

## CHAPTER XIV

### FROM PRODUCER TO CONSUMER

I AM convinced that America would be the cheapest place in the world to live in were industry and agriculture free from the many obstacles to production and the many agencies which take tribute from the consumer. There is land enough; there are men enough; there is willingness enough to produce fuel, food, lumber, and all of the necessities and comforts of life if the obstacles that lie in the path of agriculture and industry were swept away, as has been done in some industries and as has been done to all industry to a greater or less extent in other countries.

What can be done to eliminate unnecessary costs, middlemen, speculators, and dealers? How can the producer be brought to the consumer and the farmer be insured that protection in the marketing of his product that is essential if he is not to be discouraged from producing at all? Before trying other remedies, such as regulation, price-fixing, etc., why should not the very simple expedient be tried of freeing industry and agriculture from the control of parasitical agencies and the laws of supply and demand be given a chance to operate? We had such freedom up to the advent of monopoly in the nineties and we had no cost-of-living problem.

Moreover, this is the procedure adopted in the countries where the problem has been reasonably solved.

What are the necessary steps to secure such freedom of production and distribution in the food supply?

(1) Let us begin at the farm. It is obviously impossible for each farmer to find his own market in the distant city. It is absurd that he should ship his produce in broken lots at excessive freight rates and have no responsible consignee to whom his produce can be sent for sale. The first step is to organize shipments from the farm. And this is not difficult. It can be done by the creation of a State department of markets, with provision for county or local warehouses, to which any farmer can bring his produce and receive a receipt for it from a State agent or a representative of the farmers' organization if it is done by co-operation. Then the combined consignments of all of the farmers can be shipped to the city market in car-load lots irrespective of individual ownership. This would mean a saving in freight rates to the individual. It would relieve the isolated farmer of the necessity of seeing his produce through to the city, where in many instances he is defrauded of the value of his produce by the consignee or paid a nominal price fixed by the fictitious sales made by the exchanges. This is the Australian method, where the State produce

export departments receive the produce from the farmer at the railroad station and take it to the State-owned terminals on the seaboard, where it is either sold for domestic use or is exported to England, and an accounting rendered to the farmer.

Such a system of marketing has also been worked out by the citron-growers, orchard-owners, grape-growers, and wine men of California. They have formed co-operative market associations which collect, pack, and ship the produce of all the members to the Eastern markets. They have agents or consignees in the cities who receive and sell the combined shipments and account to the central agency in California for the sales, which agency in turn settles with the individual members.<sup>1</sup> This, too, is

<sup>1</sup> The California Fruit Growers' Exchange, a co-operative society, has been in existence twenty-one years. It handled \$50,000,000 worth of perishable fruits in 1916 at a cost of 1.78 per cent. for bringing its products to the wholesaler in eastern markets. It makes deliveries to 2,500 wholesalers. It maintains agents all over the country who handle the products of the exchange and dispose of shipments either at auction or by private sale. There are no dividends and no profits. The organization is managed by the fruit-growers, and has cut out all middlemen except the local wholesaler and the retailer. In 1916 the exchange forwarded 12,000,101 boxes of oranges, lemons, and grapefruit, or 67 per cent. of the total citrus fruits shipped from California. As a result of its activities the citrus-fruit growers have greatly increased their returns from the crop. In addition, losses from bad debts and all other causes totalled only \$102.73 in the year 1916. It cost them 5.65 cents per box, or 1.78 per cent. on the delivery value of the fruit. It presented and collected from the railroads claims amounting to \$111,557. It has accumulated a balance of \$159,064, available for refund to its members. The exchange is nation-wide in its activities. It includes a total of 162 shipping associations, and maintains 77 sales offices. About 8,000 members are served by it on a co-operative, non-profit basis at a negligible cost.

the plan in universal use in Denmark by the dairymen, cattle and hog raisers, the egg and poultry men, who collect, pack, ship, and market directly to their customers through co-operative agencies. Possibly voluntary co-operation is too difficult for diversified farming and truck-gardening in this country. As an alternative, a State department for collective marketing, such as is proposed in New York, with county agents who would receive, ship, and sell at the final market, is the best solution. This would cut out the solicitors for the city dealers, it would reduce the cost of transportation, and would give the farmer a responsible agent, under surety bond, in the city to whom he could look to sell and account for his shipments.<sup>1</sup>

(2) In every large city there should be one or

<sup>1</sup> The following is a description of the methods by which the Danish farmer reaches his market in London. It was published in the *New York Evening Mail*:

