

would equate to a real-world savings of about \$30 per month on the average household electric bill.

In the communications arena, antitrust concerns over the pending mergers between AT&T and Tele-Communications Inc., Bell Atlantic and GTE, and Am-eritech with SBC Communications Inc. dominated the 1999 calendar. To be avoided were the “vertical monopolies” so characteristic of the electricity industry. There were an estimated 65 million mobile phone users by early 1999, and 70 million Internet users. As fast as fiber-optic technology hit the global market, its biggest competitor, satellite communications technology, also entered the arena of soon-to-be-deregulated industries.

CURRENT CONDITIONS

During the late 1990s, California became one of the first states to open its electric power markets to competition. Initially successful, this ultimately led to problems. In 2000, prices soared and power supplies were strained when the state failed to add enough capacity to meet rapid economic growth that was taking place. Subsequently, a combination of weather- and market-related conditions exacerbated the situation. As the FERC explained in its *2001 Annual Report*, a hot summer was proceeded by a cold winter, hydropower generation was hindered by a significant drought, and demand was relatively unchanged due in part to fixed rates. Taking action to avert further problems, the FERC “acted to mitigate the sharp price increases of electricity and natural gas in the Western states. These measures provided customers with relief from the most extreme spot market prices. The Commission also removed a series of regulatory obstacles to expedite providing increased energy supplies to the West.” Following the FERC’s intervention, prices stabilized in the western United States.

In order to increase vigilance and enforcement over the operation of gas and electric markets, the FERC established the Office of Market Oversight and Investigations (OMOI) in January 2002. The new entity, which called for a staff of 110 employees in fiscal year 2003, issues regular surveillance reports concerning market conditions to the FERC chairman and commissioners. One of OMOI’s objectives concerns the prevention of anti-competitive business practices. The office was involved in the investigation of illegal trading at energy firm Enron, as well as “gas price anomalies” in New York. As part of its operations, OMOI works in tandem with other government agencies, including the U.S. Department of Justice, the Securities and Exchange Commission, and the Commodity Futures Trading Commission. Each agency specializes in different aspects of an investigation.

Natural gas consumption is expected to continue growing at about 2 percent per year, and according to EOG Resources, growth is expected to nearly double by

2020. The Gas Research Institute predicts that the natural gas share of the total energy market will jump from 24 percent in 1997 to 28 percent in 2015. The largest demand growth is in the electric power generation sector.

By the early 2000s, mergers and acquisitions had occurred at a rapid pace within the telecommunications segment of the industry. For example, by 2003 only four of the seven regional Bell holding companies created by the breakup of AT&T in 1984 remained: Verizon Communications, Inc.; SBC Communications, Inc.; BellSouth Corp.; and Qwest Communications International, Inc. Three of these companies—BellSouth, SBC (Cingular), and Verizon (Verizon Wireless)—benefited from ownership stakes in the nation’s two leading wireless telephone companies. Verizon and SBC also had obtained FCC approval to offer traditional long distance service in certain states.

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SIC 9641

REGULATION OF AGRICULTURAL MARKETING AND COMMODITIES

This category covers government establishments primarily engaged in the planning, administration, and coordination of agricultural marketing and commodities.

dination of agricultural programs for production, marketing, and utilization, including related research, education, and promotion activities. Establishments responsible for regulation and control of the grading, inspection, and warehousing of agricultural products; the grading and inspection of foods; and the handling of plants and animals are classified here. This government group also includes such entities as agricultural extension services, fair boards, marketing, and consumer services.

NAICS CODE(S)

926140 (Regulation of Agricultural Marketing and Commodities)

Government establishments primarily engaged in the administration of programs for developing economic data about agriculture and trade in agricultural products are classified in **SIC 9611: Administration of General Economic Programs**. Government establishments primarily engaged in programs for conservation of agricultural resources are classified in **SIC 9512: Land, Mineral, Wildlife, and Forest Conservation**. Government establishments primarily engaged in programs to provide food to people are classified in **SIC 9441: Administration of Social, Human Resource, and Income Maintenance Programs**.

INDUSTRY SNAPSHOT

The major federal agency in this category is the U.S. Department of Agriculture (USDA). This cabinet-level agency, established in 1862, works to improve and maintain farms, to cultivate markets for U.S. agricultural exports, and to regulate the integrity of farm commodities. These goals are accomplished through its various programs (e.g., loans and subsidy payments), marketing and outreach efforts, research, and regulations. The USDA works in conjunction with agriculture departments in states and territories.

BACKGROUND AND DEVELOPMENT

While many of the early U.S. presidents considered themselves farmers, a cabinet department to address the needs of the country's largely agrarian society did not come into existence until the mid-nineteenth century. In 1839, Congress appropriated \$1,000 for the collection of agriculture-related statistics and the distribution of seeds; this function was assigned to the U.S. Patent Office because Commissioner of Patents Henry L. Ellsworth supported aid to agriculture and the number of agricultural patents being handled by that office was larger than any other category of inventions.

