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9. ABSTRACT

The first two sections of this paper deal with the marketing of the area's two most important agricultural products, tobacco and peanuts. The next two sections examine cattle marketing, because of its growth potential, and swine marketing, because of its traditional importance. Sections five and six discuss the area's wholesale and retail marketing activities. Rather than an analysis, this monograph is intended to describe the area's economic as well as social conditions so that the problems of rural development can be solved more readily. Outlooks show the demands for tobacco and peanuts increasing, despite the uncertainties in the outlook for tobacco related to health hazards, trade arrangements and foreign competition. The high nutrition and relatively low price of peanut products assure it of a bright future. The long-run outlooks for cattle and swine are encouraging, despite some uncertainties in the short-range views. Due to increasing trends in industrialization and population growth, as well as geography, wholesale establishments show promise. The future of the retail market is mixed and depends on population growth, purchasing power, consumer mobility, and inflation.

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**MARKETING STRUCTURE OF SELECTED AGRICULTURAL PRODUCTS  
AND SERVICE INDUSTRIES IN SOUTH CENTRAL VIRGINIA**

BY

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**VIRGINIA STATE COLLEGE**

**PETERSBURG, VIRGINIA 23803**

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AND INDUSTRIES IN SOUTH CENTRAL VIRGINIA**

**AGENCY FOR INTERNATIONAL DEVELOPMENT  
BUREAU OF ECONOMIC RESEARCH AND DEVELOPMENT**

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## FOREWORD

The Bureau of Economic Research and Development (BERD) is an integral part of the total program of Virginia State College. It was established in 1969, utilizing an interdisciplinary approach to the solution of economic, social, and community problems. The BERD has research activities on both the domestic and international scene.

The BERD has as its laboratory South Central Virginia, which comprises seventeen counties and five cities. This provides a base from which data is gathered, analyzed, and related to other areas in The Commonwealth as well as the Southeast Region.

The international research activities of BERD focuses on an area in Northern Ghana of West Africa. This work is being done through a rural development linkage Virginia State College has with the University of Science and Technology at Kumasi, Ghana.

The BERD comprises five units: Manpower, Management, Production Analysis, Marketing, and Urban and Ecological Studies. Its staff has training in the disciplines of: Agricultural Economics, Economics, Business Administration, Education, Industrial Rela-

tions, Psychology, Sociology, and Statistics.

This monograph is published under the Marketing Unit of the Bureau. Although this monograph does not purport to provide policy recommendations with respect to marketing, it does present a rather clear description of the basic marketing structure for several commodities in the rural sector of Virginia. It also provides a basis for analyzing and making projections that are useful in planning for rural development.

Virginia State College and its Bureau are indeed appreciative for the cooperation and encouragements received from state and local agencies which made possible the completion of this monograph. The BERD is also appreciative that the Department of Business Administration, in the School of Business Administration, released Dr. Samuel K. Moak to participate in this research project. Appreciation is further extended to the co-authors, Drs. Samuel K. Moak and Charles D. Whyte for the preparation of such a needed monograph.

Huey J. Battle  
Director

## PREFACE

This monograph presents a description of the basic marketing structure of selected agricultural products and service industries in South Central Virginia. It presents essential introductory explanation of how the products are channeled from the producers to the consumers; and provides the business communities, government officials, potential investors, and academic researchers a basis for analyzing and planning marketing strategies for existing and potential business.

South Central Virginia, historically is a less developed area of the State of Virginia. However, this region recently has shown many signs of vitality in various segments of business, the development of which would significantly affect the economy of the area as a whole.

The first four sections of the paper are concerned with the marketing of agricultural products, of which the most important are tobacco and peanut. In addition to these, cattle marketing and swine marketing are also

considered. The former because of its growth potential and the latter because of its long standing traditional importance. Sections five and six concern the wholesale and retail marketing activities in the area.

The authors are grateful to their colleagues for intellectual as well as administrative assistance and encouragements which contributed greatly to the preparation of the manuscript. Special thanks to Michael S. Joshua, Agha N. Khan and Deborah Ramsey, Research Associates of the Bureau of Economic Research and Development (BERD), for their helpful suggestions; and to Huey J. Battle, Director of BERD, who made it possible by providing funds for the research under the US-AID 211(d) program. The staff of the Virginia Department of Agriculture and Commerce also has been most cooperative throughout the conduct of this research. However, the authors alone are responsible for all shortcomings.

January 1976

Samuel K. Moak &  
Charles D. Whyte

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# **MARKETING STRUCTURE OF SELECTED AGRICULTURAL PRODUCTS AND SERVICE INDUSTRIES IN SOUTH CENTRAL VIRGINIA**

by

**SAMUEL K. MOAK AND CHARLES D. WHYTE\***

## **I. INTRODUCTION AND SUMMARY**

This is the second issue of a series of five monographs on the Overview of Economic Development in Seventeen South Central Virginia Counties. The seventeen counties include: Amelia, Brunswick, Charlotte, Cumberland, Dinwiddie, Greensville, Halifax, Isle of Wight, Lunenburg, Mecklenburg, Nottoway, Pittsylvania, Prince Edward, Southampton, Suffolk, Surry and Sussex. Financed by a 211(d) grant from the United States-Agency for Internal Development (US-AID), The Bureau of Economic Research and Development (BERD) of Virginia State College have conducted research work in the seventeen county area aimed at resolving problems of rural development. The five monographs investigate past and present conditions of the area in: Human Resources, Market Structure, Agricultural Resources, Natural Resources and Government, and Industrial activities. These monographs are intended to describe the economic as well as social conditions of the area so that the problems of rural development can be more readily identified.

The staff of BERD is concentrated on the conceptual as well as the actual problems of rural development that confront the makers of public policy and the executives of the private policy

and the private sector. Particular attention is devoted to the development of resources and research capabilities at the Virginia State College to deal with the recurring problems of poverty in the seventeen county area, and similar problems in less developed countries (LDC's) of the world. The monographs are not analytical. Rather, they are aimed at informing the readers with a lucid presentation of data on the past and present conditions of economic and social activities in the area.

The materials presented in this issue was prepared during the Summer of 1975 by Samuel K. Moak, Professor of Marketing and Management in the School of Business Administration at Virginia State College; and Charles D. Whyte, Assistant Director of the Bureau of Economic Research and Development and Professor of Economics at Virginia State College. The comments and suggestions by those contributing to the monograph are reflected in the final version. However, the paper is the product of the authors and does not represent the views of BERD or Virginia State College.

### **SUMMARY OF THIS ISSUE**

In this paper, Samuel Moak and Charles Whyte present a description of

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\*Samuel Moak, formerly professor of Business Administration at Virginia State College, is Professor and Department Chairman of Business Administration at Covenant College, Tennessee; Charles Whyte is Assistant Director of the Bureau of Economic Research and Development and Professor of Economics at Virginia State College, Virginia.

the production-marketing activities of four agricultural commodities produced in the seventeen county area of South Central Virginia. A description of the wholesale and retail marketing activities is also presented. Moak and Whyte selected two of the most important agricultural revenue producing commodities, tobacco and peanuts, with cattle and swine in describing the marketing activities of the agricultural sector in the South Central Virginia. They describe the wholesale and retail marketing activities by examining the trends in number and size of the businesses in these two sectors.

It is observed that tobacco farming is competitive but is highly controlled by government through poundage and acreage regulation, and a price support program. Although the number of farms and the number of tobacco acreage declined by 25.1 and 23.9 percent, respectively, during the 1960's, the size of farm and the price of tobacco have both increased sizeably.

Tobacco constitute the major source of farm income in most of the seventeen South Central Virginia counties, except Isle of Wight, Nansemond, Southampton, Surry and Sussex. Increasing domestic as well as foreign demand for Virginia tobacco will tend to keep prices high particularly if the tobacco price support program is continued. Income from tobacco can be expected to increase in the future.

The tobacco allotment system tends to raise long range average tobacco price as well as to reduce seasonal price fluctuations. The tobacco acreage control program tends to increase land value and hence capital gains accruing to land owners. This benefit tends to reduce the number of small farmers and encourage consolidation or outright acquisition of allotments by larger farmers through the practice known as cash-lease-transfer.

Tobacco is marketed through a system of seventeen marketing locations and sixty-eight warehouses throughout Virginia. There are three processing establishments located in the seventeen county area: at Danville in Pittsylvania county; at Kenbridge in Lunenburg county; and at Farmville in Prince Edward county.

The warehouse sales of tobacco remain an important channel of distribution. However, the "Grower Designation Plan" for the distribution of sales opportunities to the flue-cured tobacco warehouses promises to be a major innovation in the tobacco trade channel. Cigarette manufacturing plants are located within a hundred mile radius of the production and processing area.

The 1974 average price of tobacco ranged from 69.2 cents per pound for sun-cured tobacco to 92.0 cents per pound for burley tobacco. Increase in prices over the 1973 price ranged from 12.0 percent for Virginia flue-cured to 41.0 percent for Virginia dark-fire-cured and sun-cured tobaccos.

Peanuts are a major crop in the eastern part of South Central Virginia in the counties of: Brunswick, Dinwiddie, Greensville, Isle of Wight, Mecklenburg, Nansemond, Southampton, Surry and Sussex. It is observed that with the exception of Greensville, Isle of Wight, and Southampton counties, each of which indicated one percent increase, all the peanut producing counties in the seventeen county area showed declines in acreage during the 1960's. Over the period 1959-1969, all counties, except Mecklenburg, showed increases in yield. The average price per pound of peanuts increased from 10.5 cents in 1959 to 17.5 cents in 1974.

The peanut allotment system uses acreage control and marketing quotas as a means of adjusting production and

price. Between 1959 and 1969 there were: a 24 percent decrease in the number of allotments, and one percent decrease in the acres allotted.

The marketing system for peanuts includes: the farm, buying station, sheller-processor, and finally wholesale and retail outlets. The pricing policy for peanuts is closely tied to the federal government loan price which establishes a floor market price. The loan price is available to farmers with their own farm storage; or those affiliated with the peanut growers Cooperative Marketing Association, which serves as a fiscal agent for the Commodity Credit Corporation.

Because of the increasing demand for peanuts and peanut products, the market outlook appears favorable. Innovative promotions should enhance both domestic and foreign demands in the future.

Cattle marketing and swine marketing are examined because of the growth potential of the former and the long standing traditional importance of the latter. Whereas the feeder cattle market is relative new to Virginia, the market for "Virginia" ham is well known and has been an important source of revenue for Virginia.

Recent expansion of slaughter facilities in South Central Virginia is likely to encourage expansion of feedlot operation. Although cattle marketing has been restrained due to increasing costs of resources and operation, the outlook for cattle in South Central Virginia appears favorable with rising disposable income and increasing foreign demand.

Swine production and marketing are most active in the eastern region of South Central Virginia, including the counties of Greensville, Sussex, Southampton, Surry, Isle of Wight, and Suf-

folk. Production and sales, generally, have been declining due to weakening prices and profit incentives to farmers caused by higher prices of feed and labor cost.

Past trends reveal that the number of swines produced in the area is insufficient to supply the requirements of meat packers in the South Central Virginia. This has led to the importation of hogs from nearby states such as North Carolina, Georgia, Tennessee and South Carolina. To meet the packer's demand the market price of feeder pigs has tended to be higher in South Central than other parts of the state of Virginia. Between 1959 and 1969, the average price per hundred pounds increased from \$19.13 to \$35.72. Between 1969 and 1974, the average price increased to \$49.66 per hundred pound.

Direct shipment of hogs (180-240 pound weight) from the producers to the meat packers has been increasing noticeable over the years. This trend may substantially curtail the role of the middlemen in the marketing channel for hogs in the years ahead.

Wholesale establishments have been actively expanding in South Central Virginia due to improved transportation, increased industrialization and the expansion of urban businesses. The most rapidly growing categories of wholesalers are: merchant wholesalers; manufacturing sales; petroleum bulk plants; merchandise agents; and farm product brokers.

Retail establishments in South Central Virginia has been declining gradually. However, the volume of retail businesses has increased due to increase in population, increase in per capita income and increase in the rate of inflation.

