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Proceedings

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DEVELOPING MARKET INFORMATION SERVICE IN CALIFORNIA

C. F. Wells
Division of Markets
California Department of Agriculture

Dr. Nelson ended on the note - promoting intelligent competition by means of interchange of information.

The Federal-State Marketing Service in California has been developing an information service in the past year the purpose of which is to gather together all the available facts regarding condition in the domestic and foreign markets for California farm products, the supply situation in areas competing with California for these markets and the supplies to be marketed from the state and to disseminate this information to growers and dealers in a digestible form and while of current value.

The Federal-State Marketing Service is maintained by the Division of Markets, California Department of Agriculture, in cooperation with the Bureau of Agricultural Economics, United States Department of Agriculture.

The importance of such an adequate market information service as an aid to effective marketing is generally recognized, particularly its importance in the establishment of "market price," in increasing the facility with which sales of commodities may be accomplished, and in enabling growers to secure the maximum market returns. An indirect benefit of an effective market information service is that it tends to stabilize prices both within a given season and as between seasons.

The development of the established market reporting services by the United States Department of Agriculture has been in response to trade, shipper and grower demands. These demands were for an unbiased, accurate and expeditious system of reports on the prices of farm products prevailing in distributing and consuming markets, together with such other information on movement, unloads and loadings in producing areas as was available.

This extensive federal service now covers most of our staple crops. It furnishes current daily or periodic bulletins containing mainly "raw or undigested" facts and leaves the analysis, interpretation and application largely to the recipient of the report. By means of these reports, shippers, receivers and dealers in farm products and many large growers are enabled to follow market conditions, to distinguish market trends and to use these reports effectively in their business especially where they have facilities to coordinate the information. While the rank and file of growers find such reports helpful in connection with local marketing, their inability to translate distant market price today into local value is especially true where the fastest shipping time to market is 10 to 12 days, and where transportation risk and handling expense may be greatly in excess of the local value of the product. This is the situation prevailing in California with respect to our perishable fruits and vegetables.

The multiplicity of the commercial crops, dairy, poultry and livestock products is frequently listed in the neighborhood of 180 to 200 commodities. Each of 23 of these have an annual farm value of 10 mil or more. Many of these commodities are produced in only smaller proportion in other states and makes the problem of effective market information service in California vastly different from any other state.

The Federal Bureau of Agricultural Economics has, of course, constantly improved the established type of market reporting service. In addition, it has extended its work of analysis and interpretation to the mass of assembled market information, synchronizing it with production statistics and general economic facts into a far-reaching and progressive program of outlook reports. At the same time the Bureau has been developing a much needed service of price analysis on a number of "staple" commodities for determining the factors which influence the prices of these commodities.

The need for extensive price analyses becomes very apparent when an attempt is made to develop an effective market information service. Only when the factors influencing price are known, is it possible to develop to the fullest an information service which will emphasize these factors, and it is only when the relevant market news is selected from the irrelevant market news that growers get the fullest value from a market news service.

Most of the usual current market reports issued, except as the result of special analysis by the Bureau, have been confined mainly to a statement of prices and movement today and a week ago, month ago, or year ago. The special reports of the Bureau are in general periodic in nature and usually have not been utilized to greatest advantage in conjunction with regular current market reports.

In our recent series of market information bulletins on beans and prunes, etc., an attempt has been made to develop a program in which these two types of information are joined. Our bulletins, then, differ from the established and familiar market reporting bulletins in that they do not confine their information to current market conditions but attempt to include as well historical information and analysis designed to aid the grower in determining for himself whether the current price is likely to advance or decline.

To reiterate, growers having commodities to sell desire information regarding current prices and probable future prices. Our market information bulletins attempt to answer the first question by furnishing the prices being paid growers, by grade, and for all the important districts of the state. In this respect our bulletins do not differ greatly from established market news services, except perhaps that we have in certain cases gathered and presented "grower prices" which were assembled from both growers and buyers in decentralized markets. The assembling of such decentralized market prices has made necessary the use of questionnaires, and this is, I think, a departure from standard practice, as far as the usual market news service is concerned.

