CHAPTER V

Chapter V

The Consumer and the Market

From its establishment in 1862, the Department has been, in Lincoln's words, a "people's department"--a Department dedicated to the producers and users of the essentials of living. Though a primary objective of the Department is service to U. S. farmers, the real beneficiary of agricultural productivity and abundance has been, is now, and will continue to be the American consumer. Inspection of meat and poultry to assure safety... grading of food and fiber to indicate quality... supervision of the marketplace to insure fair trading and freedom from misrepresentation--are prime examples of Department services which help to move products from the producer to the consumer efficiently and economically for the benefit of all.

Presidential Leadership in Consumer Legislation

President Johnson has emphasized consumer interests and protection throughout his administration. On January 3, 1964, he appointed Esther Peterson as Special Assistant for Consumer Affairs, and established the President's Committee on Consumer Interests. The Committee was to be made up of representatives of Government agencies and private citizens. The Department of Agriculture was represented on the Committee. The private citizens made up the Consumer Advisory Council. The Council superseded an earlier group with the same name. 1/

1/ 29 F.R. 129; and Public Papers of the Presidents, Lyndon B. Johnson, 1963-64, Vol. I, p. 108.

In a Special Message to the Congress on Consumer Interests, delivered February 5, 1964, the President emphasized the need to protect and to provide services for consumers. Among other requests he asked Congress to pass legislation for the stricter control of pesticides and for the inspection for safety and wholesomeness of all meat and poultry sold in the United States. He also asked Federal agencies engaged in consumer educational activities to cooperate in reaching more homes and families, and to explore such possibilities as adapting the extension service concept to an urban setting. 1/

A few days later, in a message on health, the President repeated his recommendations regarding pesticides. Congress passed the bill, which prohibited the registration and marketing of pesticides until a positive finding of safety had been made, and the President signed it on May 12, 1964. 2/

Congress, by a Joint Resolution signed by the President on July 3, 1964, established a National Commission on Food Marketing, to study the food industry from the producer to the consumer. The Commission began work in January 1965. It consisted of 15 members--5 Senators appointed by the President Pro Tempore of the Senate, 5 Congressmen appointed by the Speaker of the House of Representatives, and 5 public members appointed by the President. 3/ Its Chairman was Phil S. Gibson, retired Chief Justice of the Supreme Court of California. The Executive Director was

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1/ *Ibid.*, p. 263.

2/ *Ibid.*, p. 281; and 78 Stat. 190.

3/ 78 Stat. 269.

George E. Brandow of Pennsylvania State University. The Department of Agriculture provided the Commission with a great deal of assistance. The final report of the Commission, entitled Food from Farmer to Consumer was published in June 1966.

The report reflected sharp differences among the members, nowhere stronger than in the area of consumer protection. The majority recommended increased grade labeling of consumer products, Food and Drug Administration standards of identity for many more consumer products, restriction on the proliferation of package sizes, and other measures to permit the consumer to make more rational choices. The minority regarded these recommendations as an infringement upon the rights of marketing firms.

The President cited the report as a "good beginning," and the diversity of opinions and views as "healthy reflections of the complexity and importance of the issues." 1/

Shortly after the National Commission on Food Marketing was established, the President said to members of the National Agricultural Advisory Commission: "We must have consumer programs, to serve growing family America." 2/ This theme appeared in a number of later statements.

In his message to Congress on consumer protection of February 16, 1967, the President recommended passage of the Wholesome Meat Act of 1967.

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1966, Vol. I, p. 653.

2/ Public Papers of the Presidents, Lyndon B. Johnson, 1963-64, Vol. II, p. 905.

Under this legislation, the Secretary of Agriculture would be authorized to enter into cooperative agreements with States seeking to raise their standards of meat inspection, and to furnish these cooperating States with up to half of the cost of the inspection program and provide a major share of the training of personnel to man the program. 1/

The Department, through testimony by Rodney E. Leonard, then Deputy Assistant Secretary, endorsed such legislation and emphasized the need for encouraging the States to bring their inspection programs up to Federal standards. The National Livestock Feeders Association endorsed the proposal, with the reservation that meat in intrastate commerce should be inspected and marked by State rather than Federal inspectors. The American Meat Institute endorsed the bill's objectives, but suggested that the proposed legislation confused the areas of Federal and State responsibility. The National Association of State Departments of Agriculture opposed certain provisions relative to jurisdiction over meat in intrastate commerce. Several meat packers' associations opposed enactment of the bill. On the other hand, spokesmen for labor organizations and consumer groups urged that legislation be passed to make the U. S. Department of Agriculture responsible for inspecting all meat, that in intrastate as well as interstate commerce. 2/

1/ U. S. Congress, 90th, 1st Sess., House of Representatives, Committee on Agriculture, Subcommittee on Livestock and Grains, Hearings...Amend the Meat Inspection Act, 1967, 251 pp.

2/ 3 Weekly Comp. Pres. Doc. 261.

