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**AN INVENTORY OF STATE
ECONOMIC REGULATION OF
AGRICULTURAL MOTOR CARRIERS**

By

**Robert G. Wales, David C. Nelson
and Charles W. Bullard**

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AN INVENTORY OF STATE ECONOMIC REGULATION OF
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Robert G. Wales, David C. Nelson, and Charles W. Bullard*

INTRODUCTION

Transportation involves the movement of goods or people from one region to another. The development of a flexible system of transportation that provides rapid movement of goods and resource materials, at the lowest cost possible, is essential to the growth and well being of any modern economy.

There are many factors that influence the use and allocation of resources as it concerns transportation. The factors of technology, political, legal, and institutional arrangements, all play a role in determining the nature and structure of our transportation system.

The United States transportation system is composed of five modes of transport: railroad, motor vehicles, pipelines, ships, and airways. Each mode has its own characteristics and its own advantages in the movement of goods or resources. The general objective of this study is to describe the structure of one mode, the motor carrier, and to analyze the nature and extent of economic regulation by the states of a particular segment of motor carriers--the for-hire carrier of agricultural commodities.

Transportation to farmers is meaningful in terms of the cost of marketing their products and as a group they have always sought low cost transportation for their products. Thus agriculture has had a long historical interest in transportation regulation. Farm interests were instrumental in the initiation of the Granger Laws which restricted the monopoly powers of railroads and promoted greater competition within the railroad industry.

The railroad was important to the farmer, because the railroad was the main supplier of inland transportation until after the end of World War I. From this time on, other modes were beginning to develop, especially motor transportation. The motor carrier benefited from increased technological development, rubber tires, efficient and larger trucks, and increased public investment in highway construction. As the motor carrier mode developed, the industry became increasingly competitive and by the 1930's there was increasing support to extend regulation to the for-hire motor carriers.

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Motor Carrier Act 1935

By the 1930's, the motor carrier industry was highly competitive with railroads. Rates were low, and according to some the problem was one of chronic overcapacity.¹ Established firms and railroad interests wanted to regulate the competition in the motor carrier industry. Their case was one of mitigating a disorderly and unstable market and the promotion of a reliable, safe, and responsible service.²

The purpose of the act was brought in a discussion on the floor of the House of Representatives:

Mr. Rankin--Did any of these people who pay the freight ask for it (the regulation)?

Mr. Wadsworth--I remember none of that category. It is not inaccurate to say that the influences behind this measure are centered largely amongst the railways, both the officials of the railroads and members of the railway labor unions. The trucks are competing with the railroad. . . and would be very glad if there were fewer trucks in competition with them and would be very glad if the rates charged by trucks were raised.³

Agricultural interests who before had supported regulation of railroads were now opposed to the regulating of motor carriers because of the fear that regulation would bring increased costs to the farmers.

To abate this fear, Congress exempted from regulation certain types of traffic that pertained to farmers. These exemptions, along with others, are listed under Section 203 (b) of the Motor Carrier Act. There were three exemptions that applied to farmers: (4a) motor vehicles controlled and operated by any farmer and used in the transportation of his agricultural commodities and products thereof, or in the transportation of supplies to his farm; (4b) motor vehicles controlled and operated by a cooperative association as defined in the Agricultural Marketing Act as amended; and

¹D. Phillip Locklin, Economics of Transportation (6th ed.; Homewood, Illinois: Richard D. Irwin, Inc., 1966), p. 649.

²Roy J. Sampson and Martin T. Farris, Domestic Transportation (Boston: Houghton Mifflin Company, 1966), p. 269.

³U. S. Congress, House, Representative Wadsworth speaking on House Resolution 314, 64th Cong., 1st Sess., July 31, 1935, Congressional Record, V 79, p. 12197.

(6) motor vehicles used exclusively in carrying livestock, fish (including shell fish), or agricultural commodities (not including manufactured products thereof).

The first exemption for agriculture exempts only on a farm-to-market basis, the second exempts cooperatives, but the third exempts the agricultural commodity in various stages of processing and in any point in commerce, not merely on a first market basis. It is Section 203 (b) (6) that has caused the most discussion and controversy.

Any motor vehicle, be it common carrier, or private carriage, can transport agricultural commodities, and be exempt from economic regulation. This exemption has given rise to a for-hire motor carrier who hauls exclusively agricultural commodities and is referred to as an "agricultural exempt carrier."

There are two prevailing philosophies toward national transportation policy. This philosophical conflict is between the concept of regulated transportation and the philosophy of free competition. The trend has been for an increasing rise in unregulated traffic, of which the agricultural exempt carrier is a part, and a relative decline of common, or regulated carriers. Between 1946 and 1959, unregulated intercity motor carriage increased in ton-miles by 350 percent, but during this same time period federally regulated motor carriers increased by 26 percent. But perhaps more revealing was a relative decline of regulated motor carriers from 37 percent of total ton-miles in 1946 to 32 percent in 1959.⁴

The agricultural exempt carrier has played an important part in the growth of unregulated carriage. According to the 1963 Census of Transportation, there were 57,800 motor carriers operating in the United States in 1963. Of this number, 42,986 were not subject to Interstate Commerce Commission regulation, and of this exempt number 11,369 were agricultural exempt carriers, representing over one-fourth of the unregulated carriers on the interstate level.⁵

The growth of unregulated carriage has caused much concern, especially among other common carriers, specifically railroads. Because the agricultural exempt carrier represents a large portion of unregulated carriage, he has become a center of the conflict between regulated carriage and free competition.

⁴U. S. Congress, Senate, National Transportation Policy, Senate Report 445, 87th Congress, 1st Session, 1961, p. 49.

⁵U. S. Department of Commerce, Bureau of the Census, Census of Transportation, 1963, Volume IV, Motor Carrier Survey, p. 3.

Since there are two specific levels of economic regulation, the interstate level and the intrastate level, the nature and degree of economic regulation of the agricultural motor carrier may vary among and between the several states. The focus in the following analysis is toward the intrastate situation primarily, as we are concerned with state regulation.

CHARACTERISTICS OF MOTOR CARRIERS

Commercial trucking is a small-scale industry, particularly when it is compared to the railroad industry. The trucking industry is also unique because it has certain characteristics similar to the economist's model of perfect competition.

One of these characteristics of the motor carrier industry is the relative ease of entry. Since no ownership of right of way is needed, carriers can take advantage of the large social investment in surface roads. This leaves a small minimum investment in truck equipment as the price of entry. According to a cost study of North Dakota Grain Truckers, the cost of entry ranges from \$14,050 to \$37,700 for a one tractor-one trailer firm, depending on the type of equipment that is purchased, and also whether new or used equipment is bought.⁶ The second-hand market provides a ready supply of used equipment and it also aids in exiting the industry.

A closely related characteristic is that there are no demonstrable economies of scale in the motor carrier industry. In other words, "firm expansion is not an avenue to greater efficiency as measured by unit capacity costs."⁷ Also in the study by Casavant and Nelson, there were no demonstrable economies of scale observed in the North Dakota Grain Trucking Industry.

The cost structure is such that ruinous competition is not likely. The motor carrier industry is characterized by relatively low fixed costs and higher variable costs (see Tables 1 and 2). Because of this cost relationship, there is unlikely to be any cut-throat competition that characterizes industries with high fixed costs and low variable costs.

⁶Kenneth L. Casavant and David C. Nelson, Costs of Operating Grain Trucking Firms in North Dakota, Agricultural Economics Report No. 54, July, 1967, (Fargo, North Dakota: Department of Agricultural Economics, Agricultural Experiment Station, North Dakota State University of Agriculture & Applied Science), p. 15.

⁷Merrill J. Roberts, "An Appraisal of the Economies of Scale in the Motor Carrier Industry," Land Economics, Vol. 32, (Aug., 1956), p. 236.

TABLE 1. ESTIMATED FIXED AND VARIABLE COSTS OF OPERATING A TRACTOR-SEMI TRAILER COMBINATION (82,815 ANNUAL MILES) IN CENTS PER VEHICLE MILE

| Item | Fixed costs | Variable costs |
|------------------------|-------------|----------------|
| Depreciation | 2.89 | --- |
| Taxes and license | 1.07 | --- |
| Interest | 1.114 | --- |
| Insurance (high) | 1.15 | --- |
| Labor | --- | 9.90 |
| Fuel | --- | 4.70 |
| Oil | --- | 0.30 |
| Tires | --- | 2.10 |
| Repair and maintenance | --- | 7.70 |
| Total | 6.25 | 24.70 |

Source: W. Miklius and D. B. Deloach, "A Further Case for Unregulated Truck Transportation," Journal of Farm Economics, Vol. 27, No. 4, (Nov. 1965), p. 940.

Because of ease of entry, the small units of production, high flexibility, low fixed costs, and no proven economies of scale, there are many who maintain that the motor carrier industry is naturally competitive and that regulation is not needed, that competition and the price mechanism will automatically regulate the industry.

However, the output of motor carriers is a service, measured in ton-mile units, and is not an identical output; factors such as speed, dependability, safety, and responsibility create potentialities for product differentiation. Several of these elements, especially carrier responsibility, safety and availability of motor vehicles correlate positively with motor carrier size.⁸ Thus the product produced by motor carriers is not homogeneous and secondly somewhat superior for larger firms. Larger firms with records of profits and stability also will most likely have an advantage in securing credit preferences.

⁸ G. W. Wilson, "The Nature of Competition in the Motor Transport Industry," Land Economics, Vol. 36, (Nov. 1960), p. 388.

TABLE 2. ANNUAL TOTAL AND AVERAGE COSTS OF NORTH DAKOTA GRAIN TRUCKERS, AVERAGE INDUSTRY FIRM SIZE, SAMPLE FIRMS, 1966 (ANNUAL MILEAGE OF 222,000)

| Cost Item | Costs |
|------------------------|--------------|
| Fixed costs: | |
| Depreciation | \$ 6,374 |
| Interest | 4,848 |
| Telephone | 150 |
| Taxes | 170 |
| Insurance | 1,792 |
| License | 2,629 |
| Utilities | 507 |
| Return to management | <u>6,500</u> |
| Total fixed costs | \$ 22,970 |
| Variable costs: | |
| Fuel tax | \$ 3,874 |
| Fuel | 5,882 |
| Maintenance | 3,017 |
| Tire tax | 542 |
| Telephone | 374 |
| Drivers' wages | 10,046 |
| Tire cost | 5,280 |
| Total variable costs | \$ 29,015 |
| <hr/> | |
| Total costs | \$ 51,985 |

Average fixed cost per mile .1035; average variable cost per mile .1307; average cost per mile .2342.

Source: Kenneth L. Casavant and David C. Nelson, Costs of Operating Grain Trucking Firms, Agr. Econ. Report No. 54, July, 1967 (Fargo, North Dakota, Dept. of Agr. Econ., N. Dak. State Univ.) p. 44.

Competition is a very important element in the motor carrier industry, and the backhaul is an important element of competition. A trucker will usually not undertake a trip unless his expected revenue for the round trip will cover the expected costs for that trip. A backhaul is often a by-product of the primary haul and a trucker will accept a shipment if the added revenue will cover the out-of-pocket costs of the return trip. Thus when there is profitable traffic between two points, rates often become

depressed in the opposite direction. Since a backhaul for one trucker is a primary haul for another, the result is a tendency for rates to prevail below total operating costs.

Another influence on the rate structure, especially when there are many new operators, is a lack of knowledge of all costs involved and in the case of an operator-owner it may lead to self-employment at low wages.

The motor carrier industry is an industry where competition is structurally feasible and technologically possible. But also entry may be too easy and certain other characteristics of motor carriers may lead to a less than desirable situation.

Characteristics of Agricultural Exempt Carriers

According to the 1963 Census of Transportation, there were 11,369 agricultural carriers who operated 19,800 trucks, 18,500 tractors, and 25,700 trailers. They employed 39,400 people and earned a total revenue of 570 million dollars which is equal to an average revenue of \$50,136 which compares to \$185,000 per regulated carrier.⁹ This would indicate that the agricultural carrier is not as large as regulated motor carriers based on average revenue. The above figures give an approximate picture of the extent of agricultural operations in the United States.