## II. TOBACCO MARKETING

### INTRODUCTION

Tobacco farming is one of the most competitive industries in the U.S. economy. Tobacco production, however, is ironically under heavy governmental controls, such as poundage and acreage regulations, and a price support program. For many decades tobacco has been the principal source of farm income to many farmers in South Central Virginia. This region is richly endowed with excellent climate, soil composition, and natural environment suitable for tobacco production. The domestic and foreign demands for tobacco products also have been favorable over the years.

In the last several years, however, a change has been noticed. For instance, beginning with the decade of the sixties, the number of farms and farm workers have declined considerably. In the seventies, manufacturing and non-farm industries have replaced agriculture as the major source of employment. The 1970 Census confirms that the non-farm industrial sector surpassed the agricultural sector in the number of people employed in all the 17 counties of South Central Virginia,<sup>1</sup> except Surry County. The decline in the number of farms has taken place primarily due to consolidation. However, a large number of small tobacco farms remains and the trend in the conditions affecting incomes from these farms indicates that adjustments in the system of farming may be required if farm incomes are to be increased or even maintained at a comparable level to the urban counterpart.

Within this context, the need for nonfarm employment opportunities for

family labor on small farms is quite obvious. Many of the tobacco farmers have acreage allotment that is too small to produce favorable economic returns. This means that many tobacco farms in South Central Virginia are too small in terms of capital and/or land to effectively generate the output required for any substantial increase in farm income. These tobacco farmers are, therefore, forced to make resource adjustments to include: nonfarm employment, raising livestock and other field crops, or leaving the farm entirely. But, in spite of these structural problems and the need for farm adjustments, tobacco remains the most important marketable crop in the area.

### TOBACCO PRODUCTION

South Central Virginia is a major tobacco-producing area in the state. Tobacco constitutes a major source of farm income in most counties, except Isle of Wight, Nansemond, Southampton, Surry and Sussex.

South Central Virginia produces basically four types of tobacco: flue-cured, Virginia dark-fired or fire-cured, sun-cured, and burley tobacco. These various types of tobacco are so classified because of different methods of harvesting and curing. Flue-cured tobacco is cured by heated air and is used primarily in cigarette production. Virginia fire-cured tobacco is cured with natural air and by wood fire. Seventy percent of this fire-cured tobacco is exported and processed for pipe tobacco, hand-rolled cigarette tobacco, and cigars. Sun-cured tobacco is allowed to yellow in the sun and then cured with natural air. It is processed

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<sup>1</sup>The 17 counties include Amelia, Brunswick, Charlotte, Cumberland, Dinwiddie, Greensville, Halifax, Isle of Wight, Lunenburg, Mecklenburg, Nottoway, Pittsylvania, Prince Edward, Southampton, Suffolk, Surry, and Sussex.

mainly for chewing tobacco. Burley tobacco is lightly air cured and used as blends with other tobaccos for cigarettes and pipe tobacco.

During the 1959–1969 decade, there was a 25.1 percent reduction in the number of tobacco farms; a 23.9 percent reduction in the number of tobacco acreage; and 6.2 percent reduction in the number of pounds of tobacco produced. (Table 1-1.)

While there have been fluctuations in tobacco acreage planted in Virginia, total revenue from tobacco has increased consistently over the years, due to continual increases in the average price of tobacco. The average price per pound of tobacco increased from 46.2 cents in 1959 to 106.8 cents in 1974. According to the Agricultural Crop Reporting Service in Virginia, cash receipt of tobacco was \$77.24 million in 1959 and \$172 million in 1974, showing an increase of 122.7 percent during the period.<sup>2</sup>

#### TOBACCO ALLOTMENT SYSTEM

The present system of land allotment was initiated with the 1940 crop year. At this initial period, acreage was allotted to each farm on the basis of past acreage harvested. Each allotment was determined by complex variables and computation involving: tobacco history, acres of cropland, crop rotation practices, available labor and equipment, soil, and other physical factors affecting the tobacco production. Thus, the objective of the land allotment was to accommodate both a production control as well as a price support policy. Presently, tobacco production is controlled by either acreage or poundage limitation. Flue-cured tobacco has poundage and acreage restrictions, whereas burley, sun-cured, and fire-cured tobaccos are all controlled by poundage. Price support is

available to a grower up to 110 percent of his tobacco quota. At the same time, any output beyond the quota is subject to a penalty of 70 percent of the value of excess output at auction price of the previous year. Such a policy attempts to insure tobacco growers of a reasonable price for their output.

The allotment system has several economic repercussions for tobacco growing counties. The main impact of acreage control has been to increase land value. The capital gains resulting from the capitalization of future benefits into the land value has been substantial. It is likely, however, that only a part of the expected benefits of the tobacco allotment is capitalized. Most buyers and sellers of the tobacco allotment are aware of the possibility that the allotment system may be altered, and that the tobacco economy may be changed. Once the benefits have been capitalized into land values, it would be difficult to change or discontinue the system without adversely affecting many growers. The tobacco allotment system tends to raise long range average tobacco prices as well as to reduce seasonal fluctuations. But, at the same time, annual output is constrained to meet the expected demand so as to insure prices at their support level.

Tobacco incomes and land values resulting from the tobacco program have become firmly embedded in the economy of tobacco-producing areas in South Central Virginia. It appears certain that any change in the tobacco program affecting farm income and land value would result in a considerable reorganization of tobacco farming. For instance, sudden discontinuity of the allotment system would bring about a significant reduction of the land value, diminishing owners' equities and impairing the values of creditor's

<sup>2</sup>Agricultural Statistics, Department of Agriculture, Commonwealth of Virginia.

TABLE 1-1. TOBACCO PRODUCTION IN SOUTH CENTRAL VIRGINIA, 1959 and 1969.

County	Farms			Acres			Pounds (in 1,000 lbs.)		
	1959	1969	% change	1959	1969	% change	1959	1969	% change
Amelia	269	276	+ 2.6	1,404	890	- 36.6	1,920	1,447	- 24.4
Brunswick	1,008	720	- 28.6	5,212	3,703	- 28.0	7,159	6,273	- 12.2
Charlotte	786	732	- 6.9	4,102	3,154	- 23.1	5,893	5,018	- 14.5
Cumberland	185	156	- 15.7	1,072	477	- 55.5	1,371	635	- 53.7
Dinwiddie	507	470	- 7.3	3,077	2,097	- 31.8	4,636	3,698	- 20.2
Greensville	60	148	+ 146.7	721	602	- 16.5	1,016	1,045	- 2.9
Halifax	2,784	1,872	- 32.8	13,282	9,882	- 25.6	18,557	16,841	- 9.2
Isle of Wight	-	-	-	-	-	-	-	-	-
Lunenburg	917	610	- 33.5	4,597	3,477	- 24.4	6,248	5,889	- 5.7
Mecklenburg	1,991	1,241	- 37.7	10,075	7,578	- 24.8	13,653	12,953	- 5.1
Nanesmond	5	17	+ 240.0	114	88	- 22.8	177	159	- 10.2
Nottoway	217	196	- 9.7	1,510	961	- 36.4	2,324	1,635	- 29.6
Pittsylvania	3,425	2,412	- 29.6	16,527	14,177	- 14.2	25,181	25,362	+ 0.7
Prince Edward	206	343	+ 66.5	1,737	1,124	- 35.3	2,334	1,668	- 28.5
Southampton	-	10	-	60	38	- 36.7	80	61	- 23.7
Surry	-	-	-	-	-	-	-	-	-
Sussex	50	92	+ 84.0	442	405	- 8.4	727	762	- 4.8
<b>Total</b>	<b>12,410</b>	<b>9,295</b>	<b>- 25.1</b>	<b>63,932</b>	<b>48,653</b>	<b>- 23.9</b>	<b>88,988</b>	<b>83,446</b>	<b>- 6.2</b>

Source: U. S. Bureau of the Census, Census of Agriculture, 1959 and 1969 Vol. I, Area Reports Part 24, Virginia County Data, U. S. Government Printing Office, Washington, D.C., 1961 and 1972.

security behind the loans to farmers. However, the current inflationary trend along with the process of rapid urbanization may partially offset the decline of the land value.

The benefits of the tobacco allotment are likely to be greater for large landholder than small landholders, particularly from technical and managerial standpoints. Therefore, the land allotment policy tends to reduce the number of small farmers. The failure of small farmers to operate above a break even margin has led to consolidation of allotments or the outright acquisition of allotments by larger farmers through the practice known as the cash-lease-transfer. This practice was sanctioned by law in 1962.

#### TOBACCO MARKETING SYSTEM

The season of tobacco production starts in February, when young plants are grown from seeds and rooted in plantbeds. Then, in May, the plants are transferred to the field with approximately 6,000 plants per acre of land. The harvesting or "pulling" season begins in July, and ends in September. The tobacco is graded on the farm, and packed into sheets of a maximum weight of 250 pounds. They are then transported to various tobacco warehouses for sale at auctions, which take place in October through December.

In 1973, there were 68 tobacco warehouses in Virginia, as shown in Table 1-2. Of these, seventeen served as marketing locations with very little

TABLE 1-2. TOBACCO MARKETS IN VIRGINIA, 1973.

Kinds of Tobacco	Number of Market	Warehouses	Number of County <sup>a</sup>	Harvested Acreage
Flue-curec	10	44	26	60,000
Burley	3	17	33	9,000
Dark-fired	3	6	20	4,700
Sun-Cured	1	1	23	700
Total	17	68	53	74,400

<sup>a</sup>Duplication of the county involved was eliminated.

Source: Virginia Department of Agriculture and Commerce, Tobacco Marketing Activities, Annual Report 1973-74, Division of Markets, Richmond, Virginia.

price differentiation among them. However, some price differences do occur occasionally when a farmer or a group of farmers produce a superior quality tobacco and receive a higher price than those producing a poorer quality.

Three processing establishments are located within the 17 county area of South Central Virginia. They are at Danville in Pittsylvania county, Kenbridge in Lunenburg county, and Farmville in Prince Edward county. Several

cigarette manufacturing plants are located close to the study area, at Durham, Winston-Salem, and Reidsville, all in North Carolina, and at Richmond and Petersburg in Virginia.

The purchasing of tobacco leaf is carried out by representatives from various tobacco companies, but there are also independent agents who buy for other tobacco companies. In the Virginia markets, Imperial, Legget and Meyers, and American Tobacco are the

major companies with their own representatives. Other tobacco companies with agents buying for them include Universal Tobacco Company, and Debrial Brothers.

Once tobacco leaf is bought by market representatives at the auction, it is usually transported to the processing establishments by means of trucks. When the tobacco leaf is sold on the warehouse floor, it contains about 18 to 20 percent moisture. At the processing establishment, the leaf is treated so as to reduce the moisture content to about 12 percent, and to remove unnecessary stems and undesirable items. After the treatment is completed, the leaf is stored in the warehouse for the duration of about 26 to 27 months before using it for making cigarettes. This phase of storage is necessary in order to obtain desirable chemical changes and the degree of leaf softness necessary for good flavor.

After cigarettes are produced, they are transported to various depots, mostly by trucks and, in the case of longer distances, by railroad. The cigarettes are usually stored in the depots for 2 to 6 weeks, depending on the market conditions. The transaction between the manufacturing plants and the depots is handled on a consignment basis. The cigarettes are then sold to wholesalers or jobbers throughout the country for distribution to retailers and local dealers. Institutional customers, such as large retailers like Safeway and A & P, order directly from manufacturers. Direct shipment is made from the manufacturers to the purchasing firms' warehouses under such an arrangement. The markup pricing of various trade channels varies significantly from area to area due to different tax policy and cost of transportation.

The Virginia flue-cured tobacco was sold at the market price of 88.8 cents per pound in 1974. Flue-cured

tobacco sustained a relatively strong demand, from both domestic and foreign consumers throughout the 1974 season when about 111.4 million pounds of flue-cured tobacco was marketed. Approximately 20.3 million pounds of burley tobacco was transacted in 1974, and the strong demand for burley tobacco raised the average price to 92 cents per pound. Favorable weather and improved cultural practices produced an output of 5.7 million pounds of Virginia dark-fired cured tobacco in 1974. An average price of 75.6 cents per pound was received for this crop. About 927 thousand pounds of the sun-cured tobacco were produced and sold at an average price of 69.2 cents per pound in 1974.

