CHAPTER V

Chapter V

THE CONSUMER AND THE MARKET

July 29, 1968

ORGANIZATIONAL STRUCTURE OF AGRICULTURAL MARKETING SERVICE/CONSUMER AND MARKETING SERVICE

November 2, 1953: The Agricultural Marketing Service (AMS) was established by Secretary of Agriculture Ezra T. Benson, to "absorb a major part of the marketing, research, and service functions of the Production and Marketing Administration, and many of the functions of the Bureau of Agricultural Economics" -- thus, centralizing marketing and distribution service functions in one agency of USDA.

November 22, 1963: When Lyndon B. Johnson acceded to the Presidency, following the death of John F. Kennedy, AMS was responsible for the marketing, distribution, and related programs and activities of USDA.[1/] The Administrator (S. R. Smith), reporting to the Assistant Secretary of Agriculture for Marketing and Consumer Services (George L. Mehren), was assisted by an Associate Administrator (Roy W. Lennartson), and Deputy Administrators for Marketing Research (Omer W. Herrman), Marketing Services (George R. Grange), Regulatory Programs (Clarence H. Girard), and Management (Henry G. Herrell).

Reporting directly to the Administrator were the:

* Marketing Information Division (Franklin Thackrey, Director), which administered a comprehensive public information program relating to all programs and activities of AMS.

*Matching Fund Program (George H. Goldsborough, Director), which provided leadership, coordination, and consulting services to States in developing and executing marketing service projects, and reviewed and approved projects proposed by States under matching fund provisions of the Agricultural Marketing Act of 1946.

1/ Reference: Publication, "USDA's Agricultural Marketing Service--What It Is. . .What It Does," PA-513

* Food Distribution Division (Howard P. Davis, Director) which administered food distribution programs -- designed to improve marketing and increase the consumption of agricultural commodities -- including the school lunch, special milk, pilot food stamps, and plentiful foods programs, and the direct distribution of food to the needy, to schools, and to institutions.

Reporting to the Deputy Administrator for Marketing Research were the:

* Market Quality Research Division (Wilbur T. Pentzer, Director), which administered research programs involving the measurement, improvement, and protection of quality of agricultural products as they pass through the marketing system--with emphasis on the physiological, biochemical, pathological, and entomological problems encountered.

* Transportation and Facilities Research Division (William C. Crow, Director), which administered marketing research programs to improve the physical handling of farm and food products, including transportation, containers, wholesaling, retailing, handling methods and equipment, marketing facilities, and related activities.

Reporting to the Deputy Administrator for Marketing Services (for marketing services and related programs) or the Deputy Administrator for Regulatory Programs (for the administration of regulatory acts, marketing agreements and orders, and related programs) were the:

* Cotton Division (Stanley C. Rademaker, Director), which administered standardization, classing, market news, and other marketing services and regulatory programs relating to cotton, cotton linters, cottonseed, cotton products, and other vegetable fibers and related commodities. These responsibilities included administration of the U.S. Cotton Standards Act, cotton futures provisions of the Internal Revenue Code of 1954, and the Cotton Statistics and Estimates Act, including the Smith-Doxey and Cotton Service Testing Amendments.

2

* Dairy Division (Alexander Swantz, Acting Director), which administered marketing services, surplus removal, expansion of market outlets, and related programs for milk and dairy products--including standardization and grading of these products, as well as dairy and poultry market news.

* Fruit and Vegetable Division (Floyd F. Hedlund, Director), which administered standardization, grading, market news, and other marketing services; regulatory programs such as the Perishable Agricultural Commodities Act, Produce Agency Act, Standard Container Acts of 1916 and 1928, Export Apple and Pear Act, and Export Grape and Plum Act; surplus removal activities and expansion of market outlets; marketing agreements and orders; and, related programs for fruits and vegetables, their products, and other assigned commodities.

* Grain Division (Walter A. Davidson, Director), which administered standardization, grading, market news, and other marketing services, regulatory, and related programs for grain, grain products, seed, and related commodities. This included administration of the Federal Seed Act and the U. S. Grain Standards Act.

* Livestock Division (David M. Pettus, Director), which administered standardization, grading, market news, and other marketing services, surplus removal, expansion of market outlets, and related programs for livestock, meat, meat products, wool, mohair, and related commodities--including the Wool Standards Act.

* Milk Marketing Orders Division (Herbert L. Forest, Director), which provided the management and services to institute, maintain, and administer Federal milk marketing agreements and orders under terms of the Agricultural Marketing Agreement Act of 1937. Individual milk orders were administered through Milk Market Administrators located in respective field offices across the U. S.

* Packers and Stockyards Division (Donald A. Campbell, Director), which administered provisions of the Packers and Stockyards Act of 1921, as amended.

* Poultry Division (Hermon I. Miller, Director), which administered standardization, grading, and other marketing services, surplus removal, expansion of market outlets, poultry meat inspection under the Poultry Products Inspection Act, and related programs for poultry, poultry products, and related commodities.

* Special Services Division (George A. Dice, Director), which administered provisions of the U. S. Warehouse Act; assisted producers and farm organizations in obtaining and maintaining equitable transportation rates, charges, and services on farm products and supplies under Section 201 of the Agricultural Adjustment Act of 1938; and, directed and coordinated AMS responsibilities for food management activities under the Federal Civil Defense Act and the Defense Production Act.

* Tobacco Division (Stephen E. Wrather, Director), which administered marketing services, expansion of market outlets, regulatory, marketing agreements and orders, and related programs for tobacco products, naval stores, and related commodities -- including administration of the Tobacco Inspection Act, Tobacco Stocks and Standards Act, Tobacco Plant and Seed Exportation Act, and Naval Stores Act.

Reporting to the Deputy Administrator for Management were the:

* Administrative Services Division (L. Kenneth Wright, Director), which administered the procurement, property, communications, procedures, and related management services for the agency.

* Budget and Finance Division (Arthur J. Holmaas, Director), which administered the agency's budget, fiscal, and related financial programs and services.

* Personnel Division (William C. Laxton, Director), which administered the agency's personnel, organization, and related programs and services.

* Operations Analysis Staff (Ernest A. Jenkinson, Director), which administered a broad program of research, review, analysis, and coordination in the field of agency management.

* Three Area Administrative Divisions (James R. Roberts, Director, Eastern AAD; Maury Ward, Director, Central AAD; and, Paul Auge, Director, Western AAD), which administered management, budget, fiscal, personnel, and administrative services of the agency within an assigned geographical area of the U.S.

<u>July 1, 1964</u>: Pursuant to a proposal announced May 8, 1964, Secretary Freeman transferred from the Agricultural Marketing Service to the Agricultural Research Service the following units:

* Office of the Deputy Administrator for Marketing Research

* Market Quality Research Division

* Transportation and Facilities Research Division.

This transfer was designed to bring together in ARS related research interests and scientific resources dealing with food and the handling of farm products, and thereby achieve better overall research coordination. 2/

2/ References: Press Releases USDA 1537-64 dated May 8, 1964, and USDA 2074-64 dated June 25, 1964.

(NOTE: Prior to this transfer, and subsequently thereto, considerable controversy has evolved over the continuation of these two research functions. Secretary Freeman has at various times proposed deletion of funds for this research from USDA's budget; elements of the food industry have successfully opposed these proposals, and Congress has restored these funds in the budget.)

November 13, 1964: AMS announced the following changes in its organizational structure: 3/

* Merger of the milk order, standardization, inspection, and grading programs formerly in the Milk Marketing Orders Division and Dairy Division into a single 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. Herbert L. Forest, Director of the Milk Marketing Orders Division, was appointed Director of the expanded Dairy Division.

* Transfer of the former Dairy Division's Market News Branch--which gathered and disseminated both dairy and poultry market news--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.

* Creation of a Laboratory Section in the Poultry Division's Inspection Branch, to meet the urgent need for increased emphasis on the physical and biological sciences associated with administration of the Poultry Products Inspection Act.

December 31, 1964: Secretary Freeman proposed a major reorganization of the consumer, marketing, regulatory, and food distribution services of USDA, including: 4/

3/ Reference: Press Release USDA 3897-64 dated November 13, 1964.

4/ Reference: Press Release USDA 4398-64 dated December 31, 1964, and Secretary's Memorandum No. 1567 dated January 4, 1965.

* 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.

(NOTE: 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.

(Two major scandals--one involving meat from dead-and-diseased animals in New York City, and the other involving horsemeat in Pittsburgh, Pa.--were factors in the transfer of the meat inspection program. The poultry industry's opposition stemmed from a fear that poultry inspection work would eventually be absorbed into the meat inspection program, where--the industry felt--it would not receive "fair" treatment.

(Partly as a result of this controversy, there was a reshuffling of top officials of the Agricultural Research Service.)

