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1977 Food–Agricultural Policy Issues

The Agriculture and Consumer Protection Act of 1973 will expire with 1977. This means the new Congress must either enact legislation this year or extend the 1973 Act. It also means a number of important policy issues will be debated and decided in 1977. Some of the debate will focus directly on provisions of the 1973 Act, but other topics important to farmers and consumers such as foreign trade, transportation, market orders, cooperatives, and food stamps will also receive attention.

In this Minnesota Agricultural Economist, staff members of the Department of Agricultural and Applied Economics attempt to anticipate the focus of this policy debate and review some of the important issues.

The article by W.W. Cochrane and M.E. Ryan backgrounds and analyzes farm and food policy issues. Then they outline their policy recommendations for the period of the late 1970's and 1980's.

The important issues in the critical foreign trade area are outlined by James P. Houck who calls attention to four major trade policy areas likely to occupy public attention.

Benjamin Sexauer's article on the Food Stamp Program gets at fundamental questions on this program of national interest.

The nitty-gritty of farm programs such as target prices, loan rates, and disaster assistance is discussed by Willis E. Anthony and Martin Christiansen. Features of past programs are likely to appear in future programs.

The issue of Lock and Dam 26 at Alton, Illinois is outside traditional agricultural policy but vitally important to Minnesota and the Upper Midwest. Michael Martin and Reynold Dahl describe the controversy.

Finally, in recent years, such long-standing agricultural institutions as farm cooperatives, market orders, and the Capper-Volstead Act have been attacked. Jerome Hammond and Dale Dahl set the scene, identify the players, and describe the action in this ongoing public policy drama.

Further background information on 1977 agricultural and food legislation is available. For a copy, write to Martin Christiansen, Extension Economist, Room 217 Classroom Office Building, University of Minnesota, St. Paul, MN. 55108.

Some Guidelines for Future Food and Agricultural Policy

W. W. Cochrane and M. E. Ryan

The expiration of the Agriculture and Consumer Protection Act of 1973 provides an opportunity to reexamine the nation's farm and food policies.

Background

In recent years, farmers and consumers have expressed concern over widely fluctuating farm and food prices. Consumers are concerned when food supplies are short and food prices are high, as in 1973-74. Farmers' concern comes when supplies of agricultural products are abundant and farm prices are low or falling.

Reconciling these opposing economic interests of consumers and producers in effective and rational food and agricultural policy will not be easy. When producers are seeking price stability, consumers will be happy to see prices slide. When consumers are seeking price stability producers will be happy to see prices soar. Yet an effective and rational integration of food and agricultural policies is needed to keep (1) food supplies flowing to U.S. consumers at stable prices and in the right amounts, and (2) economic returns flowing to U.S. producers in stable and acceptable amounts. In the past decade the food aspects of farm policy have gained importance and will increase in importance, perhaps even dominating food and agricultural policy by 1980. The essentially urban U.S. society will pursue policies designed to provide adequate food supplies at as favorable a cost as possible—whether as consumers or taxpayers.

In the 1970's, a new, highly uncertain but crucial element has entered the U.S. food and agriculture scene—the global market. Nations of the world are becoming increasingly interdependent for food supplies. U.S. farmers now depend significantly on buyers in other nations. More than one-third of U.S.-produced grain is exported. This dependence on worldwide markets adds to fluctuating demand for U.S. farm commodities, adding to price instability. Annually, production and policies in trading nations can and do change. Weather, economic conditions, and political considerations in trading nations all contribute to these outside forces which exert a substantial and unpredictable influence on U.S. markets.

Policy Guidelines

The following ideas are adapted from American Farm Policy, 1948-1973, University of Minnesota Press, 1976.

—The programs must be highly flexible. They must have the capacity to move quickly from a surplus situation to a shortage situation, or vice versa, and deal effectively with ensuing problems. If the programs lack this capacity, they will be out of phase and often counterproductive.

