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## The Marketing of Agricultural Products in Harrison County, Texas

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**THE MARKETING OF AGRICULTURAL PRODUCTS IN  
HARRISON COUNTY, TEXAS**



**CHARLES LOUIS FLOYD**

**1959**

THE MARKETING OF AGRICULTURAL PRODUCTS IN HARRISON COUNTY,  
TEXAS

By

Charles Louis Floyd

A Thesis Submitted in Partial Fulfillment  
of the Requirements for the Degree of

Master of Science

In The

Graduate Division

of

Prairie View Agricultural and Mechanical College  
Prairie View, Texas

August, 1959

### DEDICATION

This study is dedicated to my parents Mr.  
B. M. W. Floyd and Mrs. Martha F. Floyd

C. L. F.

#### ACKNOWLEDGMENT

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C. L. F.

THE MARKETING OF AGRICULTURAL PRODUCTS IN HARRISON COUNTY,  
TEXAS

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## HISTORICAL DEVELOPMENT OF HARRISON COUNTY

Harrison County is located in Northeast Texas, bordering Marion County on the North, Gregg and Upshur Counties on the West, Gregg, Rusk and Panola Counties on the South and the state of Louisiana on the East. It has a well balanced rural and urban population distribution and industrial-agricultural economy. The county has an area of 892 square miles; population in 1950 of 47, 745; of the number 22, 326 urban and 25, 418 rural, or 46.8% urban, 22.6% non-farm rural, 30.6% farm rural. Population by race was 51.7% Negro and 48.3% Anglo-American.<sup>1</sup>

The county was created in 1839 and organized 1842 and named after Jonas Harrison who died in 1837, and is typical of Northeast Texas with hills and valleys which drain well with Big Cypress on the North, Sabine River on the South and Caddo Lake on the Northeast. The soil is loam, sandy clay and alluvial with natural resources of oil, gas, gravel, lignite and timber including shortleaf and loblolly pine, gum, ash, and oaks.

Crops of the county are largely corn, sweet potatoes, peas, hay, peanuts, tomatoes and various truck crops which are grown for home use and the market. Dairying and beef cattle production have been carried on in increasing volume during the past few years with a variety of breeds.

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<sup>1</sup>Texas Almanac (1958-59), p. 574.



In recent years the poultry industry has seen great growth in both egg and broiler production.

Marshall, the county seat is centrally located and had an estimated population of 27,900 in 1957 which also provides a variety of markets for farm products with flour mill, crate and basket factory, creamery for milk products, lumber and cottonseed products, plus the grocery stores which provide markets for fresh farm products.<sup>2</sup>

Within the city of Marshall there are four Colleges, East Texas Baptist College, Bishop College, St. Mary's Academy and Wiley College. It is also the home of the Central East Texas Fair.

#### Purpose of Study

This study is being conducted for the purpose of finding out the possibilities for marketing agricultural products in Harrison County with the view point to improve the economic condition of the agricultural producing population of the county.

The study will present the problems facing the agricultural worker in his efforts to market the products produced. Another aspect of the study will deal with possible solution which may elevate the existing pressure which is felt in the marketing of agricultural products.

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<sup>2</sup>Texas Almanac (1958-59), p. 574.

## DEFINITION OF TERMS

The term marketing has many meanings but for this study marketing is defined as all the steps involved in moving farm products from the farm to the consumer. This includes the entire group of services and functions performed in the distribution of merchandise from the point of production to the consumer.

Distribution is used synonymously with marketing quite frequently. Distribution is related to the buying and selling functions of marketing which involves the consideration of the channels used for that purpose, and may also deal with the geographic inlets and outlets for goods. Marketing however deals with all the activities involved in buying and selling of goods, along with the physical movement of goods.

Perishability is very common in the marketing of farm products. There is a wide variation between products and the same product under different physical conditions such as temperature and moisture. The rate of time by which a product will remain usable in its present state will be determined by the product itself and physical conditions.

The Consumer is that person or group of people who use the product in its finished form. Consumer and consumption are closely related terms in marketing. The steps needed in the preparation of goods for the consumer may be few but on the other hand they may be many and expensive.

Income - The farmers income is one of the most important aspects

of the farming business and all information skills, improved practices are intended to increase the amount of money the farmer receives. Income has three meanings, (a) Total income, the total amount of money received, (b) Net income, the amount of money left after all expenses have been paid, and (c) Labor income, the value of self labor plus net income.

## MARKETING AGENCIES

### Part II

There is a wide variety of marketing agencies located between the consumer and producer which perform the job of marketing. These agencies of marketing may be found near the producer or near the consumer or it may not be near either of the two. The job performed by these agencies are two, "(1) the operation relating to change of ownership of goods and (2) those related to the physical handling of the product itself."<sup>1</sup>

Several classes of markets may be distinguished in the domestic marketing of farm products. There are three types of markets: (1) local; (2) wholesale; and (3) retail. The functions performed in these markets are very similar in some respects, but there are reasons for each.

Local markets, sometimes called "growers' local markets," are found close to the area of production. This type of market can be found throughout the great grain, livestock, cotton, tobacco, vegetable, and fruit growing regions, in which local buyers are found ready to deal with the grower. Their chief services are to provide a convenient place at which the grower can sell his products from the surrounding growers in sufficient quantities for economical shipment. In order to perform these services, local markets, usually provide such facilities as: place for storage, loading and scales.

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Aldae L. Larson, Agricultural Marketing. (New York: Prentice-Hall, Inc., 1955), p. 49.

The concentration of farm products in local markets is the first step in assembling them at the great central wholesale markets. This operation is necessary because it would be rather inconvenient as well as expensive for most central market buyers to establish direct business relations with the many small-lot producers of the farm products they would like to purchase. The average farmer finds it too expensive and inconvenient to establish business connections at central markets. If the farmer were to establish these connections then the volume he would produce would be shipped in less than carload lots and the expense would be much greater.

The local storekeeper, the local buyer, and the local cooperative association assemble products from scores of farms. They provide the farmer with a ready market in which he can sell at once, and they are able to ship the products in car lots. Sometimes storage facilities for growers who prefer to hold their products for sale at a later date are provided.