The Wholesome Meat Act was passed after extended debate in both Houses of Congress, and was signed by President Johnson on December 15, 1967. The act broadened the meat inspection program by authorizing Federal-State cooperative arrangements whereby the Federal Government would provide financial, technical, and scientific assistance to improve State meat inspection services. Grants of funds could amount to one-half the cost of the State program. The Act combined and updated statutes covering meat inspection, and gave the Secretary of Agriculture new authority over associated industries--transporters, brokers, renderers, animal food manufacturers, etc.--to provide the means to keep unfit meat out of the human food supply. The Act provided immediate authority over intrastate plants producing products that are a hazard to health if the State does not act to remove the hazard; authorized extension of the Federal program to intrastate meat operations in States which fail to develop adequate State systems within a maximum of three years; required foreign plants exporting meat to the U. S. to meet the same inspection requirements as U. S. plants, and extended the Act to cover operations in the District of Columbia and the unorganized territories. 1/

The Wholesome Poultry Products Act of 1968 paralleled the Wholesome Meat Act in many ways. The basic problem was the same--to assure that all poultry was adequately inspected for wholesomeness. On February 6, 1968, President Johnson, in a message to Congress on consumer interest, called

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1/ 81 Stat. 584.

for passage of the bill. In discussing the need, he said: "In 1967, Americans consumed over 12 billion pounds of poultry, most of it inspected under Federal law. But the 1.6 billion pounds which did not cross State lines received no Federal inspection. And State inspection is minimal at best. Thirty-one States have no poultry inspection laws. Of the remaining 19, only four have effective laws in operation." 1/

In hearings on the bill, the major objections were to provisions which, opponents argued, would permit the Federal government to take over State functions. This argument was offset, to some extent, by those who called for mandatory Federal inspection of all poultry slaughter and processing operations. 2/

The law as passed broadened the poultry products inspection program by providing for State-Federal cooperation in developing and administering State poultry products inspection programs with respect to intrastate activities. It provided authority for Federal inspection of intrastate plants producing products that are a hazard to health if the State does not act to remove the hazard. It authorized extension of the Federal program to intrastate poultry processing operations in States which fail to develop adequate State systems within a specified period. The Secretary of Agriculture was given new authority over associated industries (transporters, brokers, renderers, animal food manufacturers,

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1/ 4 Weekly Comp. Pres. Doc. 227.

2/ U. S. Congress, 90th, 2d Sess., Senate, Committee on Agriculture and Forestry, Hearings...Wholesome Poultry Products Act, 1968, 289 pp.

and others) to provide the means to keep unfit poultry products out of the human food supply. The territorial applicability of the Act was extended. It prohibited the distribution of adulterated or misbranded poultry products in interstate or foreign commerce, and authorized the detention, seizure, and denial of inspection for specified causes. 1/

The President signed the Act on August 18, 1968, and proudly said that "the Wholesome Poultry Products Act of 1968 will insure that dirty plants will have to clean up or close down." 2/

Marketing Legislation

The legislation just reviewed was directed primarily at consumer protection. Another type was directed primarily at assuring the farmer fair treatment in the market. Both, of course, work together. Examples of the later legislation include amendments to the Federal Seed Act of October 15, 1966; Agricultural Fair Practices Act of April 16, 1968; Transportation Performed by Agricultural Cooperative Act of July 26, 1968; and the U. S. Grain Standards Act of August 15, 1968.

The amendments to the Federal Seed Act, the Transportation Performed by Agricultural Cooperatives Act and the U. S. Grain Standards Act brought up to date legislation which had been in effect for many years. The Agricultural Fair Practices Act made it unlawful for handlers of

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1/ Public Law 90-492.

2/ 4 Weekly Comp. Pres. Doc. 1251.

agricultural products to knowingly coerce a producer in the exercise of his right to join and belong to a cooperative, refuse to deal with a producer because of his membership in a cooperative, discriminate against a producer because of his membership in a cooperative, induce a producer to refuse or cease to belong to a cooperative, or make false reports about a cooperative. 1/

Commodity Market Regulation

Both consumers and farmers are protected to some extent by legislation which regulates the commodity exchanges. In the President's State of the Union Message of January 17, 1968, in referring to legislation previously recommended, in urging passage of amendments to the Commodity Exchange Act, he said: "when we act to advance the consumer's cause I think we help every American.... I also urge final action on a measure... to guard against fraud and manipulation in the Nation's commodity exchange market." 2/

In signing the Commodity Exchange Act amendments, on February 19, 1968, President Johnson issued the following statement:

> In my State of the Union Message last month, I urged passage of a bill to protect further the integrity of the Nation's commodity exchanges and the funds of the thousands of Americans who deal in them. I am pleased to be able to sign that bill into law today.
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> It represents another significant step by a Congress that has the opportunity to make its mark as the greatest Consumer Congress in the history of our Nation.

