.1	7	0	−3	35	1.21
Federal [10]	[5]115.2	48	3.4	103	3.0	2.2	18.4	21.2	4	14	5	49	4.71
General Host	[5]152.8	16	0.7	227	0.5	0.2	8.9	13.8	3	6	17	16	2.39
General Mills [10]	498.1	24	15.3	11	3.1	3.4	12.5	16.5	17	9	10	1,182	3.12
Great Western United [10]	58.3	5	0.8	NM	1.4	NM	4.6	−3.0	NM	−2	0	7	−0.81
Greyhound	[5]830.0	7	10.5	21	1.3	1.1	9.7	13.7	8	14	4	590	1.86
Hartz Mountain	39.9	6	4.0	2	10.1	10.5	32.0	36.6	18	NA	NA	466	0.88
Heinz (H. J.) [12]	343.0	22	9.5	28	2.8	2.6	11.3	13.1	13	10	11	709	3.53
Hormel (Geo. A.) [7]	231.6	30	3.8	107	1.6	1.0	10.4	8.9	10	9	11	84	1.95
Hygrade Food Products [7]	126.5	27	1.5	36	1.2	1.1	13.3	15.1	5	−3	10	23	4.47
International Multifoods [9]	213.0	40	3.6	8	1.7	2.2	9.7	11.9	8	7	5	79	3.27
Iowa Beef Processors [7]	312.1	−16	4.1	38	1.3	0.8	16.3	22.8	4	28	8	48	4.93
Kane-Miller	170.5	22	2.2	26	1.3	1.2	11.4	17.0	4	55	19	37	4.21
Kellogg	236.5	11	16.2	7	6.8	7.2	20.8	22.2	18	10	8	1,133	0.92
Kraftco	1,072.9	25	31.5	18	2.9	3.1	12.3	13.6	12	5	6	1,053	3.89
Libby, McNeill & Libby [4]	121.6	6	4.5	719	3.7	0.5	8.9	9.2	6	3	−11	43	1.18
Mayer (Oscar) [7]	239.3	24	6.0	22	2.5	2.5	10.5	12.4	11	10	12	203	1.95
McCormick [8]	43.3	17	1.2	20	2.7	2.6	12.9	13.7	19	17	18	191	1.49
Missouri Beef Packers [7]	151.9	30	2.9	256	1.9	0.7	24.7	31.7	2	28	22	15	5.88
Nabisco	407.1	23	9.9	−30	2.4	4.2	8.3	11.1	14	6	2	598	2.49
Norton Simon [4]	418.2	19	16.7	−17	4.0	5.7	10.2	12.9	9	8	15	654	1.64
Pillsbury [10]	286.7	44	4.7	11	1.7	2.2	9.9	14.6	9	7	6	222	4.93
Ralston Purina [1]	750.7	32	24.1	32	3.2	3.2	12.5	16.2	17	9	11	1,468	2.45
Rath Packing [1]	100.9	16	−0.3	NM	NM	0.5	5.6	2.2	14	−4	NA	4	0.34
Riviana Foods [2]	112.6	63	2.7	18	2.4	3.4	11.1	12.5	13	26	11	109	1.66
Seaboard Allied Milling [10]	61.2	59	0.7	41	1.1	1.3	16.2	10.9	4	4	27	9	1.99
Southern Industries	51.5	41	0.7	146	1.4	0.8	10.7	14.2	5	14	3	19	2.60
Staley (A.E.) Mfg. [1]	153.0	36	2.4	9	1.6	1.9	6.9	8.4	9	4	0	69	3.42

Standard Brands	[3]398.6	24	12.2	10	3.1	3.5	10.4	15.2	15	8	8	664	3.63
Stokely-Van Camp [10]	104.7	31	2.5	37	2.4	2.3	8.3	8.8	6	6	4	44	2.60
Sucrest [4]	54.0	36	0.8	NM	1.4	NM	NM	1.7	30	3	−5	7	0.37
Ward Foods	90.3	14	−0.6	NM	NM	NM	−0.3	−1.8	NM	6	−5	20	−0.10
Wrigley (Wm.) Jr	57.2	10	3.9	−6	6.9	8.0	14.7	14.8	11	5	5	201	4.98
Industry composite	13,921.3	24	378.3	17	2.7	2.8	11.3	14.2	10	7	5	15,776	2.28

Food and lodging:

Denny's [4]	[5]53.6	28	1.4	53	2.7	2.3	10.6	17.1	10	32	15	55	0.98
Gino's	39.6	20	0.5	−43	1.2	2.5	16.4	26.5	8	48	39	62	1.45
Hilton Hotels	[5]91.3	−1	4.7	−18	5.2	6.3	5.9	8.6	7	7	16	138	2.03
Holiday Inns	[5]216.2	12	2.7	−63	1.2	3.8	7.4	10.7	9	40	27	407	1.35
Host International	44.1	22	1.3	27	2.9	2.8	11.4	17.7	8	23	16	41	1.30
Howard Johnson	[5]74.4	−5	0.9	−72	1.2	4.1	11.7	12.2	9	16	11	254	0.90
Marriott [2]	182.9	20	5.5	17	3.0	3.1	7.4	11.9	25	29	19	575	0.74
McDonald's	[5]160.5	28	13.7	30	8.6	8.4	14.6	24.0	38	52	35	2,253	1.39
Ponderosa System [9]	[5]36.7	43	2.5	26	6.8	7.7	NA	40.7	15	NA	NA	182	2.13
Ramada Inns	[5]43.5	11	2.0	−45	4.5	9.1	6.1	11.2	12	55	22	156	0.54
Saga Administrative [4]	80.0	42	1.1	10	1.8	1.8	14.8	17.0	6	32	23	39	1.09
Webb (Del E.)	[5]68.8	−6	0.9	−32	1.3	1.8	6.1	9.8	6	10	5	31	0.71
Industry composite	1,091.5	16	37.2	−12	3.4	4.5	8.6	14.0	13	21	18	4,192	1.10

General machinery—Machine tools, industrial machinery, metal fabricators, etc.:

A-T-O	102.2	−1	2.2	0	2.1	2.1	8.1	10.0	5	47	3	37	1.27
Acme-Cleveland [1]	37.5	13	1.2	−40	3.1	5.8	8.5	9.1	8	NA	NA	48	1.56
American Chain & Cable	69.6	18	1.6	−19	2.3	3.4	8.0	7.5	6	3	−4	45	2.84
Amtel	57.2	56	1.6	38	2.8	3.1	12.4	19.8	8	30	−8	26	1.29
Associated Spring	48.4	14	2.0	11	4.1	4.2	11.9	13.0	6	8	10	43	3.49
Babcock & Wilcox	287.6	21	8.1	62	2.8	2.1	7.5	7.9	12	4	−5	454	2.08
Black & Decker Mfg. [1]	172.0	51	13.0	34	7.6	8.5	NA	17.7	35	16	13	1,338	1.00
Briggs & Stratton [4]	88.1	11	7.2	−22	8.2	11.6	24.6	24.6	11	7	9	317	3.55
Cincinnati Milacron	101.7	24	2.3	12	2.3	2.5	8.0	7.0	11	7	−9	105	2.69
Combustion Engineering	271.2	12	10.0	10	3.7	3.7	11.4	14.2	18	12	13	1,065	4.13
Continental Copper & Steel [4]	41.5	51	3.1	97	7.4	5.8	18.5	29.6	3	6	2	24	3.69
Cooper Industries	90.7	34	5.2	35	5.7	5.7	12.1	17.4	8	9	5	186	4.32
Dover	84.0	35	5.7	33	6.7	6.8	18.2	20.8	9	16	12	130	4.27
Dymo Industires [4]	38.1	16	1.4	15	3.7	3.7	11.5	12.0	6	10	3	34	1.93
Easco	44.3	17	1.8	35	4.0	3.4	14.5	17.2	4	−1	4	25	2.26
Emhart	79.1	18	3.8	10	4.9	5.2	10.0	10.7	5	10	5	87	3.26
Ex-Cell-O [8]	89.8	19	4.3	23	4.8	4.6	9.2	9.9	7	7	−3	121	2.18
Foster Wheeler	148.6	28	2.4	27	1.6	1.6	11.4	13.2	11	6	13	197	3.01
Gardner-Denver	72.2	24	5.6	12	7.7	8.6	16.5	16.1	17	10	8	595	1.67
Garlock	36.0	14	1.6	15	4.5	4.5	10.4	13.2	6	9	9	33	2.44
Harris-Intertype [4]	121.7	6	5.0	21	4.1	3.6	9.0	10.6	8	12	4	171	3.09

See footnotes at end of table.

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
General machinery—Continued													
Hobart Mfg	$81.6	8	$5.3	1	6.5	7.0	14.9	17.8	11	10	10	$249	$2.00
Ingersoll-Rand	275.9	18	21.3	15	7.7	8.0	14.9	15.2	15	10	6	1,494	5.09
Joy Mfg.[1]	91.3	12	4.3	145	4.7	2.1	7.8	9.1	14	10	6	282	2.80
Keene	43.8	11	0.8	14	1.8	1.8	5.3	6.4	5	62	40	12	0.73
McNeil	35.8	7	1.3	-8	3.6	4.2	8.4	9.3	6	7	4	28	2.04
Midland-Ross	89.7	15	4.3	147	4.8	2.2	8.4	10.8	5	4	-3	54	2.54
Otis Elevator	201.3	23	8.8	13	4.4	4.8	12.4	15.6	7	5	3	294	5.12
Parker-Hannifin [4]	102.8	19	5.1	15	5.0	5.1	12.0	17.7	8	15	7	154	2.96
Peabody Galion [1]	58.7	38	2.0	23	3.4	3.8	11.0	12.6	18	34	24	174	1.36
Roper	97.1	13	1.9	-14	2.0	2.6	9.8	9.7	5	10	3	36	2.76
Stewart-Warner	64.9	7	2.9	-16	4.5	5.7	13.1	13.2	7	5	2	101	3.35
Sundstrand	113.5	31	4.2	41	3.7	3.5	7.9	9.3	10	14	2	148	2.39
USM [9]	173.1	16	6.0	44	3.5	2.3	NA	9.4	4	1	-5	72	4.26
U.S. Filter	44.0	28	1.8	14	4.1	4.6	7.3	8.5	7	39	25	65	1.04
Warner & Swasey	62.5	22	2.7	11	4.2	4.7	9.9	11.2	9	9	-5	127	3.61
Wean United	47.4	20	-0.1	NM	NM	0.1	0.5	-1.9	NM	1	NA	14	-0.24
Industry composite	3,665.1	20	161.5	19	4.4	4.5	10.9	12.8	9	8	4	8,384	2.48
Instruments—Controls, measuring devices, photo and optical													
Ametek	51.8	18	2.5	24	4.8	4.6	14.9	18.8	7	10	5	63	1.90
Bausch & Lomb	62.6	24	3.4	50	5.5	4.5	12.3	15.2	10	11	9	212	2.41
Beckman Instruments [4]	52.5	26	1.8	24	3.5	3.6	7.6	8.4	18	7	3	103	1.89
Bell & Howell	110.0	14	4.5	10	4.1	4.3	11.4	11.9	6	12	11	121	3.45
EG&G	34.3	3	1.0	17	2.9	2.5	11.2	13.2	15	20	4	97	0.83
Eastman Kodak	935.1	17	124.3	1	13.3	15.4	21.0	22.3	25	15	14	18,744	4.06
Fisher Scientific	40.1	16	1.1	39	2.9	2.4	4.6	4.4	12	7	-9	23	0.58
Foxboro	43.2	23	1.3	77	3.0	2.1	6.9	7.2	20	11	-3	209	1.79
General Signal	107.3	16	3.4	-14	3.1	4.2	11.6	11.5	16	20	9	376	2.43
Hewlett-Packard [7]	189.2	49	14.5	67	7.7	6.8	17.9	17.1	39	22	16	2,169	2.10
Itek	48.0	-2	-0.1	NM	NM	2.3	3.9	3.2	14	24	4	38	0.86
Johnson Service	53.4	0	1.3	-40	2.4	4.1	9.2	9.5	6	8	6	52	1.91
Polaroid	146.7	8	9.9	-12	6.7	8.3	8.4	8.4	38	25	13	2,296	1.53
Robertshaw Controls	45.3	-8	1.2	-56	2.7	5.7	9.2	10.6	6	7	12	57	2.34
Sherwood Medical Industries	37.8	18	2.9	27	7.6	7.0	14.1	17.6	8	28	14	76	2.04
Sybron	112.4	19	6.3	17	5.6	5.7	10.7	11.2	12	12	4	277	1.87

Technicon	35.1	21	3.3	4	9.5	11.1	16.9	15.3	16	NA	NA	251	0.71
Tektronix [10]	80.4	32	5.7	16	7.1	8.1	14.0	13.9	17	18	8	353	2.44
Varian Associates [1]	70.0	15	2.1	31	3.0	2.7	6.5	6.1	9	8	2	75	1.10
Industry composite	2,255.1	18	190.6	4	8.5	9.6	16.1	17.2	15	13	11	25,591	2.91

Leisure time industries:

AMF	242.2	10	9.2	−38	3.	6.7	13.1	18.8	6	6	12	374	2.87
American Greetings [9]	[5]57.0	18	4.6	9	8.0	8.6	NA	NA	17	12	12	469	1.20
Brunswick	176.9	1	9.4	2	5.3	5.3	12.3	16.0	7	4	41	253	2.29
Coleman	46.9	−6	2.6	−31	5.5	7.5	10.7	12.7	7	15	11	61	1.38
Disney (Walt) Productions [1]	92.2	6	9.2	−12	10.0	11.9	NA	9.7	27	33	14	1,378	1.63
Fuqua Industries	132.3	25	3.7	8	2.8	3.2	9.2	14.3	4	34	56	56	2.22
Huffman Mfg. [4]	44.4	47	1.0	102	2.2	1.6	9.4	9.3	6	19	−26	12	1.32
MCA	[5]151.5	79	10.4	63	6.8	7.5	12.0	13.9	7	12	1	164	3.54
Madison Square Garden [10]	35.4	21	0.4	−49	1.2	2.8	3.1	1.8	18	47	NA	34	0.33
Metro-Goldwyn-Mayer [6]	[5]81.6	52	3.4	−6	4.2	6.9	3.0	3.5	19	2	−14	49	0.67
Murray Ohio Mfg	49.9	56	2.2	50	4.5	4.6	15.5	18.5	7	8	10	46	3.26
Norlin	47.9	30	1.7	23	3.5	3.7	10.3	13.4	4	14	8	27	4.26
Outboard Marine [1]	131.4	−5	6.3	−54	4.8	9.8	12.4	14.6	5	9	15	145	3.42
Redman Industries	52.5	−19	1.1	−63	2.1	4.5	NA	NA	NA	33	28	33	NA
Skyline [10]	46.3	−30	0.2	−90	0.5	3.3	15.8	15.8	17	37	38	124	1.05
Twentieth Century-Fox Film	49.5	−20	1.1	−56	2.2	4.0	5.2	6.9	10	2	−10	49	0.74
Western Publishing	47.4	6	1.9	13	4.0	3.7	10.2	12.5	5	4	4	42	2.60
Industry composite	1,485.5	12	68.3	−17	4.6	6.2	10.0	12.6	10	10	14	3,313	1.95

Metals and mining—Nonferrous metals, iron ore, etc.:

Aluminum Co. of America	653.8	32	45.4	115	6.9	4.3	6.8	9.6	13	6	5	1,604	$3.82
American Metal Climax	288.8	45	34.7	59	12.0	11.0	11.4	14.4	10	10	5	1,219	4.56
American Smelting & Refining	342.2	34	33.7	101	9.9	6.5	16.4	17.9	5	10	9	610	4.88
Anaconda	409.5	41	26.3	98	6.4	4.6	7.2	8.2	7	−1	0	577	3.75
Belden	46.2	28	1.5	18	3.1	3.4	11.1	15.2	6	8	6	31	2.79
Chromalloy American	179.5	20	5.4	9	3.0	3.3	9.6	13.6	5	37	18	119	2.24
Copper Range	47.3	49	5.8	847	12.2	1.9	12.4	15.7	5	7	13	50	6.71
Cyprus Mines	[5]129.3	34	13.5	43	10.4	9.7	13.9	18.8	8	9	16	433	4.47
Gulf Resources & Chemical	[5]50.9	53	6.0	333	11.7	4.2	14.4	28.6	7	8	1	49	2.03
Kaiser Aluminum & Chemical	390.9	36	24.1	147	6.2	3.4	6.9	9.5	8	11	−3	381	2.91
Kennecott Copper	374.0	20	40.7	42	10.9	9.2	11.8	13.7	8	6	7	1,467	5.17
Martin Marietta Aluminum	74.2	23	7.9	NM	10.6		7.8	11.8	7	10	−4	65	2.58
Phelps Dodge	256.7	19	35.6	41	13.8	11.7	12.6	15.2	7	7	8	966	5.81
Revere Copper & Brass	138.0	19	3.4	NM	2.5	NM	4.8	4.4	8	4	−12	43	1.19
Reynolds Metals	437.8	38	19.2	454	4.4	1.1	5.7	9.3	4	5	−8	330	3.32
St. Joe Minerals	132.7	43	17.9	101	13.5	9.6	NA	NA	8	8	17	305	4.68
U.S. Reduction [8]	38.0	83	1.1	380	3.0	1.1	15.0	23.5	6	4	−4	10	2.31
Industry composite	3,990.1	33	322.0	94	8.1	5.6	9.4	12.6	7	6	4	8,258	4.14

See footnotes at end of table.

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Return on invested capital	Return on common equity	Price earning Apr. 30	Common equity (percent)	Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Miscellaneous manufacturing:													
ACF Industries	$103.8	−3	$6.5	−12	6.2	6.8	7.1	11.8	10	4	1	$326	$4.44
Allied Products	71.0	29	1.6	29	2.2	2.2	8.3	12.2	5	13	10	24	3.28
Amsted Industries[1]	112.1	26	4.0	30	3.6	3.5	11.3	11.6	7	4	2	105	6.09
Apache	[6]46.0	25	2.0	25	4.4	4.4	7.8	13.1	6	23	17	45	2.00
Armstrong Cork	220.3	15	16.3	10	7.4	7.7	11.5	13.7	12	9	1	566	2.21
Athlone Industries	55.5	26	2.3	95	4.1	2.7	10.2	22.2	4	93	15	19	4.67
Bath Industries	96.0	9	3.2	−26	3.3	4.8	14.2	19.5	5	15	26	106	2.70
Bemis	[5]147.6	27	4.4	57	3.0	2.4	9.7	12.7	[4]5	7	9	66	3.36
Butler Mfg	60.5	41	3.8	125	6.3	4.0	20.2	24.4	6	9	15	82	3.98
Carborundum	121.7	27	5.6	19	4.6	4.9	9.5	11.0	7	7	7	152	5.82
Ceco	64.0	24	2.0	100	3.2	2.0	10.7	13.2	5	7	10	42	3.04
Corning Glass Works	243.5	19	18.0	−2	7.4	9.0	15.0	14.5	21	11	4	1,331	3.98
Dayco[7]	101.9	14	1.6	5	1.6	1.8	7.5	15.1	5	9	6	42	2.97
Eagle-Picher Industries[8]	80.9	16	3.8	23	4.6	4.4	12.3	16.5	6	8	12	81	3.44
General American Transportation	106.2	21	12.5	15	11.7	12.4	9.0	15.3	10	5	7	709	4.62
General Cable	130.0	21	5.6	49	4.3	3.5	10.7	12.3	6	8	−1	105	1.40
General Refractories	62.0	30	0.9	62	1.4	1.1	6.1	4.3	6	1	−11	16	0.96
Handy & Harman	108.2	38	1.6	32	1.5	1.6	15.3	16.4	10	13	3	41	2.35
Howmet	99.6	7	7.4	84	7.5	4.4	8.4	15.5	8	14	16	149	1.96
Illinois Tool Works	54.5	18	5.1	34	9.3	8.2	19.4	20.3	13	15	13	284	1.72
Insilco	87.4	−1	3.1	2	3.6	3.4	9.5	14.0	5	7	5	71	1.54
Ludlow	55.1	12	1.3	57	2.3	1.6	7.2	7.7	8	4	2	26	1.47
MSL Industries	34.9	49	2.9	109	8.4	6.0	14.3	20.3	4	4	−13	25	6.16
Microdot	61.5	18	3.1	31	5.1	4.6	12.5	19.6	5	38	14	35	2.22
Minnesota Mining & Mfg	685.3	19	71.9	10	10.5	11.3	19.8	21.1	27	13	11	8,822	2.68
Mohasco Industries	130.0	10	3.6	11	2.7	2.7	7.5	8.8	8	10	9	91	2.19
Monogram Industries[4]	49.8	21	1.8	86	3.6	2.4	7.8	10.3	3	43	27	16	1.65
Norton	135.0	23	9.7	54	7.2	5.7	10.2	11.1	6	3	0	137	4.55
PPG	386.4	4	19.5	−19	5.0	6.5	9.3	11.6	6	3	5	478	4.27
Porter (H.K.)	80.7	20	1.2	76	1.5	1.0	3.0	2.6	19	3	−17	37	1.58
Pullman	[5]297.1	34	9.9	57	3.3	2.8	13.2	15.9	10	4	5	532	5.55
Scott & Fetzer[5]	65.7	8	3.9	−7	6.0	7.0	23.0	23.9	6	31	15	174	2.72
Scovill Mfg	162.2	10	3.6	−21	2.2	3.1	9.4	11.3	6	8	11	84	2.45
Signode	94.2	17	4.9	−5	5.2	6.5	12.1	15.8	12	14	12	284	2.98
Simmons	[5]102.6	9	2.7	−1	2.6	2.9	9.4	10.4	7	8	7	93	2.20
Stanadyne	54.8	10	2.9	−6	5.4	6.3	18.6	18.4	6	6	12	60	2.26

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Standard Pressed Steel	45.5	27	2.5	63	5.4	4.2	11.9	13.0	5	2	10	31	1.59
Standex International [4]	43.8	11	1.6	13	3.8	3.7	9.9	12.2	5	20	7	29	2.41
Stanley Works	116.5	17	4.0	−24	3.5	5.4	10.8	12.7	9	9	12	202	2.79
Trans Union	[5] 96.6	26	7.3	13	7.6	8.5	6.4	14.6	12	8	9	423	3.01
Tyler	60.7	59	2.5	78	4.2	3.7	12.1	22.3	5	41	13	39	3.62
U.S. Industries	388.9	−5	16.4	−14	4.3	4.7	11.1	11.4	4	48	19	231	1.88
Unarco Industries	38.1	27	2.0	96	5.2	3.4	15.8	21.5	5	5	9	13	2.50
Vulcan Materials	87.9	35	3.8	137	4.3	2.5	14.4	19.4	7	8	7	146	4.41
Wheelabrator-Frye	78.7	36	2.3	24	3.0	3.3	8.6	11.0	12	7	1	102	1.31
Industry composite	5,524.7	17	296.7	11	5.4	5.6	11.5	14.8	8	8	7	16,472	2.78

Natural resources (fuel)—Crude, integrated domestic & international oil, coal:

Amerada Hess	[5] 983.2	143	49.9	36	5.1	9.1	24.1	35.8	4	NA	NA	826	6.96
American Petrofina	213.0	189	13.1	176	6.1	6.4	18.7	21.4	8	14	24	332	4.57
Apco Oil	[5] 51.1	67	3.0	240	5.9	2.9	NM	−5.5	NM	22	13	33	−1.29
Ashland Oil [1]	672.6	53	19.4	22	2.9	3.6	11.3	18.9	6	9	6	556	4.02
Atlantic Richfield	[3] 1,599.8	56	93.9	87	6.0	5.0	8.9	9.2	16	18	6	5,072	5.52
Belco Petroleum	[5] 65.1	112	6.1	104	9.4	9.7	12.2	16.6	6	17	10	114	2.42
Charter	[3] 288.0	181	17.5	559	6.1	2.6	NA	16.3	3	NA	NA	75	9.16
Cities Service	[5] 703.2	34	68.8	87	9.8	7.0	9.5	11.5	7	9	3	1,581	6.52
Clark Oil & Refining	[5] 158.5	89	13.3	175	8.4	5.8	28.0	40.6	3	17	18	121	5.48
Commonwealth Oil Refining	298.5	228	15.6	489	5.2	2.9	17.7	27.5	4	11	−4	145	3.22
Continental Oil	[12] 1,600.0	72	109.2	130	6.8	5.1	12.7	17.6	6	10	7	2,753	6.03
Creole Petroleum	1,211.7	215	43.3	16	3.6	9.7	26.0	26.0	6	−3	−4	1,698	2.88
Crown Central Petroleum	[5] 76.9	81	4.8	NM	6.3	0.7	16.2	24.5	3	10	7	26	8.48
Eastern Gas & Fuel Associates	119.7	23	8.6	33	7.2	6.6	7.0	11.1	12	11	12	218	2.06
Exxon	[5] 9,278.0	61	705.0	39	7.6	8.8	16.1	20.3	7	5	6	21,071	11.79
Getty Oil	617.9	71	73.6	173	11.9	7.5	10.9	12.0	13	13	8	2,987	9.65
Gulf Oil	[12] 4,516.0	115	290.0	76	6.4	7.8	12.8	18.9	5	5	5	4,598	4.77
Kerr-McGee	238.7	37	23.6	99	9.9	6.8	11.3	14.0	22	16	8	2,249	3.00
Mapco	54.9	61	8.7	50	15.8	16.9	13.2	23.0	18	27	15	482	1.20
Marathon Oil	[12] 755.7	84	30.6	52	4.1	4.9	13.0	16.2	8	6	7	1,470	4.53
Mesa Petroleum	[6] 42.5	143	1.1	−75	2.7	26.5	10.9	17.4	15	NA	16	262	1.39
Mississippi	[5] 212.4	−1	10.6	47	5.0	3.3	12.5	18.1	7	5	4	187	2.58
Mobil Oil	[12] 4,400.0	58	259.0	66	5.9	5.6	14.7	17.5	5	6	10	5,398	9.35
Murphy Oil	[5] 200.9	86	25.5	233	12.7	7.1	16.0	31.9	6	11	13	472	11.46
Natomas	[3] 65.4	261	15.3	NM	23.4	1.9	NA	19.0	8	13	−18	288	6.5
North American Coal	40.5	28	1.6	132	3.8	2.1	7.6	15.1	10	4	6	69	2.93
Occidental Petroleum	1,334.9	96	67.7	716	5.1	1.2	NA	14.0	5	31	19	455	2.15
Pennzoil	[5] 215.8	62	34.7	211	16.1	8.4	9.8	15.8	8	31	12	641	2.85
Phillips Petroleum	[3] 1,148.3	69	108.6	150	9.5	6.4	12.2	15.6	13	5	3	5,186	3.91
Pittston	278.7	45	14.6	96	5.2	3.9	10.4	14.7	18	14	13	408	1.88
Quaker State Oil Refining	62.2	38	5.3	48	8.6	8.0	16.1	21.8	14	14	19	347	1.48
Shell Oil	1,697.2	56	121.8	52	7.2	7.4	9.7	12.4	9	8	2	4,572	5.56
Skelly Oil	[12] 214.3	40	19.7	97	9.2	6.5	8.7	9.3	13	6	5	783	4.53

See footnotes at end of table.

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Natural Recources etc.—Continued													
Standard Oil (Indiana)	5 $2,053.4	66	$219.0	81	10.7	9.8	12.3	15.4	10	5	9	$7,242	$8.73
Standard Oil Co. of California	3,528.8	108	292.9	92	8.3	9.0	15.6	17.8	5	8	7	5,944	5.79
Standard Oil (Ohio)	5 482.9	27	22.6	29	4.7	4.6	6.5	7.2	19	16	4	2,096	2.89
Suburban Propane Gas 1	67.4	37	5.3	38	7.8	7.8	10.9	16.5	6	8	8	73	2.59
Sun Oil	842.1	65	90.8	85	10.8	9.7	11.4	12.8	7	1	7	2,104	6.37
Tesoro Petroleum 1	5 129.3	107	18.9	343	14.6	6.8	30.9	38.7	5	47	56	241	4.06
Texaco	5 4,924.0	97	589.4	123	12.0	10.6	16.3	21.3	5	9	7	7,987	5.95
Union Oil Co. of California	12 987.1	56	73.0	91	7.4	6.0	10.5	12.3	6	9	6	1,438	6.71
United Refining	5 62.8	162	1.7	155	2.7	2.8	15.5	22.0	4	25	18	33	3.93
Industry composite	46,451.5	76	3,597.0	82	7.7	7.5	13.6	17.3	8	6	6	92,635	6.16
Nonbank financial:													
Aetna Life & Casualty	1,271.7	3	40.9	19	3.2	2.8	NA	13.1	7	NA	NA	1,973	7.56
Capital Holding	84.2	1	10.9	15	13.0	11.3	NA	12.3	14	NA	NA	871	1.58
Credithrift Financial	5 36.8	25	2.2	−16	6.0	9.0	13.3	12.9	8	19	7	74	0.86
Hutton (E.F.) Group	5 44.8	23	1.6	5	3.5	4.1	14.9	8.2	7	NA	NA	34	1.07
Marlennan	5 62.7	11	10.2	20	16.3	15.0	27.1	28.4	18	17	13	577	2.41
Merrill Lynch	176.3	−2	7.1	−34	4.0	6.0	22.5	6.7	11	NA	NA	429	0.92
Paine, Webber	5 34.6	15	0.6	NM	1.7	NM	NM	−4.9	NM	NA	NA	21	−0.33
Pasco	5 46.6	76	2.9	864	6.2	1.1	9.0	12.7	8	NA	NA	87	1.90
Transamerica	506.8	2	13.6	−46	2.7	5.1	9.7	9.4	7	12	3	572	1.17
Witter (D.) Organization 6	5 37.0	−2	1.2	−15	3.3	3.8	7.7	4.8	8	NA	NA	31	0.75
Industry composite	2,301.6	4	91.3	−3	4.0	4.2	13.0	10.8	10	NA	NA	4,669	2.09
Office equipment—Computers:													
Addressograph-Multigraph 3	3 127.0	11	0.0	NM	0.0	2.8	0.0	0.0	NM	7	−11	79	0.00
Burroughs	6 322.8	18	21.4	31	6.6	6.0	10.8	13.6	32	23	25	4,057	3.05
California Computer Products	5 34.7	63	1.7	70	4.8	4.6	13.0	38.6	7	36	8	25	1.55
Control Data	3 249.4	20	14.6	−11	5.8	7.9	6.7	6.8	8	44	21	534	3.58
Dick (A.B.)	65.3	20	3.4	10	5.2	5.7	14.0	17.6	7	NA	NA	86	1.84
Diebold	51.1	12	2.3	−22	4.4	6.3	12.9	15.1	12	15	14	183	2.08

Digital Equipment [4]	108.3	61	12.0	94	11.0	9.1	14.6	14.7	34	65	40	1,129	3.29
Honeywell	585.0	11	18.3	13	3.1	3.1	10.0	11.0	15	15	6	1,344	5.21
Intl. Business Machines	3,001.7	22	431.3	27	14.4	13.9	19.2	20.4	20	16	14	38,201	11.39
Nashua	71.0	48	3.1	23	4.4	5.3	14.1	18.3	13	16	15	190	2.67
National Cash Register	387.3	5	12.1	62	3.1	2.0	8.8	12.5	11	11	-7	737	3.27
Pitney-Bowes	96.3	12	5.1	15	5.3	5.1	9.8	15.1	6	13	3	94	1.55
Standard Register	37.6	29	2.3	125	6.0	3.5	12.0	15.7	5	5	0	26	3.14
Victor Comptometer	53.2	5	1.0	5	1.9	1.9	7.7	6.8	7	9	0	37	1.03
Xerox	803.0	20	79.1	13	9.8	10.4	20.0	22.5	28	31	23	9,719	3.91
Industry composite	5,993.7	19	607.4	23	10.1	9.9	15.5	17.7	15	17	13	54,443	6.42
Oil service and supply:													
Baker Oil Tools	57.8	34	3.8	40	6.6	6.3	13.6	18.5	23	NA	11	434	1.36
Dresser Industries [7]	263.7	23	8.9	17	3.4	3.5	9.6	8.9	13	3	8	663	3.51
Halliburton	578.2	17	27.0	77	4.7	3.1	15.0	17.2	26	NA	12	3,701	5.59
Hughes Tool	34.5	21	3.9	24	11.4	11.1	9.6	9.6	22	NA	NA	429	2.86
Marathon Mfg	[5]64.8	3	2.4	19	3.7	3.2	-11.9	-27.9	NM	NA	NA	38	-5.41
Parsons (Ralph M.)	48.2	39	0.9	54	1.9	1.7	12.8	16.3	12	NA	NA	69	1.76
Schlumberger	[5]262.6	21	28.1	49	10.7	8.7	17.3	18.9	38	10	14	4,832	2.78
Smith International Industries	[5]41.0	46	3.3	80	8.0	6.5	12.8	15.3	14	32	15	226	1.31
Universal Oil Products	329.0	148	8.2	91	2.5	3.2	11.2	13.0	7	10	1	146	2.28
Zapata [1]	73.5	92	6.8	333	9.3	4.1	7.7	14.2	5	47	21	125	4.83
Industry composite	1,753.4	35	93 3	62	5.3	4.4	11.7	14.8	18	7	9	10,664	2.89
Paper:													
Avery Products [8]	68.5	25	3.8	41	5.5	4.9	13.9	16.5	27	27	17	335	1.49
Consolidated Papers	51.7	18	4.1	41	7.9	6.6	11.2	12.8	5	4	1	68	6.07
Crown Zellerbach	388.1	14	27.3	9	7.0	7.4	11.8	17.1	8	4	2	873	4.36
Dennison Mfg	[5]53.0	16	1.8	-8	3.3	4.2	10.9	12.8	5	14	13	45	3.44
Great Northern Nekoosa	146.0	25	9.6	84	6.6	4.5	8.2	12.3	8	16	6	230	5.82
Hammermill Paper	130.2	24	7.1	194	5.4	2.3	8.1	12.3	6	12	-5	122	3.18
Hudson Pulp & Paper	34.1	34	2.8	182	8.1	3.8	9.1	13.7	7	4	-2	33	6.01
International Paper	[5]660.9	18	41.2	39	6.2	5.3	10.9	15.0	12	2	4	2,292	3.87
Kimberly-Clark	365.6	24	29.3	37	8.0	7.3	11.0	14.6	8	5	3	752	3.64
Mead	356.0	18	13.5	69	3.8	2.6	9.0	11.7	6	8	-2	271	3.05
Scott Paper	264.0	19	16.1	15	6.1	6.3	8.6	10.5	9	7	-2	493	1.69
Sonoco Products	55.4	27	3.4	34	6.1	5.8	11.7	13.7	10	10	9	104	2.42
St. Regis Paper	[5]315.2	17	15.5	29	4.9	4.5	8.4	11.5	9	3	5	726	3.05
Union Camp	209.6	22	18.1	48	8.6	7.1	13.1	20.1	13	6	9	894	4.40
Westvaco [7]	179.9	22	9.1	73	5.1	3.6	11.1	16.9	7	4	2	399	4.38
Industry composite	3,278.3	20	202.5	37	6.2	5.4	10.3	14.2	9	5	3	7,638	3.40

See footnotes at end of table.

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 month earnings per share
Personal care products—Cosmetics, soap, etc.:													
Alberto-Culver	$43.8	−11	$0.4	−70	0.9	2.8	6.7	6.8	11	22	11	$45	$0.74
Avon Products	242.2	10	17.7	−13	7.3	9.2	29.7	32.2	19	17	16	3,697	2.30
Chesebrough-Pond's	128.9	13	11.0	20	8.5	8.0	18.1	21.2	22	15	11	912	2.59
Colgate-Palmolive	588.2	14	18.7	13	3.2	3.2	13.9	16.4	19	8	9	1,684	1.34
Economics Laboratory [4]	59.6	22	3.4	17	5.8	6.0	14.3	20.0	33	22	16	494	1.04
Faberge	36.9	17	1.5	10	4.0	4.3	8.5	8.5	5	17	−1	40	1.48
Gillette	285.5	23	23.7	14	8.3	9.0	18.6	24.5	12	13	7	1,070	3.00
Intl. Flavors & Fragrances	53.4	32	7.7	21	14.4	15.6	24.3	24.0	42	16	16	1,429	0.79
Procter & Gamble [4]	1,338.9	31	96.0	11	7.2	8.5	15.0	17.4	25	8	11	7,562	3.73
Revlon	127.0	15	10.8	16	8.5	8.5	13.5	17.6	15	14	6	777	3.41
Stanley Home Products	40.2	20	1.0	−14	2.4	3.4	13.5	13.5	6	7	13	48	2.62
Industry composite	2,944.6	22	191.8	9	6.5	7.3	16.6	19.5	19	10	10	17,758	2.34
Publishing—Periodicals, books, newspapers:													
Dow Jones	44.6	5	5.0	0	11.2	11.7	26.8	27.8	14	12	11	293	1.57
Gannett	68.5	0	5.5	9	8.0	7.3	12.9	15.7	25	17	15	657	1.42
Knight Newspapers	89.5	15	4.3	3	4.8	5.4	11.6	14.3	15	16	22	258	2.12
Macmillan	91.0	8	1.6	4	1.7	1.8	6.5	7.4	4	18	5	76	1.28
McGraw-Hill	103.6	10	2.9	44	2.8	2.1	10.7	14.0	7	11	2	164	1.15
Meredith [4]	[5] 40.1	2	2.5	11	6.3	5.8	NA	13.1	4	7	5	23	2.80
New York Times	92.4	9	4.8	20	5.2	4.7	14.1	15.5	6	14	28	113	1.64
Ridder Publications	41.7	19	2.1	−11	5.0	6.7	12.1	12.0	8	NA	NA	113	1.55
Time	178.3	17	10.4	22	5.8	5.6	13.5	18.0	8	9	1	317	4.94
Washington Post	60.0	10	1.6	13	2.6	2.6	11.6	15.9	8	NA	NA	81	2.85
Industry composite	809.6	10	−40.5	12	5.0	4.9	12.1	14.9	10	10	5	2,095	1.86
Radio and TV broadcasting:													
CBS	414.5	14	20.9	22	5.0	4.7	16.5	20.0	10	7	4	720	3.46
Metromedia	46.2	−6	−0.8	NM	NM	3.1	5.9	7.4	6	17	2	50	1.18
Industry composite	460.7	12	20.1	10	4.4	4.5	14.0	17.8	8	8	3	770	3.04
Railroads:													
Burlington Northern	362.4	15	27.6	102	7.6	4.4	4.1	4.2	8	NA	NA	612	5.13
Chessie System	288.4	11	13.5	−3	4.7	5.3	4.5	5.8	0	70		513	6.70

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Kansas City Southern Industries	39.7	4	0.3	−82	0.7	3.9	3.1	1.1	22	−3	−5	31	0.79
Norfolk & Western Railway	241.9	9	34.1	103	14.1	7.6	NA	NA	8	4	−7	763	8.15
Rio Grande Industries	39.4	15	2.7	−13	6.9	9.1	6.4	5.9	4	NA	NA	56	2.43
Santa Fe Industries	337.1	23	26.6	31	7.9	7.4	6.2	8.0	7	2	14	866	4.25
Seaboard Coast Line Industries	336.8	13	19.6	19	5.8	5.5	7.0	8.4	5	NA	NA	464	5.43
Southern Railway	211.9	11	19.5	7	9.2	9.6	6.2	7.5	9	5	8	733	4.56
Union Pacific	366.8	30	34.7	40	9.5	8.8	6.3	8.1	13	NA	NA	2,097	6.05
Industry composite	2,224.4	16	178.5	39	8.0	6.7	5.5	6.8	9	NA	NA	6,134	5.32

Real estate and housing:

Daniel International [1]	[5]161.5	13	2.9	20	1.8	1.7	18.2	19.4	17	NA	NA	210	1.68
Dillingham	153.3	15	2.9	198	1.9	0.7	5.8	8.9	6	20	8	65	1.16
Fluor [7]	148.4	69	7.4	409	5.0	1.7	10.5	10.2	28	21	11	571	1.09
General Development	[5]42.5	13	2.9	−7	6.8	8.2	4.7	11.5	5	11	23	41	1.02
Kaufman & Broad [8]	50.3	−13	3.7	−32	7.3	9.3	13.3	14.2	6	51	32	188	1.39
McKee (Arthur G.)	103.2	60	1.1	136	1.0	0.7	16.8	16.3	10	−1	0	41	2.44
Ryan Homes	35.4	−1	1.5	2	4.2	4.1	20.1	24.4	9	32	33	69	1.42
Industry composite	694.5	24	22.3	47	3.2	2.7	9.2	12.8	12	16	22	1,185	1.29

Retailing (food):

Albertson's [13]	230.8	16	2.2	9	1.0	1.0	13.5	18.9	10	12	11	89	1.45
Bayless (A.J.) Markets	38.2	14	0.7	15	1.7	1.7	12.4	13.8	6	7	14	11	2.00
Borman's [13]	106.7	9	0.5	−30	0.4	0.7	NA	−2.1	NM	10	−11	7	−0.21
Colonial Stores	209.6	19	2.6	38	1.2	1.1	11.6	14.4	7	7	7	66	2.82
Dillon [4]	197.4	25	3.4	28	1.7	1.7	19.5	22.6	15	23	16	142	2.31
Fisher Foods	232.7	29	2.7	35	1.2	1.1	11.4	21.0	9	24	26	74	1.62
Food Fair Stores [2]	559.8	11	3.5	29	0.6	0.5	NA	5.4	7	4	−2	47	0.98
Great Atlantic & Pac. Tea [9]	1,784.4	6	12.5	NM	0.7	NM	NA	2.0	27	2	−8	218	0.49
Jewel [12]	593.4	8	12.8	10	2.1	2.1	8.9	12.3	10	11	8	233	3.95
Kroger	1,063.7	8	9.5	163	0.9	0.4	8.1	9.6	8	7	2	253	2.06
Lucky Stores [13]	640.0	16	10.2	−4	1.6	1.9	13.9	21.5	12	24	26	391	0.99
National Tea	318.1	26	−3.0	NM	NM	NM	NA	−17.2	NM	−1	−1	23	−2.24
Penn Fruit [6]	80.6	2	0.3	NM	0.3	NM	NM	−18.7	NM	4	18	4	−2.86
Pneumo Dynamics [8]	[5]90.4	22	1.1	269	1.3	0.4	9.1	13.2	4	5	1	7	1.58
Pueblo International [13]	153.4	16	1.5	NM	1.0	NM	7.7	9.8	5	25	16	24	0.97
Safeway Stores	1,730.6	18	24.4	35	1.4	1.2	12.4	14.5	12	8	7	954	3.60
Southland	[5]354.8	17	3.5	21	1.0	1.0	8.4	12.0	13	35	17	230	1.46
Star Supermarkets	39.1	23	0.4	156	0.9	0.4	9.7	14.1	5	4	6	5	2.36
Stop & Shop [13]	288.2	9	5.0	−2	1.7	1.9	NA	13.5	6	9	3	50	2.81
Supermarkets General [13]	380.8	8	3.9	10	1.0	1.0	7.6	10.3	8	21	1	53	0.83
Weis Markets	73.7	17	3.2	28	4.3	3.9	17.7	17.7	9	15	13	90	1.83
Winn-Dixie Stores [4]	615.6	25	15.0	34	2.4	2.3	22.6	22.8	16	9	7	775	2.48
Industry composite	9,781.8	14	115.8	59	1.2	0.8	9.8	10.6	10	6	2	3,745	1.65

See footnotes at end of table.

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Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Retailing (nonfood)—Department, discount, mail order, variety, specialty stores:													
Alexandria's [3]	$114.2	0	$0.8	−34	0.7	1.1	NA	3.2	17	NA	NA	$16	$0.38
Allied Stores [13]	540.9	2	25.3	2	4.7	4.7	7.0	10.8	6	6	3	177	3.98
Amfac	228.2	24	5.9	13	2.6	2.8	8.8	11.1	8	14	13	140	2.42
Associated Dry Goods [13]	403.5	5	26.4	5	6.6	6.6	NA	12.9	7	12	9	356	3.45
Broadway-Hale Stores [13]	346.1	2	21.7	9	6.3	5.8	NA	13.2	13	11	8	384	2.15
City Stores [13]	115.7	−2	2.3	−43	2.0	3.4	NA	−0.4	NM	4	−15	11	−0.09
Daylin [6]	138.6	3	0.2	−92	0.2	2.2	5.3	5.0	6	56	11	23	0.70
Dayton-Hudson [13]	456.3	2	19.8	−3	4.3	4.6	6.2	8.6	6	38	9	140	1.70
Eckerd (Jack) [2]	146.6	15	7.3	17	5.0	4.9	21.9	18.6	21	41	32	423	1.09
Fed-Mart [6]	81.2	21	1.1	10	1.3	1.5	9.1	16.7	5	13	16	21	3.08
Federal Dept. Stores [13]	974.7	7	51.0	−2	5.2	5.7	12.5	13.9	12	11	7	1,245	2.57
Gamble-Skogmo [13]	395.1	5	11.1	32	2.8	2.2	8.9	10.9	6	15	7	122	5.32
Gordon Jewelry [6]	58.2	16	5.9	20	10.1	9.8	NA	14.6	5	22	19	49	1.85
Grant (W. T.) [13]	569.5	5	16.1	−53	2.8	6.3	NA	2.7	12	11	12	152	0.59
Interstate United [4]	70.0	24	0.6	16	0.8	0.9	7.3	9.0	4	15	15	13	1.21
Kresge (S.S.) [13]	1,507.4	16	54.9	4	3.6	4.2	16.1	18.8	28	14	27	3,842	1.15
Macy (R. H.) [2]	408.0	13	18.7	2	4.6	5.1	9.7	10.5	5	10	10	182	2.93
Marcor [13]	1,179.5	21	38.0	15	3.2	3.4	8.9	9.2	8	0	13	551	3.01
Marshall Field [13]	172.0	7	10.6	−5	6.2	7.0	9.0	10.0	8	7	4	158	2.30
May Department Stores [13]	512.8	2	24.7	−10	4.8	5.4	NA	11.0	8	5	2	337	3.16
McCrory [13]	436.4	−5	−1.9	NM	NM	3.0	NA	0.8	NM	−4	23	68	0.09
Mercantile Stores [13]	175.3	11	10.9	3	6.2	6.7	NA	15.7	10	9	15	256	3.67
New Process	37.5	21	2.3	24	6.1	6.0	24.9	28.7	9	17	23	84	0.79
Penney (J.C.) [13]	1,999.9	12	76.2	9	3.8	3.9	15.7	16.2	22	12	10	4,096	3.19
Rapid-American [13]	778.4	−2	6.4	−62	0.8	2.1	8.3	12.8	4	44	16	133	3.14
Revco D.S. [10]	93.8	22	3.6	16	3.9	4.1	18.8	17.3	14	43	18	185	1.77
Rite Aid [9]	77.8	21	1.9	−46	2.4	5.3	NA	13.4	7	NA	NA	166	0.80
Sav-On-Drugs	52.1	11	1.0	10	1.8	1.9	11.7	11.7	8	22	8	32	0.65
Scoa Industries [13]	118.0	16	3.5	6	3.0	3.3	8.8	13.4	5	3	4	16	1.40
Sears, Roebuck [13]	3,497.6	9	253.4	2	7.2	7.7	14.5	14.3	19	10	11	12,622	4.33
Skaggs	104.8	24	1.2	66	1.2	0.9	11.7	12.9	7	29	11	60	1.56
Tandy [4]	135.3	24	5.8	20	4.3	4.4	11.0	13.1	10	57	'26	204	2.24
Thrifty Drug Stores [6]	130.3	9	3.9	4	3.0	3.1	8.9	11.1	8	10	5	66	0.85
Triangle Pacific	43.2	−18	1.0	−23	2.3	2.4	11.8	16.3	4	24	18	17	3.02
Vornado [13]	265.6	9	6.3	9	2.4	2.4	NA	NA	7	25	11	21	0.74

Walgreen [1]	225.4	6	1.5	28	0.6	0.5	9.4	12.2	7	8	6	90	2.21
Wickes [13]	248.9	15	5.1	1	2.1	2.3	NA	11.9	6	23	2	102	2.20
Woolworth (F.W.)[13]	1,147.9	NM	42.7	NM	3.7	4.7	10.0	10.0	5	4	8	523	3.15
Zayre [13]	320.2	3	4.4	−13	1.4	1.6	6.6	9.0	3	30	18	25	1.84
Industry composite	18,306.8	9	771.6	−3	4.2	4.7	12.0	12.9	9	8	9	27,110	2.57

Savings and loan:

First Charter Financial	80.4	8	10.4	−14	13.0	16.2	8.9	9.3	9	12	16	370	1.34
Great Western Financial	90.7	14	9.0	−8	9.9	12.2	17.6	12.6	7	15	14	285	2.69
Imperial Corp. of America	[5]54.0	13	5.8	0	10.7	12.0	15.9	12.5	5	16	13	131	1.82
Industry composite	225.1	11	25.2	−9	11.2	13.7	13.8	11.2	7	14	15	786	1.83

Service Industries—Leasing, vending machines, wholesaling, etc.

