Marketing ord

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Fruit and vegetable marketi States, 1937–1987, a review

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Summary

Marketing orders are legally binding
fruit and vegetable growers in designat
quantities, and qualities of products m
support activities such as container st
advertising. Legislation authorizing s
during the economic depression in the 1
marketing orders has expanded to where
now authorized under federal and state
management programs and some aspects of
controversial. Evaluation of the actua
marketing orders has proved difficult b
factors involved, the dynamic nature of
agreement on economic criteria for judg
conclusions based on general observatio
studies are presented. During the past
toward relatively greater use of qualit
programs.

1. Introduction

Marketing orders are marketing plans
handlers with the goal of achieving imp
more orderly marketing conditions. The
"orders" because if a plan is approved
made legally binding on all members by
Secretary of Agriculture (or Director o
order).

Federal marketing orders affect more
grown in the United States and 15 perce
value of the 33 crops covered was about
Comptroller General, 1985). In Califor
for fruits and vegetables, commodities
have accounted for more than 70 percent
crops (French, Tamimi and Nuckton, 1978)
In this paper I first describe how ar
legislation developed, the types of prog
are established. I then briefly review

orders, the current extent of
that surrounds them. Finally
past economic impacts and the

2. How marketing orders deve

The legislation which auth
result of adverse conditions
markets during the first quar
of gluts and shortages, varia
and discriminatory trade prac
conditions plus large outputs
economic crisis for farmers.

Fruit and vegetable grower
associations with the objecti
their markets. However, they
antitrust restrictions, but m
problem. Farmers outside of
benefits of controls without

To cope with this problem,
eventually were consolidated
Act of 1937. This act exempt
programs from the antitrust l
compliance mandatory for all
In the same year the state of
and since then several other
type. State marketing orders
commodities (e.g., fruits for
federal orders. However, the
that state whereas federal or
interstate and intrastate. T
times to expand the list of e
permitted.

3. Authorized activities

Marketing orders permit th
volume management, quality re
The types of programs permitt
Table 1.

4. Establishment and adminis

To establish a marketing o
industry group concerned subm
of Agriculture (or to a state
a state order) and request a
if the Secretary of Agricultu
legislative requirements, a p
if two-thirds of the producer
volume of production), the Se
requires the compliance of all

provisions of the order. Marketing orders u
period of years, but may be renewed.

Compliance with marketing order provision
handler level such as a fruit packing house.
the operation of the program are made by a c
handlers subject to approval by the Secretar
the state director for a state order). Comm
financed by assessments on handlers which ar
producers.

5. Use of marketing orders

In the first five years following enactme
Marketing Agreement Act 17 federal marketing
established. In addition, another eight to
California legislation. The use of marketin
suspended or overriden by other controls dur
Following the war, these programs expanded
29 federal marketing orders in effect by 195
1970 (U.S. Department of Agriculture, 1981).
orders has since stabilized at about 46-48.
in effect in 1985 and their authorized provi
table 2. In addition, about 30 marketing or
under California enabling legislation by the
were established under legislation in nine c
Youde, 1975). About the same number are in

6. Economic issues

The United States Congress granted farmer
monopolistic practices through marketing orc
uncontrolled competitive markets were not wo
enhancement through such practices was regar
provided prices were not raised too fast or
profits. A more orderly market process was
the long-run public interest even if it requ
free market conditions. (For further develo
Polopolus et al., 1987.)

Almost from the beginning, marketing orde
controversial. The early critics focused on
their realized benefits and usefulness to fa
especially the problem of controlling quanti
production controls, the use of marketing or
problems for which they were not suited, the
on handlers of the product and differing imp
(Farrell, 1966). Later, consumer groups bec
orders and expressed concerns about their ef
availability. Finally, staff members of fed
Federal Trade Commission, the General Accour
Office of Management and Budget have express
monopoloid practices permitted under marketi
government oversight in administering the or

A major problem in evaluating marke
general agreement on performance crite
attempts to evaluate the social desira
terms of their economic efficiency as
consumer and producer surplus or consu
These studies, which have been mostly
empirical, have shown that who gains a
depend on a wide range of factors such
the shape of supply and demand functio
programs on supply response, substitut
production, the degree of risk aversio
adjustments. Since many of these fact
difficult to measure, it has not been
conclusions concerning marketing order
efficiency literature. For further el
(1985), French (1981), U.S. Department
Kilmer and Armbruster (1987).

In view of the problems with applic
criteria and the concern by some as to
case, a study team appointed by the U.
established a set of more pragmatic cr
order performance. The study team arg
show that a marketing order regulation
to earn persistent above normal profit
variability and uncertainty, (c) does
burdens on particular classes of growe
contribute to chronic surpluses, (e) c
resources and (f) does not reduce net
course, there should be convincing evi
marketing plan contributes to the plan
(Polopolus et al., 1987).

