Parity in Marketing Orders

law places limits on federal assistance when marketing order programs are suspended or operated at minimum standards

— H. Ray Woltman

Past and present law—enabling Agricultural Marketing Orders—treats parity as a goal to be sought with active government assistance, but it has also specified that parity price shall constitute a limit beyond which government assistance may not continue.

Under the Federal Marketing Agreement Act, marketing order programs may be conducted so long as estimated season-average grower price does not exceed estimated season-average parity price. If it is definitely concluded by the Secretary of Agriculture that season-average price will exceed parity, administrative action must be taken to suspend marketing order regulations or to operate them at minimum standards.

In almost every one of the past 10 years, grower prices of one or more of 14 California specialty commodities under federal orders have closely approached or exceeded parity prices. On some of those occasions, applicable marketing order regulations were suspended or loosened either before or during the marketing season. At other times administrative arrangements as well as marketing policies may have been hampered by uncertainty as to whether regulations could be continued.

The new or modernized parity formula adopted in 1950 is less favorable, on the whole, to the 14 California specialty commodities under federal marketing orders than old parity.

Until January 1, 1950, the parity price for most specialty commodities was the product of the average price during all or part of the base period—1919–1929— and the United States Department of Agriculture index on the same base of prices paid by farmers. For other commodities, the base period was 1910–1914.

The pre-1950 formulas contained a defect which became increasingly apparent —the perpetuation of a relative parity-price structure that rigidly reflected the base-period price structure and became obsolete as intercommodity price relationships changed with supply and demand conditions over time.

On January 1, 1950, a new parity formula provided in the Agricultural Act of 1948 went into effect for many commodities. The fixed base price of the old formula was replaced by one defined as the ratio of the average commodity price

in the preceding 10-year period and the average value of the general index of prices received by farmers during the same period. By the 1950 method, parity prices of agricultural commodities in the aggregate move in conformity with the parity index as before, but individual parity prices change so as to reflect the intercommodity price relations of recent years.

To smooth the change-over where the level of new parity price was lower than the old, the 1948 Act provided for transitional parities computed as 95% of old parity during 1950 and 5% less in each subsequent calendar year until the new parity level is reached.

Since 1950, grower prices of 14 California marketing order commodities have exceeded effective parity—new or transitional as applicable—on 18 occasions, on 11 of which old parity was exceeded also. In seven other instances, grower prices exceeded new or transitional but not old parity, and in five additional cases season prices were higher than old but not new or transitional parity. Had old parity continued in effect throughout 1950–1956, the number of above-parity situations would have been lower by only two. However, transitional parity will probably drop entirely out of the picture at some future time. A more revealing comparison is the following: Had new parity applied to all 14 commodities throughout 1950–1956, there would have been 24 above-parity situations as against only 14 if old parity had applied uniformly.

If past trends continue, parity limitation will probably operate with increasing frequency. If this happens, it will not be a result of the new parity—prices paid—index which applies equally to all commodities and runs close to the old parity indexes. It will simply indicate that the adjusted base-price component of the new formula is operating as it was designed to do—yielding higher parities for items for which price increases have been greatest since 1910–1914 and lower parities for commodities with less favorable price histories.

Another property of the modernized parity formula has presented difficulties in the administration of marketing orders. Because of the calendar-year basis of the formula, one season is

dropped and another added to the 10-year averages of commodity price and of the prices-received index each January. When there is a large difference between the dropped price and the added price, a considerable change may occur in the adjusted base price—and hence in parity price—from December to January. Since the added price is a preliminary estimate of current-season price which is not available at the start of the season, such shifts are more or less unpredictable in advance of the marketing season. Thus, considerable uncertainty is introduced into marketing order policy planning.

Midseason interruption of marketing order activities could be remedied—at least partially—by a liberalization of the law to permit continued operation in above-parity situations of programs already started.

Another method of reducing the impact of sudden changes in parity or in grower prices upon marketing order operations, both interseasonally and within seasons, would be to base the parity price-grower price comparison upon an average of seasons.

The fundamental problem from the standpoint of producers is that the law permits them to regulate the market, but the parity limitation does not permit them to derive the full benefit that could

CREDIT

offered any kind of credit, none, with one exception, offered full credit. The exception was in Fresno where 86% of the stores with 7–14 employees which offered credit had full credit.

To be continued

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PARITY

be gained from such regulation. The parity standard is intended to define prices that are fair to producers and consumers.

