1974 Census of Agriculture

U.S. Department of Commerce
BUREAU OF THE CENSUS

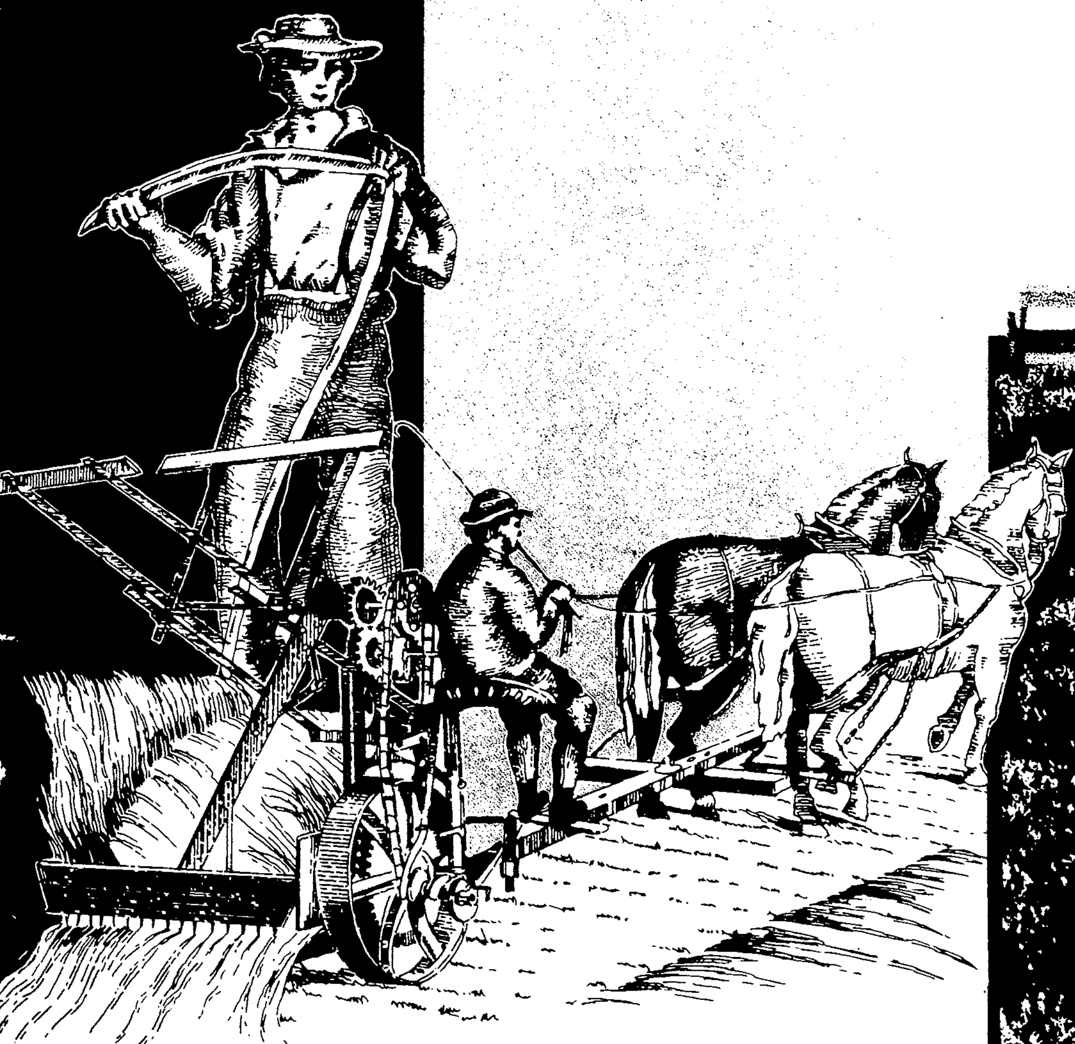
U.S. Department of Agriculture
ECONOMICS, STATISTICS, AND
COOPERATIVES SERVICE

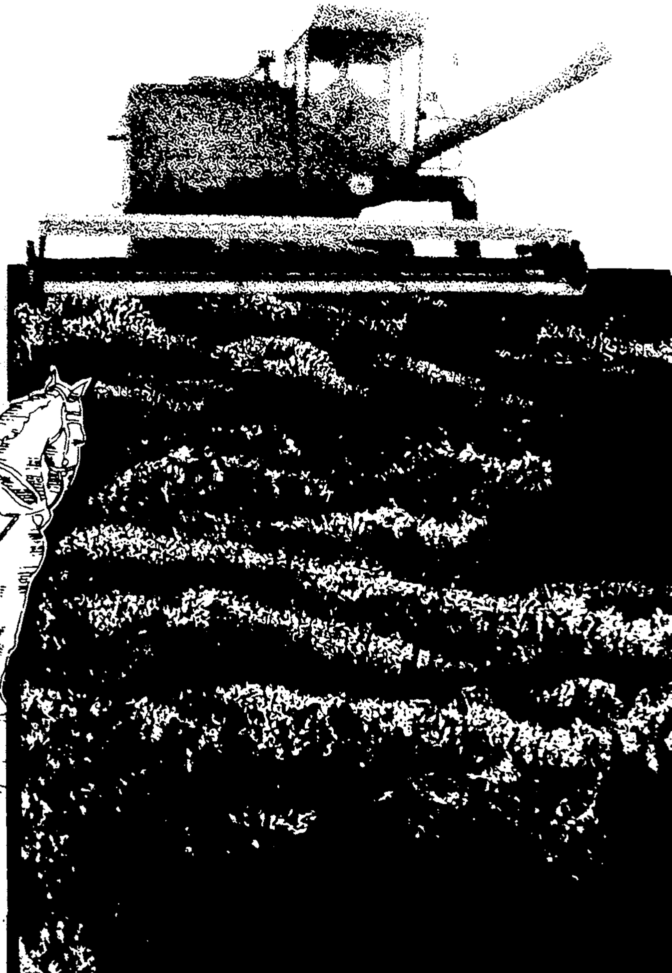
Volume IV

Special Reports

Part 7

Agricultural Production and Marketing Contracts





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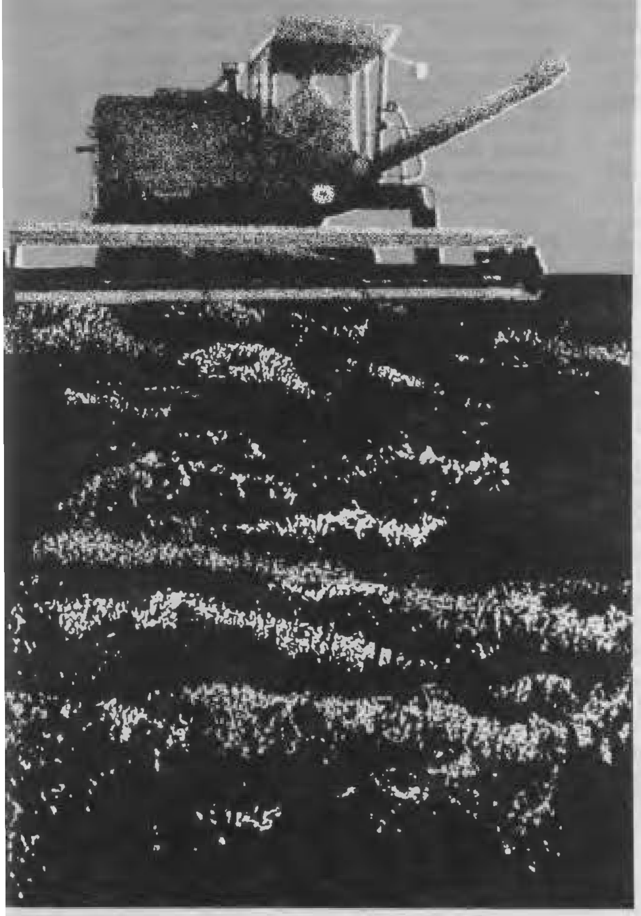

Issued February 1979

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ACKNOWLEDGEMENTS—Many persons participated in the various activities of the 1974 Census of Agriculture. Primary direction was by **Shirley Kallek**, Associate Director for Economic Fields. Her predecessor, **James W. Turbitt**, now Associate Director for Administration and Field Operations, directed the early stages of planning for the census.