—Farm commodity prices should be stabilized at, or approaching the world price level. If not, a formidable program apparatus must be installed to isolate the American farm economy from the world farm economy. Such isolation conflicts with the necessity for the U.S. to be a major exporter of farm products.

—A major reserve stock program, with or without the cooperation of other trading nations, is absolutely essential to the achievement of a tolerable degree of domestic price stability. In a world with fluctuating supplies of grain and other basic commodities, there is no other way to even out supplies to stabilize U.S. farm commodity prices.

—A reserve stock program operating in the United States, to be successful, must be coupled with (1) an export policy designed to monitor and manage the aggregate flow of basic U.S. commodities and (2) a supply management policy designed to manage the aggregate flow of basic commodities onto the domestic market. Monitoring exports is necessary to protect domestic consumers in a period of critically short supply, as in 1972-73. Managing supplies is necessary to keep the storage bins from overflowing in a prolonged period of excess production capacity, as in the 1950's and 1960's.

—Programs of supply management should cease to rely exclusively on acreage controls and move toward negotiable marketing quotas. Management of quantities marketed would not restrict the reorganization of the agricultural industry, while controlling aggregate supply. Also, producers would not be encouraged to substitute nonfarm-produced inputs for land and labor.

—Income protection for farmers should be direct payments to producers for specific purposes. The provision of income assistance through the use of direct payments enables society to know exactly who is being helped, in what amount, and at what cost. Then product prices, stabilized within acceptable ranges, could do what they are supposed to do, namely, direct the use of productive resources.

—Food assistance to domestic consumers should be based on consumer needs and be achieved through specially designed programs.

—Food aid to the poor food-deficit nations should be a conscious policy in which the volume of that aid is based on (1) need in the food-deficit countries and (2) overt decisions in the U.S. as to what share of that need should be met with U.S. production. Foreign food aid should not be linked to surplus U.S. production, but be built into total U.S. food requirements, together with such regular claimants as domestic consumers and regular foreign buyers.

—The logic of assisting domestic and foreign consumers to meet food needs, and of protecting farm producer incomes, should also cover hired farm workers and low-production farmers. Hired farm workers merit the same kind of economic and social protection as urban workers. Low-production farmers may require special technical assistance, special production loans and special income subsidies to enable them to become productive members of U.S. society.

—If the world should move into a prolonged period of short food supplies, and the U.S. farm price level trends upward, then a subpolicy on agricultural resource use may be needed to increase agricultural production.[1] Such a policy would have many and varied provisions, affecting all inputs, with the objectives of increasing output, reducing production costs, and achieving a nonpolluted environment.

Concluding Comments

The preceding principles taken as a package constitute a suggested food and agricultural policy for the United States in the late 1970's and 1980's. No single point is completely new, each is controversial. This policy package has relevance only for the set of economic, social, and physical conditions that now seem to be emerging worldwide. These ideas evolve from the policy ideas of the Agricultural Acts of 1965, 1970, and 1973. This evolving policy began as a strict farm policy, developed into an agricultural policy with important implications for consumers at home and abroad, and in the 1970's became an integrated food and agricultural policy.

Originators of this suggested food and agricultural policy recognize the need for a prosperous, growing, and increasingly productive agricultural sector and are aware of consumers' needs at home and abroad. Finally, the policy package attempts to make U.S. food and agricultural policy consistent with a dominant and possibly expanding role in world agricultural trade, while protecting U.S. producer and consumer interests.

Achievement of this latter multiple objective will not be easy. Events in the world of food and agriculture will force the United States to continue to strive to achieve that multiple objective over the next several decades. It will not be easily achieved or totally satisfactory to everyone.

[1]The possibility of upward trending farm prices in the next 25 years and related policy implications will be examined more fully in a future Minnesota Agricultural Economist.

Foreign Trade Policy

James P. Houck

Trying to predict future policy problems in agricultural trade is almost as chancy as predicting prices and trade volumes, especially as a new administration takes office. Certainly new policy problems will emerge, some familiar old ones will heat up, and others will cool off. Future trade policy questions most likely will arise in the four interdependent major areas which follow.