January 8, 1965: Howard P. Davis, who had been Director of the AMS Food Distribution Division, was appointed Deputy Administrator for Consumer Food Programs in AMS, in line with the proposal announced Dec. 31, 1964. 5/

February 8, 1965: Secretary Freeman established the Consumer and Marketing Service, as proposed on Dec. 31, 1964. 6/ Details included:

* Responsibility for the reorganization and establishment of C&MS was delegated to the direct, personal supervision of Assistant Secretary of Agricultural George L. Mehren, who had been responsible for supervising AMS. Top management personnel and Division Directors of AMS were retained in their positions in the new C&MS.

* The Meat Inspection Division of AMS was transferred to the new C&MS effective immediately. Dr. C.H. Pals retained his position as Director of this Division in C&MS. Dr. Robert K. Somers, who had been serving as Associate Director of the Division while it was part of ARS, was appointed to the new post of Deputy Administrator for Consumer Protection in the new C&MS.

* The warehouse examination functions of ASCS were transferred to the new C&MS effective, April 1, 1965. They were combined with the programs administered by the former AMS Special Services Division, to create a new Transportation and Warehouse Division. George A. Dice retained his position as Director of this new Division.

February 16, 1965: C&MS Administrator S.R. Smith announced a realignment of the agency's consumer food service functions, in line with Secretary Freeman's proposal of Dec. 31, 1964. 7/ Details included:

5/ Reference: Press Release USDA 75-65 dated January 8, 1965.

6/ Reference: Press Release USDA 398-65 and Supplement 1 to Secretary's Memorandum No. 1567, both dated February 8, 1965.

7/ Reference: Press Release USDA 494-65 dated February 16, 1965.

* Abolishment of the Food Distribution Division.

* Creation of a Food Stamp Division--with Isabelle M. Kelley as Director--to administer the Food Stamp Program, which was authorized by the Food Stamp Act in 1964.

* Creation of a School Lunch Division--with Herbert D. Rorex as Director--to administer the National School Lunch and Special Milk Programs.

* Creation of a Commodity Distribution Division--with Neill W. Freeman, Jr., as Director--to administer all programs pertaining to the distribution to eligible recipients of donated food made available under Section 32 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--with Jacob L. Puterbaugh as Director--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. Also, to serve as the focal point within USDA for activities relating to the distributive food industry.

* Creation of a Consumer Food Programs 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.

September 27, 1965: C&MS established a Statistical Services Staff--to report to the Deputy Administrator for Marketing Services--to provide statistical leadership, coordination, analyses, and services for the agency. Richard P. Bartlett, Jr., was appointed Director. 8/

8/ Reference: C&MS Notice 122, dated Sept. 27, 1965.

December 7, 1965: USDA 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." 9/

The reorganization, which became effective April 4, 1966, included: 10/

* Abolishment of the Meat Inspection Division. (NOTE: Dr. C.H. Pals, Director of the Division, thereupon retired effective Dec. 31, 1965.)

* Creation of a Livestock Slaughter Inspection Division--with Dr. Joseph S. Stein as Director--to supervise procedures governing the inspection of animals before and after slaughter.

* Creation of a Processed Meat Inspection Division--with Dr. Edward A. Murphy as Director--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--with Dr. Jack C. Leighty as Director--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 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.

9/ Reference: Press Releases USDA 3888-65, dated Dec. 7, 1965; USDA 4018-65, dated Dec. 16, 1965, and USDA 241-66, dated Jan. 24, 1966.

10/ Reference: Press Release USDA 991-66, dated March 31, 1966, and C&MS Notice 259, dated March 25, 1966.

* Creation of a Compliance and Evaluation Staff--with L.L. Gast as Director--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. Appointed as District Directors were: Dr. Chester F. Diehl, Northeastern District; Dr. Melvin J. Hatter, Southeastern District; Dr. Leslie J. Rafoth, North Central District; Dr. Lester H. Burkert, Northern District; Dr. Samuel J. Berger, Central District; Dr. Robert F. Kieldsen, Southwestern District; and Dr. Elmer M. Christopherson, Western District. District Directors were placed under the direct supervision of the C&MS Deputy Administrator for Consumer Protection, rather than reporting to the staff divisions in Washington, D. C., as they had reported to the former Meat Inspection Division.

* Formation of a Meat Inspection Administrative Staff--with Lewis H. Mayne as Director--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.

(NOTE: Prior to the announcement in December 1965, it was common knowledge for several months that this reorganization was contemplated, creating considerable controversy. 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, lobbied strongly against such a merger. Both the House and Senate Agriculture Appropriations Subcommittees--in respective reports on a fiscal year 1966 supplemental appropriations bill--included language that such a merger below the management supervisory level should not be implemented.)

December 29, 1965: Citing economy of operations as a deciding factor, C&MS abolished its three Area Administrative Divisions, effective April 1, 1966. Details included: 11/

* Consolidation of administrative service functions performed by the Area Administrative Divisions into a Field Operations Branch of the Administrative Services Division, to be located in Chicago.

* Consolidation of personnel functions performed by the Area Administrative Divisions into a Field Operations Branch of the Personnel Division, to be located in Chicago.

* Consolidation of budget and finance functions performed by the Area Administrative Divisions into a Field Operations Branch of the Budget and Finance Division, to be located in Hyattsville, Maryland.

11/ Reference: C&MS Notice 197, dated Dec. 29, 1965.

July 1, 1966: Pursuant to an announcement on June 8, 1966, C&MS changed the designation of its five Food Distribution Area Offices to that of Consumer Food Programs District Offices. 12/

February 28, 1967: C&MS established a Planning and Evaluation Staff--with Irvin L. Rice as Director--to report directly to the Administrator. The Staff was charged with coordinating the planning and evaluation functions related to the determination and accomplishment of goals and objectives of the agency within the Planning-Programming-Budgeting system. 13/

May 1, 1967: C&MS separated its Budget and Finance Division into two Divisions, to achieve more "concentrated leadership" of each function, with a more practical and effective span of control. 14/ Details included:

* Designating Arthur J. Holmaas, Director of the Budget and Finance Division, as Associate Director of the School Lunch Division to assist with the latter's expansion resulting from the Child Nutrition Act.

* Designating John M. Buhl as Director of the new Budget Division.

* Designating James Q. Huey as Director of the new Finance Division.

May 11, 1967: Pursuant to a proposal announced April 3, 1967, Secretary Freeman established a Packers and Stockyards Administration, to administer all of the functions administered by the Packers and Stockyards Division of C&MS, including the Packers and Stockyards Act. Donald A. Campbell, who had been serving as Director of C&MS's Packers and Stockyards Division, was named Acting Administrator of the new agency. 15/

12/ Reference: C&MS Notice 310, dated June 8, 1966.

13/ Reference: C&MS Notice 471, dated Feb. 28, 1967.

14/ Reference: C&MS Notice 511, dated May 8, 1967.

15/ Reference: Press Releases USDA 1059-67 dated April 3, 1967, and USDA 1474-67 dated May 11, 1967; and, Secretary's Memorandum No. 1613 dated April 4, 1967.

(NOTE: 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 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 purportedly achieve more vigorous enforcement of the Act.)

August 7, 1967: Pursuant to an announcement on August 1, 1967, C&MS reorganized its Grain Division, to "help strengthen. . .the development and revision of standards and specifications, and provide the coordination, supervision, and direction necessary" for handling increasing commodity inspection workloads. 16/ Details included:

* Establishing a Grain Inspection Branch, to be responsible for inspecting and grading grain (including rice) under the U.S. Grain Standards Act and the Agricultural Marketing Act of 1946.

* Establishing a Commodity Inspection Branch, to be responsible for inspecting and grading assigned processed commodities and field crops (other than grain), including dry peas, split peas, lentils, dry beans, hay, straw, and hops, under the Agricultural Marketing Act of 1946. It also provides a testing service for grain and commodity products.

16/ Reference: Press Release USDA 2432-67 dated Aug. 1, 1967.

* Establishing a Standardization Branch, to work with the industry in developing and revising standards and specifications for grain, beans, peas, rice, hops, hay, and related processed products. It also evaluates equipment, devices, and techniques, and develops methods and procedures for sampling and measuring the quality of grain and other commodities.

* No changes were made in the organization or structure of the Division's Program Analysis Group, Market News Branch, or Seed Branch.

<u>September 25, 1967</u>: C&MS detailed Dr. James K. Payne, a staff officer in the Technical Services Division who handled Federal-State Relations, to the Office of the Deputy Administrator for Consumer Protection. <u>17</u>/

This action represented a transfer of the Federal-State Relations function in the Consumer Protection Programs from the Technical Services Division, and made it a direct responsibility of the Deputy Administrator. The move was brought about by the legislation then pending -- and subsequently enacted as the Wholesome Meat Act -- to amend the Federal Meat Inspection Act, and by the resulting necessity of establishing closer relationships with the States.