Alpha Portland Industries	[5]35.1	9	0.7	−4	2.0	2.2	NA	10.9	5	0	−6	31	2.82
American District Telegraph	[5]38.1	10	2.5	3	6.5	7.0	10.5	11.7	13	6	6	216	1.98
American Medical Intl.[6]	41.5	9	1.8	−34	4.3	7.1	4.4	7.2	6	72	49	40	0.86
Arcata National [4]	58.5	10	2.9	6	5.0	5.2	5.4	6.3	10	NA	NA	48	0.78
Automation Industries	[5]55.4	14	1.0	−15	1.9	2.5	2.5	2.7	13	41	3	14	0.22
Avis	83.1	14	−0.6	NM	NM	1.6	16.8	15.4	8	NA	NA	77	1.67
Bergen Brunswig [6]	[5]65.2	10	0.5	26	0.7	0.6	4.0	0.8	36	−14	−7	7	0.08
Castle (A.M.)	57.1	50	0.9	56	1.5	1.4	13.3	13.8	4	4	8	10	5.91
Commercial Metals [6]	147.8	131	2.6	201	1.8	1.4	25.8	28.2	3	14	10	22	4.99
Computer Sciences [11]	40.5	15	0.5	NM	1.3	NM	NM	14.2	24	21	91	29	0.12
Cramer Electronics [1]	40.9	37	1.0	137	2.5	1.5	NA	21.7	4	27	13	13	1.82
De Luxe Check Printers	40.4	13	3.4	44	8.4	6.6	22.9	24.1	23	16	17	363	1.26
Donnelley (R.R.) & Sons	92.0	11	6.1	21	6.7	6.1	11.5	12.7	13	8	6	406	1.70
Dravo	90.4	93	1.1	120	1.2	1.1	9.7	9.7	11	7	3	83	3.95
Ducommun	52.7	20	1.1	86	2.1	1.4	9.5	13.1	6	3	−2	17	2.41
Dun & Bradstreet	117.7	8	9.5	9	8.0	7.9	22.3	22.4	18	10	8	845	1.50
Emery Air Freight	49.0	21	2.9	27	5.9	5.6	40.2	40.2	37	24	19	466	1.46
Englehard Min. & Chem	1,005.3	70	21.5	114	2.1	1.7	18.6	21.0	8	25	18	439	2.30
Fischbach & Moore [1]	129.9	11	2.5	10	1.9	1.9	12.6	20.3	11	19	13	166	3.21
Flickinger (S.M.)[2]	105.3	10	0.6	−8	0.5	0.6	9.8	10.6	6	18	20	11	2.25
Foremost-McKesson [11]	544.1	9	8.8	45	1.6	1.2	7.8	17.4	6	NA	−4	140	2.40
Grainger (W.W.)	64.1	24	3.7	21	5.8	6.0	21.0	23.2	24	25	19	448	1.42
Gulfstream Land & Devel.[1]	[5]46.7	10	2.3	5	4.9	5.1	22.0	30.4	5	NA	NA	46	2.52
Hines (Edward) Lumber	42.2	−13	1.3	−47	3.2	5.2	19.7	20.1	3	4	22	33	12.90
Hospital Corp. of America	[5]69.0	29	4.2	20	6.1	6.6	7.0	13.2	9	NA	NA	149	1.44
Jorgensen (Earle M.)	51.5	30	3.5	117	6.8	4.1	16.4	19.2	4	9	6	31	6.28
Malone & Hyde [4]	[5]170.9	23	2.2	14	1.3	1.4	16.5	17.8	17	20	17	118	1.42
Manpower [4]	[5]36.9	15	1.1	17	3.1	3.1	20.1	21.8	4	18	8	24	2.70
Moore McCormack Res.	39.2	166	2.7	56	6.8	11.6	7.7	11.3	4	−1	8	30	4.60
National Service industries [6]	108.2	11	4.9	4	4.5	4.8	14.9	16.7	6	17	12	127	1.57
Niagara Frontier Service [4]	39.5	35	1.1	85	2.7	2.0	21.2	22.3	5	NA	NA	13	1.46
Nielsen (A.C.)	40.3	11	2.7	−9	6.7	8.2	17.0	17.6	13	17	12	301	1.08

See footnotes at end of table.

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Company	Sales ● 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Return on invested capital	Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Service Industries etc.—Continued													
Ogden	$376.7	30	$8.9	69	2.4	1.8	9.8	13.7	6	16	6	$127	$2.84
Overseas Shipholding	⁵43.6	67	7.2	58	16.5	17.3	11.3	21.7	6	NA	NA	240	2.36
PVO International⁴	50.4	66	1.6	297	3.1	1.3	13.4	21.9	3	5	1	7	4.21
Pinkerton's	⁵43.8	7	1.4	15	3.3	3.1	21.7	21.7	9	19	14	55	2.32
Raymond International¹	37.6	9	1.0	68	2.5	1.6	7.0	7.9	9	3	—7	33	1.16
Retail Credit	⁵50.9	3	1.7	—7	3.3	3.7	·14.9	16.1	8	7	3	58	2.33
Rollins⁴	46.8	21	4.6	11	9.8	10.7	NA	NA	NA	24	26	233	NA
Rollins International¹	46.9	19	0.0	—98	0.0	1.3	5.8	7.3	4	NA	NA	12	0.83
Ryder System	144.5	27	3.7	7	2.6	3.0	8.0	13.2	13	22	24	372	1.50
Sav-A-Stop⁶	53.2	0	—0.4	NM	NM	1.5	4.1	2.6	14	39	22	12	0.22
Scrivner-Boogaart⁴	72.4	39	0.7	70	1.0	0.8	12.6	19.3	4	17	14	8	1.96
Sperry & Hutchinson	⁵145.7	—3	3.4	—58	2.3	5.4	NA	9.4	5	12	7	115	2.26
Super Food Services⁶	⁵78.0	21	0.3	4	0.4	0.5	8.5	12.1	6	9	5	5	1.03
Super Valu Stores⁹	350.4	19	2.5	15	0.7	0.7	11.3	17.4	8	14	7	62	2.38
Sysco⁴	115.2	14	1.6	14	1.4	1.4	17.2	16.9	12	NA	NA	65	1.79
UMC Industries	50.0	14	2.0	4	4.0	4.3	14.5	14.9	6	5	9	50	2.20
Univar⁹	112.8	50	2.0	185	1.8	1.0	NA	18.8	5	3	—7	30	3.31
Waste Management	36.7	20	2.3	27	6.2	5.9	10.8	15.1	15	NA	NA	148	0.90
Work Wear	41.1	10	1.6	22	3.8	3.4	8.8	13.7	4	16	6	22	1.98
Industry composite	5,495.1	28	147.2	30	2.6	2.7	11.9	15.2	10	11	10	6,425	1.70
Special machinery—Farm, construction, materials handling:													
Allis-Chalmers	259.6	—7	6.4	41	2.5	1.6	8.0	4.7	6	2	—4	93	1.45
American Hoist & Derrick⁸	78.4	21	1.5	20	1.9	1.9	8.2	12.1	6	10	0	51	1.99
Bucyrus-Erie	55.0	25	4.6	3	8.4	10.2	11.4	12.3	15	10	7	412	1.87
Caterpillar Tractor	822.4	9	45.7	—25	5.6	8.1	16.0	18.7	14	10	7	3,831	4.06
Clark Equipment	319.6	20	12.7	—12	4.0	5.4	15.7	15.9	10	14	7	632	3.95
Deere	441.6	19	27.0	—4	6.1	7.5	16.7	18.8	7	7	7	1,486	5.70
FMC	477.2	20	23.1	18	4.8	4.9	9.9	11.7	7	9	3	534	2.45
Hesston	36.4	28	2.0	8	5.6	6.7	23.2	31.0	7	24	23	63	3.71
Koehring⁸	87.4	13	1.1	—6	1.3	1.6	12.2	13.3	4	7	—8	45	2.98
Rexnord	108.1	12	3.1	25	2.9	2.6	9.8	10.4	8	7	4	92	2.38
Industry composite	2,685.6	13	127.4	—8	4.7	5.8	13.5	15.4	8	7	5	7,238	3.60

Steel:

Alan Wood Steel	40.3	24	0.6	8	1.6	1.8	5.0	5.4	4	4	0	9	3.06
Allegheny Ludlum Industries	227.1	20	10.8	44	4.8	4.0	9.1	9.8	5	0	-2	131	5.40
Armco Steel	680.5	28	37.6	56	5.5	4.5	7.9	10.2	5	4	-1	626	3.85
Bethlehem Steel	1,121.3	17	43.0	6	3.8	4.2	7.6	9.6	7	3	3	1,467	4.80
Carpenter Technology [4]	[5]70.9	20	4.4	-4	6.2	7.7	13.0	14.5	6	6	1	126	3.82
Copperweld	67.7	19	3.5	26	5.2	4.9	14.5	18.7	5	5	8	55	5.47
Cyclops	141.7	16	2.8	-9	2.0	2.5	5.9	5.5	5	4	-6	32	3.54
Dayton Malleable	34.8	16	1.1	5	3.2	3.6	11.8	12.8	5	9	0	20	4.64
Florida Steel	34.2	35	2.4	101	7.0	4.7	15.9	19.0	5	11	13	40	4.91
Inland Steel	544.4	26	30.5	58	5.6	4.5	8.5	11.0	6	3	-1	521	5.00
Interlake	133.2	20	4.7	59	3.5	2.6	7.6	8.8	5	5	2	80	4.93
Jones & Laughlin Steel	460.9	26	17.3	44	3.3	3.3	6.7	7.8	6	2	-6	300	3.45
Kaiser Steel	179.0	33	8.2	211	4.6	2.0	11.7	19.7	2	14	8	109	8.34
Keystone Cons. Industries [4]	83.6	23	3.5	157	4.2	2.0	7.3	9.2	4	2	-16	24	4.63
Lukens Steel	52.2	35	0.8	-23	1.6	2.9	6.6	7.6	10	4	1	85	2.72
Lykes-Youngstown	[5]350.3	16	7.1	1	2.0	2.4	5.3	2.3	5	-9	-18	45	1.36
McLouth Steel	110.0	25	4.4	21	4.0	4.1	8.4	10.9	5	0	-9	72	4.72
National Standard [1]	54.3	14	2.5	41	4.6	3.7	9.1	11.7	10	9	0	65	1.86
National Steel	[5]588.9	12	23.0	17	3.9	3.7	7.4	9.7	6	6	-3	560	5.46
Republic Steel	585.4	15	21.5	5	3.7	4.0	6.7	8.1	4	4	-12	388	5.42
U.S. Steel	[5]1,959.8	29	89.5	82	4.6	3.2	8.0	9.8	6	2	0	2,038	6.76
Wheeling-Pittsburgh Steel	212.7	19	8.4	220	3.9	1.5	6.5	7.8	3	6	2	48	6.03
Industry composite	7,733.3	22	327.7	43	4.2	3.6	7.7	9.6	5	3	-2	6,842	5.04

Textiles and apparel:

Avondale Mills [6]	46.3	16	2.0	16	4.2	4.2	12.7	12.4	7	7	8	54	4.51
Bibb [6]	39.3	20	1.0	351	2.6	0.7	3.9	3.5	9	-1	-23	15	1.02
Blue Bell [1]	125.3	20	5.3	13	4.3	4.5	12.2	13.4	7	20	13	83	2.72
Brown Group [7]	169.6	13	6.2	12	3.7	3.7	12.0	13.7	7	7	5	155	3.43
Burlington Industries [1]	589.9	14	28.1	39	4.8	3.9	9.3	12.1	7	8	1	562	3.60
Cluett, Peabody	123.2	-2	1.7	-36	1.4	2.1	5.9	3.6	9	10	-4	52	0.65
Collins & Aikman [9]	87.1	1	2.6	-24	3.0	4.0	NA	11.6	6	15	10	87	1.21
Cone Mills	118.4	34	3.8	96	3.2	2.2	8.0	8.1	5	2	3	47	3.77
DHJ Industries [10]	48.4	39	1.1	16	2.2	2.7	16.0	16.8	3	NA	NA	12	2.55
Dan River	120.6	21	3.2	75	2.6	1.8	7.3	8.2	4	8	2	54	2.03
Fieldcrest Mills	70.5	23	1.7	148	2.4	1.2	9.8	11.7	6	5	-10	44	2.90
Genesco [2]	309.8	-3	6.7	8	2.2	1.9	5.9	NA	7	5	-6	60	0.86
Graniteville	60.6	39	3.1	35	5.1	5.2	10.1	11.7	5	7	0	34	3.36
Hanes	72.2	9	2.3	11	3.2	3.2	8.5	10.1	4	15	-5	38	2.27
Hart Schaffner & Marx [8]	130.3	10	4.2	1	3.2	3.5	8.6	9.9	6	9	7	99	1.85
Interco [9]	327.1	8	16.0	11	4.9	4.8	13.0	15.5	6	NA	17	243	4.11
Levi Strauss [8]	164.3	35	3.8	-30	2.3	4.4	6.4	5.9	16	20	NA	177	0.94
Melville Shoe [8]	144.0	4	0.9	-68	0.6	2.0	15.9	20.1	7	14	19	267	1.16
Oxford Industries [10]	60.8	26	2.4	27	3.9	3.9	16.2	21.5	4	13	5	43	3.63
Puritan Fashions [8]	40.2	5	0.4	-75	0.9	3.7	7.4	8.3	6		9	14	0.63

See footnotes at end of table.

Company	Sales		Profits		Margins		Ratios			10 year growth		Market value shares	
	1st quarter 1974 (millions)	Change from 1973 (percent)	1st quarter 1974 (millions)	Change from 1973 (percent)	1st quarter 1974 (percent)	1st quarter 1973 (percent)	Return on invested capital	Return on common equity	Price earning Apr. 30	Common equity (percent)	Earning per share (percent)	outstand-ing year end (millions)	2months earning per share
Textiles and apparel—Continued													
Reeves Bros.[4]	$49.9	−5	$2.7	10	5.4	4.7	10.5	12.7	4	8	12	$32	$4.94
Riegel Textile [1]	68.3	20	2.4	9	3.5	3.9	8.7	12.9	4	4	−1	35	3.53
Salant [8]	35.0	4	1.0	6	2.9	2.9	12.0	14.9	4	9	7	16	1.71
Springs Mills	148.6	29	6.3	69	4.2	3.2	7.3	8.3	5	0	11	88	2.52
Stevens (J.P.)[7]	272.5	10	8.0	33	3.0	2.5	7.7	8.8	5	4	−3	145	5.62
U.S. Shoe [2]	115.1	8	3.5	−10	3.0	3.6	10.1	10.7	6	15	4	74	1.69
V.F.	84.5	9	5.0	9	6.0	6.0	15.2	17.1	7	21	12	174	2.11
Warnaco	69.1	15	2.1	5	3.0	3.3	11.1	12.8	4	18	0	33	2.69
West Point-Pepperell [6]	139.8	16	6.1	60	4.4	3.2	9.5	10.6	6	8	−4	116	4.55
Industry composite	3,830.9	12	133.4	17	3.5	3.4	9.4	11.3	6	8	3	2 853	2.38
Tire and rubber:													
Amerace	62.5	8	5.6	111	8.9	4.5	11.7	14.3	4	−7	4	41	4.43
Armstrong Rubber [1]	61.7	13	1.3	−12	2.1	2.7	NA	5.9	6	6	2	28	2.98
Carlisle	38.1	26	2.1	31	5.6	5.4	14.6	18.0	6	13	8	29	3.01
Firestone Tire & Rubber [7]	785.4	17	31.7	19	4.0	4.0	10.7	13.0	5	7	7	775	2.98
General Tire & Rubber [8]	336.5	11	13.5	−6	4.0	4.8	10.6	13.6	4	10	5	279	3.66
Goodrich (B.F.)	442.7	13	15.0	15	3.4	3.3	7.9	9.2	5	4	1	234	4.29
Goodyear Tire & Rubber	1,175.2	10	45.4	0	3.9	4.2	9.6	11.3	7	8	8	1088	2.54
Uniroyal	539.2	9	11.8	−12	2.2	2.7	NA	7.8	6	6	5	212	1.52
Industry composite	3,441.3	12	126.4	7	3.7	3.9	9.9	11.4	5	7	6	2,686	2.81
Tobacco—Cigars, cigarettes:													
American brands	[31] 760.3	5	35.6	19	4.7	4.1	10.4	14.8	7	5	7	827	5.15
General Cigar	[2] 70.4	3	0.8	19	1.1	0.9	9.3	5.8	7	8	4	23	1.89
Liggett & Myers	[3] 182.8	8	8.7	41	4.8	3.6	8.0	8.9	8	1	3	239	3.70
Loews [6]	[12] 186.3	3	12.0	−51	6.5	13.5	8.3	12.5	5	24	53	268	3.88

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Phillip Morris	[12] 643.6	13	37.7	17	5.9	5.7	14.3	20.6	17	17	20	3,177	5.59
Reynolds (R. J.) Industries	[3] 990.5	34	59.8	−1	6.0	8.1	14.3	18.0	7	8	7	1,716	5.87
Industry composite	2,833.9	16	154.6	1	5.5	6.3	11.8	16.1	9	8	10	6,250	5.21
Trucking:													
Consolidated Freightways	195.2	18	170	75	3.6	2.4	17.4	25.3	6	15	16	191	2.66
Leaseway Transportation	105.6	6	2.1	−39	2.0	3.5	11.4	25.3	7	17	17	148	2.64
McLean Trucking [4]	83.7	39	3.1	27	3.7	4.0	13.7	22.2	11	18	17	103	3.92
Roadway Express	114.3	17	7.1	21	6.2	6.0	24.7	25.7	27	18	19	742	1.41
Spector Industries	35.8	6	0.8	208	2.4	0.8	9.5	22.3	4	−1	−14	3	1.82
T.I.M.E.-DC	49.8	14	0.9	−27	1.7	2.7	7.3	11.1	7	21	−6	17	1.12
Transcon Lines	35.4	18	0.8	28	2.2	2.0	9.1	12.6	6	16	1	22	1.30
Yellow Freight System	93.7	19	5.3	30	5.7	5.2	15.7	26.1	19	26	18	280	2.68
Industry composite	713.5	17	27.1	23	3.8	3.6	14.5	23.5	11	17	14	1,505	2.10
Utilities—Telephone, electric, gas:													
Allegheny Power System	109.9	14	17.9	6	16.3	17.5	11.6	12.8	7	10	6	496	2.31
American Electric Power	285.6	19	60.7	15	21.3	22.0	9.6	15.4	8	11	6	1,650	2.89
American Natural Gas	259.4	5	39.3	6	15.1	14.9	7.5	14.4	7	8	6	636	4.83
American Tel. & Tel. [4]	6,234.4	13	760.6	12	12.2	12.3	NA	10.5	9	5	4	27,834	5.08
Arizona Public Service	61.4	15	5.9	−4	9.7	11.7	8.0	11.7	6	7	5	227	2.49
Baltimore Gas & Electric	140.5	10	19.3	−19	13.8	18.6	NA	10.9	7	12	6	552	2.71
Boston Edison	103.5	32	5.7	−4	5.5	7.6	6.4	8.7	6	5	5	248	2.77
Brooklyn Union Gas [1]	73.0	15	10.3	26	14.2	12.9	NA	12.1	7	4	1	108	2.56
Carolina Power & Light	89.1	3	16.8	−14	18.9	22.7	6.4	9.9	7	14	5	491	2.29
Central & South West	117.0	14	16.6	19	14.2	13.6	7.8	16.0	8	7	7	789	1.76
Central Illinois Public Service	51.2	13	6.7	30	13.0	11.3	6.1	11.6	9	7	2	165	1.51
Cincinnati Gas & Electric	111.2	8	18.3	−9	16.4	19.5	7.4	13.3	8	8	5	416	2.16
Cleveland Electric Illuminating	96.1	17	14.1	9	14.7	15.8	8.5	13.5	9	5	6	431	3.09
Columbia Gas System	383.3	12	45.9	−2	12.0	13.8	NA	12.1	7	5	7	815	3.24
Commonwealth Edison	325.7	7	36.7	−20	11.3	15.1	6.1	11.2	9	5	3	1,441	2.94
Consolidated Edison of N.Y.	553.3	30	40.6	−27	7.3	13.0	6.1	6.8	5	7	0	1,154	2.04
Consumers Power	289.7	15	24.1	−23	8.3	12.4	4.9	7.4	9	6	2	597	2.03
Continental Telephone	155.7	15	14.7	5	9.4	10.3	7.6	14.5	8	35	10	619	1.76
Dayton Power & Light	78.3	13	8.7	−14	11.1	14.6	7.5	9.2	10	8	3	228	1.70
Delmarva Power & Light	56.1	23	8.1	−3	14.4	18.3	8.2	11.7	7	12	5	186	1.75
Detroit Edison	202.1	8	20.7	−24	10.2	14.6	5.6	7.8	9	7	0	655	1.57
Duke Power	176.3	19	26.2	3	14.8	17.2	5.8	9.5	8	11	2	668	1.86

See footnotes at end of table.

Company	Sales 1st quarter 1974 (millions)	Sales Change from 1973 (percent)	Profits 1st quarter 1974 (millions)	Profits Change from 1973 (percent)	Margins 1st quarter 1974 (percent)	Margins 1st quarter 1973 (percent)	Ratios Return on invested capital	Ratios Return on common equity	Price earning Apr. 30	10 year growth Common equity (percent)	10 year growth Earning per share (percent)	Market value shares outstanding year end (millions)	12 months earnings per share
Utilities, etc.—Continued													
Duquesne Light	$70.0	16	$14.0	6	19.9	21.7	7.2	11.0	8	10	3	$405	$2.28
El Paso Natural Gas	299.7	31	25.2	63	8.4	6.8	NA	NA	6	5	4	377	2.02
Florida Power	71.0	28	2.6	−71	3.7	16.5	5.5	9.8	8	9	8	325	2.66
Florida Power & Light	183.8	24	19.8	−11	10.8	15.1	NA	12.7	6	11	9	838	2.96
General Public Utilities	191.0	15	37.6	22	19.7	18.6	NA	10.9	6	9	2	748	2.34
General Tel. & Electronics	1,331.0	15	86.8	10	6.5	6.8	7.1	13.9	8	10	6	2,966	2.92
Gulf States Utilities	76.4	29	7.0	−14	9.1	13.7	6.5	12.6	8	10	7	367	1.65
Houston Lighting & Power	91.4	13	10.7	9	11.7	12.1	7.6	13.1	7	9	7	601	3.08
Houston Natural Gas [2]	120.3	21	11.2	24	9.3	9.0	NA	16.6	12	19	13	351	1.84
Lone Star Gas	128.3	19	22.0	1	17.2	20.2	10.5	16.8	8	4	8	394	2.83
Long Island Lighting	138.7	24	17.1	−9	12.4	16.7	7.2	10.9	7	7	5	385	1.97
Middle South Utilities	164.4	12	17.6	−17	10.7	14.4	6.4	13.5	7	10	9	747	1.95
Mountain States Tel. & Tel. [8]	277.2	13	38.1	14	13.8	13.6	NA	11.2	8	6	5	1,258	2.51
National Fuel Gas	103.8	24	11.3	17	10.9	11.5	7.9	10.5	6	3	4	108	3.55
New England Tel. & Tel. [8]	320.3	15	30.1	16	9.4	9.3	NA	7.9	10	6	0	1,353	2.67
New England Electric System	141.2	33	10.3	−34	7.3	14.6	5.8	8.7	8	5	5	326	1.95
New England Gas & Electric	80.3	57	4.9	31	6.1	7.3	7.5	11.7	6	7	5	80	1.83
New York State Electric & Gas	77.5	6	10.7	4	13.8	14.0	6.9	10.8	8	6	1	234	3.00
Northeast Utilities	156.1	10	10.0	−61	6.4	17.7	7.9	8.6	8	30	4	522	1.09
Northern Illinois Gas	179.4	5	22.1	−7	12.3	13.9	6.8	12.7	8	6	4	301	2.65
Northern Indiana Public Service	128.7	10	14.9	3	11.6	12.3	7.5	14.6	7	8	8	363	2.28
Northern Natural Gas	263.4	27	35.0	65	13.3	10.2	7.4	14.7	8	9	5	530	6.17
Northern States Power	135.2	6	14.1	−28	10.4	15.3	5.9	10.6	10	9	4	581	2.29
Ohio Edison	106.3	12	17.3	16	16.3	16.1	8.1	15.1	8	4	4	581	2.14
Oklahoma Natural Gas [6]	55.7	9	9.9	3	17.9	18.8	9.8	13.6	8	5	4	138	2.28
Pacific Gas & Electric	430.5	11	72.1	11	16.7	16.7	NA	12.5	7	6	6	1,491	3.27
Pacific Lighting	230.4	4	20.7	−20	9.0	11.7	6.0	7.8	9	3	2	324	2.00
Pacific Northwest Bell Tel. [8]	160.3	18	14.8	10	9.2	9.8	NA	9.7	9	6	2	696	1.54
Pacific Power & Light [8]	61.4	0	15.8	−1	25.7	25.7	7.7	12.5	9	6	5	520	2.22
Pacific Tel. & Tel. [8]	686.2	8	55.0	−12	8.0	9.8	NA	NA	10	5	1	2,592	1.57
Panhandle Eastern Pipe Line	153.9	10	22.2	9	14.4	14.5	8.8	18.1	6	12	6	497	4.39

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Pennsylvania Power & Light	111.6	11	18.7	18	16.8	15.9	7.3	11.7	7	10	3	421	2.61
Peoples Gas [1]	277.5	24	41.1	36	14.8	13.5	7.6	14.2	6	7	7	480	4.31
Philadelphia Electric	217.8	12	25.1	−25	11.5	17.3	6.4	8.7	8	10	1	943	1.72
Potomac Electric Power	82.1	20	14.2	21	17.3	17.1	7.7	12.7	7	7	3	346	1.74
Public Service Co. of Colo	99.2	10	10.4	−24	10.5	15.1	6.4	11.4	7	7	5	285	1.86
Public Service Co. of Indiana	64.1	3	13.7	11	21.3	19.6	7.1	14.7	8	5	6	460	3.68
Rochester Gas & Electric	62.9	−3	4.3	−50	6.9	13.5	6.4	8.8	8	7	5	167	1.83
San Diego Gas & Electric	69.7	11	10.5	11	15.1	15.0	8.0	9.9	8	7	6	199	1.75
South Carolina Electric & Gas	56.6	12	6.5	−10	11.6	14.3	6.6	9.6	9	12	4	194	1.67
Southern California Edison	325.8	32	47.9	68	14.7	11.5	6.7	11.1	6	8	4	804	3.11
Southern	314.3	20	49.7	19	15.8	15.9	6.0	11.3	7	12	5	1,300	2.10
Southern Natural Resources	133.9	27	15.2	15	11.4	12.6	9.5	18.0	9	10	11	480	5.48
Southern New England Tel	105.5	7	11.4	−1	10.9	11.6	6.9	10.1	8	5	3	359	4.19
Southern Union Gas	51.9	18	8.8	2	17.0	19.7	9.4	15.8	8	8	7	137	3.34
Texas Eastern Transmission	264.0	23	29.1	7	11.0	12.7	8.4	14.7	9	16	10	1,242	3.51
Texas Gas Transmission	169.5	16	11.6	16	6.9	6.8	8.3	14.6	7	14	5	208	4.09
Union Electric	101.9	9	11.1	−12	10.9	13.5	7.4	10.3	8	9	2	447	1.58
United Telecommunications	226.8	22	20.2	14	8.9	9.5	6.6	13.1	9	9	5	575	1.63
Virginia Electric & Power	145.3	9	25.1	−8	17.3	20.6	NA	10.9	6	13	5	737	2.00
Western Union	127.0	9	6.6	13	5.2	5.1	5.6	4.9	6	7	−2	194	1.94
Industry composite	19,574.2	15	2,301.1	4	11.8	12.9	6.9	11.1	8	6	4	71,383	2.94
All-industry composite	257,233.9	24	14,603.2	16	5.7	6.1	10.6	13.8	10	8	5	609,784	3.30

[1] 2d quarter ending Mar. 31.
[2] 2d quarter ending Jan. 31.
[3] Sales include excise taxes.
[4] 3d quarter ending Mar. 31.
[5] Sales include other income.
[6] 2d quarter ending Feb. 28.
[7] 1st quarter ending Jan. 31.
[8] 1st quarter ending Feb. 28.
[9] 4th quarter ending Feb. 28.
[10] 3d quarter ending Feb. 28.
[11] 4th quarter ending Mar. 31.
[12] Sales include excise taxes and other income.
[13] 4th quarter ending Jan. 31.
NA—Not available.
NM—Not meaningful.
†Figures are for previous year.

Source: Data: Investors Management Sciences. Business Week: May 11, 1974.

GLOSSARY

Sales—Includes all sales and other operating revenues. For banks, includes all operating revenues.
Profits—Net income before extraordinary items. For banks, profits are before security gains or losses.
Margins—Net income before extraordinary items as percent of sales.
Price-earnings ratio—Based on Apr. 30 stock price and earnings for latest 12 months.
Return on invested capital—Ratio of net available for common stockholders (most recent 12 months)—adjusted for preferred dividend requirements, minority interest, and fixed charges—to latest available average total funds invested in company.
Return on common equity—Ratio of net available for common stockholders (most recent 12 months) to latest available average common equity, which includes common stock, capital surplus, retained earnings.
Growth in common equity—Annual percentage growth in common equity for latest 10-year period.
Growth in earnings per share—Annual percentage growth in earnings per share, including all common stock equivalents, for latest 10-year period.
Market value—Shares outstanding times stock price on Dec. 31, 1973.
Earnings per share—For latest 12 months, includes all common stock equivalents

Mr. JASINOWSKI. Ms. Falcone, I think, has some questions to start.

Ms. FALCONE. Mr. Parker, when do you think we will have more recent statistics dealing with concentration? You said the last comprehensive study was for 1967. When might we expect to have data for 1970 or 1972 or 1973?

Mr. PARKER. Well, the Census tabulates concentration statistics about 3 years—it takes them about 3 years after each census year. The last census year was 1972.

Ms. FALCONE. Is this a census of manufacturing?

Mr. PARKER. So the census from 1972 should be coming out in 1975. That is the census of manufacturers. We have to go back to 1967, so they are quite old.

Ms. FALCONE. I know you are not responsible for this, but the FTC was supposed to be conducting an investigation of food retailing in Washington.

Mr. PARKER. Yes.

Ms. FALCONE. Has it been dropped, and if so, why?

And do you think there has been any shift in the concentration levels of retailing in Washington that would warrant dropping it?

Mr. PARKER. That is a difficult question for me to answer because I am not one of the Commissioners. They made the decision to drop the case. I can answer questions about concentration.

Concentration in Washington according to the Bureau of the Census, increased from a ratio of about 55 or 56 percent in 1954, it increased every census year up to 1967, the latest one available, and it was 70.3 in 1967. And the private sources of data indicate that since 1967, concentration has probably increased another 1 or 2 percentage points, and that within the top four concentration with the top two firms here, which are Safeway and Giant, in the last 5 or 6 years, their combined share has increased from about 49 percent to about 59 percent.

So not only is four-firm concentration increasing, but two-firm concentration is increasing even more.

Mr. JASINOWSKI. So the evidence on concentration would indicate there is no justification for not continuing ahead with a further study of the Washington retail market.

Mr. PARKER. The Commission, I believe, has replied to Congressman Gude regarding why they dropped that case, and I think they would be more than willing to supply you with that correspondence and any other. Please keep in mind, however, that I am not speaking for the Commission.

Mr. JASINOWSKI. Fine. Thank you.

Ms. FALCONE. Would you have any comment on that, Mr. Hightower?

Mr. HIGHTOWER. Well, the gentleman remarked that there is no reason why we should not continue further study in the Washington, D.C., area. It seems to me we do not need further study. The evidence is so clear, we need some action.

Mr. JASINOWSKI. I would like to shift a little bit to the discrepancies, but the wide difference of opinion between some of the things Mr. Paarlberg said earlier this morning, and what seemed to be the positions taken in some of your testimony, particularly in the testimony prepared by Mr. Hightower.

First of all I would like to turn to the middleman issue which, although Mr. Paarlberg, who was somewhat critical of, he was not especially critical of, whereas on the other hand you are extremely critical of, and I would like to focus within that area of questioning now on first of all profits.

Now, on first of all profits, now he indicated, Mr. Paarlberg, that is, that profits were not all that high for a good many of the retail firms and some of the processors, and you quoted the return on sales figures.

I wonder if we can now have both or all three of the witnesses respond to what they think Mr. Paarlberg's treatments of profits were in his testimony.

Ms. DeMarco. He used a phrase that "they were attempting to recoup losses." That implies a number of things. First of all, it implies that there were, in fact, losses. I was in the Department of Agriculture interviewing a person, who will remain nameless, the day the freeze on meat prices was announced. I said to him, "well, I guess the consumers won a battle, didn't they?" His reply to me was, "you think so, huh?" He said, Briggs was in there a week ago furious that they had just found out that the freeze was going into effect and they only had a week to raise their prices in anticipation of the freeze.

Second, it also assumes that they have the market power to keep prices high at a time when farm prices are falling. In short, they have monopoly power or oligopoly power. If we really had the free market system which the USDA talks about all the time, obviously the firms would begin to compete on prices and, in fact, have to lower their prices. And that has not, in fact, been the case.

Mr. Jasinowski. Mr. Hightower.

Mr. Hightower. I would like to add one point that I think will clear up some of the difference between what Mr. Paarlberg says about profits and what we say. Mr. Paarlberg is talking about industrywide profits. I mentioned earlier there were 32,000 food manufacturing firms, but 100 of those make 71 percent of the profits. He is talking about the 32,000 food firms. Now, all of those did not make such great profits. The smaller guys are not making big amounts of money. But you have to look at the giant, brand-name firms separately.

When you look at the Business Week assessment, which is based on, I believe, the largest 1,200 companies in America, you will see that the profits of the big firms getting into the 100 there are high indeed, and that the margins are good and solid, and that the profits are very solid.

Mr. Jasinowski. Mr. Parker, you explained earlier for the committee the difference between rate of return on sales and rate of return on equity, and that was very useful.

Would you like to elaborate further on that or make any other comment about the adequacy of the way Mr. Paarlberg presented his profit figures and the way you think it ought to be done?

Mr. Parker. Well, the relevant profit ratio for an investor is rate of return on invested capital. Mr. Paarlberg just reported the data for the most recent quarter which shows a substantial increase. A profit-to-sales ratio is often very misleading as an indicator of rela-

tive industry profitability. The amount that the retailer gets for his services is his gross margin which is low as a percent of sales; less than 20 percent. One way to look at it is that a 1-percent after tax profit rate on sales, which is equivalent to a 2-percent before tax rate, equals a 10-percent profit to gross margin or value-added profit rate. That is a high rate of return.

Another thing to keep in mind is that when discounting has invaded markets, prices have gone down much more than 1 percent. The reason is that retailers became more efficient by cutting costs. One characteristic of many grocery markets which was talked about very much in the trade press during the 1960's was a phenomenon called overstoring. The industry simply built too many stores to serve the public efficiently. In other industries this is called excess capacity. If you have too many stores it means that your average per unit costs are higher than they need be. Discounting in many areas has resulted in a reduction of this kind of excess capacity. Higher cost stores were forced to close and average industry costs were reduced. The lower costs have been passed on to consumers in the form of lower prices.

I mentioned before that discounting is usually associated with the cutting out of the frills, such as trading stamps, games of chance, and services. Some of these services are beneficial to consumers. It is apparent that when consumers were given the choice of lower prices or services, many chose the lower prices.

Mr. JASINOWSKI. As you recall, Senator Humphrey asked Mr. Paarlberg to cooperate with the subcommittee to develop better figures on profits, and he agreed to do so.

Can you tell the subcommittee what analysis the FTC is presently making of the food industry's profits and how you could help us educate our members and the public about profits in the food industry better?

Mr. PARKER. One of the problems with any analysis of profits is the fact that large corporations are becoming diversified. The fact that all of I. T. & T. is put in the fried baking industry for the purpose of computing that industry's profits gives you some hint of the problem. I would estimate that, in fact, I. T. & T. makes less than 10 percent of its total sales in bread baking, yet bread baking is its primary domestic activity. When you compute profit ratios by classifying the consolidated reports of large food companies into industries on a primary activity basis you get mostly garbage. In the cast of I.T. & T. you get nearly $10 of garbage brought into the profit calculations of the baking industries because of I.T. & T.'s other activities for every dollar of good data.

The profit data that you get when you do down to more narrowly defined industrial categories is substanial. Even at the two digit major group level which combines all food and kindred products industries into a single category, the garbage ratio approaches a third. In other words, for every $2 of good data, there is a dollar of garbage.

When you get down to, say, the dairy industry, which is a four digit industry, only three of the eight largest firms are primarily classified in the dairy companies. Five of them are classified in other industries.

Mr. JASINOWSKI. The items you mentioned are significant problems which we appreciate, but on the other hand, we need better data on profits.

Now, it seems to me one way to improve on that, of course, would be line of business or line of product reporting.

Could you tell the subcommittee if there are any new developments on the Federal Trade Commission's implementation of line of business reporting that would allow us to deal with the exact problems you raised?

Mr. PARKER. I have been director of the FTC line of business program for the last 4 years and thanks very much to the aid of Congress, particularly in the passage of the FTC amendments to the Alaska pipeline bill, we have been able to move forward and to clear a line of business form. Last week the GAO, which reviews data gathering forms for independent regulatory agencies under the provision of the Alaska pipeline amendment, cleared our form. This permits us to mail it out to the 500 largest U.S. corporations. The list should include, I would estimate, 25 to 50 food manufacturers.

Mr. JASINOWSKI. How soon can we expect any results from that activity?

Mr. PARKER. The first forms that go out will collect data for 1973; 1973 is defined to include companies with fiscal years ending between July 1, 1973, and June 30, 1974. This first year we will be collecting only partial data, primarily sales and direct cost information.

The reason for not collecting every item on the form for 1973 is companies will be having to do it retroactively since most companies fiscal years will have already closed. Now, in 1974 which begins with fiscal years which close after July 1, 1974, but before June 30, 1975, we will be collecting data for the entire form.

As far as the publication and release of the data collected, I would anticipate that late this year or early next year some of the tabulations of 1973 data will be available. The first 1974 tabulations will be available a year after that.

Ms. DEMARCO. I would just like to make an observation. It is my understanding there was an amendment to the appropriations bill for the FTC, that the line of business reporting ought not to be funded. I do not know what has happened to it. Supposedly, there was a major fight going on in the Senate to reinstate funding. I think failure to fund line of business would be a disaster. It is needed to gather accurate statistics.

Mr. JASINOWSKI. I think we will be in it. Perhaps Mr. Parker can tell us.

Mr. PARKER. Unfortunately there is still a threat. At least that is what I read in the newspapers. I really have no personal knowledge of what our House Appropriations Subcommittee is going to do. The Commission has received a letter which is a matter of public information, saying that our Appropriations Subcommittee has substantial questions about the line of business program. People far more knowledgeable than I have interpreted this letter as indicating that it is very likely that the Appropriations Subcommittee will put a rider on our budget similar to what they did in 1963 in connection

with our proposed corporate patterns survey of that year. A rider similar to that would say we could not use any of our budget for purposes of line of business. Of course, if that happens, it would kill the program.

Mr. JASINOWSKI. If I recall, several Senators signed a letter asking that line of business reporting be incorporated. I recall Senator Proxmire was one of the Senators who was leading that effort. I will be sure to bring it to Senator Humphrey's attention and find out where it is now, and continue to support that effort.

Mr. PARKER. In my judgment it would be a disaster at this time if that program were not allowed to go through.

Mr. JASINOWSKI. I wonder if we could turn and ask Mr. Hightower and Ms. DeMarco if they have suggestions for how we can improve the profit data for the food industry beyond what we have already discussed in terms of line of business reporting?

Mr. HIGHTOWER. The only general guideline I would make is one that I drew earlier between what we have been saying and what Mr. Paarlberg said, and that is, it is one thing to get industrywide profits, but another thing to look at the profits of industry leaders within product lines, and I think that is the one thing that is going to be useful.

Mr. JASINOWSKI. That is a very good point.

Ms. FALCONE. I wanted to ask you a question, Mr. Parker.

Does the Cost of Living Council have any information that could be useful as far as line of business reporting that it has not published yet that we might ask them to work on?

Mr. PARKER. Yes, the Cost of Living Council does have information which would be quite useful. These are data from their CLC 22 form which requires companies to submit cost justifications for price increases on a line of business basis.

The Hathaway amendment to the legislation extending the authority of the Cost of Living Council required the Cost of Living Council to publically disclose that information. The Cost of Living Council issued guidelines in response to the Hathaway amendment which in my judgment—I should mention I am not a lawyer—which effectively nullified its intent. Subsequently, the Cost of Living Council was sued by Consumer Union and I believe they achieved an initial victory in that suit.

Ms. FALCONE. In the Agribusiness Accountability Project statement, an FTC study was mentioned which determined the amount of money that farmers had lost because of monopoly in the farm machine industry. I am not sure which study they were quoting from, but has the FTC done anything like this for food retailing or for food processing, like the amount of money that consumers have paid over and above what they would have had to have paid if monopoly or oligopoly did not exist in processing?

Mr. PARKER. There have been some estimates which were made in an internal staff paper. One of the problems with those estimates was that they substantially understated the amount of consumer loss involved. One of the characteristics of oligopolistic and monopolistic industries is that they are inefficient. They are inefficient not only in terms of marketing costs such as advertising but also in terms of

unnecessary production costs. These higher costs were not included in the consumer loss estimate. They can be substantial as indicated by some of the classic European cartels which simply fell apart because they were so blasted inefficient. They fell apart even though they were charging extraordinarily high prices. Monopoly loss estimates for these cartels based on the excess profits type estimating model used in the staff paper would be very low.

Ms. FALCONE. Do you think we can get a hold of some of these estimates, even if they are low?

Mr. PARKER. I am not at liberty to release them.

Ms. FALCONE. I know you are not, but we can ask.

Mr. PARKER. I suggest that you write to the Commission.

Mr. HIGHTOWER. The estimates themselves have been published. They leaked from the staff of the Federal Trade Commission, and the estimates of the overcharge to consumers in 13 food lines is $2.3 billion. As Mr. Parker says, that figure is a serious understatement of the real overcharge. The study was made available—well, the FTC commissioners would not release the study, or would not even say that it was a study, but they would not deny that the study was done and that it existed, and they did make it available to Chairman Rodino of the House Judiciary Committee and his staff in 1973. A summary of the study was published in the antitrust law and Economic Review in 1972, and we would be happy to make available a copy of that summary to the committee.

Mr. JASINOWSKI. Fine. We would appreciate having that.

I would like to return back to the middleman issue that was raised by the difference beteween Mr. Paarlberg's testimony and your testimony. We have already discussed profits at some length. I would now like to turn to the fact that Mr. Paarlberg documents in some detail the various cost factors that cause the markup to increase. It is not as if the markup increases out of thin air. He has a chart near the end of his prepared statement where he talks about the components of the bill for marketing farm foods. It is figure 4. And we have packaging, transportation, labor costs being the primary cost factors.

Now, how do you meet the argument made by many—and I address this to the whole panel—that the markup is increasing, but it is increasing primarily because of cost factors having to do with general inflation in the economy, and that the middleman is truly caught in the middle and not, in fact, as the Agribusiness Accountability Project argues, taking advantage of both the consumer and the farmer?

Ms. DEMARCO. I have not really had a chance to study this, obviously, but quickly looking at it, you take the 3 percent for advertising. Well, that would be in on all farm foods, and as you know if you watch television, a good deal of food products are not advertised at all.

When is the last time you have seen an advertisement for wheat, or when is the last time you have seen an advertisement even for fresh fruits and vegetables? So in a particular line the advertising expenditure may be enormous, and account for, as Mr. Parker said, internal inefficiences. So that 3 percent is a general figure that would be irrelevant, for example, if you were ITT's Continental Bakeries,

which spends $5 million a year to advertise Wonderbread, or $8.5 million a year to advertise Hostess Cake products.

Mr. JASINOWSKI. So this returns to Mr. Hightower's earlier point that you have to look at just the largest firms rather than all of the firms.

Ms. DeMARCO. Yes, and you have to take it by product lines also.

Mr. JASINOWSKI. Mr. Parker.

Mr. PARKER. I think if you look at the overall price increase in the last 2 or 3 years, that you would have to conclude that the greatest explanation would be factors relating to overall inflation, and to other factors such as the Soviet wheat deal and possibly to administrative increases in milk marketing order prices. However, what is very important is the fact that many food product prices are too high and that they could be reduced substantially if there were greater competition in their industries.

