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Consequences and Place of Marketing Agreements in Stabilizing Farm Income

By George L. Mehren

THE QUESTIONS AT ISSUE

Prices, costs, and incomes in American agriculture have been manipulated either by direct intervention of government or by combination of producers or handlers. Only the programs involving combination are considered here. Some of the interventionist programs have involved control of volume produced or manipulation of production costs. This analysis is concerned only with those programs intended to control the price or total receipts yielded by an already produced supply.

Market control is manipulation by an industry of one or more price determinants, for the benefit and at the risk of the industry as a whole, with enforcement of industry decisions through authority of government. The individual seller loses the right to make one or more of the decisions affecting the profitability of his firm. Without market control, such decisions would be made by the firm and, in a competitive industry, without regard to decisions of other firms. With market control, the decisions are made by representatives of the entire control group. The individual firm still makes all decisions affecting firm profit not explicitly transferred to the group. Thus, market control is a monopolistic device, but it turns a competitive industry into a monopolistic one only with respect to the one or few controlled determinants of net income. With respect to all other determinants of firm profit—including factors determining costs and any determinants of total gross receipts not taken over by the control group—the firm remains independent or competitive. Market control, like any other control, is, therefore, inherently unstable. Such controls can function only through enforcement by law and with universal participation.

Four major questions are considered here: (1) what are marketing agreements and orders, (2) what have been their apparent effects upon price and income, (3) what are the possibilities for their extension to other commodities, and (4) what changes in law or administration are necessary to achieve this goal?

Discussion is confined mainly to federal programs. Agreements and orders are defined in terms of: profit policy of the firm and industry, major methods of control, legal and administrative attributes, limitations, and relationship to other control programs. Income effects are appraised in terms of methods of increasing total gross returns. Extension is judged in

terms of legality, operational feasibility, and potential for increasing prices or stabilizing incomes. Suggested changes in the agreement-order programs are weighed in terms of the same criteria.

There is no appraisal here of the desirability of increasing or stabilizing farm income.

WHAT ARE AGREEMENTS AND ORDERS?

Meaning of Market Control

Net income can be changed by three methods, two affecting costs and the third affecting gross receipts. First, firms can decrease costs by: (a) varying combinations of given resources, (b) varying the resources, and (c) possibly, external economies. Second, firms can affect their profit position by reducing factor prices. Third, income can be raised by increasing total gross receipts through: (a) manipulating demands or (b) manipulating the amounts sold on given demands. All market controls aim at this third objective, either at increasing demands or obtaining some optimum distribution of a produced volume of output on given demands. No competitive firm could use either of these methods of affecting its profit. Market control, therefore, means creation of a partial monopoly.

For many commodities, market orders attempt to shift demand through advertising. In fluid milk and other commodities, a minimum price is set by order. To establish the kind of order used in other commodities, an administrative mechanism must be set up to control the total industry volume sold or its distribution among alternative outlets. No other factor affecting profit is restricted. Individual firms remain competitive with respect to procurement of factors of production and the methods and scale of production. They can compete with respect to any price determinant not subject to control, such as packaging, brand advertising, etc. Firms, therefore, tend to consider that changes in their own outputs would not affect market price. Whenever price in any outlet is raised by group action above the level which would prevail without control, individual firms will increase sales in that outlet unless prevented by law. With less than full industry participation, the degree and precision of possible control are weakened and nonparticipants obtain greater benefits than firms in the control group. Voluntary controls will, therefore, break down. Both universal participation and enforcement require sanction of law.

Production control is group manipulation of one or more determinants of aggregate output. The price and income effects may be the same as with market control but the means of achieving the effects differ substantially. Various forms of market control have been used in cases where production control is difficult or impossible.

Methods of Market Control

Aside from direct minimum price fixing and minor uses of market control, major methods of control fall into two groups. The demand manipulation programs are called regulation programs because they do not necessarily involve sale of a lesser total amount than would be sold without control. Demands could be shifted by changing consumer wants through advertising, which has long been authorized by state law and since last month by federal law. If demands in alternative outlets—such as different grade, size, or pack classes; conditions; processes; places or times—are systematically interrelated, there is usually some distribution of the available supply which will yield an optimum aggregate demand for all outlets combined. Thus, minimum grade or size standards might hold or increase demands for the higher grades and sizes. Rate of flow controls may have the same effect where demands are related over time. The third method of increasing industry demand is subsidy. For example, minimum price is set in fluid milk orders, the products of milk are supported, and as a result, the demand for all milk is increased. Export subsidies and school lunch programs are other examples. None of these three methods of manipulating demand can be achieved if firms operate as purely competitive units. However, none of these methods need necessarily involve a smaller aggregate volume sold than would occur without intervention.