This report was prepared in the Agriculture Division under the general supervision of **Orvin L. Wilhite**, Chief, and **Arnold L. Bollenbacher**, Assistant Division Chief. **Thomas D. Monroe**, Chief of the Livestock Statistics Branch, assisted by **James T. Cowan** and **James C. Vogelsang** was responsible for the overall planning including the specifications for editing and tabulations. **Linda J. Hutton** prepared the computer programing for the tabulations. The statistical tables were reviewed and the text was prepared by **James C. Vogelsang. Regina E. Lindsey** provided editorial services and liason in the publications area. **Charles E. Rogers** and **David D. Chapman** provided the sample selection specifications.

Allen J. Blackburn, under the direction of **Stephen W. Schobel**, prepared the computer specifications for editing and, with the assistance of **James D. Pizzola**, performed the computer edit programing.

The Data Preparation Division in Jeffersonville, Ind. under the direction of **Don L. Adams**, Chief, assisted by **Rebecca Nesbit**, performed the data keying and a large portion of the clerical operations for this report. **William A. Harlan** and **Arlon M. Scott** were responsible for the technical direction. The computer processing facilities used were under the general supervision of **Thomas C. Dinenna**, Chief of the Computer Services Division.

Within the Publication Services Division, many individuals made significant contributions in the areas of publication planning and design, editorial review, composition, and printing procurement.

This survey was sponsored by the National Economic Analysis Division, Economic, Statistics, and Cooperatives Service of the U.S. Department of Agriculture. **Bruce H. Wright, Donn A. Reimund**, and **J. Rod Martin** gave generously of their time in establishing data requirements and priorities for this survey.

Special tribute is paid to the farm and ranch operators and other people associated with the contracting of agricultural commodities who furnished the information requested in the survey. Only through their cooperation was it possible to collect and publish the data in this report.

Library of Congress Cataloging in Publication Data

United States. Bureau of the Census.
1974 census of agriculture.

CONTENTS: v. 1. State reports. v.—v.2. Statistics by subject. v.—v. 3. Agricultural services. v.—v. 4. Special reports. v.
1. Agriculture—Economic aspects—United States—Statistics—Collected works. I. Title. II. Title: Census of agriculture.
HD1753 1974.B87 1977 338.1'0973
76-608387

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REPORTS OF 1974 CENSUS OF AGRICULTURE

Preliminary Reports. Four pages of data published separately for each county having 10 farms or more, and for each State, the four geographic regions, and the United States. *The statistics printed in these reports are superseded by those in the final reports, Volumes I through IV.*

Volume I. State and County Data. One for each State, the United States, Puerto Rico, Guam, and the Virgin Islands, covering the area and its subdivisions. The reports for the States contain data for all farms and farms with sales of $2,500 and over. *Chapter I* contains detailed data at the State level classified by size of farm, tenure and age of farm operator, type of organization, value of products sold, and major type of farm; *Chapter II,* county data summarized by subject; *Chapter III,* county data by subject for miscellaneous crop and livestock items found in relatively few counties; *Chapter IV,* county data by county.

Volume II. Statistics by Subject. Nine parts containing data for the United States, geographic regions and divisions, and States, for all farms and farms with sales of $2,500 and over.

Volume III. Agricultural Services. Data by county for each State covering establishments whose primary activities are providing agricultural services. Data at the U.S., State, and county levels for all establishments are presented for selected four-digit standard industrial classification codes by size and type of organization. Data shown include dollar volume of business, gross receipts from products provided, gross receipts, labor and payroll by type of service performed, capital expenditures, and expenditures for electricity, gasoline, petroleum, and other fuels.

Volume IV. Special Reports.

Part 1. Graphic Summary. Profiles the Nation's agricultural system in a series of U.S. maps, a number of which are printed in color. The characteristics of America's farms in 1974 are illustrated for crops, livestock, and many other characteristics.

Part 2. Ranking Counties and States. Reports on the top ranking 100 counties and 10 States in descending order of importance for 88 selected items for 1974 with comparative data for 1969.

Part 3. Coverage Evaluation. Shows the completeness of the agriculture census for States, geographic divisions, and the United States. Data also show the characteristics of farms missed by value of sales and by selected standard industrial (type-of-farm) classifications. Sampling reliability of the estimate of coverage is shown by value of sales classifications.

Part 4. Procedural History. A comprehensive summary of the procedures used in conducting the 1974 Census of Agriculture in the 50 States, Puerto Rico, Guam, and the Virgin Islands. The history explains the procedures used from early planning and testing through tabulation and publication of the final reports.

Part 5. Corporations in Agricultural Production. Presents U.S. and selected State data on farm production characteristics and nonfarm business activities for corporations reporting agricultural operations, including the proportions of business receipts from farm, farm-related, and nonfarm-related business activities. Where appropriate, production characteristics are related to corporate characteristics.

Part 6. Partnerships in Agricultural Production. Reports in depth on characteristics of farm partnerships for 1976 for the United States, with selected data for States. The survey data are based on a sample of partnerships selected from the 1974 Census of Agriculture. Where appropriate, related characteristics reported in the 1974 census are shown. The report has been prepared in cooperation with Economic Statistics and Cooperative Service, U.S. Department of Agriculture.

Part 7. Agricultural Production and Marketing Contracts. Presents detailed information on eight commodities produced and/or marketed under production and marketing contracts in 1977: Feeder and stocker cattle, fattened cattle, feeder pigs, slaughter hogs, broilers, layers, tomatoes, and potatoes. Data are presented for groups of States comprising areas of concentration, based on samples of farms reporting contracts in the 1974 Census of Agriculture. The report has been prepared in cooperation with the Economic Statistics and Cooperative Service, U.S. Department of Agriculture.

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INTRODUCTION

Authority, Area Covered, and History

The 1974 Census of Agriculture was taken in accordance with the provisions of title 13, United States Code, reaffirmed by section 818 of the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86). Sections 142(a) and 191 of title 13 provide for a census of agriculture every 5 years in each State, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. The 1974 census is the 20th nationwide census of agriculture and the second conducted primarily by mail.

Source of Data

All data presented are from the 1977 Contract Survey which was conducted in late 1977. This survey was conducted by the Bureau of the Census in cooperation with the Economics, Statistics, and Cooperatives Service (ESCS) of the U.S. Department of Agriculture (USDA).

The principal items included in the report forms were determined in meetings with the ESCS and from written suggestions received from USDA staff members located in areas where contracting of the commodities is a common occurence.

In August 1977, draft versions of the report forms were field tested in a limited number of interviews conducted by professional staff members of the Agriculture Division and several staff members of ESCS, who also obtained the respondents' reactions to the purpose and content of the survey. Based on results of the field test and comments received from the professional staff, the finalized version of the eight report forms (A70 to A77) were mailed to the selected sample of respondents in early October with two subsequent followup mailings. The original mailout was comprised of 5,475 report forms.

Unpublished Data

Essentially all data collected in this survey has been presented in the accompanying tables. Exception to this occurs with regard to the data collected for fattened cattle contracts. The problems encountered in this phase of the survey will be discussed in Limitations of the Survey Data.

Historical Data

Since 1960, the census of agriculture has attempted to gather data on the use and characteristics of contracts in a number of surveys or censuses. The majority of these efforts, however, concentrated on tabulating the incidence of various commodities being produced or marketed under contract arrangements rather than the collection of data regarding contract characteristics. In the 1960 Sample Survey of Agriculture, approximately 147,000 (4.5 percent) of all farm operators reported that they had contracts relating to the production or marketing of 1 or more of 14 selected farm products.