A major innovation in marketing flue-cured tobacco in 1974 in South Central Virginia was the adoption and implementation of the "grower designation plan" for the distribution of sales opportunities to the flue-cured tobacco warehouses. Under this plan, the tobacco farmer has an option to choose the warehouse or a number of warehouses at which he plans to market his tobacco. Once the choices have been made by the tobacco farmers, the sales opportunity is allocated to the warehouses accordingly. Potential purchasers and graders are assigned to various sub-marketing areas, based on the quantity of tobacco designated to the warehouses by the tobacco farmers. The adoption of this innovative marketing policy, based on the suggestion from the National Tobacco Marketing System Study Committee, promoted marketing efficiency with respect to time, logistic management, and overall organization of the marketing forces. Furthermore, it permitted a more uniform opening of South Central Virginia markets; enabled the tobacco sales to be scheduled more equitably; and provided greater incentive for better

service on the part of the warehouse managers.

#### **PROMOTION AND ADVERTISING**

Because of the competitive nature of tobacco farming, educational and technical information relating to production and marketing is prepared and circulated by both the state and local government organizations. For instance, weekly columns are prepared in weekly newspapers located in major tobacco producing areas in South Central Virginia. These columns, entitled "Tobacco Market Tips," present important marketing information on tobacco for the benefit of the farmers. In addition, flue-cured tobacco columns are also prepared bi-weekly, while burley and dark-fired tobacco columns are prepared less frequently. Tobacco marketing information is also aired through radio and other media, especially during the marketing season. The tobacco growers also share the costs of these educational and promotional efforts carried out by the state and local government organizations.

Major promotional efforts to improve the tobacco production and marketing is undertaken by the State of Virginia through the Office of Tobacco Marketing Activities. This office coordinates its promotional activities with Virginia Bright Flue-Cured Tobacco Commission and the Virginia Dark-Fired Tobacco Commission. The main promotional effort of the Bright Tobacco Commission is supported by Tobacco Associates, Inc. A close cooperation is maintained with the Tobacco Associates in matters importantly affecting Virginia tobacco. In 1974, the major accomplishment of the Dark-Fired Tobacco Commission was to encourage the farmers to increase their production. This promotional strategy was undertaken in response to increasing demand for this kind of tobacco

from domestic as well as foreign buyers. Printed publications, newspaper articles, radio messages and frequent meetings were used to meet the promotional objectives. A flue-cured tobacco survey, prepared by the Virginia Crop Reporting Service, was widely distributed to the buying companies throughout the country. Such reports are usually circulated among the potential purchasers in accordance with the progress of tobacco production and marketing.

The Office of Tobacco Marketing Activities maintains frequent communications with potential buyers in various ways and places, such as at meetings, during office visits and in the market places. The main objectives of these communications are to ascertain the buyers' need, degree of their satisfaction, trade channels, price and quality of the product, and logistic problems in Virginia.

Packaging for market has been intensively under study, even though a noticeable improvement was made in the past. In attempting to develop a more desirable and economical package for and method of marketing flue-cured tobacco, special effort and cooperation were made with the tobacco companies, packaging material companies, North Carolina State University, North Carolina Department of Agriculture, and the Land Grant Universities in Virginia. Some experimentations were conducted to determine the spoilage factors in the tobacco crop, as well as methods of spoilage control. An intensive investigation is also under way to determine the most desirable market locations based on logistic factors, buyers' demand, tobacco producing areas, and other environmental considerations.

In the matters of promoting and advertising for tobacco marketing, the Office of Tobacco Market Activities

maintains an active coordination with many agencies such as the Tobacco Divisions, Agricultural Stabilization Conservation Service, Foreign Agricultural Service, Agricultural Marketing Service, U. S. Department of Agriculture, Flue-cured Tobacco Cooperative Stabilization Corporation, Tobacco Associates, Burley and Dark-leaf Tobacco Export Association, The Tobacco Institute, Tobacco Association of the United States, Leaf Tobacco Exporters Association, Virginia Dark-fired and Sun-cured Tobacco Marketing Association, Dark-tobacco Sales Cooperative, Burley Stabilization Cooperative, Bright Belt Warehouse Association, Virginia-Carolina Warehouse Association, Piedmont Warehouse Association, Burley Auction Warehouse Association, Virginia Farm Bureau Federation, Departments of Agriculture in North Carolina, South Carolina, Georgia, and Florida, Land Grant Universities in Virginia, North Carolina, South Carolina, Georgia, and Florida, and various divisions in the Virginia Department of Agriculture and Commerce.

By maintaining this coordination, the information on any new developments in the tobacco industry can be quickly obtained and delivered to the potential buyers and producers. A timely presentation of an official view of the Virginia Department of Agriculture and Commerce to the leaders of the appropriate group can also be made through this consorted effort. These efforts are being made through the public service of the State of Virginia.

#### OUTLOOK

The main uncertainty in the outlook for domestic consumption of tobacco is obviously related to the possible health hazard of smoking, the subject of recurring publicity and cause for legislative concern and action. The outlook for the foreign tobacco market

is uncertain for the same reasons. Furthermore, there are uncertainties connected with trade arrangements and foreign competition.

In spite of these uncertainties, the tobacco demand has been increasing at an annual rate of about 4 percent over the last decade and is likely to continue with increases in population, per capita income, efficiency of leaf utilization, and safety factors.

The U. S. flue-cured tobacco meets competition chiefly from flue-cured tobacco exported from Rhodesia, Zambia, Canada and India. Major importing countries of United States flue-cured tobacco during the last decade have been the United Kingdom, West Germany, Japan, the Netherlands, Australia, and Belgium-Luxemburg. The exports of Virginia tobacco for the immediate future depends importantly on the market conditions of these major importing countries. Foreign demand for U.S. tobacco depends largely on population and income growth, together with competition from other producing countries.

In 1974, Virginia flue-cured tobacco exports were 12 percent higher than the previous year; Virginia burley tobacco exports were 15 percent higher; and Virginia dark-fired and sun-cured tobaccos experienced a significant increase of 41 percent. In light of this export trend, the tobacco demand appears to be relatively strong both for domestic and foreign markets in the immediate future.

With respect to the U. S. Cigarette exports to leading nations, Hong Kong ranked as the top importer in 1974. Belgium-Luxemburg and Japan were the second and third ranking nations, respectively (Table 1-3). Total export of cigarettes in 1974 was 46.9 billion cigarettes. This figure represents a 13 percent increase from the previous year.

TABLE 1-3. U. S. CIGARETTE EXPORT TO LEADING NATIONS

NATION	1972	1973	1974
		(Billion)	
Hong Kong	4.3	4.8	5.2
Belgium-Luxemburg	3.0	3.8	4.8
Japan	1.1	1.8	3.1
Spain	2.8	3.3	2.4
Netherlands-Antilles	1.9	1.9	2.5
Kuwait	1.4	1.6	2.3
Lebanon	1.9	2.3	2.3
Saudi Arabia	1.7	1.9	2.1
Ecuador	1.4	1.6	1.2
Panama	1.6	1.6	1.2
Switzerland	1.1	.7	.5
Other Nations	12.3	15.8	18.6
Total	34.6	41.5	46.9

Source: U. S. Department of Agriculture, Tobacco Situation Economic Research Service, U. S. Government Printing Office. Washington, D.C., March, 1975.

Exports of cigars and smoking tobacco have fluctuated over the years since 1964, with cigar experiencing the

largest export in 1973, while smoking tobacco experienced its largest export in 1968. (Table 1-4).

### III. PEANUT MARKETING

#### INTRODUCTION

Peanuts are a principal crop in the eastern part of South Central Virginia. The major peanut producing areas, in descending order of acreage devoted to production, include the counties of Southampton, Sussex, Isle of Wight, Nansemond (merged with Suffolk city as of January 1, 1975), Greensville, Surry, Dinwiddie and Brunswick (Table 2-1). About 80 percent of the farmers in these counties grow peanuts, with the Virginia-type peanut as the principal type grown. The 1974 crop year was the largest on record with over 318 million pounds of farmers' peanut stock inspected for market as compared with 259 million pounds in the previous year. However, the inspection of cleaned and shelled peanuts decreased by 100 million pounds in 1974 due to

the reduction of out-of-state purchases. This reduction was carried out to maintain the high quality of Virginia peanuts and to reduce the re-inspection costs.

#### PEANUT PRODUCTION

Peanut Production in Virginia is limited primarily to the eight major producing counties mentioned above. Even though peanut production is restricted to a small geographical area, based on farm value, it represents the second largest field crop in the state.

Runner and Bunch are the main types of Virginia peanuts. Because the optimum harvest period for any given peanut variety is relatively short, a multi-variety approach to peanut production has been adopted by many peanut farmers. This approach involves

TABLE 1-4. TOBACCO OUTPUT, DOMESTIC CONSUMPTION, AND EXPORT, 1964 TO 1974.

Year	Cigarettes			Cigars			Smoking Tobacco		
	Output	Domestic Consumption	Export	Output	Domestic Consumption	Export	Output	Domestic Consumption	Export
	(Billions Pound)			(Millions Pound)			(Millions Pound)		
1964	539.9	511.2	25.1	8,736	9,108	44	82.4	83.7	1.4
1965	556.8	528.7	23.1	7,899	8,641	55	71.8	71.4	1.0
1966	567.3	541.2	23.5	7,165	8,296	73	67.3	69.2	.9
1967	576.2	549.2	23.7	6,858	8,096	76	64.8	67.1	1.3
1968	579.5	545.7	26.5	7,184	7,946	66	66.3	69.1	1.8
1969	557.6	528.9	25.0	6,931	7,968	65	63.9	68.8	1.1
1970	583.2	536.4	29.0	7,094	8,108	54	69.4	74.6	.9
1971	576.4	550.0	31.8	6,707	7,861	46	60.5	69.9	1.2
1972	599.1	566.8	34.6	6,025	7,294	75	55.9	67.2	1.1
1973	644.2	589.7	41.5	5,655	6,972	103	53.0	60.0	1.2
1974	635.0	600.0	46.9	5,284	6,355	87	48.9	59.6	1.3

Source: U. S. Department of Agriculture, Tobacco Situation. Economic Research Service, U. S. Government Printing Office, Washington, D. C., March, 1975.

TABLE 2-1. PEANUT PRODUCTION IN SOUTH CENTRAL VIRGINIA, 1969.

County	Farms	Acres	Pound
Brunswick	32	229	521,786
Dinwiddie	174	3,095	7,052,083
Greensville	392	10,645	21,410,995
Halifax	2	—	40
Isle of Wight	412	15,336	34,284,811
Nansemond	472	14,157	31,198,569
Southampton	690	31,578	72,799,162
Surrey	247	8,640	20,777,726
Sussex	359	15,476	36,062,972
Total	2,780	99,156	224,108,144

Source: U. S. Bureau of the Census, Census of Agriculture, 1969, Vol. 1, Area Reports, Part 24, Virginia Section 1, U. S. Government Printing Office, Washington D. C., 1972.

using several varieties having different maturity dates to extend the harvest season and reduce the risk of lower yields and quality due to adverse weather condition. Virginia 72R, a later maturing Virginia runner variety, was developed to extend the harvest period of peanuts in Virginia.

With the exception of Greensville, Isle of Wight and Southampton counties, each indicating a one (1) percent increase, all of the peanut producing counties in Virginia showed declines in acreage from 1959 to 1969. The largest declines were in Mecklenburg and Brunswick counties with 93 and 44 percent, respectively. (Table 2-2). Over the four year period 1969–1973, five counties showed acreage increases, two showed decreases, while one showed no change. The largest increase of 2 percent was in Sussex County while the largest decrease was in Brunswick County. Between 1959 and 1973, there was a 1,000 acres (1 percent) decline in acreage planted for the state as a whole (Table 2-1).