"Just picture what goes on in Denmark, a country where farmers are prosperous. Consumers buy cheaply, and there are no robbers who stand between them. In this country the farmers are not prosperous, the consumers do not buy cheaply, and there are robbers between them. In Denmark, on a country road in the afternoon, one can see a man wearing the cap of the Farmers' Co-operative Association pushing a cart through the village, gathering from each house a dozen or two dozen eggs, tubs of butter, and packages of cheese. As he takes the produce he stamps the eggs and records the quantity delivered in the record book of the member. At the end of his three or four mile trip he meets a half dozen other men at a small transfer-station owned by the co-operative association. At the transfer-station great wagons or trucks are loaded with the products brought in by the hand-carts, and the trucks haul their loads to a near-by railroad-station. At the railroad-station enough is concentrated to fill a railroad-car.

"The railroad-car proceeds to a seaport, where it meets scores

more large terminal markets owned by the State or the city. They should be located on the railroads and water-fronts. They should be built over the tracks so that produce could be unloaded easily and placed in temporary or permanent storage. The terminal warehouses should be operated by the department of markets which should receive and sell consignments from inland points. These terminal warehouses should be of adequate size for all kinds of produce. They should contain cold-storage and refrigerator establishments into which perishable commodities could be placed, either in bulk or in small compartments, which could be rented by the shipper, by retail dealers, or by any individual consumer, like the safety-deposit boxes of a trust company. The warehouse should be equipped for meat, fish, fruit, poultry, butter, eggs, vegetables,

of additional cars loaded with the products of the association from all parts of Denmark. At the seaport a ship, owned or chartered, is waiting, and the train-loads of products are put aboard and started for England. In England the ship is unloaded into the warehouse of an English co-operative association to whom the Danish association has sold. Between these two associations the produce has been contracted for on a sliding scale for a year in advance. Between the farmers of Denmark and the working men of London there is no middleman.

"Take out your note-book and make a memorandum of the middlemen who stand between the farmers of Iowa and Wisconsin and the working men of New York and New England.

"Observe that the Danish produce moves in bulk—full carts, full trucks, full cars, full ships. That is the economy of transportation. Contrast it with our postmaster-general's proposition that individual farmer and consumer shall meet by using the parcel-post. He wants each of the million families in New York to receive, in separate shipments, one chicken, one package of butter, one dozen eggs. That is the height of waste in transportation."

and all kinds of perishable products. The purpose of the warehouse is to create conditions similar to those that obtain in non-perishable products whose price remains the same throughout the year. If storage were provided for any one who desired it at a low rate it would be almost impossible for monopoly to exist, for monopoly becomes increasingly difficult as the number of persons engaged in a business is increased. If the farmer, the buyer, the wholesale and retail dealer as well as the consumer himself were able to buy and store for the future, combinations to keep up price would be next to impossible. Under such conditions the most perishable produce would have a competitive value, just as has clothing, furniture, machinery, dry goods, or any other commodity whose value is determined by the cost of production rather than the ability of those who control it to effect a corner.<sup>1</sup>

The terminal warehouse should be provided with auction-rooms for auctioning produce at public sale in bulk. Here daily sales of consignments could be made to retailers as is now done by the private consignees in the large cities. Only, under existing conditions the consignees and auction brokers are too often in collusion. They fix artificial prices and work in co-operation with the railroads, commission-

<sup>1</sup> For a description of how terminal warehouses owned by the state operate to protect the farmer and the buyer, see Chapter XI, on "How Australia Controls the Food Problem."

men, and exchanges to reduce the return to the farmer and increase it to the retailer. The public auctioneer should be licensed by the State. He should be under the supervision of the department of markets and should be compelled to give a surety bond for the honest fulfilment of his duties. Or the auctioneer could be a State official, and the expense of his office could be borne by a small commission on sales, as has been done in New York.

Such a warehouse and selling agency under State control is urged by Commissioner Dillon of New York. By this plan all of the middlemen will be cut out and there will be substituted a public agency which will receive the produce of the farmer at stations throughout the State, which will give the farmer credit for what he brings in to the shipping station, and then ship the combined deliveries to the city in car-load lots and effect a substantial saving in freight rates. And in order to cut out the middlemen he would have the State or city erect a \$3,000,000 terminal warehouse and wholesale food market, conveniently located in the city, to which the produce could be shipped. In connection with the warehouse he would establish three co-operative stores, located in different parts of New York City, to which retailers and consumers could go and purchase food directly from the farmer through the department of markets. Into the terminal the railroads would bring the produce from the agencies

in the country districts, where it would be stored or sold to the retailers. By this means the entire process of collecting, storage, and sale would be under public control from the producer to the retailer.