(1) The international trade negotiations now underway within the General Agreement on Tariffs and Trade (GATT).

(2) The possible establishment of sizable grain reserve stocks for food aid and market stabilization.

(3) The policies and practices surrounding our agricultural trade with major Communist nations, especially the Soviet Union (USSR) and People's Republic of China (PRC).

(4) U.S. response to various demands and requests of less developed nations as reflected in recent actions of the United Nations Conference on Trade and Development (UNCTAD).

Any new policy initiatives, developments, or problems in one area will quickly spill over into the others. But consider them here, individually.

GATT Negotiations

Any major success achieved in this latest round of international trade negotiations will hinge on the ability of the United States, the European Community, and Japan to find new ways of balancing trade policy and tariff concessions between industry and agriculture. Agricultural protection in all of these nations is achieved mainly by quotas, variable levies, and other nontariff barriers. So negotiations are likely to be lengthy and difficult with a high probability of failure or only limited success. However, any breakthroughs on the agricultural front are potentially very important to U.S. agriculture, especially for grains, oilseeds, and dairy. Both export expansion and added import competition for U.S. agriculture likely will occur if any big new agreements occur in GATT. Any negotiated agreement can be expected to touch off a major policy controversy since important vested interests in agricultural production and agribusiness will be at stake.

Reserve Stocks

Should the new Carter administration make an effort to develop a publicly held stockpile of grain for worldwide food aid and/or market stabilization, new and complex policy issues will move center stage. Anything the U.S. does to affect grain markets will have an immediate international impact on trade. The policy debate will involve the reserve's size, composition and financing, the means and speed of acquiring stocks, the conditions (domestic or international) for release of stocks, to whom it will go, where and by whom it will be stored, the links between reserve stock operations and the commercial market, and numerous other issues. A systematic government effort to create and manage a food reserve stockpile would be a new untested undertaking. In such an event, the policy debate will be intense.

Trade with USSR and PRC

Trade with these two giants will be controversial for the foreseeable future. Hardly anyone expects the U.S. to cut off or seriously restrict farm product sales to the Communist nations in anything but an extreme at-home emergency. However, the unpredictable weather and irregular market behavior of the USSR may put stresses and strains on future world grain markets. Consequently, current special arrangements dealing with these nations occasionally may be severely tested. When this happens, policy controversy will arise.

Any systematic export limitation of farm exports by the U.S. government in the event of crop failure or other emergency will affect trade with USSR and PRC most heavily. Government export controls are a highly volatile issue and make dealing with these problems difficult.

The UNCTAD Proposals

The less developed, third world has turned to the permanent organization of UNCTAD to press forward its demands for equity and economic justice in a world of monopoly, inflation, instability, resource scarcities, and narrow markets for their products. They urge the U.S. and other developed nations to meet these problems by increased international transfers of wealth, by preferential lowering of import restrictions, and by price guarantees in international primary commodity markets. Taxpayers, consumers, and vested interests will combine in unusual ways to debate hotly any new proposals and programs stemming from these demands.

Overall

New trade and export policy problems surely will arise in the near future; disagreement and debate will be sharp. Farmers, consumers, taxpayers, and business interests will be allied with or pitted against one another depending on the circumstances and the issues. Strident voices will be heard, but perhaps vigorous public debate of economic and political issues, both national and international, will prevent unwise policy decisions.

The Food Stamp Program

Benjamin Sexauer

Food stamps rank second to Social Security as the largest social assistance program, are the largest element in the USDA budget, and a significant factor in the federal budget. The program peaked at 19.5 million participants in spring 1975 in the depths of the recession. Annually, participation is currently about 17 million with total food stamps issued running about $8 billion and the federal subsidy about $5.2 billion.

When the program began in 1964, there were only 360,000 participants at a federal cost of $28.6 million.

