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A STUDY OF THE PRIMARY WHOLESALE DISTRIBUTION OF FISH IN MASSACHUSETTS

PORTS UNDER PRICE CEILINGS

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46-7

ABSTRACT

Data on the total sales of fish from vessels to the primary wholesalers in Boston, Gloucester, and New Bedford were available covering a period before and after the establishment of price ceilings. The price ceilings allowed an abnormally high margin for the primary wholesaler. Firms controlling vessels generally increased their volume of business and many new dealer-vessel owner combinations were formed. Despite large reductions in the volume of fish handled by some firms, no firms went out of business. Black markets caused the greatest changes in the distribution of whiting and sea scallops. It was concluded that because of the diversity of business practices within the industry, it was impossible to impose price ceilings without causing changes in the distribution.

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PREFACE

The "Study of the Primary Wholesale Distribution of Fish in Massachusetts Ports under Price Ceilings" is a byproduct of the wartime activities of the Office of the Coordinator of Fisheries (O.C.F.). The analysis of the data covered in the study was begun in connection with the problem of "allocation" which developed when ceiling prices on fish were imposed by O.P.A. The background of the work was as follows:

As a part of the overall wartime program for increasing the production of food, the President, in Executive Order 9204, signed July 21, 1942, set up the Office of the Coordinator of Fisheries and instructed this office, among other things, to:

(Section 2 (a) "Maintain close liaison with appropriate Federal, interstate, state, and local agencies, and with fishery and allied industries, and obtain currently from them information for the use of appropriate Federal agencies relative to the conservation, production, processing, packing, transportation, marketing, and consumption of fish and other fishery products, and to the construction, procurement, conversion, substitution, replacement and repair of fishery industry facilities. ..."

(Section 2 (b) "Make specific recommendations to appropriate Federal, interstate, state, and local agencies, and to fishery and allied industries, for the purpose of encouraging coordination of effort and maximum utilization of their services and facilities, all with a view toward insuring an adequate and sustained production and supply to meet the requirements for fish and other fishery products as determined by appropriate Federal war agencies. ..."

Executive Order 9280, signed by the President on December 5, 1942, delegated to the Secretary of Agriculture:

(Section 8 (b) "The power conferred upon the President by Title III of the Second War Powers Act, 1942, insofar as it relates to priorities and allocations of (1) all food for human or animal consumption or for other use in connection with the food program. ..."

Food Directive 2, Amendment 1, Part 1400--Delegations of Authority, signed by the Secretary of Agriculture on March 16, 1943, delegated to the Secretary of the Interior (Coordinator of Fisheries) the authority to allocate fish at the production level as follows:

(Section (g) "The term 'production' as used in paragraph (a) hereof shall include the catching and harvesting of any form of aquatic animal or plant life and the processing thereof. The Secretary of the Interior is specifically authorized and directed to exercise the powers of allocation, concentration, or conversion, conferred upon me by Executive Order No. 9280 ...With respect to the distribution of processed fishery commodities or products, the Food Distribution Administration shall perform all functions in connection with procurement, inspection, standards, labelling, allocation, conservation ..."

In the New England fisheries the problem of allocation did not occur until O.P.A. prepared to establish ceiling prices for fish at the producer level. Officials of the O.P.A. then announced that in their opinion, when ceiling prices eliminated competitive bidding for fish as the basic method for determining the distribution to the wholesaler, it would be essential to adopt some form of allocation to provide for equitable distribution.

Shortly before the establishment of ceiling prices and from time to time thereafter, meetings of O.C.F. industry consultants were held in the various sections, by the Area Coordinator, to determine whether allocation was needed to help production or was desired by the industry to promote efficient operations under wartime conditions. These were the only two conditions under which allocation had been authorized in the New England area. In all cases except New Bedford, the consultants recommended that allocation should not be undertaken, since it would not increase production and was not desired by the industry. In New Bedford the primary wholesalers and filleters requested that fish sold at ceiling prices be allocated at the primary wholesaler and processor levels to provide for the orderly distribution of fish under price controls. A voluntary system of allocation, worked out with the assistance of the O.C.F. and based upon the distribution of fish during the year before price controls, was operated for a short period after controls went into effect. Proposals for the official allocation of fish at New Bedford were considered at a hearing held by the O.C.F. in New Bedford on September 21, 1943. It developed that these proposals were opposed by the City of New Bedford, the Atlantic Fishermen's Union, most of the boat owners, and sundry recent and prospective new firms which had been attracted into the fish business. In view of the opposition of most of the industry and the absence of any evidence that allocation would help production, no further action on allocation was taken by the O.C.F.

During the following two years of price ceilings, allocation continued to be a controversial subject. From time to time consideration was given to changes in the O.C.F. directives to authorize allocation on grounds other than production or request from the industry. In order to be prepared for any sudden developments in this direction, the O.C.F. began, in the fall of 1943, a study of the distribution of fish among the various dealers at Boston, Gloucester, and New Bedford during the months before price ceilings and under price ceilings. This work was carried on by various analysts under the general supervison of Wm. C. Herrington, the Area Coordinator. Messrs. Isaac Ginsburg, Louis D. Stringer, and Seymour S. Bogdanoff, and Dr. George Rounsefell made the primary compilations and analysis during late 1943 and early 1944, based on records of the New England Fish Exchange and other dealers' records. Additional work was done later by Miss Dorothy D. Monahan.

During the following years under price ceilings, no evidence developed that allocation would assist production. In fact, it was more probable that the complexities of the restrictions and controls required by allocation, would hinder rather than help production. During this time there was intermittent pressure for allocation for various other purposes, such as to assist in preventing black-market operations at the primary wholesaler level, and maintenance of normal distribution patterns at this level; but there never was any general agreement on these proposals, and the O.C.F. received no directives to allocate on any basis other than to promote production or on request from the industry.

By the summerof 1945 it became clear that the detailed data showing fish distribution under the system of free competition compared to that under price controls would not be needed for the purpose of allocation. However, since these data provided interesting and perhaps valuable information concerning the effects of price controls on an industry previously operating under a system of free competition, it was decided that the analysis of the data should be completed and published, instead of placed on file. This project was assigned to William F. Royce, Local Coordinator for New Bedford and Cape Cod. The results are covered in the following report.

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A STUDY OF THE PRIMARY WHOLESALE DISTRIBUTION OF FISH IN MASSACHUSETTS PORTS UNDER PRICE CEILINGS

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INTRODUCTION

Acting under the Emergency Price Control Act of 1942 and Executive Orders Number 9250 and 9328, the Office of Price Administration (OPA) established maximum prices for the sale of many, but not all, kinds of fish landed at North Atlantic ports. Maximum prices for sales of most frozen fish at processor and wholesale levels were established by Maximum Price Regulation (MPR) 364, effective April 13, 1943. Sales at producer and wholesale levels of certain fresh fish of North Atlantic and North Pacific species were covered by MPR 418, effective July 13, 1943. Retail markups in cents per pound were established January 27, 1944 by MPR 507. At no time were all species of fish covered. Most fresh shellfish and fresh finny fish from Middle and South Atlantic waters remained without price control throughout the war.

These maximum price regulations were established to control the cost of fish which had risen considerably by the end of 1942 and which had increased even more rapidly in early 1943. In general, the price control program provided for establishing winter and summer producer price ceilings at the average 1942 prices for these seasons and provided cents per pound markups for the several subsequent wholesale and retail handlers.

Before these price regulations were established, the prices of fish were determined principally by competitive bidding in one way or another. Establishment of price ceilings at levels substantially below current prices meant that this method of determining primary distribution would not long function. Other economic factors or government control were required to supplant the system of free bidding.

The wholesale fish dealer in New England carries on a business noted for extreme fluctuations in volume. The wind and weather, the phases of the moon, to say nothing of the vagaries of the fish, produce large daily and weekly fluctuations in catch and, consequently, the landings at any port. The seasonal migrations of fish and the varying ability of vessels to fish during the different seasons of the year produce annual cyclic changes in the catch. Furthermore, most species of fish fluctuate markedly in abundance from year to year because of changes in the success of spawning, the effects of previous fishing, or other causes which are little understood.

The consumer demand for fish also varies considerably. The habit of eating fish for religious reasons causes a regular weekly cycle of demand while the Lenten season causes an annual cycle. In addition to these fluctuations, it is necessary to consider the long time changes brought about by the exploitation of new fishing grounds, the development of new markets, and the changes in the supply of competing protein food which indirectly affect fish markets and prices. The economic conditions associated with a world at war, of course, affected the fishing industry to a major extent. These factors affecting all fish businesses to a greater or lesser degree, when added to the normal changes occurring in the growth of an individual business enterprise, make it extremely difficult to segregate the changes which may be associated with the establishment of ceiling prices in 1943.

THE FISHERIES OF THE PRINCIPAL MASSACHUSETTS PORTS

Boston, Gloucester, and New Bedford rank among the 10 largest fishing ports in the United States. The fishing industry of all 3 ports specializes in the production of fresh and frozen fish for human consumption. Much of the round or drawn fish bought from the vessels is further processed to fillets or steaks in the port of entry. Fish meal and fish glue factories use the inedible by-products. Small amounts of fish are salted, smoked, and canned.

The production figures (table 1) reveal the specialties and trends in the landings of the important species at these ports. The details of this table will be discussed at length in subsequent paragraphs but it will be noted that the landings at all three ports show evidence of marked long time trends in the total landings and in the landings of each of the several species of fish.

Most of these fish are caught by otter-trawlers which range in size from small one-man boats to seventeen-man vessels of 400 gross tons. The principal exceptions to this are mackerel which are caught by purse seiners and scallops which are taken by scallop draggers. The fleets of these 3 ports totaled 451 registered vessels of over 5 net tons on January 1, 1945, of which 348 were primarily otter-trawlers, 36 purse seiners, 20 scallop draggers, and the remaining 47 operated miscellaneous gear such as line trawl, gill net, handline, harpoon, etc.