Fruit, vegetables, butter, and eggs are frequently sold directly to local retailers. Some growers have a regular clientele of retail dealers to whom they sell. It is more time saving for the farmer to sell to retail stores than to sell to final consumers for, although he may receive less for his products, less time is consumed and less trouble is involved. To the retailer the main advantage of this idea is that it guarantees him a supply of fresh products in season. The retailer at some times may be faced with having to buy from several growers in order to provide a sufficient amount and variety of products for his trade.

This tends to increase the time and effort he must devote to buying. He must usually pay cash to the grower, whereas he commonly receives credit from the jobber. The source of supply is again far from being dependable; on any day one or more of his growers may fail to deliver, the quality and quantity of local crops vary widely from year to year, and in order to keep a steady supply throughout the season the retailer must deal with a large number of growers located in widely separated parts of the country. Many retailers meet this last difficulty through buying from local growers during their local season and purchasing out-of-season supplies through wholesale dealers.

Direct Sale to Consumers is one of the many ways farmers market their products and this method is only a small share of the total agricultural products which are sold.

Direct Sales at Home - The Sales by farmers to consumers at their homes are made commonly to those growers who sell direct to the consumer; the farmer who sells fruits, poultry products and dairy products are good examples. In Harrison County it was found that about 20% of the farmers sold products by this method. This method of marketing is found most frequently among farmers living near towns and cities. Marshall with a population of 27,900, serves in this capacity for the county.<sup>2</sup> The advantage of this method to the farmer is that he sells for cash and usually receives a higher price than he would by selling to the middleman. This type of sale is not expense free marketing in that (1) time is required to call on customers (2) expense of transportation to town

<sup>2</sup>Texas Almanac (1958-59), p. 574.

(3) extra packaging or processing and (4) time lost from production activities on the farm.

Roadside Markets are places of business located by the side of the road, the primary object of which is to sell locally-grown farm products. Products marketed by this method in the county are as follows: fruits, vegetables, poultry and dairy products. Roadside markets vary in size and facilities. For the most part, they are owned by the farmer himself and very limited facilities are used in this marketing operation.

The location of the markets are usually on main highways where traffic is heavy and affords a large number of potential buyers and should have adequate parking facilities. This type of market gives employment to members of the family usually the wife or children. The consumer receives fresh products of high quality at lower cost, plus the present day trend of service in the car.

TABLE I

## ROADSIDE MARKETS IN HARRISON COUNTY, TEXAS

Number	Highway	Direction from County Seat	Distance (in miles) from county seat	Type of Product sold
3	US 59	South	14	Vegetables, dairy products, poultry products.
3	Texas 43	South	10	Vegetables, Dairy products, poultry products, and watermelons.
6	US 80	West	16	Fruits, Vegetables, flowers.
2	Texas 43	North	5	Fruits, Vegetables, flowers.
2	US 80	East	12	Fruits, Vegetables, flowers.
2	US 59	North	5	Fruits, Vegetables, flowers.
18				

Source of Information - Survey of Markets in Harrison County, Texas, July 1959.

The total estimated income from these markets range from (200.00 to \$2,000.00 annually.) The total number of markets is 18 and of that number, 10 are permanent. Major fruits are peaches, pears, berries, and plums. The major vegetables are peas, cucumbers, cushaw, tomatoes, pumpkins, sweet potatoes, corn, okra, greens. Dairy product is butter and, eggs is the major poultry product.

Public Markets may be a market place where nothing more than a reserved space on a town or city street, or a reserved vacant lot for marketing organization. In this county it is located on the court house square and such products as fruits and vegetables are sold mostly on week ends during their season.



### Sales to Local Middleman

Most farm products are sold through middlemen operating at country shipping points. A few of the many middlemen are available in local markets to producers selling their products. They are part of the long trade channel, some are part of a comparatively short one, and others are part of several trade channels. In some cases the firm provides many services, some a few or one and is greatly dependent on the characteristics of the product.

Retail Stores, which are the two types, privately owned and chain stores handle the business in Harrison County with the chain store handling the greater volume as shown in the survey conducted. There are five major grocery chain stores located in Marshall which provide markets for locally grown farm products. These stores give some contracts to farmers for products and the price is governed by the prevailing market price of the store's wholesale houses located in larger cities. These products are then sold directly to the consumer-customer.

The recreation center of Caddo Lake also provides a similar market for farm products where a population of about 500 is served by near by farmers.

TABLE II

GROCERY CHAIN STORES OF MARSHALL GIVING THE MAJOR AGRICULTURAL  
BOUGHT FROM LOCAL FARMERS IN 1958

Store Number	Products	Price	Weekly Purchase
1	Watermelons	4¢ per lb	\$ 50.00
	Cashews	5¢ " "	10.00
	Peas	8¢ " "	15.00
2	Sweet Potatoes	\$4.00 per bu	40.00
	Peas	8¢ per lb	20.00
	Tomatoes	12¢ " "	150.00
3	Sweet Potatoes	\$4.00 per bu	35.00
	Tomatoes	10¢ per lb	20.00
4	Peas	8¢ per lb	45.00
	Tomatoes	12¢ per lb	35.00
	Watermelons	3¢ per lb	35.00
5	Watermelons	4¢ per lb	55.00
	Sweet Potatoes	\$4.00 per bu	50.00
	Peas	8¢ per lb	40.00
Total			\$ 600.00

Source of Information - Survey of Retail Food Stores in Marshall, Texas, July 1959. The data given is estimates as exact figures were not available during time of survey.

There are other retail firms which buy from farmers. The locker plant is one of them. In the past year many locker plants have expanded greatly on this basis. In some cases roadside markets have stocked supplies from farmers for later sale.

Auctions. The marketing of livestock has increased greatly in the county with the presence of the auction barn. It is an important local outlet for marketing of farm products. The price of livestock has been good and many farmers have increased their livestock production as a result.

#### Wholesale Markets

In the process of concentration, the contributions of individual farms are assembled in large quantities before they are finally dispersed to manufactures, jobbers and consumers.<sup>3</sup> Those products which are sold through the market of smaller cities for local consumption must often be concentrated in the central markets before they reach the smaller markets.

"Wholesaling" is the marketing of goods in large quantities. Agricultural wholesaling applies to the process of concentration, equalization, and dispersion which is a peculiarly characteristic of agricultural marketing. Wholesale sales for Harrison County during 1958 was \$9,771,000.00.

Classes of wholesale markets are broken down into three major types (1) central markets (2) secondary wholesale markets and (3) jobbing market.

