

# MARKET NEWS SERVICE . . .

## *Should the user pay?*

KIRBY S. MOULTON

**I**N RECENT YEARS there has been great emphasis on reducing governmental expenditures at state and federal levels. Reductions have been sought through improved efficiency, elimination of low priority activities, and shifting costs to non-governmental groups. This last strategy may be particularly applicable to the Federal-State Market News Service program, because many of its users and their commercial interests can be identified. This article discusses the implications of charging for market news services.

### **Other user-paid services**

Charging users for government services is not a unique concept. California's shipping point inspection service for table grapes and the USDA's meat grading service are both programs for which the user pays a fee. In some cases their use is a statutory requirement. For example, shipping point inspection is mandatory for table grapes covered by two grower-approved marketing orders. In other cases, access to certain foreign markets requires certification under the state's inspection program.

In 1973, 62% of the California table grape crop was inspected. In the past, this percentage has varied between 35 and 57%. Evidence has shown that charges for fees have no effect on the percentage of the crop that is inspected.

Currently, 58% of all commercially produced meat is graded under the federal program. The program is strictly voluntary and its users pay a fee for the grading service.

Limited precedents for charging users for market information have been established in California. Industry groups are charged for certain telephone recording services which provide market information. A grower group in the area around Santa Maria agreed to pay the cost of keeping the Santa Maria reporting office open two additional months.

The use of voluntary inspection services and special information services suggests that they are well accepted by industry. While the programs have received some

criticism, it is not directed toward the policy of user fees.

These policies have stimulated discussion of alternative methods for financing Market News Service operations. Currently funds for the service are obtained from three sources: public revenues, industry groups, and users. Financing from the latter two sources is insignificant in relation to total requirements. Proposals for change are based on a direct charge to identifiable industry groups and/or a charge to users of the service.

If a fee policy is adopted, it must be implemented nationwide, with few exceptions. To the extent that the federal government continues to provide out-of-state users with free information concerning market transactions for California commodities, then a California policy to charge for Market News would be ineffective.

### **Obstacle to fees**

The major obstacle to charging individual users is that much of this information is disseminated via nonchargeable media such as telephone, TV, radio, and newspaper. Therefore, it would be equitable to charge only for the publishing and mailing costs of the printed reports. Even so, these costs represent only 8% of the total federal market news budget. Subscription fees would certainly reduce the number of reports distributed and would probably increase the number of telephone queries.

In order to charge all users for market news it would be necessary to restrict the methods of dissemination to printed reports and teletype (or lease line services), which are the methods used by the private Market News companies.

### **Would users be willing to pay?**

Based on interviews concerning the value of Market News Service, it is clear that a fee established to defray reporting expenses would reduce the number of users. It is reasonable to assume that the reduction would be relatively more significant among smaller users for whom

the fixed cost of Market News Service would result in higher unit costs than for larger operators. It might be possible to set the fees on the basis of ability to pay. This procedure is apparently used by a major private reporting service, where the fees vary from \$120 per year to \$6,000 per year, depending on the size of the subscriber's business and the services he is subscribing for. The National Produce Network, using data gathered by MNS, charges a minimum (currently \$175 per month) fee which includes a single terminal and a specified number of reports, with further charges for additional reports. This represents a sliding scale only if it is assumed that small users need fewer terminals and less information than large users.

### **Strong need**

The extensive utilization of Market News Service reports and private reporting services within the poultry, egg, and cattle industry suggests that a strong need for market information exists. Consequently, a high percentage of industry members would probably continue to subscribe to Market News reports under a user fee policy. Because widespread coverage of grain markets is available through various exchanges, it is likely that relatively fewer, if any, grain news subscribers would be willing to pay for Market News reports.

Willingness to pay for Market News reports within the fruit and vegetable industry would depend on the price volatility of each commodity. Reports on markets with highly volatile prices are more highly valued than are reports on less volatile markets.

The impact of a fee policy on subscriptions from government agencies, universities, and other research institutions is difficult to assess. But one generalization can be applied: the more uncertain the payoff for use of market data, the less likely that subscriptions would be maintained on a fee basis—and uncertainty about payoff is a common situation for research activity.

Let's look at the number of subscribers that would be required to make California's MNS program self-sufficient. The California Federal-State Market News Service requires an annual budget of about \$2 million to provide approximately 30,000 subscribers with various written reports.

