

BRITISH COLUMBIA MARKETING LEGISLATION

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THE full significance of British Columbia Marketing legislation and of the problems it has raised is realized only if one understands the connotation of the name given to the various agencies administering the relevant Acts. That name is "Growers' Parliament".

Such a term naturally arouses many questions in our minds. Is there actually another parliament developing, to supplement the work of the provincial legislature? Are the representatives of this so called parliament elected in the usual manner by duly qualified voters? Does the "Growers' Parliament" act in the same manner as the Dominion Parliament? And what, if any, are the duties it is assuming from the provincial government? It will be the task of this essay to answer these and similar questions, and to estimate the importance of this new phenomenon to the theory and practice of democratic liberalism.

The first problem, then, is to investigate the causes that gave rise to the development of these marketing agencies or "Growers' Parliaments". The causes are not far to seek.

Just as the crisis that the depression era, following 1929, laid on the shoulders of Alberta wheat farmers led to a revolt against debts and mortgages, so the same crisis, when it struck the British Columbia fruit and vegetable farmer, led to a type of market control that is rapidly spreading to the other Canadian provinces.

In Alberta, the man on the land had had a hard enough struggle to maintain himself in a fiercely competitive international wheat market even prior to 1929. The depression merely increased the competition, and forced wheat prices still lower, while tariff barriers and overproduction, in terms of existing market demand, created gigantic surpluses that it was impossible to dispose of. In British Columbia, fruit and vegetable prices took a similar drop after 1929. To aggravate matters, competition in the international market was joined with inter-provincial competition. Farmers quite naturally revolted against such a competitive system in favor of control in some shape or form.

Mr. Arthur K. Loyd, president and general manager of *British Columbia Tree Fruits, Limited*, leaves no doubt as to the

cause of marketing agencies. Outlining the advantages of these agencies, he says:

First should be put the gradual elimination of internal competition which set one producer in opposition to another producer in an attempt to reach the markets and cut the expenses of distributing his product in an orderly manner. It is immediately obvious that if sufficient producers continue in this course, it becomes merely a question of how long they can reduce their returns before they go into bankruptcy. Under such a system, which is really nothing else than the survival of the fittest—jungle law without the slightest co-operation—a few will survive at the expense of their fellow producers. The industry. . . will suffer tremendous losses, and the advantages and amenities obtainable by an area which is obtaining at least all that the markets can pay will very quickly be dissipated, reducing conditions in that area to a fairly satisfactory position for a few large operators, and condemning the majority to a system which is closely allied to peonage¹.

Mr. Loyd is a successful farmer of some thirty years standing, and his opinion ought to be of some value. However, his comments are not the only ones that indicate the reasons for support of controlled marketing. Mr. S. J. Gray, secretary of the Farmers' Protective Committee set up to combat attempts to smash market control, expresses himself as follows:

In the fall of 1934, growers realized that prospects of fair returns for their produce looked pretty slim. The average price received for the previous five years of \$8 and \$9 per ton for crop potatoes. . . was not satisfactory. . . Leading growers met different times during the winter of '34 and '35, and got together a plan whereby they would be assured of at least fair returns for their labour. . .

The scheme was that a board should be set up to handle all potatoes and vegetables produced in a given area, to contro the supply of this product to the market so that there would not be a glut or oversupply².

Country Life, a representative British Columbia farm paper previously quoted, points out, in a leading editorial³ that for ten years producers have been compelled to sell butterfat at cost production, and over the whole of Canada, and over the ten years, the average returns would be under the cost of production, if every factor in the farming operation involving butterfat were calculated. "From 1930 to 1940", it said, "dairy farmers pro-

1. Loyd, Arthur K., "Why Should the Farmers Do Their Own Marketing?" *Country Life in British Columbia*, p. 9, March, 1941.

2. "Grower Outlines Market Board Plan," *Vancouver Sun*, August 5, 1941.

3. "Let the Farmers Be Heard," *Country Life in British Columbia*, January, 1941, p. 11.

tested, but the pat and stereotyped answer to them was that they had to be governed by the law of supply and demand." The editorial goes on to praise actions of the *War-Time Prices and Trade Board* in controlling prices and marketing of farm products.

Finally, the statements of the following letter are typical of hundreds of letters sent in by farmers to the "letters to the editor" columns of local Vancouver newspapers:

"When are B.C. farmers going to demand the same economic protection Canada accords, as a matter of course, all other occupations?"

