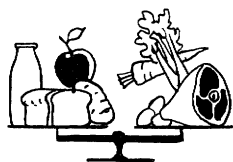


The Federal Trade Commission

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AT a free dinner for a ladies' club, which was staged by a demonstrator on behalf of a large distributor of stainless-steel cookware, the salesman held up an aluminum cooking utensil and sternly warned his audience that the use of aluminum utensils would result in cancer and other illness.

Aluminum is a porous metal, he maintained, and when food is cooked in it, some food is retained in the pores and becomes poisonous.

This is one type of sales trickery the Federal Trade Commission is greatly concerned with and is trying to eliminate from the food industry.

Aluminum is not a porous metal in the sense that some of the food cooked in it will be retained, and food so cooked will not become poisonous or cause illness.

As a result of these false claims, the Federal Trade Commission instituted proceedings against this distributor, which resulted in an order that stopped the use of these scare-selling techniques.

In the advertising and marketing of food, the Federal Trade Commission

plays a part as important as it is inconspicuous.

To most people, the Commission is little known, and its work remote from the subject of nutrition. Producers, wholesalers, and distributors of food and retail outlets are under no such illusion, however. They are quite aware of the Commission's power to promote free and fair competition as it applies to the food industry.

One of the Commission's principal concerns here is to assure that prices will not be discriminatory at any point in the line of distribution from manufacturer to retailer. Under authority of the Clayton Act, as amended by the Robinson-Patman Act, the Commission moves against monopolistic practices that threaten the free and fair play of the forces that give consumers a fair competitive price for food.

The Commission also is empowered to move against false and misleading acts and practices in commerce. While its own jurisdiction is generally limited to businesses that advertise and sell in interstate commerce, the Commission works closely with State and local or-

ganizations, such as better business bureaus and chambers of commerce, to suppress improper business methods. This teamwork has been effective.

The fact that the Commission's actions are directed at sellers usually one or two steps removed from the ultimate consumer belies the effect they have on him. To pay an exorbitant price for a pound of coffee, for example, is a consumer problem, whether the high price is set by the corner grocery store or by the wholesaler supplier or, indeed, the actual producer of the coffee.

Because the local grocer is likely to be engaged only in intrastate commerce, the Commission's actions are rarely directed against him. They are directed instead against illegal restraints in the interstate supply line and extend to those who supply raw material to the manufacturers.

For example, a few years ago the price of coffee spiraled to an unprecedented point, and the Commission investigated. After an economic study, which led all the way back to the producing regions of Central and South America, the Commission found that a major cause of the abnormal price was a restrictive contract used by the New York Coffee and Sugar Exchange. The Commission ordered the contract broadened to permit wider trading in coffee for future delivery. As a consequence, the price of coffee could be reduced sharply by local grocery stores. The ultimate consumer knew not of the Federal Trade Commission, but he knew that once again coffee was obtainable at a more reasonable price.

More commonplace are the Commission's actions to maintain competition when it is threatened by monopolistic practices.

Particularly important are actions to prevent giants in the food industry from driving out competition by such illegal means as discriminatory pricing. A number of actions in 1958 were aimed at the practice whereby certain suppliers gave their biggest customers

favorable prices, directly or indirectly, for food products, and so enabled them to undersell their competitors and force them out of business. With competition gone, the favored stores could set whatever price the traffic would bear.

Such illegal discrimination often takes indirect forms, such as the granting of illegal brokerage, which puts buyers not so favored at a competitive disadvantage that could lead eventually to their elimination as competitors.

Still another and an equally grave threat to competition in the food field are illegal mergers, the effect of which is to deprive the ultimate consumer of competitive prices and products.

An example: The Commission has been moving against alleged illegal mergers in the dairy and flour businesses. The dairy mergers challenged are those in which large, national dairies have been buying small local competitors, with the result that milk producers are deprived of as wide a market for their milk as existed formerly and retail outlets are denied the advantage of being able to buy from competing sellers.

The Commission has challenged the purchase of an important manufacturer of dried food seasonings by one of the country's principal food processors and chain retailers. The Commission charged that this merger would deprive many food suppliers of the competitive market formerly available to them.

Of more direct impact on the consumer are the Commission's actions against false and misleading advertising of food products. The Commission has brought actions to stop manufacturers of food supplements, particularly vitamins, from misrepresenting that their products are more nutritious than rival products. In addition, these actions have challenged claims that the vitamins provide wider and greater benefits than they do. The Commission has been halting false claims that the vitamin preparations are "cures" for a number of human

ailments. Not only have these advertisements enumerated a fictitious number of ailments for which the vitamins are of benefit but they also impute to them greater effect than is the fact. In one case, for example, the Commission challenged the claim that "red blood can all be yours with just one tablet daily." The Commission's complaint said the tablets have no value for reddening blood or anything else.

The Commission's work in the field of false advertising also is apparent in actions taken to prevent the sale of oleomargarine as butter. Acting in the belief that a purchaser is entitled to know what he is buying, the Commission has challenged direct misrepresentations of oleomargarine as butter and also advertising that suggests that it is. Typical of the latter are cases in which oleomargarine was advertised under names suggestive of butter or phrases having to do with dairy products, such as "country-fresh" and "richer in milk minerals than most expensive spreads."

Not only in food products themselves does the Commission cock a wary eye at false nutrition claims.

It takes action to stop false advertising of cooking utensils by sellers who make unjustified claims for their own products and falsely disparage competing utensils. It seems to make little difference what the cooking utensils are made of, according to recent cases challenged by the Commission. A maker of stainless-steel utensils was charged with promising that his product would assure good health while aluminum ware would cause food to become tainted. A maker of aluminum ware had advertised the reverse of this.

Still another manufacturer touted his cookers by advertising that boiling food causes nutritional deficiencies leading to heart disease, arthritis, kidney trouble, and diabetes.

The Commission issued orders requiring the firms truthfully to represent their own products and to stop falsely disparaging others.

Besides taking action against individual food companies, the Commission began a broad-scale economic investigation of competitive methods and practices used in marketing food. Here the purpose was not to single out violators of the law but to shed light on developments that affect competition among food sellers. The period chosen for the study was 1948-1958.

Questionnaires were sent to more than 1 thousand food sellers, including food chains, voluntary groups of wholesale grocers, and retailer-owned food distributing groups. The Commission sought to find out just how much concentration has taken place and its pattern. Have the chain stores been growing faster than independent stores which have banded together into cooperative groups for the purpose of cooperative advertising, purchasing, warehousing, and other activities? The answer to this and many other questions would give an idea of the concentration trend and how competitive free enterprise in the food industry might best be preserved.

Another broad-scale effort by the Commission was aimed at price trickery in retail sales, including food products. This campaign, launched in October 1958, would put a stop to the advertising of a product as being reduced from a "regular" price at which it never had sold, thus making the actual selling price appear to be a bargain. The Commission holds this to be a deception of the buyer—who is entitled not to be lied to in forming a judgment on whether the price he pays is advantageous to him. This fight against fictitious pricing was supported by better business bureaus and other groups devoted to honest business, with the result that by early 1959 in many areas of the country housewives could again believe that a marked-down price really was a genuine reduction.

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