Mr. JASINOWSKI. So you disagree to some extent with the Agribusiness Accountability Project people, but you put yourself between Mr. Paarlberg's presentation and their presentation, I take it.

Is that a fair characterization?

Mr. PARKER. I was not conscious of putting myself in any such position.

Mr. JASINOWSKI. Well, it is very difficult to know just how significant the market strength of the middleman is. It is a very big controversy as anyone who has looked at it knows, and we are trying to get some better feel for just how much there is to the charge that the middleman is in fact the one who has most of the power. The Agribusiness Accountability Project group has made a very, almost unqualified charge against that group. Mr. Paarlberg, on the other hand, said a lot of it was just circumstances beyond their control.

It sounds as if you are saying that that was a major part of the recent price increases, but there are substantial savings that could occur because of either waste or the exercise of market power.

Mr. PARKER. Yes, let me clarify one point, and that is that a rational monopolist or group of oligopolists would attempt to maximize their profits not only this year but last year, the year before and so on. I would not expect to find monopolists suddenly realizing for the first time during this last year or so that they could raise prices above competitive levels.

Mr. JASINOWSKI. Yes, that is a very good point.

Mr. HIGHTOWER. Could I make one more comment on that? And that is, the impact of vertical integration in the food industry. This is a very neat breakdown in this chart, and it implies that food firms are paying for advertising, for rent, for transportation, for packaging. Yet, within many of these companies, all of that is internal. These functions are vertically integrated.

Del Monte owns its own transportation facilities, it makes its own tin cans, it makes its own labels, it owns its own buildings, so it is paying rent to itself. It is making profits at a lot of different levels in there.

So this chart does not reflect the enormous amount of vertical integration that exists within the food industry.

Ms. FALCONE. It was my understanding that the Agribusiness Accountability Project group was conducting a study of how increased energy costs would affect food prices.

Is that right?

How far have you gotten on that?

Ms. DeMARCO. No, we are not doing that. I am working on a TV documentary that is addressing the energy costs on our food system, and we have gotten essentially to the outline of the program which has been accepted by the local educational television station.

To make a kind of general statement, which again, I do not speak for the coalition, there are about 80 community groups that are putting on a series of shows. I do not speak for the coalition, but the indication is, and I do not think USDA would deny this, that we are heading into a highly mechanical, technological agriculture or we are there in fact. In fact, I call it the domestic grain revolution, that we are highly dependent on fossil fuel, not only for gasoline and diesel that runs the machinery and the increased use of machinery in terms of size and horsepower, but also the fossil fuel that goes into the manufacture of pesticides and fertilizers, and the kinds of products that are high yield gains are dependent upon, and the lack in USDA of alternate, low energy research, you know, to be fair about it, as long as energy is cheap, it is obvious that we are going to go in that direction, but as energy costs begin to rise, there is a question of whether we want to hinge our agricultural productivity on energy input. It seems to me fairly suicidal since it is a nonrenewable energy source.

Mr. JASINOWSKI. I would like to put one last question to the Agribusiness Accountability Project group.

In this area of to what extent concentration in the food industry is the cause of many of the ills in the food industry, we have talked about profits and we have talked about the markup, now I would like to make one last question a little bit more general. In your presentation you paint the picture of, that because of high concentration, most of the ills of the food industry have occurred.

I found in going over the testimony, though, that there were not a lot of specifics about the kinds of ills, the kind of general allegations that high prices result, to document what are the kinds of deficiencies we have in the food industry, and I do not say that as a criticism because you cannot do everything in one testimony. So I raise it more as a question of information.

Are there other significant deficiencies in the food industry that you would like to note now as a result of this concentration, or would you like to add additional information for the record that the subcommittee could use in its subsequent hearings, giving us some idea of what lines of inquiry we might pursue that would tell us more about deficiencies you feel result from these high levels of concentration.

Mr. HIGHTOWER. Yes, we would, some of which Mr. Parker included in his testimony of reliance on advertising, the enormous expenditure that is going into advertising. I know the Department of Agriculture says we are shifting from an orientation in the food

economy away from the raw commodities, which is a shift away from farmers to sophisticated products and services which they define as being in your ready prepared food products and fabricated food products, and fast food chains and those kinds of factors.

What that really means is a shift toward manufactured food products, away from the basics, away from food as a staple, and more to food as a manufactured commodity. It is just as though we had automobiles and television and the rest of the economy now all in oligopolies and monopolies; all of their ills affect the food industry, more reliance or more concern with shelf life, for example, of a product than with the taste or the nutrition of the product. The nutritional value of our food products has been going down for 20 years, and fat consumption goes up as we rely more and more on the fast food chains and processed foods, which are less nutritious. More payment for packaging and for advertising than for the food stuff itself, no clearer example than the breakfast industry, where the classic study was done by the Federal Trade Commission when they had a complaint that four firms control 91 percent of the market, and the Federal Trade Commission decided to get in on it.

But what is apparent there is more reliance on packaging, more reliance on jingles, slogans, and coloring for the commodity at all. It is being applied throughout the food industry.

So that aspect of it. In particular, I think, vertical integration. The last competitive segment of the food economy is the production segment, the farmers. Now we are shifting to a food policy both by corporations and by Government that will absorb that competition into the least competitive segment of the industry, and then farm production itself will be tailored to meet the advertising needs of these corporations.

There are so many of them, we do have a number of papers which we would be happy to submit to you that get into some of these issues.

Senator Humphrey earlier talked about capital outflow from this country. Now, there are a lot of ways, as Mr. Parker indicated, to hide the fact that you are making a lot of profit, and one is to invest that money in a lot of different ways. That is being invested out of the country today. Food processing firms are fleeing this country in pursuit of cheap labor. Del Monte has moved from Hawaii to the Philippines for pineapple, a movement to Mexico for asparagus, fresh fruits, and vegetables, a movement to Kenya, all out of this country, that is taking capital out.

Mr. JASINOWSKI. I think what might be useful to the subcommittee is just a brief description of some of the major areas that you feel deserve further investigation so the subcommittee can have those.

Do you want to add anything at this time, Ms. DeMarco?

Ms. DEMARCO. Just to say that much of the economic data, as your question was put to Mr. Parker, is simply not available. You have to look at trends for indications of where we are going, particularly, for example, in energy use in food productions. The data has just not been compiled, so you have to look at trends and public policy statements to make a determination of what is going to happen in the future.

We are seeing an economic phenomenon in this country where when sales decrease, prices increase. That ought to give you some indication of the situation we face. I mean, there is no "free market system" in this country in most industries. General Motors and Ford have a sales decrease in 1973, and so they increase their prices.

Mr. JASINOWSKI. I do not think there is any difficulty in making the charge that that is true in many industries. It is a little more controversial in the food industry, and that is what we hope to resolve one way or another.

Mr. Parker, would you like to add anything to that question?

Mr. PARKER. I would like to suggest that I submit our earlier economic study and our recently completed white paper on line of business which will outline how data in this area will be improved by the project.

Mr. JASINOWSKI. Without objection, we will be pleased to have that.

[The economic study and white paper follow:]

THE FEDERAL TRADE COMMISSION LINE OF BUSINESS REPORTING PROGRAM

BUREAU OF ECONOMICS STAFF REPORT

INTRODUCTION

Few actions contemplated by the Federal Trade Commission have attracted as much attention and criticism from industry as the proposed Line of Business (LB) program. The Bureau of Economics staff has attempted to be responsive to suggestions and criticisms of industry and to devise a program which simultaneously serves the pubulic interest and satisfies a feasibility criterion. It admits that it has made mistakes. It has tried to learn and to improve the program in response to constructive suggestions from many interested parties including business concerns, accounting firms, and other government agencies. However, it is also clear from the opposition its efforts have evoked that an unusually sensitive nerve has been struck. In this paper the economics staff seeks to clarify the rationale for the program and to assess the principal criticisms. The report deals in turn with the background of the program and its uses, the meaningfulness of statistics to be collected, the burden which will be imposed upon complying corporations, and the problem of confidentiality.

THE PROGRAM'S HISTORICAL BACKGROUND

Government efforts to induce disclosure of business corporation operations are no new development. Even before he was elected to the Vice Presidency, Theodore Roosevelt concluded a January 3, 1900, address on the "trust" problem :

It is therefore evident that publicity is the one sure and adequate remedy which we can now invoke. There may be other remedies, but what these others are we can only find out by publicity, as the result of investigation. The first requisite is knowledge, full and complete.[1]

This view was instrumental in Roosevelt's creation in 1903 of the Bureau of Corporaitons, whose prime mission was to investigate and publicize the activities of monopolistic business corporations. During its short history, the Bureau conducted numerous studies of lasting importance, including those on such major industries as meat packing, steel, tobacco, and petroleum refining—forerunners of major antitrust actions.

Successor to the Bureau of Corporations was the Federal Trade Commission, one of whose main functions, President Woodrow Wilson recommended to a joint session of Congress on January 20, 1914, would be to serve as an "indispensable instrument of information and publicity."[2] Since that time the FTC

[1] Theodore Roosevelt, *Works*, National Edition, Volume XV, pp. 42–47. See also William Letwin, *Law and Economic Policy in America* (Random House, 1965), Chapters 6 and 7.
[2] 51 *Congressional Record* 1962 ff. See also S. E. Boyle, "Economic Reports and the Federal Trade Commission : 50 Years Experience," *Federal Bar Journal*, Fall 1964, p. 501.

has continuously carried out programs to make qualitative and quantitative information on corporate performance available to Congress, government executive agencies, and the general public.

Legislation resulting substantially from FTC reports included the Export Trade Act of 1918 (Webb-Pomerene), the Packers and Stockyard Act of 1921, the Radio Act (1927), the Federal Communications Act (1934), the Federal Power Act (1935), and the Celler-Kefauver (antimerger) Act (1950). At the time of the "Great Crash" in 1929, the FTC was studying stock manipulation and other problems in securities markets. It subsequently recommended that another permanent independent regulatory commission be established to specialize in securities regulation. Congress acted and established the SEC, which in fact was housed in the FTC during the first years of its existence.

In the late 1930's the Commision became the fact-finding and research arm of the Temporary National Economic Committee (TNEC). It produced major studies for the TNEC on monopoly performance in five industries and on the relative efficiency of small, medium, and large business organizations. In 1938 it began a permanent program for current profit information reporting. This soon became a tool in our World War II mobilization effort. The Commission's expertise also proved to be invaluable in several wartime studies of costs and efficiency. Following World War II, the FTC's profit reporting program evolved into what is now the *Quarterly Financial Report* series, subscribed to by several thousand government, business, and educational organizations.

<center>RECENT CORPORATE REPORTING DEVELOPMENTS</center>

During the past two decades the problems faced by such agencies as the Federal Trade Commission, the Securities and Exchange Commission, and the Internal Revenue Service in attempting to make useful information available on industries' financial performance have been aggravated by new corporate structural developments. A massive and continuing merger wave following World War II greatly increased the concentration of assets among the largest manufacturing corporations. In the 1960's this merger movement became more and more conglomerate in character. As business firms merged or expanded to embrace under one corporate roof an ever wider array of industrial and commercial activities, it became inceasingly difficult to determine from the various published financial reports what was happening in any given narrowly defined industry. Conglomerate corporations typically publish only very limited details on their operations broken down by product line, and the product lines they choose to single out are characteristically much too broad to afford real insight into particular industries' functioning. Lacking disaggregated line of business data, government and private financial statistical reporting agencies are forced to prepare their industry analyses by assigning the data for a whole company to the industry in which the company has its largest sales volume—that is, to its so-called "primary" industry. Using this approach, figures for such performance indicators as industry profitability or advertising outlays include amounts derived from products sold by firms assigned to that industry, but which do not really belong in the industry. At the same time, figures are excluded for relevant products which are produced by firms not primarily classified in the industry.

To elucidate this joint, we begin by noting that the number of domestic four-digit SIC manufacturing industries in which the 200 largest U.S. manufacturing companies participated increased from an average of 13 in 1960 to an average of 20 in 1968. This means that on the average, the use of the primary classification method to construct four-digit industry profit tables from data supplied in the consolidated company reports of the 200 largest manufacturers would cause contaminating data from 19 secondary activities to be in with relevant data for the primary industry. Since 1968 the statistical situation has worsened as large companies have continued to diversify.

The effect of multi-industry participation is seen more concretely in statistics for a sample of some 136 corporations that have submitted Pre-Merger Notification data to the FTC since 1969. The sample included all companies which submitted such reports and which ranked among the top 500 U.S. manufacturing corporations. A tabulation of the detailed sales figures submitted by the companies, after their sales were classified into the 219 manufacturing industry categories proposed for the FTC Line of Business reports, shows that these

companies were 43 percent specialized to their primary FTC line of business.[3] In other words, for each dollar of relevant data the average company contributed to its primary line of business, it contributed $1.33 of contaminating data— data relating to the secondary activity industries in which it participated. Considering that the 200 largest manufacturing corporations account for 60 percent of all manufacturing assets and the 500 largest 73 percent, it is apparent that profit summaries based upon the assignment of whole companies to a specific industry or line of business are highly misleading.

Table 1, reproduced from the FTC staff's 1973 *Economic Report on the Dairy Industry*, illustrates the problems encountered under the primary industry classification approach. It shows that of the top eight fluid milk processing companies, only the three largest were primarily classified to that industry in 1967. Those three companies alone simultaneously carried secondary activity data into fluid milk industry profit tabulations equal to 37 percent of the total sales of the fluid milk industry. Since much of the milk industry's output was actually classified in other industries, the overall contaminating effect of this secondary activity data on fluid milk processing industry profit rates was even greater.

Similar problems exist in many other lines of business. One additional example is useful. Of leading computer mainframe manufacturers during the 1960's, seven firms—Sperry Rand, Control Data, Honeywell, RCA, General Electric, NCR, and Westinghouse—filed Pre-Merger Notification forms with the FTC. On the average those seven firms were less than 15 percent specialized in the computer industry, and all but two were primarily classified in other industries. Although authenticated product data for IBM are not available in Bureau of Economics files, published accounts indicate that nearly half of IBM's business activity is abroad and as much as 75 percent of its profits come from foreign sources. It seems quite clear that using whole company data to tabulate profit or other performance indicators for the domestic computer industry would not yield even a remotely accurate view of what is happening in that important field.

TABLE 1.—DIVERSIFICATION OF THE 8 LARGEST FLUID MILK PROCESSORS DURING 1967

Largest dairy companies	Company's share of fluid milk industry shipments, percent	Is company primarily classified as a fluid milk products processor?	Percent that fluid milk product shipments are of the value of total company shipments	Nonfluid milk product shipments of this company as a percent of the total shipments of the fluid milk products industry
Borden	6.3	Yes	32	13
Kraftco	6.2	Yes	28	16
Beatrice	4.1	Yes	35	8
Top 3	16.6			
Average			32	
Total				37
Foremost	3.4	No	19	(²)
Southland	2.2	No	¹ 25	(²)
Safeway	2.2	No	¹ 5	(²)
Dairylea	2.1	No	Low	(²)
Carnation	1.9	No	22	(²)
Top 8	28.4			

¹ Estimated.
² Not computed because companies are not primarily classified in the fluid milk products industry.

Source: Bureau of Economics, Federal Trade Commission.

Matters would be improved if company financial statements provided a more detailed picture of activities in specific product lines. In 1969 the Securities and Exchange Commission began requiring registered corporations to disclose line of business revenues and income on certain SEC disclosure statements. The rule was later extended to include annual 10–K reports to the SEC. The purpose

[3] Although the sample of companies tended to include the more merger-active firms, it tended to exclude the large, older conglomerates, and it did not take into account any increase in diversification due to the acquisition about which the FTC was notified.

of this rule is limited, however. The SEC is preoccupied largely with the information requirements of individuals or organizations investing in particular *firms*. It is not concerned with the problems of persons attempting to analyze the performance of industries, nor does it require firms to supply their information at any sharply focused level of detail. Companies define their own data submission categories, and they are their own judges of reasonableness and relevance.

Regarding the number of categories, the SEC rule states that corporations with assets of more than $50 million are required to report on lines of business that comprised 10 percent or more of sales. A sample of SEC reports for 1970 shows that companies having half a billion dollars or more in assets reported 40 percent of their activity in categories that lumped together operations in different major two-digit SIC industrial groups. Examples include the scrambling of such diverse activities as home construction with automobile rentals, publishing, and training schools; or the manufacture of eyeglasses with sporting goods and mobile homes; or yacht construction with the manufacture of textile machinery and information processing devices; or women's fashion clothes with medical diagnostic services.

A Bureau of the Census tabulation based on 1963 data shows that even if the largest corporations applied the SEC 10 percent rule with respect to each broad industry category used by the Census Bureau for classifying enterprises. they would only have to report separately on a small percentage of the total number of industries in which they participated. The 50 largest corporations would have to report on only 14 percent of their categories, while the 151st to 200th would report on 40 percent. Changing the rule to a fixed $25 million dollar standard would increase the number of reporting categories to 42 percent for the 50 largest manufacturers. The $10 million FTC line of business rule would of course be much more inclusive.

To sum, the spread of the conglomerate phenomenon has made it increasingly difficult and in many instances impossible to obtain a reliable, undistorted view of the financial performance of many important American industries. Relative to Theodore Roosevelt's demand for "knowledge' full and complete," there is now a critical dearth of needed statistical materials. This shortcoming desperately needs to be remedied.

THE NEED FOR ACCURATE INDUSTRY PERFORMANCE DATA

Comprehensive, well-focused information on profits and other measures of industry performance is desirable for a number of reasons. Perhaps most important, the industrial economy can operate efficiently only if there are clear-cut signals guiding the allocation of resources into those fields where buyers' demands are incompletely satisfied relative to the cost of supplying additional output, and away from areas in which supply is excessive in relation to demand. Profits play a crucial role in this signaling process. The improved profit data provided by the LB program will help companies, individual investors, and the Federal Trade Commission make better-informed decisions, with a direct impace on the efficiency of resource allocation.

One impact of LB will be to help point out those industries in which demand is inadequately satisfied and as a consequence profits are particularly high. Thus, it will show where existing companies can profitably invest in expanded capacity and new competitors can enter. Granted, existing producers usually have internal data to guide expansion decision, and outsiders in the best position to enter may know enough about potential operating costs that they might base competitive entry decisions on comparisons of price vs. cost rather than mere observation of prevailing profits. But even for most-favored potential entrants, such price-cost analyses require intensive managerial effort, and the effort is often not undertaken unless management is stimulated by knowledge of continuing high profit realizations by insiders. Line of Business data will accelerate this recognition process. As a DuPont executive complained. "It could lead other companies to concentrate on our most profitable lines." [4] The information will also permit insiders to compare their own profit results with those of a larger sample of industry participants, prodding them to introduce cost-saving production methods or improved products when the comparison is unfavorable.

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[4] "A Showdown over Product-Line Data," *Business Week*, October 13, 1973, p. 26.

Another force potentially disciplining the allocation of resources is the decisions of investors, large and small, in the securities markets. When a line of by issues is profitable, investors bid up the price of the participating firms' stock, facilitating expansion. When a line is unprofitable, stock prices should be depressed, discouraging expansion and encouraging the timely withdrawal of resources to more remunerative lines. Yet when the returns of both profitable and unprofitable ventures are scrambled together in conglomerate corporations' reports, it is much harder for investors to exercise this selectivity so important to the proper allocative functioning of capital markets.

When an industry is growing only slowly or declining, this element of discipine through investor choices is attenuated even more sharply, since management may be able to finance all desired new investments using retained earnings. Here serious resource misallocation may occur, recent economic research suggests. Baumol, Heim, Malkiel, and Quandt found that on the average, large U.S. corporations earned much lower returns on reinvested retained earnings than on new equity issues—quite possibly because corporate managers prefer to continue building their own sales empires even when it is unprofitable, rather than distributing more earnings to shareholders (and through the individual income tax, to the Federal Treasury).[5] These results have been critized on various statistical grounds, in part because the data with which the economists had to work are so deficient due to conglomerate scrambling.[6] More recent research by Professors Grabowski and Mueller suggests that the problem of unremunerative investment is centered mainly in the less dynamic firms, where the conflict between managerial empire builders and stockholders is sharpest.[7] Grabowski and Mueller also discovered that investors show their displeasure over excessive earnings retention in non-dynamic industries by bidding down the prices of such companies' common stock shares, in extreme cases rendering the firms vulnerable to a take-over raid and perhaps ejection of the incumbent management. Yet the ability of stockholders to exercise this indirect form of discipline is severely impaired by the scrambling of returns for stagnant with dynamic industries in conglomerate corporation reports. Publication of the Line of Business profit data would help stock analysts and ultimately investors make decisions which force managers to use the resources at their command efficiently.

If new competitive entry and expansion investment encouraged by investor share bidding fail persistently to reduce profit returns in some industries to the level of capital costs, monopoly may be to blame. Intervention by the antitrust agencies may then be appropriate to create conditions conducive to levels of capacity investment and output responsive to consumer demands. Line of Business profit data will be a valuable tool in helping the enforcement agencies direct their activities toward those industries where the market is malfunctioning most seriously. To be sure, they cannot be used as the sole and decisive indicator. Profits may be persistently high because of socially important scale economies or because firms have developed superior new products or processes protected by valid patents. Or profits may fail to be abnormally high despite the presence of monopoly because companies are inefficient and have opted for "the quiet life." Line of Business data can never be a deus ex machina by which antitrust enforcers unwaveringly identify monopolistic industries. But they can be an important component in the enforcers' arsenal, helping to select industries for further investigation, to evaluate the quality of specific industries' performance, and to use the limited investigatory and adjudicative resources at their disposal more wisely. Through the more rational allocation of antitrust resources, the overall allocation of America's industrial resources will in turn be improved.

Here other outputs of the LB program also become relevant. To assess the quality of an industry's performance, one must evaluate not only profits. but also technological progressiveness. promotional expenditures. inflationary or counter-inflationary cost trends, and a variety of other indicators. Data on such performance variables for narrowly-defined industries range from meager to non-existent. For instance, it is widely believed that very high promotional

[5] William J. Beaumol. Peggy Heim, B. G. Malkiel, and R. E. Quandt, "Earnings Retention. New Capital and the Growth of the Firm." *Review of Economics and Statistics.* November 1970. pp. 345–355.
[6] See the comments by Irwin Friend, Frank Husic. and George A. Racette and the reply by Baumol et al. in the *Review of Economics and Statistics.* February 1973. pp. 122–131.
[7] Dennis Mueller and Henry Grabowski. "Life Cycle Effects on the Return on Corporate Retentions," Cornell University. mimeograph. 1974.

outlays are an indicator of possibly deficient industrial performance. There have been many studies of the relationships between advertising outlays, concentration, and monopoly power. Still it is probably true that in most industries, expenditures for personal sales representation and other non-advertising promotional efforts are considerably greater than advertising outlays. Almost no reliable data exist on such expenditures, and as a result it is extremely difficult to assess their competitive significance either in general or in specific industries.

This problem extends beyond the sphere of antitrust law enforcement. The Federal Trade Commission has since its inception been charged with carrying out research and maintaining expertise concerning the functioning of the industrial and commercial economy. As corporations evolve in increasingly conglomerate directions, it becomes more and more difficult to analyze in detail what is happening in the mainstream of the American economy. Yet if public confidence in our private enterprise economy is to be maintained, an atmosphere of openness and understanding is imperative. Implementation of the Line of Business program will reverse the trend toward decreased transparency of industrial activities and make it possible to begin reestablishing the much-needed base of knowledge and understanding.

No time could be more propitious for this reversal than the present. Now that formal economic controls have been abandoned, the U.S. economy is certain to go through a period of dramatic change. Without much better data on individual industries than those which now exist, it will be impossible to analyze the structure and dynamics of those changes and to pinpoint the reasons why inflation persists or is dampened. Line of Business reporting will facilitate such analyses and (perhaps even more important) will mobilize public scrutiny as a check on industrialists who might be tempted to exploit their unleashed market power to raise prices and profits unconscionably. It may also discourage repetitions of problems like those involving world-spanning petroleum conglomerates during the crude oil crisis of recent months. Before the U.S. Congress, the leading companies testified that most of their substantial profit increase during the last quarter of 1973 and the first quarter of 1974 was attributable to European operations. But in hearings before the German Federal Cartel Office in April the same companies (while declining to provide detailed supporting data) argued that their profits could not be traced to German sales, even though wholesale fuel oil and gasoline prices before taxes in Germany tended to be higher than in most other Western European nations. Such "profit, profit, who's got the profit" games undermine public confidence in conglomerate business. In Western Germany, a bastion of private enterprise since the 1955 occupation cessation treaty, one nationalized petroleum enterprise has already been created during the past year. The recent behavior of American and British oil conglomerates has spurred serious talk of further nationalization.

In 1974 as in 1900, nothing can be more damaging over the long run to public confidence in private enterprise than an attitude among big businesses that the public has no right to know. Antitrust enforcement in America has long been viewed as a substitute for regulation or the more drastic remedy of nationalization. If its effectiveness is thwarted by the increasing difficulty of getting data by which industrial performance can be evaluated, more drastic approaches will sooner or later gain support. The Line of Business program, by supporting the natural workings of the competitive market process and by increasing the effectiveness of antitrust enforcement, is in a real sense a program which may save private big conglomerate enterprise from its own lemming instincts.

THE MEANINGFULNESS OF LINE OF BUSINESS DATA

Many criticisms have been raised by industry representatives concerning the limited meaningfulness and accuracy of the proposed Line of Business reports. Some of this criticism is undoubtedly attributable to the natural propensity for participants in a debate involving vital conflicting interests to portray their opponents' case in something less than the most flattering light. Still valid critical points have also been raised, and the FTC staff has tried hard to improve the LB program so that it will be as effective an instrument of information provision as is possible within reasonable cost constraints. In the pages which follow we describe the adaptations which have taken place and answer prominent criticisms which we consider to have little or no merit.

The arbitrariness of cost allocations

A recurrent critical theme in comments on line of business reporting is that the difficulties in allocating common costs are so great that such reporting would yield data which are meaningless. Common costs exist if it would cost more to produce several products separately than it does to produce them together. The argument here is that any allocation of common costs to the products is arbitrary. If the assignment of costs is arbitrary, it is claimed, then profits reported for the diverse lines of business must also be arbitrary. And finally, since the profit data are subject to arbitrary cost allocations, they should not be used in economic analyses.

There are several reasons why we reject this argument. One is that it is essentially an argument against using *any* accounting data in conducting economic analyses. The allocation of common costs is only one of several accounting areas in which arbitrary procedures are used. In the treatment of depreciation, for example, there exists a valid set of charges against a long-lived asset. These must somehow be assigned to the several years of the asset's useful life. Such charges are ideally related to the asset's real contribution at different periods in time to the production which the asset facilitates. None of the depreciation rules conventionally used are designed to reflect the "true" charges related to economic usefulness. But neither the accounting profession nor the economics profession has concluded that because the depreciation rules actually employed are arbitrary, the profit data which depend upon them should not be used. Rather, the analyst employing profit data is warned that the results may depend on the depreciation rules embodied. And attempts are made using both conceptual methodology and empirical studies to determine the likely effects of depreciation rule choices on the results of the economic analysis.

A similar problem exists with respect to the valuation of assets. Of critical importance is the effect of changes in price levels. If asset prices are rising, say, and assets are valued at original cost, an asset which was purchased in an earlier year will appear to be less valuable than the same asset purchased later. Profit return on asset ratios for the two assets will imply that the older one has a higher rate of return. In truth, of course, they have the same rate of return if they are comparable in all respects but vintage.

An ideal solution to this problem would be to value assets at their current market value instead of at cost. But to do that, it is necessary to estimate current value, and that exercise must involve some arbitrariness. If accurate current market data on asset values could be obtained (which is seldom feasible), virtually all economists would advocate the use of profit figures based on such current cost valuations over those based on original cost valuations, even though the latter involve absolutely no arbitrary elements at all.

This second illustration demonstrates a most important point toward understanding the usefulness of accounting data in economic analysis. It is not arbitrariness per se which is critical. There are no judgments to be made in using the original cost valuation of assets. The same is true of writing off research and development costs as current expenses rather than capitalizing and depreciating them. Each such procedures can be applied without any arbitrariness. But each may lead to serious distortions in reporting the apparent profitability of an economic activity. The alternative in each case must entail subjective judgments; that is, judgments with some element of arbitrariness.

The argument that profit data based on common cost allocations should not be used is invalid not only for the reasons stated above. It is also suspect because its proponents have not offered empirical evidence on the probable effect which the arbitrariness would have. It is certainly true in principle that a change in allocation procedures might lead to a different estimate of profitability. What is critical however is not the mere fact that such an effect might exist, but its magnitude. That different common cost allocation procedures are used is well known. That differences in allocation procedures might cause differences in reported profitability is also well known. What is not at all well known is the quantitative magnitude of those differences. One major virtue of the LB program is that it will permit conducting sensitivity anlyses to determine how different allocation assumptions affect reported profits. Such analytic effort is a significant component of the FTC's contemplated Line of Business program.

The size of the LB company sample

Criticisms have also been levelled at the FTC staff decision to focus on the 500 largest manufacturing corporations. This was decided upon after weighing three partially conflicting goals. The first goal was to obtain sufficient data for the published report to be meaningful, the second to obtain data on a sufficient number of firms to eliminate problems with respect to confidentiality, and the third to minimize the cost to industry and to the FTC. The best compromise appeared to be obtaining data from the 500 largest manufacturing concerns.[8] These firms account for around 70 percent of all manufacturing assets, thus ensuring substantial coverage of the manufacturing sector, although their number is less than one-fourth of one percent of all manufacturing coporations. Doubling the number of reporting firms would increase the program's asset coverage by about 5 percentage points.

Of course, experience gained from actually implementing the program may show that the number of firms needs to be changed. At present we cannot predict precisely the problems concerning the amount of data needed to avoid disclosure problems on individual lines of business. One reason for the truncated data request for 1973 was to permit the identification of those lines where the publication of information would conflict with confidentiality restrictions. Our intention is to add firms to fill out inadequately surveyed lines where such problems arise.

Data contamination under alternate reporting systems

The first two FTC staff proposals (in December 1970 and August 1973) to collect line of business data were frequently interpreted as requiring responding firms to report on a strict product line basis. That is, all costs, sales, and profits of any given product would have to be allocated directely to the relevant line of business. Company spokesmen contended that it was impossible to produce reasonably accurate data on a strict product line basis, or that if it could be done at all, the cost would be exorbitant. Further studies were therefore pursued to find a way of accumulating reasonably accurate data at tolerable costs. Since firms had asserted that a major problem in generating the data was the allocation of joint costs to the various products, the search for a better method concentrated on this aspect. Out of this search came the establishment approach to defining lines of business. Under this procedure, a firm can classify its plants (i.e., establishments) into lines of business on the basis of the largest-selling product in each establishment. This procedure eliminates completely the necessity of allocating plant overhead to diverse products manufactured within a single plant, unless the firm already makes such allocations for its own purposes. It also reduces the cost to firms of complying with the program.

Adopting the establishment approach to defining lines of business was not an unmixed blessing. In return for reduced compliance costs and for data less contaminated by common cost allocation problems, the lines of business will now include sales of products which should ideally be included elsewhere—a phenomenon called "product contamination." Fortunately, data were available to analyze the severity of this problem, and such an analysis was made before the final decision to adopt the establishment approach.

Using data reported in the 1967 Census of Manufactures, the most recent full Census currently available, the degree of product contamination was measured for 196 of the 217 FTC manufacturing lines of business. (It was not possible to analyze all the lines because of changes in the SIC codes between 1967 and 1972.) That analysis showed an average amount of product contamination of nine percent. That is, sales which should actually be allocated to other lines of business would on the average amount to nine percent of the sales assigned to a given line. In only seven of the 196 product lines did the contamination ratio exceed 20 percent.

While everyone would prefer to have absolutely perfect statistics, those who work with data realize that perferct data are never attainable. Thus, the basic question is whether the LB data will be substantially better than what could be generated by the only alternative means—namely, forming lines of business by assigning firms to the industry of their largest-selling product line. Information was also available to measure the degree of product contamination which

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[8] Firms will be selected on the basis of the sales of their domestic manufacturing operations.

would result from such a procedure. The data source was the FTC Pre-Merger Notification program. The companies included in the analysis were those 136 large manufacturing concerns among the 500 largest which had made acquisitions triggering reports under the program. An examination of the sales of these companies showed that an average of 57 percent of their sales were in lines of business other than their largest-selling one. The degree of conglomeration was so great that for 20 of the firms, the largest-selling product line accounted for less than one-fifth of the firm's total sales. For any industry to which such a firm's entire sales and profits were assigned, the degree of data contamination would be very great indeed.

Three additional points need to be made. First, the analysis of product contamination for both firms and nidustries had to be made with seven year old data. Second, although this analysis shows that currently available statistics have much more contamination than the material which the LB program will provide, the extent of product contamination from assigning one firm to one industry is understated because the diversification effect of mergers since 1967 is excluded. Third, any attempt to form lines of business by assigning firms on the basis of their primary product is almost impossible unless one has access to confidential firm data such as that produced under the Pre-Merger Notification program. The severity of this problem increases with the number of lines of business a corporation spans.

The total number of lines of business

A 1970 proposal to collect line of business data would have required companies to furnish information on their activities at the three-digit SIC code level except for selected high-concentration industries where a four-digit level would have been required. In 1973 a different approach was embraced in the hope of obtaining statistics on line of business approximating economic markets defined as meaningfully as possible. On closer anlysis, however, this later approach appeared to pose various difficulties. First, it was not comparable with other government statistics collecting programs such as those conducted by the Bureau of the Census or the Internal Revenue Service. Second, the more narrowly defined lines increased the severity of transfer pricing problems. Other government agencies which were potential users of the Line of Business data were particularly critical of the proposed program because of its lack of comparability. In response to both government and industry criticisms, the three-digit approach to line of business definition was largely restored. However, breakouts to four-digit SIC levels were made where concentration was high (i.e., with the leading four sellers commanding a combined market share of 60 percent or higher) or where there was reason to believe that respondents' data collecting systems conformed more closely to the four-digit level than to the three-digit level. The result was a convergence to 228 lines of business, 219 of them in manufacturing.

The FTC staff is of course aware that the current lines of business definition approach involves certain tradeoffs. In addition to reducing compliance costs, broadening the lines may improve the quality of the data slightly, since it may reduce the extent to which common cost allocations and transfer price estimates are required. But such broadening simultaneously reduces the utility of the data to parties needing to know profits for more narrowly defined lines. The compromise struck appeared to be the best one possible under circumstances in which perfection is simply unattainable.

Another tradeoff involved making the lines of business consistent with other government sources of industrial data. Consistency enables the user concurrently to employ the information collected by other government agencies along with the FTC's Line of Business data. While this may reduce the value of the data to the FTC somewhat, it will increase their value to other users. Thus, the tradeoff again appeared to be an appropriate one.

A further point should be noted with respect to the definition of lines of business. The earlier versions of the proposed reporting form would have collected information on numerous non-manufacturing lines of business. Because the FTC's *Quarterly Financial Report* is being expanded to include the trade and mining sectors, a decision was made to await an analysis of the quality of data generated under that program before making a final choice as to whether such line of business information should be collected. At the same time, the 500 largest manufacturers are being asked to furnish data on their involvement in broad non-manufacturing lines. This will permit the FTC to make informed comments

on the extent of those firms' participation in such areas as agriculture, mining, trade, services, etc.

Number of lines of business per firm

We estimate that the average firm responding to the Line of Business surveys will operate in eleven lines of business. However, this average firm will have sales of at least $10 million in only six or seven of those lines of business. Thus, on average, firms filing Line of Business reports will have to submit financial reports on sever or eight parts of their company—the six or seven lines of business in which they have sales of $10 million or more plus a single report for all the rest of theri domestic operations.

These averages are based upon estimates of the number of lines of business and their size for a random sample of 25 of the 500 largest firms. The esimates were developed from the Economic Information Systems (EIS) Datafile. This privately-prepared data bank provides estimates of employment, value of shipments, and the primary four-digit Standard Industrial Classification industry for each domestic U.S. manufacturing plant with 20 or more employees. Combining the sales estimates for all plants which are under common ownership and whose primary product is assigned to the same FTC industry category, we arrived at estimates of that company's activity in a line of business.

Of course, not all the 25 firms in the sample had 11 lines of business. The number of lines ranged from a low of 2 to a high of 33. The number of lines in which the sampled corporations had more than $10 million in sales varied from 2 to 18.

Supplementing this 25 firm random sample, data on lines of business was developed for a few nonrandomly selected firms. The information used was drawn from reports filed with the Federal Trade Commission under its Pre-Merger Notification program. Among the material required under this program are data on value of shipments by four-digit SIC industry for 1967. These data, which are reported on an establishment basis, were used to estimate the companies' sales by line of business for 1967. The corporations for which value of shipments by line of business were estimated included three of the largest firms which will be reported under the program, three of the smaller firms required to report, and one firm of about average size among the leading 500. For the large firms—DuPont, Raytheon, and Westinghouse—the total number of lines of business were 30, 19. and 53 respectively. The number of those lines in which sales exceeded $10 million were 16, 9 and 32. Among the smaller firms—Air Products and Chemicals, Columbia Broadcasting System, and Knight Newspapers—the total number of lines of business were 8, 6, and 1 respectively. while the number for which reports would have to be filed were 2, 5. and 1. Finally. the average-sized firm—Schering-Plough—had 10 lines of business and would be required to report on four of them. Again, these firms were not randomly selected from among the 500, and the data used are not current. However. the numbers presented should indicate the ranges of filing required under the Line of Business program.

THE COST BURDEN

Perhaps the most dramatic criticism of the Line of Business program is industry's allegation that collecting the required data would impose a prohibitive cost burden. It is fair to say that the FTC staff was excessively sanguine in its August 1973 estimate to the Office of Management and Budget that the average cost per responding corporation would be approximately $800. In its recent submission to the Comptroller General, the staff's estimate was revised upward to encompass startup costs averaging $10.000 to $20.000 per reporting firm and annual operating costs of $5,000 to $10,000. Industry estimates on the other hand have ranged as high as $2 million per firm per year. Given such large disparities. one is reminded of the story of the Princeton physics professor who. in reporting the results of some research, observed that "The experiments reveal that the negative mu mesons are absorbed at a rate only one ten-thousandth that predicted by theory. This would be a large error even for an economist."

To provide a more complete picture of the costs projected by industrial firms. we have analyzed the program setup cost estimates filed by firms included on *Fortune*'s list of the 500 largest corporations in response to the FTC staff's August 1973 version of the LB reporting form. Twenty-five such companies provided useable dollar estimates. They are summarized in Table 2. which shows that the average estimated setup cost for the August 1973 version is $548,000.

If the lower limit of the ranges given by six of the companies is used, the average is $536,000. Taking the upper limit of those ranges gives a $561,000 average.

Table 2 also reveals the total 1972 sales reported in *Fortune* for the 25 companies. The average is $2.866 billion. Since the average 1972 sales level for all corporations included on the *Fortune 500* list is $1.115 billion, the sample of companies providing compliance cost estimates is evidently biased toward larger companies. There is probably a corresponding upward bias in the number of lines of business covered and hence in the cost which might be incurred by a more representative respondent.

TABLE 2.—ESTIMATED STARTUP COSTS FOR FILING FTC FORM LB, AUGUST 1973 VERSION

Company	Fortune 500 rank	1972 Company Sales (million dollars)	Estimated Startup cost (thousand dollars)	
			Range	Mean
American Metal Climax	166	$863	$50/100	$75
Anaconda	138	1,012	1,000	1,000
Combustion Engineering	120	1,180	100	100
Crown Zellerbach	127	1,113	100	100
Deere	90	1,500	1,000	1,000
Dow Chemical	41	2,404	400	400
DuPont	16	4,366	500	500
Ex-cell-o	405	281	300/400	350
Exxon	2	20,310	1,000	1,000
General Instrument	415	276	100	100
Inland steel	93	1,470	100	100
Lear Siegler	244	557	400	400
McGraw Hill	292	430	40/50	45
Mobil	7	9,166	500	500
Nabisco	118	1,214	100	100
Northrop	237	574	100/500	300
Outboard Marine	308	394	100	100
R. J. Reynolds	54	2,072	1,000	1,000
Singer	47	2,218	500	500
Standard Oil California	12	5,829	800	800
Union Carbide	27	3,261	1,100	1,100
United States Steel	13	5,402	2,000	2,000
Varian Associates	500	204	50/75	63
Westinghouse	14	5,087	2,000	2,000
Westvaco	270	472	50/100	75
Totals		71,655		13,708
Means		2,866		548

REVISIONS IN THE COMPANY COMPLIANCE COST ESTIMATES

The company compliance cost esimates reported in Table 2 were filed in relation to the Line of Business reporting form as it existed in draft version during August of 1973. Since that time both the form and the number of lines of business have been revised extensively, in large measure to make it easier for companies to comply. The number of lines of business was reduced from 455 to 228; rporting was shifted to an establishment orientation; the amount of time companies were given to respond was increased from 90 to 150 days; and reporting requirements for foreign operations, minority-owned subsidiaries, and joint ventures were eliminated.

In order to determine how these changes affected the cost of filing Line of Business reports, six representative companies were contacted by telephone and asked to estimate confidentially the cost impact of each individual modification. Assuming that the percentage reductions in cost for each amendment are independent,[9] the cumulative estimated reduction in cost due to the changes made between August 1973 and March 1974 averaged between 81 and 83 percent, depending upon whether respondents' high or low estimates were used. If this reduction factor is applied to the $548,000 average compliance cost figure presented in Table 2, the revised average compliance cost estimate is reduced to approximately $100,000 per company for the first start-up year of the LB program. This estimate, it must be noted again, is baised upward be-

[9] E.g., that cutting the number of lines of business in half would reduce reporting cost to, say, 60 percent of the original estimate, and that providing more time to comply would in turn reduce that 60 percent by ten percent to 54 percent.

cause the companies providing the estimates upon which Table 2 is based were more than twice as large on the average as the typical firm which will be submitting Line of Business reports.

If adjustments are made to account for differences in size and diversity between the average firm providing a cost estimate and the average firm among the 500 required to report, one gets an average cost of about $50,000. This is substantially smaller than most of the cost estimates advanced by industry representatives. Yet we believe this figure is still inflated.

The underlying reporting cost assumptions

A principal reason why the cost estimates cited by industry groups are so much higher than those of the FTC's economics staff is that the industry estimates often assume a complete revamping of company accounting systems to fit the FTC's proposed reporting structure. As Mr. Howard Siers of the Financial Executives Institute testified before the House of Representatives Appropriations Subcommittee on Agriculture, Environment, and Consumer Protection :

"Compliance with the FTC proposal would require each company to develop new accounting systems, write entirely new computer programs, revise or completely rewrite thousands of existing computer programs, train personnel in the handling of the new system and test and implement the changes."

While this approach is one possible means of complying with Line of Business reporting requirements, it is certainly not the only way. Its main distinguishing feature is that it is about the most expensive procedure one could reasonably conceive to generate line of business data. Whether business firms have stressed a computerized approach to discredit the LB proposal through high cost estimates or whether they have simply not prudently analyzed what is required is unclear. What *is* clear is that there is a simpler but quite satisfactory way.

To minimize the reporting burden on companies, the lines of business have deliberately been based upon U.S. Census industry categories. Large manufacturing companies are required to report annually to the Census Bureau statistics on value of shipments, payrolls, production worker wages, the cost of purchased materials, and rental costs as well as asset data concerning new capital expenditures, the book value of depreciable assets, and inventories. These reports are by establishment for some 450 four-digit SIC industries—i.e., in even finer detail than the Line of Business program requires. Thus, more than three-fourths of manufacturers' sales are offset by costs measured and assigned to narrow industry lines for the Census program. It is over the remaining costs—e.g., depreciation, advertising, other selling costs, research and development, the operation of common warehouses, cental office administration, and interest charges—that any dispute must turn. Since depreciable asset values are reported to the Census by four-digit industry, equally detailed depreciation statistics must be readily available. Although some corporate advertising is institutional in character, the vast bulk is focused on specific products, and advertising-oriented companies keep detailed records on how their major outlays are allocated, reporting them inter alia to the journal *Advertising Age*. Less than five percent of all industrial R&D consists of basic research. Most R&D activity is clearly attributable to narrow product lines, and much of it involves detailed product and process improvement work conducted at the establishment level—the focus of the Census statistical program. What remains after the implementation of these and other easily accommodated cost allocations are certain corporate research, selling, and administrative costs which are not closely linked to specific lines of business. How substantial these costs are cannot be determined accurately until actual line of business data are accumulated. Our best estimate is that they amount to five percent of the 500 largest manufacturers' sales ; ten percent appears to be an absolute maximum.

One could develop complicated accounting systems to allocate this small fraction of total costs by FTC line of business. Many companies already have such systems in operation. How many do is impossible to estimate since information supplied privately to the FTC staff on this point has sometimes contradicted official company pronouncements. For those companies which do not have such cost allocation systems or whose fields of allocation match the

FTC's proposed lines of business imperfectly, the added precision gained by creating wholly new, elaborate allocation systems would undoubtedly not justify the cost. All the FTC is asking is that such allocations be made on the basis of reasonable, clearly articulated criteria. The sensitivity of profit figures to the application of alternate allocation criteria will then be tested by FTC staff, and where significant interpretational errors might arise as a result of the cost allocation conventions adopted, appropriate cautionary statements will be included in the published LB summary reports. The FTC Division of Financial Statistics also stands ready, as it has in the past, to work out particularly difficult cost allocation problems with industry representatives in order to ensure that the ultimate sumary reports are as meaningful as possible within the limits of the unavoidably imperfect accounting .art.

The kinds of cost allocation effort implied here do not therefore require elaborate new computer systems. Performing such allocations is a normal function of industrial cost accountants. Such problems are often assigned as exercises to master's degree students in cost accounting. We anticipate that an M.B.A. or C.P.A. thoroughly familiar with a corporation's accounting systems could pull together the necessary information from routine Census and internal company reports, make the further allocations required for LB, and write the appropriate explanatory footnotes in about one working week or at most two weeks per line of business. Assuming that such a junior executive earns $25,000 per year and has equal clerical and secretarial support costs, the average compilation cost per line of business would be roughly one to two thousand dollars. For the average top 500 company with 6.5 lines of business, this implies an annual costs of $6,500 and certainly not more than $20,000 per year. For the most extensively conglomerate corporations the costs will of course be higher, but such a burden can hardly be intolerable when sales are hundreds of millions or even billions of dollars per year.

Summing up, it is clear that the costs of generating line of business information will not be negligible. But it seems equally clear that many of the extremely high estimates cited in industry briefs opposing the Line of Business tion on the American economy's functioning will yield.