"Eleven pounds of potatoes for a cup of coffee, three dozen eggs for a pound of tea, one pound of turnip seed for a twenty-five cent tube of toothpaste and seventy-five pounds of milk for a work-shirt! Slave to other interests or free men—which is the Canadian farmer going to be?"

The inference from the above quotations is obvious. Destructive competition, low prices, market control—such has been the British Columbia agricultural economic cycle in the past fifteen or twenty years.

II.

How does the market control operate. The potato board set up under the *Dominion Natural Products Marketing Act* of 1934, and the provincial *Natural Products Marketing Act* of the same year, can be taken as fairly typical of these new growers' parliaments.

Federal legislation was enacted in order to regulate export and inter-provincial trade. The provincial Act was passed to authorize the regulation of intra-provincial trade. Legislation, in both cases, was limited to the regulation of the trade in natural products. More specifically, the purpose of the provincial Act was "the effective regulation and control in any respect or in all respects of the marketing of natural products within the province, including the prohibition of such marketing in whole or in part".¹ Under the authorization of these Acts, more than eleven marketing boards have been set up in British Columbia, ranging all the way from halibut and herring marketing boards to the potato board previously mentioned.

The potato board has been in operation since 1933, and it will be convenient to discuss it under the following main headings: (a) franchise, (b) quota system, (c) marketing and price control.

1. *Natural Products Marketing Act of British Columbia, Amendment 74, Section 4, Clause 1.*

Franchise: According to a statement made by the marketing board secretary, E. W. Burke, on February 8, 1941, members of the marketing board are elected in exactly the same way as municipal or city officials—that is, by popular vote. "Any owner of one acre or more of land upon which the regulated product is grown for sale is entitled to vote . . . The largest number of producers who can vote are owner producers with one acre or more of land upon which the regulated product is grown for sale. . . The persons who can vote, that is, owner producers, produce most of the products which are under control, while the persons who cannot vote, that is, who rent their land, produce products which are not under control. . .".¹ Ballots for the elections are distributed by mail to every producer entitled to vote. "They are counted by the returning officer appointed by the provincial marketing board in Victoria. . .".² S. J. Gray, previously quoted, adds, "It was felt that dairy farmers and others who grew potatoes and vegetables for their own use only, and not for sale, should have no say in the matter, as they were not directly concerned."³

Quota system: Mr. Gray provides a clear analysis of the operation of the quota system as envisaged by a supporter of controlled marketing. Admitting the problem of estimating probable market consumption and of providing for surpluses and fixing the quotas thereon, he made this statement:

"Each producer was asked the number of acres owned, the arable land acreage planted to potatoes and other vegetables for the past three years, and acreage intended in these commodities for the current year. . .

"When all this information was got together, and the approximate consumption being known, it was found, after every angle was studied, that if each producer planted one-tenth of his acreage to potatoes, the marketing board was reasonably sure of finding a market for four tons per acre of each farmer's crop. This four tons per acre is known as the farmer's quota, or his share of the local market for potatoes.

"Farmers having 40 acres of arable land would have four acres as their potato land or one-tenth of their acreage. At four tons per acre they would have a quota of 16 tons each.

"This cannot be made a hard and fast rule, as large owners would have a very desirable income each year. It was felt that this preferred market should be distributed over as wide an area as possible and take in as many growers as possible. . .

1. "Board Answers Charges of Sea Island Producer," *Vancouver Sun*, February 8, 1941.

2. *Ibid.*

3. "Grower Outlines Market Board Plan," *loc. cit.*

"So it has been decided that no farmer should have a quota of more than 175 tons, irrespective of the arable land owned."

Marketing and Price Control. The centre of the marketing and price control of potatoes is the potato board itself—a three-man board elected by producer-growers on the franchise basis described above. This board handles all potatoes of registered growers, tags the sacks to show that they have passed through the board's hands, and enforces the law against those who would bootleg potatoes to the market above the board's head. The board also fixes the price to be paid the producer. However, the board does not do its own selling. It designates a selling agency—usually a well known wholesaler—to do its selling for it. But the board fixes both the wholesale price and retail price of the potatoes, after consultation with wholesalers and retailers. It is in this way that we get a situation in which the producer is paid \$26 to \$28 per ton for potatoes, while the wholesaler is to sell to the retailer at \$30 to \$32 per ton, and the retailer is to sell to the consumer at \$38 to \$40 per ton. Thus there is still a price "spread" of \$12 between producer and consumer.

The board charges the farmer \$2 per ton for handling the potatoes. This fee covers "salary and fees of the secretary and board members, clerical and warehouse costs and the charge for the board's official tags which go on every sack". The farmer also pays the board for sacks, at the rate of 10c a sack.