The marketing of products through public agents in New York City was tried in a small way by the department of markets and foods in 1915. One of the products first handled was peaches, in which there was a particularly large crop. An agreement was made by the department of markets with the Truck Auction Company to sell the fruit at the receiving terminals daily at public auction. The producer was charged 5 per cent. on the sales, 3 per cent. being for the services of the auction company and 2 per cent. going to the department of foods and markets for expenses. The result was advantageous to both the producer and the consumer. The former received from 15 per cent. to 25 per cent. more than he had previously received from the dealers. "The publicity of the auction sales and prices caused a better distribution and a larger consumption than formerly and also reduced the price to the consumer." This is Mr. Dillon's opinion of the experiment.

The department also succeeded in raising the price which the farmer received for his apples and at the same time reduced what the consumer paid for them. In this experiment also the object was to eliminate the dealer. The department announced that on

market reports on the condition of the crop, \$2.75 to \$3 a barrel would be a fair price for apples of the best grade. This was the price, therefore, which the farmer asked. During the preceding year, when the crop was smaller and the export demand greater, the farmer had been receiving only \$1.50 and \$2 a barrel from the dealers. As a result of the experiment with apples the consumer bought his apples at one-third less than in the previous year despite the higher prices received by the producer. The department made an arrangement with several of the large retail chain stores by which they bought the apples daily at auction and agreed to sell them at a price not to exceed 20 per cent. advance. The press gave the whole matter much publicity, which resulted in a generally lower price for apples to the consumer.

When the department tried a similar experiment with hay it failed because the railroads would not permit it to make sales on railroad premises, a right which they freely accorded the private dealers. They would not even give any assurances as to the time of delivery of the hay, probably at the request of the dealers. Yet these same railroads, particularly the New York Central, have made strenuous efforts to develop the handling of California fruits to New York and equipped an auction-room on their premises on the mere prospect of getting this trade. There is, of course, greater profit in the

long haul than in the short haul for the railroads. And for reasons of their own the dealers as well as the railroads prefer long-distance shippers. At any rate, they get in their cars from Chicago, Kansas City, and other distant points to New York with the regularity of passenger-trains and often much quicker than from central New York State.

Such a public terminal would automatically end the power of the middlemen. The local dealer would buy directly from the farmer through the farmers' representative or at public auction. The price of all commodities dealt in would be fixed by private and public sales. These prices could be published in a bulletin printed for that purpose as is done in some cities. Actual sales would fix prices instead of fictitious quotations by the egg, butter, poultry, and other exchanges, which deal in futures or paper sales. It would be impossible to deal in futures or to establish a price months in advance for farm produce. For the farmer himself would be able to place his food in storage if he so desired. He could hold it for a month or for six months. So could the retail dealer. There would be no dealings in futures, for all the buyers and sellers would be in active competition all the year round, and the law of supply and demand would fix the basic prices as is done in all non-perishable commodities.

(3) A series of local markets, both enclosed and open, should supplement the central terminal mar-

kets. These markets should be well located. They should be owned and managed by the city. They, too, should contain cold-storage facilities or refrigerator space to be rented to stall-holders or retail merchants. The stall rentals should be on a basis sufficient to pay maintenance charges and cost of operation and no more. There should be public supervision of prices and requirements for their report and posting.

The success of local markets depends on location, on size, on the variety of produce offered for sale, on cleanliness and attractiveness and the creation of the marketing habit among the people. Local markets have existed all over Europe for centuries. Many cities in America operate markets, and the number is rapidly increasing. A survey of the municipal public markets of the United States by the State bureau of municipal information of New York in 1917 shows that forty-four out of fifty-six cities say their markets are a success; that they tend to keep down prices; that they bring producers and consumers together; and that through the creation of competition with retail dealers they insure better produce and render a real service to the community.

