Colorado
Department of Agriculture

Agricultural Marketing: Problems and Alternatives

A Series of Ten Articles by the Colorado Department of Agriculture and the Agricultural Marketing Task Force

MARKETING: WHO IS IN CONTROL

When the wheat on Colorado's eastern plains ripens each summer and turns the prairie to gold, and when the combines begin their dawn to dark trek from field to field, the farmers who raised that wheat should have a special sense of joy in seeing its gleaming kernels rain abundantly into the bins.

But for many the joy has turned to bitterness, and the bountiful golden crop has been labeled "fool's gold."

Even though wheat is the world's leading trading commodity, and has great value as a vital foodstuff throughout the globe, it has been the source of a great deal of economic frustration and despair for U.S. farmers in recent years.

How is it possible for the world's most efficient farmers to be so excluded from the scheme of progress? One farmer today supplies the food and fiber needs for himself and 63 other people; in 1959, he was able to supply the needs of 23 others, and when our country was new, almost every person was involved in producing his own food supply. Why has the farmer's tremendous response to the challenge of production not met with rewards proportionate to that effort?

The answers lie in the complexity of the system which has evolved, a system involving two and a half million individual entrepreneurs struggling to survive in a market place where both the suppliers they buy from and the outlets they sell to are giants. The tremendous disparity of market power between an individual farmer and a large corporation is obvious. The feeling of helplessness experienced by farmers in this huge marketplace is never relieved because most farmers' marketing experience is limited to local elevators within 100 miles of home.

Recently, when farm commodity prices dipped to Depression years levels, many farmers throughout the wheat belt began talking about marketing problems.

The Kansas legislature initiated a special committee to review grain marketing practices. Colorado farmers have joined together for a similar purpose in a special Taskforce. Fourteen Great Plains states are considering joining an interstate compact to develop more market clout for wheat farmers. Bills to give farmers greater bargaining power have been introduced in the U.S. House of Representatives and Senate.

The need to find ways for greater farmer marketing power surfaced again in the late 1970's when wheat prices dipped to devastating lows after prosperity seemed within reach in 1973 and 1974. Prices took a dramatic turn for the better in 1972 when the Russian crop failed. Everyone remembers well the temporary shortage situation that year, and the now-infamous wheat sale. Surprisingly enough, the actual percentage of the U.S. crop that went to Russia that year was small, but it showed what a relatively small increase in demand can do for wheat prices.

At the same time, the World Food Conference in Rome focused public attention on the spectre of food shortages.

Suddenly, all stops were pulled. U.S. agricultural policy called for all-out production, "fencerow to fencerow," as the well-known quote goes. The efficiency of the American farmer was proved then, and with that proof came rapidly growing surpluses, falling prices, and broken promises.

By 1977, a severe depression had hit wheat country. The inflationary tides of 1973 to 1977 had driven the cost of production to intolerable levels, while prices had fallen to rock bottom. All the farmers who had gone into debt to expand production in 1973 and 1974 got off their tractors and came out swinging in 1977. Enough was enough.

Since then thousands of farmers have become activists, seeking new solutions, new approaches, new ways to gain control over their production and their prices.

What are the three basic approaches available to farmers?

One, of course, is to do nothing and let the marketplace take care of the situation again, as many say it has done in the past.

Another is to turn to the government for assistance, but many farmers feel that "if the government is big enough to help you, it's big enough to swallow you too." Tradition and philosophy make it hard for farmers to give priority to this solution.

A third approach is to initiate self-help kinds of programs in which farmers act together and solve their own problems. This is the basic idea behind the Colorado Taskforce on Grain Marketing Alternatives, and will also be the focus of the series of articles to follow. These will cover marketing orders, concepts of supply control, and other approaches to marketing.

MARKETING ORDERS, AN APPROACH TO FARMER POWER

The American farmer often points out that he is the only businessman in the nation who buys at retail, sells at wholesale and pays the freight both ways.

As an independent individual who must deal with huge corporations on both the buying and selling end of his business, the farmer is indeed caught in a "no win" set-up. The history of American agriculture has been a series of futile government attempts to solve the ever-present "farm problem". But solutions have been elusive because various factions of the agricultural community support opposing policies, and because the consumer, with his greater numbers, calls many of the shots on agricultural policy.

However, the agricultural sector of the American economy, shrunk now to less than four percent of the population, is beginning to recognize its untapped power.

Farmers feel that they have been subsidizing American consumers at their own expense in this nation of the cheapest food in the world for a long time. They have become weary and are searching for ways to organize their ranks.

Actually, the U.S. Congress recognized as early as 1922 the need for farmers to be able to get together for marketing purposes. At that time, Congress passed legislation exempting bona fide farmers from the provisions of the Sherman Antitrust Act.

