Perhaps the study of no other institutional arrangement addresses questions and issues relating to the structure of agriculture vis-à-vis other sectors of our economy better than does the evolution of our federal commodity marketing order system. Competition, the demand characteristics of food products, the biological nature of agricultural production, and the public interest are all involved.

Examination of the underlying economic rationale for considering and ultimately adopting such a mechanism is an interesting and fruitful exercise which can establish more firmly in our minds some of the concepts covered in Part I of this book relating to these areas. Should there be further need for help in reaching that comfortable position regarding the why of agricultural cooperatives which we've established as one of our goals, studious and contemplative examination of the material in this chapter should prove to be useful.

Federal marketing orders are so cooperative in nature and so closely tied in with cooperative action that they may be considered in almost the
same breath. Their underpinnings, backgrounds and reason for being, basic methods of operation, and objectives are so similar that they could almost be handled under the same legislative provisions. However, they are legislatively different. Their background and legislative provisions along with their use by cooperatives will be covered in this chapter. The high degree of complementarity between federal orders and agricultural cooperatives and also the supplementary nature of orders in helping cooperatives achieve their goals will provide the focus.

The thrust of the effort here will be aimed at exploring the why of federal marketing orders, with some concern for their makeup. The how portion will be explored in Assignment 12 of your Cases in Cooperative Marketing.

THE ROOTS OF THE PRESENT SYSTEM OF FEDERAL MARKETING ORDERS

The roots of the present system of federal marketing orders go far back to the evolution of our free market institutional arrangements and our traditional concepts of competition and governmental regulations. Our leanings were in the direction of competition as it was defined in a previous chapter and toward free markets. Price and competition would provide whatever regulatory force that might be needed if permitted to do so by our following a hands-off policy of “laissez-faire.”

Many factors entered the picture, however, and began the process of erosion of the system that reflected our traditional concepts of what was economically desirable. Increasing urbanization of our country and advancing technologies almost dictated large-sized firms as well as the growing concentration of many local small handlers of agricultural commodities into industries made up of a few large and economically powerful firms.

All three of these factors have elements that go far beyond what farmers or the U.S. Department of Agriculture could do from the standpoint of effective policy. Each was important in contributing to the institutional arrangements that finally evolved. However, the third factor, the trend toward the concentration of the various businesses that sold inputs to agriculture and bought its output into the hands of large-scale organizations, will provide focus for our examination of federal marketing orders.