1/ 78 Stat. 697; 80 Stat. 975, 82 Stat. 93, 448; and Public Law 90-487.

2/ 4 Weekly Comp. Pres. Doc. 75.

Commodity exchanges are the national markets where agricultural products are bought and sold. Last year those markets handled approximately $75 billion in agricultural transactions.

Those simple facts make it quite clear that commodities are big business, and explain why the honesty and soundness of the commodity exchanges are important to all Americans.

Since 1922, the Commodity Exchange Act and other Federal legislation have encouraged cooperation between the Federal Government and the exchanges in preventing fraud and market manipulations. Under the Act, commodity market conditions have improved greatly. Nevertheless, additional safeguards have been needed for some time.

These amendments--the first of any substance in over 30 years--respond to that need.

The new legislation adds the active and growing market in livestock and livestock products to the commodities regulated under the Act, and increases the criminal penalties for illegal trading abuses such as market manipulation and embezzlement. Although regulatory responsibility for commodity trading will remain primarily with the exchanges themselves, the new amendments will substantially strengthen the enforcement authority of the Secretary of Agriculture.

Consumer groups, food processors, farm organizations--and the commodity exchanges themselves--have joined the Administration in supporting this legislation.

The Senate and House Committee on Agriculture and the Congress are to be commended for their prompt action on this milestone in commodity market regulation.

The law brought futures trading in livestock and livestock products under regulation for the first time. In fiscal 1968, there were 3,273,000 transactions in these markets with an estimated value of over 15 billion dollars. It permitted for the first time the establishment of minimum financial standards for brokerage firms handling regulated commodity customers' trading. The law provided for the first time for the refusal, suspension, or revocation of licenses of brokerage firms and floor brokers if these firms or individuals are found to be unfit for various reasons to engage in the business for which the licenses are sought or have been issued. It increased penalties for certain law violations such as price manipulation and embezzlement. For the first time, the issuance of cease and desist orders was authorized in cases where persons have been found guilty of violation of the Act. The law extended the fraud provision to all persons handling customers' orders. It required exchanges to enforce their rules relating to trading and contract terms and authorized the Secretary to disapprove exchange rules which violate or would violate the provisions of the Act or regulations issued thereunder.

Trading on regulated markets expanded greatly during the period 1963-68. The number of transactions on these markets rose from 10,739,000 in fiscal year 1963 to 14,703,000 in fiscal year 1968. This represents an increase in number of transactions of 36.9 percent over the five year period. During the same period the dollar value rose from $45 billion to $59 billion--an increase of 31.3 percent. 1/

The work was handled by the Commodity Exchange Authority, which reported to the Assistant Secretary for Marketing and Consumer Services. No major changes took place in the organization of CEA from 1963 to 1968.

1/ Alex C. Caldwell, "Commodity Exchange Authority," manuscript, Aug. 8, 1968. In: Files, Agricultural History Branch, Economic Research Service.

The Consumer and Marketing Service and Its Programs

Nearly every agency of the Department has some responsibility for consumer and marketing programs, but the primary responsibility for this area rests in the Consumer and Marketing Service. It is the direct successor of the Agricultural Marketing Service, which was established in 1953 to centralize marketing and distribution functions of the Department.

Organization. On November 22, 1963, the Agricultural Marketing Service was headed by an Administrator, who reported to the Assistant Secretary of Agriculture for Marketing and Consumer Services. Three units of AMS, the Marketing Information Division, the Matching Fund Program, and the Food Distribution Division, reported to the Administrator. The Market Quality Research Division and the Transportation and Facilities Research Division reported to the Deputy Administrator for Marketing Research. The Cotton Division, Dairy Division, Fruit and Vegetable Division, Grain Division, Livestock Division, Milk Marketing Orders Division, Packers and Stockyards Division, Poultry Division, Special Services Division, and Tobacco Division reported to the Deputy Administrator for Marketing Services for marketing services and related programs, or to the Deputy Administrator for Regulatory Programs for the administration of regulatory acts, marketing agreements and orders, and related programs. Seven service divisions reported to the Deputy Administrator for Management. 1/

1/ Robert Norton, "Organizational Structure of Agricultural Marketing Service/Consumer and Marketing Service," manuscript, July 29, 1968. In: Files, Agricultural History Branch, Economic Research Service.

On July 1, 1964, Secretary Freeman, in accordance with an announcement of May 8, 1964, transferred the Office of the Deputy Administrator for Marketing Research, the Market Quality Research Division, and the Transportation and Facilities Research Division to the Agricultural Research Service. 1/ The continuance of these functions had been the subject of controversy, and the Secretary had proposed their elimination. However, this had been opposed by segments of the food industry.