Only a few American cities have given the public market a chance. The Southern cities, especially Baltimore, Washington, Charleston, New Orleans, as well as Cleveland, have had markets for a long

period of time and have honestly endeavored to make them a success. And these cities have materially reduced prices. Retail dealers and real-estate interests have prevented markets being opened at all in many cities or have prevented them being built or operated in a manner to attract customers. The city of New York had permitted its markets to fall into disuse. Population had shifted away from them. During the early months of the European War the advance in prices led to the use of city-owned open spaces under the bridge approaches as open markets. Representatives of the city went out into the country and encouraged the farmers to make use of these spaces at a moderate rental. Four markets were opened for the sale of fruits, vegetables, meats, poultry, and other produce. Almost overnight these previously vacant places became teeming market-places for rich and poor alike, as many as 100,000 persons a day making use of them. Prices immediately fell, and buyers were able to save often as much as  $33\frac{1}{3}$  per cent. on their purchases. Prices were also reduced in the stores throughout the city, while the farmers, who had previously had a very precarious sale for their produce, now began to sell directly to the consumer as had been the practice a generation ago. But the real-estate owners and dealers organized a protest against the competition of the market, and, responding to this demand, the city authorities fixed an

almost prohibitive rental on the market spaces, which either destroyed the markets or discouraged their use.

Some years ago the municipality of Cleveland established an open market for the sale of fish by the fishermen of Lake Erie, who had been compelled to sell their catch to the fish trust which controlled the local market. Fish had been selling at from 15 to 20 cents a pound. The city fixed a price to the fishermen of 3 cents a pound, the price they had been receiving, and sold fish directly through a committee to dealers throughout the city at 5 cents a pound. As a result the trust met the city's price while fresh fish were obtainable instead of storage fish which had been under refrigeration for months.

Fish should be the cheapest of food on the seaboard cities. Yet the sale of fish is almost completely in the hands of combinations or trusts, which control the price paid the fishermen and the price as well as the quality of fish that the local dealer can buy. As a result, fish for which the fisherman receives 3 cents a pound at the wharves is sold a few blocks away at from 15 to 20 cents. Yet the city could easily end this monopoly by the opening of fish wharves to which the fishermen could bring their catch daily and sell at retail or at auction, as is done all over Europe where fish is the universal food of the poor.

The city of Baltimore, with its three big munic-

ipal markets, has reduced the price of a number of articles of food. On June 22, 1917, fresh eggs were selling there at 36 cents a dozen, as compared with 48 cents in New York City. Ham was 30 cents a pound, bacon 38 cents, and sirloin steak 25 to 32 cents. The reason why food is relatively so cheap in Baltimore is that the principal products come from within a hundred miles of the city. The markets are municipally owned and the rentals are reduced to a minimum, thus making it attractive for the farmer to come to town and sell. The highest price paid for a stall in the meat section is \$48 a year. Under the sheds the prices range from \$24 to \$36 per year, while street stalls cost only \$22 a year. Farmers who come in irregularly pay 25 cents a day. As compared with these rates, the price for market space in New York is \$1.50 per square foot, which is a prohibitive price for the farmer from the districts outside the city, while the stall-holders pay from \$1,500 to \$3,000 a year.

The superintendent of city markets in Baltimore says that most markets fail because the farmers have not been encouraged to come in and sell direct. The markets are frequently controlled by profit-making manipulators. The Baltimore markets are more than self-supporting, although no attempt is made to derive revenue from them for other than market purposes.

(4) The meat supply can never be controlled save

through local public abattoirs. Inasmuch as the Western ranges produce cattle for the entire country, the great packing establishments in Chicago, Kansas City, Omaha, Fort Worth, and elsewhere should be operated by the national government. Only by such ownership can the cattle-grower be shielded from the practices described in a previous chapter, and the consumer be protected from monopoly prices.

In addition slaughter-houses should be built and operated by individual cities all over the country. This would encourage the raising of cattle, hogs, and sheep by local farmers, an industry which has been killed by the railroads and the great packers of the West. This would be a good thing for both consumer and producer, while the diversification of farming would not only make agriculture more profitable, it would enrich the farm as well. Moreover, it is great waste to carry live cattle across the country to be killed and back across the country to be sold. This increases the cost; it insures a control of the industry by the packers and owners of the refrigerator-cars and forces the local butcher to comply with the terms of the meat trust, which drove the production of local beef out of the market a generation ago. The local butcher had to buy from the trust or be put out of business. If he refused, the trust opened a competitive store and compelled the local butcher to come to terms. Public

slaughtering, too, is sanitary. It insures meat that is free from disease and reduces the possibility of combination and price-fixing because it cuts out all operators save the farmer and the local butcher.

