

Oregon State University
Applied Economics Graduate Program

Seminar

“Impacts of Minimum Quality Standards Imposed Through Marketing Orders or Related Producer Organizations”

Richard Sexton, Ph.D.

Department of Agricultural and Resource Economics
Professor, University of California, Davis

Abstract



We analyze the impact of minimum quality standards (MQS) imposed at the discretion of producers acting collectively under the auspices of a producer organization, such as a marketing order. MQS imposed in a competitive market can never enhance social welfare because in general a MQS creates two deadweight losses—one due to inefficient enhancement of product quality and a second due to wastage of the low-quality product. The distributional effects of a MQS are important as well. Any MQS that a competitive industry implements based upon a profit criterion causes all consumers in the market to be harmed. However, a MQS may be preferred relative to a supply-control policy as a second-best instrument to transfer income to producers.

Date: FRIDAY, October 23, 2009

Time: 3:30 – 5:00 pm

Location: 200C Ballard Extension Hall