

# AGRICULTURAL INQUIRY

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## HEARINGS

BEFORE THE

## JOINT COMMISSION OF AGRICULTURAL INQUIRY

SIXTY-SEVENTH CONGRESS

FIRST SESSION

UNDER

### **Senate Concurrent Resolution 4**

—  
IN THREE VOLUMES

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JOINT COMMISSION OF AGRICULTURAL INQUIRY.

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# AGRICULTURAL INQUIRY.

MONDAY, JULY 11, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
Washington, D. C.

The joint commission met pursuant to call at 10 o'clock a. m. in the caucus room, House of Representatives, to begin hearings under Senate concurrent resolution 4, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. We have met this morning for the purpose of hearing the farmers and representatives of farm organizations touching the subjects of investigation under Senate concurrent resolution No. 4, which resolution will be put in the record at this point by the official reporter.

## SENATE CONCURRENT RESOLUTION NO. 4.

*Resolved by the Senate (the House of Representatives concurring),* That a joint commission is hereby created, to be known as the Joint Commission of Agricultural Inquiry, which shall consist of five Senators, three of whom shall be members of the majority party and two of whom shall be members of the minority party, to be appointed by the President of the Senate, and five Representatives, three of whom shall be members of the majority party and two of whom shall be members of the minority party, to be appointed by the Speaker.

Said commission shall investigate and report to the Congress within 90 days after the passage of this resolution upon the following subjects:

1. The causes of the present condition of agriculture.
2. The cause of the difference between the prices of agricultural products paid to the producer and the ultimate cost to the consumer.
3. The comparative condition of industries other than agriculture.
4. The relation of prices of commodities other than agriculture.
5. The banking and financial resources and credits of the country, especially as affecting agricultural credits.
6. The marketing and transportation facilities of the country.

The commission shall include in its report recommendations for legislation which in its opinion will tend to remedy existing conditions and shall specifically report upon the limitations of the powers of Congress in enacting relief legislation.

The commission shall elect its chairman, and vacancies occurring in the membership of the commission shall be filled in the same manner as the original appointments.

The commission or any subcommittee of its members is authorized to sit during the sessions or recesses of Congress in the District of Columbia or elsewhere, to send for persons and papers, to administer oaths, to summon and compel the attendance of witnesses, and to employ such personal services and incur such expenses as may be necessary to carry out the purposes of this resolution; such expenditure shall be paid from the contingent funds of the Senate and the House of Representatives in equal proportions, upon vouchers authorized by the committee and signed by the chairman thereof.

The CHAIRMAN. The commission will hear this morning, first, the representatives of the National Board of Farm Organizations, and the chairman will ask Mr. C. S. Barrett, the president of that organization, to present the representatives of his organizations. Mr. Barrett, you may proceed.

**STATEMENT OF MR. C. S. BARRETT, CHAIRMAN OF THE NATIONAL BOARD OF FARM ORGANIZATIONS AND PRESIDENT OF THE FARMERS' UNION; RESIDENCE, WASHINGTON, D. C.**

Mr. BARRETT. Mr. Chairman and gentlemen of the Joint Congressional Commission of Agricultural Inquiry, speaking for a very large body of organized farmers, I want to begin by thanking the Congress of the United States for giving us this opportunity to place before you the facts concerning the business of the farmers of this Nation. In presenting our case we approach the subject in no narrow or sectional spirit.

The National Board of Farm Organizations, the National Farmers' Union, and affiliated organizations, which speak for farmers in every State where food or raw materials are produced, impressed by the necessity for the official announcement of the truth concerning our industry, decided a few months ago to ask Congress to create the body I am now addressing.

We were very glad to find that agriculture everywhere agreed that the plan originally suggested by the National Farmers' Union was deserving of support. Now, the farmers in every section of the United States have registered their approval of the proposed method of reaching the truth.

With the earnest, sincere, and energetic cooperation of agriculture there are good grounds for the hope that you will be able, before your labors end, to give the country the truth regarding the condition of our industry and the causes for it. And may we also hope that you will be able to propose to Congress remedies for the evils which, through your diligent research, you will undoubtedly uncover.

I am well aware that Congress is not omnipotent. I know that your powers are limited. There are certain constitutional limitations, but none of these will operate to bar you from discovering the truth. If the Nation knows the truth, it is not impossible that, with the cooperation of the States, the municipalities, and organized honesty everywhere, that effective remedies will be found.

When the National Farmers' Union, in concert with other bodies, decided to ask Congress to adopt this method of arriving at the truth, we believed that a system of permanent readjustment could be evolved. Of course, the impelling cause for the demand that Congress create your commission and arm it with the powers recited in the resolution, was the present condition of agriculture.

We saw ruin and misery everywhere, and this ruin that had overtaken the farmers spread to the cities. It closed factories and stopped the wheels of industry everywhere, depriving 5,000,000 of our robust citizens of employment. Of course, we understood that it was necessary to arrest this progress toward national disaster.

But after all, we realized that these evils were symptoms rather than diseases and that the real trouble lay deeper. It was not open to superficial vision. It was necessary to probe deeply, to go many fathoms beneath the surface. Having found the real trouble which, in the first clause of the resolution creating the commission, you are instructed to discover, it will be possible also to find the remedy.

The farmers who earnestly besought Congress to adopt this resolution to create the commission had in view a possible permanent

remedy for the malady from which agriculture is suffering. We believe that the evils from which our industry is suffering are permanent. They are not spasmodic. The troubles of the past two years are simply aggravations of a continuing malady. The causes are the same, but the disease has become more malignant.

Farmers would cooperate in any effort to give temporary relief. If legislation now pending or to be proposed gives promise of alleviation, agriculture will not fail to give such legislation its hearty support.

I would like, however, to impress on you the fact that agriculture never has been in a large sense a free and untrammelled institution. It has been forced to yield a very large percentage of its legitimate earnings to interests which "toil not neither do they spin." It has paid excessive prices for services which often are not performed, and it has been penalized in a thousand ways from a thousand directions to satisfy unjust exactions.

In penalizing agriculture men and systems have handed additional penalties down to the customers. The results have been unhappy in the extreme. Excessive prices to the consumer for agricultural products and ruinous returns to agriculture for its services to society have been the rule for years passed.

Systems of distribution, systems of finance, systems of transportation, and practically all systems which serve or pretend to serve the public have exacted enormous tolls from the farmers and have further increased these tolls to their customers.

Millions of men and women have left the farms, tenancy is rapidly increasing, and the country which should be devoted mainly to agriculture has now about two-thirds of its available capital invested in other fields. Why are all these things so? This is something which we are hoping the commission will discover and establish.

Gentlemen, you are asked to find the causes for the present condition of agriculture. If you find these causes it will be necessary for you to cover practically the entire economic field of the United States. No avenue which leads to or from agriculture will be able to escape your probe. It will be necessary for you to explore finance, transportation, distribution, foreign markets, and foreign credits, foreign shipping, and all fields through which or by whose agency farm products reach the consumer.

It will be necessary for you to examine the Federal Reserve Board and other agencies and bureaus of the Government. If you would arrive at the whole truth you must make big business yield what it knows. The Chamber of Commerce of the United States, the great trusts—such as the Steel Trust, the Coal Trust, the Credit Trusts, and the Money Trusts—should be compelled to give you the facts concerning their operations. Unless this is done it will be impossible for you to answer the questions addressed to you in the resolution.

All these great aggregations of capital are engaged in some way in operations which affect agricultural interests. Let these men and systems lay their cards on the table just as my colleagues in the agricultural field are willing to do. If they do this, it will be entirely possible for you to reach the truth and propose constructive remedies.

The Bureau of Census of the Department of Commerce says the farms of the United States, not counting machinery, live stock, grain, and other provisions, are worth \$67,000,000,000. In this vast capitalization there is not a drop of water. There are no artificial securities, no bogus bonds.

It is ground wealth, fundamental resources and naturally indispensable property.

From the products of this vast capital must be deducted great sums to pay for the "services" of gamblers on the various exchanges, to make contributions of bonuses and commissions to men who are unwilling to recognize agriculture paper as liquid and to pay for millions of gallons of water that saturates financial, railway, and other securities.

I am making these assertions. You have the power and necessary legal authority to determine whether or not I am giving accurate information. You have access to all channels from which it may be possible to obtain enlightening facts.

I am well aware that efforts will be made by those who profit through the deflation of farm products, who prosper through the adversity of millions of their fellow citizens, to make your labors vain and profitless. If you go into the fields that I suggest, and which the resolution requires, you will be met by every kind of obstacle. These will be as subtle as the methods employed by the big profiteers of the country.

Evidence of this is found in the hearings before the committees which have been looking into various phases of profiteering. There is little hope that big plundering systems will voluntarily submit themselves to such a searchlight as the commission with the great powers delegated to it by Congress, can play upon them. Therefore, gentlemen, it is inevitable that you will be required to make use of your compulsory process.

We desire this statement to be followed by Mr. Lyman, if satisfactory to the commission.

The CHAIRMAN. The commission will be glad to hear Mr. Lyman. State your name, residence, and official connection for the benefit of the record.

**STATEMENT OF MR. CHARLES A. LYMAN, SECRETARY NATIONAL BOARD OF FARM ORGANIZATIONS; RESIDENCE 1731 I STREET NW., WASHINGTON, D. C.**

Mr. LYMAN. Mr. Chairman and members of the Joint Agricultural Commission of Inquiry, the statement I am about to make is simply in the nature of a brief outline of what we hope and expect to present to you to-day, tentatively. It does not attempt to cover all the testimony that we are prepared to offer at this time or subsequently.

Agriculture, the one outstanding basic industry of this Nation, is to-day facing bankruptcy and ruin. The representatives of the farm organizations do not wish it thought that the farmer's viewpoint is the only viewpoint which they entertain in appearing before you. While keenly realizing the responsibility they hold to present in the most convincing manner possible the case for agriculture, they also are conscious that in calling attention to the lamentable condition of agriculture and in asking for remedies they are doing a patriotic service to their fellow men of the towns and cities who must languish in the end if agriculture fails to function.

It is the desire of our representatives that an outline be presented to indicate the nature of the evidence which can or will be offered in showing at this or subsequent hearings the agricultural situation, its causes, and how we believe material improvement can be brought about. It is not our thought that many phases of the situation can be fully and adequately covered at this time; but rather that the

evidence adduced will be of such a nature as to suggest and stimulate lines of inquiry by the committee which otherwise might not receive the attention which their importance demands.

In the minds of the commission we are confident the thought has already occurred of what steps can be taken at once to meet the immediate needs of agriculture, and that the commission, while fully aware that the scope of its investigations will lead it into a careful consideration of what should be done to build a permanently prosperous agriculture, will prefer first to consider testimony bearing on the present agricultural crisis and to evaluate the remedies that are offered.

Briefly stated, the agricultural situation to-day is that for the principal farm commodities the farmer is receiving prewar prices, or less than prewar prices, and with the difference from the condition he was in before the war that now his ability to sell, to find suitable markets, to secure credit, to borrow at reasonable rates of interest, to buy his farm requirements at fairly reasonable prices, and to pay his increased taxes, is most seriously impaired. On top of this is the fact that suddenly, without warning, a policy of deflation of the currency, a restriction of credit, was instituted by agencies created by the Government, and for which the Congress of the United States is responsible in the last analysis. This policy drastically carried out has resulted in a loss to farmers during the past year of \$7,000,000,000.

It is from this gigantic loss that agriculture is now staggering. With it has come an unemployment of labor and a business stagnation generally which may threaten the structure of our economic, political, and social life.

In the course of your hearing no doubt you will be told that other industries are suffering the same general losses along with agriculture. This may or may not be true. Certainly it is not true that the national banks have greatly suffered, or that the professional holders of interest-bearing securities have lost money from this deflation. It is evident from the reports of the earnings of the national banks, the Federal reserve banks, etc., that the contrary is true. Nor can it be successfully denied that restricted credits, contraction of currency, "dear" money benefit those with capital invested to earn interest by loans and investments in fixed income-bearing securities. Railroads, with Government guarantees, while they may be suffering mentally for fear of what a fickle public may do, are yet certain to receive from the public chest subsidies to recoup any financial deficiencies that may occur. Certainly with a valuation placed on the railroads of \$5,000,000,000 in excess of the actual market value, and with access to the Treasury of the United States, the railroads can not appear before you and contend that they have suffered from deflation. Nor can we accept without serious reservations any statements that may be made by representatives of oil, steel, leather, wool, textiles, copper, coal, or sugar interests, or by Armour, Swift, Cudahy, Wilson, Morris, and a thousand and one other powerful trusts or companies whose profits during the war and subsequently were enormous. Had agriculture profited as did these trusts and corporations, had it been able to declare enormous dividends in cash and stock—declared income-tax exempt—it would not have the conscience to appear before you now.

Our program to-day, Mr. Chairman, is first to discuss such questions as we believe can develop a course of action which, to some extent at least, can speedily relieve agriculture in the present emergency.

Under such a heading will come the subject of finance, which must include consideration of the powers, policies, and activities of the banks and financial institutions, including the Federal reserve banks, the Federal Reserve Board, etc. The land mortgage credit situation and the Federal farm loan system will be discussed and other phases of credit may be brought to your attention. The deflation policy of the Federal Reserve Board, which has ended in disaster to the Nation as a whole, will be treated in connection with the question of finance.

Transportation is another question which will be discussed because of its immediate bearing on the agricultural situation. Our witnesses will show the evils existing in excessive freight rates, their demoralizing effect on production and distribution, the special privileges granted the railroads, and the remedies which can be applied.

The necessity for reestablishing our foreign markets for our exportable surplus should be added to the trinity of emergency topics—"Finance, Deflation, and Transportation." Here is a quartet worthy of deep but speedy investigation.

To-morrow we expect to outline several subjects in connection, not so much with the present emergency as with the building up and improving a permanent agriculture. Questions will be presented by witnesses, such as cooperative marketing, distribution, spread between the producer and the consumer, unfair discrimination, and boycotting against the cooperative organizations.

The CHAIRMAN. Are there any questions of Mr. Lyman?

Senator ROBINSON. Mr. Lyman, you stated as a fixed figure the loss which has come to agriculture during the present and recent times I believe at seven billion dollars?

Mr. LYMAN. Yes, sir.

Senator ROBINSON. Can you tell the commission how you arrive at that figure? Are you prepared to do that?

Mr. LYMAN. I simply took the figures that have been given by Secretary Meredith and Secretary Wallace. Of course, we know in a general way the depreciation of cotton, wool, and grain, etc., but I personally have never figured that up. I simply assume that the statements of the Department of Agriculture are pretty near in line with the actual facts in the case.

Senator ROBINSON. That, then, is the representation of the head of the Department of Agriculture?

Mr. LYMAN. Yes, sir.

Senator ROBINSON. That it amounts to approximately seven billion dollars?

Mr. LYMAN. Yes, sir; that it amounts to approximately seven billion dollars.

Senator ROBINSON. Of course, I take it that it would be difficult, if not impractical, to arrive at any exact figures?

Mr. LYMAN. I think so.

Senator ROBINSON. So many circumstances and conditions enter into it as important factors, all intimately related, that it is impossible to define it with exactness.

Mr. LYMAN. Yes, sir.

The CHAIRMAN. Any further questions? If not, we are very much obliged to you, Mr. Lyman. Mr. Barrett?

Mr. BARRETT. Mr. Brookhart.

**STATEMENT OF MR. SMITH W. BROOKHART, REPRESENTING  
THE NATIONAL FARMERS UNION, WASHINGTON, IOWA.**

The CHAIRMAN. Give your full name, your residence, and the organization which you represent, Mr. Brookhart.

Mr. BROOKHART. Smith W. Brookhart. Washington, Iowa. I am a lawyer and a farmer. I live on a farm and make my living practicing law. I represent officially the National Farmers Union.

I prefer, gentlemen, to make a statement of what I deem to be the farmers' case, and then submit to cross-examination on all the propositions.

In reference to the losses of the farmer and the causes, responsibilities, and remedies therefor I desire to state as follows:

The world demand is, and at all times during and since the war, has been greater than the supply of farm products. If, therefore, the law of supply and demand had been in force the farmer would have sustained no loss.

The farmer produced his last crop under the most expensive conditions and at the greatest cost, therefore he was entitled to the highest prices and in justice there should have been no deflation of prices for these crops.

Based upon these facts and taking account of all deflation up to date, the farmer has sustained a total loss of \$7,000,000,000.

The principal direct causes of these losses are as follows:

1. Unnecessary profiteering of middlemen, which includes speculative gambling.
2. The arbitrary restriction of credit by the Federal reserve bank and the holding up of the Federal land banks by litigation.
3. The unreasonable rise in railroad rates.
4. The breakdown of foreign markets.

All these causes have been created by autocratic economic power exercised under unjust laws.

Profiteering and speculation of middlemen is shown by the following facts:

The farmer is both a producer and a consumer.

The laborer is both a producer and a consumer.

Each is the principal customer of the products of the other.

Out of the dollar which labor pays for the products of the farm, the farmer only gets 38 cents.

Out of the dollar which the farmer pays for the products of labor, the labor man only gets 35 cents.

The cost of distribution each way is over 60 cents on the dollar, and against this might be cited a cost of less than 10 cents in cooperative Denmark.

We can not reduce distribution to 10 cents in America, but it might be reduced to 20 cents. This would make a saving of 42 cents on farm products. If the farmer seeks to take all of this, he will receive no help from the public. If he is willing to cooperate and divide with his consumers, the principal of which is the laboring man, he can add over 50 per cent to the price of his products and give a reduction equal in amount to his consumer. In this all labor will gladly join.

On the other hand, there should be a saving of 45 cents on the dollar in the distribution of the products of labor. If labor seeks to

take it all, it will fail. If it is willing to divide with its principal consumer, the farmer, it will succeed.

The total wages of labor are approximately \$25,000,000,000, and this goes to about 35 per cent of our people. There may be an error in this estimate, and if the clerical workers are included it goes to about 50 per cent of our people.

The total value of farm products since the deflation, that means for 1920, including all sold and all used by the farmers themselves, does not exceed \$20,000,000,000, and that goes to about 43 per cent of our people.

If all of the returns of the farmer be counted as wages he gets 20 per cent less total than the wages of labor, and there are 20 per cent more farmers than laborers on the first estimate and only about 14 per cent less on the second.

In addition to this the farmer had a capital investment of \$80,000,000,000 upon which he gets no return, although mortgages upon it called for vast amounts of interest.

The business and other capital investments were about double farm capital, and if they had received the same return it might therefore take two ciphers to express it. Instead, this capital and the speculators got a return of about \$20,000,000,000 and this went to about 7 per cent of our people. A just distribution of this sum would give the farmers more than \$7,000,000,000 increase with but slight re-adjustment of the wages of labor. The capital of the farmer is just as sacred as the capital of the Steel Trust, the Oil Trust, the Beef Trust, the Tobacco Trust, the Cotton Trust, the Sugar Trust, the Railroad Trust, the Machinery Trust, the Money Trust, or the Telephone Trust, and is entitled to an equal return.

Perhaps the most conspicuous example of speculative gambling which directly helps to produce these results is found in the Chicago Board of Trade. They sell 51 times as much grain as ever comes into Chicago. They sell three times as much as is produced in the whole world. Only twenty-eight one-hundredths of 1 per cent of this grain sold on futures is actually available for delivery at Chicago. The total volume is approximately 18,500,000,000 bushels and its value ranges from \$15,000,000,000 to \$20,000,000,000. Upon all these pyramided sales a commission is paid, the direct tendency of which is to increase the cost of distribution and increase the spread between producer and consumer. These commissions amount to more than three times as much as the net receipts of Monte Carlo, the greatest gambling institution on earth. The farmer objects to having his prices fixed by a gambling institution.

The conclusions of these facts are inevitable. The producers and consumers, composed of farmers and all necessary labor of hand or brain in both production and distribution, must join in such complete economic and political cooperation as to take over the distribution of their products from producer to consumer. This calls for a cooperative code, both State and National, upon the Rochdale principle, and board of trade gambling, including "hedging," must be ended by law as was the Louisiana lottery.

In both the economic and political action necessary to bring this about we will be opposed by the Chamber of Commerce of the United States, because it represents both the profits of the middleman and the speculator.

Senator McNARY. Would I interfere with the ordinary course of your argument if I should suggest something concerning your grain exchange notions that you have, with respect to the control of those different exchanges?

Mr. BROOKHART. I would prefer if you would ask about it at the end of my statement, Senator, but it would not seriously disturb me to answer that at this time.

Senator McNARY. Very well; proceed.

Mr. BROOKHART. The total loans and discounts of the national banks were \$14,000,000,000.

The CHAIRMAN. What year?

Mr. BROOKHART. That is last year, the last report of the Comptroller of the Currency. I have used round numbers. Of course, that is not the exact figure. Of this sum agriculture received 14 per cent; manufacturing, 21 per cent; merchandising, 26 per cent; and speculation and miscellaneous, 39 per cent.

Of the primary deposits in all the banks of the United States, agriculture furnished approximately 50 per cent; labor, 20 per cent; and other business, 30 per cent.

Senator CAPPER. Are those official figures?

Mr. BROOKHART. No; those are estimated; but I will sustain them with some official figures that point quite strongly to this conclusion.

Upon these facts agriculture would have been entitled to \$7,000,000,000 of national-bank credit and it only got \$2,000,000,000; it was entitled to more than manufacturing and merchandising combined and it got less than one-third as much.

Under the law the Federal reserve allotment of credit is unfair to agriculture, and in addition its administration has had the direct and arbitrary purpose of forcing a deflation in farm prices.

This conclusion is best illustrated by the facts in a single State. In Iowa the allotment of credit under the law was \$36,000,000. They, in fact, loaned \$91,000,000, but as early as February, 1920, announced these excess loans would be called when the crops were matured. This forced Iowa farmers to sell on a falling market and sent more farmers into bankruptcy than in all the history of the State.

If Iowa's allotment had been an average of the States it would have been nearly \$110,000,000 instead of \$36,000,000. But Iowa is far more than an average in resources. It was fifth in assessed valuation in 1919 and upon that basis was entitled to eight-one hundred and thirty-fourths, or an allotment of \$300,000,000. In fact, it got \$91,000,000 and was called for two-thirds of that.

While this allotment was entirely inadequate and wholly unfair to agriculture, still, when it was exceeded, as in Iowa, a heavy penalty was placed upon the borrowing banks by increasing the interest rate, which John Skelton Williams says reached 87½ per cent in one instance to a small bank in a farming section. This system is the principal direct cause of high interest rates, not only in Iowa but everywhere, and it has placed a burden upon the American farmer that is unbearable. That this restriction of credit was arbitrary and the rise in interest rates a Wall Street profiteering scheme there can be no doubt, when we take Mr. Williams's statement on April 15 that "Our 12 Federal reserve banks at this time have an unused lending power of approximately \$1,500,000,000."

This illustrates the position of agriculture throughout the United States. As a result of this credit monopoly the speculators were enabled to force down the price of wheat to 70 cents per bushel to the American farmer in 1920. At the same time they forced it up 33 cents a bushel to the starving millions of Europe. Over 300,000,000 bushels moved on this spread and not over \$60,000,000 could be charged to increased freight rates. Therefore, the speculators by this control of credit were enabled to take an extra toll of \$240,000,000 upon export wheat alone.

The remedy for this is to amend the law and require the Federal reserve to allot credit in proportion to resources and deny all credit directly or indirectly to speculation.

Also, we must have a cooperative banking code, both State and national, which will enable the farmers to deposit their money under their own control and themselves decide how their surplus shall be allotted to other lines of business.

The functions of the Federal land bank should be enlarged until it will furnish long-time credit large enough in volume and cheap enough in rate to enable every farmer to own his home.

The rise in freight rates as farm prices fall is a flagrant extortion. It is caused by a cost-plus guarantee law that puts a premium upon waste, extravagance, and mismanagement. Under this law a valuation of \$18,800,000,000 is put upon the railroads. At the same time all their stock and all their bonds representing all their value could be bought on the market for less than \$14,000,000,000. Heretofore we have regarded this value too high, but this law has added to it over \$5,000,000,000 of water. It is said the advance in wages of labor caused the advance in rates. Last year maintenance expense increased \$1,406,000,000, but the amount paid for increased wages was only \$480,000,000. This leaves \$926,000,000 to explain. It is next said the causes were the high prices of steel and coal, but the same men who controlled the railroads controlled the prices of steel and coal. When the Government was operating the Pennsylvania and the New York Central their locomotives were repaired in their own shops at a cost of \$4,466 each. After the roads were turned back the men in these shops were discharged and 299 locomotives were sent to the Baldwin Co. at a cost of \$19,057 each for the same work. The Baldwin Co. is controlled by the same men who control the roads. Therefore, they got more profits by increasing the expense over 300 per cent, most of which the farmer must pay.

A unified government control under the management of honest and competent men would reduce costs of transportation in vast amounts. The railroads now have about \$10,000,000,000 of capital at an average rate of 4½ per cent. Upon all of this they have a guarantee of 6 per cent. This means a bonus of \$150,000,000. Add to this the guaranty on capital above market value and there would be a saving of \$450,000,000 on capital charge alone. Seven hundred millions could be saved on coal, steel, and other expenses when the profiteering of the trusts is broken. The waste of competition could be reduced by over \$400,000,000. The capitalization of unearned increment at the rate of over \$300,000,000 per year would be saved. Labor has already been reduced over \$400,000,000. These items make a grand total of over \$2,000,000,000, most of which could be used in the reduction of rates. The farmers pay 56 per cent of the freight rates and have a just demand for this reduction.

Another subject that needs the immediate attention of this committee and of Congress is the gigantic claims of the railroads for under-maintenance during Government operation. A fair investigation will show that the Government increased the maintenance and in fact paid large sums that should properly have been charged to additions and betterments. Besides, the return guaranteed to the railroads by the Government was over \$300,000,000 per year in excess of the Liberty-bond rate which the Government paid to other people for the use of their money. After the armistice everything possible was done by the management to discredit Government operation. If railroad labor was inefficient it was not of its own choice but under the direct orders of the management. In spite of all this the roads were better maintained than when the Government received them, but they are seeking to grab an extra billion and a half dollars mainly at the expense of the farmers.

I will also call attention to the fact that the railroads now have a surplus of \$1,200,000,000 to \$1,500,000,000 which the people have paid to them for the purpose of paying deficits and tiding over lean years. They never use this money for that purpose but treat it as a bonus or gift. In this way the people have built the railroads principally for 8,000 millionaires in New York.

It is now generally said that the cause of the great deflation in prices of farm products, is the breakdown of our foreign markets. This, of course, is true, but the causes of this breakdown are shrouded in various mysteries and mysticisms. Foreign credit, foreign exchange, foreign poverty, foreign bolshevism, pacifism, the League of Nations, and the fact that we are not in the league are each cited as the true and only cause. I want to brush all of these things aside. So far as the American farmer is concerned, it is all due to his failure to organize and control his own affairs both politically and economically. A few established facts and a little horse sense will demonstrate this conclusion. Outside of Russia there are 200,000,000 underfed people in Europe now, therefore, the demand for farm products exists.

These people paid the speculators an advance of 33 cents per bushel on wheat which proves our products can be marketed when properly handled.

There are \$1,500,000,000 of unused credit in the Federal Reserve Bank, the majority of which the farmers would control if they had their own money in their own banks and they would control many other hundred millions besides that which went to the use of speculators.

With such a control of their own credit they could easily have marketed their products in Europe. This could probably have been done without loss on the necessary loans, but the farmers could better afford to suffer such a loss of \$2,000,000,000 or even \$3,000,000,000 than to take a loss of \$7,000,000,000 in the slump of prices. The farmers can only do this by a cooperative organization of their credit, and there is no national law for such organization. Instead, they were exploited by the United States Chamber of Commerce and every financial combination in the country.

The best illustration of this is found in the action of the Beef Trust. The first preparatory step toward deflating the farmer was to safeguard the packers. Armour floated a \$60,000,000 long-time loan at 8 per cent, Swift \$50,000,000, and the others in proportion. The loans

were underwritten by the big banks. They sent out confidential advices to their country correspondents that here is something gilt edge and it is 8 per cent; buy \$10,000 or whatever had been allotted. Money was plentiful and the little banks bit and passed on this paper to their farmer customers. The farmers put up the money to finance the Beef Trust, and the trust took the money to Argentina and used it in the cattle and meat business to knock down the prices of farm products. Emergency tariffs and packer regulation are all right, but the farmers must be allowed to organize their own credit upon the cooperative principle.

The cooperative organizations for which the farmers are asking legal sanction produce exactly the opposite result of trusts and combinations in restraint of trade. The trusts collect profits into the hands of the few; cooperation distributes them broadcast among producers and consumers. The power and rates of profit for capital are unlimited in the corporation trust system. In cooperation capital has no power; it does not vote; the rule is one man one vote, and the earnings of capital are limited to the legal interest rate.

To these must be added a general remedy of taxation. The millions made out of the war must be taxed to pay for the war. Up to date they have paid nothing. They have added it in and passed it on to the public. These war profits must be surveyed and a tax levied which they will pay and not pass on, in an amount sufficient to pay for the war, including any adjusted compensation that may be granted to the men who were drafted at \$30 per month.

Senator McNARY. I started a moment ago to ask this question: I was interested in your discussion of the grain exchanges. Are you familiar with the terms and provisions of what is known as the Capper-Tincher grain-exchange control bill?

Mr. BROOKHART. Not entirely. I have not absolutely accurate knowledge of it all the way through.

Senator McNARY. Well, that legislation has passed the House, and has now been reported favorably in the Senate. It has been before the Agricultural Committee for some time, and it tends to regulate and correct what we think constitutes some of the ills and practices of the present time. But it does permit the "hedge"; it does not affect the "hedge."

Mr. BROOKHART. What is the particular proposition it permits? Let me see if I understand it.

Senator McNARY. Well, I do not want to go into a discussion outside of the question, because that legislation has been before us at our hearings. I was wondering if you were familiar with that measure, and if you were, if you thought the bill would correct the evils you pointed out in your statement.

Mr. BROOKHART. I am not familiar with the particular proposition which they say it permits, which is called "hedging." As I understand it, it is not what I call hedging that is permitted by the Senator's bill.

Senator McNARY. Perhaps you have in mind some forms of speculation and manipulation.

Mr. BROOKHART. Well, this selling or buying for insurance purposes, I call all that hedging; if you want to do that I say let us organize a cooperative insurance company to do it. I know, for example, a man in my town who hedged and made \$40,000 in hedg-

ing, and went up to collect it, and his fellow was busted. And that is what happened with your hedging. Who are you hedging with? It is one end of the gambling proposition in that form, and I don't think we want any element of gambling in the grain exchanges.

Senator McNARY. Then you would destroy, if you had your way, the machinery that has been built up by the grain exchanges?

Mr. BROOKHART. Most of it.

Senator McNARY. And you advocate also the Government control of the railroads? Do you mean to the extent of price fixing, in the way of tariff rates, wages, etc.?

Mr. BROOKHART. Oh, yes.

Senator McNARY. That is what you advocate in your statement?

Mr. BROOKHART. Well, a unified Government control is what the Farmers Union declared officially for, and that is the way I stated it here.

Representative SUMNERS. I am interested in getting your judgment as to how and through what sort of marketing machinery you would effect sales of agricultural commodities so as to reduce the spread between what the farmer receives and what the consumer pays. Before you begin the answer to that question I would say that I do not want to break in on your program, and if you have on your program somebody that is scheduled to make that explanation, I will not ask you that question now.

Mr. BROOKHART. I can give you a general answer on that, sir. The Grain Growers (Inc.), which has already been organized by the farm organizations of the country, is the best illustration, under present law, of the way it can be done. It is not absolutely cooperative, because we do not have these cooperative laws. But it is as near cooperative as can be done, I think, under the present law.

Representative SUMNERS. You believe that the economic distribution of these commodities can be effected without an exchange through which they may be sold by grade?

Mr. BROOKHART. Not without some kind of an exchange, but I would substitute the Grain Growers (Inc.), for the board of trade.

Representative SUMNERS. You mean you would permit them to effect sales by grades? When you say "substitute" do you mean you would destroy one by law and establish the other by law?

Mr. BROOKHART. No, if the board of trade wants to reorganize under the same restrictions, I have not the slightest objection.

Representative SUMNERS. What sort of restrictions?

Mr. BROOKHART. The cooperative restrictions.

Representative SUMNERS. Well, how would it operate?

Mr. BROOKHART. Well, on that, one man, one vote, and capital has a limited earning of 8 per cent, I believe.

Representative SUMNERS. Yes, and that is the cooperation among the producers, but I am talking about the market place, the place where the sales of these commodities are effected. How would you manage it?

Mr. BROOKHART. The Grain Growers (Inc.), is going to do everything toward distributing grain from producer to consumer that the board of trade ever does. I don't know of anything that it does in the way of carrying it on from producer to consumer that is eliminated in the organization of the Grain Growers (Inc.). But this selling and reselling on futures and margins and all that will not happen.

**Representative SUMNERS.** You propose to establish a place where the commodities of the farmers may be listed for sale by specific grade and specific quality, I assume?

**Mr. BROOKHART.** I presume all that will be done. Now I can no answer the exact details of the operation of the system.

**Representative SUMNERS.** Yes, so that anybody in the country anywhere, who desires to purchase so much wheat, for instance, of a certain grade, could buy that wheat of that grade and be assured that he would receive it?

**Mr. BROOKHART.** That is correct.

**Representative SUMNERS.** And I assume you would contemplate to have the grain move from the place of first concentration to the place of consumption without necessarily clearing through other concentration?

**Mr. BROOKHART.** It would be moved the shortest distance.

**Representative SUMNERS.** I would like for myself, and I believe the commission would like, if before this presentation is concluded by you gentlemen who are speaking for the system, you would put into the record as much as you can of the details of the system that you have worked up.

**Mr. BROOKHART.** I know Mr. Thorne, who is the general attorney of the Grain Growers (Inc.), is expecting to appear before this committee, and I am sure he can give you all those details quite fully.

**Representative SUMNERS.** All right, then I will not go further into it.

**Senator CAPPEE.** You mentioned the breakdown of the European market as one of the causes of the present agricultural situation I did not quite get your remedy for correcting that trouble.

**Mr. BROOKHART.** My remedy that I propose here, Senator, is on the theory that the farming business would be organized into a great cooperative business handled efficiently, like the national banks themselves are handled. In that case, if my estimate of the amount of primary farm credit is correct, they would have all the money all the time, and more, than they would need to handle and to market their products. And having that money as a basis of it, they could themselves, without waiting upon any Government corporation or anything else, make the arrangements in Europe for the disposal of their product in the safest way possible, and I think probably it could be done in these times without loss. But, as I pointed out, they could afford to take some risk rather than to put down the price of their products.

**Representative SUMNERS.** I do not want to ask this witness, Mr. Chairman, if some other witness is going to testify on that phase of the matter, but I am personally very much concerned to know whether or not you gentlemen have any concrete suggestions looking to the relief of the present acute crisis in agriculture, especially as it affects the crop which is now rapidly coming to the harvest?

**Mr. BROOKHART.** I think they are supporting the export corporation proposition, but do regard it as only a temporary remedy. I think that is one thing.

**Representative SUMNERS.** What method do you gentlemen suggest as to how additional credits can be safely gotten into those territories where the country banks are already extended, as the expression goes in banking circles, to the limit, perhaps, that they could under ordinary conditions supply their customers?

Mr. BROOKHART. On the 15th of April Mr. John Skelton Williams said in this city, in a public address, that there were \$1,500,000,000 of unused credit in the Federal reserve bank at that moment. Now if that is true, there is plenty of money in the Federal reserve bank to take care of that, and more, now.

Representative SUMNERS. I do not suppose there is any question—there is none in my mind—that that money is available, but the point I am getting at is: How are we to get to the individual farmer living in a community where his country bank has borrowed all that under ordinary banking rules it is considered safe to loan to that bank? I have just returned from the South, and I found a number of communities there where the country banks are what they called in banking terms, I think, completely extended. The banks themselves hesitate to borrow more money to loan.

Mr. BROOKHART. I think the principal reason the banks hesitate is because they are afraid they will be "called," and they are not secured in their borrowing at any time. We were "called" out in Iowa down to \$36,000,000 from \$91,000,000, and I am sure we had the security many times over for that amount. So that, of course, as a temporary remedy, is a hard, if not an impossible thing to provide a complete remedy.

But as a permanent remedy, this cooperative banking proposition, which the labor people have already started on a very successful scale, I think will entirely cure the trouble.

Representative SUMNERS. My question was addressed primarily to the emergency. I think we have got to give some first aid to agriculture.

Mr. BROOKHART. You are right.

Representative SUMNERS. In some sort of way.

Mr. BROOKHART. But I think the thing you can do that will help immensely will be to enact something that will compel this Federal reserve bank to let us have that credit that is available right now.

Representative SUMNERS. I do not want to prolong this phase of the discussion, and I am making the observations now in order that some other gentleman here who comes later might offer some suggestions, but I know it is true that in some sections of the country there are country banks, as a matter of fact, in sympathy with the situation of their customers, who are apprehensive as to their own solvency. Now, then, it seems to me rather clear that we, perhaps, are going to have to go around that ordinary method by which money is distributed to the individual in some sort of way, provided it can be safely done, and I believe you gentlemen would do us a very good service, and be of great assistance in making some suggestions along that line.

Mr. BROOKHART. Another thing that I believe would assist very materially would be to reduce this interest rate. The Federal reserve puts a progressive rate on, and with one Alabama bank it went up to as high as 87½ per cent. And out in Iowa, after we got our \$36,000,000 allotment, on all we borrowed over that the rate climbed up to 9 and 10 per cent.

The CHAIRMAN. Do you refer to the rate to the borrower or the rate to the bank?

**Mr. BROOKHART.** No; I am referring now to the rate to the bank, Mr. Chairman.

**Representative SUMNERS.** That is a progressive rate. That has been eliminated now.

**Mr. BROOKHART.** That has been eliminated now by an order since, as I understand.

**Representative FUNK.** I was very much interested in your analysis of the rediscounting by the Federal reserve bank, and as I got your figures in the allocation to the various industries you stated that 39 per cent of the rediscounting by the Federal reserve bank was for speculation and miscellaneous. Have you that further subdivided to show the amount allocated to speculative purposes?

**Mr. BROOKHART.** No, sir; that is not specified in the comptroller's report.

**Representative FUNK.** Would that not be very illuminating?

**Mr. BROOKHART.** It would indeed.

**Representative FUNK.** Is not that the crux of your point?

**Mr. BROOKHART.** I will be very glad to call your attention for a moment to what the comptroller says upon the amount of credit and its allotment.

We will take up first the individual deposits. Of course, this only applies to the national banks.

Public funds—State, counties, and cities—\$629,470,000.

**Representative FUNK.** This is as of what date?

**Mr. BROOKHART.** This is the last report of the comptroller.

**The CHAIRMAN.** The deposits of what date?

**Mr. BROOKHART.** 1920.

**The CHAIRMAN.** What time in 1920?

**Mr. BROOKHART.** November 15.

Railroad companies, steam, \$283,227,000.

Steamship, steamboat, and express companies, 352,357,000.

Electric railway, electric light, and power companies, \$95,148,000.

Coal companies, firms, and individuals engaged in the mining of coal, \$156,063,000.

Corporations, firms, and individuals or associations in the mining or manufacturing of iron and steel, \$172,800,000.

Oil producing and refining corporations, or firms, individuals, or associations engaged in the business of oil production, \$200,726,000.

Other individuals' deposits, including postal savings deposits, \$12,097,196,000.

**Representative FUNK.** That includes the farmers?

**Mr. BROOKHART.** That includes the farmers and the laboring people mainly. Of course, there will be some others.

**Sénator CAPPER.** What do you estimate that the proportion of the farmer is in those figures?

**Mr. BROOKHART.** I figured that out with Mr. Howard, the president of the Farm Bureau, just before the war, and we estimated, after considering everything, that it was above 50 per cent that was deposited by the farmers. That is a thing that perhaps this committee ought to know. That is a very important fact in the analysis of this situation. Probably since the war that might be changed a little. I figured it out with the laboring people; that is, with their committee that is organizing these cooperative banks, and they claim about 20 per cent of the deposits for labor. That is another very important thing to know.

Representative FUNK. But what the commission would like to know is this: If there is a restriction of credit by the Federal reserve banks, we would like to know whether an undue proportion has been rediscounted for speculative purposes. If you can submit that later, I will appreciate it.

Mr. BROOKHART. I have it right here now. I will complete this statement as to the distribution of these national-bank loans, and then I will answer that question, Mr. Funk.

The total loans and discounts, including rediscounts of national banks, November 15, 1920, amounted to \$13,764,000,000.

According to the reports of the national banks, \$9,707,798,000 were made under the following classifications:

To farmers, agriculturists, and live stock raisers, \$1,998,993,000.

Representative FUNK. And have you the percentage of the total there?

Mr. BROOKHART. No. I figured that out at 14 per cent.

To manufacturing corporations and firms, individuals, and associations directly engaged in manufacturing, \$2,862,506,000.

I figured that out as 21 per cent. Perhaps those percentages ought to be rechecked, because I had no help in doing this, and it might not have been done with the greatest accuracy.

To merchants and mercantile corporations, firms, and individuals engaged in the jobbing business, business of trading, wholesale, etc., \$3,581,462,000.

I figured that out as 26 per cent.

Bond and stock brokers, and dealers in investment securities, \$664,010,000.

Railroad companies, shipping companies, electric railways, light, heat, and power companies, \$225,389,000.