Later, in 1937, Congress granted American farmers the right to gather together in federally sanctioned marketing groups in order to collect funds for product promotion and research. This was the Agricultural Marketing Agreements Act of 1937. Out of that legislation came the Colorado Marketing Act of 1939, which was modeled after the federal act.

So, in a number of ways, public policy-makers have recognized the need of farmers to organize themselves. But farmers have not historically taken full advantage of the power offered them by Congress and the legislature.

Now, however, change is "blowin' in the wind" again and the marketing order, a tool offered by both Congress and state legislation, is receiving renewed attention - both by farmers and opponents.

What is a Marketing Order

A marketing order is a legal tool which makes it possible for producers or handlers of an agricultural commodity to join together to deal with marketing problems or create greater marketing efficiencies.

It is a SELF-HELP PROGRAM that is FARMER-INITIATED, FARMER-APPROVED, AND FARMER-CONTROLLED and carries with it the weight of the law.

More than half of Colorado's 25,500 farm operators are presently organized under marketing orders. There are market orders in the state for peaches, (250 producers), apples (250 producers), San Luis Valley potatoes (300 producers), northeast Colorado potatoes (100 producers), milk handlers (42), and wheat (16,500 producers).

Each of these orders was established through a referendum. Before each marketing order was officially ordered by the Commissioner of Agriculture, a favorable vote was cast by two-thirds of the commodity's producers who represented at least two-thirds of the production of those voting.

The same approach can be used to terminate a marketing order. A petition signed by half of the producers representing half of the production of the commodity can rescind a marketing order.

The referendum is used to establish the contents of the order also. Under the Colorado Marketing Act, 18 separate activities are listed as allowable activities under marketing orders. When farmers establish a marketing order, they decide which of those activities they want included in the order. Generally this is accomplished by a committee of producers which agrees on allowable activities, and then a slate, so to speak, is presented to voters in the referendum.

Allowable activities under the law are:

-- quality control (4 provisions);
-- establishment of surplus or reserve pools;
-- establishment of uniform grading and inspection regulations;
-- establishment of sales promotion plans;
-- posting of prices at which products will be sold (not price fixing);
-- requirements for labeling;
-- establishment of convenient weighing and inspection stations;
-- provisions allowing cooperation with other state or federal agencies;
-- regulations setting standards for containers;
-- establishment of research programs for improvement of production; harvesting, marketing, transporting, etc.;
-- establishing processing plants;
-- disposal of substandard or unmarketable products; and
-- limitation of unfair methods of competition in marketing or agricultural products.

A bill currently being considered in the state legislature will make lobbying a legal activity if it is approved.[1]

[1] (Ed. Note: This bill failed.)

Once the order has been voted on and established, it is administered by an Administrative Committee which consists of producers selected by their fellow farmers and then officially appointed by the Commissioner of Agriculture.

This Committee makes all decisions about the operation of the marketing order. However, activities are reviewed and overseen by the Commissioner because participation in the order is mandatory under the law. That is, the two-thirds majority vote in the referendum obligates everyone producing that commodity.

Assessments under marketing orders are fixed in the order at a maximum level; however, the law prevents that amount from exceeding five percent of the gross dollar value. The amount levied generally varies from year to year, depending on what programs the producers want to carry out. All money collected from assessments is placed in a bank in the name of the producer-controlled committee, and can be used only by a vote of the committee. The annual budget is subjected to approval by the Commissioner of Agriculture.

The marketing order provides a powerful and useful tool for organizing farmers into self-help units.

Many people question whether marketing orders work against the consumer. The answer is an unqualified NO. Consumers benefit tremendously from the increased quality control that many marketing orders require, from the stability of supply and thus price, that results from good marketing order management, and from the research that is carried out at farmers' expense.

Unquestionably, marketing orders provide farmers with a sound and proven means of working together to improve their position in the marketplace. In much the same way that laborers organize in a union, farmers in a marketing order have a method of operating collectively that they could not have on a one-to-one basis.

MARKETING ORDERS: THEIR ROLE IN THE AGRICULTURAL ECONOMY

Marketing orders have come under increasing fire from consumer groups and government antitrust analysts in the last few years, and numerous attempts have been made to eliminate the laws which allow producers to organize for orderly marketing purposes.

Marketing orders are perceived by many consumers as "price-fixing" mechanisms and even though the impression is erroneous, it is a notion that is difficult to dispell.

Rising food prices also incite consumer groups to look for scapegoats. Since the so-called "middleman" is difficult to identify, the farmer and his marketing order often bear the brunt of consumer wrath.

Do consumers have a legitimate complaint? Are marketing orders really so powerful? How much of the agricultural economy is actually engaged in marketing order activity?

The charts below tell the story. All the agricultural commodities in the United States which are marketing under marketing orders account for only 12.4 percent of total cash receipts.

Agriculture is a $109 billion a year business in the U.S., and only 1/8 of that is marketed under the jurisdiction of marketing orders.

