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# THE FEDERAL DATE MARKETING ORDER

Activities and  
Accomplishments

ERS-214

U.S. DEPARTMENT OF AGRICULTURE/ECONOMIC RESEARCH SERVICE/MARKETING ECONOMICS DIVISION



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Washington, D.C.

February 1965

## SUMMARY

The Federal Date Marketing Order, in operation continuously since 1955 and amended three times, appears to have been successful in improving the farm price. The annual price received has been stabilized, with a slight increasing trend. Quantities sold as whole or pitted dates have been stabilized. Quantities sold for products have increased rapidly.

However, the quantity of dates held over from one crop year to the next has steadily increased, posing a potentially serious problem for the industry.

Although the Order may not be responsible, the number of packers has decreased and their average size has increased.

The Order, which was preceded by the California Date Marketing Order, provides for minimum grade, size, quality, and container regulations, mandatory inspection and certification, research, and volume control. It applies only to the four most important date varieties: Deglet Noor, Zahidi, Khadrawy, and Halawy.

U.S. date production is concentrated in the Coachella Valley of California. The industry is young but produces about half of the dates consumed in the United States.

THE FEDERAL DATE MARKETING ORDER--  
ACTIVITIES AND ACCOMPLISHMENTS

by  
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INTRODUCTION

The date palm is probably the oldest cultivated tree crop in the world. It has been an important source of food in North Africa and the Middle East for centuries, but date production is just now becoming a mature industry in the United States.

In the United States the Mission Fathers grew date palms from seeds at least as early as the middle of the 18th century. This and several later efforts to produce dates in California failed, primarily because of planting in areas not having the required climate for ripening the fruit.<sup>1/</sup>

The U.S. Department of Agriculture made its first importation of date offshoots in 1890. In 1904 and 1907 the Department established experimental date gardens in California near Mecca and Indio. From these beginnings, the date industry grew slowly until about 1940, when production began to increase rapidly.

Commercial production of the date palm, a subtropical plant, is possible only within very narrow ranges of temperature and humidity. Ample and good irrigation water is also necessary. The Coachella Valley of California, one of the few locations in the United States that has these attributes, has become a major area of date production. A small quantity of dates is produced in Arizona, but the commercial date industry is located almost entirely in California.

Domestic Production

Since 1940 when the industry began to expand, domestic date production has fluctuated widely from year to year but the overall trend has been steadily upward (fig. 1).

Total production is a function of yield per acre and total acres. Both of these have varied over time (table 1). Yield per acre has varied considerably from year to year, with a long upward trend. Bearing acreage changed gradually and until 1953, when it reached nearly 5,000 acres, also had a

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<sup>1/</sup> Proper maturing of dates requires prolonged summer heat without rain or high humidity during the ripening period. For an excellent discussion of date production see: Nixon, Roy W. Growing Dates in the United States. Agr. Inform. Bul. 207, Agr. Res. Serv., U.S. Dept. Agr., 1959.



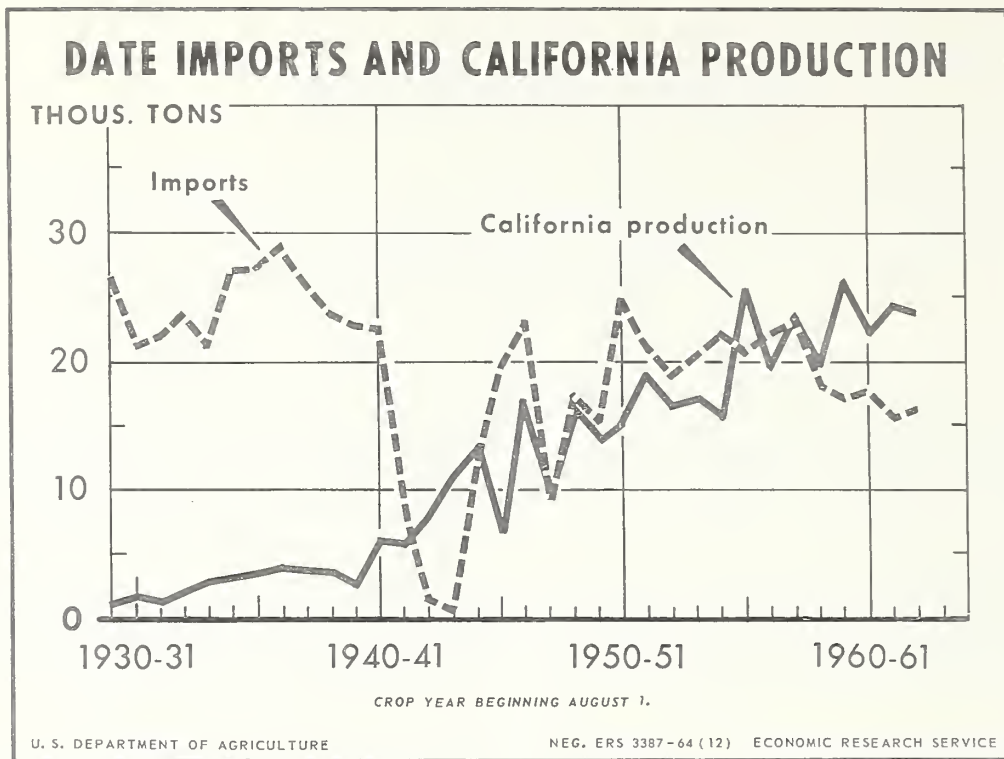


Figure 1

longtime increasing trend. Since 1953, bearing acreage has decreased somewhat but apparently has leveled off at slightly over 4,000 acres.

Increasing yield per acre and increasing acreage combined to give an increasing production trend from the 1920's until 1955. Although bearing acreage has declined, total production has remained high because yield per acre is increasing.

#### Imports

Figure 1 shows U.S. imports of dates from the 1929-30 to 1962-63 crop years.<sup>2/</sup> Imports were the main source of dates in the United States before 1940 and nearly the sole source before 1930. However, imports were drastically limited during World War II, and they have never regained their former importance. Since 1957, date imports have decreased approximately 30 percent.

The importance of date imports to the domestic date industry is not well established. While imported and domestic dates are not perfect substitutes, because of different varieties and qualities, they are competitive to some extent and, therefore, quantities and prices of imports can be expected to affect prices of domestic dates. Foytik considered this question in 1957,

<sup>2/</sup> From August 1 to July 31.