Professional men, including lawyers, doctors, clergymen, teachers, chemists, engineers, etc., \$375,438,000.

That is about one-sixth of the farmers.

Percentage of total amount, 70.53. And that is all they specify.

Representative FUNK. As I get your conclusion, it was to this effect, that the agricultural interests deposited about 50 per cent of all the deposits, but when it came to the rediscounting they only received 14 per cent from the Federal reserve bank?

Mr. BROOKHART. No, not the Federal reserve. That is all the national banks. This is all the national banks I am talking about.

Representative FUNK. Now, would you go as far as to recommend to Congress that it pass a law, or amend the Federal reserve bank law, that credits, loans, rediscounts should be allocated to the various interests in proportion to the various amounts they deposit?

Mr. BROOKHART. I would be entirely satisfied, for the farmers, if that were done.

Representative SUMNERS. Have you studied that pretty carefully to see where it gets to?

Mr. BROOKHART. I think the allotment should be based upon resources of the different States. There should be some flexibility under proper safeguards, but in the main each State should be entitled to its allotment. It is arbitrary now against the farmers.

Representative SUMNERS. I want to ask you: Have you figured that out pretty carefully to see where it would get to if you allocated the credits and made a permanent allocation, not a preferential allo-

cation, but a permanent allocation? I have not studied it, but might you not get into this difficulty, that at the particular time when the farmers might not need it some industry, such as a cotton mill or a woolen mill, or some industry upon whose successful operation the farmer is interested, would need it, and the farmer might not need the amount allocated to him. I am figuring out where you would get to with a permanent allocation.

Mr. BROOKHART. I was figuring it out as one of the temporary remedies. The permanent remedy is to give the farmers a cooperative banking law that will enable them to organize their own deposits under their own control, and then they themselves decide collectively what other enterprise they will back with the surplus. That is what any other line of business does, and the farmers are entitled to do that. That would be my permanent remedy.

Senator HARRISON. It strikes me that if the proportion is so large in national banks of farmers' deposits, that in State banks the proportion would be much larger, for the reason that State banks are generally the small banks located in small communities that are patronized by the farmers.

Mr. BROOKHART. I have not the slightest doubt, in fact I know, and am as reasonably certain as I can be, from the reports of the State bankers association, that more than 75 per cent of all the deposits in the banks in the State of Iowa are made by farmers.

Representative FUNK. I was impressed by your statement that the discounts or loans of \$90,000,000 in Iowa were called and reduced to \$30,000,000.

Mr. BROOKHART. \$36,000,000.

Representative FUNK. That is a very severe arraignment of the present system; but I did not get your suggested remedy. If you have thought anything out along that line I am sure the commission would be glad to have your idea.

Mr. BROOKHART. The remedy I suggested here would be to require the allotment to the States in proportion to the resources. That would make it safe enough for agriculture.

Representative FUNK. As shown by what fact? The assessed valuation?

Mr. BROOKHART. Well, the assessment was the one I used, but perhaps the Department of Agriculture's report on values would be better than the assessment values.

Representative SUMNERS. Do you think there is an equal relationship between the credit necessities of the various industries and the business of the country, and the deposits by those businesses?

Mr. BROOKHART. There is a very great variation, there is no doubt about that. But the industry which has the deposits primarily has the right to say to whom it will lend them.

The CHAIRMAN. Isn't it just possible, Mr. Brookhart, that in these estimates that you have been making that you are overlooking the essential differences between the necessities for long-time credits and short-time credits? The national banking system, as I understand it, is based upon the necessity for short-time credits, and is expected to meet the needs of the volume of business from day to day and from week to week and from month to month, rather than the permanent investment necessities of the various industries?

Now, the amounts of money, credit, which the farmer might need to move his crops, as a matter of short-time credit, as proportioned to the amount of credit which business generally might need for the volume of business which it does, is a very different thing from the volume of permanent credit that might be required in the two cases. Your proposition to allocate liquid credits to a base of permanent investment is clearly, it seems, out of line.

Mr. BROOKHART. I was speaking of what you call the temporary or short-time loans. In my statement I barely mentioned the long-time loans. That will be taken up by another gentleman.

The CHAIRMAN. That is true, but what I am getting at is this, that the volume of liquid credit and the proportion of liquid credit that should go to agriculture and industry should be proportioned to the volume of business and not to the volume of permanent credit or permanent capital investment.

Mr. BROOKHART. Well, I could not assent to that system without some definition of what constitutes business, and I will give you an illustration here from an address made by John Skelton Williams before the Convention of the People's Reconstruction League at Washington, D. C., to show you why. He says:

I am giving this outline of inside events to support my contention that Congress should take action to provide against negligence, lack of ability, or stubborn disregard of the needs and rights of the public by the board or any future board. As an illustration, I knew that certain New York banks were borrowing from the Federal reserve bank, which means from the people of the United States, millions of dollars, at 5 to 6 per cent, and lending it at from 10 per cent to 50 per cent, and sometimes higher still. In fact, among others, I gave them one instance, an extreme case, where a certain large bank last summer borrowed money from its reserve bank at about 6 per cent per annum, and about the same time loaned a customer, the head of a large manufacturing enterprise, \$1,000,000, well secured by collateral, of which loan about \$500,000 was passed on to correspondent banks (without liability to the selling bank) at about 12 per cent per annum, and \$500,000 of the loan retained on a basis of interest and commission which yielded the lending bank about 200 per cent per annum on its net outlay, the whole loan being paid in full in six months.

Now, I am not in favor of allotting our money to business if that is what is called business.

The CHAIRMAN. Well, it may well be that an undue proportion of the credit of the country has been used in speculative transactions. Probably that is the case. But that was not the question that we were discussing. Your proposition was a proposition to allocate credits, liquid credit, to a base of permanent capital investment, and it seems to me the suggestion of Mr. Sumners there is very, very pertinent—that it might injure the farmer fully as much if there were a restriction of credit to industries that manufacture his products and put them in condition for consumption as there would be upon a direct restriction of consumption upon his own marketing process.

Mr. BROOKHART. The farmer has certainly an indirect interest, after the development of his own business, in developing every other productive business. There is no doubt about that. And he would be willing that his surplus should be used to develop those other lines of business. But it is the enormous speculative use that was made of this money, the immense centralization of it down in New York, to which he objects.

I have here a statement of Mr. George E. Roberts, of the National City Bank, and he claims there was no centralization down there, and gives a set of figures which, if you take those and accept them,

would indicate that there was not very much to it. But Mr. Williams in his statement here says—

The CHAIRMAN. What report are you reading from?

Mr. BROOKHART. It is not a report; it is his address here in Washington.

Senator CAPPER. A few weeks ago.

Mr. BROOKHART. Yes. He said [reading]:

The official reports also show that in addition to the money which the New York banks were lending on call in New York for account of their correspondents and customers, the national banks in New York City this time last year had on deposit to the credit of their correspondent banks in all parts of the country approximately \$90,000,000 more, while the total sum which the New York national banks were lending, directly and indirectly, to all other banks throughout the country, was considerably less than one fourth of that sum.

Senator HARRISON. Now, I do not understand your position to be that you are allocating the credit according to the various deposits of business and industries?

Mr. BROOKHART. No.

Senator HARRISON. I understood you to say, in answer to a question that if such would be true the farmer would suffer by virtue of it, and you gave certain facts there.

Mr. BROOKHART. Yes.

Senator HARRISON. Which are revelations to me. Of course, if by law you should compel the Federal reserve bank to do that, you would destroy the object of the Federal reserve bank, which was to respond to the changing need of trade and commerce, according to the exigencies of the case.

Mr. BROOKHART. If we prohibit the allotment to speculation, and get speculation well defined, we have gone a long ways in the right direction.

The CHAIRMAN. Now, may I just direct your attention to this proposition. Of course, the measure of the short-time credit which the farmer borrows from the national bank is not by any means the measure of the credit which he borrows from those banks. A very large proportion of the deposits are demand deposits. The farmer making those demand deposits in many instances borrows them back upon the basis of a long-time investment, and unless you include in your investigation of this question both the requirements of the farmers for long-time credit and short-time credit, we are not arriving at any very definite relation of the farmer to this credit situation.

Mr. BROOKHART. I see your idea, now. The long-time credits to the farmers come more from the insurance companies and the trust companies rather than the banks, and the farmers themselves are paying a similar proportion into those institutions. The farmer, I am sure, is in no danger of credit if he has control of his own credit affairs, both long and short term.

The CHAIRMAN. I want to say that in asking these questions I am not doing it in the spirit of argument. I am trying to develop the point of view, as well as the facts.

Mr. BROOKHART. Yes; I understand.

The CHAIRMAN. You referred to the fact that during all of this period of the last four or five or six years, including this period of deflation, that the world's demand for farm products was in excess

of the world's supply. Are you prepared to fortify that upon any basis of figures?

Mr. BROOKHART. There are 200,000,000 people, outside of Russia, in Europe, more or less starving right now. We could not feed them if we could get all of our stuff over there. And there are more millions in China and other places.

The CHAIRMAN. That is to say, your statement there is based upon the assumption—probably the correct assumption—that there are enough people in the world, and enough consumption demand from those people, to consume the total world's supply of food. That brings us, it seems to me, to the difference between demand and buying power. There are, unquestionably, we will say, enough people to consume the farmers' products. The difficulty is that they have not the buying power necessary or equivalent to that consumption: Is not that the situation?

Mr. BROOKHART. Yes, there are some great troubles with regard to that proposition, but some way or other the wheat speculators are enabled to sell them the biggest movement of wheat we have had in many years, last year over 300,000,000 bushels, at an actual advance of 33 cents.

The CHAIRMAN. Let me ask you right there: Who figured that actual advance of 33 cents?

Mr. BROOKHART. That is the export price.

The CHAIRMAN. That is the export price above what you figure to be the price received by the farmer at the terminal?

Mr. BROOKHART. Well, it is the export price above what the market was at the beginning. It went down to the farmers an average of 70 cents during the year, but the export price went up an average of 33 cents. That is shown on the reports of the grain movement. Senator Ladd is my authority for that statement.

The CHAIRMAN. You do not have the figures upon which that statement is based?

Mr. BROOKHART. I do not have the figures myself, but the Senator looked them up in the report of the movement, and I have no doubt about their accuracy.

The CHAIRMAN. Now you refer to the fact, or at least you stated that the farmer got 38 cents out of the consumer's dollar. How did you arrive at that figure?

Mr. BROOKHART. There was an analysis made of several different farm products, and from that officers of the Farm Bureau and myself estimated that before the war. That is not enough now. The spread is wider than that at this time. If you will investigate it at this time you will find it is not quite 38 cents. My judgment would be that it is nearer 32 cents now than 38 cents. I think Dr. H. C. Taylor of the Agricultural Department is making some definite figures on that, a definite analysis, which he promised me he would make some months ago.

The CHAIRMAN. Well, of course there is a great deal in how you arrive at a figure of that sort.

Mr. BROOKHART. Yes.

The CHAIRMAN. And personally I would not be willing to accept a figure of that sort without some supporting statement showing how it was arrived at.

**Mr. BROOKHART.** There will be some concrete proof offered before you here showing a very much wider spread than that on some articles, but this is estimated as nearly as we could, taking all the farm products of all the farmers in the United States, and that average was not nearly so extravagant as the illustrations that will be given to you here.

The **CHAIRMAN.** In your reference to a deflation in Iowa you used the figures of ninety-one million and thirty-six million. Can you give the dates of those figures, or how they were arrived at?

**Mr. BROOKHART.** It was at the conference of the Federal reserve bank representatives with the Iowa farmers and bankers at Ottumwa, Iowa, in October, and those were the figures that were given by the representative of the Federal reserve bank, Mr. McKay, there at that time.

The **CHAIRMAN.** That is, that there had been a reduction in—

**Mr. BROOKHART** (interposing). Now, here is the proposition. The regular allotment under the law and the rules of the bank, was \$36,000,000 for the whole State of Iowa. That is all it was entitled to borrow. The bank was under no obligation really to lend it any more when it reached that. It had, in fact, run up to \$91,000,000. But, as he said to us at that time, the other parties who were entitled to this money were demanding it, and we would have to sell our stuff and pay it, and, of course, I did not know then, as I know now, that that bank had \$1,500,000,000 of unused credit practically at that time also.

The **CHAIRMAN.** Well, what I am getting at is this: Has there actually been any deflation of that \$91,000,000?

**Mr. BROOKHART.** Oh, yes; it was reduced down within a few weeks to \$74,000,000, and then the big howl started up, and they quit calling us. It was down around \$70,000,000 the last statement that I saw of it.

**Senator CAPPER.** Reduced from \$91,000,000?

**Mr. BROOKHART.** Reduced from \$91,000,000; \$97,000,000, I think, was the high point, but at the time he was there it was \$91,000,000.

**Senator ROBINSON.** Can you say whether that process was general through the country or limited largely to Iowa?

**Mr. BROOKHART.** I am very sure that that was general through the country.

**Senator ROBINSON.** You have no figures, I take it, as to the allotment of credit through that instrumentality to the other States?

**Mr. BROOKHART.** No, but I think that could be procured in detail by inquiry of the Federal reserve bank as to what the allotment of each State is.

**Senator ROBINSON.** Your understanding is that the Federal Reserve Board made an allotment to each of the States for the benefit of the various industries and interests?

**Mr. BROOKHART.** Either the law or the rules provide that the allotments should be made in proportion to the stock subscriptions of the member banks. Now, there is no other banking institution in the United States or the world, that I know of, that allots credit according to the stock subscriptions of its members.

**Senator ROBINSON.** In order to procure a large allotment then under the present procedure or method of distribution, the farming interests would have to induce their banks to procure the stock of the Federal Reserve banks?

Mr. BROOKHART. Yes.

Senator ROBINSON. As a rule the investments of farmers in those banks is very limited.

Mr. BROOKHART. Yes.

Senator ROBINSON. And that fact, under the regulations, operated to automatically limit the allotment of the credit to them, without regard to other considerations affecting the credits?

Mr. BROOKHART. This was practically the way it worked out; Senator. The big banks said to the little banks: "There is no need for you to subscribe in the Federal reserve. We will take care of you." And as a general thing the little bank did not subscribe. That is particularly true in the agricultural sections.

The CHAIRMAN. Well, they had to subscribe a certain part of the stock of the Federal reserve bank under the law.

Mr. BROOKHART. Well, not the State banks.

The CHAIRMAN. No; not the State banks.

Senator ROBINSON. Those that got into the system did.

Mr. BROOKHART. Those that got into the system did. Now as a general thing the little banks stayed out of the Federal reserve all over the country. For instance, the Continental and Commercial National Bank of Chicago had an allotment of \$80,000,000, considerably more than twice as much as the whole State of Iowa. Well, some one said: "How much did the Continental and Commercial National Bank lend to the farmers out in Iowa?" Well, here was the situation. Mr. Armour was a director in the Continental and Commercial National Bank, and he wanted a \$60,000,000 loan. Here I am, just a common Iowa farmer, what chance did I stand of getting a loan when he wanted it? And they had the absolute power to say who should have it.

The Bankers' Association show that all the loans we received that way added together only amount to about \$150,000,000 for the whole State of Iowa, and I have shown you that Iowa on its resources would be entitled to an allotment from the Federal reserve alone of \$300,000,000.

Senator ROBINSON. Can you say approximately the number of Iowa banks that belong to the Federal reserve system, and the extent of their holdings of stock in that system?

Mr. BROOKHART. Well, in my own county there are two banks that belong to the Federal reserve system, and there are 15 banks altogether in the county. There are probably about one-sixth of the banks that belong to the Federal reserve system; not exceeding that.

Senator ROBINSON. Do you think that proportion would hold good throughout the State, approximately?

Mr. BROOKHART. It probably would.

Senator ROBINSON. One-sixth?

Mr. BROOKHART. Yes.

The CHAIRMAN. Are you including in that statement both national and State banks?

Mr. BROOKHART. Yes.

Senator CAPPEE. You suggested the cooperative banks controlled by farmers as a remedy for this situation. Do you have a cooperative banking law in your State of Iowa?

Mr. BROOKHART. It was introduced in the Iowa Senate last winter, and was killed by the bankers' associations. We did not succeed in getting it passed.

Senator CAPPER. Do you know of any State where they have that law?

Mr. BROOKHART. It was passed in Nebraska, practically the same law. And there are several of the Eastern States that have certain limited cooperative banking systems.

Now, with reference to that, here are the labor people. Here is Mr. Stone, of the Brotherhood of Locomotive Engineers. He has organized a cooperative bank in Cleveland. I know Mr. Stone very well, because he was a farmer boy from my county, and he went out from Washington, Iowa, so I know him very well, and I know the history of what he has done. He is really a man of very great ability, of very great financial ability. He built the home of his brotherhood, and he went in and paid for it out of the rent in 10 years, and had the mortgage ready to burn when I was at his office last August. When I was there he showed me the site of what was to be the new cooperative bank. He took me out and showed me the building of the Society of Savings. He was a director in that for many years. He said that that building was built by the unclaimed savings deposits of laboring people. It is an immense building, worth two or three million dollars. He said, "We ought to have some way whereby our people can get the benefit of their own money, their own earnings, their own deposits." Then he showed me the site of what was to be his new cooperative bank. This was in August of last year, and he started it in October.

Now, on the 1st of November it had \$650,000 of resources. On the 1st of December it had \$1,410,000. On the 1st of January it had \$2,243,000; the 1st of February, \$4,916,000. The 28th of April the total resources were \$7,000,297. And an employee of his bank was in my office the day before I left, and he said it would to-day almost reach \$10,000,000. And that has all taken place since last October. It means that those laboring people have decided to deposit their earnings under their own control so they will have something to say about how they will be used, and how they will be loaned. Now, they certainly have the right to do that.

But there was no national law under which Mr. Stone could organize that bank. He had to organize it as a regular corporation, under the national banking act, and it is a member of the Federal reserve and is a national bank in every way, but he adopted cooperative by-laws and he is operating there under cooperative by-laws.

Now, what we ask is this: Give us a law that will give us a cooperative charter, and put on the cooperative restrictions, as I would call them. Limit the amount so capital can earn but 8 per cent. That is satisfactory; and provide that one man in that institution has one vote, regardless of the amount of stock he owns. Those are the two basic principles, foundation principles, of cooperation.

Senator ROBINSON. Let me ask you this: Why can you not do that just as Mr. Stone has done it, without a national law? I am asking for information.

Mr. BROOKHART. The trouble is this: We are organized as a corporation then, and we have got to get the agreement of every stockholder, and it puts us under a handicap. When you go to organize

7,000,000 farmers, why, you ought not to be held down with a handicap of that kind. It is holding them back. The Grain Growers (Inc.), are held back by the same handicap. They have got to get a contract and then they have got to make those by-laws.

Now, are we not entitled under the law to have the permission of our Government to organize our funds, without any question or any argument, on that cooperative basis?

Senator ROBINSON. Well, have you worked out, or has anyone else connected with your organizations worked out a tentative draft of a measure which would give you the authority that you think is necessary in order to enable you effectively to organize such banks?

Mr. BROOKHART. I will furnish the committee with a model of one that Mr. Stone's people worked out, that I examined and consider very reliable, very good all the way through. I will furnish you a copy right now if you desire.

Senator ROBINSON. You think it necessary and advisable in order to enable the farming interests to mobilize and avail themselves of their credit to have a national act authorizing the chartering of farm banks?

Mr. BROOKHART. I think so.

Senator ROBINSON. Could you state from memory some of the details of the measure which you would desire?

Mr. BROOKHART. Well, of course, we want in this bank all of the safeguards of inspection and examination, the same as any other bank. We do not want it run "wildcat" or wild, or anything of that kind. It must be managed safely, and all that.

The vital things, Senator, are the two which I have mentioned. There are, of course, some other details there that are of some importance, but they are easily worked out.

Senator ROBINSON. I wanted to pass from that subject now to another one. But it is now 10 minutes of 12. Do you expect to hold a session this afternoon?

The CHAIRMAN. I would like to.

Senator ROBINSON. Suppose we take a recess now, then, until some time this afternoon.

The CHAIRMAN. Without objection, the commission will stand in recess until 2 o'clock this afternoon.

(Thereupon, at 11.50 o'clock a. m., the commission took a recess until 2 o'clock p. m.)

#### AFTER RECESS.

(At 2 o'clock p. m. the commission reassembled pursuant to the taking of recess.)

The CHAIRMAN. Mr. Brookhart, you may proceed.

#### STATEMENT OF MR. SMITH W. BROOKHART, REPRESENTING THE FARMERS' NATIONAL UNION, WASHINGTON, IOWA— Resumed.

Mr. BROOKHART. There are a few more matters in reference to the discrimination in the allotment of Federal reserve credits that I desire to mention. In that regard I desire to present a few more of the

statements of Mr. Williams, the former Comptroller of the Currency; He says:

\* \* \* the grave matters of which I complained in my correspondence with the board, such as (a) the perilous swiftness of the process of deflation; (b) the artificial diversion to New York of hundreds of millions of dollars, sorely needed elsewhere; (c) the huge sums advanced to certain banks for use in promotions and speculations, and (d) the excessive and burdensome interest rates imposed upon so many banks in the West and South. The rate charged at one time by a Federal reserve bank, under regulations approved by the board, in one exceptional case to a small bank in a farming section amounted to more than 80 per cent per annum.

That was a little national bank in a section of Alabama—87½ per cent.

Senator ROBINSON. Is there any explanation given why such an excessive rate was allowed?

Mr. BROOKHART. The only explanation, Mr. Williams says, is that the average rate was not unduly high, but as he says, that is little consolation to the banks that were forced to pay the high rate. [Reading:]

That country bank was charged by its reserve bank under the "progressive" plan from 6 per cent to 87½ per cent per annum. The average rate which it paid the last two weeks in September for the advance of \$112,000 was about 45 per cent. The excess interest above 6 per cent which was charged this small bank for that two weeks' period was equivalent to more than 7 per cent dividend on the bank's capital stock for a whole year. I do not know how many other cases of extortionate interest charges there were, but there were others, and there should be none.

The CHAIRMAN. Mr. Williams states that that is an exceptional case, does he not?

Mr. BROOKHART. Yes. [Reading:]

While there appears to be this scarcity of money and of credit in the great agricultural and producing sections of the West and Northwest, and in the South and Southwest, we find that individual banks in New York City are borrowing from the reserve system, in a number of cases, more than \$100,000,000 each and sometimes as much as \$145,000,000 is loaned there to a single bank—twice as much as the total loans some of the reserve banks have been lending recently to all the member banks in their districts.

The inequalities and injustice in the distribution of these funds become apparent when we analyze the uses which big favored banks in the East sometimes make of the money they borrow from the reserve system.

\* \* \* \* \*  
I pointed out to you that the New York reserve bank was at that time (January, 1920) lending an amount nearly six times its own capital; that is to say, six times the capital of the reserve bank of New York to \* \* \* one member institution, and I showed you that the money which the New York reserve bank had loaned to \* \* \* one borrower on December 31, 1919, amounted to nearly twice as much as the aggregate amount of loans and discounts which the Federal reserve bank of Dallas was lending at that time to all of its member banks in that great district embracing the entire State of Texas and part of the States of Louisiana, Oklahoma, New Mexico, and Arizona.

It appears that in order to make these huge loans to those institutions the New York Federal reserve bank had found it desirable to rediscount or borrow, about the time of my letter to you of January 28, 1920, over \$118,000,000 from seven other Federal reserve banks, including among others, the reserve banks of Dallas, Chicago, and Atlanta, whose resources available for their own member banks were to that extent lessened.

\* \* \* \* \*  
Four months have gone since I supplemented that warning in an earnest and elaborate presentation of the situation. The suffering throughout the country had meanwhile become greatly intensified. In that subsequent letter I had advocated reduction of interest rates and increased extension of credit for urgent business needs to the limits consistent with prudence and the equitable distribution of our available resources.

Instances illustrative of the widespread distress in the West and South, and in the East as well, and argument for such a policy of forbearance and consideration for borrowing banks, as would enable them to give like treatment to individuals, was drawn as strong as my ability permitted. It seemed to me something was wrong somewhere and somehow, when with an actual shrinkage in values of our commodities within a year of twelve to eighteen billion dollars, four or five favored member banks in New York City were borrowing from the Government's reservoir of money and credit as much as four or five thousand member banks in the West and South were borrowing from five Federal reserve banks, embracing in their respective districts 21 great States.

\* \* \* \* \*

I was further painfully impressed by the evidence of the official records that at the beginning of August, 1920, in crop-moving times, the national banks in New York City were lending for correspondents on so-called "Wall Street" loans for stock speculations and operations, more than \$500,000,000 coaxed from banks everywhere in the country by the high rates speculators would pay. This was more than the Federal reserve banks of Minneapolis, St. Louis, Kansas City, Dallas, and Atlanta were lending to their 4,000 or more member banks.

Here is one of the recommendations he made:

On United States Government bonds purchased and subscribed for at par upon which the banks are now lending the original subscribers, the discount rate to member banks should be reduced to 4½ per cent, with a proviso that the member bank shall reduce the rate to its customer to not exceeding 5 per cent.

I think that recommendation would have done much to keep the Liberty bonds up to par.

Senator ROBINSON. Do you know what the rates of discount now in force are?

Mr. BROOKHART. Well, they vary somewhat, but I think they are 6½ to 7 per cent. There is a recommendation in this statement that they be reduced to 6 per cent.

The CHAIRMAN. The highest rate on June 15 was 6 per cent.

Mr. BROOKHART. They have been reduced, I know.

The CHAIRMAN. I have here a statement of the discount rates effective about June 16, and I believe there were no rates higher than 6 per cent.

Mr. BROOKHART. That may be. I have nothing as late as that from the Federal reserve bank itself.

Representative FUNK. Mr. Brookhart, this morning you stated there were, in your judgment, four principal causes for the depreciation in agricultural conditions at the present time. One of the four that you mentioned was the break down in foreign markets. Have you thought out any remedy or solution or method whereby the foreign markets, if they are broken down, could be restored?

Mr. BROOKHART. Yes, sir; I have. It is based upon the thought that the farmers have enough funds, if properly mobilized, under their own control to market their products, even in foreign markets. I should believe that if the farmers' own credit were under their control and under collective control they would have enough, so they could act as any other business does; the farmers could in that way make their own arrangement for the export of their products to all parts of the world. And even under this situation arrangements could be made that probably would safeguard the credits or loans that would be necessary to move those products to foreign markets. There might be some losses, but, as I said, we had better take some risk than suffer this \$7,000,000,000 depreciation.

But let us assume that my claim is true that 50 per cent of the bank deposits are made by farmers and 20 per cent are made by the

laboring people. If we were organized and could make arrangements with them, we could borrow some of their money, maybe, but if we are putting 50 per cent in the banks we do not need to borrow from anybody else at all. It would amount to a good deal more than the credit necessary to move these crops. But if that credit moves from the country bank into the big city bank, and then ultimately is controlled and turned into the channels that Mr. Williams has described here, through Federal Reserve banks, it is not being used to market farm products, or if it is, it is being used by the wheat speculators, who were able to borrow it when the farmers were forced to sell. And then instead of selling at the usual price they were able also to force the price up higher to the foreign purchaser.

Representative FUNK. I do not believe we are getting together. If I understood you, you referred to the breakdown of foreign markets, and you also made another statement, that there were 200,000,000 people, I think you said, who needed the grain that was surplus in this country.

Mr. BROOKHART. Outside of Russia.

Representative FUNK. As I understand it, one of the difficulties in the situation is this: Those people that need the grain, or those that represent them, have not the money or the credit to offer for the grain that we are anxious to dispose of. That was the point that I had in mind when I asked the previous question. How can that be overcome? How can that be arranged?

Mr. BROOKHART. Let us take the present situation exactly. Here is \$1,500,000,000 of possible lending power in the Federal reserve bank. Let us suppose we could transfer that to the farmers to be used in marketing their crops right now in Europe. Now, if they had the control of that so that it could be used by them for that purpose, I believe they could make arrangements directly with the different Governments in Europe to finance those loans on such conditions that it would be fairly safe, would be repaid some time, and that would move the farmers' products to Europe and furnish a market, to that extent at least.

Representative FUNK. I do not see where the \$1,500,000,000 has anything to do with it. To sell our goods we must have the foreign purchaser either pay us in money or in evidence of a promise to pay.

Mr. BROOKHART. Yes; we would have to advance the money, perhaps. We would have to supply that credit, but that is a source from which it could be supplied, but we have no control of it.

The CHAIRMAN. Of course, unless there were a reasonably immediate prospect of Europe being able to pay back that \$1,500,000,000 you would freeze up that credit along with the rest of it, with the result that that would be off the market entirely and could not be used.

Mr. BROOKHART. It is frozen up now, but arbitrarily, but then it would be frozen up for a good purpose.

The CHAIRMAN. You say "arbitrarily." What do you mean by that? Do you mean that a bank which has rediscountable paper to-day is being refused permission to rediscount it?

Mr. BROOKHART. No; I say there is a market in Europe that ought to be opened, but it is not. That thing is arbitrary.

Representative FUNK. I think that is a very vital point, Mr. Chairman. I would like to understand it more clearly. It seems to me

your point is that we have the grain and we have the credit and it is all on one side of the balance sheet. They have to offer something, either money or a promise to pay of some kind that could be cashed and deposited in the bank to establish a credit here to the holders of the grain.

Mr. BROOKHART. The people that sold them the 300,000,000 bushels of wheat got a satisfactory settlement with them all right, and at an advanced price, which demonstrates that it has been done within the year in a practical way.

The CHAIRMAN. Well, it does not follow, does it, that because you can sell 300,000,000 bushels of wheat over there you can sell 2,000,000 bales of cotton or 100,000,000 bushels of barley?

Mr. BROOKHART. No; but if that 33 cents that was put onto them had been cut down they would have had some more money to buy more of our stuff. I do not claim that could be done without difficulty, without careful financial management. There is no doubt but what it would require very great discretion and care to finance them, but the demand is there, and they would give us every kind of a preference in the way of promises, and we certainly had better have that credit frozen up on a promise that is likely to be repaid some time than on a restriction of credit that is holding our stuff on this side and depreciating its value every day. That is a very vital proposition; it is a big proposition. Of course, I only use this \$1,500,000,000 in the Federal Reserve Bank as an illustration.

I feel, as I said once before, that this farming business, being the greatest business, ought to be organized as any other business is organized. That would mean that it should have its credit department under its own control in every way. And since its funds arise right out of the farming business itself, that I believe you will find at all times more than sufficient to take care of the farming business and that are, in fact, being used now to conduct other enterprises—if we had this collective organization under a proper management, we could be looking out for our foreign markets and use that credit as it ought to be used to provide us that market.

Senator ROBINSON. I understand that the agency by which you propose to mobilize those credits is the cooperative bank that you referred to this morning?

Mr. BROOKHART. A general cooperative banking system. Of course, it would be a complete system.

Senator ROBINSON. I understand, of course, that it would be such a number of banks as the business justified. Have you given any personal consideration to the draft of the bill that you handed me this morning?

Mr. BROOKHART. Considerable; I have read it quite carefully.

Senator ROBINSON. I would like to have incorporated in the record this tentative suggestion, Mr. Chairman.

The CHAIRMAN. Without objection, that will be done.

(The suggested draft of the bill referred to is here printed in full. as follows:)

#### COOPERATIVE BANKS.

A bill for the promotion of thrift and savings, to provide loans for farmers and workers, and to authorize the organization of cooperative banks.

*Be it enacted by the Senate and House of Representatives of the State of \_\_\_\_\_.*

SECTION 1. This act may be cited as the "Cooperative Bank Act."

**SEC. 2. Objects.**—The objects of this act are to authorize cooperative credit and savings agencies whose purposes shall be: (1) To promote thrift and savings; (2) to make industrial and service loans; (3) to finance the cost of farming operations and increase the production of farm products, such as the purchase of feed, seed, and other supplies; of cows, horses, sheep, pigs, and other animals; the payment of the cost of carrying on farming or dairying operations; of preparing land for cultivation, etc.; (4) to serve as agent for members in purchasing supplies and selling products and services; (5) to provide loans to members in case of sickness or emergency; (6) in general, to promote cooperation for the welfare of members, and to provide easy credit for farmers and workers.

#### APPLICATION FOR CHARTER.

**SEC. 3.** Any eight or more persons, residents of the State, may secure a charter for the organization of a cooperative bank by making application to the department of banking and by complying with the conditions of this act.

Persons making application shall sign and acknowledge articles of incorporation, forms for which shall be provided by the department of banking.

The application for articles of incorporation shall contain the following:

- (1) Name of proposed bank and place of doing business. The name selected shall contain the words "cooperative" or "people's bank." It may contain both words.
- (2) Purposes for which the association is formed.
- (3) Par value of shares, which shall not be less than \$10. The amount of capital stock that may be issued need not be fixed in the articles of incorporation or the application therefor.
- (4) Number of directors (not less than five), all of whom must be residents of the State and shareholders of the corporation. Names and addresses of directors for the first year may be inserted in the application.
- (5) The application shall be subscribed by the organizers, whose addresses and respective number of shares for which they have subscribed shall be given.
- (6) Statement of whether liability is limited to stock subscriptions or is unlimited in amount.

The application shall be acknowledged as provided by law and transmitted to the department of banking.

#### BY-LAWS.

**SEC. 4.** Such application shall be accompanied by duplicate copies of the proposed by-laws of the corporation. Such by-laws shall contain the following provisions for the management of the corporation, except as such provisions may be amended with the approval of the department of banking:

- (1) Name and place of doing business.
- (2) Purposes for which the corporation is formed, and whether liability of members is limited to the amount of stock subscribed by each, or is unlimited in amount.
- (3) Qualifications for membership and provisions for withdrawal and expulsion of members.
- (4) Date of annual meeting, which shall be the second Tuesday in January of each year; the manner in which members shall be notified of meetings; the manner of conducting meetings; the number of members constituting a quorum, together with regulations as to voting.
- (5) The number of directors; powers and duties, together with officers and compensation and duties of officers elected by the board of directors.
- (6) The number of members of the credit committee of supervisory committee, and of audit committee, with powers and duties.
- (7) The conditions upon which shares may be subscribed and paid for, transferred and with drawn and the par value of same.
- (8) The charges, if any, which shall be made in connection with a loan and for failure to meet obligations punctually.
- (9) The conditions upon which deposits may be received and withdrawn, and provisions as to the power of the corporation to make loans or to secure additional funds to carry on its business.
- (10) The manner in which the funds of the corporation shall be invested.
- (11) The conditions upon which loans may be made and repaid by members of the corporation.
- (12) The method of receipting for money paid in on account of shares, deposits, or loans.
- (13) The manner in which the reserve fund shall be accumulated.
- (14) The rate of dividends to be paid on capital stock; manner in which dividends shall be determined and paid out.

(15) The maximum rate of dividends (which may not exceed the legal rate of interest provided by law) and interest that may be charged to borrowers, which shall not exceed  $1\frac{1}{2}$  per cent a month on unpaid amount of loan.

(16) The manner in which voluntary dissolution of the corporation may be effected. The department of banking shall prepare suggested by-laws and regulations covering the provisions of this section, which shall be furnished to applicants upon request.

#### ISSUANCE OF INCORPORATION PAPER.

SEC. 5. The application for incorporation and the by-laws shall be approved by the department of banking if in conformity with this act and if such department is satisfied as to the character of the incorporators. Thereupon the department of banking shall issue to said association a certificate, together with copy of approved by-laws, shall be filed in the office of the clerk of the county or municipality in which such association is located. Upon such filing the said incorporators shall become and be a corporation and enjoy such powers as are enjoyed by corporations not inconsistent with the provisions of this act.

#### AMENDMENT.

SEC. 6. The by-laws so approved shall be the by-laws of the corporation; but such by-laws may be amended by the corporation upon the filing and approval of such amendments by the department of banking. Any amendments so approved shall be filed in the office of the clerk of such county or municipality wherein the said corporation is incorporated.

#### PENALTY FOR USING NAME.

SEC. 7. No banking partnership, association, or group, except such as are formed under the provisions of this act, shall use a name or designation containing the words "cooperative bank." The use of such name or designation by any other persons or associations shall be a misdemeanor subject to a fine of not to exceed \$500.

#### OPENING OF BOOKS.

SEC. 8. When the certificate of incorporation has been issued, the corporation shall open its books for subscriptions and deposits; shares shall be issued for stock subscriptions, and evidences of deposits shall be given for deposits. The corporation shall make loans to its members at rates of interest and under the conditions provided in this act. It may undertake such other activities as are provided in sections 2 and 10 hereof.

#### MEMBERSHIP.

SEC. 9. Members of the corporation shall consist of persons who have been elected to membership; who have subscribed for one or more shares of stock; who have paid any entrance fee that may be required, and have complied with such other requirements as the by-laws may contain. Other cooperative societies and associations not for pecuniary profit may subscribe for stock and become a member of the corporation.

#### POWERS.

SEC. 10. In carrying out the objects and powers enumerated herein every cooperative bank shall have power:

1. To create and issue to members shares which shall be redeemable if so authorized by its certificate of incorporation or by-laws.
2. To receive deposits from members or other persons with or without interest thereon.
3. To deposit securities and funds with any bank of which it is a depositor, member or shareholder.
4. To borrow money.
5. To loan money on security, real, or personal to members.
6. To buy and sell promissory notes, mortgages, and other evidences of debt executed or indorsed by members.
7. To discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of debt executed or indorsed by members.
8. To discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of debt executed by other parties and actually owned by the member negotiating the same.

9. To accept for payment at a future date drafts drawn upon it by members and to issue letters of credit authorizing the members holding the same to draw drafts upon it or its correspondents at sight or on time not exceeding one year.

10. To acquire and dispose of property, as follows:

(a) Such real and personal property as may be necessary or convenient for the transaction of its business, which however, may in part be leased to others for revenue purposes.

(b) Real estate and other property acquired in satisfaction of debts or purchased at sales under judgments, decrees, or mortgages held by it. But no cooperative bank shall hold title and possession of any real estate, purchased or acquired, to secure any debt due to it, for a longer period than five years, except with the special approval of the department of banking.

11. To act as the agent of members in purchasing real estate for use as their homes, farms, or business sites and in selling such real estate so used by them.

12. To act as the agent of members in purchasing goods and commodities required in their households, or in trades, arts, professions, pursuits, enterprises, or occupations in which the labor of members is used under their own management, or by incorporated cooperative bodies admitted to membership or of which it is a member.

13. To act as the agent of members in selling commodities produced on farms cultivated by members, or made by members with their own labor, or manufactured or distributed by incorporated cooperative bodies admitted to membership or of which it is a member.

14. To act, in soliciting and selling insurance to members and collecting from them premiums on policies, as the agent of any mutual or cooperative fire, life, or other insurance company or association.

15. To exercise all usual and incidental powers and privileges belonging to or pertaining to the foregoing business, and such incidental powers as shall be necessary to carry on the same. The word "commodities" shall for the purposes of this act be construed to include live stock and poultry and machinery.

16. To exercise such other banking powers as are not inconsistent with the provisions of this act or the laws of the State.

#### RESTRICTIONS.

SEC. 11. At least 20 per cent of all deposits received by any cooperative bank shall be held in quick assets, which may consist of cash in the bank's vaults, or of deposits in any bank, or of such obligations as are mentioned below in this section, or of well-secured loans to members having no longer than three months to run before maturity. No cooperative bank shall make any loan or discount on the security of its own shares, nor be the purchaser of any such shares except for the purpose of redeeming or retiring the same, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted by it in good faith. No cooperative bank shall extend credit or loan any funds in its possession to persons not members: *Provided, however,* That any cooperative bank may invest such funds or any of them in direct obligations of the United States, of this State, or of any county, city, town, township, borough, or municipality of this State and dispose of such obligations: *And provided further,* That it may acquire and dispose of stock of any other cooperative bank or of any other incorporated cooperative body organized under the laws of this or any State or of the United States. Any cooperative bank may, out of surplus, make contributions toward the support of any system to which it may belong.

Not more than 10 per cent of the resources of the bank shall be loaned to any member and not more than 25 per cent in the aggregate to the officers and directors of the bank.

Not more than 10 per cent of the capital stock and the reserve fund may be invested in the stock of other cooperative banks.

#### LIMITATION ON INDEBTEDNESS.

SEC. 12. All debts past due to any cooperative bank, on which interest is past due and unpaid for a period of 12 months, shall, unless they are well secured or in process of collection, be considered bad debts and be debited to reserve account. Whenever said reserve shall have been impaired by losses or bad debts, it shall be restored to the full extent of such impairment before any dividends are paid. Whenever the liabilities of any cooperative bank not authorized to create shares shall, exclusive of reserve and surplus, exceed its assets, such bank shall be deemed insolvent. Whenever the liabilities of any cooperative bank authorized to create shares shall exceed its assets and one-fourth of the aggregate liabilities assumed by members on outstanding shares, such bank shall be deemed insolvent.

## SUPERVISION.

**SEC. 13.** Corporations organized under this act shall be subject to supervision by the department of banking. Such corporations shall make a report to such department of banking on blank forms supplied by it on the dates of the second and fifth calls made to national banks, notice of which calls shall be sent out by the department of banking. Such reports shall be verified by the oath of the president and treasurer or secretary, or by the oath of a majority of the supervisory committee. Such further reports shall be made under oath as the said department of banking shall at any time demand.

The corporation shall be examined once every year by the department of banking. Such department shall have access to all books, papers, securities, and other sources of information in making such examination. The department shall have power to subpoena and examine, in person or by deputies, witnesses under oath and documents, whether such witnesses are members of the corporation and whether such documents are documents of the corporation or not.