Interestingly enough, only $4.5 billion in crop commodities are marketed under marketing orders, accounting for only 4.2 percent of the agricultural economy. The other eight percent or so is accounted for by the dairy industry's $7.9 billion under marketing orders.

(The dairy industry is better organized under the Marketing Act for obvious reasons of self-preservation: Without the protections offered by orderly marketing, the dairyman, with his highly perishable product, would be at the mercy of his buyers every single day. Because of the normal high-production seasons, for example, which are dictated by biology and are beyond the control of the dairy farmer, milk dealers and processors could engage in price wars, causing wildly fluctuating prices for both consumers and dairy farmers. The stabilizing effect of marketing orders was such a tremendous aid to the entire dairy industry that now some 72 percent of all milk is marketed under federal orders.)

The second chart below shows a remarkable parallel between the national picture with regard to marketing orders, and the Colorado situation.

In Colorado, five commodities are marketed under state marketing orders. They are wheat, potatoes, peaches, apples, and milk. Of the average $2 billion in agricultural sales in the state in recent years, the wheat order accounted for only six percent ot the total, potatoes 1.5 percent, peaches one-tenth of one percent; apples, four tenths of one percent; and milk, 4.5 percent. The total of 12.5 percent is parallel to the national total of 12.4 percent.

Those who are engaged in activities aimed at ridding the marketplace of marketing orders should note that the percentages, both at the national and state level, hardly present formidable figures.

On the other hand, farmers seeking greater clout in the marketplace, those who believe that farmers have too little power in determining their destiny or their price, should note that there appears to be ample room for expansion of the marketing order techniques.

What role do marketing orders play in the agricultural economy? Obviously, a relatively small one. But their importance to those who participate in them is significant, and they provide one of the few ways in which farmers can join together in self-help programs aimed at improving their position in the marketplace.

U.S. AGRICULTURAL RECEIPTS

	Under Market Orders	Not Under Market Orders	Total Receipts
Crop Receipts	$4.5 billion	$ 50.5 billion	$ 55 billion
Dairy Receipts	$9.0 billion	$ 3.5 billion	$12.5 billion
Other Receipts	———	$4.5 billion	$41.5 billion
Total Ag Receipts	$13.5 billion	$ 95.5 billion	$109 billion

	Under Market Orders	Not Under Market Orders	Total Receipts
Crop Receipts	$190 million	$ 371 million	$561 million
Dairy Receipts	$87 million	———	$87 million
Other Receipts	———	$1.617 million	$1.617 million
Total Ag Receipts	$277 million	$ 1.988 million	$ 2.265 million

THE COLORADO WHEAT MARKETING ORDER: WHO, WHAT, WHY, WHERE, AND WHEN

In these times of desperate awareness of our nation's weakening position in the world marketplace due to our growing trade deficit, Colorado wheat farmers can be proud. The contribution made by wheat producers across the nation, Colorado included, in improving the U.S. balance of payments is more significant than almost any other single group of citizens.

U.S. wheat farmers produce 2 billion bushels of wheat every year, over one-half of which is sent to overseas markets for a total sale price of nearly $4 billion.

Sixty percent of Colorado's wheat production valued at more than $114 million channels into those markets as well. Much of the credit can be given to the Colorado Wheat Marketing Order, whose Administrative Committee actively seeks trade opportunities.

The Colorado Wheat Marketing Order was organized in 1958, when farmers from 29 counties in eastern Colorado got together and initiated the action. First, they had to seek an amendment to the Colorado Agricultural Marketing Act of 1939 to authorize wheat growers to organize under a marketing order. A similar bill passed during the 1979 legislature and placed corn among the list of commodities permitted to have marketing orders.

When the referendum was held in 1958, 12,540 wheat producers voted, 11,090 (88%) in favor, and 1,450 (12%) against. Later that same year, producers in three northwestern counties voted to join the new marketing order by an 85% to 15% vote.

When the referendum passed and authorized the marketing order, only three activities were allowed: 1) The raising and expending of money for the promotion of wheat in the U.S. and around the world: 2) Research on marketing and utilization; and 3) Education and public relations programs.

The order voted in by the wheat growers 20 years ago restricts assessments for funding to a maximum or five mils or one-half cent on each bushel of wheat. The order operated for 17 years on a four-mils assessments, and changed four years ago to five mils to meet growing costs. The five-mil assessment on an annual crop of approximately 50 million bushels produces an annual budget of approximately $250,000. For 1979 it is estimated to be closer to $280,000.

Of that sum, about $50,000 goes each year to pay the salaries, retirement, insurance and taxes of the three employees of the Colorado Wheat Administrative Committee (CWAC). This committee has operated most of the 21 years of its existence with a three-man staff. Another $40,000 or so covers the annual transportation and other expenses of the nine-man administrative committee and the 32-man advisory committee. Operating expenses, including everything from postage to rent to telephone bills, takes about $45,000 of the budget, and the remainder, an estimated $142,000 is devoted to research, promotion, transportation activities, publications, membership in trade associations, and other activities aimed at improving the wheat producers' markets, products, or even image.