Over the ten year period all counties, except Mecklenburg, increased in yield. Forty-seven percent, the largest increase, was recorded in Dinwiddie county and 11 percent, the smallest, was recorded in Isle of Wight County. From 1969 to 1973, the state as a whole increased yield by 35 percent, with Greensville county having the largest increase of 40 percent, and Dinwiddie having the smallest increase of 26 percent (Table 2-2). There were no figures for Mecklenburg county for 1973.<sup>3</sup>

From 1959 to 1969, production in terms of poundage increased in all counties except Mecklenburg and Brunswick which declined 94 and 21 percent, respectively. (Table 2-1). Dinwiddie county showed the largest increase of 40 percent, well above the 22 percent increase for the state as a whole. The smallest increases, 11 percent, were recorded both in Isle of Wight and Surry counties. The period 1969 to 1973 showed an increase in production in all counties. The largest

<sup>3</sup> Peanut production in Mecklenburg county ceased in 1970.

TABLE 2-2. PEANUT ACREAGE, YIELD AND PRODUCTION 1959, 1969.

COUNTY	1959 Acreage	1969 Acreage	% Change	1959 Yield (lbs.)	1969 Yield (lbs.)	% Change	1959 Production (lbs.)	1969 Production (lbs.)	% Change
Brunswick	720	400	- 44	1,040	1,470	41	748	588	- 21
Dinwiddie	3,930	3,750	- 5	1,500	2,200	47	5,880	8,250	40
Greensville	9,600	9,700	1	1,470	2,020	37	14,259	19,594	37
Isle of Wight	16,100	16,200	1	2,140	2,370	11	34,446	38,394	11
Mecklenburg	76	5	- 93	570	520	- 9	43,300	2,600	- 94
Nansemond	14,900	14,700	- 1	1,910	2,230	17	28,453	32,781	15
Southampton	30,800	31,000	1	1,840	2,400	30	56,660	74,200	31
Surry	8,700	8,450	- 3	2,230	2,550	14	19,401	21,502	11
Sussex	14,800	14,300	- 3	1,810	2,320	28	26,788	33,219	24
State Totals	104,000	102,000	- 2	1,870	2,325	24	194,480,000	237,150,000	22

COUNTY	1973 Acreage	1969-1973 Acreage % Change	1973 Yield (lbs.)	1969-1973 Yield % Change	1973 Production (lbs.)	1969-1973 Production % Change
Brunswick	330	- 17	1,895	29	625,700	6
Dinwiddie	3,790	1	2,765	26	10,479,000	27
Greensville	9,750	1	2,820	40	27,500,000	40
Isle of Wight	16,100	- 1	3,205	35	51,600,000	34
Mecklenburg	---	---	---	---	---	---
Nanesmond	14,700	NC	3,065	37	45,055,000	37
Southampton	31,200	1	3,260	36	101,712,000	37
Surry	8,575	1	3,300	29	28,298,000	32
Sussex	14,600	2	3,160	36	46,158,000	39
State Totals	103,000	1	3,130	35	322,390,000	36%

\*NC—No Change

Source: U. S. Department of Agriculture, Statistical Reporting Service, Washington, D. C., 1974.

increases of 40 and 39 percent were in Greensville and Sussex counties, respectively, while Brunswick county showed the smallest increase of only 6 percent. The State as a whole recorded an increase of 36 percent. (Table 2-2).

The price per pound of peanuts has increased steadily from 1959 to 1974. The average price increased from 10.5 cents per pound in 1959 to 17.5 cents per pound in 1974, or an average annual rate of increase of about 3.5 percent.

In 1959 total cash receipts in Virginia were recorded at \$457,424,000; and cash receipts for peanuts were recorded at \$19,623,000, showing that peanuts accounted for 4.3 percent of the total farm receipts. In 1969 total farm cash receipts amounted to \$56,237,000, while cash receipts for peanuts amounted to \$30,188,000. Peanuts in this year accounted for 5.4 percent of the total receipts.

#### PEANUT ALLOTMENT SYSTEM

Acreage allotments and marketing quotas are used as a means of adjusting the production of basic farm crops to anticipate needs and specified reserve levels. By the use of the allotment system each farm is appropriated a fair share of the national allotment and quota. Allotments represent the maximum amount of acreage of the peanut crop which an individual farmer may harvest and still receive price support. When the allotment system is used in conjunction with marketing quotas, it serves the double purpose of determining the physical amount of peanuts that each farmer may produce and market without penalty and also the maximum acreage which may be harvested and marketed under price support. The national acreage allotment is determined from the national quota on

the basis of per acre yields of peanuts in recent years. The national acreage allotment is apportioned to states and in turn to counties on the basis of acreage history.

The allotment system is intended to maintain a stable market by limiting individual farm production and aggregate production to the amount which the market can absorb. Normal marketing plus price support assure a reasonable return to growers.

In Virginia there were 8,551 peanut allotments in 1959, representing 105,713 acres compared to 6,461 peanut allotments in 1969, representing 105,041 acres. Over the ten year period, these figures represent a 24 percent decrease in the number of allotments and a 1 percent decrease in the acres allotted. The number of peanut allotments in 1974 was 5,633 and allotted acreage was 104,778, indicating a 13 percent decline in the number of allotments from 1969 to 1974. There were no changes in the acres allotted within the same period.<sup>4</sup>

#### PEANUT MARKETING SYSTEM

The peanut marketing system can best be described by examining production, selling activities to buying stations, and the processing, manufacturing and retailing activities.

An important phase of peanut production is obviously harvesting of the crop. Harvesting the peanut involves digging, curing and threshing. In South Central Virginia, the popular harvest method currently used is that of the digger or digger-shaker, followed by field laborers who stack the peanuts in bins for curing.

Transportation of peanuts from farm to buying stations is accomplished by trucks. Many of the peanut farmers have their own trucks. However, most

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<sup>4</sup>Agricultural Stabilization and Conservation Service.

buying stations will provide transportation to farmers when needed. Over 80 percent of the peanuts are shipped to buying stations immediately after threshing and curing. Peanuts, are then stored at the buying stations, usually less than one month. They are then shipped to plants for shelling and processing.

Most of the peanut buyers in South Central Virginia are classified as single proprietors. Some are very small, handling less than 200,000 pounds, while the larger ones handle up to 6,000,000 pounds. Because of logistic problems and transportation costs, almost all buyers purchase their entire volume from an area less than ten miles from the receiving station. Many of these buyers work on oral contracts with sheller-processors, with about half having contracts with more than one sheller-processor.

High investment costs for building and equipment have created a concentration of sheller-processors, with less than 10 percent purchasing more than half of the marketable peanut crop in the study area. The functions of the sheller-processor involve buying, grading, storage, cleaning, shelling, picking, bagging, hull gridding, and selling. The sheller-processors control, to a large extent, the number of commission buyers and the number and location of buying points. There are about 41 buying points in South Central Virginia with most locations containing one to three buyers. Suffolk, the first market to be established for the peanut buying, is by far the largest buying point. Suffolk is also the largest processing center in the area with eight sheller-processors firms, generating the largest demand for the farmer's stock of peanuts.

Peanut quality is affected not only by the cultural and harvesting practices, but also by the curing pro-

cess. The process of curing starts at digging and continues until the peanuts are safe for storage. In South Central Virginia, freshly dug Virginia peanuts contain an average of 55 percent moisture content. Peanuts are usually placed in storage until the moisture content is reduced to approximately 8 to 11 percent. The final quality of the product can be influenced by both mechanical operations in the field and the rate of drying.

The pricing policy for peanuts is closely tied to the government loan price which establishes a floor market price. The loan price is available to farmers with their own farm storage or those affiliated with the Peanut Growers Cooperative Marketing Association, which serves as a fiscal agent for the Commodity Credit Corporation. All peanuts are bought and sold on a grading system which is administered by the Federal State Inspection Service. Principal grade factors that determine loan price are the percentage of sound mature kernels (SMK), extra large kernels (ELK), damaged kernels (DK), loose shelled kernels (LSK), and size of pod.

#### ADVERTISEMENT

Because the industry is relatively competitive, the major burden of technical research, promotion, and advertisement, and other marketing innovations rest squarely upon the governmental agencies and to some extent the Peanut Growers Cooperative Marketing Association. In case of manufactured peanut products, peanut manufacturing firms undertake extensive advertising and promotional activities. Many retail stores conduct point-of-purchase (POP) advertising by means of display and other visible items.

#### OUTLOOK

The manufacturing of peanut products, such as peanut butter and all

other peanut related items, have been and will continue to be affected by steady increase in demand. Peanut products are rich in protein and are a substitute for meat products. Because of its relatively low price compared to meat products, peanut consumption has been steadily on the rise, with a multi-channel approach in the retailing aspect of the peanut market.

The retailing market of peanut products is distinctively characterized by diversification of product lines, with many point-of-purchasing advertising designed to increase the demand for peanut products. Innovative promotion should enhance both domestic as well as foreign demands in the future.

## IV. CATTLE MARKETING

### INTRODUCTION

In South Central Virginia as well as in the State of Virginia as a whole, beef producers have been increasingly aware of the gradual decline of livestock slaughter and the adverse impact this has had on the marketing of beef cattle. Unfavorable conditions of price and cost have dampened the potential expansion of cattle feeding in South Central Virginia. This has caused further uncertainty in the market and trade potential for finished cattle.

The number and trend of slaughter facilities in South Central Virginia, and Virginia as a whole, provide an overall picture of the cattle marketing. Since 1970 several larger beef slaughter facilities have been closed due to the downturn in the beef slaughter market brought about by high feed and slaughter operation costs. Many slaughter facilities could not find supplies at a cost they could afford. Rapid increase in feed grain prices and depressing beef prices were major factors responsible for a weakening cattle market.

Based on the survey conducted by the Virginia Department of Agriculture and Commerce Livestock and Poultry Inspection Service in 1971, there were 173 slaughter plants in Virginia. Of

these, 69 of them were engaged in actual slaughtering (Table 3-1), while the remaining 104 were restricted to the processing of meat products from carcasses that were delivered from slaughter facilities. All meat slaughter and processing activities in South Central Virginia are subject to official inspection in accordance with the Federal Wholesome Meat Act. These federal inspections, known as Talmadge-Aiken, must approve meat products for interstate shipments and trade. In addition, some plants are inspected by the Virginia Department of Agriculture and Commerce Meat Sanitarians, who approved meat products for marketing throughout the State of Virginia. Another kind of operation conducted by some 74 slaughtering plants are called custom slaughter and/or custom processing operations. These plants are also inspected by the Virginia Department of Agriculture and Commerce.

Since 1964, the number of cattle marketed in Virginia increased nearly 60,000 heads while the number of cattle slaughtered declined more than 70,000 heads. The number of calves marketed decreased more than 50,000 and the number of calves slaughtered also declined over 100,000 head.<sup>5</sup>

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<sup>5</sup>U.S.D.A., Agricultural Marketing Service, Livestock Meat Statistics, State Bulletin No. 333, selected annual supplements, July, 1963.

**TABLE 3-1. NUMBER OF SLAUGHTER PLANTS IN VIRGINIA, 1971.**

Types of Service	Cattle Only	Cattle and Hogs	Hogs Only	Total
Federal and Talmadge-Aiken Inspection Service	3	8	8	19
State Inspection Service	2	12	2	16
Custom Operations, State Inspected	7	25	2	34
<b>TOTAL</b>	<b>12</b>	<b>45</b>	<b>12</b>	<b>69</b>

Sources: Virginia Division of Industrial Development, Virginia Department of Agriculture and Commerce, and Virginia Agricultural Extension Service, V.P.I. & S.U., "The Feasibility of Cattle Finishing and Cattle Slaughtering Facilities in Virginia," 1972, pp. 4-5.

It appears that the State inspected plants operate at a disadvantage since their products are restricted to the state. This suggests that they usually operate at less than a full capacity. Custom plants are also unfavorably influenced by seasonal fluctuations since most of the animals are finished for slaughter in the fall and early winter months. In South Central Virginia, in 1971, slaughtered cattle represented only 37.5 percent of the total cattle marketings, while slaughtered calves comprised 53 percent of the total marketings. Interestingly enough, while the beef slaughter operations have declined, hog slaughter has increased rapidly in recent years.