Should it appear to the department of banking that any such corporation has violated any of the provisions of this act, it may, by an order made over its official seal, after an opportunity for hearing has been given such corporation, direct any such corporation to discontinue the improper methods or practices mentioned in said order.

If any such corporation is found to be insolvent, or has violated any of the provisions of this act, or has failed within a reasonable time to comply with any such order mailed to the last address of such corporation, the department of banking may immediately, or within a reasonable time, take possession of the property and business of such corporation, and retain such possession until such time as said department permits it to resume business, or its affairs are finally liquidated as provided in this act.

## MEETINGS.

**SEC. 14.** The fiscal year of such corporations shall end on the 31st day of December. Annual meetings shall be held on the second Tuesday in January, or within 10 days thereafter. Special meetings may be held by order of the directors or of the supervisory committee, and shall be held upon request in writing of 10 per cent of the members. Notice of all meetings shall be given in the manner prescribed in the by-laws. At all meetings each member shall have but one vote, irrespective of the number of shares held. At any meeting the members may decide upon any question of interest to the corporation, may overrule the board of directors, and, by a three-fourths vote of those present and represented by proxy, provided the notice of the meeting shall have specified the question to be considered, may vote to amend the by-laws.

## BOARD OF DIRECTORS.

**SEC. 15.** At the annual meeting the members shall elect a board of directors of not less than five members, a credit committee, and a supervisory committee, of not less than three members each. At the discretion of the members, the board of directors may also be the credit committee. Except as herein provided, no member of said board shall be a member of either of said committees, nor shall the same person be a member of more than one of said committees.

Directors and members of such committees, as well as all officers, shall be sworn to perform properly the duties of their offices, and shall hold their several offices for such term as shall be provided in the by-laws. Such oath shall require of such directors and officers that they shall diligently and honestly administer the affairs of such corporation; that they will not violate or knowingly permit to be violated any of the provisions of law applicable to such corporation; that they are the owners in good faith of at least one share each in the stock of such corporation. Such oath shall be subscribed by the individual making it and certified by the officer before whom it is taken, and shall be immediately transmitted to the Department of Banking and preserved in its office.

## DIRECTORS' POWERS.

**SEC. 16.** At the first annual meeting and at each annual meeting thereafter, the board of directors shall elect from their number a president, vice president, secretary, and treasurer. The offices of secretary and treasurer may, if the by-laws so provide, be held by one person. Other officers may be elected at the discretion of the directors.

The board of directors shall have general management of the affairs, funds, and records of the corporation. They shall meet as often as may be necessary. Unless the by-laws make other reservations, it shall be the duty of the directors:

(1) To act upon all applications for membership and the withdrawal of and the expulsion of members.

(2) To fix the amount of the surety bond required of each officer of the corporation having the custody of funds.

(3) To determine the rate of interest allowed on deposits and charged on loans, subject to the limitations of this act.

(4) To arrange for a place of deposit for the funds of the corporation and for such loans from banks or individuals as they may determine necessary for the carrying out of the objects of the corporation as set forth in section 2 hereof.

(5) To fix the maximum number of shares which may be held by, and the maximum amount which may be lent to, any one member; to declare dividends; and to recommend amendments to the by-laws.

(6) To fill vacancies in the board of directors or in the credit committee.

(7) To have charge of the investment of the funds of the corporation, and to perform such other duties as the members may from time to time authorize.

No member of the board of directors or of the credit or supervisory committees shall receive any compensation for his services as a member of said board or committees.

#### CREDIT COMMITTEE.

SEC. 17. The credit committee shall approve every loan or advance made by the corporation to members. Every application for a loan shall be made in writing on a form prepared by the board of directors, and shall state the purposes for which the loan is desired, and the security offered. No loan shall be made unless it has received the unanimous approval of those members of said committee who were present when it was considered, which number shall constitute at least a majority of said committee; nor if any member of said committee shall disapprove thereof; but the applicant for a loan may appeal from the decision of the credit committee to the board of directors. The credit committee shall meet as often as may be required, after due notice has been given to each member thereof.

#### SUPERVISORY COMMITTEE.

SEC. 18. The supervisory committee shall inspect the securities, cash, and accounts of the corporation, and supervise the acts of its board of directors, credit committee, and officers. At any time the supervisory committee, by a unanimous vote, may suspend the credit committee or any member thereof, or any member of the board of directors, or any officer elected by the board; and by a majority vote they may call a meeting of the shareholders to consider any violation of this act or of the by-laws, or any practice of the corporation which, in the opinion of said committee, is unsafe and unauthorized. Within seven days after the suspension of the credit committee, the supervisory committee shall cause notice to be given of a special meeting of the members to take action relative to such suspension. The supervisory committee shall fill vacancies in their own number until the next meeting of the members.

At the close of each fiscal year the supervisory committee shall make, or cause to be made, a thorough audit of the receipts, disbursements, income, assets, and liabilities of the corporation for the said fiscal year, and shall make a full report thereon to the directors. Said report shall be read at the annual meeting of the members and shall be filed and preserved with the records of the corporation.

#### COMMISSION TO PROMOTE COOPERATION.

SEC. 19. There is hereby created a commission for the promotion of cooperative people's banks. It shall consist of the chief executive officer of the department of banking, of agriculture, and of labor. Such commission shall prepare forms for use in the promotion of such banks. It shall familiarize farmers and others with the purposes of this act.

The proper departments of the land grant college or State agricultural college are authorized and directed to cooperate with this commission in the preparation of bulletins, the holding of conferences, and the rendering of other assistance. Such officials and departments are authorized to use such funds as may be appropriated to their general uses for carrying out the purposes of this section.

## TAXATION.

SEC. 20. A cooperative bank shall not be subject to taxation except as to real estate owned.

Mr. BROOKHART. Of course, there are some few minor matters in that bill that I would change; the great big propositions in the bill I agree with.

The CHAIRMAN. Mr. Brookhart, this morning you made the statement that the farmer received 38 cents of the consumer's dollar. I believe you said you had no figures to substantiate that statement?

Mr. BROOKHART. Well, we have an analysis on certain lines, and there are going to be some of those details presented to you to show that he did not receive anything like 38 cents. We got certain lines and then estimated an average; that was the way that result was obtained.

The CHAIRMAN. Of course, if this commission could get data upon which such a conclusion could be reached with any degree of accuracy, about one-third of our job would be done. I have no doubt that if you would go down and buy a meal at the New Willard Hotel the percentage that the farmer would get for what you would eat would be very much less than 38 cents, and if you went lower down on Pennsylvania Avenue it would probably be more. But I have not seen any basis upon which anybody could say that the farmer received 38 cents out of the price which the consumer paid, or 36 cents or 27 cents. If there is any such information this commission would be very glad indeed to have it.

Mr. BROOKHART. I will ask you to consult Dr. H. C. Taylor, of the Department of Agriculture, on that proposition. He told me several weeks ago that he was investigating that, and his own judgment was that this estimate was conservative, but he expected to get an analysis that would be quite convincing. How far he has got I can not tell you; I have not seen him since.

But I think this commission should get that information until you are satisfied that it is accurate. The laboring people claim that they are getting 35 cents—and perhaps the profits on the industrial matters are more. I have had a little experience in manufacturing myself, and I know that out in Iowa, as the factories run out there, the labor does not get anything like 35 cents out of it, but perhaps the average all over would be something like that.

The CHAIRMAN. Of course there are a good many service elements involved, beside costs of labor and costs of material and cost of facilities, which make up some part at least of the difference. The mere fact that the farmer gets 38 cents or that the laborer gets 36 cents does not prove anything.

Mr. BROOKHART. The necessary service must be paid; that must be conceded. But the farmers of Denmark have almost completed this cooperative arrangement; all their products are handled or marketed or exported through it, and it is costing them less than 10 cents on the dollar for that distribution, whereas it now costs us over 60 cents. You get the price of wheat and the price of flour and some of those bigger things you can get pretty easy, but that does not cover everything of course.

Representative TEN Eyck. Mr. Chairman, I would like to ask the gentleman a question. As I understand, what we are trying to get

at is the real straight line between the producer and the consumer of farming products.

Mr. BROOKHART. Correct.

Representative TEN EYCK. That straight line is interrupted by a number of things, such as transportation, marketing, finance, labor, and other things. I am making this statement, Mr. Chairman, because I am going to ask some questions afterwards. The question in my mind is the cost of production by the farmer, his selling price to the intermediary markets, and the cost to the consumer. But I would like to ask you what the principal things are along that line that you think we should as a committee look into and decide upon, what are beneficial and what are obstructions, and what things there are that are causing the present conditions:

Is finance one of them?

Mr. BROOKHART. Finance is, perhaps, the most vital one of them all; yes.

Representative TEN EYCK. Is transportation, the cost of transportation, one of them?

Mr. BROOKHART. It is, and very vital also.

Representative TEN EYCK. Is the cost of marketing one of them?

Mr. BROOKHART. It is.

Representative TEN EYCK. Is the high price charged by the middleman or the retailer one of them?

Mr. BROOKHART. It is.

Representative TEN EYCK. Are there any others that you feel you would like to suggest to us as a committee to look into and report upon?

Mr. BROOKHART. I think those you have suggested cover practically the same suggestions I make—practically all, including the big question of profits in each case.

Representative FUNK. Now, Mr. Chairman, I would like to ask another question. We have a very large field to survey and a great many things to take into consideration, and some of the problems could not be solved in any reasonable length of time. Have you any suggestions as to what this commission should recommend to Congress in the way of legislation that would in the very near future ameliorate the situation? What the farmers want, as I understand it, is something done now, not two years from now.

Mr. BROOKHART. I think this Congress could require the Secretary of the Treasury to turn several hundred millions of dollars of money into the Federal land banks for long-time loans. That would help a good deal. This thing of debating between 25 million and 50 million dollars, when it is an \$80,000,000 business that you are talking about, sounds ridiculous to me. The Federal land banks—the lawsuit that held them up and spoiled their credit sent the farmers' interest rates up and did them a good deal of damage on that.

Then, of course, if something could be done to loosen up this Federal reserve credit that is available right away that would help immediately.

Then, of course, my final solution is this big cooperative idea that I have been presenting to you. There may be some other suggestions that will be made by other members, but those are the only ones I think of on finance.

On the question of the railroads, I think the quicker you repeal that law the better. The 6 per cent guaranty idea has all the evils of Government ownership and Government in business that there are and none of the benefits. It has encouraged waste and extravagance of every kind, and while we had a deficit of \$1,000,000 a day, or something like that, under Government operation, since these roads were turned back and have increased their rates nearly \$4,000,000 a day we have a deficit below the guaranty of nearly \$2,000,000 a day.

Now, then, I do not think that any halfway business will help out in railroad matters. That water should be put out of the capitalization; there is no excuse in this world for those roads being valued at \$18,800,000,000. That money was never put into them directly or indirectly, in any way. The actual amount put into them would be much less than I have given in my estimate. I think you could do that rather promptly if Congress were united and would step forward on that policy.

The marketing corporation that is proposed would possibly help some in the foreign markets for our products.

Those are the only suggestions for temporary relief that occur to me.

The CHAIRMAN. We are very much obliged to you, Mr. Brookhart.

Mr. Barrett, whom do you want to present now?

Mr. BARRETT. Mr. Pollard.

The CHAIRMAN. You may proceed, Mr. Pollard. Please state your full name, your residence, and your business.

**STATEMENT OF MR. ERNEST M. POLLARD, MEMBER OF NATIONAL BOARD OF THE FARMERS' UNION, NEHAWKA, NEBR.**

Mr. POLLARD. My name is Ernest M. Pollard. I live at Nehawka, Cass County, Nebr. I am a member of the national board of the Farmers' Union, and I come here to testify in behalf of that organization.

Mr. Chairman, I come from the Middle West. I am familiar with the farming conditions in my section. I have an idea, also, that the same conditions that obtain in Nebraska are applicable to the other States of the Union, the South, the North, the East, and the West. I wish to give, if you will pardon me, just a brief history of the conditions out there, running back to the opening of the war.

Nebraska is, of course, a purely agricultural State. We have no other industries to speak of. Nebraska, along with the other grain-producing States, was called upon by the Government to help supply the food to feed our boys in France, as well as the armies and the civilian population of our allies. I remember in the winter of 1917 and 1918, at what we denominate out there our midwinter meeting of the agricultural societies, where all of the different farming organizations convene at the Capital City for a week's session, there was a man present from the United States Food Department. I am not certain as to his name. He addressed a body of 3,000 or 4,000 farmers. I was in the audience.

His special purpose there was to urge upon the farmers of Nebraska to increase the production of meat and wheat, especially pork. At that time they were making a great campaign or drive to increase

pork production, but he included wheat along with pork. Among other things, this representative of the Government made the statement that the Government would maintain the ratio of 13 to 1 as between corn and pork on the hoof.

An old farmer sitting back in the audience rose and asked him, "Did I understand you to say that the Government would guarantee the maintenance of the ratio of 13 to 1?" He said, "No, sir; the Government does not guarantee it, but you can count upon its being done."

Now, of course, you can all realize what a statement of that kind would mean to a body of farmers. He admitted it, and still he denied it, leaving the impression upon that audience that the Government would maintain that ratio.

As a result, the farmers did increase their pork production—not altogether, I will say, on the strength of the promise held out to them, because the farmers of Nebraska were patriotic throughout the war, as they were in all the States of the Union. They increased the production of beef along with pork, and we increased the production of wheat in compliance with the demand of the Government.

Now, what happened? There never was a time from the day that statement was uttered that the ratio of 13 to 1 was maintained on the price of pork. Farmers went on and grew their hogs, and the price was fairly good throughout the war period. But following the war, after we had gotten our herds built up, after we had fed into those hogs \$1.50 and \$1.75 corn—the hog market was \$20 or better a hundred in the summer of 1919—but about the time we had those hogs ready for market somebody stepped in—I don't know who—anyway the price dropped from around \$20 a hundred to something like \$14 a very few days. Just at that time the farmer was ready to market the hogs into which he had fed his high-priced corn. The farmers, of course, did not like that very well. The price of hogs has been declining ever since. It is now below the prewar level.

Their experience in the production of beef was even worse. In the western part of my State, as is the case in Kansas and the States to the west and north of me, they are very heavy producers of cattle. In my section of the State we finish cattle. They are grown out on the ranges in the western part of the State, shipped into the market at Omaha, and the farmers out in my region go down and buy the cattle, and feed them up and finish them for the market.

I want to say to you, and I speak authoritatively, that I do not believe there was a single farmer in the great Middle West that fed any cattle during the whole war period or since that did not lose money on the transaction. There never was a time, after paying the price of the cattle at the South Omaha market and the freight to his home and back again, when he did not lose actual money. In a good many instances he lost the corn that was fed into them. That obtained all through that section.

With wheat the situation was different. There were sections of the country where they did make good money on wheat. . . But the trouble with that situation was this: Our country is very large, and there are sections where the returns on wheat growing were very small, and there were sections where it was produced at a loss, even at the high price that was paid. So the farmers did not prosper so wonderfully well throughout our section of the country, and I think the same was true all over.

Then, coming down to the crop of last summer, the crop of 1920 was produced at the highest cost for labor and every other element entering into the cost of producing a crop of any crop that was ever produced in the history of this country. As the wheat crop was ready to harvest, and harvest came on, and thrashing started, as the farmers undertook to sell their wheat they could not get any cars. Cars were not available, excepting a very few. The farmers that were able to get cars, the very few, got a good price for their wheat. All the while the market was declining, and no cars could be had. They had about a normal crop of wheat last year, but the crop could not be moved—not through any fault of the farmer, but on account of their inability to get cars. The result of it is that the farmers in the production of last year's crop, not only wheat but corn as well, and not only corn and wheat but hogs and cattle, produced them at an actual loss all through our section of the country, and that includes the whole grain belt of the United States. There is not any question about the loss of last year.

Now, the farmers became involved financially. They had borrowed money out of the bank and at other places. When the crash came last fall there seemed to have been, from some mysterious source, a tightening of the reins all along the line, and the farmer was told that he must come across and pay his note at the bank.

I will say this. In my State—and I believe it is true in all States of the Middle West—the local country banks, with practically no exceptions, came heroically to the rescue of the farmers, and all bent their energies to their utmost to help the farmers. There was no trouble, gentlemen, out in my section of the country with the local country banks; they did come through and help in every way they could. But the forces beyond, the correspondent banks, were tightening up, and the local bank was compelled to draw in the lines in order to save themselves. And I want to say to you that to-day in my State—I do not believe Nebraska is an exception—there is hardly a country bank where they have not their loans right up to the limit of the law. That applies all through that section. Now, the farmers have had to borrow money—

The CHAIRMAN (interposing). May I ask you a question right there?

Mr. POLLARD. Mr. Chairman, I would prefer, if I may, to finish my remarks. Then I will be glad, of course, to submit to questions.

We had that condition. Now then, we are growing a crop out there to-day. We have prospects all through the Middle West of the greatest crop of corn that has ever been produced. The country is beautiful to behold. The same is true of wheat all through my section. To the north of me they are having trouble with wheat, but throughout my section we have a big crop. The wheat carry-over is something about normal, as I understand. The corn carry-over is way above normal. We have over 1,000,000,000 bushels of corn from last year's crop on the farms and in the warehouses now.

In the face of this tremendous crop of corn that is ahead of us, if the weather is favorable from now on, there will be a much greater reduction in the price than the farmer is receiving to-day for corn. This simply means that unless something can be done to meet this situation the unfortunate financial condition of the farmers that prevails all over the country is bound to be very greatly increased.

I think I have said enough as to that. A good many members of this committee are from the Middle West, and you know whether I am stating the facts as they are. I assume that conditions are very much the same all over the country.

Now, I do not care to enter into a general discussion of the problems before the farmer at this time. I am going to confine my remarks to two heads. To my mind they are the vital matters that are immediately pressing to improve the condition of the farmers of the country to-day.

The first is money, finances, in order to tide them over their present situation.

The second is an outlet for the surplus production of the farms of the country to-day.

I understand that Congress very recently enacted a law permitting the Secretary of the Treasury to place in the hands of the Federal Farm Loan Board 25 or 26 million dollars, if I am correctly informed. I believe the Federal Land Bank asked for \$50,000,000. It was 25 or 26—what was the exact amount that was turned over, Mr. Chairman?

The CHAIRMAN. \$25,000,000, I think.

Mr. POLLARD. That is a step in the right direction. I believe that the request of the Federal Land Bank should have been granted and \$50,000,000 should have been turned over. That would have been small enough.

Now, there is another thing that I think ought to be done to meet that situation. I think that the limit ought to be raised that they are permitted to loan to any one individual. At present under the Federal Land Bank they are only authorized to loan \$10,000 to an individual, regardless of the acreage that he owns, or improvements or anything of the kind; \$10,000 is the maximum. Statistics gathered by the Iowa State Experiment Station and the Nebraska State Experiment Station, in those two States that lie side by side, show that the average farmer in our States runs from 200 to 250 acres. The present valuation of land up through there in the best cultivated part, the eastern half of Nebraska and all of Iowa—the average price of land won't run far from \$200 an acre. Now, then, a farmer that is only able to get \$10,000 on his land from the Federal Land Bank is handicapped; it is not enough. He ought to be able to at least double the amount of the loan. I believe that the law should be amended in compliance with the recommendation of the Federal board and that the limit should be raised to \$25,000.

The farmers are in this position. They have these obligations at the bank and at other places that I have mentioned, and unless they are going to be able to borrow money from a source that will enable them to pay off the debt in a long period of time, I want to say to you gentlemen that thousands and tens of thousands of farmers of the country are going to be put out of business. The farmers ought to be able to borrow money on a long-time basis, under the amortization plan, and spread out the payment of the obligation over a long period of time. The amendment of the law in that respect will do that.

Here is one thing that we must keep in mind. The farmer is like everybody else. During the war when he did have a little money, if he did make a little money, he invested it, say, in acquiring more land or improvements on his farm or something like that. He did just the same as every other citizen of the country did, and he invested a

little too hurriedly. Then when the slump came and the price of his products went down he found himself unable to meet his obligations. But those obligations were made on the basis of a 100-cent dollar, and now he must sell his product for a 50-cent dollar—and it is actually less than that, because the prices of the farm products that he must sell to pay off those obligations are a whole lot less than half of what they were at the time those obligations were made.

Now, the matter that I wish to refer to—and I do not care to take up your time further with this—is the question of taking care of the surplus of the farms. Our country has grown so wonderfully in the last century that in almost every line of endeavor we are producing a surplus. We have a surplus production in all the industries as well as on the farms of the country, and the moment the foreign market is closed to the producers of this country stagnation follows immediately. Well, we are in that position to-day. There are thousands and tens of thousands and hundreds of thousands of people across the water that are starving for something to eat. They are wanting our food. They are wanting our corn and our wheat and our hogs and our cattle, and they have not the money to pay for them. They are industrious people, those people over there, they are frugal in their habits. They have not any money, and they have not any credit.

I believe, and the organizations that stand with me, believe that the Government of the United States ought to step in there and work out a system of credits that will enable those people over there to buy the products of the American farms and spread out the payment of those obligations over a period of years just as we are asking shall be done with the farmers of this country. Our organization has indorsed a bill now pending in the Senate, unanimously reported by the Agricultural Committee of the Senate, creating an export corporation of \$100,000,000 with authority to loan \$1,000,000,000, if I am not misinformed. I believe that is a good thing.

I believe that one of the most vital matters confronting the farmers of the South and the East and the West and the North to-day is this question of opening the foreign markets. Those people over there through some means should be enabled to buy our surplus production. If this export corporation is not the right thing, then some other plan should be devised. I believe it is the duty of the Government to do it.

We have not the money or the facilities to do this. We had the money when we deposited it in the banks, but we don't have it now; it is not in the hands of the farmers to-day, it is in the hands of the other fellow, and the farmer is involved. He has not the money to-day to do that with. I believe it is the province of the Government to work out a system of credits, in cooperation with foreign Governments that will enable those people over there, who are industrious and frugal and ambitious, who were our allies in the war, whose boys stood shoulder to shoulder with the boys from the States in that war, that will enable those poor people over there who have not the money to buy the products of the American farms. It will help them. It will help to put them on their feet. It will be a godsend to them, and it will be a godsend to the farmers of the United States.

I thank you.

The CHAIRMAN. Are there any questions?

Senator ROBINSON. The conditions you have described as applying to the staple products of the west, and particularly of Nebraska, are very analogous to those that apply, I think, throughout the South, and certainly to that section with which I am most familiar, including the State of Arkansas. The two largest or perhaps most important crops, cotton and rice, were both produced at a very great cost, and neither of them found any substantial market. I can illustrate by actual figures.

The conditions in the rice industry were such that I was prompted to modify by amendment a resolution proposed by myself, similar to that under which this commission is operating, so as to embrace exclusively the rice industry, with a view to getting quick consideration of that subject, and, if possible, some relief.

The rice crop of last year was grown at a cost which it is difficult to state with definiteness, which I apprehend to be the case as to all other products, but certainly the actual outlay was approximately a dollar a bushel. Contracts were entered into between the rice growers and the milling associations for the marketing of their rice which contemplated the maintenance of a price of approximately 6 cents a pound for clean rice. The milling charge was to be \$1 a bushel, which, by the way, was twice as much as the milling charge which had been made in previous years; and in addition to that \$1 a bushel there was a charge of 15 cents for alleged advertising, and also the by-products, which as everyone knows, were of considerable value.

The milling association agreed to make advances to the rice dealers in order to enable them to hold their crops and market them; and for a time they did make some advances, but very shortly after the marketing season was on suspended all advances and took the rice into the warehouses, and, as a whole, no reports of the transactions respecting the greater portion of the crop have as yet been made. I know of numerous instances where crops were deposited in the milling warehouses in December, 1920, under these alleged contracts where the rice growers have received no report as yet as to the disposition that was made of their crop. I know of an instance where one farmer grew a rice crop as good as was ever grown in that locality, at a very great expense, and upon settlement with the mill received 11 cents per bushel for his crop. I know of another instance where one farmer deposited 25,000 bushels of rice in the mill in December and has as yet received no report from the mill.

In March, in company with a gentleman who had made advances to him for the purpose of making the crop, he requested of the mill information as to the disposition of his crop. He was informed that it had been sold. He was unable to ascertain to whom it had been sold or at what price. He does not know yet. An advance of 20 cents per bushel was made to him when he made the deposit in the mill. He has been informed by the gentlemen who made their advances to him to grow the crop that the mill claims he owes them \$60 on a settlement. That is, his crop netted him less than 20 cents a bushel when it cost him more than a dollar to grow it.

That is not an exaggerated statement, and it is not an exceptional case, it is, with some variations, the condition of the rice industry throughout the entire rice-growing section. The result has been

hat the farmers who grew rice last year and who regarded themselves in good condition are to-day bankrupt. I do not know of a single rice farmer in my section of the State—and that has become one of the principal industries of that State—that is not either bankrupt or threatened with bankruptcy as a result of that condition.

Conditions relating to cotton are similar. In the early part of the cotton-marketing season cotton was at a fair price, and those who were fortunate enough to market cotton then did not suffer so much as those who waited for a later market or were unable to obtain the benefit of the earlier market. But cotton grown at the cost of 12 or 15 cents a pound—and I think that is a conservative statement as to the cost of raising a crop last year—finds a very tardy market at from 6 cents to 8 cents or 10 cents a pound, with the result that the cotton growers are either bankrupt or threatened with bankruptcy.

The same condition that you have described applies in that section with respect to the local banks. They took the load and bore it manfully, as a rule, but they are not in a position to extend further credit to the extent that it is needed. They have advanced credit to the extent of their ability, and, while they are not unfairly pressing the collection of their demands on the farmers, they are not able to make further advances. So that the situation you have described in Nebraska with reference to corn and wheat and live stock is equally true, if not more so, in the South as to cotton and rice, and many other products for that matter.

Now, you have said that one desirable thing to be done and the important thing to be done is to work out, between this Government and foreign governments among whose people there exists a demand for our surplus products, a system of credits that will enable them to purchase our products. You have stated the problem, but you have not suggested a solution. Therein lies the great difficulty. You have passed it back to us and said it is the province of this commission to work it out. I agree that if it can be worked out we ought to do it, and we must do it, but that does not go very far in the practical solution of the problem.

But can it be done? How should it be done? The countries that have this great demand, that want to buy our products, have neither credit nor resources—at least many of them have not, how are we going to create that credit, or how are we going to mobilize resources that do not exist? The problem in that particular looks to me to be well-nigh insurmountable.

**Mr. POLLARD.** I realize that it is a big problem, but I am a farmer, operating my own farm, the same as these other gentlemen that are here with me. They do not have access to the documents. They do not have access to the library, they do not have access to our consular reports and other information that would give them an opportunity to go into these problems and work them out. But we have sent a body of Congressmen and Senators down here to whom we have delegated that responsibility.

**Senator ROBINSON.** And we have sent for you, and respectfully ask you to suggest the remedy, and you pass the buck back to us, courteously, and say, "Work it out."

Now, we can give you all the documents you want. We can give you all the information that is available. But, as suggested by the gentleman on my right—Representative Funk—a while ago, the

difficulty lies deeper than any proposition of that sort, and it may not be worked out in that way. Of course, all available information will be helpful, but the difficulties of the problem inhere in the situation. For instance, take the suggestion of Mr. Brookhart. Granting that there may be made available credits that are not now being utilized, through the Federal Reserve Bank system, and granting, as we all know to be the case, that we have the surplus that we are anxious to sell, how are we going to help them pay for what we sell? Unless we can find a system by which they can pay for it, it will be worse than useless to sell to them.

Of course, we have created the finance corporation, and we have pending a suggestion which some of us have confidence in, to which you referred—a report by the Committee on Agriculture of the Senate looking to the creation of a corporation which may prove to a limited extent helpful. But at the very best, that can only prove temporary.

Mr. POLLARD. Our organization has indorsed that bill. As I suggested, we have faith in that being a step in the right direction. The reason I made the suggestion that there might be something else that would do it better was because I did not want to give the impression that we are entirely wrapped up in that bill and think it was the only solution.

Senator ROBINSON. I think you and I agree that even if the bill were passed it would not be a complete solution.

Mr. POLLARD. Possibly not. But, Mr. Chairman, it seems to me that this is the situation. I know that the people of this country—at least I think I know that the people of this great Republic of ours—are intensely interested that the great farming sections of the country shall be given some aid to help them tide themselves over this critical situation. We know that agriculture is the basic industry—

Senator ROBINSON. Now, you need not argue that with me—

Mr. POLLARD. I am not going to argue that.

Senator ROBINSON. Pardon me a moment. I do not think you need argue that with this commission.

Mr. POLLARD. I am not going to argue it.

Senator ROBINSON. Every member of the commission is not only willing but anxious to find a solution of this difficulty and ready even to go to an extreme in an effort to find a solution.

Mr. POLLARD. If you will pardon me, I do not care to enter into an argument on that at all or burden you with any remarks upon that line except simply to make the statement that I did, on the theory that the European governments are jealous over the condition of their impoverished people, and I believe that those countries over there are just as anxious as we are about their own nationals and that they will cooperate in devising a credit basis with a period of time for payment that will enable those people to get relief.

The CHAIRMAN. Mr. Pollard, I do not think there is a particle of doubt in the world that most of the European Governments are not only willing but anxious to pledge whatever credit they have for American products, but the bankruptcy of the European countries is infinitely worse, or at least as bad, as the bankruptcy of the American farmer; and that credit, if you get it, is, in my judgment, worth very, very little. That is your difficulty; your credit is no good after you get it; their money is at an enormous discount.

Mr. POLLARD. I know that.

The CHAIRMAN. They have used their credit for war purposes to the limit, and way beyond the limit. And unless the present indebtedness of those Governments could in some way be subrogated to a new indebtedness—put back of a new indebtedness—any piece of paper which they might be willing to give in payment for American products would, in my judgment, be worth very little.

Mr. POLLARD. Well, it seems to me that we have got to take a chance. I understand we have got a big chance over there now; we have a tremendous loan over there. They are owing us a lot of money. I appreciate that. But my study tells me that the people in central Europe, practically all of them, are frugal, industrious, ambitious people, and that they will pay all those obligations if given time to do so. They must be given time, however. I think it is a good deal like the case of an individual out in our State. We have a fellow in my community who has been engaged in business on quite a scale but he made some bad investments—he made some mistakes—and he lost a lot of money, and he owed some money at the bank. The money that he lost was borrowed. That fellow lost everything he had. The bank had nothing but that fellow's good will, his muscle, his honesty, and his good practices. Now, then, what are they going to do? The bank that loaned that fellow must increase the loan and carry him for a period of time and he will pay out. They have got faith in him.

Now, I have got confidence in the people of Europe, and I believe we have a little patience these things are going to be worked out. I have lots of faith in the man that is down at the other end of the venue handling the finances of the country. I believe he is going to work out these problems, and I believe the thing to do is to pass the Norris bill, appropriate the money, and let the Government shoulder the responsibility of finding out the people over there that are good, who will be able ultimately to pay for the stuff that is sent over from this side of the water. And I believe I voice the sentiments of the farmers of the country—I know I do that of the organizations that I represent—when I say that.

Representative SUMNERS. Let me see if this is your position. Your position is that Europe, by reason of this war, finds itself temporarily financially embarrassed?

Mr. POLLARD. Yes, sir.

Representative SUMNERS. Without the capital or the arranged credit to purchase the surplus of the American farmer. Your idea is that we should attempt to do with regard to that situation what is done with regard to a private concern, a railroad company, a mercantile concern, or any other concern, which finds itself unable to pay its present indebtedness—find a new operating credit. You put such a concern in the hands of a receiver for the purpose of having new credit, a rehabilitation credit, extended. The theory is that by doing that you preserve the possibility of its paying its creditors in chief; you enable it to get on its feet, to perform the necessary public function, whatever it is, that it is performing in the community.

I assume that in mentioning the debt of the Nation you think that the refunding of the \$10,000,000,000 which Europe owes to the Government of the United States, the Government of the United States has an interest in that situation and the rehabilitation of

Europe different from the interest that the nation ordinarily has—the interest of a common, ordinary creditor.

Mr. POLLARD. And unless we are willing to do something more we may lose what we have got.

Representative TEN EYCK. I want to go back just a moment and lead up to my questions later on.

There is an understanding here that the problems that we have to deal with to-day are problems between the producers of food and the consumers. That we agree on?

Mr. POLLARD. Yes, sir.

Representative TEN EYCK. The farmers to-day ask for a fair return on money invested and labor performed in producing crops?

Mr. POLLARD. We think they are entitled to that.

Representative TEN EYCK. Now, there are certain things that enter into the problem, such as finance, transportation, marketing, and the cost of production. Those are the high spots?

Mr. POLLARD. Yes, sir.

Representative TEN EYCK. You agree with me?

Mr. POLLARD. Yes, sir.

Representative TEN EYCK. Now, in relation to finance there are two problems—one of immediate relation to the stock that is on hand at the present time, and then a permanent remedy for the farming conditions of the United States for all time, let us hope. You agree with that?

Mr. POLLARD. Yes, sir; I agree with you fully.

Representative TEN EYCK. Now, in financing there are two problems—one domestic and the other foreign. You want an extension of our farm loan bank and Federal reserve bank and of the national banking system, if necessary, so that the farmer can receive the same financial support as the merchant does in the city to-day?

Mr. POLLARD. Exactly.

Representative TEN EYCK. That is all you are asking for?

Mr. POLLARD. Yes, sir.

Representative TEN EYCK. Abroad you want credit so that you can sell your surplus stock. If my conclusion is right, Europe to-day is practically in the hands of a receiver, but she needs food—I want you to correct me if you do not agree with me.

Mr. POLLARD. I agree with you up to this point.

Representative TEN EYCK. You want the Government's agents to arrange with Europe to give them credit so they can buy your products. Now, generally, with a defunct company arrangements can be made whereby the additional credit underlies the old debt, and if the farmer sells to Europe he should have preferred credit to that which others have that loaned them before they were in the hands of a receiver—that will assure the farmer of getting his money, and the people who loaned the farmer.

Senator ROBINSON. Yes; certainly, if you can make that arrangement. But how are you going to make that arrangement?

Representative TEN EYCK. Just one moment, Senator. That is the idea that we should try for.

Senator ROBINSON. I understand that.

Representative TEN EYCK. On the other hand, is our local problem and that is our marketing and how to find the great spread, and the reason why the consumer pays perhaps more than he should and the

farmer gets less than what it costs him to produce the crop. I am going to take as an example one particular commodity, because you used it, and that is beef. If we ascertain the cost of beef on the farm, the selling price of the beef to the packer, his selling price of the beef to the retailer, and his by-products to the other people, making a total of the entire sale price of that beef, and then get the selling price of the retailer to the consumer, and compare those, will we not be able to find just exactly where the spread is; and then legislate or suggest what should be done to take care of that large spread between the producer and the consumer. Would that bring it out? The same thing could be carried out in the cotton for domestic use, wheat, rice, and all other commodities.

Mr. POLLARD. My own view in regard to that is this, if you will pardon me—

Representative TEN EYCK. That is what I want—your own view.

Mr. POLLARD. I believe that the self-help farm organizations of the country are only asking that the impediments be removed. We would like to have the Capper-Volstead bill enacted into law—that law or some other law that will remove the cooperative organizations from being amenable to the Sherman Antitrust Act. We would like to have that done.

We would like to have that done; we would like to have the legal impediment taken away; and then we believe that it is the province of the farmers of the country to formulate a marketing system that will take care of their own products. All we ask is that the impediments be removed, and we will promise you to take care of the rest of it, so far as we are able.

Representative TEN EYCK. That was my idea in asking the question, as to the impediments; and I merely asked the question, because by obtaining the cost to the producer, the cost to the packer, the cost to the retail man, and the cost to the consumer, we can get some idea where that spread is and what impediments might exist where the greatest spread lies.

Mr. POLLARD. Yes, sir; we will be very glad to have that information.

The CHAIRMAN. Is there anything further, Mr. Pollard?

Mr. POLLARD. I do not believe I have anything further, Mr. Chairman.

The CHAIRMAN. We are very much obliged to you for your statement. Will you present your next witness, Mr. Barrett?

Mr. BARRETT. Mr. Batcheller, of South Dakota, will follow, with a little personal experience.

#### STATEMENT OF MR. J. W. BATCHELLER, OF MISSION HILL, S. DAK.

The CHAIRMAN. Will you give your name, address, and business to the stenographer, Mr. Batcheller?

Mr. BATCHELLER. J. W. Batcheller, address, Mission Hill, S. Dak.; business, farmer.

In opening my statement, before touching the personal part of it requested, I wish to state that the farmers of the Central West, the part which I represent, appreciate this opportunity of coming before

the high tribunal of our Government and seeking for justice in a matter where we feel that there has been injustice.

I might state that some have looked upon the organized farmer as a radical, bolshevik, fire-eating, bulgy-eyed, dangerous individual—disloyal. But I want to state that in our section of the country we are loyal, and we have the interest of our country at heart. We love our flag, and we love our country, and want to see it prosper. I believe we would also like to see those nations prosper which we should naturally affiliate and deal with. Possibly at some future time there will be some different war from the one we have just had, one in which we shall have to join hand in hand.

I will state that one point which is of importance, is that of helping to finance these weak and bankrupt people. In speaking of the financial conditions in our State, let me say just a word in regard to there being some program precipitating this condition. I happened to be placed last summer upon a coal committee by our State marketing board; and this brought me into consultation with the finance committee, and also with the transportation committee of the State in joint session; the transportation committee is made up of railroad superintendents; the finance committee is made up of bankers.

As these committees couniled in the Carpenter Hotel in Sioux Falls the bankers were calling for cars. They said to those railroad men, "How fast can you give us cars?" The railroad men said "We can not give you cars now;" and they gave their reasons, which I shall not go into now. The bankers said, "We are \$25,000,000 in the red and this money is in the hands of the farmers. That money is now called by eastern banks and it has got to be paid. The farmers have got it; they have got it east of the river in grain, and west of the river in stock. They do not want to sell their grain on account of the drop; but they have got our money, and they have got to sell it as soon as we direct; and you get us the cars and it will move. The same way with the stock west of the river. They say they want to feed those cattle to the close of the pasturing season." It was then midseason. "But," they said, "you get us the cars and that stock will move and we can clean up that shortage in 30 days." To a large extent the cars did come, and those cattle and that grain went out prematurely, to the disadvantage of the farmer.

The great crisis came, the losses came—call it what you please—and then the time for payment came, loans far in excess of what could be realized on these sales. At the present time, a large per cent of last year's taxes have not been paid, this year's taxes, to a large extent, have not been paid; the interest on much of the loans has not been paid. Tax warrants, tax receipts, are being sold and handled in banks and bought up in blocks. I have had men tell me, and can cite instances where such paper is being picked up for investment and where one man is borrowing all the money he can get and is clearing 5 per cent on borrowed money now invested in these tax receipts. I mention that to show you the condition of the country. It is not new to you; of course, you know of these conditions. I am simply repeating something which has been said before; but that is a new section and has not been reported on. Also the first half of the city taxes in many cases have not been paid, the warrants are being sold, and they are being scalped and handled in that way, and it is considered a fine investment. But the end is not yet.

Now, I have with me statements from some of the counties where they make the assertion that 90 per cent of the farmers are bankrupt, as the result of these conditions. Money is not available; loans are being called. It was very evident from what the bankers stated in that committee in Sioux Falls, S. Dak., that the money was going to be called—and it was.

Going back to what I stated in the beginning about the loyalty they have in our country, there has been a feeling, however, that the Capitol of our country is too far from the great grain and stock sections, and that the great interests that control the country are in the East. There seems to be some connection between the two; and we have sometimes wished that we could be more closely in touch with the head of our Government.

But as I said in the beginning, we are pleased to have this opportunity to come before you, our Nation's high tribunal; and the thought has come to me that we, like Paul before King Agrippa, are happy to have this opportunity. And I hope we shall not stop in these hearings until we have gone thoroughly to the bottom of this thing, because I feel that this is not a trivial matter. It is something similar to a question of life and death in our country; and we want to see the solution which is being sought here found, and I believe it can be found when there is cooperation between the people and the representatives of the people. When we are in earnest and mean business, I feel that we can take hold of this proposition and put it across.

We are willing to start at the bottom again out there if it is proven that there is no artificial deflation program back of this. We are not going to quit, even though we lose everything; we are not going to whine or become calamity howlers, or followers of the red flag. We are going to do like they did at Valley Forge in the early days when things looked very dark.

Now, the request has been made that I give a personal experience. And if I do so, I do not want you to think that I am a calamity howler, or am complaining. I am willing to take whatever happens to me and meet the finish, whatever it is. It has been so out in my country that I could go to a banker and borrow \$5,000 on my note without any security. It happens that I have a good quarter-section of land, well improved, for which I have been offered \$325 per acre. I also could furnish proof that I have farmed that land well, and have had a heavy production on that place.

It may be possible that I have lived a little better than a farmer should. We have different standards of living on farms. I know some farmers where they work seven days in the week and part of the night, and in the rain, and where they spend nothing on their family; they live on a lower level. And perhaps that is the standard that the farmer has to look forward to.

But that will be the last resort with me. My belief is that farmers should have education and higher standards of living, as high a standard as any other class. I believe that in a State like South Dakota, where the vast bulk of the money comes from farming, the farmer has a right to a good home, a right to keep a vehicle to ride in, and is not unreasonable when he wants the comforts and conveniences of life. I have heard them criticized; I have heard it said that the farmer must give up riding in his jitney; that he has

got to put more time in the cornfield, and that his standard of living must get down to a level with those of the peasants of Europe.

