

PRODUCER MARKETING ORGANIZATIONS:  
SOME ASPECTS OF THE EUROPEAN EXPERIENCE<sup>1/</sup>

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INTRODUCTION

Discussion by Agricultural Economists of institutional arrangements in and for agriculture are not new. Yet I believe the planners of this seminar deserve our compliments for interjecting newness in at least one respect. I recall of no previous case where the problems of agriculture have been approached by considering the interrelated mix of farm, market, and government as a set of organizations, activities, and systems of rules that influence economic results, not only for farmers, but for society in total. This I consider a substantial gain over our past tendencies to segment the issues into price policy, land policy, market structure, etc. with little overlap of thought or conversation between individuals whose interests tended toward one emphasis or another.

Today's discussion centers on one possible form of corrective action, namely, creating or expanding institutions that will directly increase the economic power of farmers. To many, particularly those whose economic or political interests are at stake, this represents an obvious and important approach to solutions of the farm income problems. Others tend to minimize the potential for farmer controlled marketing to add significantly to farm income. These divergent viewpoints do not appear to arise from differences in opinion as to what is good or what is bad public policy. Rather they arise from the more pragmatic consideration of what will and what will not work to relieve the farm price and income problem. Discussion of the ethical and value questions involved have been remarkably absent.

In this paper I will, in general remain consistent in this respect and emphasize the question of feasibility and workability of farmer organizations in the light of an accepted objective of increasing farm income. To do this I will attempt to relate and evaluate certain aspects of the European experience with programs and institutions similar to some that have been proposed for U. S. agriculture.<sup>3/</sup> First, I propose to look briefly at the institutional

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<sup>1/</sup>Paper presented at North Central Regional Committee (NCR '20) Seminar "Agricultural Organization in Modern Industrial Society," Chicago, Illinois, April 29-30, 1968.

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<sup>3/</sup>My information on Europe is based on a number of internal and miscellaneous documents prepared by governments and market organizations, interviews with persons in government in France and the U. K. and with officials of two British Marketing Boards, plus the materials specifically cited in the manuscript.

patterns that have evolved in European agricultural markets.<sup>4/</sup> This will be followed by a discussion of certain aspects of operational techniques used by European statutory market organizations and the results that have been achieved. Finally, an effort will be made to evaluate the question of transferability to American conditions and the economic impacts that might arise.

### THE INSTITUTIONS

Viewed in their totality European agricultural markets can be classified into three general organizational structures. These are:

1. Markets that are dominated by farmer cooperatives. This kind of market is characteristic of the Scandinavian countries and The Netherlands. In general they are considered to be relatively efficient, and statutory organizations of the marketing board or any other type are relatively unimportant and appear to have only limited use.

2. Markets characterized by a highly conglomerate mixture of private market firms and farmer coops but with no dominance by either group. This form of organization is characteristic of the bulk of continental West Europe and is the dominant pattern in the EEC. Firms tend to be relatively small, approaching the market structure more nearly like that called for in the textbook perfect competition model. Market costs in general tend to be high and varying degrees of chaos in pricing, quality maintenance and distributional effectiveness appear to exist.

3. The third type of market tends to be dominated by large private firms with only a minimal role by farmer cooperatives. With certain exceptions (i.e., meat packing) this kind of market organization exists in the U.K. and has provided the framework within which farmer marketing boards have been developed. In general, market functions and pricing appear to be orderly and probably rather efficient. The question of market power in the oligopolistic sense is, however, relevant.

Statutory market organizations in Europe have taken two basic forms. These are: (1) The marketing boards in the United Kingdom, and (2) the producer group (Groupements de Producteurs) and economic committee (Comites Economiques Agricoles) structure developed in France.

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<sup>4/</sup> Considerable, though probably still inadequate, detail on both the British and French systems are included in the appendix to this paper.

British Marketing Boards clearly were established to provide direct farmer monopoly power over markets at the national level. Initially the Boards operated independent of government programs and were the sole vehicle of market protection in those industries where they were established. Complete government control of all markets during World War II has been followed by only partial return to reliance on Marketing Boards. Currently, with the exception of hops the activities of all Marketing Boards are integrated with direct income support programs and income transfers effected through the activities of Board and through price support cannot be fully separated. They can be viewed only in joint perspective.

The French system on the other hand has not achieved the kind of monopoly control that exists in the U. K. Policy decisions of April 1964 and May 1966 resulted in initial emphasis for organization on products where direct government price support is least effective including beef and pork, poultry, fruits and vegetables and wine production.<sup>5/</sup>

Farmer Producer Groups are local (community) organizations and Economic Committees are intended to be regional. While government does not prevent overall market control -- e.g., where a product is produced entirely in a single region or where collective action by two or more economic committees succeeds -- no statutory basis exists for creation of national level monopolies. Further, now that these organizations are coming under the influence of the EEC Commission, definite restrictions on the proportion of the market controlled by individual economic committees may become operative. The Commission has established a guideline that no single organization can control more than 5 percent of the total EEC production.

#### SOME OPERATING PRACTICES AND RESULTS

In looking at the operations of these market organizations two central issues emerge. These are: (1) whether they provide the institutional base through which farmers can manipulate important economic or political variables to create income transfers to farmers and (2) whether they are effective in furthering growth or efficiency gains that increase returns to individual producers and/or improve overall productivity and hence the income of society in total. In the case of income transfers the question essentially is whether they can change the way a given "pie" is passed out while in the case of growth and efficiency the question is whether they change the size of pie in relation to resource input.

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<sup>5/</sup> M. Jacques Chouillou, La Commercialization Des Denrees Alimentaires D'Origin Agricole, Mimeo, October 1967.

Both for analytical and policy purposes the question of income transfers should be looked at in two contexts. For want of better terminology I shall call these "social income transfers" and "economic income transfers." By social income transfers I mean those achieved through various forms of market control that succeed in manipulating price or quantity through the use of specifically endowed powers. I call these social gains because they have been approved by society through the political system and the justification for the special powers granted is centered in the concept of equity. Economic income transfers, on the other hand, are those that arise from the normally accepted business activities aimed at expanding the use, competitiveness, or price of the product. These are available to farmer marketing organizations not through specifically endowed powers but through the normal consent for economic activity available to all business firms.

#### Social Income Transfers

It is clear that in some cases statutory marketing organizations play a role in achieving social income transfers to farmers. In Britain three of the operating marketing boards appear to be incorporated into marketing "schemes" that give them some element of direct market power while two do not. The most complex system of control is that in milk. Both government policy and conditions in the market are important in determining the role of the marketing boards.<sup>6/</sup> The distinguishing characteristics of the dairy market in the United Kingdom are that a high proportion of home production is required for liquid consumption, and in total the country is a deficit producer.<sup>7/</sup> The milk marketing board in each area has a monopoly on sales of milk off farms and accepts the duty to buy any milk offered. While the boards own and operate some facilities at all levels of the market, including retailing, the bulk of the milk is sold under contract to private processing interests. The prices charged at all market stages for milk for liquid consumption are fixed by the government but the boards are free to negotiate the best prices they can obtain for milk for manufacturing with compulsory arbitration if agreement cannot be reached.