Table 1.--Bearing acreage, yield per acre, and total production of California dates, 1937-62

Crop year <u>1/</u>	Bearing acreage	Yield per acre	Total production
	<u>Acres</u>	<u>Tons</u>	<u>Tons</u>
1937-38.....	2,202	1.649	3,630
1938-39.....	2,513	1.405	3,530
1939-40.....	2,896	.898	2,600
1940-41.....	3,055	2.029	6,200
1941-42.....	2,965	1.953	5,790
1942-43.....	2,928	2.643	7,740
1943-44.....	2,981	3.613	10,770
1944-45.....	3,227	4.087	13,190
1945-46.....	3,268	2.081	6,800
1946-47.....	3,439	4.862	16,720
1947-48.....	3,594	2.832	10,180
1948-49.....	3,682	4.411	16,240
1949-50.....	3,922	3.595	14,100
1950-51.....	4,140	3.638	15,060
1951-52.....	4,328	4.353	18,840
1952-53.....	4,656	3.544	16,500
1953-54.....	4,915	3.459	17,000
1954-55.....	4,700	3.277	15,400
1955-56.....	4,598	5.502	25,300
1956-57.....	4,609	4.166	19,200
1957-58.....	4,667	4.993	23,300
1958-59.....	4,064	4.823	19,600
1959-60.....	4,163	6.245	26,000
1960-61.....	4,153	5.321	22,100
1961-62.....	4,165	5.762	24,000
1962-63.....	4,205	5.612	23,600

1/ August 1 to July 31.

using monthly import-domestic price and sales ratios.<sup>3/</sup> He found in his analysis that (1) import-domestic price ratios fluctuate considerably less than their sales ratios; i.e., their prices remain in much closer relationship than their sales relationship, and (2) price ratios are inversely related to sales ratios; i.e., if quantities of domestic dates sold increase relative to sales of imported dates, the price of domestic dates decreases relative to the price of imported dates. Foytik believes these results suggest that household consumers do not consider imported and domestic dates as unrelated commodities.<sup>4/</sup>

<sup>3/</sup> Foytik, Jerry. Impacts of Imports on the California Date Industry. Univ. of Calif., Giannini Found. Agr. Econ., September 3, 1957.

<sup>4/</sup> Further evidence is given in: Hochstim, Esther S. Homemakers Appraise Citrus Products, Avocados, Dates, and Raisins. Mktg. Res. Rpt. 243, Agr. Mktg. Serv., U.S. Dept. of Agr., June 1958. (Footnote continued bottom of next page.)

## The Industry Before the Federal Order

In its early years the domestic date was strictly a specialty crop offering exceptionally high returns. Dates were selling in 1913 for \$1 per pound.<sup>5/</sup> Twenty years later, the date industry was beginning to emerge and prices had dropped as low as 2 cents per pound. One result of this situation was the California State Marketing Order for dates, which became effective in 1938. This Order contained provisions for quality regulations and mandatory inspection. It was operated in the 1938-43 and 1948-52 seasons and terminated in 1953.

Termination of the State Marketing Order left the industry without an organization for group action or expression. Industry leaders then formed the Date Packers Council. This is a voluntary, informal organization that meets at irregular intervals. In its early years, the Council held regular meetings and served as an instrument for discussion of common problems. It was organized to fill a void, which to a large extent has been removed by the Federal Marketing Order. It now functions primarily where the Order is inappropriate. An example of Council activity is its representation of the date industry at legislative and tariff hearings.

The Council was the organized voice in first requests for a referendum on a Federal Date Marketing Order. It was in Council meetings to a large extent that the possibilities and limitations of Federal Marketing Orders were discussed. A major part of these discussions centered on the similarities and differences between State and Federal Orders, since the industry at that time was opposed to a State Marketing Order.

According to industry leaders, the date industry in the years preceding the Order had an uncertain market, with greatly fluctuating prices from day to day, month to month, and year to year. It became evident that something should be done to alter the situation. Therefore, the Federal Marketing Order was adopted in an attempt to bring price stability to the industry.

### PROVISIONS OF THE ORDER

The Federal Date Marketing Order became effective on July 15, 1955, and was amended in 1958, 1962, and 1964.<sup>6/</sup> The amended Order provides for (1) minimum grade, size, quality, and container regulations, (2) mandatory inspection and certification, (3) marketing research, and (4) volume control. Actions have been taken under each of these provisions, with volume control being the keystone of the Order program.

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<sup>4/</sup> Continued--This publication reports (p. 52) that when asked, "As far as you know, are the dates sold in the United States grown in this country, in foreign countries, or both?" 28 percent of date users said in this country, 10 percent said in foreign countries, 25 percent said both, and 37 percent did not know.

<sup>5/</sup> Popenoe, Paul B. Date Growing in the Old World and The New. George Rice and Sons. Los Angeles, 1913, pp. 173-176.

<sup>6/</sup> The amendments are discussed in the appendix.

The Order applied only to the Deglet Noor, Zahidi, and Khadrawy varieties until the 1962 amendment added the Halawy variety. The combined volume of the many varieties not included is a small proportion of total date production. Regulations are established for specific varieties; different regulations may apply to different varieties at the same time.

The Order defines three major categories of dates: Marketable, substandard, and cull. "'Marketable dates' means, for any crop year, whole or pitted dates which are certified equal to or higher than the applicable minimum grade then in effect" (987.12).<sup>7/</sup> In recent years an average of approximately 93 percent of all dates received by processors have been marketable.

Marketable dates are subdivided into "free" and "restricted" dates. "'Free dates' means those dates which are free to be handled pursuant to any free percentage established by the Secretary of Agriculture" (987.13). The end use of free dates is not limited by the Order, but within the context of the Order only those marketed in whole or pitted form by handlers are certified as free.

"'Restricted dates' means those dates which must be withheld by handlers pursuant to any restricted percentage established by the Secretary" (of Agriculture) (987.14). "Restricted dates may be disposed of only through exportation to such countries as the Committee<sup>8/</sup> may approve or by diversion in such form as rings, chunks, pieces, butter, macerated, or paste, or any other products which the Committee concludes to be appropriate and which will result in the dates moving into consumption in a form other than that of whole dates or of pitted dates" (987.55).<sup>9/</sup>

"'Cull dates' means dates which fail to meet the requirements (with respect to freedom from defects) prescribed in Section 798 of the Agricultural Code of California for dates for use in products or byproducts other than alcohol, brandy, and products not intended for human consumption, and any dates residual from field or packinghouse grading operation" (987.16).<sup>10/</sup>

"'Substandard dates' means those dates which fail to meet the requirements for marketable dates but are not cull dates" (987.15). They are dates which exceed the minimum quality standards of the Agricultural Code of California but fail to meet the more exacting standards established under the Federal Order. An average of approximately 7 percent of the dates covered by the Order have been substandard and cull.