In a recent paper, "Characteristics of Agriculturally Exempt Motor Carriers," by C. Peter Schumaier, a study of 1,500 agricultural carriers was made. It was found that the size of the basic unit varied considerably; of the firms reporting, one-third owned only one tractor but this group represented only 15 percent of the total tractors, while 3 percent of the firms reporting had 31 percent of the total tractors.¹⁰

In a comparison of line-haul costs between agricultural exempt carriers, where cost data were obtained from a United States Department of Agriculture pilot study and comparable Interstate Commerce Commission cost calculations, it was indicated that estimated line-haul costs of the exempt carriers were about 30 percent lower than the Interstate Commerce Commission estimates for common carriers. The reasons for this difference rests a great deal on the kind of operations the two carriers are engaged in, the most important areas of differences are:

⁹U. S. Department of Commerce, Census of Transportation, 1963, Volume IV, Motor Carrier Survey, pp. 3-7.

¹⁰C. Peter Schumaier, "Characteristics of Agriculturally Exempt Motor Carriers," Private and Unregulated Carriage, paper presented at a conference conducted by the Transportation Center at Northwestern University, (Evanston, Illinois: Northwestern University, 1963), p. 79.

1. Exempt carriers have limited pickups and deliveries while common carriers of general commodities had a great deal of collection, delivery, and terminal costs.
2. Most drivers for exempt for-hire carriers work on a commission of the freight revenue, while common carriers' salaries are tied to time and distance. Also many exempt trucks are operated by owner-drivers whose imputed wages are tied to freight revenue.
3. Exempt-for-hire operators have limited need for such overload items as terminals, garages, and office buildings.
4. Exempt-for-hire carriers have less administrative and sales overhead because of the use of brokers rather than salesmen to secure traffic.¹¹

The agricultural carrier has a cost advantage over the common carrier. It is mainly an advantage of a small unit since variable costs, except for wages, are likely to be similar, and the advantages in costs come mainly from fewer fixed and overhead costs.

Schumaier concludes that from this study and others that there is considerable support for three general conclusions which are:

1. Exempt carrier rates are lower than common carrier rates for approximately similar service.
2. Exempt carrier rates produce revenues that cover exempt carrier costs on the average.
3. Exempt truck rates tend to be relatively stable but do vary in response to the supply of and demand for trucks at particular times and places.¹²

The study also indicated that, although there was considerable amount of turnover, that 60 percent had been in business 10 years or more. Another point was that there was a large amount of mileage that was unloaded, as only 70 percent of the total mileage was loaded mileage.

In a study of frozen poultry, processors commended exempt truckers for lower rates, faster service, and willingness to serve out-of-the-way places. One processor out of 10 complained that exempt truckers had less financial responsibility.¹³

¹¹ Ibid., p. 86.

¹² Ibid., p. 87.

¹³ Clem C. Linnenberg, Jr., "The Agricultural Exemptions in Interstate Trucking: Mend Them or End Them," Law and Contemporary Problems, Vol. 25, (August 1960), p. 168.

In another study of Grain Transportation in the North Central Region, elevator operators indicated several advantages of moving grain by truck, which were: cheaper rates, faster delivery, more flexible for short hauls, and willingness to ship smaller shipments.¹⁴

It can be assumed from these studies and others that agricultural exempt carriers charge lower rates than other modes and other common carriers. The agricultural exempt carrier is also more flexible and more willing to serve out-of-the-way places. Thus with these improved services, he is a definite asset to shippers by supplying services at reduced prices and with greater flexibility.

However, the agricultural carrier is not without his faults, one of which was expressed by Mr. C. A. Buchanan, Executive Secretary of the National Agricultural Transportation League, which is an association of agricultural carriers. Mr. Buchanan stated:

We will have to admit that the safety record of the exempt truckers is not a pleasant one. Quite often they have insufficient insurance to cover injury to persons or property as well as the cargo involved in accidents, and quite often are entirely uninformed as to the Commission's safety regulations.¹⁵

This is due to a general decline in the rate structure, lack of knowledge of safety requirements, and attempts to cut corners, especially in over-use of drivers (in terms of hours driven).¹⁶

In a spot check of more than 46,000 interstate trucks in 1957, it was found that two out of three of the exempt units were found to have four or more vehicle or driver defects.¹⁷

¹⁴U. S. Department of Agriculture, Agricultural Marketing Service, Transportation and Facilities Research Division, Grain Transportation in the North Central Region, Marketing Research Report No. 490, July, 1961, (Washington, D. C.: Government Printing Office, 1961), p. 74.

¹⁵U. S. Congress, Senate, Committee on Interstate and Foreign Commerce, Problems of the Railroads, 85th Congress, 2d Session, 1958, p. 979.

¹⁶Ibid., p. 983.

¹⁷Ibid., p. 982.

Another aspect of the agricultural exempt carrier was expressed in the statement of W. M. McCurdy, President of the Perishable Commodity Carriers' Association, who stated, "We have found in our area (Texas) about one-third of the small exempt truckers go out of business each year. Of course, there is always someone to take their place but the turnover has reached frightening proportions." He went on to say:

We truckers have taken from the railroads a substantial part of their agricultural commodities. We did this in most cases by hauling for much less than the railroad price and we hung ourselves with our own rope. Most of our operators are practically broke.¹⁸

Thus the for-hire carrier of agricultural commodities has some distinct advantages and also some very distinct disadvantages. These advantages of agricultural exempt motor carriers were very adequately stated in a report on National Transportation Policy.

The advantages of agricultural exempt motor carriers include the following:

1. Flexibility of service because:
 - a. Carrier can move from a point of origin in any direction to any market.
 - b. The carrier is willing to make split deliveries at several points which may not be served by regulated carriers.
 - c. Willingness to serve distant markets.
2. Expedited service.
3. Availability of equipment to meet harvest requirements.
4. Lower rates.

The disadvantages of exempt carrier service compared to regulated service include the following:

1. Increased highway hazards because of low safety standards of exempt carriers.
2. Inferior marketing service because of less ability to divert shipment on telephoned and telegraphed instructions to a more profitable market, which should be available when regulated carriers are used.

¹⁸Ibid., p. 1005.

3. Less financial responsibility, particularly with reference to adequate cargo insurance. Less economic stability of participating carriers.
4. In some instances, frequent and substantial fluctuations in rates according to the ratio of supply of trucks and the size of the crop to be moved in a given locality.
5. Discrimination among shippers in regard to rates.
6. Less stability in markets, in particular such products as potatoes and grain.
7. The tendency to cut rates because of excessive competition, resulting in inadequate income for the exempt carriers, leading to high turnover with attendant economic waste.
8. Lack of protection of the shipper in regard to both insurance claims and rates which regulated status provides.¹⁹

The main advantages of exempt motor trucking appear to be lower rates and greater flexibility while the main disadvantages appear to be increased safety hazards and lesser financial responsibility.

There are two levels of regulation, the interstate level and the intrastate level. The carrier of agricultural commodities is exempt on the interstate level but what extent is he regulated on the intrastate level? One of the characteristics of motor carriers is that they are primarily short haul in nature. Thus state regulation of for-hire agricultural carriers would be an important determinant in shaping the nature of this type of carrier on the state level.

STATE REGULATION OF FOR-HIRE AGRICULTURAL CARRIERS

State regulation of highway transportation dates back to the 1920's when the motor carrier industry first began to develop. This regulation of motor carriers by the states has taken three general forms of control.

One of the first types of control was regulations as to weight and load limitations to prevent the abuse of roads and bridges which were built at public expense.

¹⁹ U. S. Congress, National Transportation Policy, p. 522.

A second type of control over motor carriers concerns safety regulations. These are regulations designed to protect the general public and the motor carrier by prescribing the use of safe vehicles and authorized drivers.

There is little argument over the need for the former two types of state control over the motor carrier industry. However, it is the third type of regulatory authority, economic regulation, that has generated the most argument.

Economic regulation is the control of entry, rates, and services, of for-hire motor carriers. The purpose of economic regulation is to rectify the overcompetitive elements of motor carrier transportation by providing: stable rates, dependable service, reasonable rates, financial responsibility, and stability.

The for-hire agricultural carrier is unique because he is exempted from this type of regulation on the interstate level. The question is, to what degree is he exempted, or the converse, to what degree is he regulated on the intrastate level?

To secure this information, a questionnaire was sent to the various state regulatory agencies to determine the extent of economic regulation of this type of carrier among the states. In addition, state statutes were inspected to determine the exact nature of regulatory powers of each commission.

Control of Entry

One of the main economic tools for economic regulation of the motor carrier is the control of entry. Control of entry is important because of the particular cost structure of the motor carrier industry which makes it relatively easy for new firms to enter the industry. The ease of entry has been cited by some²⁰ as to create a condition of excess capacity of facilities in the industry.

On the interstate level, control of entry is accomplished by requiring all new carriers entering the industry to secure certificates, or permits, from the Interstate Commerce Commission.

In order to secure this permit, or certificate of public convenience and necessity, a carrier must demonstrate to the Commission that he is able to perform the proposed service. In addition, he must show that his service is necessary, or that there is a lack of service by existing carriers and public need is not being met. The burden of proof is on the carrier to show current and future public need of his service before he is granted legal

²⁰D. Phillip Locklin, Economics of Transportation, Chapter III, p. 648.

authority to operate on the interstate level. The operating certificates must also identify the route served and the type of service rendered, including a description of the commodity hauled.²¹

On the intrastate level, of the 51 states (including the District of Columbia) 40 require some form of permit or operating authority of for-hire agricultural carriers. Eleven states have no regulation, or exempt agricultural carriers (see Table 3).

TABLE 3. STATES NOT REGULATING THE ENTRY OF AGRICULTURAL MOTOR CARRIERS

| States which exempt agricultural motor carriers | States that do not exempt agricultural carriers, but do not require: | |
|---|--|----------------|
| | Evidence of public need | Public hearing |
| Alabama | Arkansas | --- |
| Delaware | California | --- |
| District of Columbia | Florida | --- |
| Indiana | Iowa | --- |
| Louisiana | Kansas | --- |
| Michigan | Kentucky | --- |
| Montana | Maine | --- |
| New Jersey | New Mexico | --- |
| New York | South Dakota | --- |
| Vermont | Wyoming | --- |
| Virginia | North Dakota | Tennessee |

Of the 40 states that require some form of operating authority of agricultural carriers, 29 require a hearing, or that a hearing is within that state's legal authority, before a state regulatory commission will issue a permit.

There are also 29 states that indicated evidence of public need, or convenience and necessity, must be shown before a certificate of operation is granted to an agricultural carrier. These are the same states that also require a public hearing for a permit. The exception being North Dakota which requires a hearing but does not require evidence of public need, and Tennessee which requires evidence of public need but does not require a hearing.

²¹ Roy J. Sampson and Martin T. Farris, Domestic Transportation, p. 22.

There are 22 states that do not control the entry of agricultural carriers and are illustrated in Table 3. Eleven of these states exempt agricultural carriers from all economic regulation, while the other 11 states require some form of operating permit but do not require evidence of public need to be shown, or a hearing, to obtain operating authority.

Thus for 29 states, evidence of convenience and necessity must be shown, at a public hearing, conducted by a state regulatory commission, before an operating authority is granted to an agricultural carrier. These same states also indicated that the operations of other common carriers are taken into consideration before a permit is granted.

These states regulate the control of entry in a similar manner to the Interstate Commerce Commission which makes the carrier show public need for his proposed service. The power and authority that is granted to a state's regulatory authority (e.g. public service commission) has a great influence on the control of entry into a state's motor carrier industry. In the 29 states where the agricultural carrier is treated as any other for-hire carrier, entry is more difficult because of the requirement of evidence of convenience and necessity. It can be assumed that the 22 other states which do not require evidence of public need, entry requirements would tend to be less restrictive and more competitive (Table 4).

TABLE 4. STATES REGULATING THE ENTRY OF AGRICULTURAL MOTOR CARRIERS

States requiring evidence of public need for operating authority

| | |
|---------------|----------------|
| Alaska | New Hampshire |
| Arizona | North Carolina |
| Colorado | Ohio |
| Connecticut | Oklahoma |
| Georgia | Oregon |
| Hawaii | Pennsylvania |
| Idaho | Rhode Island |
| Illinois | South Carolina |
| Maryland | Tennessee |
| Massachusetts | Texas |
| Minnesota | Utah |
| Mississippi | Washington |
| Missouri | West Virginia |
| Nebraska | Wisconsin |
| Nevada | |

In response to the specific question, Does your Commission have authority to limit the number of agricultural carriers?, 24 states indicated

that they did, while 26 states responded that they did not have authority to limit the number of agricultural carriers.

