OMB versus market orders

David Stockman is attempting to deregulate the programs that have maintained the supply and quality of U.S. produce.

President Reagan's decision ordering the phasing out of one of the federally administered market orders program for fruit and nut growers at the end of April gave the Office of Management and Budget (OMB) a victory in its two-year fight to deregulate the entirety of the market order programs.

There are 11 programs in this voluntary market control system, in which fruit, hops, spearmint, and nut farmers regulate the supply of their crops for the domestic and export market. The programs do not set prices or production controls.

The marketing orders have proved useful to both producers and consumers by bringing year to year stability of supply and quality. For example, in dollar terms, walnuts have become the leading agricultural commodity export item today. Phasing out the orders could threaten both overall supplies and the quality of this and other produce.

Since January 1981, when President Reagan gave the OMB the right to review all regulative programs, OMB head David Stockman attempted to eliminate the price supports and the marketing order programs. The President must sanction all regulations each year, and the Secretary of Agriculture determines how much will be produced. However, the OMB objected to the regulations on cherry production last year, and no regulations were ever issued. The cherry industry claims this cost it $10 million.

Opposing the orders because they are used to control volume and are, therefore, a restraint on the "free market," the OMB asked the USDA to open up the marketing orders, claiming this will cheapen production. Because the USDA stalled the request, the White House took up the matter. After a full session of the Cabinet Council on Food and Agriculture in late April, the President told the Agriculture Department it has five years to phase out the orderly marketing provisions of the market orders for hops and spearmint. Under the current system, anyone can grow as much of these crops as he wants, but cannot sell any unless he acquired a federal allotment from an established grower. Each year the program is to be modified and made more "flexible."

Market orders are responsible for the stabilization of supplies from year to year. They were first set up in the 1930s to get around the anti-trust laws which were incorporated into the 1937 Agricultural Marketing Act. Nearly all non-grain producers operate within a marketing order.

There are three basic types:

1) The Producer Allotment Programs for hops and spearmint oil. This program is the first target of the OMB, since there is a restriction placed on those who may enter the program. Most orders have been handed down from father to son, though the program now allows for a 3 percent yearly expansion of farmers in the marketing program. The OMB calls the program restrictive, and wants to eliminate it.

2) The Reserve Pool or Allocation program determines, according to need, when to set aside and when to market, how much to sell domestically and how much to export. The program applies mainly to nuts and highly perishable soft fruits.

3) The pro-rate program for citrus on the West Coast, California and Arizona in particular. Since citrus can be stored on trees, citrus is released onto the market on a per-crate basis, so that it is spread out over the season.

Eliminating the marketing orders could well become a political issue for the President. The largest citrus and nut producers are in the Northwest and in his home base of California. The West Coast citrus growers form the backbone of the farm lobby.

According to the Democratic Party's agricultural expert, Gene Moose, deregulation of these producers should increase the political heat around the presidential election. If the West Coast growers do not like what the President is doing, "they will be told to support a new administration," he told *EIR*.

A prime target for the OMB is the Navel Orange Administrative Committee, which some have called the OPEC of oranges. The 11-member panel decides how many fresh navel oranges will be sold in the United States and Canada each year. The group, appointed by the agricultural secretary, sets the number with an eye to permitting the highest possible profit for the industry—a policy that critics have labeled legalized market-rigging.

The deregulation of the hops and spearmint program has panicked the industry. Growers believe that Stockman's next target will be the remaining fruit and vegetable orders and, after that, the whole array of federal milk market orders.

The National Farmers Union is already warning that this could mean occasional shortages and uneven quality of fruits and vegetables.