Contracts or agreements were reported by an estimated 141,000 farms (6.5 percent) of farms with sales of $2,500 or more in the 1965 Sample Survey of Agriculture. A majority of these contracts involved the production of poultry or fruits and tree nuts.

The 1969 Census of Agriculture tabulated 156,000 contracts on farms with sales of $2,500 and over. Information was obtained for production and marketing types of contracts.

Volume I, Part 51, **United States Summary and State Data,** presents data regarding contract usage as collected in the 1974 Census of Agriculture. The data reported involved type of contract, type of contractor, items furnished by contractor, amount received, and whether the amount received was specified in the contract.

No directly comparable historical data, however, exist for the 1977 Contract Survey.

Office Processing

The report forms for all respondents were reviewed prior to keying the data to magnetic tape. This involved a clerical screening of the forms for completeness as well as a review by professional staff members of any unusual data problems. Telephone calls were made to those respondents whose reports were significantly incomplete or whose contract status was uncertain. Upon completion of this review, the data were keyed to magnetic tape and subjected to the computer edit program for consistency checks. Any inconsistencies were identified by the computer and edit listings were produced to be clerically reviewed. Corrections made at this stage of processing were then carried to the computer record. Following the edit review, the data were tabulated. The table review stage consisted of verifying the data and making adjustments to correct minor discrepancies.

Abbreviations and Symbols

The following symbols are used throughout the tables:

- Represents zero.

NA Not available.

GENERAL EXPLANATION

Background

Perhaps the most obvious trend in the development of the agricultural industry in America has been the movement from complete subsistence farming of the colonial era to the highly specialized farming of today. Until the late 1800's most products grown on the American farm were consumed there. In contrast, today's farmers actually consume very little of the commodities they produce and rely on the market to assimilate all or nearly all of their production.

Advancements in technology in the last 30 years have enabled farmers to increase the productivity of their operations through increased acreage and specialization. In adopting this technology, the farmer has had to make a significantly larger financial investment of both production and capital costs. During the same period, techniques of food processing, distribution, and marketing have also become more specialized. Markets increasingly are requiring a more uniform supply and standardization in quality of product.

To meet these marketing needs, large processors have arranged various kinds of contracts with producers to ensure the quantities and qualities of products required. On the other hand, producers faced with a lack of financial resources or with increasing financial risks at the market place often view contracts as a means of stabilizing their incomes. Thus, the use of production and marketing contracts have increased significantly in recent years.

Simply stated, a contract is a written or oral agreement between the farmer and another party that specifies one or more conditions of the production and/or marketing of an agricultural commodity. Certain agricultural products tend to be contracted more than others depending on the nature of the production and marketing practices for the commodity in question.

Tabulations of the 1974 Census of Agriculture indicated the extent of use of production and marketing contracts by farmers as a means of channeling commodities to market. Approximately 156,000 farm operators reported the use of production or marketing contracts. This represents 9.2 percent of farms with sales of $2,500 and over in the United States. However, specifics regarding the nature and characteristics of contractual arrangements were lacking. The purpose of the 1977 Contract Survey was to provide this specialized information on contracts for a select group of commodities by collecting data on the methods used to initiate a contract, the terms of individual contracts, and the provisions for variation in quantity and quality produced. Additionally, data were obtained on the type of organization of farm business and the farm income of those surveyed having legitimate contracts. The grounds for terminating the contracting arrangements were requested for those reporting no contract in 1977.

Due to the range, variability, and the complexity of contractual arrangements and to facilitate the collection of meaningful data, the survey was limited to eight commodities commonly produced under contract as reported in the 1974 Census of Agriculture. The commodities selected were feeder or stocker cattle, fattened cattle, feeder pigs, slaughter hogs, broilers, chicken eggs, tomatoes for processing, and potatoes. Eight separate report forms were used with questions tailored to each commodity.

This approach was employed for making the questions more direct and easing the job in completing the report form. The similarities among the general content of the report forms, however, still enable the comparison of contractual arrangements used for the different commodities. Copies of the report form used in each survey follow the tables for each commodity.

The collection of data for the 1977 Contract Survey was limited to selected regional areas. Those respondents reporting a contract for one of the eight commodities on the 1974 Census of Agriculture were subjected to the sampling procedure based upon their regional location. Descriptions of these regions are graphically presented in the U.S. maps that preface the tables for each commodity. Note should be taken that the regions surveyed vary by commodity. The use of regional definitions permitted the concentration of data collection efforts in those areas of the United States where the use of contracts for the specific commodity is prevalent, and minimized the size of the sample required.

Sample Selection

The sampling procedure used for the contract survey provided a total mailout of 5,475. All cases were selected from farms with more than $2,500 in sales and with a contract reported on their 1974 Census of Agriculture report forms for the commodity being surveyed.

Regions were selected where contract usage for the commodity was more highly concentrated. Samples were drawn for each commodity in the predefined regions. Once an individual farm was selected to receive a particular report form, the farm record was no longer eligible to be sampled for a second commodity grown under contract. This action had a negligible effect on the sample selection, however, as few respondents reported 1974 contracts for more than one of the eight commodities.

The number of States to be sampled, the priority employed in selecting an individual reporting more than one of the eight commodities under contract, and the sample size of each commodity surveyed were:

States sampled	Commodity and priority	Sample size
21	Tomatoes for processing (1)	532
27	Potatoes (2)	805
28	Feeder pigs (3)	283
28	Slaughter hogs (4)	344
25	Fattened cattle (5)	144
27	Feeder cattle (6)	433
37	Chicken eggs (7)	1,173
24	Broilers (8)	1,761

Collection Procedures

The contract report forms were mailed to the respondents on October 14, 1977. Following the original mailout, there were two mail followups which took place at approximately 2-week intervals. The data collection activities conducted by mail resulted in total receipts for all form types of 3,788. Following the mail collection activities, telephone interviews were conducted to attain a minimum response rate of 80 percent in each of the selected regions for each commodity. There was no reason to believe that the nature and characteristics of the response for the remaining 20 percent of these individuals mailed survey forms would differ from the 80 percent responding. Hence, for reasons of economic feasibility and expediting data processing, this acceptable response rate of 80 percent was utilized. The telephone followup interviews were conducted by staff members of the Jeffersonville and Washington offices of the Bureau of the Census and resulted in 647 additional receipts for a total response of 4,435 (81 percent).

Limitations of the Survey Data

This survey was designed to collect specialized information on contract characteristics and usage. The choices of commodities surveyed and the design of the report forms facilitated the accomplishment of this objective, but at the same time precluded the meaningfulness of expanding the data to reflect contract characteristics of all farmers in the United States who utilize contracts. Hence, the data as presented represent only totals for each of the eight commodities surveyed and in no way have been expanded to represent all individuals utilizing contracts for the commodities in question.

All farm operators chosen for this survey reported the use of a contract in 1974 for the production or marketing of one of the eight commodities being enumerated. A brief review of early survey receipts, however, indicated that a sizable number of respondents had either misunderstood and misreported contract usage on their 1974 census reports or did in fact utilize contracts in 1974, but were no longer producing or marketing the commodity under contract in 1977. Final tabulations of all respondents indicate the latter case to be true in approximately one-third of the cases. Table 1 presents data regarding the number of contracts reported active in 1977, the number of contracts reported terminated prior to 1977, and the grounds for their termination.

Entry into and exit from contract usage was more pronounced with certain commodities than it was with others. In the case of fattened cattle, the survey size of 144 cases produced only 9 active contracts for calendar year 1977 and 55 respondents reporting the termination of their fattened cattle contracts prior to 1977. As a result, the presentation of fattened cattle data in the same table format as employed for the remaining seven commodities would not be meaningful.

