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Grades and standards. Farm products

THE PURPOSE AND DEVELOPMENT OF FEDERAL
STANDARDS FOR CERTIFICATION OF FARM
PRODUCTS IN THE UNITED STATES

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IF FEDERAL standards coupled with official certification of grade are to become generally used in agricultural marketing, the members of the trade must be convinced that such standards are practicable and that they can be used to advantage by those engaged in moving the products from the farm to the central markets. We live in a commercial age and anything new must pass the acid test of proving itself an aid to commercial life.

Agriculture has grown from a very simple type of business into a great complicated commercial organization or groups of such organizations. At no great time back, producer and consumer were closely associated—relationships and contacts were personal. Today, we produce crops where soil and climate are best adapted, forgetting almost entirely for the moment, who the consumer may be or where he may live. This great fundamental change, brought about by rapid transportation and improved methods of communication, accounts in a large way for many of our agricultural problems and likewise explains many of the changes we find in methods of marketing.

When the farmer took his own products to market and sold them direct to the housewife, there was little need for a standard basket or barrel, or for grades established by law or promulgated by any governmental agency. The housewife used her own judgment and there existed the personal relationship between producer and consumer. No such condition exists today, however, between the grapefruit producer in Florida and the buyer of a single fruit in a store in Chicago. Sixty thousand carloads of grapes are grown each season in California but no grower there has made delivery direct to a consumer. There exists no longer the old personal contact between the farmer and the consumer of the products from his fields.

When production reached a point where cars were being loaded at outlying points, more or less distant from the markets, the consignment method of selling grew in popularity. Here the buyer and the product were brought together by sending the commodity

to the buyer. A certain uniformity of the pack was needed for good results but still there was no great demand for established grades since the buyer always had the opportunity of examining the products personally.

A later development was for the buyer to journey to the point of production and there inspect the carloads personally and make his purchases on the basis of the quality he found. Again the buyer and the commodity were brought together, but the expense involved was constantly increasing.

As time went along, however, the advantages of a standardized commodity were recognized. Retailing establishments covering a wide territory were buying in large quantities and needed uniformity in their commodities. Large distributing agencies were handling thousands of cars, distributing them in many markets, all of which tended to force better standards for agricultural commodities.

Finally, as standardization continued to improve, buying and selling was done more and more by telegraphic service and a common language between buyer and seller was needed. It would be impossible to describe accurately over a wire service the exact quantity and condition of each car of produce, and the necessity of having well established and thoroughly understood grades in the agricultural marketing field became apparent.

With the need for grades established, the next consideration is as to how and by whom such grades shall be made. The past twenty years have demonstrated that, with our agricultural commodities scattered so widely and with the flow of goods between states of paramount importance, the logical place for standardization work to head up is with the Federal Department of Agriculture.

Naturally, there has been a great amount of skepticism on the part of many in the trade as to whether civil service employes in the Department of Agriculture were sufficiently acquainted with trade practices to develop satisfactory standards on which millions of dollars of merchandising could be done. With each year of work, however, more confidence has been established and a greater use has been made of grades established on a voluntary basis.

With but few exceptions, the trade now recognizes the value of a uniform grade for farm products. Quite generally also, the soundness and practicability of grades established by the Federal

Department of Agriculture are admitted. There are, however, some wide differences of opinion on the part of the trade as to whether the government should force mandatory standardization upon any agricultural commodity group or whether better standardization should be the outgrowth of education.

This really brings us to a discussion of the second part of the topic assigned, namely standardization for the purpose of certification. Certification of grade and condition of any commodity by the Federal Department of Agriculture represents a type of service which has grown in popularity greatly during the past ten years. It is destined to become an ever increasing service in American agriculture.

The process is simple and the method fits into our modern ideas of doing business. After careful research by trained men, tentative grades for any agricultural commodity are published. Public hearings are held throughout the districts where the particular commodity is an important one. Producers and members of the trade are given an opportunity to express their ideas regarding the tentative grades. More research work may be required; the grade specifications may need rewriting. Finally, however, the Federal Department of Agriculture issues a set of tentative grades, not mandatory in any way, but simply official grades promulgated by the Secretary of Agriculture of the United States for those who desire to use them on a voluntary basis. These grades are supplemented and greatly strengthened in the case of numerous commodities through an act of Congress which permits officials of the Federal Department of Agriculture to inspect a carload of produce on the basis of the grades already promulgated and to issue a certificate which, by law, is made *prima facie* evidence as to the quality at the time of inspection.

Under this method, the apple shipper in the Pacific Northwest can issue quotations on the basis of government grades providing for an inspection certificate to accompany the bill of lading and, with buyer and seller both understanding the grade specifications and with a disinterested public official making the inspection, both are guaranteed a square deal and thus business is greatly facilitated.

The inspection and certification constitute a well defined service which is paid for by the party requesting the service. The tax payer is not compelled to pay the expense of a service which is

maintained chiefly in the interest of a few. The growth of this kind of service during the years since it has been available indicates the confidence the trade has in it. Let it be said in honor to the men in the public service, that the complaints against the honesty or integrity of inspectors have been almost nil. Let me emphasize again that this kind of standardization work is entirely voluntary. In the opinion of the writer, this type of service should always precede any attempt at making grades that are mandatory.

The discussion, so far, refers chiefly to a class of business that we consider as spot or cash business. It is the common merchandising business of moving the commodity from point of origin to consuming markets or, in some cases, to cold storage plants in cases where the buyer chooses to purchase at harvesting time, a surplus to be used at later periods. We now come to consider the more advanced type of marketing known as future trading.

The foundation of future trading and all futures contracts rests on thoroughly understood and accepted grade terms. In all commodity exchanges where future trading has been conducted in an organized way, the exchanges have at first determined their own bases for such trading. Likewise, the inspections have been performed by employes of these exchanges. The importance of a set of standards has always been recognized. At times, however, it has been difficult to carry out an inspection system without bias or without undue influence being exerted by traders who were vitally interested in a market position.

Standards set by the Federal Department of Agriculture have, therefore, been quite generally used as the basis for future trading. Some standards, such as those for cotton, have been imposed by legislation for exclusive use on the commodity exchange with the officials of the Federal Department of Agriculture charged with the responsibility of passing upon the commodity as to whether good delivery has been made by the seller.

With other commodities, the government standards play a very important part even though the standards are not set up on a compulsory basis. The extensive future trading in grain is all carried out with standards based upon government work. Butter standards for future trading on the Chicago Mercantile Exchange are, for all practical purposes, the official governmental standards and the time will doubtless come when the certificates issued by the

Bureau of Agricultural Economics will be the basis for the Exchange certificates for all deliveries.

It can, therefore, be seen that great progress has been made in the past twelve or fifteen years in developing federal standards for agricultural products and in securing a very general adoption of such grades by the trade. Millions of dollars of produce are bought and sold annually with the buyer depending entirely upon an official inspection certificate as his guide. This means increased efficiency in marketing. Loss of time and travel expense are avoided by this more direct and business-like method of merchandising farm commodities.

With an ever increasing development of large-scale organizations in the field of marketing this increased use of federal standards makes it possible to direct the distribution of many crops much more effectively, and each city is able to secure its particular needs more efficiently. After all, the great problem in distribution lies in taking the products from the farms and packing houses and placing them as to time and condition where the consumer wants them and is willing to pay for them. Uniformity in standards facilitates this great task. The federal government is the one agency to which we should look for taking an aggressive position in advancing the cause of better standards. They have done a good work so far and with the support and cooperation of the trade, still greater progress can be expected in the future.