The second group of control devices are called limitation programs. If demands in different outlets are different but independent—in the sense that realized prices or sales in one outlet have no effects upon demands in other outlets—then different net prices among the various outlets would yield higher gross industry returns than would price equalization. But without control, farm prices would be equal in all markets. Some form of monopoly organization is required for discriminatory pricing. Where the identity of the individual firm is retained and where only one or a few of the determinants of profit are controlled, the power of the state must be used to prevent disintegration of the control as a result of its success in raising prices. Grade and size restrictions, pack or container specifications, and diversion pools are examples. If there is but one outlet, and volume therein is limited to less than the competitive equilibrium, industry returns may be increased if elasticity is below unity at the total available supply. This is really a form of differential pricing, since the price in one outlet may be zero. Set-asides and other diversion pools are examples. Administration of limitation programs is nearly always difficult.

Both regulation and limitation programs are monopoly devices. Industry income enhancement can, therefore, be achieved whenever the circumstances necessary for enhancement of profit through monopoly or monopoly-like methods exist. Such devices can be used for emergency conditions or to compensate for the peculiar production and marketing

conditions facing agriculture. But they are monopoly methods. They have monopoly goals. They are unstable because they are partial monopolies. Most important here, nearly any of the major regulation or limitation devices could be used to obtain a given monopoly target in price or income. The same target could be obtained by methods other than market control. Market control as a method of obtaining monopoly gains may be used where other devices are difficult or because of political, legal, or operational strictures, are impossible to apply. The real differences between minimum price and direct support or export subsidy or production control or market control are in the administrative mechanisms—nothing more.

Agreements and Orders Defined

A marketing agreement is a contract applicable to a farm commodity, containing any terms not inconsistent with the control law or other statutes and binding only upon the government and the signers. However, any market control which allocates sales differently from the pattern which would prevail in its absence automatically creates inducement by individual firms to violate its allotment. Further, these partial monopolies are doubly unstable if less than the full industry takes part, since outside firms gain greater price with larger sales while participating firms gain greater price with smaller sales. Thus, neither state nor federal governments will issue agreements unless backed by orders applicable to all firms.

A marketing order has the force of law, binding upon all handlers whether or not they have signed a parallel agreement. Its terms and procedures for formulation, effectuation, and operation are limited by law and by rules and regulations implementing the laws. Under the federal statute, it can be applied only to specifically enumerated commodities.

Objectives of the Law

While there is incidental reference to consumer welfare and to avoidance of disorderly marketing and its consequences, the primary goal of market control laws is to benefit producers alone. For this reason, processors and handlers have successfully resisted efforts to extend these permissive statutes to other products. The market control laws reflect a permanent and continuous policy by government to authorize agricultural combination and the use of monopolistic controls. They are unrelated to war or to depression, to production control, or to farm relief or adjustment. There is specific exemption from anti-trust prosecution for any action taken under these laws. The same actions in some other industries would be illegal.

Until 1947, the single major goal was to achieve parity price, with no more reference to stabilization of price or income than in other farm

laws. Once parity price was achieved, no further restrictive action could be taken. Since 1948, regulations specifying minimum grades or sizes and inspection can be continued even if season average price exceeds the parity level. Programs may now function at any price level in order to maintain an orderly flow of sales and to prevent unreasonable fluctuations in supplies or prices. Thus, since the amendments of last month, parity price is neither the goal nor the governor of agreement-order programs. Furthermore, in the milk programs, the minimum price can be set without reference to parity price. Until 1948, the Secretary had wide latitude in selecting base periods for calculation of parity prices and, thus, in adjusting the parity price to desired levels. For many commodities, achievement of parity price would only accidentally assure an optimum industry income. Only by more remote accident would it yield reasonable price relationships among related products or reasonable equity among handlers, processors, and producers. The California laws have long been free of reference to parity price.

However, the laws still do not require that programs yield some optimum long-run income or supply response in the controlled products or its competitors. There is no recognition of interests other than growers, no requirement for equity, and no standards defining the kinds of problems to which specific control devices may be applied.