In general, the price level of processed products is established by international markets since little or no border protection exists in the U.K. Within this framework of fixed prices for fluid milk

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<sup>6/</sup> One in England and Wales, three in Scotland, and one in Northern Ireland.

<sup>7/</sup> Fluid use (excluding cream) accounted for nearly 70 percent of total domestic output in 1964-65. Source: United Kingdom Dairy Facts and Figures, The Federation of United Kingdom Milk Marketing Boards, 1967.

and international competition<sup>8/</sup> on processed products the major vehicle that the boards use for increasing returns to farmers is the allocation of supply. The first call on all supplies is for fluid milk use. Thereafter the boards designate the proportions diverted to various processed products. These allocations are made on the basis of expected prices. A simple device which calls for the sale of all milk to processors for the lesser value of processed products is used to retain control and assure allocation of product as specified by the boards. Since the price of milk for liquid use is normally between three and four times the price for processing, this becomes a very effective control device. The implication of this from the viewpoint of income transfers is that price relationships among commodities rather than relative profitability to processors guides the allocation of milk use.

To implement the price guarantee system the government each year establishes a standard quantity that is equal to expected fluid milk requirements plus a reserve quantity. Because the proportion of milk required for fluid use differs among areas, year-end income transfers within board areas and among boards are required.<sup>9/</sup> In areas where more than the standard quantity of all milk is for fluid use, income from sales exceeds the guarantee while in areas where sales for fluid use are less than the standard quantity income from sales is less than the guarantee. Inter-area equalization payments are made to cover these differences. Thus, two pooling operations exist, one within board areas and one between areas. They are designed so that all producers get the fluid milk price for the "standard quantity" proportion of his output regardless of the actual use made of his milk. The system has operated in recent years such that no government payments have been required to support prices.

The income transfer system on dairy products thus has two components. One is the transfer into the industry affected through the government price guarantee program administered by the board and the product use control and price bargaining program operated entirely by the Board. The other is the regional transfer among farmers that creates an income distribution among producers that is quite different from that which would arise from competitive market operation. The government and marketing

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<sup>8/</sup> According to statements both by officials of the Marketing Boards and the Ministry of Agriculture, international competition over time has to some degree been guided through informal contact between the British Board and the principal import suppliers in New Zealand, Denmark and Netherlands.

<sup>9/</sup> Ministry of Agriculture, Food and Fishers, "Guide to Guarantee Arrangements and Production Grants in the United Kingdom in 1967-68", Mimeo, 19th May 1967.

board programs are complementary and can be operated jointly only because of the control on the sale of all milk that is held by the marketing boards. The combined program relies on artificially maintained prices on fluid milk and market discrimination to increase transfers directly from consumers to producers. To the extent that processor profits are reduced by the program of use control, some income transfer from the market system to producers would occur. This, however, is probably a very small element.

The Board has confidence in its monopoly power. The only major suggestion for change during an interview with an official of the Board for England and Wales was that the boards be given power to bargain with processors to establish retail and wholesale prices for fluid milk.

The Potato and Hops Marketing Boards achieve income transfers to producers through direct supply regulation and extensive marketing programs. In both cases the boards allocate quotas to individual producers on the basis of a basic allotment related to historical planting or production<sup>10/</sup> levels and secondly by adjustment of the quota on an annual basis in relationship to estimated market requirements. Each board has virtually complete control of the marketing of each product. In the case of potatoes, sales for human consumption are regulated by prescribing minimum size and quality standards and by requiring sales by wholesalers to be made only to merchants licensed by the Board. In addition to direct control of quantities and distribution of the government deficiency payment, the Potato Marketing Board undertakes, when necessary to maintain a predetermined price, support purchases to divert surplus potatoes for human consumption. When this is done, 50 percent of the cost of purchases and diversion is covered from the board's operating funds accumulated through deductions from growers and 50 percent is financed by direct grant from the government. Hops are not a guaranteed price commodity and producers' returns are dependent on the prices that the board obtains from the brewing industry. In order to achieve more complete market regulation, the board negotiates annual supply contracts with brewers to improve its ability to manage production.

The Wool and Egg Marketing Boards appear to have very limited -- if any -- direct effect on prices. Neither board has any influence on farm production nor is in a position to differentiate markets for greater returns. Market arrangements for wool are based on a specified guaranteed price established annually by the Ministry. If the marketing board's receipts are greater than this specified price, then the board is required to pay 90 percent of the surplus into a special account where it remains until required to meet a price deficiency on a future clip. If the board's receipts are less than the guaranteed price, the deficiency is made up through withdrawal from the special account or if necessary a

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<sup>10/</sup> In potatoes these are measured as acreage quotas; in hops quantity or "marketing" quotas are used.

payment from the government.

Market arrangements for eggs differ from all other commodities in that the board functions largely in a regulatory capacity. The board, in theory, maintains close control of marketing operations through agency agreements with packing stations and licensing requirements for producers who wish to sell direct to retail stores. The board acts as the selling agent for packed eggs at announced wholesale prices but has no control or power to fix or recommend retail prices. While the board's direct market activities are minimal, it buys eggs under a number of circumstances. It buys back from packers any first quality eggs that have become stale and diverts them to processing. Also, as a market support operation, the board breaks out for processing some first quality eggs to maintain a predetermined price level. This, however, is not a major or sustained activity. In general, egg prices are determined by the international market.<sup>11/</sup> No import duties exist on eggs from Commonwealth countries and only very nominal duties exist on imports from other areas. However, producers are compensated for the effect of excessive import under a provision in the egg subsidy arrangement for government payment to the board to be increased if imports in any one month exceed the level taken for normal in that month and if, in addition, the board's average selling price for that month is below the agreed level.

Certain exceptions exist to the generalization that monopoly induced income transfers have not been achieved in France. Near monopoly control exists in selling of artichokes and cauliflowers on production of these items in the Brittany area. Producer groups have succeeded in gaining compulsory control of all production and have organized marketing such that each can be sold only at a single outlet. Minimum prices and quality control have been established and agreement with buyers not to circumvent these markets have been achieved.

A further and different kind of exception exists in the case of seed potatoes. Regional economic committees have been established in three major producing areas -- Brittany, the Paris Basin, and the Centrum -- though no producer groups as such exist. Voluntary cooperation among these committees has been achieved to establish acreage planting guidelines for farmers with agreed allocation among areas, fix minimum producer prices, a diversion program to

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<sup>11/</sup>A small subsidy (deficiency payment) is paid by the government on all eggs sold through the board, but as indicated in the appendix this is not enough to keep producers from diverting a large amount of eggs from the board into direct sales to consumers and retailers.

lower grade uses and a program of export sales promotion. Some success in price maintenance appears to have been achieved through diversion and market separation. In 1963-64, for example, the price of seed potatoes was maintained at reasonably high levels despite generally low potato prices.<sup>12/</sup> In the overall, however, it seems apparent that prices are not yet fully controlled nor is it likely they can be purely through voluntary cooperation of the committees.