It is in connection with the question of probable prices that the California bulletins differ widely from established market news reports. It should be stated at once that in these bulletins, we do not attempt to forecast the future price of any commodity. We simply attempt to give producers all the available facts which bear directly on the question of probable prices, leaving to the individual the final decision as to the relative importance of these factors. Larger growers and dealers in general already have considerable of this basic information and use it to advantage. Smaller growers, however, have not in the past had such information and it is the object of this new service to make it available, and thus put producers on a more equal footing with buyers when they are marketing their crops. It is this basic information on supply and demand factors and the relation of these factors to local prices in past years that constitutes one of the most important advances made by these market information bulletins over older methods of market news dissemination.

A worth-while analysis of basic supply and demand factors necessitates real economic and statistical research. In the rush of starting our work for the various commodities it has been impossible to carry on exhaustive price analysis studies. We realize, however, that such research must be carried on by the Federal Bureau, state agricultural colleges and ourselves, if our market news service is to be made most effective. In the meantime every effort was made to do three things:

- (1) To include in the bulletins all available data on those factors which we believed to be price determining.
- (2) To exclude from the bulletins all the material which we believed to be unimportant from the standpoint of price.
- (3) To so organize the material included that it would facilitate such comparisons as we believed significant.

In connection with this last point, we have made it a rule never to publish an isolated price - we have always attempted to give at least two quotations, that the tone of the market would be indicated by the change.

To illustrate concretely the type of service we are developing, I am going to review briefly the type of material published in our bulletins on prunes and beans.

In our first prune bulletin, issued before active grower selling started, information was included to give a concise picture of the whole situation.

- (1) World production was estimated for 1928 and compared to production in previous years.
- (2) As a precaution, it was pointed out that carryover, while not available, might be an important factor.
- (3) World production and the California season average price was shown for each year since 1921.

In later bulletins this background material was included in summarized form with changes of course being noted.

In our second bulletin on prunes, issued after grower selling was under way, prices to growers were included. Since these prices differed somewhat in the different producing areas of the state, price quotations were published for four sections or districts.

In past years grower prices on prunes have been given in a manner almost unintelligible to the average grower. Therefore, the several buying bases were thoroughly explained in the second bulletin.

In later bulletins, current developments were fitted into the running picture.

In our bean bulletins, much the same procedure was followed. Here, however, it was necessary to break the bean class into varieties, and likewise to properly relate the mass of domestic and foreign information available to the given varieties. For example, articles in trade journals and factors in the

Trade frequently mention changed conditions in a foreign country which produces or uses beans. Unless some additional information is available regarding the variety involved, and its relation to the given variety produced by a given grower, such information is useless. We found that very little accurate information was available as to foreign production by variety, what domestic varieties are involved and the variety preferences of the foreign markets. As a result, we brought together some basic statistical data on foreign markets and conditions, showing for each of four years our bean exports by country of destination. We also showed the country of origin of bean imports into the United States. These two tables for example at least enabled the grower to evaluate a news item to the effect that the Madagascar bean crop was 6 per cent less than last year and the exportable surplus 21 per cent less. This spring before the beans were planted we issued a bean bulletin in which intentions reports in California and other states were utilized. The preparation of this report illustrates the necessity of making a price analysis if market news is to be changed over into market information.

Quick dissemination of this information is of the greatest importance. This is accomplished primarily by means of the short wave radio telegraph network of the Federal-State Marketing Service, the leased wire system of the Federal Department of Agriculture and by broadcasting. As soon as the various reports are prepared, they are immediately transmitted by radio telegraph to branch offices for dissemination. These reports are posted as bulletins, mimeographed and mailed to those interested, prepared for newspaper release, and broadcast by several large radio stations.