All decisions about this money are made by elected representatives from the wheat community. The 17,000 wheat producers have the opportunity every year to meet, and elect leaders to serve on the Advisory Committee or on the Wheat Administrative Committee. Once selected by their colleagues, the members are officially appointed by the Commissioner of Agriculture.

The Colorado Wheat Administrative Committee meets monthly as a board of directors to review progress, set policy, and approve expenditures.

The CWAC recognized early in its history that one state by itself can have little impact on a world commodity like wheat, so they voted to join forces with Kansas and Nebraska to form Great Plains Wheat, Inc. which now includes ten states in the Great Plains. Later, CWAC also joined the Western Wheat Associates organization, which is located in the Pacific northwest, in order to have access to Far Eastern markets as well as those reached from the Gulf of Mexico. These two organizations merged in 1980 to form U.S. Wheat Associates, Inc.

U.S. Wheat Associates promotes wheat around the world with offices in Europe, Africa, the Middle East, Latin America, Asia and the Oceania areas. CWAC pays annual dues to the organization and is represented on their board of directors. Thus, Colorado wheat producers have direct representation in world markets for wheat.

The conversion of the Asian diet from strictly rice to include wheat products is one of the great sucess stories that Colorado producers have participated in. The first trial shipment of wheat was sent to Japan in 1961. It was primarily Colorado wheat, accumulated by co-op elevators. The shipment was accompanied by teams of nutritionists who showed Japanese cooks how to use wheat products. Japan is now the largest cash buyer in Asia of U.S. wheat.

CWAC has also been involved in studies aimed at reducing transportation inequities and was directly responsible for the reduction of export rates for shipping wheat from Denver to the west coast from $1.42 per CWT to 98¢. The committee also has provided a strong leadership role recently, in the effort to promote gasohol production and use in Colorado.

The Colorado wheat marketing order, like any other organization, is made up of men and therefore is not perfect. However, it provides a vehicle for the widely fragmented members of a huge Colorado industry -- wheat production-- to act together to accomplish common goals.

SHALL WE HAVE A NATIONAL WHEAT ORDER?

There are thousands of wheat farmers throughout the Great Plains of America, and in all corners of the U.S., who together produce a significant portion of the world's human grain supply. Yet they have virtually no ability to deal with the chronic instability in wheat prices which has plagued their industry.

The lack of confidence about prices, coupled with the certainty of increasing costs, has made it difficult for wheat farmers to plan ahead, and has contributed to the growing numbers quitting the business.

Many agricultural analysts and policy-makers believe that future production is in grave danger unless some method is found to bring wheat farmers together and provide them with the tools needed to eliminate wild fluctuations in prices and bring about a steady and fair return on investment. Without these, no wheat farmer is ever going to have the capability to plan far into the future and make necessary long-term investments.

How can wheat farmers be organized? There are a couple of ways to transfer control into the hands of farmers. One that has been recently suggested is to create a federal board made up of producers who can replace the Congress and the Administration as the agricultural policy-makers.

Another is the marketing order concept as authorized by the Agricultural Marketing Agreement Act of 1937. Actually, this is the only current law or legislative vehicle that could encompass all producers of wheat throughout the nation. And any organization that did not require participation by all producers would undoubtedly have difficulty in accomplishing the primary goal: stabilizing of prices.

The important functions that the marketing order could undertake to help stabilize prices include: 1) Improve demand through effective promotion and markets development; and 2) Control supply through careful centralized planning.

Also, marketing orders provide a means to gather and disperse market information, and to gather funds needed for the above functions.

However, organizing wheat farmers under a marketing order would require meeting some serious obstacles.

First, wheat is not currently an allowable commodity under the Agricultural Marketing Agreement Act of 1937. That would have to be changed in Congress.

Second, the ability to control production under marketing orders is extremely weak. Some firm method of supply management would have to be written into the order so that the chronic over-production situation could be handled. Yet, it's questionable whether a strong supply-control measure would pass in a national referendum of wheat producers to establish a marketing order.

Third, because wheat is not a perishable product, a workable storage arrangement would be necessary for the marketing order to succeed. Additionally, methods would need to be devised to discourage others in the marketing chain from accumulating wheat and then releasing it onto the market at inopportune times.

Fourth, because wheat production is so widespread and dispersed, a national marketing order would be bulky and difficult to manage. Many have suggested that regional orders for each class of wheat might whittle down the undertaking to manageable size.

The U.S. Department of Agriculture is presently holding hearings on a wheat research and information program, which would be funded by wheat users, primarily bakers. Perhaps a logical extension of that someday will be a wheat marketing order for producers.