Authorized Control Devices

Milk prices may be set through classification by use, with handler or market pools and with provision for adjustment of producer prices and administrative details. Enumerated commodities other than milk may be controlled by: limitation of volume in any or all outlets; allotment of purchases or sales by handlers; surplus or other pools; establishment of grades, sizes, and inspection procedures; pack or container standards; prohibition of unfair practices; price filing; and since last month, research and trade promotion. Powers are broadly specified. California law provides for the same powers and for certain additional types of pools, for production adjustment, and for production payments. California standards are generally more precise than the federal criteria. So long as the proposal is found to contribute to the declared goals of the act, almost any type of control may be used in any situation. Processors and handlers have, therefore, been apprehensive of possible abuse of such latitude. The discretion of the government has not been abused.

Limitations

Federal orders may be applied only to milk and its products, fresh fruits and vegetables and three in processed form, tree nuts, dried fruits,

tobacco and soybeans and their products, hops, honeybees, and naval stores. Controls must be applied to the smallest feasible area. Orders must reflect differences in regional production or marketing conditions. Terms must parallel those of an agreement on which hearings have been held. Most orders are applicable to handlers only. They may apply only to trade which directly burdens, affects, or obstructs interstate or foreign commerce. They may apply only to the continental United States and to specified territories or possessions. Minimum standards may not be lower than those set out in other laws. There can be no regulation, restriction, or prohibition of advertising. Federal orders may not regulate production.

California orders may regulate production, processing, or marketing in interstate trade of any farm product. However, there are rigid standards defining the circumstances under which volume, grade and size, or rate of flow orders may be used. Similar standards limit the use of advertising, various pools, and production adjustments. Detailed procedures are set out in state and federal laws for notice, hearings, formulation, approval, operation, petitions for redress, financing, enforcement, and termination. Federal law requires approval by at least two-thirds of voting producers and 51 percent of handlers. However, the Secretary may impose a producer-approved order over the dissent of handlers if he finds there is no other practicable method to achieve the goals of the act. Under California law, approval is required by producers and by 65 percent of directly affected handlers. No single group can impose an order on others, nor can an order be approved by the small fraction of either group who may have voted.

The first legal programs were attacked for failure to accord due process, invalid application to intrastate trade, and invalid delegation of legislative authority to the executive and executive authority to private citizens. Statutory standards and administrative procedures have remedied the first two defects. The last has been remedied by divesting committees of any power other than to advise or recommend. Final authority is vested in the government. Neither these nor any other monopoly programs are, or can be, "industry self-help programs." Judgment of formal industry committees is obtained, and perhaps responsibility is diffused. But exactly the same monopoly powers could be exercised, and are, by direct government action bereft of the industry participation paraphernalia. California law requires representation of handlers. Federal programs generally require representation, but there is no statutory requirement. This is another reason for the long-standing opposition of handlers. A settled administrative procedure has developed, and both state and federal governments have meticulously regarded the requirements of law.

The same goals sought by the monopoly devices of agreements and orders could be, and are, achieved by other devices. Thus, government

purchase may yield the same effect as rate of flow control. Export subsidies may effectively increase demand. Payment for diversion to products may have the same result as volume control. In addition to statutory limitations, market controls cannot well be applied except where products are reasonably homogeneous, where producers are reasonably close together, where physical conditions or capital structure precludes quick output adjustment, and probably where there is some history of producer collaboration. In other cases, the same goals may be achieved more effectively by other devices.

Finally, market control, like any other monopolistic method, is subject to broad economic checks preventing unlimited or prolonged attainment of monopoly returns; output of the controlled product or its substitutes may increase; and demand may shift from the controlled product to its competitors.

Collateral Programs

In any monopolistic program, two difficulties always appear: (1) surplus output or acreage must be diverted from controlled channels, and (2) supplies from unregulated areas will be attracted by monopoly price enhancement. Thus, money from Section 32 funds and a variety of other sources is available to finance diversion from primary channels. Section 22 limitations have been used in response to the second problem. But again, nearly all market controls are buttressed by collateral operations of government. The targets of market control could be, and are, obtained by other devices. Any market control device may often be used either for limitation or regulation. The differences between market control and other interventionist devices not involving combination of producers and nominal self-administration lie not in differences in goals nor in monopoly structure nor in method. They are largely differences in administrative procedures. Thus, the consequences of market control are essentially the same as those of other devices differently operated.