The states that did limit this type of carrier did so on the basis of convenience and necessity, or public need. Evidence of convenience and necessity is required by 29 states for operating authority. The states of Nebraska, Nevada, Mississippi, North Carolina, Oregon, and Wisconsin are among those states that require evidence of public need, but indicated that they did not limit the number of agricultural carriers. There is no explanation for this difference among these states; it would be a matter of interpretation, or a matter of classification, but the important point is that in any final analysis it is the interpretation of public need, or convenience and necessity of a state's regulatory body that determines the control of entry into a state's motor carrier industry.

Cost of Permit

In obtaining a certificate of convenience and necessity, or operating authority, from a state there is usually a fee or a charge for filing for a permit.

This cost of the carrier does not seem to be so extensive that it would be a barrier to entry. Out of 28 states that indicated an initial fee was charged, 12 indicated a filing fee of \$25 was charged. Eight states charged more than \$25 and eight states charged less than that amount, with the range going from \$5 in Florida and Iowa to \$500 in California. California is the exception where the cost of a permit could be a definite barrier to entry.

The states vary in administering their fees; some do it on a per-vehicle basis, while others require a fixed amount. In general, the cost of the permit is not a barrier to entry.

Regulation of Routes

The control of the route, or area, a motor carrier can serve is another form of economic regulation over the for-hire motor carrier. The various states identify several different types of for-hire motor carriers on the basis of routes. One is a fixed route common carrier operating over a designated route. Another type is the irregular common carrier, who simply operates on a route or routes that are not specifically fixed, or generally serves a specified area.

Of the states, 28 indicated that they regulated the routes, or area, over which for-hire carriers of agricultural commodities travel. Except for the states of California and South Carolina, these 28 states are the same states that required evidence of public need before operating authority was granted. California did not require evidence of public need, but it does regulate on the basis of routes, while South Carolina required evidence

of public convenience but does not regulate the route of motor carriers, and New Hampshire did not indicate as to regulation of this nature.

The states that did regulate the routes of agricultural carriers did so primarily on the basis of public convenience and necessity, or need in the area.

The routes for agricultural carriers were primarily regulated on an irregular basis, limiting operating authority to geographic areas such as counties, and radial areas of cities. Carriers could only operate as defined in their operating authority, or certificate of convenience and necessity.

Regulation of Rates

The regulation of truck rates and the control over entry are the main tools of effective truck regulation. It is through these means that undesirable competitive conditions in the motor carrier industry are met.

The regulation of rates of motor carriers serves several functions. One of these functions is to maintain the solvency of the regulated carriers so that they can perform adequate and reliable service to the public. This type of rate control is to prevent destructive rate practices where carriers cut rates below costs and as a result impair their ability to maintain their equipment and provide adequate service to the public. Motor truck regulation tries to prevent this from happening by the use of minimum rates.

Another function of rate regulation is to protect the public from excessive rates charged by motor carriers. Even though the motor carrier industry is by nature highly competitive, control of entry or of routes may establish conditions of oligopoly or monopoly which would require protection for the public.

Rate regulation serves another purpose and that is to make sure that motor carriers do not discriminate between shippers or communities on the basis of rates. Rate stability is one of the major goals of economic regulation. Unregulated rates can be changed at will, and both the carrier and the shipper must face rate uncertainty in the present and future. By having carriers file, or publish for public inspection, their rates, the shipper then knows the rates charged and can be assured that his competition also pays the same rates.

The final function of rate regulation is the obvious one, and that is that it is a means of allocating resources and resource use. It is on this basic function that there is certain disagreement. One argument says that regulation sets rates too high and distorts resource use, and another argument maintains that regulation of rates is necessary because the structure of the motor carrier industry may lead to a condition of excessive competition and excess capacity.

On the intrastate level, 31 states indicated that it was within their power to regulate the rates of the for-hire common carrier of agricultural commodities.

The 19 states which do not regulate rates include the 11 states that exempt agricultural carriers from regulation and also nine other states. Except for Iowa and California who do not regulate their rates, these are the same states that do not require a hearing or evidence of convenience and necessity.

Of the 31 states that regulate rates, 27 indicated that they required for-hire motor carriers to publish their rates and schedules with the state regulatory body and the general public. Four states, Mississippi, Pennsylvania, Washington, and Wisconsin, indicated that they did not require publication of carrier rates. Washington has uniform rates for all carriers, thus does not require publication of rates by carriers. The other states gave no answer.

The most common basis for regulation among the states that had authority to regulate rates was to establish reasonable rates which reflected the supply and demand for motor carrier service, and the operating costs involved.

Thirteen of the states indicated that they had authority to regulate rates on a minimum and maximum basis, that is establish a rate below which rates should not fall, and a rate above which rates should not rise. In nine of these 13 states, the rates were proposed by the carrier and either approved or disapproved by the regulatory commission. Texas, Oklahoma, Washington, and North Carolina were the four other states that indicated that they regulated rates on a minimum and maximum basis. Texas freight rates are prescribed by the Texas Commission in tariff form after a public hearing. Washington indicated that uniform rates were fixed and published by the Commission of that state. In Oklahoma rates were established only after a public hearing. North Carolina did not indicate as to how minimum and maximum rates were administered.

Two states, Pennsylvania and South Carolina, regulated rates only on a maximal basis, while five states regulated rates on only a minimal basis. The states that regulate rates on a minimum basis are: California, Hawaii, Illinois, West Virginia, and Rhode Island. In states other than California and Illinois, these minimum rates applied to contract carriers who are for-hire carriers which do not hold themselves ready to serve the general public but instead serve one or a few shippers. In California minimum rates applied to a for-hire class of carriers referred to as "permitted" carriers. It should be noted that California does not prescribe the need of convenience and necessity for entry under this class of motor carriers. In Illinois minimum rates were established by the Commission order for for-hire carriers.

Several states indicated that they established rates by tariff, or rates are determined by the Commission and serve as both a minimum and maximum rate. The states that follow this procedure are: Nebraska, Nevada, and Oregon. This form of rate regulation tends to be more extensive than other forms of rate regulation.

The states of Ohio, Maryland, and Iowa indicated that rates must be filed with the regulatory body of their states' Commission and may be challenged by the general public, other carriers, or the Commission. A hearing is then held to determine the reasonableness of the rates. For the states of Tennessee, Mississippi, and New Hampshire, further information concerning their regulation of rates was not available.

In summation, a majority of the states require some form of rate control over for-hire carriers of agricultural commodities, the most common being on a minimum and maximum basis. Also a large number must file, or publish, their rates with their respective state Commissions. The states that do not regulate the rates tend to be the same states that do not control the entry of agricultural motor carriers.

TABLE 5. STATES NOT REGULATING RATES

| States which exempt agricultural carriers | States not exempting the agricultural carrier, but not regulating rates |
|---|---|
| Alabama | Arkansas |
| District of Columbia | Florida |
| Indiana | Kansas |
| Louisiana | Kentucky |
| Michigan | Maine |
| Montana | New Mexico |
| New Jersey | North Dakota |
| New York | South Dakota |
| Vermont | Wyoming |
| Virginia | |

Insurance Requirements

On the Interstate level, agricultural carriers are exempt from any minimal requirements as to insurance coverage. This has been cited as a particular weakness of the agricultural exempt carrier. It affords him lower costs and increases the cost to the general public in case of an accident and a carrier is not adequately insured. The agricultural carrier may carry insurance but it may be inadequate to insure financial responsibility.

Thirty-six states indicated that they required minimal amounts of insurance of agricultural carriers operating on the intrastate level. The remaining 15 states did not require insurance of agricultural carriers.

TABLE 6. FORM OF RATE REGULATION OF AGRICULTURAL CARRIERS BY THE STATES

| Rates are filed | Minimum and maximum rate | Minimum rate | Maximum rate | Prescribed rate |
|-----------------------|-----------------------------------|-----------------|-----------------|--------------------|
| Alaska | Alaska | California | Pennsylvania | Nebraska |
| Arizona | Arizona | Hawaii | South Carolina | Nevada |
| California | Colorado | Illinois | | Oregon |
| Colorado | Georgia | West Virginia | | |
| Connecticut | Idaho | Rhode Island | | |
| Georgia | Massachusetts | | | |
| Hawaii | Minnesota | | | |
| Idaho | Missouri | | | |
| Illinois | Nevada | | | |
| Iowa | North Carolina | | | |
| Maryland | Oklahoma | | | |
| Massachusetts | Texas | | | |
| Minnesota | Utah | | | |
| Missouri | | | | |
| Nebraska | | | | |
| Nevada | | | | |
| New Hampshire | | | | |
| North Carolina | | | | |
| Ohio | | | | |
| Oklahoma | | | | |
| Oregon | | | | |
| Rhode Island | | | | |
| South Carolina | | | | |
| Tennessee | | | | |
| Texas | | | | |
| Utah | | | | |
| West Virginia | | | | |

There are three general types of insurance coverage that is required by the various states--personal property liability insurance, property damage insurance, and cargo insurance.

Personal liability insurance, or bodily injury insurance, covers the carrier from liable suits resulting from the death or injury from one accident of one person and also protection from liable suits resulting from death or injury to more than one person from one accident. Property damage insurance covers the carrier from liable suits resulting from the damage to another's property, while cargo insurance covers damage or loss to the cargo while it is in the carrier's possession.

There seems to be a great difference among the states as to what amount constitutes adequate insurance coverage. Alaska and California require the largest amount of insurance coverage with the other states requiring lesser amounts of insurance coverage. California requires personal liability insurance in the amounts of \$100,000 minimal coverage for liable suits from the death or injury of one person and \$300,000 coverage for more than one person. For property damage, California requires \$50,000 coverage. Alaska requires \$100,000 bodily injury insurance and \$300,000 property damage. This compares with Rhode Island and Pennsylvania which require public liability in the amounts of only \$5,000 and \$10,000 for single and multiple injuries, respectively.

The most common amount of insurance coverage for single personal liability was \$25,000 which eight states required, seven states required \$10,000. For multiple personal liability, the most common amounts were \$100,000, and \$20,000 which were required by six states. The most common amount of property damage insurance was \$10,000 which was required by 13 states, nine states required \$5,000 coverage. From this we can get two representative insurance requirements of the for-hire agricultural carrier. But there are some real differences among the states as to what constitutes an adequate financial responsibility in terms of insurance coverage.

In the matter of cargo insurance, only 13 states require cargo insurance of its agricultural carriers. Missouri requires \$12,000 minimal insurance coverage of cargo and Alaska requires \$10,000 coverage for cargoes. Compared to the other states, these amounts are very high compared to what the other states require. The usual amounts for the other states vary between \$500 to \$3,000 with six states requiring \$1,000.

Regulation by Region

There seems to be no significant difference between geographic regions as to regulation of agricultural motor carriers. To indicate the difference in regulation among the regions, the United States was divided into four geographic areas, the North Atlantic, Great Lakes and Plains, South East, and West and Southwest.

The difference in regulation among these regions is not great. However, there are several differences that should be noted. One difference is that the West and Southwest region tends to regulate agricultural motor carriers to a greater extent than the other areas. Another factor is that the North Atlantic region accounts for the largest number of states (five) exempting agricultural carriers from economic regulation.

Farm Income and Economic Regulation

The exemption of agricultural products from economic regulation can create several benefits to the farmer, such as lower rates and greater flexibility of service. It would be assumed that agricultural states would be more likely to exempt motor carriers of agricultural commodities than states who are less dependent on agriculture.

One measure of the importance of agriculture to a state is the amount of a state's personal income that goes to the farm sector. The amount of farm income can be measured in terms of total farm wages and farm proprietor's income. To find out whether agricultural states regulate more or less than nonagricultural states, the states were ranked according to farm income on a relative basis and also an absolute basis. The rankings were then divided into two equal groups and referred to as: high farm income states and low farm income states.

The relative importance of farm income ranges from 20.9 percent of personal income in South Dakota to 0.2 percent in Rhode Island and Alaska. The results of the ranking of the states according to the relative importance of farm income to personal income is shown in Table 8 along with the forms of regulation.

The results indicate that there is little difference in the extent of regulation between states with relative high farm income and states with relatively low farm income. There is no significant difference between any of the forms of economic regulation and low or high farm income states.