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<sup>7/</sup> Numbers in parentheses refer to paragraphs of Domestic Date Order No. 987, as amended, effective August 1, 1964.

<sup>8/</sup> "Committee" as used throughout this report refers to the Date Administrative Committee.

<sup>9/</sup> Restricted dates meeting the grade requirements of that category can be exported to Mexico. Restricted dates meeting the grade requirements of free dates can be exported to any other country except Canada. Prior to 1963, only free dates could be exported to most foreign markets (see footnote 13, page 6).

<sup>10/</sup> The requirements of Section 798 of the Agricultural Code of California with respect to date defects are given in the appendix.

"...substandard dates and cull dates may be disposed of without inspection, but only in feed, nontable syrup, alcohol or brandy outlets, or in such other outlets for nonhuman food products as the Committee concludes are non-competitive with the outlets for free and restricted dates" (987.56). The Committee may modify this provision, with approval of the Secretary of Agriculture, to enable use of substandard dates in products for human consumption.

The 1962 amendment to the Order provided for a surplus pool which consists of all cull dates and all substandard dates, except any substandard dates released to human consumption outlets. All handlers are required to ship or deliver their surplus dates to the Committee or its designee(s) for disposition.<sup>11/</sup> The Committee then is required to dispose of all surplus dates in eligible outlets at the best prices attainable and return the net proceeds pro rata to equity holders.<sup>12/</sup>

Free and restricted percentages of marketable dates are established by the Secretary of Agriculture on the basis of the Committee's recommendation and supporting data or other information. The sum of free and restricted percentages must equal 100. The Committee recommends a free percentage of less than 100 whenever it "finds that the available supply of marketable dates for any crop year exceeds or is likely to exceed the total trade demand<sup>13/</sup> therefor, and that limiting the volume to be sold in whole or pitted form of any or all varieties through establishing free and restricted percentages...would tend to effectuate the declared policy of the act" (987.44). If the Secretary of Agriculture agrees with the Committee--he has never disagreed substantially on this point--he establishes these percentages.

### Volume Control

Free and restricted percentages are established separately for each variety, but the Deglet Noor is the only variety for which percentages have been set every year. Restricted percentages were established for Zahidi in the 1957-58, 1958-59, 1962-63, and 1963-64 crop years, but in 1958-59 the restricted percentage was removed. Table 2 shows the effective free and restricted percentages of Deglet Noor for the 1956-57 through 1962-63 crop years. In only one year, 1956, did the Secretary of Agriculture alter the percentages recommended by the Committee; the change was minor, to bring the percentages to whole numbers.

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<sup>11/</sup> A handler is allowed to use surplus dates to feed his own livestock.

<sup>12/</sup> Net proceeds from the surplus pool for the 1962-63 crop year were approximately \$35 per ton.

<sup>13/</sup> "'Trade demand' means the aggregate quantity of whole dates and pitted dates which the trade will acquire from all handlers during the crop year for distribution in the continental United States, Canada, and such other countries as the Committee finds will acquire dates at prices reasonably comparable with prices received in the continental United States" (987.11). In 1963, the list of trade demand countries was reduced to the United States and Canada. Previously it had included Austria, Belgium, British Isles, Canada, Denmark, France, Germany, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United States, and Venezuela. The purpose of this change was to enable export of restricted dates to all except Canada.

Table 2.--Free and restricted percentages of marketable Deglet Noor dates, crop years 1955-56 to 1963-64

Crop year <sup>1/</sup>	Date of recommendation	Committee's recommendation		Secretary's decision	
		Free	Restricted	Free	Restricted
		<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
1955-56.....	August 1	87.75	12.25	87.75	12.25
1956-57.....	June 15	75.83	24.17	75	25
1957-58.....	June 20	70	30	70	30
1958-59.....	July 3	74	26	74	26
	August 20	80	20	80	20
	November 14	85	15	85	15
	January 29	87	13	87	13
1959-60.....	July 1	73	27	73	27
1960-61.....	July 14	72	28	72	28
1961-62.....	July 20	72	28	72	28
1962-63.....	July 17	70	30	70	30
1963-64.....	July 17	70	30	70	30

<sup>1/</sup> August 1 to July 31.

The Secretary of Agriculture can increase the free percentage (and decrease the restricted percentage) in a marketing year, if the Committee so recommends and he concurs. The Committee recommended percentage changes in only one year, 1958-59, after making the initial recommendation. However, in that year three changes were made.

#### Quality Control

Although the quality control feature of the Order is of definite value in establishing a good reputation for domestic dates, its effects are less readily apparent and its requirements deviate less from normal practice than those of the volume control feature.

The Order requires that all marketable dates "meet the requirements of U.S. Grade C, or, if for further processing, U.S. Grade C (Dry) of the effective United States Standards for Grades of Dates" (987.39). Character and defect requirements somewhat more stringent than in these grades have been placed on the Deglet Noor variety every year and on other varieties from time to time.

#### Size

Minimum-size regulations were placed on Deglet Noor dates for the first time in 1963. Initially, the minimum-size requirement called for the smallest

25 percent of the dates by number, taken from a representative sample of a lot, to average 7.5 grams or more per natural date or 8.0 grams per hydrated date. An adjustment factor was established for pitted dates. In November 1963, separate size regulations were established for free and restricted dates. Free dates were required to weigh 7.5 grams per natural date and 7.8 grams per hydrated date. Restricted dates were required to weigh 6.5 grams per natural date or 6.9 grams per hydrated date. (Since September 1964, these minimums for restricted dates have also applied to free dates.) Ten percent of the dates by number were allowed to fall below these weights. Lots of dates not meeting the size requirement were placed in the surplus pool. In March 1964, minimum-size regulations were established for field-run dates.

### Container Regulation

A container regulation designed to prevent the introduction and use of an excessive number of sizes of plastic containers was established for Deglet Noor, Zahidi, and Khadrawy dates in 1962. The expressed intent was to keep packing costs low and to avoid unnecessary confusion in pricing. The regulation applied to all plastic containers except bags and master shipping containers with a net capacity over 2 pounds. It limited plastic containers for whole dates to either 12 or 24 ounces and those for pitted dates to 10 or 24 ounces. This regulation has been in effect continuously since it was established.