It now becomes clear that British Columbia marketing legislation reveals an important development in the economic and political organization of democracy and democratic government, for a number of theories of traditional democratic liberalism are therein superseded: freedom of production, freedom of trade, freedom of competition, freedom of occupation and geographical representation.

Freedom of production—the freedom to produce as little or as much of a product as one desires—has given way to controlled production whose aim is to eliminate surpluses and balance quantity produced with market demand, as expressed in monetary terms. Such is the meaning of the quota system, and the drastic limitations placed on newcomers entering the field of production.² How Adam Smith and Ricardo would turn in their graves at this flagrant violation of the philosophy of free enterprise!

1. "Grower Outlines Market Board Plan," *loc. cit.*

2. "New growers are confined to a quota of four tons a year for three years, or until such time as the market will absorb their produce", ("Defends Spud Board Policy," *Vancouver Daily Province*, August 6, 1941).

The compulsion to sell only to the marketing board and a central selling agency is a direct assault on freedom of internal trade—freedom of the buyer and seller, as individuals, to operate in an open market, to buy at the lowest price available and sell at the highest, to seek the market whenever and wherever they please. In the place of the open market is an agency external to the individual which controls, for him, all the factors in the operation of buying and selling. Concomitant with the destruction of this prime principle of *laissez-faire* is, of course, the passing of the competitive aspect of the economic structure. Individual farmers no longer seek the same market in antagonism to one another, but share it. Indeed, as Arthur K. Loyd has pointed out, one of the aims of marketing legislation is "elimination of internal competition which set one producer in opposition to another producer".

Freedom of occupation is proscribed in a negative sense. All newcomers to the field of potato production are limited to a four-acre quota, no matter how many acres of land they may wish to sow. In this way, new members to the industry are discouraged, but not forbidden. There is, in other words, a definite limit on occupational choice, at least as far as this aspect of economic life is considered. And freedom of occupation is an important freedom assumed by traditional democratic liberalism.

Finally, elections to the potato board are not on a purely geographical basis. The stress is, rather, on the occupation of the voters and their representatives. Voters must be owner producers of potatoes, and the elected representatives must be owner producers of potatoes. Representation is occupational and functional—not geographical.

One other point. This Growers' Parliament is, in some respects, similar to the provincial legislature. It is elected. It has the power of taxing, in the form of the \$2 fee for handling potatoes required of every farmer—a power declared illegal in the case of the milk marketing board. It is all-inclusive—every potato grower being subject to its laws. It has the power of the police to back it up—witness the lawful seizure of boot-legged potatoes, which are handed over to the board. It is subordinate to the provincial legislature, however, its powers being delegated and its operations inspected and supervised by the latter. In this sense, it is not completely autonomous, but is subject theoretically to the control of the larger geographical unit.

It is now realized that the first significant fact for democracy

of British Columbia marketing legislation is that *In place of a competitive organization of economic society regulated by an open market, the law of supply and demand and a government based on geographical representation, whose business is laissez-faire, except where the actions of individuals conflict with those of other individuals, there is growing up, within the democratic structure, a planned organization of society in which all the traditional postulates of democratic liberalism are repudiated, in which control replaces freedom as it has hitherto been known, and in which government by geographical representation is replaced with government by functional representation.*

III.

The significance of this re-organization of economic society is even more profound if it be considered in relation to economic society as a whole, for throughout the whole of our economic structure there is a tendency for occupational groups to organize along functional lines to defend their own interests, and for them to assume many of the characteristics of government within their own sphere. The working man has formed his labor unions. As with the marketing boards, these unions were formed primarily to eliminate competition—competition of the individual laborer on the labor market. As with the marketing boards, a sort of "tax" is levied in the form of union dues. As with the marketing boards, representatives are elected. And attempts have been made, in the form of the closed shop, to make membership in the organization all-inclusive and compulsory.

The business man has formed his trusts and cartels, also, at least partially, to eliminate the destructive effects of competition and to stabilize prices. Thurman W. Arnold, assistant attorney-general of the United States, gives an interesting picture of the formation of trusts to put a stop to competition. Of aluminum, he says:

In 1931 there was a growing world surplus of aluminum which threatened to invade American markets and . . . disturb the price structure of the Aluminum Company of America. So that company formed a Canadian affiliate called the Aluminum Limited, thinking that it could escape anti-trust laws and also join with aluminum monopolies of other countries to prevent world competition by eliminating the surplus. The world market was parcelled out. The Aluminum Company of America got the United States. Its Canadian affiliate got 29 per cent of the rest of the world. The French got 21 per cent; the Germans 20 per cent; the Swiss and British 15 per cent each. . . World production was drastically limited. Minimum world prices were fixed.¹

1. "How Monopolies Have Hobbled Defence," Arnold, Thurman W., *Reader's Digest*, July, 1941, p. 51.