On November 13, 1964 the AMS announced a number of changes in its organizational structure. A new Dairy Division was created through the merger of the milk order, standardization, inspection, and grading programs formerly in the Milk Marketing Orders Division and Dairy Division. The realignment was undertaken to provide better coordination of services to both the dairy industry and consumers, and to reduce operating costs of administering the respective functions. The former Dairy Division's Market News Branch--which gathered and disseminated both dairy and poultry market news--was transferred to the Poultry Division. This transfer resulted from the fact that poultry market news accounted for about three-fourths of the activities of the Branch. A Laboratory Section was established in the Poultry Division's Inspection Branch to meet the urgent need for increased emphasis on the physical and biological

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1/ U. S. Department of Agriculture, Press releases 1537-64 and 2074-64, May 8, 1964 and June 25, 1964; and Secretary's Memorandum No. 1554 and Supplement 1, May 4, 1964 and June 19, 1964.

sciences associated with administration of the Poultry Products Inspection Act. 1/

On December 31, 1964, Secretary Freeman proposed a major reorganization of the consumer, marketing, regulatory, and food distribution services of USDA. He proposed: Creation of a new agency--the Consumer and Marketing Service (C&MS)--to perform all of the functions of the Agricultural Marketing Service. Transfer of the Meat Inspection Division of the Agricultural Research Service to the proposed C&MS. Transfer of the warehouse examination functions administered by the Agricultural Stabilization and Conservation Service to the proposed C&MS. Creation of a Deputy Administrator for Consumer Food Programs in the proposed C&MS to give stronger emphasis to consumer services within USDA.

The Secretary also proposed the closing of several small research stations, and the elimination of complete lines of research at other locations. This latter proposal, combined with the transfer of the meat inspection program, set off considerable controversy among the agricultural research profession, veterinary organizations, and the meat and poultry industries. The need for economy was cited as a major factor in closing the research stations and eliminating complete lines of research. 2/

1/ U. S. Department of Agriculture, Press release 3897-64, Nov. 13, 1964.

2/ U. S. Department of Agriculture, Press release 4398-64, Dec. 31, 1964, and U. S. Department of Agriculture, Secretary's Memorandum No. 1567, Jan. 4, 1965.

The Consumer and Marketing Service was established, essentially as proposed, on February 8, 1965. 1/ The transfer of meat inspection had been strongly opposed when first proposed, but the change was made. 2/

On February 16, 1965, the Administrator of the Consumer and Marketing Service announced a realignment of the consumer food service functions. This included: Abolishment of the Food Distribution Division. Creation of a Food Stamp Division to administer the Food Stamp Program, which was authorized by the Food Stamp Act in 1964. Creation of a School Lunch Division to administer the National School Lunch and Special Milk Programs. Creation of a Commodity Distribution Division to administer all programs pertaining to the distribution to eligible recipients of donated food made available under Section32 of the Agricultural Act of 1935, Section 6 of the National School Lunch Act, and Section 416 of the Agricultural Act of 1949; and, the distribution of commodities for disaster or emergency relief. Creation of a Food Trades Staff to administer activities designed to expand markets for foods which are in plentiful supply and facilitate and increase their movement to consumers through normal channels of trade. Creation of a Consumer Food Programs

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1/ U. S. Department of Agriculture, Press release 398-65, Feb. 8, 1965, and U. S. Department of Agriculture, Secretary's Memorandum No. 1567, Supplement 1, Feb. 8, 1965.

2/ For example, see Memorandum, N. C. Brady, Director of Science and Education, to the Secretary, Feb. 17, 1964. In: Orville L. Freeman, Correspondence File, Lyndon Baines Johnson Library.

Services Staff to provide management, reporting, and statistical services for all consumer food programs. Creation of respective Food Distribution Area Offices to administer all the consumer food programs in assigned geographical areas of the U. S. 1/

On December 7, 1965, the Department announced an administrative reorganization of the meat inspection program, "to better coordinate various meat inspection functions and to align meat inspection practices to reflect more closely the conditions in livestock marketing and meat processing." 2/

The reorganization, which became effective April 4, 1966, included: Abolishment of the Meat Inspection Division. Creation of a Livestock Slaughter Inspection Division to supervise procedures governing the inspection of animals before and after slaughter. Creation of a Processed Meat Inspection Division to supervise procedures governing the continuous inspection of meat processing operations, the preparation of meat products, and the inspection responsibilities covering the importation and exportation of meat products. Creation of a Technical Services Division to provide across-the-board technical services to both the meat and poultry inspection programs. Its responsibilities include approval of labels, standards, packaging, facilities, and equipment; operation of

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1/ U. S. Department of Agriculture, Press release 494-65, Feb. 16, 1965.

2/ U. S. Department of Agriculture, Press release 3888-65, 4018-65, and 241-66, Dec. 7, 1965, Dec. 16, 1965, and Jan. 24, 1966.