I resent that. As I look upon the city of Minneapolis, for example, with its miles and miles of mansions, and even in some of those little villages, with their fine houses, the question occurs, from what were they built? From the profits coming from the farm; selling to the farmer and buying from him. And those profits have been too big. But we are not here to complain.

Going back to my personal experience as requested, I used to be able to borrow money. That is not the case now. The personal experience is that I owe \$8,000, and on account of some unfortunate accidents to some of our boys, that required three of them to be in the hospital at the same time, the matter of the payment of interest lapsed, although the money was in the bank to pay it with. And this oversight caused the calling of the loan by the insurance company. I stated the circumstances by letter to the insurance company, also the fact that I was carrying \$11,000 insurance with them which should strengthen my credit. They paid no attention to that. They said, "Your loan is now running 10 per cent." I went to a bank, and I said, "What can you do for me?" I am well acquainted and friendly with the bankers. One of the bankers said, "I can get you money at 7 per cent," but he wanted 6½ per cent or \$500 commission for handling it.

Senator ROBINSON. In addition to the interest?

Mr. BATCHELLER. Yes, sir; that was his commission for getting the loan.

Senator ROBINSON. What rate are you paying on your loan?

Mr. BATCHELLER. 10 per cent.

Representative SUMNERS. Is that the one you are most friendly with? [Laughter.]

Mr. BATCHELLER. I would not say that. Now, I do not care to carry this to any great extent. I could give you in detail the conditions over the State.

We are here looking for a remedy for these conditions. We want this Federal farm land bank functioning. And what I have tried to do out there is to try to see whether I could hook on to that Federal land bank for a loan myself. And they said it would be useless to apply, because all the money available was taken up at the moment. And so I have not done anything with that; this other loan is resting easy—outside of the 10 per cent.

Representative SUMNERS. One of the gentlemen who have appeared here made a suggestion in regard to the Federal land banks—I do not recall his name at this moment.

Senator ROBINSON. Mr. Pollard.

Representative SUMNERS. He suggested that the amount of the loan should be increased above \$10,000. But, as applied to the present situation, when you have \$100,000,000 or \$200,000,000 of applications for loans and a very limited sum out of which those applications can be satisfied, if you allowed one man to get a loan of \$20,000, you would cut three or four men out of the chance of getting \$4,000 or \$5,000.

Mr. POLLARD. Mr. Chairman, may I answer that?

The CHAIRMAN. Yes.

**Mr. POLLARD.** At the time of the passage of the Federal farm loan act in 1916, the United States Treasurer turned over to the Federal Farm Loan Board a little over \$8,500,000, or about \$8,750,000, as I remember it. Inside of two years, they had loaned over \$270,000,000, although all they got from the Government was about \$8,750,000. It is the continuous reselling or revolving of the bonds that has enabled that to be accomplished.

**Representative SUMNERS.** But it is getting to a situation now where it is pretty difficult to sell \$40,000,000 of bonds at one time. And if you have a provision where a man can get \$20,000 in one loan, do you not limit the number of people that can participate in the distribution of the fund?

**Mr. POLLARD.** My own opinion is this: Of course, as I suggested in my remarks, I think Congress ought to fix a limit which is more generous, and to appropriate a little more money—although I am not complaining of Congress. Yet I believe this, that those bonds can be sold if the proper effort is made; and I believe that it is going to work out all right. I believe that is our only salvation, unless Congress steps in and appropriates a great deal of money.

**Representative TEN EyCK.** Mr. Batcheller, is there any legislation pending that you think will help the farmer?

**Mr. BATCHELLER.** We are interested in preventing this gambling on grain. The statistics given by Mr. Brookhart are the ones that we are accepting out in our country as reliable, and we feel that, to a large extent, the deflation to-day was forced upon us by forced selling caused by manipulation, and that the measure to prevent that would be very beneficial. We believe that the Capper-Volstead bill, legitimizing collective bargaining, would be very beneficial and is essential in order to remedy existing conditions. We are coming to a condition where it is only through cooperation and getting together and meeting interest with interest, not through physical force, but through business enterprise and force, that we can compete with the interests that otherwise will forever keep us under. There may be other measures which would be beneficial, but they are not in my mind just now. Undoubtedly, there are others.

**The CHAIRMAN.** How about packer legislation?

**Mr. BATCHELLER.** We are interested in packer legislation—in control and investigation. We would like to understand more about that spread between the price on the hoof and the price of the finished product; and that takes in the matter of the price of hides and every element in the business.

**Senator ROBINSON.** Have you studied the question of the effect of operations on exchanges on agricultural products?

**Mr. BATCHELLER.** I have not; I have studied it, but I would not say that I had the full data to work from. I notice this: That the lines of staple commodities that are controlled by the large interests, such as steel, or finished products of any sort, are not handled in that way.

Will there be any other questions?

**Senator ROBINSON.** That is all I have.

**The CHAIRMAN.** If there are no further questions, we are much obliged to you, Mr. Batcheller.

**Mr. BARRETT.** Mr. Chairman, I would like to put up Capt. Sumners next. He has been down in our country. He came to see me, and he spoke in our front yard to 20,000 farmers on the Fourth of July.

The CHAIRMAN. I assure you that the commission has been hearing from him right along, and expects to continue to do so until it finishes its work.

Mr. BARRETT. Very well. I will call Mr. Thomas, of Virginia.

**STATEMENT OF MR. O. A. THOMAS, BEDFORD, VA., BUSINESS AGENT OF THE FARMERS' UNION OF VIRGINIA.**

The CHAIRMAN. Please state your name, address, and business connections.

Mr. THOMAS. O. A. Thomas, Bedford, Va.; business agent of the Farmers' Union of Virginia.

Mr. Chairman and gentlemen, addressing myself to something more or less specific along the line of this spread between the price the producer receives and that which the consumer pays, which has some reference to the question that was of interest to the chairman on that 38 and 35 cents proposition, I will say that, while I have not very much data when you take it in comparison with everything that might be gathered, yet I have some specific figures dealing with agricultural commodities, some few agricultural commodities, which will give us some idea as to the spread.

In making an analysis of these figures, it is impossible for me to tell the commission where the loss is, or how it is that there is such a wide spread, or to offer much by way of solution of the problem. But perhaps I can offer something. The material that I have is largely made up of specific instances, either gathered from my own experience, or gathered from that of somebody that knows, or taken from the statements of people whom everybody knows, or from the statements of the Department of Agriculture.

What I have to say touching the spread between the producer and the consumer will be confined, as far as possible, to a few staple commodities as to which I have been able to gather information. Whenever I have not had personal information, I have relied on the various Agricultural Department reports as to prices, and notably on the Market Reporter. I will take this up by commodities.

First, as to wheat: The price being offered or paid to the farmer for wheat averages at this time approximately \$1 per bushel.

The CHAIRMAN. Where?

Mr. THOMAS. Well, the average for the country is about that right at this present time. The quotation on the exchange, Chicago price, is about \$1.20; but the price being offered to the farmer in my county, for instance, is 90 cents.

The CHAIRMAN. That is the farm price?

Mr. THOMAS. That is the farm price, at the farm.

Mr. FUNK. Well, they were offered \$1.05 in my county the day before yesterday.

Mr. THOMAS. Well, \$1 is about the average. That is, for No. 1. Now, 5 bushels of wheat produce a barrel of flour. For that the producer is receiving \$5, while the baker or the retailer are paying \$8.50 to \$9.50 for the manufactured barrel of flour. The purchaser at retail is buying at an average of about \$11; that varies in different localities, but it will average close to \$11.

Representative SUMNERS. Pardon me one moment. If you will use the same unit of measure for the farmer and the other parties it

will help the record. Now, you speak of a bushel of wheat and of a barrel of flour.

Mr. THOMAS. I spoke of 5 bushels of wheat being equal to a barrel of flour.

Representative SUMNERS. I did not understand that.

Mr. THOMAS. I realize that there is a variation in the unit, and that I have to jump from bushels to barrels, because we are in the habit of regarding flour in that way. But I am treating 5 bushels of wheat as producing a barrel of flour.

Now, the baker converts the barrel of flour into about two hundred and fifty 16-ounce loaves of bread, which are retailing at 10 cents a loaf in most of the cities and towns of this country. That is an average price again. That is to the housekeeper, in whole loaves; the retail price is, on the average, 10 cents for the 16-ounce loaf, which means approximately \$25 for this barrel of flour, or for the 5 bushels of wheat for which the farmer receives right now approximately \$5.

Now, that puts it in the form of bread into the homes of the consumers. I have carried my figures further, because some of us—when we are here in Washington, for instance—eat in the hotels and restaurants, such as the Capitol lunch room and places like that. And I have found it interesting to follow the thing a little further and take the average of that, because while I am unable to tell what portion of the consumers eat in the hotels and restaurants and lunch rooms of the cities, that is an element or factor in determining the spread between the price paid by the consumer and that received by the producer.

To follow it further, if the bread is consumed as you and I buy a great deal of it, as two or three slice portions in the hotels and restaurants, we pay from 10 to 25 cents per portion, depending on the hotel or lunch room in which we eat. There are from four to six portions to the loaf; taking an average of five, that would be 1,250 portions to the barrel of flour, which, at the low rate of 10 cents per portion, brings the cost to the consumer to \$125 for that barrel of flour. If you take the rate that we pay in some places, that might be increased to as much as \$300 that some consumers are paying for the bread made from that 5 bushels of wheat.

The CHAIRMAN. Now, is it quite fair to say that they are paying that for the bread without considering the element of service involved?

Mr. THOMAS. Oh, the element of service is involved; that is correct. But I am just touching the two points, the consumer's payment and the producer's receipts. All of the labor and service comes in between, to be sure.

Senator CAPPER. You left out something as regards the return to the miller; you stated that he received about \$9.50; but you left out what he receives for the bran and the middlings.

Mr. THOMAS. Yes, the bran and the middlings pay for the cost of milling. I figured that in.

Senator CAPPER. But that should be added to what he receives.

Mr. THOMAS. Yes; I omitted to mention that.

Now, the farmer receives \$5 for the same wheat that some of the city consumers pay anywhere from \$125 to \$300 for.

If you look at that wheat in the form of puffed wheat, we must consider that the bushel of wheat brings the producer \$1; and when converted into puffed wheat, that is sold to the housekeeper at the rate

of 10 cents for 4 ounces, which means 40 cents per pound or \$24 per bushel for that wheat. At the hotels and restaurants we are paying anywhere from \$48 to \$60 for that same bushel of wheat, when we use it in the form of puffed wheat.

The next illustration is in regard to potatoes. According to the Market Reporter for January 24, 1921, white potatoes grown in the potato districts of Michigan, Wisconsin, Idaho, and Maine were bringing the producer from 50 to 75 cents per 100 pounds. Some of you gentlemen can check me up on this if I am wrong. Our chairman knows the potato situation in Minnesota. White potatoes grown in those States were paying the producer, in car-load lots, from 50 to 75 cents per 100 pounds. Now, I have a discrepancy here that I could not help; sometimes I am speaking of bushels and sometimes of 100 pounds.

Jobbers in Pittsburg, Philadelphia, and Washington during the same time were paying, on the average, \$1.40 per 100 pounds, while the housekeepers in every city of which I have been able to get any figures were buying, in small quantities of a peck or half a peck, which is the quantity in which they purchase, those potatoes at the same time that the farmers were getting in car-load lots from 40 to 75 cents per 100 pounds, at the price of from \$3 to \$3.50 per bushel. In hotels and restaurants we were paying from 10 to 15 cents per portion, or from \$9 to \$12 for that same bushel of potatoes.

Now, here is something which is simply a newspaper item, but I will give it for what it is worth. A dispatch from Aroostook, Me., last month reported that the growers in that county had put in the fields as fertilizer 45,000 barrels of the 1920 crop of potatoes, because they could not get enough for them to pay the cost of getting them to market.

Senator CAPPER. Where was that?

Mr. THOMAS. That was in Aroostook, Me., a great potato-producing section.

The producers of the new crop in the eastern district of Virginia, according to the figures I got in that territory, are getting from \$2.40 to \$2.60 for an 11-peck barrel of potatoes, and that includes the barrel. That means a little less than \$2 for the potatoes, or 70 cents per bushel. And housekeepers are still paying in the cities from 50 to 60 cents per peck; while in the hotels and restaurants the transients are still paying from \$9 to \$12 a bushel.

I have just a few figures on the next commodity, hay. I would like to have somebody from the hay-producing sections of the West check me on some of these figures, because I was unable to get all of the data I wanted. But during the last 60 days, our hay-buying people in Virginia have been paying not less than \$30, or from \$30 to \$35 per ton for hay, a good deal of it coming from the Middle West. The freight on that hay was from \$11 to \$13, depending on the length of the haul. The growers of that hay in the stack were getting, so far as I have been able to find, from \$6 to \$8 for that hay. That was the price they were getting, while in Virginia we were paying from \$30 to \$35 per ton; the rest of it, perhaps not being any great accumulation in any one place, being profit, including turnover, after deducting the freight.

The next illustration is milk. The Market Reporter for June 25, 1921, shows that the price received by the producers and the price

paid at retail for milk—that is, delivered in bottles—in the month of June up to the date of publication were as follows, just taking 10 cities out of the 30 or 40 given in the Market Reporter:

In Birmingham, Ala., the producers received 5.5 cents, the consumers were paying from 16 to 20 cents.

In Atlanta, Ga., the producers were receiving from 3.9 to 5.2 cents, and the consumers were paying 20 cents.

In Indianapolis, Ind., the producers were receiving 3.7 cents, while the consumers were paying 12 cents.

In Washington, D. C., the producers were receiving from 6.9 to 7.2 cents, while the consumers were paying 13 and 14 cents.

In Chicago, the producers were receiving 5.5 cents, and the consumers were paying 14.

In Baltimore, the producers were receiving 6.4 cents, the consumers were paying 12.

In Boston, the producers were receiving 7.8 cents, the consumers were paying 15 cents.

In Minneapolis, the producers were receiving 4.4 cents; the consumers were paying 10.

In Milwaukee, the producers were receiving 4.1 cents, while the consumers were paying 9.

In Richmond, Va., the producers were receiving from 9.1 to 9.3 cents, while the consumers were paying 14 cents.

Now, if we could just take time to analyze that, which I will not do, we would find that the producers are receiving as low as 3.7 cents and the consumers are paying as high as 20 cents; and we have the condition, which is significant, that whereas a whole lot of those people are paying 14 cents, where the producers are only getting 6 or 7 cents; in Richmond, Va., where the producers are paid about 9.1 cents, the consumers are also paying 14 cents. There is a natural variation in the price which the farmers are getting for their milk and that which the consumers are paying.

I averaged these 10 cities. I found that the average payment to the producer was 5.9 cents, and the average payment by the consumer was 14 cents, which does not come far from hitting our 38 cents to which reference has been made.

Now, as to watermelons: Mr. Bernard M. Baruch—and I am quoting him because everybody in Congress would recognize him as an authority even on watermelons—has an article in the Atlantic Monthly for July, which seems to be the same thing that Mr. Shepherd, of Florida had, although the figures are not quite the same. Mr. Baruch said that during the spring of 1921 the consumer paid \$1 on an average for melons. Out of this the grower received 7½ cents, the railroads received 12.7 cents, and the cost of distribution was 79.8 cents. That is, out of the consumer's \$1 the grower received 7.5 cents. But the bulk of consumers buy slices, not whole melons.

For the melon that the family paid \$1, the man in the hotel paid on the average \$2.50. But I figured it out during lunch, that it was \$1.80; six slices at 30 cents each is what it is in the Capitol restaurant; so my estimate of \$2.50 is a little high; we will make that \$1.80. So that in that case the producer received only a fraction over 3 cents out of the consumer's \$1.

The Market Reporter of July 2, 1921, gave the 1920 production of watermelons as 49,577 carloads. These ran as high as 1,400 melons

to the carload, but I figured it down to the minimum number to a car, or 500 melons. Taking it on that basis, that meant 24,788,500 melons. And if we assume that \$1 per melon was the consumer's cost, we have \$24,788,500 as the cost to him.

Now, taking the figures that Mr. Baruch gave, and to show you the spread on watermelons, we have the grower receiving \$1,859,137, the transportation companies receiving \$3,148,139, and the cost of distribution other than transportation \$19,781,224.

The same Market Reporter also gave the total production of all fruits and vegetables, in carload shipments, as 1,371,098 cars. Of this watermelons constituted 3.6 per cent of the total.

Now, if we assume that the watermelon is an average commodity in the return that the grower gets of the consumer's money as to all vegetables and fruits—I do not mean nonperishables, but perishables—if we assume that the watermelon represented an average of the conditions, we get these figures: Out of that total of 1,371,098 carloads, we have the producer receiving \$51,000,000, the transportation companies \$87,000,000, and distribution costing \$547,000,000, out of a total consumer's cost of \$685,000,000.

Representative SUMNERS. Before you leave the question of vegetables, I would like to ask you this question: You recognize, of course, that there is a considerable loss by perishing?

Mr. THOMAS. Yes; and I recognize that that is why the spread is so wide.

Representative SUMNERS. Well, have you any estimate of the percentage of loss in distribution?

Mr. THOMAS. I have no idea. In the case of watermelons, I should say that ordinarily it is low; but sometimes there is a very heavy loss. In the case of cabbages there is a very heavy loss, but I am unable to give any estimate as to fruits or vegetables generally.

Representative TEN Eyck. The spread in watermelons would not be any more than the spread in the case of a suit of clothes.

Mr. THOMAS. I have some figures on that. On cotton, I have only very general information. During the war, when cotton was bringing the producer 35 cents, the buyer of gingham paid from \$3 to \$4.50 per pound for the cotton contained in that gingham. To-day cotton at 10 to 12 cents is costing the buyer of gingham from 25 to 30 cents per yard, or \$1.50 per pound of cotton.

Wool to-day is bringing the producer about 18 cents per pound. A good all-wool suit of clothes contains from 2½ to 3 pounds of woollen cloth, and this last would be an exceedingly heavy woollen suit. And that amount of wool would not take more than 6 pounds of wool as the farmer markets it. Therefore, \$1.08 covers the price that the farmer receives to-day for all of the wool in the best suit of clothes you gentlemen ever saw. Nevertheless, the man who buys it pays, as I do not need to tell you, from \$40 to \$60 for that suit, from \$30 to \$40 being the cost of the labor of making the suit.

I know a little more about tobacco, but I am giving a single illustration, because that comes pretty close home to everybody; and while it may not be an average condition, it is a situation that applies to the cigarette industry, which takes up half the crop of Virginia and North Carolina tobacco. This computation was very interesting to me. One thousand cigarettes made from Virginia or North Carolina tobacco weigh approximately 2½ pounds. The consumers pay \$10

for the cigarettes, while the tobacco growers during the past winter received between \$1 and \$1.50 for the tobacco in those cigarettes.

The CHAIRMAN. Is there any waste in making those cigarettes?

Mr. THOMAS. Yes; there is a little stem waste in making cigarettes.

The next illustration is beef. This is largely a local proposition. Local butchers throughout the country generally, I think, are paying from \$4.50 to \$5 per hundredweight for fat cows and steers; and they are selling the meat cuts, largely on packers' prices, ranging from 20 to 40 cents per pound, for everything except just the shank and bone cuts. A gentleman to-day from one of our counties reported that in Orange, Va., the price is the same for all cuts of beef; that the price is 30 cents per pound, whether you have a round steak or a porterhouse.

Representative SUMNERS. What percentage of your beef do you get in your cuts?

Mr. THOMAS. This is just a guess; but I think it is about 50 per cent.

Representative SUMNERS. Then you do not get as high a percentage as they do in some sections?

Mr. THOMAS. We do not get as high a cut as they do in the Blue Grass country. We get a better cut on some than on others; but taking the average of Virginia cattle, which are not of the best type, I think it will be safe to take 50 per cent.

Mr. NEWTON. On common cattle it will average about 50 per cent; and on cattle of a higher grade about 65 per cent.

Representative TEN EyCK. Does that mean to the consumer or to the retailer?

Mr. NEWTON. Sixty-five per cent of the meat on the hoof goes into the cuts.

Mr. THOMAS. That is the percentage; but if it is done in Chicago there is nothing lost.

With regard to hides, they are bringing the farmers from 50 cents to \$1, and that will only pay for a pair of half soles. If a farmer makes a trip of a few miles to town with the hide, what he gets for it will not pay for his time, leaving the half soles out of the deal.

Representative SUMNERS. And he will wear out the half soles. [Laughter.]

Mr. THOMAS. That is all I have, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Representative FUNK. I think we all agree with what you have had to say; but is it your idea that this Congress could pass any legislation that would obviate these great differences?

Mr. THOMAS. There is one thing that I think would—perhaps not as a temporary expedient. I can not feel that these temporary expedients will be of very great value. But one thing that may solve the problem is collective bargaining. I think—in fact, I am sure—that the thought of the organization that I represent is this: That collective bargaining, which some of you folks in considering bills introduced in Congress have heard described as class legislation, is something that is going to affect the welfare not only of the producers, but of every man that eats. And it can not be class legislation if it is broad enough so that the producer and the consumer can meet. As one of the gentlemen said, shorten that string and stop those interruptions. That one thing as applied to this particular

problem of spread between the extremes will help very materially to solve the problem.

Representative FUNK. What is the particular thing we could do to accomplish that purpose?

Mr. THOMAS. The particular thing you can do is to pass the Capper-Volstead bill, or a real collective bargaining law that is broad enough to include the producers and consumers, the people on the farm and the people in New York City.

Representative SUMNERS. Well, that meat marketing proposition you spoke of as being a local matter; its solution is not dependent upon the enactment of any law by Congress. It not only is intrastate, but it is an intracommunity proposition.

Mr. THOMAS. Well, I confine myself to the local situation because I feel incompetent to discuss the packer problem.

Representative SUMNERS. Well, do you feel competent to discuss the solution for the local community situation? You have the butchers in the community, and you eat the beef in the local community.

Mr. THOMAS. I do not think there is anything Congress can do with that particular problem, because that is a matter of collective bargaining, and could be solved by the State authorities.

Representative SUMNERS. What could the State authorities do to solve it?

Mr. THOMAS. The same thing we ask in the Capper-Volstead bill.

Representative SUMNERS. Could you not do that without such legislation? Those people live right there; they are your own neighbors.

Mr. THOMAS. Well, I would do that in the same way in which the milk people have been trying to handle their problem—and they have gotten into court about it—although it was local and not interstate. We might handle the situation in that way, although if we were trying to control the meat supply, or some man got it into his head that we were trying to control the meat supply, there would be trouble.

Representative SUMNERS. Have you ever submitted the matter to the Virginia legislature?

Mr. THOMAS. Yes, sir; and we have been turned down; but we expect to submit it again; we are a little more powerful now than we were.

Representative SUMNERS. Have your consumers any appreciation of the fact that they have got to pay for beef if they are going to eat it, and that they have to pay a part of the distribution charges?

Mr. THOMAS. Yes; the consumers have the vaguest idea, however, of what it costs to produce the meat. The consumers are very much inclined to think that the farmers are mostly profiteers. This is the kind of information that needs to reach the consumers.

Representative TEN EYCK. One of the answers to Mr. Sumners' question is this: That on account of our transportation systems and highways being interstate, our interests are so closely allied that it is almost impossible for a community to govern itself any more, because it is governed by outside conditions.

Mr. THOMAS. Yes; it is modified, however, somewhat, by local conditions.

Representative TEN EYCK. Now, the Government can handle it in this way: I take it from your argument that you believe that the

marketing conditions of the country are one of the causes of the great spread between the producer and the consumer?

Mr. THOMAS. Not altogether, but in large measure.

Representative TEN EYCK. In large measure. Now, on the other hand, the farm bureau is more or less of a national organization, inasmuch as it does get some support from the Government and is regulated by the State and county, and so on. If a law is passed that the Government will come in and assist to create better marketing conditions, locally and interstate, they can assist materially in improving the marketing conditions of the country; is that true or not? You know the Government has already gone out in the field in various communities endeavoring to create markets. Did you know that?

Mr. THOMAS. Yes; educationally.

Representative TEN EYCK. Educationally, I mean.

Mr. THOMAS. I think educationally that is true.

Representative TEN EYCK. Then the Government can come in educationally and create markets and improve marketing conditions?

Mr. THOMAS. And I believe that can be extended to the point of specifically teaching cooperation. We have not had the opportunity—the Department of Agriculture or anybody else—of doing that; but it could be extended with much benefit to farmers.

Representative TEN EYCK. In some places they have established public markets where you can buy all sorts of goods, including various meat products, and in those cases they can be bought much cheaper than you could buy by going to an ordinary retailer.

Mr. THOMAS. That is where you have the producer and the consumer brought together.

Representative TEN EYCK. Yes.

Mr. THOMAS. A public market.

The CHAIRMAN. Well, we have a public market here in Washington where they sell eggs. And I have never discovered any possibility of buying eggs any cheaper from the producer than from anybody else; perhaps there is a possibility of getting them cheaper there, but I could not see it.

Mr. THOMAS. You are a consumer, but you are not organized.

Representative TEN EYCK. I will say that I have sold vegetables and other things at a public market in Albany, N. Y.; I have been there at 9 o'clock in the morning, and I have sold tomatoes as low as 25 cents a bushel. That is where the consumer came in when it came to marketing produce.

Representative SUMNERS. You spoke of a cooperative market, and a number of other gentlemen spoke of cooperative marketing. With regard to staple commodities produced in a large area of country, moving in the ordinary course of commercial distribution along many channels, in order for you to systematize and standardize prices—well, “standardize” prices is not correct—but in order to have a relative uniformity of prices, you would have to have a very comprehensive control of the commodity, would you not?

Mr. THOMAS. I would have to ask you a question before I could answer that. Do you mean standardize for the whole country?

Representative SUMNERS. I withdrew the word “standardize,” and used the expression “uniform,” or approximately uniform.

Mr. THOMAS. Throughout the country?

**Representative SUMNERS.** Yes.

**Mr. THOMAS.** To do that, it would require a large organization; yes.

**Representative SUMNERS.** Now, if you did not do that, and you had communities cooperating within themselves and competing, community against community, do you think you would very much modify the present spread in prices?

**Mr. THOMAS.** That depends on what the commodity was. If it was wheat, I think it would have to be Nation wide.

**Representative SUMNERS.** Let us take wheat.

**Mr. THOMAS.** I think your statement is true as to wheat; you would have to have a very broad organization that, in large measure, at least, was going to function nationally.

**Representative SUMNERS.** Now, what check, economically or otherwise, would there be upon the price-fixing power of groups of producers confederated into such an organization?

**Mr. THOMAS.** My answer to that would be simply that the law of supply and demand would be the only check; that there should not be any arbitrary price-fixing power. But there are now elements that are entering into the equation that set aside the law of supply and demand.

**Representative SUMNERS.** In the absence of price-fixing power, then, you would sell to the highest bidder?

**Mr. THOMAS.** That is what it would amount to; yes, sir.

**Representative SUMNERS.** Is that not what you do now?

**Mr. THOMAS.** Yes, sir; we think so.

**Representative SUMNERS.** And is that not the vice of what you are doing now?

**Mr. THOMAS.** We do that or try to; but there are sales of wheat, as Mr. Brookhart said, that have a tendency to prevent that. We do not sell to the highest bidder. We think we are selling to the highest bidder, but we are not. I might illustrate that by citing the case of Virginia. We do not raise enough wheat in Virginia to feed Virginia. We did in 1918, but we do not normally do that. If I go into Virginia and ask a miller the price of wheat, in my own town, now, that is a bid for my wheat; it may be the highest bid. But I maintain that that is not the market; that the market price for wheat in Virginia is the price that it would cost us to put wheat into Virginia from Kansas, or anywhere else where they have a surplus of wheat; it would be the price that it takes to bring that wheat into Virginia. Now, I maintain that our price for buying wheat in Virginia, since we do not raise enough for our own needs, is the Baltimore price plus the freight; and the miller says the price Baltimore less the freight to Baltimore. So that there are two prices for wheat in Virginia.

**Representative SUMNERS.** In that dispute between yourself and the miller, the price is fixed by the man whose necessity is the least; is that not true?

**Mr. THOMAS.** That is true.

**Representative SUMNERS.** Now, then, I am asking for information and for the purpose of discussing what I think ought to be matters that this commission should inquire into. Your statement and the statement of other gentlemen with regard to the condition of agriculture is perhaps important from the standpoint of the education of

the country, but I think you gentlemen may assume that the members of this commission are fairly well acquainted with that situation. What we are trying to do is to find some method of relieving it, in a more or less informal conference here, drawing upon the practical knowledge of you gentlemen who know from experience.

You were talking about the grain exchanges a moment ago and about how much they had sold of your wheat. My own judgment is that there is a good deal of confusion about what a transaction on the grain exchange is. I know there is much confusion as to what a transaction on the cotton exchange is. They do not sell cotton; they do not contemplate the delivery of the cotton; it is simply a gambling transaction in which they wager with reference to the fluctuation in the price of cotton in the future. We suffer, in my judgment, in regard to cotton not so much from what we have as what we have not, and we need a system of exchanges. As to whether or not you have a system of exchanges through which an economic distribution of your commodity may be made would depend upon whether or not you are going to control by your cooperative organizations and federation the price.

Mr. THOMAS. Control the price?

Representative SUMNERS. Yes. If you do not control the price, then you must have an avenue through which you can effect a world distribution of commodities that reach the world markets.

Mr. THOMAS. I think we have got to have a world distribution, but I do not see how we are going to arbitrarily control the price.

Representative SUMNERS. I say if you do not have that as a part of your objective, you have got to take the other route.

Mr. THOMAS. I think we have got to take the other route.

Representative SUMNERS. If you do not have to go the other route, you must have a system of exchanges through which these commodities may be first balanced and, second, put in trading contact with the markets of the world and moved under prior sale beyond the point of first concentration to the point of need.

Mr. THOMAS. Direct.

Representative SUMNERS. Yes. I understand you to say you do have such exchanges in this country, but I have listened for some of you gentlemen to suggest the necessity of establishing a system of real produce exchanges in this country.

Mr. THOMAS. By Congress, you mean, by legislative enactment?

Representative SUMNERS. I am not putting any limitation upon the scope of your suggestions. I say I listened for some suggestions from you—

Mr. THOMAS. Mr. Sumners, my own understanding of that, let me say, was simply that if Congress gives us broad enough authority to do those things, then the burden of doing them would rest upon our organization without asking Congress to provide specifically for exchanges or presenting a plan by which we would establish wheat exchanges or cotton exchanges. We want broad enough authority under the Capper-Volstead bill, or some bill that is complete enough to give us all that authority, and then we can go ahead and do it, but until we have that authority we can not.

Representative SUMNERS. When you are dealing with the question of exchanges for the purpose of attracting to yourselves the support of public opinion, it strikes me as very essential, if, as a matter of

fact, you do not contemplate the control by organization of commodity prices, to rather let the public understand that and have a very clear idea of how you propose to do it, because the public is to some degree apprehensive.

Mr. THOMAS. I can not answer the question. I am not well informed as to the wheat situation, so that I can analyze that for you. I could not do it.

#### STATEMENT OF MR. J. L. SHEPARD, POMONA, FLA.

The CHAIRMAN. What is your business, Mr. Shepard?

Mr. SHEPARD. I am a truck grower and fruit grower, and I will say, Mr. Chairman and gentlemen of the committee, before I start, that I am not able to say that I have a remedy to offer for the many ills that we have. I think you will have had suggestions enough made to you by the time you are through with our farmers' delegation that it would not be worth while for me to add anything along that line. I know I hurt, but I do not know what to tell you to do to stop that pain just now. We are all in a bad condition.

My friend over there, Mr. Barrett, and my son have a patch of watermelons in Florida this year, and they will be fortunate if they do not go bankrupt on that patch of watermelons. In fact, Mr. Barrett grew a crop of potatoes down in Florida, and hired a negro to stay there and give them away.

Those are some of the conditions in Florida, and the cases that I cite to you here are some of the many cases that have occurred down there, some worse than I will give you, and some better.

On a carload of 1,600 melons shipped from Jennings, Fla., to Philadelphia by the State Marketing Bureau, the gross sale price was \$475, freight \$249.78, commission \$33.25, total charges \$283.03, net to grower \$197. The melons sold for 29 cents each. Deducting the freight charges of 15½ cents and the commission of 2½ cents, it left for the grower 12½ cents each; in round numbers, freight 15 cents, commission 2 cents, grower 12 cents.

A carload of melons from Brooksville, Fla., of 1,350 melons, was sold by the State Marketing Bureau in New York for \$500 gross. The freight was \$259.76, the commission \$35, leaving the net to grower \$205.24. The melons sold for 37 cents each, freight 18½ cents, commission 2½ cents, to grower 16 cents. This size melon was selling at retail in New York for 75 cents, the middleman receiving 38 cents, 1 cent more than the grower, commission man, and railroad.

A carload of melons from Albany, Ga., brought the grower 7½ cents per melon. I think that is the case Mr. Thomas referred to. However, I got those figures from the State Marketing Bureau, at Jacksonville, on my way here. The freight charges were 12⅓ cents per melon, the total to get them to market 20.2 cents. The same melons retailed in New York City at \$1, or a profit to the middleman of 79.8 cents each.

My son shipped to James Sawyers & Co., Philadelphia, 85 hampers of green beans. After paying \$84.37 express, \$14.20 commission, \$4.25 cartage, the price to the grower was \$39.18, or 41⅓ cents per hamper to the grower. The hamper cost 20 cents, picking 20 cents, leaving the grower 1⅓ cents to pay for labor, fertilizer, use of land or rent, seed, hauling to depot, and loading on car.

That does not include the seed at all. The seed beans, coming, of course, from organized business men, cost us \$8 per bushel; fertilizer \$50 a ton; and the labor that worked on those beans was paid \$2 per day.

That is not an exceptional case. Many of my neighbors had a like experience. Some of us receive less, some more.

At the time we were receiving this price for beans, the consumer in Philadelphia was paying 20 cents a pound, or \$6.40 per hamper.

Six hundred acres of cabbage rotted in the field near Moore Haven, Fla., because the price offered was not sufficient to pay the freight.

I received \$84 for 200 boxes of first-class oranges and 20 boxes of tangerines. Oranges were quoted at the time of shipping at from \$3.50 to \$4 per box. Tangerines were quoted from \$5 to \$7 per strap. Several cars of oranges that were shipped from my packing house last season and were quoted at from \$3 to \$3.50 per box at time of shipping brought the grower nothing but a freight bill in return.

Being dissatisfied with the sales made on so many cars of fruit by the companies that shipped them, I resolved to try the sales out for myself. I shipped one carload of 280 boxes to South Carolina, to my son, and when he arrived at Greenville he found that the city tax was \$200, so he rebilled the car to Greer, a little town 15 miles out from Greenville. He paid \$257 freight on this car, and his city tax there was \$15 as against \$200 in Greenville. The total gross sales on this car amounted to \$1,015. The city tax on a car of fruit to Columbia, S. C., is \$200, and \$25 a day for every day you remain unloaded.

**THE CHAIRMAN.** What do you mean by the city tax?

**MR. SHEPARD.** I mean that is the tax imposed by the city council for entering their city to sell or dispose of any kind of shipment you may have.

**REPRESENTATIVE FUNK.** The solution of that difficulty lies with the local people, does it not?

**MR. SHEPARD.** Well, I do not know. We have not been able to handle it so far.

I decided to try another car of fruit, this one being shipped to Quincy, Fla. This car contained 300 boxes. The freight to destination was \$158.05, and the city tax \$6.50. The total gross sales on this car amounted to \$1,020. The consumers both at Greer and Quincy were loud in their praise, saying it was the cheapest fruit they had ever bought.

I will say to you gentlemen that it is very seldom we ever receive over \$300 for a carload of as good fruit as that from Florida. Three hundred and sixty boxes I considered an average car, and we seldom ever get over \$300, and it was simply to try out the market and to know, first hand, what the other fellow was getting that I shipped this carload of fruit to South Carolina, and then shipped one into my own State, 200 miles from where I live.

J. H. Patterson, of East Palatka, Fla., sold his crop of onions to the Dixie Grocery Co., of Palatka for 4 cents per pound. Mr. N. E. Shontz, witnessing the transaction, went in 10 minutes later and asked the price of onions. They stated they could not afford to sell them for less than 10 cents per pound, just 150 per cent profit on the transaction. That is all I have to say.

**Representative SUMNERS.** Let me ask you a practical question. If you had fruits and vegetables standardized so that you could condense into a trade term their description, and then you had a real exchange where those standardized commodities, assuming that you had provided for their physical and moral protection, could be listed for sale, a place where all purchasers or prospective purchasers in the United States would know they could get in trading contact with those commodities, and then if a sale is effected, have your commodity moved from the place where you have it ready for movement to the place of need, by the shortest route, the cheapest freight route, and have it possible to make a shipment into a given market at a given time, to be in accord with the demand for consumption at that time, and have a need established before the shipment is made, do you not think that would help at least to enable us people to bring about a more even distribution of commodities, and avoid congested markets at certain places and an inadequate supply at others, and reduce the spread in the price that the man who produces receives and the price which the consumer pays? Can we hope for any relief through any such system as that?

**Mr. SHEPARD.** I am inclined to think there would be some relief, but I will state to you that we have a State marketing commissioner in Florida, with an office in Jacksonville, and there are not many farmers who ship in carload lots who are not notified daily by the State marketing bureau of marketing conditions in the United States, and as to the best market, for instance, for melons, or the best market for cabbage, or beans, as the case might be. That information goes out daily, and it enables us to keep stuff off of a glutted market. It has benefited us wonderfully, and the plan you suggest might help wonderfully, but we can not dillydally around very long with perishable stuff, because it goes bad very quickly. You may standardize it, but it would have to be disposed of very quickly.

**Representative SUMNERS.** I am not arguing the question, but if your commodity moved from the place where you had it packed fresh to the place of need, it would seem to me that the element of deterioration would be less than if you have to reship it and try to find a place where somebody wants it.

**Mr. SHEPARD.** That is absolutely true.

**Representative SUMNERS.** It seems to me, as a practical proposition, that there is nothing more absurd than to ship a perishable commodity, which has a short life, in the dark, and try to find a purchaser.

**Mr. SHEPARD.** That is true.

**Representative SUMNERS.** It seems to me you want to know where somebody wants it before you ship it.

**Mr. SHEPARD.** That is absolutely the case.

**Representative SUMNERS.** With a State marketing commissioner perhaps in a community where you have seasonal production, where you have not much competition from other sections of the country, you may be able to handle it by some State system, as you have, but when you get where other States are competing with you, and you ascertain that a market is a good one, and other people ascertain that that market is a good one, from their respective marketing commissioners, and you get in there, and Georgia gets in there, and South Carolina gets in there, and Alabama gets in there, and you all meet

there at the same time, you may have the wagon yard crowded, it would seem to me.

Mr. SHEPARD. Indeed you are right. For instance, we might have received information to-day that the market is good, and we might ship to-morrow and the market be flooded.

Representative SUMNERS. That is what I am talking about.

Mr. SHEPARD. We shipped a carload of watermelons the other day, and we had to guarantee the freight, or what the freight amounted to, before the railroad would take the melons. We had to guarantee the freight to get it moved. The railroad would not take our stuff if we did not guarantee it, or pay it in advance, and when we got to the market we were crowded out.

Representative SUMNERS. I am trying to get something practical out of this, at least, and I know that we all want to do so. If your commodities were produced, and you people had sufficient means, and had an aggregate capital behind your organization to make the purchasers sure that they would be delivered according to tender, then it would make it possible for your commodities to move under prior sale.

Mr. SHEPARD. I think you are right.

Representative SUMNERS. Nearly all other commodities move under prior sale. The implement man ships his stuff, the dry goods man ships his stuff, and it nearly all moves under prior sale, and yet you have a commodity which can not live but a short time, and you ship it out of the dark and try to find a purchaser.

Mr. SHEPARD. That is true. I will tell you what I think is really as much the matter with our markets as anything else, and that is that we do not get a square deal. In other words, I do not say it can be remedied, but I have charged up to the wholesale men and the brokers a great deal of this trouble. The differences I gave you here. If I ship a carload of fruit, I do not know when it gets into the broker's hands anything about what he gets for it. If it is brought up here to Washington and that car is auctioned off, I do not know that that fellow is honest with me if he says there was 10 per cent decay, or whatever it might be. But in the matter you are speaking of, I say if we had a centralized market, that fellow would not tell the truth about shipments coming in there.

Representative SUMNERS. Not only that, but would you not have routed around there private avenues of distribution so that if, for instance, the toll being charged by the agents of distribution exceeded the economic value of the services being rendered by the agents of distribution, you would have it then in the power of the consumers' organizations and the cooperative purchasing agencies, and you would not have to have your secretary a man of great business experience who could get in touch with all the markets, because you would have an agency well known through which you could get it?

Mr. SHEPARD. Absolutely true; but until we get that, if I want to sell a carload of fruit, what am I going to do with a city or town that wants to tax me out of existence and will not allow me in the city?

Representative SUMNERS. You can not go there, but the people will have to learn finally that they are paying that tax.

Mr. SHEPARD. Is it out of the power of the law-making body to remedy that?

**Representative SUMNERS.** I would not like to speak myself about the ability of Congress to determine what a municipality can do.

**Senator ROBINSON.** Congress may control it as to shipments in the original package from one State to another, under the power to regulate commerce, but I would not think it could do it as to shipments from one point in Florida to another point in Florida.