THE PROBLEM OF DATA CONFIDENTIALITY

Business corporations have expressed concern that the Line of Business pro-program are greatly overstated. The FTC staff believes that the costs of the program will be modest in relation to the substantial benefits greater informagram might lead to the release of information which should properly be kept confidential. If companies were not reluctant to publish accurate information on performance in their detailed lines of business, there would of course be no need for a mandatory LB program. To accept as confidential any information industry so labels would be a dereliction of the Federal Trade Commission's traditional duty. Yet there are statutory and well-established rules for resolving conflicts between businessmen's desire for confidentiality and the public's right to know. The Federal Trade Commission fully intends to comply with those rules in administering the Line of Busines program.

The form of data publication

Table 3 provides an illustration for a hypothetical industry of the form in which the aggregated industry data will be published. In the table's rows are the various data items to be collected under parts E and F of the LB reporting form together with diverse subtotals and totals. The items are organized so that the upper three-fourths of the table corresponds to a fairly complete income statement, while the bottom quarter comprises an abbreviated balance sheet.

Subtotals in the income statement section include gross margin, operating income, net income before income taxes and extraordinary items, and net income after all such deductions. Some of these magnitudes will depend less upon allocated expenses than others, and therefore they will be less subject to errors due to the possible arbitrariness of allocations. For example, we anticipate that relatively few expenses will be allocated in computing gross margins. On the other hand, net income will be affected by all cost allocations. Given this array of statistics, users can choose between working with figures which are relatively free of allocation problems or which include all expenses.

TABLE 3.—LB 39.99: FABRICATION OF BOOJUMS AND SNARKS (ALL FIGURES ARE IN MILLIONS OF DOLLARS)

	Direct (A)	Allocated by com-panies (B)	Direct or allocated by companies (A+B) (C)	Allocated by LB staff (D)	Total (C+D) (E)
Total sales or receipts	$20,000		$20,000		$20,000
Cost of sales and operations:					
Inventories at beginning of fiscal year less inventories at end of fiscal year	($700)		($700)		($700)
Material	9,800		$50 9,850		9,850
Labor	3,900		20 3,920		3,920
Depreciation, depletion, and amortization on plant, property and equipment	500		50 550	$50	600
Other costs of sales and operations	500	14,000	400 900	14,520 100	1,000 14,670
Gross margin		6,000		5,480	5,330
Operating expenses:					
Media advertising	150		20 170	10	180
Other selling expense	60		30 90		90
Research and development	550		50 600	50	650
Other operating expense	900	1,660	200 1,100	1,960 300	1,400 2,320
Operating income		4,340		3,520	3,010
Non-operating expense net of non-operating income					
Interest expense		NA	NA	NA 300	300
Net income before income taxes		NA		NA	2,710
Income taxes:					
State and local	30	20	50	100	150
Federal	NA	NA	NA	1,280 1,280	1,430
Net income after income taxes		NA		NA	1,280
Extraordinary income less extraordinary expense, net of applicable taxes	20	10	30		30
Net income		NA		NA	1,250
Gross plant, property, and equipment	9,800	3,600	13,400	2,800	16,200
Accumulated depreciation, depletion and amortization on plant, property, and equipment	6,000	1,800	7,800	600	8,400
Net plant, property, and equipment	3,800		5,600		7,800
Other assets	1,200	700	1,900	1,300	3,200
Total assets		5,000		7,500	11,000

In addition, the table permits users to analyze data involving only directly attributable expenses, figures involving only expenses allocated by the responding firms in addition to the directly attributable costs, or data which include all allocations, whether made by the firms or the FTC staff. Among other things, this breakdown permits the user to determine how much allocation lies behind any specific statistic, and hence how much confidence one might reasonably place in the estimate. Separate analytic studies by the FTC staff will vary the assumptions under which common costs are allocated to determine the sensitivity of income figures to those assumptions.

The most important magnitudes of Table 3 will also be subdivided by groups of firms in the order of their industry sales rank, but only at a sufficient level of aggregation so as not to violate the Census law provisions preventing the disclosure of information on any single reporting enterprise. Other planned components of the annual Line of Business report will be tables showing rates of return on assets and profit margins on sales for a series of years (after the program has been in operation for a sufficient period) and the extent of secondary product contamination in the statistics. The latter analysis will probably take the form of a matrix showing the amount of sales classified to, say, line of business A which more appropriately belongs in category B.

The underlying Line of Business data files would also be useable by (though not directly accessible to) Federal Trade Commission staff or (under appropriate cost reimbursement arrangements) outside investigation for fundamental

research on characteristics of the American industrial economy. Suppose, for example, an economist wished to investigate the impact of market structure, profitability, and risk on companies' financial leverage choices. He would supply to the FTC's Division of Financial Statistics appropriately coded tapes containing variables not included in the basic LB files. These tapes would be matched by Division of Financial Statistics personnel with the LB tapes, the desired correlations or other statistical manipulations would be performed, and the summary results would be reported to the outside investigators. Under no circumstances would the results reported include information violating the Census disclosure law. In particular, outsiders (including members of the FTC industry analysis and enforcement staffs) would not be permitted to see any raw data or transformations thereof covering individual companies supplied in confidence for the LB program.

Detailed disclosure limitations

Even the publication of data in table form might raise fears that individual firm data would be disclosed. This has not been an issue in the preparation and publication of the *Quarterly Financial Report*, since the number of firms included in each data cell has always been large—more than 11,000 firms to fill 31 industry reporting categories. But the Line of Business program will include only 500 companies reporting on an estimated 3,200 individual manufacturing lines to fill 219 industry reporting cells. The average number of firms per reporting cell is over 350 for the QFR, as compared to 15 for Line of Business. Because the probability of having only a few firms in each cell is high, the economics staff recommends that data not be published on any cell which contains fewer than three firms. Such a policy is consistent with the Census disclosure law.

For cells which contain fewer than three observations, two alternatives are available. The first is to increase the cell's coverage by adding appropriately specialized firms to the Line of Business sample. The second is to combine lines sufficiently so that disclosure problems are eliminated. The first course is the preferred one, although high concentration of activity in some lines may require that the second course be followed.

Some company representatives questioned the ability of the Commission to treat the LB data confidentially, given the Freedom of Information Act. The Commission has expressed the view that LB information is exempt from disclosure under that Act. Furthermore, it has stated that it will resist any attempts to obtain individual company data through the courts or oherwise.

Restrictions on internal use

This confidential treatment extends beyond release of data to the public. It includes any use within government for taxation, regulation, or investigation or for any Commission law enforcement activity. Because of the Commission's involvement in investigation and litigation, it has formulated rules restricting access to data received in QFR company reports to certain FTC staff members. These rules will apply to LB materials as well. An explicit statement of the rules was published in the *Federal Register* on July 13, 1973. Through an oversight, the July 13 statement prevented the Bureau of Economic Analysis of the Department of Commerce from obtaining access to information required in preparing gross national product estimates. This necessitated a correction, which was published on September 18, 1973.

Subsequently, at the Business Advisory Council for Federal Reports meeting on October 17, 1973, the OMB Examining Officer announced that the confidentiality structures were agreeable to both the Federal Trade Commission and OMB.

The rules restrict access within the Federal Trade Commission to two groups, both within the Bureau of Economics. They are the Division of Financial Statistics, which has responsibility for publishing the *Quarterly Financial Report* and will also be responsible for the LB Report, and the unit within Economic Research and Services charged with publishing the *Statistical Report on Mergers and Acquisitions* and other statistical reports. No member of these groups will be involved in other activities of the Commission, nor will any other Commission employe have access to the individual company reports. This restriction even applies to Commissioners and to the Director of the Bureau of Economics.

Persons transferred out of these units will be under the same restrictions as individuals who cease employment with the Commission, i.e., prohibited from disclosing or using the information to which they have had access. Any person violating the restrictions will be subject to criminal prosecution.

CONCLUSION

No one will deny that the Line of Business program is a complex undertaking. Many obstacles must be surmounted in implementing it. For almost a year the Federal Trade Commission has attempted to respond to suggestions and comments of industry representatives, academicians, professional accountants, and potential data users in an earnest effort to make the program serve the broad public interest to the maximum possible degree. There has been considerable criticism, much of it constructive. The time has come, however, when criticism operates more to delay than to advance a program urgently needed if the Federal Trade Commission is to continue fulfilling its traditional role as an illuminator of industrial performance. Granted, difficult implementation problems remain. But their solution is most likely to be achieved if a commitment is made to go forward with the program so that the parties involved—FTC statisticians and accountants and industry's operating personnel—can address themselves in the great constructive American tradition to working out for each reporting firm and each line of business a viable set of reporting norms. Now, we believe. is the time for purely negative criticism to cease and the constructive task of implementation to commence.

ECONOMIC REPORT ON LINE-OF-BUSINESS REPORTING AND OTHER PROPOSALS FOR IMPROVING THE FINANCIAL STATISTICS PROGRAM OF THE FEDERAL TRADE COMMISSION

APRIL 10, 1970

The report was prepared by Russell C. Parker, Assistant to the Director Bureau of Economics.

The report was originally an internal report to the Federal Trade Commission but was released to and printed by the Subcommittee on Monopoly of the Select Committee on Small Business United States Senate as part of its November 9 and 12. 1971 Hearings on "The Role of Giant Corporations in the American and World Economies."

SUMMARY

One of the purposes of this memorandum is to report to the Commission on a meeting that three members of the FTC staff had with representative[1] of the Securities and Exchange Commission on March 5. 1970 to discuss divisional (or line of business) reporting of profit information. During this meeting the SEC representative explained the recent S)C rule changes requiring corporations to report profit information for a very limited number of arbitrarily defined divisional groupings. In regard to these requirements they discussed SEC's interests in obtaining only information needed by investors rather than information for broader purposes such as the promotion of competition, increasing efficiency or the protection of the welfare of groups whose performance and livelihood depend on public information that is available on corporations. SEC's representatives stated that the SEC is anxious that the Federal Trade Commission not cause the interruption of a rulemaking procedure now in its final stages extending the very loose line-of-business rule presently applicable only to filings in connection with new securities registrations to cover annual reports of companies to the SEC. The SEC has no intention of extending the line-of-business rule to cover the R–1 report form which is used in collecting profit information from corporations included in the SEC segment of the FTC–SEC Quarterly Financial Report Manufacturing Corporations (QFR).

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[1] The staff members from the Federal Trade Commission were William J. Boyd, Jr.. Chief. Division of Mergers. Robert E. Freer. Jr.. attorney adviser to the Chairman of the Federal Trade Commission and Russell C. Parker, Assistant to the Director. Bureau of Economics.

The memorandum also contains an evaluation of a sample of actual line-of-business reports rtceived by the SEC under its new rule. These reports were found to be substantially lacking in usefulness due to the very broad line-of-business categories reported by the largest corporations and their inconsistency with cataegories reported by other companies or with standard statistical sources. The reason for the shortcomings was the laxity permitted by SEC's reporting rule and also because of the lack of SEC interest in requiring corporations to publicly report financial information.

The staff recommtndations to the Federal Trade Commission are that it should use its own authority to require meaningful corporate reporting on a divisional basis and that this reporting should be an extension of the Commission's ongoing effort in the financial reporting area. Specifically the staff recommends that the SEC segment of the QFR be transferred to the Federal Trade Commission. In so doing the QFR program should be improved by: (1) making mandatory the submission of divisional profit reports by large conglomerate companies with particular emphasis on collecting data to restore that lost due to the acquisitions; (2) expanding coverage to include nonmanufacturing industries such as services and retail and wholesale trade; (3) reporting additional industry detail in manufacturing to make profit data available on concentrated industries; (4) using GFR data to improve the quality of the Commission's reports on Rates of Return for Identical Companies which complement the data published in the QFR.

THE HISTORY OF THE FTC'S CORPORATE REPORTING RESPONSIBILITY

The Federal Trade Commission's responsibility and involvement in corporate reporting was inherited from its predecessor, the Bureau of Corporations. The old Bureau of Corporations had engaged in many studies of lasting importance in this area, including its studies on monopoly profits in major industries such as steel, tobacco and petroleum. Congress was concerned that this function be continued when it established the Federal Trade Commission. The legislative history of the FTC Act shows that Congress intended that the continuous collection of basic economic and financial statistics from corporations be of the most important functions of the new agency.[2] Indeed the concern of Congress that tht FTC have sufficient authority to carry out this responsibility was the principal reason for giving it the powers it has under Section 6(b) of the FTC Act. Such broad powers had never before been given to an administrative agency.

The new agency's subsequent extensive use of these powers to require corporations to report financial information is amply demonstrated by the long list of rates of return and industry performance reports published in every decade of the Commission's more than a half-century existence.

Many of the Commission's reports led to significant legislation.[3] In the early 1930's, its report on problems in the securities area recommended that a permanent hommission be established to specialize in securities regulation. This, of course, was the recommendation that led to the establishment of the Securities and Exchange Commission. .

The advent of SEC did not lessen FTC's role in corporate reporting, however; nor was it so intended. In the latter part of the 1930's, the Federal Trade Commission became the fact-finding and research arm of the Temporary National Economic Committee (TNEC) and played an integral part in what history records as the most dynamic and sweeping investigations ever undertaken of American industry. FTC reports for TNEC on the relative efficiency of large medium-sized, and small businesses monopoly performance in five industries, and three other studies, as well as its contributions to scores of hearings, served as the basis for TNEC's evaluation of industry performance.

The Federal Trade Commission pioneered industry profit reporting on a timely basis. In 1938, the Bureau of the Budget designated the FTC as the

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[2] S. E. Boyle, "Economic Reports and the Federal Trade Commission: 50 Years' Experience," Federal Bar Journal, fall 1964, p. 501.

[3] Some of the reports were responsible for effecting broad acts including the Export Trade Act of 1918 (Webb-Pomerence), the Packers and Stockyards Act (1921), the Radio Act (1927), the Securities and Exchange Act (1933), the Federal Communications Act (1934), the Public Utilities Holding Company Act (1935), the Robinson-Patman Act (1935), the Federal Power Act (1935), the National Gas Act (1938), and the Celler-Kefauver Act of 1950.

primary agency of Government to collect complete profit and loss and balance sheet data. An extensive program was begun in 1939. During World War II the program was expanded and became Wartime Costs and Profits for Manufacturing Corporations. At the end of the war, the program assumed its present name, Quarterly Financial Report for Manufacturing Companies (QFR), which the Commission produces jointly with the Securities and Exchange Commission. At about the same time, to complement the QFR, the Federal Trade Commission's Accounting Division began publishing another basic source of financial data. This is entitled "Rates of Return for Identical Companies in Selected Manufacturing Industries." It contains annual profit data for the individual leading companies of manufacturing industries—a dimension not available in the QFR.

Industry performance reports by its Bureau of Economics during the postwar period have perpetuated the Commission's reputation of competency in this area. In the last four years, it has published no less than a dozen reports concerned with profits and other aspects of industry performance. The FTC also reports financial information in its annual statistical reports on mergers and its periodic reports on industrial concentration to congressional committees.

THE LOSS OF PROFIT DATA DUE TO CORPORATE CONGLOMERATION

The loss of profit data is now to the point that such data for a substantial share of U.S. industries is almost completely meaningless. It is a fair estimate that profit performance data for as many as 90 percent of consumer goods industries are either unavailable or significantly obscured because of conglomeration. The data problem is worse with respect to leading producers because so many of them have been absorbed into the nation's large conglomerate enterprises.[4]

The effect of conglomeration on profit reporting has had serious adverse effects on the analyses of many industries and many competitive problems that the Commission has asked its Bureau of Economics to evaluate in recent months. For example, highly conglomerated corporate structures have completely hidden the profitability of all but one of the largest breakfast cereal companies. The profit data for five of the eight largest confectionery companies disappeared when they were acquired by conglomerates. Many of the largest dairy companies have become widely diversified, thus obscuring their profits from dairying. All of the leading car rental companies and most of the leading motion picture companies (industries to be examined in Part II of the corporate merger report) have been absorbed into conglomerates. Almost any industry that might be selected for study as a concentrated industry would be characterized by relatively poor data on profit performance.

Questions the Commission is interested in, such as the conglomerate subsidization of one product line from profits earned in other product lines, the post-acquisition performances of acquired companies, and almost all aspects of conglomerate efficiency, are completely unanswerable from public sources.

The Commission's Quarterly Financial Report for Manufacturing Corporations, although considered one of the most efficiently operated and timely statistical programs in government, is rapidly losing reliability because of the growing diversification of large companies. The profit data for even the most broadly defined industries shown in the QFR are significantly affected. Often a third or less of the sales of large conglomerates determines a company's primary line, and, therefore, the industrial category to which company's total sales are attributed for statistical purposes. Line-of-business profit reporting, using a sufficiently narrow definition of line of business, is urgently needed.

Conglomeration has had the effect of substantially reducing the number of companies included in the Commission's report on Rates of Return for Identical Companies in Selected Manufacturing Industries. As shown in the table appearing below, the number of companies whose profit data are included in the report declined by nearly a half since 1955 and by a fourth during the last 5 years. Dropouts in the last 3 years have been particularly important.

Essentially all of the more than 200 disappearances since 1955 have been due to acquisitions; either acquisitions that caused the complete disappearance of

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[4] For a description of the importance of the nation's largest enterprises as leading producers in American industries, see chapters 1 and 4 of the Economic Report on Corporate Mergers, 1969.

companies included in the report, or acquisitions by included companies which caused them to become so conglomerated that they could no longer be classified within a specific industrial category. When more than half of a company's production falls outside of its primary industry, the company is considered too diversified to be representative of the category. Because of the large number of companies acquired or becoming too conglomerated to have usable profit information, more than a third of the industrial categories used to classify companies for the purpose of showing profit rates were either substantially broadened or deleted from the report altogether since 1960.

As a result of these deletions and because of the increasing conglomeration of most of the remaining companies, the value of Rates of Return for Identical Companies in Selected Manufacturing Industries has declined considerably as a tool for evaluating industrial performance.

Number of companies included in rates of return for identical companies in selected manufacturing industries

Year: *Number*
  1955 _____ 460
  1960 _____ 390
  1961 _____ 376
  1962 _____ 374
  1963 _____ 363
  1964 _____ 347

Year: *Number*
  1965 _____ 333
  1966 _____ 321
  1967 _____ 300
  1968 [1] _____ 276
  1969 [1] _____ [2] 256

[1] In 1958, a separate category of conglomerate companies was established. These conglomerate companies are not included in the totals for 1968 or 1969.
[2] This is a preliminary figure based partially on an estimate.

Source: "Rates of Return for Identical Companies in Selected Manufacturing Industries," various years.

THE EXPRESSIONS OF CONCERN BY THE FTC AND OTHERS

The growing inadequacy of company and industry profit performance data due to the increasing conglomeration of the nation's largest industrial enterprises has concerned the Federal Trade Commission for some time. References to this concern and to recommendations that corporations be required to publicly report on a divisional basis go back many years. In the 1960's Chairman Dixon, other members of the Commission, and the Commission's chief economist discussed the need for divisional reporting in speeches and in statements before various congressional committees. Most recently, on February 18, 1970, Chairman Casper Weinberger, speaking on behalf of the entire Commission, reported to the Senate Antitrust and Monopoly Subcommittee that:

> . . . published financial statements of the conglomerates are almost universally presented on a highly consolidated basis and profit information by product line is almost completely suppressed. In a market economy, the response of businessmen and investors to profit opportunities critically determines the rational allocation of resources. In recent years as more industries have come under the control of conglomerates, profit information on a product basis has become progressively less available. We recommend that the SEC in consultation with the FTC be directed to expand its product line reporting requirements for multiproduct firms.

Congress also investigated the problem. In 1966, the Senate Antitrust and Monopoly Subcommittee devoted two volumes of its hearings on Economic Concentration to corporate reporting. Many other congressional committees have also heard testimony concerning the decreasing availability of economic performance information due to corporate conglomeration. Such references are far too numerous to list. The most recent congressional committee to direct attention to this question was the Joint Economic Committee. In the Joint Economic Report for 1970, issued only a few days ago, the Committee recommended:

> **The Bureau of the Budget should immediately undertake to coordinate the efforts of the SEC to protect investors and the FTC to protect competi-**

tion through the development of meaningful product line reporting in published financial statements of large multi-market corporations.[5]

The executive branch has also studies the problem. The report of both the Cabinet Committee on Price Stability and the Presidential Task Force on Antitrust Policy (The Neal Report) recommended that the SEC adopt a rule requiring extensive divisional reporting.[6] The Cabinet Committee Report expressed the attitudes of three executive departments, the Bureau of the Budget and the Council of Economic Advisers.

Concern over the disappearance of profit information due to conglomeration is also being voiced outside government. Some of the first to speak out were organized labor and small business groups whose competitive positions were directly agected as information about their large corporate rivals began to disappear because of conglomerate acquisitions. The increase in these acquisitions has caused many communities to become fearful that conglomerate takeover of local companies would decrease these companies' community participation. Several cities. such as Gary. Indiana, whose industries are run by absentee corporate landlords give testimony to the reason for this concern. More vocal still are the youth from college campuses decrying corporate secrecy as a major cause of the lack of industry responsiveness to antipollution efforts. product safety, and many other problems of vital concern to the upcoming generation.

At the recent meeting of the American Economic Association, two sessions were concerned with data problems faced by researchers in the areas of industrial organization and public policy. Discussion at both of these sessions centered on the lack of detailed product and financial information available on industries and large conglomerate corporations.[7] The concensus of both sessions was that the responsible federal agencies shoudl immediately undertake programs to provide the needed information.

MEETING WITH SEC REPRESENTATIVES TO DISCUSS THEIR PRODUCT-LINE REPORTING RULE

It was not until last year that even a first step was taken to stop the decline in the amount of profit information available. That step, was the SEC rqeuirements that corporations registered with it provide limited profit data on some of their broader subaggregates.

Basically, this rule requires companies engaged in several lines of business to disclose the "approximate amount or percentage of total sales and operating revenues and contributions to income of each line which contributes 10 percent or more to the companies total sales or earnings." For companies with annual sales of less than $50 million, the percentage is 15 percent. The data disclosed under this rule make it possible to calculate profit-to-sales ratios but not profit-to-stockholder equity or profit-to-asset ratios, both of which economists consider as highly superior measures of profit performance relative to the profit-to-sales ratios.

To learn more about the rule and SEC's plans and expectations for further changes and to express the Commission's concern in corporate reporting, the above-named staff members were directed by Chairman Weinberger to meet with representatives of SEC on March 5, 1970.[8] The four persons representing SEC were Charles E. Shreve, Director of the Division of Corporate Finance; Ralph Hocker. Associate Director of the Division; Andrew Barr, Chief Accountant of SEC; and Charles Bryson, of the Office of Policy Research.

In a frank and cordial conference the SEC representatives repeated the points made by Chairman Hamer Budge of the Securities and Exchange Commission in his February 18, 1970, statement before the Subcommittee on Antitrust and Monopoly. Chairman Budge testified before the Subcommittee on that date immediately following the testimony of Chairman Weinberger.

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[5] 1970 Joint Economic Report, Report of the Joint Economic Committee on the January 1970 Economic Report of the President, 91st Cong., 2d sess., p. 32.

[6] The recommendations of both reports went far beyond the line-of-business reporting rule which the SEC was then considering and finally adopted. The Neal Report went so far as to recommend that the Securities and Exchange Commission be required by law to consult with antitrust enforcement agencies in formulating corporate reporting requirements.

[7] December 28 and 29. 1969, at the New York Hilton, New York, N.Y.

[8] Named in footnote 1.

The Securities and Exchange Commission's authority to require corporate reporting is based on the Securities Act of 1933 and the Securities and Exchange Act of 1934. The Securities Act of 1933 requires disclosure of the general character of business transacted and such other information from corporations falling under SEC jurisdiction—"as the Commission may, by rules or regulations, require as being necessary or appropriate in the public interest or for the protection of investors." Almost identical language is contained in section 12(b) of the Securities and Exchange Act of 1934.

The Securities and Exchange Commission interprets its responsibility under these acts very narrowly. It sees its role limited to that of protecting investors. In describing this role, the SEC representatives reaffirmed the position taken by the agency on several previous occasions which is that it believes that the basic intent of the Securities laws is that the government make certain that the investor has a choice among investment opportunities on the basis of full disclosure of the pertinent facts and the absence of fraud.[9]

The Securities and Exchange Commission's view of the "public interest" is difficult to comprehend. Despite the fact that the whole of the literature describing the operation of a competitive economy identifies information on profit as the mainspring of the self-correcting mechanism of the marketplace the SEC sees this as not within its realm of concern for the public interest.

There is even considerable doubt that the SEC considers its legislative mandate broad enough to require corporations to report the types of information demanded by antitrust agencies, consumer groups, labor, small business, or other organizations concerned with competition or the general efficiency of the economy. Although some 300 letters to the SEC concerning line-of-business reporting were introduced into the record of the SEC's rulemaking proceeding, nearly all represent corporate interests arguing against the SEC's imposing any kind of line-of-business reporting requirement.

It was the SEC's limited concern for investors that motivated it in the mid-1960's to look into the information loss brought about by corporate conglomeration. To examine this question the SEC endorsed a study sponsored by the Financial Executives Institute, "a national organization of treasurers, comptrollers, and financial vice presidents,"[10] which was to recommend how conglomerates should report.[11] This three-year study, completed in 1968, was the basis for SEC's initiating changes in security registration forms (SEC Forms S-1, S-7 and 10) to require limited line-of-business reporting. The SEC is now in the process of extending the identical reporting requirements to the 10-K reports that corporations are required to file annually with the SEC.[12]

It was the recommendation of Charles Shreve, chief of the SEC division responsible for corporate reporting, that the extension of present regulations to cover the annual 10-K reports be allowed to go into effect and that the FTC review the revised 10-K reports submitted over the next year or so before pushing for further changes.[13] He admitted that any attempt to bring further changes in the 10-K at any time after the current rule is finalized would require a new, and predictably quite lengthy, formal rulemaking procedure.

[9] See statement by Chairman Budge referred to above.
[10] Business Week, Jan. 20, 1968.
[11] The study was conducted by University of Illinois Accounting Prof. R. K. Mautz for the Financial Executives Research Foundation Companies, May 1968. A major part of Professor Mautz's research was the analysis of questionnaire returns from 200 financial analysts.
[12] The initial rulemaking proceeding which led to the adoption of amendments to forms filed in conjunction with new securities registrations (Forms S-1, S-7 and 10) was begun in the summer of 1968. The formal proceeding was completed in February 1969 with the promulgation of the rule requiring all new securities reports filed after Aug. 13, 1969, to include the prescribed line-of-business profit information.
On Sept. 15, 1969, the SEC gave public notice of a proposal to extend the line-of-business reporting requirement promulgated in February 1969 to Form 10-K which corporations under its jurisdiction are required to file annually. The SEC representatives indicated that they were hopeful that a staff report concerning this proposed revision would be submitted to their Commissioners by the end of April 1970. They were of the opinion that about 2 months after the report is submitted the Commission would adopt the rule. They anticipate that if this timing is correct, the rule would become effective in September 1970, and would cover every Form 10-K filed on a fiscal year basis in the last 3 months of 1970 and all fiscal and calendar year reports filed thereafter.
[13] Following the testimony of Chairman Hamer Budge before the Senate Antitrust and Monopoly Subcommittee on Feb. 18, 1970, the SEC general Counsel stated frankly in an informal discussion that the SEC was reluctant to get any further involved in requiring line-of-business reporting because they did not want the reporting corporations to think that the SEC was collecting information for use by the antitrust agencies.

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AN ANALYSES OF ACTUAL LINE-OF-BUSINESS REPORTS SUBMITTED
TO THE SEC

The SEC line-of-business reporting rule applies to the roughly 7,000 corporations required to file reports with the SEC. The sales of at least 2,000 of these corporations exceed 350 million, which means that they must use the 10 percent rule to determine the lines of business they must report.[14] Of the 2,000 large corporations required to use a 10 percent reporting rule, approximately 800 are in manufacturing.

The FTC staff has had a chance to review a sample of product-line reports actually submitted to the SEC under the new rule and has had a chance to compare this information with product information for the same companies submitted to the Federal Trade Commission in connection with its pre-merger notification requirements. The staff has also reviewed the reported product-line information to determine the extent to which data on large acquisitions were reported separately after the acquisitions were consummated.

The sample of 19 line-of-business reports submitted to the SEC by large manufacturing corporations since the reporting rule became effective in August 1969 was selected. The overall number of reports included in the sample, and particularly the number coming from smaller firms, was limited because of the extremely awkward procedure encountered in determining the companies that had filed such reports. There is no master list of filings. It was necessary to look up the registration number of a company, check out the complete file for the company and then search the file for S-1 or S-7 forms filed since August 1969. This process required literally hours for each report finally included in the sample.

The large conglomerates in the sample tend to define their lines-of-business so broadly that the profit information for the category is valueless. For example. Textron's lines-of-business were: consumer goods, industrial goods, aerospace and metal products. Many of the so-called lines-of-business of the largest corporations encompassed operations in as many as 40 different 4-digit industries. The accompanying table shows that on the average 60 percent of the sales of the 6 corporations which had over $1.5 billion in annual sales, were reported in lines-of-business spanning two or more census 2-digit major industrial divisions. Only 9 percent of the sales of these 6 large corporations were in lines-of-business made up of the products primarily classified within single 4-digit industries. To appreciate this fully one should keep in mind that 2-digit census groups are categories such as farming, forestry, the manufacture of food and kindred products, wholesaling, banking, etc. Within these major divisions there are usually a large number of individual industries. In food manufacturing there are approximately 45 separate industries, such as meat packing, fruit and vegetable canning, sugar refining, flour milling, etc. In turn, each separate industry can be made up of as many as 10 separate 5-digit product classes. The 8 product classes in the canning industry include such categories as canned fruit, canned vegetables and jams and jellies.

In contrast to the largest corporations the 6 smallest companies in the sample (having sales ranging from $200 to $500 million) tended to use much more meaningful categories to report profit information although many of these companies' lines-of-business were also defined broadly. For those companies 23 percent of their sales were reported in lines-of-business that spanned two or more census 2-digit major industrial groups. Sixty-six percent of the sales of these companies were reported in lines-of-business composed primarily of single 4-digit industries.

Three primary conclusions emerge from this tabulation of actual reports and from the literature analyzing the probable impact of the new rule: First, they provide relatively little useful information and even the meager information that is made available is not comparable to the data reported by other companies or to data published in standard data sources. Because of the relative freedom given management to determine their own lines-of-business, even the most diversified conglomerates reported considerably fewer lines-of-business than the theoretical maximum of 10. The leeway in the rule allows companies to avoid reporting by selecting very narrow categories comprising less than 10

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[14] Not included among the companies required to file reports with the SEC are some 200 to 500 closely held corporations with annual sales exceeding $50,000,000.

percent of sales.[15] For lines-of-business that cannot be defined narrowly enough to slide under the 10 percent rule, the opposite tactic can be employed. Companies can so organize their lines-of-business that products of many industries can be thrown together, thus rendering the data meaningless. It is conceivable under the rule that some of the largest and most diversified firms could avoid submitting reports on any of their lines-of-business. The value of the reports was further reduced by the fact that corporations were required to describe the composition of lines-of-business in only very general terms.

Second, the SEC rule imposed a substantial reporting inequity on small and medium-sized corporations relative to the largest conglomerates. The smallest of the corporations required to provide lines-of-business profits under the rule must report on a very detailed product basis while large conglomerates are required to report on a very broad product category basis.

Third, under the SEC rule a company can minimize its exposure by defining product lines in ways least comparable with the lines-of-business classifications used by other companies and with the categories used by the Bureau of the Census, the Internal Revenue Service, and other government and private statistical sources. By these techniques a company can avoid reporting data from which meaningful market share statistics can be computed or which can be used to analyze conduct and performance dimensions such as product-line subsidization. The analysis of the sample indicates that the basis for combating actual corporate divisions into the "lines-of-business" categories used by companies to report profit data satisfying the SEC rule are dubious. Whereas the average number of lines-of-business per company was 5, the average number of corporate divisions was 31.

PERCENT OF COMPANY SHIPMENTS IN PRODUCT LINES USED IN REPORTING PROFIT INFORMATION TO THE SEC BY THE DEGREES OF SPECIFICITY OF THE PRODUCT LINE

Sales size of company	Number of companies in sample	Product lines made up of activities or products (percent)		
		In more than 1 2-digit census division of industrial activity	In more than 1 4-digit industry but within the same 2-digit group	Classified primarily in a single 4-digit industry
More than $1,500,000,000_____	6	60	31	9
$500,000,000 to $1,500,000,000_____	7	39	9	52
$200,000,000 to $500,000,000_____	6	23	11	66

Source: Profit line profit reports submitted to the Securities and Exchange Commission since Sept. 1, 1969.

Even after reporting in the most aggregate and confusing manner possible, should a company find that the budget-podge of data it reports does not sufficiently hide what it may wish to hide, it may redefine its reporting categories in its next report. Since it is to the advantage of most large companies to maintain as much secrecy as possible about their line-of-business profits, there is no reason to think that the leeway provided under the SEC line-of-business reporting rule will not be used fully.

The probable effects of the SEC's rule on line-of-business profit reporting have been discussed in a number of articles. Some large conglomerates sell literally thousands of products which fall into numerous product classes. Few of these constitute as much as 10 percent of total company sales. A company with only 11 lines-of-business, each having an equal share of company sales (9 percent), would therefore not be required to provide any line-of-business profit reports at all. One study shows that if lines-of-business were interpreted as being 3-digit census industries, the 50 largest manufacturing companies of

[15] In his February 18, 1970, statement before the Senate Antitrust and Monopoly Subcommittee, Chairman Budge said that the SEC "left discretion to management to devise an appropriate pattern to separate the company into components for reporting purposes. In view of the numerous ways in which companies are organized to do business, the variety of products and services, the history of predecessor and acquired companies, and the diversity of operating characteristics, such as markets, raw materials, manufacturing processes and competitive conditions, we did not find it feasible or desirable to be more specific in defining a line of business."

1963 would have been required to provide financial information for only 14 percent of the categories in which they operated.[16] The 14 percent is likely to be a maximum figure since the proposed rule allows companies to use their own definitions of lines-of-business.

The staff of the Bureau of the Census has criticized both the laxity of the SEC rule, which allows companies to construct their own definitions of lines-of-business, and the use of a fixed percentage of sales to determine the lines-of-business to be reported. In this latter connection, the special Census tabulation referred to above shows clearly that the amount of required line-of-business reporting will be inversely related to company size. Using 3-digit census groups to define lines-of-business, the 151st to 200th largest manufacturers would be required to provide profit reports on three times as many of their lines-of-business as the top 50 manufacturers. Although not shown in the tabulation, because it was limited to the 200 largest, it is clear that the very smallest of the 7,000 corporations required to report to the SEC would be forced to expose completely the profit and loss information of their various operations. The smaller corporations usually would have to report over twice as much information as the 151st to 200th digest. Therefore, relative to their large competitors, which under the SEC rule would be allowed to maintain substantial secrecy, small- and medium-sized businesses are placed at a clear disadvantage.

The absurd inequity of a percentage-of-sales cutoff for determining lines-of-business to be reported is seen in that it permits even those companies holding commanding positions in leading industries to withhold profit information on these positions. The rule requires General Motors, which operates in more than 50 different industries and holds either the leading position or one of the top 4 positions in a substantial proportion of them, to report only its sales and profits in automobiles (including, of course, whatever other products it wants to combine with autos). GM's profits in refrigerators would go unreported, even though it produces Frigidaire, one of the industry's leading brands. General Motors would not even come close to having to report these profits. Its sales of refrigerators would have to exceed $2.3 billion (10 percent of GM's total sales of approximately $23 billion in 1968) before it would be required to make such a report. GM would not have to report a line-of-business separately unless its sales in that line-of-business exceeded the total company sales of all but the 25 largest industrial companies.

There are over 100 industrial companies which had over $1 billion in sales in 1968. This means that these 100 corporations would have to have sales exceeding $100 million in a product area before having to report that area. In other words, the sales of each of their lines-of-business that would have to be reported would necessarily be great enough to rank among the Nation's 500 largest industrial companies.

We conclude, both from the analysis of actual reports submitted to the SEC under its line-of-business reporting rule and from other analyses of the probable effect of its rule that the SEC rule is likely to do little to improve the current paucity line-of-business sales or profit data and therefore will do little to stem the loss of this information resulting from continued movement toward corporate conglomeration.

<div align="center">RECOMMENDATIONS</div>

In view of the narrow interpretation that the Securities and Exchange Commission makes of its responsibility to require meaningful line-of-business profit reports from conglomerate corporations and the low priority it gives to the joint FTC–SEC Quarterly Financial Report program, the staff recommends that the FTC use its own authority to improve public reporting of financial information.

As an initial step it recommends that the Commission expand its segment of the QFR, which is about 8,300 companies, to include the 2,500 large corporations now reporting to the SEC. This, of course, will mean a substantial increase in the amount of FTC resources now allocated to this function. The required increase will be larger than indicated by the increase in number of companies

since each of the larger companies now reporting to the SEC would report data for several divisions. Part of the needed resources should be obtained by the transfer of the SEC segment of the Quarterly Financial Statistics program to the FTC.

The staff is aware that in its last budget request, submitted to the Bureau of the Budget by then Chairman Paul Rand Dixon, the Commission did propose a transfer of the SEC segment to the FTC.[17] It is recommended that the request be resubmitted by the newly constituted Commission. In this connection the staff understands that the staff of Office of Statistical Policy of the Bureau of the Budget is very concerned over the lack of meaningful financial data on large corporations and would support a request to transfer the SEC segment to the Federal Trade Commission. The Office of Statistical Policy sees little hope in broadening SEC's narrow interest in corporate reporting sufficiently to accomplish a meaningful increase in profit information, particularly of data the SEC feels go beyond the needs of investors. The Office of Statistical Policy is also aware that QFR data are used to improve the FTC merger and concentration reporting programs and to support the FTC's economic reports program generally. The usefulness for these functions is limited, however, by the absence of data on most of the largest companies which are in the SEC segment.

The transfer of the SEC segment to the FTC will improve the overall quality of the program by centering responsibility for it in a single agency. The compromise which led to the division of responsibility has never been satisfactory. With divided responsibility the program has not ranked high in the priorities of either agency. At the SEC, the program is actually a stepchild since it does not contribute to the central mission of the agency. The staff responsible for the QFR at the SEC have reported privately that they would favor the transfer of the SEC segment of the QFR to the FTC. They have said that the program is a source of frustration, and the agency does not use any of the information generated by it.[18]

The stepchild nature of the QFR program at the SEC explains why the SEC collects its part of the program on a voluntary basis. It is not mandatory that the corporations reporting to the SEC segment submit financial information and little effort is made to check or follow up on the submissions that are made. The SEC has only six people assigned to the QFR and these people divide their time with other responsibilities. The FTC has nearly 40 persons assigned to its segment. Much of the good reputation of the FTC segment is due to its use of its mandatory powers to collect the data and its insistence that companies report and report accurately. Each quarter the FTC's Division of Financial Statistics sends out a hundred or more follow-ups for clarification and nonresponding companies are sued. The QFR is definitely not a stepchild within the FTC.

In transferring the Securities and Exchange Commission segment of the QFR to the Federal Trade Commission, the Commission should improve the program by:

(1) Making reports from all reporting corporations mandatory rather than voluntary.

(2) Requiring profit reporting on a divisional basis by corporations whose total annual sales exceed $250 million. These corporations should be required to submit profit and loss and balance sheet items published in the QFR for each division, subsidiary or profit center having sales or revenues in excess of $25 million annually. Corporations should not be allowed to define "divisions" for profit reporting purposes as the large aggregations of divisions and profit centers currently being accepted by the SEC in profit reports submitted to them in connection with new securities registrations. Although problems in reporting would be encountered, there is no question that profit data for more meaningful divisional definitions are available. As one businessman recently quoted by Business Week put it—"You can't run a modern business without these kinds of data."[19]

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[17] The number of new positions requested in order to carry out this function was 20.
[18] These remarks were made in private and the persons making them desire that they not be quoted.
[19] Business Week, *op. cit.*

The appropriate level of detail should be the roughly 3-digit industrial categories used by the Bureau of the Census Enterprise Statistics program which are essentially the same as the Internal Revenue Service Source Book on Statistics of Income. There are a few more than 100 such categories in manufacturing.

(3) Requiring that, in addition to the general size requirement for reporting divisional financial data, any company having over $100 million in sales that makes an acquisition of a company having over $10 million in sales or assets report financial information on the acquired company for at least 5 years after the consummation of the acquisition. One objective in setting the $10 million figure is that it would restore to a substantial degree the information lost to the public as a result of the nearly 1,500 large mergers that occurred in manufacturing since 1950. In this respect corporate reporting should be considered an adjunct to Commission merger enforcement program. It may be a means of eliminating part of the anti-competitive nature of acquisitions, short of divestiture.

(4) Expanding the industry detail of manufacturing industries to make financial data available on concentrated industries and industries having high barriers to entry or other serious structural problems. For this purpose the level of classification should be the 4-digit industry, see list of possible industries in Appendix 1. To get adequate profit data for some of these industries it may be necessary to require divisional reports from some companies whose overall sales are less than $250 million.

(5) Expanding the coverage to include nonmanufacturing industries such as mining, retailing, wholesaling, insurance and selected services, etc. The value of manufacturing activities measured in constant dollars has increased only very slightly in recent years whereas the service sector and, to a lesser extent, the trade sector of the economy have increased substantially. Of all goods and services purchased, these sectors have increased from about half at the end of World War II to about two-thirds at the present time. The projection for the future is that the importance of the service and trade sector will continue to grow relative to manufacturing.

The profit data reported to the Federal Trade Commission under the improved Quarterly Financial Report program would be used to improve the quality of the Commission's Rates of Return for Identical Companies report. These reports show profit data for leading companies in various industries. To improve the quality of these data the following objectives should be guiding:

(1) Increased coverage to include the same nonmanufacturing areas included in the QFR.

(2) Increased industry detail to correspond to that in the QFR.

(3) Public reporting of profit data for those divisions of corporations that are the leading producers of industries. Profit data should be shown for all divisions which occupy one of the top 8 positions in an industrial category reported in the QFR.

The above proposals do not go to the ultimate of reporting profits on an individual product basis but rather try to provide data at roughly the 3-digit SIC level (the same as reported by IRS) with additional detail provided for concentrated industries. Also, the program outlined above could be instituted in steps. The broader detail could be required in initial reports, and more detailed information could be required in subsequent reports, after the needed additional detail and the desired expansion in industrial scope have been determined.

The staff also recommends that the Federal Trade Commission encourage the SEC to make reporting standards similar to those proposed for the QFR applicable to the annual published reports of corporations. Secondly, so that stockholders may better interpret the financial reports for divisions, corporations should be required to report for the value of products (or services) of the nonprimary industrial classifications of all divisions whose products or services are less than 75 percent specialized to a single 4-digit industry. Finally, the SEC should require companies to submit sales and profit information as well as key items of identification and classification on a standard form so they can be easily coded and punched on IBM cards. The SEC should punch this information and make it available to other government agencies and to scholars doing research in the area of industrial organization.

INDUSTRIES IN WHICH 4-FIRM CONCENTRATION RATIOS EXCEED 60 PERCENT AND SHIPMENTS EXCEED $500,000,000, 1966

SIC code	Industry	Value of shipments in 1966 (millions)	Concentrated ratio, 1966	
			4 firms	8 firms
3717	Motor vehicles	¹ $15,449	79	83
33121²	Coke oven and blast furnace	1,298	68	76
33122²	Steel ingot and semifinished shapes	2,030	70	84
33124²	Hot rolled bars, shapes, etc	3,608	63	74
33126²	Steel pipe and tubes	1,137	61	(³)
	Total for steel	8,073		
3571	Computing and related machines	4,833	⁴ 63	⁴ 78
3721	Aircraft	¹ 4,675	67	88
3011	Tires and inner tubes	3,716	71	90
3861	Photographic equipment	3,286	67	79
3352	Aluminum rolling	3,100	65	78
2111	Cigarettes	2,860	81	100
3411	Metal cans	2,631	71	83
2841	Soap and other detergents	2,395	72	80
2824	Organic fibers	1,992	85	95
3632	Household refrigerators	1,675	72	99
2032	Canned specialties	1,457	63	77
3661	Telephone appartaus	¹ 1,432	94	39
2141	Tobacco stemming	1,387	69	91
3694	Engine electrical equipment	1,342	72	81
2052	Biscuit crackers	1,327	59	68
2647	Sanitary paper products	1,186	64	80
3612	Transformers	1,052	66	80
2087	Flavorings	974	63	71
3633	Household laundry equipment	947	79	95
3229	Pressed and blown glass products	926	72	85
2823	Cellulose man-made fibers	924	85	100
3511	Steam engines and turbines	867	87	98
3672	Cathode ray tubes	812	89	(³)
2812	Alkalies and chlorine	783	63	88
2046	Corn milling	755	67	90
2043	Cereal preparations	743	87	(³)
3741	Locomotives	701	98	99
3211	Flat glass	638	96	99
3691	Storage batteries	616	60	80
2816	Inorganic pigments	582	64	83
2063	Beet sugar	579	68	97
2813	Industrial gases	549	72	88
3572	Typewriters	534	79	99
3313	Electrometallurgical	509	74	91
	Total of above	76,307		
	Total for all manufacturing	459,071		
	Total for the above as a percent of all manufacturing industry value of shipments (percent)	16.6		

¹ The census reports value added for these industries rather than value of shipments because the latter contains a substantial and unmeasurable amount of duplication.
² Data are for selected product classes within industry 3312. All data are for the year 1963.
³ Concentration ratio was not published by the Bureau of the Census.
⁴ Concentration ratio not available for 1966. The ratios are for 1963: Concentration Ratios in Manufacturing Industry 1963, pt. 1, Subcommittee on Antitrust and Monopoly, Committee on the Judiciary, U.S. Senate. 89th Cong. 2d sess.

Source: Industrial Structure and Competition Policy, study paper No. 2 of the staff of the Cabinet Committee on Price Stability, January 1969, p. 93.

Mr. PARKER. And I would also like to submit a copy of the form that we will be using this year and next year.

Mr. JASINOWSKI. That will also be included.

Mr. PARKER. And I could, if it will be of any value, submit a copy of the studies that relate profit performance to market structure.

Mr. JASINOWSKI. I think we would be happy to have that. We would like to have that.

[The information referred to follows:]

FTC Form LB

FEDERAL TRADE COMMISSION
BUREAU OF ECONOMICS
WASHINGTON, D. C.   20580

ANNUAL LINE OF BUSINESS REPORT

The PURPOSE OF THIS REPORT is to enable the Federal Trade
Commission to publish aggregate financial data for manufacturing
industries. Approximately 500 large companies in the manufactur-
ing sector of the economy are being requested to report. Each of
these companies is asked to provide certain items of financial
information on each of the lines of business in which it
operates. These lines of business are to be combinations of
establishments -- or parts of establishments for which data are
already collected -- which have the same primary activity.