The overall potential of the French system exists not so much in achieving direct market power as illustrated by these cases but rather through the concept of local and regional group organization associated with the push toward contract marketing (Le Economie Contractuelle). This essentially is a drive through the producer groups and committees to provide a regionalized system of farmer controlled organizations that can individually and/or collectively bargain and establish broadly based contractual arrangements for sale of farm products.

The initial concept of Le' Economie Contractuelle called for a complete system of contractual arrangements between producer or producers' organizations at the local, regional and national level with full integration through production targets, etc. into overall national economic planning.<sup>13/</sup> While this overall plan has not materialized and never was officially accepted, movement in this general direction is being pursued and some progress has been made. Standard terms for farmers producing broilers under vertical integration contract have been developed and implemented in relatively large numbers. Broad agreements to cover production and marketing of several canning and specialty products through inter-professional agreements have been developed. The example of canning tomatoes will illustrate the nature of the agreements.<sup>14/</sup>

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<sup>12/</sup> Wulf Stolz *Erzeugerzusammenschlüsse Und Vertragswirtschaft beim Absatz Von Agrarprodukten in Frankreich*, Verlag Engen Ulmer, Stuttgart, 1967 (with the assistance of translation by Mr. Christian Boyens, Graduate Student, Department of Agricultural Economics, Michigan State University). The translated title is: Producer Associations and the Contract Economy in the Marketing of Products in France.

<sup>13/</sup> Ibid.

<sup>14/</sup> Chambres D'Agriculture, *Le Accords Interprofessionnels Agricoles en 1967*, Accords Interprofessionnels No. VI - Supplement Au No. 377, 1 December 1967. In French terminology "vertical integration" contracts are those directly between farmers and a supply or marketing organization. Interprofessional contracts or agreements involve general industry-wide agreements or arrangements between farm organizations and private firms at the regional or national level.

The agreement in effect since 1961 is administered by SONITO (Societe National de la Tomate) and covers all producers and canners in France and is approved by the Minister of Agriculture. The agreement requires development of a national production goal based on market demand estimates and distribution of this goal as quotas to processors by March 15 each year.

Processors are required to enter into production contracts with farmers that specify minimum prices by quantity and quality of products to be delivered. Both farmers and processors are assessed to cover costs of administering the agreement. A system of graduated penalties is established against processors who exceed their processing quota. There are no specific provisions for adjusting supplies by withdrawing quantities from the market except to seek expanded exports if stocks do not clear. The workability of the agreements depends, of course, on the accuracy of pre-season demand estimates and the precision with which production planning can be implemented. Both have been complicated by exposing France to competition with Italy in the EEC and an unusual degree of uncertainty exists in market planning and probably on the future of agreements of this kind.

The overall approach of the contract economic system seems at least philosophically to be consistent with the NFO approach. Price determination in markets where buyers and sellers meet to offer and bid should be replaced by pre-existing agreement for production at a price. Unlike the NFO, the French have sought to establish the basis under special legislation for an institutional pattern designed for this purpose. Whether the system would have matured under French conditions is at this time hard to say. It has been institutionally adopted at what appears to be a relatively rapid pace, 15/ but it also has been subject to a number of limitations including among other things inadequate leadership, resistance by farmers to "disciplines" required for "effective" control and resistance by traditional market operators that would need to disappear for full operation of the system.16/

The question of adaptability in France has now been superseded by the question of adaptability within the EEC, where problems may be even greater. There will be a greater social, intellectual, and political distance between policy makers and farmers, and it is very unlikely that organizations limited to no more than 5 percent of the market can effectively coordinate to handle the market tasks

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15/ As of July 1, 1967, 552 local producer groups and 22 regional economic committees covering a wide range of commodities were in operation. See Appendix.

16/ Source: Interview with M. Jacques Chouillou, Deputy Director of Minister of Agriculture, for the adaptation of agricultural structures and institutions.

involved. The EEC Commission appears to be somewhat inward looking and guided by some rather old theory in its evaluation related to market organization and structure and, in my view, should seriously question the approach it is taking, especially the 5 percent market limitation.

In any event the French-EEC system is based on a fundamentally different kind of institutional pattern than that in the U. K. where national level monopoly in market boards has been wedded to government price support activity to create in some cases a relatively airtight basis for market control. Not only do the institutional systems differ, the political foundation for each kind is fundamentally different. Whereas the British Marketing Board system operates despite -- or possibly because of -- a lethargy of direct farmer interest, the French system, based as it is on a micro-approach to organization, must achieve direct farmer interest for initial organization and probably must cope directly with active farmer interest in operation. Which of these two basic approaches is the most apropos to U.S. conditions and what mix of direct government and farmer power should be established is probably the second question that needs to be asked in relation to U.S. conditions. The first, of course, is whether and how much power should be used in the interest of farmers.

#### Economic Income Transfers

The question of whether farmer market organization can achieve economic income transfers need not delay us long. Obviously if institutions exist that have broad market coverage and are financed adequately, they can engage in a range of programs that seek to increase consumption and to improve prices through product promotion and, in general, exploit market opportunities to the benefit of farmers. In so far as I can determine, all farmer organizations have a special liking for advertising. Most European organizations, including the British Marketing Boards, the French Economic Committees and the cooperatives in the Scandanavian countries and The Netherlands, seek to achieve brand recognition and promote on a brand basis. In addition, several promote the consumption of a product of their interest on a health and nutrition basis. All seek quality improvement.

Much of the success of European cooperatives, especially the Danish and Dutch organizations, has been the control and improvement of quality, especially that aimed at the international markets.<sup>17/</sup>

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<sup>17/</sup>The only marketing board in Denmark is aimed specifically at export market development. It is a service organization incorporated in the Agricultural Council with departments covering product development, market analysis, advertising, exhibition and public relations and overseas activities--that is activities in foreign markets outside of Europe. In addition to the Western world, it operates in Iron Curtain countries where it negotiates and promotes exports of Danish agricultural products with state organization. The Board does

This is an area that probably should receive special attention by American farmers. Exports have become a major element in U. S. farm income. Programs exist for export market expansion through the cooperative arrangements of the Foreign Agricultural Service and various commodity interest groups. These programs may be the most effective possible kind of arrangement. They may not. They have never been subjected to thorough outside evaluation. In any event certain major problems of follow-through related to product quality and assured supply exist in the U. S. agricultural export programs. The potential role of organized, coordinated, cross commodity farmer controlled programs in this area should, it seems to me, be worth exploring.

### Economic Change and Efficiency

The economic change and efficiency effect of farmers marketing organizations need to be looked at in terms of direct effect of programs they undertake and the longer term response by farmers and market firms to price and market conditions created by the existence of these organizations.