The range of farm income on an absolute basis ranges from \$70.2 billion in California to two million dollars in Alaska. The states were again divided into two equal groups and comparisons made between the high and low farm income states. The results again showed that there was no significant difference between the extent and nature of economic regulation and farm income. The greatest difference appears to be in the "evidence of need" category where 12 high farm income states do not require evidence compared to nine for low income states.

Tables 8 and 9 show several differences in the extent of regulation by high farm states and low farm states of agricultural motor carriers, however these differences are not significant and, according to farm income by states, one cannot assume that agricultural states are more or less likely to regulate than non-farm states.

TABLE 7. REGULATION BY REGION^a

| Region | <u>Require operating authority</u> | | <u>Evidence of public need</u> | | <u>Public hearing Required</u> | | <u>Regulation of rates</u> | | <u>Regulation of routes</u> | | <u>Insurance required</u> | |
|------------------------|------------------------------------|----|--------------------------------|----|--------------------------------|----|----------------------------|----|-----------------------------|----|---------------------------|----|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| North Atlantic | 7 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 6 | 5 | 6 |
| Great Lakes and Plains | 10 | 2 | 6 | 6 | 7 | 5 | 7 | 5 | 6 | 6 | 9 | 3 |
| South East | 9 | 3 | 6 | 6 | 5 | 7 | 6 | 6 | 5 | 7 | 8 | 4 |
| West and Southwest | 12 | 1 | 9 | 4 | 9 | 4 | 10 | 3 | 10 | 3 | 11 | 2 |
| Total States | 38 | 11 | 27 | 22 | 27 | 22 | 29 | 19 | 26 | 22 | 33 | 16 |

^aDoes not include Alaska or Hawaii.

TABLE 8. ECONOMIC REGULATION AND RELATIVE HIGH AND LOW FARM INCOME STATES

| | <u>Authority is required</u> | | <u>Hearing is required</u> | | <u>Evidence of need</u> | | <u>Route</u> | | <u>Rate</u> | | <u>Insurance</u> | | Farm income sectors |
|--------------|------------------------------|----|----------------------------|----|-------------------------|----|--------------|----|-------------|----|------------------|----|---------------------|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | |
| | 22 | 3 | 16 | 9 | 15 | 10 | 12 | 12 | 15 | 10 | 20 | 5 | High farm |
| | 18 | 7 | 13 | 12 | 14 | 11 | 16 | 9 | 16 | 8 | 16 | 9 | Low farm |
| Total | 40 | 10 | 29 | 21 | 29 | 21 | 28 | 21 | 31 | 18 | 36 | 14 | |

TABLE 9. ECONOMIC REGULATION AND ABSOLUTE HIGH AND LOW FARM INCOME STATES

| | Authority is required | | Hearing is required | | Evidence of need | | Route | | Rate | | Insurance | | Farm income sectors |
|-------|-----------------------|----|---------------------|----|------------------|----|-------|----|------|----|-----------|----|---------------------|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | |
| | 21 | 4 | 14 | 11 | 13 | 12 | 14 | 11 | 15 | 10 | 19 | 6 | High farm |
| | 19 | 6 | 15 | 10 | 16 | 9 | 14 | 10 | 16 | 9 | 17 | 8 | Low farm |
| ----- | | | | | | | | | | | | | |
| Total | 40 | 10 | 29 | 21 | 29 | 21 | 28 | 21 | 31 | 19 | 36 | 14 | |

A SYNOPSIS OF STATE REGULATION OF FOR-HIRE
AGRICULTURAL MOTOR CARRIERS

State regulation of for-hire motor carriers varies considerably among the states. To determine the nature of regulation the states were asked, What would best describe your state's regulation of agricultural carriers? Seventeen states indicated that they did not regulate this type of carrier, however, six of these states indicated that they exempted on a farm-to-market basis but otherwise regulated for-hire agricultural carriers. Eight states indicated that their regulation could best be described as minimal, while 20 states indicated theirs as adequate, and six states indicated their regulation of agricultural motor carriers as extensive.

States Indicating No Regulation of
Agricultural Motor Carriers

The following states indicated that they had no authority to regulate this type of motor carrier. The major characteristic of this group of states was that the majority of these states exempt agricultural carriers on much the same basis as section 203 (b) (6) of the Interstate Commerce Act of 1935.

Alabama -- The Alabama Public Service Commission has no authority over the transporting of raw agricultural products. Section 301, subsection (1)-(32) Title 48 of the Code of Alabama states:

. . . also motor vehicles (shall not be regulated) if engaged in hauling milk, livestock, coal, logs, lumber, poles, pulpwood, cotton in bales, cottonseed, fertilizer, peanuts, potatoes, or any other agricultural commodity of any kind (but not manufactured products thereof);

However, for-hire carriers of agricultural products are subject to a mileage tax and must secure a permit from the Department of Revenue Alabama. There is no charge for the permit, nor is there any further regulation of agricultural carriers.

Delaware -- The Public Service Commission of Delaware has no authority over this type of carrier, nor has any other state agency.

District of Columbia -- The District of Columbia indicated that it has not exercised regulation of carriers of agricultural commodities.

Indiana -- Indiana Statutes Section 47-1213 exempts:

. . . motor vehicles used in carrying property consisting of ordinary livestock or agricultural commodities (not including manufactured products thereof) if such motor vehicles are not used in carrying any other property, or passengers, for compensation.

However, if these products are "changed in character in any manner" then the transportation becomes subject to regulation and a permit is required. Also livestock used for show purposes are subject to regulation.

Louisiana -- Agricultural carriers are exempt from regulation under Louisiana Code R. S. 45:172 A(5)(c) which states:

. . . the transportation of agricultural products (are exempt) but not including products manufactured therefrom;

Michigan -- Carriers of Agricultural commodities are exempt under Michigan Code 4792.2 Section 2 (f) which exempts:

Vehicles used for the transportation of fruits, grain, vegetables, and sugar beets from farm or orchard to market or for transferring or releasing such farm produce for other markets either local or foreign: Provided, that nothing contained in this subsection shall be deemed to exempt the transportation of such produce in other than the raw state.

Montana -- Agricultural carriers in Montana are exempt from regulation under Montana Code Section 3847.1 (8-101) which exempts:

. . . motor vehicles used in carrying property consisting of ordinary livestock or agricultural commodities (not including manufactured products thereof), if such motor vehicles are not used in carrying any other property, or passengers, for compensation,

New Jersey -- The New Jersey Department of Public Utilities indicated that there was no regulation or classification of this type of carrier.

New York -- The Public Service Commission of New York indicated that it has no jurisdiction whatever over the transportation of agricultural commodities by motor carrier. Under Section 63-i-3 (f) of the New York Public Service Law, it exempts:

motor vehicles used exclusively in carrying fertilizers, soil conditioners, agricultural commodities other than manufactured products thereof, including logs, pulpwood, peeled or not peeled (pasteurized or irradiated milk and fresh or sour cream not to be deemed such manufactured products), or fresh or frozen ducks or duck parts, fish, including among others shell fish, ordinary livestock, but not including race horses, trotting horses, polo ponies, show horses, and saddle horses not used for agricultural purposes, with their equipment of blankets, saddles, bridles and fittings, or property in either or any of such classes; nothing however in this paragraph shall be deemed to apply to the transportation

of milk or cream, whether raw, pasteurized or sour, when transported in tank motor vehicles, except as provided in paragraph (i), and in addition, nothing in this paragraph shall be deemed to apply to frozen, canned or preserved fruits or vegetables and the transportation of such products when so transported shall be subject to the provision of this article;

The New York Public Service Commission has held that this exemption applies to agricultural commodities, milk or cream (except when transported by tank motor vehicle), fish and ordinary livestock even if they are hauled in motor vehicles used at the same or any other time in the carriage of non-exempt commodities.

Vermont -- The Public Service Board of Vermont indicates that it has no authority over this type of carrier and that it is not classified in that state.

Virginia -- Chapter 12 Title 56 (7) of the Virginia Code exempts:

Motor vehicles while used exclusively in carrying livestock, poultry, poultry products, buttermilk, fresh milk, cream, meats, butter and cheese produced on the farm, fish (including shellfish), slate, horticultural or agricultural products, including lumber and staves (but not including manufactured products thereof), or in the transportation of farm supplies being delivered to a farm or farms;

However, Virginia requires lease agreements to be filed with that commission. Also a tax levy of two percent of the gross receipts derived from intrastate operations is required of all trucks with more than two axles.

States Indicating Exemption of Farm to Market Motor Carriers

Six other states also indicated that they exempted vehicles used in the transporting of agricultural commodities, but on closer inspection exempted regulation on a farm-to-market basis, rather than the commodity and vehicle. A farm-to-market exemption exempts the commodity only to its first point of entry, or first market, and any further movement of the commodity would be under a regulated mode of transportation. Since a large percentage of farm-to-market hauls are made by the individual farmer in his own vehicles, he would naturally be exempted anyway, the main interest is in the for-hire operations of agricultural carriers, which would be outside of this type of exemption. States that exempt agricultural carriers but only on a farm-to-market basis are: Mississippi, Nebraska, New Hampshire, Ohio, Rhode Island and West Virginia. The degree to which they regulate for-hire carriers is described in the following paragraphs.

Mississippi -- All common carriers, not specifically exempt, must secure a certificate of public convenience and necessity. The certificate is granted after the carrier has justified his proposed service.

The certificate of convenience identifies the routes, or area, the carrier has authority to operate in. All rates, or charges, must be published and made available to the public, and any changes in the rate schedule must be approved by the Mississippi Department of Transportation. Insurance is also necessary in the amounts of \$5,000 and \$20,000 for public liability, property damage \$5,000, and cargo insurance of \$1,000 (for more than three tons).

Nebraska -- All public carriers conducting for-hire operations, who are not exempt, must obtain a certificate of public convenience and necessity. This certificate can only be obtained after the carrier has demonstrated that there is a public need for his service before a public hearing of the Nebraska Public Service Commission.

The route, or area to be served, is described in the certificate and operations can be conducted only as it is defined in the certificate. Rates are regulated on a minimum basis and must be filed with the commission on a tariff basis. In addition, insurance is required of all carriers in the form of: liability insurance \$25,000 and \$50,000, property damage \$25,000, and cargo insurance for \$3,000.

New Hampshire -- To obtain a permit the carrier must provide evidence of a need for that service before legal operations can be granted. Rates must be filed and approved by the New Hampshire Commission. Cargo insurance is required but the amount required was not indicated.

Ohio -- For-hire carriers must obtain a certificate of public convenience and necessity to operate legally in this state. A hearing is required and the carrier proposes the route, either on a regular or irregular basis. Notice is given to other common carriers operating between the same points and if there is no objection a permit is granted. However, a need must exist in an area of proposed transportation before a permit is granted. The permit describes the rates and route of the carrier, and cannot be changed unless approved by the commission. Public liability and property damage insurance is also necessary, but no minimal amounts were indicated.

Rhode Island -- All for-hire carriers are required to present evidence of public convenience and necessity before a permit is issued to the carrier. In issuing permits, the needs of other common carriers are allowed for.

Routes are defined in the permit and every common carrier must publish its rates and charges between points with the Rhode Island administrator. Rates may be challenged by any person or carrier and a hearing is set to determine the fairness of the rates involved. Contract carriers must observe

minimum rates. Insurance is required for all common carriers in the following amounts \$5,000 and \$10,000 for personal liability, and \$1,000 for property damage.

West Virginia -- Evidence of public convenience must be shown before a hearing before a certificate for operations is granted. The West Virginia Commission will not grant a permit if the existing facilities are adequate, and the burden of proof is on the applicant.

Routes are described in the certificate, while rates, or charges, must be filed and approved by the commission.

States Indicating Minimal Regulation

Eight states indicated that their regulation of agricultural carriers could best be described as "minimal":

Arkansas -- The Arkansas Commerce Commission indicated that a permit is required of all carriers; however evidence of public need, a hearing, were not required and there was no regulation of routes, rates, or entry. Insurance was required in the form of bodily injury \$25,000 and \$50,000, property damage of \$5,000 and cargo insurance of \$1,000. There was no other form of regulation.

Florida -- For carriers operating under Section 203 (b) (6), Part II of the Interstate Commerce Act, Florida requires all carriers to obtain a certificate of registration for a fee of \$5. Each vehicle operated by the motor carrier must be registered with the Florida Public Service Commission for the fee of \$1. Also a road tax of \$10 is charged to each vehicle. There are no other regulations required of agricultural carriers operating intrastate in Florida.