<u>May 7, 1968</u>: C&MS transferred the Statistical Services Staff from the office of the Deputy Administrator for Marketing Services to the Deputy Administrator for Management. <u>18</u>/

<u>June 20, 1968</u>: Secretary Freeman announced that the Federal meat inspection and poultry inspection programs will 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." <u>19</u>/ No effective date was announced,

<u>17</u>/ Reference: C&MS Notice 621 dated Sept. 25, 1967.

<u>18</u>/ Reference: C&MS Notice 792 dated May 7, 1968.

<u>19</u>/ Reference: Press Release USDA 2002-68 dated June 20, 1968.

15

but consolidation of the Washington and regional operations was scheduled to begin by mid-July, and 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 -- with Dr. Joseph S. Stein as Acting Director -- 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 -- with Dr. Edward A. Murphy as Acting Director -- would be responsible for the inspection of processed meat and poultry products, as well as import and export meat and poultry inspection activities.

* 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 continue to service both meat and poultry inspection programs.

* Twelve existing field units -- seven meat inspection districts, and five poultry inspection areas -- would be 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 would report directly to the Deputy Administrator for Consumer Protection.

* Dr. L.V. Sanders, formerly chief of the Poultry Division's Inspection Branch, was elevated to a new, second post of Acting Assistant Deputy Administrator for Consumer Protection. Dr. H.M. Steinmetz was retained as the other Assistant Deputy Administrator for Consumer Protection.

(NOTE: The above organizational structure for meat and poultry inspection is basically identical to that which was being considered in 1966, but which the poultry industry vociferously opposed and got Congress to block. This 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 probable enactment of a companion Wholesome Poultry Products Inspection Act. The House Agriculture Appropriations Subcommittee, in effect, directed USDA 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.)

Item	1963 Appr. &1964 Base	Agency	Department	Budget	House	Senate	Act
Annual							
Meat Inspection..........	25,907,150		29,238,000	28,502,000	27,638,000	28,126,250	27,931,000 1/
Marketing Research & Serv:							
Poultry Inspection.....	14,305,000	14,490,000	14,246,200	15,098,046	14,555,000	14,655,000	14,505,000
All Other	26,592,170	29,871,000	27,593,800	27,806,954	22,506,000	29,859,100	27,993,975
Total, MR&S.............	40,897,170	44,361,000	41,840,000	42,905,000	37,061,000	44,514,100	42,498,975
Payments to States and Possessions	1,425,000	2,000,000	2,000,000	1,425,000	1,425,000	1,500,000	1,500,000
Special Milk Program......	105,000,000	105,000,000	105,000,000	102,000,000	100,000,000	100,000,000	100,000,000
Transfer from Section 32..	--	--	--	--	--	--	--
Total Special Milk Program	105,000,000	105,000,000	105,000,000	102,000,000	100,000,000	100,000,000	100,000,000
School Lunch Program:							
Cash Pymts. to States...	108,600,000	113,200,000	139,100,000	120,600,000	120,690,000	120,600,000	120,600,000
Special Cash Assistance.	--	--	--	--	--	--	--
Commodity Procurement...	59,434,000	59,434,000	59,439,000	59,310,000	59,310,000	59,310,000	59,330,000 2/
Operating Expenses......	1,966,000	1,966,000	1,961,000	2,090,000	2,000,000	2,090,000	2,070,000
Total, School Lunch Prog...	170,000,000	174,600,000	200,500,000	182,000,000	182,000,000	182,000,000	182,000,000
Food Stamp Program........	--	49,350,000	51,500,000	51,500,000	40,000,000	51,500,000	45,000,000 3/
Permanent							
Section 32:							
Commodity Prog. Pymts...	163,984,000	166,603,900	164,493,000	164,493,000	164,493,000	164,493,000	164,493,000
Surplus Removal Oper.Exp.	4,005,195	4,558,800	4,253,000	4,253,000	4,253,000	4,253,000	4,253,000
Marketing Agree.& Orders.	5,511,000	4,487,000	4,754,000	4,754,000	4,754,000	4,754,000	4,754,000
Carryout Balance.........	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
Returned to Treasury....	41,380,000	108,183,000	108,183,000	108,183,000	94,683,000	83,183,000	81,401,459
Total, Section 32.........	514,880,195	583,832,700	581,683,000	581,683,000	568,183,000	556,683,000	554,901,459
PACA-Fees & arrearages collected..............							839,774
Trust Funds - NOA.........	22,304,000						24,502,000

1/ Meat Inspection was not included in AMS Appropri- bill since it was then a function of ARS.

2/ Includes transfer of $45,000,000 from Section 32.

3/ Funded by transfer of full amount from Section 32.

Item	1964 Appr. &1965 Base	Agency	Department	Budget	House	Senate	Act
Annual							
Meat Inspection:	27,896,000			30,837,000	30,454,000	30,837,000	30,837,000 1/
Marketing Research & Serv.							
Poultry Inspection......	14,875,000	17,103,000	17,012,900	16,622,000	15,375,000	15,527,000	15,527,000
All Other	22,317,600	34,253,000	34,008,100	27,353,000	24,014,000	24,063,125	24,039,000
Total, MR&S...........	37,192,600	51,356,000	51,021,000	43,975,000	39,389,000	39,590,125	39,566,000
Payments to States and Possessions...........	1,500,000	2,000,000	2,000,000	1,425,000	1,500,000	1,500,000	1,500,000
Special Milk Program:							
Direct Appropriation....	105,000,000	108,000,000	106,850,000	--	--	106,000,000	51,500,000
Transfer from Sec. 32...	--	--	--	99,831,000	99,831,000	--	51,500,000
Total, Special Milk Pro.	105,000,000	108,000,000	106,850,000	99,831,000	99,831,000	106,000,000	103,000,000
School Lunch Program:							
Cash Pymts. to States...	120,600,000	143,950,000	129,600,000	129,600,000	129,990,000	129,990,000	129,990,000
Special Cash Assistance.	--	4,000,000	2,000,000	2,000,000	--	--	--
Commodity Procurement...	59,330,000	62,960,000	59,310,000	59,310,000	59,310,000	59,310,000	59,310,000
Operating Expenses......	2,070,000	2,090,000	2,090,000	1,700,000	2,100,000	2,100,000	2,100,000
Total, School Lunch Pro...	182,000,000	213,000,000	193,000,000	192,610,000	191,400,000	191,400,000	191,400,000 2/
Food Stamp Program:	45,000,000	100,000,000	51,500,000	51,125,000	70,250,000	60,000,000	60,000,000 3/
Permanent							
Section 32:							
Commodity Prog. Pymts...	164,493,000	264,150,000	264,150,000	167,383,000	148,508,000	272,339,000	220,473,380
Surplus Removal Oper. Exp.	4,253,000	4,258,000	4,258,000	3,420,000	3,420,000	3,420,000	3,420,000
Marketing Agree.& Orders	4,754,000	4,375,000	4,271,000	2,924,000	2,924,000	2,924,000	2,924,000
Carryout Balance........	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
Returned to Treasury....	81,401,459	--	--	--	--	--	--
Total, Section 32.........	554,901,459	572,783,000	572,679,000	473,727,000	454,852,000	578,683,000	526,817,380
PACA-Fees & arrearages col	839,774						910,700
Trust Funds - NOA	24,502,000						25,549,000

1/ Meat Inspection was a function of Agricultural Research Service and, therefore, is not reflected in total for Marketing Research and Service.

2/ Includes transfer of $45,000,0[illegible] from Section 32.

3/ Includes transfer of $35,000,0[illegible] from Section 32.

Item	1965 Appr. &1966 Base	Agency	Department	Budget	House	Senate	Act
Annual							
Consumer Protective, Marketing, and Regulatory Program:							
Meat Inspection	33,265,000	---	---	35,370,000	35,154,000	35,370,000	35,370,000
Poultry Inspection ...	17,166,800	17,967,500	17,967,600	17,401,800	17,377,800	17,401,800	17,401,800
All Other	23,320,200	27,403,500	25,339,400	23,665,200	23,320,200	23,640,200	23,420,200
Total, CPMRP	73,752,000	45,371,000	43,307,000	76,437,000	75,852,000	76,412,000	76,192,000 1/
Payments to States and Possessions	1,500,000	2,000,000	1,970,000	1,500,000	1,500,000	2,000,000	1,750,000
Special Milk Program:							
Direct Appropriation ...	108,000,000	105,686,000	106,000,000	100,000,000	100,000,000	108,000,000	103,000,000
Transfer from Section 32	---	---	---	---	---	---	
Total, Special Milk Program	108,000,000	105,686,000	106,000,000	100,000,000	100,000,000	108,000,000	103,000,000
School Lunch Program:							
Cash Pymts. to States ..	129,990,000	138,612,000	138,612,000	138,590,000	138,590,000	138,590,000	138,590,000
Special Cash Assistance.	---	10,000,000	9,700,000	2,000,000	---	2,000,000	2,000,000
Commodity Procurement ..	59,310,000	59,310,000	59,310,000	59,325,000	59,325,000	59,325,000	59,325,000
Operating Expenses	2,100,000	1,800,000	2,100,000	2,085,000	2,085,000	2,085,000	2,085,000
Total, School Lunch Program	191,400,000	209,722,000	209,722,000	202,000,000	200,000,000	202,000,000	202,000,000
Food Stamp Program:	60,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Permanent							
Section 32:							
Commodity Prog. Pymts. .	220,473,380	344,989,000	319,989,000	304,989,000	304,989,000	313,389,000	324,386,018
Surplus Removal Oper. Expenses	3,420,000	3,770,000	3,770,000	3,770,000	3,770,000	3,770,000	3,770,000
Marketing Agree & Orders	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000
Carryout balance	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
Return to Treasury	---	---	---	---	---	---	---
Total, Section 32	526,817,380	651,683,000	626,683,000	611,683,000	611,683,000	620,083,000	631,080,018
PACA - Fees & Arrearages Collected:	910,700						936,046
Trust Funds-Obligations ..	25,549,000						27,698,000

1/ Increase is due to transfer of meat inspection from ARS to C&MS effective February 8, 1965.