TABLE 1.—Landings at the principal Massachusetts ports 1940-1945 (in thousands of pounds)

Port and Species	1940	1941	1942	1943	1944	1945
Boston						
Haddock	110,167	139,054	100,199	74,845	73,236	66,291
Cod	52,750	66,381	35,410	28,760	42,595	72,895
Rosefish	19,727	24,783	9,949	5,087	2,032	1,377
Pollock	19,036	18,453	10,613	6,131	6,957	10,300
Flounders 1/	14,816	11,811	7,338	5,896	4,138	6,908
Mackerel	14,639	15,436	14,130	9,781	14,209	17,725
Whiting	8,805	12,498	11,400	7,672	5,287	9,958
Hake	4,030	3,526	1,730	1,676	1,549	1,123
Other	8,858	7,428	3,918	3,127	1,759	1,584
Total	252,828	299,370	194,687	142,975	151,762	188,161
Gloucester						
Rosefish	57,397	99,877	91,285	83,992	91,579	102,037
Pollock	10,675	14,013	13,883	9,928	9,537	15,792
Mackerel	5,457	9,278	14,257	26,919	32,224	11,890
Cod	5,640	6,392	6,353	11,428	19,481	25,797
Haddock	5,152	4,906	7,830	14,939	15,991	21,786
Flounders 1/	4,975	4,690	6,139	4,211	4,077	4,830
Whiting	4,961	7,619	15,611	13,431	8,826	16,830
Hake	924	914	1,479	2,254	5,122	11,544
Other	995	762	904	2,997	1,824	2,992
Total	96,176	148,451	157,741	170,099	188,661	213,498
New Bedford 2/						
Yellowtail	17,519	28,327	36,722	25,479	14,354	15,838
Sea Scallops 3/	4,414	5,579	5,446	3,832	4,009	3,897
Haddock	2,606	3,770	4,787	7,926	22,466	34,427
Blackbacks	3,359	2,630	3,496	6,705	8,854	4,700
Mackerel	5,427	2,832	3,346	6,330	6,196	12,076
Cod	1,985	1,265	2,956	5,816	8,211	10,768
Other	2,091	1,660	1,130	4/ 6,076	5/ 10,846	6/ 19,657
Total	37,401	46,063	57,883	62,164	74,936	101,363

1/ Chiefly yellowtail, gray sole, dab, and lemon sole.

2/ The landings for New Bedford for 1940 and 1941 are preliminary compilations and may be 10 to 20% too low.

3/ The weight given is 100% edible. Multiply by $2\frac{1}{2}$ for comparison with landings of finny fish.

4/ Includes 3,180,000 pounds ocean pout and 1,236,000 pounds lemon sole.

5/ Includes 3,225,000 pounds ocean pout, 3,705,000 pounds lemon sole, and 1,924,000 pounds red hake.

6/ Includes 6,413,000 pounds lemon sole, 5,611,000 pounds red hake, 2,452,000 pounds of scup, and 1,527,000 pounds of fluke.

Despite these overall similarities in the fisheries, each of these ports has specialized in one or more species and developed different kinds of fleets, different markets, and different kinds of business organizations. These differences developed under conditions of free competition and existed at the time price ceilings were established.

Boston, which handled most of the haddock and cod, was supplied by almost all of the large otter-trawlers (over 150 gross tons) and some of the medium (51-150) and small (under 51 gross tons) sizes. The Gloucester fleet, which caught most of the rosefish, whiting, and pollock, consisted of medium and small otter-trawlers in about equal numbers. The mackerel fleet landed principally in Gloucester in some years and principally in Boston in other years. In 1945 New Bedford handled large quantities of mackerel. The sea scallop fleet and vessels catching most of the yellowtail and blackback landed at New Bedford. The New Bedford fleet included more small otter-trawlers than that of any other New England port along with almost all of the scallop fleet and some medium otter-trawlers.

The type of ownership of the vessels before price ceilings was associated with the size of the vessel. Most of the small vessels and many of the medium were owned by individuals, either singly or in partnership. Frequently, the captain was a principal owner. Few were controlled by wholesale fish companies. On the other hand, most of the large otter-trawlers landing at Boston were incorporated. Generally, the corporation was controlled by officers of wholesale firms. New Bedford wholesalers owned not more than an estimated 10% of the fleet. The condition at Gloucester was intermediate.

Variation in markets and, consequently, wholesale practices were equally great. Gloucester firms specialized in frozen fillets for the Middle West and shipped only small quantities of fish to local markets. Considerable quantities of mackerel and some haddock and cod were canned. On the other hand, many Boston firms supplied local markets with fresh fish and frequently bought other varieties out of town, such as salmon and shrimp, in order to fill the demands of their trade. Other Boston firms specialized in processing fillets either fresh or frozen for both local and inland trade. New Bedford firms shipped mostly large lots to other wholesalers or commission dealers in Boston and New York. About half of the New Bedford landings were processed into fillets before being shipped. Freezing facilities at this port were xxxy small and most fish was shipped fresh.

THE PRICE CEILINGS

The Office of Price Administration established cents per pound prices for all of the important North Atlantic species of fish except mackerel on July 13, 1943 (MPR 418). Cents per pound prices were established for sales by producers, primary fish shipper-wholesalers, retailer-owned cooperative wholesalers, cash and carry wholesalers, and service and delivery wholesalers. Prices were set for all the customary sizes and styles of dressed and processed fish at each of the wholesale levels. Provisions were made to allow wholesalers to add transportation and container costs. In addition, different prices were established for the summer and winter seasons for most species. Thus, the consumer's price was determined by seven factors; that is, species, style of dressing, size, season, type of wholesaler, type of packaging, and distance from the port of entry.

MPR 418 was by far the most important O.P.A. regulation affecting the New England fisheries. MPR 364, effective April 13, 1943, established ceilings on most New England frozen fish. The effect on fresh sales of this regulation was almost negligible during 1943 because of the greatly increased demand for fresh fish. The regulation did affect the rosefish fishery of Gloucester, however, because this species is mostly filleted and frozen for Middle West markets. Therefore, the regulation affected the Gloucester fishery very much the same as MPR 418 affected the remainder of the New England fisheries. MPR 507 establishing retail markups had virtually no effect on New England wholesalers and it need not be considered here.

For a complete description of the ceiling prices on fish, the reader must refer to the original O.P.A. regulations and amendments. Space does not permit reproduction here. The regulations were extremely complicated and frequently changed. MPR 418 was amended 44 times and corrected at least 4 times between July 13, 1943 and April 1, 1945 when both fresh and frozen fish were covered by MPR 579. MPR 364 was amended 27 times while it affected North Atlantic species of fish. Thus, changes in the price ceiling regulations affecting the North Atlantic fisheries were made on the average a little oftener than every 10 days.

For the purpose of this discussion, it is necessary to examine the parts of the maximum price regulations affecting the distribution of fish at the primary wholesale level. The most important prices are those for sales by producers and by primary fish shipper-wholesalers. The difference between these prices may be considered to be the primary wholesaler's margin although, if the fish could be purchased at less than ceiling prices, there was nothing to prevent the wholesaler from selling at ceiling prices and thus increasing the margin. However, almost no fish were sold by producers at less than ceiling prices and the differences between the producer ceiling and the primary fish shipper-wholesaler ceiling may be considered as identical with the margin which the primary fish shipper-wholesaler could add to cover the cost of his operations. Some wholesalers, especially in Boston, perform additional services and sell at the higher ceiling appropriate for other types of wholesalers. Nevertheless, if the fish are purchased from the producers, the primary fish shipper-wholesaler function is performed.

The size of this margin between producer ceiling and primary fish shipper-wholesaler ceiling, theoretically, should be of the utmost importance in affecting fish distribution at this level. Too low a margin would tend to force the less efficient wholesalers out of business and too large a margin should tend to attract new wholesalers to partake of the increased profits. It should also be evident that with a large margin of profit, a fixed producer price, and a vigorous demand for fish, the wholesaler would be anxious to obtain as much fish as possible. The primary fish shipper-wholesaler's margin was fixed for most important species of fish at 2 cents by MPR 418 (table 2). It did vary from 1½ cents for some low priced species such as herring to 4½ cents for high priced bay scallops.