<sup>3</sup>Fred E. Clark, and L. D. H. Weld, Marketing Agricultural Products: (New York: The Macmillan Company), p. 872.

Central wholesale markets are those in which goods are concentrated in large volume from local markets and directly from the producer. There are some of these products used in factories of the central market's metropolitan area and others are sold to jobbers and retailed for local consumption. Secondary wholesale markets are those markets which receive raw materials from central wholesale markets and disperse them to factories in mills. Jobbers markets assemble consumer goods from central markets and local markets supply the retail dealers. In some cases a marketing agency may be a part of one or all of these markets just discussed.

The apparently clear-cut distinctions just discussed are based primarily on types of operation rather than on geographical location. Frequently there are two or more types of operations carried on in the same area. In the sale of raw material, the operations of central markets and secondary wholesale markets may be in the same location within a given city. A given middle man may carry on operations in the central market and in the secondary wholesale or jobbing market. These marketing functions sometime result in specialization of market areas and frequently result in specialization of the wholesale middleman by the type of his operation.

TABLE III

TYPES OF MARKETING AGENCIES USED BY FIFTY FARMERS IN  
HARRISON COUNTY TEXAS  
IN 1958<sup>4</sup>

Agencies	No. Farmers	Percent of Farmers
Wholesale	49	98
Retail Store	36	72
Cooperative	20	40
House to House	10	20
Roadside Market	8	16

Source of Information - Survey of 50 Farmers of Harrison County, Texas, June 1959.

Retail Markets

The term retailing originally meant to cut again, to divide into pieces.<sup>5</sup> However, as of today it means the same, but the distinguishing feature of retailing is the sale of products to the consumer. It is the last step between the producer and the consumer of the goods and is of least of immediate interest to the farmer. In 1939, there were 1,770,355 retail stores doing a total business of over \$42 billion. In 1948, sales were almost \$130 billion.<sup>6</sup> As just shown, it is the retailer who sells most of the goods to the consumer. In knowing this fact we are unable

<sup>4</sup>Source of Information - Survey of 50 Farmers of Harrison County, Texas, June 1959.

<sup>5</sup>Fred E. Clark, and Carrie P. Clark, Principles of Marketing. (New York: The Macmillan Company), p. 291.

<sup>6</sup>Statistical Abstract, (1949), p. 906.

to exercise much direct influence on the retail market. The main reason for this is that most farm products must be processed to a greater or less degree before they are ready for retail marketing. Included in the class are wheat, tobacco, cotton, wool, meat animals, fruits, vegetables which must be canned, dried, or frozen. The fresh vegetables and fruits are not changed but must be cleaned, packed and stored before being sold to the consumer.

Retail sales are sometimes placed in four types (1) The retail store is a place of business in which goods of various kinds are assembled for sale to the consumer. This is the most outstanding of all the methods. Examples of this type of market is the grocery store, and clothing store. (2) Retail mail-order selling includes firms which receive orders through the mail and delivers the product by mail express, parcel post, and freight. These orders are usually made from printed catalogs or other mailing literature containing description and price of the goods. Example of this method are hatcheries and nurseries. (3) House-to-house selling is distinguished by the fact that representatives of the firm canvass potential buyers at their home or by telephone and sometimes the consumer calls the firm. The daily milk route where the salesman goes from house to house with his products is an example of this method. (4) Automatic vending, is the stocking of goods in vending machines which are released to the purchaser on the deposit of the exact change. Milk and peanuts are often found in these kind of machines in our modern marketing set up.

The retailer must have a wide variety of goods which may be produced many miles from his location. His goods must be in line with the desires of the consumer but often he can influence the consumer through advertising. The financing of his business operation includes not only the building and equipment but often he has to extend credit to his consumers. He does some grading and limited packaging of the products handled. The retail sales for Harrison County, Texas in 1958 was \$36,245,000.00.<sup>7</sup>

### Cooperatives

The principles of cooperation in agriculture marketing had its birth in England in 1844 with a store located on Toad Lane. The Rochdale pioneers set up the store to better their economic condition and in so doing set forth what are known as the Rochdale principles.

Cooperative marketing is somewhat young in the United States and did not develop to a large degree until after the Civil War. During this period such outstanding farm organizations as the Grange, Farmers' Alliance, American Society of Equity, Farmers Union and Farm Bureau were established. Cooperative marketing is world wide and Denmark is one of the leading foreign nations in this respect.

The services performed by cooperative marketing associations are closely related to those carried on by the orthodox type of middlemen.

Significant in the selling of farm products and purchasing of farm supplies.  
<sup>7</sup> Texas Almanac, 1958-59. (Dallas, Texas: Dallas Morning News) p. 575.

plies are the farmer's cooperatives which are found in every section of the nation.

The cooperative has for its aim to secure savings for its members, which means a higher price paid to the farmer for his product or a lower price charged for the supplies he buys. If this is accomplished, the farmer receives a higher net income which will consequently result in a higher living standard.

The following are three major cooperative principles which are very significant; they are also used to determine whether or not an organization is a cooperative. They are:

1. Democratic representation - commonly carried out as one vote per member.
2. Limited rate of return on capital invested.
3. Payment of savings on the basis of patronage.

The importance of agricultural cooperatives has aroused interest of the farmer and other business too. As shown above they differ from the more familiar forms of business enterprises and often meet with stiff competition from other businesses when in the infant stage.

Today many of the farmers' cooperatives are incorporated, but the method of control is different in a cooperative corporation from that of the ordinary corporation. In the ordinary corporation, the stock unit is the basis of voting so an individual who held ten shares of stock has ten votes and the individual who has five shares has only five votes. In the cooperative control is not based on money invested in the organization and in most cases one vote is given regardless of the amount in-



vested.

In Harrison County the most outstanding cooperative is the Sabine Bishop Cooperative which is located 15 miles south of Marshal on U. S. Highway 59. It was established in 1947 with 40 members and nine officers. The cooperative was organized to improve the marketing of agricultural products and thereby raised the standard of living of the surrounding communities. The cooperative does both buying and selling for farmers with an annual volume of business of \$50,000. Major products sold by the organization are feed, fertilizer, groceries, and gas (mostly for tractors). It handled \$15,000 worth of pickles on an average yearly basis for farmers of the County for the past five years.