Potential expansion of cattle slaughtering facility in South Central Virginia is good, but such expansion will require investments for well constructed and efficiently managed large scale feedlot operation. It seems logical to assert that the construction of any new large scale slaughter facility must require a sufficient and sustainable number of the finished cattle in the area. A serious study is currently under way at the Department of Agriculture

and Commerce to ascertain the feasibility of inducing such an undertaking in the eastern part of South Central Virginia. The cattle industry in South Central Virginia could be drastically changed into one of the most exciting and expanding agri-business in the area.

#### CATTLE PRODUCTION

Feeder cattle are raised under two types of operating arrangements. One is the commercial operator, who feeds a large number of cattle at a time and purchases most or all of the feeding materials for them. Another is a relatively smaller scale operator, who raises feeder cattle on all or most of the feeding materials raised on his own farm. Feeder cattle operations are designed to raise young feeders to finished steers or heifers for slaughtering.

In order to finish cattle and ready them for market sale, the animals need to be fed additional nutrients beyond that which is normally required for growth and maintenance of body functions. Roughages such as hay, silages, and pasture feeding, and low quality by-product such as cotton seed hulls,

corn cobs, oat hulls, peanut straw can be fed to the young cattle for both body maintenance and rapid growth. Concentrates, in addition to roughages, are necessary to finish or fatten the cattle to an acceptable market weight in less than two years. Finishing feeds consist of grains such as corn-and-cob meal, rolled barley, and grain sorghum, as well as protein, vitamin and mineral supplements.

The Federal Meat Grading Service performs grading service for animals on a voluntary basis to assist the marketing of livestock and meats. The Department of Agriculture and Commerce provides the meat grading service through a cooperative agreement with the U. S. Department of Agriculture. The major responsibility of this service is the grading of carcasses or wholesale cuts of meat, using federal grade standards of quality.

Meat grading is an essential service to both producers and consumers. It provides a reliable guide and information which enable retailers and consumers to make an intelligent choice of the quality of meat. The grading service also helps the cattle producers to become more aware of the consumer preferences and demand. Another function of the meat grading service is to provide a meat acceptance and certification course on fresh meat products. The agencies taking advantage of this service include colleges, public schools, and local governments.

Feeder cattle range from well bred beef animals to those of nondescript or dairy breeding. The grades are: Prime, Choice, Good, Standard, and Utility, in descending order of quality of meat products. Most of the cattle are raised in the eastern part of the South Central Virginia, but an effort is being made to increase cattle production in the other sections of the study area.

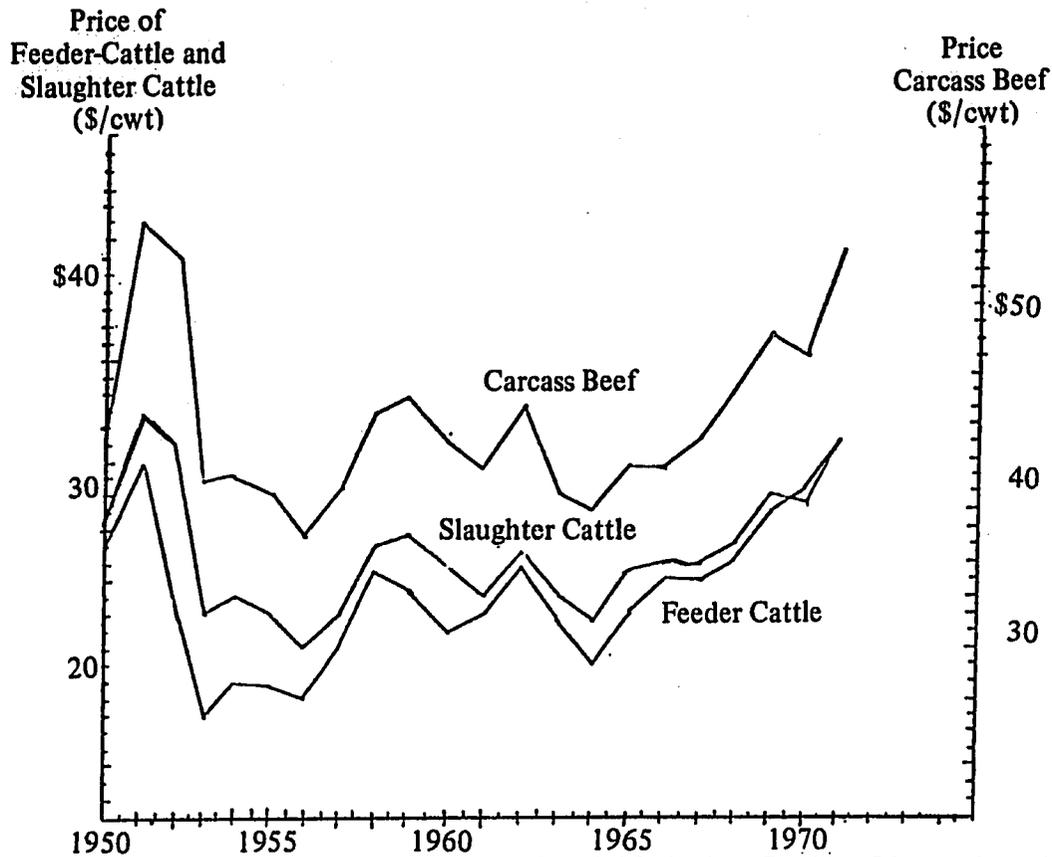
## MARKETING SYSTEM

South Central Virginia is part of a national cattle and beef market, and, therefore, cattle prices in this area tend to fluctuate with national price levels. The cattle price is the result of interaction of national supply and demand situations. In cattle marketing, a distinction is made between feeder calves and yearlings. Feeder steer calves generally weigh 300 to 550 pounds, whereas yearlings weigh more than 550 pounds. Special attention is given to the price trends on feeder cattle, slaughter cattle, and beef carcasses.

The price of feeder cattle, slaughter cattle and wholesale carcasses generally moved up and down together from 1950 through 1971 (Figure 3-1). Prices generally moved upward through the 1940's to 1951, and then downward to 1956. Since 1956, the price trend has moved upward again in spite of several dips along the way. In addition to the long term trend, a seasonal price pattern has been evident within the early part of the above cycle. Prices usually peaked in June and bottomed in December. The seasonal fluctuation, however, is gradually disappearing and the peaks and valleys are now likely to take place in any season. This definite change in the seasonal pattern could be explained by the movement from grazing and small farm feedlots to large commercial feedlot operations.

The profitability of several intermediate enterprises between the cow-calf operator and the consumer is more dependent on price spreads than on the level of prices. It seems, therefore, important to examine the relationships between different points in the marketing channel. These can provide a good basis for comparison of various markup practices in the marketing of cattle. Price spreads between geographic locations, for any given point in the marketing channel, may be of some signifi-

FIGURE 3-1. CATTLE PRICE TRENDS 1950-1971.



Source: Derived from U.S.D.A., Agricultural Marketing Service, Livestock and Meat Statistics, Stat. Bull. No. 333, July, 1963, and selected annual supplements.

cance if one wishes to determine the advantage of one location in comparison with another. Logistic problems along with transportation cost and locational theory may have to be taken into consideration.

Feeder cattle are marketed throughout the year. However, most southeastern feeder cattle in South Central Virginia are marketed in September, October, or November. Another concentration of marketings, though it may not be as large, occurs in February, March, and April. These marketing seasonalities take place because of the production pattern. Price breaks for fall steers (cattle marketed from January through June) were about \$.80 and \$1.60 for fifty and one hundred

pounds breaks, respectively. Heifers break about \$.40 per one hundred pounds in both the fall and spring. Price breaks for both steers and heifers between 550 and 650 pounds are usually much higher, ranging up to \$3.40 for fall steers, \$2.10 for spring steers and \$3.30 for fall heifers.

Slaughter cattle are also marketed on a year round basis. Steers weighing 1,000 pounds generally sell at a premium to heifers weighing 900 pounds. The premium on steers is largely due to a higher average dressing percentage and a higher yielding carcass when cut into retail portions. This means that more retail meat per hundred pounds of live weight can be offered for sale. In 1972-1973, choice steers in South

Central Virginia sold at a premium to heifers of almost \$2.50 per hundred weight, whereas at Omaha steers sold at a premium of only \$1.25, far less than in South Central Virginia. Choice steers in South Central Virginia, as a whole, usually average about \$.25 per hundred weight less than steers sold in Omaha, while heifers sell for about \$1.50 less than those in Omaha.

Carcass prices in South Central Virginia are compared by using the Philadelphia quotations and the Omaha-Des Moines quotations for 600-700 pound choice steer carcasses and 500-600 choice heifer carcasses. Steer and heifer beef both sold for about \$2.25 per hundred weight more in the South Central Virginia than in the Midwest. In both areas, the price of heifer beef was \$1.10 below steer beef.

#### OUTLOOK

The trend of future cattle price may generally remain at or above 1970-1972 level. In view of increases in population, disposable income, foreign demand, and the physical rate of beef production, a long run outlook for the beef marketing appears to be very favorable. Structural changes within the beef industry are likely to take place in the foreseeable future. Beef production may be drastically changed in South Central Virginia, if new investments in the large scale slaughter plants and feedlot operation take place in the study area. Cattle price trend is more likely to continue irregularly upward even with an increase in production, because of increasing consumer demand. Even though price levels are an important component of determining the profitability of cattle finishing and slaughtering, the margins are more im-

portant to the cattle producers. The margins, which are the difference between the buying price and selling price, are difficult to predict in the future, particularly in view of the uncertainty in the cost of feed grains.

Price spreads between different locations are usually closely related to the distance and the cost of transporting cattle from one location to another. However, there may be differences in supply and demand between the locations which could cause the price difference to be more or less than the difference in transportation costs. For instance, the Omaha area is a surplus beef producing area that transports beef carcasses into South Central Virginia. The cost of transporting beef from Omaha to South Central Virginia is about \$2.36 per hundred weight. This approximates the \$2.27 per hundred weight price spread between the two regions.

It appears certain that under a given set of supply and demand conditions for cattle markets, major variations in cattle prices can be expected from two main sources. One includes variations in characteristics of the animal such as grade, weight, dressing percentage, market class, and breed type. Another involves variations in marketing factors, such as geographic location of the market, market size and reputation, demand factors, and the influence of time. Grade of the animal obviously is the most important factor affecting price, and the larger cattle markets tend to receive somewhat higher prices than the medium-sized markets, although wide variations in the difference were observed for the different classes and areas.

## V. SWINE MARKETING

### INTRODUCTION

Swine raising was discouraged in the Biblical times, mainly because of its potential sanitary problems. However, with improved methods of both raising and sanitation, swine is raised all over the world in our times. In Virginia the swine industry is regarded as an important livestock. In South Central Virginia, swine production is most active in the eastern region, including the counties of Greensville, Sussex, Southampton, Surry, Isle of Wight, and Suffolk.

The number of marketable hogs and pigs on Virginia farms in June 1, 1975 totaled 560,000 animals.<sup>6</sup> This number represents 5 percent below the 590,000 head of 1974, and is the lowest mid-year number since 1968 (Table 4-1). The general downward trend in hog and pig production in South Central Virginia appears to follow the national trend. Several explanations are given for this trend. One is the weakening of price and profit incentives to farmers due to high feeds and labor costs. Another is the weakened

demand caused by the higher retail price, and by the health advertisement which tends to discourage the consumption of high cholesterol foods such as pork.

The State Government has given strong leadership and assistance to hog growers in many areas. Through the Livestock Section of the Division of Market, Virginia Department of Agriculture and Commerce, the State Government is conducting a program for the inspection and certification of the quality of grades of feeder and marketing hogs. In addition, the Virginia Department of Agriculture and Commerce is assisting the development, improvement, and expansion of domestic and foreign markets for Virginia hogs. Additional function of the department is to maintain coordination with the U. S. Department of Agriculture and other states to solve the problems relating to various technical and administrative matters such as product certification. The department also has a cooperative agreement with the U. S. Department of Agriculture to

TABLE 4-1. MARKETING HOGS AND PIGS IN VIRGINIA, JUNE 1, 1971-1975.