Kentucky -- A for-hire carrier of agricultural commodities must register with the Department of Motor Transportation as a for-hire carrier of Interstate Commerce Commission exempted commodities. The fee for this permit is \$25 per year. Public liability and property damage insurance is required in the amounts of \$10,000 and \$30,000 for single and multiple public liability and \$5,000 for property damage. In addition, a bond of \$500 for fuel tax is also required. There is no authority over routes, rates, or entry.

Maine -- A permit is required for carriers to operate within that state. The cost of the permit is \$25, plus \$10 per tractor, and \$5 per truck. Maine also requires personal liability and property damage insurance of all certified carriers, in the amounts of \$20,000 and \$40,000 for personal liability and \$5,000 for property damage.

Maryland -- Evidence of public need and necessity is required to be presented at a hearing before operating authority is granted to for-hire carriers in Maryland.

A schedule of rates charged must be filed with the Maryland Commission and the rates are established by the filing or by a hearing. Routes are regulated on the basis of need in the area and control of entry is limited by public convenience and necessity. Insurance is also required but the nature and degree of insurance coverage was not indicated.

Routes and rates are not regulated, but the control over entry is regulated with "fitness of service" the main goal.

North Dakota -- To receive an agricultural carrier permit, the carrier must make an application before the North Dakota Public Service Commission. Upon filing an application, a hearing may be required where other common carriers or interested persons may offer testimony for or against granting the permit.

The agricultural carrier permit will be granted only after the Commission is satisfied that the carrier will not endanger the safety of the public. Agricultural carriers are exempt from any showing of public convenience and necessity and to any requirements as to any schedule of rates. The area to be served is not limited by statute.

The fee for the permit is \$25. In addition, liability and property damage insurance, or a surety bond, is required for all agricultural carriers.

There are two general types of common carriers who also may haul agricultural commodities; the class A common motor carrier and the special common carrier. All common motor carriers in North Dakota must first obtain from the Commission a certificate of public convenience and necessity. The application must stipulate the type of service and the route and territory served. Also North Dakota law stipulates the rates charged must be uniform for all classes of carriers performing similar services.

South Dakota -- In South Dakota, a permit is required for all carrier operations in that state. A fee of \$25 is charged for this permit. There were no other requirements indicated for a permit. There were no restrictions on routes, rates, insurance, or entry of the carriers of agricultural goods.

South Carolina -- South Carolina requires a permit for intrastate operations and can only be obtained at a hearing by presenting evidence of a need or necessity for motor carrier service. A \$50 appearance bond (refundable) is required but no other cost is involved.

Liability and cargo insurance is required of all carriers and must be in the amounts of \$10,000 and \$20,000 for personal liability, \$5,000 for property damage, and \$1,000 for cargo insurance.

There is also authority over route regulations and routes are established on the basis of convenience and necessity.

Rates are regulated and carriers must publish a schedule of its freight rates between points. These rates are regulated on a maximum basis which are determined by the commission. Control of entry by motor carriers is restricted through hearings on applications for convenience and necessity.

States Indicating Adequate Regulation

Alaska -- To carry agricultural commodities in Alaska, a for-hire carrier must obtain an operating certificate from the Alaska Transportation Commission by showing public convenience and necessity before a public hearing.

Regulation of routes and control of entry in Alaska is achieved on the basis of convenience and necessity. Rates must be filed, and are regulated on a minimum and maximum basis and are subject to complaints or actions by the Alaska Commission. Insurance is required in the form of bodily injury \$100,000, property damage \$300,000, and cargo insurance of \$10,000.

California -- To operate in California, permission must be obtained from the California Public Utilities Commission. Two general operating authorities are granted in California, one is a certificate and the other is a permit.

Applicants for a certificate of public convenience and necessity must prove public need for the proposed service. Hearings are also necessary to obtain a certificate. Hearings are not required for permitted carriers nor must they show evidence of public need. The filing fee for both the permit carrier and the certificate carrier is \$500.

Every permitted carrier must always keep in force the following amounts of insurance: liability insurance for injury or death of one person in one accident \$100,000, liability insurance for injury or death of more than one person \$300,000, property damage insurance \$50,000, and cargo insurance for \$5,000.

Certified carriers must publish and file tariffs with the California Public Utilities Commission. The certificated carriers must assess the rates and charges published in their tariffs, thus it is a minimum and maximum rate. For the permitted carriers, the Commission prescribes and publishes minimum rate tariffs which must be followed by those carriers. The routes are restricted as to territory by the operating authority granted by the commission.

In summary, the permitted carrier in California must: charge no less than minimum rates, keep evidence of insurance on file, haul only in the area listed, and haul only goods for which the permit is issued. However, no authority was indicated to limit the number of agricultural carriers.

Connecticut -- Connecticut indicated that they had very few for-hire carriers of agricultural commodities in that state. However, those carriers that do haul agricultural commodities must file for a hearing, and present evidence, before a certificate of convenience and necessity is issued. The costs include a filing fee of \$50 and \$10 for a plate per truck.

Insurance is required in the form of public liability and property damage, in the amounts of \$25,000 and \$100,000, and \$10,000, respectively.

In regard to rates and routes, routes are authorized by area after the public hearing. The rates for services charged must be filed with the Commission. Rates are not regulated on a minimal or maximal basis, but are merely established by the exact rates filed with the Commission. Control of entry is accomplished on the basis of public need.

An interstate for-hire carrier of agricultural commodities must obtain an interstate permit from the commission. There is no fee, but a cost of \$10 per truck is required. There is no public hearing; however the carrier must file evidence of insurance coverage in the same amounts as required for an intrastate carrier. In addition, the interstate carrier must provide an exemption certificate issued by the Interstate Commerce Commission along with the appropriate application.

Georgia -- To obtain a permit, a carrier must submit evidence of public need of service before a public hearing.

The Georgia Public Service Commission requires insurance in the amounts equal to that of the Interstate Commerce Commission. These requirements are \$25,000 and \$100,000 for public liability, and \$10,000 for property damage, and \$2,000 for cargo insurance.

Certificates applying to a for-hire agricultural carrier are not fixed route certificates but are limited to geographical areas according to the applicant's showing of public need for the service.

Rates of carriers must be published with the Georgia Public Service Commission. These rates are established on a minimum and maximum basis. The rates are based on carrier costs and competition with other modes, including private carriers. Usually they are suggested by the carrier, often at the request of the shipper, and approved or disapproved by the Commission, sometimes after a public hearing.

Entry into the motor carrier industry is regulated according to the showing of public need for the services.

Hawaii -- Any person engaged in for-hire transportation whether for general commodities or agricultural commodities must first obtain a certificate of convenience. This can be obtained by presenting evidence of public convenience and necessity before a public hearing of the Hawaii Commission.

Routes are limited and defined in the carrier's application and are established on the basis of convenience and necessity.

Rates, or charges, must be filed with the Commission and all rates must be reasonable for the service performed. Contract carrier's rates are regulated on a minimum basis.

Bodily injury and property damage insurance is required of all carriers but the exact amounts were not indicated.

Idaho -- Evidence of public need, presented before a public hearing, is necessary before a permit of public convenience and necessity is granted. The cost of the permit was indicated as \$18.50. In addition, there is an annual regulatory fee of \$3 for the first power unit registered and \$6 for each additional power unit registered.

Public liability and property damage insurance is required in the amounts of \$10,000 and \$20,000 for public liability and \$10,000 for property damage.

Rates and routes are both regulated in Idaho. The carrier must publish his schedule of rates between points. Rates are regulated on a minimum and maximum basis. These rates are carrier proposed and approved by the commission. Routes are established on a radial basis or by counties.

Entry is also regulated in Idaho. The means used to accomplish this is that each applicant carrier must show adequate proof of public convenience and necessity.

Illinois -- To operate intrastate a motor carrier must obtain a permit. Evidence of necessity must be shown at a public hearing before the permit is issued. The fee of \$50 for a new authority is charged and \$25 is charged for a transfer or extension of that permit.

Public liability, property damage, and cargo insurance is required in the amounts of \$20,000 and \$40,000, \$50,000 and \$1,000, respectively.

A schedule of rates between points must be posted with the Illinois Commerce Commission. The Commerce Commission regulates rates on a minimum basis which it establishes.

Routes are established through testimony given at hearings; entry is also controlled by this means. Applicants for intrastate authority must show that there is a need for the requested service and carriers holding such authority may protest issuance of additional authority.

If a carrier is engaged in interstate commerce in Illinois of agricultural commodities that are exempt by the Interstate Commerce Commission, he must file an application for registration as an exempt interstate

carrier. He must however file the required evidence of public liability and property damage insurance coverage as required by state law.

Iowa -- A for-hire carrier must obtain a permit to legally operate in this state; however public convenience and necessity does not have to be shown, nor is a hearing required.

Public liability and property damage insurance is required in the minimum amounts of \$25,000 and \$50,000 for public liability and \$10,000 for property damage.

Rates must be published with the commission and must be allowed to remain in effect for 30 days before being changed. Iowa does not set a minimum or a maximum rate but allows for complaints to be filed against unjust rates. A hearing is then set to determine the validity of the rate. The chief of the Rate Division of the Iowa State Commerce Commission may file a complaint under this rule.

There is no regulation of routes or entry of agricultural carriers.

Kansas -- Agricultural carriers in Kansas must obtain a permit for operation in that state. Numerically there are 1,120 common carriers transporting livestock or agricultural commodities in the state of Kansas. This figure not only includes Kansas carriers but also carriers who reside outside the state and who operate into Kansas.

To obtain a permit for operation in Kansas, there are few requirements to be met. A hearing is not required, nor is evidence of public need required, for a permit to be obtained.

Public liability and property damage insurance is required for common carriers operating in this state. The minimal amounts required are \$25,000 and \$50,000 for public liability and \$5,000 property damage.

The carriers operating on a certificate are limited by the radius authorized by the commission's order. There is no further regulation of Kansas agricultural carrier as to rates or entry.

Minnesota -- In Minnesota, a for-hire carrier must demonstrate fitness and ability to perform a public need, at a public hearing, to obtain an operating certificate.

Rates must be filed with the commission and are subject to complaint or commission rejection if proposed rates appear to be non-compensatory.

Routes in Minnesota are regulated on the basis of need for carriers in the area.

Public liability and property damage insurance is necessary in the amounts of \$50,000 and \$200,000, and \$15,000, respectively.

Missouri -- The state of Missouri requires that evidence of public convenience and necessity must be shown at a public hearing before a permit for a common carrier operation is granted. There was no fee associated with the permit but a \$25 annual license fee was indicated.

Insurance in the form of public liability and property damage is required of all carriers. The minimal amounts are: \$50,000-100,000 and \$10,000, and \$12,000 for cargo.

Routes are regulated on the basis of demonstrated need and are usually defined by counties, or the radius of a certain town, or geographic boundaries.

Rates must be published with the Missouri Public Service Commission and are regulated on a minimum and a maximum basis. However according to George Fox, Director of Transportation, "rates are voluntarily established by carriers and only rarely fixed by the commission in case of complaint."

Nevada -- Evidence of convenience and necessity must be shown by all carriers before a permit of convenience will be issued. There is no fee for the permit.

Rates are regulated and the carrier must publish his rates between points with the Commission. Regulation is on a minimum and maximum basis and these rates are established by tariff. Routes are regulated on the basis of application of the carrier.

Bodily injury insurance for \$25,000, property damage insurance for \$100,000, cargo insurance for \$2,000, are all required of all common carriers in Nevada.

New Mexico -- A for-hire carrier of agricultural commodities must obtain a certificate of registration, at a cost of \$40, from the New Mexico State Corporation Commission. Evidence of public need is not required, nor is a hearing.

Public liability is required in the amounts of \$10,000 and \$20,000, and \$5,000 for property damage, \$1,000 for cargo insurance.

There were no other requirements on routes, rates, or entry.

North Carolina -- To operate as a for-hire motor carrier in this state, a permit must be obtained from a hearing where the carrier must cite public need for his service.

Insurance is required in the form of public liability and property damage, the amounts being \$25,000 and \$100,000, and \$10,000 respectively.

Rates between points must be posted with the commission. The commission further regulates rates on a minimum and a maximum basis. No indication was given as to how these rates are established.

Control over entry is not regulated and routes are regulated upon the showing of public need.