Item	1966 Appr. &1967 Base	Agency	Department	Budget	House	Senate	Act
Annual							
Consumer Protective Marketing & Reg. Progs.:							
Meat Inspection........	38,176,500	45,515,800	42,031,000	41,939,600	41,592,600	41,939,600	41,939,600
Poultry Inspection.....	17,882,300	19,384,700	19,330,800	19,330,800	18,986,800	19,330,800	19,330,800
All Other.............	21,458,000	22,601,400	22,169,100	22,441,500	22,177,600	22,610,600	22,610,600
Total, CPMRP...........	77,516,800	87,501,900	83,530,900	83,711,900	82,757,000	83,881,000	83,881,000
Packers & Stockyards Act.	2,383,000	3,425,100	3,425,100	2,603,100	2,400,000	2,604,000	2,502,000 1/
Payments to States and Possessions	1,750,000	2,200,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Special Milk Program:							
Direct Appropriation...	103,000,000	105,000,000	21,000,000	21,000,000	50,000,000	105,000,000	51,000,000
Transfer from Sec. 32..	--	--	--	--	53,000,000	--	53,000,000
Total, Spec. Milk Prog..	103,000,000	105,000,000	21,000,000	21,000,000	103,000,000	105,000,000	104,000,000
School Lunch Program:							
Cash Payments to States	138,590,000	147,765,000	147,590,000	129,415,000	138,590,000	148,590,000	147,445,000
Spec. Cash Assistance..	2,000,000	12,000,000	8,000,000	6,500,000	2,000,000	4,500,000	2,000,000
Commodity Procurement..	59,325,000	59,325,000	59,325,000	45,000,000	59,325,000	59,325,000	59,325,000
Operating Expenses.....	2,085,000	2,085,000	2,085,000	2,085,000	2,085,000	2,085,000	2,085,000
Total, School Lunch Prog	202,000,000	221,175,000	217,000,000	183,000,000	202,000,000	214,500,000	210,855,000
Food Stamp Program:	99,992,000	200,000,000	200,000,000 (original) 180,000,000 (revised)	150,000,000	150,000,000	140,000,000	140,000,000
Permanent							
Section 32:							
Commodity Program Pymts.	324,386,018	384,189,000	309,189,000	209,086,000	209,086,000	209,086,000	209,086,000
Surplus Removal Operating Expenses.......	3,770,000	3,770,000	3,770,000	3,873,000	3,873,000	3,873,000	3,873,000
Mrktg. Agree. & Orders	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000
Carryout Balance.......	300,000,000	300,000,000	300,000,000	300,000,000	247,000,000	300,000,000	300,000,000
Returned to Treasury...	--	--	--	--	--	150,000,000	145,000,000
Total, Section 32.......	631,080,018	690,883,000	615,883,000	515,883,000	462,883,000	665,883,000	660,883,000
PACA-Fees & Arrearages C[illegible]ected	936,046						894,451
Trust Funds - NOA.......	27,698,000						29,408,000

1/ House and Senate agreed to provide a separate appropriation for activities under the Packers and Stockyards Act.

Item	1967 Appr. &1968 Base	Agency	Department	Budget	House	Senate	Act
Annual							
Consumer Protective Mrktg and Regulatory Programs:							
Meat Inspection......	43,074,800	46,279,000	48,084,500	46,006,800	45,676,800	46,006,800	45,832,800
Poultry Inspection...	19,802,800	20,333,800	22,585,700	20,490,000	20,410,800	20,490,800	20,490,800
All Other	23,194,400	22,965,200	16,954,800	23,025,200	22,922,400	23,024,400	22,986,400
1968 Meat & PY Suppl.	--			8,075,000	7,380,000	7,380,000	7,380,000
TOTAL, CPMRP	86,072,000	89,578,000	87,625,000	97,597,000	96,390,000	96,902,000	96,690,000
Payments to States and Possessions..........	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,900,000	1,750,000
Special Milk Program:							
Direct Appropriation..	105,000,000	113,967,000	--	--	--	104,000,000	--
Transfer from Sec.32..	--	--	109,200,000	104,000,000	104,000,000	--	104,000,000
TOTAL, SPECIAL MILK PRO.	105,000,000	113,967,000	109,200,000	104,000,000	104,000,000	104,000,000	104,000,000
School Lunch Program:							
Cash Pymts to States..	147,445,000	157,150,000	157,150,000	157,150,000	187,000,000	157,150,000	157,150,000
Spec Cash Assistance..	2,000,000	21,300,000	27,000,000	10,000,000	5,000,000	8,000,000	5,000,000
Commodity Procurement.	59,325,000	74,325,000	74,325,000	59,325,000	46,885,000	59,325,000	59,325,000
Pilot School Breakfast	--	--	--	6,500,000	2,000,000	5,000,000	3,500,000
Nonfood Assistance...	--	--	--	6,000,000	750,000	3,000,000	750,000
State Administrative..	--	--	--	2,300,000	--	1,250,000	--
Operating Expenses....	2,085,000	2,485,000	2,765,000	2,460,000	2,100,000	2,100,000	2,100,000
TOTAL, SCHOOL LUNCH....	210,855,000	255,260,000	261,240,000	243,735,000	243,735,000	235,825,000	227,825,000
Food Stamp Program:	139,500,587	250,000,000	210,000,000 1/	195,000,000 1/	--	195,000,000	185,000,000
Permanent							
Section 32:							
Commodity Program Pymts	209,086,000	449,086,000	113,137,000	169,020,000	169,020,000	169,020,000	169,020,000
Surplus Removal Operating Expenses.......	3,873,000	3,873,000	3,939,000	3,939,000	3,939,000	3,939,000	3,939,000
Mrktg Agree. & Orders.	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000	2,924,000
Carryout Balance......	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
Returned to Treasury..	145,000,000	--	16,683,000	26,000,000	221,000,000	325,000,000	228,468,011
TOTAL, SECTION 32......	660,883,000	755,883,000	436,683,000	501,883,000	696,883,000	800,883,000	704,351,011
PACA - Fees & arrearages collected	894,451						905,000 (Est.)
Trust Funds - NOA.......	29,408,000						31,778,000 (.)

1/ Denotes transfer from Section 32.