### Research

The Administrative Committee has encouraged and supported a wide variety of research projects. These have included studies of the following:

- (1) New ways of using dates.
- (2) The safety of certain mold inhibitors for use in dates.
- (3) The value of cull dates for livestock feed.
- (4) Ways of preparing cull dates to simplify handling and encourage their use as livestock feed.
- (5) Mechanical harvesting methods and devices to reduce the need for specialized hand labor.
- (6) Changes in quality and chemical composition that affect the shelf life of dates.
- (7) New processing methods that may improve the quality of packed dates.
- (8) Handling methods to insure that the consumer receives high-quality dates.
- (9) Electronic sorters to decrease the amount of hand sorting required and increase uniformity of dates in a given package.
- (10) Costs and efficiency of currently used work methods and equipment in packinghouses.
- (11) The effectiveness of various methods of in-store merchandising.
- (12) Attitudes and opinions of housewives concerning dates.
- (13) Development of objective means of estimating crop size several months before harvest.

Approximately 15 percent of the funds available to the Committee have been used in the research program. It is the judgment of the Committee that the value of results of the research is substantially greater than the cost.

## ORDER EVALUATION

The Federal Date Marketing Order has been an important influence in recent developments in the domestic date industry. While this influence cannot be precisely measured, some of its aspects can be identified and an indication of its magnitude can be obtained.

### Sales

Figure 2 shows annual sales of free (or equivalent) and restricted (or equivalent) dates as percentages of the averages of these categories for the 1948 to 1962 period. Two points stand out in this figure. First, since 1955, sales of free dates have been somewhat more stable than in the preceding years. Sales of restricted dates, on the other hand, moved from a relatively low and stable level to a higher and more changeable level. These changes have resulted largely from actions taken under the Marketing Order.

The Committee has made the decision that approximately 25 million pounds of free dates can be disposed of profitably in a given marketing year. The 1955-62 average sales were just over 24 million pounds. Percentages of both

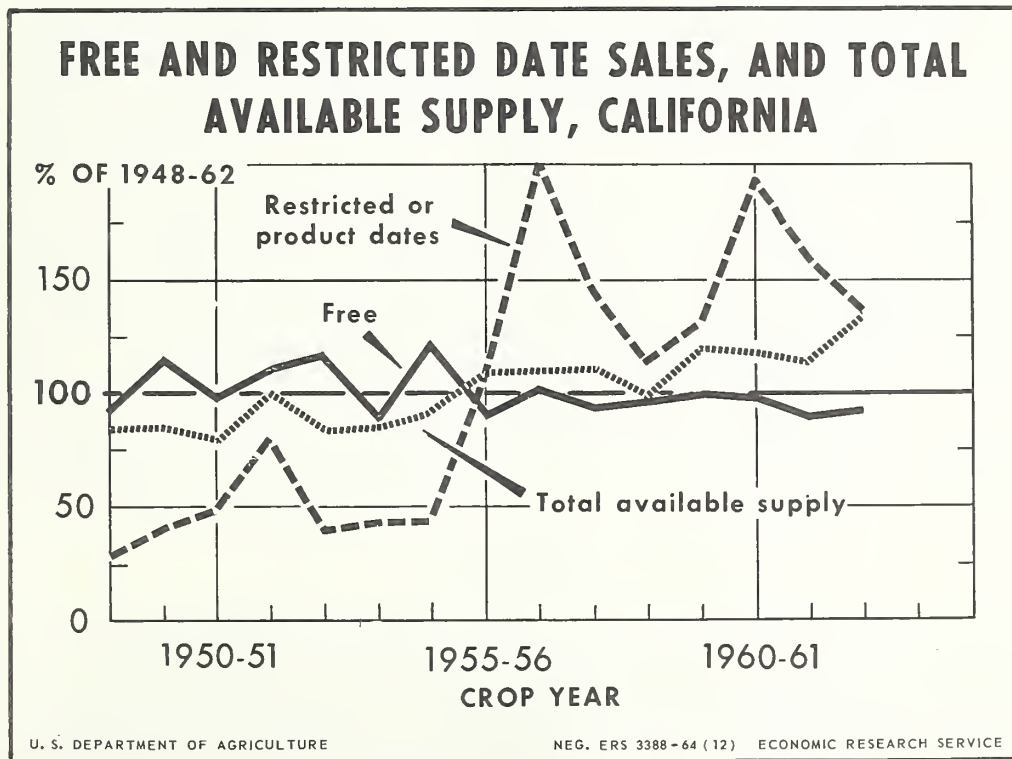


Figure 2



free and restricted dates are based on this estimate and an estimate of the quantity of marketable domestic dates that will be available in the marketing year. Thus, in a hypothetical situation in which the Committee estimate of marketable dates is 31,250,000 pounds, it will recommend that the free percentage be set at 80 percent and the remaining 20 percent be restricted. This has resulted in stability of sales of free dates and instability of quantity of restricted dates.

Stability of total quantity of free sales is not necessarily a logical objective. Due to increasing population, stabilizing total sales results in decreasing sales per person. If the per capita demand for domestic dates is stable from year to year, stabilizing total sales should increase the price received. There are indications that producers' returns from dates are increasing (fig. 3), giving some evidence of stability of per capita demand. From this we can conclude that the Committee, in effect, is operating at gradually higher points on the demand function, but to do this is selling fewer dates per person each year.