In the process of handling the large volume of business it gives employment full time to two members and part-time employment to one member. Expense for employment is \$1800 yearly. The membership has grown from 40 in 1947 to 80 in 1959.

Returns received by the members and non-members are the same on purchase dividers with an average of \$1200 to those that trade full time there, and an average of \$600 to part-time traders. The members are able to save on the average of 10 percent on each item purchased.

Problems of the cooperative are listed in order of importance as given by the manager who has been in the organization since it's beginning. The problems are:

1. Lack of education of people to the advantages of the cooperative
2. Big chain-store competition

### 3. Lack of increased membership

In discussing education of the people, it was found that the people did not understand the method by which they would receive returns for their trading with the cooperative. As is true with most of the nation's farmers, their educational level is low compared with other non-agricultural workers. The competition offered by the chain store is great because of the large volume of business they do as compared to the volume of the cooperative. The membership problem is in direct connection with education. It has been proven that people do mostly the things that they know. Very few know and understand what it will mean to the community and to himself to increase the present membership.

## MARKETING FUNCTIONS

### Part III

It has been shown that in marketing goods from millions of small, scattered farms to millions of distant consumers, there are three major processes. They are concentration, equalization, and dispersion. But in carrying out these processes, there are certain main services, or functions that have to be performed by those engaged in marketing. Knowing something about the three processes helps one to understand why middlemen exist and why the marketing process is costly, and why existing trade organizations have been built up.

Business men have to undertake certain services if marketing functions exist. They are the services whose cost appear in the expense account of the merchant. They are the services that have to be rendered in concentrating goods from myriads of far-away farms, in equalizing supply and demand, and in dispersing goods in smaller and smaller quantities, until they reach the final consumer.

These functions have been called the "functions of middlemen." But here they are called "marketing functions," because they are the services that have to be performed in getting goods from producers to consumers regardless of who performs them. The middleman's duty is to perform these functions. In as much as the farmer is to grade, pack and haul his goods to a local shipping point he is performing a marketing function also. If he sells direct to a city consumer, no middleman is employed, but the marketing functions are performed just the same. The consumer often performs part of these services by going to the retail store and carrying goods home, and the manufacturer performs them in buying his raw materials and in selling his finished products.

The marketing functions may be grouped into two categories:

(1) monetary and (2) physical handling. The monetary functions include (a) buying and selling, (b) risk, and (c) financing. Physical handling function include (a) storage, (b) transportation and (c) standardisation.

Buying and selling are given here as one function since they are both part of the same operation in that it takes buyer and seller to make a marketing transaction. There are a number of jobs that a firm must carry on if it is to be successful and which come under buying and selling.

Management choice is one of the major factors in that he must make the choice of what products to include and the price to be paid and the price to charge for the product. Another important factor is the product wanted by the customer, whether he is a large wholesaler or the kid at the small corner store. Products must be found that are wanted and at a price that can be afforded by the customer.

The supplies of the firm depend largely on the demand for goods and the prospect of future trade in connection with the price to be paid and received for the goods.

The methods of buying products vary widely among different parts of the agricultural marketing system and this includes the commodities as well as the agencies. Some use send out or hire representatives to buy for them, while others depend on the representative from the selling firm to come to them. Others use catalogs which are prepared by the selling firm and order through mail or by telephone. It was found that a common practice in the county was for the farmer to call on the firm

acting as his own representative. This was especially true of fresh fruits and vegetables and in contrast the timber buyers send out representatives to the farmer for tracts of timber to buy and cut.

Advertising is used mostly by the seller of the goods or services and in some cases by the buyers. Frequently it is asked if agricultural producers should increase advertising and thereby increase sales. This could or could not be so, depending on whether the firm advertising is, or might come to be, operating under monopolistic competition. One potato farmer advertising would have little influence on market prices and the increase in sales is not likely to exceed the expense for advertising. However large cooperatives which have trade names such as "Sunkist" or Sunkist, Inc., make good use of it.

Before any transaction of buying and selling can be made there must be five things known and they are: (1) The quality of the goods (2) Quantity to be sold or bought (3) The place where the product must be delivered (4) The time the goods are to be delivered, and (5) The price to be paid for the products must be clearly understood.

### Financing and Risk

Somebody's money is necessarily tied up in all goods from the time they leave the farm until they have reached the consumer. Modern marketing requires vast resources in machines, materials, land, men and of goods. Financing is very much like risking in that it is carried on continuously. To meet these demands of our economic system the control of funds is necessary, and the means by which these funds are supplied

is called financing.

Seasonal variations in marketing brings with it special problems during the various seasons. There are products that are marketed year round and some only in season and the problem of finance would differ in that respect.

Characteristics of the business would have a great influence on finance requirements. The inventory of stock a firm will carry and the turnover are part of the factors which must be taken in consideration. Then there is the problem of financing others such as is done by a feed company who finances the farmer in broiler production which is a method used in the county. The act of buying ahead to maintain a large supply of products to insure the meeting of demands for a given product. These are problems that must be considered in financing the marketing of farm products.

Credit is often used in the marketing of agricultural products. For the use of this capital interest is charged by the lending agency which will vary, depending on the type of loan and the nature of the business.

The whole marketing process by means of which goods are taken from producer to consumer involves risk. That being true anyone who becomes the owner of goods during the marketing process has to run certain risks.

One of the major risks in marketing is the fluctuation of prices. During 1957 the price for hogs in the county were much higher than they were in 1958, and as a result the production of hogs for market use was

considerably smaller in 1958 as compared to 1957. The change in price had a direct affect on income of the farmer with other factors of production remaining constant.

The matter of deterioration is another factor that causes great risk. Fresh fruit and vegetables are leaders in deterioration with age and they lose their sale value. Grain and cotton however do not have the high risk value with age but do possess some.

The place where the products are stored and human risk should not be over looked. The farmer must make a choice of storing his products on the farm or with some other storage firm and in either case there is a risk involved. The human element may come with securing untrained employees and in the case of the farmer himself who often through bad judgement makes a bad deal.

Often times some of the risk is shifted by the use of insurance, government, guarantees, contracts, and hedging. In the case of insurance the risk is still there but it is taken by the insurance company on such things as property damage, loss of income and accidents. In contracts the price is given to the farmer for his goods before he plants. A good example is the cucumber contract given farmers and all the cucumbers that the farmer will produce according to the standard grades are sold at the price given before planting. The government will guarantee a price of some agricultural products which is very much like the example just given. In hedging one may buy at a given price and sell on the same day in the future market. In that way a loss would be off set by a gain.

