

**MARKETING  
FARM PRODUCTS**

*“Marketing is the crux of the whole food and agriculture problem. It would be useless to increase the output of food, it would be equally futile to set up optimum standards of nutrition, unless means could be found to move the food from the producer to the consumer at a price which represents a fair remuneration to the producer and is within the consumer’s ability to pay.”*

*“Food and Agriculture Organization of the United Nations,”  
Report of the First Session of the Conference, held at the City  
of Quebec, Canada, October 16, to November 1, 1945, p. 37.*

# MARKETING FARM PRODUCTS



By **GEOFFREY S. SHEPHERD**

**PROFESSOR OF ECONOMICS, IOWA STATE COLLEGE**

*Author of Agricultural Price Policy  
and Agricultural Price Analysis*



SECOND EDITION, REVISED



**THE IOWA STATE COLLEGE PRESS**

**AMES, IOWA**

Copyright, 1946 and 1947, by  
**THE IOWA STATE COLLEGE PRESS**  
*Second Printing, 1946*  
*Second Edition, 1947*  
*Second Printing, 1949*

**PRINTED AT THE IOWA STATE COLLEGE PRESS**  
**AMES, IOWA, U. S. A.**

**TO  
ELEANOR**

## Preface

Striking evolutionary changes have been taking place in agricultural marketing during the last 10 or 20 years. Developments in transportation, communication, market organization, refrigeration, packaging, large-scale purchasing, governmental regulation, and state and federal price controls have made many long-established practices obsolete. New practices are being worked out to take the place of the old. The purpose of this book is to present and analyze the new marketing developments in a systematic way, to show what they mean in economic terms, and to show how producers and consumers can make the best use of the opportunities which these new developments create.

Marketing the food and fiber of the nation is a big job. Agriculture's marketing problems can best be appraised by seeing first what the marketing job is as a whole, and how well or poorly it is being done. Then the different marketing problems confronting the nation's six million farmers can be considered as parts of the whole.

This broad approach is fruitful because any individual farmer can do his marketing job better if he knows the whole marketing problem as well as his local problems. It is useful also because some of his marketing problems cannot be solved by individual action alone. An individual farmer, for example, cannot reduce his marketing costs by reducing transportation rates, improving processing methods, or reorganizing central markets. Most problems of that sort require group action for their solution.

The book is divided into three parts.

*Part I* starts with a broad outline of the agricultural production and marketing job in the United States as a whole. It shows the size of the job, the way it is being handled so far, and some of the problem areas. The characteristics of agricultural supply and demand are next presented. Then comes an analysis of recent changes in the agricultural marketing plant. This analysis covers changes both in the layout of the physical marketing system that gets farm products distributed from the producer to the consumer, and in the economic price-determining system that regulates agricultural production, distribution, and consumption.

*Part II* deals with the individual farmer's problems of producing the goods that are most in demand, and selling them to advantage in the varying-price environment that confronts farmers today. These problems are primarily price problems. They involve both group and individual action—group action by which farmers as a group try to control the prices of their products, and individual action by which individual farmers adapt their production and marketing to the controlled or uncontrolled movements of prices. The control of prices by group action is a study in itself, and is treated in another book. Here we confine our attention to individual farmer adaptation to prices.

*Part III* deals with marketing costs—what they are, and how they can be reduced. Most of these cost problems involve group action. They differ from product to product, for most of the way through the marketing system, different farm products are handled in specialized markets and processing plants; livestock is sold through livestock markets and processed in meat packing plants; grain is sold in grain markets and milled in flour mills, etc. Accordingly, the problems of marketing costs are handled separately on a commodity basis, one chapter to each product, so far as space permits.

Farther along in the marketing system, farm products cease to be handled in separate commodity markets. The retail store handles all food in the same store. The last chapter or two therefore departs from the commodity basis and deals with wholesale and retail food distribution as a problem in itself, covering all food products.

I am indebted to a number of my colleagues at Ames for help in the preparation of the material in this book. The chapter on grain marketing methods and costs is based upon an extensive research project conducted by R. C. Bentley and myself. A. Mathis dug up the material for the chapter on milk marketing costs; F. R. Robotka gave valuable counsel on agricultural cooperation; and so did I. W. Arthur and S. H. Thompson, on livestock marketing. I also am indebted to W. W. Cochrane, F. L. Thomsen, R. O. Been, Frederick V. Waugh, W. C. Crow, L. D. Howell, and J. W. Wright, of the United States Department of Agriculture.

G. S. S.

# Table of Contents

PREFACE . . . . .	vii
-------------------	-----

## PART I

### THE PHYSICAL PRODUCTION AND DISTRIBUTIVE PLANT

1. Development of Geographical Specialization . . . . .	3
2. The Demand for Farm Products . . . . .	14
3. The Supply of Farm Products . . . . .	29
4. The Marketing System That Brings Supply and Demand Together . . . . .	38
5. The Two Parts of the Price-Making Process . . . . .	46
6. Production and Marketing Information Required . . . . .	56

## PART II

### MEETING FLUCTUATIONS IN MARKET PRICES

7. Cyclic Movements in Agricultural Production and Prices . . . . .	73
8. Seasonal Price Movements . . . . .	86
9. Hedging in Futures Contracts . . . . .	105
10. Effect of Speculation in Futures Contracts Upon Grain Prices . . . . .	115
11. The Price Surface in Decentralized Markets . . . . .	134
12. Influence of Decentralized Marketing on the Price Level of a Commodity . . . . .	144
13. Negotiated Prices: Milk Price Plans . . . . .	157
14. Grades, Values, and Prices . . . . .	172

## PART III

### REDUCING THE COSTS OF MARKETING

15. The Cost of Marketing Farm Products . . . . .	197
16. Reducing Grain Marketing Costs . . . . .	216
17. Reducing Livestock Market Costs . . . . .	230
18. Reducing Butterfat and Butter Marketing Costs . . . . .	262
19. Reducing Milk Marketing Costs . . . . .	283
20. Reducing Cotton Marketing Costs . . . . .	301
21. Reducing Fresh Fruit and Vegetable Marketing Costs . . . . .	319
22. Reducing Interstate Marketing Costs . . . . .	337
23. Reducing Marketing Costs by Cooperation . . . . .	356
24. Reducing the Costs of Retail Distribution . . . . .	372



## APPENDIX

A. The Perfect Market in Time, Place, and Form . . . . .	399
B. The Graphic Presentation of Seasonal Patterns . . . . .	410
C. The Effect of Changes in Distribution Costs . . . . .	414
D. Federal Regulation of Agricultural Markets . . . . .	423
E. Per Capita Consumption of Major Food Categories by Nonfarm Families . . . . .	437
F. Grain Warehouse Supervision . . . . .	438
INDEX . . . . .	455