NOTICE: THIS REPORT IS REQUIRED BY LAW under authority of
section 6 of the Federal Trade Commission Act (15 U.S.C 46) and
is being administered as part of the Commission's Quarterly
Financial Statistics Program. As such, the data are confidential
and their use is governed by the Commission's guidelines on the
use of QPR data, published in the Federal Register of July 13
and September 18, 1973.

DUE DATE: 150 days after the end of the addressee company's
fiscal year. If another domestic company has more than a 50
percent ownership interest in this firm and is consolidating this
firm for purposes of this report, please complete only the first
three pages of the report form, including the certification, and
return them within ten days of receipt.

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|-----------------------------------------------------------------|
| Company name and mailing address (please correct any errors):   |
|                                                                 |
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|                                                                 |
|                                                                 |
|                                                                 |
|                                                                 |
| FTC Control Number:                                             |
|-----------------------------------------------------------------|
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Please return a single copy of the completed report form to:
Line of Business Report, Bureau of Economics, Federal Trade
Commission, Washington, D. C. 20580. Written inquiries
concerning the report should also be sent to this office. For
telephone inquiries call (202) 962-5517. In all communications,
refer to the FTC Control Number given above.

If some item or subitem is not applicable to the addressee
company, enter "NA" in the appropriate space. All financial data
should be for the addressee company's most recently completed
fiscal year. Dollar amounts should be reported to the nearest

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thousand dollars, e.g., $2,397,629 is to be reported as $2,398.
Report all percentages to tne nearest tenth of one percent, e.g.,
$491,126 as a percentage of $2,397,629 is to be reported as 20.5
percent. Foreign monetary values are to be converted to dollar
equivalents as of the date customarily used by the addressee
company.

Continuation sheets for Items B through E nave been included in
the packet of materials you received. Additional copies of those
sheets may be reproduced by you, or they will be supplied by the
FTC on request. Put the FTC Control Number in the upper right
ha..d corner of each sheet used. Number the continuation sheets
for each item consecutively.

The Addendum to the report form contains a list of industry
categories. It does not need to be returned when the
completed report form is filed.

Footnotes should be used to explain fully any answer which
appears to be inconsistent with instructions or which needs
additional clarification as to its meaning; they may be put on
the form itself (where space permits) or on attachment sheets.
If attachment sheets are used, they should be: identified with
the FTC Control Number and the item letter(s) to which they
apply; numbered consecutively, beginning with "attachment sheet
(1)"; and put at the end of the completed report. The number of
attachment sheets should be indicated in the blank which is
provided below.

The numbers of continuation and attachment sheets are:

   Item B ___; Item C ___; Item D ___; Item E ___; Attachment ___.

Representative of the addressee company who should be contacted
regarding this report:

                Name _____
                Address
                _____
                Telephone number _____

CERTIFICATION

This report was prepared under my supervision. To the best of my
knowledge, the information presented is true, correct, and com-
plete.

_____   _____
   (Signature and title of company official)   (Date)

ITEM A. COMPANY IDENTIFICATION. The purpose of this item is to determine any changes in the identity of the addressee company and to determine whether the addressee company is owned by another firm.

1. If the name and/or the mailing address of the addressee company has been changed during its most recently completed fiscal year, give the previous name and mailing address:

Name _____

Address _____

2. Did another domestic company have more than a 50 percent ownership interest in the addressee company at any time during the fiscal year (yes or no)? If no, skip subitem 3, and complete the rest of the report form.   _____

3. Give the name, mailing address, and Employer Identification Number(s) of the owning company. If the addressee company is to be consolidated for reporting purposes by the owning company, do not complete the rest of the report form. Return the first three pages of the report form within ten days of its receipt.

Name _____

Address _____

Employer Identification Number(s)
under which the addressee company
reported income and payroll taxes: _____   _____

4. The addressee company's   began on: _____/___/____
fiscal year (month/day/year)
for which this report is
being filed: ended on: _____/___/____

5. Employer Identification Number(s)
under which the addressee company
reported income and payroll taxes: _____   _____

ITEM B. COMPANY AFFILIATIONS. The purpose of this item is to
identify active domestic companies in which the addressee company
has a majority ownership interest. These data are necessary to
evaluate adherence to the Rules for Consolidation in Item C and
to identify changes from year to year in the addressee and
reporting companies.

For purposes of this report, DOMESTIC refers to the 50 States and
the District of Columbia. Hence, a DOMESTIC CORPORATION is one
incorporated in one of the 50 States or the District of Columbia,
and a DOMESTIC OPERATION is one in which production of a good or
rendering of a service occurs in one or more of the 50 States
and/or in the District of Columbia. Note that an operation
taking place in one or more of the 50 States and/or in the
District is domestic even though all of the output is exported.
FOREIGN refers to other than the 50 States and the District of
Columbia. Hence, a FOREIGN ENTITY is one which is legally
organized in other than the 50 States or the District of Columbia
and a FOREIGN BRANCH is a branch operating in other than the 50
States or the District of Columbia.

Complete one Item B sheet for each active domestic company in
which the addressee company had more than a 50 percent ownership
interest at any time during the fiscal year given in Item A
above. If there were no such companies, enter "none" in subitem
1, and go to Item C. An ACTIVE company is a company with assets,
or with receipts from operations, or both. Any company which is
more than 50 percent owned by a subsidiary of the addressee
company is considered to be more than 50 percent owned by the
addressee company.

    1. Exact company title: _____

    2. Mailing address:

                        _____

    3. Place of incorporation (State or country): _____

    4. Date of incorporation (month/day/year):   _____/___/_____

    5. Employer Identification Number(s)   _____ _____
    assigned to this company for
    reporting income and payroll taxes: _____ _____

    6. Describe the company's principal activities:

    _____

    _____

       . _____

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7. Total sales or receipts (including
transactions with affiliates) in this
company's most recently completed fiscal year: _____

8. Approximate percentage of total sales or
receipts, as given in subitem 7, above, which
originated from domestic operations: _____

9. If company was not more than 50
percent owned throughout entire fis-
cal year, give the first and last   ·first: _____/___/____
days on which it was more than 50
percent owned (month/day/year)   last: _____/___/____

10. If subitem 9 is applicable, please explain what happened.

ITEM C. DESCRIPTION OF THE QFR REPORTING COMPANY. The purpose of
this item is to determine the makeup of the QFR Reporting
Company.

The QFR REPORTING COMPANY is defined in accordance with the
following rules of consolidation, which are taken from the FTC
Quarterly Financial Report (1973 version of Form MG):

RULES FOR CONSOLIDATION

CONSOLIDATE THE DOMESTIC OPERATIONS of every corporation which
is taxable under the U.S. Internal Revenue Code and is owned
more than 50 percent by your corporation and its majority-
owned corporations, and CONSOLIDATE every DISC (Domestic
International Sales Corporation) which is owned more than 50
percent by your corporation and its majority-owned
corporations, EXCEPT

DO NOT CONSOLIDATE:
. Foreign entities, either corporate or non-corporate;
. Foreign branch operations;
. Domestic corporations primarily engaged in foreign
  operations; and
. Domestic corporations primarily engaged in banking, finance,
  or insurance (as defined in major groups 60 through 63 and
  in group 672 of the Standard Industrial Classification
  Manual, 1972 edition).

CONSOLIDATION IS OPTIONAL for any domestic corporation
required to file annual financial statements with the
Interstate Commerce Commission, Civil Aeronautics Board,
Federal Communications Commission, or Federal Power
Commission. If you do consolidate any of these corporations
in this Federal Trade Commission report, you are required to
submit with this report a copy of the annual financial
statements filed with the respective regulatory agencies.

List the companies which are consolidated into the QFR Reporting
Company in accordance with the rules for consolidation given
above. If only a part of a company is consolidated, so indicate.
Any company listed below should also be listed in Item B.

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ITEM D. IDENTIFICATION AND DESCRIPTION OF LINES OF BUSINESS. The purpose of this item is to identify your firm's lines of business and to gather information on the degree to which these lines are specialized to a single industry category.

Complete a separate Item D for each line or business of the QFR Reporting Company.

A LINE OF BUSINESS is the combination of all segments of the QFR Reporting Company which have the same primary activity code. Unless your company presently allocates all expenses and assets of an establishment to subunits of it, the establishment is a segment. If such allocations are currently done for any of your establishments, you must use the subunits of those establishments as segments.

An ESTABLISHMENT is a plant or other economic unit, generally at a single physical location, where manufacturing operations or other services are performed. Central administrative offices, auxiliary units, and sales offices which primarily wholesale or retail goods manufactured by the same firm are not separate establishments.

A central administrative office is a unit primarily engaged in management and general administrative functions performed centrally for other units of the same company.

An auxiliary unit is a unit primarily engaged in performing supporting services for other units of the same company rather than for the general public or for other business firms. A plant or other unit primarily engaged in manufacturing products which are then used as inputs by another establishment of the same firm is not to be treated as an auxiliary unit. It is a separate establishment.

For activities such as construction, transportation, communications, electric, gas, and sanitary services, and similar physically dispersed operations, establishments are represented by those relatively permanent main or branch offices, terminals, stations, etc., which are either (1) directly responsible for supervising such activities, or (2) the base from which personnel operate to carry out these activities. Hence the individual sites, projects, fields, networks, lines or systems of such disperesed activities are not ordinarily considered to be establishments.

This definition of establishment is essentially the same as that found in the Standard Industrial Classification Manual, 1972, except for the treatment of central administrative offices, auxiliary units, and sales offices.

THE PRIMARY ACTIVITY CODE of a segment or line of business is the FTC code for the industry category in the Addendum which accounts for the largest percentage of the sales or receipts of that part of the company.

SALES OR RECEIPTS is defined as the value (measured at invoice prices) of merchandise sold or services rendered during the fiscal year, net of returns and allowances. Non-operating income is not included. Excise and sales taxes paid to Federal, State, local, or other taxing agencies are not included.

FTC Control No. _____

1. Primary activity code for this line of
business: FTC-_____

2. List the segments which are included in this line of
business:

Name	City, State, ZIP Code	Primary Activity

_____

_____

_____

_____

3. Specialization of the line of business. To facilitate the
determination of the relative importance of primary products
and secondary products in this line of business, please
provide a breakdown of its sales or receipts. Use 5-digit
Census of Manufactures product classes for manufacturing
activities and 2-digit Standard Industrial Classification
(SIC) industries for non-manufacturing activities. Where data
on some measure other than sales or receipts, such as value of
shipments, are more readily available, they may be used,
provided that the substitution is indicated in a footnote.
Include in sales or receipts transfers to other lines of
business. Data for the closest calendar year may be
substituted for fiscal year data if they are more readily
available and this is indicated in a footnote.

The 5-digit product class codes will be found in the Bureau of
the Census publication 1972 Census of Manufactures: Numerical
List of Manufactured Products (New (1972) SIC Basis). The
2-digit codes appear in the Standard Industrial Classification
Manual, 1972, published by the Office of Management and
Budget.

Description	Census or SIC code number	Sales or receipts

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

ITEM E. FINANCIAL DATA FOR LINES OF BUSINESS will be reported in
this item. The Federal Trade Commission will aggregate data
reported for all lines of business classified in a single
industry category. The resulting aggregates will be published
in an annual statistical report.

A company must complete a separate Item E form for each line of
business in which it had at least $10 million in fiscal year
sales or receipts. In addition, it must complete a form for a
residual category consisting of the sum of all lines of business
in which it had less than $10 million in sales or receipts in
each. All activities of the QFR Reporting Company must be
included in one of the separate lines of business or in the
residual category. Use 99.99 as the FTC code number for the
residual line of business.

The 10-K REPORTING COMPANY is the addressee company and all of
its subsidiaries which are consolidated for the annual 10-K
report filed with the Securities and Exchange Commission. For
companies not filing with the SEC, use the addressee company and
all of its majority owned subsidiaries as a 10-K Reporting
Company for purposes of this report.

The DOMESTIC REGULATED SECTION includes all domestic corporations
included in the 10-K Reporting Company but not in the QFR
Reporting Company because either: (1) a corporation is primarily
engaged in banking, finance, or insurance; or (2) a corporation
is required to file annual financial statements with the
Interstate Commerce Commission, Civil Aeronautics Board, Federal
Communications Commission, or Federal Power Commission.

The FOREIGN SECTION includes all parts of the 10-K Reporting Com-
pany excluded from the QFR Reporting Company because of foreign
activities as defined in the Rules for Consolidation in Item C.

In subitem 3, if transfers are not at fair market value, describe
the method of valuation used, and give the reason for using it.

1. Primary activity code for this line of
business: FTC-_____

2. Sales or receipts, not including transfers
to other parts of the 10-K Reporting Company: _____

3. Transfers to other parts of
the 10-K Reporting Company: _____

4. Total sales or receipts of the line of business
(sum of subitems 2 and 3):   _____

5. If the transfers reported in subitem 3 are more than five percent of the total sales or receipts reported in subitem 4, please provide a breakdown of the transfers. For each receiving line of business, for the domestic regulated section, and for the foreign section, list the transfers received if this amount is more than 10 percent of the total transfers from this line of business. Receiving lines of business are to be identified by their primary activity code, the domestic regulated and foreign sections are to be identified by the words "Regulated" and "Foreign" respectively.

Identification: _____ _____ _____ _____

Sales or receipts: _____ _____ _____ _____

In completing subitems 6 through 21, three categories are to be used: (1) direct, (2) allocated, and (3) not allocated. With respect to expenses, DIRECT COSTS are those which are incurred at or below the level of the individual line of business and which therefore do not pose an allocation problem. Costs that are to be ALLOCATED are costs incurred at a level above the individual line of business for which either reasonable measures of the benefits received by different lines of business exist or a reasonable determination of the effects on common costs caused by different lines of business can be made. Similar rules apply to income and asset items.

You are required to maintain records which describe the items which were allocated and the allocation bases used. These records need not be filed with this report but must be available for review by members of the Line of Business Report staff. These records must be maintained for a period of three (3) years.

For each subitem list the amount directly attributable to this line of business, the amount allocated to this line of business, and the sum of these two amounts. Data on income, expense, and asset items which are not allocated will be collected in Item F, below.

In subitem 15, report either Research and Development expense for the current period or amortization on capitalized Research and Development. Indicate in a footnote whether the number reported is expense or amortization.

In subitem 20, if the applicable tax rate(s) for extraordinary items is not the same as the company-wide tax rate, please explain in a footnote.

MEDIA ADVERTISING EXPENSE is all expenditures related to
advertising the company's name, products, or services by
television, radio, newspapers, newspaper supplements, magazines,
business periodicals, billboards (outdoor advertising), transit,
direct mail, handbills, and other media. Expenditures for the
use of media and for advertising agency services are included.
Expenditures for the support of advertising such as the cost of
an advertising department, a market research group which
specializes in evaluation of advertising and promotional efforts,
a media buying department, or a graphic arts department that
specializes in the preparation of advertising copy, are also
included. This definition is essentially the same as the one
used by the Securities and Exchange Commission, in Form 1C-K.

SELLING EXPENSE OTHER THAN MEDIA ADVERTISING EXPENSE is all
expenditures for sales promotion activities except those included
in media advertising expense.

RESEARCH AND DEVELOPMENT EXPENSE is all expenditures for basic or
applied research in the sciences and engineering, including
design and development of prototypes and processes. Expenditures
for quality control, routine product testing, market research,
sales promotion, sales service, research in the social sciences
or psychology, other nontechnological activities, and technical
service are not included. This definition is the same as the one
used by the National Science Foundation, in Form RD-1, and by the
Bureau of the Census, in Form NC-X6 (Rev.).

COST OF SALES AND OPERATIONS is labor, including fringe benefits
and employer contributions for payroll taxes; cost of materials
used in manufacturing; cost of goods purchased for resale;
changes in inventories; depreciation, depletion, and amortiza-
tion; property taxes; and other factory costs. Selling costs,
research and development expense, and general and administrative
costs are not included in cost of sales and operations.

	Direct (Col A)	Allocated (Col B)	Sum of columns A & B (Col C)
6. Materials costs (including goods purchased for resale), not including transfers from other parts of the 10-K Reporting Company:	_____	_____	_____
7. Materials (including goods purchased for resale), transferred from other parts of the 10-K Reporting Company:	_____	_____	_____
8. Labor costs:	_____	_____	_____

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	Direct (Col A)	Allocated (Col B)	Sum of columns A & B (Col C)
9. Inventory at beginning of fiscal year less inventory at end of fiscal year:	-------	-------	-------
10. Depreciation, depletion, and amortization on plant, property, and equipment:	-------	-------	-------
11. Other costs of sales and operations:	-------	-------	-------
12. Cost of sales and operations (subitems 6 through 11):	-------	-------	-------
13. Media advertising expense:	-------	-------	-------
14. Selling expense other than media advertising expense:	-------	-------	-------
15. Research and development expense:	-------	-------	-------
16. Other general and administrative expense:	-------	-------	-------
17. Operating income before unallocated items (subitem 4 less subitems 12 through 16):			-------
18. Non-operating expense less non-operating income (not including income from equity in unconsolidated subsidiaries or affiliated companies or interest expense):	-------	-------	-------
19. Income before unallocated and extraordinary amounts (subitem 17 less subitem 18):			-------
20. Extraordinary gains less extraordinary losses, not net of applicable taxes:	-------	-------	-------
21. State and local income taxes:	-------	-------	-------

FTC Control No. _____

For the asset subitems below, 22 through 25, use the same three
categories as were used above: direct, allocated, and not allo-
cated.   Investments in unconsolidated subsidiaries and affiliated
companies should not be reported in subitem 25, either in the
direct or allocated columns; they are to be reported in Items F
and G.   All asset subitems are to be reported as of the last day
of the fiscal year.

	Direct (Col A)	Allocated (Col B)	Sum of columns A & B (Col C)
22. Gross plant, property, and equipment:	_____	_____	_____
23. Accumulated depreciation, depletion, and amortization on plant, property, and equipment:	_____	_____	_____
24. Net plant, property, and equip- ment (subitem 22 less subitem 23):	_____	_____	_____
25. All other assets:	_____	_____	_____

ITEM F. INCOME, EXPENSES, AND ASSETS NOT ALLOCATED TO INDIVIDUAL
LINES OF BUSINESS. The purpose of this item is to collect data
on those amounts that were not direct or allocated, and were
therefore not reported in Item E.

For subitems 1 through 7, 9, and 10, list the amount of income or
expense that was not direct or was not allocated to individual
lines of business in Item E. If the amount reported for any of
these subitems, or part of the reported amount, is common to only
some of your lines of business, please indicate the amount and
the lines to which the amount is common in a footnote.

All interest expense of the QFR Reporting Company is to be given
in subitem 8, and all Federal income tax is to be given in
subitem 11.

In subitem 5, report either Research and Development expense for
the current period or amortization on capitalized Research and
Development. Indicate in a footnote whether the number reported
is expense or amortization.

In subitem 9, if the applicable tax rate(s) for extraordinary
items is not the same as the company-wide tax rate, please
explain in a footnote.

1. Depreciation, depletion, and amortization on
   plant, property, and equipment: _____

2. Other costs of sales and operations: _____

3. Media advertising expense: _____

4. Selling expense other than media
   advertising expense: _____

5. Research and development expense: _____

6. Other general and administrative expense: _____

7. Non-operating expense less non-operating income
   (including income from the equity of unconsoli-
   dated subsidiaries and affiliated companies except
   for those included in the domestic regulated section
   and the foreign section, and not including
   interest expense):   _____

8. QFR Reporting Company interest expense: _____

9. Extraordinary gains less extraordinary losses,
   not net of applicable taxes: _____

10. State and local income taxes: _____

11. Federal income taxes: _____

FTC Control No. ＿＿＿＿＿ ＿＿＿＿＿

In subitems 12 through 15, give the amounts for the components of
assets which were not direct and were not allocated to individual
lines of business in Item E. All asset subitems are to be
reported as of the last day of the fiscal year. All investments
in unconsolidated subsidiaries and affiliated companies (except
for those included in the domestic regulated section or the
foreign section) should be included in subitem 15.

12. Gross plant, property, and equipment: ＿＿＿＿＿＿＿

13. Accumulated depreciation, depletion, and
amortization on plant, property, and equipment: ＿＿＿＿＿＿＿

14. Net plant, property, and equipment
(subitem 12 less subitem 13): ＿＿＿＿＿＿＿

15. All other assets: ＿＿＿＿＿＿＿

ITEM G. FINANCIAL DATA FOR THE CONSOLIDATED QFR REPORTING COMPANY.
The purpose of this item is to get financial information for the
QFR Reporting Company as a whole that corresponds to the in-
formation provided in Items E and F.

In completing this item, refer to the definitions of terms which
were given in Item E. The subitem numbers used below are the
same as the numbers used in the QFR MG and TR report forms.
Since there is more detail for subitems 1, 4, 7, and 9 in this
report than in the QFR reports, those subitems have been
subdivided (4-1, 4-2, etc.). Note that the definition of sales
or receipts is different for the two forms: sales and excise
taxes are not included in this report, but may be included in the
QFR report. Otherwise, the report forms for the two programs
are completely consistent.

1-1. Sales or receipts, not including trans-
fers to the domestic regulated and foreign sec-
tions, and not including sales and excise
taxes: _____

1-2. Transfers to the domestic regulated
and foreign sections: _____

1-3. Sales or receipts (subitems 1-1 and 1-2):   _____

3. Depreciation, depletion, and amortization on
plant, property, and equipment: _____

4-1. Materials costs, including transfers from
the domestic regulated section and the foreign
section: _____

4-2. Labor costs: _____

4-3. Other costs of sales and operations: _____

4-4. Media advertising expense: _____

4-5. Selling expense other than media advertising
expense: _____

4-6. Research and development expense: _____

4-7. Other general and administrative expense: _____

5. Operating income (subitem 1-3 less subitems
3 through 4-7):   _____

6. Non-operating income: _____

7-1. Interest expense: _____

FTC Control No. _____.

7-2. Other non-operating expense: _____

8. Income before income taxes and extraordinary
items (subitems 5 and 6 less subitems 7-1 and 7-2):   _____

9-1. Net income of foreign section
(net of foreign taxes):   _____

Earned on:

    a. Sales or receipts (not including
    transfers to other parts of the 10-K
    Reporting Company):   _____

    b. Transfers to other parts of the
    10-K Reporting Company: _____

9-2. Net income of domestic regulated section: _____

Earned on:

    a. Sales or receipts (not including
    transfers to other parts of the 10-K
    Reporting Company):   _____

    b. Transfers to other parts of the
    10-K Reporting Company: _____

9-3. Net income of domestic investments
accounted for by the equity method: _____

10. Provision for current and deferred domestic
income taxes (on subitems 8 through 9-3):   _____

11. Income after income taxes (subitems 8 through
9-3 less subitem 10):   _____

12. Extraordinary gains, less applicable income
taxes: _____

    a. Income taxes on subitem 12:   _____

13. Extraordinary losses, less applicable income
taxes: _____

    a. Income taxes on subitem 13:   _____

14. Minority stockholders' interest in income of
10-K Reporting Company: _____

15. Net income (subitems 11 and 12 less subitems
13 and 14):   _____

FTC Control No. _____

16. Retained earnings at beginning of fiscal year: _____

17. Cash dividends charged to retained earnings: _____

18. Other direct charges or credits to retained
earnings: _____

19. Retained earnings at end of fiscal year
(subitems 15 and 16 less subitems 17 and 18):   _____

For asset and equity suoitems, report as of the last day of the
fiscal year.

26a,b. Gross plant, property, and equipment: _____

26c. Accumulated depreciation, depletion,
and amortization on plant, property, and
equipment: _____

26d. Net plant, property, and equipment
(subitem 26a,b less subitem 26c):   _____

20-25,27. All other assets: _____

38d. Stockholders' equity: _____

FTC Control No. _____

ITEM B. COMPANY AFFILIATIONS.   (CONTINUATION SHEET)

Complete one Item B sheet for each active domestic company in
which the addressee company had more than a 50 percent ownership
interest at any time during the fiscal year given in Item A
above.

1. Exact company title: _____

2. Mailing address:

   _____

3. Place of incorporation (State or country): _____

4. Date of incorporation (month/day/year):   _____/___/____

5. Employer Identification Number(s)   _____ _____
   assigned to this company for
   reporting income and payroll taxes: _____ _____

6. Describe the company's principal activities:

_____

_____

_____

7. Total sales or receipts (including
   transactions with affiliates) in this
   company's most recently completed fiscal year: _____

8. Approximate percentage of total sales or
   receipts, as given in subitem 7, above, which
   originated from domestic operations: _____

9. If company was not more than 50
   percent owned throughout entire fis-
   cal year, give the first and last   first: _____/___/____
   days on which it was more than 50
   percent owned (month/day/year)   last: _____/___/____

10. If subitem 9 is applicable, please explain what happened.

_____

CONTINUATION SHEET B ( )

FTC Control No. _____

ITEM C. DESCRIPTION OF THE QFR REPORTING COMPANY. (CONTINUATION
SHEET)

List the companies which are consolidated into the QFR Reporting
Company in accordance with the rules for consolidation given
above. If only a part of a company is consolidated, so indicate.
Any company listed below should also be listed in Item B.

_____   _____

_____   _____

_____   _____

_____   _____

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_____   _____

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_____   _____

_____   _____

_____   _____

_____   _____

CONTINUATION SHEET C (   )

ITEM D. IDENTIFICATION AND DESCRIPTION OF LINES OF BUSINESS.
(CONTINUATION SHEET)

Complete a separate Item D for each line of business of the QFR
Reporting Company.

   1. Primary activity code for this line of
business: FTC-_____

   2. List the segments which are included in this line of
business:

Name	City, State, ZIP Code	Primary Activity

3. Specialization of the line of business. To facilitate the
determination of the relative importance of primary products
and secondary products in this line of business, please
provide a breakdown of its sales or receipts. Use 5-digit
Census of Manufactures product classes for manufacturing
activities and 2-digit Standard Industrial Classification
(SIC) industries for non-manufacturing activities. Where data
on some measure other than sales or receipts, such as value of
shipments, are more readily available, they may be used,
provided that the substitution is indicated in a footnote.
Include in sales or receipts transfers to other lines of
business. Data for the closest calendar year may be
substituted for fiscal year data if they are more readily
available and this is indicated in a footnote.

Description	Census or SIC code number	Sales or receipts

CONTINUATION SHEET D ( )

FTC Control No. _____

ITEM E. FINANCIAL DATA FOR LINES OF BUSINESS. (CONTINUATION SHEET)

A company must complete a separate Item E form for each line of business in which it had at least $10 million in fiscal year sales or receipts. In addition, it must complete a form for a residual category consisting of the sum of all lines of business in which it had less than $10 million in sales or receipts in each. All activities of the QFR Reporting Company must be included in one of the separate lines of business or in the residual category. Use 99.99 as the FTC code number for the residual line of business.

In subitem 3, if transfers are not at fair market value, describe the method of valuation used, and give the reason for using it.

　　1. Primary activity code for this line of
　　business:　　　　　　　　　　　　　　　　　　　FTC-_____

　　2. Sales or receipts, not including transfers
　　to other parts of the 10-K Reporting Company:　　_____

　　3. Transfers to other parts of
　　the 10-K Reporting Company:　　　　　　　　　　　_____

　　4. Total sales or receipts of the line of business
　　(sum of subitems 2 and 3):　　　　　　　　　　　_____

　　5. If the transfers reported in subitem 3 are more than five percent of the total sales or receipts reported in subitem 4, please provide a breakdown of the transfers. For each receiving line of business, for the domestic regulated section, and for the foreign section, list the transfers received if this amount is more than 10 percent of the total transfers from this line of business. Receiving lines of business are to be identified by their primary activity code, the domestic regulated and foreign sections are to be identified by the words "Regulated" and "Foreign" respectively.

　　　　Identification:　　_____　_____　_____　_____

　　　　Sales or receipts:　_____　_____　_____　_____

CONTINUATION SHEET E ( ) - 1

FTC Control No. _____

You are required to maintain records which describe the items which were allocated and the allocation bases used. These records need not be filed with this report but must be available for review by members of the Line of Business Report staff. These records must be maintained for a period of three (3) years.

For each subitem list the amount directly attributable to this line of business, the amount allocated to this line of business, and the sum of these two amounts. Data on income, expense, and asset items which are not allocated will be collected in Item F, below.

In subitem 15, report either Research and Development expense for the current period or amortization on capitalized Research and Development. Indicate in a footnote whether the number reported is expense or amortization.

In subitem 20, if the applicable tax rate(s) for extraordinary items is not the same as the company-wide tax rate, please explain in a footnote.

	Direct (Col A)	Allocated (Col B)	Sum of columns A & B (Col C)
6. Materials costs (including goods purchased for resale), not including transfers from other parts of the 10-K Reporting Company:	_____	_____	_____
7. Materials (including goods purchased for resale), transferred from other parts of the 10-K Reporting Company:	_____	_____	_____
8. Labor costs:	_____	_____	_____
9. Inventory at beginning of fiscal year less inventory at end of fiscal year:	_____	_____	_____
10. Depreciation, depletion, and amortization on plant, property, and equipment:	_____	_____	_____
11. Other costs of sales and operations:	_____	_____	_____
12. Cost of sales and operations (subitems 6 through 11):	_____	_____	_____
13. Media advertising expense:	_____	_____	_____

CONTINUATION SHEET E ( ) - 2

FTC Control No. _____

	Direct (Col A)	Allocated (Col B)	Sum of columns A & B (Col C)
14. Selling expense other than media advertising expense:	_____	_____	_____
15. Research and development expense:	_____	_____	_____
16. Other general and administrative expense:	_____	_____	_____
17. Operating income before unallocated items (subitem 4 less subitems 12 through 16):			_____
18. Non-operating expense less non-operating income (not including income from equity in unconsolidated subsidiaries or affiliated companies or interest expense):	_____	_____	_____
19. Income before unallocated and extraordinary amounts (subitem 17 less subitem 18):			_____
20. Extraordinary gains less extraordinary losses, not net of applicable taxes:	_____	_____	_____
21. State and local income taxes:	_____	_____	_____

For the asset subitems below, 22 through 25, use the same three categories as were used above: direct, allocated, and not allocated. Investments in unconsolidated subsidiaries and affiliated companies should not be reported in subitem 25, either in the direct or allocated columns; they are to be reported in Items F and G. All asset subitems are to be reported as of the last day of the fiscal year.

22. Gross plant, property, and equipment:	_____	_____	_____
23. Accumulated depreciation, depletion, and amortization on plant, property, and equipment:	_____	_____	_____
24. Net plant, property, and equipment (subitem 22 less subitem 23):	_____	_____	_____
25. All other assets:	_____	_____	_____

CONTINUATION SHEET E ( ) - 3

FTC Code	Description	Related 1972 SIC Codes
	MANUFACTURING CATEGORIES:	
20.01	Meat products	201
20.02	Fluid milk	2026
20.03	Dairy products exc. fluid milk	202,x 2026
20.04	Canned specialties	2032
20.05	Preserved fruits and vegetables, exc. canned specialties	203,x 2032
20.06	Cereal breakfast foods	2043
20.07	Dog, cat, and other pet food	2047
20.08	Flour and other grain mill products, rice milling, blended and prepared flour, wet corn milling, prepared feeds, nec	204,x 2043,7
20.09	Bread, cake, and related products	2051
20.10	Cookies and crackers	2052
20.11	Confectionery products	2065
20.12	Chocolate and cocoa products	2066
20.13	Chewing gum	2067

FTC Code	Description	Related 1972 SIC Codes
20.14	Raw cane sugar, cane sugar refining, beet sugar	2061, 2, 3
20.15	Fats and oils	207
20.16	Malt beverages, malt	2082, 3
20.17	Wines, brandy, brandy spirits, and distilled liquor	2084, 5
20.18	Bottled and canned soft drinks	2086
20.19	Flavoring extracts and syrups, nec	2087
20.20	Roasted coffee	2095
20.21	Misc. foods and kindred products, exc. roasted coffee	209,x 2095
21.01	Cigarettes	211
21.02	Cigars	212
21.03	Chewing and smoking tobacco	213
21.04	Tobacco stemming and redrying	214
22.01	Weaving mills, cotton	221
22.02	Weaving mills, synthetics	222
22.03	Weaving and finishing mills, wool	223
22.04	Narrow fabric mills	224
22.05	Knitting mills	225

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PTC Code	Description	Related 1972 SIC Codes
22.06	Textile finishing, except wool	226
22.07	Floor covering mills	227
22.08	Yarn and thread mills	228
22.09	Tire cord and fabric	2296
22.10	Misc. textile goods, exc. tire cord and fabric	229,x 2296
23.01	Men's and boys' suits and coats	231
23.02	Men's and boys' furnishings	232
23.03	Women's and misses' outerwear	233
23.04	Women's and children's undergarments	234
23.05	Hats, caps, and millinery	235
23.06	Children's outerwear	236
23.07	Fur goods	237
23.08	Misc. apparel and accessories	238
23.09	Misc. fabricated textile products	239
24.01	Logging camps and logging contractors	241
24.02	Sawmills and planing mills	242
24.03	Millwork, plywood and structural members	243
24.04	Wood containers	244

FTC Code	Description	Related 1972 SIC Codes
24.05	Wood buildings and mobile homes	245
24.06	Misc. wood products	249
25.01	Mattresses and bedsprings	2515
25.02	Household furniture, exc. mattresses and bedsprings	251,x 2515
25.03	Office furniture	252
25.04	Public building and related furniture	253
25.05	Partitions and fixtures	254
25.06	Misc. furniture and fixtures	259
26.01	Pulp mills	261
26.02	Paper mills, except building paper	262
26.03	Paperboard mills	263
26.04	Misc. converted paper products	264
26.05	Paperboard containers and boxes	265
26.06	Building paper and board mills	266
27.01	Newspapers	271
27.02	Periodicals	272
27.03	Books	273

FTC Code	Description	Related 1972 SIC Codes
27.04	Misc. publishing	274
27.05	Commercial printing	275
27.06	Manifold business forms	276
27.07	Greeting card publishing	277
27.08	Blankbooks and bookbinding	278
27.09	Printing trade services	279
28.01	Industrial gases	2813
28.02	Industrial inorganic chemicals, exc. industrial gases	281,x 2813
28.03	Plastics materials and resins	2821
28.04	Synethtic rubber	2822
28.05	Organic fibers	2823, 4
28.06	Drugs, ethical	pt. 283
28.07	Drugs, proprietary	pt. 283
28.08	Toilet preparations	2844
28.09	Soap and other cleaning preparations	284,x 2844
28.10	Paints and allied products	285
28.11	Industrial organic chemicals	286

FTC Code	Description	Related 1972 SIC Codes
28.12	Agricultural chemicals	287
28.13	Explosives	2892
28.14	Misc. chemical products, exc. explosives	289,x 2892
29.01	Petroleum refining	291
29.02	Paving and roofing materials	295
29.03	Misc. petroleum and coal products	299
30.01	Tires and inner tubes	301
30.02	Rubber and plastics footwear	302
30.03	Reclaimed rubber	303
30.04	Rubber and plastics hose and belting	304
30.05	Fabricated rubber products, nec	306
30.06	Misc. plastics products	307
31.01	Leather tanning and finishing	311
31.02	Boot and shoe cut stock and findings	313
31.03	Footwear, except rubber	314
31.04	Leather gloves and mittens	315
31.05	Luggage	316
31.06	Handbags and personal leather goods	317

FTC Code	Description	Related 1972 SIC Codes
31.07	Leather goods, nec	319
32.01	Flat glass	321
32.02	Glass containers	3221
32.03	Pressed and blown glass, nec	3229
32.04	Products of purchased glass	323
32.05	Cement, hydraulic	324
32.06	Structural clay products	325
32.07	Vitreous plumbing fixtures	3261
32.08	Pottery and related products, exc. vitreous plumbing fixtures	326,x 3261
32.09	Gypsum products	3275
32.10	Concrete and plaster products	327,x 3275
32.11	Cut stone and stone products	328
32.12	Abrasive products	3291
32.13	Asbestos products	3292
32.14	Mineral wool	3296
32.15	Nonmetallic mineral products, nec	3293, 5, 7, 9
33.01	Blast furnace and basic steel products	331

FTC Code	Description	Related 1972 SIC Codes
33.02	Iron and steel foundries	332
33.03	Primary copper	3331
33.04	Primay lead	3332
33.05	Primay zinc	3333
33.06	Primary aluminum	3334
33.07	Primary nonferrous metals, nec	3339
33.08	Secondary nonferrous metals	334
33.09	Aluminum sheet, plate, and foil, aluminum extruded products, aluminum rolling and drawing, nec	3353, 4, 5
33.10	Nonferrous rolling and drawing (including copper), nec, and nonferrous wire drawing and insulating	3351, 6, 7
33.11	Nonferrous foundries	336
33.12	Misc. primary metal products	339
34.01	Metal cans	3411
34.02	Metal barrels, drums, and pails	3412
34.03	Cutlery	3421
34.04	Hand tools and hardware	342,x 3421
34.05	Plumbing and heating, except electric	343

FTC Code	Description	Related 1972 SIC Codes
34.06	Metal doors, sash, and trim	3442
34.07	Fabricated structural metal products, exc. metal doors, sash, and trim	344,x 3442
34.08	Screw machine products, bolts, etc.	345
34.09	Nonferrous forgings	3463
34.10	Metal forgings and stampings, exc. nonferrous forgings	346,x 3463
34.11	Metal services, nec	347
34.12	Ordnance and accessories, nec	348
34.13	Steel springs, except wire	3493
34.14	Wire springs	3495
34.15	Misc fabricated metal products, exc. steel and wire springs	349,x 3493,5
35.01	Turbines and turbine generator sets	3511
35.02	Internal combustion engines, nec	3519
35.03	Farm machinery and equipment	3523
35.04	Lawn and garden equipment	3524
35.05	Construction and related machinery	353
35.06	Power driven hand tools	3546

FTC Code	Description	Related 1972 SIC Codes
35.07	Metalworking machinery, exc. power driven hand tools	354,x 3546
35.08	Food products machinery	3551
35.09	Textile machinery	3552
35.10	Paper industries machinery	3554
35.11	Printing trades machinery	3555
35.12	Woodworking machinery, special industrial machinery, nec	3553, 9
35.13	Pumps and pumping equipment	3561
35.14	Ball and roller bearings	3562
35.15	General industrial machinery, exc. pumps and pumping equipment, ball and roller bearings	356,x 3561, 2
35.16	Typewriters	3572
35.17	Electronic computing equipment	3573
35.18	Calculating and accounting machines	3574
35.19	Scales and balances, exc. laboratory, and office machines, nec	3576, 9
35.20	Refrigeration and service machinery	358
35.21	Misc. machinery, except electrical	359
36.01	Transformers	3612

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FTC Code	Description	Related 1972 SIC Codes
36.02	Switchgear and swithboard apparatus	3613
36.03	Motors and generators	3621
36.04	Carbon and graphite products	3624
36.05	Electrical industrial apparatus, exc. motors and generators, carbon and graphite products	362,x 3621, 4
36.06	Household cooking equipment	3631
36.07	Household refrigerators and freezers	3632
36.08	Household laundry equipment	3633
36.09	Electric housewares and fans	3634
36.10	Household vacuum cleaners	3635
36.11	Sewing machines	3636
36.12	Household appliances, nec	3639
36.13	Electric lamps	3641
36.14	Vehicular lighting equipment	3647
36.15	Electric lighting and wiring equipment, exc. electric lamps and vehicular lighting equipment	364,x 3641, 7
36.16	Radio and TV receiving sets	3651
36.17	Phonograph records	3652
36.18	Telephone and telegraph apparatus	3661

FTC Code	Description	Related 1972 SIC Codes
36.19	Radio and TV communication equipment	3662
36.20	Electron tubes, receiving type	3671
36.21	Cathode ray television picture tubes	3672
36.22	Electron tubes, transmitting	3673
36.23	Semiconductors and related devices, electronic capacitors, resistors, coils and transformers, connectors and components, nec	3674,5,6,7,8,9
36.24	Primary batteries, dry and wet	3692
36.25	Engine electrical equipment	3694
36.26	Storage batteries	3691
36.27	X-ray apparatus and tubes, electrical equipment and supplies, nec	3693, 9
37.01	Motor vehicles and car bodies	3711
37.02	Truck and bus bodies	3713
37.03	Motor vehicle parts and accessories	3714
37.04	Truck trailers	3715
37.05	Aircraft	3721
37.06	Aircraft engines, parts and equipment, nec	3724, 8
37.07	Ship and boat building and repairing	373
37.08	Railroad equipment	374

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FTC Code	Description	Related 1972 SIC Codes
37.09	Motorcycles, bicycles, and parts	375
37.10	Guided missiles, space vehicles, parts	376
37.11	Travel trailers and campers	3792
37.12	Misc. transportation equipment, exc. travel trailers and campers	379,x 3792
38.01	Engineering and scientific instruments	381
38.02	Measuring and controlling devices	382
38.03	Optical instruments and lenses	383
38.04	Dental equipment and supplies	3843
38.05	Surgical and medical instruments, appliances and supplies	384,x 3843
38.06	Ophthalmic goods	385
38.07	Photographic equipment and supplies	386
38.08	Watches, clocks, and watchcases	387
39.01	Jewelry, silverware, and plated ware	391
39.02	Musical instruments	393
39.03	Sporting and athletic goods, nec	3949
39.04	Dolls, games, toys, and children's vehicles	394,x 3949
39.05	Pens, pencils, office and art supplies	395

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FTC Code	Description	Related 1972 SIC Codes
39.06	Costume jewelry and notions	396
39.07	Hard surface floor coverings	3996
39.08	Misc. manufactures, exc. hard surface floor coverings	399,x 3996
	NON-MANUFACTURING CATEGORIES:	
1.01	Agriculture	01, 02, 07
8.01	Forestry and fishing	08, 09
10.01	Mining	10, 11, 12 13, 14
15.01	Construction	15, 16, 17
40.01	Transportation and public utilities	40, 41, 42, 43, 44, 45, 46, 47, 48, 49
50.01	Wholesale trade	50, 51
52.01	Retail trade	52, 53, 54, 55, 56, 57, 58, 59
60.01	Finance, insurance, and real estate	60, 61, 62, 63, 64, 65, 66, 67
70.01	Services	70, 72, 73, 75, 76, 78, 79, 80, 81, 82, 83, 84, 86, 88, 89

ECONOMIC REPORT

DISCOUNT FOOD PRICING

IN WASHINGTON, D.C.

ECONOMIC REPORTS OF FEDERAL TRADE COMMISSION

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Concentration and Integration in Food Retailing (1960) *
The Frozen Fruit, Juice and Vegetable Industry (1962) *
The Canned Fruit, Juice and Vegetable Industry (1965) $1.25
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Industry Classification and Concentration (1967) *
Large Mergers in Manufacturing and Mining 1948-1970 (published
    annually following the end of the calendar year) * †
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    the end of the calendar year) * †
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    quarterly for an annual subscription price of $2.00)

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March 1971

ECONOMIC REPORT

DISCOUNT FOOD PRICING IN WASHINGTON, D.C.

by

Russel C. Parker

Staff Report to the
FEDERAL TRADE COMMISSION

FEDERAL TRADE COMMISSION

Acknowledgments

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DISCOUNT FOOD PRICING IN WASHINGTON, D.C.

Introduction

In the first week of August 1970 all leading food chains in the Washington, D.C. metropolitan area market suddenly announced they were going discount. Most observers agree that the chains did, in fact, go discount and that the entry into the Washington area of Lucky Stores, a California-based discount food chain with operations in several Midwestern States, was the cause. The transformation to discounting occurred in the same week that Lucky opened its first two large Memco Discount Centers in the Maryland and Virginia suburbs. Prior to the August 1970 switch to general discounting, area food chains in April 1970 initiated significant changes in meat department pricing policies. At that time, most of the leading chains dropped the practice of offering weekend meat specials in favor of what advertisements described as "everyday low prices."

Both the entry of Lucky into the Washington market and the reason why its entry touched off discounting appear to be related to FTC antitrust efforts. Lucky's expansion eastward from the west coast was a direct result of a settlement of an FTC antitrust case. The reason why its entry into Washington touched off marketwide food discounting, was possibly the therapeutic effect of an FTC staff investigation of an alleged monopolization of the Washington area retail food industry. In 1967, when another aggressive discounter, with a history of successful entry in several northeastern markets, attempted to enter this market it was met with neighborhood price cutting by leading chains. The leading chains made very substantial price cuts in their stores in the immediate vicinities of the entrant's new stores but nowhere else in the metropolitan

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area. The price reactions of other chains to Lucky's entry, in 1970, were marketwide and appear to be the cause of the shift of the whole market to discounting.

Consumer benefit from the August 1970 switch to discounting by Washington area retailers is estimated to be approximately $40 million a year. This represents an average saving of about 3 percent of foodstore sales in the area.

Lucky Stores' invasion of the Washington market is part of a general trend toward discounting in the last few years which appears to be related to Federal Trade Commission merger enforcement policy in grocery retailing, and its antitrust actions connected with trading stamps and games of chance. The FTC merger enforcement policy which successfully redirected the growth of the largest food chains away from acquisitions to competition creating internal expansion into new markets, caused the focus of competition in the affected markets to be on low prices. Coincident with these actions the postwar trend toward rapidly increasing retail markups by food chains was not only stopped but reversed. The decline in average markups since 1965, a trend which is continuing, is currently estimated to be saving consumers nationally approximately $1 billion a year.

The following report analyzes the facts and events leading to the shift to discounting, the economic consequences of the new price policies, and the validity of consumer complaints stemming from them. The report is based on information obtained from public sources, data submitted voluntarily by leading Washington area food chains, and unpublished price statistics of the Bureau of Labor Statistics. It is also based on a field investigation.

Everyday Low Pricing of Meat

On April 12, 1970, Safeway Stores, Inc., the leading food chain in the Washington area, proclaimed it was beginning a policy of offering "all new low, low everyday meat prices." The clear interpretation of the extensive advertising publicizing the new policy in newspapers, television, and radio and by large banners and

signs in stores, was that Safeway was going to replace its policy
of offering weekend specials with a discount pricing policy that
would in effect make the low-price weekend specials available
every day of the week. The change in pricing policy in April was
limited to meat items. Almost immediately following Safeway's
widely publicized change to everyday low pricing, most of the
other leading food chains in the Washington area made similar
changes in their meat pricing policies.[1] According to press reports,
food chain officials were predicting that the price policy changes
would mean consumer savings equivalent to 5 percent on sales.[2]

The elimination of meat department weekend specials by lead-
ing Washington area chains represented a highly important shift
in food merchandising. A recent USDA report shows six out of 10
shoppers consider specials as exerting an influence on their meat
purchases and one-third of all homemakers consider specials as
highly important in determining their purchases. An even higher
proportion of low-income and large families considered specials
as highly important.