TABLE IV

## METHODS OF FINANCING FARMING OPERATIONS BY FARMERS OF HARRISON COUNTY, TEXAS

Name of Institution	Amount Borrowed (In Dollars)						Total
	1-99	100-499	500-999	1000-1499	1500-1999	2000 & above	
Local Banks	1	11	6	2		1	23
F. C. A.		1				1	2
F. H. A.		2	12	1		1	16
Feed Store	1	2	1	1			5
Local Merchants	3	3	2				8
Farmer Himself	10	9	1	1			21
<b>TOTALS</b>	<b>15</b>	<b>28</b>	<b>24</b>	<b>5</b>		<b>3</b>	



In order to reduce the risk there are three things which could be done (1) increase knowledge of the business operations (2) take proper care in operating and setting up the business program (3) set up regulations to be followed in the business.

There is no way to shift all the risk and if it were the cost would be too high. This means that the three factors named above should be given careful consideration in the marketing of all agricultural products.

### Transportation and Storage

The physical transfer of products from producer to consumer is accomplished by means of highly specialized and technical activities of transportation and storage. The movement of products from the sources of production to the place of consumption is transportation. The holding of products from the source of production until time of consumption is storage.

There are four major methods of transporting agriculture products from one point to another. Railroads transport large quantities of agricultural products in the United States. The railroad has meant much to the growth of agriculture and the nation. The movement west was due largely to the development of railroads. Before the days of railroad, cattle had to be driven to the market which was very costly and slow. Today's system of railroads makes it possible for fresh fruits and vegetables to be shipped from Texas to New York in a matter of hours.

Within Harrison county railroads play a very minor part in the transportation of products to the markets because of the short distance the goods must travel.

Trucking has made rapid growth in the transportation of agricultural products. The number of trucks in transportation have been on the rise since they first started registration in 1904.<sup>1</sup> Most of the short distance hauls are made by trucks. In 1948 it is reported that trucks hauled 82 per cent of the total freight.

In Harrison county trucks do the major transporting of all goods. The trucks vary in size and sometimes the family car does some trucking with the aid of a trailer.

Water transportation moves large volumes of goods between the United States and foreign markets. However, large amounts of the total water transportation is done in and around the nation. The transporting of goods is up and down the coast lines of the nation, in the Great Lakes and the Gulf of Mexico. Harrison county has no water transportation of products as of today.

Air transportation is very young in America and has not reached its full expected capacity. The majority of agriculture products are bulky and the cost of air travel would run too high. Air travel would have an advantage of faster service, no cooling would be necessary be-

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<sup>1</sup>Fred E. Clark and C. P. Clark, Principles of Marketing, (New York: Macmillan Company, 1942), pp. 597-615.

cause of the cold atmosphere and little packaging would be needed.

There is a great and rising amount of competition for the transporting of farm products and most of it is between truck and railroad.

Who pays for the transportation of farm products is on for argument. The consumer, processor, and producer all say they pay for it and they all play a part in the complex marketing system of which transportation is of vital importance.

Storage - Whenever and wherever products are bought together for sale, it is necessary to provide facilities for storing them. Since farm production is largely seasonal, crops maturing in the fall largely and since consumption runs year round, rain or shine, food products must be stored in times of plenty to be used when they would be scarce.

The storage problem is one that is ever present. In storing there are mainly two kinds of storing and they are commodity warehouse and cold storage. In Harrison county both types of storage are used. The locker plant is an example of cold storage and the feed mill warehouse is an example of commodity warehouse storage.

On the farms it was found that a variety of methods were used in storing farm products, included in this group are: canning, deep freeze, smoke house, and under shade trees, barns, and in shocks.

The cost of storage was limited and so were the facilities which were used by the farmer. It was noticed that the higher the income of the farmer the better his farm surroundings were which included storage facilities.

TABLE V

TYPES OF TRANSPORTATION USED BY FIFTY FARMERS OF HARRISON  
COUNTY, TEXAS IN MARKETING AGRICULTURAL PRODUCTS  
IN 1958

Vehicle	No. of Farmers	Percent of Farmers
Trucks	43	86
Cars	7	14
Wagons	5	10
Tractors	2	4

Source of Information - Survey of 50 Farmers of Harrison County,  
Texas, June 1959.

TABLE VI

METHODS USED BY FIFTY HARRISON COUNTY FARMERS FOR STORAGE  
OF AGRICULTURAL PRODUCTS IN 1958

Crop and Vegetables		Livestock and Poultry Products	
Name	No. Farmers	Name	No. Farmers
Barn	42	Smoke house	34
Bank	30	Pantry	31
Potato Curing	12	Locker Plant	5
Deep Freeze	7	Cooler	1

Source of Information - Survey of 50 Farmers of Harrison County,  
Texas, June 1959.

## PART IV

## COMMODITIES FOR MARKETING

The marketing of agricultural products is as old as man himself. This was true in the days of Joseph who marketed corn to his brothers and father. Today the methods have changed and more changes are expected in the future. The grain markets alone marketed 180 million tons of grain in the United States.<sup>1</sup> There were more than 11 million bales of cotton sold during 1947 in the United States.<sup>2</sup> In the livestock markets of the United States, farmers received \$9.3 billion in 1947.<sup>3</sup> In 1948, farm cash receipts from dairy products were 14 percent of the total cash receipts from farming (\$30,803,000,000) in the United States.<sup>4</sup>

In Harrison County, Texas during the year of 1958, farm products marketed are listed under these three groups: crops, livestock, and poultry. In the tables are shown the major farm products which were marketed during 1958.

The marketing of cotton is done through the farmer and the buyer at the cotton gin. These gins are well distributed through the county with no more than thirty miles needed to travel from farm to gin. In order to market this cotton the farmer must have a permit showing that

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<sup>1</sup>Adlowe L. Larson, Agricultural Marketing. (New York: Prentice Hall, Inc., 1951), p. 197.

<sup>2</sup>Bureau of Agricultural Economics, United States Department of Agriculture, The Cotton Situation. (November-December, 1949), p. 8.

<sup>3</sup>Bureau of Agricultural Economics, United States Department of Agriculture, Crops and Markets. (1949 ed.), p. 78.

