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MARKETING ORDERS AND AGREEMENTS have been the subject of much discussion in the past year. The Agricultural Act of 1961 provided for the extension of these marketing controls to a number of new commodities and it is reported that the Administration is seriously considering legislation covering other commodities.

A marketing order is a Government enforced measure for controlling marketing which is binding on all handlers. In the past these orders have been applied in some areas to unprocessed fruits and vegetables, milk, tobacco, tree nuts, dried fruits and naval stores. Among the commodities made eligible for orders under the Agricultural Act of 1961 are turkeys and turkey hatching eggs, apples (in 15 states instead of 3), and cherries and cranberries for canning and freezing.

Marketing Orders Cover Larger Share of Farm Marketings

| | 1950 | 1955 | 1960 |
|---|---|---|---|
| Cash receipts under marketing orders: | | | |
| Milk *(billions)* | $ .8 | $ 1.2 | $ 2.0 |
| Fruits, nuts & vegetables *(billions)* | .7 | .8 | 1.0 |
| Proportion of commodity under marketing orders: | | | |
| Milk | 20.7% | 29.2% | 42.0% |
| Fruits, nuts & vegetables | 27.4 | 25.6 | 30.8 |
| Total cash receipts, all commodities *(billions)* | $28.5 | $30.0 | $34.0 |
| Proportion of all commodities under marketing orders | 5.3% | 6.7% | 8.9% |

Nearly 9 per cent of all cash receipts from farm marketings were covered by Federal marketing orders during 1960. A decade earlier the proportion was about 5 per cent. For dairy products, over 40 per cent of the cash receipts were covered by orders in 1960, more than double the proportion in 1950. Coverage in fruits and vegetables increased from 19 per cent in 1952 to 31 per cent in the most recent year.

The effectiveness of these programs in raising incomes of producers comes primarily through price increases resulting from restrictions on the quantity of particular grades and qualities of products moving into the highest value markets. With the exception of milk, prices are not set directly.

Techniques for restricting quantity are varied. For some commodities quality, size and maturity specifications are set for that proportion moving into the highest value market. In this case the quantity marketed can be regulated by tightening or loosening the specifications depending on the "surplus" production in a given year. For perishable commodities, total quantity restrictions may be placed on week-to-week marketings to provide "orderly marketing." For less perishable commodities, total quantity restrictions may be placed on the quantity moving into "primary" markets with the "excess" diverted into lower order uses such as the export market or processed products which presumably have a more elastic demand.

For milk, minimum prices are fixed for each type of use. Production is not controlled but any milk which cannot be consumed in the highest price use is diverted to "secondary" lower price uses. While a strong consumer preference for bottle milk (a high price use) provides the opportunity for greater total income to dairy producers through boosting the price of this product, the Government price support for manufactured milk in addition places a floor under the "diverted" milk.

The value of marketing orders to producers depends on both the nature of consumer demand and the nature of farm production. Commodities whose markets are all quite responsive to price changes (elastic demand) cannot benefit from marketing orders since quantity restrictions will bring only modest price increases.

Where a commodity has some markets which are not responsive to price changes (inelastic demand), total returns to producers can be raised through restricting quantities moving into the markets with the most inelastic demand. Prices in those markets will rise more than enough to offset the reduction in quantity.

On the production side, if higher prices for a portion of the output brings large increases in total supplies, the additional product will depress prices in the secondary channels tending to offset the greater returns in the primary channels.

From the standpoint of consumers, the greatest value of marketing orders is the by-product of such peripheral activities as establishing grades and standardizing handling procedures. These devices tend to improve the efficiency of marketing and provide benefits to both producers and consumers.

Research Department