In order for that to come about, the following chain of events would have to occur:

1. Congress would have to change the Agricultural Marketing Agreement Act of 1937 to remove the exclusion for grains. OR, new legislation (such as the Beef Research and Information Act) would have to be passed.

2. The Wheat Marketing Order would have to be written, probably

through the cooperative efforts of wheat producers and the U.S. Department of Agriculture.

3. The USDA would then hold a series of public hearings to receive testimony on the subject.

4. If testimony warranted it, the Secretary of Agriculture would officially propose the establishment of a marketing order and require that a national referendum be held.

5. Wheat producers throughout the nation would have to vote in favor of the proposed marketing order.

SUPPLY CONTROL CONCEPTS: SELF-HELP IN ACTION

Wheat growers struggling to keep their farms afloat with expenses skyrocketing and grain prices being dictated by whims of weather and world politics are caught in a system which has always believed that more production will lead to more profit.

Efforts to improve grain prices have historically been hinged upon the belief that increased demand is the key to raising prices. However, increasing demand has traditionally served to stimulate production, and, each time, the boom has turned to bust as supply burgeons forth to outstrip the new demand.

Grain producers today are beginning to think about planting a new kind of seed on the wheat farms of America, a seed that could revolutionize U.S. agriculture. That seed is an idea, and it's born of desperation and determination.

It is the idea of a new system of producer-controlled supply management.

The path leading toward a system which truly gives wheat farmers the collective power to control their production and supply is fraught with a thousand perils: How will such a system fit in with the world market? Will U.S. farmers be victimized by controlling their own production when the rest of the world can go on adding to the oversupply? What legal restraints -- such as antitrust legislation -- will stand in the way of concentrating more power in the hands of producers? Once prices begin to rise, what will hold the wheat farmers together?

These questions and dozens of others will have to be answered by producers working together to find solutions to the grain marketing problem. However, even before that, they will have to agree upon a best method of supply management. What are the alternatives to be considered?

Under present law, farmers have available the 1) federal marketing order and the 2) cooperative. New laws already being considered include a 3) bargaining law for farmers, and an 4) interstate grain marketing compact.

The Marketing Order

The marketing order is authorized under the Agricultural Marketing Agreement Act of 1937, and allows producers of agricultural commodities to gather funds for the promotion or development of their product through a check-off system; the check-off is mandatory only after a referendum in which producers vote by a 2/3 margin to establish such a fund. The federal act would have to be changed to permit the inclusion of grains such as wheat in marketing orders. If marketing orders for wheat became a reality, they would have to incorporate some mandatory agreement regarding supply management in order to be effective. Bushel allotment is the most frequently mentioned tool.

Cooperative Pooling

Another joint marketing tool is the cooperative, activities of which are protected by the Capper-Volstead Act, enacted by Congress in 1922. Members of cooperatives can get together and contract ahead of time for certain amounts of wheat destined for certain markets. Much like the dairy cooperative, which sells shares in the market to prospective members, grain cooperatives could find a way to grant quotas, perhaps again through bushel allotments (or even acreage allotments) to members, thus gaining control over supply. However, the voluntary characteristics of cooperatives present some obvious obstacles to success: There is absolutely nothing to prevent non-members from over-quota production. The cooperative represents the only truly viable bargaining power of farmers at the present time; yet, due to the inability of cooperatives to attract large numbers of farmers, it is power that has not been utilized to its fullest.

The Interstate Compact

Fourteen Great Plains states produce 83 percent of the wheat in the United States. Sixty percent of all wheat production is concentrated in seven of those states.

Sometime during the recent economic crisis in America's wheatland, it became obvious that if wheat growers in several of the major wheat producing states could get together in a viable marketing organization, they could have quite an impact upon U.S. grain marketing. The Interstate Compact idea was born. It took shape in the form of a special legislative committee created by the Kansas legislature (Kansas produces almost 17 percent of the nation's wheat all by herself), which in turn developed a piece of legislation to be introduced into the state legislatures in the Great Plains states.

In Colorado, that bill became Senate Bill 337. It was passed during the 1979 legislature session. It was decided by representatives called together in Topeka, Kansas, that five states must adopt the legislation before the Compact would be formed. If formed, it would undertake to study all the different marketing alternatives available to grain producers and come up with an idea all could agree upon. It appears, at the time of this writing, that it may take two years to get five charter states on board.

Bargaining Legislation

In the meantime, Congress is considering a piece of legislation, supported by most of the farm groups, to strengthen farmers' bargaining power with handlers in the marketplace. It basically sets up a system under which the Secretary of Agriculture can "accredit" farmer-owned associations as bargaining associations in good faith. For example, if a buyer purchased a product from independent producers under terms more favorable to those producers than the terms negotiated with the accredited association, he would have to offer the same favorable terms to the accredited association. The bill doesn't stipulate that farmers and buyers must come to an agreement, only that they must bargain in good faith. When agreement cannot be reached, the Secretary of Agriculture can provide mediation services under the proposed law.