<sup>4</sup>Bureau of Agricultural Economics, United States Department of Agriculture, The Farm Income Situation. (January, 1950), p. 4.

he was allowed to plant a given amount by the government. This is part of the nation's production control program. Corn is marketed to the buyer for feed or it may be marketed through the farmer's livestock. Marshall Mill and Elevator Company provides the largest single market for the county's corn crop. Peas are sold to the local chain stores by contract methods, house-to-house methods, and in roadside stores and wholesale food companies, one of which is located in Marshall and others that come into the county to buy potatoes (sweet and white). They are sold to the wholesale dealers that come into the county, food stores house-to-house and roadside markets. Tomatoes are sold mostly to the local food stores within the county. Sorghum syrup is sold in roadside markets and on the farm to others in the community that do not produce the product. Timber marketing includes logs, pulp wood, gum blocks, and cross ties. Representatives of the various firms come to the farmer and bargaining often takes place there on the farm. Sometimes the farmer may, in low production seasons, perform some of the functions such as cutting and transportation of these products. Cucumbers have been gaining in popularity during the past five years. This crop is marketed by the contract method to the Sabine Bishop Cooperative and is sold to a pickle firm in Fort Worth, Texas. Hay is sold to other local farmers who buy mostly during the winter season when their own supply becomes exhausted. Other vegetables and fruits are marketed on the farm, house to house, roadside markets and local food stores.

Livestock marketing in Harrison County, Texas has increased during the past ten years due mostly to the increase in price. Then

TABLE VI

## MAJOR CROPS MARKETED IN HARRISON COUNTY, TEXAS FOR 1958

Name of Product	No. Farmers	Amount Sold		Income	
		Total	Ave.	Total	Ave.
Cotton	42	452 bales	10.76	\$73,878.00	\$1,759.00
Corn	19	710 bushels	37.36	1,440.00	75.78
Peas	33	76,055 lbs	2304.79	4,111.00	124.57
Potatoes	15	350 bushels	15.00	717.50	47.83
Tomatoes	5	3,500 lbs	700.00	185.00	35.00
Peanuts	15	421 bushels	28.06	1,872.00	124.80
Sorghum for syrup	3	350 gallons	166.66	790.00	233.33
Other vege- tables and fruits	10	1500 lbs	150.00	750.00	75.00
Hay	3	900 bales	300.00	450.00	150.00
Timber	22	1090 cords	49.54	11,068.00	503.09
Cucumbers	16	66,500 lbs	4156.00	3,766.00	235.37
TOTAL				98,937.50	3363.77

Source of Information - Survey of Fifty Farmers in Harrison County, Texas, June 1959.

TABLE VII

## MAJOR LIVESTOCK MARKETED IN HARRISON COUNTY, TEXAS IN 1958

Name of Products	No. of Farmers	Amount Sold		Income	
		Total	Ave	Total	Ave
Beef	35	283 head	8.08	\$26,738.00	\$ 763.94
Hogs	21	180 head	8.57	6,810.00	324.28
Dairy Products	6	183,100 lbs	30,516.06	8,328.00	1388.00
Sheep	1	30 head	20.00	802.00	802.00
Rabbits	1	30 head	30.00	60.00	60.00
TOTAL				42,758.00	3338.22

Source of Information - Survey of Fifty Farmers in Harrison County, Texas, June 1959.



part time farming has increased with many of the industries located in the county and in nearby towns of the area. This has provided extra capital for investment in livestock most of which is beef as shown by the survey conducted. Dairying is low because of the large amount of initial capital investment needed for the enterprise and it is a full-time job year round. The markets for livestock are on the farm where the buyers come to the farm for animals to auction off at the county auction market, and others in nearby counties. The farmer himself markets a large percent of his livestock (pork and beef) in the same manner. Pork has dropped in price and many farmers no longer market their pork. It is produced but used for the home. Dairy products, including whole milk and butter, are sold at wholesale, on the farm, and house to house. The wholesale marketing by far exceeding all of the others as whole milk is sold to Borden Milk Company located in Marshall. Sheep are marketed to local buyers that sell to packing houses. Rabbits are sold on the farm. Poultry and poultry products in the county have dropped along with the price. During the past five years the price of broilers was up and everyone was trying to produce for the market. Poor management, low prices have cut the number of farmers marketing poultry products. Eggs produced for market, are sold on the farm, to food stores, colleges, and by the house - to - house method. The market for turkeys is usually on the farm where selling is directly to the consumer. Most of these sales are made just before the winter holiday season begins. Chicken for market are few and those that are for market are sold on contract, house-to-house, and on the farm.

TABLE VIII

MAJOR POULTRY AND POULTRY PRODUCTS MARKETED IN HARRISON  
COUNTY, TEXAS FOR 1958

Product	No. of Farmers	Amount Sold		Income	
		Total	Ave	Total	Ave
Eggs	7	1,038 doz.	148.28	\$ 519.00	\$ 74.14
Turkeys	7	18 head	14.00	537.00	76.71
Chickens	3	675 head	225.00	272.59	90.86
TOTAL				\$1,328.59	\$241.71

Source of Information - Survey of Fifty Farmers of Harrison County,  
Texas, June 1959.

## PART V

### MARKETING POLICIES

#### Price and Price Policies

Price is a matter of fundamental interest in the market. Buyers and sellers alike are constantly watching prices. The consumer seeks, in the end, service and quality; but service and quality being what they are at the time, price is the point of interest to him. To the producer, manufacturer, mine operator, and farmer, the price received for his product, a given volume assumed, measures his margin above or below unit costs. For the merchant, price determines the margin on which he must operate in any transaction and the markets in which he can buy and sell. Both producer and middleman are interested in prices, not only as determining their volume of sales and margin of profit, but also because they determine the expense of doing business as shown in the price of raw materials, machinery, labor, funds, land, and services, the cost which must be met if the business is to continue.

The price of an article is its market value expressed in terms of money. Market value is power in exchange. The price of an article or service, therefore, is an expression in terms of monetary units of the power which that article exercises in exchange on the market, that is, of the money it will buy and, hence ultimately, of the goods and services for which it can be exchanged.

In modern industrial countries prices are generally determined

under competitive conditions, that is, under conditions in which rival business concerns endeavor to sell or purchase similar products.