The data as published represent the reported data with only inconsistencies reviewed and corrected. Minimal imputation of data was performed during processing.

Definitions and Explanations

For exact wording of the questions and instructions in the survey forms, see the reproductions at the end of the tables for each commodity surveyed.

Farm—The 1974 Census of Agriculture farm definition was employed for this survey and was stated as "all land on which agricultural operations were conducted under the day-to-day control of an individual management, and from which $1,000 or more of agricultural products were sold or would normally have been sold during a year."

Farm operator—Again the 1974 Census of Agriculture definition was used which was "a person who operates a farm, either doing the work himself or directly supervising the work."

Contract—In this survey a contract was defined to be a binding agreement, which may be either written or oral, between the farm operator and another party that specifies one or more conditions of the production and/or marketing of one of the eight commodities surveyed.

Table 1. **Contracts Active in 1977 and Contracts Terminated Prior to 1977**

	Total	1977 contracts	Contracts terminated prior to 1977	Grounds for termination: Individual decision	Group decision	Joint decision	Decision by contractor
Feeder cattle	339	89	103	81	5	10	7
Fattened cattle	116	9	55	45	5	3	2
Feeder pigs	234	132	70	55	4	7	4
Slaughter hogs	281	56	154	133	4	6	11
Broilers	1,408	1,056	337	272	5	15	45
Chicken eggs	930	557	320	269	7	21	23
Tomatoes for processing	425	280	134	109	3	5	17
Potatoes	640	359	218	190	5	5	18

Contractee/producer—These terms are used interchangeably throughout this survey in referring to the farm operator that is the party of the contract responsible for producing or raising on his place one of the eight commodities surveyed.

Contractor—The contractor is the party offering the agreement to the producer and who will, at a point in time, gain ownership of the commodity in question.

Additional definitions used in the 1974 Census of Agriculture are published in Volume II, Part 1, **General Information: Procedures for Collection, Processing and Classification.**

Summary of Findings

Production Versus Marketing Contracts

A frequently employed categorization of contract arrangements is that of production versus marketing contracts. In general, production contracts are agreements whereby the contractor supplies some or most of the inputs for production and generally the terms of this contract are very specific in nature. Conversely, the contractee is limited in the degree of control over the amount produced and the production practices of the commodity under contract and generally provides such production inputs as labor, utilities, housing, machinery and/or equipment. A major advantage of production contracts is that the contractee bears a minimum of risk in undertaking the contract with the price to be received generally agreed upon prior to or during the production period. The price received by the contractee generally does not reflect the full market value of the commodity (see table 7). Additionally, the individual utilizing a production contract, in many cases, would not grow or produce the commodity unless the contractual arrangement existed.

The terms of marketing contracts, however, are generally dominated by the contractee with the primary responsibility of the contractor being to provide the market for the commodity. The contractee or producer is free to employ a high degree of entrepreneurship in the production of the commodity and is thereby compensated by a payment more reflective of the market value of the product.

Although classification of contracts into production or marketing is not exact, based on data for seven commodities shown in this report, it is possible to classify the contracts of certain of the commodities as being production or marketing oriented. In the case of broilers, for example, the key terms of the contract appear to be determined by the contractors, a major share of the production items are furnished by the contractors, and the determination of the payment to be made is dominated by them. The contractee exercises a minimum degree of control over broiler production with the major inputs supplied by the farm operator being labor and housing. The average unit price the producer receives is also low compared to a broiler's market value. Hence, broiler contracts tend to be production contracts rather than marketing contracts.

In contrast, the terms and production inputs furnished as tabulated for feeder and/or stocker cattle contracts are dominated by producer decisions. Also, the price received by the producer closely approximates the market price of the cattle. These contracts tend to be classified as marketing contracts.

Tabulations of the slaughter hog contracts give no clear indication of production or marketing contracts being dominant. As true with many commodities, both types of arrangements are possible and actually occur in slaughter hog contracting. Identifying slaughter hog production contracts as those in which the contractor furnishes both the feeder pigs and feed, and defining marketing contracts as those in which the producer furnishes both the feeder pigs and feed resulted in the tabulation of 32 production contracts and 18 marketing contracts. The remaining slaughter hog contracts reported the contractor supplying either the feeder pigs or the feed, but not both, while the producer furnished the other input. Hence, these contracts are not easily classified as being one or the other. A comparison of the contract characteristics of timing, terms, and production items furnished for production and marketing contracts can be seen in tables 2, 3, and 4.

A comparison of the timing characteristics of the two types of contracts indicate that agreement is reached prior to production on contract specifics, price determination, and contractor ownership of the product for the production contracts while marketing contracts indicate that agreement on these issues generally occurs sometime after production begins. The terms of production and marketing contracts emphasize the respective domination by contractor and producer of each type of contract. The producer, however, is more dominant in dictating the terms of marketing contracts than the contractor is in dominating the terms of production contracts.

Excepting slaughter hogs, the timing, terms, and production items furnished for the remaining commodities surveyed are predominantly marketing or production oriented, but not split between the two types of arrangements.

Table 2. **Timing of Marketing and Production Contracts for Slaughter Hogs**

	Farms with marketing contracts						Farms with production contracts					
	Total	Before production period	During production period	At delivery or within one week	After product was marketed	Not applicable	Total	Before production period	During production period	At delivery or within one week	After product was marketed	Not applicable
Contract agreed upon	16	6	9	1	(NA)	(NA)	31	30	1	-	(NA)	(NA)
Price or payment agreed upon	18	3	6	7	2	(NA)	32	20	1	4	7	(NA)
Part cash payment received	17	2	1	8	4	2	32	-	1	3	21	7
Final cash payment received	18	-	-	8	10	(NA)	30	-	-	2	28	(NA)
Contractor assumed ownership	17	1	-	11	5	(NA)	29	23	1	4	1	(NA)

Table 3. **Terms of Marketing and Production Contracts for Slaughter Hogs**

	Farms with marketing contracts						Farms with production contracts					
		Terms made by--						Terms made by--				
	Total	Contractor	Producer	Producer and contractor	A producer organization	Items were specified in contract	Total	Contractor	Producer	Producer and contractor	A producer organization	Items were specified in contract
Number produced	16	1	11	2	2	7	28	8	3	17	-	16
Date placed on feed	16	-	16	-	-	-	27	10	5	12	-	15
Breeds or types of hogs	16	-	16	-	-	-	28	16	1	11	-	7
Amount of feed	16	-	16	-	-	-	28	18	2	7	1	7
Analysis of feed	16	-	16	-	-	-	28	24	-	3	1	11
Special type of equipment	17	1	16	-	-	1	28	1	13	13	1	6
Frequency/extent of disease control	17	1	16	-	-	1	28	7	3	18	-	13
Type of disease control	16	-	16	-	-	-	28	13	1	14	-	12
Ending of feeding	16	-	13	3	-	1	29	12	3	14	-	13
Production practices other than disease control	17	1	16	-	-	1	26	9	3	14	-	12
Rate of delivery of hogs	16	1	9	5	1	7	26	11	6	9	-	7
Price terms	17	2	2	8	5	13	26	13	1	12	-	22
Other	-	-	-	-	-	-	1	-	-	1	-	1

Table 4. **Production Items Furnished for Marketing and Production Contracts for Slaughter Hogs**

	Farms with marketing contracts								Farms with production contracts							
			Item furnished by--			Method of payment for items furnished by contractor					Item furnished by--			Method of payment for items furnished by contractor		
	Item was applicable to contract	Contract specified who furnished item	Producer	Producer and contractor	Contractor	No charge	Open account	Cash on delivery	Item was applicable to contract	Contract specified who furnished item	Producer	Producer and contractor	Contractor	No charge	Open account	Cash on delivery
Feeder pigs	18	3	18	-	-	-	-	-	32	29	-	-	32	25	7	-
Feed	18	3	18	-	-	-	-	-	32	31	-	-	32	25	7	-
Chemicals for disease and pest control	18	3	17	-	-	-	-	-	31	27	-	3	28	22	9	-
Labor	18	4	18	-	-	-	-	-	32	27	31	-	-	-	-	-
Transportation to market	18	7	15	1	2	1	1	1	29	23	8	1	20	17	4	-
Processing and/or packing	4	1	1	-	3	3	-	-	3	1	-	-	3	3	-	-
Technical assistance	11	4	10	1	-	1	-	-	25	21	2	2	21	22	1	-
Machinery and/or equipment	18	3	17	-	-	-	-	-	30	24	27	-	-	-	-	-
Other	7	2	7	-	-	-	-	-	20	19	16	1	3	2	2	-

Longevity of Contract Utilization

The act of producers terminating their usage of contracts was discussed earlier, see Limitations of the Survey Data. The length of time of contract usage for those who terminated their contracts prior to 1977 was not determined in the survey. Table 5, however, indicates the length of time individuals reporting contracts for 1977 have utilized such arrangements.