These are among the several alternatives wheat and grain farmers can consider to increase their clout in the marketplace and begin to deal with the — debilitating boom and bust price cycles which have served to keep them on the bottom of the economic heap in the U.S.

HOW ABOUT AN INTERSTATE COMPACT?

For a long time the wheat marketing situation was kind of like the weather: Everybody talked about it a lot but nobody did anything about it.

However, that began to change as 1977 awakened a new surge of farm activism in America. Wheat farmers were deep in an economic crisis at the time which many did not survive. They were ready to begin searching for new solutions to the age-old problems plaguing their industry.

Even while the well-publicized farm strike was creating headlines around the nation, farmers who were back home were gathering around lunch counters and coffee tables and talking about how to increase their strength in the marketplace.

A look at production statistics soon pointed in an obvious direction: If the 14 Great Plains states which produce 83 percent of the nation's wheat could get together in some form of marketing organization, they could have dramatic impact on the grain marketplace.

Kansas, which by itself produces almost 17 percent of U.S. wheat, was the first state to take action on the increasingly popular concept of an interstate grain compact.

In the 1978 session of the Kansas legislature, a bill was passed to establish a Special Committee on Grain Marketing. The Committee that fall hosted wheat farmers, government officials and other agricultural leaders at a series of three meetings. The meetings were held in Topeka, Kansas, and were highly publicized. Fourteen states were represented.

Many Coloradans attended, but by the time of the third meeting, Senator Maynard Yost, Republican, Crook, Colorado, and Representative Walt Younglund, Republican, New Raymer, had been named the official Colorado representatives to the Kansas working sessions.

Before the various state legislatures convened in January, this multi-state group had developed a bill -- to be introduced into each legislature -- to establish the interstate compact.

The compact is designed to serve as a contract among member states, and it sets up a commission to investigate grain marketing practices, procedures and controls throughout the nation. The commission would have three representatives from each participating state on it, one from the state House of Representatives, one from the state Senate, and a third appointed by each Governor.

The commission's duty would be to conduct a comprehensive, continuing study of grain marketing. If weaknesses or inadequacies were uncovered in the system, the commission would recommend solutions or alternatives to deal with the weaknesses. The most controversial aspect of the bill is the provision which vests the commission with power to subpoena documents and grain transaction records from private grain-marketing companies.

To join the compact, a state must pass the statute and fund it at $50,000 per state for a two-year period. Five states must adopt the bill before the compact is established. After the first two years, the commission would determine how much each state must chip in annually to keep the compact going.

Thus far, the compact bill has been signed into law only in Kansas and Colorado. Several other states have it in the process.

This law permits the Commission to study, investigate, and recommend. It has absolutely no authority to initiate any supply or production control programs.

However, should the Commission decide to move into actual marketing territory (which would require additional legislation), it is likely to encounter some serious opposition. And the most powerful of that opposition may come from the federal government itself.

According to the Library of Congress Congressional Research Service, which printed an opinion regarding the compact's constitutionality, "It is well established by the history of the Commerce Clause that this nation is a common market in which state lines cannot be made barriers to the free flow of both raw materials and finished products in response to the economic laws of supply and demand."

This is based upon Supreme Court interpretation of Article I, Section10, Clause 3 of the Constitution which provides that "No state shall, without the Consent of Congress . . .enter into any Agreement or Compact with another State. . ."

Thus, an expanded and more powerful interstate grain compact, if approved and if deemed to interfere with Congress' power to regulate interstate commerce, would make it necessary for the wheat farmers in the compact states to wrest from Congress consent for that compact.

Whether that would be possible or not depends on the will and determination of the wheat farmers in the Great Plains and the food price situation at the time the issue is being heard.

MARKETING ALTERNATIVES: AN OVERVIEW

Agricultural marketing experts have become more and more convinced in recent years that the U. S. family farm system is in serious trouble.

A renowned marketing specialist from Texas A & M said recently in a Colorado speech that the American family farm literally has "one foot in the grave," yet nobody is willing to recognize the seriousness of the problem.

The American farm may have one foot in the grave, but recognition of the need to make changes in the marketing system for agriculture has become widespread and is growing.

In the meantime, the natural workings of the marketplace are whittling away at the vast network of small farms, which has always been the source of U.S. agricultural abundance.

Agricultural production is becoming increasingly concentrated. The 1974 Agricultural Census showed that there are now 11,400 farms whose annual income exceeds $500,000. These farms earn an average of 1.6 million a year, or 45 times more than the national average, and they account for a full 22 percent of all sales.