The theory of price under pure competition assumes that all producers will offer identical products on the market. It is also assumed that there are many sellers and many buyers, each operating on a small scale, and hence that no one producer or buyer can materially influence price through his own market operations. It is also further assumed that prices are made in a market place to which buyers and sellers come, or that information concerning conditions in the market is available to all; and consequently, that they know the various bids and offers that are made.

In modern industry cost of production and marketing are not uniform. Different producers selling in the same market will have different costs under changing conditions.

If expenses of production in an industry increase as individual producers increase their volume of production, an enlarged demand will tend to bring more individual producers into the market, although part of the increased demand will probably be supplied by the increased production of firms already in the field.

It is also true that supply is not readily and quickly adjusted, made large or smaller at the will of the producers; and the news of the market, that is, of the facts of demand and supply, is neither so widespread nor so accurate as has been assumed. In fact, with the exception of prices fixed by custom or the dictates of convenience and of certain partially controlled prices, such as monopoly prices and fixed prices

by the government, the failure of prices to conform closely to cost of production is due fundamentally to our lack of knowledge of the facts of demand and supply, and to our inability to predict their future relations accurately and quickly.

Economists sometimes speak of two kinds of prices as existing under a competitive regime. One of these is the marketing price. This is the price set by sellers or offered by buyers at which actual transactions are completed. The other is the normal price, that is, the price which tends to prevail over a period of time and at which the producer's average revenue per unit equals his average cost.

On the assumption that prices for all products tend toward the normal price of their kind, that is, toward cost of production, it remains to explain some of the more important conditions which tend to keep actual market prices from reaching the normal price. These conditions include: (1) the failure to forecast conditions of production and trends in demand accurately; (2) the failure of business men to enter or leave the market quickly when prices are unfavorable; (3) custom and convenience; (4) monopoly; (5) semi-monopoly; and (6) government control.

Knowledge of the actual conditions which will prevail on the market at a future date, near or distant, is never complete. Even the most perfect news service cannot report the many changed situations that may arise between the time the market is forecast and the time the prospective exchange actually takes place. Not only may changes occur in conditions affecting production, such changes in the weather

floods, pest or improvement in methods which result in cheaper processing or better products, or both, but changes in demand likewise may arise.

The change in prices may have an immediate effect on the volume sold, changes in the volume produced and in plant capacity are seldom made response to price changes. They are likely to be long delayed, sometimes for years. And when demand falls off or increases, price changes do not always follow immediately. One of the fundamental reasons for this delay is the importance of overhead cost in modern industry.

Since competitive prices are also limited by custom and convenience, dealers become use to charging certain prices and consumers become use to paying them, and whether expenses go up or down, often within wide limits, prices remain the same. Here inertia is a strong factor in prices.

Monopoly affects price from the side of supply. It implies control of the prices at which goods will be offered for sale. In case of monopoly, although the monopolist could not dictate prices at which the consumer will be forced to buy, as is sometimes assumed, it is true that he can fix the price at which the goods can be purchased.

The ideal monopoly price, that which will bring the monopolist the greatest net income over a period of time, must be determined with such considerations in view. For most products the choice must lie between (1) high price and high unit profit, but a small number of sales, and (2) many sales at low prices with a small margin of profit per unit.

A clear understanding of semi-monopoly power is important to an understanding of the conditions of modern pricing. For not only may semi-monopoly result in different prices for approximately the same product, it actually means that for certain products there can be no single "market" price.

### National Government Policies

The powers of government are also used to influence prices. Governments frequently attempt to influence prices with a view of raising them, or at least with a view of protecting the interests of someone rather than the consumer of the products whose prices their activities affect. Protective tariffs commonly result in higher prices, and recent efforts to curtail the production of certain farm products and the purchase of "surplus" commodities by governmental agencies have increased prices to growers as their primary objectives. And of course many other governmental activities affect prices; control of railway and trucking rates aim to prevent cut-throat competition. And such laws as the Robinson-Patman Act, state "fair trade" acts, reinforced by the federal Miller-Tyding Act, and state "unfair practice" acts, all have a definite tendency to raise some prices at some points, and many believe that they have a general price-raising tendency.

In May, 1933, President Roosevelt approved the Emergency Farm Relief Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extre-

ordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint stock land banks, and for other purposes. The purposes of Agricultural Adjustment was to eliminate the disparity existing between prices of farm products and prices paid by the farmer for goods purchased and to restore the relationship existing in the period 1909 to 1914.

The Agricultural Adjustment Act was passed to correct some of the maladjustments which were said to exist and which had been the source of considerable discontent on the part of the farmers.

In the 1870's and 1890's wheat farmers were complaining bitterly of low prices and high interest rates on mortgaged property. In 1912 all three political parties included in their platforms a plank favoring the improvement of agricultural credit facilities, and in 1916 the Federal Farm Loan Act providing for the organization of land banks was passed.

The War Finance Corporation began in 1921 to make loans to co-operatives, to livestock loan companies, and to banks handling agricultural credits. This assistance encouraged the formation of Cooperatives, assisted those already organized, and thus permitted the farmer to market his crops at less cost and receive greater returns for his products. The Capper-Volstead Cooperative Act was passed in 1922 to permit the cooperatives to operate without running afoul of the Sherman Anti-Trust Law.



Another plan which was beginning to find favor at the same time was the domestic allotment plan which proposed to give the farmers the world price plus the amount of the tariff duty for the amount of their crop consumed domestically. The system of allotments to producers of rights to sell to the domestic market. The amount of the allotments was to be based on yield in previous years and the proportion of the total crop which was usually exported. An adaptation of this plan was proposed by Professor Black of Harvard University in the form of the "transferable rights" domestic allotment plan. Under this scheme the allotment rights were to be transferable, thus permitting a farmer harvesting a small crop to realize something on his allotment and to provide him some return to compensate for his small crop. Professor Black believed that such rights could be discounted during the crop season and provide a form of production credit to the farmer.

The emphasis on Agricultural reform changed somewhat with the passage of the Agricultural Marketing Act in 1929. The Federal Farm Board was established by this act with a revolving fund of \$500,000,000. This act intended to "protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products." To accomplish this the board was authorized to control surpluses by whatever means it deemed best. One method which the board used in an attempt to reduce marketing costs was the encouragement of the development of farmer cooperatives, and financial assistance was rendered to these groups. The board attempted to persuade growers to reduce production, but these voluntary measures proved to be w  
quite ineffective.