The food stamp program has become a hot political issue and the subject of considerable public controversy. Widespread concern focuses on such emotional issues as misuse of the stamps, abuse and cheating in the program, and use of the program by students and strikers. However, there are more fundamental questions for public debate. This article addresses two. First, how well does the current program fulfill its objective "to alleviate hunger and malnutrition" in our society by permitting "low-income households to purchase a nutritionally adequate diet through normal channels of trade?" Second, if the current multibillion dollar level of assistance is going to be provided, are food stamps the best method?

The Nutrition Impact of Food Stamps

Although the food stamp program can improve nutrition, the improvement is not assured. Participants tend to purchase more of the same foods they are used to rather than those foods which would fill nutritional deficiencies. Sufficient funds are provided to purchase a nutritionally adequate diet under USDA guidelines (Thrifty Food Plan). Achieving a nutritionally adequate diet requires some nutritional knowledge and food buying skill. However, the average American family does not do a very good job of efficiently fulfilling their nutritional needs, so we should not expect it of food stamp households.

The Assistance Provided by Food Stamps

A second reason the program does not completely fulfill its nutritional goal is that food stamps, although intended basically to improve nutrition, have become a major income supplement for low-income families. It has been argued that the food stamp program substitutes for a cash supplement program for low-income families such as was intended under the Nixon administration's proposed Family Assistance Plan. Food stamps are available to the working poor as well as the jobless or those on welfare.

Various reforms have transformed the food stamp program. In the original Act, the purchase price of the stamps to a family was equivalent to their normal expenditures for food. Amendments in 1971 not only increased the allotment enough to purchase a nutritionally adequate diet, but set the purchase price at no more than 30 percent of the family's income and issued the coupons free to households with little or no income.

Although food stamps must be spent for food, part of the increased purchasing power of many food stamp households can be spent for nonfood items. For instance, a family spent $100 per month on food before entering the food stamp program. For $60 of their own money, they can receive $120 worth of food stamps. They can, therefore, get $120 worth of food each month for only $60 and have $40 remaining that previously had been going to food. Under the original food stamp program, the family would have paid $100 for the $120 worth of stamps, thus no income supplement existed.

There is considerable controversy over the effect of the current food stamp program on expanding food purchases. Stamps the government pays for, that is the difference between the household's allotment of stamps and their cost to the household, are called bonus stamps. Estimates of the increase in food expenditure for each $1 of bonus food stamps range from 65 cents to as low as 30 cents. However, if these figures are compared to the average tendency to spend additional income for food, bonus stamps are still at least twice as effective as an equivalant cash payment in expanding food demand.

Possible Alternatives

The question must be asked: does our society want to transfer as much money to low-income people as the food stamp program currently entails? Without the purchasing power supplement of food stamps, millions of households would be in a totally untenable situation. The food stamp program, adverse publicity aside, reaches the needy. Some 77 percent of the families using food stamps in 1975 had incomes after taxes of less than $5,000.

The second question follows: if our society wants to provide this level of assistance, are food stamps the preferred method? Direct cash grants receive continuing attention as an alternative means of providing assistance. A cash transfer could probably economize on administrative costs. In addition, a cash grant would be preferred by the recipients because the spending choice is theirs. Staggeringly large figures are frequently given for any kind of a cash transfer program, but the cost is tied to the level of assistance and the number participating.

However, taxpayers may want to target their assistance toward certain types of consumption. Programs such as food stamps and medicare reflect this attitude. As indicated earlier, food stamps do encourage food consumption. In addition, a broad-scale cash grant program would require sweeping welfare system reform which is probably politically unrealistic. There is also the danger that in reaching the compromises needed to pass major reform legislation, the poor might end up with smaller total benefits.

For the foreseeable future, we will almost certainly continue to have a food stamp program which, although it does not fulfill a nutritional objective very satisfactorily, does function reasonably well in food assistance and income supplement. This Congress will probably pass legislation to eliminate certain abuses and inequities such as standardizing deductions and introducing other incremental changes such as tying eligibility to a poverty level. Ultimately, our society will have to reach some conclusions on the level of assistance to be transferred to low-income families, the methods to provide this aid, and whether to pursue a nutritional improvement objective separate from a general income supplement.