Oklahoma -- The Oklahoma Corporation Commission requires for-hire agricultural carriers to present evidence of necessity before a public hearing to obtain a permit for operations within that state. The fee for the permit is \$50. Insurance in the form of public liability, property damage, and cargo insurance is required, but no amounts were indicated.

The carrier is required to post a schedule of his rates between the points he travels. The Commission regulates rates on a minimum and a maximum basis, which are established by public hearing.

Entry is controlled through the means of a public hearing and evidence of convenience and necessity. Routes are also regulated, but the basis of the regulation was not indicated.

Pennsylvania -- The regulatory powers of this state require agricultural carriers to obtain a permit from the Pennsylvania Public Utilities Commission. Evidence of need must be shown before a hearing to be granted operating rights. The price of the permit is \$10.

Insurance is required in the form of public liability, property damage, and cargo insurance with the minimal amounts being \$5,000, \$10,000, and \$500, respectively.

Routes are regulated, according to the Commission, on the basis of necessity. Rates are regulated on a maximal basis and are established on the basis of operating costs, and supply and demand of available service. Entry is controlled on the basis of proven necessity.

Tennessee -- A certificate of convenience is necessary for for-hire operations in this state. This certificate is granted only after a hearing and after evidence is provided that there is a public need for this service. No certificate of convenience is issued unless the carrier has liability insurance and cargo insurance, but no minimal amounts of insurance were indicated.

Regulation of routes, rates, or entry was not indicated.

Utah -- To operate as an agricultural carrier, a certificate of convenience and necessity is required from the Utah Public Service Commission, and is granted only after evidence is presented at a public hearing. The Commission has authority to fix and approve reasonable maximum or minimum rates. In applying for a certificate of convenience, the carrier must identify the territory to be served. Public liability and property damage insurance is required in the amounts of \$20,000 and \$40,000, and \$10,000.

Utah employs an interstate licensing provision which allows the interstate carrier to transport under identical terms with the Interstate Commerce Act, which exempts by commodity without restriction as to point of origin or destination. Utah requires this type of carrier to acquire an interstate exempt carrier license, at a fee of \$25, and insurance in the form and amounts as indicated for other carriers in Utah.

Wisconsin -- The Motor Vehicle Department of Wisconsin requires all for-hire transportation of property to obtain a permit for operating within that state.

The fee for a permit is \$25 and the permit can only be issued after evidence of convenience or need is cited at a hearing.

Insurance is also required, personal liability in minimum amounts of \$10,000 and \$20,000, and property damage insurance at \$10,000.

Rates charged for service must be filed with the Wisconsin Motor Vehicle Department. It is also within the Department's power over carriers to prescribe minimum and maximum rates for services rendered. Routes of carriers are controlled on an area-wide basis where public convenience and necessity are shown. Control of entry is not regulated but the carrier is required to show evidence of necessity for his service.

Wisconsin also has limited jurisdiction over the interstate carrier of agricultural commodities. A license is required at a fee of \$25, and public liability and property damage insurance is required in the previously indicated amounts. There is no further requirements or regulation of the interstate carrier.

Wyoming -- All agricultural carriers must obtain a permit for operations within this state. The fee is \$5 per single unit and \$10 per combination unit. A hearing is not required and evidence of need need not be presented. A \$1,000 bond must be filed with the Wyoming Motor Transportation Department. Rates, routes, or entry are not regulated.

States Indicating Extensive Regulation

Arizona -- To obtain authority to act as intrastate motor carrier of agricultural commodities, a carrier must provide evidence of public need at a public hearing before such authority is granted.

Liability insurance of \$10,000 and \$20,000 and \$5,000 for property damage is required by this state's Corporation Commission. The carriers must also post a bond of \$100 for road taxes with the Arizona Highway Department.

Routes of motor carriers are regulated on an area basis of either a 50-mile radius of a town, or by counties, or statewide.

Intrastate rates must be published and rates are regulated on a minimum and maximum basis. These rates are established by agreement of the carrier and the Commission. Control of entry is based on the concept of need for additional carriers before further entry is permitted.

Arizona also has a class of carriers which are referred to as Interstate Exempt Commodity Carriers and the extent of regulation over this group is considered less than those operating on an intrastate basis. A permit is required, the fee is \$25; but no public hearing is required and the only requirement being that adequate insurance, as indicated above, is kept in force.

Colorado -- Colorado requires all for-hire carriers to obtain a certificate of public convenience and necessity. Each carrier must present evidence of public need at a hearing for the service that they are going to provide.

Routes are established by the Commission depending on the demand for the service. Rates must be published and are regulated on a minimum and maximum basis. Insurance is also required but the nature of the insurance or the amounts were not indicated.

Massachusetts -- Carriers of agricultural products are classified as a special class of motor carriers. A permit is required and is obtained after a public need has been demonstrated at a public hearing. The insurance required is limited to cargo insurance with a minimum of \$1,000.

The carrier is required to post a schedule of his rates between points with the Commission. The rates are regulated on a minimum and a maximum basis and are established by the carrier except in cases where a hearing is involved, then they are decided by the Commission.

The routes and entry of motor carriers are regulated on the basis of examination of the application as filed and the need of service in an area.

Oregon -- Agricultural commodities when moving by motor vehicle are handled by those carriers holding motor common carrier permits authorizing regular route service, irregular route service, and by contract carriers.

The principal tonnage of agricultural commodities in Oregon is moved by irregular route common carriers and by contract carriers holding broad certificates of convenience.

Currently evidence of need, defined as public interest, is required to be presented by all carriers before a permit is granted.

Insurance in the form of public liability and property damage is required in the amounts of \$10,000 and \$20,000 for public liability, \$10,000 for property damage insurance, and \$2,000 for cargo insurance.

Routes are established and fixed by the Oregon Commission for regular route carriers. For irregular route and contract carriers, routes are established on an area basis. Routes are granted only after an application has been made, and showing of need has been shown before a hearing.

The rates are regulated on a similar basis. Carriers must apply for rates which are accepted or rejected at a hearing. The rates are thus regulated on an exact basis and are published as official tariffs by the Oregon Commission.

Control of entry is regulated by hearing and public need. But there are no restrictions placed on the number of carriers hauling a particular agricultural commodity.

Texas -- Intrastate carriers of agricultural commodities are a subclass of a more general class of carriers defined as "Specialized Motor Carriers."

A carrier must prove public convenience and necessity at a hearing before a permit is granted for operations in that state. A filing fee of \$25 is required with each application for a new authority. If an application is opposed, the carrier must show that the service of carriers already authorized to perform the service it proposes is inadequate.

In Texas, carriers must carry minimum public liability insurance in the amounts of \$25,000 for injury or death of one person, \$100,000 for the injury or death to more than one person. For damage to property of others, the minimum amount is \$10,000 and for cargo insurance the minimum amount is \$1,000 for each vehicle.

Carriers of agricultural products are authorized to operate over irregular routes between points as described in their certificate. Some carriers may operate between all points in Texas, while others are granted more limited areas.

Rates must be posted or made available to the public and are enforced on a minimum and a maximum basis. All intrastate rates are prescribed only after a public hearing and are enforceable by both the carrier and the shipper.

Control of entry is exercised through the establishment of convenience and necessity of carriers applying for certificates.

Texas, in addition, has limited authority over interstate agricultural carriers. A permit is required and the applicant must submit an affidavit before the commission. Insurance is required in the amounts indicated for intrastate carriers, but there is no further regulation over interstate carriers.

Washington -- In Washington, carriers of agricultural commodities encounter the same degree of economic regulation as the most rigidly regulated for-hire carrier.

A permit, at a fee of \$25, is required for all for-hire carriers. This permit is obtained through a hearing where the carrier must prove convenience and necessity for its operations.

Insurance in the form of public liability in the amounts of \$25,000, \$100,000, and property damage \$10,000 is required by all carriers.

Routes and control of entry are regulated on the basis of convenience and necessity. Routes are established by territorial authority which is contained in the permit granted by the Washington Utilities and Transportation Commission. Likewise to enter the motor carrier industry, convenience and necessity must be proven before a permit is granted.

SUMMARY AND RECOMMENDATIONS

Dependable, low cost transportation is a desirable social goal because it facilitates the movement of goods from one region to another and allows for increased specialization which leads to increased productivity and improvement in the general welfare.

The truck has come to be an important mode of transportation to the farmer. It has several advantages, such as flexibility and expediency of service, that other modes of transportation cannot match. If specialization is a desirable goal, then the farmer, or any producer, should be granted the best mode of transportation for his commodities at the lowest possible price.

During the last two decades there has been a rapid growth in motor carriage and especially that part that is not under economic regulation. The for-hire carrier of agricultural commodities is exempt from economic regulation on the interstate level and represents a large part of this exempt carriage. The exempt carrier has been able to maintain a highly competitive condition with other common carriers.

The agricultural exempt carrier has demonstrated that his rates are lower than other common carriers and he has also demonstrated a high degree of flexibility in meeting the demands of the farmer. But on the other hand, less financial responsibility and increased safety hazards have been cited as particular weaknesses of the agricultural exempt carrier.

There are two basic characteristics of the motor carrier industry and the agricultural exempt carrier; they are: the relative ease of entry and exit, and secondly that there are no demonstrable economies of scale,

thus enabling small production units. These are also some of the characteristics which identify the economic model of pure competition. The basic question is whether the model of pure competition is a desirable and workable mechanism to provide the norm for necessary public service.

The extent of state regulation of the agricultural for-hire carrier varies considerably among the states. There are 11 states that do not regulate this type of carrier but there are also several states that have extensive regulation of agricultural carriers.

Even though 40 states require some form of formal authorization to operate in their respective states, only 29 require that the carrier must provide evidence of public convenience and necessity for the service he proposes. If this is the main control of entry, then the other 22 states have less restriction over the operations of agricultural carriers, and hence a more competitive industry.

Twenty-eight states regulate the route or area served by an agricultural carrier. The most common means of establishing routes is through the means of public need in an area. These states that regulated motor carrier routes are the same states that restrict entry by requiring convenience and necessity. The most common type of route by these states is the irregular routes which give access to different points from a given geographical area.

The control of rates is practiced by 31 of the states. The agricultural motor carrier in 26 of these states must publish his rates with the various state commissions. The type of rate control varies among the states in form and extent of control. The most common form is on a minimum and maximum basis which 13 states require. The degree of rate regulation varies from merely filing the rates to having the actual rates determined by the regulatory commission.

Insurance requirements are the most extensive form of regulation in terms of the total number of states involved. Thirty-six states require some minimum form of insurance coverage. Personal liability insurance, for single and multiple injuries, and property damage insurance are the most common types of insurance required by the states. Cargo insurance is required by only 13 states and only 12 states require all three types of insurance coverage. There seems to be a great deal of difference as to what states consider as adequate insurance coverage as minimal amounts vary from state to state.

The state permitting a condition of free competition, or exemption from economic regulation, is the exception rather than the rule. A majority of the states regulate agricultural carriers as common carriers regulating the rates, routes and entry to best serve the public interest.

There was no indication, based on farm income, that agricultural states regulated to a lesser or greater extent than low farm income states. In addition, there were only slight regional differences in regulation, with the Western states regulating to greater extent than other regions.

Recommended Regulation of Agricultural Carriers

The motor carrier renders a service and the quality of the service is reflected in the price of the service. The price should reflect all the costs involved in rendering the service, and ideally, in a purely competitive situation, the price will be equal to the producer's lowest average cost.

Because of the nature of competition and the characteristic of ease of entry, the rate charged may not reflect all the costs involved in producing the service. Thus low rates of exempt agricultural carriers may be a result of inadequate insurance coverage, or cargo protection, lack of upkeep on equipment, or the over-use of drivers. These conditions could mean that the public incurs a very real social cost in terms of increased truck traffic over public roads and increased safety hazards, and decreased financial responsibility of the carrier.

The justification for public regulation of an industry is that the industry is unable to effectively regulate itself to best serve the public interest. It would seem that some regulation of the agricultural carrier would be desirable and that in this instance conditions of pure competition may lead to some definite disadvantages as well as advantages.

The ideal type of regulation should protect the public interest, provide for a fair return to the carrier, and provide dependable transportation to the farmer. This goal can be best accomplished through a combination of strict safety regulation and flexible economic regulation.

Safety regulation should concern itself with the operating condition and safety equipment on the vehicle, and secondly the qualifications and the working conditions of the driver.

