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**The Legal Basis of the Marketing Work of the
United States Department of Agriculture**

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THE LEGAL BASIS OF THE MARKETING WORK OF THE UNITED STATES DEPARTMENT OF AGRICULTURE

Organized and expressed interest in the processes of marketing farm products and their improvement existed as early as 1869.¹ In that year the circulars of the first permanent Grange in Minnesota emphasized the importance of action on certain phases of marketing.² Later these objectives were adopted more or less generally by the Grange, but the desired improvements did not materialize although some results were obtained through State legislation regarding such matters as grain inspection, warehousing, and railway regulation. In general, however, the problems of production engaged the attention of the public, the student, and the agriculturist during the nineteenth century. Meanwhile the processes of marketing became more and more complex and involved as the requirements of a rapidly growing commonwealth took them from the hands of the producers and developed a class of men whose sole business was handling the products of others.

The first scientific study of marketing problems appeared in 1900 when the United States Industrial Commission, charged by Congress with the duty of investigating "questions pertaining to immigration, to labor, to agriculture, to manufacturing, and to business, and to report to Congress," deemed the question of marketing to be of such fundamental importance that it submitted an advance report on the distribution of farm products in order to "furnish Congress and the public with concrete data, assembled from a hitherto but partially exploited field of inves-

¹ This article is based on a statement prepared in 1920 and circulated briefly in mimeographed form with the title, "History of the Bureau of Markets (as Traced through Official Publications)," to meet the frequent requests for copies of "the act that established the Bureau of Markets" and to correct other prevalent erroneous impressions concerning its creation.

² S. J. Buck, *The Granger Movement*, 46 (Cambridge, Mass., 1913).

tigation," with the suggestion that it might "form a basis for intelligent analysis, useful alike to the legislator, the farmer, and the business man."³

This report, now recognized as a remarkable piece of work, awakened little interest at the time. Several years elapsed before the public, or even the students of agriculture, began to realize that a thorough knowledge of the methods of distributing agricultural products is as important as a knowledge of methods of production and that improvement in the one should keep pace with improvement in the other. As the costs of production increased and the demands of consumption became more exacting and competition more active, the farmers' interest in marketing grew. Meanwhile the rapid increase in prices as compared with wages, beginning about 1907, and the consequent decrease in purchasing power, stimulated in the urban consumers a considerable interest in the problem of food supply and its costs.⁴

Some of the agricultural States responded to the farmers' growing interest. Illinois, Minnesota, and Wisconsin conducted scientifically planned investigations of the methods and costs of marketing specified commodities, the results of which were made available in bulletin form. Some of the larger cities, notably New York and Philadelphia, doubtless spurred by the concern among consumers, recognized the importance of the problem and sponsored studies of certain phases through mayors' offices or special commissions. The United States Department of Agriculture extended many of its commodity investigations, hitherto concerned primarily with production, to include the marketing processes, with a view to making recommendations for their improvement.

Approximately ten years after the publication of the report by the Industrial Commission, the interest of the people in

³ L. D. H. Weld, *The Marketing of Farm Products*, 2 (New York, 1917); U. S. Industrial Commission, *Report on the Distribution of Farm Products*, 6:2-3 (Washington, 1901).

⁴ I. M. Rubinow, "The Recent Trend of Real Wages," *American Economic Review*, 4:793-817 (December 1914).

marketing problems began to crystallize into rather insistent demands for governmental assistance. There were many and diverse opinions on the proper way to meet these demands. As the steps taken by the Government are recorded in scattered and rather inaccessible sources, an effort is here made to trace them accurately in the form of a connected story, with such amplification and discussion as seems necessary.

When making appropriations for the Department of Agriculture in 1910, Congress, in response to the requests of the people, authorized the Secretary "to investigate the cost of food supplies at the farm and to the consumer, and to disseminate the results of such investigation in whatever manner he may deem best." In the corresponding act of the following year this authority was expressly continued.⁵ However, as funds were not made available no real results were obtained.

Meanwhile popular interest in the matter had not abated, and therefore, in the act making appropriations for the Department for the fiscal year 1913, the authority was again conferred, and the following more elaborate and explicit provision was also included.⁶

And that the Secretary of Agriculture be and he is hereby directed to secure from the various branches of the department having authority to investigate such matters, reports relative to systems of marketing farm products, cooperative or otherwise, in practice in various sections of the United States and of the demand for such products in various trade centers, and shall make such recommendations to Congress relative to further investigations of these questions and the dissemination of such information, as he shall deem necessary.