Farming in America gradually shifted from subsistence cultivation to more commercial operations by the mid 1800s, and at the urging of the U.S. Agricultural Society (organized in 1852), a formal agriculture agency

(not a cabinet department) was established on May 15, 1862. The first commissioner of the new agency was Isaac Newton, a personal friend of President Lincoln and a farmer. It was during this time the department began to regularly publish statistical and research reports, send scientists to Europe and Asia to observe agriculture abroad, and take some initial steps toward regulation of commodities. In 1887, passage of the Hatch Act authorized experimental stations in the states, and in 1889, raised the agriculture bureau to cabinet status.

Much of the Department of Agriculture's proactive work began during the Great Depression, when farmers faced tremendous challenges and hard times. In 1933, the Agricultural Adjustment Act was passed, its purpose being to adjust production to meet demand, and ultimately establish marketing conditions that would raise farm prices to parity. While this legislation was declared unconstitutional by the U.S. Supreme Court in 1936, many of the functions assigned to the Agricultural Adjustment Administration were incorporated into USDA operations. In the post-World War II period, farmers and the USDA began addressing the problems of crop surpluses, subsidies, and development of new opportunities to maintain farmer income.

Divisions within the USDA that are involved with the marketing and regulation of commodities are the following:

- The Agricultural Marketing Service. Established on April 2, 1972, the service concerns itself with grading, inspection, certification, market news, marketing orders, and the research and promotion of regulatory programs. Grading standards are in place for nearly 240 agricultural commodities. These standards are developed to certify quality of the commodities being purchased.
- Animal and Plant Health Inspection Service. Established in 1977, this service conducts regulatory and control programs designed to protect and improve animal and plant health. Working with state agencies, the inspection service is concerned with humane treatment of animals, the control and elimination of pests and diseases, and animal and plant quarantines. This agency also is involved in border inspection of agricultural products coming in to the United States.
- Grain Inspection, Packers, and Stockyards Administration. The former Federal Grain Inspection Service and the former Packers and Stockyards Administration were merged to form this USDA office. The agency is responsible for establishing standards for grains and other assigned commodities and for administering a nationwide inspection and weighing system.
- Cooperative State Research, Education, and Extension Service. This agency works closely with re-

search colleges and universities, agricultural stations, and state agencies, focusing on research, extension, and higher education in the food and agricultural sciences and in related environmental and human sciences. Among this agency's concerns are improvement of agricultural productivity, creation of new products, and addressing of agriculture-related problems as they surface. It has been involved in plant and animal genome, food safety, and sustainable agriculture research projects throughout the country.

One of the most important developments in commodities and price regulation has no direct connection to the USDA — the closing of the National Cheese Exchange. Located in Green Bay, Wisconsin, the cheese exchange was a nonprofit organization that helped to determine the price of cheese throughout the nation. In response to complaints from Wisconsin farmers about declining prices, and following a research study conducted by the University of Wisconsin that suggested the exchange was being inappropriately dominated by large traders such as Kraft Foods, Wisconsin's two U.S. senators (Russ Feingold and Herb Kohl) called for an investigation into the exchange's operations. Kraft Foods denied charges of cheese "dumping" in order to lower milk prices, and the Federal Trade Commission's 1996 investigation found no evidence of antitrust violations. But rather than fight what it labeled "assaults from farmers' organizations, politicians, and the media," the cheese exchange's functions have been shifted to the Chicago Mercantile Exchange. Although cheese futures trading was adopted by a New York commodity exchange several years ago, it has had little impact on pricing.

CURRENT CONDITIONS

In 1999, the USDA had a budget of more than \$65 billion and employed 110,000 persons. It continued to serve the nation's 2 million farmers and 69 million rural residents. The agency also was responsible for providing 25 million lunches to the nation's school children each day. The USDA estimated that in 1999, the number of U.S. commercial farms was between 300,000 and 500,000. Commercial grain storage was estimated at approximately 8 billion bushels, with another 11 billion bushels stored on the farms.

Although there was a one-year increase in 1999 (for emergency funding to address the farm economic crisis and the President's Food Aid Initiative), the USDA's budget outlays have declined steadily from \$63.1 billion in 1993 to an estimated \$55.2 billion for 2000. The department's stated strategic goals for the FY 2000 budget were to expand economic and trade opportunities for agricultural producers; to ensure food for the hungry and an accessible supply of safe, nutritious, and affordable

food; and to promote sensible management of our natural resources. In furthering these goals, early in 2000 the USDA announced new criteria for the labeling of "organic foods," eliminating from that category all genetically-engineered products and those which have been irradiated.

Highlights of specific program budgets for 2000 included \$25.0 billion for the Farm Service Agency, \$6.4 billion for the Foreign Agricultural Service, \$1.7 billion for the Risk Management Agency, \$10.9 billion for rural development programs, \$21.7 billion for the Food Stamp Program, \$742.0 million for the Food Safety and Inspection Service, \$4.9 billion for natural resources and environment, \$825.0 million for marketing and regulatory programs, and \$2.1 billion for research and education.

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SIC 9651

REGULATION, LICENSING, AND INSPECTION OF MISCELLANEOUS COMMERCIAL SECTORS

This category covers government establishments primarily engaged in regulation, licensing, and inspection of other commercial sectors, such as retail trade, professional occupations, manufacturing, mining, construction, and services. Also covered are physical standards, regulating hazardous conditions not elsewhere classified, and alcoholic beverage control.

NAICS CODE(S)

926150 (Regulation and Inspection of Miscellaneous Commercial Sectors)