Year	FOR MARKET							Total Hogs and Pigs
	For Breeding	Under 60 lbs.	60-119 lbs.	120-179 lbs.	180-219 lbs.	220 lbs. and over	Total	
(1,000 head)								
1971	105	251	160	106	37	17	571	676
1972	93	221	143	92	38	15	509	602
1973	98	207	152	90	37	12	498	596
1974	97	205	153	86	38	11	493	590
1975	104	205	119	87	34	11	456	560

Source: Virginia Department of Agriculture and Commerce, Virginia Crop Reporting Service, "Hogs and Pigs," Richmond, Virginia, June 26, 1975.

<sup>6</sup> Agricultural Statistics, Department of Agriculture, Commonwealth of Virginia.

deal with effective product grading so as to assure recognition of Virginia high quality products throughout the marketing channels. Furthermore, it maintains a close contact with the hog farmers throughout the state in order to provide timely and technical assistance.

#### SWINE PRODUCTION

Normally, large scale swine production is only attempted on farms with large enough acreage to supply the livestock with feed. Corn is the best hog feed, but other grains such as barley, wheat, oats, and grain sorghum are also used for feeding. All of these feed grains require protein, vitamin, and mineral supplements for balanced growth. However, if good pasture is accessible, swine can thrive on 10 to 15 percent less feed. Bermudagrass, lespedeza, carpetgrass, crabgrass, and dallesgrass are preferred for such pasturing. Water in plentiful supply and good sanitation practices are the most important and basic considerations when swines are pasture fed.

Confinement rearing of swine has become popular in South Central Virginia as it has been in other areas of the U. S. because of consumer demand for quality product, the return on investment from such operation and the scarcity of resources for other kinds of rearing. A well planned confinement system allows the operator to minimize his time from the day to day chores (i.e. cleaning pens, feeding and hauling water). Hired labor is becoming increasingly scarce and expensive and, therefore, confinement becomes an attractive method of rearing swines. Large capital investments for buildings and equipment, however, are required, but, confinement operation with mechanized and sanitized feeders usually cut labor as well as feed costs thus increasing efficiency as well as profit.

#### SWINE MARKETING

With swine production becoming increasingly important in South Central Virginia, the swine market has also been comparatively active. Feeder pigs weighing from 30 to 130 pounds are usually sold at auctions on a monthly basis to farmers who specialize in feeder operation and who market the pigs when they reach weights from 180-240 pounds. The feeder pigs are raised by small as well as large farmers in the area. Swine sales by head and total weight along with the price per hundred weight are shown in Table 4-2. Courtland is the most active swine market in the South Central Virginia. One marketing facility, located in Courtland, has capacity for marketing over 2,400 heads per sale. (Table 4-2).

Marketing hogs, 180 to 240 pounds weight, are most likely to be sold directly to packing companies. The direct sale of marketing hogs to packing companies has one distinct advantage. It tends to eliminate any auction fee and other processing fees, so that increased returns can be realized by hog farmers. Packing companies usually buy the majority of their hogs at weekly auctions. Representatives from the packing companies usually are present at these auctions although sometimes they make their purchases by telephone. In addition, middlemen also handle purchasing of hogs for several packers at these auctions. The packing companies have rapidly become the important marketing center for hogs. Smithfield has the most important and largest packing companies in the entire state, as shown in Table 4-3.

Past trends have shown that the number of the animals produced in the area has not been sufficient to supply the requirements for these packing companies. Hogs have to be bought from out of the state, such as North

TABLE 4-2. SWINE SALES BY MARKET LOCATION, 1974.

Market Location	Number of Sales	Head	Total Weight (Pounds)	Average Weight (Pounds)	Price Per CWT (Dollars)	Total Value (1,000 Dollars)
South Central Virginia						
Courtland	22	27,600	1,692,210	61	50.99	863
Farmville	12	16,142	913,180	57	51.45	470
Petersburg	12	16,507	960,470	58	51.25	492
South Hill	12	9,884	537,825	54	48.54	261
Other markets						
Abingdon	11	3,888	210,373	54	45.45	96
Harrisonburg	12	21,887	1,234,325	56	47.34	584
Madison Mills	7	3,074	156,700	51	47.76	75
Tappahannock	11	8,617	536,546	62	48.27	259

Source: Virginia Department of Agriculture and Commerce, Market Development Section. "1974 Virginia Feeder Pig Sales," Richmond, Virginia.

Carolina, Georgia, Eastern Tennessee, and South Carolina, in order to provide additional hogs for packers in Virginia.

Official grading of livestock is a voluntary fee-service for producers and marketing agencies by Virginia Department of Agriculture and Commerce, Division of Market, Livestock Grading Section. Classes of graded swine include slaughter hogs, feeder pigs, export swine, and purebred swine. During the fiscal year 1973-1974, the number of swine graded in Virginia included 19,573 heads of slaughter hogs, 100,495 heads of feeder pigs, 400 heads of export swine, and 385 heads of purebred swine.<sup>7</sup>

Market price of feeder pigs has been fluctuating over the years, based on the market demand and supply situations. The price per hundred weight has tended to be somewhat higher in South Central Virginia than other markets in the state. In 1959, the average price per hundred weight was

\$19.13, compared to \$22.53 in 1964. The price per hundred weight increased to \$35.72 in 1969, and then to \$49.66 in 1974.<sup>8</sup> Average price spread for feeder pigs in several locations is given in Table 4-4, indicating that there has been more variations in average price spread in Richmond than other locations in Virginia.

At the Virginia auctions, hog prices were strong in mid-year of 1975. Top hogs brought \$54.50 to \$57.75 per head, with an average of \$46.90. Heavy butchers were \$45.00 to \$57.40 per head; light butchers were \$37.25 to \$57.20 per head; and butcher sows were \$37.00 to \$46.00 per head. The Southeastern Virginia area hog markets paid between \$54.75 and \$57.00 per head for hogs weighing 200 to 230 pounds.

Hog market prices in 16 locations in the state of Virginia are collected and reported daily by the Division of Markets, Virginia Department of Agri-

<sup>7</sup>The Virginia Department of Agriculture and Commerce, Market Development Section, Richmond, Virginia.

<sup>8</sup>*Ibid.*

**TABLE 4-3. SWINE PACKING COMPANIES  
IN SOUTH CENTRAL VIRGINIA, 1969.**

Packing Company	Location	County	Employment
H. P. Beale & Son	Courtland	Southampton	125
R. M. Felts Packing Co.	Ivor	Southampton	25
S. Wallace Edwards & Sons	Surry	Surry	10
Smithfield Packing Co.	Smithfield	Isle of Wight	950
Smithfield Ham & Prod. Co.	Smithfield	Isle of Wight	80
Gwaltney Inc.	Smithfield	Isle of Wight	950

Source: Virginia Department of Agriculture and Commerce, Richmond, Virginia.

culture and Commerce. The expanded market coverage includes both country point buying and direct processor purchasing.

The bulk of the pork is sold to the consumers through retail outlets such as A & P, Safeway, Giant Food Stores and Food Fair, who purchase their meat directly from the packers. Pork meat has also been offered in these outlets as diversified products such as ham, sausages, bacon, etc.

Buyers from North Carolina, Pennsylvania, Maryland, and Delaware have been the major out-of-state buyers in the state of Virginia. However, the actual percentage of hogs shipped out of the state has been small.

#### OUTLOOK

Having so many good and reputable packing companies such as Smith-

field, Gwaltney, and others, South Central Virginia appears most suitable for hog production and marketing in the state of Virginia. Higher hog prices together with greater domestic and foreign demand are likely to boost production in 1976. However, the short-term trend of hog market is somewhat clouded with uncertainties. Because of rising output in both South Central Virginia and the nation as a whole, hog price for the immediate future may be dampened. The long-term hog market, however, appears more encouraging due to increasing foreign demand.

A major marketing innovation in hog marketing could well be the elimination of the role of middlemen. This will tend to increase returns to both hog farmers and distributors.

**TABLE 4-4. AVERAGE PRICE SPREAD, 41-50 AND 61-75 POUNDS,  
NUMBER 1 AND 2 PIGS.**

Year	Courtland	Farmville	Richmond	South Hill
1970	5.21	4.84	4.37	-
1971	3.35	3.20	3.36	-
1972	3.58	3.97	6.02	6.21
1973	6.39	4.41	1.82	5.55
1974	5.74	4.99	7.93	7.85

Source: Virginia Department of Agriculture and Commerce: Market Development Section, "1974 Virginia Feeder Pig Sales," Richmond, Virginia.

## VI. WHOLESALE AND SERVICE BUSINESS

### TREND OF WHOLESALE ESTABLISHMENTS

The total number of wholesale establishments in South Central Virginia has increased steadily between 1963 and 1973, raising the number by 124. Brunswick County was the only exception, losing one firm. The state as a whole gained 1,455 wholesale firms during the same period, (Table 5-1). The largest gains were evidenced in Isle of Wight County by 15 firms. Suffolk City gained 13, while Mecklenburg, Prince Edward, and Southampton counties gained 12 firms each. Im-

proved transportation, increased industrialization and expansion of urban business into the area are factors responsible for the growth in the number of firms.

### VOLUME OF WHOLESALE BUSINESS

Table 5-2 lists the volume of business for wholesale establishments in the 17 county area for the years 1963 and 1972. Although data for some of the counties were withheld to avoid disclosure, the counties of Isle of Wight, Lunenburg, Nottoway, Southampton and Suffolk have doubled their sales during the same period. Isle of Wight,

TABLE 5-1. BUSINESS ESTABLISHMENTS IN SOUTH CENTRAL VIRGINIA

County <sup>a</sup>	Retail		Wholesale		Services	
	1963	1972	1963	1972	1963	1972
Amelia	64	61	2	10	20	37
Brunswick	162	140	17	16	39	68
Charlotte	142	132	7	10	47	70
Cumberland	41	55	2	4	7	39
Dinwiddie	92	67	2	3	30	37
Greensville	185	173	31	36	64	87
Halifax	356	353	36	47	115	165
Isle of Wight	257	233	33	48	99	156
Lunenburg	92	90	9	13	39	62
Mecklenburg	401	346	52	64	147	177
Nottoway	172	151	19	27	74	92
Pittsylvania	962	938	122	126	492	614
Prince Edward	168	129	25	37	57	71
Southampton	144	125	12	24	38	63
Suffolk	407	362	53	66	156	206
Surry	45	35	2	6	12	26
Sussex	125	120	9	20	52	26
<b>Total</b>	<b>3,815</b>	<b>3,510</b>	<b>433</b>	<b>557</b>	<b>1,488</b>	<b>2,034</b>
<b>Virginia</b>	<b>32,206</b>	<b>35,212</b>	<b>4,317</b>	<b>5,772</b>	<b>17,719</b>	<b>27,386</b>

<sup>a</sup>County data includes figures for independent cities located within the counties.

Source: U. S. Bureau of the Census, U.S. Census of Business, Retail, 1967 and 1972, Wholesale, 1967 and 1972, and Selected Services, 1967 and 1972, Virginia, U.S. Government Printing Office, Washington, D.C.

**TABLE 5-2. WHOLESALE VOLUME OF BUSINESS  
IN SOUTH CENTRAL VIRGINIA**

Counties <sup>a</sup>	1963 (1,000 Dollars)	1972 (1,000 Dollars)
Amelia	— <sup>b</sup>	5,557
Brunswick	9,016	12,316
Charlotte	2,348	3,930
Cumberland	—	—
Dinwiddie	—	1,786
Greensville	9,055	16,819
Halifax	17,643	26,700
Isle of Wight	84,222	189,068
Lunenburg	4,540	13,497
Mecklenburg	29,763	33,659
Nottoway	13,268	27,419
Pittsylvania	157,025	144,542
Prince Edward	12,910	18,643
Southampton	5,772	21,050
Suffolk	67,482	136,838
Surry	—	2,365
Sussex	7,904	14,696

<sup>a</sup>County data includes figures for independent cities located within the counties.

<sup>b</sup>Withheld to avoid disclosure.