Forty-four percent of the respondents have grown their commodity under contract for more than 10 years. Individual commodity responses for this inquiry ranged from 11 percent of the slaughter hog producers to 70 percent of the tomatoes for processing.

Consideration must be given to the length of time that it has been common practice to utilize a contract to produce and/or market each commodity prior to drawing any conclusions from the data in table 5. The extent of contract usage table in the individual commodity chapters attempts to measure this factor.

Closely related to the concept of contract longevity is the general satisfaction expressed by the producer regarding the terms of the contract. Table 6 presents data on those respondents that expressed general satisfaction over the production and marketing terms of the contract and those that plan to continue to use contracts.

The majority of respondents to all commodities expressed general satisfaction with their contract terms and this fact was reinforced by the majority of them reporting plans to continue contract usage.

Table 5. **Contract Longevity**

		Farms by years produced under contract		
	Total farms	1 to 5 years	6 to 10 years	10 years and over
Feeder cattle	83	16	26	41
Feeder pigs	129	47	49	33
Slaughter hogs	55	38	11	6
Broilers	1,011	184	286	541
Chicken eggs	526	133	241	152
Tomatoes for processing	278	48	34	196
Potatoes	345	79	111	155

Table 6. **Farms Generally Satisfied With Contract Terms**

	Satisfied with marketing terms	Satisfied with production terms	Will continue contract usage
Feeder cattle	78	78	67
Feeder pigs	123	127	94
Slaughter hogs	46	48	44
Broilers	647	759	719
Chicken eggs	369	442	366
Tomatoes for processing	172	192	206
Potatoes	213	266	280

Contract Characteristics by Size of Operation

The payment determination, other contract characteristics, and operator characteristics tables for each commodity present contract characteristics by size class of contract operations.

The average size of the contract operation, is helpful in qualifying the size classes used. More specifically, the average size data measures the effect of using an open ended classifier for the largest operations. Broilers and slaughter hogs are the only commodities whose average size of operation are located in the largest size class.

Table 7 also provides the average unit price received for the commodity under contract. Previous reference to this data was made in the discussion regarding the price received for production versus marketing contracts.

Note should be made regarding tables 43, 45, and 47 for chicken eggs contracted. Since size data were requested in dozens of eggs, a conversion was necessary to obtain number of hens, a more commonly employed unit of measuring when referring to the size of laying operations. An approximation of the size classes measured in hens was obtained by dividing the dozens of eggs by 20.

Although there is an obvious correlation between certain contract operator characteristics, such as value of products sold in 1977 and the size of the contract operation, there are no apparent differences in the contract characteristics such as payment determination, availability of other contractors, involvement of bargaining associations, satisfaction with contract terms, etc., due to the size of the operation. Hence, there is no readily apparent contract advantage realized by large scale contract operations.

Table 7. **Average Size of Contract Operation and Average Unit Price Received**

	Average size of operation			Average unit price received		
	Farms	Unit of size measure	Size	Farms	Unit of value measure	Value (dollars)
Feeder cattle	86	Head	423	85	Head	255.43
Feeder pigs	129	Head	913	129	Head	30.22
Slaughter hogs	56	Head	1,321	56	Head	63.41
Broilers	1,039	Number	149,292	1,034	Number	.10
Chicken eggs	551	Dozen	467,193	551	Dozen	.10
Tomatoes for processing	275	Acre	186	275	Ton	54.34
Potatoes	356	Acre	180	353	Hundredweight	2.92

Fattened Cattle

The 1974 Census of Agriculture tabulations reported 447 farmers and ranchers utilized contracts in the production and/or marketing of fattened cattle in 1974. A sample of 144 of these individuals were selected to comprise the 1977 Contract Survey for fattened cattle. Two geographical areas, as defined by the accompanying map, were utilized in the sample selection with 106 cases selected in Region I and 38 in Region II. An attempt was made to exclude commercial feedlots from this survey. This was accomplished by eliminating from the sample selection process 1974 census reports showing 5,000 head or more of fattened cattle sold.

A tabulation of the responses to the fattened cattle survey showed nine contracts being active in 1977. Six of the contracts were from Region I and three were from Region II. This limited enumeration of active fattened cattle contracts precluded the usefulness of tabulating and publishing characteristics in the same format utilized for the remaining seven commodities. A brief summarization of contract data reported, however, may provide some insight into fattened cattle contract characteristics.

Four of the nine contracts reported involved fewer than 50 cattle being fattened. Various arrangements exist for furnishing the primary production items of the contract, feeder cattle and feed. Four contracts indicated the producer provided both of these inputs, a characteristic of marketing contracts. Conversely, three report forms show the contractor furnished the feeder cattle and the producer the feed, while two reports provide incomplete information in this section. Six individuals reported fattening cattle under contract for fewer than 6 years, two had contracted for 6 to 10 years, and one for more than 10 years. Finally, in the opinion of these producers reporting contracts, less than 25 percent of the cattle fattened in their areas are fattened under contract.

The remainder of those responding to the survey reported to have either terminated their previously existing contract agreement, or indicated they had never raised fattened cattle under contract. Fifty-five one-time producers reported they had discontinued their contract arrangement with forty-five of these individuals doing so based solely on their own decision. The high percentage of contract termination is indicative of the dynamic aspect of fattened cattle contracts with constant entry into and exit from their usage.

A relatively sizable number of individuals indicated they had never grown fattened cattle under a contract agreement. The validity of these responses were questionable since the basis for sample selection was reported contract usage for fattened cattle in 1974. A sample of 28 cases from this group was recontacted via telephone to verify their status with regard to contract usage. As a result:

1. 21 of the sample confirmed that they never fattened cattle under contract.
2. 7 of the sample confirmed having had active contracts in 1974, but for various reasons having discontinued them.

The 21 respondents that maintain they never contracted to produce fattened cattle indicate the possibility of vague understandings or agreements being misreported as contracts on their 1974 Census of Agriculture report form. A review of these report forms indicates the size of these operations to be evenly distributed between $2,500 to $250,000 in sales during 1974. Hence, there appears to be no correlation between the size of the operation and the respondent's comprehension of the contract questions. A facsimile of the contract questions as they appeared in the 1974 census is shown on page 7. The apparent contradiction of reported data between the 1974 census and 1977 Contract Survey points to the respondent's problem of identifying exactly what is a fattened cattle contract.