(5) The waste in the delivery of milk due to competing distributors which cover the same territory is one explanation of 3-cent milk to the farmer and 12-cent milk to the consumer. But even under the present wasteful methods of distribution it should not cost from three to four times as much to bring milk to the consumer as the farmer receives for producing it, and if it does, then the methods of distribution should be radically changed and the waste eliminated.

Two perfectly feasible plans have been suggested for cheapening the cost of milk. One is that the State or city provide receiving stations to which milk can be sent in bulk from the country. Here it would be received from the railroads and delivered by public authority or by licensed delivery agents to depots all over the city. Such depots could be opened in the groceries, butcher shops, drug-stores, and even in the schools, so that buyers could purchase milk in bottles from the depots instead of having it delivered.

The other suggestion is that the sale of milk should be taken over by the city entirely. The city could be divided into districts and, instead of a dozen milk wagons covering every street, a single delivery

would suffice. The delivery wagons could be owned and operated by the city, or the right to deliver could be granted to individuals under bond to the city that they would not charge more than a fixed price; and the license should be revoked if the agreement was violated or the milk was watered or otherwise depreciated. It is believed that milk could be sold, under such an agreement, at from 6 to 8 cents a quart instead of 10 or 12 cents, which is the prevailing price. Then the farmer would be assured a permanent market; he would be able to insist upon a fair price and would be protected in his dealings all along the line. Then it would be to the interest of the city to promote cattle-raising in the neighborhood, not only for dairy but for food purposes. The distributors could not play one section of the country against the other; they could not beat down the producer by bringing in milk from another territory and, after having developed the industry in one part of the country, play the producers against one another as was done during the milk strike of the farmers in New York State. When it is considered that the life of the babies of the city depends on milk, that it should be the commonest of food products, it needs no demonstration that the city should be as much concerned over its milk supply as it is over sanitation, cleanliness, or any other subject that affects the life and well-being of the people. But only by eliminating the middlemen

and opening up a direct connection between the producer and consumer can the present monopoly and high prices which prevail be broken down.

(6) This leaves only the means of transportation to be considered. And the railroads are the key to the whole food problem. For the railroads are the main link in the chain of distribution. And they are not run for service but for profit, and largest profits are to be made from unsocial methods of administration. This is the main reason why the transportation agencies cannot be left in private hands. Moreover, they are interlocked with so many other agencies and so many other monopolies that their operation by the government would automatically break the power of the warehousemen, packers, exchanges, and other parasites that live off the industry of the country and contribute little or nothing to it.

If the government is not willing to acquire and operate the railways, substantial freedom could be secured by the expansion of the parcel-post into a food-distributing agency as it is in all European countries. The government could acquire express-cars and refrigerator-cars and cars for package freight and have them hauled by the railroads just as are the express and fast-freight cars at present. The limits on the size and weight of parcels should be abolished and the post-office become a distributing agency for such commodities as are essential to

the life of the community. Individual farmers could ship directly to individual consumers or retailers. They could thus be assured of means of transportation and of delivery as well. Moreover, rates and charges should then be fixed by the government, as they are in the parcel-post, rather than by the carriers, who have it in their power not only to decide what freight shall be carried and what not, but also to fix arbitrarily the rates for carriage, which in many instances are so prohibitive as to kill the industry.

With an unlimited parcel-post, local gardening, the raising of poultry, eggs, butter, etc., and their direct shipment to market would become a possibility, as it was in the days when each farmer drove to the near-by town and sold his produce to his own customers. There is nothing extraordinary about such a proposal. The parcel-post is used all over Europe as a means of marketing directly and for cutting out of the middlemen.

The proposals herein suggested merely open up the distributing agencies. They offer a free means of circulation between the consumer and producer. They destroy all of the useless middlemen and make it impossible for them to live. They re-establish conditions that prevailed all over the country up to a generation ago. And the high cost of living only appeared with the coming of these agencies that should have reduced the cost of living and

been of great service to the producer as well. But instead of being a boon to society, the distributing agencies and warehouses have become a burden. But with the circulatory system free and unimpeded, with the highways under public control, with all of the terminals and warehouses operated for service rather than for profit, then conditions similar to those which prevail in the making and sale of watches and automobiles would be established and the law of supply and demand would operate on the production and distribution of food and establish a price at the cost of production as it does in all other industries and activities where free competition prevails. And this is the only alternative short of a socialization and government control of the whole subject.