Bureau of Labor Statistics data indicate that, following the
announced price policy changes, the Washington area price index
for meat, poultry, and fish fell 2.8 percent (3.7 percentage points
of index).[3] This decline, in Washington, was greater than that
recorded by the BLS in any other city between April and May 1970.
The U.S. average retail price for meats, poultry, and fish declined
a negligible 0.3 percent. Therefore, the relative decline in Wash-
ington, compared to the U.S. average, was over 2 percent.

However, because of wholesale price decreases in March and
April which were about equal in dollar amount to the Washington
area retail price declines, the immediate effect of the April Wash-
ington area retail price decrease appears to have been the more
rapid passing on of a decline in wholesale prices than what normally

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[1] Safeway announced its change on Sunday, April 12, and 2 days later was followed
by Giant Foods, Inc., the second largest Washington area food chain. A. & P. and Grand
Union, the area's third- and fourth-ranking chains, made similar price policy shifts in
the same week.

[2] *The Washington Post*, April 21, 1970, p. D-7.

[3] Appendix table 1.

occurs.[4] If the average retail markup for the meat departments would have stayed constant at 22 cents (per dollar sales) [5] the computed retail price decline which would have exactly passed on the wholesale price declines of March and April (of 3.6 percent) [6] would have been 2.9 percent—almost identical to the actual retail price decrease recorded in Washington by the BLS. Since the publicity of the "low, low meat prices" in April referred only to the shift in pricing policies as a cause of the price reductions, and did not mention the wholesale price declines as a cause, many consumers may have been left with an impression that the new price policies contributed more to the lower prices than they actually did.

Following the March to April decline, wholesale meat prices increased slightly until July when they started down again. By the end of the year they had declined 10 percent. Retail prices did not follow the pattern set by wholesale prices. The national average for BLS cities stayed almost constant at about its September

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[4] The small decline in retail prices in other cities may have been due to the fact that wholesale prices had started to rise again during the month of May. This resumption may have cut short retail price cuts which would have passed on more of the March and April wholesale price decreases. Research into the behavior of retail prices supports this hypothesis by showing that historically there is a lag in the retail price response to wholesale price changes. The National Commission on Food Marketing, *Organization and Competition in the Livestock and Meat Industry*, "Technical Study No. 1," p. 93, found that there tended to be a 1-week lag before changes in the wholesale price of beef had a significant effect on retail prices and that the full effect of a wholesale price change was usually not realized for 8 weeks. The NCFM observed a similar response lag in pork prices, but the influence of changes in the wholesale prices for pork and on retail prices for pork was distributed over 6 weeks only.

The primary effect of the April 1970 change in food chain meat price policies in Washington may have been to shorten the lag to the March and April wholesale price reductions. Bureau of Labor Statistics meat price data for April show that the decline in the retail meat, poultry, and fish index for Washington was the greatest of the 23 cities included in the BLS sample.

[5] This is the average meat department markup reported for food chains in the National Commission on Food Marketing "Technical Study Number 9," *Cost Components of Farm-Retail Price Spreads for Foods* (1966), p. 6.

[6] The retail and wholesale meat price declines in the spring of 1970 marked a reversal of the trend of the previous half year. During the fall and winter, the wholesale price index for meat, poultry, and fish had gone up a total of 5.7 percent (6.9 percentage points). The reversal of this trend during March and April 1970 caused the wholesale index to drop 3.6 percent (4.6 percentage points).

1969 level, except for a slight decreasing trend in recent months.[7]

The over-2-percent relative reduction of Washington area retail meat prices which developed as a result of the April price reductions in Washington, but not for the Nation, was sustained.[8] In August, in fact, the amount of the relative decreases widened and for the final 5 months of 1970 and the first 2 months of 1971 was about 4 percent.

Reasons Given for the Switch to Everyday Low Pricing of Meat

Chainstore sources indicated that the timing of the Washington area shift in meat pricing policies may be explained simply as a delayed reaction to a trend occurring in other cities for some time. A spokesman for Giant Foods, Inc., was quoted by the press as saying that the price cuts had been planned for several weeks and that it was just a matter of time before one of the Washington area food chains made the move.[9] The same newspaper article quoted another chainstore official as saying that the price reductions had been slow in coming to Washington because there were no discount foodstores in the area.[10]

Area food chains claimed in interviews with FTC staff that the conversion to everyday low pricing was made possible in large measure through savings that the chains would achieve by buying meat in whole carcasses rather than special ordering selected cuts to satisfy weekend promotions. The estimates of savings ranged

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[7] Appendix table 1.

[8] Measurement difficulties in computing BLS price index, caused by the shift from weekend specials to everyday low pricing, make it impossible to determine with certainty the actual amount that retail meat prices were reduced in Washington or the proportion of the reduction that was due to the initiation of everyday low pricing policies. Not only did the shift affect the probability of BLS price collectors picking up low-priced items during the weeks that price surveys were conducted, it also affected consumer buying habits and sales volumes for individual items. The concept of weekend specials was actually done away with rather than extended to all days of the week. It was replaced by a low-margin price policy covering the broad range of items in meat departments. This reshaped relative prices for the various items in meat departments which in turn affected consumer purchasing decisions for them.

[9] The Washington Post, *op. cit.*

[10] Consumer Co-op advertised a shift to discount pricing in 1968. The Co-op's impact was apparently not significant since other chains in the area did not respond to it and Co-op's sales share of the Washington market has remained about 1 percent according to Metro Market Studies.

6   REASONS GIVEN FOR SWITCH TO EVERYDAY MEAT PRICING

up to 5 percent of sales.[11] Other supermarket officials said that the shift away from weekend specials was an attempt to spread sales more evenly throughout the week allowing a more efficient and less costly utilization of store facilities.[12] The elimination of the cost of remarking items for weekend specials was also claimed as a significant savings. Still other officials indicated that the losses in profits, due to the lower retail margins caused by the price reductions, would be more than offset by the profits earned from larger sales volumes.[13] However, since all chains went discount at the same time, it is difficult to see how any of them would increase their sales volumes to an appreciable extent unless there were a significant shift in the market shares caused by some chains being more successful than others.

Another possible reason for the shift to everyday low pricing in the spring of 1970 was the announced intentions of Lucky Stores to enter the Washington market. Safeway, which initiated the shift in pricing policies in the Washington area, previously had made similar shifts in other metropolitan area markets where it competes with discount operations of Lucky. In 1968, while conducting the investigation of food chain selling practices in the District of Columbia and San Francisco, staff members observed the reaction of Safeway and other chains in the San Francisco area following Lucky's switch to everyday low prices in that market. Safeway and other chains in the area soon switched to everyday low pricing, possibly as a result of a clever advertising approach used by Lucky. Lucky's advertisements advised consumers to shop at other chains in order to buy those chains' specials, but to come to Lucky for their regular weekly shopping in order to

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[11] A study by the Department of Agriculture on the effect of meat specials in the Washington, D.C., area in 1965 shows that food retailer buying for specials pay an average of 3.9¢ (4.5 percent) more at wholesale than they would have paid if meat were purchased in whole carcasses. *Retail Beef Prices and Margins, Washington, D.C., Metropolitan Area*, May 15–November 15, 1965, U.S. Department of Agriculture.

[12] May 6, 1970, interview with chief of Safeway's Washington division.

[13] Profitability in food retailing was found to be very closely associated with sales volumes according to statistical analyses conducted by the staff of the National Commission on Food Marketing in 1966. See "Technical Study No. 7," *Organization and Competition in Food Retailing*, ch. 10.

take advantage of Lucky's low prices on all items.[14]

Consumer Complaints

Consumer reaction to the initiation of everyday low pricing of meat by Washington area chains was mixed. Many consumers complained of having to pay more, not less, for their meat. Many of these complaints were correct since the shift to "everyday low prices" caused some consumers who had home freezers, and who had previously stocked up on very low-priced weekend specials, to pay more since these extra-special bargains were no longer available. The same was probably true, but to a lesser extent, of people who planned their weekly menus around the weekend specials and in order to take advantage of them, shopped on Thursdays, Fridays, or Saturdays.

Consumers also complained that some Safeway advertisements promoting its shift to everyday low pricing misrepresented the amount of the actual price reductions made by Safeway. "Was" and "now" price comparisons featured for items that frequently had been offered on price specials prior to the shift were alleged to be fictitious. Some element of truth was found in this charge since some items had been "specialed" so frequently that a high proportion of the sales volumes probably occurred at those prices.[15]

[14] In August 1970, after it opened its first stores in the Washington market, Lucky used the same advertising approach in some of its Washington area newspaper advertisements.

[15] The sales of an item featured on a weekend special are drastically out of proportion to the amount of time the special is featured, according to the USDA's "Marketing Economics Division Report," *Retail Beef Price Specials*, p. 159, which states the following:

> * * * specials drastically change the quantity patterns of sales among cuts * * * In many instances, the movement of cuts on special makes up most—in some cases, nearly all—of the beef sales for the week in a given store. When sales of a single cut account for a large part of a store's total beef sales, the average price of beef in that store approaches the price of the cut rather than the average retail price of carcass beef.

Although Safeway states that with weekend specials it usually cuts the prices of only seven to 15 items below regular prices compared with price cuts on 500 and 550 items under the "low everyday pricing" policy, it is still considered likely that the disproportionate sales volumes of the few items could possibly bring the average price down close to the average "everyday low prices." The actual result can be seen in average gross markups on which all food chains keep careful records. Records of average markups of Safeway's Washington area stores were requested but the request was not granted.

In these instances, the actual average price prevailing before the shift was often significantly lower than the advertised "was" price. In many cases it was also probably lower than the "now" price, which means that the typical or average price for the item increased rather than decreased. This, of course, is a direct contradiction to the meaning of the advertised comparison.[16] Giant advertisements for nonmeat products after August had some of the same problems.

Total Store Discounting Begins in August

The April reductions in meat prices were but a prelude to a general shift to discounting by Washington area food chains. On August 2, 1970, Giant announced a shift to across-the-board discounting in all departments. Its announcement was immediately followed by announcements of the other leading Washington area food chains. Each of the chains announced thousands of individual price cuts. The result, according to Bureau of Labor Statistics, was an immediate drop in Washington area food price index. This reduction added to the effect of the meat department price cuts of April. The total result of the shift to discounting between April and August was a drop in area's food price index of about 3 percent compared with the index for the average price movement in other cities (table 1).

Consumer benefits from the shift to discounting are potentially very great. Considering that foodstore sales in the Washington area approach $1.25 billion a year, a 3 percent average price reduction would represent an annual savings to consumers close to $40 million.[17]

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[16] According to price information submitted to the Washington Area Field Office by Safeway, all items advertised with "was" and "now" prices had, in fact, been offered for sale at the "was" price for a period of time prior to the change and had been offered at the "now" price for a period of at least 2 months after the policy change.

[17] Although the greatest short-run effect of reduced prices is probably on profits, retailers can restore their lost profits by seeking more efficient and lower cost methods for serving the consuming public. This is explained further on page 13. Many discount chains currently operate with average gross margins even more than 3 percent (the amount of the price reduction in Washington associated with discounting) lower than the gross margins of typical nondiscount supermarket chains. Many such chains have led the food retailing industry in profitability in recent years. The average gross margin of a chain is the average retail markup it applies to the wholesale purchase prices of of the items it sells.

TABLE 1.—*A comparison of Washington area food price movements with the U.S. average, 1969–February 1971*

| Month | Price policy in effect | Consumer price index for food purchased in foodstores (1957–59 base) | | | |
		Washington, D.C. metropolitan area	U.S. average	Washington index as a percent of U.S. index [1]	Average for selected months [2]
1969 average	Prediscount period	124.3	121.5	102.3	102.3
1970					
January		130.0	126.6	102.6	102.3
February		130.9	127.4	102.7	
March		130.0	127.4	102.0	
April		130.1	127.4	102.1	
May	Everyday low pricing of meat	129.4	128.8	101.2	101.4
June		130.2	128.0	101.7	
July		130.5	128.7	101.3	
August	Across-the-board discounting of all groc. items	128.5	128.6	99.9	99.2
September		128.3	128.2	100.1	
October		127.0	127.8	99.4	
November [3]		125.2	126.9	98.4	
December		126.0	127.3	99.0	
1971					
January		126.0	127.3	99.0	
February		126.9	127.9	99.2	
Reduction (−) or increase (+) from April 1970–February 1971		−3.2	+.5	−2.9	−3.1

[1] This is a comparison of relative price movements. It shows how Washington prices changed relative to the national average. It is not a comparison of absolute levels unless the Washington price level in the base years 1957–59 was identical to the national average.

[2] The differences between the averages before May and May–July, before May and August–February, May–July and August–February are all statistically significant at the 1 percent level.

[3] Giant Foods discontinued trading stamps at the end of October. It is not known if this was responsible for the further price declines in November.

Source: Bureau of Labor Statistics.

The shift to general discounting in Washington appeared to be a direct result of Lucky Stores' (Memco Discount Centers) entry into the Washington market. The general switch to discounting occurred in the same week in August, just days before Lucky opened its first two Memco Discount Centers.[18] Prior to Lucky's invasion, the Washington market had been considered a high-priced

[18] Giant's announcement was in the *Washington Post*, Sunday, August 2, 1970. The same issue of the *Post* carried an advertisement that Memco would open two stores on August 6, 1970. Also, see *Did Lucky Shake Up Washington?* "Chain Store Age," December 1970. Lucky subsequently opened additional stores. However, it is still too early to determine if Lucky will become successfully established as an important factor in the Washington market.

market,[19] with the higher prices due to the oligopolistic structure of the market and the lack of entry by discount food chains.[20] The reason Lucky's entry into the Washington market touched off discounting, while the previously attempted entry of a discounter (Shop Rite) in 1967 did not, may very well have been the pending Commission investigation of Shop Rite's unsuccessful attempted entry as a chain and the publicity given the incident in the Federal Trade Commission Staff *Economic Report on Food Chain Selling Practices in the District of Columbia and San Francisco,* published in 1969. The leading chains in the Washington area had met Shop Rite's attempted entry in 1967 by cutting their prices in the stores located in the immediate neighborhoods of Shop Rite stores. In any event, no evidence was received that similar selected, geographical price-cutting policies were instituted to greet the opening of Lucky's discount centers in 1970. Available public information indicates that the established chains' price cuts in 1970 were effective throughout the metropolitan area. The Commission's staff did not attempt to compare Lucky's average price level with the price levels of other chains; however, a survey made for a leading trade journal in the fall of 1970, shows Lucky's average price level to be lower than those of all the leading Washington area chains except Giant. The average price level of Giant and Lucky were almost identical.[21]

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[19] The Washington Post, *op. cit.*

[20] In the District of Columbia proper, the four largest chains account for 95 percent of all chain stores and over 80 percent of all supermarket sales (Federal Trade Commission Staff *Economic Report on Food Chain Selling Practices in the District of Columbia and San Francisco,* pp. 15 and 17. FTC staff surveys have shown that in some stores in these areas up to half or more of the items featured in newspaper advertisements of the leading chains were either unavailable or overpriced (Russell C. Parker, *Results of Federal Trade Commission Surveys of Items Advertised by Leading Food Chains Operating in Washington, D.C., and Baltimore, Maryland, Metropolitan Areas,* Summer 1969). Since persons shopping advertised specials can save 10 to 15 percent on their food budgets, the effective price level in these stores was substantially higher than in stores where the specials were available. The FTC staff also found a systematic denial to shoppers in the District of Columbia to win $1,000 prizes offered by Safeway, the area's leading chain. For a further discussion of these practices and others, see the *Economic Report on Food Chain Selling Practices.* and the public record of the staff hearing in January 1970, relating to the trade regulation rule in "Food Advertising and Marketing Practices."

[21] "Chain Store Age," December 1970.

In terms of traditional structural dimensions used to describe markets, grocery retailing in the Washington area is a tight-knit oligopoly. Concentration of foodstore sales in the Washington metropolitan area is higher than all other major cities according to the Bureau of the Census.[22] The four largest chains of the metropolitan area accounted for more than two-thirds of all foodstore sales. This percentage is half again higher than the average for the other cities ranking among the 20 largest.

Entry barriers in the market have also been high. Prior to Lucky's current attempt, two chains have attempted entry over the last decade. Both of these chains failed in their plans to become established competitors. The Kroger Co., the Nation's third largest grocery chain, entered the market in 1960 by acquiring a small local chain. After making a substantial effort to expand its market share, Kroger sold its Washington area stores in 1966 to the Consumer Co-op, a smaller grocery chain which was already operating in the area.

The second attempted entry was by Shop Rite in 1967. Shop Rite (Foodarama) was an aggressive discounter from the New Jersey area and had a history of successful entries into several east coast cities before attempting to enter the Washington market. Approximately 2 weeks prior to Shop Rite's initial opening of two stores in the Washington market, the two leading Washington area chains cut prices in their stores located in the immediate vicinity of the stores Shop Rite had scheduled to open. The price cuts were confined only to those stores and to stores in the area of a third store Shop Rite subsequently opened. As a result, the average price levels of those stores were substantially lower than the level of prices in the other Washington area stores operated by these chains. Those stores for which profit data were available sustained substantial losses after the price cuts, while prior to the cuts they had earned substantial profits.

Available records indicate that for many years the two dominant chains in the Washington market had earned profits substantially

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[22] See appendix table 66 containing standard metropolitan area grocery store concentration statistics in the Federal Trade Commission's *Economic Report on the Structure and Competitive Behavior of Food Retailing,* 1966, pp. 366-372.

greater than the industry average. Giant, a regional chain with most of its stores located in Washington, consistently earned a rate of profit half again higher than the average of all medium and large food chains. Lucky's entry and the resulting discounting have significantly affected this pattern. Giant showed a loss for the quarter after discounting broke out and only very recently has shown a return to profitability.[23] This return is very likely associated with Giant's discontinuing the use of trading stamps as of the end of October 1970. (Trading stamps generally add 2 percent to the cost of operation in the stores offering them.) [24] Some reports have indicated, despite the loss in gross margins due to deep price cuts which have made Giant's store prices competitive with Memco Discount Centers, and several cents per dollar sales lower than the stores of several other leading area chains, Giant is resuming an aggressive new store development program.[25] Also, Giant along with other chains has switched to unit pricing and open dating on perishables.[26]

Although discounting is often unprofitable to the established chains in the markets invaded by discounters, many of the invading discounters have been quite profitable. The discounters among the 50 largest U.S. chains, which have established records for entering new markets through internal growth, often earn very

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[23] The increase for the 12 weeks ending January 2, 1971, was substantial; however, the after-tax earning ratio for that period is still two-thirds of what it had been for the similar period a year earlier. Giant's before-tax profit drop was equal to 3 percent in sales.

Sales and earnings of Giant Foods, Inc., selected period, 1969–1970
[Dollar amounts in millions]

12-week period ending—	1970			1969 (similar period)		
	Sales	After-tax earnings	Earnings ratio (percent)	Sales	After-tax earnings	Earnings ratio (percent)
July 18	$106.1	$1.44	1.40	$ 95.1	$1.29	1.36
October 10	108.7	(.255)	(.23)	96.6	1.28	1.33
January 2 (1971)	113.8	1.17	1.03	106.0	1.80	1.70
36 weeks	328.5	2.35	.72	297.7	4.38	1.47

Source: Giant Foods, Inc.

[24] National Commission on Food Marketing, *Organization and Competition in Food Retailing* (1966), pp. 457-462.

[25] *The Washington Post*, January 23, 1970.

[26] According to Esther Peterson, consumer advisor to Giant, the switch to "unit pricing also aids the retailers with better inventory control, and thus costs nothing." At Giant, she said, unit pricing had helped eliminate both out-of-stock situations and oversupply. The Washington Post, *ibid.*

high profits. Lucky, which is one of these chains, has for the last several years consistently earned profits (after taxes) equivalent to one-fourth of its total stockholders' equity. This is a rate two and one-half times the food chain average.

Discounting is a success because it offers substantial savings to consumers. A true low-margin, or discount, chain has an average gross margin (sales minus cost of goods sold) of about 17 percent of sales. Nondiscounters' gross margins typically range from 19 to 23 percent. The lower costs of discounters result mainly from greater efficiency. Besides not using trading stamps and other costly promotional gimmicks, the true discounter usually dispenses with expensive merchandising practices such as those mentioned above in the discussion of meat pricing.[27]

Discounters also achieve high store volume which is an extremely important way of reducing costs.[28] High store volume makes for a much more efficient use of store facilities and working staff. In the 1960's, a costly phenomenon of "overstoring" developed in food retailing. This is the equivalent of excess capacity in manufacturing industries. Overstoring in food retailing is an aspect of nonprice competition resulting when high concentration in food retailing markets causes the focus of competition between rival chains to be shifted away from price. It may also be an aspect of the entry condition if dominant established chains acquire potential store sites and announce plans to build on them whenever a new entrant or a smaller aggressive rival announces plans to open a new store in the area. Overstoring can be used as an effective substitute for predatory pricing and is often difficult to detect since it can take the form of remodeling and expansion of existing facilities as well as the building of new stores.

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[27] Pages 5 and 6. Although not reported in the Washington area, discounting in some cities has been accompanied by reductions in the number of hours stores are open. Nonprice competition in some of these cities had resulted in supermarket chains keeping their stores open as much as 24 hours a day 7 days a week. Also, some chains converting to discounting have reported cutting back substantially in the number of items carried on their shelves. The cutbacks give more room to the remaining items which makes it possible to reduce costly servicing of shelves. For some items the frequency of shelf restocking was reduced from once or twice a day to only once a week.

[28] National Commission on Food Marketing, op. cit., chs. 7 and 10.

A National Trend Toward Discounting

Lucky Stores' invasion of the Washington market appears to be part of a general trend toward discounting in the last few years which is affecting a growing number of U.S. cities. This trend appears to be related to Federal Trade Commission's merger enforcement policy in grocery retailing.[29] Beginning in the mid-1950's, a merger wave started in grocery retailing that was characterized by the largest food chains making market-extension mergers into geographically related markets. In doing so, the large national chains typically acquired the largest remaining independent chains in the markets. In other words, instead of meeting the market test by expanding internally or by acquiring very small chains, they acquired companies with established market positions. The Commission, in several cases, charged that the acquisitions were anticompetitive because they eliminated the potential competition of the acquiring chains from the markets of the acquired company.

By the mid-1960's, the cases were being won and in January 1967, the Commission issued a strong enforcement policy statement that put large food chains on notice of the Commission's earnest intentions to investigate and prosecute all future anticompetitive mergers in grocery retailing. Prior to the case victories and this strong statement of policy, some 70 percent of foodstore acquisitions were made by the largest national chains; afterwards, less than 1 percent were. Accompanying this decisive redirection of merger activity there was a new spurt to competition caused by the shift of large chains to internal expansion as a means of growth. It appears that many of the chains that previously had been the most merger-active began to expand into new markets by building new stores. To do so, they found it necessary to compete on the basis of price, *i.e.*, discounting. A good example of the change is Allied Supermarkets which was one of the most active acquiring companies of the merger period. Since 1966, when it became

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[29] In addition to its merger enforcement policy, the Commission issued a trade regulation rule relating to food chain use of games of chance and issued an economic study on trading stamps and brought an antitrust case relating to abuses in their use.

affected by the FTC's merger policy, Allied turned to internal expansion and invaded markets in 30 States as a discounter.[30]

Lucky was also one of the chains affected by the Commission's policy and its invasion of the Washington market, in particular, appears to be a result of the Commission's merger enforcement policy of the 1960's. Not only was Lucky a previously merger-active company, but in 1967 it was involved in negotiations with the FTC which led to its expansion eastward from the west coast. In that year, Consolidated Foods which was under an FTC order was granted permission to spin off its Midwest Division to Lucky Stores, Inc. A consideration in granting the sale to Lucky was the believed likelihood that Lucky would use its acquired new base to expand internally into several midwestern and eastern markets. At that time, the potential for Lucky to bring discounting to these cities was recognized because of its history of aggressive internal expansion on the west coast.

The effect on consumers of the Commission's merger enforcement policy, which is very likely responsible for Lucky and other affected chains moving into city after city across the country as discounters, is suggested by the downward trend in food retailing gross margins in recent years. Figure 1 shows that beginning in the 1920's, gross margins of retailers began a decided downward trend associated with the "supermarket revolution." The decline bottomed out in the late 1940's, and in the 1950's and 1960's, gross margins climbed back to their 1929 level. Between the late 1940's and about 1965, average gross margins of large chains increased from about 17 percent to about 22 percent. Expensive nonprice competitive practices such as trading stamps, larger stores and parking lots, fancy interiors, carryout and check cashing services, music, costly merchandising policies, overstoring, are credited with causing the increase.

In the mid-1960's, coincident with the growing effect of the Commission's merger enforcement policy and the associated increase in discounting, the upward trend in margins was not only

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[30] The expansion represented Allied's opening food departments in K-Mart Discount Centers in more than 100 new counties in these States.

stopped but reversed. Since 1965, gross margins have dropped more than 1 percentage point. Most of the decline has been in the last 2 years. With the continued spread of discounters (assuming that the ease of entry of discounters into new markets is protected), the trend should continue with ever-increasing savings to consumers. Considering that foodstore sales are over $75 billion a year, every percentage point decline in gross margins means an additional savings to consumers of $750 million. At the present time the total savings to consumers is estimated to be in excess of a billion dollars.

FIGURE 1

RETAIL GROSS MARGINS OF LARGE FOOD CHAINS, 1921-1969

A NATIONAL TREND TOWARD DISCOUNTING

Percent of Gross Margin

FTC
LARGE
CHAINS

THREE
LARGE
CHAINS

NAFC
CHAINS

A&P CO.

IRS
LARGE
CHAINS
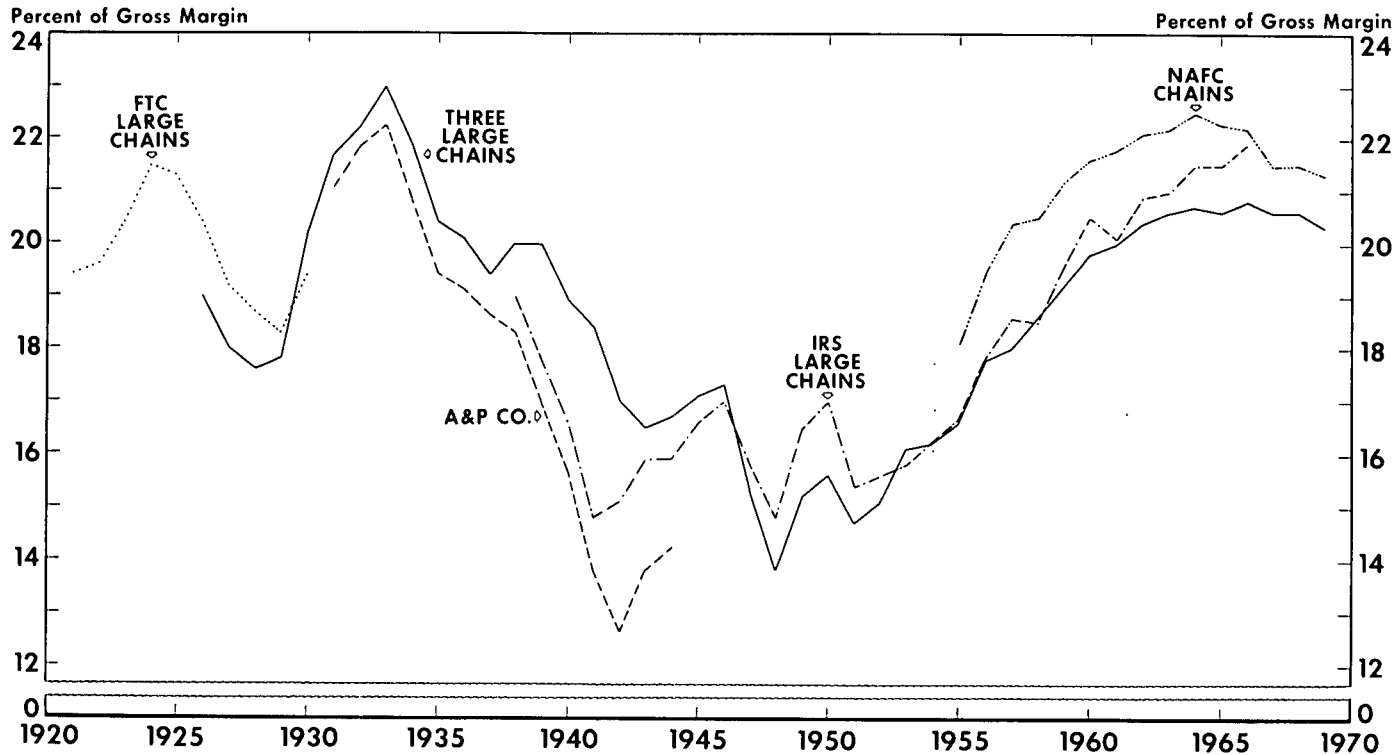
Source   Appendix Tables 43 through 48 as updated. Economic Report on the Structure and Competitive
Behavior of Food Retailing, staff report of the Federal Trade Commission 1966

APPENDIX TABLE 1.—*A comparison of Washington area retail price index for meats, poultry, and fish with the U.S. average, 1970–1971*

| Month | Price policy in effect | Price index for meats, poultry, and fish (1957–1959 = 100) | | Washington index as a percent of U.S. index [1] | Average for selected months [1] |
		Washington, D.C. metropolitan area	U.S. average		
1970					
January		133.1	128.8	103.3	
February	Prediscount period	133.4	129.7	102.9	102.1
March		131.8	130.2	101.2	
April		132.5	130.9	101.2	
May	Everyday low pricing of meat	128.8	130.5	[2]98.7	
June		129.0	130.2	99.1	[2]98.7
July		128.5	130.8	98.2	
August		122.1	131.0	97.0	
September		127.1	130.1	97.7	
October	Across-the-board discounting of all grocery items	126.1	127.1	97.7	
November		124.3	127.1	97.8	97.5
December		124.0	126.4	98.1	
1971					
January		121.9	125.8	96.9	
February		122.8	126.3	97.2	
Reduction from April 1970–February 1971		9.7	4.6	4.0	4.6

[1] This is a comparison of relative price movements. It shows how Washington prices changed relative to the national average. It is not a comparison of absolute levels unless the Washington price level in the base years 1957–1959 was identical to the national average.
[2] The Washington index had declined 2.5 percent relative to the national average between April and May. This decline, using the variance of the first 4 months, the May–July period, the May–February period, or the combined variance of all periods, is statistically significant at the 1 percent level.
Source: Bureau of Labor Statistics.

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Report 6-15-11

ECONOMIC REPORT

On the INFLUENCE OF
MARKET STRUCTURE
On the PROFIT PERFORMANCE
of Food Manufacturing Companies

Staff Report to the
FEDERAL TRADE COMMISSION

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ECONOMIC REPORT

On the *INFLUENCE OF MARKET STRUCTURE* On the *PROFIT PERFORMANCE of Food Manufacturing Companies*

Staff Report to the
FEDERAL TRADE COMMISSION

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Acknowledgments

Contents

Chapter 1

INTRODUCTION AND SUMMARY

Methodology

Economic theory and industrial experience show that various market characteristics determine the competitive behavior of business enterprises. Among the most important determinants are the degree of seller concentration, the ease with which new firms can enter an industry, and the extent to which established firms differentiate their products from those of their market rivals.

In a highly concentrated industry, that is, when a few firms control the sales, they have considerable latitude and discretion in making decisions regarding price, output, and other matters. They have this power because the presence of only a few rivals in an industry enables them to act interdependently. On the other hand, when seller concentration is low, the existence of many rival firms forces each seller to behave independently. In this situation, firms have little discretionary power over their prices; then, the market, rather than individual firms, determines the level of prices. The ease with which potential competitors can enter an industry also limits the pricing behavior of sellers. The extent to which a firm differentiates its products from those of its rivals by advertising and by other means further influences the pricing discretion of sellers.

Although economic theory relates that each of these elements or dimensions of market structure has a direct bearing on the profit rates of firms operating within the market, it is silent on the precise nature of the relationship.[1] That is to say, it does not predict the exact

---

[1] Although the level of profits is not the only dimension of market performance, it is the most common measurement of it. Other dimensions include production and distribution efficiencies, the size of sales promotion costs, product performance, and the technological progressiveness of the market. See Joe S. Bain, *Industrial Organization,* John Wiley & Sons, Inc., 1968, *Ibid.*, ch. 9, pp. 340-405.

Leading empirical studies include:

Joe S. Bain, "Relation of Profit Rate to Industry Concentration: American Manufacturing, 1936-1940," *Quarterly Journal of Economics,* vol. LXV (August 1951), pp. 293-324.

point where competition ends and monoply begins. We may therefore expect behavior differences in firms according to how the markets within which they operate are structured. Effectively competitive markets at one end of the spectrum will contrast with those approaching monopoly on the other. How to gauge the relative importance of various structural variables in existing markets is essentially an empirical question.

Quite a few empirical studies demonstrate that each of these market characteristics—seller concentration, entry barriers facing potential entrants, and the degree of product differentiation—has a bearing on the market power of firms. These studies generally confirm the significant relationship between each of these variables and the profit rates of an industry.

Yet substantial uncertainty remains as to the precise nature of this relationship, in part because of the lack of adequate data for testing the relationship. Most large firms today no longer confine their operations to a single market. They are, rather, diversified or conglomerated, operating across a number of product markets and often having dominant positions.

Table 1–1 illustrates that large food manufacturing companies were already widely diversified in 1950. It shows that 13 of the 21 largest food manufacturers, each with assets in excess of $100 million,

David Schwartzman, "The Effect of Monopoly on Price," *Journal of Political Economy*, vol. LXVII (August 1959), pp. 252–262.

Harold M. Levinson, "Postwar Movement of Prices and Wages in Manufacturing Industries," Joint Economic Committee, *Study of Employment, Growth, and Price Levels*, study paper No. 21 (1960).

Victor Fuchs, "Integration, Concentration, and Profits in Manufacturing Industries," *Quarterly Journal of Economics*, vol. LXXV (May 1961), pp. 278–291.

Leonard W. Weiss, "Average Concentration Ratios and Industrial Performance," *Journal of Industrial Economics*, vol. XI (July 1963), pp. 237–254.

George J. Stigler, "A Theory of Oligopoly," *Journal of Political Economy*, vol. LXXII (February 1964), pp. 44–61.

Howard J. Sherman, *Macrodynamic Economics* (New York: Appleton-Century-Crafts, 1964), ch. 8.

H. Michael Mann, "Seller Concentration, Barriers to Entry and Rates of Return in Thirty Industries, 1950–1960," *The Review of Economics and Statistics*, vol. XLVIII (August 1966), pp. 296–307.

Richard A. Miller, "Marginal Concentration Ratios and Industrial Profit Rates: Some Empirical Results of Oligopoly Behavior," *The Southern Economic Journal*, vol. LXXXIV (October 1967), pp. 259–267.

The Structure of Food Manufacturing, a report by the staff of the Federal Trade Commission published as Technical Study No. 8 by the National Commission on Food Marketing (June 1966), pp. 202–210.

Staff Report of the Federal Trade Commission on the Structure and Competitive Behavior of Food Retailing, 1966, pp. 85–100.

William S. Comanor and Thomas A. Wilson, "Advertising Market Structure and Performance," *The Review of Economics and Statistics*, vol. XLIX (November 1967), pp. 423–440.

Norman R. Collins and Lee E. Preston, *Concentration and Price-Cost Margins in Manufacturing Industries* (Berkeley: University of California Press, 1968).

TABLE 1-1.—*Percent of company shipments in its most important five-digit product class by asset size of company, 1950*

Asset size of company	Total number of companies	Number of companies				
		100 [1]	75-99 [1]	50-74 [1]	25-49 [1]	Less than 25 [1]
$100 million or more_____	21	1	3	4	12	1
$50 to $99 million_____	21	2	9	5	5	_____
$25 to $49 million_____	30	3	15	7	5	_____
Under $25 million_____	25	8	8	7	2	_____

[1] Percent of shipments in most important product class.
Source: Bureau of Economics, Federal Trade Commission.

TABLE 1-2.—*Average number of five-digit product classes manufactured by companies, 1950*

Asset size of company	Number of companies	Average number of product classes per company
$100 million or more_____	21	22
$50 to $99 million_____	21	9
$25 to $49 million_____	30	8
Under $25 million_____	25	4

Source: Bureau of Economics, Federal Trade Commission.

made less than half of their shipments in a single product class;[2] only four of the 21 companies made more than 75 percent of their shipments in a single product class. Even many relatively small companies made a substantial share of their shipments outside their primary product class.

Table 1-2 summarizes for the same companies the number of product classes in which they operated.

Because of the broadly diversified nature of modern industrial firms, the tasks of defining meaningful industries and of assigning firms to

[2] These 21 companies accounted for about 30 percent of the assets of all food and kindred product manufacturers in 1950. The 97 companies summarized in table 1-1 accounted for 57.3 percent of all food manufacturing assets in 1950. For a further discussion of the characteristics of this sample of companies see ch. 2.

A product class is the next finer level of classification within an industry. Under the standard industrial classification system (SIC) used by government agencies in collecting and reporting information, a product class is the five-digit level of specification. The first four digits identify the industry, the fifth identifies the further breakdown. For example, the canned specialty industry is identified by the SIC number 2032. Within this industry, there are baby food 20321, canned soups 20322, and two other product classes. In total there are about 1,000 product classes defined within the 417 manufacturing industries. However, the distribution is uneven; about a third of the industries are composed of single product classes.

4   INTRODUCTION AND SUMMARY

them are often difficult, even impossible. As Richard Caves has observed:

> Economists have not gone very far in showing what causes profit rates
> by industries to be high or low, for the simple reason that no source
> exists which reports profit statistics by industry, strictly defined. Profit
> statistics abound for individual firms, but lumping these firms many of which
> produce hundreds of different products, into industries proves to be a
> brain-teasing problem.[3]

A previous economic report by the staff of the Federal Trade Commission, *The Structure of Food Manufacturing*, developed a procedure for solving the measurement problem arising from the fact that large firms in most industries are diversified into other industries.[4] For each of 85 of the largest food manufacturing companies, an average concentration index was computed by weighting the four-firm concentration ratios of each five-digit census product class manufactured by the company by its value of shipments of the product class. The study correlated these concentration indices to company profit rates.

The present study utilizes this weighting procedure and expands the analysis to include additional market structure variables facing a firm. Any firm under consideration is viewed, not as a member of a particular industry, but as a multiproduct enterprise engaging in activities extending over several industrial markets. Thus, each firm is regarded as being influenced by a particular set of market structure variables, depending on the nature and extent of its conglomeration.

This approach is justified not only to solve the measurement problem associated with determining the profit performance of industries occupied by large multiproduct firms, but also to provide a more realistic representation of the firm and the way its structural environ-

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[3] Richard Caves, *American Industry: Structure, Conduct, Performance* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1964), p. 104.

[4] The study found a strong positive but nonlinear relationship between company concentration indices and profitability of the 85 largest food manufacturing companies. Up to the 40 percent level of concentration companies earned profits of about 7 percent on stockholder equity—approximately the competitive level for the years 1949 through 1951. Thereafter profit rates increased, with the 40 to 60 percent range in concentration being very critical. In that range profits of companies rose sharply with increases in concentration. The average profit rate of companies with concentration indices above 60 percent was about twice (14 percent) that earned by companies with indices below 40 percent. See pages 202–210 of *The Structure of Food Manufacturing, op. cit.* and appendix F of this report.

Subsequent to the publishing of the FTC staff study, Marshall Hall and Leonard Weiss in "Firm Size and Profitability," *Review of Economics and Statistics*, August 1967, made limited use of the company concentration index concept but relied on the crude employment class data, published in the *Fortune Plant and Product Directory*, as weights. E. B. Solomon, in 1969, made more extensive use of the *Fortune Plant and Product Directory* employee data in his Ph. D. thesis *Determinants of Interfirm Differences in Profitability among the Largest 500 U.S. Industrial Firms*, University of California at Berkeley. Both of these studies found profits to be positively related to concentration.

ment influences its performance. Since a firm is basically a collection of resources, management is committed not to produce any particular product but rather to maximize its long-run profits by employing its resources in their highest yield activity.[5] Hence, a firm's operations may not be subject to the restrictions of a single market, but may rather encompass a number of product markets, for a firm's operating boundaries are determined by the size and flexibility of its resources. A firm's long-run profit performance, therefore, is a composite of performance in each of its separate markets. Overall performance, consequently, depends in large part on the structures of these individual markets.

In this analysis, values of the market structure variables reflecting seller concentration, conditions of entry, and product differentiation are computed for and assigned to each sample firm as weighted averages of the corresponding values in each of the firm's individual product markets—using firm shipments in these markets as weights. In addition, variables representing growth in market demand for the firm's products, firm size, and firm diversification are introduced into the analysis as independent variables.

The object of this study is to assess the influence of each of these independent variables on the profit rates of large food manufacturing firms. This purpose differs from the goal of previous studies that have observed the relationship between market structure and profitability. Earlier studies have looked at average *industry* profits rather than at the profits of individual firms.

The present study attempts to explain differences in *firm* profit rates on the basis of differences in market structure variables, and this is necessarily a more difficult task. The use of average *industry* profit rates dampens the effects of extreme values because of the averaging process. This tends to increase the percentage of total variance in industry profit rates, an increase explained statistically by the independent variables in the analyses. To illustrate, George J. Stigler correlated four-firm concentration ratios and industry profit rates for 17 industries. He determined industry profit rates by computing a weighted average of the profit rates of the leading firms in the industry. Using this procedure, he explained 28 percent of the variance in industry profit rates by variations in industry concentration.[6] However, when each of the 62 firms used to compute the profit rates of Stigler's 17 industries is treated as a separate observation, the differ-

[5] See Eli W. Clemens, "Price Discrimination and the Multiple-Product Firm," reprinted in *Readings in Industrial Organization and Public Policy* (Homewood, Ill.: Richard D. Irwin, 1958), pp. 262–276. Edith T. Penrose, *The Theory of the Growth of the Firm* (New York: John Wiley & Sons, 1959).

[6] Stigler, "A Theory of Oligopoly," *op. cit.*, table 7, p. 58.

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ences in their respective primary industry concentration ratios explain only 4 percent of the variance in profit rates among the firms.[7]

Because the present study does not use the averaging process to suppress the effects of extreme profit rate observations, the statistical associations are especially impressive. Some of the multiple regression equations measuring the influences of market concentration, product differentiation, firm diversification, and firm size on the profitability of food manufacturing firms explain almost 60 percent of the variance in individual company profit rates.

Results

Our analysis clearly substantiates the theory that market structure has a significant influence on market performance. Each of the major variables of market structure developed in the analysis exhibits a significant positive relationship to the profitability of food manufacturing firms. Concentration is closely allied with firm profitability, profit rates rising most sharply in the 40 percent to 60 percent four-firm concentration range. Product differentiation plays a particularly significant role in determining the profit performance of food manufacturing firms by its influence on the relative position of the firm in its various markets as well as by its impact on entry into these markets.

Table 1–3 shows how the net profit rate of a food manufacturing firm is statistically associated with the average level of market concentration and the average rate of advertising expenditures when other factors influencing profits are held constant. For example, a multimarket firm operating in food industries where four-firm con-

[7] Stigler did not publish the individual firm profit data that were used in his analysis. We are indebted to Professor Stigler and his associate, Miss Claire Friedland, for providing us with these underlying data. The chief reason why Stigler explained such a small percentage of the variance in industry profits is that many of his firms received a substantial part of their revenues outside the industry to which they were assigned. For example, the tire and inner tube industry is included in Stigler's sample. Appendix table A shows for the eight leading tire companies the percentage of their total 1950 value of shipments accounted for by "tires and inner tubes." These companies vary quite widely in terms of the relative importance of tires and inner tubes in their product lines. However, none of the five leading tire companies, which together accounted for over 75 percent of total 1950 shipments of tires and inner tubes, had more than 61.2 percent of total company shipments in 1950 accounted for by sales of tires and inner tubes. In hard surface floor coverings, another industry included in Stigler's sample, over 60 percent of the 1950 shipments of the largest manufacturer, Armstrong Cork, were of products outside its primary four-digit industry. In gypsum products, both National Gypsum and U.S. Gypsum, the two firms whose profit rates were averaged by Stigler to obtain an average industry profit rate of the gypsum products industry, had over 40 percent of their value of shipments in 1950 accounted for by nongypsum products. Similarly, Pittsburgh Plate Glass, Libby-Owens-Ford, and American Window Glass, the three firms used by Stigler to compute the average profit rate of the flat glass industry, had 70, 67, and 17 percent of their respective value of shipments in 1950 accounted for by sales of products other than flat glass. Hence, in view of the high degree of diversification by leading firms in most industries, the level of concentration in any one industry does not accurately measure the competitive restraints on the conduct and performance of these firms. The above data are based on the product information supplied the Federal Trade Commission for its study, *Report of the Federal Trade Commission on Industry Concentration and Diversification on the 1,000 Largest Manufacturing Companies: 1950*, January 1957.

TABLE 1-3.—*Profit rates of food manufacturing firms associated with levels of industry concentration and advertising-to-sales ratios*

Advertising-to-sales ratio (percent)_____	Associated net firm profit rates as a percent of stockholders' equity [2]				
	1.0	2.0	3.0	4.0	5.0
Four-firm concentration: [1]					
40_____	6.3	7.4	8.5	9.6	10.7
45_____	8.0	9.1	10.2	11.3	12.4
50_____	9.3	10.4	11.5	12.6	13.7
55_____	10.3	11.4	12.5	13.6	14.7
60_____	11.0	12.1	13.2	14.3	15.4
65_____	11.4	12.5	13.6	14.7	15.8
70_____	11.5	12.6	13.7	14.8	15.9

[1] The average concentration ratio (weighted by the company's value of shipments) of the product classes the company operated in in 1950.

[2] Profit rates were calculated from the regression equation 1b shown in table 3-4, page 27. Other variables influencing company profitability were held constant at their respective means. These variables were the firm's relative market share, growth in industry demand, firm diversification, and absolute firm size. Profit rates are averages for the years 1949-52.

Source: Bureau of Economics, Federal Trade Commission.

centration ratios averaged 40 percent and advertising-to-sales ratios averaged 1 percent earned an average net profit rate of 6.3 percent. On the other hand, a firm operating in industries where four-firm concentration averaged 70 percent and advertising expenditures averaged 5 percent of sales enjoyed an average net profit rate of 15.9 percent.

We found further that, when other factors were held constant, extensive product diversification exerted a negative influence on the profitability of food manufacturing firms. This finding does not suggest, of course, that firms fail to gain advantages from diversification. If diversification or conglomeration gives a firm certain competitive advantages over more specialized rivals, the firm may improve its profitability by altering the structures of its various markets, for example, by engaging in strategies that increase market concentration, the degree of product differentiation, or the firm's relative position in the market. Moreover, if the firm has an aversion to risk and hence is concerned not only with the level but with the stability of profits, it may diversify into economically unrelated industries even at the expense of somewhat lower average profit rates.