A fee of \$100 per year for written reports would be in line with industrial reports such as Moody's Industrials (\$145 for 104 issues annually) or government reports such as Department of Commerce U. S. Imports Report (\$45.00 for 12 issues); and a fee of \$1,000 per year for teletype service (excluding the cost of the teletype unit itself) would appear comparable with other leased wire services. Using this fee schedule, the following combinations of subscribers would satisfy budget requirements:

Numbers of Subscribers	
Written reports	Teletype Service
0	2,000
5,000	1,500
10,000	1,000
15,000	500
20,000	0

The problem for policymakers is to determine the likely impact of fees upon usage of Market News Service. If report subscriptions fall by two-thirds, then 1,000 teletype subscriptions would be needed to sustain a \$2 million budget. Currently MNS agricultural teletype services in California are provided to fewer than 50 subscribers. More important, however, is the likelihood that subscription reaction would vary significantly between commodities, leading to a much less extensive reporting of market transactions under a fee system.

Without a specific charge to users for each market report, funding for Market News operations might be obtained directly from industry groups through negotiation or through a marketing order arrangement. In either case, equity issues can be raised unless producers, shippers, and wholesalers share the funding cost. It is virtually impossible for a single state to obtain the cooperators needed for an equitable funding base. Beyond this issue lies consideration of assessing relevant public agencies for a portion of MNS costs. The realities of political budget-making suggest limited success for such a policy. Control of reporting policies and procedures is likely to become an issue between MNS administrators and the users who provide funds.

Funding of market news activities through market orders would be a difficult undertaking. Orders would be needed covering 150 or more agricultural products. Equitable assessment policies would require the incorporation of organizations throughout the distribution chain regardless of location. Market orders established under California legislation could not incorporate out-of-state producers, shippers or wholesalers. The cost of the complex administrative machine for such marketing orders could well exceed current Market News Service costs.

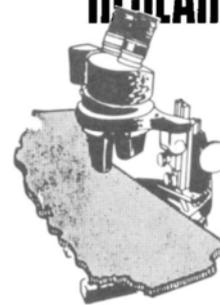
Funding of Market News through a general agricultural tax has also been suggested. Such a tax instituted at the retail level, or passed forward to that level, is clearly regressive as compared to the current use of general tax revenues.

To summarize: (1) California cannot sustain a user fee if the federal government provides information at no charge to other users; (2) determination of an equitable funding basis is very difficult, because it would be virtually impossible to identify all beneficiaries of Market News Service and the amount of their benefit; (3) industry funding of Market News would require the cooperation of industry groups at several levels in the chain of distribution within and outside of California; (4) the market information needed to assure efficient market operation may not be the information the majority of industry will be willing to pay for; finally, (5) Market News costs are likely to be higher per unit of output for small operators as compared with larger operators.

We conclude that it is not feasible for California to initiate a user fee policy in the absence of a similar policy at the federal level. The other issues mentioned above apply not only to California but also to a national fee policy, and suggest the difficulty in establishing an equitable program. Further study is clearly needed if such a policy is to be considered.

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## RESEARCH PREVIEWS



A continuing program of research in many aspects of agriculture is carried on at University campuses, field stations, leased areas, and many temporary plots loaned by cooperating landowners throughout the state. Listed below are some of the projects currently under way, but on which no formal progress reports can yet be made.

### NUTRIENTS FOR CALIFORNIA CROPS

U.C. BERKELEY PLANT nutrition experts are using color photography to develop an atlas of nutrient deficiency symptoms and nutrient concentrations for California crops, including sugar beets, strawberries, potatoes, alfalfa, and tomatoes. The researchers will also pay attention to the interaction of climate and nutrition on crop yield and quality, controlling the greenhouses in the study to simulate climates typical of major agricultural areas. The color atlas and chemical guide for sugar beet nutrient deficiency symptoms is now available at \$3.00 per copy from U.C. Division of Agricultural Sciences Publications.

### COMPUTERS AND RANGE CATTLE PRODUCTION

TO INVESTIGATE alternate systems of production of beef cattle and sheep on range lands, U.C. scientists have constructed a computer simulation model of the grazing animal on range. Proposed variations in management, such as change in time of mating or weaning or level of supplementary feeding, are then introduced into the model, so that their effects on the system can be studied. This approach utilizes experimental data efficiently, but frequently calls for more information than is available, making further experimental work necessary.

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