TABLE 2.--Basic prices on principal North Atlantic species under the two O.P.A. regulations

Species	Style of dressing	Size category	MPR 418 - July 13, 1943			MPR 579 - April 1, 1945			
			Producer's price		Primary markup all year	Producer's price		Primary markup	
			Summer	All year		Summer	Winter	Summer	Winter
		Pounds	¢ per lb.	¢ per lb.	¢ per lb.	¢ per lb.	¢ per lb.	¢ per lb.	¢ per lb.
Codfish	Drawn	2 1/2-10	6	8	2	6	8	1 1/2	1 1/2
		10-25	6 1/2	8 1/2	2	6 1/2	8 1/2	1 1/2	1 1/2
Haddock		under 2 1/2	6 1/2	8 1/2	2	6 1/2	8 1/2	1 1/2	1 3/4
		over 2 1/2	7	9	2	7	9	1 1/2	1 3/4
Rosefish	Round	All	3 3/4	4 1/4	1 1/2	3 3/4	4 1/4	1 1/2	1 1/2
Blackbacks	Round	All	5	7	2	7	10	1	1 1/2
Yellowtail	Round	All	4	6	2	4 1/2	6 1/2	1	1
Pollock	Drawn	All	4 1/2	7	2	5	7	1 1/2	1 1/2
Whiting	Dressed	All	4 1/4	5 1/4	2	4 1/2	6 1/4	1 1/2	1 1/2
Sea scallops	Meats	All	30	35	3 3/4	30	38	3	3 1/2

After MPR 418 was effective, the primary wholesaler's margin did begin to attract new dealer-boat owner combinations. Established New Bedford dealers protested that the margin was too large and recommended its reduction. This was brought out in hearings before the House Committee on Merchant Marine and Fisheries in April, May, and June 1944. Statements made at the hearings indicated that New Bedford dealers had been accustomed to handle more than 50,000,000 pounds a year at a markup of one-half cent per pound but were given a markup of 2 cents by OPA. This would increase the margin for handling 50,000,000 pounds from $250,000 to $1,000,000. After other protests of this nature had been made, OPA amended MPR 418 to reduce the primary markup on flounders, the principal New Bedford species, to 1 cent. They also undertook further study of the margins existing prior to price ceilings in other New England ports. The results of this and other investigations were incorporated in a complete revision of MPR 418 and MPR 364 which appeared as MPR 579 effective on April 1, 1945. In OPA's "Statement of the Considerations Involved in the Issuance of MPR 579" it was brought out that the 1942 margins for coastal wholesalers were below the margins allowed in MPR 418 and that "inland margins were generally higher than the coastal margin". This illustrates a basic difficulty in establishing uniform industry margins. Inevitably firms must be grouped and inevitably their costs will differ. The margin must be large enough for the firm with the highest costs which is included in the group or some must operate at a loss. It is apparent that since the wholesaler margins must be fixed above the average, the average difference between producer price and consumer cost must increase, or in other words, the average wholesaler's profits must increase.

It has long been a tradition in the New England fisheries that the captain of a vessel has the right to sell or otherwise dispose of the fish which the vessel catches. Nevertheless, the captain must sell at the maximum price possible if he is to have a crew for subsequent trips; and, if the owner of the vessel offers the maximum price, the captain must accept if he wants a job on subsequent trips. At the Boston Fish Pier, where all sales are made through the New England Fish Exchange, an exchange rule allows the owner of the vessel to buy the catch if the owner matches the highest bid. At Gloucester and New Bedford, it was necessary in some cases for the owner to better the highest bid; but under ceiling prices, when most fish sold at the ceiling price, it was natural for the captain to sell to the owner of the vessel if the owner bid the ceiling price. The most effective legal method of increasing supplies of fish would be to buy controlling interests in vessels. Theoretically, then, a large margin of profit would tend to encourage more dealer-vessel owner combinations which would purchase an increasing share of the fish. Firms not owning vessels would be at a disadvantage and would be able to buy fish only when the owner of the vessel did not want it. If vessel owners became dealers and established new firms without buying new vessels, then older established firms would be forced to handle a lesser volume.

The comparison of permissible margins under the two regulations is shown on table 2. It will be noticed that the margin on most important species was reduced from 25 percent to 50 percent on April 1, 1945. Since there was no change in the services required to be performed under this margin, the reduction may be considered similar to a reduction in gross profits. With no change in expenses, the reduction in net profits would be a much greater percentage.

It is informative to calculate the gross profits possible in performing the primary wholesale function for the Boston, Gloucester, and New Bedford landings and further to compute the reduction in profits caused by the change from MPR 418 to its successor MPR 579.

Table 3 shows the information necessary to make such computations for 1944, during which most of the original prices and markups established by MPR 418 were in effect. The 357,819,000 pounds of price controlled fish landed in these ports in 1944 brought $23,053,000 to the producer. If all had been sold with the primary wholesaler's markup, it would have brought $29,854,000, a markup of $6,801,000. In terms of percentage the possible gross profits would be 22.78 percent of the net sales. If MPR 579 had been in effect, the permissible markup would have been $5,399,000, a decrease of $1,402,000, yielding a gross profit of 18.9 percent. These profits may be compared with those given for 2 primary wholesalers in the Federal Trade Commission (FTC) report on "Cost of Production and Distribution of Fish in New England" on page 107. These data show an analysis of the combined operating cost and expenses of 1 New Bedford and 1 Gloucester firm performing only the primary wholesale function. The gross profit shown for the years 1941 to 1943 varied from 11.25 percent to 13.04 percent with an average of 11.85 percent. The FTC included costs of containers and ice in cost of fish before calculating gross profits and then deducted other operating expenses to determine net profit. OPA provided that the cost of containers could be added to the sale price in addition to the markup (in many cases providing extra profit). The OPA margin is comparable to the gross profits calculated by the FTC except for the cost of ice which must be deducted from the OPA margin. Using New Bedford ice consumption and price as a basis, the cost of ice would reduce the calculated possible gross profit under MPR 418 from 22.78 percent to 21.94 percent.

TABLE 3.--Theoretical primary wholesaler's profits under the two OPA regulations in the principal Massachusetts ports 1/

Species	Style of dressing	Size	1944 Landings		MPR 418		MPR 579	
			Quantity	Value (to producer)	Primary markup	Gross profits	Primary markup	Gross profits
		Pounds	1,000 pounds	1,000 dollars	Cents per pound	1,000 dollars	Cents per pound	1,000 dollars
Under price control								
Codfish	Drawn	2 1/2-10	37,536	$2,466	2	$751	1 1/2	$563
		10-25	31,684	2,327	2	634	1 1/2	475
Blackback	Round	All	9,864	710	2	197	1-1 1/2	103
Yellowtail	Round	All	16,219	1,027	2	324	1	162
Haddock	Drawn	under 2 1/2	15,359	1,095	2	307	1 1/2-1 3/4	243
	Drawn	over 2 1/2	95,679	7,353	2	1,914	1 1/2-1 3/4	1,522
Pollock	Drawn	All	15,507	814	2	310	1 1/2	233
Rosefish	Round	All	93,618	3,645	1 1/2	1,404	1 1/2	1,404
Whiting	Dressed	All	14,053	578	2	281	1 1/2	211
Sea Scallops	Meats	-	4,114	1,341	3 3/4	154	3-3 1/2	130
Others	-	-	24,186	1,697	1 1/4-3 3/4	525	1-3	353
Subtotal	-	-	357,819	23,053	-	6,801	-	5,399
Not under price control								
Mackerel	-	-	52,630	2,539	-	-	-	-
Others 2/	-	-	4,910	371	-	-	-	-
Total	-	-	415,359	25,963	-	-	-	-

1/ Includes Boston, Gloucester, and New Bedford.

2/ Includes numerous uncontrolled species and also eelpout, skates, and Atlantic halibut which were placed under price control by amendments to MPR 418.

The FTC considered the two wholesalers chosen for this study as "typical" and, if we may consider their operations as representative of the wholesale function in the three ports under consideration, then it is apparent that under MPR 418, OPA allowed an increase of gross profits from the 1941-43 average of 11.85 percent of net sales to 21.94 percent for the primary wholesale function alone. In addition, further gross profits could be realized if any companies were able to perform additional wholesale functions.

The percentage effect on net profits should be even greater. The two concerns subject to FTC study showed an average net profit of 1.54 percent of sales with average operating expenses of 10.31 percent during the period 1941-43. Data on the increase in expenses for 1944 are not available, but it is not likely that they increased greatly since most prices and wages were fairly well stabilized in 1942 and 1943. It is reasonable to assume that, under the maximum price regulations, average net profits showed a very considerable increase. However, this would not apply to firms whose volume of fish was drastically reduced.

It is evident that with the increase in primary wholesaler profits under ceiling prices, changes in economic forces and incentives were produced. Some of the ways in which this strain is manifest may be found in a study of changes in the patterns of fish distribution.

DISTRIBUTION BEFORE AND UNDER PRICE CEILINGS IN THE PORT OF BOSTON

Fish landings at the port of Boston were approximately halved between 1941 and 1943 by the loss of vessels to the armed forces (table 1). Therefore, the fishing industry of Boston was subjected to the severe economic stress of a large reduction in volume. Most of the vessels were taken by the armed forces in early 1942 and the industry adjusted itself somewhat before July 1942, which is the starting point of our records of dealer purchases. This loss of vessels to the armed forces was by far the most important reason for the decline in Boston landings, and this decline occurred before price ceilings were established. Only a few vessels operated by independent owners shifted to Gloucester or New Bedford under price ceilings, but numerous small vessels did shift from the Boston Fish Pier to T Wharf, the other fish wharf in Boston. Landings reached the lowest point in 1943, increased slightly in 1944, and considerably in 1945.

Boston has been the principal haddock port for many years (table 1) and most of the firms purchasing through the New England Fish Exchange on the Boston Fish Pier handled this species. Of the 52 firms listed as purchasers between January and June 1942, thirty-nine bought more haddock than any other species and the haddock purchases of 5 more firms made up more than 20 percent by weight of their total fish purchases. Next most important specialty was cod, and there were a few firms which bought large amounts of mackerel, rose-fish, flounders, halibut, fish livers, and whiting. In addition to this specialization, all firms except those handling livers and halibut, bought and sold numerous other varieties of fish. Many firms bought 15 or more species of fish during a year as well as several sizes or grades of a single species.

Several firms had developed trade in certain grades and species to a greater extent than others. Some handled premium quality dressed fish for the hotel and restaurant trade. Others bought principally standard quality for filleting and freezing. Some catered to Italian trade. Of those specializing in haddock, some bought more large haddock, some more scrod haddock, others bought large cod in preference to market cod or vice versa. In addition to purchases on the New England Fish Exchange many, if not most, Boston firms bought fish in other ports, and from other dealers and brokers in Boston. The data available for study include only purchases from the Exchange and it must be kept in mind that this represents only part of the business of many of the dealers.

Mackerel was the only important species handled in Boston which was not covered by price ceilings when sold fresh. In 1944 mackerel comprised only 9.4% of the total landings and all other species not covered by price ceilings comprised less than 1/10 of 1% of the landings.