The place of market control seems clear. Granting the objectives of manipulating farm income by monopoloid devices, market control should be used where it appears more easily operated than alternative methods of achieving the same end. There are legal and perhaps administrative limits to the use of market control. Where other methods could be used, the following standards might govern choice: (1) what are the relative costs of alternative methods of control; (2) which method introduces less instability into the business of the individual firm and, therefore, creates less inducement for violation; (3) which method offers greater precision in control; and (4) over the long run, which method involves least danger of undesirable supply response or demand shifts?

SCOPE AND APPARENT EFFECTS OF MARKET CONTROL

Fluid Milk

More than half of the annual fluid milk output is subject to state or federal controls. This is a bulky and perishable product with unstable markets. Output cannot easily be adjusted to price. Markets, and therefore orders, are local or regional.

Federal milk orders specify terms of sale and set minimum producer prices which are "reasonable" in terms of costs and the necessity for an adequate supply. Fluid milk is classified by use, with fluid consumption usually as Class I. Prices are calculated by formula. Market-wide pools require payment of the same blended price to all producers by all handlers. With a handler pool, a uniform price is paid by each handler to all his producers, with weights determined by the allocation of the handler's total supply, rather than the total market supply, among different uses. In many markets there is a minimum price for base quantities delivered by each producer, with lower prices for excess deliveries.

In some states, minimum prices are changed only after public hearings. Now prices are changed in federal areas, about fifty, by formula. In a few areas, Class I price is set by the "basic price" formula—addition of a specified differential to the highest price among designated alternative uses. General economic indicator formulas are used in eight areas. In about two-thirds of the federal programs, the basic price is changed according to periodic changes in the ratio of actual to normal seasonal supply of fluid milk. Most state laws authorize setting of minimum producers' prices and many provide for resale price maintenance. These are police power statutes based on the assumption that stable prices and proscription of unfair practices, as well as health and sanitation requirements, are necessary to maintenance of adequate supply. Federal orders regulate handlers only and provide for no resale price maintenance.

Market orders alone cannot stabilize milk prices. The federal purchase program for butter, cheese, and dried milk provides outlets for milk not salable at order prices in fluid channels. For other commodities, price is not directly specified. Volume salable in given channels is either specified or determined by minimum standards for entry into the channel. This supposedly yields an optimum average price for sales in all outlets combined. Obviously, it is much simpler merely to set the price target and let the market determine the volume salable. However, without the peculiar facilities for enforcement existing in the fluid milk industry, establishment of minimum prices would be ineffective as a control device. Nonetheless, there is no real structural difference between fluid milk control and market control of the enumerated commodities to which orders may apply.

Other Commodities

Orders have applied mainly to fresh and dried fruits, tree nuts, a few vegetables, potatoes, and several specialty items. Thus, only a minor segment of American agriculture has been so regulated. About thirty federal orders have been operating over the past few years under federal law, and about the same number under California programs. There have also been a few programs in other states. California orders have applied to processed products as well as fresh.

Except for potatoes, market orders have been used mainly where capital adjustments are difficult in the short run. End products are often perishable and demands in alternative outlets are interrelated.

Reasons for Combination

Even with reasonably well-adjusted long-run productive capacity, there are unforeseen and uncontrollable annual fluctuations in output or demand or both for perennials. Where products like grapes have alternative outlets, there may be alternate flooding of the various outlets. Even with annuals, production is set once planting is done. This is one of the reasons government has authorized combination among producers of such commodities. Where production cannot be controlled, output marketed is the single variable which may be manipulated. Other groups, including consumers, may suffer short-run damage. But the volume marketed in any year need be no less than would be sold were producers able to control output.

Again, market control is not the only method which could be used, or is in fact used, for this purpose. However, fifty years before government intervened directly into farm enterprises by setting prices or allocating production rights or market access, the market control technique had been used by producers of perishables from heavy capital plant in distant areas. Long history indicated voluntary control was not feasible. The first agreement-order provisions were not intended for this use. Subsequent amendment confined their use largely to milk and to those crops in which they had long been attempted on a voluntary basis.

In a second class of commodities, competitive shippers might simultaneously adjust shipments to a given outlet in response to expected demands, expected future supplies in subsequent shipping periods, or deterioration in holding. With sales on a delivered basis, markets could be glutted, and the glut could cumulate and spread. Again, voluntary groups had for many decades attempted to control flow of a produced supply among alternative outlets. The long-run benefit to producers is considered to outweigh short-run loss to other groups. This kind of monopoly is,

therefore, authorized by law. But again, sales can be evened out and the same results achieved by other methods.