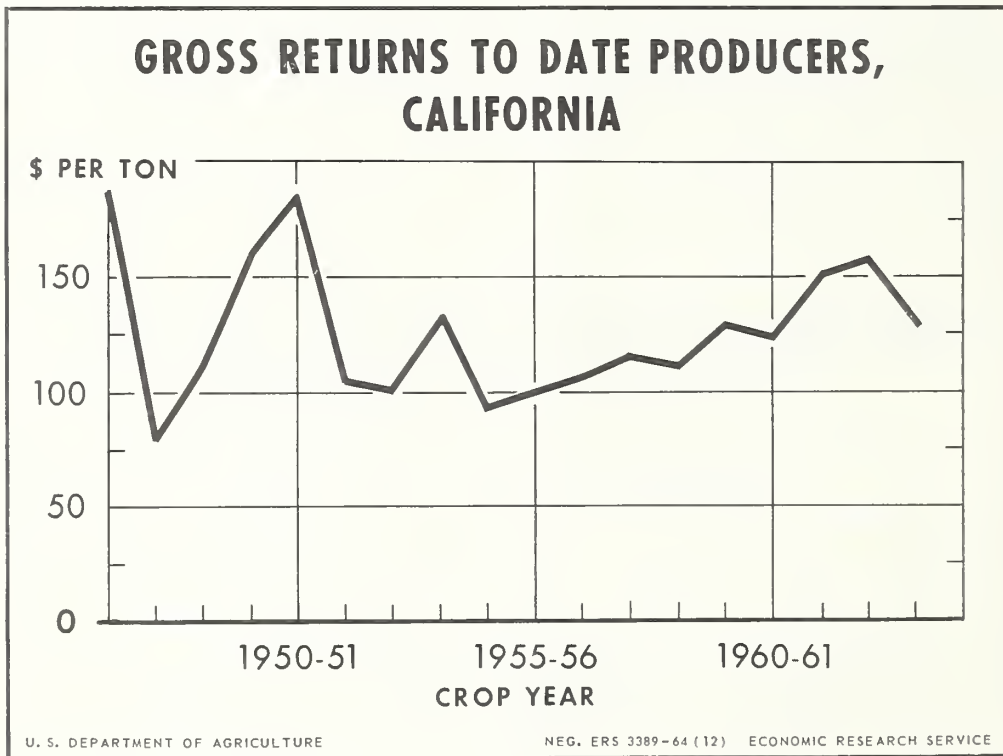


Figure 3

There are at least two possible purposes for the Committee actions concerning free and restricted percentages. The Order exists because of enabling legislation which has improvement of producers' incomes as an objective. It is the judgment of the Committee that the percentages set do contribute to accomplishment of this objective. Subsidiary to this may be the objective of

increasing the size of the "restricted" or products market. Increased production over time can be foreseen and markets must be found or created. In this sense, the present emphasis on the products market can be described as a subsidy to the future.

These decisions may be made as well as can be expected, given the state of knowledge concerning the demands for dates and date products. However, a two-price system is being utilized. This is an economic device which is difficult to administer. To maximize producer incomes from both markets (free and restricted) would require accurate information on farm level demands and costs for dates destined for both uses. The problem then is one of equalizing marginal net returns in the two uses. Unfortunately, we have insufficient data on which to make a precise allocation of marketable dates to the two outlets. Immediate efforts to obtain the data essential to informed decision-making seem to be necessary.

### Carryout

One of the important question marks of the Market Order operation is the trend toward increasing the August 1 carryout of dates. Some carryout is essential since the harvest is small in August and September. However, a carryout of one-third to one-half of annual production may be unnecessary.

Mechanical harvesting may help to make large carryouts less burdensome. Mechanical harvesting requires that all dates in a bunch be ripe. This necessitates a harvest delay of up to 2 months. With the increasing importance of mechanical harvesting, it is apparent that the August 1 carryout requirement will be greater than it has been in the past to assure sufficient supplies to meet users' needs until the new crop harvest. While this does not explain the large carryouts of recent years, it does indicate that carryouts of this size will be practical in the future.

Carryout can be utilized to compensate for inequality of annual harvests by retaining a portion of a large crop for sale in a future short-crop year.<sup>14/</sup> Figure 4 shows annual receipts by handlers, annual carryout, and total supply available annually. This figure shows that total available supply has fluctuated less than handler receipts in most years. However, carryout has tended to increase over time, and has been especially high in most recent years. Mechanical harvesting may cushion the impact of the large carryout, but eventually the date industry will need to find annual markets for an average crop to arrest the buildup in size of carryout.

### Returns

Annual average prices producers receive for dates fall into three distinct groups, according to time period (fig. 5). The first includes the pre-World

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<sup>14/</sup> Whether this increases or decreases total returns depends upon characteristics of the demand for dates. The present state of knowledge concerning date demand makes it difficult to estimate the effect of carryout on date price.