Target Prices and Loan Rates

Willis E. Anthony

Target prices and loan rates are two important concepts in the Agriculture and Consumer Protection Act of 1973. Should they be continued and, if so, at what level?

Target price is the basis for calculating support payments for wheat, feed grains, and cotton when needed to provide income support to farmers. The loan rate is the amount per unit available as a nonrecourse loan from the Commodity Credit Corporation (CCC). It supports price by placing a floor under commodity prices. The loan program facilitates farm storage and marketing by providing farmers operating credit. The loan program covers more crops than the target price provision.

There are several policy issues relating to the target price and loan rate provisions—the most important of these relating to the level of target prices and commodity loans.

Target price level. Target price is linked to some notion of a fair price which is tied to cost of production. But agricultural production costs are not uniform; they vary by farmer, geographic area, and crop year. Under the 1973 Act, initial target price levels were set by Congress. The Act also contained an automatic adjustment provision for target prices to change as cost of production inputs and crop yields change. There is disagreement both as to initial target price level and as to the adjustment procedure for input costs and crop yields and on how land costs should be incorporated into target price calculation.

Loan rate level. The Secretary of Agriculture has discretion for setting loan rates each year within prescribed bounds. The bounds are quite wide. For example, the 1976 loan rate for wheat could have been between $1.37 and $4.83 per bushel. The Secretary of Agriculture may use this provision for three separate reasons: (1) to provide capital to agriculture; (2) to encourage or discourage production of specific commodities; and (3) to manage a quantity of grain stocks. In determining loan rate levels, all three must be considered. Some want less administrative discretion in establishing loan rates, some argue for more while others argue against all loan programs.

The relative level of target prices and loan rates among commodities is also an issue. For example, it is alleged that if the wheat target price is set too high relative to corn, wheat production will be encouraged and corn discouraged. It is crucial to know relative costs between commodities to avoid distortion of production of one commodity relative to another.

Current average national target prices and loans follow. It is from these levels that future changes will be considered.

Commodity	Target	Loan	Possible range
	per bushel		
Wheat	$2.29	$1.50	$1.37-4.83
Corn	1.57	1.25	1.10-2.98
Sorghum	1.49	1.19	*
Barley	1.28	1.02	*
Oats	none	.60	*
Soybeans	none	2.50	0-6.62

*May be set at a "fair and reasonable" level relative to corn.

There are other closely related program features. Acreage allotments and normal yield calculations, used for determining a farmer's disaster and deficiency payments, are linked to target prices as are payment limitations. The following issues relate to the loan program: who pays the storage cost; what commodities should be eligible; and under what conditions and at what price shall stocks accumulated by CCC be made available to the market.

Disaster Assistance

Martin Christiansen

Disaster payments have been the most significant direct financial benefits received by farmers under the 1973 Act. These payments were to farmers who were prevented from planting or who experienced abnormally low yields due to drought and other natural conditions. In 1974, U.S. farmers received $557 million in disaster payments under the 1973 law and $282 million in 1975. Minnesota farmers received a total of $21.7 million in 1975 and it is likely that 1976 payments will be much higher.

The implementation of the disaster provision of the 1973 Act has been criticized. It is alleged that the programs are complex and difficult to administer and that a farmer's eligibility to receive benefits often depends on insignificant factors.

The disaster provisions of the 1973 Act are only one of a number of sources of assistance available to farmers when a disaster strikes. This is another source of criticism — that it is difficult for the individual farmer to know what help might be available, what the eligibility requirements are, which government agency administers the program, and where and how to go about applying for assistance.

There is little question that the new Congress will consider how to improve and simplify disaster assistance available to farmers. Secretary of Agriculture Bergland (then Congressman Bergland) indicated he favored an expanded federal crop insurance program to provide assistance to crop farmers.[2] He would place the present federal crop insurance program in the Agricultural Stabilization and Conservation Service of USDA and aim at providing the insurance coverage to farmers at a cost of 6 percent of the insurance protection purchased.