Finally, the absolute size of a firm has no significant independent influence on firm profitability. In fact, some of our equations show a negative relationship between these factors. This finding suggests that among large food manufacturing firms, there are no significant absolute-cost or economies-of-scale advantages associated with large absolute size.

Chapter 2

THE NATURE OF THE STUDY

Most of the previous empirical analyses of the structure-performance relationship have relied solely on the concentration ratio as a measure of market structure. This approach has been justified on the grounds that concentration data are readily available and that concentration represents a good one-parameter proxy for the degree of oligopoly in a market.[1] More recent analyses, however, have examined the joint effects of several variables of market structure on market performance.[2] This study follows the multidimensional approach to market structure and includes measures of other important structural variables along with seller concentration.

Market Structure Variables

The market structure variables included in our analysis[3] are as follows: Market concentration, relative market share, entry barriers created by advertising, growth in market demand.

Market concentration.—Theory teaches that the number and size distribution of firms in a market as measured by a concentration ratio, has an important, although not exclusive, influence on the conduct and resulting performance of firms operating in the market. Bain has stated this position as follows:

> Moderate concentration, it may be argued, should tend to give rise to quasi-competitive market behavior—imperfect collusion, kinked demand curve conformations, and the sporadic appearance of chaotic competition—whereas high concentration should provide an environment conducive to effective collusion or its equivalent. This hypothesis essentially rests on the premise

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[1] See Collins and Preston, *op. cit.*, pp. 5–8.
[2] See the studies by Mann and Comanor and Wilson, *op. cit.*
[3] The mathematical derivations of the measures of market structure in the study are given in appendix D.

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and argument that, given the incentive to joint profit maximization, the impediments to express or tacit agreement increase, while the restraints of recognized interdependence on independent price cutting should decrease (with ordinary frictions and imperfections) as concentration decreases, and at such a rate that a shift in competitive pattern results over a certain concentration zone within oligopoly.[4]

To measure the effect of concentration as one variable of market structure, we have computed a weighted average concentration ratio for each sample company. We have multiplied the 1954 four-firm concentration ratio for each of its five-digit census product classes by the company's value of shipments of the product class in 1950, then after adding these, we have divided the sum by the total 1950 value of shipments of the company.[5] The weighted average four-firm concentration ratio thus reached reflects the relative importance of seller concentration in each of the various product markets of the firm on the basis of its participation in these markets.[6]

Six food and kindred product markets—ice cream, fluid milk, prepared animal feeds, bread and related products, beer, and bottled soft drinks—are local or regional rather than national in scope.[7] In the first five of these six markets, average local ratios in 1958 rather than national four-firm concentration ratios were used.[8] In the case of bottled soft drinks, the concentration ratio of soft drink syrup manufacturers in 1954, rather than of the local soft drink bottlers and distributers, was used.

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[4] Joe S. Bain, "Workable Competition in Oligopoly: Theoretical Consideration and Some Empirical Evidence," *American Economic Review*, vol. XL (May 1950), p. 44.

[5] Four-firm concentration ratios were obtained from U.S. Senate, subcommittee on Antitrust and Monopoly, *Concentration in American Industry, 1954*, table 38. Value of shipments data was obtained by the Federal Trade Commission in connection with its study, *Report of the Federal Trade Commission on Industrial Concentration and Product Diversification in the 1,000 Largest Manufacturing Companies: 1950* (January 1957).

[6] This procedure implicitly assumes that five-digit census product classes represent distinct and separate product markets. For most five-digit product classes within two-digit SIC major industry group "Food and Kindred Products" this assumption is true. There is one notable exception, however. Beet and cane sugar, which are virtually perfect substitutes, are classified as separate four-digit SIC industries. In this analysis an adjustment is made for this fact by grouping cane and beet sugar refining together into one product market. A 1950 four-firm concentration ratio is computed for this market by combining the market shares of the four leading sugar refiners in 1950 based on their value of shipments of sugar in that year as reported to the Federal Trade Commission.

[7] Both the FTC and Stigler classify these markets as local markets. In addition, these six markets receive low indices of geographic dispersion in the study by Collins and Preston, indicating that they are local rather than national markets. See U.S. Senate, Select Committee on Small Business, *Hearings on the Status and Future of Small Business*, pt. 2, 90th Cong., 1st sess., 1967, appendix table 9, p. 492; and *Industry Classification and Concentration*, Federal Trade Commission, 1967. Collins and Preston, *op. cit.*, appendix table A–1 and appendix table B.

[8] Four-firm concentration ratios for ice cream, fluid milk, prepared animal feeds, and bread and related products are obtained from *The Structure of Food Manufacturing, op. cit.*, table 8, p. 37. The four-firm concentration ratio for beer is the median of the concentration ratios for the individual states as reported in U.S. Senate, Subcommittee on Antitrust and Monopoly, *Concentration Ratios in Manufacturing Industry*, 1958, pt. II, 87th Cong., 2d sess., table 36. This is the identical procedure followed by the staff of the FTC in determining average local concentration for ice cream, prepared animal feeds, and bread and related products as reported in the above study.

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Relative market share.—The degree of product differentiation in a market is measured by the cross elasticities of demand which exist among the products of actual or potential competitors in the market. A firm with a low cross elasticity of demand between its products and those of actual or potential competitors may command a price premium for its products without driving its consumers to other competing products or brands. The firm in this situation may elect to translate at least a portion of this advantage into greater sales and market share.

In consumer product markets characterized by nonprice competition, the market share that a firm possesses compared to the market share of the leading firms in the market largely reflects the extent to which the firm has been successful over the years in building up consumer loyalty for its products and brands, hence achieving a product differentiation advantage vis-a-vis its major actual or potential competitors.[9]

In markets characterized by substantial economies of scale in production or marketing, the cost advantages or disadvantages which a firm has, when compared to other actual or potential competitors in the market, depend on its market share.[10]

For these reasons, a significant positive relationship should exist between the relative market share of a consumer product manufacturing firm and its rate of profit. This would reflect the levels of product differentiation and/or economies of scale advantages which the firm enjoys over major competitors, either actual or potential.

For each sample firm, a 1950 weighted average relative market share was computed as follows: First, we have divided the company value of shipments of its five-digit product in 1950 by the total product value of shipments in 1950 as reported by the Bureau of the Census [11] in order to obtain the company's market share in each of its product markets. We have then divided each of these market shares by the 1954 four-firm concentration ratio for the product in order to obtain a relative market share. We have finally weighted these relative market shares by using company shipments in the same way we determined the weighted average concentration ratio of the firm. The resultant weighted average

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[9] This measure of product differentiation differs from the industry advertising-to-sales ratio discussed below. Whereas, in consumer products, a firm's relative market share measures its product differentiation vis-a-vis other firms within the industry, an industry advertising-to-sales ratio measures differences in the degree of product differentiation among industries.

[10] Joe S. Bain, *Barriers to New Competition* (Cambridge: Harvard University Press, 1956), p. 15.

[11] Total value of shipments for most five-digit product classes was obtained from the U.S. Bureau of the Census, *Annual Survey of Manufactures*. 1951, table 1. For the remaining product classes value of shipments in 1950 was estimated by adjusting 1954 data on the basis of the assumption that the growth rate of the product class between 1947 and 1954 was linear. Value of shipments of these product classes in 1947 and 1954 was obtained from the U.S. Bureau of the Census, *Census of Manufactures*, vol. II, pt. 1, 1954.

market share of the firm represents its position relative to its major competitors in each of the product markets in which it competes.[12]

Entry barriers created by advertising.—A third major variable of market structure is found in the conditions of entry into the market, and one of the major sources of entry barriers into consumer products industries is advertising. According to studies of the Cabinet Committee on Price Stability, product differentiation created and maintained by advertising is a major barrier to entry in consumer products. It has been responsible for a rising concentration in many consumer products industries.[13]

Bearing out this finding is a study by Bain, who examined the barriers to entry in 20 selected industries and who rated 10 consumer goods industries on the importance of product differentiation as a barrier to entry. On this basis, he found substantial entry barriers in five consumer goods industries—fountain pens, soap, liquor, cigarettes, and automobiles. In all but automobiles, the principal source of product differentiation was heavy advertising. Of the five other consumer goods industries in Bain's study in which product differentiation entry barriers were rated "negligible," "slight," or "moderate," none was characterized by heavy advertising.[14]

Hence, the comparison of industry sales and expenditures for advertising provides a good measure of the extent to which product differentiation is a barrier to entry into consumer goods industries.

The effects which advertising-created entry barriers may have on the competitive performance of a market were summarized by Donald F. Turner as follows:

> To an extent, the increased barrier to entry created by advertising is a price we have to pay for providing consumers with information. But when heavy advertising and other promotional expenditures create durable preferences going beyond the relative superiority of the product, resistant to anything but major countervailing promotional campaigns, we may well question whether the price has not become too high. If heavy advertising expenditures thus serve to raise the barriers to entry, the adverse competitive consequences are important not only because new firms are kept out, but also because frequently it is the prospect of new entry which serves as a major competitive restraint upon the actions of existing firms * * *.
>
> * * * entry will be made more difficult as a result of the barriers created through extensive advertising. To the extent that consumers are unable to evaluate the relative merits of competing products the established products may have a considerable advantage and it is this advantage that

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[12] It is assumed that in the case of local markets the ratio of the average absolute market share of the firm at the local level to its absolute national market share is proportional to the ratio of average local concentration to national concentration. Therefore, no adjustment to the relative market share is necessary in these markets.

[13] *Industrial Structure and Competition Policy,* Study Paper No. 2, staff of the Cabinet Committee on Price Stability, pp. 60–62.

[14] Bain, *Barriers to New Competition, op. cit.,* pp. 123–124.

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> advertising messages tend to accentuate. High entry barriers interfere with the normal process through which increases in demand are met at least in part by new firms.[15]

We therefore hypothesize a positive association between the weighted average industry advertising-to-sales ratio of a firm and its rate of profit as reflecting the advantages accruing to firms operating in industries with high advertising-created barriers to entry.

Although data on advertising for five-digit census product classes are unavailable, industry advertising and sales data are available for IRS three-digit minor industries.[16] We have therefore computed an advertising-to-sales ratio for each IRS minor industry for 1950. We have then grouped the five-digit census product classes of each sample company to correspond with IRS minor industries. Using the 1950 company value of shipments in each of these minor industries as weights, we have computed a 1950 weighted average industry advertising-to-sales ratio for each company. The result depicts the level of advertising relative to sales in each industry in which the firm operated in that year.[17]

Growth in market demand.—An increase in market demand may have an important positive influence on the profit rates of firms operating in the market. We have used changes in industry output to represent changes in market demand. Actually, increases in industry output may reflect increases in demand or decreases in costs, but in either case, their effects on firm profits are similar.

For each sample company, we have computed the percentage change in total industry value of shipments between 1947 and 1954 for each of its five-digit census product classes.[18] We have then weighted each of these industry growth rates by 1950 company value of shipments of the product to obtain a weighted average industry growth rate for the firm, which reflects growth in total market demand for each of the firm's products.

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[15] Donald F. Turner, "Advertising and Competition," an address before the Briefing Conference on Federal Controls of Advertising and Promotion sponsored by the Federal Bar Association, Washington, D.C., June 2, 1966, p. 203.

[16] *Sourcebook, Statistics of Income, Corporation Income Tax Returns, 1950,* U.S. Internal Revenue Service. The IRS minor industries for foods and beverages are somewhat more narrowly defined than the three-digit SIC food and kindred product industry groups. Beverages are separated into four kinds—nonalcoholic beverages, malt liquors, wines, and distilled liquors. In addition, cereal preparations are separated from other grain mill products.

[17] In other words, the assumption is made that the advertising-to-sales ratio at the three-digit IRS minor industry level reflects the level of advertising relative to sales of the five-digit product classes within these broader industries.

[18] Total industry value of shipments data is obtained from U.S. Bureau of the Census, *Census of Manufactures,* vol. II, pt. 1, 1954. The terminal years 1947 and 1954 correspond to census of manufactures years. Hence, value of shipments data is available for all census product classes in these years.

Summary.—The basic model of our analysis includes four measures of market structure for each firm: A concentration ratio, a relative market share, an advertising-to-sales ratio, and a measure of market growth. These measures are not mutually exclusive. For example, an increase in market demand tends to promote industry deconcentration and to lower entry barriers, particularly those resulting from economies of scales, as new entrants find it easier to achieve an efficient scale of operations.[19] However, each measure plays a unique role in determining the total environment of the market in which firms compete.

Firm Diversification

We shall use the terms diversification and conglomeration interchangeably to describe firms producing multiple products. In certain circumstances conglomeration confers market power on a firm. For example, when a conglomerate firm enjoys large noncompetitive profits in some of its markets, it possesses the option of engaging in special competitive tactics not open to the firm earning only a competitive return. By coupling noncompetitive profits with the ability to shift market emphasis among its various markets, conglomeration becomes a vehicle through which these options are exercised. The conglomerate may use excess profits derived in some markets to subsidize losses in other markets, either by price cuts or by incurring substantial increase in costs; for example, large advertising outlays. When a firm undertakes this policy after a rational investment decision, it expects to enhance its long-run profits by virtue of the effects of these strategies on the structure of the markets involved.[20] As shown elsewhere, such conglomerate-derived power can be used to restructure the markets in which the firm operates.[21] Hence, because conglomerate power results in the restructuring of the firm's markets, we would not expect a positive net association between the degree of conglomeration and a firm's profits. Rather, the conglomerate firm's profits would be determined by the market structure variables already discussed.

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[19] See *Studies by the Staff of the Cabinet Committee on Price Stability, op. cit.,* pp. 63–65.

[20] A single-market firm could conceivably make the same investment decision. However, the single-market firm would face greater risk, since its total firm profits would have to be negative in the short run, and would normally face higher cost, since it would be forced to finance the investment in the capital funds market instead of through internally generated funds.

[21] See *Economic Report on Corporate Mergers,* staff report of the Federal Trade Commission, 1969, chs. 4 and 6. In addition to its greater capacity to engage in market conduct based on cross subsidization, the conglomerate may engage in reciprocal selling and other strategies that ultimately may affect the structure of the markets in which it operates.

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Conglomeration or diversification may, of course, affect profits for reasons not related to market power. Firms diversifying into economically related markets may increase the level of firm profit rates by providing for a fuller or more efficient utilization of its resources. On the other hand, quite apart from any market power or efficiency advantages which it may foresee, a firm may diversify merely to reduce its risks even if it means lower average profits. In other words, a firm normally faces a number of investment alternatives, and sometimes it has a choice of markets in which it can invest its resources. If the firm is concerned only with the level of expected return on its investment, it will tend to specialize in a market where its profit rate will be the highest. But, if the firm has an aversion to risk or wishes to reduce risks, it may diversify into other markets, even though the profit rates there are lower, because it values the increase in stability of its profit rate more highly than the profit rate it foregoes.[22] Finally, it is possible that as firms become increasingly diversified or conglomerated, they encounter diseconomies of scale in management. Thus, because diversification may exert several offsetting influences on profits, it is not possible to predict whether the net relationship between the degree of diversification and profits will be positive or negative.

This analysis uses three measures of diversification in an attempt to identify the independent effects of diversification on firm profit rates. We have computed a diversification ratio for each sample firm by dividing the value of its shipments in 1950 of products outside the primary product market by its total 1950 value of shipments. Three such diversification ratios were computed for each sample company. They correspond to primary markets defined at the five-digit, four-digit, and three-digit SIC levels.

The ratio of a firm's value of shipments in its primary industry to its total value of shipments is a measure of homogeneity in outputs and inputs. But the degree of homogeneity depends upon how narrowly the primary market is defined. A high ratio in a narrowly defined market would indicate a greater degree of homogeneity than an identical ratio in a broadly defined market. Conversely, the diversification ratio, which is the complement of this specialization ratio, measures the degree of heterogeneity in the outputs and inputs of the firm. The more broadly the primary market is defined, the greater is the degree of heterogeneity attached to a given diversification ratio. The five-, four-, and three-digit SIC's represent increasingly broader industry categories. Hence, by examining the direction of change in firm profit

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[22] This reasoning is analogous to that of an investor allocating his investment funds among various financial assets. See H. M. Markowitz, *Portfolio Selection*, New York: John Wiley & Sons, 1959.

rates when each of these three SIC categories is alternatively included in the analysis, some conclusions can be drawn concerning the independent influence of product and factor homogeneity on firm profitability.

Firm Size

Absolute firm size may also influence a firm profit performance. One possibility is that large firms are able to hurdle more easily the barriers to entering new industries, especially the absolute capital requirements of entry.[23]

Professor Baumol has hypothesized that high absolute capital requirements needed to enter many industries, when coupled with imperfections in the capital funds market, enable large firms to earn greater rates of return on investment than small firms, even when other barriers to entry are absent.[24] He reasons as follows. Capital tends to move toward those industries with the greatest expected rate of return. If an industry yields relatively high returns, capital will be shifted from other less profitable industries into that industry, forcing its profit rates down, but at the same time forcing up returns for that same volume of investment in all other industries. Hence, in the complete absence of all barriers to entry, profit rates in all industries will tend toward equality. However, if some industries require substantial capital investment for successful entry, then small firms with insufficient financial resources are effectively excluded. Therefore, large firms have all the investment options of small firms and, in addition, can respond to high profit rates in industries requiring substantial capital outlays. It follows that large firms can always earn profit rates at least as large as small firms. Moreover, as long as industries exist which require large capital investments and yield disproportionately high returns to these investments, then some large firms will shift their capital into these more profitable industries in order to increase their profit rates. This shifting process tends to equalize profit rates among all industries

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[23] Economies of scale may have two distinct possible impacts on the condition of entry: A "percentage effect", which requires that the firm achieve a large market share to obtain minimum optimum scale, and an "absolute-capital-requirements" effect, which requires that the firm invest a substantial amount of money to reach efficient size. The percentage effect is reflected in the relative market share variable of structure discussed above. The absolute-capital-requirements effect, on the other hand, is an absolute cost of entry and, as discussed below, is reflected in absolute firm size. Professor Bain concludes on the basis of an analysis of 20 industries that there is no evident simple correlation between the size of absolute capital requirements for an efficient plant and the percentage of market output supplied by it. Bain, *Barriers to New Competition, op. cit.*, pp. 155–160.

[24] William J. Baumol, *Business Behavior, Value, and Growth*, revised edition (New York: Harcourt, Brace & World, Inc., 1967), ch. V.

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in which large firms operate so that large firms as a group tend to earn higher profit rates than small firms. If Baumol's hypothesis is correct, the association between absolute firm size and profit rates should reflect the importance of absolute-capital-requirements barriers to entry.

In addition, a significant positive relationship between firm size and profitability may be due to the presence of economies of scale which span the total activities of the firm. These may include economies in management, in research and development, and in marketing various products.

In the present analysis, we include absolute firm size as a separate variable and examine its independent impact on profit rates. We have measured firm size by the reciprocal of the logarithm of yearend total assets of the firm in 1950. This is the measure used by Hall and Weiss in their analysis of firm size and profitability.[25] They state that this represents the most theoretically correct relationship between firm size and profitability and is compatible with a nearly linear relationship over the observed range if such appears appropriate.[26]

Measures of Profit Rate

Two measures of profit rate are calculated and alternatively included in the analysis as the dependent variable. The first and most widely used measure is net income after taxes divided by yearend shareholders' equity.[27] The second measure is net income after taxes plus interest expense divided by the sum of yearend shareholders' equity and long-term debt. The latter is essentially the total return to both debt and equity capital suppliers expressed as a percentage of total capitalization in the firm. It is designed to correct distortions occurring in interfirm comparisons of profit rate as a result of differences in degrees of leverage. For highly leveraged firms, net income represents a much smaller portion of the total return to invested resources than for all equity financed firms having no interest on long-term debt to pay.[28]

For each sample company these two measures of profit rate are com-

[25] See Marshall Hall and Leonard Weiss, "Firm Size and Profitability," *Review of Economics and Statistics*, vol. XLIX (August 1967), pp. 319–331.

[26] Ibid., p. 322.

[27] Of the 12 empirical studies cited above that have used firm profit rates to measure performance when testing the relationship between structure and performance, 10 have used rate of return after taxes on shareholders' equity as a measure of performance. The analysis by Fuchs and the first study by Stigler use rate of return on total assets. The studies by Collins and Preston and Miller and the second analysis by Stigler use both rate of return on equity and rate of return on total assets as alternative performance measures.

[28] See Morton J. Peck, *Competition in the Aluminum Industry, 1945–1958* (Cambridge: Harvard University Press, 1961), p. 158.

puted as the simple five-year average of annual profit rates for the period 1949–53.[29]

The Model and Its Application

The final form of the basic regression equation is as follows:

$$P=b_1+b_2C+b_3M+b_4A+b_5G+b_6D+b_7S$$

where

> $P=$ Profit rate of the firm.
> $C=$ The weighted average of seller concentration ratios in the firm's product markets.
> $M=$ The weighted average of the firm's relative market share in its product markets.
> $A=$ The weighted average of industry advertising-to-sales ratios in the firm's markets.
> $G=$ The weighted average of changes in industry output in the firm's markets.
> $D=$ Firm diversification.
> $S=$ Firm size.

With one exception, this model can be applied to any set of firms. The exception is the industry advertising-to-sales ratio which is used to measure product differentiation entry barriers. The inclusion of this variable necessarily restricts the applicability of the model to the consumer goods sector. Moreover, within this sector advertising varies in importance when compared to other means of differentiating products, such as differences in design, customer service, etc. The relative importance of advertising as a source of product differentiation appears to be greater for consumer nondurables than for consumer durables.[30] Hence, the model as it presently stands is most applicable to firms selling consumer nondurable goods.[31]

In the present study, the model is used to analyze the relationship between market structure and profit performance among manufacturers of "Food and Kindred Products" (SIC 20). There are two

[29] The source of income statement and balance sheet data for each sample company is *Moody's Industrial Manual*, 1950, 1952, and 1954.

[30] See Bain, *Barriers to New Competition, op. cit.*, ch. 4.

[31] In order to extend the model beyond these limits, while still taking into account the effects of product differentiation-created entry barriers on performance, alternative measures of this variable must be devised. One alternative, for example, might be to use dummy variables to group firms on the basis of the levels of product differentiation in the principal markets in which they compete.

important reasons for confining the analysis to food manufacturers. First, some characteristics of market structure and other factors affecting firm profits are difficult to observe or to quantify accurately. Yet they may have an important influence on economic performance. For example, the elasticity of market demand and the character and speed of technological change in the market. Such characteristics are likely to be quite similar within broad industry groups, such as foods, but vary widely across the major industry groups, such as between foods, motor vehicles, and primary metals. Restricting the analysis to firms operating principally within the same two-digit SIC major industry group allows some control over these qualitative and non-measurable variables affecting industry profitability.[32]

Second, industry advertising-to-sales ratios are fairly accurate and consistent measures of the heights of entry barriers in food industries resulting from product differentiation. As mentioned above, the importance of advertising compared to other methods of achieving product differentiation varies across major industry groups. Within foods, this variation is much more limited. Moreover, advertising plays a particularly significant role in the competitive strategies of food manufacturers. Hence, the measure of product differentiation-created barriers to entry developed in the model is particularly applicable to manufacturers of foods.

The Sample

In response to an inquiry by the Federal Trade Commission, 125 manufacturers of "Food and Kindred Products," all of which were among the 1,000 largest manufacturing companies in 1950, reported the value of their shipments that year of each five-digit census product they manufactured.[33]

After screening the financial statements of these companies in the 5-year period 1949–53 for the purpose of making profit-rate computations, we found it necessary to exclude from our sample 25 privately-held companies which published no financial statements, two companies acquired during the period, and one company that had a sub-

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[32] A similar approach is taken by Collins and Preston. They examine the relationship between seller concentration and price-cost margins across four-digit SIC industries within two-digit SIC major industry groups. Collins and Preston, op. cit., ch. 4.

[33] These data were obtained in connection with the study, *Report of the Federal Trade Commission on Industrial Concentration and Product Diversification in 1,000 Largest Manufacturing Companies: 1950, op. cit.* A company was classified as a manufacturer of "Food and Kindred Products" if over 50 percent of its total value of shipments in 1950 were products classified in SIC major group 20.

stantially distorted average profit rate for the period because of a dramatic disturbance in 1 year.[34]

Our sample, therefore, consists of 97 firms, widely dispersed according to size and nature of primary activity within food manufacturing. Ranging in size from $7.3 million to $471.3 million in total assets in 1950, they are listed in appendix table C.

Heteroscedasticity and Weighted Regressions

A basic assumption of the general linear regression model is that the variance of the disturbance term is constant.[35] The variance of profit rates among firms is not constant, but rather varies inversely with firm size.[36] The major reason for this is that large firms generally operate many plants, even when they are quite specialized. For example, a large dairy processor operates in many different geographic markets. As a result, the profit rate of a large firm is an average of a number of separate operations, the profitability of which may vary widely.

To determine the relationship between firm size and the variance of profit rate residuals, we have taken an empirical approach. We have calculated the variance of the residuals for each of the three unweighted regression equations in successive groups of eight firms according to the distribution of firm assets.[37] From this tabulation, it is evident that the variance of the residuals is nearly proportional to the reciprocal of the square root of total assets.

In the analysis which follows, weighted as well as unweighted regression equations are presented. In the case of weighted regressions, the constant term and all observations of each variable in the regression equations are multiplied by the fourth root of the total assets to correct for heteroscedasticity.[38]

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[34] In 1952 the ratio on net income after taxes to shareholders' equity for this firm was −59.8 percent. As a result the 5-year average rate of return on equity for the period 1949–53 was −9.9 percent. In contrast, the firm's average rates of return on equity for the 3-year periods immediately prior to and immediately following 1952 were 2.2 percent and 6.6 percent, respectively.

[35] See J. Johnston, *Econometric Methods* (New York: McGraw-Hill Book Co., Inc., 1960), p. 107.

[36] See Stigler, *Capital and Rates of Return in Manufacturing Industries*, p. 48. H. O. Stekler, "The Variability of Profitability with Size of Firms, 1947–1953," *Journal of the American Statistical Association*, vol. LIX (December 1964), pp. 1183–1193. Hall and Weiss, *op. cit.*, pp. 323–324.

[37] The regression equations which are used for this calculation are shown as numbers 1(a), 2(a), and 3(a) in table 3–2.

[38] See Johnston, *op. cit.*, pp. 207–211.

Chapter 3

RESULTS OF THE ANALYSIS

In this chapter the model is used to find the answers to several crucial questions. How important is market structure in determining the profit performance of the modern multiproduct food manufacturing firm? Which variables of market structure exhibit the greatest influence on profitability, and what is the character of this influence? What direct influence, if any, do absolute firm size and diversification have on firm performance?

Preliminary Results

The simple correlation coefficients between the profit rates of food manufacturing firms and the various measures of market structure, firm diversification, and firm size are presented in table 3–1. These coefficients are, in general, somewhat larger when profit rates are adjusted to account for differences in the relative use of debt and equity financing among firms. The exception occurs in the relationship between firm size and firm profit rates. Both correlation coefficients relating firm profitability to the reciprocal of the logarithm of total assets of the firm are negative. The association between firm size and net income as a percentage of shareholders' equity is significant, whereas the association between firm size and net income plus interest expense as a percentage of total capitalization is substantially weaker and of little significance.

All of the simple correlation coefficients between firm profit rates and the variables of market structure have the expected sign. In addition, the correlation coefficients between firm profit rates and seller concentration, relative market share, and industry advertising-to-sales are all highly significant.

The simple correlation coefficients between firm diversification and profitability are negative. Moreover, as the boundaries of the firm's primary activity are successively narrowed from its primary three-

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TABLE 3–1.—*Simple correlation coefficients between the independent variables of the analysis and firm profit rates*

Independent variables	Correlation with firm profit rate [1]	
	P_1	P_2
Market structure variables:		
Four-firm concentration ratio	[3] 0. 472	[3] 0. 466
Relative market share	[3]. 383	[3]. 367
Industry advertising-sales ratio	[3]. 481	[3]. 429
Change in industry demand	. 098	. 071
Firm diversification ratio:		
Three-digit	—. 045	—. 024
Four-digit	[2] —. 224	[2] —. 177
Five-digit	[3] —. 354	[3] —. 326
Firm size: $\frac{1}{\text{Log total assets}}$	—. 082	[2]—. 180

[1] Correlations are computed for two profit rates, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[2] Indicates the coefficient is statistically significant at the 5-percent level.

[3] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

digit SIC industry group to its primary five-digit product class, these negative coefficients become increasingly more significant. These results suggest that the degree of homogeneity in the products and production factors of a firm may have an important positive influence on its profit rate, and this influence becomes increasingly important the more closely related its products and factors are.[1]

Unweighted multiple-regression equations describing the influence of market structure, firm diversification, and firm size on profit rates of food manufacturing firms are presented in table 3–2. Three sets of two equations are shown, corresponding to firm diversification ratios defined at the three-digit, four-digit, and five-digit levels. In the first equation of each set, firm profit rate is measured by net income plus interest expense as a percentage of shareholders' equity plus long-term debt. In the second equation of each set, profit rate is measured by net income as a percentage of shareholders' equity.

These sets of equations lend considerable support to the hypothesis that market structure has a significant positive impact on the profit rates of firms operating in the market. When firm diversification is defined at the three-digit SIC level, a significant positive linear relationship emerges between the three principal variables of market structure (seller concentration, relative market share, and industry

[1] The relationship between relatedness in diversification and firm profit rates is discussed at length below in the section on "Diversification and Profitability."

TABLE 3–2.—*Unweighted multiple regression equations explaining profit rates of food manufacturing firms* [1]

Equation No.	Firm profit rate[2]	Intercept	Four-firm concentration ratio	Relative market share	Industry advertising to sales ratio	Change in industry demand	Firm diversification ratio			1 Log assets	R^2
							Three-digit	Four-digit	Five-digit		
1(a) _____	P_1	2.06	[3]0.077	[4]0.097	[3]1.02	0.004	—0.038	----	----	—1.06	[4]0.359
			(2.13)	(2.67)	(2.24)	(.269)	(—1.13)	----	----	(—.284)	
1(b) _____	P_2	5.01	[3].100	[3].085	[3]1.10	.007	—.055	----	----	—6.69	[4].335
			(2.26)	(1.90)	(1.97)	(.371)	(—1.35)	----	----	(—1.47)	
2(a) _____	P_1	4.07	[3].065	[4].089	[3]1.00	.008	----	—0.039	----	—2.25	[4].367
			(1.77)	(2.40)	(2.22)	(.515)	----	(—1.57)	----	(—.586)	
2(b) _____	P_2	7.11	[3].087	[3].075	[3]1.06	.010	----	—.047	----	—7.74	[4].339
			(1.91)	(1.66)	(1.92)	(.555)	----	(—1.57)	----	(—1.64)	
3(a) _____	P_1	8.56	.039	[3].074	[4]1.07	.014	----	----	[4]—0.069	—5.34	[4].410
			(1.06)	(2.05)	(2.47)	(1.01)	----	----	(—3.04)	(—1.41)	
3(b) _____	P_2	13.60	.049	.053	[3]1.16	.020	----	----	[4]—.093	[4]—12.3	[4].397
			(1.10)	(1.22)	(2.20)	(1.17)	----	----	(—3.37)	(—2.67)	

[1] Figures in parentheses are *t* values. The statistical significance of the regression coefficients is tested by means of the one-tailed *t* test and of the multiple regression coefficients by the *F*-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.

[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

advertising as a percentage of sales) on the one hand and both measures of firm profit rate on the other. The relationship between industry advertising-to-sales and firm profitability remains significant regardless of how the primary market is defined when computing firm diversification ratios. However, the independent linear influences of seller concentration and relative market share on firm profitability decline steadily when the measure of firm diversification is changed from a three-digit to a four-digit to a five-digit ratio to reflect an increasingly more homogeneous primary market. In fact, when the firm diversification ratio is defined on a five-digit basis, the regression coefficient for seller concentration is approximately one-half as large as when the three-digit firm diversification ratio is used, and is not statistically significant. This result is explained, at least partially, by the fact that a fairly large degree of negative collinearity exists between concentration and five-digit firm diversification; but it does not exist between concentration and three-digit diversification.[2] In other words, food manufacturing firms operating in highly concentrated product markets tend to be highly specialized in these markets, whereas food manufacturers operating in less concentrated markets tend to be more diversified.[3]

In each of the six equations, the independent association between firm diversification and firm profitability is negative, and when the five-digit firm diversification ratio is used, this negative relationship becomes highly significant. In view of the negative collinearity between market concentration and five-digit firm diversification, this finding, no doubt reflects the influence of concentration on firm profitability. However, as discussed more fully below, it may also reflect the influence of product and factor homogeneity on the profit rate of the firm.

The profitability of food manufacturing firms is negatively related to absolute firm size in all six equations. However, this relationship is statistically significant in only one case, when five-digit firm diversification is used and when the various independent variables are regressed against profit rates unadjusted for differences in debt-to-equity ratios among firms. Preliminary analysis indicates that among food manufacturers ranging over a broad size spectrum, absolute firm size has very little direct influence on profitability.

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[2] The correlation coefficient for the former is −0.358, while the correlation coefficient for the latter is −0.006.

[3] There are at least two possible explanations for this finding. First, firms operating in highly concentrated industries may find it more profitable to continue to invest their resources within the highly concentrated industry rather than to move into other less concentrated industries which typically yield lower returns on investment. In addition, firms which do diversify may be forced to channel their diversification into less concentrated industries which normally are characterized by lower barriers to entry.

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Between 34 and 41 percent of the unweighted variance in profit rates among food manufacturing firms is accounted for by the variables in these six equations. The coefficients of multiple determination for these equations are all significant at the 1 percent level.[4] These coefficients are somewhat larger, however, when profit rates are adjusted for differences in the financial leverage of firms. The reason is that interest expense on long-term debt is more stable than net income on shareholders' equity, and hence tends to dampen the effect of extreme profit rate observations on unexplained variance.

Weighted multiple regression equations which correspond to the unweighted equations appearing in table 3-2 are shown in table 3-3. The R^2 of each of the weighted regressions is considerably higher than the R^2 of its unweighted counterpart. This is to be expected since the weighting procedure gives greater weight to larger firms that have smaller profit rate residuals, thereby reducing the proportion of the weighted variance of profit rates that is not explained by the regression equation.[5]

The influence of market structure on firm profitability in food manufacturing is even stronger when weighted regression equations are computed. This is particularly true for the independent variables that measure relative market share and industry advertising-to-sales ratio. As table 3-3 shows, the weighted regression coefficients for relative market share are significant in all six equations, and are highly significant in five of the six. In contrast, table 3-2 shows that in only two of the six unweighted equations are the regression coefficients for relative market share highly significant, and in one unweighted equation the regression coefficient is not significant at the 5-percent level. The regression coefficients for industry advertising as a percentage of sales are significant in all six unweighted regression equations but highly significant in only one equation; they become highly significant in all six equations when weighted regression equations are calculated.

With one exception, the influence of the remaining independent variables on firm profit rates is not substantially altered when weighted regression equations are used. The exception is absolute size. The weighted association between absolute firm size and firm profitability is even weaker than is its unweighted counterpart. In none of the six weighted equations is the regression coefficient for firm size significant. Moreover, in three equations a negative association is found to exist

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[4] Their F-ratios range from 7.5 to 10.4 with 6° and 90° of freedom.

[5] It should be noted that the weighting procedure was chosen to correct for heteroscedasticity and not to maximize R^2. In fact, if the square root of assets, rather than the fourth root of assets, were chosen as the weighting variable, R^2s in the neighborhood of 0.75 would be obtained for these equations. However, this weighting variable is clearly inappropriate, as it gives too much weight to large firms.

TABLE 3-3.—*Weighted multiple regression equations explaining profit rates of food manufacturing firms* [1]

Equation No.	Firm profit rate [2]	Intercept	Four-firm concentration ratio	Relative market share	Industry advertising to sales ratio	Change in industry demand	Firm diversification ratio			$\frac{1}{\text{Log assets}}$	R^2
							Three-digit	Four-digit	Five-digit		
1 (a)	P_1	−1.37	[4] 0.082 (2.43)	[4] 0.100 (3.28)	[4] 1.14 (2.73)	0.003 (.256)	−0.026 (−.956)			3.40 (1.06)	[4] 0.544
1 (b)	P_2	.359	[4] .099 (2.47)	[4] .096 (2.67)	[4] 1.16 (2.34)	.005 (.336)	−.035 (−1.09)			.062 (.016)	[4] .524
2 (a)	P_1	.858	[3] .069 (2.02)	[4] .095 (3.16)	[4] 1.12 (2.74)	.009 (.670)		[3] −0.038 (−1.77)		1.89 (.575)	[4] .555
2 (b)	P_2	2.56	[3] .085 (2.09)	[4] .092 (2.58)	[4] 1.13 (2.32)	.011 (.648)		[3] −.042 (−1.65)		−1.30 (−.333)	[4] .531
3 (a)	P_1	4.08	.053 (1.53)	[4] .083 (2.79)	[4] 1.17 (2.92)	.014 (1.05)			[4] −0.056 (−2.80)	−.517 (−.153)	[4] .576
3 (b)	P_2	6.30	.066 (1.62)	[3] .079 (2.21)	[4] 1.19 (2.48)	.016 (1.02)			[4] −.063 (2.65)	−1.41 (−1.02)	[4] .552

[1] Figures in parentheses are t values. The statistical significance of the regression coefficients is tested by means of the one-tailed t test and of the multiple regression coefficients by the F-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.
[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

between firm size and profitability. These results further substantiate the view that over a broad size range, neither absolute-capital-requirements nor economies of scale in business organization constitute significant barriers to entry into food manufacturing industries.

The Nonlinear Influence of Market Structure on Firm Profitability

The net linear relationship between each of the three major variables of market structure (seller concentration, relative market share, and industry advertising as a percentage of sales) and the profitability of food manufacturing firms is significant in the majority of the equations of tables 3–2 and 3–3. Nonetheless, it is possible that stronger, nonlinear relationships exist. As a first step toward defining the nature of these nonlinear functions, a preliminary graphical analysis was conducted to determine the general shapes of each of these three functions.[6] The results of this analysis suggested that a quadratic functional relationship exists between concentration and profitability in food manufacturing and that the relationship between relative market share and firm profitability is cubic in form.[7] To determine the shapes of these nonlinear functions, linear relationships between concentration and relative market share and firm profitability were replaced by quadratic and cubic functions, respectively, and the unweighted regression equations of table 3–2 were recalculated. The results are shown in table 3–4. As a comparison of table 3–4 with table 3–2 shows, the introduction of these two nonlinear relationships increases the per-

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[6] A first approximation of the net regression curve between each of the three variables of market structure and firm profitability was constructed as follows: First, a "net regression line" was calculated for equation 1(a) of table 3–2, showing the average change in adjusted profit rate of the firm with changes in the market structure variable, holding the other independent variables constant at their respective mean values. Next, profit rate residuals within convenient market structure intervals were grouped, and the simple average of their market structure and profit rate residual values were calculated. For each average market structure variable its corresponding average profit rate residual was then plotted as a vertical deviation from the net regression line. Finally, a free-hand curve was drawn to best fit these observations. See Mordecai Ezekiel and Karl A. Fox, *Methods of Correlation and Regression Analysis* (New York: John Wiley & Sons, Inc., 1959).

[7] Two previous empirical studies of the relationship between concentration and profitability in food manufacturing have concluded that the simple relationship is quadratic in form. However, neither of these studies takes into account the influence of other major variables of market structure on profitability. Collins and Preston find that price-cost margins increase with four-firm concentration at an increasing rate, while the staff of the FTC finds that net income as a percent of shareholders' equity increases with four-firm concentration at a decreasing rate. The discrepancy in these findings no doubt largely results from the fact that included within Collins and Preston's price-cost margin is advertising, which is positively correlated with concentration. Hence, the increasing impact of concentration on price-cost margins reflects its influence both on profitability and on product differentiation. See Collins and Preston, *op. cit.*, pp. 82–88, and *The Structure of Food Manufacturing, op. cit.*

TABLE 3–4.—*Unweighted multiple regression equations explaining profit rates of food manufacturing firms, assuming a cubic relationship between relative market share and profitability and a quadratic relationship between concentration and profitability* [1]

Equation No.	Firm profit rate [2]	Intercept	Four-firm concentration ratio	Square of four-firm concentration ratio	Relative market share	Square of relative market share	Cube of relative market share	Industry advertising to sales ratio	Change in industry demand	Firm diversification ratio			Log assets [1]	R^2
										Three-digit	Four-digit	Five-digit		
1(a)	P_1	−16.5	[4] 0.603	[4] −0.004	[3] 0.591	[3] −0.020	[3] 0.0002	[3] 1.05	0.007	[3] −0.055			0.657	[4] 0.427
			(2.98)	(−2.60)	(2.25)	(−1.97)	(1.94)	(2.23)	(.461)	(−1.68)			(.167)	
1(b)	P_2	−21.3	[4] .858	[4] −.006	[3] .651	[3] −.022	.0002	[3] 1.13	.011	[3] −.080			−3.92	[4] .421
			(3.50)	(−3.09)	(2.05)	(−1.79)	(1.71)	(1.99)	(.613)	(−2.02)			(−.826)	
2(a)	P_1	−13.4	[4] .540	[3] −.004	[3] .521	[3] −.018	[3] .0002	[3] 1.01	.008		−0.035		.153	[4] .423
			(2.69)	(−2.36)	(1.96)	(−1.72)	(1.71)	(2.15)	(.516)		(−1.45)		(.037)	
2(b)	P_2	−17.5	[4] .769	[4] −.006	[3] .561	−.019	.0002	[3] 1.07	.011		−.044		−4.09	[4] .409
			(3.14)	(−2.79)	(1.73)	(−1.52)	(1.47)	(1.87)	(.586)		(−1.49)		(−.804)	
3(a)	P_1	−8.11	[4] .491	[3] −.004	[3] .471	[3] −.016	[3] .0002	[4] 1.09	.014			[4] −0.063	−2.98	[4] .459
			(2.51)	(−2.31)	(1.83)	(−1.65)	(1.65)	(2.40)	(.988)			(−2.84)	(−.718)	
3(b)	P_2	−9.90	[4] .701	[4] −.005	.486	−.017	.0002	[3] 1.18	.021			[4] −.086	[3] −8.65	[4] .458
			(2.98)	(−2.77)	(1.57)	(−1.42)	(1.39)	(2.16)	(1.18)			(−3.22)	(−1.74)	

[1] Figures in parentheses are t values. The statistical significance of the regression coefficients is tested by means of the one-tailed t test and of the multiple regression coefficients by the F-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.
[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

centage of total variance in firm profitability explained by the variables of these equations between 4.9 and 8.6 percent.

Concentration and Profitability

The quadratic relationship between concentration and profitability in food marketing is considerably stronger than the linear association. The regression coefficients for both four-firm concentration and the square of four-firm concentration are more significant than their linear counterparts. Moreover, in contrast with the linear relationship, these coefficients remain significant regardless of the measure of firm diversification used.[8]

The equations of table 3–4 show that firm profitability in food manufacturing increases with market concentration at a decreasing rate. The influence of seller concentration on profitability is quite important over the range of low-to-moderate concentration. However, as concentration increases, it reaches a point beyond which it has very little additional influence on profitability; other variables of market structure, which reflect the degrees of product differentiation and the conditions of entry, become relatively more important.

Relative Market Share and Profitability

Table 3–4 provides tentative support for the preliminary finding that a net cubic association exists between relative market share and profitability in food manufacturing. In four of the six unweighted equations, the regression coefficients for relative market share, its square, and its cube are all statistically significant. In addition, the percentage of total profit rate variance explained by the variables in these six equations increases between 1.3 and 2.4 percent solely as a result of substituting the cubic relative market share function for the linear function.[9] However, these increases are statistically insignificant.

Hence, there is some evidence, admittedly inconclusive, that a net cubic relationship exists between relative market share and firm profitability in food manufacturing. The inflection point of the function occurs at a relative market share of approximately 30 percent; that is, when a firm's share is 30 percent as great as the market share of the top four firms. Up to this point, firm profitability increases with relative market share at a decreasing rate. However, beyond this point, the rate of increase begins accelerating.

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[8] Appendix table B–1 shows the six unweighted regression equations when a quadratic concentration function is introduced into the analysis, but the relative market share function is assumed to be linear. This introduction by itself results in increases of between 3.2 and 6.4 percent in the coefficients of determination for these six equations. In all six equations the increases in R^2s are statistically significant.

[9] This can be seen by comparing table 3–4 with appendix table B–1. In the former table a cubic relative market share function is assumed, while in the latter table a linear relative market share function is assumed.

Advertising and Profitability

When the preliminary graphical analysis was applied to the advertising-profitability function, the results suggested the possibility of a critical level of average industry advertising-to-sales ratio for food manufacturing firms above which firm profit rates on the average are higher and below which they are lower. The dividing line between these two groups occurred at an industry advertising-to-sales ratio of approximately 2 percent. Within each of these groups there appeared to be no significant relationship between advertising and profitability.

To examine mathematically the apparent dichotomy in the advertising-profitability function, a dummy variable separating firms with average industry advertising-to-sales ratios of 2 percent or more from all other sample firms was introduced into the analysis in place of the advertising-to-sales slope variable, and the six unweighted regression equations of table 3–4 were recalculated. These regression equations are shown in appendix table B–2. They are identical with the equations in table 3–4, except for the variable used to measure the influence of advertising on profitability. In table 3–4, the advertising-profitability relationship is assumed to be linear, while in appendix table B–2, a discontinuous advertising-profitability function is assumed, with the gap in the function occurring at an advertising-to-sales ratio of 2 percent. Comparing these two tables, we find that the results are mixed, but on balance they favor the discontinuous advertising-profitability function over the linear function. In each of the first four equations, the *t*-value for the advertising-to-sales dummy is larger than the corresponding *t*-value of the advertising-to-sales slope variable which it replaces. In addition, the substitution of the dummy for the slope variable increases the coefficients of determination for these four equations by between 1.3 and 2.5 percent. In the last two equations, however, the advertising-to-sales dummy variable is less significant than its corresponding slope variable. Moreover, the introduction of the dummy in place of the slope variable reduces by 0.3 percent the coefficients of determination for these two equations.

The final results of this analysis based on unweighted regression equations suggest that a threshold level of industry advertising relative to sales exists in food manufacturing; above that level, advertising-created barriers to entry have a significant influence on the profit performance of food manufacturing firms, while below it, advertising has very little influence on firm profitability. The equations in appendix table B–2 show that firms with average industry advertising-to-sales ratios of 2 percent or more on the average earn unadjusted profit rates between 2.9 and 4.0 percent above firms with average industry

advertising-to-sales ratios of less than 2 percent, when the other variables of market structure, firm size, and firm diversification are held constant. The difference in adjusted profit rates between these two groups of firms ranges between 2.6 and 3.4 percent, when the remaining independent variables are held constant.