Sale of low grades and particular sizes or packs may adversely affect demand for other parts of the supply. Short-run profit taking by some seller may adversely affect the demand for all sellers. The standardization laws are designed to prevent this, but there is greater flexibility with orders. In years of heavy yields, price in all outlets sometimes drops to the price obtainable in the lowest-valued use, so long as that price exceeds the average cost of harvest and sale. If this is to be prevented, control is necessary.

Short-run volume limitations have been justified as means of easing liquidation in industries with long-run excess capacity. Experience does not support this view.

Methods of Control

Most orders require dissemination in advance of the season of a policy statement including: estimated output and grade-size composition; advisable proportions of each class to sell; reasons for and expected results of proposed regulation; conditions in related industries; and the contemplated grade, size, and shipping schedule; along with the facts and standards upon which the policy is based.

There are four main types of grade-size control: (1) minimum, grade, size, maturity, or condition standards; (2) similar standards for pack or containers; (3) limitation of sales in certain classes to some percentage of total volume; and (4) most frequently limitation of sales to specified classes. There is usually provision for inspection, and in the federal orders only there is provision for hardship adjustments to areas or individuals. About two-thirds of state and federal orders use this device for limitation or regulation or both.

Rate of flow is also controlled by limits and allotments of daily, weekly, or other short-run shipments—buttressed sometimes by packing, loading, or shipping holidays and by car concentrations. These complex programs, usually collateral to other methods of control, require detailed provisions for allotments and for adjustment of overshipments or undershipments, loans, transfers, or assignments of allotments in order to minimize inequities. About one-third of the orders provide for this device, although nearly all provide for other methods also.

A few potato orders provide for surplus pools. Dried fruits and nuts are controlled through pools into which must be diverted a stated percentage of supplies acquired by handlers. Export and by-product subsidies are often paid to these pools. Exactly the same results could be attained

by government purchase, but the industry would not be a participant in decision making.

A few programs require price filing or prohibit unfair practices. These may be coordinated under state laws with minimum mark-up and similar statutes.

About three-fourths of the California orders provide for advertising or research or both. Apparently, the same kind of program may now be developed under federal law.

The state order for cling peaches provides green drop or complete stripping of immature fruit from a stated percentage of trees. There is little alternative to canning for this product. Therefore, efforts are made to eliminate excess fruit as soon as possible. However, the canner-grower price is set on a bloc contract basis, and government purchase has been a major factor in stabilizing carryover of the processed product. Estimates are sometimes inaccurate and as in this year, weather hazards may lead to significant deviation of actual from estimated supply. Production control has been rarely used.

Appraisal

The reasons behind government policy authorizing producer combination have been noted. It is difficult or impossible to control output in some cases. Perishability of product often makes direct price support very difficult. The long history of voluntary control led to predispositions towards combination in preference to direct intervention by government. The same experience clearly showed the need for mandatory orders if a majority wanted a program. In general, the government has extended this protection to producers because of: the peculiar hazards of the annual surplus, the equalization of all prices to the lowest-level demand so long as price exceeded average harvest and selling costs, and the possibility for cumulative glutting of interrelated outlets by atomistic shipping patterns. While short-run monopoly returns might be exacted, committees seem to have aimed at the kind of returns that would have been obtained were it possible to control output. Thus, the fluid milk industry and the other enumerated commodities have been specifically exempted from the general monopoly policy of state and federal government.

Quantitative analysis of the price and income effects directly attributable to these programs is most difficult. Except for milk, the total impact has been minor in terms of the total agricultural economy. Quantitative analysis should, of course, be guided by the economic theory appropriate to monopoly involving either limitation or regulation or both. However,

the short-run target of the controls has almost certainly not been maximum monopoly profit. Furthermore, these are only partial monopolies with a wide range of individual competitive adjustment of uncontrolled income determinants. A variety of methods is usually used in each program, and it is difficult to isolate the net effects of any one.

It is almost impossible to determine what the competitive adjustment would have been in terms of total output or its distribution had there been no control. Where markets are interrelated, data are usually inadequate actually to estimate the effects of control upon demands. A large number of alternative theories might be tested in rate of flow cases, for example, and enterprise economics does not provide conclusive criteria for determining appropriate models. Finally, in nearly all cases there have been direct support operations by government, the net effects of which are also difficult to isolate.