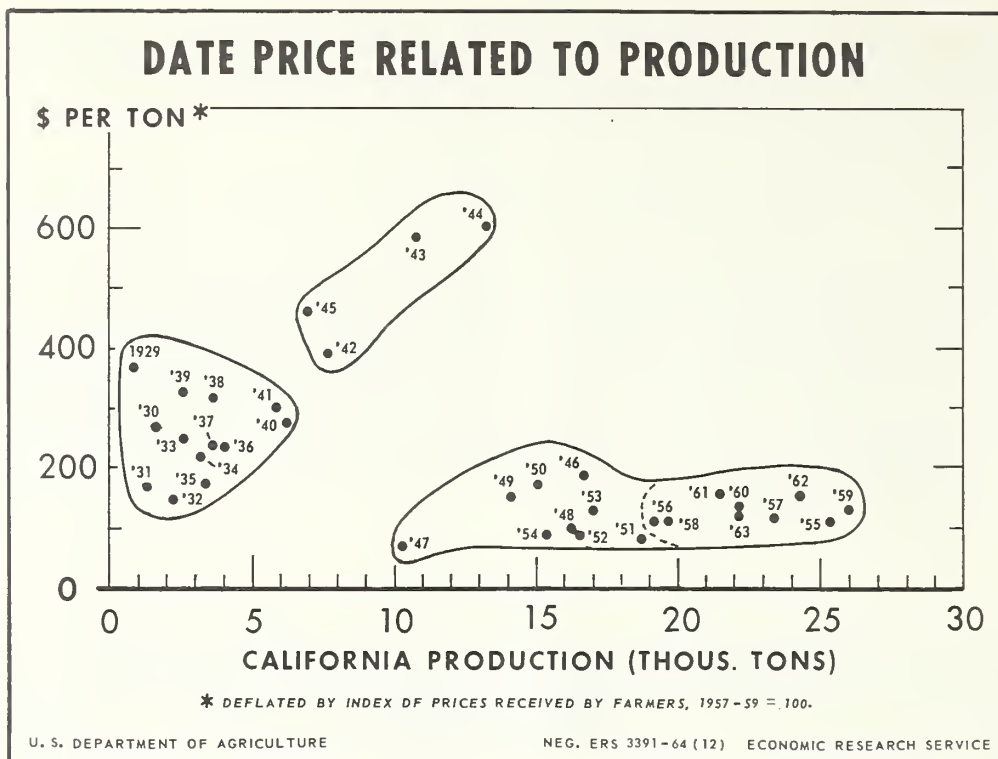


Figure 4

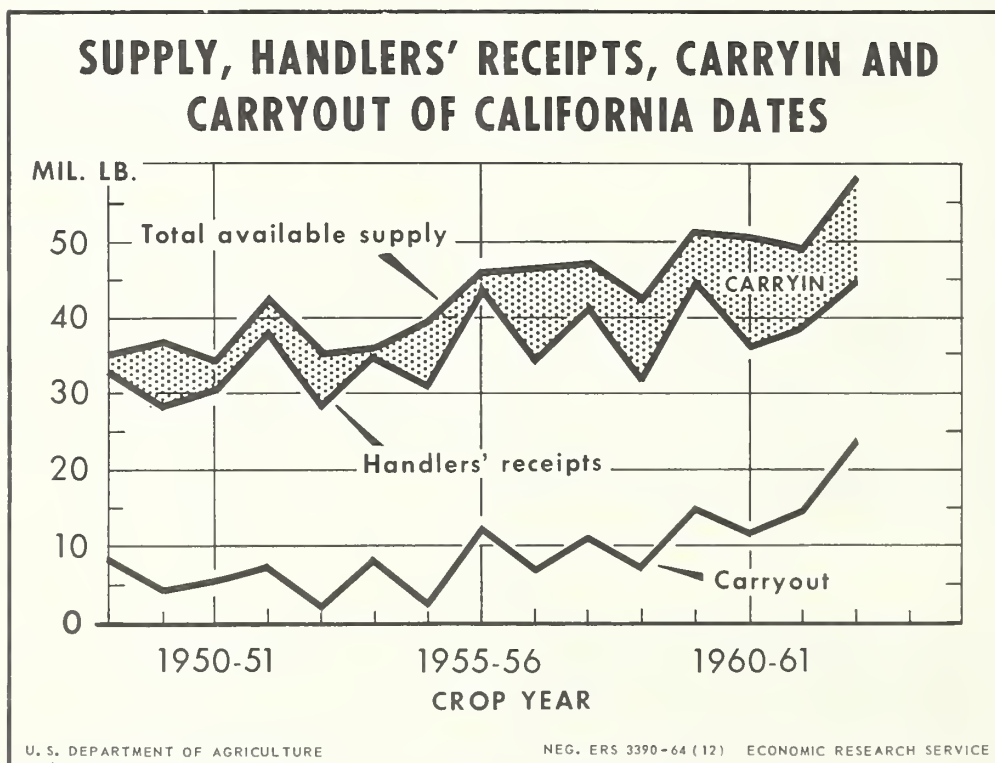


Figure 5

War II years of 1929 to 1941, when both prices and quantities tended to increase over time and prices moved up and down much as the general economy fluctuated. The second period includes the World War II years of 1942 to 1945 when farm price and domestic production were positively correlated, probably due in part to import restrictions. The third period includes the post World War II years of 1946 to 1961 when quantities varied considerably with an increasing trend over time, and prices were stable relative to the preceding periods. This has been especially true in most recent years, the annual price fluctuation apparently decreasing in spite of continuing fluctuation in quantities produced.

Figure 6 shows gross returns to California date producers. In this figure, gross returns are shown to have fluctuated greatly in the years following World War II<sup>15/</sup> and to have become relatively stable with an upward trend since 1955, the first year of Federal Marketing Order operation. This stability is more pronounced on the basis of dollars per ton, probably to some extent as a result of actions taken under the Order. The most important action taken to bring stability to the date market seems to have been stabilization of the annual quantity of free dates available for market, regardless of total crop size. Since the price received for free dates is considerably above the price received for restricted dates, stabilizing the free date quantity--and therefore price--has a stabilizing influence on average date returns per ton. But with a relatively stable price per ton, variable production results in variable returns for the crop.

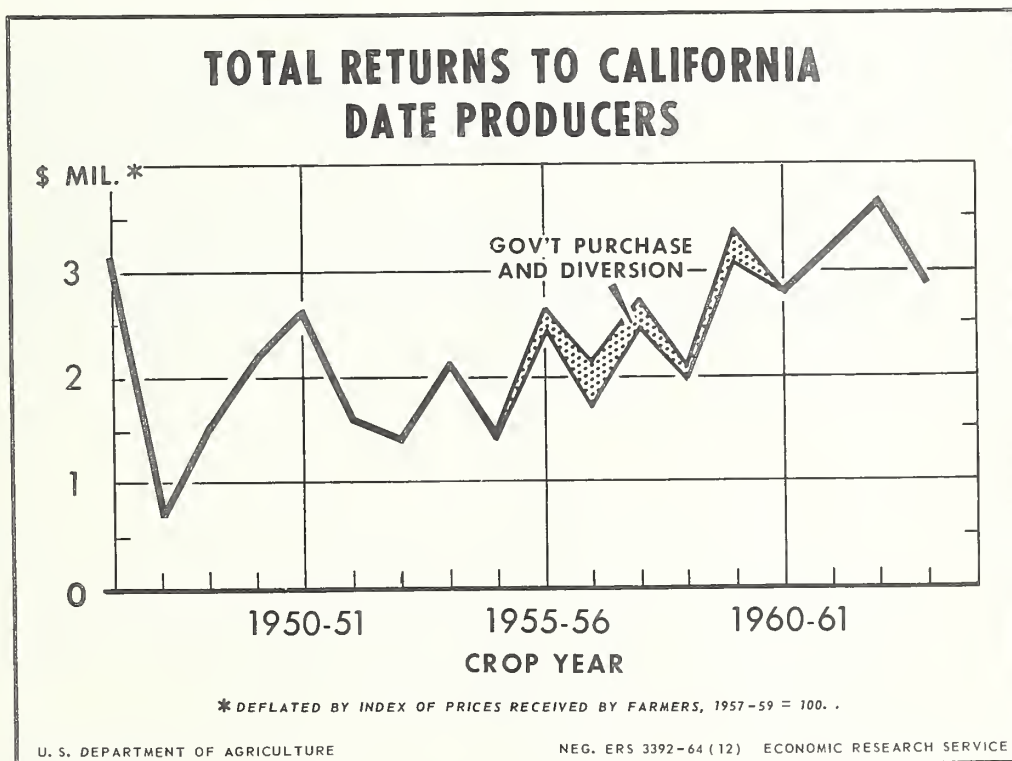


Figure 6

<sup>15/</sup> Even greater fluctuations occurred in the years before and during World War II. However, the purpose here is to compare the years immediately before and following institution of the Date Marketing Order.

In an uncontrolled market, price per ton is expected to vary proportionally more than total returns. This is because price and quantity usually move in opposite directions, with price and quantity changes having partially offsetting effects on total returns. Thus it can be inferred with good assurance that the Date Marketing Order has been effective in altering the financial course of the date industry. Stability of returns--especially returns per ton--are a major indication of such alteration.

### Packer Concentration

Domestic date packing historically has been largely concentrated in relatively few companies. This concentration has increased during the years of the Federal Marketing Order. In the 1955-56 crop year, 37 packers handled dates under the Order.<sup>16/</sup> In the 1962-63 year, only 19 were still packing. The reduction resulted from some companies discontinuing operations and from mergers. With the reduction in number of packers, the largest packers became increasingly dominant in the industry.

Whether the Marketing Order was the major cause of the trend toward packer concentration cannot be stated with certainty. It can be demonstrated that packer numbers have been decreasing in nonmarket order industries and areas. Therefore, it is likely that some of this concentration would have occurred without the Order.