**Mr. SHEPARD.** I do not think so either, but I have asked the question before, whether it did not interfere with some of the laws; for instance, the Sherman antitrust law, these fellows charging such enormous city taxes. I do not mind paying a reasonable tax or a reasonable price to anybody I do business with, but I do not like to have my throat cut.

**Senator ROBINSON.** It probably would not have any relation to the Sherman Antitrust Act, but it may come within the power of Congress to regulate commerce. Congress could say, I think, in the exercise of its power to regulate commerce, that no State or municipality should tax or charge a fee for the privilege of doing business there by a person engaged in selling such shipments. I think Congress could regulate that kind of a shipment, particularly as to original packages, if it chose to do so, but it could not affect the right of a State to charge a license fee as to commodities shipped and to be sold within that State.

**Mr. SHEPARD.** I admit that quite a few of us are a little tender on State rights. Some of us might object.

**Senator ROBINSON.** I am not talking about the right of objection; I am talking about the power of Congress to deal with that subject.

**Mr. SHEPARD.** I do not think it could be done. But let me ask you if, in regulating that price, you could regulate a per diem charge, for instance? If you failed to regulate both, the fellow could put a charge on every item for sale, or he could charge so much per day.

**Senator ROBINSON.** You evidently have not understood what I am trying to say, that as to shipments of fruit from Florida to points in Georgia, Congress might say that no charge shall be made. I believe that could be done, in the exercise of its power to regulate commerce—certainly no charge in excess of the charge made upon shipments made within the State could be made, if Congress saw fit to forbid it. The power of Congress over the subject is limited to its power to regulate commerce; that extends only to interstate commerce, but does not extend to intrastate commerce. But the States themselves have the power, of course, to regulate the matter. If they do not want you to sell your products within their limits, without paying a license, they have the power to impose a license.

**Mr. SHEPARD.** Certainly.

**Representative TEN EYCK.** Would there be any advantage in having a Federal inspector at these State markets where they are sold? In New York City your car is swung in on the track and is sold to the public. Would a Federal inspector there to look after the interests of the interstate shipper be of any value to you in regard to protecting you from knocking it down to some one at a lower price, or mixing it up in some other way whereby you would get the worst of it?

**Mr. SHEPARD.** I am inclined to think it would aid very much.

**Representative TEN EYCK.** A Federal inspector?

Mr. SHEPARD. For instance, if any of our farmers at the present time shipped a carload of potatoes or fruit, or whatever it might be, to New York City, New York also has a State marketing bureau, and if the State marketing bureau in Florida takes it up with the State marketing commissioner in New York, he can have that commissioner go down and inspect, and we get a square deal, but when they do not take it up we do not know what we get, and the sale is very much more unsatisfactory.

Representative TEN EYCK. The reason I asked that is this: I ship a few carloads of apples each year. It costs me about \$7 for transportation, both ways, for a man, but I have found that I get a great deal better service when I send a man down to New York to watch the sale of the carload of apples when it is put on the public market, because he is there, and he knows and makes himself known.

(Whereupon the commission adjourned to meet at 10 o'clock a. m., Tuesday, July 12, 1921.)



# AGRICULTURAL INQUIRY.

TUESDAY, JULY 12, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met at 10 o'clock a. m. in the caucus room, House of Representatives, pursuant to adjournment on yesterday, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. Senator Robinson wishes to make a statement.

Senator ROBINSON. Recurring to the testimony of Mr. Pollard of yesterday and his suggestion that some arrangement be effected between our Government and foreign Governments whose peoples are in need of the surplus products of our farms, I desire at this time to submit for the record certain information respecting a proposal analogous to the general suggestion made by Mr. Pollard for the organization of a foreign trade-risk bureau. I have been giving some study to this question, and while not prepared to commit myself to the scheme at this time, I think it is worthy of serious consideration and might form the basis of a plan which would effectuate in part the purpose proposed by Mr. Pollard and others in this hearing.

I have no intention of reading the data that I am submitting for the record, but desire now to put it in for the purpose of making it available for such use as the commission may find desirable. I submit for the record a letter dated July 6, 1921, addressed to me by J. M. Barker, of Atkins, Ark., relating to the proposed trade risk bureau and a statement in further explanation of the proposition.

The CHAIRMAN. Without objection, the letter and statement will be incorporated in the record.

(The letter and statement referred to are here printed in full in the record, as follows:)

BANK OF ATKINS.  
*Atkins, Ark., July 6, 1921.*

Senator JOE T. ROBINSON.  
*Washington, D. C.*

DEAR FRIEND: Your letter of the 2d instant just received. I am, indeed, very sorry to learn that you are not favorably impressed with the proposal of the scheme of organizing the foreign trade risk bureau under Government auspices and supervision.

It is going to make this letter rather lengthy, but I am going to assume that you will not object to me giving to you some information as I see it in regard to this matter. We are all interested in the marketing of the enormous surplus stocks of cotton now held by farmers and merchants. With the large stocks now on hand and a new crop already coming on, it is evident that something must be done to dispose of the accumulation and set trade in motion. Otherwise the stocks will continue to increase and trade will be still further checked.

At present the markets are not able to take care of the supply, largely for the reason that spinners abroad must sell goods on long-time credits while they must buy raw materials either for cash or on short-time credits.

European countries are in such an unsettled condition, there is so much danger of revolutions or invasions, that our merchants are unwilling to grant long credits without some kind of insurance against loss. And, as there are no private companies able to issue such insurance on the scale necessary, it is proposed to revive the war-risk insurance scheme by organizing a foreign trade-risk bureau, under Government auspices and supervision.

The plan outlined in the memorandum applies to wheat and all surplus farm products as well as to cotton, and it is essential that all interests should work together to accomplish the purpose aimed at.

I inclose a memorandum containing suggestions made with the view to maintaining the distribution of the surplus commodities of the United States.

The present apathetic state of demand is attributable to two direct causes:

First, the inability of certain nations to buy at all and the disposition of all the nations not to buy under present conditions.

We are all thoroughly apprised of the fact that the buying power of the whole world has been curtailed by the waste of war and the reaction from war-time inflation. We know that the buying power of some of the cotton-using peoples has been practically destroyed. We are aware that the ability of the depleted foreign industries to buy our cotton depends upon the extension of long-time credits to the buyers. We are thoroughly advised as to the facts of the situation and we know the remedies that must be applied because we have been for more than two years talking about the same, holding conventions over the matter and organizing corporations for the purpose of supplying these foreign buyers the necessary credits upon the necessary terms.

But up to this time a practical solution of the problem has not been reached. The supply of money and credit is ample, the War Finance Board has been revived, the necessary machinery, as exemplified in the presently existing export corporations, has been constructed and is ready for business and the individual exporters are anxious to go ahead, yet the volume of actual transactions put through is negligible. We are all dressed up with no place to go.

The monkey wrench in the machinery of export credit financing is the placement of the risk involved. Under the law as it is written to-day the War Finance Board is authorized to finance the American exporter, but can not extend facilities to the foreign buyer. Any transaction put through on this basis would involve, therefore, the assumption of the entire risk by the exporter. Even though the hazard of the risk might be slight, yet to move enough cotton to be of any material benefit would involve a risk so large that no individual would or could assume the same. It therefore appears that no headways will be made in creating markets in the depleted countries until this impasse has been removed. In my opinion the only direct and practical means of solving the difficulty lies in action by Congress whereby the authority of the War Finance Board may be extended to cover this situation.

A plan has been proposed under which the War Finance Board could, under all proper safeguards as to operation, security, and the selection of the same, assume an appropriate portion of the risk in these proposed long-time credit transactions, just as the English Government is doing in support of the foreign trade of Great Britain. For our Government to share with American exporters the risk of a movement for new and broader markets for our products through the rehabilitation of the dormant industries of Europe, is not only sound as an economic policy but is commendable as a humanitarian factor. After two years of talk it is high time that something practical and promptly effective should be done without delay.

I trust this letter will not be a bore to you as I am intensely interested in this matter, for being in an agricultural section, I am entirely acquainted with the conditions as they exist to-day.

Yours, very truly,

J. M. BARKER.

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#### FOREIGN TRADE POLITICAL RISK BUREAU.

1. There are approximately 400,000,000 people east of the Rhine, 200,000,000 representing the population of the old Russian Empire and 200,000,000 the old Central Powers, including the Balkans and Turkey, who in the prewar period were directly or indirectly large buyers of American commodities.

The nations composing Central Europe in the prewar period were industrial countries, their production being greatly in excess of their domestic consumption. Their surplus was exported to Russia, the Balkans, Italy, the Near East, and other over-the-sea markets. But with the armistice declaration, owing to unsettled political conditions, depressed and violent fluctuations in their respective exchanges; and to

economic exhaustion resulting from war, production in these countries has been reduced to a minimum, for the reason that they have been compelled to pay cash for raw materials imported by them from over the seas, particularly commodities from the United States. On the other hand their merchandise, whether for domestic consumption or for export, is sold on long credits, particularly in the case of Russia, the Balkans, the Near East, and South America, and in consequence their ability to purchase our commodities has been correspondingly reduced.

2. The United States is primarily an agricultural country; 55 per cent of our people live in the rural districts.

Our national prosperity is dependent upon our farmers receiving a price for their commodities in excess of the cost of production, failing in which their purchasing power is automatically reduced, resulting in curtailment of production in the industrial centers and unemployment.

3. The normal commodity and industrial production of the United States is substantially in excess of the domestic consumption, as in the prewar period the United States exported, approximately:

Cotton, 60 per cent of production.

Copper, 50 per cent of production.

Grains, 25 per cent of production.

Coal, 10 per cent of production.

Oil, 50 per cent of production.

Pending distribution in over-the-seas markets of our surplus from the crops of 1920-21, it is most unlikely that we will have any advance from present prices, and therefore it seems important to promptly devise a plan which will facilitate distribution, as the crops of 1921-22 will shortly be harvested.

4. Our Government, realizing the situation, particularly in respect to the farmers, revived by act of Congress the War Finance Corporation, and also numerous financial institutions have been set up under the Edge Act for the purpose of assisting the financing of our exports. But these facilities have not been used to the extent anticipated, for the reason that the credit extended is advanced upon the credit of the American merchant, and not upon the credit or security of the over-the-seas buyer, and under these conditions the American merchant is unwilling alone to assume the entire credit risk.

5. With the declaration of war, in 1914, the World's trade automatically came to a standstill, as a war risk had been created for which there was insufficient insurance.

The United States and the Allied Governments recognizing the situation, and in order to stimulate trade in their respective countries, set up war-risk bureaus under the auspices of their respective treasuries, for the purpose of providing war-risk insurance, and hence trade automatically was stimulated and revived.

A suitable premium was charged for the insurance and these bureaus were ultimately liquidated without loss, as the premium income was sufficient to pay all losses, notwithstanding the enormous losses resulting from submarine warfare, upon which there was no salvage.

The war risk ceased with the declaration of peace, but in its place a new risk was created in the political reconstruction of Europe, particularly east of the Rhine, and by political risk is meant losses which might result from revolutions, political uprisings, repudiation, or invasion of one country against another.

The merchant selling on long credit can protect the commercial risk by requiring satisfactory security, but there is no means by which a merchant can protect himself against losses resulting from political causes, and this is a risk of loss which should be assumed either wholly or partially by the Government.

6. Therefore, it is suggested that Congress enact legislation for the purpose of creating a foreign trade political risk bureau, which would insure our merchants against losses that might result from political causes, under regulations to be prescribed by Congress, such as:

(a) The Government and the American merchant to share the credit risk, say 70 per cent by the Government and 30 per cent by the merchant.

(b) The bureau should charge a premium commensurate with the risk, with a view to producing a premium income sufficient to pay losses.

(c) The bureau should limit the amount it would undertake to insure in each particular country.

(d) The bureau should require that all credits extended in each particular country should be covered by guaranties of indorsements by banks of issue or other satisfactory banks, together with a cover of Government bonds or other Government obligations of the importing nation, as under these circumstances in event of default, collection through Government agencies and by diplomatic representatives could sooner or later be made.

The merits of the scheme appear to be:

(a) The political risk satisfactorily insured, then the principal obstacle to the extension of long credits to over-the-seas buyers would be eliminated, resulting in a gradual increase in the distribution of our surplus commodities; the effect being to reduce losses and increase profits, as the case might be, thus producing an increase in income for the Government through taxation.

(b) The Government should operate without loss, as the premium income should be sufficient to pay all losses, and in addition there should be ultimate collection of the obligation, providing the same was secured by Government obligations.

(c) In event of default the bureau would promptly pay the American merchant the sum represented by the insurance upon the surrender to the bureau of the obligations of the foreign buyer, and the bureau would then undertake collection of the obligation by diplomatic representation.

7. In event of the foregoing plan being unacceptable, then it is suggested that Congress amend the act creating the War Finance Corporation, with a view to liberalizing and extending the authority of the corporation.

The War Finance Corporation was revived primarily for the purpose of financing our exports, but the scope of its authority was limited to extending credits to American exporters, and credits are advanced to amounts warranted by the responsibility of the American exporter, but it is also true that corresponding facilities are given to our exporters by our national and Edge banks.

It is becoming increasingly apparent that in the future our American exporters must assist foreign buyers in financing of their purchases of American commodities. In other words, we must give longer credits if we are to distribute our surplus commodities and manufactures. But the American merchant is unwilling to assume 100 per cent of the credit risk, and if the War Finance Corporation is to perform the service for which it was intended it should be authorized to assume jointly with the American exporter the credit risk. Therefore the following amendments are suggested in respect to this act:

(a) The War Finance Corporation be authorized to open branches, sustain agencies, or appoint representatives in foreign countries with a view to acting as trustee and custodian and otherwise supervising and safeguarding transactions financed by the corporation.

(b) The War Finance Corporation be authorized to share the credit risk with the American merchant where undertakings are guaranteed by banks of issue and secured by Government obligations of the importing country, and in consideration of sharing this risk with the American exporter a suitable commission should be charged by the War Finance Corporation.

8. The allied governments realize both the political and commercial risk of existing in long-term credit business in the new countries of Europe, and this subject was under discussion by their financial experts at the Brussels conference last summer, and also by the financial section of the League of Nations at its various conferences during the last year. Van Ter Meulin, a Dutch financier, submitted for the consideration of the financial experts of the League of Nations at the Geneva session a plan based on security in the form of a bond to be guaranteed by the League of Nations, and this is now under consideration of the financial experts of the allied governments.

The British Government has also tentatively approved a scheme for the same purpose, as the Government through its Treasury and with the approval of the board of trade and the bank making application for its customer, will guarantee payment up to 85 per cent of the face value of long-term obligations to be made in countries not as yet designated.

9. The greatest impediment in the way of extension of our foreign trade is fear. By distributing the risk of each venture this obstacle is removed; the exporter, with the aid of the agencies created for the purpose, can and will extend credit where it will be most needed and where it will result in the greatest benefit to our prosperity at home.

We have the machinery for the proper distribution of such commercial hazard; we have the financial power to back up an economic insurance plan, and it needs only proper legislation in order to adapt it to present needs.

The CHAIRMAN. The commission will be glad to hear Mr. J. O. Shroyer, of Humboldt, Nebr., who desires to make a short statement.

**STATEMENT OF MR. J. O. SHROYER, OF HUMBOLDT, NEBR.,  
REPRESENTING THE NEBRASKA STATE FARMERS' UNION.**

The **CHAIRMAN**. What is your connection with the Nebraska State Farmers' Union?

**Mr. SHROYER**. I am its vice president.

The **CHAIRMAN**. You may make your statement.

**Mr. SHROYER**. I do not come to you this morning with any statement of conditions as you have that information already, we know that. What I come to you to do is to deal directly with remedies. I think I mentioned those remedies here six months ago, before a congressional committee, but perhaps they have been forgotten.

The remedies I then insisted upon and that I to-day insist upon are, first, extended credit, lengthened credit. By this statement I do not mean increased credit. The world to-day, goodness knows, has enough increased credit; we have too much of that now. What I want is extended credit.

As an illustration of what I mean by extended credit let me say that just before I took the train for Washington I went into my bank at home, and I said, "Frank, I want to talk to you for a few minutes." I wanted to talk to him on this business, and in a hurried way I will tell you the result of that conversation. I said, "Frank"—and I have dealt with him for 40 years, or my father and myself have, and in that time have usually gotten all the attention we wanted. I said "Frank, if I wanted to buy a couple of carloads of cattle to-morrow morning and I should ask you for the money to go up to Omaha and buy the cattle, would you let me have it?" He answered "No." I said "If my neighbor, worth a quarter of a million dollars, were to make a similar application to you would you let him have the money?" He said, "I would not."

I then took up this matter with him: I said "I saw in the paper this week that the merchant from whom I buy my clothing is going to New York next week and is going to buy clothing with which to stock up his store. I know he has not got the necessary money for that purpose. Are the banks of Humboldt going to finance that man to buy his clothing?" He said "They are." I then said "Is my risk greater, or that of my neighbor's, or our credit not as good as that of this man?" He said "No; it is because the Federal reserve bank will not accept your note on cattle and will accept that man's note on clothing."

I want to say to you gentlemen here that as long as that situation continues my cattle are going to keep on depreciating.

**Representative MILLS**. May I interrupt you to ask a question?

**Mr. SHROYER**. Yes.

**Representative MILLS**. You proposed to give a note for how long a time?

**Mr. SHROYER**. The farmer in handling his stuff must have nine months to one year's time.

**Representative MILLS**. You wanted credit for nine months?

**Mr. SHROYER**. Yes, sir; for nine months, or I will say one year.

**Representative MILLS**. And the merchant would want to give a 90-day note or get credit for 90 days?

**Mr. SHROYER**. Yes, sir.

**Representative MILLS.** So that there is a difference between 3 months and 12 months?

**Mr. SHROYER.** And that 90-day note is compounded now with the Federal reserve banks, and through that system all of the banks of the country are forcing on us the greatest steal of all this war. It is compounding all interest in the whole United States; we have passed under a 90-day compound interest account, as I told a congressional committee last fall. It is compounding our notes on a 90-day basis.

**Representative MILLS.** You know, as a matter of law, that the Federal reserve banks can not accept notes running for a year?

**Mr. SHROYER.** Yes; and who made that law but you Congressmen? That is what I am after. You are the men I am after. Of course you committed a crime against the farmer when you did that.

**Representative MILLS.** I want it to appear in the record that it was not a case of unwillingness on the part of the Federal reserve banks to extend credit to the farmer for the long time that he desires but is a carrying out of the law.

**Mr. SHROYER.** It is an unwillingness on the part of Congressmen to take care of the farmer. I am not talking against the Federal reserve banks now, but I am talking to the Congress.

And beyond that question of extended credit there is another important matter, which is stabilized markets. You have created a Department of Agriculture. We want you to so reorganize the Department of Agriculture that it will give us market conditions, crop conditions, over the United States and for the world, so that we may base our markets upon those conditions. Therefore stabilized markets is another thing we are asking for.

The **CHAIRMAN.** Are you talking about crop information?

**Mr. SHROYER.** Yes, sir; and the world-wide agricultural conditions, conditions of supply and demand.

**Representative TEN Eyck.** In relation to markets?

**Mr. SHROYER.** Sir?

**Representative TEN Eyck.** You want information so that you will know how to market your products?

**Mr. SHROYER.** Yes, sir; and in connection with the Department of Agriculture I want to say to you Congressmen that I am strictly and strongly in favor of it and of the Federal Trade Commission. I wish you to strengthen their powers. And through these two departments, the Department of Agriculture and the Federal Trade Commission, I wish profiteers handled. I wish you to give them the power to take care of profiteers. In that connection I could give you an exact demonstration from a case here on your Washington markets on yesterday morning, and from my experience of last year, but you do not want that. You have batches of that kind of information. The Federal Trade Commission must be strengthened.

And you must do two more things: You must take from monopoly the props that sustain it. One of them is the tariff. I want you to take the tariff from under monopoly, or give it to agriculture. I am a free trader in spirit, but when I come down here and see that other businesses have these props, then I ask for the same thing for the farmer. The man that profiteers must be taken care of, and through the Federal Trade Commission and the Secretary of Agriculture. They are the two places where the man who profiteers on agricultural products can be taken care of. Such a man must be taken care of.

Representative MILLS. Have you any definite information on profiteering in agricultural products?

Mr. SHROYER. Profiteering in agricultural products? Why, I can give you definite evidence of how the farmer is being profiteered upon on both sides. But I do not want to take up your time for that.

Representative MILLS. Have you any definite evidence of it?

Mr. SHROYER. Yes, sir. I went down to Humboldt and sold my wheat at a dollar a bushel. Then I went to a storekeeper at Humboldt and bought a sack of flour to take home. He charged me \$2.25 for the sack of flour. By all of the known laws of the milling business that sack of flour ought to have been sold at \$1.25 for wheat at \$1 a bushel. That is direct evidence.

Representative MILLS. I do not know that it is.

Mr. SHROYER. Wait until I get through. My wife said "Go down in the cellar and bring up cream to take to town." It is cream that is put through a separator, and I went down and got it and put it in my car and took it to town and got 10 cents a quart for that cream. The next day I went down town and bought a quart of ice cream. Listen to the profiteering: I bought a quart of ice cream and that ice cream cost me at the rate of \$10 for my \$5 worth of cream. I was at the legislature in Lincoln last year when they tried to annul the law compelling ice-cream makers to put 14 per cent of cream in their ice cream. But they didn't do it. That is the situation the farmer is up against. Isn't that profiteering?

Representative MILLS. Did it ever occur to you that it may not be profiteering but a very faulty system of distribution and marketing?

Mr. SHROYER. Yes, sir. Nevertheless, it has come to me also that as to profiteers, if you are going to take care of them, the farmer must also be taken care of. He is very much like the old lady whose boy was up before the judge on a charge. The old lady was before the court with her boy, and the judge asked her, "Did you ever do anything to prevent this boy from doing such a thing?" The old lady said, "Oh, certainly. I have told him all along if he didn't look out he would be caught." That is about all the Congress has done to the profiteer. It has said to him, "If you don't look out, you are apt to get caught." What I say to you is, you ought to catch them. If you want evidence about the profiteer come down to the market or anywhere and I will show you what it is.

The CHAIRMAN. I suppose you have some profiteers out in Nebraska?

Mr. SHROYER. Just a few.

The CHAIRMAN. Have you any law in Nebraska against profiteering?

Mr. SHROYER. We are fixing those laws, certainly; but every once in a while we run up against a Federal law, and the profiteer takes his case to the supreme court and gets out.

The CHAIRMAN. The most of the propositions of profiteering to which you have referred are intrastate transactions and subject to the laws of the State of Nebraska.

Mr. SHROYER. Well, if you will give me two or three weeks I will find plenty of Federal examples along this same line, and perhaps can do it in less time than that.

The CHAIRMAN. There have been quite a number of laws placed on the statute books, not only in the matter of Federal legislation but

State legislation, against profiteering. We have them in our State. The bureau of agriculture has very complete power with reference to profiteering, but I have not discovered any great effort on the part of that bureau to curb profiteering, if there is any.

Mr. SHROYER. Well, to go back to the proposition—and I can answer that, of course; and as to profiteering, along that line we have plenty of it—and certainly as to the railroads, since you have alluded to this matter, I can give you a United States example if you want it. I had not intended to touch on the railroads at all, but I believe it was this Congress that guaranteed the railroads a profit.

The CHAIRMAN. I do not think it has guaranteed them any profit.

Representative MILLS. If it has the railroads are not getting it.

Mr. SHROYER. It has guaranteed them a reasonable percentage.

The CHAIRMAN. It has not guaranteed them any percentage on the investment.

Mr. SHROYER. I was told that before when I was down here.

Representative MILLS. The answer to that is that they are not getting it.

Mr. SHROYER. I did not believe it, although that information was given to me by a distinguished Congressman. As I go over the State of Nebraska I see they are piling up great amounts of coal, all they can take out of the mines, and putting it along the tracks; piling it up for long distances. They are charging for it at their own prices. Of course, they are not making money when they can do that. So I ask, Why are they putting this tremendous expense on us? I learned that. They are buying coal from their own mines and piling it up and depreciating the income, of course, through that means. They have more coal piled up in Nebraska now, from appearances, than they had at any time during the war.

The CHAIRMAN. How do you figure that depreciates their income?

Mr. SHROYER. Because they are taking that coal at the high price at which they are selling it now and adding it to the cost of operating the railroads. Each ton of coal they take out of the mine and transport is now called cost of operation, even though it may not be used and may not be intended to be used at this time.

Representative MILLS. Isn't it pretty good business management to mine coal and transport it in slack time when the railroads have cars available?

Mr. SHROYER. Yes, sir; and the other part comes in too, the tremendous price they are now charging for coal. I want to say that this sets their figures up higher.

And another thing. In Nebraska it takes 2,000 bushels of corn to pay the taxes on 240 acres of land. I want to say to you that it takes more wheat than I have raised on 40 acres of land to pay the taxes on 240 acres of land. Our taxes have gone up and everything else that we have to buy has gone up. I wanted to buy a hay fork to put in the barn and they said it would cost \$16. I said, "That is as high as during the war." They said, "Oh, yes; but these things have not come down." It is the Steel Trust that is responsible for that condition, and it seems to me we have some Federal laws that ought to control the Steel Trust.

Representative MILLS. Are they making money now?

Mr. SHROYER. It is not a question whether they are making money or whether they are losing money. You fellows want to support everything that is making money. What we care for is whether they are losing enough. We expect every industry in the United States to lose money at this time, so it is not a question whether they are making enough, but whether they are losing enough. We come to you on that proposition. Honorable Senators and Representatives, we come to you with that proposition—whether they are losing enough money. Do not ask me another question like that. I know that they are not making enough money to satisfy them, and never will.

Representative MILLS. Are they, in fact, making anything?

Mr. SHROYER. I would not expect them to make anything now; no. And we are not making 1 per cent on our farms.

The CHAIRMAN. It does not seem to me you could well separate the condition of agriculture from the condition of other industries.

Mr. SHROYER. You say you can not separate them?

The CHAIRMAN. No.

Mr. SHROYER. I do not want to do it. That is what I am after, to get you gentlemen on this committee to put them on a dead level with other industries. I do not want you to separate them, but I do not want you to leave agriculture in a much worse condition than other industries.

The CHAIRMAN. Your statement, apparently, contemplates separating them?

Mr. SHROYER. In what way?

The CHAIRMAN. You are assuming that the agricultural industry could prosper while every other industry was not prospering.

Mr. SHROYER. I do not ask that.

The CHAIRMAN. I do not think that is true any more than I think it is true that other industries can prosper very long with agriculture in a depressed condition.

Mr. SHROYER. No. I have not asked that the agricultural industry shall prosper while other industries do not prosper. I want to see all industries prosper. But I do ask this, that when you write the motto over the Union Station here in Washington, that the farm is the best home of the Nation, and the foundation of prosperity, I wish you would try to carry it out; I wish you would put the farm on an equality with every other business you are taking care of. I ask for that very equality. You, by your own statement, by the statement of the Congress, the statement that the Congress has authorized to be placed over the door of the station, saying that the farm is the best home of the Nation—

The CHAIRMAN (interposing). Congress had nothing to do with placing that motto over the door of the Union Station. That is a perfectly good motto, however.

Mr. SHROYER. Yes.

Senator ROBINSON. Mr. Chairman, if I might suggest—

Mr. SHROYER (interposing). I do not want to take up any more of your valuable time, but if there are any questions, all right.

Senator ROBINSON. I do not think there is a member of this commission who has a disposition to discriminate against agriculture; on the contrary, we all, or at least I speak for myself, desire to do what

the witness suggests should be done, if I understand him correctly—relieve the situation so far as we reasonably may by—

Mr. SHROYER (interposing). Stabilized markets—

Senator ROBINSON (continuing). Just a moment. I think I can express my own thought quite as well as you can. Relieve agriculture of any unfair discrimination that exists, either by reason of any law that we enact, have enacted, or by reason of the administration of such laws. Now, if you have any doubt that that is the disposition of this commission you may with propriety address yourself to that subject, but my thought is that you can be helpful to the cause that you represent by assuming that this commission has that disposition, and then by pointing out any specific way in which that can be accomplished. Your tirade against the Congress, and implications against this commission—

Mr. SHROYER (interposing). I do not believe I mentioned your commission, did I?

Senator ROBINSON (continuing). Let me express my own thought in my own way. I can do it as well as you can, I think; at least, that is my notion. Your tirade against the Congress and implications against this commission will not get very far and will not accomplish very much.

As the chairman of this commission has suggested, and as you yourself have suggested, we all recognize the distressed conditions of agriculture, and we earnestly and thoughtfully, and I hope intelligently, desire to study the question; and we are anxious to have suggestions of practical remedies. I am impressed with your suggestion that what the farmer needs now worse than anything else is a more liberal system of long-time credit. Farmers can not operate on short-time credit. The needs of your business are such that you can not operate otherwise. That suggestion from you has been somewhat helpful to me. Your suggestions, however, that responsibility for punishing profiteers is on this commission or on the Congress itself approximate the foolish, in my opinion. Congress does not enforce laws; it enacts them. The enforcement of all laws is in the hands of the executive department. Federal laws are executed by the executive department of the Federal Government, and the execution of State laws is in the hands of the executive departments of the State governments. The Congress has nothing to do with enforcing laws. It has the duty of enacting laws, and that responsibility, in a sense, is even greater than the responsibility of the Executive, because the Congress has to determine questions of policy. The Executive has nothing to do with policy.

I do not think the responsibility is on this commission to enforce any antiprofitteering law. I am ready to help enact any antiprofitteering law that conditions justify, but the difficulty is in finding what further laws are required. My idea is that the trouble now is failure to enforce existing laws. But that is a responsibility that is on the Executive.

Mr. SHROYER. May I reply to that for a minute?

The CHAIRMAN. Yes; Senator Robinson is through, I believe.

Mr. SHROYER. The reply I would make to that is that I did not know I had mentioned this commission while I had the floor. I said the Congress, and I did mean the Congress, and still mean it. And I

meant to say this in my request for action to stabilize the markets, and through that enforcement of the law that you should strengthen the Federal Trade Commission, which you have created and clothed with certain powers.

The CHAIRMAN. In what particular do you wish the powers of the Federal Trade Commission strengthened? You will be helpful to this commission and to the Members of the Congress if you will be specific on that matter.

Mr. SHROYER. I will say, in talking of credit, extend its operations—not for a longer time, but increase them. Let them go into more channels, increase the scope and extent, let them take up commerce and have some power, more powers than the Federal Trade Commission has.

The CHAIRMAN. What power would you give the Department of Agriculture or the Federal Trade Commission that they do not now have?

Mr. SHROYER. The Department of Agriculture does not need very much more power, but it does need a lot of machinery to divert it into channels to secure proper information and distribute that information properly, in a world-wide sense, to give us the condition of the markets and the causes of these possibilities. But the Federal Trade Commission certainly can have these powers, and have them strengthened along the same line it now has, only increased and strengthened.

The CHAIRMAN. In what respect?

Mr. SHROYER. In respect that it could enforce laws against profiteers through its machinery; that it might bring the machinery of the Government directly to bear upon these profiteers.

The CHAIRMAN. How? Do you know what the Federal Trade Commission's powers or limitations are now?

Mr. SHROYER. Do I know what they are?

The CHAIRMAN. Yes.

Mr. SHROYER. I do not know that I do.

The CHAIRMAN. Define what powers the Federal Trade Commission has now?

Mr. SHROYER. I could not do it definitely; not for the amount of power it has.

The CHAIRMAN. Do you know what its procedure is now?

Mr. SHROYER. Yes; I have read considerable data on that. I think its procedure should be rather simplified so that it could get through its propositions quicker. So many of these things have got to the point that the usefulness of the Federal Trade Commission is passed before it gets to them; it is too slow.

The CHAIRMAN. That is a matter of physical difficulty and not of machinery. The trouble it seems to me is that you assume that these tasks are much easier than they really are. The Federal Trade Commission of necessity, if it proceeds at all, must proceed on accurate information, and it takes time to get that.

Mr. SHROYER. I know that.

The CHAIRMAN. It takes a good deal of time to get accurate information. For instance, on yesterday we had some figures presented to the commission with respect to flour and wheat, and an error of 1 cent per bushel in price of wheat, if directed against the whole crop, means an error of from \$6,000,000 to \$8,000,000 in the final calculation.

I happen to have here this morning, for instance, a copy of the Minneapolis Journal of July 7, 1921. That paper shows that the cash price of No. 1 northern wheat on July 7 was \$1.32 to \$1.42 a bushel. For the preceding week the top price of patent flour made from spring wheat was \$9.15, from hard winter wheat \$7.90, from soft winter wheat \$7.35. On clear flour the price for spring wheat is \$6.75, for hard winter wheat \$6.20, on soft winter wheat \$5.65. These prices are very different from the prices given before this commission on yesterday, and they would make a difference of millions of dollars, perhaps hundreds of millions of dollars in the result of any calculation based thereon. Consequently the Federal Trade Commission can not, nor can anybody else, arrive at any conclusion except upon the basis of figures that are accurate and that are made with some relation to the business practices and the course or channel of the branch of commerce that you are dealing with. To deal with these things requires information, accurate information; and to get such accurate information requires time on the part of the Federal Trade Commission, if it is investigating such a matter, just as it would require time if this commission were investigating a matter.

Mr. SHROYER. Yes. And this commission can get information that one of the causes for a depression in prices of farm products is the fact of the interest we pay now. Money is handled more to-day than ever before, credit, and yet the bankers—and that affects the extended credit proposition. There is more money being handled to-day, money is more plentiful, more credit given, more notes given, and greater interest received, and an ever increasing interest—

Representative MILLS (interposing). Now, Mr. Shroyer, as a matter of fact, that is not the situation. Bank deposits have decreased very materially in the last year, and the amount of Federal reserve notes has decreased by hundreds of millions of dollars. So, actually, there is much less money in circulation, both in the way of bank deposits and notes outstanding, than was the case a few months ago.

Mr. SHROYER. Isn't there more money in the United States vaults and the vaults of the reserve treasurers than ever before in the previous history of the world?

Representative MILLS. No, sir. There is more gold, but not more money.

Mr. SHROYER. Have the greenbacks been decreased?

Representative MILLS. No; but Federal reserve notes have been very materially reduced so far as amount outstanding is concerned, and bank deposits have been very materially reduced; and those are two forms of what may be described as money in common terms.

Mr. SHROYER. I was in a meeting last fall, I think it was, and the managing director of the Federal reserve bank—no, of the War Finance Board, was asked this question: "Can you contract, deflate, or further increase the volume of currency in the United States with the machinery at your disposal?" I understood him to say he could. And if he has done that the Congress should find it out, or find the source of the conditions. If he has done it then he is the source, isn't he?

Representative MILLS. I wish to correct your statement that there is more money to-day than at any other time. It is a misstatement of the facts.

Mr. SHROYER. Well, I do not know about that. I can not see how otherwise money has depreciated; has it been burned?

Representative MILLS. It has been retired.

Mr. SHROYER. Well, I believe I am through.

Representative TEN EYCK. I would like to ask a question. You did not mean that you want other industries of the country, outside of agriculture, to lose money, did you?

Mr. SHROYER. I want them to lose in the same degree that we are losing, because if they do not lose in that same degree our products are further depreciated. Take our cattle, or the cattle proposition that I first submitted here, and if the clothing man can get credit and I can not get credit with which to buy a carload of cattle the situation is not fair to me. We ought to have equal opportunities of credit.

Representative TEN EYCK. I think you are in fact making a statement not in accordance with your ideas. You do not want any particular branch of industry of the country to lose money, do you?

Mr. SHROYER. It must lose money the same as we do.

Representative TEN EYCK. Do you want them to lose money?

Mr. SHROYER. I do not want to lose money, but I think it would be fair if I lost in the same proportion as compared with other people. The reserve banks refuse to lend money to us on any other basis than \$155 an acre when the basis of value is \$300 an acre. I am mighty glad they made that statement.

Representative TEN EYCK. I supposed you had come here with the idea of suggesting to us how this commission might recommend legislation or suggest a way by which the farmer could get a fair return on the money invested and labor performed. Is not that what you want?

Mr. SHROYER. Yes, sir.

Representative TEN EYCK. And you contend that you want that for every other industry of the country as well?

Mr. SHROYER. Listen—

Representative TEN EYCK (continuing). I want to follow this matter through in a logical way. Is not that about what you want for every other industry?

Mr. SHROYER. Listen. Suppose you only had 30 cents with which to buy your dinner, and you found that was all you had. Now, that is my condition in the matter of farm finances. Suppose you found that a beefsteak would cost 60 cents, wouldn't you ask that that beefsteak be depreciated? You would ask that the dinner be depreciated in value so that you could buy it.

Representative TEN EYCK. Along the line that you have made the suggestion farmers should receive longer credit, it appears, after due consideration, that they should be given that benefit.

Mr. SHROYER. Yes, sir.

Representative TEN EYCK. In other words, we do not want to overcredit farmers, but—

Mr. SHROYER (interposing). No.

Representative TEN EYCK (continuing). That is one suggestion that you have made that to my mind is very good. And from another one you have made as you have run along it appears that the marketing

system of the country is not in good condition, and needs attention; that we ought to bring the producer and consumer closer together and cut out the great spread that exists between them. Now, isn't that spread the thing that you want to cut out and that you are complaining against instead of profiteering? The great loss between the price received by the producer and the price paid by the consumer is what you want to get at.

Mr. SHROYER. That may be a more polite way to refer to it.

Representative TEN Eyck. The situation is this: The system of distribution may be such that goods go through so many hands, even though no one person may profiteer in his transactions, yet there may be such a spread on account of the number of hands through which it passes that the ultimate price to the consumer may be a large one and yet the price received by the producer is a small one. If we can cut out a number of these intermediaries would not we cut down the spread, and by that means would not we really cut down what you term profiteering, because while the profit to each individual might be very small, so small that you could not accuse any one person of profiteering, yet the total amount might mean a very large spread. Do you catch my idea?

Mr. SHROYER. That may be plausible to the town man; but with me, hauling my wheat 100 yards from where it is milled and buying flour at the price I bought it, as stated to you gentlemen a few minutes ago, that seems to me to be profiteering.

Representative TEN Eyck. It may appear that way, and yet it may have gone through quite a number of hands each one only taking a toll of a cent or two a bushel. It may have gone through one of these elevators and that fellow may have made a little money, and then it may have gone to the dealer and he may have taken out a little bit, and then it may have gone to the wholesale distributor of flour, and he may have taken out a little bit, and then it may have gone through the retail man who may have made a little bit, with the result that by the time it got to you as the consumer the price was very high, and it looked like a case of profiteering, when in fact it is really spread over a great number of transactions, some of which can and should be eliminated.

Mr. SHROYER. I happen to be a director in a commission company in Omaha that to-day has \$70,000 or \$80,000 of money piled up as savings since the 1st day of January. Had I gone and paid that money into the hands of a single commission man would you call it spread or profiteering? We have got that actual money saved. Some one commission firm in Omaha may have made an equal amount, and perhaps has, in the volume of business they have done, and that we did not get. I do not know but what if that were the case we would call it profiteering.

Representative TEN Eyck. It might be profiteering if he could operate as cheaply as you did. But if he had an overhead and a lack of business ability and really lost money in his transactions, perhaps on account of poor business ability—and I can imagine such things occurring, because I have heard of them—you could not call it profiteering, for the simple reason that he did not make anything. But if he had run his business as cheaply as you did, and operated as economically, and then made that amount of money it might be a case of profiteering.

Mr. SHROYER. Can I give you a concrete illustration? I lost a pair of glasses just like these I show you. They had cost me 4½ bushels of corn in Omaha. I went down and bought this pair of glasses on Farnum Street, and I had to visit five opticians before I could get them down to a war basis. I was told that this rim cost \$6 and could not be furnished for less. I find to-day that they want 30 bushels of corn for such a pair of glasses, and yet I had paid before 4½ bushels of corn. I think that is profiteering. Why shouldn't I expect my corn to rise to a price where I can buy a pair of glasses at the same number of bushels of corn?

The CHAIRMAN. That is, of course, a question of relative prices.

Mr. SHROYER. Yes, sir.

The CHAIRMAN. If we admit that agricultural prices are below the prices for other commodities, and if agriculture itself is to prosper it seems clear that either the prices of other commodities must come down or agricultural prices have to go up, or both things have to occur until they come to something like a normal level. That is your proposition, is it not?

Mr. SHROYER. Yes, sir. I understand that labor must come down. That is, I believe, admitted all over the financial world. And if labor must come down as the result of a general, a world-wide demand, I can not see that there is anything to happen but that prices of other commodities must come down, and that I am right.

Representative MILLS. Are not prices coming down?

Mr. SHROYER. I did not want to bring this before your commission but I will give you an exact illustration of where they have not.

Representative MILLS. As to some things prices have not come down, but generally they have or are coming down.

Mr. SHROYER. This is a general illustration. I want to say that taxes have increased on my farm the last year—and this is personal—and freights have increased on products to and from my farm on the things that I bought last year; telephone rates in Nebraska have been increased by permission of the State railway commission; and I visited them and talked with them about those rates, and they gave very plausible reasons therefor; hardware has increased, I know by actual experience on my farm; coal has not increased perhaps, but is still well up to the old prices; interest on money I borrow has increased; the machinery of all kinds that I buy has not decreased very much in price, though it is decreasing a little now; incidentals, such as my glasses and other things my wife buys for use around the house, and everything except groceries, stays at about the same price. Flour has not gone down anywhere near what it ought to do. My cream has decreased from 64 cents a pound of butter fat down to 28 cents a pound last week. The corn that I sold last year I got in the neighborhood of \$1.80 a bushel for, but this year we will get 40 cents a bushel. Oats that we sold last year at 70 cents a bushel we will sell this year at 28 cents a bushel. Eggs that we sold last year for about 60 cents a dozen will this year sell for 20 cents, according to the last basketful I gathered at home. I gathered eggs at home and the next evening had two in a hotel and it took two dozen of my eggs to buy two cooked eggs served to me at a hotel. It took half a gallon of pure cream, separated cream, to pay for a dish of ice cream.