European market organizations place considerable emphasis on programs that attempt to close the gap between what exists in practice and what is feasible and economically optimal in such areas as technical efficiency on farms and distributional and functional efficiency in market operations. British marketing boards engage in a range of production oriented activities including general advice and information services for farmers plus specific programs aimed at stock or seed improvement and quality production. The Milk Marketing Board operates an artificial insemination service,

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<sup>17/</sup>(continued) not get involved directly with sales or policing of sales (probably a necessary inclusion in any organized effort by U. S. farmers) but confines its activities to assisting cooperatives in market development and export promotion. It is financed by an export tax levied on a commodity basis in proportion to the weight that each commodity has in total exports. The financing covers all promotions that are general for Danish agricultural products. When individual commodity promotions are undertaken, these are financed specifically by the commodity involved. The organization is concerned primarily with serving farmers and farmer cooperatives, but private organizations may make use of the organization facilities on the basis of direct compensation for services rendered. Source: Interview by Dr. G. E. Rossmiller, Asst. Prof. Department of Agricultural Economics, MSU, with Mr. Kurt B. Reider, H. D. Secretary to the Management, Danish Agricultural Marketing Board, 6 Vester Farimagsgade, Copenhagen, F, Denmark, February 16, 1968.

a milk testing service and has a broadly oriented low cost production program for farmers. Improving technical efficiency on farms is a part of the program of all French producer groups and is the major focus of many that are not affiliated with an economic committee.

Marketing improvement programs are also important. The British Milk Marketing Board, for example, has eliminated all overlap in milk collection zones and seeks to maintain efficiency in collection through direct control of all routing. Milk and dairy product distribution from plants is based on linear programming analysis and is organized to achieve minimum transport cost. The Egg Marketing Board has a fully computerized market information system that serves much the same purpose. Other examples could be cited, some of which depend on having complete market control.

The overall effect of these and other programs could be assessed, if at all, only through exhaustive investigation. I have the strong impression, however, that in a number of situations significant, improvements have been achieved and, given European conditions, this kind of activity can in the future continue to be a positive element in the operation of statutory as well as other marketing organizations.

On the other hand, the effect that these organizations have or will have on farm and market structure is less clear. Very little by way of direct programs have been undertaken in the U.K. and programs for generating a market or farm structure to achieve economies of scale have not been adopted. The British Milk Marketing Board has acquired a number of processing plants but these acquisitions have not been guided by any pre-conceived minimum cost-scale organization but rather have often been made to prevent acquisition and expansion by private firms.<sup>18/</sup> In the case of eggs it appears that the Board has created conditions that slows the decline in numbers of small packing stations. It operates on an agency basis and must grant a license to any applicant that meets minimum standards and is willing to pack for the standardized allowance. This same condition may exist in potatoes and wool where agency contracts also are used. In any event it cannot be concluded that British Marketing Boards have had a positive effect in restructuring markets toward larger firms. Very likely their effect has been the opposite. The apparent lack of concern with this question is understandable in light of their own objective of being the dominant power in the market. It can, of course, be costly if substantial unrealized economies of scale exist.

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<sup>18/</sup> Even so in England and Wales in April 1967, four large firms with 260 establishments received nearly 70 percent of total sales off farms. Source: National Board For Prices and Incomes, The Remuneration of Milk Distributors (Final Report) Report No. 46, Cmnd. 3477, November 1967.

In the case of farm production the effect on structural adjustment is difficult to evaluate. While one could hypothesize that the Boards would tend to protect small producers, the only judgment I obtained asserted the opposite effect. Officials of the Egg Marketing Board believe that the elimination of risk inherent in the Board's activities has accelerated the growth of large scale production. This, however, was admittedly speculation for which no proof existed. The French EEC system looks to the creation of regional marketing patterns that might well reduce the numbers of very small firms and at the same time inhibit the growth of larger national or EEC-wide firms.<sup>19/</sup>

In total the net effect of these organizations on change and economic efficiency is not clear. Static economic analysis would lead directly to the conclusion that if success were achieved in maintaining prices above competitive levels excess resources would move into the affected industries. In reality many things complicate the process of resource mobility and while the raising of resource returns to a "parity" level may prevent outmovement it should not induce inmovement. The more important questions probably are those centered around the effects of these organizations on change in technical efficiency and market and farm organization. In these respects some clear positive and some apparent negative consequences have resulted.<sup>20/</sup>

#### EVALUATION OF POTENTIAL FOR U. S. AGRICULTURE

In assessing the potential for marketing boards or statutory farmer marketing organizations in the United States, we must recognize important differences in economic and political environment from that which exists in Europe. One of these is the mere size

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<sup>19/</sup> In addition to market oriented programs France has instituted a program entitled Groupement Agricole d'Exploitation en Commun (GAEC) which are cooperative groupings of individual family farms. These groups are established to achieve some of the gains of large scale agriculture among smaller farms. This program is separate from the Groupements de Producteurs and Comites Economic Agricole and somewhat outside the concern of this paper. It is, however, an interesting aspect of the total approach in French policy to group activity for farmers. Herne Sicard, Les Groupements Agricoles D'Exploitation En Commun, Revue Pratique De Legislation Agricole, Numero Special Juin, Juillet 1966.

<sup>20/</sup> For somewhat more detailed discussion of some of the economic effects of British Marketing Boards see George Allen, Agricultural Marketing Policies, Oxford, Basil Blackwell, 1959, Ch. 11.

and complexity of organization in U. S. agriculture and agricultural industries. Problems of coordination with widely separated production centers, administered price determination to account for locational differences and the informational and physical problems of effective market management would be great. Further in looking toward legislative questions and the formation of farmer groups, the political environment both in terms of the farm organization and individual farmer attitudes are central issues. The importance in the U. K. of a single farm organization that represents farmers who in general are willing to accept the disciplines required for the operation of marketing boards cannot be overemphasized.<sup>21/</sup> The lack of this homogeneity and the independent attitude of French farmers, particularly in some areas, was cited as a major deterrent to the general effectiveness of statutory marketing organizations in that country. I suspect our problems would be worse.

The problems and opportunities for economic income transfers in statutory marketing organizations in the U. S. probably are similar to those that exist in Europe. Promotion, product development and other such activities would probably be equally effective or ineffective yet since no measurement of the results of this kind of activity seems possible, the same foundation for engaging in them exists here as in Europe. At a minimum domestic promotion programs probably provide psychological returns to those who operate them, and if carried on television in rural areas probably also to farmers. At the outside they can shift consumption patterns in favor of the promoted commodity, possibly even sufficiently to more than cover promotion costs. Overseas market development by U. S. farmers, however, may present some unique opportunities that have not yet been fully exploited.

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<sup>21/</sup> These conditions may be changing in the U. K. Of the last two marketing boards formed, one for tomatoes and cucumbers has been disbanded because of an inability to control the market, and the other, for eggs, is in difficulty. An independent review commission has recommended that it be disbanded. Further, the two most recent marketing programs developed in the U. K. have not been placed under the control of farmers. The livestock and meat and the home grown cereals marketing acts are administered respectively by a commission and in authority with broader representation including consumer or public interests, market industry interest, and farmers. No single group has dominate power.