Trends in daily, seasonal, and yearly landings are factors which must be considered in assessing the changes in fish distribution which may have occurred as a result of price ceilings. The distribution of landings among the days of the week remained much the same after price ceilings went into effect (figure 1).

FIGURE 1.—Under price control - landings increase slightly in latter part of week.

There appears to have been a slight tendency to land more fish on Mondays, Fridays, and Saturdays but it is apparent that there was no great change in the basic pattern. Seasonal landings show much the same trend from July 1942 to June 1944 (table 4). The most important change appears to be the large increase in the landings of cod in the second quarter of 1944.

Fig 1

UNDER PRICE CONTROL - LANDINGS INCREASE SLIGHTLY IN LATTER PART OF WEEK

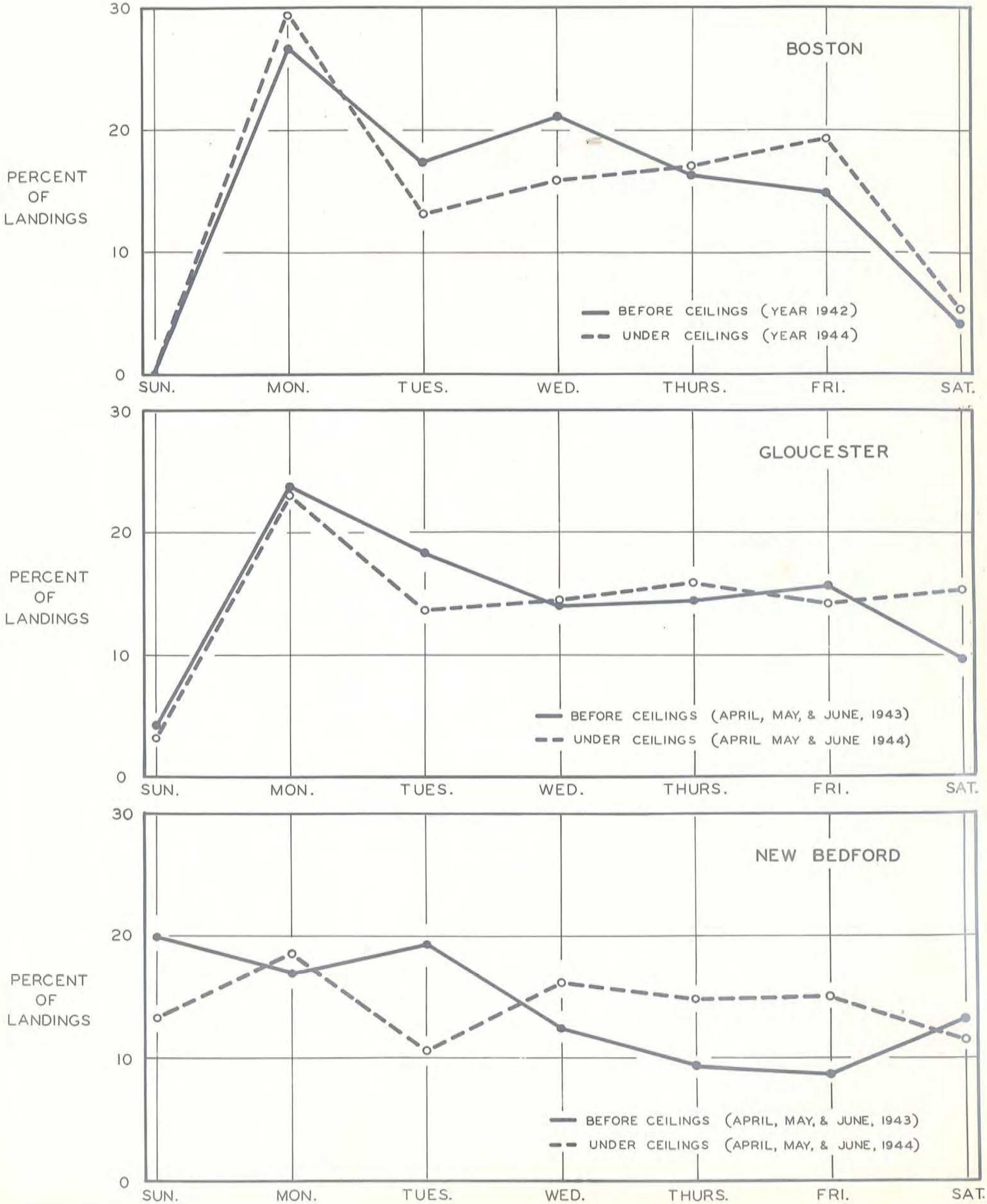


TABLE 4.—Total sales of New England Fish Exchange by quarters, from July 1942 through June 1944 (in thousands of pounds)

Species	1942		1943				1944	
	3rd	4th	1st	2nd	3rd 1/	4th 1/	1st	2nd 1/
Haddock	26,677	13,354	17,100	27,930	20,378	9,231	16,224	22,323
Cod	4,911	2,605	7,449	8,896	6,144	6,532	7,326	14,473
Mackerel	6,042	4,665	1	3,722	5,033	1,241	-	4,132
Whiting	6,254	2,003	145	1,722	4,786	1,097	1	1,353
Pollock	269	5,538	2,802	1,265	285	1,786	1,629	2,468
Rosefish	900	2,073	2,326	629	598	1,520	287	334
Flounders	1,618	1,228	1,004	3,019	1,097	826	339	1,598
Hake	612	585	406	251	447	536	47	325
Other	1,426	1,005	495	1,139	836	820	392	663
Total	48,709	33,056	31,728	48,573	39,604	23,589	26,245	47,669

1/ Data from "Landings by Fishing Vessels at Certain New England Ports" as published by the Fish and Wildlife Service. Remainder tabulated from New England Fish Exchange records.

Most of the fish dealers in Boston who buy from the New England Fish Exchange are located on the Fish Pier or the neighboring street, Northern Avenue. Others buying occasionally through the Exchange are located near T Wharf on Atlantic Avenue or elsewhere in Boston, or even in Gloucester. The analysis of changes with price ceilings may be simplified by first grouping these dealers (table 5). The records show that firms located near the Fish Pier and doing business in July 1942 bought about 95 percent of the fish landed at the Pier, with the percentage under price ceilings being slightly higher than that before. The Atlantic Avenue firms stopped buying fish on the Fish Exchange shortly after price ceilings went into effect. It is reported that they were able to do this because they bought more fish directly from vessels landing at T Wharf. These landings amounted to 8,124,300 pounds in 1944 but comparable information is not available for previous years. It is probable that these Atlantic Avenue firms bought some of their fish at T Wharf and some at the Fish Pier before price ceilings, and almost all at T Wharf under price ceilings. Since information on dealer purchases is available only for the Fish Pier landings, it is impossible to further analyze the effect of price ceilings on these firms.

TABLE 5.--Percent of fish purchased over New England Fish Exchange according to kind of dealer

Dealer class	Number of firms	Quarter or Period 3rd 1942	4th 1942	1st 1943	2nd 1943	Aug-Sept[1] 1943	1st 1944	2nd 1944
A. Dealers in fresh fish								
1. Old firms located on Fish Pier and Northern Avenue[2]	37	96.1	94.9	94.4	93.9	96.9	97.1	95.8
2. New firms located on Fish Pier and Northern Avenue	3	-	-	-	-	-	.7	1.3
3. Firms located on Atlantic Avenue and vicinity	7	1.7	1.9	2.0	2.8	1.0	.2	-
4. Firms located elsewhere	5	.5	.7	.8	1.0	.5	.2	.2
B. Dealers in smoked fish	2	1.2	1.9	2.6	2.2	1.6	1.8	2.7
C. Dealers in fish livers	3	.7	.7	.1	.1	-	-	.1

1/ Data for July, October, November, and December 1943 were not available. Price ceilings began July 13, 1943.
2/ Firms in business July 1942

Item number 4 in table 5 shows the percentage purchased by firms scattered around Boston. Most of these are classified in the telephone directory as retailers or combination retailer-wholesalers. The quantities purchased by these firms from the Fish Exchange declined drastically under price ceilings and it is likely that they were forced to purchase at higher wholesale levels. Despite the reduction of purchases over the New England Fish Exchange by these firms, there is no evidence available to indicate that these or any other firms were forced out of business by price ceilings during the period for which records were obtained.

The purchases of fish livers and of fish suitable for smoking are largely dependent on the landings. The decline in the purchases in fish livers was directly the result of a decline in landings, therefore, not the result of a change in the distribution pattern caused by ceilings. Neither is there any significant change in the purchases of the fish smokers which can be associated with price ceilings.

The remainder of the firms purchasing from the New England Fish Exchange, those located near or on the Fish Pier, have been separated into two groups comprised of old firms and new. Old firms are defined as those which were purchasing from the Exchange in July 1942 and new are those which started such purchases subsequently. Two of the old firms stopped purchases in the third quarter of 1942, leaving a total of 35 whose operations may be traced throughout a period before and under price ceilings. These 35 firms handled about 95% of the fish sold over the New England Fish Exchange. Many of these firms buy fish other than through the Exchange, but it is probable that Exchange purchases at the primary wholesale level are highly important to all of them in the successful conduct of their business.

In order to avoid revealing the operations of individual firms, it is not possible to show the quantity of fish or the proportion of the total purchased by each firm. However, the combined purchases of the firms grouped according to the volume of fish handled can be shown. The number in each category is shown in table 6 for each quarter. Table 6 also includes the new firms (located on or near the Fish Pier) which started buying through the Exchange under price ceilings. These account for most of the increase in number of firms purchasing less than one percent.