Accordingly, in December 1913, the Honorable James Wilson, Secretary of Agriculture, transmitted to Congress a comprehensive report on the subject, published as *Report 98* of the Office of the Secretary.⁷ This report was prepared by experts and specialists throughout the Department. It reviewed existing

⁵ U. S. Laws, Statutes, etc., *The Statutes at Large of the United States of America*, 36 (1):440, 1264.

⁶ *Ibid.*, 37 (1):295-296, 300.

⁷ "Systems of Marketing Farm Products and Demand for such Products at Trade Centers," U. S. Department of Agriculture, Office of the Secretary, *Report 98* (Washington, 1913).

commercial systems in some detail, presented statements by managers of large firms and associations, outlined marketing investigations already undertaken in various bureaus of the Department, discussed the functions of a possible "Division of Markets" in the Department of Agriculture, and made specific recommendations regarding the proposed duties and the proper limitations of such a division. In fact, this report might well be considered an epoch-marking publication in the history of the Department of Agriculture.

From the beginning a keen interest in a comprehensive and free market-news service prevailed. Naturally the general public was entirely uninformed regarding the complexity and magnitude of such an undertaking and had little idea of the tremendous expense which such a service would involve. *Report 98* frankly pointed out the possible pitfalls and probable expense incident to the development of a wide service, based on the testimony and experience of organizations conducting news services on selected commodities over limited areas.

About this time numerous bills were introduced in Congress to establish a division of markets in the Department of Agriculture or to take some similar action. The hearings and reports on these bills give evidence of the urgent interest of the public and the determination of many leaders to secure legislation providing definite results and relief. Most of the bills were drawn with little regard for practicability or probable expense, and many of them contemplated the usurpation of legitimate powers of dealers and distributors. Others sought to introduce into America methods or machinery that were successful in various European countries but entirely unsuited to American ideals and conditions.

Of the proposed legislation, S. 5294, an Act to establish in the Bureau of Statistics, Department of Agriculture, a Division of Markets, made the greatest progress. It was passed by the Senate and was reported favorably by the House Committee on Agriculture. Its scope was great and, according to a member of the Committee, from two hundred million to a billion dollars a year would have been required to carry out its provisions.⁸

⁸ *Congressional Record*, 49(3):3009 (Feb. 11, 1913).

After considerable debate and numerous conferences, in which many elaborate schemes were proposed and discussed, wiser counsel finally prevailed, and it was decided merely to insert an item in the agricultural appropriation bill for 1914, under which tentative work might begin in a rather independent way. A few of the legislators realized that many preliminary investigations must be made and much preliminary work done before the Government could safely undertake to make far-reaching suggestions regarding so complicated a subject, and they therefore urged a conservative beginning. This was in line with the recommendations made by the Secretary of Agriculture and others who were well informed regarding the already existing possibilities for developing such work in the Department and the necessity for proceeding along sound economic lines.⁹

Accordingly the House Committee on Agriculture inserted such an item in the appropriation bill with the following explanation:¹⁰

In response to many appeals made to this committee by various organizations of citizens of this country for the establishment of a division of markets in the Department of Agriculture, this item is inserted in the bill to enable such work to be done by the Department of Agriculture along the lines indicated, that Congress may be able to decide as to the feasibility and desirability of establishing at some future time the division of markets as requested.

This item passed the House and appeared in the bill referred to the Senate Committee on Agriculture and Forestry, where the item was amended and the work was transferred to the Bureau of Statistics. The various proposed amendments are set forth in detail in the *Congressional Record*.¹¹ The Senate concurred in the recommendations of its committee and the amended bill was sent back to the House. The Conference Committee refused to accept the changes with the result that the Senate receded from both of its amendments. The agricultural appro-

⁹ U. S. Congress, 62nd, 2 sess., Committee on Agriculture, *Hearings . . . on the Estimates of Appropriations for the Fiscal Year Ending June 30, 1913*, p. 254-257; and *Hearings . . . on the Estimates of Appropriations for the Fiscal Year Ending June 30, 1914*, p. 300-301.

¹⁰ U. S. Congress, 62nd, 3 sess., *House Report 1348*, p. 10 (Washington, 1913).