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chemical, biological, and methods development laboratories; and, review of meat inspection systems in foreign countries which export meat and poultry products to the U. S. Similar functions which had been a part of the Poultry Division's Inspection Branch were transferred to this new Division. Creation of a Compliance and Evaluation Staff to review and analyze regulatory and operational procedures affecting both the meat and poultry inspection programs. At the same time, responsibility for investigating violations of the meat and poultry inspection laws was removed from C&MS and assigned to USDA's Office of the Inspector General. Reorganization of the meat inspection field structure through the creation of seven districts, each responsible for conducting day-to-day inspection activities within an assigned geographical area. Formation of a Meat Inspection Administrative Staff to provide administrative management services for the three Washington-based staff divisions and the seven districts.

The Poultry Division's Inspection Branch retained responsibility for ante-mortem, post-mortem, and processed products inspection for wholesomeness of poultry, poultry products, and domestic rabbits. Its field operations were not affected. As noted above, technical services previously performed by the Branch were transferred to the new Technical Services Division.

Prior to the announcement in December 1965, it was known that this reorganization was contemplated. The final form of the reorganization represented a compromise. USDA had approved a new organizational structure representing a complete merger of the meat and poultry inspection programs, although this was never announced. The poultry industry learned of this, and during August, September, and October of 1965, protested strongly against such a merger. Both the House and Senate Agriculture Appropriations Subcommittees--in respective reports on a fiscal year 1966 supplemented appropriations bill--included language that such a merger below the management supervisory level should not be implemented.

Pursuant to a proposal announced April 3, 1967, Secretary Freeman on May 8, 1967, established a Packers and Stockyards Administration, to carry out all of the functions administered by the Packers and Stockyards Division of C&MS, including the Packers and Stockyards Act. 1/

This action to create a new agency culminated a long-standing controversy regarding administration of the P&S Act, and represented a second compromise on the part of USDA. Some farm leaders and organizations had, for several years, proposed that administration of the P&S Act be either transferred to the Federal Trade Commission, or taken out of USDA and a new separate agency of government--similar to FTC--created for its enforcement. The P&S Division, in C&MS's forerunner AMS, was created from a branch of the AMS Livestock Division in July 1960, in

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1/ U. S. Department of Agriculture, Press release 1059-67 and 1474-67, Apr. 3, 1967 and May 11, 1967; U. S. Department of Agriculture, Secretary's Memorandum No. 1613, Apr. 4, 1967.

response to these demands from farm leaders. This did not entirely abate the controversy, which was resumed. As a further concession, then, USDA established the Packers and Stockyards Administration as a separate agency of USDA at the direction of Congress--to achieve more vigorous enforcement of the Act.

On June 20, 1968, Secretary Freeman announced that the Federal meat inspection and poultry inspection programs would be merged into one food inspection component of C&MS, to effect "improved levels of consumer protection and... initial savings of about $1 million annually." 1/ Consolidation of the Washington and regional operations began by mid-July, and was to be completed by the end of calendar year 1968. Details included: Combining three units--the Inspection Branch of the Poultry Division, the Livestock Slaughter Inspection Division, and the Processed Meat Inspection Division--into two new Divisions, one for Slaughter Inspection and one for Processed Food Inspection.

The new Slaughter Inspection Division would be responsible for administering ante-mortem and post-mortem inspection for both livestock and poultry, as well as the humane slaughter program.

The new Processed Food Inspection Division would be responsible for the inspection of processed meat and poultry products, as well as import and export meat and poultry inspection activities.

1/ U. S. Department of Agriculture, Press release 2002-68, June 20, 1968.

A Consumer Protection Program Services Staff--to replace the existing Meat Inspection Administrative Staff--would be responsible for administrative management, training, and program planning services for the combined Consumer Protection program. No changes were made in the Technical Services Division or the Compliance and Evaluation Staff, which continued to service both meat and poultry inspection programs.

Twelve existing field units--seven meat inspection districts, and five poultry inspection areas--were combined into eight Regional Offices, each responsible for the day-to-day inspection activities for both meat and poultry products in federally inspected plants. The eight Regional Offices report directly to the Deputy Administrator for Consumer Protection.

This organizational structure for meat and poultry inspection is basically the same as that which was being considered in 1966, but which the poultry industry opposed. The 1968 reorganization stemmed in part from a change in attitude on the part of Congress and the industry. The industry was increasingly concerned that rising costs of inspection might result in Congress requiring that inspection service be paid for on a fee-for-service basis rather than out of appropriated money--which the industry strongly opposes. Congress was equally concerned with the rising cost and manpower requirements of inspection, occasioned in part by enactment of the Wholesome Meat Act and the companion Wholesome Poultry Products Inspection Act. The House Agriculture Appropriations Subcommittee, in effect, directed the Department to seek a means of more economical and efficient management of meat and poultry inspection services, and not to exclude the possibility of merging the two programs for better economy and coordination.

Meat and Poultry Inspection. Few government programs touch as many people every day as do the meat and poultry inspection services administered by USDA's Consumer and Marketing Service. The responsibility for assuring American consumers of a totally and adequately inspected supply of meat and poultry products has been greatly increased in recent years by dramatic scientific, technological, and operational changes in the meat and poultry industries. The volume of meat and poultry products slaughtered and processed under Federal inspection alone has jumped from 75.9 billion pounds in fiscal year 1963, to 96.6 billion pounds in 1968.