TABLE 6.—Tabulation of principal Boston firms by proportion purchased

Proportion of total sales purchased in percent[1]	Number of Boston firms						
	Quarter						
	3rd 1942	4th 1942	1st 1943	2nd 1943	Aug-Sept[2] 1943	1st 1944	2nd 1944
0 - 1.99	21	16	18	15	18	22	24
2.00 - 3.99	7	11	9	13	12	10	9
4.00 and over	9	8	8	7	6	6	6
Total	37	35	35	35	36	38	39

1/ Percent of total Fish Exchange sales of all species.
2/ Data were not available for July, October, November, and December, 1943.

The average change in proportion purchased from one quarter to another has been calculated to indicate the average fluctuation in business of the principal Boston firms before and under price ceilings (table 7). These data show that, under the conditions of free competition existing during the year before price ceilings, the average change in the proportion of the total landings purchased was 27.6 percent and 24.6 percent from the last two quarters of 1942 to the comparable quarters of 1943. The three possible comparisons of the same calendar quarters before and under price control indicate that the average fluctuation in proportion purchased jumped to 42.1 percent, 64.4 percent, and 49.8 percent. The much lesser change of 21.8 percent between the first two quarters of 1944 indicates that some stability in fish distribution was attained. This stability occurred in spite of the great difference in actual landings during these two quarters which occurs every year in the annual production cycle.

TABLE 7.--Price controls change then stabilize fish distribution in Boston

Period Compared	Average percent change 1/ in proportion purchased
Proportion purchased varied considerably before price ceilings	
3rd quarter 1942 to 2nd quarter 1943	27.6
4th quarter 1942 to 1st quarter 1943	24.6
Price control brought greater change	
3rd quarter 1942 to 3rd quarter 1943	42.1
1st quarter 1943 to 1st quarter 1944	64.4
2nd quarter 1943 to 2nd quarter 1944	49.8
Less change after price control	
1st quarter 1944 to 2nd quarter 1944	21.8

1/ Based on the purchases of 35 firms from the New England Fish Exchange without regard to whether the change was an increase or decrease.

When the members of the New England Fish Exchange all bid the ceiling price as they did most of the time under price control, some other means of controlling the sale of fish by the vessels became important. It has been pointed out earlier in this article that ownership of the vessel insured control of the fish. Table 8 presents the percentage of fish purchased by firms classified according to their status as vessel owner or owner representative on January 1, 1944, and the change in their total fish purchases from the first half of 1943 (before price ceilings) to the first half of 1944 (price ceilings). The classification of firms by vessel ownership or control status was obtained from a person thoroughly familiar with the firms operating on the Fish Pier. It was impossible to obtain exact data since most of the firms and vessels are incorporated and control might involve joint stock ownership, interlocking directorships, or even less direct connections. The important association for a given boat was regular sale of fish to a particular company. In most cases, it was common knowledge that the vessel was owned or managed by officers of the company purchasing the fish.

The data shown in table 8 indicate that, except for one very small firm, all of the firms which were able to significantly increase their purchases also controlled vessels. Conversely, a majority of the firms, whose proportion of total purchases decreased, lacked control of vessels. Vessel controlling firms which purchased a smaller proportion of the total controlled only a small vessel or shared a large vessel with another firm and thus were able to control only a part of their fish requirements.

TABLE 8.--Vessel owners purchased more fish over New England Fish Exchange 1/ after price control

Class of firm	No. of firms	Percent of landings purchased: Jan-June 1943 Total	Jan-June 1943 Firm average	Jan-June 1944 Total	Jan-June 1944 Firm average
1. Firms owning or controlling vessels					
A. Abnormal increase in purchases	9	25.70	2.86	46.35	5.15
B. Normal change in purchases (Purchases increased or decreased 20% or less)	4	12.54	3.14	12.41	3.11
C. Abnormal decrease in purchases	5	16.32	3.26	11.50	2.30
Total	18	54.56	—	70.26	—
2. Firms not owning or controlling vessels					
A. Abnormal increase in purchases	1	.13	.13	.47	.47
B. Normal change in purchases (Purchases increased or decreased 20% or less)	5	6.51	1.30	6.14	1.23
C. Abnormal decrease in purchases	11	32.85	2.99	18.57	1.69
Total	17	39.49	—	25.18	—
Grand Total	35	94.05	—	95.44	—

1/ Includes only firms located near the Fish Pier in Boston and in business from July 1942 to June 1944.

NOTE: The changes in purchases include adjustment for change in total landings which decreased 8.0% between the two periods. The 20% level has been chosen arbitrarily to separate firms which experienced a change in quantity purchased which may be considered normal from those which experienced abnormal increases or decreases.

The quantity of fish purchased by a firm during the base period prior to ceilings appears to have had little relationship to the relative success of the firm under price ceilings. In other words, small firms were able to take advantage of their vessel associations as readily as the larger firms. The average purchases through the Fish Exchange as given in table 8 show close agreement among the several groups of firms. Of the firms associated with vessels, the 9 which greatly increased their share under price ceilings, purchased on the average 2.86 percent of total landings during the base period compared to 5.15 percent under price ceilings. The 4 with little change averaged 3.14 percent before ceilings and 3.11 percent under; while the 5 decreasing their purchases averaged 3.26 percent before and 2.30 percent under price ceilings. The group of 11 firms not associated with vessels which decreased their purchases with price ceilings bought an average of 2.99 percent of the landings in the base period. It will be noted, however, that among the firms not associated with vessels, the smaller firms fared proportionately better. In fact, all but 1 of the 6 firms purchasing less than 1 percent of the landings from January to June 1943 bought an increased proportion of fish in the period January to June 1944. Perhaps the explanation is that they shared equally the fish distributed by the vessel owners and were able to better maintain or even increase their originally small volume.

DISTRIBUTION BEFORE AND UNDER PRICE CEILINGS IN THE PORT OF GLOUCESTER

The promotion of a market for rosefish fillets and the development of a fishery for this species caused the recovery of the port of Gloucester after its salt fish trade had been in the doldrums for several decades. The rosefish fishery which started in 1935 has steadily expanded to rank about equally with haddock (for many years New England's principal fishery) in pounds landed in New England in 1945. This fishery has concentrated at the port of Gloucester where about 80% of the catch is landed. Since 1940, from one-half to two-thirds of Gloucester landings have been rosefish (table 1).

More than keeping pace with the expansion of the rosefish landings in Gloucester has been the increase in the mackerel landings, the groundfish landings of haddock and cod, and whiting landings. All this expansion has occurred largely as a result of the construction of a larger fleet (both greater numbers and larger size vessels) and the expansion and improvement of shore facilities.

Gloucester fisheries are all markedly seasonal in character (table 9). Rosefish are landed throughout the year but in greatest quantities from March to October. Whiting and mackerel are landed from June to September or October with almost none in the remaining months. Pollock helps fill in the season from October to December when the bulk of the year's catch is taken. Haddock and cod are landed throughout the year but with a peak from March to May.

TABLE 9.--Landings at Gloucester by quarters (in thousands of pounds)

Species	1942		1943				1944				1945[1]	
	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd
Rosefish	38,909	10,577	10,531	17,503	37,736	18,223	9,267	27,638	39,033	15,641	12,120	35,325
Mackerel	7,803	5,002	1	4,218	20,847	1,853	-	9,690	18,516	4,018	-	4,119
Pollock	1,965	10,630	575	1,625	635	7,091	1,013	2,397	763	5,365	1,792	4,686
Cod	1,194	1,292	1,148	6,143	2,111	2,025	2,954	8,830	3,815	3,882	3,757	11,527
Haddock	1,154	1,486	2,822	7,392	2,915	1,810	4,076	7,042	3,030	1,483	7,830	8,330
Whiting	9,596	1,869	128	4,019	8,104	1,180	7	2,363	5,243	1,213	20	4,105
Flounders	2,368	1,426	746	1,387	1,151	927	1,177	1,246	862	792	1,273	1,460
Hake[2]	530	482	429	191	1,061	1,983	1,292	1,590	1,112	1,128	785	5,840
Others	362	171	251	403	701	234	366	470	800	547	249	487
Total	63,881	32,935	16,631	42,881	75,261	35,326	20,152	61,266	73,174	34,069	27,826	75,879

1/ 1945 includes landings by boats of less than 5 net tons.
2/ Includes both white and red hake for periods after 2nd quarter 1943.

Fluctuations in landings with the day of the week have not been as pronounced at Gloucester (figure 1) as at other ports which handle a greater proportion of fresh fish. Since a majority of the fish landed at Gloucester are processed and frozen for shipment to distant markets, there has been little price incentive to land fish for the Friday market. Slight changes occurred in the weekly pattern of landings under price ceilings. There was an increase in the proportion landed on Thursday and Saturday accompanied by a decrease on Tuesday.

Two large sources of variation must be considered in searching for changes in Gloucester fish distribution associated with price ceilings. The upward trend in landings and the pronounced seasonal shifts from one species to another tend to obscure other phenomenona. With the steady expansion of landings at this port, existing fish buying firms might have been expected to expand in proportion if their facilities permitted and new firms might have been expected to establish themselves in business. In fact, such expansion or establishment of new firms might have been a cause of the increase in landings. Consequently, even though these changes occurred concurrently with the establishment of price ceilings, they are not necessarily associated. This general increase, plus the seasonal changes in species and the greater preferences of some concerns for certain species, makes necessary the discussion of changes on a yearly basis and obscures any short time effects which price ceilings may have had.