¹¹ U. S. Congress, 62nd, 3 sess., *Senate Report 1288*, p. 6 (1913). *Congressional Record*, 49 (5):4139-4140, 4650 (Feb. 27, 1913).

priation bill for 1914 as finally passed included the following sentence:¹²

To enable the Secretary of Agriculture to acquire and to diffuse among the people of the United States useful information on subjects connected with the marketing and distributing of farm products, and for the employment of persons and means necessary in the city of Washington and elsewhere, there is hereby appropriated the sum of \$50,000, of which sum \$10,000 shall be immediately available.

This clause follows the wording of the statute that created the United States Department of Agriculture. It is practically the same as the item drafted by the House Committee plus a provision which made funds available immediately. This bill was approved by the retiring President on March 4, 1913. Thus, the authority for the marketing work conducted by the Department was originally conveyed by a regular agricultural appropriation act and not by an organic act as is frequently supposed.

This enactment was directly in line with the plans of the new Secretary of Agriculture, the Honorable David F. Houston, who brought to the Department a decided economic and social viewpoint. Immediate steps were taken to carry out this duty in the most effective way possible. On March 27, 1913 a conference of Department workers was held "for the purpose of outlining the work of the various Bureaus in connection with the marketing and distribution of farm products to report results already accomplished, and to discuss plans for the further development of these investigations in carrying into effect the provision in the agricultural appropriation bill for the fiscal year 1914 setting aside \$50,000 for this purpose."¹³

The report of this conference is of value in that it describes in greater detail than does *Report 98* the marketing work then under way in the Department, with names, dates, and some illuminating comments by the workers involved. It shows that work relating to harvesting, transporting, storing, and market-

¹² *Statutes at Large*, 37 (1):854.

¹³ "Department Conference on the Marketing and Distribution of Farm Products." The typewritten copy of this report in the possession of the Library of the U. S. Department of Agriculture is probably the only accessible copy.

ing many kinds of fruit and truck crops, grading, transporting, and handling cereals, and grading and marketing cotton had been under way for several years and that studies were being made of market methods and the conditions surrounding the transportation and marketing of eggs, milk, butter, and other animal products. The subject of cooperation among farmers had also received considerable attention.

On April 29, 1913, a conference of some of the leading experts and students in the field of marketing was held at the Department to "secure the views of experts and others in the problem of organizing and conducting a marketing service in the Department of Agriculture." The meeting was presided over by the Secretary of Agriculture "who spoke briefly of the importance and complexity of the task of carrying out the provisions of the act, the widespread interest in the subject, the meagerness and primitiveness of the knowledge regarding it, and the likelihood of a considerable length of time elapsing before it can be studied adequately and definite conclusions reached." The Secretary outlined the four divisions of the subject which he thought were suggested by the provisions of the act: the study of organized marketing, a market news service, a study of methods and cost of distribution, and transportation problems. Recognized experts who had been invited to attend presented suggestions that tended to emphasize and amplify these divisions.¹⁴

On May 16, 1913, less than ten weeks after the appropriation was made, the Office of Markets was created by the Secretary of Agriculture in the belief that the most effective way to carry out the work authorized by Congress was through an Office formed expressly for the purpose of acquiring and diffusing information on marketing. The public record of the creation of the Office is contained in a project statement covering the proposed work, approved in the Office of the Secretary, and in

¹⁴ U. S. Department of Agriculture, Office of the Secretary, *Organization and Conduct of a Market Service in the Department of Agriculture, Discussed at a Conference Held at the Department on April 29, 1913*, p. 1-2 (Washington, 1913). The publication is not numbered.

the appointment of Charles J. Brand, who had recently developed the work in the Department relating to the cooperative handling and marketing of cotton, as Chief of the Office of Markets.¹⁵

By creating an Office for this work rather than a division in a Bureau, the Chief was made directly and solely responsible to the Secretary of Agriculture, and since the organization of an Office as that term is used in the Department of Agriculture is less formal than that of a Bureau, the preliminary and early work was not hampered by tradition and custom. The Office form of organization is more flexible, more susceptible to readjustments, and was therefore well adapted for trying out this important line of work.

With the appropriation then available, organization work was begun immediately. A definite program was evolved along the general lines previously considered, but outlining several distinct lines of attacking the problem at hand: cooperative marketing; surveys of supply and demand; study of methods and cost of distribution; study of transportation problems; investigation of practicability, methods, and costs of a general news service; and cotton handling and marketing investigations. The last item provided for continuing certain work that was already well advanced in the Department.