Because this program is so important, and because of these changes in the industry, considerable public interest has been focused upon this inspection service in the last few years. 1/

To cope with these changes in the industry, two of the most significant advancements in over 50 years in the field of consumer protection were recommended by USDA and enacted by Congress. They were the

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1/ See, for example, New York Times, Nov. 11, 1967, Nov. 19, 1967, Dec. 3, 1967; Wall Street Journal, Nov. 17, 1967, Dec. 18, 1967; Washington Post, Nov. 15, 1967, Dec. 4, 1967, Feb. 20, 1968. In: Historical Files, Agricultural History Branch, Economic Research Service.

Wholesome Meat Act of 1967, and the Wholesome Poultry Products Act of 1968. These two new laws will assure consumers that high standards of wholesomeness are uniformly applied for the first time to all of the Nation's meat and poultry supply.

In addition, the meat and poultry inspection services have been consolidated into a single food inspection service, to increase efficiency and assure consumers of maximum protection. Extensive changes have been made in inspection procedures and standards covering wholesomeness, sanitation, product composition, and labeling to further strengthen the protection which this inspection affords consumers.

Grading. The Department maintained 567 grade standards in 1968, covering most agricultural commodities. During the year, 20 standards were revised. These covered frozen desserts, canned pimentos, frozen asparagus, green olives (canned), pecans in the shell, shelled pecans, Florida oranges and tangelos, Florida grapefruit, Florida tangerines, cauliflower, cantaloupes, rough rice, brown rice (2), milled rice, shell eggs (consumer and procurement grades), pork carcasses, slaughter swine, and flue-cured tobacco.

Under the voluntary grading and inspection programs, food specialists certified the quality of more than 508 billion pounds of food and fiber in 1968--equal to one and a half tons of food and fiber for every person in the United States.

Regulatory Services. The Department of Agriculture administers more regulatory laws and programs to protect the interests of farmers, marketers, and consumers than any other Government agency. Effective enforcement of these laws safeguards the public against product misrepresentation and unfair business practices. It also helps assure dependable food supplies and reasonable prices through orderly marketing.

The Perishable Agricultural Commodities Act encourages fair trade practices in marketing fresh and frozen fruits and vegetables. During fiscal 1968, USDA helped settle more than 2,200 informal reparation disputes, resulting in payments of over $2 million to those claiming injury. More than 340 formal orders were issued, requiring payments of over $777,000 to those making claims. In addition, 338 disciplinary cases were settled.

Full conversion to an automated system for issuing and renewing PACA licenses reduced costs, increased efficiency, and speeded up service to the fruit and vegetable industry.

The Federal Seed Act, a truth-in-labeling law, was modernized by Congress to insure more informative seed labeling and better protection for buyers of farm and garden seed. Since we rely heavily upon the cooperation of State agencies to enforce this Act, cooperative agreements with 38 States were revised to provide for greater State assistance in reviewing shippers' records.

The U. S. Grain Standards Act was revised in 1968, to provide for more rapid and economical movement of grain products by eliminating requirements for unnecessary inspection.

Licensing of public warehouses under the U. S. Warehouse Act continued to increase. Over 1.5 billion bushels of grain storage capacity came under license. We made more frequent examinations of licensed cotton and grain warehouses.

Marketing Agreements and Orders. Marketing agreements and orders enable farmers to increase their bargaining strength, to fit supply to demand, to expand markets, and generally to work together to solve marketing problems. These are voluntary programs initiated and designed by farmers and operated with USDA guidance.

About two-thirds of the milk bought by Americans for drinking in fiscal year 1968 came from milk dealers who paid farmers for their milk based on prices set under 73 Federal milk orders.

Farmers marketed over $1.6 billion worth of fruits and vegetables in fiscal 1968 under 47 agreements and orders covering fresh citrus and deciduous fruits, dried fruits, tree nuts, peanuts, potatoes, vegetables, and hops. A new program became effective for hops in July 1966, and the Texas citrus marketing order was amended in November 1966 to provide for advertising and sales promotion activities. Import regulations were administered for avocados, limes, oranges, grapefruit, dates, walnuts, potatoes, and onions.

Cotton producers joined the ranks of farmers utilizing marketing agreements and orders as authorized by the Cotton Research and Promotion Act of July 13, 1966. Farmers approved a $1 per bale assessment on upland cotton to support cotton research and promotion activities. A Cotton Board, selected by the Secretary of Agriculture from nominations made by cotton producer organizations, administers the program.

Market News Program. Every day, across the Nation, market news reporters gather up-to-the-minute information on supply and demand and the prices of agricultural products. These vital facts are quickly relayed nationwide to guide producers in selling their products and to help the agribusiness community to operate smoothly, efficiently, and equitably.