Item	1968 Appr. &1969 Base	Agency	Department	Budget	House	Senate	Act	
Annual								
Consumer Protective, Marketing &Regulatory Programs:								
Meat Inspection	49,616,000	55,786,960	55,786,960	70,926,500	70,926,500	68,101,500	68,101,500	
Poultry Inspection.....	21,140,000	25,416,000	25,416,000	24,806,000	24,806,000	24,806,000	24,806,000	
All Other	21,353,000	25,110,170	25,110,170	24,113,500	23,257,000	23,407,000	23,357,000	
Total, CPMRP	92,109,000	106,313,130	106,313,130	119,846,000	118,989,500	116,314,500	116,264,500	
Payments to States and Possessions	1,750,000	2,000,000	2,000,000	1,750,000	1,750,000	1,750,000	1,750,000	
Special Milk Program:								
Direct Appropriation...	--	107,000,000	104,000,000	--	--	--	--	
Transfer from Sec. 32..	104,000,000	--	--	104,000,000	104,000,000	104,000,000	104,000,000	
Total, Special Milk Pro.	104,000,000	107,000,000	104,000,000	104,000,000	104,000,000	104,000,000	104,000,000	
School Lunch Program:								
Cash Pymts. to States...	157,150,000	190,000,000	162,610,000	157,097,000	171,448,000	157,097,000	162,097,000	
Special Cash Assistance.	5,000,000	17,500,000	17,500,000	10,000,000	5,000,000	10,000,000	10,000,000 1/	
Commodity Procurement...	59,325,000	64,325,000	64,325,000	64,325,000	64,325,000	64,325,000	64,325,000	1/ Transfer from Section 3
Pilot School Breakfast..	3,500,000	8,500,000	8,500,000	6,500,000	3,500,000	6,500,000	3,500,000	
Nonfood Assistance......	750,000	10,000,000	10,000,000	6,000,000	750,000	2,000,000	750,000	
State Administrative....	--	2,800,000	2,800,000	2,300,000	--	--	--	
Operating Expenses......	2,100,000	3,100,000	2,740,000	2,546,000	2,127,000	2,252,000	2,127,000	
Spec.Food Svc. Prog. for children............	--	--	--	--	--	--	10,000,000 2/	2/Supplemental approp. for
Total, School Lunch Prog.	227,825,000	296,225,000	268,475,000	248,768,000	247,150,000	242,174,000	252,799,000	carrying out new program authorized by P.L.90-302
Food Stamp Program:	185,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	
Prop. Legislation......	--	--	--	20,000,000	3/	20,000,000	4/	3/House bill provided open end authorization.
Total, Food Stamp Prog...	185,000,000	225,000,000	225,000,000	245,000,000	225,000,000	245,000,000		4/Awaiting conferee action
Permanent								
Section: 32:								
Commodity Prog. Pymts...	169,020,000	164,000,000	244,921,000	172,295,000	172,295,000	172,295,000	172,295,000	
Surplus Removal Oper.Exp.	4,032,000	4,477,000	4,477,000	4,447,000	4,447,000	4,447,000	4,447,000	
Marketing Agree.& Orders	2,924,000	3,130,000	3,025,000	3,025,000	2,950,000	5/	2,950,000	5/Eliminated language on
Carryout balance........	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	specific dollar limitati
Return to Treasury......	228,468,011	372,053,000	286,760,000	226,791,000	226,866,000	226,866,000	181,000,000	
Special Feeding Prog....	--	--	--	--	--	--	45,000,000	
Total, Section 32........	704,444,011	843,660,000	839,183,000	706,558,000	706,558,000	703,608,000	705,692,000	
PACA-Fees & Arrearages Coll.	905,000						932,000	(Est.)
Trust Funds - Obligations.	31,778,000						32,805,000	

ADMINISTRATION OF THE PACKERS AND STOCKYARDS ACT IN THE JOHNSON ADMINISTRATION

1964

PROBLEMS

Farmers complained of the grade and yield buying operations of certain packers in 1964. Attempts were made to correct violations in the industry during the year.

However, statistics available indicated that this type of marketing was increasing and would require increased attention in fiscal year 1965.

....

An unfair competition complaint against Armour & Co. became a landmark case for Packers and Stockyards in 1964. The complaint alleged that the company engaged in a bacon sales promotion campaign by offering to sell the product below cost. It was refunding 50 cents of the purchase price on a 2-pound package of thick-sliced bacon directly to the purchaser.

Hearings held by the Government in Seattle, Washington and Portland, Oregon produced enough evidence to establish that the practice is unfair under the Act.

....

Early in 1964, an investigation of the broiler industry in Arkansas was initiated. Allegations included fraud, false accounting, deception, and unfair practices resulting in restriction of competition. Eventually investigations spread to Alabama, Georgia and Louisiana.

An Alabama processor later contested P&S jurisdiction in his contract grow-out operations with farmers.

Complaints, many local or regional, were received from various segments of the Poultry industry, including the turkey industry.
....

ACHIEVEMENTS

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.
....

The broiler industry's marketing practices in the Southeastern United States brought complaints and an extensive P&S investigation in 1964. A large Alabama processor and two Arkansas processors have contested the Division's jurisdiction over their operations.
....

On June 9, 1964, the United States Court of Appeals for the Eighth Circuit issued a decision in the Wehrheim-Peterson Sales Pavilion Case upholding the authority of the Secretary to require a surety bond as a condition of registration. The Court of Appeals reversed the District Court's decision. The lower court had held that failure to file a surety bond concurrently with application for registration could not form a basis for the Department's refusal to accept the defendant's registration.

....

Sections 201.71 and 201.78 of the regulations were amended to require that livestock scales owned by persons subject to the Act must be equipped with a device to print or stamp weight values on scale tickets. Devices include a type-registering weighbeam or a dial with a mechanical ticket printer.

....

Investigations of northern Florida and eastern Alabama auction markets disclosed unfair competitive practices in hog procurement and sales. The study was a continuation of the investigation of similar practices in Georgia.

1965

PROBLEMS.

In fiscal 1965 many complaints of the relationship between meat packers and food chains were received.

The complaints centered on alleged restriction of competition and injury to competitors in the meat and livestock industry. As a result of the numerous investigations initiated and improved relationships with the meat packing and poultry industries, many practices were adjusted informally.

....

There were numerous complaints on grade and yield slaughtering. The Packers and Stockyards Livestock Committee discussed guidelines for the industry to give livestock producers more protection in utilizing this method of selling.

....

Other complaints alleged restriction of competition resulting from national packers assigning fulltime employees to chainstore buying offices.

....

Meat packers also alleged restrictions of competition charging that competing packers made unfair rebates to food chains and that some chains demanded kickbacks before doing business with them.

....

Complaints of a national meat locker company using false and deceptive advertising, fraudulent weights and false accounting in the sale of meat to consumers resulted in investigations of the

company's operations and their effect on competition in the industry.
....

P&S also received complaints of false and misleading advertising by meat packers on Federal meat grade terms and the quality and source of their products. The complaints were investigated and the majority of them were settled informally.
....

During 1965, about 2,300 packer annual reports were reviewed. The analysis showed over 10 percent of the packers to be in weak financial condition. Of these, about 70 percent were in the business of buying livestock for slaughter. An interim balance sheet with a breakdown of accounts payable for livestock purchased was requested from 85 of the slaughterers in the poorest financial state. Seventeen packers were placed on notice regarding their financial condition.
....

ACHIEVEMENTS

Section 201.78 of the regulations was amended to require testing of monorail scales used by packers when purchasing livestock on a dressed weight basis. The scales must be tested semi-annually according to prescribed procedures and test reports must be filed with the Division.
....

Section 201.43 of the regulations was also amended in 1965. The amendment extended the uniform payment rule for livestock purchased by an agent. It required packers, market agencies and dealers who use an agent to pay him the purchase price by the close of the next business day after notice of the purchase price, unless otherwise agreed by the parties before the purchase.

....

In addition to scale and payment regulations, bonding requirements were revised. The changes provided for:

(1) Division authority to refuse to accept bonds from a surety company failing to pay claims;
(2) New specifications for bond equivalents filed in lieu of bonds;
(3) Requirements for filing indemnity agreements;
(4) Rules for filing separate bonds of buyers and sellers;
(5) Revised bond formula providing for bonds in multiples of $2,000 if $26,000 or less and of $5,000 if over $26,000;
(6) An increase to $10,000 in minimum bonds for selling and clearing agencies;
(7) Specific methods for determining bond requirements for new firms; and
(8) Authority to require increases in bonds based on seasonal operations.

....

The program of analyzing annual reports for financial stability was expanded during 1965. The Division was able to detect potential and existing financial problems through a revised market agency balance sheet. When the sheet indicated difficulties, a financial special report procedure was followed. This eliminated necessity for numerous audits. The procedure also was successful in getting prompt improvement in many firms' financial condition.

During 1965, 396 market agencies and dealers were told that their current liabilities exceeded their current assets by a total of $6,922,040 and 285 corrected their condition by putting into their businesses a total of $4,872,971. An additional $340,164 was added by firms not meeting all the Act's financial requirements.

....

Current analysis report requests were sent to 948 market agencies and 294 were returned with 22 showing account shortages. Of the 22, 14 corrected their condition immediately.

1966

PROBLEMS

Grade and yield slaughtering by meat packers again was the cause of many complaints. These complaints were investigated and several resulted in formal cases. The Division and industry groups continued to work on developing grade and yield selling guidelines for the industry.

....

Three cases of violation of cease and desist orders were disclosed that year. All involved failure to pay, when due, for livestock. P&S recommended action through the Department of Justice against Bridwell Packing Co. and Rosenthal Packing Co., Inc. An indictment was returned against Biderman and Moss, Inc.

....

The Packers and Stockyards Division also received complaints that meat packers were making discriminatory rebates to chainstores. Most complaints alleged that chainstores were demanding kickbacks from packers as a condition to doing business with them.

....

Meat packers were again the subject of complaints alleging false and misleading advertising. Federal meat grade terms and the quality and source of products were wrongly stated. A complaint was issued against Armour & Co. for false and misleading advertising of their franks.