The market information gathered through the leased wire and radio telegraph stations is broadcast daily over KQW, the Farm Bureau station at San Jose from remote control studios in the offices of the Division of Markets at San Francisco and Sacramento at 12:30 noon and 6:10 P.M. The broadcasts give market information on fruits and vegetables, livestock, dairy and poultry products and weather reports. The noon hour is devoted to market information on fruits and vegetables while the six o'clock hour is devoted to market information on dairy and poultry products, livestock, weekly grain and wool reports, and other agricultural news.

As the federal leased wire system ties together the markets of the nation so the wireless telegraph network of the Federal-State Marketing Service ties together the important producing and marketing areas of California. The headquarters for this communicating system are maintained in Sacramento while the junctions with the western terminus of the federal leased wire system are at San Francisco and Sacramento. Stations in this radio network are of two kinds, permanent and seasonal. Permanent stations are maintained in San Francisco, Sacramento, Los Angeles, Modesto and Fresno in the San Joaquin Valley, Salinas (Serving the Salinas-Watsonville district), and El Centro-Grawley (The Imperial Valley). Seasonal stations are to be set up at strategic points during the marketing seasons for particular deals such as Lodi during the grape shipping season, Santa Rosa or Sebastopol during the Gravenstein apple deal, San Jose during the peak of the prune marketing season, Santa Maria during the fresh vegetable and dry bean movements (Santa Maria is the vegetable district of Central California) and may be placed at other points as the need for market information arises. With the western terminals of the federal leased wire and the central stations of the short wave radio network in the same building, it is only a matter of a few minutes from the time the message is received over the leased wire from eastern markets until it is being sent by the Federal-State Marketing Service to those California points which need that particular information.

Trained market reporters are maintained in the important producing areas and marketing centers in California who report the market in which they are located. This market information is collected or assembled; evaluated and incorporated into reports, and given distribution to anyone who is interested. Local newspapers play a most important part in the effective dissemination of the market information.

The physical equipment of the radio telegraph system of the Federal-State Marketing Service includes a 500 watt control station in San Francisco with 100 watt, self rectified, portable transmitters placed at the other points in the network. These stations operate on a wave length of 32.4 meters - an effective frequency for daylight communication. Daily traffic over KRG, the San Francisco control station, has averaged about 4,000 words, handled at the rate of some 30-35 words per minute, the operators being among the fastest in the profession.

While the radio telegraph network has only been in operation since October of 1928, it has amply demonstrated its effectiveness as a means of collecting and disseminating market information and its tremendous possibilities. During the coming fresh fruit and vegetable shipping season the program should further demonstrate its value to the agriculture of the state by making possible hourly communication between shipping and receiving points.

The value of this market information to the farmer depends on his making constant use of it. He must study the reports, note price changes, the kinds or qualities of products that bring best prices, and study the factors that bring about the up or down swings in the market. One day's market report considered alone is not of much value. To understand marketing the market must be studied constantly.

Supplementing daily reports, the Federal-State Marketing Service also issues weekly and special market information bulletins on various commodities. These point out the changes that have occurred and the reasons therefor.

In the bargaining process, superior knowledge may be either of two types. It may be a broader, sounder, more comprehensive knowledge, or it may be a prior knowledge. As a market becomes more fully organized, the securing of prior knowledge tends to become more difficult. The Federal-State Marketing Service tends to place all factors in an industry on a more equal bargaining footing by supplying a broad, sound, comprehensive knowledge of that industry, available to all who wish to take advantage of it.

The support which the development of our market information service has received indicates that such development will need to be extended to other products as rapidly as possible. In this development we, of course, anticipate the fullest cooperation from other agencies, such as the Federal Bureau of Agricultural Economics, our state college of agriculture, marketing officials, growers and dealers.

DISCUSSION

W. P. Thomas, Utah State College

The California State Department of Agriculture, Division of Markets, cooperating with the Bureau of Agricultural Economics, United States Department of Agriculture, has perhaps gone further in the development of market news and market information service than has any other state. It is in reality an extension of the outlook work, that is, California has added another feature to market news service, that of supplying additional information and making a local interpretation as to the production and marketing factors that affect the sale of California's farm products.