More than 220 Federal Market News Offices (tied in with hundreds of State offices) gather this information and make it available coast to coast through a 22,500 mile leased wire network. More than 400,000 different reports, covering all farm commodities, were prepared and distributed in over 21 million separate mailings during fiscal 1968. The mass media also cooperate extensively in getting market news to the public.

Matching Fund Program. Many marketing problems occur at State and local levels. We attack these through projects proposed and carried out by State Departments of Agriculture, but approved and partially financed by USDA. During fiscal 1968, the Consumer and Marketing Service contributed $1,750,000 to help 44 States plan and carry out 171 marketing service projects. Under this program the States match Federal funds for cooperative projects aimed at improving product quality and developing more efficient marketing.

Other Programs of the Consumer and Marketing Service. The Consumer and Marketing Service carries on other activities, notably food distribution programs, which are discussed in other chapters of this volume.

The Packers and Stockyards Administration and Its Programs

Organization. The Packers and Stockyards Administration, as mentioned earlier in this chapter, was established on May 8, 1967, to administer the Packers and Stockyards Act of 1921, as amended. 1/ The new administration is made up of two divisions: Packers and Poultry Division and Livestock Marketing Division.

The functions assigned to the new Administration are a continuation of these carried out by the Packers and Stockyards Division of the Consumer and Marketing Service.

In 1964, meetings between Georgia and Michigan State officials and Packers and Stockyards Division personnel resulted in the signing of Memoranda of Understanding. These first two cooperative agreements enabled the Division and the States to assist each other and to avoid duplication of efforts in the livestock marketing field. Initial emphasis was given to bonding and scale testing. 2/

1/ U. S. Department of Agriculture, Secretary's Memorandum No. 1613 and Supplement 1, Apr. 4 and May 8, 1967.

2/ John T. Coyne, "Administration of the Packers and Stockyards Act in the Johnson Administration," manuscript, July 1968. In: Files, Agricultural History Branch, Economic Research Service.

On May 1, 1968, the Secretary of Agriculture established the Packers and Stockyards Poultry Committee. The Committee consisted of 22 members from various segments of the poultry industry and represented the major poultry marketing areas of the United States. It was formed to advise the Department on matters associated with the marketing of poultry and poultry products, particularly as they relate to the administration of the Packers and Stockyards Act. The committee was particularly needed because new techniques and channels in poultry marketing had been adopted which departed significantly from traditional and long established marketing practices. 1/ The first meeting of the Committee and Department representatives was held June 18-19, 1968, in Washington. The major problems confronting poultry operators and the Department were discussed. The need for regulations and type of such regulations to facilitate more orderly poultry marketing was also considered at length.

No legislation of major importance modifying the Packers and Stockyards Act was passed from 1963 to September 1968. However, a number of bills, including one drawn up in the Department, were introduced. Their general purpose, as indicated in hearings, was to bring the Act up to date with current trade practices and problems. 2/

1/ U. S. Department of Agriculture, Secretary's Memorandum No. 1635, May 1, 1968.

2/ U. S. Congress, 90th, 1st Sess., House of Representatives, Committee on Agriculture, Hearings... Amend the Packers and Stockyards Act of 1921, 1967, 78 pp., and U. S. Congress, 90th, 2nd Sess., Senate, Committee on Agriculture and Forestry, Hearings... Management and Regulation of Stockyards, 1968, 137 pp.

A review of problems and achievements over the past five years indicates that constant vigilance is necessary to maintain a free, open and competitive marketing situation at all levels within the livestock, poultry, and meat industries. The Packers and Stockyards Administration annually regulates trade practices involving \$14 billion worth of livestock, \$18 billion worth of meat, and \$4 billion worth of poultry. During 1967, the agency handled 6,200 complaints of unfair practices and returned more than \$2.5 million in payments to 599 complaints. It is estimated that without regulations, livestock marketing rates could be twice as high as they are presently without pricing such markets out of business. In such a case, farmers would receive less and consumers would pay more.

The Farmer Cooperative Service and Its Programs

Cooperatives have long been a powerful force on the agricultural scene. Farmers annually increase their net incomes by at least \$500 million through higher prices for farm products sold and lower prices for supplies and services purchased. Five out of every six farmers share ownership of the 8,400 marketing and purchasing cooperatives that help farmers process, package, and market their own production or provide supplies and services.

Organization. The Department of Agriculture, through the Farmer Cooperative Service and its predecessor organizations, has advised and encouraged cooperatives for 55 years. Congress provided the legal foundation for the work with the Cooperative Marketing Act of 1926 and the Agricultural Marketing Acts of 1929 and 1946. In 1953, the Department brought the functions together and established the Farmer Cooperative Service to provide research, advisory, and educational work on problems related to cooperatives. 1/

Cooperatives have contributed to the economic and social well-being of farmers and other rural people by helping them adjust to the basic changes taking place in rural America. In order to help cooperatives meet these changes, the Secretary of Agriculture reorganized the Farmer Cooperative Service on July 31, 1967, so that the agency could "better help farmers and other rural people use cooperatives more effectively." 2/

The Service was divided into three major program areas. The Cooperative Marketing and Farm Supplies program, divided into the Crops, Animal and Animal Products, and Farm Supplies Divisions, was to provide advisory assistance for cooperatives. The Specialized Cooperative Research program was made up of the divisions of Cooperative Appraisal, New Services, and Business Organization. The Cooperative Development Program divisions were Rural Services, Training, and International.