Here again we find planning and control in the interests of an economic group by cartels which are governments in themselves—semi-autonomous units controlling the lives and livelihoods of millions, in so far as they are not checked by opposing occupational groups or by government interference.

The consumers, too, have organized themselves into an economic group. We have the Housewives' League in Vancouver, for instance—a body out to protect the consumer from the power of occupational groups in the sphere of production. We have also, in Vancouver, Consumers' Councils—bodies of wholesalers and retailers joining hands with consumers to meet the organization of the primary producers, in this case the farmers' marketing boards.

Thus we have this further significance to democracy of British Columbia marketing legislation, that it is not an isolated instance of a type of planning and control which rejects democratic liberalism, but is one aspect of a tendency present throughout the entire democratic economic structure for economic groups to organize along functional lines and to assume functions parallel to those usually considered the special sphere of government.

Also of vital significance to the development of the democratic thesis are the consequences of the increasing class consciousness, on the part of the farmer, brought to the surface by the organization of the marketing boards. A glance at the pronouncements of farmers in recent years firmly convinces one of this fact:

If the smirk is ever going to be removed from the faces of the hard boiled men of other industries, and these men of other industries made to respect the rights of agriculture, it is the men of agriculture who are going to do it, and the men of agriculture alone:

So says J. W. Miller, president of a B.C. Farmers' Institute. "I consider the Housewives' League a group of near Communist busybodies," says another farmer, "and it's quite possible their husbands and relations are those who go on strike in essential industries and who are well protected by labor unions. . . . But if the farmers, through their representatives, the marketing board, try to get a living or a little more for their product, it is in the eyes of these narrow-minded, selfish people the worst offence in seven nations."

Again, Thomas Farrington, a farmer with fifteen years experience, maintains that "during the last thirty years we have balt up in our democracy group control of our very existence".

He adds, "What I mean by that fact is that labor groups and industrial groups are, each for their own interests, trying to outdo each other at the expense of the greatest number of people who work long hours on the farms of this country in producing food so that the nation can live. . . Farmers, in this unbalanced economy, no longer intend to be the slaves of minority interests who have the strength at their disposal to impose their will upon a people in such a way as to make it impossible for that people to exist."

This class consciousness includes not only a realization of the value of agriculture in the national economy, but also a feeling of antagonism towards other occupational groups—labor, industrial and consumer. And in return these other groups are also beginning to feel antagonistic to agricultural organization. The point is: Ultimately every occupational group in the national economy will organize to protect its own interests, antagonism between occupations will increase, and eventually a state of complete anarchy may result—with labor pitted against industry, farmer pitted against labor, industry pitted against farmer and producer pitted against consumer.

Democracy has endeavoured to meet the situation, by government control of groups concerned, by anti-trust legislation and by the appointment of conciliation and arbitration boards. But none of these has been conspicuously successful. Government control leads the warring groups to a battle royal for control of government. Anti-trust laws bring back the competitive anarchy within the groups who wish, above all, to prevent that anarchy, and lead to *sub rosa* institutions which effectively evade the anti-trust legislation and perform all the functions of trusts and cartels. And conciliation boards are dependent on the good will of the arbitrating parties, unless government force lies in the background, in which case the struggle is shifted to control of government.

May it not be significant, in view of this, that British Columbia marketing boards are evolving a type of representation—functional representation—that could be possibly applied universally? As it is now, the warring groups have no means of coming together to discuss policies and settle differences. Their only common point of contact is pressure on the government to heed their various demands. *Might it not be wise, in order to forestall a state of anarchy that may well end in the destruction of democracy, to bring all groups together on the basis of functional representation*

—to institute a functional parliament to supplement or even to supplant the existing geographical parliament?

It is true that with the evidence on hand there is no one but would conclude that British Columbia's marketing boards are far from perfect. Criticism is bitter and violent. Indeed, so disturbing has the situation become that the provincial government has appointed a Royal Commission of investigation.

Criticism involves all phases of marketing board operations. They are criticized because they reject the fundamental theses of traditional democratic liberalism. I. Robinson of Eburne, British Columbia, states that marketing boards have resulted in freedom of marketing being abolished. "Consumers have lost their free market rights," he declares, "while at the same time we farmer-producers have lost our freedom of contract rights." Basil Gardon contends that marketing board regulations have included "compulsory regimentation of all farmers in the different branches of the industry, compulsory control of their effort of production, compulsory control of their products, and finally and in particular, the holding of their cash returns by a bureaucracy to whom has been delegated more power than a provincial legislature."