As had been anticipated, considerable time was required to find suitable men for this work, for practical knowledge and experience as well as academic and economic training were needed. The problems to be studied were admittedly complex, the prevalence of erroneous ideas regarding practicable methods of procedure was recognized, and it seemed desirable that progress be not unduly hastened.¹⁶ By the beginning of the calendar year 1914 definite work along promising lines was well under way.

The first annual report of the Chief of the Office of Markets

¹⁵ Apparently there is no printed official record of the creation of the Office of Markets, but both of these documents in typewritten form are on file in the Department of Agriculture and in the Bureau of Agricultural Economics.

¹⁶ U. S. Congress, 63d, Committee on Agriculture, *Hearings . . . on a Bill Making Appropriations for the Department of Agriculture for the Fiscal Year . . . 1915*, "Testimony of Secretary of Agriculture," p. 119-123.

indicated some rather tangible results, notably in the work with the cooperative cotton associations and in the amount of valuable information that had been gathered.¹⁷ These data related to the extent and activities of producing areas of specified products, and the shipments, destinations, and prices at terminal markets, city marketing conditions, cooperative marketing activities among farmers, the possibilities of marketing farm products by parcel post, and similar subjects. It was being disseminated through correspondence with the public. Three bulletins and various short articles had been published and other bulletins were in press.

The Office of Markets was first officially recognized by Congress in the agricultural appropriation act for the fiscal year 1915, when \$200,000, an amount four times that set aside the previous year, was appropriated specifically for its use in marketing work.¹⁸ At this time great interest in improvement of rural credit, communication, and social and educational activities prevailed throughout the country. The General Education Board volunteered to contribute a sum of money for this purpose to be expended under the direction of the Secretary of Agriculture. This offer was accepted and the work was inaugurated under the name of Rural Organization Service, in a working unit even more flexible in form than an Office. It was merely affiliated with the Department of Agriculture.

The Department was considering a plan for the reorganization of its work into broad lines or groups according to the services rendered. Under this scheme, organization for marketing purposes was tentatively classified with many other lines of work in the rural organization service. This plan was outlined in the report of the House Committee on Agriculture which accompanied the agricultural appropriation bill for 1915, but it was never put into effect. On the contrary, Congress provided \$40,000 for the financing of the rural organization activities already under way, believing that it was inexpedient for the

¹⁷ U. S. Department of Agriculture, *Annual Report . . . for the Year Ended June 30, 1914*, p. 317-327 (Washington, 1914).

¹⁸ *Statutes at Large*, 38 (1):440.

Government to disburse funds that were provided by private individuals or corporations.¹⁹ Following this action, the rural organization work and the Office of Markets were combined and designated the Office of Markets and Rural Organization by the Secretary of Agriculture. The appropriation act for the fiscal year ending June 30, 1916 gave legal sanction to the combination by specifically providing \$484,050 for the Office of Markets and Rural Organization.²⁰

In 1915 the administration of the cotton futures act, approved by the President and carrying a continuing appropriation of \$150,000, was entrusted to this Office under the direction of the Secretary.²¹ Thus, the total appropriation over which the Office had authority in 1915 was \$390,000, and this year marked the beginning of the regulatory powers which were destined to become a very important part of its work. During this same year the Office, on the basis of its own investigations, successfully operated a market news service on certain fruits and vegetables. This service was enthusiastically received by growers, shippers, and the produce trade. The agricultural press in general welcomed the work of the new Office, and farmers and consumers made increasing demands on its time and funds and through correspondence and testimony gave hearty support to its aims, efforts, and rapidly increasing work.

The subsequent development of the work was accomplished by the normal but rapid working out of well-laid plans that were cordially received and supported by the people, by entrusting to the Office the administration of certain Federal agricultural laws of an economic character, by transfer of related lines of work previously conducted in other bureaus, and by the swift development of various kinds of work to meet emergency demands arising in connection with the World War.

The agricultural appropriation act for the fiscal year 1917 included as parts B and C the grain standards act and the ware-

¹⁹ *Congressional Record*, 51 (5):4551-4555 (Mar. 9, 1914).

²⁰ *Statutes at Large*, 38 (1):1111.

²¹ *Ibid.*, 693.

house act and was signed by the President on August 11, 1916.²² On August 31 the standard container act was also approved.²³ All of these new laws were assigned to the Office of Markets and Rural Organization for administration, thereby greatly increasing its work. The conscientious exercise of the police powers conferred by these laws, particularly the one relating to grain, even though conducted as nearly as practicable as an educational enterprise, brought some measure of unpopularity in certain adversely affected quarters. This opposition increased the difficulties but did not lessen the endeavors of the Office. The grain standards act carried a continuing appropriation of \$250,000, the warehouse act \$50,000, and the regular appropriation for the Office for this fiscal year was \$872,590. Thus the total amount for the year to be expended under the direction of the Office was \$1,172,590. The standard container act was administered with funds allotted from the regular appropriation.