Safety regulations exist on both the interstate and intrastate levels, but safety regulation can be effective only when it is vigorously enforced. This requires that an effective inspection program be instituted and maintained to get the maximum benefit from safety regulation.

Strict inspection procedures, both on the vehicle and the driver, would restrict the incentive for the agricultural carrier to cut costs by insufficient vehicle maintenance and the over-use of drivers.

Agricultural motor carriers should also be required to carry insurance to provide for greater financial responsibility in meeting the needs of the public. These carriers should be required to carry minimal amounts of personal liability, property damage, and cargo insurance.

Regulation of the agricultural carrier should emphasize the positive features and control the negative aspects of this type of carrier. Also any economic regulation should consider the special needs of the farmer, especially the seasonal nature of his production which requires flexibility of the motor carrier.

Economic regulation should be directed toward maintaining the flexibility of motor carriage at a price that reflects all the costs involved in rendering the service. Thus economic regulation in regards to food transportation should involve:

1. Maximum flexibility as to route, points served, and food commodities carried within a broad geographical area so that a carrier may tender comprehensive service to the shipper.
2. Minimum reasonable rates related to the cost of producing the service so as to retain and expand existing markets while insuring a fair return to efficient carriers.
3. Control of entry as may be required to avoid economically wasteful excess capacity while insuring adequate supply of transportation.
4. Rate stability to the end that movements are under a predictable rate structure rather than a system of spot pricing.²²

The above points identify the type of economic regulation that would be most desirable for agricultural motor carriers. It would retain many of the positive features, such as flexibility, of truck transportation and yet prevent some of the undesirable features of unregulated transportation. This type of economic regulation, combined with a vigorous safety inspection program, and minimum insurance requirements, will provide for a workable institutional structure that will best provide for the needs of the general public, the carrier, and the shipper.

However, economic regulation in regards to the motor carrier is a restriction on the degree of competition in this industry. There is a danger that economic regulation could restrict the competitive element to such a degree to lead to a condition of high rates and inflexibility, which also would be an undesirable situation. The solution seems to rest on some medium between extensive regulation and conditions of pure competition.

The ultimate responsibility for the effectiveness of economic regulation rests with the various regulatory commissions of the states, and it is on their ability to identify the costs of the service and the demand for service, that will in the final analysis determine the extent of regulation and competition.

The degree of state regulation of agricultural carriers varies considerably among the states, from complete exemption to what is considered extensive regulation. It is to be assumed that conditions differ among the states in terms of markets, products, and competition, and the need for regulation of this type would also vary.

²²U. S. Congress, National Transportation Policy, p. 34.

The farmer and his commodity have benefitted on a cost basis from exemption from economic regulation. But are the lower rates charged by exempt carriers the result of efficient service and operation, or are they the result of overcapacity and excess competition? If the latter case is true, then it would seem, considering the general public and the agricultural carrier himself, that there are better ways to subsidize the farmer.

APPENDIX A -- Operating Authority of the States over Agricultural Motor Carriers.

APPENDIX B -- State Regulation of Routes

APPENDIX C -- State Regulation of Rates

APPENDIX D -- Insurance Requirements

APPENDIX E -- Regulation by Region

APPENDIX F -- Ranking of States According to Relative Farm Income

APPENDIX G -- Ranking of States According to Absolute Farm Income

APPENDIX H -- Questionnaire sent to State Regulatory Commissions Concerning Regulation of Agricultural Motor Carriers

APPENDIX A

OPERATING AUTHORITY OF THE STATES OVER
AGRICULTURAL MOTOR CARRIERS

| | Operating authority is required | | A hearing is required | | Evidence of public need is required | | Other common carriers considered in granting permit | | Fee | | Cost of permit |
|---------------|---------------------------------|----|-----------------------|----|-------------------------------------|----|---|----|-----|----|--|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | |
| ALABAMA | | X | | X | | X | | X | | X | |
| ALASKA | X | | X | | X | | X | | X | | n.a. |
| ARIZONA | X | | X | | X | | X | | X | | \$25 |
| ARKANSAS | X | | | X | | X | | X | | X | |
| CALIFORNIA | X | | | X | | X | | X | | X | \$500 fee for permit |
| COLORADO | X | | X | | X | | X | | X | | \$25 for filing; \$35 for certificate |
| CONNECTICUT | X | | X | | X | | X | | X | | \$50 for filing; \$10 per truck |
| DELAWARE | | X | | X | | X | | X | | X | |
| DIST. OF COL. | | X | | X | | X | | X | | X | |
| FLORIDA | X | | | X | | X | | X | | X | \$5 |
| GEORGIA | X | | X | | X | | X | | X | | \$37 |
| HAWAII | X | | X | | X | | X | | X | | n.a. |
| IDAHO | X | | X | | X | | X | | X | | \$18.50 and \$3.00 for one truck; \$6.00 for other |
| ILLINOIS | X | | X | | X | | X | | X | | \$50 |
| INDIANA | | X | | X | | X | | X | | X | |
| IOWA | X | | | X | | X | | X | | X | |
| KANSAS | X | | | X | | X | | X | | X | \$10 |
| KENTUCKY | X | | | X | | X | | X | | X | \$25 |
| LOUISIANA | | X | | X | | X | | X | | X | |
| MAINE | X | | | X | | X | | X | | X | \$25, \$5 per truck, \$10 per tractor |
| MARYLAND | X | | X | | X | | X | | X | | |
| MASSACHUSETTS | X | | X | | X | | X | | X | | \$10 |
| MICHIGAN | | X | | X | | X | | X | | X | |
| MINNESOTA | X | | X | | X | | X | | X | | \$12.50 per vehicle |
| MISSISSIPPI | X | | X | | X | | X | | X | | n.a. |
| MISSOURI | X | | X | | X | | X | | X | | |
| MONTANA | | X | | X | | X | | X | | X | |
| NEBRASKA | X | | X | | X | | X | | X | | \$50, \$15 per vehicle |
| NEVADA | X | | X | | X | | X | | X | | |

--Continued

APPENDIX A (CONTINUED)

OPERATING AUTHORITY OF THE STATES OVER
AGRICULTURAL MOTOR CARRIERS

| | Operating authority is required | | A hearing is required | | Evidence of public need is required | | Other common carriers considered in granting permit | | Fee | | Cost of permit | |
|----------------|---------------------------------|----|-----------------------|----|-------------------------------------|----|---|----|-----|----|----------------|---------------------------------------|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | | |
| | NEW HAMPSHIRE | X | | X | | X | | X | | X | | |
| NEW JERSEY | | X | | X | | X | | X | | X | | |
| NEW MEXICO | X | | | X | | X | | X | | X | | \$40 |
| NEW YORK | | X | | X | | X | | X | | X | | |
| NORTH CAROLINA | X | | X | | X | | X | | X | | | \$25 |
| NORTH DAKOTA | X | | X | | | X | | X | | X | | \$25 |
| OHIO | X | | X | | X | | X | | X | | | n.a. |
| OKLAHOMA | X | | X | | X | | X | | X | | | \$50 |
| OREGON | X | | X | | X | | X | | X | | | \$25 |
| PENNSYLVANIA | X | | X | | X | | X | | X | | | \$10 |
| RHODE ISLAND | X | | X | | X | | X | | X | | | n.a. |
| SOUTH CAROLINA | X | | X | | X | | X | | X | | | n.a. |
| SOUTH DAKOTA | X | | | X | | X | | X | | X | | \$25 |
| TENNESSEE | X | | | X | | X | | X | | | | n.a. |
| TEXAS | X | | X | | X | | X | | X | | | \$25 for filing; \$25 for certificate |
| UTAH | X | | X | | X | | X | | X | | | \$10 registration fee |
| VERMONT | | X | | X | | X | | X | | X | | |
| VIRGINIA | | X | | X | | X | | X | | X | | |
| WASHINGTON | X | | X | | X | | X | | X | | | \$25 |
| WEST VIRGINIA | X | | X | | X | | X | | X | | | n.a. |
| WISCONSIN | X | X | X | | X | | X | | X | | | n.a. |
| WYOMING | X | | | X | | X | | X | | X | | \$5 single truck; \$10 combination |
| TOTALS | 40 | 11 | 29 | 22 | 29 | 22 | 30 | 21 | 31 | 19 | | |

APPENDIX B

STATE REGULATION OF ROUTES

| | Routes are regulated | | Nature of route regulation |
|----------------------|----------------------|------|---|
| | Yes | No | |
| ALABAMA | | X | |
| ALASKA | X | | Must show public convenience and necessity. Established by counties and a 50-mile radius of towns. |
| ARIZONA | X | | |
| ARKANSAS | | X | |
| CALIFORNIA | X | | Restricted as to territory. |
| COLORADO | X | | Routes are as granted by the Commission. |
| CONNECTICUT | X | | Routes are granted after a hearing. |
| DELAWARE | | X | |
| DISTRICT OF COLUMBIA | | X | |
| FLORIDA | | X | |
| GEORGIA | X | | Established on the basis of need in geographic area. |
| HAWAII | X | | As defined in certificate. |
| IDAHO | X | | Established on a radial basis or by counties. |
| ILLINOIS | X | | Established through testimony at a hearing. |
| INDIANA | | X | |
| IOWA | | X | |
| KANSAS | | X | |
| KENTUCKY | | X | |
| LOUISIANA | | X | |
| MAINE | | X | |
| MARYLAND | X | | Established by need. |
| MASSACHUSETTS | X | | By examination of the application. |
| MICHIGAN | | X | |
| MINNESOTA | X | | |
| MISSISSIPPI | X | | |
| MISSOURI | X | | By need and defined by counties and radial. |
| MONTANA | | X | |
| NEBRASKA | X | | As described in the authority of the Commission. |
| NEVADA | X | | By application of carrier. |
| NEW HAMPSHIRE | | n.a. | |
| NEW JERSEY | | X | |
| NEW MEXICO | | X | |
| NEW YORK | | X | |
| NORTH CAROLINA | X | | By showing of need. |
| NORTH DAKOTA | | X | |
| OHIO | X | | Included in permit. |
| OKLAHOMA | X | | |
| OREGON | X | | Established by hearing and area basis. |

APPENDIX B (CONTINUED)

STATE REGULATION OF ROUTES

| | Routes are regulated | | Nature of route regulation |
|----------------|----------------------|----|---|
| | Yes | No | |
| PENNSYLVANIA | X | | On the basis of necessity. Routes are set in the permit. |
| RHODE ISLAND | X | | |
| SOUTH CAROLINA | | X | On radial basis, and by certificate of public convenience and necessity. By permit of convenience and necessity. As described in certificate. Areawise and public convenience and necessity. |
| SOUTH DAKOTA | | X | |
| TENNESSEE | X | | |
| TEXAS | X | | |
| UTAH | X | | |
| VERMONT | | X | |
| VIRGINIA | | X | |
| WASHINGTON | X | | |
| WEST VIRGINIA | X | | |
| WISCONSIN | X | | |
| WYOMING | | X | |
| TOTALS | 28 | 22 | |

APPENDIX C

STATE REGULATION OF RATES

| | Rates are regulated | | Rates are filed | | Minimum | Maximum | Minimum and maximum | Other |
|----------------------|---------------------|----|-----------------|----|---------|---------|---------------------|--------------------------|
| | Yes | No | Yes | No | | | | |
| ALABAMA | | X | | | | | | |
| ALASKA | X | | X | | | | X | |
| ARIZONA | X | | X | | | | X | |
| ARKANSAS | | X | | | | | | |
| CALIFORNIA | X | | X | | X | | | |
| COLORADO | X | | X | | | | X | |
| CONNECTICUT | X | | X | | | | | Exact rates |
| DELAWARE | | | | X | | | | |
| DISTRICT OF COLUMBIA | | | | X | | | | |
| FLORIDA | | X | | | | | | |
| GEORGIA | X | | X | | | | X | |
| HAWAII | X | | X | | X | | | |
| IDAHO | X | | X | | | | X | |
| ILLINOIS | X | | X | | X | | | |
| INDIANA | | X | | X | | | | |
| IOWA | X | | X | | | | | Subject to challenge |
| KANSAS | | X | | | | | | |
| KENTUCKY | | X | | | | | | |
| LOUISIANA | | X | | | | | | |
| MAINE | | X | | | | | | |
| MARYLAND | X | | X | | | | | |
| MASSACHUSETTS | X | | X | | | | X | |
| MICHIGAN | | X | | | | | | |
| MINNESOTA | X | | X | | | | X | |
| MISSISSIPPI | X | | | | | | | |
| MISSOURI | X | | X | | | | X | Voluntarily established. |
| MONTANA | | X | | | | | | |
| NEBRASKA | X | | X | | | | | |
| NEVADA | X | | X | | | | X | By tariff |
| NEW HAMPSHIRE | X | | X | | | | | |
| NEW JERSEY | | X | | | | | | |
| NEW MEXICO | | X | | | | | | |
| NEW YORK | | X | | | | | | |
| NORTH CAROLINA | X | | X | | | | X | |
| NORTH DAKOTA | X | | | | | | | |
| OHIO | X | | X | | | | | |