Electoral qualifications required of marketing boards are a source of constant irritation. No statistically reliable figures appear to be available, but it is asserted again and again that a majority of farmers can not vote, either because they rent land or because they do not produce sufficient potatoes to be included in the quota system. Basil Gardon maintains that the potato board was put into office "by a vote of less than six per cent". A great number of the farmers did not vote, the reason being that the farmers may not vote unless they register with the board, and if they do register, they thus endorse the compulsory scheme" It is complained, on these and similar bases, that the consequence of marketing legislation is control and monopoly of markets by a few, while the many are squeezed out.

There is undoubtedly some truth in these contentions. As in the case of the development of all new institutions, there is going on a struggle for control. The struggle, in this instance, is for universal franchise and a levelling-off of returns between the well-to-do and the less well-to-do. The contest is remarkably similar to the struggle for universal parliamentary franchise and control of the nation's life by the House of Commons that took place in England in the nineteenth century.

Marketing board administration has also come in for its

share of criticism. There is evidence that large producers may have exerted undue pressure on the board, at the expense of the small producers. There is evidence that seized boot-leg potatoes may have been sold for personal profit—the persons involved having failed to turn the money over to the board. There is evidence that grading may have been carelessly handled. There is evidence that the finance and accounting system may not have been adequate, and that erasures of the invoices may have been perpetrated on occasion.

These criticisms of the marketing board reveal yet another significant factor in the latter's rôle in the development of democracy, viz., *that a controlled economy necessitating salaried officials for administrative purposes requires a very vigilant control and a constant and rigid supervision of all the aspects of administration, so that monopoly domination will not crush the individual.*

Already the "Clyne Report"—the result of an investigation of the potato marketing board completed prior to the appointment of the Royal Commission—suggests recommendations that, if implemented, would aid immeasurably the position of the individual in his constant struggle against minority control.

This report deals with elections, finance, grading and quotas, and in so far as it seems to indicate that bureaucratic corruption is a question of bureaucratic control rather than the elimination of bureaucracy, it is pertinent to summarize its recommendations here. In regard to elections, it recommends "that no person shall be qualified to be nominated or elected as, or to continue in office as, a member of the board if he is an employee of the board or selling agency, or if he has a contract with the board or agency, or if he is engaged in any business dealings with the board or agency other than as a grower marketing his own product."¹ The report further recommends "that neither the agency nor any employee of the agency be permitted to take any part in the election of board members, and that the conducting of the election of members of the board be placed in the hands of the provincial government." In regard to finance, the report suggests that monies received from the sale of seized potatoes ought to be set aside in a separate trust fund of the board, and that the board should have to seek statutory powers to convert the money to its own use. It suggests, also, that a more strict supervision of financial operations of the board is necessary.

Efficiency in grading could be increased by periodic test checks by inspectors, to see that individual members get a square

1. "Recommendations to Marketing Board," *Vancouver Sun*, November, 1941

deal, and the Dominion government should see to it that potatoes declared unfit for human consumption are actually unfit for human consumption, in the opinion of the report. Finally, the quota system should be inspected more frequently, according to Mr. Clyne, so that there will be no tendencies towards discrimination.

In short, the whole tenor of the report is that there should be stricter supervision of bureaucracy; not its elimination.

The significance of British Columbia's marketing legislation to the theory and practice of democracy is, then, fivefold. First, it reveals that within the democratic structure there is growing up an organization based on planning and control, that repudiates the entire thesis of nineteenth century liberalism. Second, it shows that liberal democracy has, in part, sanctioned the development of an economic organization that is antagonistic to its own principles. Third, it leads to the realization that agriculture is not the only occupation organizing along lines antithetical to liberal democracy, but that each and every occupational group is organizing along similar lines for the protection of its own interests, with the result that antagonism between occupational groups becomes increasingly violent. Fourth, it warns that control and planning may lead to evils intolerable to the liberty-loving individual, but that it may be possible, through adequate institutional checks, to control that which itself controls and plans. Fifth, it points a way to a form of representation which, while it might be used only in a purely consultative capacity on the part of existing legislatures, would aid in bringing together warring occupational groups so that they might better understand one another's contentions. At any rate, an organization with such potentialities for good or evil ought to be watched with the utmost interest and studied with extreme care.