In the establishment of this market information service, California seems to have assembled sufficient men, and has arranged for proper contacts to secure the necessary basic information. She has secured qualified men to make a proper analysis of the market situation, and has provided efficient mechanical devices for the collection and distribution of market news information, and supplying the basic factors on supply and demand as they relate to local price.

It has been but a few years since the farmer had but little, if any, information on prices of farm products prevailing in the distributing and consuming markets. However, with the recent development of the market news service, quotations on farm prices on the various markets have been supplied. It soon became apparent that the farmer needed and demanded a local interpretation of these reports. The producer appealed to the county agent for assistance in determining what the quoted prices meant in the way of prices to him. The county agent who was appealed to for market information to make local interpretations was not always able to render the needed service because of not having the basic information on production and marketing as it affected the local situation, nor had he the training or experience to make the proper market analysis. The State Department of Markets for California has met this need by issuing timely market information, or price outlook data, in addition to the regular market news reports.

In many sections, the government market news reporting service has issued the market reports for certain commodities when the crop movement began. It has been the practice in Utah, and some other states, to contract crops in advance of shipment. Consequently, the grower really needs market information when he is selling his products, which is usually considerably in advance of shipment. The growers are vitally interested in the analysis of the production and marketing factors that affect the sale of their product, and are therefore anxious to secure all available information before the price is negotiated.

It may be that only the larger states can develop a market service similar to the California plan, however, there is an opportunity to supplement the market news report, for the states with less income from agriculture, by supplying the growers with the basic information and by making price analyses for the leading commodities. It is the writer's opinion that in most of the western states this work could better be done by colleges, universities and experiment stations, because they are more adequately prepared to render this service, than many of the state departments of agriculture where the personnel is limited.

Several states which are affected by similar marketing conditions could benefit by cooperative effort in supplying this market information. The production and marketing analyses of the price of wool, lambs, beef cattle, turkeys and alfalfa seed, made cooperatively by the intermountain states, would be an important factor in the marketing of these commodities.

Geo. O. Gatlin, Oregon State College

There are only about two points that I want to make, or perhaps I should say, that I want to raise. I did not have an opportunity to read Mr. Well's paper but I copied down one statement that he made a moment ago. I also copied down one that Dr. Wellman made this morning. I am going to take those two statements as a text.

Mr. Wells brought out the fact that the type of news reports issued for farmers must be very different than that for dealers or the men in the trade. That, I think, is something that has not been given as much attention or thought as it deserves. For instance, in the market news work and in the outlook work of the Department and colleges, they have developed to a considerable extent the methods of obtaining the information, of compiling it, of analyzing it, and to some extent of disseminating it. They have the technique on one side of the job pretty well understood. The purpose, however, is to get it over to the farmer and the question I am raising is, are we getting it over to the farmer?

It has only been in recent years that we have begun to study the farmer's attitude, his reactions, etc. I had the pleasure some years ago of reading a manuscript written by Mr. C. C. Zimmerman of Minnesota. He was studying the attitude of the Minnesota farmer. Mr. Zimmerman's study brought out the fact that instead of milk producers getting their market information from their own cooperative house-organ, many depended for information on the man who drove the truck and collected the milk cans. The studies made by the Extension Service in a number of states, showing the reactions to methods of extension work, has thrown light on this same problem. The Division of Cooperative Marketing, in its membership studies as made in recent years, has given us further insight regarding the attitudes of farmers.