APPENDIX C (CONTINUED)

STATE REGULATION OF RATES

| | Rates are regulated | | Rates are filed | | Minimum | Maximum | Minimum and maximum | Other |
|----------------|---------------------|----|-----------------|----|---------|---------|---------------------|--|
| | Yes | No | Yes | No | | | | |
| OKLAHOMA | X | | X | | | | X | Rates by public hearing Exact basis |
| OREGON | X | | X | | | | | |
| PENNSYLVANIA | X | | | | | X | | |
| RHODE ISLAND | X | | X | | X | | | |
| SOUTH CAROLINA | X | | X | | | X | | |
| SOUTH DAKOTA | | X | | | | | | |
| TENNESSEE | X | | X | | | | | |
| TEXAS | X | | X | | | | X | |
| UTAH | X | | X | | | | X | |
| VERMONT | | X | | | | | | |
| VIRGINIA | | X | | | | | | |
| WASHINGTON | X | | | X | | | | Uniform rates |
| WEST VIRGINIA | X | | X | | X | | | |
| WISCONSIN | X | | | | | | | |
| WYOMING | | X | | | | | | |
| TOTALS | 31 | 19 | 27 | 24 | 5 | 2 | 13 | |

APPENDIX D

INSURANCE REQUIREMENTS

| | Insurance is required | | Personal liability | | Bodily injury | Property damage | Cargo | Bond |
|----------------------|-----------------------|----|--------------------|-----------|---------------|-----------------|----------|-------|
| | Yes | No | Single | Multiple | | | | |
| ALABAMA | | X | | | | | | |
| ALASKA | X | | | | \$100,000 | \$300,000 | \$10,000 | |
| ARIZONA | X | | \$ 10,000 | \$ 20,000 | | 5,000 | | \$100 |
| ARKANSAS | X | | 25,000 | 50,000 | | 5,000 | 1,000 | |
| CALIFORNIA | X | | 100,000 | 300,000 | | 50,000 | | |
| COLORADO | X | | n.a. | | | | | |
| CONNECTICUT | X | | 25,000 | 100,000 | | 10,000 | | |
| DELAWARE | | X | | | | | | |
| DISTRICT OF COLUMBIA | | X | | | | | | |
| FLORIDA | | X | | | | | | |
| GEORGIA | X | | 25,000 | 100,000 | | 10,000 | 2,000 | |
| HAWAII | X | | | | n.a. | | | |
| IDAHO | X | | 10,000 | 20,000 | | 10,000 | | |
| ILLINOIS | X | | 20,000 | 40,000 | | 5,000 | 1,000 | |
| INDIANA | | X | | | | | | |
| IOWA | X | | 25,000 | 50,000 | | 10,000 | | |
| KANSAS | X | | 25,000 | 50,000 | | 5,000 | | |
| | | | BI | BI | | | | |
| KENTUCKY | X | | 10,000 | 30,000 | | 5,000 | | 500 |
| LOUISIANA | | X | | | | | | |
| MAINE | X | | 20,000 | 40,000 | | 5,000 | | |
| MARYLAND | | X | | | | | | |
| MASSACHUSETTS | X | | | | | | 1,000 | |
| MICHIGAN | | X | | | | | | |
| MINNESOTA | X | | 50,000 | 200,000 | | 15,000 | | |
| MISSISSIPPI | X | | | | | | | |
| MISSOURI | X | | 50,000 | 100,000 | | 10,000 | 12,000 | |
| MONTANA | | X | | | | | | |
| NEBRASKA | X | | 25,000 | 50,000 | | 25,000 | 3,000 | |
| NEVADA | X | | | | 25,000 | 100,000 | 2,000 | |
| NEW HAMPSHIRE | X | | n.a. | | | | | |
| NEW JERSEY | | X | | | | | | |
| NEW MEXICO | X | | 10,000 | 20,000 | | 5,000 | 1,000 | |
| NEW YORK | | X | | | | | | |
| NORTH CAROLINA | X | | 25,000 | 100,000 | | 10,000 | | |
| NORTH DAKOTA | X | | 10,000 | 20,000 | | 5,000 | | |
| OHIO | X | | n.a. | | | | | |
| OKLAHOMA | X | | n.a. | | | | | |

APPENDIX D (CONTINUED)

INSURANCE REQUIREMENTS

| | Insurance is required | | Personal liability | | Bodily injury | Property damage | Cargo | Bond |
|----------------|-----------------------|----|--------------------|-----------|---------------|-----------------|----------|------|
| | Yes | No | Single | Multiple | | | | |
| OREGON | X | | \$ 10,000 | \$ 20,000 | | \$ 10,000 | \$ 2,000 | |
| PENNSYLVANIA | X | | 5,000 | 10,000 | | 10,000 | 500 | |
| RHODE ISLAND | X | | 5,000 | 10,000 | | 11,000 | | |
| SOUTH CAROLINA | X | | 10,000 | 20,000 | | 5,000 | 1,000 | |
| SOUTH DAKOTA | | X | | | | | | |
| TENNESSEE | X | | n.a. | | | | | |
| TEXAS | X | | 25,000 | 100,000 | | 10,000 | 1,000 | |
| UTAH | X | | 20,000 | 40,000 | | 10,000 | | |
| VERMONT | | X | | | | | | |
| VIRGINIA | | X | | | | | | |
| WASHINGTON | X | | 25,000 | 100,000 | | 10,000 | | |
| WEST VIRGINIA | X | | n.a. | | | | | |
| WISCONSIN | X | | 10,000 | 20,000 | | 10,000 | | |
| WYOMING | | X | | | | | | |
| TOTALS | 36 | 15 | | | | | | |

APPENDIX E

REGULATION BY REGION

| | Cert. of C & N | | Hearing | | Rates | | Routes | | Insurance | |
|---------------------------|-------------------|----|---------|----|-------|----|--------|------|-----------|----|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| NORTH ATLANTIC | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 6 | 6 | 6 |
| Connecticut | X | | X | | X | | X | | X | |
| Delaware | | X | | X | | X | | X | | X |
| Maine | | X | | X | | X | | X | | X |
| Maryland | X | | X | | X | | X | | | X |
| Massachusetts | X | | X | | X | | X | | X | |
| New Hampshire | X | | X | | X | | | n.a. | X | |
| New Jersey | | X | | X | | X | | X | | X |
| New York | | X | | X | | X | | X | | X |
| Pennsylvania | X | | X | | X | | X | | X | |
| Rhode Island | X | | X | | X | | X | | X | |
| Vermont | | X | | X | | X | | X | | X |
| D. C. | | X | | X | | X | | X | | X |
| GREAT LAKES AND PLAINS | 6 | 6 | 7 | 5 | 7 | 5 | 6 | 6 | 9 | 3 |
| Illinois | X | | X | | X | | X | | X | |
| Indiana | | X | | X | | X | | X | X | X |
| Iowa | | X | | X | X | | | X | X | |
| Kansas | | X | X | | | X | | X | X | |
| Michigan | | X | | X | | X | | X | | X |
| Minnesota | X | | X | | X | | X | | X | |
| Missouri | X | | X | | X | | X | | X | |
| Nebraska | X | | X | | X | | X | | X | |
| North Dakota | | X | X | | | X | | X | X | |
| Ohio | X | | X | | X | | X | | X | |
| South Dakota | | X | | X | | X | | X | | X |
| Wisconsin | X | | X | | X | | X | | X | |
| SOUTH EAST | 6 | 6 | 5 | 7 | 6 | 6 | 5 | 7 | 8 | 4 |
| Alabama | | X | | X | | X | | X | | X |
| Arkansas | | X | | X | | X | | X | X | |
| Florida | | X | | X | | X | | X | | X |
| Georgia | X | | X | | X | | X | | X | |
| Kentucky | | X | | X | | X | | X | X | |
| Louisiana | | X | | X | | X | | X | | X |
| Mississippi | X | | X | | X | | X | | X | |
| North Carolina | X | | X | | X | | X | | X | |
| South Carolina | X | | X | | X | | | X | X | |
| Tennessee | X | | | X | X | | X | | X | |
| Virginia | | X | | X | | X | | X | | X |
| West Virginia | X | | X | | X | | X | | X | |

--Continued

APPENDIX F

RANKING OF STATES ACCORDING TO RELATIVE FARM INCOME

| High farm income states | Farm income ^a as a percent of state personal income ²⁵ | Low farm income states | Farm income ^a as a percent of state personal income ²⁵ |
|-------------------------------|--|------------------------------|--|
| South Dakota | 20.9% | Alabama | 3.5% |
| North Dakota | 20.6 | Colorado | 3.4 |
| Nebraska | 13.0 | Washington | 3.4 |
| Idaho | 12.3 | Indiana | 3.3 |
| Montana | 12.1 | Oregon | 3.2 |
| Iowa | 12.0 | Tennessee | 3.0 |
| Mississippi | 10.6 | Florida | 2.8 |
| Arkansas | 9.3 | Maine | 2.7 |
| Wyoming | 8.4 | Utah | 2.5 |
| Kansas | 7.5 | Illinois | 2.3 |
| Kentucky | 5.7 | Delaware | 2.2 |
| North Carolina | 5.6 | California | 2.1 |
| Minnesota | 5.4 | Virginia | 1.9 |
| New Mexico | 5.3 | Michigan | 1.6 |
| Oklahoma | 4.8 | Ohio | 1.1 |
| Wisconsin | 4.3 | Nevada | 1.1 |
| Missouri | 4.2 | Maryland | 1.0 |
| South Carolina | 4.1 | Pennsylvania | 1.0 |
| Arizona | 4.0 | West Virginia | 0.8 |
| Hawaii | 3.9 | New York | 0.6 |
| Vermont | 3.9 | Connecticut | 0.5 |
| Texas | 3.8 | New Jersey | 0.4 |
| New Hampshire | 3.7 | Massachusetts | 0.3 |
| Georgia | 3.7 | Rhode Island | 0.2 |
| Louisiana | 3.6 | Alaska | 0.2 |

^aTotal farm wages and farm proprietors' income.

²⁵U. S. Department of Commerce, Office of Business Economics, Survey of Current Business, Vol. 48, no. 8, August 1968 (Washington, D. C.: Government Printing Office), pp.14-21.

APPENDIX G

RANKING OF STATES ACCORDING TO ABSOLUTE FARM INCOME²⁶

| High farm income states | Farm income (in millions) | Low farm income states | Farm income (in millions) |
|----------------------------|------------------------------|---------------------------|------------------------------|
| California | \$1440 | Tennessee | \$ 282 |
| Texas | 1144 | Alabama | 270 |
| Iowa | 1028 | Virginia | 246 |
| Illinois | 927 | South Carolina | 235 |
| North Carolina | 692 | Idaho | 222 |
| Minnesota | 605 | Colorado | 211 |
| Missouri | 581 | Oregon | 198 |
| Wisconsin | 578 | Arizona | 181 |
| Nebraska | 575 | Montana | 135 |
| Indiana | 539 | New Mexico | 132 |
| Kansas | 527 | Maryland | 122 |
| Mississippi | 472 | New Jersey | 116 |
| Florida | 472 | Hawaii | 95 |
| Kentucky | 443 | Wyoming | 80 |
| Georgia | 434 | New Hampshire | 78 |
| Ohio | 428 | Maine | 70 |
| New York | 415 | Utah | 67 |
| Pennsylvania | 389 | Connecticut | 59 |
| Arkansas | 386 | Massachusetts | 57 |
| Washington | 374 | Vermont | 46 |
| South Dakota | 366 | Delaware | 42 |
| North Dakota | 327 | West Virginia | 35 |
| Louisiana | 326 | Nevada | 17 |
| Michigan | 325 | Rhode Island | 6 |
| Oklahoma | 319 | Alaska | 2 |

²⁶ Ibid.