The Federal Crop Insurance Corporation (FCI) for 1948-74 provided insurance coverage to farmers at an average cost of 5.7 percent; however, the program would need to be expanded considerably if it were to be the major source of disaster assistance to U.S. crop farmers. In 1974, FCI indemnity payments totaled $63.2 million, the highest since 1946, compared to disaster payments of $557 million which were made under the 1973 Act.

The federal crop insurance program could be expanded by moving into higher risk areas, but this would require channeling increased public funds into the program. The issue seems to be to what degree and how the public should share these risks.

[2]The Minneapolis Star, December 15, 1976.

A Transportation Issue—Lock and Dam 26

Michael Martin and Reynold Dahl

A number of major transportation issues must be resolved during 1977.[3] No issue is of more direct and immediate significance to Upper Midwest agriculture than Lock and Dam No. 26 located on the Mississippi River at Alton, Illinois just below the junction with the Illinois River. The lock and dam system on the river permits barge transportation and serves in controlling floods.

Mississippi River barges move a sizable portion of Upper Midwest grain to the Gulf export market. In 1975, Mississippi River ports handled 1.2 billion bushels or nearly 40 percent of U.S. export grain. The river also efficiently moves large quantities of phosphate fertilizers, petroleum and petroleum products, coal, and other bulk products upriver.

Lock and Dam No. 26: The Issues and Parties Involved

At the crux of this controversy is the Corps of Engineers' appraisal that Lock and Dam No. 26 is old, structurally unsound, incapable of accommodating traffic demands, and should be replaced. They argue that the lock and dam could collapse completely. This would eliminate the barge mode as a transportation option and cause massive traffic congestion for the region's railroads and grain elevators. Further, it would impair the flood control system.

Presently, massive traffic jams result from slow locking operations and cause up to 18-hour waits for passage. This under capacity places severe limitations on traffic movements between the Lower Mississippi and Illinois rivers. Local shippers and receivers of commodities suffer because this creates barge shortages.

The Corps' plan is supported by the Upper Mississippi Waterway Association, which represents the barge companies, and by agricultural organizations. An unusual alliance of interests forms the opposition. Environmentalists, represented by the Sierra Club and the Izaak Walton League, joined forces with the Upper Midwest railroads to fight the Corps' proposal in the courts and in the public forum. The opponents argue that expansion of the Alton Lock would do considerable damage to the river, the wildlife, and the adjacent plant life. They point out that new construction at Alton would scar that segment of the valley permanently. They also believe that if No. 26 is expanded, pressure will be applied to enlarge the Upper Mississippi channel from 9 to 12 feet.

Current dredging and disposition of dredgings are being contested as inadequate. Increasing the depth of the channel to 12 feet, it is contended, would compound an already serious problem. Further, increasing lock and dam sizes and deepening the channel would encourage soil erosion.

A second argument of many environmentalists is that river use is now at (or beyond) capacity for commercial navigation. Consequently, any effort that would increase barge traffic is opposed. Expansion of No. 26 would do this.

To counter these arguments, Corps' sponsored studies suggest that the environmental damages caused by the replacement of Lock and Dam No. 26 would be minimal.

The railroads argue further that all river management programs inequitably subsidize the barge transportation. Since use of the river, locks, and dams is free to everyone, barge company costs are kept low compared to those of competing railroads. Public financing of the Corps of Engineers' operations provides barges with a sizable advantage. Railroads vehemently oppose any proposal that would give barge transportation an additional advantage.

Likely Congressional Action

In the last Congressional session, Vice President, then Senator, Mondale presented a bill to give the Corps of Engineers authority and funding to construct a new, slightly larger, facility at Alton. It died in committee. Another attempt is expected this year.

It appears that a successful bill will have to contain two major concessionary provisions. First, to overcome the opposition from environmentalists, it will probably have to provide some long-term policy statement for the Mississippi River. In all likelihood, plans for a 12-foot upper channel will have to be dropped. Also, a comprehensive plan for disposition of dredgings may be required.