Determining whether particular orde
conform to these evaluation criteria f
only a few empirical studies of market
French, 1981, for further review). Wh
impressions of the economic effects of
based on these few studies and my gene

<u>Market allocation programs</u> have bee
walnuts, filberts, dates and raisins (
citrus products. The almond, walnut a
some years elevated the short-run U.S.
price but they have also provided a me
and have provided outlets for excess s
The net impact is not fully clear but
short-run impacts on consumers may hav
gains to the industry.

The effects of the citrus allocatio
to maintain persistent differences in
processed product markets, especially
processed lemon products have benefite
fresh lemons. A study by Kinney, Gree
suggests that the public interest woul
restrictive allocations in the fresh m

Reserve pools have been used for almonds, [illegible]
raisins, dates, prunes, hops, cranberries an[illegible]
of unusually large crops (see U.S. Departme[illegible]
for historical allocations). In some cases [illegible]
were returned to the market in following per[illegible]
reduced; in others, most of the pool was dis[illegible]
exported, or in some cases left unharvested.

Consumer groups have been especially voca[illegible]
view as wastage of food. Where diversion to [illegible]
abandonment of a portion of a crop becomes p[illegible]
California cling peach industry some years a[illegible]
King, 1979) such concerns seem valid. Howev[illegible]
marketing orders argue that in the occasiona[illegible]
greatly exceeds planned quantities, they sho[illegible]
the excess on inelastic markets that may yie[illegible]
is also likely that in such years some aband[illegible]
without controls.

Critics of reserve pools also question wh[illegible]
cannot be achieved by private entrepreneurs [illegible]
undertake storage operations in anticipation [illegible]
Marketing order supporters argue this is beca[illegible]
are risk averse and they fail to store quant[illegible]
welfare. These issues merit further study.

Intraseasonal regulations apply primarily [illegible]
and some vegetables (table 2). Supporters ar[illegible]
or shipping holidays, markets would be unstab[illegible]
and depressed prices. Indeed, this may well [illegible]
years ago before such controls were establish[illegible]
conditions are different today and point out [illegible]
apples seem to flow smoothly to markets witho[illegible]

Two recent empirical studies provide confl[illegible]
concerning the effects of prorate termination[illegible]
California-Arizona orange prorate by Power, Z[illegible]
found only minor differences in the stability [illegible]
in a year when the prorate was suspended comp[illegible]
when prorates were in effect. But a study of [illegible]
Carman and Pick (1987) concluded that "there [illegible]

that both sales and prices were more stable d[illegible]
prorate was used than during the 1986 year whe[illegible]
(p. 18).

Producer allotments have been criticized p[illegible]
restrict entry of new producers into an indus[illegible]
for some years in the U.S. hop industry. The [illegible]
hops was terminated recently and the remainin[illegible]
is minor.

Quality control programs may improve the co[illegible]
product and potentially may reduce losses in m[illegible]
Critics argue that grade and size regulations [illegible]
consumers of a full range of choices and that [illegible]
used as a means of regulating quantity markete[illegible]

Bockstael (1984) has shown that whe
clearly discernible by consumers upon
quality standards reduces social welfa
or not consumers are able to distinguis
point of purchase. Jesse (1979) and o
wholesalers and retailers may purchase
often are not observable in consumer s
can readily observe size differences s
socially justified only in so far as i
lower grades and small sizes are price
shipped even without controls.

The limited evidence on the use of q
quantity suggests that it has not been
illustrate, a study of the quality con
nectarines showed that marketing order
rejection of only about four percent o
percentage did not vary significantly
(U.S. Controller General, 1985).

<u>Market support programs</u> appear gener
in excess of costs. Some aspects such
exchange and better industry organizati
significant. There have been some conf
of advertising programs where there is
firm that spends substantial funds prom
appear to be few, if any, adverse affec

<u>7. Future developments</u>

Many of the marketing orders establis
legislation in the 1950s and 1960s empha
Commodities affected included apples, as
cantaloupes, lettuce, cling peaches, ol
lemons. All of those programs were term
did not solve the problems perceived to
problems that were not foreseen. While
continue to exist, primarily under the f
total use of marketing orders has shifte
emphasis on quality controls and market

Criticisms of volume management progr
quality control continue. More economic
scrutiny by the Secretary of Agriculture
resolve some of the issues but the press
is likely to continue. It perhaps would
elimination of volume management program
of any expansion. Meanwhile, quality co
programs seem likely to be maintained an
Many of these programs could be establis
even if the federal Agricultural Marketi
repealed.

There are very few measures of the do
benefits or costs that have resulted fro

It is my opinion that, with perhaps one or two
measure these values we would discover that th
small--and certainly small relative to the cos
involved in federal support programs for dairy
field crops. The fruit and vegetable marketin
competitive even with marketing order interven

Acknowledgements

I am indebted to Carole F. Nuckton and Hoy
comments on the paper.

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