ACHIEVEMENTS

A major accomplishment for P&S in 1966 was amending sections of the regulations on bonding, accounting and conflicts of interest. Amendments to sections 201.27 through 201.34 strengthened dealer and market agency bond requirements to better protect the livestock seller.

Changes include:

(1) A market agency selling on commission must file a minimum of $10,000 bond coverage rather than $5,000 required before;
(2) Larger bonds may be required of firms with seasonal operations; and
(3) Both dealers and market agencies buying on commission are now covered under the same bond condition.

The third item broadened buyer bond coverage since the former bond did not protect the seller when the dealer acted as an agent buying on commission.

Amendments to sections 201.40 and 201.42 provided that custodial accounts must be placed in banks protected by the Federal Deposit Insurance Corp. Also, market agencies may invest a portion of the custodial funds "float" as long as it does not hinder payment to the sellers.

Amendment to section 201.66 permitted a market agency to employ a dealer as long as the dealer does not buy or sell at the stockyard where employed. Many auction markets had difficulty finding persons with livestock knowledge for a one-day-a-week auction.

By an amendment to section 201.81, stockyard owners, market agencies and dealers could employ persons suspended as registrants because of financial difficulty. In the past, suspended registrants could not operate until they became solvent. This was difficult since it prevented their employment in the industry. Now, following the stated period of suspension, the person may be employed.

The testing of monorail scales in meat packing plants used for the purchase of livestock on a dressed-weight basis was covered in an amendment to section 201.78. Scales must be tested semi-annually and test report copies must be filed with the Division.

....

A Statement of General Policy and Interpretation written by P&SA clarified rules on handling custodial account funds. These funds may not be used to secure loans and must be properly in the bank designated so that they will be handled as trust funds.

....

P&S continued to increase its investigations, conducting over 10,000 during the year. The 1966 total was almost triple the 1965 amount.

....

The Division began a program to update registrants' bonds. We mailed 6,700 initial letters to registrants with copies to surety companies informing them of the new bonding regulations.

Later letters reminded registrants that new bonds should be filed and surety companies that certain old bonds should be terminated and replaced.

If old bonds were terminated and new ones had not been filed and if these registrants were still operating, investigative files were prepared and requests for administrative action filed with Office of General Counsel.

By the close of fiscal 1966, the Division had received 6,554 surety bonds totaling $87,344,000. It also received, reviewed and filed 3,634 bond riders and trust fund agreements totaling $48,350,000.

....

Investigation of the Capitol Packing Co., Denver, Colorado, disclosed restriction of competition at the Denver Union Stockyards and in adjacent country transactions. The firm allegedly violated the Act by reserving top loads of steers, boycotting a commission firm and lending money to a packer.

The USDA Judicial Officer issued a cease and desist order against them. The order was appealed to the Circuit Court of Appeals in Denver but was upheld as to these points.

....

Another investigation revealed deceptive and misleading advertising by Bruhn's Service Co., Inc. The company has bulk meat sales units throughout the U. S. The study showed that the firm used bait-and-switch advertising and delivered to customers meat of lower value than the meat sold to the customers. The complaint issued in February 1966 was significant as a consumer protection application of the Packers and Stockyards Act.

....

At South St. Paul, a marketwide sheep investigation was completed in 1966. It resulted in administrative orders against 7 market agencies selling on commission and a dealer. The agencies jointly employed the dealer as a salesman and the dealer bought from the firms' consignments. This restricted competition on sheep consigned to the market.

....

A survey-style investigation to determine violation practices in a particular trade area or state was conducted. A representative sample of about 25 percent of the markets was selected and teams checked the market practices. Division personnel discussed disclosed violations with market operators in the area or state and put them on notice of the violations practiced. This effort was significant as our first preventive violation program through education of persons and firms subject to the Act.

Auction markets included in the 1966 program were: Arkansas-54, northern California-18, New York-44, Washington-30 and northern Mississippi-31.

....

A review of about 2,500 tariffs to detect discriminatory features and deductions for so-called "extended coverage insurance" was completed. Ninety-five percent of these were corrected.

....

Financial audits of market agencies and dealers resulted in administrative complaints charging 15 market agencies and 16 dealers with insolvency in 1966. Review of annual reports showed 241 more registrants had inadequate working capital amounting to $6,918,543. After notice, 154 of them increased working capital to a satisfactory level by adding $2,751,269.

In addition, $376,129 was added to capital by other registrants. Also, 127 firms placed on notice during fiscal 1965 added $1,405,373 to their working capital.

In total, $4,532,771 was added to the current capital structure of registrants during the year as a result of the P&S program.

1967

PROBLEMS

During 1967, the program to eliminate packer control of market agencies, dealers and stockyard operations was accelerated. Ultimately, a regulation was issued prohibiting a packer or packer employee from owning, financing, managing or operating a livestock dealer firm.
....

Several mergers of meat packers were investigated in cooperation with the Department of Justice to determine if the Act was violated.
....

One of the major investigations of 1967 involved three Arkansas poultry processing firms accused of blacklisting and boycotting poultry growers.
....

Complaints were also received from 4 broiler growers in Mississippi. They alleged they were boycotted by their contracting company because of their interest in promoting better broiler grower contracts for growers in the state.
....

ORGANIZATIONAL CHANGE

On May 8, 1967, the Secretary established the Packers and Stockyards Administration to enforce the Packers and Stockyards Act. The Administration took over the activities of the P&S Division of the Consumer and Marketing Service. The Secretary also named an Acting Administrator to report to him through the Assistant Secretary for Marketing and Consumer Services.

ACHIEVEMENTS

P&S published C&MS Marketing Research Report No. 776 analyzing effects of packer feeding on cattle prices at a major terminal market in 1962. The extent of feeding at national, state and plant levels was included.

The report was part of a study on the scope and significance of packer feeding. Weekly data was subsequently requested from 140 packers feeding 1,000 head or more of cattle, calves, or lambs annually.

....

To extend and improve Federal-State relations, the Agency entered into 12 formal agreements with State Departments of Agriculture, Boards or Commissions bringing the total of such agreements to 41.

....

Another report covered the investigation of 51 broiler integrators in Arkansas, Alabama and Georgia. Processors' and brokers' sales of dressed broilers to chainstores, as well as alleged boycotting of growers and predatory pricing of dressed poultry were studied.

....

Packer trade practices were examined in fiscal 1967. Among them were marketing of livestock on the basis of carcass grade, carcass weight and carcass grade and weight. Elimination of packer control of market agencies, dealers and stockyard operations was a goal.

....

Several actions were taken in packer and chainstore meat merchandising. Some types of practices corrected included:

(1) Unfair sales promotion;
(2) Assigning packer employees to central chainstore meat buying offices;
(3) Bait-and-switch advertising;
(4) Commercial bribery;
(5) False and misleading advertising;
(6) Price discrimination;
(7) Failure to pay for meat; and
(8) Meat sales programs involving gifts to buyers.

Investigations were initiated into alleged discriminatory rebates and discounts by packers to chainstores; contracts between major and independent packers on slaughtering and processing operations; and packer mergers.

....

In a significant decision from a Circuit Court of Appeals, the Department's definition of insolvency was upheld. The definition covers assets and liabilities construed to be current in determining solvency.

....

Another important court decision came when the U. S. Court of Appeals for the Fifth District reversed a lower court's ruling on Agency jurisdiction and subpoena powers with respect to poultry processors. The reversal strengthened the poultry program by verifying P&SA power over activities of live poultry dealers.

....

A landmark court decision came from the U. S. Court of Appeals for the District of Columbia. The Court affirmed the District Court's ruling in the A&P and Safeway suits. The chains contested Act jurisdiction over them but the court defined both as packers subject to the Act.

. . . .

P&SA investigated complaints that certain national packers were assigning employees to chainstores' central buying offices. In June 1967 a cease and desist order against Swift & Company stated that such employees were engaged in unfair and deceptive practices restricting competition.

Swift & Company was ordered to cease and desist from permitting employees to represent themselves as agents of anyone but Swift.

. . . .

A complaint was filed against Rath Packing Co. alleging it practiced false and misleading advertising by using the term "4-H" in selling beef carcasses. Rath agreed to an appropriate cease and desist order.

. . . .

Area offices in Huntington Park, Denver and Omaha made studies of about 15 commercial feedlots. This was the first in-depth inquiry of the feeding-marketing industry. Tie-ups between feedlot operators and certain packers resulting in sale of fed cattle by the operators for livestock owners without competitive bids were disclosed.

. . . .

Statewide surveys of auction market practices, part of a preventive enforcement program, resulted in 746 auction markets in 17 states being put on notice of unfair practices.

. . . .

The program of surveying adequacy of services and facilities provided at selected livestock markets was continued in 1967. Visits were made to 48 markets in 17 states. The study showed a gradual improvement at most places but some had almost reached the end of their economic life.

....