Source: U. S. Bureau of the Census, U. S. Census of Business, Wholesale, 1963 and 1972, Virginia, U. S. Printing Office, Washington, D. C.

Southampton and Suffolk were the leading counties with increases in the number of wholesale firms between 1963 and 1972. The growth rate in volume of sales of wholesale firms for the study area parallels that of the state as a whole which more than doubled its volume of sales between 1963 and 1972.

#### TYPES OF WHOLESALING

Table 5-3 divides the wholesaling establishments into two groups, that of Merchant Wholesalers and Other Wholesalers. The U. S. Bureau of the Census designates wholesalers in the following categories: Merchant wholesalers, Manufacturers Sales Offices, Sales Branches, Petroleum Bulk Plant, Merchandise Agents and Brokers of Assemblers of Farm Products. All classification except

the Merchant Wholesalers are combined in the "Other" classification. All counties lost in the "other" classification category or gained not more than a single establishment. (Table 5-3). However, in the Merchant Wholesalers category, all counties gained establishments with Pittsylvania, Mecklenburg and Suffolk having the largest gains. (Table 5-3).

#### FOOD AND OTHER WHOLESALING

Food wholesaling establishments are the one group for which specific information is available. Local marketing channels in the food business are more significant from the standpoint of understanding the trade of the area than, for example, are the drug, automobile, building machinery or gas and service station marketing channels.

**TABLE 5-3. WHOLESALE ESTABLISHMENTS IN SOUTH CENTRAL VIRGINIA**

Counties <sup>a</sup>	Merchant		Other <sup>b</sup>	
	1967	1972	1967	1972
Amelia	2	10	2	0
Brunswick	12	14	3	2
Charlotte	6	6	3	4
Cumberland	1	3	0	1
Dinwiddie	1	3	1	0
Greensville	11	32	16	4
Halifax	26	32	22	15
Isle of Wight	20	36	19	12
Lunenburg	7	12	6	1
Mecklenburg	21	50	26	14
Nottoway	8	21	10	6
Pittsylvania	72	103	39	23
Prince Edward	14	29	12	8
Southampton	8	18	6	6
Suffolk	29	54	29	12
Surry	2	5	1	1
Sussex	2	16	5	4
<b>Total</b>	<b>242</b>	<b>444</b>	<b>200</b>	<b>113</b>
<b>Virginia</b>	<b>3,073</b>	<b>4,513</b>	<b>1,504</b>	<b>1,259</b>

<sup>a</sup>County data includes figures for independent cities within the counties.

<sup>b</sup>1967 Other—includes petroleum bulk plants and terminals, assemblers of farm products.

1972 Other—includes manufacturers' sales branches, sales offices, merchandise agents and brokers.

Source: U.S. Bureau of the Census, U.S. Census of Business, Wholesale, 1967 and 1972, Virginia, U.S. Printing Office, Washington, D.C.

Such firms as these are usually a part of a large chain and most of the marketing decisions are made at headquarters outside of the 17 county area.

The food wholesaling establishments located in the 17 county area include three wholesalers in Danville, with tangible assets of approximately \$100,000, \$300,000 and \$500,000, respectively. Emporia, in Greensville County and Kenbridge, in Lunenburg county, have wholesalers dealing in institutional food distribution. There are two grocery wholesalers in Halifax County, each located in the City of South Boston, with tangible assets of approximately \$100,000. The town of South Hill, in Mecklenburg County, has

one frozen food wholesaler, along with a grocery wholesaler. Blackstone, in Nottoway County, has a grocery wholesaler with assets of approximately \$500,000. There is one broker located in the City of Danville, serving retail and wholesale establishments; and a broker and distributor in the City of Suffolk.

Another wholesale establishment is the wholesale firm which moved from Norfolk to Smithfield in Isle of Wight County in 1960. This firm sells exclusively to military bases and to the Federal Government. It is directly responsible for Isle of Wight's high business volume in relation to other immediately surrounding counties.

### TREND OF SERVICE FIRMS

The South Central Virginia area has had an increase of 546 service firms between 1963 and 1972. The city of Danville, in Pittsylvania County had the largest increase, numbering 122 firms during the period. The counties of Isle of Wight, Suffolk, and Halifax were next, gaining fifty or more business firms during the same period. The number of service firms corresponds to the population. Pittsylvania County, with the largest population, has the largest number of firms with 614; while Surry County with the smallest population, has the smallest number of firms with 26.

### VOLUME OF SERVICE BUSINESS

The volume of service business appears to run roughly parallel to the number of establishments as shown in Tables 5-4 and 5-5. Some exceptions, however, exist. Surry County has fewer firms than either Amelia or Cumberland counties. Halifax and Mecklenburg have fewer service firms in 1972 than Suffolk, and yet the volume of business in both counties was greater than that of Suffolk County. Perhaps such a discrepancy can be explained by the differences in the types of services establishments in Suffolk, Halifax and Mecklenburg counties. Halifax and Mecklenburg counties each have more

TABLE 5-4. SERVICE VOLUME OF BUSINESS IN SOUTH CENTRAL VIRGINIA

Counties <sup>a</sup>	1963 (1,000 Dollars)	1972 (1,000 Dollars)
Amelia	141	472
Brunswick	536	1,405
Charlotte	661	1,029
Cumberland	301	502
Dinwiddie	629	656
Greensville	1,684	— <sup>b</sup>
Halifax	2,033	8,656
Isle of Wight	1,726	5,460
Lunenburg	526	1,276
Mecklenburg	2,488	7,313
Nottoway	981	2,404
Pittsylvania	10,459	21,180
Prince Edward	1,337	2,029
Southampton	544	1,195
Suffolk	2,972	5,998
Surry	87	542
Sussex	871	1,744
Total	27,976	61,861
Virginia	589,069	1,950,846

<sup>a</sup>County data includes figures for independent cities located within the counties.

<sup>b</sup>Withheld to avoid disclosure.

Source: U.S. Bureau of the Census, U.S. Census of Business, Selected Services, 1963 and 1972, Virginia, U.S. Printing Office, Washington, D.C.

TABLE 5-5. SERVICE BUSINESSES IN SOUTH CENTRAL VIRGINIA.

County	Hotels, Camps		Auto Repair		Miscellaneous Repair		Recreation	
	1967	1972	1967	1972	1967	1972	1967	1972
Amelia	1	—	4	5	1	4	1	5
Brunswick	2	—	10	12	3	2	5	3
Charlotte	1	1	10	12	4	9	2	6
Cumberland	1	3	4	4	2	6	0	1
Dinwiddie	4	2	9	9	5	3	1	2
Greensville	4	13	—	6	1	11	3	9
Halifax	7	7	34	36	22	26	8	6
Isle of Wight	6	7	18	30	11	19	10	14
Lunenburg	—	2	7	10	9	6	2	4
Mecklenburg	22	14	23	22	13	16	14	19
Nottoway	5	2	10	11	5	8	6	10
Pittsylvania	21	34	79	93	58	68	40	40
Prince Edward	4	6	6	7	9	7	6	4
Southampton	1	3	10	7	4	12	4	2
Suffolk	5	4	19	32	18	33	10	12
Surry	—	2	1	3	2	2	1	2
Sussex	5	2	7	12	5	2	3	—
Total	89	103	251	311	172	234	116	239
Virginia	1,553	1,494	2,391	2,955	2,270	2,650	1,893	2,514

Source: U.S. Bureau of the Census, U.S. Census of Business, Selected Services, 1967 and 1972, Virginia, U.S. Printing Office, Washington D.C.

hotels and camps than Suffolk City which has more repair services than the other two counties. Presumably then, hotels and camps must give a higher return than do repair services. Such generalization is difficult to explain discrepancies in Amelia, Cumberland and Surry counties. The differences there are minor, and since none of these counties have more than six establishments in any category, it is doubtful that such differences are due to any discernible trend.

Mecklenburg has the second largest number of hotels, camps and recreation services of any county or city in the study area. This is due primarily to the large number of lakes located in Mecklenburg and nearby Halifax and Brunswick.

The Danville-Pittsylvania area has the largest number of recreation services and motels. With 34 motels and camping facilities and 40 recreational facilities, the Danville (Pittsylvania) area is exerting itself as an emerging metropolitan city. With three colleges and two private schools and enrollments originating from outside the areas, such facilities are necessary. In addition, by 1980, the completion of a large scale recreation center called "Sugartree" is expected. According to developers, the Sugartree facility may employ as many as 1,500 full time persons upon completion.

Greensville county has almost as many motels and camp facilities as Mecklenburg. This can be attributed to the completion of Interstate 95 which spans the east coast of the U. S. Most of these motels have grown along the exits of this highway. Isle of Wight and Suffolk contain 14 and 12 recreational facilities, respectively. This is primarily due to the fact that each borders on the Mouth of the James River as it opens into the Chesapeake Bay. Such an area

is a popular fishing and recreation spot for sportsmen and families.

Auto repair and miscellaneous repair services seem to run in direct parallel to the population of the various counties. For example, Halifax, Isle of Wight, Mecklenburg, Pittsylvania and Suffolk are the five counties with the most repair services as well as the largest populations. Likewise the counties with the smallest populations have the smallest number of repair services to support them. The service establishments also tend to be closely associated with the general level of economic activities of the nation, increasing during economic prosperity and decreasing during economic downturns.

#### OUTLOOK

In view of the increasing trend in industrialization, population growth and the geographic location of South Central Virginia, wholesale establishments appear to have a bright outlook. The excellent transportation network serving the area and the proximity of the area to large urban centers will greatly enhance the growth of wholesale establishments.

Potential growth of wholesale establishments may be more visible around and near the larger urban and trade centers in the region, as more commercial activities are likely to take place in the area of population concentration.

Service industries should also have a favorable future, as more areas will be urbanized in time. The gradual urbanization of the region should bring about the establishment of service industries of all types. South Central Virginia also offers an excellent recreational location for tourists. The many lakes should attract tourists and campers in many areas of the region. The completion of

Interstate 95 would provide many locations for motels and other tourists attractions. The expanding economy of

the nation should benefit the potential growth of service industries in the region.

## VII. RETAIL BUSINESS

### TRENDS IN RETAIL ESTABLISHMENTS

Within the 17 county area there are five major independent cities: Danville, Emporia, Franklin, South Boston, and Suffolk. One city and/or county of the study area are included in a standard metropolitan statistical area. The city of Suffolk is a part of the Norfolk, Virginia Beach, Portsmouth SMSA; and Dinwiddie county is a part of Petersburg, Colonial Heights, Hopewell SMSA. These cities and localities are considered to be trading centers in South Central Virginia. The Rural Affairs Study Commission classifies all counties and cities as either: (a) most rural counties, (b) cities and counties of lesser urban influence, (c) metropolitan counties, or (d) metropolitan cities. Under this classification system, all the cities and counties in the study area are named as either most rural counties or cities and counties of lesser urban influence. This means that South Central Virginia is largely rural, particularly in relation to retail trade and its potentials.

Table 5-1 (above) shows the number of retail establishments in South Central Virginia for 1963 to 1972. Retailing establishments have decreased steadily in all the counties except Cumberland. This exception may be due to the proximity of Cumberland county to metropolitan Richmond which has been rapidly expanding into surrounding rural areas. Retail outlets have expanded along U. S. Route 60 which links Cumberland county with the city of Richmond directly. The overall decrease in retail firms in South Central Virginia totaled 305 between 1963 and 1972.

<sup>9</sup>U. S. Bureau of the Census, 1970.

Most of the rural areas lack concentrated retail facilities to pull consumer purchases. Access to urban areas through improved transportation has been a factor causing the decline of retail trade in rural areas. Most of the consumers in the study area are attracted to the retail trade centers of Norfolk and Portsmouth to the east, Richmond and Petersburg to the north, Roanoke and Lynchburg to the west, and Durham and Greensboro in North Carolina to the South.