However, the argument has been advanced that the present parity index is unrepresentative of production and cost conditions for specialty crops and a more representative index would give greater weight to wages of hired labor and perhaps certain other inputs which bulk relatively large in specialty crop-production cost. Since the wages subindex stands at a higher level than any other, any increase of its weight will raise the over-all parity index. The amount of the increase would depend upon how offsetting decreases of weight are distributed among the other subindexes.

While certain types of special-purpose revision of the parity index for specialty crops could result in parity-price increases of perhaps 10%–20%, the prospects of obtaining such revision are remote. The contention that revision should be made appears to rest on the premise that the parity index should accurately represent production expenses of individual commodities or groups of commodities. A cost-of-production parity index would logically have to take into account decreases in cost as a result of increasing efficiency which might offset gains from other modifications.

A market control program that is effective in smoothing out short-run price fluctuations about a basic price level or in preventing disastrously low prices in unusual seasons may benefit both producers and consumers. It can stand without recourse either to the parity goal or the parity limitation. Prudently administered, with proper attention to consumer interests on the one hand and long-run supply responses on the other, marketing orders might conceivably function better without objective standards of any kind. But it is hardly conceivable that consumer safeguards could or should be eliminated from the law. Despite the deficiencies of the parity stand-

ard, it is better than none. Any proposal to eliminate the parity limitation, therefore, might reasonably be accompanied by a proposal for a substitute standard.

A bill under Congressional examination would provide, in the interest of producers and consumers, an orderly flow or disposition thereof to and among the available market outlets throughout the normal marketing season to avoid unreasonable fluctuations in supplies and prices.

Passage of this or a similar amendment which does not mention parity, would complete the process of sterilizing the parity limitation by providing an alternative and more flexible set of criteria. Nevertheless, administrative standards would still be required to replace the legislative parity standard.

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POTATOES

amination of the tubers at harvest revealed that gibberellin applied to the foliage as late as one week before harvest markedly stimulated sprouting. In comparison, tubers from untreated plants showed little or no sprouting activity.

When the tubers harvested from sprayed plants were cut and planted as seedpieces, the rate of emergence of new plants was accelerated. Most rapid emergence resulted from the earliest application and the highest concentration. similar results were obtained with a summer crop of White Rose potatoes at Davis. Although foliar sprays are reasonably effective in shortening the rest period, high concentrations of gibberellin are required and therefore the method probably has limited practical value.

Immersing resting potatoes for five minutes in a gibberellin solution—from 0.5 to 25.0 ppm—will consistently curtail the rest period and promote sprout growth. However, the commercial significance of these findings must be determined.

The influence of gibberellin on yield and on the processing quality of the resulting tubers is being investigated under a variety of environmental conditions and locations. The effect of the chemical on sprout emergence and plant growth from nonresting potatoes needs to be investigated.

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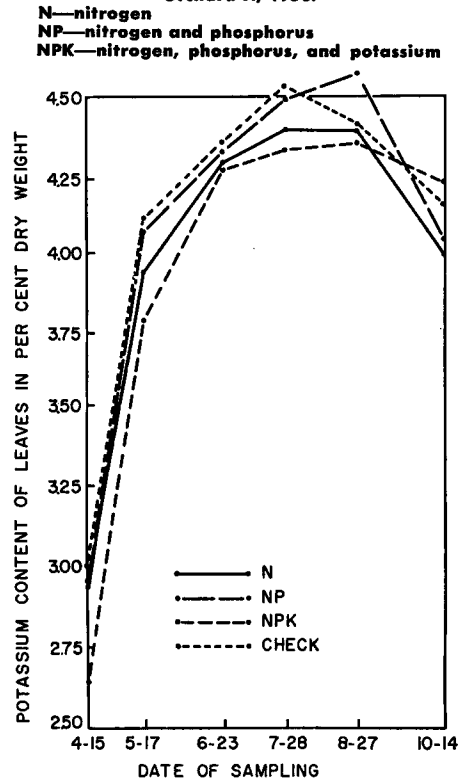*Herman Timm is Junior Olericulturist in Vegetable Crops, University of California, Davis.*

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PLUMS

sium, the variability of the plots is such that it can not be considered significant. The shape of the seasonal curves—an initial rise rather than a drop—is like that of the apricot rather than like the prune. The potassium values tend to be high.

Potassium content of Santa Rosa Plum leaves, Orchard A, 1956.
N—nitrogen
NP—nitrogen and phosphorus
NPK—nitrogen, phosphorus, and potassium

Potassium content of Santa Rosa Plum leaves, Orchard B, 1956.