Fig 2

INCREASE IN GLOUCESTER LANDINGS GOES TO NEW AND SMALL FIRMS

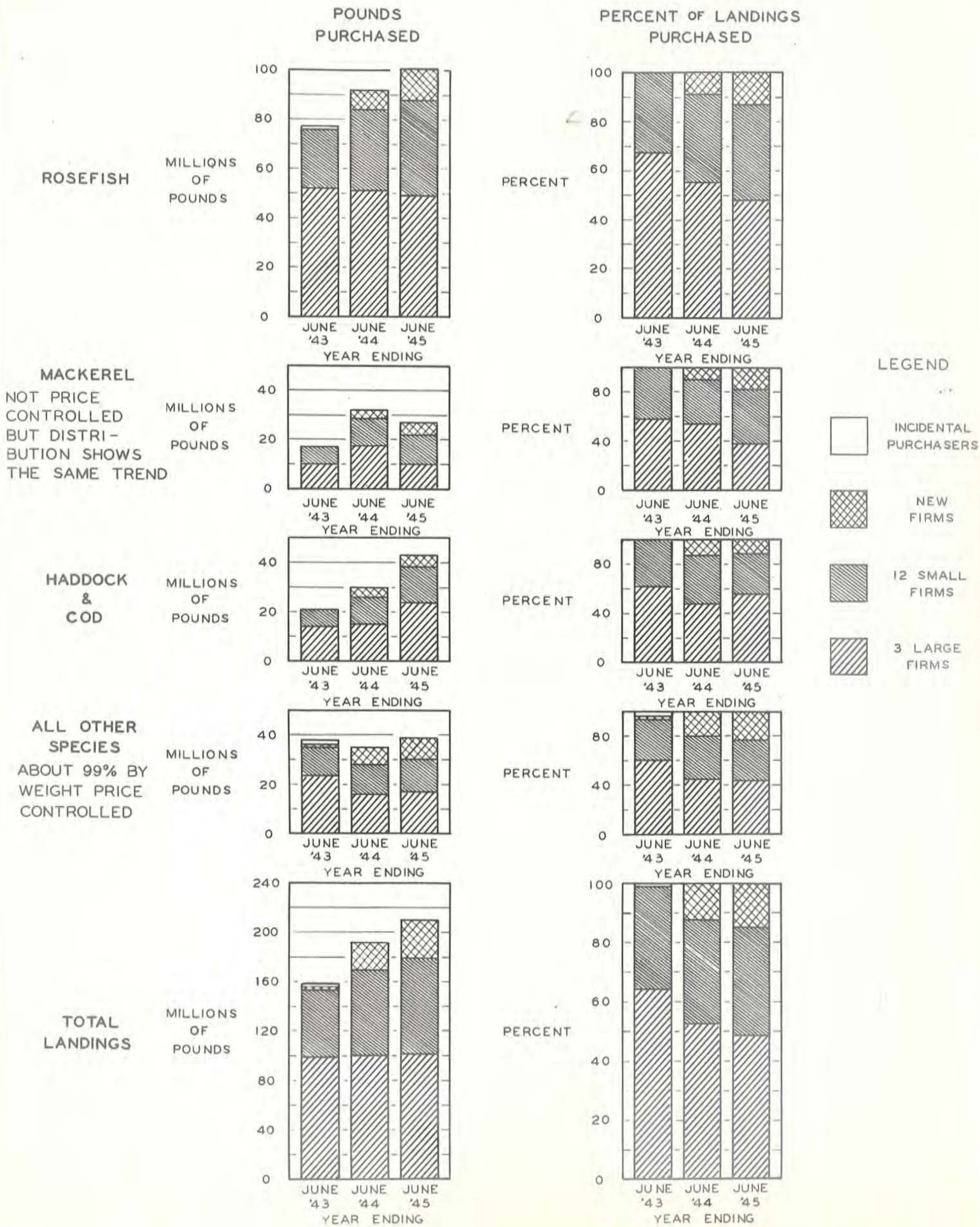


Figure 2 presents the data on purchases of fish by groups of

FIGURE 2.—Increase in Gloucester landings goes to new and small firms.

firms during the year before and the 2 years following the establishment of price ceilings. The firms steadily in business during these 3 years (old firms) have been separated from the new firms; and the "old firms" have been divided into large and small. The large firms include all of those which bought more than 10 percent of the landings during the year before price ceilings. The principal phenomenon apparent in this analysis was the constant quantity purchased by the 3 large firms but the overall increase in landings at the port caused their percentage to decline. The 12 small firms increased their poundage purchased in about the same proportion as the landings increased. The new firms grew considerably but their growth came out of the increase in landings and not at the expense of older firms. It is significant to note that the purchases of the several important species analyzed separately show very similar changes. Purchases of mackerel, a non-price controlled species, show a trend very similar to the purchases of price controlled species.

An important change in distribution of whiting, attributed to price ceilings, is not brought out in the above analysis. Data were not available on purchases at Gloucester for July to September 1944 or for July 1943. (The purchases for the year July 1944 to June 1945 were estimated from the remaining 9 months' data.) This is the season during which most of the whiting are landed and comparisons based on other seasons might be misleading. However, testimony presented at the hearings of the House Committee on Merchant Marine and Fisheries indicated that 2 firms, which together handled 7,250,877 pounds of whiting in 1942, were able to purchase only 1,219,117 pounds in 1943 because the balance of the landings was taken by alleged black-market operators.

No evidence is available which indicates that any firms in Gloucester were forced out of business because of price ceilings. Two firms ceased operations during the year before price ceilings went into effect and two others operated only a few months during the period of price control. No firm established before price ceilings went out of business afterwards. All Gloucester firms purchased a greater poundage of fish during the first 6 months of 1945 than they did in the corresponding period in 1943 (before ceilings) with but three exceptions. These three exceptions include one firm which normally suspends operations during the spring months and another which purchased mostly species not covered by price ceilings. The purchases of the remaining firm had declined steadily since price ceilings were established. No information is available on factors which may have been responsible for its decline.

DISTRIBUTION BEFORE AND UNDER PRICE CEILINGS IN THE PORT OF NEW BEDFORD

Flounders and sea scallops have provided the basis for the principal fisheries of New Bedford for the past decade. During the early 1930's, the blackback flounder made up the bulk of the flounder catch but, after 1937, the increasing market for flounders and relative scarcity of blackbacks caused a rapid increase in the catch of yellowtail flounder, until in 1942 the latter made up about 60 percent of the landings at New Bedford (table 1). After 1942, the abundance of the yellowtail stocks declined and the vessels which were large enough to fish for haddock and cod shifted to that fishery. The flounder landings continued to decline in 1944 and 1945 and haddock became the principal fishery. In addition to this shift to haddock and cod, several other species have been landed in recent years in greater quantities than ever before. In 1945 important quantities of scup, red hake, lemon sole, and fluke were landed, and in 1943 and 1944 large quantities of ocean pout were handled.

Landings throughout the year fluctuate moderately, usually with a peak in May and a low point in February (table 10). Most of the mackerel are landed in May, June, and November. The principal yellowtail months are in late summer and January. Blackbacks are most abundant in May and June. Haddock are landed through the summer and fall, and cod mostly in spring, late summer, and fall.

TABLE 10.--Landings at New Bedford by quarters (in thousands of pounds)

Species	1942		1943				1944				1945	
	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd
Yellowtail	12,155	9,435	8,470	4,044	9,906	3,058	8,166	1,323	3,955	910	4,244	489
Sea Scallops	2,106	937	554	1,397	1,424	456	382	1,170	1,552	904	509	1,183
Blackbacks	1,137	954	192	3,523	1,428	1,565	305	4,463	2,915	1,170	381	2,140
Haddock	1,594	1,341	684	2,939	3,091	1,211	1,525	9,617	6,751	4,573	3,928	10,459
Mackerel	193	723	-	4,279	98	1,953	-	4,994	564	638	-	7,276
Cod	751	1,477	673	1,354	1,663	2,125	1,714	2,453	1,973	2,070	2,356	2,296
Eel Pout	-	-	1,386	1,794	-	2	2,906	318	-	1	430	7
Lemon sole	97	101	147	357	347	385	261	1,692	765	987	540	2,571
Red Hake	-	-	-	-	-	525	5	1,915	-	4	1	2,574
Other	303	232	150	259	322	403	170	847	822	155	1,318	2,840
Total	18,336	15,200	12,256	19,946	18,279	11,683	15,434	28,792	19,297	11,412	13,707	31,835

Prior to price ceilings, there was a considerable fluctuation in the landings throughout the week. It has been the custom for some time in New Bedford to ship fish to New York on Sunday evening for the Monday morning market, and Sunday usually brought the best prices. Other good days were Monday and Tuesday, while the slackest were Thursday and Friday. Under price ceilings, there appears to have been a tendency for the weekly cycle to level out with landings about the same on Monday, Wednesday, Thursday, and Friday, and smaller landings on Sunday, Tuesday, and Saturday (figure 1). This was the result of the uniform prices received by the fishermen because of price ceilings, regardless of the day landed.

For many years the port of New Bedford was merely a shipping point for fish destined for Boston and New York. The fish were landed at New Bedford and either sold there or shipped on consignment to the market. With the increase in popularity of yellowtail and the development of yellowtail filleting, fillet plants started operation in New Bedford in 1939. This fish processing business has grown rapidly until, at the end of 1945, there were 18 fillet plants in operation.

Prior to fresh fish price ceilings, which had become effective on July 13, 1943, it had been customary to purchase fish at a public auction. Sales were made to the highest bidder. Some buyers specialized in scallops or mackerel or flounders and would ordinarily buy the catches of the vessels landing these species. Only a very few vessels were owned by buyers in the New Bedford market and fish landed by these vessels was frequently purchased by other dealers when they offered higher prices than the boat owner.