The concentration in production, however, is minor compared with the concentration in the marketing sector. Four grain companies, for example, control 85 percent of the nation's exports. Four beef packers account for 60 percent of the packing industry. There are three major buyers for sheep. The estimated 2 3/4 million farmers in the nation funnel their production into 800 outlets. The four largest supermarket firms accounted for 67 percent of retail food sales in a recent year.

At the same time, consumer-oriented food policy at the national level has worked against farmers trying to increase their clout in the marketplace in order to improve prices.

These facts--the decline in competitive markets, the lack of producer control over markets--coupled with the uncontrolled flow of product to market and government policy have resulted in low prices and low incomes for farmers.

What are the basic alternatives that farmers should be talking about?

The first of course is the continuation of the free market. However, it must be recognized that the market is no longer free. The farmer has maximum freedom to take his product to market, but the disparity of power between himself as an individual and the major retailers is devastating. As an individual, the farmer could also use the futures market, or forward contracting. But the first is a high-risk option, and the second sets up an imbalance of power that favors the buyer; besides, the farmer loses title to his product in such an arrangement.

Another alternative to the individual is to join a cooperative. The latest idea is the electronic market, which centralizes pricing but decentralizes the actual physical exchange of the product. It still is a matter of dealing with a small number of buyers. And even a cooperative has little ability to control quantity of product, which is the only mechanism for controlling price.

Other options include bargaining association negotiations and vertical integration. The first requires legislation (bills have been introduced in Congress), and the second requires large investments beyond the reach of most farmers, as well as long-term commitment, and management skills that may be unfamiliar to most farmers.

Government alternatives include marketing boards or commissions which can serve to increase producer control over the marketplace. Marketing orders are a combination of producer-self-control and government backing. Both marketing boards and marketing orders have some disadvantages, but their greatest plus lies in their mandatory participation provisions.

It is time for some hard decision-making. Are we going to have a "free market" system? If so, we had better develop some policy quickly to preserve it, as it is a vanishing species.

Are we going to have a system which is basically a corporate system like we have now, or a form of a cooperative system, or can we find a workable combination of the two?

If the farmers of America choose to retain their numbers and develop a degree of control over the supply of their product, they need to choose the marketing order route, or some similar form of the cooperative concept and begin efforts to get it underway throughout the agricultural economy. The commitment necessary is monumental, and a great dea consciousness-raising and education out in the country will be needed.

Who will control agricultural marketing? That is the question. Hopefully, farmers will find among the alternatives one that will bring them together in a common effort to strengthen their power and improve their future outlook.

CAPPER-VOLSTEAD: IS IT IN DANGER?

One of the ironies in agriculture today is the fact that the limited protections given to farmers in the marketplace are under siege, even while -- on the other side -- government planners are seeking ways to preserve agricultural land, concerned citizens are grappling with policies aimed at preventing food shortages in the future, and agricultural research continues to concentrate on increasing productivity.

Economists everywhere ackowledge that the disparity between farmers' power in the marketplace and that of the giant corporations they do business with is the key to the "farm problem", but food price increases continue to put political pressure on policy-makers to quell farm power.

In December 1977, for example, President Carter appointed a special Commission for the Review of Antitrust Laws and Procedures.

Part of the charge given to the Commission included a look at the major "exemptions and immunities" offered to agriculture under the Capper-Volstead Act of 1922.

The Capper-Volstead Act, which exempts farmers from the restrictions of the Sherman Antitrust Act and is the backbone of the agricultural cooperative system, is the only real source of farm bargaining power. The ability of farmers to market cooperatively is just about the only source of competition to the giant food marketing companies which serves as a price deterrent (other than consumer resistance). This has been demonstrated time and again in rural communities where no co-op exists.

The Presidential Commission conducted a series of public hearings and met regularly for the period of one year. Its report was turned in to President Carter on January 22, 1979. Their recommendations in the field of agriculture were:

"1. Farmers should continue to enjoy the right to form agricultural cooperatives for the joint marketing of their produce. The antitrust treatment of cooperatives once formed, however, should be similar to that of ordinary business corporations. Specifically, mergers, marketing agencies in common, and similar agreements among cooperatives should be allowed only if no substantial lessening of competition results."

"2. Section 2 of the Capper-Volstead Act should be amended to define more precisely the term "undue price enhancement," and the responsibility for enforcement of this provision should be separated from the promotional responsibilities either within or outside the Department of Agriculture."

"3. The Commission is not able to make a definitive recommendation concerning the current exemption for agricultural marketing orders. The Commission believes, however, that the Secretary of Agriculture should be required, as he is not by current law, to consider competitive factors and choose the least anticompetitive alternative consistent with statutory goals in his decisions under the Agricultural Marketing Agreement Act."

Secretary of Agriculture Bob Bergland, has made a strong defense of agricultural cooperatives and the marketing order systems, insisting that they are in no need of statutory modification.

He said agriculture is an "extraordinary" part of the economy, with characteristics that set it apart from other kinds of manufacturing, and that policy-makers need to recognize these differences and formulate policy with a clear understanding of them.