We are now attempting a nation-wide program of market news and outlook information and other reports designed primarily to influence farmers. We need to find out how farmers can best be influenced. Mr. Wells points out what the market news reports mean to the dealer, the man who sits at his desk getting messages every few minutes, but what does it mean to a farmer to get a report that there are a certain number of cars of tomatoes in Chicago? It doesn't mean very much. Is it not desirable for the Department of Agriculture or for the colleges, either separately or jointly, to make a very thorough study into the question of where the farmer gets his market information? Does he get it from Government Reports, from the daily newspaper, from the country weekly, from the banker, from the merchant from whom he buys, or the milk man, or where does he get outlook and price information? What form of report does he react to? Which one of these sources are the sources that bring action on his part--that leads him to buy, sell, or hold? What form or shape should this material be put into in order to get the farmer to use it? To be effective, he must not only get it, but also must act upon it. These questions would seem to deserve a lot of study. We are now dumping reports out to the farmers, letting them get what they can out of such reports.

Dr. Wellman says that we should interpret market information and not confuse things and straddle the fence. That is the second point which it seems to me we can well think about. We have heard for a number of years, as applied to commodities, this expression: "Don't dump your commodities, but merchandise them; feed them out as there is a demand for them." Is not this good advice for information as well as for commodities? Aren't we dumping a lot of market news and a lot of outlook reports? Shall we continue to compile reports, giving them to the farmers and saying, "That is what you want"?

I remember when I first went into a cafeteria. I got my tray and started around the counter. I didn't know how to pick a meal; I had my tray filled with salads and desserts before I have even reached the meat and bread. I have somewhat the same experience with a lot of reports that come to my desk--so many, that I do not know what to read, so I may miss what I really need. I received a report this morning, a mimeographed, typed, one-half-inch-thick report on the market situation regarding a certain commodity. I am sure it was thorough, but I wonder if the morning newspaper did not give me the gist of the story? At any rate I filed the thick report and read the market page of the newspaper. If someone in my position is heretical enough to discard a lot of official documents that come to his attention, and read newspapers and trade journals for market information, what can we expect the farmer to do?

Let us give more consideration to putting our market news and outlook information in attractive packages. Do not give the customers a cube of butter when they want a carton. Give the farmers the kind of information that will meet their demands. Feed it to them. Don't dump information. Don't say, "Here it is, figure it out!"

Mr. Wells

The problem which is involved is the fact that the farmer has certain limitations to his views. This is one of the most important and fundamental problems in this field; it is a problem that is so important that if any attempt is made to meet it, it will determine almost entirely the type of report that is put out. If you don't try to meet that problem, you can continue to put out any report that you wish; in the end you have to meet that problem or you will go out of business. You may get away from market information and go back to market news in California, because market information necessarily takes more words. This kind of a statement will undoubtedly get across to the farmer: "Plant beans, but don't plant small whites". That will get across to the farmer, and he will remember that; he will go to someone else. If they say the other thing, he will or will not have confidence in them, and he will make up his mind on that sort of thing. That is how fundamentally important Mr. Gatlin's remarks are. If you try to meet the situation we outlined, it is going to determine the type of reports. You can continue to issue market information bulletins and supplement it with some kind of an extension service. That is a possibility to think over.

Mr. Gatlin

I am not going to attempt here to answer the questions that I have raised. A lot of my experience has been in the Cotton Belt, where many cotton farmers depend for information on the local buyer, the local banker, or the merchant who sells them supplies. If the farmers will not act on reports which we send out, it seems to me that we must make use of the individuals or agencies that the farmers do depend upon. We must find the way to get market information across to give the result desired. If there is any key man who influences the farmers in a given community, we have to reach that man to get results.

Mr. Vass, University of Wyoming.

I would just like to raise a question upon this measure and that is: are we doing a lot of work without getting any results?

Mr. Wells

Wouldn't the reports bear on this issue? It would be some indication that it was a good service or they wouldn't apply for it themselves. We have a nice album of testimonials. The real acid test of a service is whether they ask for the report to be continued over a period of years.