Senator ROBINSON. What is corn selling for a bushel?

Mr. SHROYER. From 38 to 40 cents a bushel. And Nebraska is in the most prosperous condition it ever was.

Representative FUNK. Have taxes come down any?

Mr. SHROYER. No, sir.

Representative SUMNERS. You mean prosperous by way of agricultural production?

Mr. SHROYER. From the farmers' standpoint.

Representative SUMNERS. Then what are you kicking about?

Mr. SHROYER. At the beginning of the war the Congress was sending farmers out to tell other farmers how to increase production. I was one of those farmers who was sent out for that purpose. The other day I went out—well, it was some months ago now—and I saw beans lying in the farmers' bins, because they could not sell them. I saw them on the market at 12½ cents. I saw other conditions there, and the condition as to wheat is there; and I have to go and tell farmers of the State that conditions are not true. The other day I went back to the University of the State and said, "I will not lie for the United States Government or the State of Nebraska." They asked, "What do you mean?" I said, "To tell them that the United States Government is going to back the farmer, and that a wide back, fat hog is going to bring good prices." I wish I had the letters about the matter; wish I had kept them. They said that even after the war prices were going to be maintained because Germany and other foreign countries were going to want fat. They told me to tell the farmers that. I saw that wide-back hog had depreciated from one to two dollars a hundred. I was told to tell them other things.

Now, men, I want to say to you that we have been disappointed in these things, and we feel that Nebraska farmers have been successful because they have done just what the Congress of the United States told the farmers to do. We have done all that, and look at the prices for agricultural products to-day.

And in connection with our boys who went across the water, I stood and viewed the sad sight of a great number of boxes, each covered with the Star Spangled Banner, indicating in each case the return of a son who had given his all for his country, perhaps a farmer's son, and perhaps the father had labored from daylight to dark to produce crops to meet the demands of the Government, and when I find millions of tons of hay untouched last year because it only brought \$6.50 a ton and cost \$4.50 a ton to put it on the car, leaving only \$2 a ton to pay expenses and cover profit, and so forth, I wondered.

Senator HARRISON. Do not you think that since the passage of the emergency tariff bill things have been helped?

Mr. SHROYER. I believe you are right. [Laughter.] Well now, for this reason: It has caused people to begin to talk and agitate conditions and to see what is coming. They know it is coming and I believe the tariff bill has helped us. It took time for you gentlemen to get it fixed up and it will take time to get it into operation. But the next time a shipload of wheat starts from the Argentine the gamblers will not be able to report all over the United States—corn I mean and not wheat—that the price of corn in this country is going to

come down on account of that ship load of corn that has started from the Argentine. Isn't that a help?

Senator HARRISON. Well, I am merely trying to get your viewpoint.

Mr. SHROYER. You will have to admit it is helping in that way.

Senator HARRISON. Has corn gone up in the last 60 days or 30 days?

Mr. SHROYER. No; I do not think it has. There has been no corn offered as yet in the United States, but when it is offered that tariff will help some, don't you think?

Senator HARRISON. I am trying to get the facts. Has the price of corn gone down in the last 30 days?

Mr. SHROYER. It had not when I left Nebraska, but it is expected.

Senator HARRISON. The tariff has not helped the price of corn any?

Mr. SHROYER. It helped in the way of providing for the emergency that was coming.

Senator HARRISON. It has not helped yet?

Mr. SHROYER. No; but I think it will.

Senator HARRISON. Do you know how much corn comes into this country every year from abroad?

Mr. SHROYER. Not much.

Senator HARRISON. How much?

Mr. SHROYER. I do not know. I have seen the statement.

Senator HARRISON. Isn't it a fact that not as much corn comes into the United States from the outside as is raised in one county in Illinois?

Mr. SHROYER. Yes, sir; I think so.

Senator HARRISON. How can the emergency tariff bill help any in the matter of corn?

Mr. SHROYER. For the reason that gamblers, when a ship load of corn leaves the Argentine, will report through all of the big dailies of the United States that corn is approaching American shores from the Argentine and immediately the markets are depressed from 7 cents to 10 cents a bushel. That has been our experience in the past.

Senator HARRISON. You say that not in any one year has as much corn been imported into the United States as is grown in one county in Illinois?

Mr. SHROYER. No, sir.

Senator HARRISON. Therefore what corn comes in from the outside does not affect the market?

Mr. SHROYER. Yes; it does.

Senator HARRISON. How?

Mr. SHROYER. It is like putting a scarecrow up in a field; it prevents the gambler from using that argument to depress the price of corn. When I put a scarecrow up I know that it will not kill a crow, and still we know that it will help.

Senator HARRISON. But we want you to state the facts?

Mr. SHROYER. Well, we need that scarecrow.

Senator HARRISON. I understand your scarecrow, but the object of a tariff is to protect against importation from other countries to this country, do you not understand that to be the case?

Mr. SHROYER. No, sir.

Senator HARRISON. What is it?

**Mr. SHROYER.** It is to protect us from the scare that the monopoly sends out to reduce the price of American-grown corn whenever this grain leaves the Argentine.

Senator **HARRISON.** It never has come into this country, corn I mean, in any quantity from abroad, has it?

**Mr. SHROYER.** No, sir.

Senator **HARRISON.** Do you ever expect it to come into this country in any quantity?

**Mr. SHROYER.** Oh, no; hardly.

Senator **HARRISON.** How can a tariff protect you against the importation of corn or help the price of corn?

**Mr. SHROYER.** Because, as many other things have done, of the psychological effect—it removes the possibility of these men using the argument of the shipment of corn from the Argentine to depress the price of corn in this country, which has its effect.

Representative **TEN EyCK.** You think the emergency tariff is really a scarecrow?

**Mr. SHROYER.** Yes, sir.

Representative **FUNK.** I do not think the witness wanted the statement to stand that corn had never been imported into this country from the Argentine, because it has.

**Mr. SHROYER.** Well, we modified that statement by saying that not more than is grown in one county in Illinois.

Representative **FUNK.** But your last statement was to the effect that it had never come in.

**Mr. SHROYER.** Oh, I have seen it.

Representative **FUNK.** I supposed you would want to correct that.

Senator **HARRISON.** He and I are agreed that the emergency tariff is a scarecrow.

The **CHAIRMAN.** Anything further?

**Mr. SHROYER.** Only we would like to see the Capper law passed; and more than that we would like to see the props taken out from under the monopoly, and also at the same time we want you to give us a law that will permit us to carry on cooperative industries. I thank you.

Representative **MILLS.** Have you worked out this long-time credit proposition?

**Mr. SHROYER.** Have I worked it out?

Representative **MILLS.** Yes.

**Mr. SHROYER.** I worked it out about 30 years ago when I commenced borrowing money on a year's time. Then we could buy our cattle and hogs or anything we wanted to buy—we never bought any hogs, but bought cattle—with perfect safety, and with the assurance that we could pay it when the note time came around. Now, I happen to have a note that is discounted every 90 days, and I know it is very inconvenient not to have longer time.

Representative **MILLS.** What sort of security can you give for a year?

**Mr. SHROYER.** On what?

Representative **MILLS.** On any farm product?

**Mr. SHROYER.** I can give good security. We have a warehouse law in Nebraska, that I assisted in putting through, that insures grain in my granary. I have \$18,000 worth of insurance on my hay, horses, and

cattle and other products on my farm. I have behind that a farm of 240 acres.

Representative MILLS. Of course you would not give the farm as security?

Mr. SHROYER. No, sir. But we have all these things insured. We have a hail-insurance law that I assisted in passing. I know something of the solidity of credit in that State. I know my farm products are insured, crops, from destruction by hail. I do not think there is a farmer in Richardson County who owns a farm that is not absolutely good.

Representative MILLS. I was wondering if you have crops in a warehouse if you would give a warehouse receipt?

Mr. SHROYER. Yes, sir.

Representative MILLS. But in the case of a growing crop, there is no assurance that you will always get the growing crop?

Mr. SHROYER. But cattle paper is what I was talking about. The banks so far have considered cattle paper the most stable security in the way of chattel property in the world—cattle and mules.

Representative MILLS. Are not there a number of private banking institutions who give credit on cattle for two years? Of course, they can not rediscount the paper at a Federal Reserve bank, but are not there a number of banking associations in the West that give credit for as long as two years?

Mr. SHROYER. I have heard that but never used it. I have always used my own bank.

Representative MILLS. Do you know how widely that credit is used?

Mr. SHROYER. Yes, sir; I think it is pretty widely used by the big men of the West. I think it is.

Representative MILLS. Have you ever heard the suggestion made that these private banking associations might in some way be made a part of our Federal reserve system?

Mr. SHROYER. No; I do not think I have.

Representative MILLS. You do not know, then, that any plan has been worked out in detail for this long-term credit of which you speak?

Mr. SHROYER. No, sir; I do not know that any plan has been worked out in detail—any plan of that kind.

The CHAIRMAN. If there is nothing further, Mr. Shroyer, we are very much obliged to you.

#### **STATEMENT OF MR. JOHN A. McSPARRAN, MASTER OF THE PENNSYLVANIA STATE GRANGE, FURNISS, PA.**

The CHAIRMAN. Give your full name, Mr. McSparran, your address, and your connections, so the committee will know them.

Mr. McSPARRAN. John A. McSparran. Master of the Pennsylvania State Grange, Furniss, Pa.

The CHAIRMAN. Proceed.

Mr. McSPARRAN. Mr. Chairman and gentlemen of the committee, we feel that there are a good many things that agriculture is suffering from, and two that are of a special and far-reaching importance. The first, of course, is the loss of our European markets that we have depended upon for 100 years, and without which we can not exist. The other is the falling down of the railroads in giving us a transporta-

tion that we can not afford to use. It is to this latter that I will especially address myself and suggest to you, if possible, some investigations that ought to be made along this line for the benefit of the people of the United States.

It is rather commonly assumed that the railroads are in the predicament that they are in because of the war, but I think that any of us can recall the fact that there were railroads that were weak before the war, that there were railroads that were in bad financial condition before the war. There were railroads that were paying their presidents more for running a single railroad than we are paying the President of the United States. There were directors that were dividing up the business of the railroad, which is a quasi public business, and were spending their moneys in ways that were inimical to the public welfare.

And then we do know also that the railroads did not play fair, or the railroad executives did not play fair with the Government during the war. If we common folks had done the things that a lot of the railroad executives did during the war in the handling of the railroads, we would have been stood up at the wall and shot at sunrise.

I watched one little division which is a very important division from the standpoint of national welfare, during the war, the one that comes down past my own home, 43 miles, that was the feeder of the Pennsylvania system to Sparrows Point, and to Wilmington and to Chester—places that had wonderfully important Government contracts. And I will just take a minute or two of your time, if you will allow me, to tell you of the things that happened during the war, during Government control, on that one railroad.

The Columbia section had always been kept in repair from the time the railroad was built, which I think was 30 or 40 years before the war, and I think there were never more than 15 men kept in keeping that road in repair. During the war, when the man power of the Nation was drawn upon as it had never before been drawn on, they had 50 men and women keeping that section in repair; and they had men and women employed on other sections of the 43 miles, and when the Government inspector came around they hid those women in the woods, they took them off the railroad and hid them, because they knew that was an indefensible operation.

Senator CAPPER. For how long a period was that?

Mr. McSPARRAN. Well, it was for months. I can not remember whether it ran into years or not, but it was for quite a while.

Representative MILLS. Do you contend that they put more men on that particular division for track maintenance than was necessary?

Mr. McSPARRAN. Yes.

Representative MILLS. Well, do you know who controlled such a proposition as maintenance during the war? Are you under the impression that the railroads themselves, through their directors and executives, controlled track maintenance?

Mr. McSPARRAN. Oh, no. But, you see, the Government had to use these men. The Government did not have a new set of railroad officers to put in to handle the railroad system. Of course every one knows that the railroads were operated by the executives of the railroads.

Representative MILLS. Well, any one knows that the railroads were not operated by any one but the United States Government.

Mr. McSPARRAN. Well, of course; all right.

Senator HARRISON. They were operated, as I understand it—I may be in error—through the executives of the railroads.

Mr. McSPARRAN. Why yes, of course.

Senator HARRISON. Under the supervision of the Director General of the Railroads.

Mr. McSPARRAN. Yes, absolutely. The Government had no other set of officers they could put in on the job. They had to depend on the honesty and the patriotism of these men. And I say to you that they did not play fair, and they would not have hired 50 men on there if they were playing fair. And if you will let me go ahead and finish the story I think you will realize it.

At Face Rock, several miles down the road, where the trains took water, they had a \$700 a month wage outlay, pay roll, for three or four men to be on the job there, and when a train came in, to get up on the tender of the engine and push the coal from the top of the pile down to the bottom of the pile so the fireman could reach it a little easier, and as I say, it cost then \$700 a month for possibly from a dozen to 20 trains a day.

They had a station cleaner for every station on that division, whereas they had always kept five or six stations clean with one man before. They had previously let this one man clean one station to-day, and another station to-morrow, and so on down the line.

Representative MILLS. You are right about that, but you are wrong in allocating the blame, and if you will look into the matter you will find that Mr. McAdoo, who was the Director General of the Railroads, made various agreements with the men, and that he is responsible.

Senator ROBINSON. Do you think Mr. McAdoo ordered any such arrangements as that? In fairness to Mr. McAdoo, do you think that Mr. McAdoo ordered the employment of women on the railroads, and then had them hide during the time when the Government inspectors went around making inspections? Do you think Mr. McAdoo ordered the employment of excess station cleaners?

Representative MILLS. Unquestionably. And I think if you study the agreements which were made by the administration while they controlled the railroads, you will find they are responsible for more men being employed on the railroad than ever before.

Mr. McSPARRAN. At Perryville they had 16 car cleaners, and there are not 16 cars a day to clean there. They had a little bit of a freight yard there, and they put two superintendents on there and two corps of officers in that little bit of a freight yard. They had five men watching the Perryville bridge to keep some German from blowing it up, they said.

I went up one day when every siding in the 43 miles but 3 was blocked with 16-hour trains. I went up another day and every siding was blocked with 16-hour trains. And the matter was taken up with the superintendent of division, and his answer was this:

You can not change the tonnage on these trains except by legislation, and you will have a hell of a time getting that legislation while the war is on.

They took men from Columbia and they hauled them 43 and 33 miles to Wilmington, Del., to work, and they worked two hours and a half if the train was on time, and they didn't work at all if the train was not on time, and they hauled those fellows back to Columbia in the evening.

Then they hauled men from Perryville to Columbia, 43 miles, to take the place of the men that they were hauling away from Columbia.

Now here is a point to show as to how far Mr. McAdoo was responsible. Mr. McAdoo asked that road to put some new steel down, because they had 11 miles of road graded when they built the McCall's Ferry Dam, and all they had to do was to lay the ties and steel. And they needed more space for transportation, they needed a double track to get the trains through, and they asked them to lay a double track. Did they lay steel for a double track? Not on your life. They hauled men from Perryville to Peach Bottom, a distance of 18 miles, and made but 2 miles of road instead of laying this steel on this 11 miles of track that they already had graded. And they blasted out the rock and they worked at this point, but they never laid down a pound of steel on the track they had graded, 11 miles of which they could have laid down in a few days' time, and serve the Government.

Representative MILLS. You are describing the condition of this railroad during the Railroad Administration's operation.

Mr. McSPARRAN. Well, of course if you are simply going to admit that the Government had to use men, then, of course, we will have no further controversy about it. You can then throw that point out as worthless. I believe any intelligent man will recognize the fact that the Government was compelled to use men that it could not control.

Senator ROBINSON. You have already stated, if I understood you correctly, that the parties in control, who were in actual control of the operation of the railroads, were the same practically as before the war?

Mr. McSPARRAN. Yes; with the exception of a few division heads, and they were men taken from other divisions. They were not men that were taken out of public life. They did not, for example, take a farmer and put him at the head of a division of the railroad. They had to get railroad men.

Now that kind of thing was done not only on that division, but it was done on a lot of other divisions, because I made inquiries around, and you will find that a lot of other people will tell you that that same kind of thing was duplicated.

Now these same fellows that did that when this Nation was in tremendous need, and when we were facing the greatest crisis we ever had, are now coming in before this Congress asking for a billion and one-half indemnity, a large part of which is based on the claim that labor was inefficient, and I think that the time has come when somebody ought to find out whether or not the executives were inefficient. This thing of letting labor be the goat for this whole situation is awfully tiresome to the folks in the great outdoors.

Now if you will start an investigation of that thing you will not have to pay that large sum of money that they are asking, because it will never stand the light of day.

And now we are paying freight rates to-day the like of which have never been known, I think, in human history. And you heard the testimony that was given yesterday, you heard testimony galore, which I am not going to repeat, as to the effect that these freight rates are having on the movement of agricultural products, on crops, and of course they are having the same effect on the movement of every kind of material that has to move over the country. Therefore it is a tremendously vital problem, and it is doubly vital to us, because we are practically the only people in the country who pay freight both ways. It does not affect the manufacturer except one way.

Senator ROBINSON. May I ask you one question there?

Mr. McSPARRAN. Yes; certainly.

Senator ROBINSON. Have you with you illustrations enforcing the statement you have just made as to the freight rates?

Mr. McSPARRAN. Well, what do you mean?

Senator ROBINSON. Have you the rates that are being charged?

Mr. McSPARRAN. No; I have not the tariff with me; no, sir.

Senator ROBINSON. They can easily be procured, of course.

Mr. McSPARRAN. Oh, yes. Now that being the case, we having to pay freight on the stuff that goes from our farms to the terminal market, and then having to turn around and pay the freight as we do on our farm machinery and fertilizer and everything of the kind that we buy, as it comes to us, makes us tremendously interested in the effect of these rates upon our welfare.

The CHAIRMAN. Before you get into that, may I ask you this question. Of course, what happened during the war to the railroads is more or less water that has gone over the mill, unless it is in some way related to the present freight rate situation. Now are you maintaining that the situation to which you have referred during the war is in some way related to the present freight rates?

Mr. McSPARRAN. Yes. I thought I did connect that up in the requests that are being made by these same executives that did these things, who are in here now asking for—I think their total bill was a billion five hundred million dollars—to pay for the inefficiency of labor. And now the chances are that the Government is going to pay a lot of that unless somebody calls them to order.

Senator ROBINSON. And your statement is that if there was inefficiency it was attributable, in part at least, to the managers of the roads themselves, that is, the managers who were responsible for their operation?

Mr. McSPARRAN. Why, of course it was.

The CHAIRMAN. What I am getting at is this: Are you contending that the rates which are in force now are based in any part upon the costs incident to inefficiency of labor, if there were any, or the policy adopted by the railroad executives during the war?

Mr. McSPARRAN. Well, as I understand the Esch-Cummins bill the Interstate Commerce Commission has the authority to give them rates that will net them a certain return on their investment. And then, you readily understand, if there is any waste or extravagance—

The CHAIRMAN. Well, that does not relate back to waste and extravagance for rates that were effective during the war period.

**Mr. McSPARRAN.** Well, I think you misunderstand me, sir, and I told you that story about the war simply to show you that you have no right to depend on the books that the railroad executives are bringing in here and laying down and saying, "This is our business," because a fellow that will act that way during the war, when his Nation is in peril, can not be trusted in time of peace.

**Senator ROBINSON.** May I explain there what the Esch-Cummins bill does in that particular? It has been referred to a number of times during the hearings, and no doubt will be referred to hereafter. The Esch-Cummins bill provides that railroads, considered in rate-making groups or as a whole, the rates shall be so adjusted as to provide a return of not less than 5½ per cent upon the value of the properties used in the operations of the railroads in that district. It does not give to any one railroad a return of that amount, but it takes the property in the rate-making district and says, "As a rule of rate-making for the commission, in adjusting rates, you shall provide them as near as may be so that when honestly and economically administered or operated these roads may receive a return of that amount on the value of their properties." Certainly if the properties are dishonestly or otherwise than economically administered, it would increase the amount that would be required to meet that rate, and in that particular, if your statement is supported by the facts, your argument is sound, in my opinion.

**The CHAIRMAN.** Well, but he is referring to facts which have no relation whatever to present values. The question of what the Government may or may not owe the railroads for failure to maintain the road during the war period has no relation, whatever, that I can see, to present freight rates.

**Senator ROBINSON.** Well, it is related to the question of maintenance and to the present request, being urged by the executives of the railroad for an advance from the Government of \$500,000,000 in the nature of a loan in connection with their maintenance and operation during the war.

**Representative FUNK.** As I understand this gentleman, he is objecting to the present freight rates being too high, and one of the factors and one of the reasons why the freight rates are so high now is because the present cost of operation is high, and we inherited that from the war period.

**Mr. McSPARRAN.** We inherited it way before the war period.

**Representative FUNK.** Yes; you made that statement.

**Representative TEN EYCK.** Does not the Esch-Cummins bill say that the road can earn 6 per cent on the valuation in certain regions, but can only pay out 5½ per cent?

**Senator ROBINSON.** Well, there is an authorization of another one-half per cent in addition to the 5½ per cent, to meet certain conditions of operation in the maintenance of way improvement, that is true. There is a leeway there.

**Senator HARRISON.** Are these same railroad officials that are now operating the railroads the same officials that were operating the railroads before the war and during the war, as a rule?

**Mr. McSPARRAN.** Yes. Of course the divisional superintendents are moved around, but the local men are the same.

**Representative MILLS.** What do you mean by "the local men"?

Mr. McSPARRAN. Well, I mean the division men. There have been very few changes made along the divisions that I have noticed.

Representative FUNK. It is the same as before, except the regional director.

Mr. McSPARRAN. Yes.

Senator ROBINSON. What the Director General did was to divide the country into regions, and appoint a well recognized railroad executive or operative to supervise the operations in that region, and in addition to that a regional manager was appointed, who performed an analogous function in connection with the general management of the roads, but the actual operators of the roads, just as the witness has stated, were the men who operated them before the war, and who are operating the roads now.

Representative MILLS. As long as we have gotten into this, let us get the record straight. Is the agreement as to wages part of the operation of a railroad, Mr. Witness?

Mr. McSPARRAN. Yes, sir; it is.

Representative MILLS. Who fixed the scale of wages during the war and after the war, for at least two years after the war?

Mr. McSPARRAN. I think the Government in general.

Representative MILLS. Well, not in general, now. Let us have it definite. Who fixed the rate of wages?

Mr. McSPARRAN. Well, I do not know. I thought that it was only in general. If they went down to every single employee of the railroad, I did not have an idea that they did, and I do not suppose they did.

Representative MILLS. The Government. Who fixed the hours of labor during the war?

Mr. McSPARRAN. The Government, under the Adamson law.

Representative MILLS. And that is part of the operation of the railroad, and a very important part.

Mr. McSPARRAN. Yes.

Representative MILLS. Who made the so-called national agreements with every class of employee on the railroad, specifying not only the hours of labor, but the exact character of the labor to be performed by each man? Was that made by the executives of the railroads, or by the United States Government?

Mr. McSPARRAN. I think the national agreements were made by the Government.

Representative MILLS. And do you not know as a matter of fact that in making those agreements the railroads were not even heard, and that those agreements were made over their protest?

Mr. McSPARRAN. Naturally.

Representative MILLS. And if you want to get further illustrations of the condition which you have described, and which probably existed, I suggest that you turn to the pages of the hearings before the labor board last winter, and you will find that even last winter it took as many men as five to repair a headlight that before the war was repaired by the engineer as a part of his duties, and that under those same national agreements, negotiated by the Government on behalf of the railroads, it to-day takes five men to repair one headlight, and I think that is a better illustration of the condition than even the ones that you gave.

Mr. McSPARRAN. I think that is generally understood as far as those labor contracts were concerned. The Government made them. But then you have just touched one little corner, one edge of it. That only touches but one little corner of the railroad.

Representative MILLS. What is the biggest item of operation in railroad operation to-day?

Mr. McSPARRAN. I think labor is.

Representative MILLS. The pay roll, isn't it?

Mr. McSPARRAN. Yes.

Representative MILLS. Doesn't it to-day take over 60 per cent of gross?

Mr. McSPARRAN. Well, I don't know exactly. You know that better than I do, I reckon. But that does not touch but one little corner of the railroad.

Representative MILLS. But we can spend months in the investigation of the railroads alone, if we go into that.

Mr. McSPARRAN. Yes; but the statement, I think, still stands.

Senator ROBINSON. There is no question about that proposition.

Mr. McSPARRAN. Now, there is another side of the proposition that we are concerned with, and that is that the railroads in this country have never performed the function of transportation. Who gave the executives of these railroads the right to farm out their business to private individuals? The Pullman Co., if I am correctly informed, made a fight against the raise in Pullman rates, and all the raise that was given in the Pullman rates goes to the railroads. Now, that indicates that Pullman got it pretty nearly all before. Now, who gave the executives of the railroads the right to farm out that business? You have never seen Pullman stock begging for money. You have never seen Pullman stock selling under par. You have never seen them suffering in adverse times.

The railroads can not get money, and of course they never will get money until they take over their business and run it, and somebody has got to tell them to do that thing. The Canadian Pacific stock has never sold under par. It is selling to-day for 115. And the Pennsylvania, as fine a railroad property as there is in the world, its stock is selling for 34 on a \$50 a share basis. And take the Union News; you can not buy a share in that organization. It is one of the fanciest stocks in the country. The Canadian Pacific takes a broken-down man off the railroad, a man that has a broken arm or who is incapacitated for other kinds of work, and he is put into this service. He is given a position, and he sells oranges on the trains at 15 cents apiece, and candy and other things. Now, that is what the Union News does, and if there is any money that comes out of that, the stockholders get it. And if you get a berth on the Canadian Pacific the stockholders get any money that comes out of that, and it is a lucrative business.

And then you can go all the way down through the other lines. There is the express business. What transportation service does the express company render? Absolutely none. The express companies are no part of the transportation system, except an excrescence on it, a parasite. Who gave the executives of the railroads of this country the right to parcel out that to a bunch of fellows and make profits on that business that ought to go to the stockholders of the

railroads? Who gave them the right and privilege of giving away something that ought to go to the stockholders?

And now we come to the matter of the refrigerator cars. We are asking the railroads for refrigerator cars in the fall of the year to ship potatoes. What occurs? Why, the railroads say they do not have any to furnish. They are owned by the packers, by the fruit express companies, and by others, and so we can not get them from the railroad companies. And instead of being owned by the railroads, so that they can be used for the benefit of the public, they are owned by others. Now, who gave the executives of the railroads the authority to give away this business? If we gave away our buckwheat, and if we gave away our corn, and if we gave away our wheat, how could we make a living out of our business of farming? But that is what the executives of the railroads have done, and now then they come in before the Interstate Commerce Commission and lay down their books and say, "Here is our business." It is a little part of the business. And one reason why it is so small a part of the business is because they give away a great deal of their business, and it does not show on the books. Now, some one has got to call on those fellows to show that situation and to tell them what to do. One reason why labor is so small a part of the business is, as I say, because they give away a great deal of their business.

Senator HARRISON. Where do they parcel it out?

Mr. McSPARRAN. Why, I have talked to the heads of the railroads, and they say, "We can get this done just as cheap as we can do it ourselves."

Senator HARRISON. But if the other fellows are making big profits, why is it that the railroads do not retain it and make those profits?

Mr. McSPARRAN. Well, I have not been able to get the data that I think can be found and that I believe you fellows ought to find, and that is, as it has been shown, that there are interlocking directorates in regard to the industries, shops and so on, just as there is internal ownership that made a lot of fellows be dismissed at Altoona, from the Pennsylvania shops there, and the railroad company sent its engines down to the Baldwin Locomotive Works and had them repaired there for \$20,000 per engine, when they could do it themselves up at Altoona for \$4,000, and yet they dismissed their own men and sent their engines down to the Baldwin Locomotive Works—so the papers said—and there has been quite a time about that. That has been shown, and it is in the Congressional Record back in May of this year.

Representative MILLS. Do you expect us to believe everything in the Congressional Record?

Mr. McSPARRAN. Oh, I don't reckon you do. But I think that is considered pretty reliable testimony.

Senator HARRISON. Well, perhaps the reason we do not believe it is because we put it in ourselves.

Mr. McSPARRAN. Yes. But a person would believe everything that we fellows tell you. Of course we understand that.

Now, that is the situation as we see it from a railroad standpoint, and we are in desperate shape with regard to our transportation. Now, we believe that you men have certain definite things that you ought to do. In the first place, you ought to recommend, if the facts

are not to be found—and I do not believe they are to be fully found—to the Federal Trade Commission that they get the facts.

The CHAIRMAN. About what?

Mr. McSPARRAN. About railroad operation. About where the money of the railroads has gone to. Here is the Canadian Railway for instance, going through pioneer country, Alberta and Saskatchewan, over the Great Divide, with engineering problems such as I do not think any of our trunk lines has to meet, and I have been over every trunk line, I think, in the United States, with one exception and that railroad company has engineering problems the like of which none of our trunk lines have, and yet all through the war, with Canada bled white, the stock of that company never came down below 117, I think. That was the lowest quotation that I ever saw on Canadian Pacific stock.

The CHAIRMAN. You said we ought to have the Federal Trade Commission get the information.

Mr. McSPARRAN. Yes.

The CHAIRMAN. Do you mean that?

Mr. McSPARRAN. Yes.

Senator HARRISON. The Interstate Commerce Commission?

Mr. McSPARRAN. No; I mean the Federal Trade Commission. Congress established the Federal Trade Commission to do that work as an investigating institution. Now I see in this Congress a disposition to take a lot of things out of their control and give them to administrative departments. Now, administrative departments, such as the Interstate Commerce Commission, the Secretary of Agriculture, and people of that type, are not as well adapted and fitted, in our judgment, to do that work as the Federal Trade Commission, which you have established for that purpose, and that purpose alone.

Senator HARRISON. Well, it has worked too well. They want to destroy it.

Representative TEN EYCK. Isn't it a fact, however, that the Canadian Government subsidizes its railroads?

Mr. McSPARRAN. I do not think that the Canadian Government subsidizes its railroads any more than we do ours just at present.

Representative TEN EYCK. Is it not a fact that they do give them a certain subsidy?

Mr. McSPARRAN. They own the stock of the railroads; that is, they own a majority of the stock. I do not understand, however, that they give them a subsidy.

Representative TEN EYCK. I understand that a subsidy is given to the Canadian railroads by the Government.

Mr. McSPARRAN. The Canadian Government, I think, owns a little over 50 per cent of the stock of the railroads of that country, and operate some of them as a Government proposition, but I do not believe there is a subsidy paid to the railroads.

Representative TEN EYCK. It may not be a subsidy on a certain percentage basis, but at certain times they advance money, give them money for certain things.

Mr. McSPARRAN. That may be, just as the Esch-Cummins bill provides for a subsidy.

Then I think you have a right to demand that there should be a reduction of rates. Now, what is happening at the present time is

that the railroads are not getting the business. We are breaking our roads all up by hauling freight in large 10-ton trucks, doing the business that the railroads ought to do. We have got whole States in which our macadam roads and our dirt roads are practically smashed to pieces because these large trucks are trying to do what the railroads of this country were built to do. Now, I can readily understand how we will always have trucks to carry the perishable freight, like vegetables, into a quick market, but I can not understand why a whole line of trucks should run from Philadelphia to New York carrying merchandise from one store to another.

Senator HARRISON. Probably the high railroad rates.

Mr. McSPARRAN. Absolutely. And they are not intended for that purpose. And it is an awful falling down on the part of the railroads, that they will sit by and lose their business, with a rate that will not get them business, and at the same time they are taxing us people to death, who are the biggest shippers in the country. They ought to get those rates down and then see if they can not get some business. Of course, if they can not make a living they will starve to death, and they will do so if they are going to keep on with the rates they have now, because there is a lot of stuff that is not moving at all, and there is a great lot of stuff that is being moved by truck that ought to be moved by the railroads, and it is being moved in every possible way except over the railroads.

Representative FUNK. Just how would you suggest that Congress should go about it to reduce freight rates on the railroad?

Mr. McSPARRAN. Well, I suppose you should instruct the Interstate Commerce Commission on it, just as you do in other matters. You instruct them what powers they have and what duties they should perform, and I think you should give them an emergency instruction on this, just as you have passed other emergency bills on specific propositions for specific purposes.

Senator ROBINSON. During the war passenger rates were deliberately increased for the purpose, in part, of discouraging travel, and thus enabling the Government in the operation of the railroads to do certain other things that had to be done. The passenger rates are so high now, and particularly Pullman rates, that they are still discouraging travel and are very greatly diminishing the returns from the railroads. It seems to me that that is manifest to anyone who travels very much.

And with respect to freight rates, while the judicious determination of the question involves a very great deal of knowledge and familiarity with a great many facts that an ordinary person can not acquaint himself with and perform other duties, I have the impression that as to some commodities at least, and in some sections at least, freight rates are so high now that they are preventing business and thus reducing the return, diminishing the returns from the railroads instead of increasing them.

The object of permitting increases in freight rates, the primary object, was to increase the returns of the roads, but everybody who has made any study of the subject realizes that rates may be made so high that they may almost suppress business entirely, and I think there is much more to your suggestion, although the intricacies of the subject present very many and great difficulties.

Senator HARRISON. I want to ask Senator Robinson, who is familiar with this subject, this question: The passenger rates were increased to discourage travel?

Senator ROBINSON. Yes.

Senator HARRISON. They have never been reduced since that, have they?

Senator ROBINSON. No; but my impression is that in some respects they have been increased, and certainly the Pullman rates have been increased from time to time. They are higher now than they have ever been in my lifetime. It costs me approximately twice as much Pullman fare and one-half more railroad fare to go from here to Little Rock, Ark., as it did in the prewar period.

Senator HARRISON. It takes all I can borrow.

Senator ROBINSON. The increase is both as to Pullman rates and as to ordinary passenger rates. I recall, as an illustration, that a seat in a Pullman car from St. Louis to Little Rock, on the occasion of my last trip home, cost \$2.83, and there were only five or six of us in the Pullman that day. In my opinion the excessive rate had something to do with the fact that other people were not riding there. I, myself, was wondering if I had not better be in the chair car.

Mr. McSPARRAN. Well, I travel a great deal in the Pullman cars, and I sometimes almost have a special car to myself. I don't think that I ever went exactly alone, but I have gone with two or three passengers in the car.

Senator HARRISON. Well, you are paying enough to get a special car.

Mr. McSPARRAN. Well, now, while I am on my feet, if you will allow me to make some other suggestions with reference to what seems to me ought to be done and ought to be done quickly.

Representative MILLS. Well, do you contend that Congress can more effectively regulate rates than a body like the Interstate Commerce Commission?

Mr. McSPARRAN. Oh, no. My thought was that you would give the Interstate Commerce Commission some instructions. I would say that we have very earnestly and carefully put this subject up to the Interstate Commerce Commission. We are not coming to you without having gone to them. They have not done anything to date. We asked them months ago to take some steps.

Representative MILLS. You are not suggesting that this commission should go into the whole question of railroad rates, are you?

Mr. McSPARRAN. No; my thought was that the commission should suggest what Congress should do to help agriculture. As I understand, that is the purpose of the commission. Is that right?

Representative MILLS. That is my understanding.

Mr. McSPARRAN. Well, now, I suggest to you that you give such an emergency instruction to the Interstate Commerce Commission to get something done on this proposition.

Representative MILLS. Could we do that without investigating the whole subject of railroad rates?

Mr. McSPARRAN. I should think so.

Representative MILLS. Without investigating it?

Mr. McSPARRAN. Yes. It does not require investigation. When anybody that rides over the roads can see that they are not getting the business, it does not require a scholar to see that possibly the reason for that is because the rates are prohibitive.

Representative MILLS. That might be so, if the facts were not that even after the higher rates went into effect the railroads did as big a business as they ever did in their history; in fact, a bigger business, until business itself went flat on its back. Now, you may be right.

Mr. McSPARRAN. Well, it ought to have been much larger.

Representative MILLS. And you are unquestionably right in so far as certain commodities are concerned, but short of investigating the whole question of individual rates no man can pass competent judgment, and the answer, in my judgment, is that probably what you want is not a horizontal adjustment of rates, but a readjustment of rates on individual commodities.

Now, you must realize that if this commission, which is primarily interested in agriculture, and whose job is to try to ascertain the condition of agriculture, and what can be done to help it, gets into the subject of railroads, that we will never take up anything else, will we?

Senator HARRISON. But we are specifically instructed to investigate the transportation question as it affects agriculture.

Mr. McSPARRAN. Yes. If you leave those two things out—the European situation and the railroad situation—I think you are wasting your time.

Representative MILLS. I am not suggesting that we leave it out. I am not suggesting for one moment that we leave out the question of how these high rates are affecting the agricultural situation, but I am asking you whether you think this commission can go into the whole subject of railroad rates with a view to advising the Interstate Commerce Commission.

Mr. McSPARRAN. No; but I would suggest that you advise the Interstate Commerce Commission to get busy and do something. It has been a long time now that we have been in this situation. Why, you could pass emergency measures in the war, and you could get things going in two or three weeks; but now something has happened and you can not get anything going. It is not a question of two or three weeks, but it is months and months and months.

Senator HARRISON. There have been big changes since November 2 of last year.

Mr. McSPARRAN. There is another proposition that we want to suggest to you, and that is that you would recommend to Congress that they do away with the old principle of raw materials in connection with the tariff consideration. It always was a fraud, always will be. It has hampered the life out of the farmer because his stuff is considered raw material and everybody else's stuff is considered finished product.

Now, when the farmer grows an animal and takes the hide off of that animal, that hide is his finished product, and nobody has a right to that hide as a raw material. If the shoemaker is going to have protection, then the fellow that grew that hide ought to have protection. And so on down the line.

If you take out the principle of raw materials, which has gotten into so many of our tariff laws, you will do the agricultural interests of this country a great service, because as a rule it is their finished product that is the raw material of somebody else.

Another suggestion is the establishment of some kind of an export corporation. I said in the beginning that there were two

things that were hitting agriculture awfully hard: The transportation system was one, and the loss of the European market was the other. Now, it will not do for us to say that Europe is bankrupt at all. We will have to take an entirely different stand. If I am properly informed, England after the Napoleonic wars was in debt up to the total valuation of her resources. England to-day is in debt up to 20 per cent of her total resources. Italy is in debt up to 49 per cent of her resources. France is in debt up to 51 per cent of her resources.

Representative MILLS. When you say "resources," what do you mean?

Mr. McSPARRAN. The total resources of the nation. The total values of the nation, just as you would speak of the resources of the United States.

Representative FUNK. The value of all the property in the nation?

Mr. McSPARRAN. Yes.

Representative MILLS. May I ask you what figures you are putting in the record on that particular point? Where do you get those figures?

Mr. McSPARRAN. From Commerce and Finance, issue of July 6, 1921, page 972, in a Statistical Summary of the Economic Situation, revised weekly by J. S. Raphael.

*National debts and wealth.*

[Commerce and Finance No. 27, July 6, 1921.]

	Estimated national wealth.	Present national debt.	Per cent.
British Empire.....	\$230,000,000,000	\$45,800,000,000	19.9
France.....	100,000,000,000	51,000,000,000	51.0
Russia.....	60,000,000,000	25,400,000,000	42.3
Italy.....	40,000,000,000	19,600,000,000	49.0
Japan.....	40,000,000,000	1,840,000,000	4.6
Germany.....	20,000,000,000	62,500,000,000	312.5
Austria.....	1,000,000,000	17,700,000,000	2,710.0
Hungary.....		9,400,000,000	
United States.....	500,000,000,000	23,950,000,000	4.8

Senator HARRISON. Is that on the present valuation? I wonder when that was made.

Mr. McSPARRAN. I do not know.

Senator HARRISON. But since the war?

Mr. McSPARRAN. Yes; I think so. I think those figures are since the war.

The CHAIRMAN. You do not have any of the data on which those percentages were arrived at with you now?

Mr. McSPARRAN. No; but I will try to give them to you.

Representative MILLS. I do not like to question it, but I have got a very different impression, certainly as to France and Germany.

Mr. McSPARRAN. France, after the Franco-Prussian War, was indebted clean up to the very limit.

Representative MILLS. Oh, no, nothing like that.

Mr. McSPARRAN. Neither were its resources anything like what they are to-day. But that is speaking relatively.

Representative MILLS. Well, I would check up on those figures, because I think as far as France and Germany are concerned the figures you have given are way off from anything I have ever seen.

Mr. McSPARRAN. Well, here is a situation that strikes us as very peculiar, right here to-day. A Congressman told me yesterday that Congress was scared of Germany, and was going to make a tariff bill to protect us against the influx of German material. And then yesterday some of you men here said that Europe was bankrupt, and that we did not dare loan them a dollar, because we would never get that dollar back.

Senator HARRISON. That is a scarecrow.

Mr. McSPARRAN. Now, I say that there is something desperately wrong in the situation. I say you do not have any reason to fear Germany from the tariff standpoint, or else you ought to be able to loan money to Europe so we farmers can get our legitimate market, and the market that we have got to have. Now, we have big crops in our fields to-day. If you men do not do something soon to open up the European markets we are going to be in one awful soup in a few months.