1/ This section is based on David W. Angevine, "Activities of Farmer Cooperative Service during the Johnson Administration," manuscript, Aug. 9, 1968. In: Files, Agricultural History Branch, Economic Research Service.

2/ U. S. Department of Agriculture, Press release 2422-67, July 31, 1967.

This reorganization, according to the Administrator, strengthened advisory assistance and research work by recognizing their unique and distinct differences. It brought together in a "total package approach" like and interrelated functions. It recognized the impacts of change and continuing rural poverty and the need for new cooperative services to assist interested groups with problems of organizing and operating new cooperatives and adding new functions and services in existing cooperatives. It made it easier to work with governmental agencies at all levels.

Programs. The Farmer Cooperative Service had 33 active research projects under way in 1968. Grouped according to type, they were in the following areas: Cooperative financing, cooperative status, pricing and payment practices, cooperative management, cooperative member and public relations, bargaining power, mergers and unification, and organizational structure.

These study areas largely are on the frontiers of cooperative knowledge and seek to discover new principles and guideposts to build stronger cooperatives. They deal with practical, problem-oriented situations confronting cooperative management. They provide information and answers to questions relating to cooperative performance, needs, and new areas of activity. This enables management to make better decisions, thereby increasing incomes and available services. As an example, assistance in 1968 on three separate dairy merger studies could result in savings of $4,000,000 for members by acting on the recommendations. These studies required the service of but one professional man for one year.

Every year, the Service receives many requests for advisory and development assistance. These cover such general areas as: Mergers and consolidation; Feasibility of new services and functions; Ways to improve operating efficiency; Ways to more effectively integrate operations; Organizational structure and operations; Pricing, patronage, and service; Providing educational and training assistance; Among low-income groups--including assistance to Indians in North Dakota, Spanish-Americans in New Mexico, and Negroes in a number of Southern States; and Assistance to governments of developing countries in helping them strengthen the operations of their cooperatives.

Together with other agencies in the Department, Farmer Cooperative Service also has made important contributions in decreasing the out-migration of rural workers. Not including new facilities costing less than $500,000, new construction by cooperatives during 1968 is valued at $120,650,000. In this way cooperatives provide jobs for rural people, thus supporting rural businesses and industries and helping to strengthen rural communities.

As an example, at the request of a regional marketing cooperative in the Southeast, the Farmer Cooperative Service recommended where it should locate soybean processing and grain storage facilities. Through better prices for producers as well as new expenditures for taxes, wages, and the purchase of supplies and services, an additional $1 million a year will be added to the income of the community.

Other Programs of Other Agencies

Nearly every agency of the Department is concerned with both the consumer and with the marketing of agricultural products. However, since their major activities and organization are discussed in other chapters of this volume, their activities relating to the consumer and the market are discussed in those chapters.

The Consumer and the Farmer

For many years, the Department has sought to serve both the consumer and the farmer by helping to cut marketing costs. As discussed elsewhere, this has been a major goal of our research work. In this instance, both the consumer and the farmer can benefit.

The most critical area is that of prices for farm products. When the price of cattle drops substantially, the price of beef drops. When the price of cattle rises, the price of beef rises. Price support and related activities (there is no price support for cattle or meat) are blamed in one instance by the farmers, in the other by the city dwellers. For this reason, the problem is discussed in greater detail in the chapter on income and abundance.

For many foods, the farmer receives so small a part of the consumer's food dollar that if he gave his products away, retail prices would decline very little. For example, the retail price of a one-pound loaf of white bread averaged about 22 cents in the third quarter of 1967. The farmer received about three cents for the wheat. With free wheat, the bread would still have cost 19 cents. There are many other such foods. Among them are various bakery products, canned and frozen fruits and vegetables, and ice cream. Farmers receive a larger share of the retail price for foods like eggs, fresh beef, chicken, butter, and cheese. For most foods, the farmer receives less than half of the retail cost. On the average, in 1957 he received 38 percent of the retail food bill. 1/

Another way of looking at the problem is to consider the percentage of disposable income spent for food. In 1958, the average was 20.9 percent; in 1963, 18.9 percent; and in 1968, 17.2 percent.

Farmers, too, are consumers. Most farmers buy most of the food they eat, the clothes they wear, and the dwellings in which they live. They, too, benefit from the consumer and marketing services of the Department.

1/ George L. Mehren, "Food Prices," U. S. Department of Agriculture, Press release 119-68, Jan. 13, 1968.