Section 29 **Did you have any CONTRACT or BINDING AGREEMENT to produce or market any farm products on this place in 1974?** *(Include oral and written agreements made more than 30 days prior to delivery.)*

☐ YES —*Complete this section*
☐ NO — *Go to Section 30*

1. Mark (X) as many products as you produced and/or marketed under contract.

No.	Product name	No.	Product name	No.	Product name	No.	Product name
1 ☐	Broilers	7 ☐	Feeder cattle and/or stocker cattle	13 ☐	Field and seed corn	19 ☐	Fruit, citrus, nuts for fresh market
2 ☐	Started pullets	8 ☐	Breeding cattle	14 ☐	Soybeans	20 ☐	Fruit, including citrus, for processing
3 ☐	Chicken eggs	9 ☐	Slaughter hogs	15 ☐	Wheat	21 ☐	Sugar beets
4 ☐	Turkeys	10 ☐	Feeder pigs	16 ☐	Cotton	22 ☐	Other crops, such as hops, popcorn, potatoes, safflower, sugarcane, etc *(Write product name on line A1 below.)*
5 ☐	Milk and other dairy products	11 ☐	Breeding hogs	17 ☐	Vegetables for fresh market		
6 ☐	Fattened cattle	12 ☐	Other livestock and/or poultry *(Write product name on line A1 below.)*	18 ☐	Vegetables for processing		

2. For each product marked above, enter the Name and No. in the column heading where indicated and complete the remaining entries in the column (items B through G) for that product.

		FIRST CONTRACT	SECOND CONTRACT	THIRD CONTRACT	FOURTH CONTRACT
A. Product(s) under contract *Enter name and No. from item 1 above*	1. Product name				
	2. No.	731	732	733	734
B. Type of contract *Mark (X) one of these items for each product under contract*	1. Production ⑫	1 1 ☐	1 1 ☐	1 1 ☐	1 1 ☐
	2. Marketing ⑬	2 ☐	2 ☐	2 ☐	2 ☐
	3. Production, including feeding, and marketing	3 ☐	3 ☐	3 ☐	3 ☐
	4. Other	4 ☐	4 ☐	4 ☐	4 ☐
C. Type of contractor *Mark (X) one of these items for each product under contract*	1. Co-op	2 1 ☐	2 1 ☐	2 1 ☐	2 1 ☐
	2. Feed company	2 ☐	2 ☐	2 ☐	2 ☐
	3. Packer	3 ☐	3 ☐	3 ☐	3 ☐
	4. Processor	4 ☐	4 ☐	4 ☐	4 ☐
	5. Other	5 ☐	5 ☐	5 ☐	5 ☐
D. Items furnished by contractor under terms of contract *Mark (X) for as many items as apply for each product under contract*	1. Feed	3 1 ☐	3 1 ☐	3 1 ☐	3 1 ☐
	2. Chicks, pullets, cattle, feeder pigs, etc.	2 ☐	2 ☐	2 ☐	2 ☐
	3. Seed	3 ☐	3 ☐	3 ☐	3 ☐
	4. Fertilizer	4 ☐	4 ☐	4 ☐	4 ☐
	5. Chemicals	5 ☐	5 ☐	5 ☐	5 ☐
	6. Labor	6 ☐	6 ☐	6 ☐	6 ☐
	7. Machinery, equipment, or buildings	7 ☐	7 ☐	7 ☐	7 ☐
	8. Harvesting	8 ☐	8 ☐	8 ☐	8 ☐
	9. Transportation	9 ☐	9 ☐	9 ☐	9 ☐
	10. Processing/packing	4 10 ☐	4 10 ☐	4 10 ☐	4 10 ☐
	11. Credit	11 ☐	11 ☐	11 ☐	11 ☐
	12. Technical assistance	12 ☐	12 ☐	12 ☐	12 ☐
	13. Other	13 ☐	13 ☐	13 ☐	13 ☐
	14. None	14 ☐	14 ☐	14 ☐	14 ☐
E. What percent of the total production of this product was sold under contract?		5 Percent	5 Percent	5 Percent	5 Percent
F. 1. Amount received from contractor for product covered by contract?		6 Dollars | Cents $	6 Dollars | Cents $	6 Dollars | Cents $	6 Dollars | Cents $
2. Did this payment represent the total market value of the product?		7 1 ☐ Yes 2 ☐ No	7 1 ☐ Yes 2 ☐ No	7 1 ☐ Yes 2 ☐ No	7 1 ☐ Yes 2 ☐ No
G. Did the contract specify — *Mark (X) one*	1. Exact price?	8 1 ☐	8 1 ☐	8 1 ☐	8 1 ☐
	2. Method of determining price?	2 ☐	2 ☐	2 ☐	2 ☐
	3. Neither price nor method?	3 ☐	3 ☐	3 ☐	3 ☐

⑫ Production contracts, including custom feeding, usually specify kind and/or amount of farm product to be produced and may specify variety or breed, operations to be performed during production, or inputs and technical assistance to be supplied by contractor

⑬ Marketing contracts usually specify kind and/or amount of farm product to be delivered but usually do not specify that contractor provides services or supplies or that particular operations or methods be used in production.

Feeder Cattle

To ensure a stable supply of quality cattle to be fattened for slaughter, cattle feeders are increasingly turning to the usage of contracts for the purchase of feeder cattle. These contracts can be implemented by the feedlot owners, but are more commonly offered through cattle dealers such as order buyers, other farmers or ranchers, or perhaps packers or packer buyers. In return for entering into a contract, the producer generally receives a guaranteed price determined prior to the cattle being marketed, thereby minimizing his risk involved in producing the cattle. The use of feeder cattle contracts appears to be related to the cyclical nature of cattle production which in turn is a direct result of market fluctuations. Apparently the anticipation of the price the producer would receive at market time impacts on his willingness to raise cattle let alone contract for them. As evidence, 103 respondents to this survey reported terminating their contract prior to 1977.

The 433 individuals selected for this survey reported 89 contracts as still being active in 1977. Data were collected for three regions as defined by the accompanying map and produced 15 active contracts in Region I, 35 in Region II, and 39 in Region III.

The use of contracts for the production of feeder cattle appears to be most prevalent in Region III, the area commonly known as "the Western States". More than one-half of the Region III respondents estimated that at least 75 percent of the feeder cattle raised in the area in 1977 were produced under contract. Additionally, contract usage has been on the increase over the last 10 years in all regions surveyed. There appears to be no marked difference in contract characteristics between the three regions.

Of the individuals reporting discontinued contract usage, 78 percent indicated their reason for contract termination was based solely on an individual decision by themselves while 17 percent indicated the contractor influenced their decision to terminate the contract. The latter category was generally the result of the contractor discontinuing operations in the producer's area. Information regarding contract characteristics, size of operation, and whether cattle are being produced without a contract was not requested for any individuals discontinuing contract usage.

An examination of contract characteristics relating to the payment or price received for the feeder cattle identifies one of the major advantages of contract usage realized by the producer. Approximately one-half of the respondents reported taking an active role in negotiating with the contractor for the price to be received. Perhaps more importantly, however, 75 percent of the contracts reported the price to be received for the cattle was fixed during or prior to the production period instead of when the product was marketed; thereby eliminating market uncertainty and its accompanying risk involved in producing feeder cattle. A characteristic closely related to the timing of price determination is when the cash payment is actually received. Two-thirds of the 89 contracts indicated at least partial payment was received during or prior to the production period. This type of financial assistance in some instances, may be the determinant factor in the farmer's or rancher's decision to produce or not produce feeder cattle.

As tabulated in this survey, feeder cattle contracts tend to be market oriented rather than production oriented. The producer determines and provides practically all production inputs. The only production item furnished, to any extent, by the contractor is the transportation of the cattle when leaving the farm or ranch. Twenty percent of the contracts indicated the contractor provided transportation.

Although 56 percent of the contracts specified the number of cattle to be produced, approximately two-thirds of the producers indicated that the contractor would have accepted the cattle if fewer were produced than specified in the contract. In general, all contract provisions for variation in the quantity or the quality of the feeder cattle contracted are loosely defined with the contractor at least being offered the cattle and often accepting them as delivered.

More than 80 percent of the farmers or ranchers expressed general satisfaction with both the production and marketing terms of their contracts while 73 percent indicated plans to continue contract usage.