Mr. Comish, Oregon State College

I think that Mr. Gatlin raised a very nice question. Frankly, some farmers have told me that they disregard this type of news service entirely. Some even go so far as to tell me that it is just another way to gyp them a little more on prices. In view of the fact that our farm population have different grades of intelligence and in view of the fact that they have different sources for acquiring information, I think that undoubtedly it is noteworthy, as Mr. Wells and Mr. Gatlin point out, to simplify this information. I think that Mr. Breithaupt is doing a good piece of work along that line, to simplify it so that the average farmer can tell what it means. I am decidedly of the opinion that we should find out exactly what their views are and how best to put out the information.

Mr. Wells

One more point in answer as to whether or not we are getting this market news service across: assuming that ninety per cent who are on the mailing list of the bean information bulletin use it to make their morning fires, does that mean that only ten per cent of the bean growers get any value from it? No, it does not mean that. Many farmers tend to follow the say so of somebody they have confidence in. It may be one of the ten per cent whom they ask. You cannot measure the effectiveness of the report by the number of people who burn it.

Mr. West

It brings up the point that only ten per cent of the people think. It seems to me that it is hard to analyze how much service of this kind is being used. I do not know myself how much I get out of this report; then how much does the farmer get out of this service?

Mr. Vass

Our wool growers are inclined to look with disfavor on the lamb reports in that it is not much good to them. The potato growers passed a resolution in 1928 to hold the acreage of potatoes down, but instead they increased the acreage. Are they paying any attention to outlook reports?

Mr. Wells

The growers paid no attention to the Intentions Report. If a twenty per cent increase was indicated, they should have decreased their acreage so that it would not take place, but nevertheless it took place. The farmers are not using the Intentions Reports in the way they are intended to use them.

Mr. Breithaupt, Oregon State College

I want to say that we cannot ever measure the influence of this work on the farmers until the farmers have heard about it. Relatively speaking, the farmers do not know anything about it yet. In regard to Mr. Gatlin's comment, it might be of interest to know that what he has in mind is being done by state representatives who attend the national outlook conferences. A committee has been at work for two years in making some analysis of suitable methods for the extension of such economic information. The first job we undertook was to summarize what is generally known as an "Agricultural Situation," bulletin. Out of about eighteen states that were publishing one, there were eighteen kinds of bulletins in appearance, context and the like. We are working towards some standardization of methods in that field, and this year, the committee is undertaking a survey of the entire country, through the county agricultural agents, of the outlook material, as to how it is going over to the farmer, what type is most suitable and so forth. I think that Mr. Gatlin's suggestion would be a suitable one for a research project, and the same might be said of all other types of extension and research work and the publication of bulletins. I have a feeling that a great deal of material is wasted on the farmers. A great deal of it goes astray but also a great deal of it sinks in. The county agricultural agents and other extension men, the leading farmers in the community, must be educated first. I do not feel that we are going to get a great deal of results with the farmers the first six months; the time is not yet arrived for the measurement of results. Probably five years from now will be soon enough to expect results.

Mr. Maris, Oregon State College

I am amply rewarded for my courtesy in letting Mr. Breithaupt have the floor a few minutes ago. I agree with Mr. Gatlin's suggestion very heartily in the fact that it would be a very fine thing to find out the estimation the farmers have for this work. When you couple this suggestion with what Mr. Breithaupt has said, this must be a continuous process, and I don't believe it is yet time to judge it, to formulate an opinion as to the general effect upon the problem of stabilizing production. If it has been discussed in your local meetings, you will find out that we have only made a small beginning with our task.

Mr. Dummeir, Washington State College

There is a place for this type of marketing information, a place that might be of some assistance to a fairly intelligently run cooperative association. In research work it cannot all be put down for the average laymen; some of it must be for the specialist.

Mr. Galtin

I happen to know that the problem we are discussing is one that is being discussed also in the administrative office of the Bureau of Agricultural Economics. I know that they have done some work in preparing a program for a study of this particular problem. They are considering making such a study as I have indicated. This meeting would seem to offer a good opportunity to support the Bureau in making the study. If the states are interested in seeing this done and want the federal government to lead the way and then let the states cooperate, it might be done.