However, it is the belief of many people in the date industry that the Order did intensify the move toward packer concentration. This belief is based on the rapid concentration that has occurred during the Market Order years and the opinion that there are economies of size in preparing date products.

Restricted dates must be used for export or for date products. Although they can be sold for manufacture into products, the market for these dates has been poor. The alternative is for the packer to manufacture date products, but this requires expenditures for development of the products, for equipment, and for the additional processing involved. Small companies have been at a disadvantage in adapting to this situation.

### CONCLUSION

The domestic Date Marketing Order appears to be an example of a successful marketing order. Among the reasons for this apparent success are the following:

- (1) The industry is physically compact with nearly all of the domestic dates being produced within the Coachella Valley and within a radius of about 20 miles of Indio, Calif.
- (2) The industry was in serious trouble when the Order was initiated.

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<sup>16/</sup> Some of these packers were primarily producers who packed only because of the need to retain some of the packer margin. It seems probable that date price improvement enabled them to discontinue packing.

- (3) A good foundation for the Order was laid by activities leading up to order establishment. This included the leadership of the Date Packers Council.
- (4) The industry did not expect a complete cure but hoped only for improvement.
- (5) Probably of primary importance but impossible to measure is the influence of wise management. The Date Marketing Order evidently has been fortunate in the quality of leadership serving on the Administrative Committee and in the major management position.

## APPENDIX

### Date Marketing Order Amendments

The Federal Date Marketing Order has been amended three times. The first amendment became effective on September 9, 1958, just over 3 years from the date the Order first became effective. The second amendment became effective approximately 4 years later on August 1, 1962, and the third on August 1, 1964. Reasons for the relatively frequent amendment of the Order are not entirely clear; but it seems apparent that when date producers and handlers became aware of the need for change, it was not unduly difficult to amend the Order.

The 1958 amendment contained two major changes. First, it added Orange County and that portion of San Bernardino County lying west of 116 degrees west longitude, whereas the original Order covered only Riverside and Los Angeles Counties. A second major change concerned Administrative Committee membership. The original Order called for the following membership:

- "(a) One to represent handlers, each of whom produced not less than 40 percent of the volume he handled.
- (b) One to represent cooperative handlers.
- (c) Two to represent handlers not included in paragraph (a) or (b) of this section.
- (d) One to represent producers who are members of a cooperative marketing association.
- (e) Two to represent producers who are not members of a cooperative marketing association."<sup>1/</sup>

The amended Order called for:

- "(1) One member from handlers, each of whom produced during the then current crop year to February 28 at least 51 percent of all the dates handled by him during such period, and producers, each of whom delivered to such handlers during the then current crop year to February 28 at least 50 percent of his deliveries to all handlers during such period.
- (2) Three members from cooperative marketing associations of whom one shall be an employee and serve as a handler member of the Committee and two shall be from among the producer members of such associations.

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<sup>1/</sup> Section 1003.22 of Order No. 103, effective July 15, 1955.

- (3) Three members from all other handlers and producers of whom two shall be handler members selected from among such other handlers, and one shall be a producer member selected from among such other producers."2/

This involved two changes. First, a group composed of both handlers and producers was set up. Handlers in the group must produce a large part of the dates they handle--the percentage being raised from not less than 40 to not less than 51. Producers included with the handlers must deliver at least 50 percent of their crop to these handlers.

The amendment also made provision for future changes in Committee representation, if changes occur in relative quantities produced or handled by various groups. Representation is to be based on one representative for the nearest multiple of 14.28 percent of total date tonnage handled, with a minimum of one representative for each group. The number required for a quorum and the number of affirmative votes required for action was changed from five to two-thirds (rounded to the nearest whole number in case of fractional numbers). This does not alter the vote or quorum requirements for a seven-member Committee (the size throughout the life of the Order) but was inserted because of the possibility of future adjustments in Committee size. In addition, the term of office was reduced from 2 years to 1 with the year ending on May 14 rather than April 15.

Changes made in the groups represented on the Administrative Committee were made to assure more equitable representation. However, the changes have not resulted in major shifts of Committee membership. In fact, in the first year following the change, 13 of the 14 members and alternates had served as either members or alternates the previous year. Ten of these were still members for the 1963-64 year.

These facts indicate the degree of continuity of membership on the Administrative Committee. Records of Committee membership for 1956-57 through 1963-64 show that eight men have served as either members or alternates in each of these 8 years. The average length of service in these capacities has been approximately 5 years.

Two changes made by amendment to the original Order could prove important. One is a provision for possible use of date size regulations in addition to grade regulations. The other is a provision enabling regulation of size, capacity, weight, or pack of containers.

Other changes, many of which clarify previous intentions, are:

- (a) Addition of a provision stating that a handler cannot withhold dates not meeting grade or size requirements to meet his withholding obligation.
- (b) Elimination of a provision which allowed export of "standard" grade, but nonmarketable dates. Henceforth, export dates must be certified as marketable; i.e., free or restricted.
- (c) Addition of definition of substandard, cull, and graded dates.

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2/ Section 1003.22 of Order No. 103, as amended September 9, 1958.

- (d) Addition of a provision for disposition of the excess when a handler has had more dates certified for handling or further processing than he has subsequently shipped or otherwise handled. The original Order allowed the handler to carry such dates over without paying the assessment a second time. To this was added the privilege of removal from certification and adjustment of his assessment for that year.
- (e) Addition of a provision enabling deferment until July 1 of meeting handler obligation to withhold restricted dates by setting aside enough graded dates to assure ability to meet the obligations.
- (f) Addition of a provision for setting aside sufficient field-run dates to assure handler ability to meet withholding obligations.
- (g) Provision for possible disposal of field-run dates for certain uses, as prescribed for substandard and cull dates, to meet handler withholding obligations.
- (h) Elaboration on the provision that substandard dates can be used in certain products for human consumption if the Secretary of Agriculture finds that this would "tend to effectuate the declared policy of the act."
- (i) Provision that diversion of restricted, substandard, and cull dates shall be accomplished only by Committee-approved manufacturers or feeders.
- (j) Elimination of the requirement that handlers give the Committee a notice of intention to dispose of restricted dates before actual disposition and addition of a requirement that handlers furnish a report of disposition of substandard and cull dates in addition to the previously required post disposition notice required for restricted dates.
- (k) Addition of Halawy variety to the list of included varieties. Prior to 1962 only Deglet Noor, Zahidi, and Khadrawy varieties were covered by the Order.
- (l) Addition of Imperial County to the area in which dates can move for storage without falling within the definition of handling under the Order. The Committee, on approval of the Secretary of Agriculture, was given power to further expand this to any other county adjoining the area of production.
- (m) The Committee, on approval of the Secretary of Agriculture, was given the power to establish special grade, size, container, or identification requirements for exports to a country or group of countries and was further empowered to participate in or negotiate the sale of dates to a particular country.
- (n) Handlers were required to pay assessments on field-run as well as other dates certified as meeting the requirements for marketable dates.