### VOLUME OF RETAIL BUSINESS

In spite of declining number of retail firms, the U. S. Bureau of the Census reports a definite increase in the volume of business in the study area, with a growth rate paralleling that of the state as a whole. Table 6-1 indicates that the volume of business has nearly doubled between 1963 and 1972. Every county in the area, except Surry, shows upward volume of business from 1963 to 1972. Surry county registered only 35 retail establishments in 1972, losing 10 firms since 1963. Overall increase in the volume of retail business in the study area, except Surry county, has been caused by such factors as: population changes, increase in per capita income or purchasing power, influences of the trade centers, changes in the types of retail establishments, greater sale per retail store, and inflation.

The state as a whole witnessed a gradual increase in population of 17.8 percent during the sixties, while only five of the 17 counties had population gains during that period.<sup>9</sup> Suffolk and Dinwiddie counties showed the greatest

TABLE 6-1. RETAIL VOLUME OF BUSINESS IN SOUTH CENTRAL VIRGINIA.

County <sup>a</sup>	1963	1967
	<i>Thousand Dollars</i>	<i>Thousand Dollars</i>
Amelia	4,241	7,606
Brunswick	12,602	20,004
Charlotte	6,660	11,282
Cumberland	2,258	6,247
Dinwiddie	5,584	9,076
Greensville	16,988	36,313
Halifax	28,753	52,678
Isle of Wight	29,235	49,726
Lunenburg	6,528	13,009
Mecklenburg	33,090	59,238
Nottoway	17,234	25,905
Pittsylvania	105,316	199,388
Prince Edward	20,537	33,781
Southampton	9,806	14,015
Suffolk	46,092	82,353
Surry	2,845	2,600
Sussex	10,509	16,744
Total	356,248	639,965
Virginia	4,790,120	10,030,046

<sup>a</sup>County data includes figures for independent cities located within the counties.

Source: U.S. Bureau of the Census, U.S. Census of Retail Business, 1967 and 1972, Virginia, U.S. Government Printing Office, Washington D.C.

increases in population with 12.1 and 12.0 percent, respectively. These were followed by Isle of Wight with a growth of 6.5 percent, Prince Edward with a growth of 1.8 percent and Pittsylvania with a growth of .8 percent. The twelve remaining counties, led by Greensville and Southampton, showed a population decrease during the sixties. Greensville county had a decline in population of 40.6 percent, and Southampton had a decline of 31.7 percent. Since 1963, people have migrated to the rural sectors of the study area and have showed a decline in population as the urban areas. Since a majority of the counties have lost population, many marginal retail firms have been forced out of business.

#### TRADE CENTERS

The activities of trade centers are

naturally formed and practiced mostly in densely populated locations in the area. Market channel, transportation network, concentration of wholesale and retail establishments, manufacturing facilities, financial institutions, and managerial personnel constitute the basic components of the trading centers in any given area. In this context, Lawrenceville located in Brunswick county is considered a retail trade center. This center showed sales above the average during 1963 to 1972. Moreover, a significant part of its retail sales originated from persons residing outside of the county. The independent city of Emporia, located in Greensville county, is another retail trade center. Emporia accounted for 87 percent of the retail sales in the Emporia-Greensville area in 1967, while com-

TABLE 6-2. RETAIL ESTABLISHMENTS IN SOUTH CENTRAL VIRGINIA.

County	Building Hardware Garden		General Merchandise Stores		Food Stores		Auto Dealers		Gas and Service Stations		Apparel Accessory	
	1967	1972	1967	1972	1967	1972	1967	1972	1967	1972	1967	1972
Amelia	5	1	7	3	15	22	6	4	9	9	-	2
Brunswick	8	4	30	17	28	31	7	11	21	20	9	12
Charlotte	6	2	23	18	35	41	7	6	19	18	2	4
Cumberland	-	-	8	3	4	13	1	4	3	9	-	1
Dinwiddie	1	5	9	5	21	19	2	2	16	16	-	-
Greensville	11	8	11	9	51	42	12	13	34	29	9	8
Halifax	13	16	41	27	99	96	26	24	50	45	10	22
Isle of Wight	12	11	19	12	66	55	19	18	46	37	12	12
Lunenburg	8	8	8	6	17	23	7	6	11	11	4	5
Mecklenburg	16	20	33	34	70	67	25	27	56	54	16	22
Nottoway	6	8	20	9	30	28	17	18	17	20	6	9
Pittsylvania	36	38	69	59	247	199	72	85	133	131	47	46
Prince Edward	12	9	13	10	36	24	8	8	33	21	7	4
Southampton	9	7	19	15	48	34	8	9	20	22	1	1
Suffolk	15	20	25	19	115	75	29	24	55	44	27	29
Surry	1	-	5	2	13	11	2	1	4	7	-	1
Sussex	6	7	13	6	25	25	10	7	21	21	3	4
<b>Total</b>	<b>159</b>	<b>164</b>	<b>339</b>	<b>254</b>	<b>920</b>	<b>805</b>	<b>258</b>	<b>267</b>	<b>548</b>	<b>514</b>	<b>153</b>	<b>182</b>
<b>Virginia</b>	<b>1,319</b>	<b>1,390</b>	<b>1,948</b>	<b>1,648</b>	<b>6,819</b>	<b>6,219</b>	<b>2,135</b>	<b>2,518</b>	<b>4,390</b>	<b>4,648</b>	<b>1,735</b>	<b>2,150</b>

TABLE 6-2. (CONTINUED)

County	Furniture Home Equip- ment		Eating Drinking Places		Drug Proprietary		Miscellaneous Retail	
	1967	1972	1967	1972	1967	1972	1967	1972
Amelia	4	4	3	5	1	1	8	10
Brunswick	4	3	8	10	4	4	27	28
Charlotte	4	6	14	14	3	3	14	20
Cumberland	1	6	7	7	1	1	4	11
Dinwiddie	1	—	16	12	2	2	6	6
Greensville	11	10	26	25	5	6	32	33
Halifax	17	20	36	31	12	16	69	56
Isle of Wight	12	11	28	26	6	5	36	46
Lunenburg	5	5	10	9	4	3	21	14
Mecklenburg	17	14	37	42	11	12	59	54
Nottoway	9	9	21	19	5	4	22	27
Pittsylvania	49	47	117	134	22	22	105	174
Prince Edward	12	12	23	18	2	2	26	21
Southampton	5	6	14	8	2	2	19	21
Suffolk	16	21	41	37	9	10	56	83
Surry	1	1	3	5	1	1	8	6
Sussex	5	5	16	16	4	4	23	25
Total	173	180	420	418	93	98	535	638
Virginia	1,817	2,160	4,895	5,202	943	951	4,769	8,326

Source: U.S. Bureau of the Census, U.S. Census of Business, Retail, 1967 and 1972, Virginia, U.S. Government Printing Office, Washington, D.C.

prising only one third of the population.<sup>10</sup> The city of South Boston and the town of Halifax in Halifax county are trade centers. South Boston accounted for 63 percent of the retail sales in the county, while comprising only 18 percent of the population. In Mecklenburg County, Chase City and South Hill contain the major retail trade centers. Together, they accounted for 44 percent of the retail sales while comprising only 23 percent of the population. In Nottoway county, Blackstone serves as the major trade and service center. Blackstone accounted for one half of the retail sales in 1967 while comprising only one-fourth of the county's population. The county itself received 15 percent of the retail sales transacted by persons outside of the county. Danville, a noted manufacturing and trade center in the state accounted for 80 percent of the retail sales in Pittsylvania County while comprising 78 percent of the population. Farmville in Prince Edward county serves as a retail trade center and accounted for 86 percent of the retail sales in the county while comprising only one-third of the population. For the per capital retail sales in 1967 represented 135 percent of the State of Virginia average, with thirty-five percent of the sales attributed to non local sources.<sup>11</sup>

#### KINDS OF RETAIL ESTABLISHMENTS

The changes in the kinds of retail firms are also important factors in the consideration of retail marketing. Table 6-2 lists the number and kinds of retail establishments in the study area for 1967 and 1972. Food stores and general merchandise stores suffered the largest number of losses, whereas mis-

cellaneous retail stores (book, tobacco, novelty, jewelry, sporting goods, second hand stores, etc.) grew more than any other kind. A large number of food stores are local independently owned stores. That is, most of food items are obtained and sold locally. Some canned goods, however, are delivered from regional trade centers such as Richmond, Petersburg, Portsmouth, Norfolk, and Danville. Most of these independent food stores maintain a constant flow of products from wholesale establishments. In most cases, the retailers employ their own transportation to bring the goods to their stores. The managerial level of these operations is rather simple. Only four counties, Halifax, Isle of Wight, Mecklenburg, and Nottoway, and four cities, Suffolk, Danville, Emporia and Franklin had any chain food stores in 1974. The cities of Danville and Suffolk have the largest number of chain food stores in the 17 county area. The counties that most vividly represent the trend of consumers moving to larger urban centers for retail purchases are Pittsylvania and Suffolk which had a decline in food stores of 48 and 40, respectively. In the category of general merchandise, all counties, except Mecklenburg, suffered a decline in the number of stores.

Drug and proprietary stores have the smallest number of representative establishments. Many of the drug stores are a part of national and/or regional chain stores, and are supplied directly from the regional or national wholesale outlets. Managerial help is always given to the retailers by national and/or regional offices. The majority of these stores are located in areas where popu-

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<sup>10</sup>U. S. Bureau of the Census, U. S. Census of Retail Business, 1967, U. S. Government Printing Office, Washington, D.C.

<sup>11</sup>*Ibid.*

lation is highly concentrated. The counties of Halifax, Mecklenburg, Pittsylvania, and Suffolk have the largest number of these stores. A. H. Robbins Pharmaceutical Company located in Richmond is one important source of prescription drugs for these firms in the area.

Building and hardware supply companies are the next group of small retailers. From 1967 and 1972 there was no change in the number of these establishments for the 17 county area. Many of these stores are independently owned and managed locally. Over the past decade the counties of Dinwiddie, Suffolk, and Mecklenburg experienced the largest volume of business activities of these stores in the area. Greater demand for building supplies has been due to faster expansion in these counties, relative to the others. Building supplies, such as rough lumber and other kinds of wood products, have been readily available since the lumber industry is one of the oldest and larger manufacturing industries in the area. Machinery and its related products are more likely to be imported from outside the study area, since little or no machinery is manufactured in the area. Most of the furniture comes from small manufacturing plants in the study area and from larger manufacturers in the southwestern portion of the state. Many of these businesses are independently and locally owned and managed.

Like most of the other small business groups in the area, apparel retailing has shown little changes in numbers of firms in each county. The largest gains are shown in Halifax and Mecklenburg counties. These counties, together, showed an increase of 25 apparel firms. Most of the apparel shops are locally owned or are a part of small clothing chains. Peebles and Leggets stores, for instance, are two small chain stores

found in many small towns in the study area. Merchandise for these establishments is provided by contracts with the small apparel manufacturers in South Central Virginia or in nearby states.

Eating and drinking places or restaurants have maintained stable activities over the past decade. Many of these businesses are independently owned and managed. Some of these establishments are related to the national and regional chains. These stores are located mainly on the more densely populated areas such as the city of Danville.

Automobile businesses carry out their marketing activities mainly in urban areas such as Danville. They are all retail outlets, connected with one or more of the major automobile manufacturers in the country. Foreign automobile dealers are also active in the larger urban centers of the study area.

Gas and service stations in the study area has been declining over the years, due, in part, to the nations petroleum problem. Declining trend was particularly visible in the counties of Prince Edward, Suffolk, and Isle of Wight.

#### OUTLOOK

Structural change within the retailing establishments is continually taking place in South Central Virginia. Food stores and general merchandise stores may have further decline in this region. On the other hand, some recreation-oriented stores such as book, tobacco, novelty, sporting goods, second hand stores are likely to expand. Some luxury item store such as jewelry and watches are also likely to grow. Chain discount stores are expected to be active in the retailing businesses.

The consumers in the study area have a relatively high purchasing power, great mobility, and a diversified interest

into a wider range of preferences. They tend to travel to the larger urban centers for shopping. The consumers are also keenly aware of the price differentials and quality.

The volume of retail sales will

depend on such factors as: population increase, purchasing power, mobility of the consumers and inflation. The growth of retail business is more likely to develop along and near the larger trade centers in this region.

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