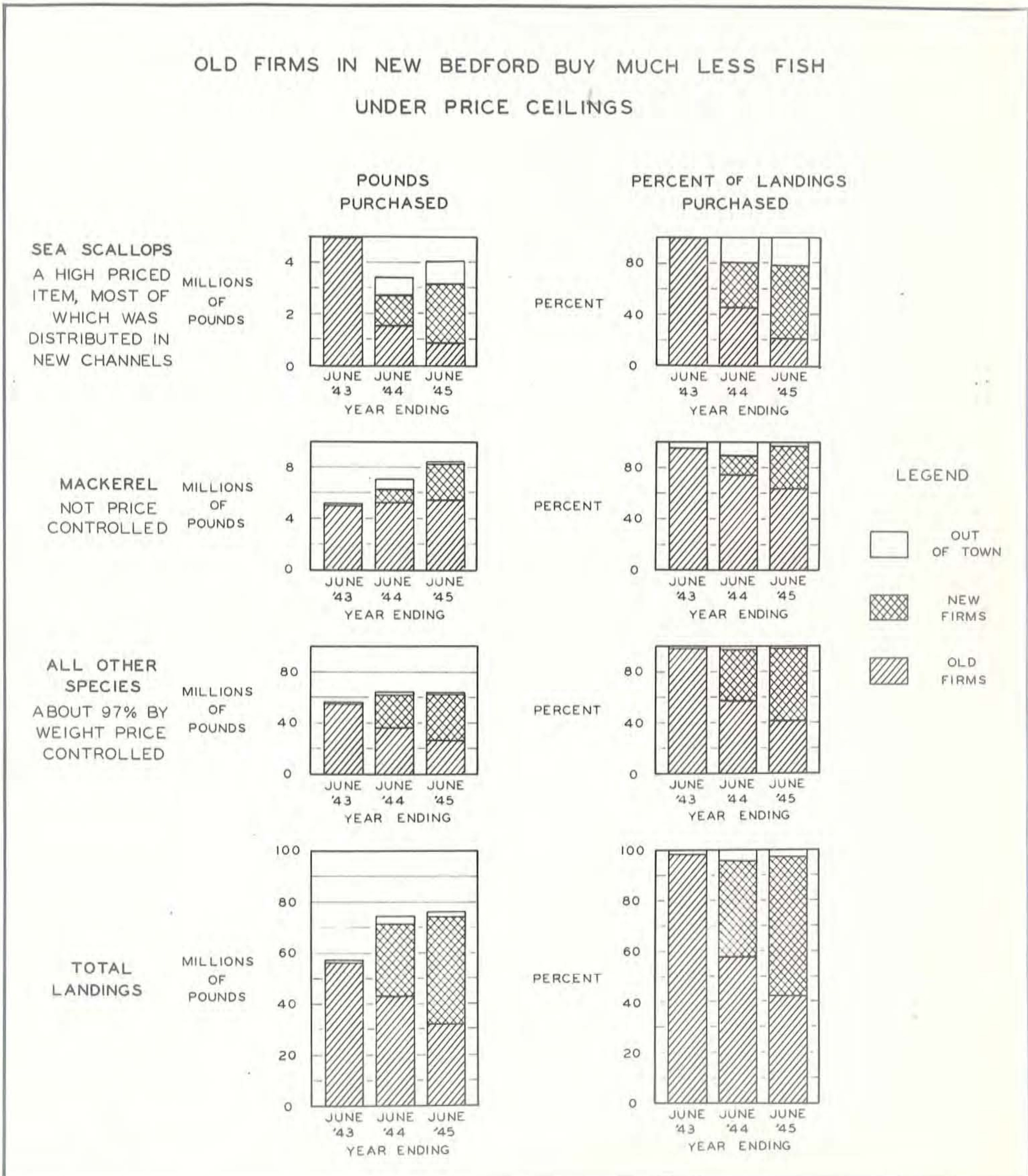
For a few months after price ceilings became effective, fish continued in approximately normal channels. This was accomplished partly as a result of a voluntary allocation plan worked out with the assistance of the local representatives of the Office of the Coordinator of Fisheries. Allocation was based on the percentage of each important species of fish purchased by each dealer during the 12 months prior to ceilings. This plan functioned for about 2 months when a hearing was called by the Office of the Coordinator of Fisheries to consider the official establishment of allocation based on this plan or some other preferred basis. Intense opposition from fishermen, prospective new fish buyers, and the City of New Bedford resulted in the decision not to allocate fish at New Bedford.

Dealers and fishermen soon discovered inadequacies in the price ceiling regulations. The first such flaw was the disparity between the fishermen's price for fresh sea scallops and the wholesaler's price for frozen scallops. An abnormally high markup was allowed. This provided an incentive for vessel owners to bypass their customary wholesalers and become wholesalers and processors themselves in order to obtain the additional markup. Another loophole developed because of the prices allowed on commission sales. New Bedford fishermen soon found that they could receive two and three cents more for their fish by selling it through commission dealers in New York City. This practice was immediately adopted and followed for a few weeks until prohibited by Amendment 3 to MPR 418.

It was shown previously in the section on price ceilings that the price control regulations allowed a big increase in profits in handling fish and provided a tremendous incentive to get into the fish handling business. Several individuals who had extensive financial interests in fishing vessels began organizing companies to buy and sell fish at the wholesale level. The three most successful of these companies included many owners of fishing vessels as share-holders. During the fall of 1943 these companies were engaged in organizing and in construction of fish handling facilities. By January 1, 1944, most of them were able to handle large quantities of fish. After this transition period in the fall of 1943, the distribution of fish became more stabilized (figure 3).

FIGURE 3.—Old firms in New Bedford buy much less fish under price ceilings.

Fig. 3


OLD FIRMS IN NEW BEDFORD BUY MUCH LESS FISH
UNDER PRICE CEILINGS
POUNDS PURCHASED
PERCENT OF LANDINGS PURCHASED
SEA SCALLOPS
A HIGH PRICED ITEM, MOST OF WHICH WAS DISTRIBUTED IN NEW CHANNELS
MACKEREL
NOT PRICE CONTROLLED
ALL OTHER SPECIES
ABOUT 97% BY WEIGHT PRICE CONTROLLED
TOTAL LANDINGS
MILLIONS OF POUNDS
PERCENT
JUNE '43
JUNE '44
JUNE '45
YEAR ENDING
LEGEND
OUT OF TOWN
NEW FIRMS
OLD FIRMS

The effect of price ceilings on the distribution of finny fish is somewhat obscured because of the expansion of New Bedford landings and a shift from the flounder fishery to a haddock and cod fishery. This change made it seem undesirable to separate these species in the analysis of distribution. Instead, all otter-trawl-caught fish have been grouped together and separate analyses made for the landings of mackerel and sea scallops.

As more new firms started operations in New Bedford, the amount of fish the old firms purchased decreased, not only in proportion of total landings but also in actual poundage, in spite of the rapid increase in total New Bedford landings (figure 3). The old firms, large and small, decreased their purchases in about the same proportion. The total quantity of fish handled by the old firms dropped from 64,575,000 pounds during the year before price ceilings to 42,702,000 pounds the next year, and 32,168,000 pounds the second year following.

The diversion was greatest in the case of sea scallops, a luxury item in great demand by hotels and restaurants faced with a meat shortage. Not only did new local firms buy much of the scallops after price ceilings, but large quantities were shipped out to receivers in other cities. The proportion handled by the six old firms dropped from 98 percent in the year before price ceilings to 45 percent the next year, and 21 percent the year following, with only a small decline in the landings of this species in the port as a whole.

The old firms purchased about the same quantity of mackerel, the only important non-price ceiling species, in each of the three years studied. However, their percentage of the total declined because of the increasing quantity landed.

One of the most important reasons for this selective diversion of fish appears to have been the black market. Rumors of flagrant black markets, especially in sea scallops, were current in New Bedford following the establishment of price ceilings. Several people were indicted because of black-market dealings which principally involved scallops. O.P.A. was able to do little to cope with this situation. Rumors of flagrant black markets existed continuously until price ceilings were suspended in May 1946.

In the summer of 1944 the New Bedford Fillet Dealers' Association was sufficiently disturbed by the black-market situation to send a public letter to all of the primary fish wholesalers which appeared in the New Bedford Standard Times of September 5.

"At a meeting of the New Bedford Fillet Dealers' Association, it was agreed that no member of the association will pay more than ceiling price for any of the fish purchased. It was unanimously agreed that each and every member of the association would use every means and effort at his command even to testify to any facts of which they may have knowledge of any OPA violations." One unidentified filleter made the further comment "even the black-market prices were getting beyond all decency". Direct evidence of the effect of the black market on distribution was presented by Robert P. Fletcher, Jr., President of the Booth Fisheries Corporation, Chicago, Illinois, at the hearings before the Subcommittee on Fisheries of the Committee on Merchant Marine and Fisheries of the House of Representatives in April, May, and June, 1944. Mr. Fletcher stated that his firm formerly had distributed 300,000 to 400,000 pounds of scallops a year but under price ceilings, had been unable to buy a pound. He further estimated that nearly 100 percent of the scallops were going in the black market and "... in every respect there are considerable black markets in every species of fish. ..."