Senator HARRISON. Well, how would you open up the European market?

Mr. McSPARRAN. I would loan some money to those people. You will do it eventually anyhow. We are the only people in the world to-day that have the money to do that. And if I am correctly informed, England is selling everything she can lay her hands on to central Europe, doing a tremendous business over there.

The CHAIRMAN. Her export business has fallen off tremendously in the last few months.

Mr. McSPARRAN. Whose export business?

The CHAIRMAN. The export business of Great Britain, if I am not mistaken.

Mr. McSPARRAN. It may be true that England's export business has fallen off in the last few months, but for a while she was in a glorious situation.

The CHAIRMAN. May I ask you a question or two in regard to this export situation?

Mr. McSPARRAN. Certainly.

The CHAIRMAN. I do not think any member of this commission underestimates the importance of foreign markets. It does seem to me, however, that there is a certain disposition to overestimate the importance of the foreign market and underestimate the importance of the domestic market. Now, as a matter of fact, the figures show that so far as exports are concerned, during the last few months, in which there has been a very marked falling off, they are still above the figures of 1913. Now, I just venture the guess—I have not any figure on it, though we hope to have the figures—that there is a very much more marked falling off in consumption in this country as compared with 1913 than there is a falling off in exports as compared with 1913. In fact, as I say, there is not any falling off of exports as compared with 1913. There certainly is a very great falling off in consumption, domestic consumption, as compared with 1913.

Mr. McSPARRAN. Well, now, may I ask you the question, why, as compared with 1913? I would say that that would be true as compared with 1917, but why as compared with 1913?

The CHAIRMAN. Because 1913 is a relatively normal year, while in 1917, 1918, and 1919 the exports of all kinds were certainly not upon a normal basis.

Mr. McSPARRAN. No; but you do not mean to say that in 1913 consumption was above normal? It was not during the war. Everybody was living high then. But in 1913 there was no abnormal consumption, was there?

The CHAIRMAN. Exactly.

Mr. McSPARRAN. Well, we are not below normal consumption now.

The CHAIRMAN. Yes; I think we are.

Mr. McSPARRAN. You think we are?

The CHAIRMAN. I think so, decidedly. I do not think there is a particle of question about it. Let us take the situation in the cotton section of the country. Do you think that the farmers in the South, in the cotton section, are consuming as much to-day as they were in 1913? Do you think the farmers of Pennsylvania are consuming as much under these conditions as they were in 1913?

Mr. McSPARRAN. Well, I would have thought that the consumption could have been about the same as in 1913, but not the same as in 1916, 1917, 1918, or 1919.

The CHAIRMAN. I think you will find that the consumption to-day, particularly in the industrial sections of the country, and in the South, and perhaps the country over, is very much less than it was in 1913. And that our difficulties, the agricultural difficulties, are fully as much due to falling off of consumption in this country as they are due to falling off of exports.

Mr. McSPARRAN. Well, the farmer was not fat in 1913, you must remember that.

The CHAIRMAN. That is not the question. It is simply a question of the relative consumption.

Mr. McSPARRAN. I would like to see figures on that before I accept the statement, because in 1913 they were not fat.

Representative MILLS. Their position improved very steadily from 1899 to 1913.

Mr. McSPARRAN. Well, with the break from 1907 to 1910, along in there.

Representative MILLS. Have you looked up the export figures at all that you are assuming to deal with?

Mr. McSPARRAN. No; I am taking the general proposition. There has not been a year for 100 years that we have not had a big export of food products.

The CHAIRMAN. That is a matter of commodities again. You can not deal with that situation on the basis of one commodity. It is a matter largely of general commodities, and the situation with respect to one commodity is very different from another.

Mr. McSPARRAN. I am speaking of agricultural products.

The CHAIRMAN. The situation with respect to wheat is absolutely different from the situation with respect to hog products, for instance, altogether different. They are not upon a comparable basis at all.

Representative MILLS. For instance, we are exporting as much wheat as we did in 1913.

The CHAIRMAN. A great deal more.

Representative MILLS. And in 1913 we exported practically no beef at all.

Mr. McSPARRAN. No.

Representative MILLS. Relying entirely on the home market. And they were getting good prices. We exported in 1920 more hogs than we did in 1913. The figures show that.

Mr. McSPARRAN. Well, I can not see yet, though, what particular effect that has on the general situation.

Representative MILLS. Except that the general situation is not wholly due to the falling off of the export market, and will not be entirely solved by dealing wholly with the export market.

Mr. McSPARRAN. Certainly not.

The CHAIRMAN. I wanted to lead up from that situation to another for just a moment. The credit in this country is not an indefinitely expandable thing. That is to say, there must be some limit to which you can expand the credit of this country, and beyond which you can not go. Now, one of the reasons I think for the tight credit situation of this country is the very large amount of foreign credits which we undertook to absorb in 1919 and 1920. Now, you can not have an indefinitely expanded foreign credit and an indefinitely expanded domestic credit at the same time. I think we are getting up to a place where we have got to make some choice as to whether we are going to expand our foreign credits or expand our domestic credits. I do not think we can do both to an unlimited extent. I think we are fairly up to the point of making some choice of that kind.

Mr. McSPARRAN. No; neither can you deflate or double the interest rate on people that can not afford to pay it.

The CHAIRMAN. I think that is true.

Mr. McSPARRAN. You have got that side of the question to look at. You have got to keep things on a higher basis, and this talk about getting back to prewar levels is all poppy-cock. You can not get back to prewar levels.

The CHAIRMAN. I think that is quite right. I agree with you on that.

Mr. McSPARRAN. You can not deflate, you can not keep going down, because if you do it is going to increase our indebtedness, it is going to double our interest rates, and we can not deflate.

The CHAIRMAN. The only object in making the suggestion is this, that we have got to deal with this situation upon the basis of definitely ascertained facts. We can not simply jump at the conclusion that this whole deflation of agricultural products is due to falling off of exports. We have got to determine whether it is due to the falling off of exports and the extent to which it is due to the falling off of exports, if we expect to remedy this situation upon any sound basis.

Mr. McSPARRAN. Oh, well, that can not possibly be otherwise. It requires no study to prove that, because if you take away the buyer of the surplus of a perishable product, why you slump the market, that is all there is to it. Why, year after year we took less money for our big crops than we got for our little ones. I have forgotten the figures, but there is a cotton crop that proves that, there is a wheat crop or two that proves that where we had larger crops than we expected to have we took less money for the big crop than in another year we took for the small crop, showing that the surplus

not only did not find a market, but it reacted upon the market that we did have.

The CHAIRMAN. Well, that may be true, depending upon whether you did have a normal export that year or whether you did not have.

Mr. McSPARRAN. No; I was not speaking of it from the standpoint of export at all. I was speaking of it from the standpoint of surplus.

The CHAIRMAN. Your surplus bears some relation to your export, doesn't it?

Mr. McSPARRAN. No; it is not a question of where you sell your surplus. I am talking about the surplus. It does not make any difference where we send it, whether we send it abroad or keep it at home. Our surplus is what we have above what we can consume. Now that is surplus, whether we sell it abroad or at home.

Representative SUMNERS. Is not this about the situation, that in the attempt to relieve the conditions which confront the American farmer, we must work at every place that offers reasonable prospect of a substantial degree of success, and when these various avenues and fields of distribution are suggested it is not thereby contended that that is the only thing that can be done, but that it is one of the several things that can be done.

Mr. McSPARRAN. Certainly.

Representative SUMNERS. Now, when we confront the European situation there are a few things which we do not have to investigate to know. We know that they have had a terrible war over in Europe. And that has largely exhausted the cash and available credit. We know that the exchange rate is very much against Europe. We have this surplus in this country which our own people are not absorbing. We confront the necessity of either selling a considerable part of that to Europe or have it accumulating here. There are no other planets to which we may send our commercial men. That is just the situation. Whether we like it or not that is the situation.

Now, if we could arrange, or suppose we could arrange reasonably long time credits to get to them the material to rehabilitate their industries, put them into operation and preserve the physical figure of their people, of course we would be getting rid of our surplus and getting into operation those who are to be depended upon to consume our surplus later on. To the extent that we could give them reasonably long time credits I think they could pay us a bigger price, because they could reasonably hope that after a while the exchange rate would be more favorable to them than now.

It has always seemed to me since we came to deal with the European situation, that as far as we could do it, if we could get some sort of basis for a preferential credit for the commodities which may be sold for rehabilitation purposes, we could speed the revival of activity and purchasing in Europe.

Mr. McSPARRAN. Well, I feel sure that we will do it sooner or later. If we do it sooner we will help our own folks while we are helping Europe. If we do it later we will be helping Europe without helping our own people, because we can not get along.

Representative SUMNERS. If we could bring this about it would help all the people in our country.

For instance, in the South, if we can get some of our cotton over there, which is now not going over there, it would stimulate the pur-

chasing power of our people in the South, and we could buy some more of your crops.

Mr. McSPARRAN. Yes.

The CHAIRMAN. Have you anything further to say, Mr. McSparran?

Mr. McSPARRAN. No.

The CHAIRMAN. Are there any further questions that any one wishes to ask Mr. McSparran? If not, that will be all.

Mr. McSPARRAN. I thank you, Mr. Chairman and gentlemen of the committee.

The CHAIRMAN. It is now nearly 12 o'clock, and the commission will take a recess until 2 o'clock this afternoon.

(Whereupon, at 11.50 o'clock a. m., a recess was taken until 2 o'clock p. m., Tuesday, July 12, 1921.)

#### AFTER RECESS.

The commission resumed its session at 2 o'clock p. m., pursuant to the taking of recess.

The CHAIRMAN. Mr. Kyle, we will hear you now. Please give your full name to the reporter, and give your address and the organizations you represent.

#### **STATEMENT OF MR. JAMES F. KYLE, MONTROSE, COLO., MEMBER LEGISLATIVE TRANSPORTATION COMMITTEE.**

Mr. KYLE. Mr. Chairman, my address is Montrose, Colo. I represent the State of Colorado through the transportation committee appointed by the governor, on authority of the joint commission for both houses of the legislature asking for the appointment of a committee on transportation to investigate and attempt to find some remedy for our transportation problems. I also represent the Farm Bureau of Montrose County, Colo. My official address is 516 Kittredge Building, Denver, Colo.

Gentlemen, I do not intend to go into any details or spread over a great deal of territory, as my mission here in Washington was not to appear before this committee, but rather the Interstate Commerce Commission on rate matters. But there were some things came up here this morning that I overheard in your discussion that I would like to touch upon for just a moment.

The gentleman who sat over there, one of your committee—I do not know who he was—asked the gentleman who talked before dinner whether or not he would recommend ordering a readjustment of freight rates without a thorough investigation at this time.

Gentlemen, it seems to me that there is but one answer to that question, and that is that you should absolutely order the Interstate Commerce Commission to make a readjustment of freight rates without an investigation; because they put in the 35 per cent increase last year without notifying anybody, so far as I am advised—and I keep fairly well advised upon those things—excepting the railroads themselves. And they put that rate in at a time when the country was at peace, 21 months after the armistice had been signed, and I do not see why you have not got just as good a precedent to go by there as the committee would need to do something under the stress of the circumstances we are in at this time.

The CHAIRMAN. Do you think it would help the situation to order a flat reduction in freight rates?

Mr. KYLE. At this time?

The CHAIRMAN. Yes.

Mr. KYLE. Yes, sir; I do. I think we are just exactly in the position we were in last year. Then whatever readjustment should be made upon any particular commodities or in any particular localities let them do that. They have had the advantage of one year of these high freight rates, and they have caused us to market a crop that we have absolutely marketed at a loss—everybody who marketed their crops after the 26th day of August last year.

This gentleman over here contended this morning that there had been a great increase in the tonnage that had been moved by our railroads even with the high freight rates.

Gentlemen, that is a matter that is easily explained. It covered the year, and all the products from southern California were marketed before the 26th day of August, while those of us who live in the Middle West, who live in Kansas, Nebraska, Colorado, and that latitude—our crops were being harvested. Why, we had to market them. We had to save whatever we could out of them. It did not make any difference whether we got anything out of them or not; we had our potatoes in our sacks, we had our apples in our boxes, we had our wheat in our bins. We had to market our stuff. We got enough to pay for the sacks in some instances. Of course the railroad got the tonnage and they are throwing that in our faces, because they say, "there is no depreciation in business, because we are hauling more stuff than we ever hauled before." Naturally they would anyhow, because the country is growing. People are using more—not as much per capita, of course, as they used to, but that is no argument whatever, because there is a solution of that problem, and there is no way of getting around it.

Now, the question as to the power of the commission under the Esch-Cummins law. There seems to be an awful lot of difference of opinion as to what the power of the commission is under the Esch-Cummins law. If you will pardon me, I would like to refer you to a conversation I had with Chairman Clark last year. I had a talk with him about freight rates that have been advertised but that have not been put into effect yet; that is, I suppose the rates have been published, the rates from the Pacific coast terminals to points principally east of Chicago. However, three of those territories are west of Chicago, but they are not affected very much by the peculiar orders that they made. They reduced the apple rate—that was the one complained of most by our people—to a dollar and a half.

The CHAIRMAN. What was it before?

Mr. KYLE. To most places about \$1.65.

The CHAIRMAN. \$1.67, was it not?

Mr. KYLE. Well, of course, there were different places, but along about \$1.65 to \$1.67.

Mr. Clark said to me in the course of our conversation, "Didn't you people in the intermountain territory get a corresponding reduction?" and I said, "No, sir; we got nothing." He said, "I did not understand that. Well, now" he said "you are entitled to that, and you should have it." And he said, "I am going to take that matter up with the Rio Grande Railroad and see if they will not put

in a corresponding reduction to the same territories, to the Northwest and Pacific coast terminals." He said, "Now, here is a suggestion. If they do not do it voluntarily, our hands are tied; we can not put in that rate for you without a formal hearing, and of course it would be useless to have a formal hearing to move this year's crops, because you could not get a ruling from us in time to help you with this year's crops." And he said, "To be frank with you, I don't know that we could help you anyhow, because under the terms of the Esch-Cummins act we are required to make a rate for the railroads that will return to them the  $5\frac{1}{2}$  per cent"—if I understand that correctly; I guess probably I do not, because I heard two Senators arguing about it this morning, but it is some per cent anyhow of a guaranty, and they are required to make rates that the railroads can earn that per cent upon their investment. And he said, "If we make a rate"——

Representative TEN Eyck. Not upon their investment; upon the valuation of the road by the Government.

Mr. KYLE. Well, I take it it meant the same thing. I have no doubt that is a correct interpretation.

Anyhow, he said, "We can not make a rate that will earn them less money than that." I assume that you gentlemen who are familiar with affairs know that it is utterly impossible to make a rate such that a railroad company, with the peculiar way of manipulation that they have, as the gentleman here pointed out to you this morning, with the many side issues that they have, their Pullman interests ——

Representative TEN Eyck. May I ask you a question there? Did he mean to insinuate that he had to make a rate on apples that was going to pay that amount?

Mr. KYLE. I am telling you just what Chairman Clark told me. I hope I am not violating any confidence. That is a mighty bad state of affairs, and we are unable to do business if we are confronted with that kind of rulings.

I just want to finish up this proposition of the many side issues that they have. They have got so many side issues that they can drop their earnings into, and you can not investigate them at all, because they are separate and distinct corporations—absolutely owned by the same men, when you run them down.

The CHAIRMAN. Are you quite sure about that?

Mr. KYLE. Yes, sir; I am sure about it, so far as the records we can get are concerned. If we can believe the records, such as Moody's Manual and those authorities, that is correct.

The CHAIRMAN. I had supposed that, for instance, the express companies were common carriers, and that they were under the jurisdiction of the Interstate Commerce Commission to the same extent as the railroads and subject to the same investigation.

Mr. KYLE. But I say in the same investigation—can you bring an investigation against a railroad and cite the Pacific Express Co. to appear and defend itself against the charges against that railroad?

The CHAIRMAN. No; I would not think so, not as to railroad rates.

Mr. KYLE. That was my contention. I did not mean to say that you can not investigate them. Of course you can. What I mean is that when you go to investigate them you have got to make a separate investigation, and you simply are worn out by the investigation, just

the same as you are when you attempt to put a physical valuation upon the railroads. We never did; we just simply partly did it, and we had to guess at the balance, and we had to take their figures when we guessed.

Here is another thing that has been called to my attention: Last year when they put in the horizontal raise of freight rates of 35 per cent they put in 10 per cent of that, according to what the papers told us—and I never saw it denied by anybody—to cover the increase of wages to be paid to the railroad men, and that 10 per cent would permit them to pay the railroad men \$618,000,000 more in wages. This last reduction in railroad wages, this reduction of railroad wages that took effect on the 1st of this month, was 12 per cent, and the railroads give it out that they have reduced the wages of railroad men \$400,000,000.

Now, I submit it is fair to say that if a 10 per cent increase of railroad wages meant \$618,000,000, then 12 per cent decrease of railroad wages would mean \$730,000,000. And I do not see why we are not entitled to some corresponding reduction in railroad rates in keeping with that way of figuring. That kind of thing kind of gets under a fellow's hide a little bit when he sees that published in that way.

Here is another thing that I might say something about: We had an examiner of the Interstate Commerce Commission make a tour of the Western States. Mr. Hardy held his meetings in Texas; I am not advised of any except in Dallas. Mr. Ford held his meetings in Oregon, Washington, Idaho, and Colorado, in which the farmers, producers, stockmen of the country were called in to advise the commission as to the general condition of affairs in that country—the people who were producing from the soil and from the ranges. I asked one of the railroad men if he was going to appear, and he said, "No; we won't appear." He said, "They will ask us to come down to Washington." Of course, they did not file any formal appearance, because there was not any testimony that they could put in, but they were there about 25 or 30 strong, and they had their men there to cross-examine us, and they gave us a good, hard grilling—they did me anyhow; they cross-examined me for quite a while.

Now, they seemed to understand the whole situation and know just exactly what was going to be done, and when it came to hearing the railroads, the railroad operators were called down here, and nobody else was given any notice. My authority for that is a letter sent out by Examiner Hardy to the fruit and vegetable shippers, in which he says that there had been some complaints made concerning these rates from the terminal points that I mentioned before on the Pacific coast, Oregon and Washington, and that all the evidence the commission was in possession of was presented by reliable railroad operators, who in their judgment considered it was neither desirable nor necessary to make further reductions in rates. That was the language of Mr. Hardy. We were not called in; we had no voice in that hearing that finally made those rates. There was absolutely no account taken, so far as we can see, of any of the testimony that was taken before Mr. Ford or Mr. Hardy, and I am sure it was given by some of the best men that there are in the West. Some of the men that I know in Texas gave that information—high-class, well-informed men. In the Colorado hearing we were represented by men from Kansas, Ne-

braska, Wyoming, and South Dakota, and they were well-informed men, men of affairs and men who were doing big business in the way of producing and farming, and they all told exactly the same story—that conditions were so bad that they were all doing business at a loss.

I think the idea was expressed best by one elderly gentleman who sat throughout the entire hearings. When all the organizations had been heard—Mr. Ford gave everybody that was there an opportunity to be heard if they wanted to be, and he called for volunteers, and finally this old gentleman got up, and he said, "Mr. Examiner, I came here with a story to tell you, but do not think it is necessary." He said, "My story is so much like all the rest of the stories that have been told to you that it is not necessary to encumber the record with it. But," he said, "I just want to say this, that without we do get substantial relief, and get it in the near future, I fear that our farmers will have to cease operations." I think he sized up the whole thing in those words, just listening to all the rest of the testimony.

Now, gentlemen, in my particular locality where I live, in western Colorado, I think we have probably one of the average agricultural and stock counties. It is a grazing country, and an agricultural country. We have a good water system; we have no complaint of shortage of water, as a general rule. It is very common in irrigated countries that a shortage of water comes with dry seasons, but we happen to have a supply; a large river, the Gunnison River that supplies an abundance of water.

I made a very careful study of conditions there, for good information. I went to our records, and I examined the records between November 1 and February 1—90 days. Of course, I was a little afraid to examine the records further for fear I might begin to duplicate some of them. Bank loans begin to be renewed in 90 days, as you all know.

I found that there were 23,000 head of cattle in the county where there were 28,000 assessed, mortgaged for \$817,000.

The CHAIRMAN. At what time? Between those dates?

Mr. KYLE. Between those two dates, during those 90 days. There were no duplications in there; I watched that very carefully. That was the stock that was mortgaged after they came from the range, after they had marketed the stock that was marketable—

The CHAIRMAN (interposing). Let me ask you this. Do these mortgages represent entirely new mortgages or were some of them renewals?

Mr. KYLE. Oh, most of them were renewals. But they were mortgages that were on cattle, on 23,000 head in a county where there were only 28,000 at best.

The CHAIRMAN. You made no separation which would indicate how much of that represented new mortgages, and how much represented renewals?

Mr. KYLE. Well, no; I made no investigation, but being very familiar with conditions, I know they were practically all renewals.

The CHAIRMAN. Can you say whether they were renewed at the same or higher rates of interest?

Mr. KYLE. I rather think they were renewed at the same rate of interest, as a rule. A little circumstance will probably indicate to you what the conditions are with regard to that. There was one

gentleman who went in to have his paper renewed this spring. The banker said to him, "Now, Mr. Brown, there is a great demand for money, and I guess we will have to increase this interest rate." He said, "All right; it is perfectly satisfactory to me." I knew that man had \$20,000 in cash two years before; he was to the good \$20,000. He said to him, "All right, Mr. Banker; it is perfectly satisfactory to me. And the sooner you raise your interest the sooner you are in the sheep business." This was sheep, not cattle. He said, "You are in the sheep business if you want to raise that interest." That is about the way the majority of those fellows are fixed. He said, "I borrowed this money from you. I am under obligation to pay it back to you, and I will pay it back to you, but the minute you put a load on me that I can not carry I will have to transfer that load to you, Mr. Banker. If you want to go on and be decent, I will be decent and do everything I can to pay the mortgage."

That is only one man, but I know of a number that are situated just like he is.

That is the situation as to cattle. As to sheep, there were 37,000 head of sheep mortgaged where there were 51,000 on the assessment books. Those sheep were mortgaged for \$412,000. It would not be fair to let that go without explaining that there was one mortgage in there that—it was not a duplication exactly, but I know it was an unfortunate affair that happened where there was a killing over it, and the mortgage was put on record, and instead of representing \$110,000 it only represented \$40,000. But if you deduct that \$70,000 you will find those sheep were still mortgaged for about \$9 a head. There were no duplications there, because I went over it very carefully.

Now, as to the condition of the farmers in that country, there is never a week goes by that there is not anywhere from 25 to 50 chattel mortgages placed upon our records, and one week I counted 39 upon crops alone. Of course, if you men are familiar with those things, you know that that is the last thing a man mortgages; it is the last thing a banker wants to take. He takes a mortgage on the crop when there is nothing else to take, and when he is carrying the fellow for something else he has got to see him through on those crops. It is no uncommon thing for 20 or 25 mortgages on crops to be placed on the records in that little county. And from the information given throughout the State—and I am fairly well acquainted, for I have been there for 42 years and I do a good deal of running around—I know that that fairly well represents the situation, and I am satisfied it represents the situation everywhere in the West.

I know that, because I asked Mr. Ford the question after he had his hearing there. I shook hands with him, and I said to him in conversation, "Mr. Ford, do the conditions that have been developed here reflect the conditions that were developed through the territory where you have held your hearings?" and he said, "Absolutely, with the exception that the people in southern California—the vegetable people—are infinitely worse off than you are." Now, we went into a good deal of detail in order to get the cost of production and the prices we received for our products. Of course our country produces potatoes and apples for export. Our wheat and our alfalfa and our sugar beets are, of course, consumed or manufactured at home, as a general rule. We do ship a little wheat out of our country, but not

very much. I got up these figures primarily, in the first instance, as information for the railroads, because they indicated that they might consent to do something without any compulsion in the way of legislation or from the Interstate Commerce Commission. We found by a very careful inquiry among the best growers of our community and throughout the fruit-producing sections of our State that it costs us just about \$1.50 to produce a box of apples and put it on board the cars.

The CHAIRMAN. In what year?

Mr. KYLE. In 1920.

Representative TEN EYCK. \$1.50 per box?

Mr. KYLE. Yes, sir.

Representative TEN EYCK. What does that box contain?

Mr. KYLE. Each box contains, to all intents and purposes, a bushel. It is a little short of a bushel, as a matter of fact.

Representative TEN EYCK. About a 28 or 30 quart box?

Mr. KYLE. About a 30, I think. We did originally have a full bushel box, but after the Northwest got into the game and began changing things a little bit we were practically compelled by market conditions to follow and adopt the same box. And then, of course, we get all of our boxes from the Pacific coast—I say all of them; there are a few made in Colorado and a few made in New Mexico, but the New Mexico ones are made by the California people.

Representative TEN EYCK. What does the \$1.50 constitute? Does that constitute the cost at the point of shipment or at the point of delivery?

Mr. KYLE. At the point of shipment.

The CHAIRMAN. Have you any idea how that compares with your cost in 1913?

Mr. KYLE. Yes; I could give you a pretty fair idea of that, because I happened to own an orchard at that time. We had 120 acres of land that we used exclusively for the growing of apples. I do not mean it was all in apples. There were ninety-odd acres in fruit, and the balance we used for growing crops to feed our stock and vegetables for our people, but we sold nothing from that land excepting apples. So of course we could keep an absolute account of the costs in that way. It is pretty difficult for a man that is doing everything to keep an account of what it costs. But we could figure on our entire output and our expenses, because everything that was done upon the place was paid for in cash. It cost us about 72 cents to produce a box of apples. That included, of course, interest on the investment and the depreciation of the machinery. That would be anything that was not absolutely a fixed charge. We had, of course, to estimate that.

Representative MILLS. Did you estimate that in your \$1.50 too?

Mr. KYLE. Well, now, I did not make this dollar and a half figure; I got that from, probably—oh, I would not say how many. I suppose I wrote to or had those associated with me go to 20 or 30 different growers, and they all figured in a different way, but as a general rule they took in everything of that kind.

Representative MILLS. Including the interest on the investment?

Mr. KYLE. Yes, sir.

Representative MILLS. How much did they figure, do you suppose, on the average, the investment had increased in value between 1920 and 1913?

Mr. KYLE. Well, they could not figure any increase.

Representative MILLS. Land values do not increase in your part of the world?

Mr. KYLE. Well, yes. We could have sold land up to 1920 for more money than we could have sold it for in 1913. But conditions were pretty good in our country in 1913, and we had pretty stiff values on our property there then. I would not say, of course, how they treated that particular question.

Representative TEN EYCK. They could not use an increase in land value unless they sold it. In other words, it is not taken into the Government account as income from property because it theoretically increases, when there has been no sale.

Representative MILLS. No; but the fixed charge would increase if you figured the same rate of interest on an increased capital value.

Representative TEN EYCK. I do not think that would be allowable though—

Representative MILLS. He was figuring in his fixed charges.

Representative TEN EYCK. Yes, but that would not be allowable by the Government—jumping up the price of property from \$10,000 to \$20,000 because you imagined it was worth more.

Representative MILLS. I was not asking what they imagined; I was asking whether it had increased or not?

Representative TEN EYCK. Oh, I thought you were getting it into the costs here. It does not enter into the cost at all.

Mr. KYLE. As I say, I am not advised as to just how they treated that particular question.

Representative SUMNERS. Let me ask you a question: Aside from the matter of the value of your investment, taking into consideration labor costs and possibly the cost of providing for whatever you got from the farm, what did it cost you to put your apples on the car?

Mr. KYLE. You mean actual cash that we paid out?

Representative SUMNERS. Yes; I guess that would be about right.

Mr. KYLE. Well, in those years my recollection is that we were out in actual cash 55 cents a box.

The CHAIRMAN. When do you mean? 1912?

Mr. KYLE. In 1913, yes.

The CHAIRMAN. Now, it seems to me the only way we can get at what this freight rate business does to you is for us to have these figures. We ought to have the cost of producing a box of apples in 1913—

Mr. KYLE. Well, sir, you have got it right there.

The CHAIRMAN. All right. Then we ought to have your freight rate to market in 1913, per box.

Mr. KYLE. I will give you that.

The CHAIRMAN. Of course that would have to be more or less an average figure. Then the price that you got for your apples in 1913 at the market.

Mr. KYLE. I will give you that.

The CHAIRMAN. And the same figures for 1920.

Mr. KYLE. I can do that.

The CHAIRMAN. If you can give us those figures I think they would be worth something to us.

Mr. KYLE. I can give you the whole thing.

The CHAIRMAN. All right; let us have them.

Mr. KYLE. In 1913 the average price that I got for my apples—I might be off 2 cents because there were two years when they were 2 cents apart. One year it was \$1.07 and another year \$1.09. I think that in 1913 it was \$1.09, because that was a high year—\$1.09 f. o. b. our loading station, that is what they netted us. Our freight rates—

The CHAIRMAN. If that is what they netted you, your freight rate was in addition to that?

Mr. KYLE. Yes, sir. Our freight rate to our first marketing places, the common point of Colorado—Denver, Pueblo, Colorado Springs, and Trinidad—was 45 cents a hundred. That gradually increased till we got to the Colorado-Nebraska-Kansas line, where the Missouri River territory commences, to 60 cents a hundred.

The CHAIRMAN. It increased when?

Mr. KYLE. From Denver, from the common point east. There is a little territory in there where the differential is added—about 150 miles. Missouri River territory, which takes in all of Kansas and Nebraska and the points along the Missouri River as far north as Sioux City—that is included in the territory where we paid 60 cents a hundred.

Oklahoma and Texas at that time were 75 cents. The territories east of the Mississippi River were 75 cents. The territories included in the north—Minneapolis and St. Paul—were 75 cents.

We marketed our apples in those years principally in Kansas, Oklahoma, Texas, and Louisiana. We go east to Chicago and along the Missouri River with a few, but they would usually be the earlier varieties, the Jonathans and the Winesaps. When we went to New York it was a dollar a hundred.

Our rates now are—I will have to refer to my memoranda for that, because my experience has not been quite as extensive the last year or so.

Representative TEN EYCK. While you are finding that—how much is a box of apples worth?

Mr. KYLE. Fifty pounds.

Representative TEN EYCK. Including the box?

Mr. KYLE. Yes, sir; including the box.

Our rate from the western slope to Colorado common points now is 70½ cents. To the Missouri River, \$1. To the Mississippi River, \$1.165. To Peoria, Ill., and St. Paul, Minn., \$1.255. To Chicago, \$1.255.

The CHAIRMAN. Per box or per hundred?

Mr. KYLE. Per hundred. To Texas, \$1.255. I think the railroads have changed that a little now in the last tariff, making it \$1.27 instead of \$1.255.

Last year I did not get those costs all down, but I found one outfit that shipped 60 cars, and made an average of \$1.10. They did not ship many of their early apples in those 60 cars. This was one of the largest outfits.

Representative MILLS. What about those 60 cars? What price did they bring?

Mr. KYLE. \$1.10.

Representative MILLS. And what cost did you estimate at the market?

Mr. KYLE. \$1.50.

Representative MILLS. They estimated that cost as a dollar and a half?

Mr. KYLE. Well, not these men. These people—I do not know that a single one of the people who sold those 60 cars of apples made any estimate on that.

Representative MILLS. You are using two sets of figures, in other words?

Mr. KYLE. Yes; I covered all the territory. I tried to get the cost all over the territory. I did not go to one man that was a good grower, and another man because he was a poor grower; I tried to get what the growers generally were doing, what it was costing them, what they were getting, so as to get an idea of what the whole community was doing.

Representative MILLS. And it cost them, you figure, an average of \$1.50 to get it to market?

Mr. KYLE. No, sir; on board the car.

Representative MILLS. And then you had to pay as much as 60 or 70 cents to get it to market?

Mr. KYLE. Yes, sir.

Representative MILLS. And that is at the extreme point?

Mr. KYLE. Well, no; it would not necessarily be the extreme point, because of course the Missouri River would be 50 cents a box. To Texas and other places it would be 62½ or 63. That is where we market the most of our stuff.

Representative MILLS. And you estimate it cost you \$2 to put them on the market—approximately?

Mr. KYLE. Yes; that is, to put them on the market where they were consumed.

The CHAIRMAN. And what did you get for them there?

Mr. KYLE. Well, the early apples that we sold in the early part of the season, of our best grades and varieties—we got for the highest grades \$2.35 a box.

Representative MILLS. And what did they average you?

Mr. KYLE. Well, I could not possibly answer that question.

Representative MILLS. Well, take those 60 carloads that you were talking about.

Mr. KYLE. I could not answer that, because I just got what the grower got.

Representative MILLS. And what did he get?

Mr. KYLE. \$1.10.

Representative MILLS. And it cost \$1.50 to produce them?

Mr. KYLE. Yes, sir.

Representative MILLS. So that, irrespective of the freight rates—

Mr. KYLE. He lost 40 cents.

Representative MILLS. He lost 40 cents?

Mr. KYLE. Yes, sir.

Representative MILLS. What were those same figures for 1913? Did you complete those figures for 1913?

Mr. KYLE. Yes, sir—well, no; I did not exactly complete them. I told you that it cost us about 72 cents to produce a box of apples.

That was my own figures—the 72 cents. We had such an organization that I believe we produced apples cheaper than most of the big commercial orchards.

Representative MILLS. Did you figure 72 cents in 1913?

Mr. KYLE. Yes, sir.

Representative MILLS. And then you had to figure at least 30 cents freight, even in 1913, didn't you?

Mr. KYLE. Yes, sir.

Representative MILLS. I am approximating.

Mr. KYLE. I understand.

Representative MILLS. So that your apples cost you, landed at the market, say a dollar, in those days?

Mr. KYLE. Yes; but even so, we got \$1.09 for them at the point where they cost us 72 cents.

Representative MILLS. Of course, these are figures for the whole country (indicating a printed volume), but I find that apples in 1913 were selling for 73 cents.

Mr. KYLE. Seventy-three cents a box?

Representative MILLS. A bushel. And in 1912, for 89 cents; 1915, for 68 cents; 1916, 75 cents. Then they started going up. But if your figures are correct for the years from 1911 to 1917, with the exception of 1911 and 1914 you were selling for less than cost right along?

Mr. KYLE. Well, my figures are correct. I do not know where your figures come from.

Representative MILLS. I am reading from the report of the Department of Agriculture.

Mr. KYLE. Yes; I know; and I know how they are gathered, because I have reported for them for years, and I know that we do not get absolute figures; we make estimates there. Now I am not giving you any estimates; I am giving you absolute figures from the auditing of our books. I went right to the books and got all the figures that it was possible to get from the books. You can not get the cost of growing from books if a man has a mixed farm; if he has 100 acres in apples, 20 acres in alfalfa, and 50 acres in wheat that man does not keep any record for those things separate and apart. It would not be practical for him to do it. I do not care what they say about college propositions and all those things, it is not practicable to do those things, and the only place you can get an absolute audit is where a man makes a specialty of one thing and puts the whole energy of one piece of land into it.

Representative MILLS. But even with your 1913 costs of production and your 1913 freight rates you would not be making money to-day, or you would be making very little money.

Mr. KYLE. No; we would not be making any. Even if we had the 1913 freight rates and the 1913 prices we would not be making any money. That is true.

Representative MILLS. But if you had the 1921 prices——

Mr. KYLE. Oh, well, we were getting just as good prices then as we are now. I don't care what that thing says, I know what the situation is.

Representative MILLS. The prices you say were about the same?

Mr. KYLE. The prices right now—the advance sales on apples

right now, as reflected by sales made in the Northwest during the last three weeks—there have not been many, it is true, but there have been enough to indicate what the situation is, and the price is exactly where we started apples in 1908. Jonathan apples, extra fancy, are selling now in the Northwest, according to our trade papers, at \$1.50 a box, and I sold our whole crop out that year at that price, and booked them in advance.

The CHAIRMAN. Well, if they are selling at a dollar and a half a box in the Northwest, and the freight rate to the Northwest is \$1.16—

Mr. KYLE. From the Northwest?

The CHAIRMAN. Yes.

Mr. KYLE. The best rate we have got now, outside of Kansas and Nebraska, where it is \$1.42, I think, is \$1.50. That is this flat rate we were complaining about that they just put into all territories east of Chicago—a dollar and a half.

The CHAIRMAN. What I am getting at is this: You say that the advance sales price of apples now is a dollar and a half?

Mr. KYLE. Yes, sir.

The CHAIRMAN. Where?

Mr. KYLE. At the loading points in Oregon and Washington.

The CHAIRMAN. Oh, I see.

Mr. KYLE. That is just to indicate what the situation is so far as prices are concerned. Those prices are never accurate in there [indicating Department of Agriculture report], because they cover too big a territory. You will get the apple that comes from Kentucky, and the apple that comes from Minnesota, and the apple that comes from all parts of the country, all grades and all varieties in bulk, all tumbled in together, and there is no way of segregating them to indicate what any kind of apple sold for in any particular territory, and you do not know a thing about whether it was put up or just shoveled into a car. We put up all our apples, of course, very carefully in boxes.

Representative TEN EYCK. How many apples are in a box, on an average?

Mr. KYLE. Well, sir, you take a 2½ apple; that is a fancy apple—

Representative TEN EYCK. That is the smallest size of grade A?

Mr. KYLE. The smallest size of commercial apple. A 2½ apple just takes exactly 175. The very large apples will run down, of course, to probably 96, commercially. Once in a while you will find some fellow that has 64 in a box, or something like that.

Representative TEN EYCK. And that means that the fruit stand in the city will sell the apple at 5 cents, and that means that they will get \$8.75 for what you sold for \$1.09?

Mr. KYLE. That would be hardly fair, because the fruit-stand man would probably use an apple that would average 120.

Representative TEN EYCK. Well, that is what we want to get at; I am putting it lower than is actually the case. That is \$6 that he gets for what you sell for \$1.09? Is that it?

Mr. KYLE. Well, no; that would not be fair—

Representative TEN EYCK. Well, how much did you get for it?

Mr. KYLE. I am giving you what the whole crop brought; all grades and all varieties.

Representative TEN EYCK. But out of the gross amount you only select about one-fifth of your apples to make your grade A. If you have got any kind of orchard at all 80 per cent of your apples are grade A apples, or you are not treating your apples right.

Mr. KYLE. Well, you have got a better method of caring for apples than we have.

Representative TEN EYCK. We do not put over 20 cent of them out of grade A, and my apples are graded A No. 1.

Mr. KYLE. Where is your orchard?

Representative TEN EYCK. In New York State. We are not supposed to grow as big apples as you do, however.

Mr. KYLE. Well, you do.

Representative TEN EYCK. We claim our apples are better because they are not so big; they are sweeter.

Mr. KYLE. Well, you could tell pretty well. Your barrel will just hold three of our boxes. We have packed them back and forth to make a test.

Representative TEN EYCK. We put in 3 bushels, and your boxes are 30 quarts.

Mr. KYLE. We have made a test in packing them, and we find that three of our boxes will fill one of your barrels.

Representative TEN EYCK. But you do not compress them at all in your boxes?

Mr. KYLE. Not as much as you do in the barrel. We put them in a press, but we do not press them as hard as you press yours.

Representative TEN EYCK. Now, I want to go back just a little bit. You started in here to discuss transportation. We are studying the spread between the producer and the consumer. We have had some people testifying here that they thought one of the things needed was attention to the financial condition of the farmer. Another one has touched upon the marketing and recommended a study of that. You have particularly testified, in the first part of your statement, as regards transportation. Now, there are other things that enter into the problem, but you think those three are the three big things that enter into the problem of the farmer?

Mr. KYLE. Well, yes. I think they come nearer being the governing factors in our high cost of production and the difference between what the farmer gets and what the consumer has to pay than any other one thing. Of course there are a great many other things that enter into it. There is our high cost of machinery, for instance; our repairs—

Representative TEN EYCK. I can name, without getting up from this chair, 200 or 500 things that enter into it, but I am talking now of the big things that enter into it from a great many different angles.

Mr. KYLE. Well, I think that transportation is the prime factor.

Representative TEN EYCK. You think transportation is a bigger factor than the financial end of it, or the marketing end of it?

Mr. KYLE. Yes; I do. If we could get our freight rates so that we could get our supplies—if we could get fair freight rates that would gradually force other things to a common level—and they never can be forced there until we do get fair freight rates.

Representative TEN EYCK. Well, if you got fair freight rates and had poor markets, even if the railroad carried your product for

nothing and you had poor markets, you would get a pretty poor return?

Mr. KYLE. Let me say this—

Representative TEN EYCK. I am not arguing with you in relation to your transportation suggestion.

Mr. KYLE. I am going to answer your question. I have had 20 years' experience in the growing and marketing of farm products. Twenty years ago is when I started in marketing farm products in the western part of Colorado, commercially, and we never had a crop of apples between the time that we started producing apples and the time of the opening of the war when we did not make some money on them—never. We never marketed a crop from our ranch at a loss during all those years, and we know we had some pretty stringent times.

Representative TEN EYCK. Did you have good crops every year?

Mr. KYLE. No, sir; every year we have a crop.

Representative TEN EYCK. That is to say, every year you have had a large crop?

Mr. KYLE. No, sir; I do not mean a large crop; I mean a fair crop. Of course, one year, I think, we had only 3,000 boxes on our place.

Representative TEN EYCK. What is the maximum yield of your place?

Mr. KYLE. I think 44 cars is the highest number we ever had.