In the question of economic change and efficiency again I think we can accept that in the American setting some potential for progress exists. Yet I think it is unrealistic to make generalized judgments based on European conditions, first because the gap between reality and technical potential is much wider in Europe, and, second, because alternate sources of information to guide change are more readily available (including Land-Grant Universities) and the general environment within which agriculture and related industries operate is more conducive to change in the U. S. The only general observation that I can make on European conditions in this context is that while specific and useful programs exist, the secondary and induced response to farmer operated market monopolies are varied and probably unpredictable. Further, European cooperatives seem to have been far more effective in this context than any other form of farmer organization. The same would likely be true in the United States.

The more important question, at least the one currently being more thoroughly exercised in policy discussions, is whether political and economic conditions exist so that statutory marketing organizations can contribute through effective use of bargaining power to increase farm income under U. S. conditions. Two clear types of cases exist in Europe. One is the milk market in Britain which has to be looked upon as a special situation. The Board operates in a deficit market, has complete control of supplies, and need not impose any kind of production controls on farmers. Further, because the dominant element in farm income is fluid milk, the level of competitive international prices for manufactured products has little effect on farm income, hence no border protection or other government intervention is required for effective Board operation. These market conditions provide the potential for exercise of considerable market power. The control of retail and wholesale prices is designed more to restrain the power of the organization than to support it. Obviously the conditions surrounding the British milk marketing boards do not exist in any commodity in the United States.

The more interesting case is that which applies for all other situations in the U. K. and France. Direct contribution to increased farm income has been achieved only where it has been possible to establish comprehensive and closely coordinated production and marketing programs. These programs have required the participation of all farmers and further are based on more than supply control at the farm level. Variation exists among commodities but they tend to involve action by farmers' organizations to: (1) develop market estimates for the upcoming crop, (2) establish production guides and control output, (3) establish and control quality, (4) establish and control market flows, and (5) establish and control price or in several cases complete terms of exchange under contract arrangements. Direct income support to farmers appears to have been achieved only where farm production has been effectively controlled -- or guided in relation to demand -- and where this action

has been supported by a reasonably systemized and comprehensive marketing program.<sup>22/</sup> No effective program exists where farmers merely bargain for price, or even where they merely bargain for price and set production quotas. As has always been true in any search for salvation, a total commitment seems to be required. It is unlikely that success defined as meaningful market power for farmers can be achieved with much less in the United States and if this is so the question becomes how. Just as a unified political voice by farmers has been important to U. K. developments, the philosophical position in France that leads to great emphasis on "the plan" and the French penchant for a legal-institutional approach to problem solution appear to have been important to developing the "French System." We have neither of these foundation stones to build from. While I think that a thorough understanding of the organization, operations and environmental conditions surrounding European institution could provide useful guides for developing programs in the U. S. I doubt that we can or want to set a course that leads toward general emphasis on the British system, the French system or even the Scandinavian system dominated by Farmers' Cooperatives. Each system may have contributions that would vary among commodities.

Even more broadly if, as the subject matter of this seminar suggests, organizational change in agriculture and in the economy as a whole has led to a state of obsolescence or inadequacy in the institutions surrounding agriculture -- particularly those that relate farmers to their markets and, in turn, through which they receive their income -- then we need to look beyond any single solution such as creating market power for farmers. Solutions, or probably more realistically, changes that will gain on the situation and create marginal improvements need to be sought in agriculture, in markets and in farm policy. Finding what these are and what the appropriate mix in farm organization, market organization, and the rules and policies needed to create not only an effective system but also the most effective basis for evolution and adaptation of the system is in my judgment the major question we are confronted with as agricultural economists. This, of course, leads me to the traditional recommendation by one who is in the business -- that more research is needed. I would hasten to add, however, that this recommendation does not include the microcosmic kinds of research that has traditionally been part of the American scene in agricultural economics and for which we seem uniquely organized to carry out. Much more broadly conceived investigations that ask both what ought to be and what can be are needed. I would strongly endorse the suggestion made by Jim Shaffer in his recent publication on research needs in agricultural marketing<sup>23/</sup> that subsector analysis, i.e., the total of the dairy industry,

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<sup>22/</sup> Except for the special case of milk in the U. K.

<sup>23/</sup> James D. Shaffer, A Working Paper Concerning Publicly Supported Economic Research in Agricultural Marketing, Economic Research Service, U.S.D.A.

would be a promising approach and when we try to answer questions about the adequacy of highly interrelated institutions and policies it probably is a necessary minimum scope.

Further, success in doing this kind of research probably can be achieved only if we can approach it without strongly embedded philosophical positions or preconceived notions about such things as the goodness of small firm organization and price competition or the badness of monopolistic organization and other forms of competition, the superior effectiveness of administrative judgment and decision making in private firms over bureaucrats, or even that agricultural organization centered around the family farm need to be retained. Research on the institutions and rules that guide economic relations is of the most fundamental kind and must be conceived in a contemporary setting. While historical logic can be useful, we must not be misled by theses developed in the light of conditions 200 or even 30 years ago.

If this kind of research can be done, then one aspect of it should be a focused and specific investigation of European policies and institutions. It is in this way and not through brief investigations and general papers such as I have just presented that real insights about the transferability of other people's ideas to the U. S. scene will arise.

#### APPENDIX

##### THE BRITISH SYSTEM

British marketing boards have been defined as "producer-controlled, horizontal, compulsory, marketing organizations, established under authority delegated by Parliament in enabling legislation to perform specific marketing operations in the interest of particular commodity groups."<sup>24/</sup>

Legislation providing for statutory marketing boards has existed since 1931 and is now consolidated under the Agricultural Marketing Act of 1958. Marketing boards are developed as part of an overall marketing "scheme" which, in turn, can be established "for any agricultural or horticultural product, to any article of food or drink made therefrom or to fleeces or animal skins and -- geographically -- to the whole or any part of the United Kingdom." A marketing board can come into being if it is initiated by producers or anyone who is a valid representative of producer interests

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T. K. Warley, A Report on the Marketing of Milk, Fatstock, Eggs, Potatoes, Tomatoes, Apples and Pears in the United Kingdom, Mimeo. Nov. 1962.

and if the scheme is accepted by a 2/3 majority of the affected producers and approved by the government.<sup>25/</sup> Once in existence, however, the scheme is binding on all producers.

The Agricultural Marketing Act contains a wide range of regulatory provisions from which the provisions for any particular scheme are drawn determining the powers of the board. Each scheme is designed to regulate the marketing of the home produced product to which it relates but cannot provide powers to regulate imports or directly to regulate the activities of distributors or other traders.

In regulating the marketing of domestic products a Board may be authorized to buy and sell the regulated product, to prescribe the persons to who or through whose agency the product may be sold by registered producers, to prescribe the quantities, description and price of sales by registered producers, the terms of sale and the standard of grading and packing to be adopted by them. The Board may also be given power to process the regulated product and to manufacture anything required by registered producers and others in the marketing of it and to render any service calculated to promote greater efficiency in production and marketing. It may be enabled to encourage, promote, or conduct agricultural cooperation, research and education. Boards may also have power to require registered producers to furnish accounting information related to the regulated product and to inspect the premises and production facilities of regulated producers.

The potential powers of the marketing board thus are very comprehensive and permit virtually complete control over the entire supply and marketing of a product. The "Board" established to assume these powers is elected by the registered producers with normally three or four members appointed by the Minister of Agriculture. All boards have the authority to assess contributions from registered producers in proportion to their production to offset expenses of operation.