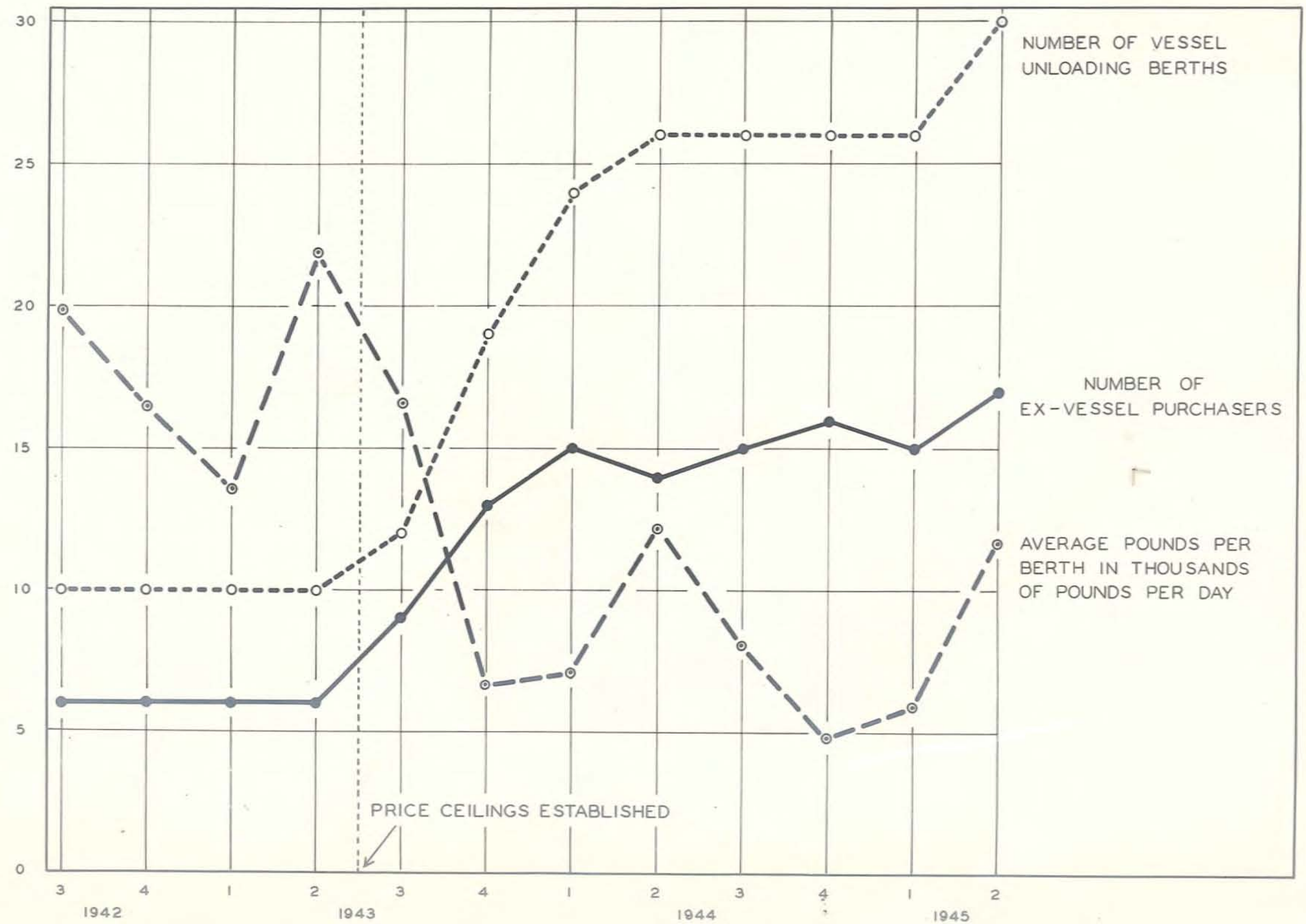
The necessity of controlling vessels in order to insure a supply of fish forced all firms, old and new, to buy vessels or otherwise control them. During 1945 nearly every vessel landing ceiling-priced fish in New Bedford sold to the same dealer trip after trip. In most cases this meant that the dealer had obtained ownership or partnership or made some kind of an agreement with the owner to guarantee regular delivery of fish to his wharf. An inevitable result of this desire to control vessels was inflation of the value of vessels. Numerous instances were brought to the attention of the author in which vessels were sold for double or triple their pre-war value after price controls were established on fish.

One of the results of this increased incentive for wholesaling and processing of fish was the abnormal expansion in packing and processing plants requiring the use of critical labor and materials. It was claimed frequently in 1942 and 1943 that New Bedford had an inadequate capacity to handle the fish which were being landed. However, a study made by the Office of Coordinator of Fisheries during the spring months of heaviest landings in 1943 showed that less than 3 percent of the vessels were being unduly delayed in unloading. Doubtless some increase in facilities was necessary to handle the increasing volume of landings but tripling of the unloading facilities (figure 4) certainly was not necessary to meet the needs

FIGURE 4.--Fish handling facilities at New Bedford expanded greatly under price controls.

Fig. 4

FISH HANDLING FACILITIES AT NEW BEDFORD EXPANDED GREATLY UNDER PRICE CONTROLS



of fish production. Despite the increase in landings, the average landings per berth per day decreased from the peak of 21,900 pounds in the second quarter of 1943 to 12,200 pounds in the second quarter of 1944, and to 11,700 pounds in the second quarter of 1945. The number of vessel berths, each of which required construction materials and labor to build or repair and labor to operate, increased from 10 to 30 or 200 percent, while landings during the quarter of the year showing heaviest catches increased 59 percent.

Despite the reduction of volume of fish handled by some of the primary wholesalers, no firm in business before price ceilings went out of business while they were in effect. One firm suspended operations for several months until boats could be obtained to insure a supply of fish but then resumed operations. The increase in profits resulting from increasing the primary wholesaler's margin from about a half-cent to two cents (see page 11) permitted operations to continue even with a drastically reduced volume. However, some new concerns went out of business. Two, which were organized shortly after price ceilings went into effect, expediently suspended operations when the operators became partners in other new companies. Another, which had constructed shore facilities in the fall of 1943 but which had been unable to purchase much fish, sold out to a competitor.

SUMMARY AND CONCLUSIONS

Fishing vessels landing at the ports of Boston, Gloucester, and New Bedford usually sold their catches to the highest bidder prior to the establishment of price control. Catches of the vessels owned or controlled by fish wholesalers were purchased by other dealers whenever they offered a higher price than that bid by the boat owner.

The margins allowed by O.P.A. for primary wholesalers in most cases were larger than the average margins previously existing under free competition, and with the demand for fish, it was almost always possible to obtain the maximum markup. This made the business very attractive. Success was assured if an adequate supply of fish could be secured; consequently, many dealers became vessel owners and in New Bedford, at least, vessel owners became dealers. In Boston, the large firms controlling vessels were able to very substantially increase their volume of business at the expense of other firms since no other dealer could outbid them as long as the owner paid the ceiling price. It was general practice for the boat owner to take the entire trip at ceiling price, then share a part of it with other dealers at ex-vessel prices, wholesaler prices, or on the basis of other arrangements. In New Bedford, the new firms formed by and of vessel owners handled such large quantities of fish that the volume handled by the old firms was decreased about 50 percent, despite the increase in landings at that port amounting to 60 percent. In Gloucester, the increase in landings amounting to over 50,000,000 pounds went to small old firms and new firms (also small), while the larger firms maintained the volume of fish they handled before controlled prices.

The profits possible in the fish wholesaling business under price control induced many new firms to start in business at New Bedford, and to construct during a period of critical material and labor shortages more fish unloading facilities than were needed to handle the fish.

Despite the changes in distribution and the large reductions in volume experienced by some firms, no evidence was found to indicate that any firm had gone out of business because of price ceilings. The price control regulations permitted markups which maintained profits in spite of reduced volume.

Black markets were rumored to exist in all the ports. Many people testifying at the hearing of the Committee on the Merchant Marine and Fisheries of the House of Representatives in April, May, and June, 1944, complained of the black market and the lack of enforcement. Numerous convictions were obtained but most observers felt that an extremely small proportion of the violations were punished. The principal changes in distribution alleged to have been caused by black markets, occurred in the landings of whiting at Gloucester and sea scallops at New Bedford. The New England members of the National Consultants of OCF, after their February 1944 meeting, included the following statements in their official report (unpublished):

"It is the opinion of the committee that the most serious problems affecting the functioning of the fishery industry during 1944 will be price ceilings and their effect on the production, processing, and marketing of fish. With the exception of the herring fishery, where price ceilings appear to be effective , at least at the production level, the committee is agreed that black markets are accounting for a large share of the catch at the producer as well as at higher levels. It is estimated that about one-third of the fish landed at Gloucester, a considerable share of that landed at Boston, and the major proportion of that landed at New Bedford, is affected to a greater or lesser extent by black market operations in the form of outright violations or evasions. So far, the efforts to enforce price ceiling regulations have not been effective, and their effect in curtailing black market operations appears to be negligible.

"In addition to creating extensive black markets, price ceiling regulations have resulted in extensive disturbances and disruptions to production, due to labor disputes and uncertainties in production planning. Labor disturbances alone resulted in the loss of about 28 million pounds in 1943 and 11 million pounds so far in 1944."

Market conditions existing before price ceilings stimulated producers to land more fish during the early part of the week. Much of this fish was to be processed and sold on Friday. With the establishment of price control, the landings during the days of the week tended to level off. Inasmuch as the best fresh fish market at wholesale levels was still early in the week, the increased landings on Thursday, Friday, and Saturday probably caused a greater strain on the scarce cold storage facilities, or a longer carry-over of fresh fish to the following week, with resulting deterioration in quality.

The maximum price regulations were extremely complicated. They were determined by numerous conferences between government officials and members of the industry and by a study of price relationships requiring several months. Presumably, the government put forth the best effort possible under wartime conditions to learn the price structure of the industry. In addition, a margin established for a group of wholesalers engaged in different types of business: i.e., quality fish, medium grades, etc., as was done in the fishing industry, must be large enough to cover the one with the highest costs and, thus, must be higher than the average. On the average, then, the profits of wholesalers will increase. Therefore, the conclusion would seem warranted that it is impossible to impose price ceiling regulations on the fishing industry, under such conditions, without causing considerable changes in the normal price margins, and this will cause change in the distribution of the commodity when supply is short of demand. Possibly this observation will apply equally well to all other commodities which are ordinarily sold under conditions of free competition when the price ceiling is considerably below the price which consumers are willing to pay.