Feeder Pigs

The trend in 20th Century American agriculture toward specialization of operations has not occurred without affecting the hog industry. Although farrowing to fattening operations are still the most common occurrence in hog production, an increasing number of operators are preferring for various reasons, to raise only feeder pigs or to fatten hogs for market. As one means of tying together these specialized operations, the industry has begun to turn to the implementation of contract arrangements. Contract usage in feeder pig production results in the producers being assured of a market for their pigs and at a fair price while at the same time providing hog finishers with a healthy, steady supply of feeder pigs.

The 1974 Census of Agriculture reported 12.6 million feeder pigs being sold from 93,234 farms with sales of $2,500 and over. Feeder pig contracts were reported to be used in 1974 by 687 of these operators. Of the 283 operators selected for this survey the characteristics of 132 feeder pig contracts utilized in 1977 were tabulated. The allocation of these 132 contracts by geographical areas was: Region I, 74; Region II, 44; and Region III, 14.

Though contract usage in raising feeder pigs has increased in the past 10 years in all regions surveyed, their implementation does not appear to be as widespread as some of the other commodities surveyed. Regional comparisons of contract characteristics produce no marked differences.

Twenty-two percent of the operators surveyed indicated they had discontinued contract usage prior to 1977. As true with the other seven commodities, the reason generally given for discontinuing contract operations was an individual decision by the producer.

The primary determinants of the contract price for the feeder pigs are either based on the open market price at the time of delivery, reported in 41 percent of the contracts, or arrived at through negotiations by the contractor when he sells the product, reported in 33 percent of the contracts. The contractor does not totally dictate the monetary terms of the contract, however, the producer individually appears to have minimal input into its determination. The producer's greatest involvement with respect to the price he will receive occurs with the 41 contracts (31 percent) reporting a producer organization being responsible for price determination. Additionally, 45 percent of the reported contracts contain clauses tying feeder pig quality to the price received.

Marketing contracts are the predominant type of contracting arrangement reported in this survey. Primary responsibility for determining production practices and furnishing inputs belongs to the producer. It should be noted that production contracts for feeder pigs do exist and are reported in this survey as approximately 6 percent of the contracts.

Cooperatives are involved to a large extent in feeder pig contract operations. Seventy-six percent of the contractors involved were cooperatives while 68 percent of the producers were members of these cooperatives. The producer expressed general satisfaction with both the production and marketing terms of the contract and 70 percent of the respondents plan to continue contract usage. However, as is true with most marketing contracts, 67 percent of the farmers reported that feeder pigs would have been produced without a contract.

Slaughter Hogs

Contract usage in the production and marketing of slaughter hogs has evolved, as in the case of feeder pigs, from the need for coordination between the various aspects of the hog industry. A wide range of contract possibilities exists for producing and marketing slaughter hogs with each offering various combinations of advantages to the farmer and contractor. Farmers, in general, want to reduce market risks and financial requirements, while contractors want to have a stable supply of quality hogs for processing and marketing.

According to the 1974 Census of Agriculture, approximately 1,000 farm operators reported that contracts were employed in the production and marketing of slaughter hogs in the United States. The accompanying map outlines the three regions utilized in sampling hog contracts. The 344 contractees sampled resulted in the following geographic distribution of active 1977 contracts: Region I, 32; Region II, 14; and Region III, 10.

The use of contracts appears to be a relatively recent development in producing and marketing slaughter hogs; 68 percent of the farmers reported having utilized contracts for 5 years or less. In contrast to the 56 respondents reporting 1977 contracts, 154 one-time hog producers indicated that they had terminated their contract arrangements prior to 1977 An individual decision was the reason 86 percent of the growers terminated their contracts. Historically, producers have entered into market hog production when the prevailing market conditions are advantageous and an adequate supply of feeder pigs is available. Conversely, hog growers have discontinued their operations when they are no longer profitable. This so-called hog cycle no doubt influenced the large percentage of growers surveyed who reported discontinuing their contracts.

The contracts tabulated for this survey report a wide range of methods employed to determine the contract price without a clearcut domination by either the producer or contractor being established. Additionally, contract provisions for variation in the quantity and quality of the hogs do not appear to be well defined. A majority of the contracts indicated either the contractor would have accepted the hogs as delivered if the quantity or quality varied, or there was no provision to cover such a situation.

Data collected on contracts indicate that both production and marketing contracts are used for slaughter hogs. Based on previous text discussions of production versus marketing contracts, 18 marketing and 32 production contracts can be identified. Six contracts were not readily classified.

Cooperatives are extensively involved in slaughter hog contracts. Forty-five percent of the contractors were reported as being cooperatives. Though other contractors were available for negotiations in approximately 60 percent of the cases, only 1 out of 4 of these producers actually negotiated with another contractor. As is true with the majority of the contracts reported in the 1977 Contract Survey, the producer expressed general satisfaction with both the production and marketing terms of the contract and plans continued utilization of his contract arrangement.

Broilers

Broiler production has become increasingly concentrated in recent years both in terms of regional areas and fewer but larger scale operations. During the period of 1954 to 1974, production more than tripled from 800 million to over 2.5 billion birds while the number of producers dropped from 50,000 to less than 35,000. Production, processing, and marketing efficiency provided through vertical integration was a major factor in these changes.

Studies of contracts used in broiler production indicate there is no standard contract widely used. The detailed terms or provisions apparently vary somewhat by areas, the financial and management capabilities of the grower, and the degree of competition among contractors. Although there are variations in the detail of individual contracts, this survey points out the strong similarities in the basic provisions among contracts regardless of geographic area.

The production of broilers under contract was reported on 18,697 farms in the 1974 Census of Agriculture. From this total, a sample of 1,761 farms was selected from four regional areas. This sample resulted in the collection of data on 1,056 contracts active in 1977. Geographically, the active contracts were: Region I, 122; Region II, 284; Region III, 280; and Region IV, 370.

Broiler contracts, more so than any of the other contracts surveyed, can be classified as production contracts. A high degree of uniformity exists in all aspects of their implementation and execution throughout the four regions in the survey. The contractor maintains full control in determining the timing, terms, and production inputs furnished for the contract. The key production items, chicks and feed, are furnished by the contractor in 98 percent of the contracts for which there was a response to this inquiry. Production inputs furnished by the grower were generally limited to production labor, machinery and/or equipment, housing, and a share of the utilities. The degree of involvement by the grower in the decision process and financial arrangements is significantly less than would be true if the producer was an independent broiler raiser. This concept is further reflected in the value he receives for producing the product.

The income received by the grower can be based on the number of birds raised or pounds produced, and is often supplemented by incentives for feed efficiency. In general, the income received represents less than 20 percent of the market value as the cost of chicks and feed are borne by the contractor and thus are excluded from the price calculations. Although the true market prices for broilers are often difficult to determine, the costs of chicks and feed generally represent two-thirds to three-quarters of the market value.

The survey indicates the price terms are determined by the contractor in 92 percent of the cases reported. Producer organizations were infrequently involved in negotiations. It should be noted that more than one-half of the contracts involved incentive payments to the producers based on efficiency of production.

Broiler contracts, as for the other commodities enumerated, tend to be written. Fifty-eight percent of the contractees reported operations in excess of 100,000 birds per year, evidence of the trend in the broiler industry toward larger scale operations. This increase in size of operations is a result of much improved technology and efficiency at both the production and processing levels.

The reported dropout rate of 19 percent for contract broiler growers is the lowest for any of the commodities surveyed, an indication of the relative stability of the broiler industry. Additionally, 541 contractees (51 percent) reported they have grown broilers under contract for more than 10 years.

Although 708 growers (67 percent) reported that other contractors were available for negotiations, only 26 percent actually undertook negotiations with more than one contractor; 153 growers would have raised broilers without a contract. However, the relative efficiency of small-scale independent broiler operations and the uncertain availability of a processor and a market for the birds casts doubt on the feasibility of such an operation.