During these years certain lines of work related to marketing which had been started in other bureaus of the Department were transferred to the Office of Markets and Rural Organization. These included investigations pertaining to cotton standards and testing, handling and transportation of grain and determination of grain standards, and preservation of fruits and vegetables, which were transferred from the Bureau of Plant Industry. Each of these branches required the entire time of a considerable staff of workers. Cooperative relations for work on transportation of fish and poultry were developed with the Bureau of Chemistry, and working contacts with other bureaus were strengthened.

The Office of Markets and Rural Organization formally became a Bureau through the agricultural appropriation act for the fiscal year ending June 30, 1918, approved March 4, 1917, which provided \$1,718,575 for the Bureau of Markets under that name.²⁴ The magnitude of the work at that time is indi-

²² *Ibid.*, 39 (1):482-491.

²³ *Ibid.*, 673.

²⁴ *Ibid.*, 1162.

cated by the size of appropriations expended under its direction. Besides the amount carried in the regular appropriation the Bureau controlled \$2,522,000 for war emergency work, and a revolving fund of \$10,000,000 for the purchase and distribution of nitrate of soda.

The annual report of the Chief of the Bureau for the year ending June 30, 1918 shows that the regular activities were divided into three groups,—investigational, service, and regulatory,—with many specific projects being conducted by each group.²⁵ Besides the appropriation act and the four Federal acts administered by the Bureau, two other acts provided for special work relating to the war. Some of the undertakings in the war work were very large. During the year sixty-six formal publications were issued as well as the regular numbers of two emergency periodicals and several bulletins in cooperation with the States. The number of employees reached 2,289 in 1918, and there were 108 permanent branch offices.

Thus in 1918, just five years after the beginning of its work, the Bureau of Markets took its place among the largest bureaus of the Department of Agriculture. Signal progress had been made along such fundamental lines as standardization, collection, and dissemination of market information on a nation-wide basis, improvement in preparation of farm products for market, improvement of transportation conditions including methods of loading and refrigerator car service, and determination and promulgation of the basic principles of successful cooperation. The Bureau of Markets had succeeded in convincing all thoughtful persons, and, to a perceptible degree, the general public, that careful investigation is basic to any far-reaching improvement in our complicated market conditions. People were beginning to realize that no single method, plan, or device could bring about revolutionary improvements in the order of things, but that efficient utilization of the part of each method and procedure that promised the best results under given conditions would gradually bring about a wise distribution of farm products

²⁵ U. S. Department of Agriculture, *Annual Report . . . for the Year Ended June 30, 1923*, p. 131.

with stable profits to the farmers and more reasonable prices to the consumers.

When Charles J. Brand resigned as Chief of the Bureau in 1919, Secretary Houston wrote him as follows:²⁶

You have been in charge of the organized marketing work of the department since its beginning in 1913. . . . When you assumed your duties you were faced with a pioneer task. There were then no marketing agencies, either in the Federal or State services, solely designed to assist the Nation in the marketing and distribution of farm products. These matters had received too little attention at the hands of institutions training men for national service, as well as at the hands of legislative bodies. You were confronted with the duty not only of marking out in a definite way the paths of endeavor, but also of discovering, and in a measure of training, the men for the work.

Three years later the Bureau of Markets, the Bureau of Crop Estimates, and the Office of Farm Management and Farm Economics were consolidated to form the present Bureau of Agricultural Economics, under the leadership of Dr. Henry C. Taylor. In the new Bureau the identity and the organization of the various lines of work were preserved to a considerable extent in three groups of associated divisions,—the production divisions, the commodity marketing divisions, and the group of research divisions dealing with the problems of production, marketing, and farm life. These groups were flexible, allowing readjustments, redirection, and cooperation. This integration of the economic work of the Department of Agriculture has enabled it, under succeeding chiefs, and now under Dr. A. G. Black, to present a complete picture of the economics of agriculture from the problems of the individual farms through those of distribution and marketing to the larger considerations of general welfare and world supply and demand.

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²⁶ U. S. Department of Agriculture, *Weekly News Letter*, 6 (47):8 (June 25, 1919).