To offset these broadly delegated powers a number of statutory safeguards to provide for the interest of those affected by the Board's activity have been established. In theory, producers are

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<sup>25/</sup> In reality leadership in promulgating and in establishing policy for operations in British Marketing Boards has been taken by the Farmers' Union. This organization in turn continues to exercise control in the sense that while board members are elected by producers operating independently, in fact all board members are approved by and sponsored by the Farmers' Union. Further policy questions vis-a-vis the Ministry while in general handled directly by the boards, the positions taken are never contrary to the positions supported by the Farmers' Union. In general, British farmers act lethargically towards the boards and overall policy is a matter of interaction between the Ministry, The Farmers' Union, and the individual board concerned.

protected through their right of vote in establishing a scheme and in the election of members to the Board. Also producers can demand a vote on the question of revoking a scheme and on amendments proposed by the Board. Further, they have the right of arbitration of any grievances they come forward with.

Distributors, manufacturers and processors are in theory protected through representation on a joint committee of members of the Board and distributive interests. The Board may consult this committee on matters affecting handling and distribution, the conditions under which agency agreements are specified and other matters of direct interest to the involved firms.

Consumers in theory are protected through independent advisory committees appointed by the Minister with the duty of reporting to him on the effects of marketing schemes on consumers and of considering complaints made by consumers.

While the above safeguards are provided in statutory regulations, the more important basis for control on the operation of Marketing Boards is the relationship between the Boards and the Minister of Agriculture through an independent Committee of Investigation, a standing committee appointed by the Minister with the duty of reporting on consumer committee reports and on complaints from persons other than consumers. In general, the continuing interaction between the Boards and the Ministry has prevented the need for adjudication of large numbers of cases of complaints either by producers, distributors, or consumers. No recent formal complaints have been received from consumers; review, in February 1968 was begun on the second action by producers against a Marketing Board -- in this case the Milk Marketing Board, and an estimated ten post-war complaints by distributive interests have been handled.<sup>26/</sup>

Through time six commodity groups have established Marketing Boards in the U. K. These are milk, eggs, hops, wool, potatoes, and tomatoes and cucumbers. Nine boards are currently in operation. Five for milk, and one each for eggs, hops, wool and potatoes. The Board for cucumbers and tomatoes has been disbanded for the apparent reason that it was unable to maintain full control of the product marketed. These industries are characterized by large numbers of often relatively small producers and this board was established to exercise only limited regulatory powers related to sales (procedures) and to undertake certain development work such as gathering marketing information, advertising and promotion of research.

Of the boards currently in existence only the Egg Marketing Board is operating in serious difficulty. It is gradually losing

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<sup>26/</sup> Interview with officials of the Ministry of Agriculture

control of the market. Registered producers who wish to may sell eggs direct to consumers without acquiring an individual license but those who wish to sell direct to retailers are supposed to be licensed and remit a fee on all sales. The quantity of producer sales direct to retailers, however, has increased substantially and the board has not devised ways of enforcing its license and fee procedure. In part this is due to the fact that all board eggs are quality stamped and consumer preference has shifted to the point that higher prices can be obtained for unstamped eggs. This is true even though the government subsidy is paid only on eggs sold through the Board. This incentive has led to deviations on the scale that it is estimated that only about 60 percent of the eggs in the U. K. are marketed through the Board. At the present time a major review of the Board is underway and it is expected that recommendations either to increase its enforcement powers or to disband it will be made shortly. An additional concern of the Egg Marketing Board is the increasing concentration of production. The possibility that eight to ten major producers will supply most domestic eggs in the near future is not unrealistic. If this occurs the Board's economic usefulness and political acceptability will probably end.

Each of the marketing boards in the U. K. operates within the context of, and is the principal tool for implementing a marketing scheme. A brief resume of the main characteristics and functions of U. K. marketing boards follows:

#### Milk Marketing Boards

A farmer intending to produce milk for sale must first obtain government authority to do so and then apply to the Milk Marketing Board for his area to be registered as a producer. Each Marketing Board regulates the marketing of milk within the area defined in each scheme.<sup>27/</sup> No milk producer unless specifically exempted may sell milk unless registered with the Board and all registered producers are required to sell their milk to or through the Board or under its authorization. Boards, on the other hand, are required to accept all milk of marketable quality offered by registered producers.

The Boards sell milk under annual contract to processors and distributors. They organize the daily collection of milk from farms and its transportation to plant. At this point instantaneous transfer of ownership from the farmer to the Board to the processor occurs. The Board also supervises movement of milk from creameries and depots to liquid milk sales outlets. Through control of supplies the board allocates milk among uses as appears desirable and prices milk to processors according to the use made of it.

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<sup>27/</sup> The Board for England and Wales is a large organization and employs about 6,000 persons. Total employment in this Board plus the three in Scotland and one in Northern Ireland is approximately 7,200. Source: Interview.

Only minor exceptions exist on direct board allocation supplies. Farmers who deliver milk directly to consumers are not required to sell to or through the Board. They must, however, pay levies to the Board designed to reduce their farm gate returns from milk to the level obtained by other producers. Farmers who produce cheese on their farm, on the other hand, must turn their product over to the Board at a price designed to provide them with a return equivalent to producers price plus an allowance for manufacture.

In addition to the primary functions of buying, selling, controlling the use of milk, and distributing payments to producers, the Boards help farmers to reduce production costs and improve production practices through an artificial insemination service, a milk record (cow testing) service and a consulting service that assists producers with production and management problems. A special program of advice and credit assistance on bulk tank installation has also been provided.

The Board operates creameries and transport fleets to keep abreast of methods and costs in the dairy trade and in some cases to avoid excessive concentration of market facilities. Programs for market development for milk and dairy products also figure importantly in Board activities. Annual price guarantees to producers are implemented through agreements that run indefinitely between the government and the Milk Marketing Boards. The Board's expenses are met entirely from deductions from producer prices prior to final pool price payments.

#### The Potato Marketing Board

All producers with one or more acres of potatoes for sale must register with the Board and with the minor exception of direct retail delivery must sell through merchants licensed by the Board.

The Board regulates potato acreage by allotting a basic acreage to producers and by prescribing annually, if necessary, a quota which each grower may plant without incurring an excess acreage penalty levied and enforced by the Board. It also regulates sales for human consumption by prescribing minimum size and quality standards and by requiring sales by wholesalers to be made only to merchants licensed by the Board.

The Board in theory has authority to buy and sell the whole of the potato crop and engage in such marketing functions as storing, grading, and packing. It also has the authority to establish a full grading system -- as opposed to minimum standards -- and standards for labeling. These powers, however, have never been used.

The Board gathers and disseminates market information and conducts or sponsors programs related to production and marketing including the effects of fertilizer and irrigation, susceptibility of varieties to damage, cooking quality, disease resistance, and

storage, grading and merchandising methods. It also conducts publicity campaigns with press and television advertising, exhibitions and advisory services to restaurants and institutional meal outlets.