Grade and weight slaughtering has increased in recent years and in some areas has become the dominant method of marketing livestock. The Department investigated many complaints regarding it and saw the need for establishing guidelines for the entire industry. The guide was issued in the form of a proposed regulation (201.99) on May 30, 1967.

....

A review of annual reports of 2,048 packers disclosed that about 8.5 percent of them were in weak financial condition and about 63 percent of these purchased livestock for slaughter. An interim balance sheet with a breakdown of accounts payable for livestock purchases was requested from about 34 whose current liabilities exceed current assets by around 1.9 million dollars. Twenty-eight were placed on formal notice about their financial condition and the requirements of the Act concerning rules on payment for livestock purchases. Nine of these firms invested about $226,000 in their operations and almost all contacted improved livestock payment practices.

....

Through a testing program for livestock scales, 12,495 tests were conducted on 5,636 scales in 1967 as compared to 12,939 tests on 5,706 in fiscal 1966. Scales found inaccurate totaled 22.8 percent as compared with 23.7 in 1966.

....

Progress was made in 1967 toward correcting auction market tariffs discriminatory in assessment of different charges for similar livestock. Most questionable tariffs were in the western area where both dairy and beef livestock are sold by auction.

....

Continued emphasis was given to the financial condition of registrants in 1967. As a result of this program, almost $4 million was added to the registrants' accounts during the year.

One aspect of the program was the use of a special report and a schedule of proceeds receivable. Over $2.4 million was added to custodial accounts through informal procedures. Twelve formal orders increased the amount by $257,000.

....

The bond review program begun in fiscal 1966 was completed in 1967. Since the program began, registrants have filed 7,153 new surety bonds and riders to bonds totaling over $84 million. Bond coverage filed by all registrants increased $28,000,000 over fiscal 1966.

Action was taken against about 200 dealers who did not comply with the revised bonding requirements. Most of them were small volume dealers who could not meet the underwriting requirements of the approved surety companies.

1968

PROBLEMS

On January 29, 1968, Senator Ellender introduced a bill by request to amend the Packers and Stockyards Act. The bill was identified as S.2879.

Its purpose was to amend the Act to bring it up to date with current trade practices and problems. Widespread changes have occurred in the livestock, meat, and poultry industries. Lengthy litigation to resolve jurisdictional questions has impeded prompt and effective enforcement of the Act. The bill, if enacted, would completely modernize the Act for the first time since its enactment in 1921.

Some of the major provisions of the bill would: (1) Clarify jurisdictional questions; (2) Extend and strengthen the reparation provisions of the Act; (3) Remove questions about authority to require bonds of meat packers; and (4) Authorize courts to issue temporary injunctions to prevent irreparable damage by persons or firms subject to the Act.

Further, the term "packers" would be redefined to include any persons marketing in commerce, meat, meat food products, livestock products in unmanufactured form, poultry or poultry products. The Secretary of Agriculture would have primary jurisdiction over packer operations on the wholesale level, while the Federal Trade Commission would continue to have primary jurisdiction at the retail level.

The bill would also authorize the Secretary to require reasonable bonds from packers to cover their purchases of livestock and poultry. It would enable Federal courts to issue injunctions against persons or firms engaged in illegal practices under the Act which would likely result in irreparable damages to others. It would "put teeth" into the Secretary's authority to award money payments to persons damaged by a firm subject to the Act by penalizing respondents who fail to pay reparation orders.

The prospects of enactment of this legislation this year are very remote. This presents a serious problem to the Department. Enactment of the bill is essential to provide the clarification and authorities which its provisions specify. Failure to enact this legislation will only perpetuate conflicts in interpretation of the statute and costly and time consuming litigation.
....

ACHIEVEMENTS

The method of marketing livestock on the basis of carcass grade, carcass weight, or carcass grade and weight has grown substantially in recent years. In some trade areas, this has become the dominant method of marketing livestock. The Agency reported numerous complaints concerning this method of marketing. Each was investigated and several resulted in formal cases.

We received numerous requests from all segments of the industry for guidelines governing the purchase of livestock on a carcass grade and weight basis. We met with numerous industry groups to develop guidelines satisfactory to the entire industry.

The resulting guidelines were issued in the form of a proposed regulation on May 30, 1967. Interested persons were given until August 15 of that year to present written data, views, and arguments. In November 1967 a public hearing on the proposals was held in Des Moines, Iowa. Interested persons were given 10 days subsequent to the hearing to file additional comments.

The regulation was issued February 6, 1968. All provisions except the requirement that carcasses must be weighed before shrouding became effective April 6, 1968. The weigh before shrouding provision was effective on July 1. These regulations are particularly significant because they establish procedures and standards for a complete system of marketing related to 13 percent of all slaughter livestock in the United States.

....

In response to numerous complaints of short weights, a program for checkweighing livestock which had been weighed for purposes of purchase or sale was initiated in 1960. This survey, conducted on a surprise spot-check basis, revealed false weighing practices at 23% of the markets checked in 1965--the high year. In most instances, firms were warned of the violations and subsequent checks showed the practices had been corrected. In other instances, formal administrative action was brought against firms in violation seeking a cease and desist order and in the case of a registrant, a suspension of their registration for a reasonable period.

Since it appeared that the inaccurate weights were due, in part, to carelessness and lack of knowledge of proper scale operation, a training program for weighmasters was developed in cooperation with State Weights and Measures officials (usually in State Departments of Agriculture). The first series of training schools was conducted in Tennessee in 1966 with a good response from the livestock industry. In 1967 similar schools were conducted in Virginia and Arkansas with good results. In 1968, training programs were sponsored in Wisconsin, Iowa, Alabama, West Virginia, California, and Indiana. A total of 1,230 persons have received certificates for attending the schools conducted. The training program includes a slide series on proper scale operation, explanation of Federal and State regulations and an open discussion or Question and Answer session. Emphasis is also given to improvement and care of weighing equipment.

The training program has been well received by the livestock and meat packing industries and fully supported by the State Departments of Agriculture.

....

A complaint was issued against Arkansas Valley Industries, Inc., Ralston Purina Company, and Tyson's Foods, Inc. The complaint alleged that the respondents combined and agreed to boycott and blacklist certain farmers from broiler producing contracts. It also alleged that the respondents, acting unilaterally, did boycott and blacklist the growers. The Judicial Officer of the Department issued an order favorable to the Administration and directed the respondents to cease and desist from such practices. The respondents have appealed this order to the U. S. Eighth Circuit Court of Appeals. This is a landmark case inasmuch as it represents the first major decision prohibiting boycotting of poultry producers.

....

A complaint against Armour and Company alleged that the Company engaged in an unfair trade practice involving a sales promotion program on sliced bacon. The program provided for a 50-cent refund on each purchase of a 2-pound package of thick-sliced bacon. It further alleged that the practice resulted in below-cost sales and caused injury to competitors of Armour and Company. After hearing, the Judicial Officer of the Department issued a decision against the Company. The order prohibited Armour from offering a refund to consumers of meat or meat products when such refund results in offering the product at a price substantially below unit cost. Armour has appealed this decision to the Seventh Circuit Court of Appeals in Illinois.

....

In 1967, the Packers and Stockyards Administration made an investigation and analysis of the Iowa Beef Packers, Inc., Dakota City, Neb., acquisition of Sioux Quality Packers, Inc., Sioux City, Iowa. The newly merged firm became the <u>fifth</u> largest meat packer and the <u>third</u>

largest cattle slaughterer in the United States, accounting for about 5 percent of total cattle slaughter. A report appraising possible anticompetitive effects, primarily in live cattle procurement, was transmitted to the Department of Justice in March 1968. This is the first merger action investigated under the Act in 22 years.

....

A policy statement was issued to dismiss rate orders issued under provisions of the Packers and Stockyards Act. Livestock market agencies and terminal livestock markets have been respondents in 28 formal rate cases in which orders have been entered by the Secretary. A formal lengthy procedure is required when a petition to modify a formal order is received. It was determined that the basic rate order may no longer be useful after 10 years unless economic conditions, marketing structure in the trade territory, or other circumstances require its continuance. Absent those circumstances, a formal rate order may now be vacated.

....

On May 1, 1968, the Secretary of Agriculture established the Packers and Stockyards Poultry Committee. The Committee consists of 22 members from various segments of the poultry industry and represents the major poultry marketing areas of the United States. The Committee 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 first meeting of the Committee and Department representatives was held on June 18 and 19 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. The meeting proved most beneficial to the Department.

April 26, 1967

Objective, Goals, and Techniques of Farmer Cooperative Service

Our over-all objective is to help farmers and other rural Americans live better by using cooperatives and by using them most effectively.

The context in which we will pursue this objective is characterized (1) by the family-operated farm, producing an abundant supply of reasonably-priced food and fiber for United States and foreign consumers and earning an adequate return that fairly compensates the family for its labor, investment, and managerial skills and (2) by a well-developed rural economy that offers those who live there parity of opportunity with urban dwellers.