Second, it appears that some user charge for commercial use of the river may be included. While many argue that this issue should be separate from the Lock and Dam No. 26 bill, political reality dictates joint consideration.

Some resolution of this issue is required. The economy of the Upper Midwest is, to a large extent, dependent on river transportation. If barge transportation is halted, this will increase transportation costs between the Upper Midwest and export ports. The costs on south-to-north shipments also will rise. These higher costs will directly affect farmers.

The Mississippi River is recognized as a multivalue resource to the U.S. A balance between its commercial, environmental, and natural significance must be struck. It is our opinion that balance can be achieved with safeguards protecting the river's many values with a new Lock and Dam at Alton, Illinois.

LAST ISSUE UNLESS

Editor Jerome W. Hammond reminds readers this will be their last issue of Minnesota Agricultural Economist unless the mailer (with any address correction necessary) from the January issue has been returned to him at 217C Classroom Office Building, University of Minnesota, St. Paul, MN 55108.

[3] A new policy on rail branchline abandonment and regulatory reform will be required. This was the topic of the January 1977 Minnesota Agricultural Economist.

Market Regulation and Antitrust

J.W. Hammond and D.C. Dahl

Questions are being raised more often about the objectives, costs, and fairness of government regulation of business. Regulation of trade practices, food quality controls, price regulation, and industry organization in the food industries are among the concerns. Will new policies regarding market regulation and antitrust in the food industries emerge?

Market Regulations

Federal, state, and local laws and administrative rulings regarding food are numerous, expensive, and sometimes conflicting. There are at least 8 federal agencies charged with food inspection and pricing. The Federal Trade Commission and the Department of Justice regularly monitor competitive practices and pricing patterns; the Food and Drug Administration is concerned primarily with food product quality to safeguard public health; the Department of Commerce enforces quality checks on seafood processors; the Treasury Department administers labeling requirements for beer and liquors; the Commodity Futures Trading Commission follows pricing and trade practices for a wide range of food and nonfood products; the Interstate Commerce Commission is responsible for establishing rates for certain food transportation and enforcing an exemption for other raw food product movement; and the U.S. Department of Agriculture administers a wide range of quality, quantity, pricing, and trade regulations within its several services.

Within the next few years, several regulatory developments can be expected. Consistent with the government reorganization promises of President Carter, there will be new impetus to consolidate food regulation. The National Commission on Food Marketing encouraged this 10 years ago. It advocated that pricing and trade practice regulation should be lodged with the FTC and the Department of Justice; standards of product quality and identity should rest with the Food and Drug Administration; and standards of quantity, orderly marketing, labeling, and financial responsibility over all food products should be handled by USDA.

While it is unlikely that all these adjustments will be adopted, some consolidation is expected. Several reviews of regulations are underway.

Uniformity in quality and inspection regulations across products and jurisdictions is a second major policy issue in the market regulation area. Meat canning, for example, requires more inspection than vegetable canning. A meatpacker must get USDA approval and have plant building details accepted before operations begin. Not so with vegetable canning. Some argue that inspection requirements should be similar for all products.

The uniformity issue also extends to state and local laws. Each state and most cities have a variety of inspection regulations that may or may not be consistent and uniform. A national manufacturer must conform to all producing and labeling regulations to make sales in every market or produce different products for each market.

The uniformity issue is more likely to be addressed at the federal than at the state and local level. Some critics argue that the job of sorting out and studying the regulations, their enforcement and interpretation at all jurisdictional levels is a multimillion dollar job.

Farmer Cooperatives

Farmer cooperatives are increasingly in the spotlight of antitrust regulations. A major Midwest grain cooperative just settled a private antitrust suit out of court for $2 million. Within the past 2 years, two of the leading dairy cooperatives signed consent decrees in settlement of antitrust violations. Consumer groups and antitrust agencies charge that many large cooperatives are stepping beyond bounds permitted in the antitrust laws and special cooperative legislation. The Federal Trade Commission (FTC), prodded by rising food prices and claims of antitrust violations in 1973 and 1974, undertook a major food program thrust in their investigations into anticompetitive activity which included a study of the market power and conduct of farmer cooperatives. Co-op members and representatives are concerned that a major movement is developing to repeal the Capper-Volstead Act.