The Board is financed mainly from payments by producers at the rate of three pounds per acre on potatoes planted. An additional assessment of 25 pounds per acre is made on producers who overplant their quota. The Board also receives the annual guarantee (deficiency) payment and a grant toward its administrative expenses from the government.

#### The Egg Marketing Board

All producers with more than 50 poultry who wish to sell eggs must register with the Marketing Board. All eggs must be sold from the farm through the Board except direct sales by farmers to household or to retail outlets. Farmers who sell to retailers are required, however, to obtain an individual license from the Board. All "Board" eggs are bought from producers by packing stations acting as agents of the Board. The Board sells eggs wholesale at prices determined daily.

Beginning April 3, 1966, the Board introduced contract arrangements for producers. The objectives are: (1) To bring supply and demand into better balance without preventing the modernization of the industry at a satisfactory pace, (2) to promote more orderly marketing through packing stations, (3) to stabilize prices for egg producer and housewife.

Eggs covered by contract receive a premium of 4 pennies Br. (1 Penny Br. = 1.5¢ U.S.) per dozen on the delivery of specified quantities spread equally among four quarters of the year. The number of eggs eligible for premium in any year to each producer who signs a contract is equal to fifty percent of the average of the quantity actually supplied during the two years ending the previous September, subject to a reserve position for a limit on the total increase in contract entitlements when overproduction is in prospect.

Although the Board's market control is implemented through its agency contracts and by established wholesale prices, it engages in direct market operations in a number of circumstances. It breaks out first quality eggs for processed products when necessary as a market support operation. It also buys back from packers any first quality eggs that have become stale and retains lower quality eggs for processing use.

The Board operates a rather sophisticated and comprehensive statistical information service. Through a computerized reporting service the Board knows each morning the total number of eggs of each size graded by packers the previous day, the total number of eggs sold to packers and the total number available to the Board

for sale to other wholesalers. By late afternoon the Board knows the sales figures for each day, the number unsold and where they are.

In addition to this day to day market information the statistics division carries out continuous surveys of producers intentions, chick orders, slaughterings, sales and selling prices and obtains regular information on the status of overseas markets.

The composite of daily reporting and survey information is the basis for adjusting daily selling prices and provides the information for use at weekly market reviews by a market advisory committee made up of members of the Board and representatives of other elements of the industry.

The Board derives its income from the sale of eggs, a direct government subsidy under the price guarantee program, plus producer levies of 1/2 penny per dozen eggs sold through packing stations and 1/4 penny per dozen eggs sold to retailers under license. Payments to producers are based on revenues from sales and subsidies less marketing and administrative expenses. Income from producer levies is used to cover the cost of other activities engaged in -- including advertising, sales promotion, public relations, research and development, quality improvement programs and statistical and producer surveys.

#### The Wool Marketing Board

The Wool Marketing Board came into being in October 1950. It has wide powers and markets virtually all wool produced in the U. K. All producers with more than four sheep must register with the Board and sell all of their wool through it. Each producer's wool is delivered to an approved merchant who acts as an agent of the Board. The merchant communicates details of each delivery to the Board's central office in London and payment is made to the producer by the Board on the basis of quantity, grade, and a predetermined schedule of prices. The merchant, in turn, is paid an agreed rate for his services. Board sales of wool to fabricators is primarily through auction.

The Board's pricing operations are closely related to the government price support program under an agreement renewed for 15 years beginning in 1965. Each year the government announces an average guarantee price that is a guarantee to the Board but not to individual producers. The Board estimates its operating costs and deducts this amount from the overall guarantee price. It then prepares a schedule of prices for every grade of wool designed to reflect market price for each grade and to return to each producer a price equal to market price less marketing costs.

Details of arrangements for handling producers' sales of wool are indicated by the following explanation prepared by the Board:

"The Board sends a copy of the Price Schedule and a wool census form to every registered producer at the beginning of each season. In addition to listing the maximum prices payable for the different grades and types of wool during the coming season, the Price Schedule also contains much useful information on care and presentation of wool.

"On the census form the producer states the number of sheep he expects to shear and when his wool will be ready for delivery. He also gives details of any changes in his trading title or address.

"The Board sends to every merchant a set of grading documents for each individual producer. The producer's name, address and other details are pre-printed on each set of documents. These will be used by the merchant later to record the weight and grade details of the producer's clip.

"When census forms are returned by producers the Board checks them for name and address amendments and makes the necessary alterations to its records. The forms are then passed on to the appropriate merchant.

"It is important that producers return their census forms promptly to allow the Board and merchants to make all the necessary administrative arrangements well before clip delivery time.

"From the information given on the census form the merchant can estimate how many containers each producer will need for packing his wool. He sends these, together with labels and twine, out to producers before they commence shearing.

"After shearing, the producer forwards his wool to the merchant's warehouse. Forwarding arrangements -- by road, rail or ship -- are notified to the producer by the merchant."

If the Board's receipts from sales in any year exceed the guaranteed price, 90 percent of the surplus is paid into a reserve account for future use to make up a deficiency in sales revenue. If this fund is inadequate to cover a deficiency, it is covered by a direct payment from the government. The agreement with the government provides for review of this special account at five year intervals on April 30, 1970 and 1975. If on these dates the fund has reserves in excess of 5 million pounds, the excess can be withdrawn by the Board. If, on the other hand, there is a deficit to the Ministry, any amount in excess of 3 million pounds will be written off.

Though the Board can levy a special fee on each producer for revenue purposes, this has not so far been done. Its income consists of revenue from sales and direct payments from the government.

#### The Hops Marketing Board

The Hops Marketing Board began operations in 1932 and was the first established in the U. K. The Board functions under the Hops Marketing Scheme which was established at the same time and has not changed materially since. Under the scheme the Board has and uses virtually complete regulatory power over both production and marketing. No hops may be sold by any grower except through the Board.

Supply is regulated through production quotas issued by the Board to registered producers. The quota system operates in two parts -- basic and annual quotas. The basic quota for each producer is computed at five year intervals based on production during the preceding five years. Each year an estimate of demand for domestic hops is made and each producer is allocated an annual quota which is the same percentage of the basic quota as the total of estimated demand (in more recent years brewers contracts) is of the total of all basic quotas.

Any producer is free to consign to the Board quantities in excess of his annual quota and the Board must accept them. However, since proceeds from the sale of hops are pooled, and the first call on available funds is for payment of quota sales, a producer who consigns extra-quota quantities runs the risk of receiving little or no payment for the excess amount.

Annual quotas can be freely exchanged among producers at prices they can agree upon. Basic quotas, however, can be bought and sold only through and under supervision of the Board. The scheme falls short of complete control of domestic hops since it is limited to hops produced for sale. Several brewers produce hops for their use and outside of Board jurisdiction but this represents only a small proportion of total domestic production.

Hops are not a guarantee price commodity and producers returns are entirely dependent on the price and quantity specified in contracts negotiated with brewers. The Board has recently developed a production costing system that is used as a basis for price negotiation and seeks to negotiate prices in line with estimated production costs for each annual crop.