Final Results: Weighted Regressions

The preceding analysis of the nonlinear functional relationships between each of the major variables of market structure and firm profitability in food manufacturing industries is based on unweighted regression equations. These unweighted equations clearly demonstrate that a net quadratic relationship exists between concentration and profitability in food manufacturing. With much less certainty, they indicate that the net association between relative market share and profitability is cubic in form and that the advertising-profitability function is discontinuous. We now evaluate these results on the basis of weighted regression equations.

Concentration and Profitability

In table 3–5, the weighted regression equations are presented which assume a net quadratic relationship between concentration and profitability and a cubic association between relative market share and firm profit rates. A comparison of these weighted equations with identically weighted equations in table 3–3, which assume these funtions to be linear, clearly substantiates the earlier finding that, over the range of industry concentration levels covered in this analysis,[10] the net relationship between concentration and profitability in food manufacturing is best represented by a second degree equation. As table 3–5 shows, the regression coefficients for both the four-firm con-concentration ratio and its square are significant in all six weighted regression equations and highly significant in five of the six. In contrast, the corresponding linear coefficients in table 3–3 become progressively less significant and reach a level of insignificance when the firm diversification ratio is defined on a five-digit census product class basis.

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[10] Of course, this equation is relevant only over the range of concentration levels included in the analysis: Average concentration ratios of firms ranged from 30 percent to 93 percent. If observations for lower average concentration ratios had been included, it is reasonable to expect that a third degree functional firm would most accurately describe the relationship between concentration and profits. Obviously, firm profit rates would not become negative at these lower levels of concentration as predicted by the second degree firm discussed in the text.

TABLE 3-5.—*Weighted multiple regression equations explaining profit rates of food manufacturing firms, assuming a cubic relationship between relative market share and profitability and a quadratic relationship between concentration and profitability* [1]

Equation No.	Firm profit rate [2]	Intercept	Four-firm concentration ratio	Square of four-firm concentration ratio	Relative market share	Square of relative market share	Cube of relative market share	Industry advertising to sales ratio	Change in industry demand	Firm diversification ratio			$\frac{1}{\text{Log assets}}$	R^2
										Three-digit	Four-digit	Five-digit		
1(a)	P_1	−15.8	[4]0.513	[4]−0.004	[3]0.505	[3]−0.017	[3]0.0002	[4]1.21	0.007	−0.040			3.85	[4]0.586
			(2.84)	(−2.42)	(2.10)	(−1.91)	(1.99)	(2.78)	(.552)	(−1.48)			(1.13)	
1(b)	P_2	−19.7	[4].695	[4]−.005	[3].510	−.016	.0002	[4]1.22	.010	[3]−.056			1.62	[4].572
			(3.26)	(−2.81)	(1.80)	(−1.51)	(1.49)	(2.40)	(.626)	(−1.75)			(.404)	
2(a)	P_1	−12.8	[4].467	[3]−.003	[3].448	[3]−.015	[3].0002	[4]1.17	.010		[3]−0.037		2.95	[4].590
			(2.64)	(−2.27)	(1.86)	(−1.65)	(1.73)	(2.74)	(.756)		(−1.75)		(.841)	
2(b)	P_2	−16.1	[4].630	[4]−.005	.439	−.013	.0001	[4]1.18	.012		[3]−.043		.882	[4].572
			(3.00)	(−2.61)	(1.54)	(−1.24)	(1.22)	(2.32)	(.735)		(−1.75)		(.212)	
3(a)	P_1	−10.1	[4].465	[4]−.004	[3].457	[3]−.015	[3].0002	[4]1.22	.016			[4]−0.057	.530	[4].614
			(2.71)	(−2.43)	(1.97)	(−1.79)	(1.85)	(2.92)	(1.19)			(−2.94)	(.150)	
3(b)	P_2	−12.9	[4].628	[4]−.005	.451	−.014	.0001	[4]1.23	.018			[4]−.067	−1.94	[4].600
			(3.08)	(−2.77)	(1.64)	(−1.36)	(1.32)	(2.48)	(1.15)			(−.92)	(−.463)	

[1] Figures in parentheses are t values. The statistical significance of the regression coefficients is tested by means of the one-tailed t test and of the multiple regression coefficients by the F-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.

[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

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Relative Market Share and Profitability

The linear association between relative market share and profitability becomes much stronger when weighted regression equations are computed. As a comparison of the weighted equations in table 3-3 with their unweighted counterparts in table 3-2 shows, the *t*-values for the regression coefficients for relative market share are between 23 and 81 percent higher for the weighted regression equations than for the corresponding unweighted equations. Nonetheless, weighted regression equations provide some evidence to support the tentative finding that the relationship between relative market share and profitability in food manufacturing is cubic rather than linear. As table 3-5 shows, the net cubic relationship between relative market share and net income as a percentage of shareholders' equity is weak and statistically insignificant. However, when profit rate is defined as net income plus interest expense as a percentage of total capitalization, the net cubic relationship between relative market share and profitability becomes significant. The regression coefficients for relative market share, its square, and its cube are statistically significant in all three equations.

Advertising and Profitability

Although the conclusions with respect to the nature of the relationships between both concentration and relative market share and profitability in food manufacturing are not appreciably altered when weighted regression equations are calculated, the opposite is the case with respect to the association between advertising and profitability. In appendix table B-3, the dummy variable separating industries with advertising-to-sales ratios of 2 percent or more from other industries is substituted for the advertising-to-sales slope variable, and the regression equations in table 3-5 are recalculated. A comparison of appendix table B-3 with table 3-5 reveals that in each of the six equations the regression coefficient for the advertising-to-sales dummy is considerably less significant than the corresponding regression coefficient for the advertising-to-sales slope variable which it replaces. The advertising-to-sales dummy is significant at the 5-percent level in the first three equations and statistically insignificant in the last three equations. In contrast, the advertising-to-sales slope coefficient is significant at the 1-percent level in all six weighted regression equations.[11] Moreover, the substitution of the dummy variable for

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[11] When the advertising-to-sales dummy is introduced into the analysis along with the advertising-to-sales slope variable and the regression equations in table 3-5 are recalculated, the regression coefficient for the slope variable remains statistically significant in all six weighted equations, while the regression coefficient for the dummy variable is statistically insignificant in all six equations and even takes on a negative sign in the last three equations. In addition, the introduction of the dummy variable leaves the R^2 for these six equations virtually unchanged.

the slope variable results in a reduction in the coefficients of determination for these six equations between 1.4 and 2.8 percent. It is evident, therefore, that the discontinuity in the advertising-profitability function, which exists when all firms are given equal weight, is eliminated when the equations are corrected for heteroscedasticity by assigning greater weight to the larger firms. The functional relationship between weighted advertising relative to sales and profitability in food manufacturing is continuous and linear.

Diversification and Profitability

The results of the present study indicate that the independent relationship between firm diversification and profitability in food manufacturing is negative. As table 3–2 shows, firms with the greatest percentage of their sales outside their primary market activity earn on the average the lowest rates of profit, when the other variables influencing firm profit rates are held constant. These results lend support to the hypothesis that the degree of economic relatedness among the various products and factors of a firm's production has a positive impact on its profit rate. In other words, the larger the percentage of the firm's total sales of products classified within its primary activity—hence the more closely related are its outputs and inputs—the higher its profit rates are likely to be.[12]

The net linear association between diversification and profitability, although negative in every instance, has the greatest statistical significance in the case where the primary activity of the firm is quite narrowly defined at the five-digit census product class level. As mentioned above, this apparent relationship may result largely from the negative collinearity between the five-digit diversification ratio and concentration.[13] However, to the extent that the five-digit diversification ratio exhibits an independent influence on profitability, this finding indicates that, when market structure and firm size are held constant, highly specialized food manufacturing firms on the average earn significantly higher profit rates than broadly diversified food firms.

The weighted regression equations reveal a clear pattern between the degree of heterogeneity in the operations of food manufacturing firms and their profitability, a pattern not in evidence when un-

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[12] This is not to say that the products of a food manufacturing firm which are classified outside its primary market activity are economically unrelated to products classified within its primary market, but only that these nonprimary products are less economically related to its primary products than are the products within the firm's primary activity.

[13] See p. 28 above.

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weighted regression equations are calculated. The significance of the
regression coefficients for weighted firm diversification continually
increases as the definition of the firm's primary market is successively
narrowed from the three- to the four- to the five-digit level to reflect
a more homogeneous primary market.

Even though the results of this analysis indicate that firms may
obtain greater efficiency in their operations and thereby achieve
higher profit rates by confining their operations within fairly narrow
bounds, firms may have strong incentives to diversify broadly into
other industries which are not closely related in terms of input. If
firms have an aversion to risk, they may diversify in order to achieve
greater stability of profits and to reduce their risk of failure, even
at a cost in the form of lower average profit rates. Broad diversification
into unrelated industries normally enables firms to achieve greater
profit stability than diversification into closely related industries,
where profit rates tend to be positively correlated.[14] In addition, broad
diversification affords the firm certain market power advantages
which it may utilize to offset decreases in profit rate resulting from
the increased heterogeneity of its operations.

Marginal Concentration and Profitability: A Digression

Richard Miller has recently concluded that the level of industry
profit rate is significantly related to the share of total industry
output accounted for by the fifth through eighth ranked firms in the
industry. For a sample of 118 IRS minor industries, he found the
relationship between the so-called "marginal concentration ratio" and
industry profitability to be significantly negative when the four-firm
concentration ratio was held constant. Miller, therefore, concluded
that "these firms ranked below the largest four tend not to participate
in a tacit cartel, that they view their interests as best served by action
independent of any implicit collusion on price." [15]

Miller's finding has strong policy implications. It suggests the
advisability of policies designed to improve the position of the "second
tier" of four firms under the top four, even at the expense of firms
ranking ninth or lower in the industry. It is desirable, therefore, that
the relationship between the marginal concentration ratio and profit-
ability in food manufacturing be examined.

For each food manufacturing firm, a 1954 weighted-average mar-
ginal-concentration ratio has been computed as follows: The five-

[14] See Markowitz, *op. cit.*
[15] Miller, *op. cit.*, p. 264.

through eight-firm marginal-concentration ratio of each of the firm's five-digit census product classes is multiplied by 1950 company value of shipments in that product class. The sum of these values is then divided by total company shipments in 1950.

In appendix table B–4, both the weighted average four-firm concentration ratio and the weighted-average marginal-concentration ratio are related to adjusted and unadjusted profit rates of the firm. As appendix table B–4 shows, the empirical results do not verify Miller's hypothesis in the case of food manufacturing. The regression coefficient for the four-firm concentration ratio is positive and highly significant in each of the two equations. The regression coefficient for the marginal concentration ratio is also positive in both equations, and in the second equation the coefficient is signficant at the 5-percent level. Hence, to the extent that the share of food manufacturing industries held by the fifth through eighth ranked firms has an influence on firm profitability in these markets, this influence is positive, rather than negative as Miller's analysis suggests.

As a final test of marginal concentration as a determinant of profit rates in food manufacturing, the marginal concentration ratio is introduced as an independent variable in the model of the present study. Appendix table B–4 shows the resulting unweighted regression equations, assuming a quadratic functional relationship between four-firm concentration and profitability. The regression coefficient for the marginal concentration ratio is insignificant in each of the six equations. Moreover, a comparison of appendix table B–5 with appendix table B–1, which shows the same equations without the marginal concentration ratio variable, reveals that the introduction of marginal concentration into the analysis leaves the coefficients of determination virtually unchanged in all six equations.[16]

It is clear from this analysis that marginal concentration is not a significant factor influencing the profit performance of food manufacturing firms.

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[16] When the multiple regression equations of appendix table B–5 were recalculated, assuming a cubic relationship between relative market share and profitability as well as a quadratic concentration function, the results were almost identical to those revealed in appendix table B–5. In none of the six equations was the regression coefficient for the marginal concentration ratio significantly different from zero. Moreover, the increase in R^2 resulting from the addition of the marignal concentration variable did not exceed 0.004 in any of the six equations.

APPENDIX A

APPENDIX TABLE A-1.—*Percentage of total value of shipments in 1950 of the eight largest tire manufacturers accounted for by sales of "tires and inner tubes"*

Company name	Relative position in the tire and inner tube industry		Percentage of total value of shipments accounted for by	
	Rank	Market share (percent)	Tires and inner tubes	Other four digit industries
The Goodyear Tire & Rubber Co_____	1	23. 1	59. 2	40. 8
United States Rubber Co_____	2	19. 1	48. 6	51. 4
The Firestone Tire & Rubber Co_____	3	16. 9	61. 2	38. 8
The B. F. Goodrich Co_____	4	12. 6	42. 7	57. 3
The General Tire & Rubber Co_____	5	4. 1	52. 3	47. 7
The Mansfield Tire & Rubber Co_____	6	2. 5	100. 0	0. 0
Dunlop Tire & Rubber'_____	7	2. 0	88. 9	11. 1
Seiberling Rubber Co_____	8	1. 8	87. 1	12. 9

Source: Data supplied to the Federal Trade Commission in connection with its study, *Report of the Federal Trade Commission on Industry Concentration and Product Diversification in t he 1,000 Largest Manufacturing Companies: 1950* (January 1957).

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APPENDIX B

Multiple Regression Equations Explaining Profitability of
Food Manufacturing Firms

This appendix consists of a series of tables showing multiple re-
gression equations explaining profit rates of food manufacturing firms.

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APPENDIX TABLE B-1.—*Unweighted multiple regression equations explaining profit rates of food manufacturing firms, assuming a quadratic relationship between concentration and profitability* [1]

Equation No.	Firm profit rate [2]	Intercept	Four-firm concentration ratio	Square of four-firm concentration ratio	Relative market share	Industry advertising to sales ratio	Change in industry demand	Firm diversification ratio			1/Log assets	R²
								Three-digit	Four-digit	Five-digit		
1(a)	P₁	−13.0	[4] 0.586 (2.88)	[4]−0.004 (−2.54)	[4] 0.097 (2.74)	[4] 1.16 (2.61)	0.010 (.674)	−0.052 (−1.59)			−0.027 (−.007)	[4] 0.402
1(b)	P₂	−17.0	[1] .845 (3.44)	[4]−.006 (−3.08)	[3] .084 (1.98)	[4] 1.30 (2.43)	.015 (.870)	[3]−.076 (−1.92)			−5.19 (−1.18)	[4] .399
2(a)	P₁	−9.98	[4] .525 (2.61)	[4]−.004 (−2.32)	[4] .090 (2.49)	[4] 1.11 (2.50)	.011 (.779)		−0.039 (−1.64)		−.754 (−.198)	[4] .403
2(b)	P₂	−13.4	[4] .758 (3.11)	[4]−.006 (−2.80)	[3] .077 (1.76)	[3] 1.21 (2.27)	.016 (.879)		[3]−.049 (−1.67)		−5.55 (−1.20)	[4] .393
3(a)	P₁	−4.95	[4] .473 (2.42)	[3]−.004 (−2.26)	[3] .076 (2.16)	[4] 1.17 (2.73)	.017 (1.23)			[4]−0.067 (−3.01)	−3.70 (−.979)	[4] .442
3(b)	P₂	−6.24	[4] .687 (2.93)	[4]−.005 (−2.77)	.057 (1.35)	[4] 1.30 (2.55)	.025 (1.46)			[4]−.090 (−3.39)	[3]−9.86 (−2.18)	[4] .445

[1] Figures in parentheses are *t* values. The statistical significance of the regression coefficients is tested by means of the one-tailed *t* test and of the multiple regression coefficients by the *F*-ratio test.

[2] Two profit rate measures are used, P₁ and P₂. P₁ is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P₂ is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.
[4] Indicates the coefficient is statistically significant at the 1-percent level.

APPENDIX TABLE B-2.—*Unweighted multiple regression equations explaining profit rates of food manufacturing firms, when the industry advertising-to-sales slope variable is replaced by the advertising-to-sales dummy variable, assuming a quadratic relationship between concentration and profitability and a cubic relationship between relative market share and profitability* [1]

Equation No.	Firm profit rate [2]	Intercept	Four-firm concentration ratio	Square of four-firm concentration ratio	Relative market share	Square of relative market share	Cube of relative market share	Industry advertising to sales dummy	Change in industry demand	Firm diversification ratio			1 Log assets	R²
										Three-digit	Four-digit	Five-digit		
1(a) -----	P₁	−11.7	[4] 0.520	[3] −0.004	[3] 0.539	[4] −0.019	[3] 0.0002	[4] 3.43	0.010	[3] −0.067	-----	-----	−1.13	[4] 0.450
			(2.61)	(−2.27)	(−2.09)	(−1.89)	(1.85)	(2.98)	(.688)	(−2.06)			(−.285)	-----
1(b) ----	P₂	−15.6	[4] .763	[4] −.006	[3] .581	[3] −.020	.0002	[4] 3.96	.014	[4] −.094	-----	-----	−6.24	[4] .446
			(3.17)	(−2.83)	(1.87)	(−1.70)	(1.62)	(2.84)	(.830)	(−2.40)			(−1.31)	-----
2(a) ----	P₁	−9.93	[3] .460	[3] −.003	[3] .493	[3] −.017	[3] .0002	[4] 2.95	.008		−0.031	-----	−.355	[4] .435
			(2.29)	(−1.97)	(1.87)	(−1.67)	(1.65)	(2.57)	(.567)		(−1.31)		(−.086)	-----
2(b) ----	P₂	−13.5	[4] .680	[4] −.005	.521	−.018	.0002	[4] 3.27	.011		−.040	-----	−4.83	[4] .422
			(2.79)	(−2.46)	(1.63)	(−1.46)	(1.40)	(2.35)	(.630)		(−1.37)		(−.965)	-----
3(a) ----	P₁	−6.83	[3] .429	[3] −.003	[3] .484	[3] −.017	.0002	[3] 2.61	.013			[3] −0.051	−2.02	[4] .456
			(2.17)	(−1.90)	(1.88)	(−1.67)	(1.64)	(2.30)	(.910)			(−2.28)	(−.502)	-----
3(b) -----	P₂	−8.58	[4] 6.35	[4] −.005	.502	−.017	.0002	[3] 2.88	.019			[4] −.073	−7.58	[4] .455
			(2.67)	(−2.40)	(1.62)	(−1.45)	(1.38)	(2.04)	(1.11)			(−2.71)	(−1.56)	-----

[1] Figures in parentheses are t values. The statistical significance of the regression coefficients is tested by means of the one-tailed t test and of the multiple regression coefficients by the F-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.
[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

APPENDIX TABLE B-3.—*Weighted multiple regression equations explaining profit rates of food manufacturing firms, when the industry advertising-to-sales slope variable is replaced by the advertising-to-sales dummy variable, assuming a quadratic relationship between concentration and profitability and a cubic relationship between relative market share and profitability* [1]

Equation No.	Firm profit rate [2]	Intercept	Four-firm concentration ratio	Square of four-firm concentration ratio	Relative market share	Square of relative market share	Cube of relative market share	Industry advertising to sales dummy	Change in industry demand	Firm diversification ratio			1 Log assets	R^2
										Three-digit	Four-digit	Five-digit		
1(a)	P_1	−14.2	[4]0.460 (2.49)	[3]−0.003 (−1.97)	[4]0.571 (2.37)	[3]−0.019 (−2.11)	[3]0.0002 (2.11)	[3]2.13 (2.17)	0.011 (.817)	−0.045 (−1.61)			4.13 (1.18)	[4]0.572
1(b)	P_2	−18.5	[4].644 (2.96)	[4]−.004 (−2.41)	[3].589 (2.07)	[3]−.018 (−1.72)	.0002 (1.62)	[3]1.92 (1.66)	.014 (.870)	[3]−.060 (−1.81)			2.18 (.528)	[4].558
2(a)	P_1	−12.1	[3].415 (2.28)	[3]−.003 (−1.77)	[3].530 (2.19)	[3]−.017 (−1.90)	[3].0002 (1.89)	[3]1.76 (1.81)	.013 (.895)		−0.033 (−1.52)		3.97 (1.11)	[4].571
2(b)	P_2	−16.0	[4].584 (2.71)	[3]−.004 (−2.18)	[5].538 (1.88)	−.016 (−1.49)	.0002 (1.38)	1.44 (1.25)	.015 (.900)		−.040 (−1.57)		2.18 (.518)	[4].554
3(a)	P_1	−10.5	[4].419 (2.35)	[3]−.003 (−1.87)	[4].559 (2.36)	[3]−.018 (−2.07)	[3].0002 (2.02)	1.46 (1.51)	.017 (1.28)			[4]−0.049 (−2.41)	2.33 (.651)	[4].587
3(b)	P_2	−13.9	[4].589 (2.79)	[3]−.004 (−2.30)	[3].573 (2.05)	[3]−.017 (−1.65)	.0002 (1.51)	1.07 (.935)	.021 (1.31)			[4]−.061 (−2.52)	.144 (.034)	[4].572

[1] Figures in parentheses are t values. The statistical significance of the regression coefficients is tested by means of the one-tailed t test and of the multiple regression coefficients by the F-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.
[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

APPENDIX B

APPENDIX TABLE B-4.—*The influence of marginal concentration ratios on profitability of food manufacturing firms* [1]

Firm profit rate [2]	Intercept	Four-firm concentration ratio	Five to eight firm marginal concentration ratio	R^2
P_1	—2. 15	[4] 0. 166 (5. 38)	0. 178 (1. 37)	[4] 0. 238
P_2	—5. 31	[4] . 204 (5. 54)	[3] . 298 (1. 92)	[4] . 246

[1] Figures in parentheses are *t* values. The statistical significance of the regression coefficients is tested by means of the one-tailed *t* test and of the multiple regression coefficients by the *F*-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.

[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

APPENDIX TABLE B-5.—*Unweighted multiple regression equations explaining profit rates of food manufacturing firms, including the marginal concentration ratio as an independent variable* [1]

Equation No.	Firm profit rate [2]	Intercept	Four-firm concentration ratio	Square of four-firm concentration	Five to eight firm marginal concentration ratio	Relative market share	Industry advertising-to-sales ratio	Change in industry demand	Firm diversification ratio			$\frac{1}{\text{Log assets}}$	R^2
									Three-digit	Four-digit	Five-digit		
1(a)	P_1	−12.4	[3]0.545	[3]−0.004	0.045	[4]0.096	[4]1.15	0.011	−0.053	----	----	−0.242	[4]0.402
			(2.13)	(−1.77)	(.270)	(2.68)	(2.54)	(.723)	(−1.60)	----	----	(−.065)	----
1(b)	P_2----	−15.4	[4].730	[3]−.005	.125	[3].081	[4]1.26	.019	[3]−.078	----	----	−5.79	[4].401
			(2.38)	(−1.96)	(.625)	(1.89)	(2.33)	(1.03)	(−1.96)	----	----	(−1.29)	----
2(a)	P_1---	−9.57	[3].497	−.004	.030	[4].089	[4]1.09	.012	----	−0.040	----	−.885	[4].403
			(1.95)	(−1.64)	(.181)	(2.44)	(2.45)	(.791)	----	(−1.64)	----	(−.227)	----
2(b)	P_2----	−12.0	[3].664	[3]−.005	.101	[3].075	[3]1.18	.019	----	[3]−.049	----	−5.99	[4].394
			(2.15)	(−1.79)	(.504)	(1.69)	(2.18)	(.993)	----	(1−.68)	----	(−1.27)	----
3(a)	P_1	−4.54	[3].445	−.003	.030	[3].075	[4]1.16	.018	----	----	[4]−0.067	−3.83	[4].442
			(1.80)	(−1.58)	(.189)	(2.12)	(2.67)	(1.22)	----	----	(−3.00)	(−.992)	----
3(b)	P_2	−4.84	[3].591	[3]−.004	.103	.054	[4]1.27	.028	----	----	[4]−.090	[3]−10.3	[4].447
			(2.00)	(−1.75)	(.534)	(1.28)	(2.45)	(1.55)	----	----	(−3.38)	(−2.23)	----

[1] Figures in parentheses are *t* values. The statistical significance of the regression coefficients is tested by means of the one-tailed *t* test and of the multiple regression coefficients by the *F*-ratio test.

[2] Two profit rate measures are used, P_1 and P_2. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

[3] Indicates the coefficient is statistically significant at the 5-percent level.
[4] Indicates the coefficient is statistically significant at the 1-percent level.

Source: Bureau of Economics, Federal Trade Commission.

APPENDIX C

Data Employed in the Regression Analysis

This appendix consists of a table which lists the sample of 97 manufacturers of "Food and Kindred Products," arrayed according to their total asset size in 1950, and for each sample firm shows the corresponding values of each independent and dependent variable included in the regression analysis.

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APPENDIX TABLE C.—*Data employed in statistical analysis arrayed by asset size of sample firms in 1950*

Company	P_1[1]	P_2[1]	Four-firm concentration ratio	Five to eight firm marginal concentration ratio	Relative market share	Industry advertising-to-sales ratio	Change in industry demand	Firm diversification ratio			Firm total assets (dollars in millions)
								Three-digit	Four-digit	Five-digit	
Swift & Co	6. 6	7. 2	38	12	39. 1	0. 68	25	22. 4	48. 7	52. 4	471. 2
Armour & Co	4. 5	4. 7	41	11	34. 6	. 67	22	22. 0	47. 1	50. 1	456. 2
Schenley Industries, Inc	4. 8	5. 6	64	14	32. 1	2. 11	—13	7. 3	25. 7	49. 6	402. 7
National Dairy Products Corp	10. 6	13. 9	55	13	47. 5	1. 63	43	14. 9	63. 1	67. 8	343. 4
Joseph E. Seagram & Sons, Inc	11. 2	15. 0	64	15	31. 5	1. 30	—21	4. 6	4. 6	20. 3	335. 5
General Foods Corp	11. 8	13. 5	52	13	28. 6	2. 88	102	48. 7	50. 3	66. 0	292. 0
National Distillers Products Corp	8. 0	9. 8	61	15	20. 9	1. 61	—16	8. 1	28. 1	43. 1	284. 6
The Borden Co	9. 6	11. 7	58	14	33. 2	1. 54	46	10. 8	51. 5	56. 2	259. 0
The Coca-Cola Co	18. 1	18. 2	89	6	58. 1	4. 16	0	0	0	0	214. 0
National Biscuit Co	13. 8	13. 8	60	9	39. 4	2. 17	37	21. 3	28. 7	28. 7	183. 4
Hiram Walker & Sons, Inc	14. 8	15. 3	64	15	13. 8	1. 32	—20	5. 5	6. 0	21. 7	183. 2
Corn Products Refining Co	12. 3	12. 3	67	19	36. 5	2. 73	9	21. 9	39. 5	39. 5	168. 7
California Packing Corp	7. 8	9. 2	36	12	26. 5	1. 93	60	2. 7	27. 2	66. 4	159. 0
Wilson & Co., Inc	5. 1	4. 6	36	12	14. 3	. 61	29	15. 7	50. 4	50. 5	155. 7
General Mills, Inc	10. 2	10. 4	49	15	26. 5	1. 85	7	8. 0	29. 7	50. 3	153. 0
Publicker Industries, Inc	3. 7	3. 7	57	15	7. 4	1. 03	7	46. 7	46. 7	65. 5	150. 7
The American Sugar Refining Co	6. 7	6. 6	49	14	52. 8	. 19	7	. 9	11. 0	11. 6	143. 9
H. J. Heinz Co	6. 1	6. 3	69	8	25. 5	1. 93	54	15. 0	47. 3	81. 2	142. 4
Standard Brands, Inc	8. 4	8. 3	51	15	25. 5	3. 08	57	21. 8	57. 2	67. 7	136. 4
Libby, McNeil, & Libby	6. 6	7. 5	38	11	17. 1	1. 64	46	18. 4	29. 4	73. 2	104. 2
Wesson Oil & Snowdrift Co., Inc	7. 0	7. 0	50	17	17. 1	1. 75	27	57. 3	60. 6	60. 6	101. 3
Anheuser-Busch, Inc	12. 8	13. 8	83	8	24. 9	4. 37	32	16. 4	20. 3	21. 0	98. 4
The Cudahy Packing Co	—1. 7	—3. 3	39	11	12. 4	. 61	19	13. 6	41. 6	44. 2	96. 4
Pillsbury Mills, Inc	5. 6	6. 2	46	16	16. 9	1. 25	—7	5. 7	19. 5	46. 3	94. 9
Pabst Brewing Co	14. 2	15. 5	83	8	22. 2	4. 47	35	2. 9	18. 5	18. 5	90. 1
The Quaker Oats Co	11. 5	12. 9	55	15	21. 1	3. 13	37	6. 9	64. 6	70. 0	88. 6

Company											
Ralston Purina Co.	12.8	14.0	55	21	48.5	1.43	29	13.2	17.4	18.8	87.8
Carnation Co.	11.4	13.3	68	12	25.1	1.62	18	17.4	47.5	47.9	84.2
William Wrigley, Jr. Co.	16.9	16.9	84	9	62.8	2.75	2	0	.4	.4	76.9
Clinton Foods, Inc.	7.5	7.6	56	16	22.3	2.44	113	50.3	50.4	50.4	74.7
A. E. Staley Manufacturing Co.	8.0	8.4	53	23	17.1	1.86	14	43.3	57.2	57.0	71.9
The Great Western Sugar Co.	7.3	9.0	49	14	10.8	.19	7	.2	.2	7.6	71.6
International Milling Co.	21.1	21.1	43	15	18.2	1.30	−23	0	0	14.6	70.8
Hershey Chocolate Corp.	10.2	12.9	69	9	61.3	2.70	62	2.3	2.3	13.3	62.1
Continental Baking Co.	8.6	10.0	49	17	37.0	2.19	27	1.6	1.6	.1	61.2
City Products Corp.	7.7	7.8	46	8	27.7	2.88	−3	54.7	55.8	55.8	59.9
Stokely-Van Camp, Inc.	3.2	−1.8	34	9	19.9	1.90	41	2.3	13.6	30.0	57.6
John Morrell & Co., Inc.	10.7	13.1	36	12	8.5	.39	28	6.1	52.2	53.9	54.2
United Biscuit Co. of America	16.7	16.7	58	8	17.9	1.84	43	18.4	18.4	18.4	51.3
Sunshine Biscuits, Inc.	7.3	7.3	62	8	99.6	2.15	35	18.8	18.8	18.3	50.4
The Cuban American Sugar Co.	9.6	13.1	49	14	5.5	.19	7	0	0	.3	50.3
Brown-Forman Distillers Corp.	26.4	26.4	62	16	6.4	1.16	−24	15.6	15.6	28.6	50.0
Kellogg Co.	8.3	8.3	72	12	27.4	6.52	50	0	16.0	16.0	49.0
Pet Milk Co.	14.0	14.0	70	9	23.9	1.43	14	.8	33.0	39.9	47.3
The Best Foods, Inc.	8.6	9.6	52	16	24.1	2.77	15	53.0	53.0	55.1	45.7
George A. Hormel & Co.	10.7	10.7	37	11	12.5	.34	16	−1	40.1	41.2	45.3
Beatrice Foods Co.	10.5	11.9	47	12	16.2	1.64	46	5.3	53.9	58.0	45.2
Beech-Nut Packing Co.	6.8	7.5	78	8	18.3	2.42	77	59.3	59.3	59.3	44.5
Holly Sugar Corp.	6.5	6.5	49	14	7.6	.19	7	0	0	10.6	42.6
The National Sugar Refining Co.	8.4	9.4	49	14	25.9	.19	7	0	0	1.5	40.0
Canada Dry Ginger Ale, Inc.	8.3	10.2	83	6	24.9	3.94	40	9.1	13.5	13.5	39.7
Glenmore Distillers Co.	8.7	8.7	65	16	4.3	4.37	−19	6.0	6.0	11.6	39.1
General Baking Co.	9.0	9.5	49	17	23.7	2.20	28	0	0	0	38.5
Hunt Foods, Inc.	5.6	5.6	39	11	15.9	1.94	38	.9	37.9	54.3	38.3
American Crystal Sugar Co.	6.6	7.7	49	14	6.5	.19	7	0	0	13.0	38.3
The Rath Packing Co.	4.2	4.2	35	13	6.8	.34	14	3.2	46.6	46.6	37.5
Fairmont Foods Co.	5.7	5.7	35	10	14.8	1.47	62	24	65.9	65.9	37.5
Utah-Idaho Sugar Co.	6.9	7.3	49	14	4.5	.19	8	.9		11.4	35.7
Arden Farms Co.	10.5	11.5	59	15	6.0	1.55	41	.6	33.2	43.8	32.9
Pepsi-Cola Co.			84	8	10.5	3.50	8	17.3	17.3	17.3	32.3
Russell Miller Milling Co.	3.6	3.7	44	15	8.4	1.30	−19	0	3.7	22.7	31.6

See footnote at end of table.

APPENDIX TABLE C.—*Data employed in statistical analysis arrayed by asset size of sample firms in 1950*—Continued

Company	$P_1{}^1$	$P_2{}^1$	Four-firm concentration ratio	Five to eight firm marginal concentration ratio	Relative market share	Industry advertising-to-sales ratio	Change in industry demand	Firm diversification ratio			Firm total assets; (dollars i n millions)
								Three-digit	Four-digit	Five-digit	
Allied Mills, Inc	9. 1	9. 1	52	21	12. 9	1. 09	29	19. 2	19. 2	22. 9	31. 5
American Chicle Co	18. 4	18. 4	83	10	22. 9	2. 74	2	0	1. 6	1. 6	30. 7
Purity Bakeries Corp	11. 3	12. 4	49	17	18. 6	2. 20	28	0	0	0	30. 4
Oscar Meyer & Co	9. 5	11. 2	36	12	7. 2	. 34	15	1. 9	47. 4	47. 4	30. 4
The Colorado Milling & Elevator Co	6. 3	6. 3	44	15	8. 5	1. 30	—19	0	6. 6	20. 3	29. 3
Ward Baking Co	11. 5	13. 6	49	17	20. 2	2. 20	28	0	0	0	29. 0
Golden State Co., Ltd	5. 6	6. 7	53	14	5. 3	1. 55	54	1. 9	42. 9	49. 4	28. 4
Burrus Mills, Inc	5. 6	3. 8	45	15	2. 8	1. 25	—12	6. 7	27. 8	41. 5	28. 1
Amalgamated Sugar Co	10. 4	11. 4	49	14	4. 9	. 19	7	0	0	7. 7	26. 3
The American Distilling Co	5. 6	5. 2	66	15	3. 2	1. 37	—18	. 5	. 8	11. 7	26. 1
Gerber Products Co	16. 0	17. 7	93	5	39. 8	2. 32	105	7. 0	7. 0	7. 0	25. 8
Green Giant Co	7. 3	8. 4	32	8	13. 2	1. 93	33	0	1. 3	1. 3	24. 6
Falstaff Brewing Co	17. 4	20. 2	87	7	8. 8	4. 64	40	0	0	. 9	23. 4
E. J. Brach & Sons	7. 4	7. 4	49	13	28. 0	2. 74	5	0	0	0	22. 0
Godchaux Sugars, Inc	6. 0	6. 0	49	15	10. 1	. 19	6	. 3	12. 2	12. 8	21. 1
Interstate Bakeries Corp	15. 0	19. 3	49	17	13. 5	2. 20	28	0	0	0	20. 1

Duquesne Brewing Co. of Pittsburgh	5. 1	5. 5	86	7	3. 9	4. 64	40	0	0	1. 7	20. 0
Penick & Ford, Ltd., Inc	14. 7	14. 7	72	16	12. 8	3. 13	2	0	32. 8	32. 8	19. 5
Tobin Packing Co., Inc	9. 0	9. 3	37	11	2. 9	. 34	16	1. 4	41. 7	43. 3	18. 9
Froedtert Grain & Malting Co., Inc	14. 6	16. 4	46	21	36. 7	4. 64	—25	0	0	1. 7	17. 6
Savannah Sugar Refining Corp	16. 0	16. 0	49	14	9. 8	. 19	7	0	0	. 7	17. 3
Planters Nut & Chocolate Co	9. 0	9. 3	45	18	59. 9	2. 77	33	19. 7	19. 8	29. 8	17. 2
Peter Paul, Inc	15. 1	15. 1	49	13	22. 4	2. 74	5	0	0	0	15. 9
Foremost Dairies, Inc	12. 3	15. 7	60	15	3. 7	1. 55	37	0	30. 9	32. 6	15. 8
Welch Grape Juice Co	4. 5	4. 0	33	13	21. 6	1. 93	73	0	16. 3	56. 7	15. 7
Griesedieck Western Brewery Co	13. 0	13. 0	87	7	18. 6	4. 64	41	0	0	. 4	15. 6
Jacob Ruppert	0. 8	—. 1	87	7	4. 6	4. 64	41	0	0	. 6	15. 4
Hygrade Food Products Corp	1. 0	—1. 9	36	12	4. 2	. 43	17	7. 5	46. 3	46. 3	15. 2
American Maize Products Co	7. 8	8. 7	73	19	9. 6	3. 13	1	0	1. 5	1. 5	14. 9
Seabrook Farms Co	4. 3	4. 1	50	11	20. 8	1. 92	152	. 4	7. 1	14. 2	14. 8
Pacific American Fisheries, Inc	. 5	. 5	47	9	10. 3	1. 93	60	0	27. 7	27. 7	13. 7
Goebel Brewing Co	14. 8	16. 0	87	7	7. 5	4. 64	41	0	0	0	13. 3
American Bakeries Co	11. 3	12. 4	50	16	8. 2	2. 20	29	0	4. 7	4. 7	13. 3
Centennial Flouring Mills Co	4. 3	4. 4	47	16	2. 4	1. 31	5	1. 8	43. 4	54. 4	12. 7
Life Savers Corp	23. 1	23. 1	47	14	9. 5	3. 14	11	7. 2	7. 2	7. 2	12. 3
Flotill Products, Inc	—4. 8	—18. 6	30	10	3. 9	1. 96	33	2. 2	2. 2	45. 7	7. 3

[1] P_1 and P_2 are two measures of firm profit rate. P_1 is defined as net income plus interest expense divided by shareholders' equity plus long-term debt. P_2 is defined as net income divided by shareholders' equity.

Source: Bureau of Economics, Federal Trade Commission.

APPENDIX D

Matrix of Simple Correlation Coefficients Between the
Independent Variables of the Analysis

	C	M	A	G	D three-digit	D four-digit	D five-digit
M	0. 202						
A	0. 641	0. 215					
G	0. 043	0. 117	0. 218				
D three-digit	−0. 006	0. 150	0. 027	0. 214			
D four-digit	−0. 258	0. 022	−0. 191	0. 224	0. 637		
D five-digit	−0. 358	−0. 007	−0. 246	0. 195	0. 554	0. 901	
S	−0. 042	−0. 465	0. 156	0. 134	−0. 390	−0. 393	−0. 396

Note: The identifying symbols are identical to those described on page 17 above.

Source: Bureau of Economics, Federal Trade Commission.

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APPENDIX E

Mathematical Derivations of Market Structure Variables Included in the Analysis

For each company, i, the following market structure variables are calculated:

$$(1) \qquad C_i = \frac{\sum_{j=1}^{n} V_{ij} C_j}{\sum_{j=1}^{n} V_{ij}}$$

$$(2) \qquad M_i = \frac{\sum_{j=1}^{n} V_{ij} \left(\frac{V_{ij}}{V_j} \Big/ C_j \right)}{\sum_{j=1}^{n} V_{ij}}$$

$$(3) \qquad A_i = \frac{\sum_{j=1}^{n} V_{ij} A_j}{\sum_{j=1}^{n} V_{ij}}$$

$$(4) \qquad G_i = \frac{\sum_{j=1}^{n} V_{ij} \left(\frac{V''_j}{V'_j} - 1 \right)}{\sum_{j=1}^{n} V_{ij}}$$

where

n is the number of five-digit census product classes of company i in 1950 and j is the jth such product class;

C_i is the weighted concentration ratio for company i;

M_i is the weighted relative market share for company i;

A_i is the weighted industry advertising-to-sales ratio for company i;

G_i is the weighted industry growth rate for company i;

V_{ij} is the 1950 value of shipments of product j by company i;

C_j is the four-firm concentration ratio of product j in 1954;

V_j is the 1950 total industry value of shipments of product j;

A_j is the 1950 industry advertising-to-sales ratio of product j;

V'_j is the total value of shipments of product j in 1947;

V''_j is the total value of shipments of product j in 1954.

APPENDIX F

Average profit ratios of the 85 largest food manufacturing companies of 1950 by level of company concentration index

PART A. *Average profit rates*

Class	Concentration index of company [1] (percent)	Number of companies [2]	Profits to net worth [3]	
			Simple average	Weighted average [4]
I	60 and above	17	14. 2	15. 1
II	50 to 59	15	13. 2	12. 9
III	40 to 49	32	9. 5	9. 2
IV	Below 40	21	7. 5	6. 2

PART B. *Statistical significance of differences in company profit rates according to level of concentration*

Comparison	Concentration classes	Probability of differences occurring by chance (percent)
Highest and lowest concentration classes	I and IV	Less than 0.05.
Alternate classes once removed	I and III	Less than .5.
	II and IV	Less than .5.
Contiguous classes	I and II	Less than 35.
	II and III	Less than 2.5.
	III and IV	Less than 10.

[1] The average 4-company concentration ratio of 5-digit product classes in which the company produced. The average is weighted by the company's value of shipments in the product classes in 1950 as reported to the Federal Trade Commission for its report on *Industrial Concentration and Product Diversification in the 1000 Largest Manufacturing Companies: 1950* (1957).

[2] These are the 85 companies ranking among the 100 largest food manufacturing companies for which profit data were available.

[3] Net profits after taxes as a percent of stockholders' equity averaged for the years 1949 through 1951.

[4] Weighted by company sales.

Source: Federal Trade Commission, *Economic Report on the Structure of Food Manufacturing.* Published as Technical Study No. 8 of the National Commission on Food Marketing, 1966, tables 5 and 6, pages 204-5.

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The Conglomerate Food Retailer: The Need for Fuller Corporate Disclosure (1966)

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Tax Incentives for Merger (1969)

One Bank Holding Companies and Competition (1969)

Antitrust Enforcement in the Food Industry: Price Fixing and Merger Policy (1969)

The Corporate Merger Movement, Its Dimensions and Impacts (1969)

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Mr. JASINOWSKI. I would like to ask you, Mr. Parker, one last question, and that is what I understood to be a new study at the Federal Trade Commission on the food industry, a national study. I do not recall the details now because I do not have my files here, but as I recall, a large number of Senators from the Midwest, of which Senator Humphrey was one signer, and I believe Senator Stevenson and Senator Clark and others, had raised this officially in a letter to the FTC that they conduct an overall national investigation of the food industry focusing on concentration and any of the other issues that we discuss today.

Am I correct that that study has been launched, and can you give us the details of the progress on it?

Mr. PARKER. The study that you refer to is a legal investigation, or more correctly a series of legal investigations being conducted by our Bureau of Competition. I understand that a sizable number of staff have been assigned to the project, and that the effort is progressing. A number of investigatory areas have been selected or are under study.

Mr. JASINOWSKI. You have no direct involvement or responsibility in the study?

Mr. PARKER. No, I do not.

Mr. JASINOWSKI. Who would be the principal person for the subcommittee to contact again for a more precise statement on the progress of the study?

Mr. PARKER. The Director of the Bureau of Competition, Mr. Halverson.

Mr. JASINOWSKI. Fine. Thank you very much.

Ms. Falcone, do you have any questions?

Ms. FALCONE. No, I do not.

Mr. JASINOWSKI. One last question on the Department of Agriculture. One of the discussions between Mr. Paarlberg and Senator Humphrey had to do with the adequacy of what the Department of Agriculture is doing in this area. Mr. Paarlberg said they had little authority to pursue these questions of retail and wholesale food prices.

Do any members of the panel have suggestions as to changes in authority or form for the Department of Agriculture to become more involved in this area?

Ms. DEMARCO. They do have the right to make recommendations directly to the FTC, if in their various studies or huge field offices, information about or indications of monopoly practices is apparent. They also can make recommendations that the agricultural census collect useful data about corporate involvement in agriculture, whether it be actual production agriculture or vertical integration.

Those are two areas in which USDA can make a contribution.

Mr. JASINOWSKI. Mr. Hightower, any others?

Mr. HIGHTOWER. Now, obviously it is a matter of attitude. If they want to focus on the middle sector, they can do that. There are plenty of ways to work on it. If they need authority they can come up here and seek that authority. They have not done that. They have not shown much concern about the middle sector, in spite of the best light that Mr. Paarlberg was putting on it. Frankly, I do not have much faith in the Department of Agriculture, at least as it exists

today. I doubt that consumers or farmers, either one are going to benefit terribly from USDA efforts. And I think we have got to look to Congress and to agencies like the Federal Trade Commission, and we must closely monitor this national food plan that the FTC's Bureau of Competition is off on.

I think we have got to seek our remedies through such efforts as that. I would urge the committee to make their own inquiry to Mr. Halverson at the Bureau of Competition, and Chairman Engman of the Federal Trade Commission, about the progress of that Federal food plan. That is kind of like Nixon's 1968 peace plan. Chairman Engman has waved around the food plan a lot, but there were no details on it, and we still do not have details on this plan.

I would urge Senator Humphrey and the Midwest caucus and this committee itself to make their own inquiries about the specifics of that.

Mr. JASINOWSKI. Well, we appreciate these comments.

Is there anything you want to add, Mr. Parker?

Mr. PARKER. I would strongly urge the Department of Agriculture to use its immense prestige with food manufacturers and if necessary, to go to Congress to ask for additional legislative authority and budget to implement a very pervasive program of Federal inspection and grade labeling of food products.

The most important problem that consumers are confronted with in their purchasing of food products is the literally thousands of choices. They are expected to make these choices rationally yet they have very little information to do so. Somebody has to help them, and it has to be an organization with power. I think that until we get a Department of Consumer Affairs, that the Department of Agriculture should proceed with a very aggressive program in this area.

Mr. JASINOWSKI. Thank you, Mr. Parker.

As you all no doubt guessed now, Senator Humphrey is not returning. He is still on the Floor. He sent me a little note saying he apologizes again for the situation.

I would just like to explain the situation to you so that you will know what it was. He is on the floor jointly managing two Federal food assistance bills, S. 4358 and S. 4359, covering such matters as food stamps, school lunch and childhood nutrition, of which he is a joint sponsor. These bills were scheduled late yesterday by the leadership for action today, so that it was not possible on short notice to make appropriate changes in plans for committee hearings. We have had this happen before, but not too frequently.

Senator Humphrey wishes to express his sincere appreciation to the witnesses for their time and effort in providing testimony to the subcommittee.

I would like to also express my appreciation for you patiently taking all the questions of the staff. I think we have made a good record, and we will see that Senator Humphrey is apprised of all of it, and moreover, that it will go into the general dialog here in the Congress. Any further remarks?

Thank you very much.

So the subcommittee will stand adjourned.

[Whereupon, at 1 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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