Agriculture's uniqueness lies in the fact that 2.7 million individual farmers make business decisions independently without any firm information about demand; planning can be altered by weather, disease, or insects; farming is not flexible-- one cannot unplant a crop or change a cow herd to meet varying demand; there is little opportunity for storage of agricultural commodities for price advantage; and individual farmers acting alone have little bargaining power in an economy where all the product flows into narrow channels of a few buyers.

Policy-makers also do not seem to understand that cooperatives, once formed, are subject to the same limitations as other businesses are. For example, if a cooperative engages in unfair or coercive conduct in order to restrain trade, it would be subject to the same antitrust laws as any other company.

Is the attack on Capper-Volstead serious? Are farmers in danger of losing their legal avenues for organizing into marketing units?

The attack would appear to be serious. The Supreme Court seems to be leaning in the direction of very strict interpretations of legal exemptions to antitrust laws; that is, cooperatives and other marketing entities will have to walk very narrowly within the confines of the written law.

What will be forthcoming in the next Congressional sessions is still an unknown; but farmers should be aware that their Capper-Volstead protections may be in for a fight in the near future, and they should make every effort to inform their representatives about the benefits of such protections.

AGRICULTURAL MARKETING: HOW THE OTHERS DO IT

Perhaps the bitterest irony in our American economy is that the U.S. farmer's incredible efficiency -- the primary source of our nation's affluence -- is also the cause of his financial woe.

The U.S. farmer is unique in this dilemma. He is the only farmer in the world who must seek to REDUCE his production in order to attain economic success. He is the only farmer on the globe who is striving to join with his neighbors in an effort to bring production under control.

Throughout most of the rest of the world, with the exception of Western Europe, governments and farmers are struggling to increase agricultural production. Many populations are hungry; others are able to meet their people's food needs through agricultural programs combined with purchases from other nations. Only in the U.S., Canada, Australia, and New Zealand do farmers produce more food for export than is needed for domestic consumption. And only in the U.S. is the farmer penalized in the marketplace for his productivity.

How do other nations operate their agricultural industries?

First, it is important to be reminded that 50 percent of the world's food production comes from subsistence farms; that is, from farms on which a man feeds only himself and his own family, and perhaps a few neighbors. In tropical Africa, for example, more than 90 percent of the population is engaged in agricultural production. And, throughout the world, more than half the people are still engaged in the occupation of farming.

While the United States has 3.6 percent of its people involved in food production, only three other nations enjoy the high level of prosperity associated with a minimal proportion of the population engaged in agriculture.

Only Belgium, the Netherlands, and the United Kingdom have less than ten percent of their populations producing food. In Russia, a third of the people farm, and in India, 70 percent. Of the estimated 700 million people in rural China, at least 300 million are estimated to be in the agricultural labor force.

Both Russia and China operate a system of collective and state farms, combined with a small but nevertheless significant system of family plots and gardens. A 1971 publication indicates this sector produces 30% of the agricultural production in Russia. Collective farms in Russia are about 40,000 acres in size and employ some 2,000 persons each. State farms are somewhat smaller, employing 500 people on about 20,000 acres.

Production from Russian collective farms goes to the government, and is dispersed back to the farming villages and other segments of the population according to need.

The Chinese collective farms, which replaced the traditional peasant economy with much strife, are supported by an elaborate new irrigation capacity created by Mao Tse-tung and are looking forward now to greatly increased mechanization.

Swedish farmers, who have been subject to government policies aimed at amalgamation to reduce inefficiencies, belong to a national union, through which they market and process their products and bargain with the government for prices. Agricultural prices in Sweden are not permitted to fall below levels received by others in the economy; workers are paid comparable wages to other industries; and the nation has adapted to a program of 80 percent self-sufficiency in food production.

Farmers in Yugoslavia operate under a "combine" farming system in which groups of farmers run modern 250,000 acre farms. The system works much like the collective farm, except that the farmers produce, process and market in a manner similar to a huge cooperative, sharing the profits after the government extracts a tax. Individual entrepeneurs in farming in Yugoslavia are permitted to own only 25 acres.

In the European Economic Community and Australia and New Zealand, where economic systems are at least similar to our own, farmers receive the benefit of relatively higher government subsidies which put the U.S. farmer at a disadvantage in the world marketplace. In addition, the subsidized production has produced surpluses of dairy products, wheat, sugar and some vegetables which have the tendency to further depress the U.S. market. Canadian farmers also have the government programs aimed at keeping producers at a higher income level than a completely free market would permit.

Nevertheless, the general consensus among American farmers is that, marketing problems notwithstanding, the rest of the world doesn't offer much example after which a U.S. marketing system might be modeled. Instead, they seem to feel, it's time to remodel the world's greatest production system into what is also the world's best marketing system.