Why the increased concern with cooperative competitive behavior? The major reason is that individual cooperatives, through mergers and internal expansion, have achieved sizes that attract attention. They have attained sufficient control of some markets so that they have the potential for anticompetitive behavior. Watergate and the milk producers' political fund brought this development into focus.

Just a few figures indicate the importance of farmer cooperatives. It was estimated in a Justice Department study that AMPI, the nation's largest dairy cooperative, started since 1965, controlled 14.9 percent of the U.S. milk supply in 1971. In several fluid milk markets, it controlled almost 100 percent of the supply. Sunkist Growers, Inc. controlled 77 percent of the California-Arizona citrus production in 1972-73. A federated cooperative of five regionals, United Egg Producers, handles 55 percent of the U.S. egg production. Eighty percent of the cranberries produced in the U.S. are handled by Ocean Spray, Inc., a cooperative. As the antitrust laws have been interpreted, dominant market position is not illegal in itself if the position was not achieved by illegal means. Cooperative dominance in a market is no different from General Motors' dominance in the auto industry. Yet, large cooperative firms can expect to be monitored more closely by antitrust agencies. Activities of a small firm may become suspect and illegal when large size and market dominance have been achieved.

Public policy on farmer cooperatives in the next 10 years is likely to have two dimensions:

(1) The Federal Trade Commission and the Department of

Justice will continue to investigate competitive behavior of cooperatives.

(2) Proposals to repeal cooperative exemptions from antitrust laws will be made. Repeal is unlikely. House Agriculture Committee Chairman Tom Foley stated recently that the new administration is committed to basic legislation protecting agriculture, and "there is no threat to the Capper-Volstead Act." However, the provision that permits agricultural cooperatives to jointly undertake activities that are illegal for other types of business corporations may be attacked/or examined.

Marketing Orders

Marketing orders were instituted in the 1930's to regulate certain farm products with support of prices and incomes, stabilization of prices and supplies, and control of the quality of agricultural commodities. They apply to roughly 50 percent of all U.S. fruit, vegetable, and nut production and 70-75 percent of total milk production. Price fixing and/or quantity regulations may control the rate of flow of commodities to the market, limit the qualities and quantities of goods sold in particular markets, and establish prices for fluid quality milk. Actual programs are set up after public hearings and prescribed administrative procedures.

The order programs are being challenged by consumer groups and antiregulation interests as no longer necessary. It is argued that the orders give agricultural cooperatives unreasonable market power and price advantage. Some of the strongest criticism has been leveled at milk orders, which it is argued, increase fluid milk prices, drive down manufacturing milk prices, and nationally generate fluid milk surplus. Furthermore, the cost of administration and bureaucracy is wasteful. The Senate Government Operations Committee is currently examining government milk regulation among others, looking at the justifications for regulations and whether these are accomplishing the stated objectives. The U.S. Department of Justice is finishing an investigation of how market orders were allegedly used by two large dairy cooperatives to achieve monopoly power in milk markets. Various consumer groups have called for a review of all USDA-administered marketing order programs.

Whether the criticisms and investigations will bring major changes in the statutes authorizing federal and state orders is uncertain. It seems that consumers will take a more active role in the procedures for developing and changing the orders.

Conclusions

Streamlining of regulations and regulating agencies in the food industries will be a policy objective in the next few years. This is evidenced by the fact that government agencies are currently analyzing their regulatory programs. Consumers will increase their role in the food regulatory programs. They will take a more active role in determining price, quality, and quantity provisions of state and federal marketing orders. The emergence of huge agricultural cooperatives guarantees increased surveillance by the antitrust agencies — the Federal Trade Commission and the Department of Justice.

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