The program of crop diversification was presented at a meeting of farm leaders in Washington on the week-end of January 12, 1936, as the administration's plan for salvaging the Agricultural Adjustment Act. Previously President Roosevelt had stated that he was opposed to any scheme involving an increase in acreage, saying, "we must avoid any national agricultural policy that will result in shipping our soil fertility to foreign nation."

A soil Erosion Act designed to encourage the prevention of soil erosion and depletion had been passed in 1935. After much discussion in Congress the Soil Conservation and Domestic Allotment Act was passed by both the House and the Senate on February 27, 1936.

During the past ten years such programs as farm to market roads and the soil bank program have had their affect on prices of farm products. Farm to market roads have cut down on transportation cost and time which gives the farmer more net return on prices received for products. The soil bank program had for its purpose to cut down on production and keep the markets of farm products from becoming flooded, at the same time improve the soil. This program and large number of other programs seem to favor the big farm operator.

The marketing of agricultural products is of great importance to the county, state, and nation. This being true laws must be passed to protect members of our marketing system which changes with conditions. The acts and laws which have been passed have for their objective to better our economic condition through the many agencies that market our agricultural products.

## PART VI

### SUMMARY

Fifty farmers, five major chain food stores, five private grocery stores, two wholesale dealers, one farmers' cooperative, and five professional workers in the county were interviewed to secure the marketing practices most frequently used in marketing the major agricultural products of Harrison County, Texas. Marketing of agricultural products is of great importance to the County in that 30.6 percent of the population are rural farm people.

Marketing agencies of the County range from on-the-farm markets to wholesale and back to retail including cooperative markets. The fifty farmers interviewed marketed their products through five agencies with each farmer doing business in at least three. From the fifty surveyed marketing agencies used were: wholesale, 49; farmers, retail stores, 36; cooperatives, 20; roadside markets, 8; and house-to-house, 10. The chain food stores make a practice of buying from local farmers as long as the quality of the product is good. The price paid for identical products are the same 75 percent of the time with most products bought from the farmer. The most often named problems of buying from the farmer were those of improper handling of product, not being dependable, and poor grading of products. This was true for all the marketing agencies. In the cooperative the problems were very much the same with the lack of members and competition offered by the large chain stores.

Marketing functions of the County of the fifty farmers show that 33 farmers use contracts, 36 used oral agreements, 18 made a study of marketing conditions, and 38 produced products in hopes of a market. Where plans were made for marketing products, the income was greater on products produced. Many of the farmers used all four methods in the marketing of their products.

TABLE IX

METHODS USED BY FARMERS TO SECURE MARKETING INFORMATION  
IN HARRISON COUNTY,  
TEXAS

Agricultural Agencies		Others	
Names	No. of Farmers	Names	No. of Farmers
Voc. Ag. Dept.	37	Radio	28
County Agent	26	Television	17
E. H. A.	23	Newspaper	11
E. C. A.	0	Magazine	18
Secured No Information	7	Secured No Information	13

Source of Information - Survey of Fifty Farmers in Harrison County, Texas, June 1959.

In financing the farming program, 46 per cent used the local banks as compared to only 4 per cent using Production Credit Association. Loans ranged from \$1.00 to \$99.00 class up to \$2,000.00 and above class with the majority of the loans in the class of \$100.00 to

\$499.00. Transportation of products to local markets was made by trucks with only two using tractors. Storage of products was done mostly on the farm with 42 using barns and only 7 using the deep freeze. The places for storage were in fair to good condition with a few exceptions.

The major products marketed by the farmers were crops. There was a range of \$185.00 for tomatoes to \$73,878.00 for cotton, with an average of \$3,363.77 for all products marketed. Livestock marketing was second in terms of total income received; rabbits, \$60.00 as compared to \$26,738.00 with an average of \$3,338.22 and the total of \$42,738.00. The average income from livestock is higher than crop but the total crop is \$56,199.50 less. The marketing of poultry ranged from \$272.59 for chickens to \$537.00 for turkeys, giving a total average income of \$241.71 and total income of \$1,328.59.

TABLE X

## INCOME OF FIFTY FARMERS IN HARRISON COUNTY, TEXAS IN 1958

Class of Commodities	Total Income	Average Income
Crops	\$98,937.50	\$ 3,363.77
Livestock	42,738.00	3,338.22
Poultry	1,328.59	241.71
TOTAL	\$143,004.09	\$6,943.70

Source of Information - Survey of Fifty Farmers in Harrison County, Texas, June 1959.

Policies affecting the market of farm products are not generally well understood by the local farmer.

However, "there are some meetings that have been conducted in the past five years that would help the farmer improve this condition," as reported by the retired Negro County Agricultural Agent. The vocational agricultural adult classes program, County Agent program, Farm Home Administration meeting, and offices of the Production Credit Association are all open to the farmer. Information of the present condition of markets and the future development expected in marketing are very essential to a good marketing system. The policies of the government affect the marketing operation and the farmer should study to prepare himself for the challenging marketing situations of our times.

## PART VII

### RECOMMENDATIONS

The following recommendations are offered as suggestions for improving the marketing of farm products produced in the county:

1. The farmer should make more use of the information given on marketing of the products he is planning to produce and market price for all products of the area.
2. The farmer should give more support to the local cooperative in membership and business.
3. Improve the grading and handling of products to insure a better net return on products sold.
4. Secure contracts with local markets in and out of the county to improve outlets for the farmers' product.
5. The farmer should keep farm records to aid him in the planning for the next year's farm program.
6. Arrange the production of products so that they meet the high seasonal price peaks whenever possible.
7. Secure loans when needed large enough to meet the complete needs of the farming operation and with an institution large enough to extend long-time credit if needed.
8. Improvements should be made in the selection of enterprises for the farm on the basis of new markets.
9. Vocational Agricultural Teachers and County Agents should set up an adult education program that would meet the marketing

needs of the county. After the program has been set up it is the duty of the farmer to attend the meeting in an effort of improving his income, and standard of living.

10. The students of vocational agriculture should have some theory of marketing with most of the emphasis placed on practical marketing of farm products. This may be done through field trips to various marketing agencies and observe the various functions as they take place.
11. The colleges should give the prospective agricultural leaders training in the marketing and research. The courses should include field trips in connection with theory.



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