#### California Requirements on Date Defects

The following is a portion of Section 798 of the Agricultural Code of the State of California, 1949 (p. 288), giving the requirements of that code with respect to date defects.

Dates, including dates for use in products or byproducts other than alcohol, brandy, and products not intended for human consumption, shall be free from the following defects:



- (a) Live insects, whether larva, pupa, or adult;
- (b) Decay;
- (c) Mold (not including visible colonies of yeast);
- (d) Fermentation or souring;
- (e) Dead insects, insect parts of excreta;
- (f) Dirt or other foreign matter;
- (g) Black scald; and
- (h) Side spots more than three-sixteenths of an inch in length or width.

Not more than 10 percent, by count, or in the case of dates packed in blocks, by weight, of the dates in any one container or lot may be below these requirements; but of this amount not more than one-half, or 5 percent, shall be allowed for defects (b), (c), (d), (e), and (f) combined, and not more than one-fifth, or 2 percent, shall be allowed for decay. No tolerance shall be allowed for defect (a).

### Supply Response to Price

A possible risk in a marketing order which is successful in enhancing prices is that excessive future production will result. This is not expected to occur as a result of the Date Order. There are indications that recent date prices are insufficient to influence date producers even to plant sufficient date palms to maintain present production levels.

Production response to price is slow with a tree crop such as dates because of the time lag between the decision to produce or not produce and reflection of the decision in actual production. Date trees less than 6 years old are considered nonbearing, although some production occurs before the sixth year. Date palms may then bear until they are 100 or more years old.<sup>3/</sup> Thus, planting decisions begin to be effective in production only after the passage of several years and may then affect production for many, many years.

Analysis of date tree plantings, as indicated by the acreage of nonbearing date trees and annual average date price, shows a good correlation between these variables. California date producers evidently respond to date price in a rather systematic manner.

Figure 7 shows the relationship of date prices and nonbearing tree acreage. In this figure, nonbearing tree acreage in post-World War II years<sup>4/</sup> is plotted with the average prices (deflated) for 6-year periods from 2 to 7 years prior to the years shown. The rationale for using these prices is that planting decisions for the nonbearing trees of any given year were made in the 6-year period starting 7 years and ending 2 years before the given year.

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<sup>3/</sup> Similarly good statistical results were obtained using census tree numbers from 1935 to 1960 and the average date price from 2 to 7 years prior to the census.

<sup>4/</sup> However, many trees reach excessive heights long before they reach this age and are removed because of difficulties of working in them. Also, date acreages are being used for housing developments, and trees are sold for ornamental purposes.

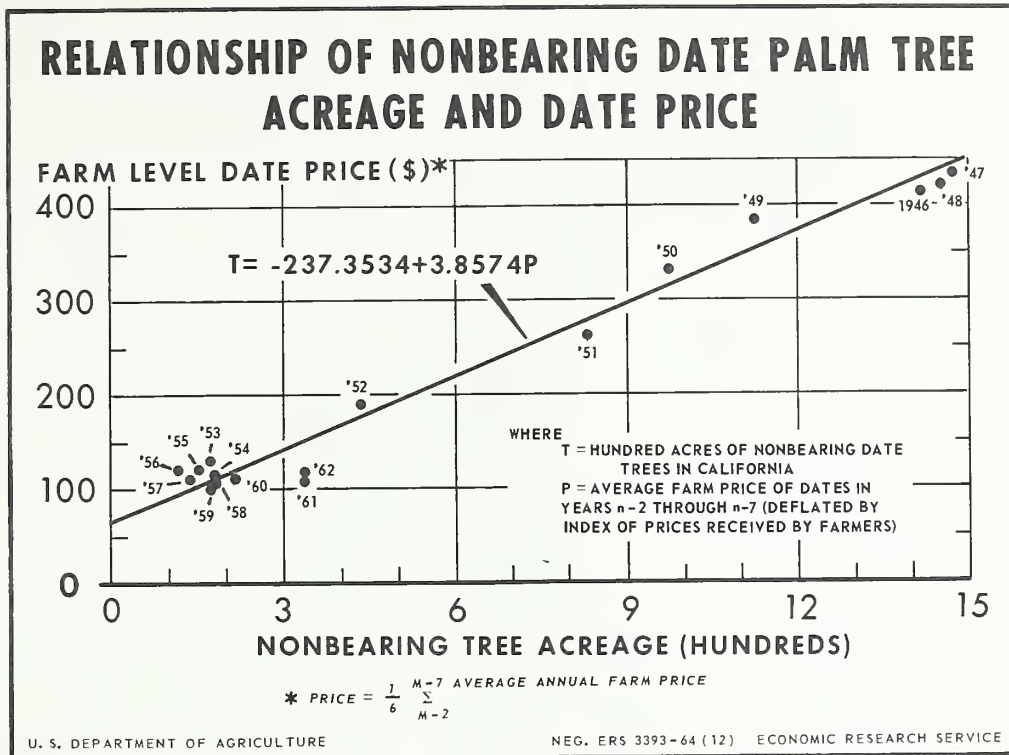


Figure 7

Figure 7 indicates that date-palm plantings are greater in periods of high price and less in periods of low price. It follows that future date production will be affected by current date price. Although a close relationship apparently exists between prices and tree plantings, the relationship between prices and future production can be estimated only roughly because of the unknowns of future production per bearing tree and average tree life.

If we assume that production per tree will remain at about present levels, we can estimate future production from acreage estimates. The equation of figure 7 tells us that the 1957-62 average price (deflated) of \$107.50 per ton, if maintained over a 6-year period, should result in 177 acres of nonbearing trees, an average planting of  $29\frac{1}{2}$  acres per year. If each tree bears an average of 60 years, and if the \$107.50 price is maintained indefinitely, we should eventually have 1,770 ( $60 \times 29\frac{1}{2}$ ) acres of bearing date trees. This is less than half of the present bearing acreage.

The above calculation is based on assumed average tree-removal rates. Since presently bearing trees have an uneven age distribution and most are young as date-palm ages are reckoned, tree-removal rates will undoubtedly be less than "average" for many years to come. However, it should be possible for the Market Order management to estimate the removal rate each year and utilize this and the supply response equation in current decisions.

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WASHINGTON, D.C. 20250

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