#### THE FRENCH SYSTEM<sup>28/</sup>

The French Producer Group-Economic Committee system as defined

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<sup>28/</sup> This section is based primarily on information obtained through the French Ministry of Agriculture.

in the enabling legislation of 1962 has the dual objective of economic betterment for farmers and the social objective of producing a framework of group activity that can assist in maintenance of the family farm. Producer groups can be established on the initiative of cooperatives, S.I.C.A., Farmers' Syndicates, Farmers' associations, or individual farmers acting jointly.<sup>29/</sup> Economic committees can be established in these ways and by initiative of producer groups. Once formed a producer group or committee can ask for and obtain recognition by the Minister of Agriculture. This recognition implies and confers the legal basis for enforcement of the regulations that have been established in the formation of the group. A group and regulations can be initiated by 2/3's vote of the producers who control 50 percent of production or by vote of 50 percent of the producers who control 2/3's of the production. Producer groups are local "community" organizations. Economic committees are regional. A wide leeway exists in the area and volume of production that can be organized within a producer group though minimum sizes exist. These are relatively small, for example, 8,000 hogs per year, 1 million chickens, 10 million eggs or 300 hectares of fruit or vegetable production. No specific minimums exist for economic committees.

The character of any individual producer group can vary widely in orientation and can establish a wide set of disciplines and activities related to production and marketing. In practice, however, they tend to be of two types, those aimed at improving and regulating production and those aimed primarily at improving marketing conditions and expanding market outlets. In either case the aim is to provide a common basis for action to:

- 1) Improve information and regulate production in terms of both quality and quantity with a view toward achieving a better adjustment to market requirements.
- 2) Establish direct control of total quantity marketed.
- 3) Create a market stabilization fund based on assessed farmer contributions.
- 4) Attach the group to a regional economic committee and thus make commitment to regional coordination and acceptance of regionally established regulations and rules.

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<sup>29/</sup> The S.I.C.A. (Société d'Interet Collectif Agricole) are similar to cooperatives but are formed to deal with inputs including electricity, farm machinery, rural buildings, etc. Syndicates and Associations are collective interest farmer groups that deal with service problems including information and extension, farm accounts, technical and market assistance for commodity groups, labor, etc.

The two types of groups differ in that specific actions by "producer" oriented groups is limited to those that directly involve the farmers production or marketing practices including negotiation of sales contracts plus gathering and evaluation market information needed to guide production practices. Commercial groups on the other hand can engage in physical market activities of grading, storage, processing and commercial distribution of products. Their activities may extend beyond the first level of marketing, such as dairy processing plant operation for milk, etc.

With a view toward wider harmonization of actions and disciplines related to production, marketing and price, regional agricultural economic committees can ask for and receive official recognition from the Minister of Agriculture. The field of action for agricultural economic committees is very broad. In matters of production they can seek to orient, stimulate and coordinate the efforts of producer groups in matters related to production and adjustment of supplies placed on the market. They can employ technicians and place them at the disposition of producer groups and can undertake enforcement of regulations related to production or marketing practices and can gather information concerning amounts and methods of production being followed by individual producers.

Economic committees cannot themselves engage in buying-selling or other physical marketing activities but they can provide support and take the initiative for regulating market supplies and adjustments of flows through storage and can undertake activities related to promotion for sales expansion. In cases where support operations to guarantee a minimum price are undertaken, the economic committee imposes the price and establishes financing procedures and charges to the producer groups through the fund established for that purpose by the committee.

If actions of this kind are undertaken, the committee can ask the Minister of Agriculture for extension of the disciplines established to all producers in the region covered. This must be granted by the Minister if approved by a referendum of producers with a two-thirds majority vote.

In summary, the actions of the producer groups and economic committees are aimed at four separate kinds of activities:

- 1) They attempt to establish precise information on production trends and to establish controls that will influence the level and quality of production.
- 2) They aim at larger scale marketing and a commensurate increase in the negotiating power of producers through farmer control of market processes.

3) They seek to establish a regional orientation and control of production and regularization of marketing processes that will permit a better long term adaptation of production to market requirements along with increasing the control by farmers in the marketing of their products, and

4) They seek where feasible to extend coverage to all farmers within each different region.

Public control on the activities of Economic Committees is implemented through a regional representative -- usually a public official -- appointed by the Minister of Agriculture following the formation of each committee. Recognition of producer groups and economic committees by the Minister of Agriculture is granted only after receiving the advice of a unit known as the "Section de l'organisation Economique du Conseil Superieur des Structures Agricoles." This group is composed of representatives of professional farm and related commercial organizations.

Both the agricultural groups and the economic committees are supported by a number of government subsidies. Initially they receive subsidies to cover part of the expenses of organization and operation along with technical assistance required to establish disciplines and techniques of control. Specifically excluded from this assistance are costs associated with normal commercial sales activities undertaken by the organization. The initial aids are intended to last only for the first three years.<sup>30/</sup> In addition, new groups (i.e., those not formed from pre-existing cooperatives, S.I.C.A., syndicates or associations) get a direct subsidy intended to cover the total cost of operation and functioning during its first six months of operation. All groups further get a direct subsidy of 5 percent of the value of investment in new buildings required plus a supplementary aid of 20 percent of the associated equipment and fixtures.

The results in terms of number of organizations established through July 1, 1967, are shown in the following table.

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<sup>30/</sup> Equal to 60 percent the first year, 50 percent the second, and 25 percent the third with the exception of poultry groups that receive a non-digressive subsidy of 80 percent for each of the 3 years.

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	<u>Producer Groups Comites</u>	
Fruits and Vegetables	266	10
Potatoes	--	3
Poultry and Eggs	108	8
Livestock (Cattle, hogs, sheep)	104	--
Grapes	48	--
Other	26	1
Total	<u>552</u>	<u>22</u>

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The most extensive development has been in fruits and vegetables where 266 producer groups and 13 agricultural economic committees have been formed. Rather extensive coverage in some commodities including virtually 100 percent of seed potatoes, 75 percent of artichokes, 50-55 percent of cauliflower, and 25 percent of peaches has been achieved by either a producer group or an agricultural economic committee or both. The next most important area is in poultry where 108 producer groups and 8 economic committees have been formed. Approximately 40 percent of broiler production and 20 percent of egg production are covered. Less extensive organization covers cattle and pork production through 104 producer groups but with no economic committee. Approximately 5 percent of cattle production and 8 percent of pork production are covered. On a regional basis by far the greatest development has taken place in Brittany, the area of France with the most poorly structured agriculture but with intensive production patterns.

Despite this rather extensive development and the rather broad permissiveness established in the legislation, the whole system as it exists in France has not yet become highly successful. Great variation exists among groups and committees depending upon the kind of leadership established. Many major operating problems have yet to be overcome. These include the large number of very small farmers that have to be dealt with in many cases, the lack of education and perspective that farmers have concerning the operating practices proposed by the organization, the general independent character of French farmers, some of whom resist rather strongly giving up normally accepted freedoms, and very importantly, the resistance of established market institutions and patterns that some of these organizations have attempted to supplant.