Chicken Eggs

In recent years the egg industry has also experienced a rapid increase in the number of integrated operations. Though not as extensively as the broiler industry, egg producers have become concentrated on fewer, but larger farms. Contributing to the rise in vertically integrated egg operations has been the lack of coordination between independent producers and marketing firms in maintaining a uniform supply of quality eggs and the desire of certain firms to develop a larger volume, thereby gaining a degree of control over egg supply. Likewise, hatcheries have found the use of production type contracts useful to ensure the supply of the type, quantity, and quality of eggs required. The resulting use of contracts offered by firms for the production and marketing of both table and hatching eggs totaled 5,761 according to the 1974 Census of Agriculture.

The sample of 1,173 producers selected for the 1977 Contract Survey yielded 557 reports of active contracts. The four regions that were employed reported were: Region I, 64; Region II, 167; Region III, 163; and Region IV, 163.

The 557 contracts reported for this survey indicate production contracts to be the dominant arrangement practiced. The primary production inputs, feed and pullets, are reported to be supplied by the contractor in more than 90 percent of the contracts. Likewise, the price to be received is determined, to a large extent by the contractor either through negotiations with the grower or strictly by his own decision. Egg handlers, feed companies, hatcheries, and processors all appear to be actively involved in offering contracts to growers. The 130 contracts with the primary business of the contractor indicated as "other" are generally fully integrated operations. The majority of the contracts either had no provision for variations in the quantity or quality of the eggs produced or the contractor would have accepted the eggs as delivered.

It should be mentioned that production contracts are not the only possibility in contracting chicken eggs. Region II tabulations indicate six contracts where both the feed and the pullets were furnished by the grower, an indication of marketing contracts. Additionally, 1974 census data indicated the egg contracts reported in the Western States were frequently marketing contracts. This area, however, was omitted from the survey because of its relative lack of concentration of contract operations.

Though the percentage of eggs contracted has increased in the last 10 years in all geographic regions surveyed, the problem of contract dropout is still apparent. The 320 contracts reported terminated comprise 27 percent of the total growers surveyed. Again, the primary grounds for termination of the contract arrangement was an individual decision on the part of the producer.

Approximately 70 percent of the growers reporting 1977 contracts have utilized contracts for more than 5 years. The availability of other contractors was reported by 65 percent of the growers, but of this total only 36 percent reported actually undertaking negotiations with more than one contractor. General satisfaction with both the production and marketing terms of the contract was expressed by more than two-thirds of the contractees.

It should be noted that only 20 percent of the growers would continue egg production without a contract. This may indicate that many growers lack necessary financing or that access to the market by independent producers is limited.

Tomatoes for Processing

Because of their perishable nature, the production and marketing of tomatoes for processing requires close coordination between the producer and processor. The use of contracts provides this much needed coordination while at the same time offering certain advantages to both the grower and the processor. The grower benefits from contracting tomatoes by being assured of a market for the crop at a predetermined price, thereby reducing the risks involved in growing a non-storable crop. Conversely, barring crop failure, the processor can be assured of a supply of tomatoes entering the plant for processing, an important factor when considering the large amount of capital and resources involved in operating a processing plant.

It should be reemphasized that the 1977 Contract Survey for tomatoes involved only growers reporting processing contracts for tomatoes in the 1974 Census of Agriculture. No attempt was made at tabulating the nature and characteristics of contracts for fresh tomatoes. The survey involved 532 producers and resulted in the reporting of 280 active contracts in 1977. Geographically, these contracts were distributed as: Region I, 70; Region II, 95; and Region III, 115.

A categorization into market or production contracts of the agreements reported in this survey is a difficult task. Both the contractor and the producer appear to be actively involved in the implementation and execution of the contract. For example, in 56 percent of the contracts the producer supplied the tomato seeds or plants, while in 38 percent of the contracts the contractor provided this input. The determination of contract terms is primarily the responsibility of the producer or the producer and the contractor jointly, a characteristic of marketing contracts. In contrast, 42 percent of the respondents reported that the payment they received was set by the contractor without negotiation, a characteristic of production contracts.

About 84 percent of the growers reported that they were aware of the price they were to receive for their tomatoes before production began. Although this minimizes the grower's risk, it is also a disadvantage if the open market price for tomatoes rises during production. However, open market activities are limited in most areas. In general, the contract provisions favor the contractor. For example, 72 percent of the tomato growers indicated that their contracts provided for either no payment or a payment based on the quality actually delivered for tomatoes of lower quality than specified in the contract, while no extra additional payment would be received for tomatoes with above average quality.

One means available to the grower to deal with the contractor in negotiating a more favorable contract is the use of a bargaining association. The bargaining association represents all of its members in its negotiations instead of the growers individually representing themselves in dealing with the processor. It is possible, also, for the members of a particular bargaining association to control a majority of the supply for an individual processor to the extent of influencing the price to be negotiated. One hundred and thirteen growers (40 percent) indicated that a bargaining association was involved in negotiating their contracts.

As true for most commodities surveyed, contracting of tomatoes for processing is increasing in all geographic areas. Although 19 growers indicated they would have grown tomatoes without a contract, conversations with growers while field testing the questionnaire indicated that production of tomatoes without a contract is becoming increasingly difficult. The reduced number of processing plants in certain areas has resulted in most processors refusing delivered tomatoes unless they were grown under contract. This survey reported 96 percent of the contractors as being processors.

Most producers in the survey have been involved in contract production for a relatively long period. Over 70 percent indicated that tomatoes have been produced under contract for more than 10 years.

Contract operations were discontinued by 134 growers between 1974 and 1977. Of these individuals 17 (13 percent) specifically indicated the contractor executed the contract termination.

Potatoes

As in the tomato industry, potato processors are also offering contracts to growers as a means of reducing risks by assuring an adequate flow of quality potatoes to the processing plant. In return, the contract growers are assured of a market for their product, generally at a predetermined price. However, potato contracting differs from tomato contracting in that it is common for a grower to plant both contracted and noncontracted potatoes in the same year. Since the price to be received for the contracted potatoes is generally determined prior to their planting, the contract acts as a hedge against the uncertainty of the market. Forty-four percent of the growers reported planting both contracted and noncontracted potoatoes.

A sample of 805 cases were mailed the potato questionnaire. These individuals were located in 27 States which were divided into the four regions as defined on the accompanying U.S. map. Contracts reported to be active in 1977 totaled 359 with the following breakdown: Region I, 76; Region II, 74; Region III, 142; and Region IV, 67.

In most cases, the contracts reported can be classified as marketing contracts. The producer supplies the majority of the production inputs, is actively engaged in determining the terms of the contract, and in more than half the cases negotiates with the contractor the payment to be received. The contractor, a processor in 76 percent of the cases, generally supplies the processing and/or packing and on occasion the storage and transportation to market. No apparent differences exist in contract characteristics between the four regions surveyed or between the various sizes of contract operations. Remarks entered on report forms indicated a number of the contracts involved seed potatoes.

Similar to tomato contracts, the contract provisions regarding variation in the quantity and quality of the potatoes generally focus on the quality clause. Approximately one-half of the contracts stated that the payment from the contractor was based on the quality of the product actually delivered.

In each of the four regions, respondents indicated that the use of contracts has increased significantly since 1967 and has reached an estimated level of more than 50 percent in three of the four regions.

The fact that 189 growers (53 percent) reported potatoes would have been grown without a contract seems more feasible than in the case of tomato production. This response is further reinforced by the fact that 156 contractors also reporting growing noncontracted potatoes.

Bargaining associations are involved to a larger scale with potato marketing than with tomatoes. Approximately 60 percent of the growers reported bargaining associations assisted in contract negotiations. Two-thirds of these growers were members of these bargaining associations.

Contract dropout for this survey totaled 34 percent. Again, the dominant factor for contract termination was the grower's decision.