To achieve this over-all objective, we have set ourselves these goals. We aim --

1. To help farmers get a better price for their products
   a. by encouraging expansion of cooperative marketing so that the farmer -- if he is so inclined -- can sell his crops and livestock products advantageously through cooperatives; and
   b. by encouraging co-ops to add processing, packaging, and merchandising services for their members' products and to distribute them to retailers and consumers whenever this will significantly
      (1) reduce the farmer-to-consumer price spread
      (2) improve product quality, or
      (3) increase marketing efficiency

2. To help farmers reduce their operating expenses
   a. by encouraging organization and expansion of cooperatives so that the farmer -- if he is so inclined -- can buy his major production supplies and services through cooperatives;
   b. by urging these co-ops to fully integrate retail and wholesale distribution, manufacturing, and raw material production; and
   c. by helping these co-ops serve non-farm families who may wish to use their services.

3. To help farmers gain enough economic power so they can control the integration of agriculture through cooperatives and bargain effectively in the modern economy.

4. To enable all those who use the services of a particular cooperative to maintain effective, democratic control over its policies and operations as the co-op itself grows in membership and complexity.

5. To work alongside private and other public agencies, helping rural and small-town residents use cooperatives to develop the resources of rural areas and to live better.

6. To help low-income farmers use cooperatives either to join the ranks of commerical producers of food and fiber or to move into other productive, satisfying, rural occupations.

7. To help all Americans appreciate the aims and accomplishments of rural cooperatives.

8. To help cooperatives owned largely by farmers and rural residents to increase their services to members and their operating efficiency through
   a. merger or consolidation, where this is advisable;
   b. manager, director, and employee training in cooperative principles and business practices;
   c. more effective member relations;
   d. improved organization and financial structure; and
   e. product, marketing, and service innovations.

9. To help people of the developing nations organize and operate cooperatives to raise their living standards and to assume democratic control over their nations' economic affairs.

To achieve these goals we will

1. Promote cooperative organization and development with and through other Federal and State agencies.

2. Advise directly with cooperative leaders, Government officials, educators, and farm spokesmen on the problems of cooperatives.

3. Conduct research and promote and support research by Federal and State agencies.

4. Publish the results of our research; issue News for Farmer Cooperatives; produce movies and other audio-visual materials; prepare exhibits; write for other publishers; speak at appropriate meetings; and otherwise contribute to the education and understanding of the American people.

5. Propose legislation to the Secretary of Agriculture so that the Federal Government may offer all reasonable assistance to strengthen cooperatives.

UNITED STATES DEPARTMENT OF AGRICULTURE

Stanton DU 8-6486
Clark DU 8-4026

Washington, July 31, 1967

Freeman Announces Reorganization of Farmer Cooperative Service:

Secretary of Agriculture Orville L. Freeman today announced streamlining of USDA's Farmer Cooperative Service into three major program areas so the agency "can better help farmers and other rural people use cooperatives more effectively."

Under the reorganization J. Kenneth Samuels will head the Cooperative Marketing and Farm Supplies program; Dr. Homer J. Preston, Specialized Cooperative Research; and Dr. Job K. Savage, Cooperative Development.

All carry the title of "Assistant Administrator" and report to FCS Administrator David W. Angevine and his deputy, Martin A. Abrahamsen.

"We insist that basic inquiry into cooperatives' potential usefulness continue to advance, even as FCS responds to co-ops' increasing demands for guidance in new undertakings," the Secretary said. "To do this, we have separated research from advisory service within FCS.

"This agency will help inititate new co-op services for farmers and other rural people. Though most of these ventures will be in the United States, some are overseas, where the Department is helping fulfill national responsibilities," Mr. Freeman said. "To do this work, we have created a cooperative development program.

"Increasing integration of farm supply in-puts, on-the-farm production, marketing, and processing characterizes U.S. agriculture, " Secretary Freeman said. "So FCS can help farm people and their co-ops guide and control this vertical integration of their industry, we have brought cooperative marketing and purchasing together in the same FCS program."

Each new program has three divisions. Within Cooperative Marketing and Farm Supplies are Crops, headed by Robert J. Byrne; Animal and Animal Products, headed by Dr. Stanley F. Krause; and Farm Supplies, headed by J. Warren Mather.

The Specialized Cooperative Research program divisions are Cooperative Appraisal, headed by Dr. Martin A. Blum; New Services, headed by Clyde B. Markeson; and Business Organization, headed by Paul C. Wilkins.

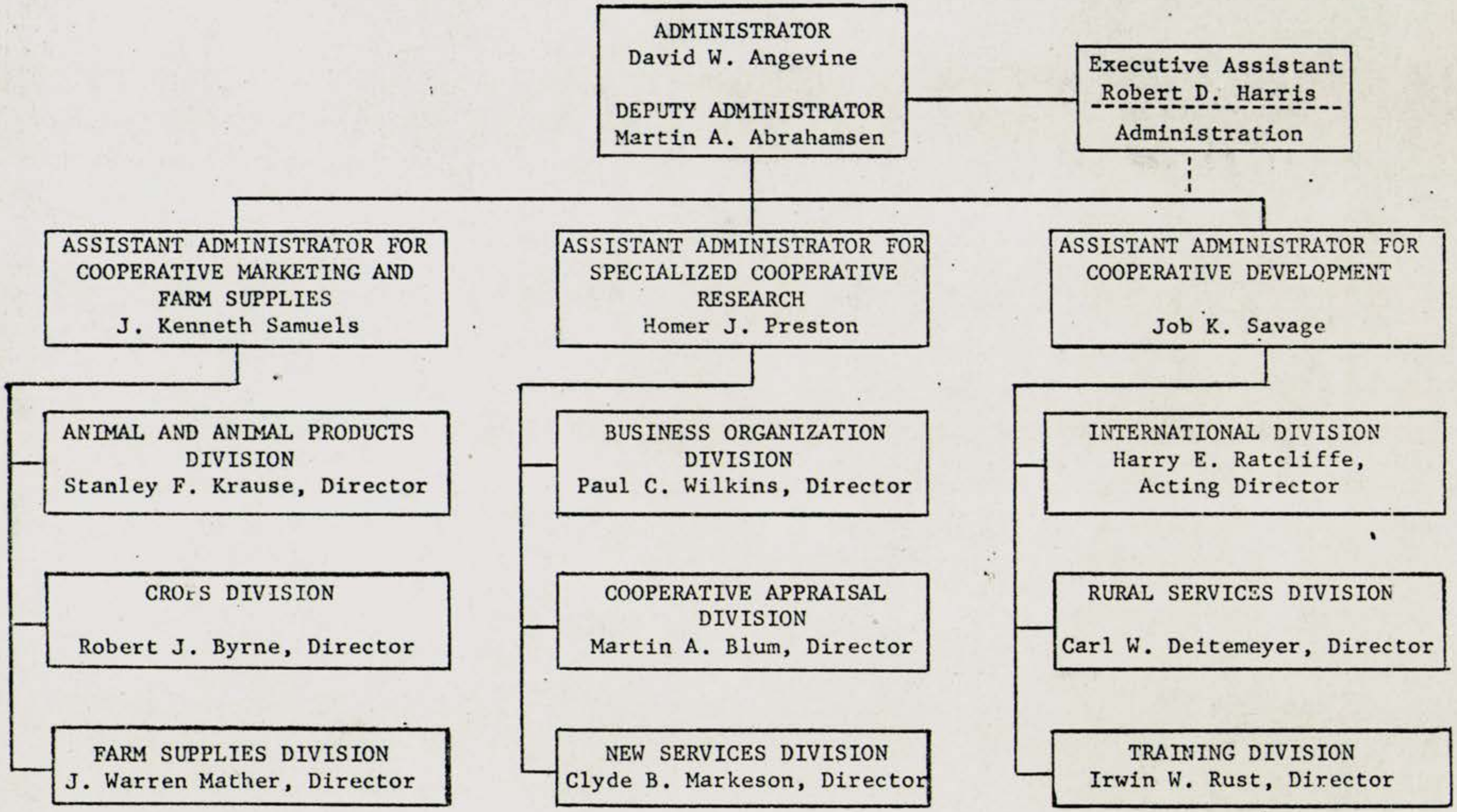
The Cooperative Development Program divisions are Rural Services, headed by Carl W. Deitemeyer; Training, headed by Dr. Irwin Rust; and International, headed by an acting director, Harry E. Ratcliffe.

"FCS is the Department's specialized co-op agency," Secretary Freeman said. "I expect it to take the initative in co-op development, to offer prompt advisory service for farmers' marketing and purchasing co-ops, and to exercise leadership throughout the Department in cooperative matters."

This is the first reorganization of FCS since the agency was created in 1953.

2264 - - - - - - USDA 2422-67

FARMER COOPERATIVE SERVICE



8/1/67