Thus, appraisal must rest on judgment guided by qualitative theory—just as operation of the programs is guided. Such judgment indicates that most programs have been temperate in objective. They can stabilize price for commodities wherever local administration is feasible. However, the same types of monopoly adjustment could be attained otherwise.

Judgment and the few quantitative studies indicate that the long-run effects may involve increases in production capacity or shift of demand if the price target is set high enough to induce such shifts. The same results have certainly occurred where other methods of price manipulation have been undertaken.

If the differences between these devices and interventionist methods are largely in administrative operations, the differences in effects must be sought largely in terms of the administrative procedures themselves.

EXTENSION OF AGREEMENTS AND ORDERS

The market control statutes are permissive. No industry need use them unless a majority of producers want them. If such a majority want them, all firms are required to abide by them. For those commodities in which output is not controllable, some form of market control is the single alternative for price and income stabilization. However, market control can be obtained, and in most cases is gotten, by methods other than combination of producers who recommend monopoly devices approved and enforced by government.

Thus, the basic issue is the differences, if any, between monopoly devices achieved through industry combination and the same devices obtained by direct government action. It is possible that the major difference is the necessity for the industry committee itself to dispose of diverted

volume. But, in fact, federal funds are generally used for this purpose. Perhaps a lower price target is achieved by committees than by direct government action. There may be less drastic supply response than would occur with an announced support price level.

However, administrative feasibility seems to be the determining issue rather than differences in the type of monopoly measure, the monopoly target, or its short-run or long-run effects. Operational efficiency depends apparently upon concentration of the total supply in a compact area, reasonable homogeneity of product and outlets, absence of unregulated products closely related in demand or production, heavy capital plant with consequent inability to make quick output adjustments, a background of industry cooperation, and a desire for self-administration of support programs. Last, it seems helpful to have in the industry persons experienced in obtaining assistance from government in providing collateral aids to the combination programs.

Since government must approve the programs and since the industry must in practice initiate them, there seems no reason to close off these methods to milk and a few specialty crops.

REVISION OF LAW AND PROCEDURE

Exemption from the monopoly statutes is no small privilege. It is dangerous to widen the scope of this exemption unless several revisions are made. Objections of handlers have centered on several points: (1) grower interest alone is the governing objective of the laws, (2) orders may be applied to other groups over their disapproval, (3) other groups are not assured adequate representation on committees, (4) there are no standards specifying precisely the kinds of devices which may be used for specific types of market problems, (5) present powers are too broadly worded, (6) present procedures are colored by these defects, and (7) other groups may not obtain prompt or effective review or redress.

The recent amendments have gone far towards eliminating some of these difficulties. The parity standard has been removed, for practical purposes. The amendment adding grapefruit specified that processors must approve and gave them at least nominal representation on the control board. It is now apparently possible for industry-wide advertising and research to be financed by orders.

However, the declared standards sections should be altered to assure regard for interests of processors, handlers, and perhaps even consumers. There should be no reference to parity price but rather to supply and income stabilization. There should be a required finding defining the industry problem and demonstrating likelihood that it could be solved best

through combination and market control. There should be a finding relevant to the long-run dangers of market manipulation.

Market control should be confined largely to the kinds of industries defined above if limitation or regulation is undertaken. Limitation cannot easily be used for annual crops or for the major staples. However, grade and size, and perhaps rate of flow, could be used for some annuals. The authorized methods of control should be spelled out clearly enough that all persons may know in advance the kind of control to which they will be subjected.

Approval of all groups and equitable representation on committees seem necessary. Probably a two-thirds majority of listed producers and handlers both by number and volume should be required. It is difficult to understand why growers alone should exercise veto power.

Market control is no substitute for other major controls. It is, however, an effective adjunct to direct and indirect price-support programs in those instances where combination may effectively be administered. Its greatest use has been in avoiding the impact on prices of short-run demand or output fluctuations. For most specialties, controlled distribution of output may aid growers with little or no long-run damage to others. These benefits cannot be fully realized without substantial revision of the statute.

I would not mind administering a limitation order for export of wheat from Australia. I would not like to administer such an order for domestic control of American wheat. One might run a livestock advertising program without shortening his life, but not so with a livestock rate of flow. There are limits to the use of the devices, but those limits should not be defined by limiting eligible commodities. They should be defined in legal standards which would assure reasonable propriety in the use of market control.