Representative TEN EYCK. When you are talking in boxes, what is the maximum yield in boxes?

Mr. KYLE. Forty-four cars at that time would mean about 21,000 boxes, or 22,000.

Representative TEN EYCK. What was that other number of boxes that you had on which you made money? I want to see what the percentage of your crop is—

Mr. KYLE. Well, I say now that when we only harvested 3,000 boxes we lost money that year, but whenever we harvested 5,000 boxes or above—

Representative TEN EYCK. In other words, whenever you harvested 25 per cent of your maximum crop you made money?

Mr. KYLE. Yes, sir. That was our experience in that one particular orchard. We planted that orchard in 1895. That was our experience. I do not know what the experience of other people was. Of course, we had a little advantage here and there, perhaps, because I have always been a market man, and sometimes I probably would have just a shade of advantage, but not very much. We always went through an association; my apples went right through the association the same as anybody else's.

Representative TEN EYCK. What is your recommendation as regards transportation for this committee? You told us about the difficulties of the situation, but I do not recall you made a direct recommendation.

Mr. KYLE. Well, it seems to me you ought to say to the Interstate Commerce Commission—or you should repeal that part of their law and say they can not act under it, because that is Mr. Clark's interpretation of it, as sure as you are living, that you can not act under the law as it stands now and give rates that will return to the railroads a net earning of less than whatever is in your guaranty—5½ per cent or 6 per cent or whatever it is. He says they can not make a rate;

that it would be unlawful, unconstitutional, to make a rate less than that which the law prescribes. I think that ought to be repealed and that you should tell them to just remove that 35 per cent that they put on last year and then make their investigation. That is what they did before; they put it on without asking the shipper or the grower or anybody else anything so far as I know, and I keep pretty well in touch with these things.

Representative SUMNERS. Does Mr. Clark figure his limitation upon the volume of freight moved during the present period or upon the potential volume of movement under reduced rates? Do you know?

Mr. KYLE. He did not go into that.

Representative SUMNERS. I want to ask you this one question. The average layman, I guess, thinks of apples in dozens. I suppose most of us think of them in individual apples. But what is the difference in the price of a dozen apples, all the other features being constant, as between the freight rate in 1913 and the freight rate now?

Mr. KYLE. Well, it would be a little difficult to figure that without getting a pencil out. Can you not make that a box?

Representative SUMNERS. All right; a box then. A box is how many dozen—10 dozen?

Mr. KYLE. Well, about 12 dozen, say; that would be a fairly good box of apples.

Representative SUMNERS. All right. What is the difference in the freight rate on that box into the territory in which you ordinarily ship the bulk of your apples?

Mr. KYLE. Well, in Texas it would be, in round figures, around 50 cents.

Representative SUMNERS. Something like 5 cents a dozen?

Mr. KYLE. Yes; into Missouri River territory it would be 40 cents a box.

Representative SUMNERS. Your contention is that the freight rates operate both ways; you have to pay freight on your shipments out and you have to absorb the freight on your supplies and materials that you ship in?

Mr. KYLE. Yes, sir. Just to cite a little personal matter as an illustration, last year I had a hay farm, and I bought two new mowers and a new rake. I had an overshot stacker that had been used about four years; it had been used by renters and of course it was pretty badly shot to pieces, and I had my boy overhaul it and put it in good shape. My repair bill for those three pieces of machinery for the three cuttings of alfalfa was \$145.

Representative SUMNERS. Well, of course, the railroad would not be responsible for the repair bill.

Mr. KYLE. Yes; it would be. Let me tell you. For instance, I bought a casting one day—8 pounds. The freight charge was \$3 for an 8-pound casting—37½ cents a pound. Everything you buy in the way of repairs is just the same way.

Representative SUMNERS. You mean, of course, that freight rates entered into that high price?

Mr. KYLE. Surely, they entered into that high price. When I bought those mowers, I had to pay \$75 apiece for the mowers. If I had bought a new overshot stacker, I would have had to pay \$375 for that overshot stacker. Wagons, \$250; binders, \$370.

Representative SUMNERS. How much of that price can you show to the commission increased freight rates are responsible for?

Mr. KYLE. Well, it is pretty difficult to say that, because sometimes we think that the merchant kind of puts it over on us. He says, "This is because of high freight rates," and I can not figure that it is the high freight rates. For instance, I saw a pair of shoes one day that I know cost \$2, and they were marked \$9. I could not see his philosophy very well.

Representative SUMNERS. You could not say, in order to be entirely fair with the commission, that that was really due to the freight rate?

Mr. KYLE. I just give you that to show you. I do not think the railroad companies are to blame.

Representative TEN EYCK. There is another thing I want to ask the gentleman. You do not seem to have very much interest in the marketing end of the proposition.

Mr. KYLE. Oh, yes; I have.

Representative TEN EYCK. How do you market, cooperatively or individually?

Mr. KYLE. Well, in a sense we are cooperative—that is, my marketing is done through a regular marketing institution.

Representative TEN EYCK. Controlled by the farmers, or the people interested?

Mr. KYLE. Yes, sir; it is owned by the farmers. It is an institution that I founded myself and of which I was manager.

Representative TEN EYCK. How do they sell? Do you carry your things direct to the markets in the cities?

Mr. KYLE. Well, yes; we sell direct to the wholesale man. We sell direct. For instance, if it was going to Fort Worth, Tex., we would sell to an outfit there; or in Dallas, Albert Jackson, the wholesale man. Usually it is through a broker, of course.

That is a question I have given a great deal of study and thought to. I have organized some institutions. I worked as sales manager for one of the biggest institutions in the West for several months. They used to market as high as 2,000 cars of fruit a year. It is a very difficult question. I think the Farmers' Union and the Farm Bureau are working out something now, but they never have been very successful, excepting where we got to be a pretty close organization.

I just want to say, Mr. Chairman, that the same thing that applies to apples also applies to potatoes. I can take that up if you would like to go into details, if it would interest you. The conditions are exactly the same, but of course with different figures and different freight rates.

I do not know that I have anything further to say, except that I would agree with the position of the chairman that our peculiar problem is not so much hunting European markets. I think our European markets are better than people usually think they are. If my information is correct, and I think it probably is—I read pretty good papers; I read Senator Capper's publications, although I am not going to hold him responsible for this statement—the export of wheat to-day is about 1,300,000 bushels a day, about 40,000,000 bushels a month. Our local markets and our local conditions and cutting down the cost of production do not seem to interest us very much,

and it does not make much difference what the markets are in Europe if we can not get our products to the seaboard at a profit.

Representative TEN EyCK. Do any of your apples go abroad?

Mr. KYLE. No, sir.

Representative TEN EyCK. From that I can judge the reason why you are not interested in foreign markets. Some of our New York State apples do go abroad.

Mr. KYLE. I am interested, but what difference does it make to me if I can not put them on the Atlantic seaboard at a profit?

Representative TEN EyCK. It is not necessary for you to put them on the Atlantic seaboard if you have a market for them within a reasonable distance.

Mr. KYLE. Well, but suppose I was an exporter. What use would there be in exporting if I could not put them on the Atlantic seaboard at a profit?

Representative TEN EyCK. Yes; but our apples can get to the seaboard. To that extent they do not compete with yours.

Mr. KYLE. I am not arguing the proposition of any competition between you and us in the apple business; I am attacking it from the standpoint of what is for the best interests of the United States right now.

Representative TEN EyCK. I can see from what you say in relation to this that you are looking at this thing from the entire country's standpoint, but of course there are some people who are interested in foreign markets. I do not hold with the fellow that thinks that just because the foreign market only takes 10 per cent of our surplus produce it is not a material factor.

That 10 per cent might have 100 per cent of effect, as regards prices, because the market might be glutted. When you have 2 per cent more than the people want, that 2 per cent can be used by the middlemen to drive down the profits of the producer and raise the cost on the consumer.

Mr. KYLE. That is right. Let me say this, in order to make clear my position in connection with this matter. I do not want to be misunderstood by you gentlemen. If you had marketed as many apples in the Middle West as I have you would understand that I am just as much interested in the getting of an export market as you are, because when you have more apples than you can use, your crowd comes into the Missouri River territory. You went into Montana last year.

Representative TEN EyCK. Certainly; and the Washington and Oregon people send their apples down into New York State and get good prices for them.

Mr. KYLE. Certainly; and when you ship out there you take away a market from us that we have for our apples, and the same logic will hold good in the other case.

Representative TEN EyCK. That is what I am interested in; you made the statement that you were not interested in the foreign market.

Mr. KYLE. I am not interested in it like I am interested in developing the home market. If they take our products at a profit, it does not make much difference about the foreign market if we can not get them to the seaboard at a profit.

Representative TEN EyCK. I am interested in both, equally.

Mr. KYLE. So am I.

**STATEMENT OF MR. W. J. SPILLMAN, REPRESENTING THE NATIONAL BOARD OF FARM ORGANIZATIONS.**

**Mr. SPILLMAN.** Mr. Chairman and gentlemen, other witnesses have dealt rather extensively with the conditions that need to be remedied.

**Representative FUNK.** Give us, very briefly, your previous experience.

**Mr. SPILLMAN.** I was for 7½ years professor of agriculture in the State College of Washington, and for 16 years and 8 months I was in the Department of Agriculture, most of the time as chief of the Office of Farm Management. My principal work there was in developing methods in getting at the cost of the production of farm products. For the past three years, or nearly three years, I have been an associate editor of a farm paper published in Philadelphia.

The board which I represent have requested me to present to the commission some suggestions which I made to a meeting of theirs as to remedies for the present situation. In presenting just a bare statement of my opinion of what the remedies are, undoubtedly questions will arise in your minds as to why I hold the opinions which I express, so along with the suggestions I am going to make I will give very briefly my reasons for making them.

One witness brought out the fact that the farmer is practically the only business man who pays the freight both ways. That is simply because he is not in the position to add his freight to his cost of production and then set a price on his product that will return that freight charge to him. The man who buys apples from the farmer and pays the freight on those apples, puts a price on those apples covering that freight charge. The farmer can not do that, so that the farmer pays the freight to the central market.

Now, on the supplies which the farmer buys, the farmer must pay the freight from the factory to his farm. Take, for instance, a twine binder, which is manufactured, we will say, in Chicago. There is no getting around it, the farmer must pay the freight on that binder from that factory to his farm. And so long as the freight rates are out of adjustment with the prices of farm products there can not be a return to normal conditions on the farm, because the farmer must pay that double bill, and there is no way by which he can get that back.

**Representative MILLS.** In the long run surely the consumer pays the freight rates, does he not?

**Mr. SPILLMAN.** Not necessarily.

**Representative MILLS.** He must pay the freight rate unless the goods are sold at less than cost.

**Mr. SPILLMAN.** Yes, that is true; but a great deal of farm goods are sold at less than cost.

**Representative MILLS.** That is not a normal condition.

**Mr. SPILLMAN.** That is not an abnormal condition; the normal condition—and I say this on the basis of 10 years' investigation of the cost of production on the farm and the prices received by farmers—that the normal condition is this, that about half of any given product is sold at a price which is less than the cost of production to the farmer. I am speaking now of farm production. The other half is sold at a price that gives some profit. On some of it some farmers will make

a good profit, but, on the average, you will find that half of the farmers are making a loss, and that is about the normal condition.

I do not want to attempt to cover the entire ground of what I think Congress might do to aid the present situation, because it is very extensive, and if the commission will, I may ask to be heard again later on. But at the present time I want to speak mainly to this subject of freight rates and suggest some things which, in my opinion, are possibilities for action by Congress.

In the first place, I want to call your attention to that section of the Esch-Cummins law which authorizes and requires, I believe, that the Interstate Commerce Commission shall fix freight rates that will return at least  $5\frac{1}{2}$  per cent on the valuation placed on the transportation properties by the Interstate Commerce Commission, and may return as much as 6 or  $6\frac{1}{2}$  per cent—I do not remember what the exact figure is, but it is more than  $5\frac{1}{2}$  per cent. They must fix those rates according to the law.

Representative MILLS. Have they?

Mr. SPILLMAN. No, they can not; but the law requires them to do it. You know what the result of that has been. Just at the present time and for some months past this has been happening. The roads running east and west which used to carry the surplus farm products from the great granaries of the Mississippi Valley to the seaboard have had very little traffic.

Representative MILLS. How about wheat?

Mr. SPILLMAN. Wheat has been going down the Mississippi Valley to the Gulf coast, very largely. The roads running north and south in times past have had rather meager pickings and have run relatively small, short freight trains; but those roads for some months past have been badly congested, and the port of Galveston and other ports on the Gulf of Mexico now have acres of cars loaded with wheat brought from Kansas, Nebraska, Colorado, and Oklahoma awaiting ships for transportation to Europe. So these high freight rates have disturbed the currents of that traffic, and if they continue it looks to me like it is going to ruin some of the east and west railroads, and certainly it will put a very great hardship on the farmers.

I am not opposed to railroads. I want to see the railroads prosperous; but this is a proposition that does not look quite fair to me for us to expect, as a necessary thing, that the farmers must lose money under present conditions and that all other businesses must make money. It looks to me as if it is up to the railroads to take their part of the deflation, and apparently conditions can not get back to normal until their rates have been reduced to a great deal lower level than they are now, and I believe that the railroads will make more money with the lower freight rates, at least the roads running east and west.

Representative MILLS. Are you under the impression that the railroads are making money?

Mr. SPILLMAN. No; and I think one reason is because they have the rates too high.

Representative FUNK. You say the direction of grain for export has changed from east and west to north and south?

Mr. SPILLMAN. Very largely.

Representative FUNK. What result has that brought to the producer?

Mr. SPILLMAN. The effect is a negative one. It costs the producer a little less to ship the wheat to Liverpool from Kansas City by way of the Gulf of Mexico than it costs him to ship it by way of Chicago and New York; he takes the cheaper route and saves a few cents, or rather he loses a little less by sending it in that direction than he would if he sent it in the other direction, so that that reduces somewhat the loss to the farmer.

Representative TEN EYCK. Going back for a moment to a statement that was made by the preceding witness: He made the statement that the cost of a box of his apples at the place of disposal, including the railroad rates, was \$2.20, we will say, in round figures, and that then those apples sold at retail for \$7.20?

Mr. SPILLMAN. Yes.

Representative TEN EYCK. It does seem to me that if we can find the place where the big spread is that we might be able to do more than we are able to do with the railroads.

Mr. SPILLMAN. I am inclined to think you are right about that. This problem of reduced rates is not the only difficulty which is before the country at the present time.

Representative TEN EYCK. I do not mean to argue against any opinion or information you may present to us as regards any reduction in rates, but when I am trying to save money I look to see where the most money has been spent, and I can always save the greatest amount out of the greatest pile.

Mr. SPILLMAN. I agree with you perfectly on that, and I might divert from my statement a moment to say that there may be a good deal of unnecessary expense between the consumer and the producer of those apples. Of course, I am not proposing or attempting to outline the duties of this commission, but it seems to me this commission might get some very interesting information by seeking for it along that line.

Representative TEN EYCK. I am glad to hear you say that, because I am somewhat of a believer in that.

Mr. SPILLMAN. I am confident that that is the case. There is a good deal that can be done along that line, I am sure. I want to cite an instance which is not exactly in line with the investigation being made by this commission, which, of course, applies to agricultural production. But this will serve as a good illustration of what I am saying.

In the case of shoes, not long ago I was traveling with a man who was coming to Washington and who represented a shoe house. He told me that he was selling a certain grade of shoes here in Washington for \$3.75 a pair, and that those same shoes were retailing at \$12 a pair. It is evident that somebody is making an ungodly profit there. I say "profit." Of course, that storekeeper's expenses are a good deal larger than they used to be. He is paying a good deal more rent; in some instances his rent is 100 per cent greater than it was in 1913, and he is paying considerably larger wages, but if I am not mistaken he is paying himself a much larger profit than he used to make.

I want to suggest that publicity is a cure for many of these evils, and if we could get at the profits that are being made by the people

who mine and sell the coal and give the facts to the public, if there are undue profits there I think publicity of the facts would tend to squeeze out those undue profits.

The CHAIRMAN. I agree with you that if you can get at those facts it is a great advantage to give them publicity; but we have just had an investigation of the whole situation—perhaps two or three investigations. Evidently they have not developed very much information as to profit, because I have not seen that information published, and I imagine it would have been published if it had been obtained. Of course, this proposition of getting at the profits involves sending accountants into the plants, and it also involves a very large staff of people, does it not?

Mr. SPILLMAN. Yes; it is an expensive process, I know; but it seems to me if the profit in certain lines of business continues, I do not see any other way to get at it than to have some governmental agency, either a commission of Congress or the Federal Trade Commission or some other similar body authorized by Congress, to go to the expense of finding out the reasons for that situation. Take, for instance, these tremendous retail prices we are paying. It may be that they are all legitimate.

The CHAIRMAN. Taxes are high.

Mr. SPILLMAN. It may be that the taxes we are paying pyramid until they will take up a very large part of this apparent gross profit. I do not know about that. But, getting down to the suggestions I desire to make to the commission, it would appear to me to be feasible to do these things I am going to suggest to you, and I have studied this question somewhat, and this is my conclusion of the matter.

In the first place, I believed at the time it was done and said so in our paper, and I believe now that it was a mistake to require the Interstate Commerce Commission to place the rates so that they would return  $5\frac{1}{2}$  per cent profit on the valuation of the roads without devising some plan of insuring the economic and efficient operation of the roads, and I believe, from fugitive facts collected here and there, and from such facts as Mr. McSparran presented here to this commission this morning—I believe that extravagance on the part of railroad management has been encouraged by that attempt to guarantee their profits. Personally, I think Congress ought to remove that guaranty.

Representative MILLS. Would there not be considerable force to your argument if the railroads had come anywhere near the so-called guaranteed profit? Can you accuse them of willful extravagance when they are barely earning operating expenses?

Mr. SPILLMAN. I think the reason why that is so, the one important reason for these high rates, is because of the gross extravagance with which the roads are managed. I believe that is one of the reasons why they are not making a profit to-day.

Representative MILLS. They do it deliberately?

Mr. SPILLMAN. Yes; I think they do.

Representative MILLS. They want to lose money?

Mr. SPILLMAN. It is not exactly that. By the way, here are some suggestions I was going to make in regard to things that ought to be remedied. Mr. McSparran gave us this morning an account of how

the Pennsylvania Railroad shut up their own shops and discharged their own men in the shops where they could repair engines at a cost of \$4,000 for each engine, and sent those engines to private companies to be repaired, in which companies certain officers of the road were personally financially interested, and having these repairs made at a cost of \$20,000 for each engine, because some of the officers of the road got a profit out of the \$20,000 worth of repairs.

Representative MILLS. Which Mr. McSparran said he had read in the newspapers and which he did not undertake to testify was the fact. Is not that true?

Mr. SPILLMAN. Yes. But it appears to me there is enough of that sort of thing going on to justify this commission in getting at the facts in regard to practices of that kind. I think it would be easy for you to get at the facts regarding them.

Representative MILLS. Senator Cummins's committee has been investigating those facts for weeks.

Mr. SPILLMAN. They need to be investigated. Take, for instance, the Pullman Co. At the time the Pullman Co. was organized, it was the common talk then, and I believe it was true, that the contracts were made with the railroads in such a way as to give the officials of those roads a personal advantage out of those contracts, and that that is the way in which the Pullman Co. got its hold on the traffic on such a large number of railroads, that the company made it personally profitable to the officers of the roads making the contracts, and that took a considerable amount of the profit that ought to have belonged to the railroads and turned it over to the Pullman Co., where the officers of certain roads at that time could get some profit out of it. In other words, the officers of the roads were making profits out of both properties.

Take such a simple matter, for instance, as printing their time-tables. Some of the roads, instead of printing those time-tables themselves, had them printed outside. I know of one instance, or at least it was reported that a contract was given to a relative of a high official of a certain road to print the time-tables at a very nice profit.

The Union News Co. is said to be a very profitable concern. The railroads could operate that and perform the services they perform and make a profit out of it. I believe there is enough of that kind of business on the part of service corporations in many of which officers of the roads are interested so that if the profits that those service corporations make out of the railroads were made by the railroads themselves they could be making money out of the lower freight rates, certainly out of the rates they are charging now.

Representative MILLS. Do you not know that to-day, under the law, no officer or director of a railroad can be interested in any company that does business with that railroad?

Mr. SPILLMAN. Is that law enforced?

Representative MILLS. It is evident, from your statement with reference to the railroads, that you have been dealing with hearsay evidence and not with facts that you have personally investigated.

Mr. SPILLMAN. I am pointing out the subjects which I think Congress ought to get the facts on.

Representative MILLS. You are not testifying as to the facts.

Mr. SPILLMAN. No; I have not the facts on that; but I am pointing out things which I think would justify a thorough investigation by this commission.

**Representative MILLS.** You are an agricultural expert?

**Mr. SPILLMAN.** Well, I do not very much like the term "expert"; I am a farmer.

**Representative MILLS.** Then you are an expert on a good many things. Would you not help us more if you could tell us what farm products had failed to find a market because of freight rates? We know that wheat has been moving in as large quantities as ever before.

**Mr. SPILLMAN.** Yes.

**Representative MILLS.** And California fruit has moved recently in larger volume than ever. Those are two instances I know of. What farm products have not moved because of high freight rates?

**Mr. SPILLMAN.** There is a great quantity of them. If you go down to Florida to-day you will find hundreds of acres of vegetables that have been plowed under because the high freight rates make it impossible for the farmers to sell those vegetables for a high enough price to justify their shipment. And you will also find the same thing is true in southern Texas.

**Representative MILLS.** Where would those things commonly go to market?

**Mr. SPILLMAN.** To Kansas City, Chicago, Cleveland, Cincinnati, and St. Louis. There are thousands of acres that have not been harvested at all.

**Representative MILLS.** Then where do those cities you have referred to get their vegetables from at the present time?

**Mr. SPILLMAN.** What they do get they are getting from nearby farms.

**Representative MILLS.** Is there anything to indicate that the consumption, let us say, of fresh vegetables in a city like New York has materially diminished in the course of the last seven or eight months?

**Mr. SPILLMAN.** In the case of New York City, the situation is different because they have water rates.

**Representative MILLS.** Then let us take Chicago, for example.

**Mr. SPILLMAN.** Chicago—I have not seen the statistics with reference to Chicago in connection with that matter, but I imagine that the per capita consumption there is reduced somewhat because of the high freight rates. I imagine that a careful study of the situation would show that to be the case. The men who do ship, certainly many of them, lose money on their vegetables that they ship. There was a case in Texas which occurred some years ago that very well illustrates what does happen and what is happening now; not always due to high freight rates, but the higher freight rates accentuate the difficulty.

**Representative MILLS.** How do you account for the fact that California fruits—oranges and other California fruits—have been moving in larger quantities recently than for a good many years?

**Mr. SPILLMAN.** California oranges are moving by ship loads down through the Panama Canal now.

**Representative MILLS.** Only one or two experimental cargoes have been sent around that way.

**Mr. SPILLMAN.** They shipped a large quantity of oranges for market, and that shows it could be done.

**Representative MILLS.** They have not done it, have they?

**Mr. SPILLMAN.** The experiment showed that they could do it a good deal cheaper.

Representative MILLS. That may be developed; but more have been moved by rail than previously. How do you account for that fact?

Mr. SPILLMAN. Because more are produced; that is all.

Representative MILLS. And more are consumed, in spite of the rates?

Mr. SPILLMAN. Yes.

Representative MILLS. That is, the transcontinental rates?

Mr. SPILLMAN. That does not mean that the producer is making more money. Yesterday, when the witnesses were detailing conditions here before your commission, the members suggested that what you wanted was suggestions for remedies for the situation, and I made out a list of a number of things I thought ought to be done to remedy the conditions, and I am not prepared to give details in reference to the conditions.

Representative MILLS. I will not interrupt you any further.

Mr. SPILLMAN. If I had known that is what you wanted I could have prepared on that. I do think that these service companies in which large profits are made out of the transportation companies ought to be a part of the transportation companies, and that those profits ought to be made by the transportation companies, thus enabling us to get better freight rates, and legislation looking to that end, I think, would help to solve the problem.

I can not help but feel that Congress can accomplish something by making an investigation to determine who is responsible for the inefficiency of the operation of the railroads during the war. I think it will probably be found that it was partly due to the governmental administration, and I am quite certain it would be found it was partly due to deliberate attempts on the part of railroad officials to make the operation inefficient under Government management.

I traveled a great deal all during the period of the war, when the railroads were under governmental operation, and when I made complaint about anything whatever—and frequently they were rules that put serious inconveniences on travelers—I was always informed that the Railroad Administration in Washington was responsible for it. I had that statement put to me here in the Union Station in connection with things that I knew were not due to the fault or inefficiency of the Railroad Administration. I asked a clerk in the station here one day if he had instructions to say those things. He looked at me rather hard and wanted to know why I asked the question. I said I happened to know that that was not true, that the regulation he was talking about was a regulation made before the Railroad Administration came into being, and it was not a regulation made by the Railroad Administration at all. I said to him, "You arouse my curiosity to know why you say the Railroad Administration in Washington is responsible for that." I had that put at me so many times that it looked like a conspiracy on the part of the railroad officials to discredit the Government operation of the roads.

I am not prepared to say that the Government ought to operate the roads at all; I would be afraid of such a proposition. But I think when the railroads come along, as they have done recently, and put up a bill for a billion and a half dollars on the ground of the inefficiency of labor during the war, it is an astounding thing to me that it was ever considered at all. We are told that something like

\$700,000,000 is going to be allowed. If it is allowed, that is going to mean an added tax, and I believe a careful investigation as to who was actually responsible for the inefficiency would cause the withdrawal of that bill.

Representative MILLS. That investigation has been made.

Mr. SPILLMAN. It has not been adequately made.

Representative MILLS. You had better see Senator Cummins about that.

Mr. SPILLMAN. It has not been adequately made, and Congress is responsible for those investigations. You could get the help of the Federal Trade Commission in making such an investigation of that kind.

The CHAIRMAN. The Federal Trade Commission would start out on such an investigation with absolutely no basis of information, and would have to get nine-tenths of its information from the Interstate Commerce Commission; it would have to get an entirely new set of men who have experience in matters of that sort, if it were to make an investigation worth anything, would it not?

Mr. SPILLMAN. It would, of course, get all the information it could get everywhere, and I believe we could get the facts, that the Federal Trade Commission would develop facts that have not yet been made public.

Representative MILLS. You have greater faith in the Federal Trade Commission than in the Interstate Commerce Commission?

Mr. SPILLMAN. I would not like to say that, but I would say that the fact that the Interstate Commerce Commission indorses the \$700,000,000 bill would make it look like the matter was somewhat prejudged when it came before the Interstate Commerce Commission.

Representative MILLS. Why do you say that?

Mr. SPILLMAN. Because it looks like it is, in this bill.

Representative MILLS. Have you investigated the bill, and what it is for?

Mr. SPILLMAN. I have investigated it far enough to justify an opinion in the matter.

Representative MILLS. What do you think the bill is for?

Mr. SPILLMAN. It is for \$700,000,000.

Representative MILLS. For what?

Mr. SPILLMAN. For the losses the railroads suffered because of the inefficiency of labor.

Representative MILLS. That is not my understanding: I may be entirely mistaken about it.

Mr. SPILLMAN. That is my understanding of it.

Representative MILLS. My understanding is this: When the Government took the railroads over, it undertook to return them in the same condition that they were in when it took them over, and, as I understand it, this bill refers to the matter of deferred maintenance, and it has nothing to do with the inefficiency of labor whatsoever.

Mr. SPILLMAN. Perhaps you are right about that, but the newspapers' statements do not indicate that that is what the bill is for.

Representative MILLS. The newspapers are not the most accurate sources of information.

Mr. SPILLMAN. I have seen the figures as to what the railroads themselves spent on betterments and maintenance for three years preceding Government operation, and taking what the Government

spent during its period of operation, I think the claim that the railroads were turned back in worse physical condition than they were in when they were turned over to the Government would need substantiation, at least.

There is one other fact—I do not know that it is within the realm of the investigation of this commission, but it seems to me would be an important thing. The valuation placed upon the railroads by the Interstate Commerce Commission needs revision, I should think, but I do not know how you would go about getting it. The public has to pay the bill, and it looks like the railroads are asking a great deal of the public.

Representative MILLS. Do you not think we can trust the Interstate Commerce Commission?

Mr. SPILLMAN. Oh, they have put a very high valuation on the railroads.

Representative MILLS. How do you know they have?

Mr. SPILLMAN. Well, I have not had the funds or the time to make this investigation myself, and I have had to take the opinion of others and statements made in the press, largely, for what I think about this.

Representative MILLS. Do you know how many years it has taken to make that valuation?

Mr. SPILLMAN. To make what?

Representative MILLS. To reach the valuation?

Mr. SPILLMAN. Yes; I am pretty well acquainted with the methods used. One of the men engaged in that work in a pretty responsible position is an intimate friend of mine and I have discussed in detail with him many times the methods used and the basis of the valuation. I think he would agree with what I have said here to-day.

Representative MILLS. It has taken a good many years, and it has cost a good deal of money.

Mr. SPILLMAN. Yes.

Representative MILLS. You think it ought to be done all over again?

Mr. SPILLMAN. I do not think that is necessary. I think the basis of the valuation ought to be changed. The physical valuation represents, I think, an excellent piece of work, but I think they were in error in some of the allowances they made on the final valuation. I will say this, that on the representations made by farm organizations in this country they cut down the valuation of the railroads something like a billion and a half dollars from the valuation they had decided to place upon the railroads. I do not think they cut it enough. The public has to pay those bills. I do not know how you would go about it, but it seems to me it ought to be reduced.

That is all I have to submit at the present time, Mr. Chairman, unless there are some other questions.

Representative FUNK. Do you believe if the freight rates were reduced that that would redound to the benefit of the farmers to the extent of the reduction?

Mr. SPILLMAN. Practically, yes; both on the outgoing freight from the farm and on the incoming freight to the farmer; I can not see any possibility of it not doing that.

**STATEMENT OF MR. E. L. HARRISON, OF LEXINGTON, KY.,  
PRESIDENT OF THE KENTUCKY DIVISION OF THE FARMERS'  
UNION.**

Mr. HARRISON. Mr. Chairman, our experience in Kentucky in the production of tobacco, I think, is very much like that of the farmers in other States where they have grown cotton and wheat, with the prices at less than cost of production. Last year that put us in rather an embarrassing situation.

The experiment station at Lexington, the farm management department—

The CHAIRMAN (interposing). That is the State station?

Mr. HARRISON. Yes; located at Lexington, have been trying to determine the cost of production in the white Burley section, and also in the dark section. In the white Burley section they find that the average cost of production per pound is 26 cents, or \$309 per acre, the average production per acre being 1,150 pounds in the Burley section. On the Lexington market in 1920—and that is one of the largest loose-leaf markets in the world—the number of pounds sold was 63,649,865. That tobacco brought, on the average, per hundred, \$46.17, which would be \$537.05 per acre. The cost per acre was \$309, and that would give the farmer \$228.05 profit, which is a very fair profit, a little bit more than the average farmer in Kentucky would ask. We are not asking for any exorbitant returns. All we want is the cost of production plus a fair and reasonable profit.

On the same market, for the last season, beginning January 3, the average price for the season was \$13.29 for 52,214,500 pounds, and at an average of the 1,150 pounds per acre that would make \$152.83, which made a loss of \$156.17. We do not have all the data for the State, but we do have the average returns for the State, and we figure on the cost of production for the tobacco throughout the State the number of pounds approximately sold in the State was 364,000,000 in 1920, which brought an average of \$36 per hundred. The number of pounds in 1921, 297,000,000, brought an average of \$12.98, which is considerably lower for the State than it was for the Lexington market, which is in the white Burley section. If the cost of production on the Lexington market showed a loss, and the average price for the State being much lower, the rest of the State produced at a loss.

Those conditions have brought us to a rather embarrassing situation. Our farmers last year went out and bought high-priced land, built high-priced barns with the expectation of getting money to pay for it after selling their tobacco. Then a great many of the people were on the land as tenants and they paid very high price land rents, some of them paying as much as \$200 an acre. Paying that price, a large number of those farmers as well as a large number of speculators have suffered severe losses.

Last spring we went to the local banks to borrow some money. They told us that money was tight, and if we were to borrow it we could not get it for longer than 60 days. We went to the farm loan bank at Louisville, and they said we can not loan you the money unless we sell bonds. We asked them when they would get the

bonds sold and they said probably sometime during the summer, and that left us in a rather bad situation.

It seems to me, by way of suggestion of a remedy, we should have a good collective bargaining bill passed. In other words, we ought to get through Congress the bill (we have been urging for some time) to give us an opportunity to have a better selling agency.

Then we need some improvement in the credit system, so that we can have money to finance our business.

The CHAIRMAN. What you have said about the farmers down there buying high-priced land, and incidentally, of course, mortgaging that land, in many instances on the basis of the higher price, presents one of the most difficult questions we have to deal with, because it does not seem quite possible to pay those high interest rates and to earn enough to pay a return on the investment, on the basis even of a very much increased price over what they now have.

Mr. HARRISON. That is true.

The CHAIRMAN. What I am getting at is this. If a man who has 260 acres of land, say, borrows \$10,000 on it at 6 per cent, that is \$600 per year?

Mr. HARRISON. Yes, sir.

The CHAIRMAN. If he produces 15 bushels of wheat per acre at \$1 a bushel, his interest rate represents 33½ per cent of his total income per acre.

Mr. HARRISON. That is true.

The CHAIRMAN. If he gets \$2 a bushel, it represents only 16½ per cent of his income per acre.

Mr. HARRISON. Yes.

The CHAIRMAN. The interest on this increased valuation of the land has to be met in some way by very much higher prices than you have now, if you expect to get by?

Mr. HARRISON. Absolutely.

The CHAIRMAN. The land has got to get down. If it does get down, you make your loss in your capital investment?

Mr. HARRISON. Those people who had to do that are a great deal more financially embarrassed than those who owned the land, or produce on it as share tenants living on the land.

Representative TEN EYCK. One of the gentlemen who testified yesterday said that \$10 worth of cigarettes were made out of tobacco that cost \$1.50, or it was sold for \$1.50.

Mr. HARRISON. Yes.

Representative TEN EYCK. If you have some of that profit cut down or spread about so that the consumer got a little bit more, you would be more harmonious and at the same time you would make money?

Mr. HARRISON. We would be in a better condition than we are now. About four years ago I recall weighing 75 cigars, which weighed a pound. At that time we were getting 10 cents a pound for our tobacco. The price at which the cigars sold was 10 cents each. This was \$7.50 per pound retail cost to the consumer.

Representative TEN EYCK. You sold the tobacco at 10 cents a pound for which the consumer paid \$7.50?

Mr. HARRISON. Of course, I realize there was included in that taxes, license, insurance, and a great many other things.

Representative TEN EYCK. I want to get at the spread over a lot of things. You feel that is what we ought to find out?

Mr. HARRISON. That is one of the most important things.

The CHAIRMAN. And the most difficult?

Mr. HARRISON. Yes. I regret that I do not know the cost of production on the dark tobacco; I am sure that would be very interesting data.

The CHAIRMAN. How was that cost you have given arrived at?

Mr. HARRISON. Mr. Nicholls, of the experiment station, worked that out by going to 87 farmers in the blue grass region during the year, from the time the tobacco crop was started, and asking the farmers to cooperate with him in keeping the necessary data.

The CHAIRMAN. That was done on the survey method?

Mr. HARRISON. Yes.

The CHAIRMAN. What is the condition of the local banks in your community? Are they doing everything they can to improve the situation?

Mr. HARRISON. A great many of them have been very liberal. But they will not loan money for more than 60 days, with an interest charge of 6 per cent. But they will only loan a certain amount. They say that the Federal Reserve Bank will not let them have any more money.

The CHAIRMAN. If you were a banker, on the basis of the statement you just made, do you think you would be disposed to loan any more money?

Mr. HARRISON. No; I do not think I would; I think it would be risky.

Representative SUMNERS. Have your local banks loaned up to their capacity to loan?

Mr. HARRISON. They say they have; yes.

#### STATEMENT OF MR. A. V. SWIFT, OF BAKER, OREG.

The CHAIRMAN. What is your business, Mr. Swift?

Mr. SWIFT. Farmer.

The CHAIRMAN. What kind of a farmer?

Mr. SWIFT. I am a general farmer, a grain raiser, and a stock raiser.

The CHAIRMAN. Where is your farm?

Mr. SWIFT. At Baker, Oreg.

The CHAIRMAN. You may proceed.

Mr. SWIFT. Mr. Chairman, I have on my mind something that has not been broached here at all. Of course, we western farmers are great buyers of machinery, and, being great buyers of machinery, that cuts a large figure in our business.

This year I attempted to buy what is called a combined harvester. You probably know what that is. In going to the local hardware merchant to get the prices—I knew of the condition that existed and how the International Harvester people put them out, and the terms they put them out on—and upon questioning him he said to me: "The price of this harvester is \$1,850, the price to be paid by you when it arrives at the station. You give me \$300 down and pay the company, the way it does business, with two different notes, one payable in October and one payable a year from October."

As it happened I was on the inside and knew how the money arrangement was made. The agent gets the \$300 as his toll out of the machinery sold; that is his part of the profit. All he does is to get my contract when I apply to him for the machine, and then he puts a postage stamp on the envelope and sends the order to the factory. He is not out a dollar for the machine, and does not even have to pay the freight on it.

I asked him why he was allowed such a sum as that on such an order, and he said that was for the service rendered. But the service rendered was simply my going to the store and ordering the machine. The agent does not even carry extras for that machine. He has nothing in that line, but if I want anything of that kind I have to put the order through him to get the extras so that I can fix the machine so that it will run again.

It seems to me as if there ought to be some method of reducing this price, this expense to the farmer; it seems to me it is an imposition on the farmer to have to pay this enormous price to get this kind of service. I think this largely holds true with all kinds of farm machinery; the way they put it out now to the farmer. That is all I have to offer.

The CHAIRMAN. We are much obliged to you.

#### STATEMENT OF DR. GEORGE L. SANDS, LITTLE ROCK, ARK.

DR. SANDS. I am Dr. George L. Sands, of Little Rock, Ark.

The CHAIRMAN. What is your business, Doctor?

DR. SANDS. I am a farmer and a physician. For six years I was with the State agriculture department. For the past three years I have been president of the State Farmers' Union of my State.

As I understand, gentlemen of the commission, this is, perhaps, the first time in the history of the agriculture of our country that the farmers have had the opportunity to be called before a commission created by the lawmaking body of our country to find out some of the conditions pertaining to the agriculture of the country, and I think that our counsels in this matter should be harmonious. I think we should exchange ideas in order that you gentlemen may have a better opportunity to arrive at a proper conclusion.

Being a farmer myself, having land, horses and mules, cattle, sheep, and hogs, cotton, hay, corn, vegetables, dairy products, and poultry products to sell, I have studied the conditions to some extent under which I sell those products. At the present time the export market affords me no market. You gentlemen, perhaps, know more about the real reasons for that than I do. Some one said that the credit of the European countries is not good, and for that reason the rate of exchange is such that those who are able to buy or have the money to buy do not buy because the difference in exchange is so great that it increases prices very materially of that which they buy. I do not know whether it is within the power of Congress to regulate the rates of exchange or not, but I presume that they could. If so, that is one of the remedies that I think should be looked into.

Outside of the export market I find there is no demand in the domestic market. In searching for the reasons for that, I have applied a rule which is very applicable to myself, and I suppose that it will apply to most all of the citizens who are consumers in the United

States. A great many people are not buying even the necessities of life, because they have not the money with which to buy. I know that is the case in my State, because I can not sell to my neighbors because they have no money, and for that reason the home consumption does not benefit me any, because my neighbors can not buy.

There must be some reason why the purchasing power of the people is diminished to that extent that the domestic trade at the present time is prostrated. I believe, gentlemen, it is estimated that we have between five and six billion dollars of money in this country, nearer five billions than six billions, if I mistake not. The agricultural products annually, if I have been properly informed, amount to around \$6,000,000,000, sometimes more than that, sometimes less. The question in my mind, gentlemen, is whether or not there is enough money in the country in circulation to do the business of the country. If that money is not in circulation and is not available to the people so that they can use it to carry on business, then it is not serving its proper function, either to the people or to the Government, and if it is not available, then, I am sure it is within the province of this commission, and especially of Congress, to regulate that matter.

Gentlemen, I am told that on this \$5,000,000,000 the banks of the country are drawing interest upon \$100,000,000,000. If that is true, is it not a fact that the credit upon the real money has also been extended to the limit? Then, if that is true, it would not be sound economics to extend the credit any further upon the present volume of money, but to increase the volume of money so that the money would circulate and create a domestic market for those products that I have stored up in my barn to-day that I can not sell.

The CHAIRMAN. On that point, it would not help much if you had more dollars if those dollars were worth less than they are now. That is the trouble in Europe to-day. They have plenty of dollars, plenty of francs, plenty of marks, but they are not worth in commodities anything like what they were in 1913, for instance. Values in currency have depreciated. The moment you get beyond the point where your actual currency represents the equivalent in gold, you are going to get a depreciated currency, and, consequently, while you may get more dollars for your stuff, your dollars will not get more when you come to buy something.

Dr. SANDS. I understand that is true and economically sound, but is it not a fact that we have a gold reserve sufficient now that there could be, at least, \$2,000,000,000 more issued upon the gold that we have now?

The CHAIRMAN. That is a matter of judgment, I should think, to say whether it is sound economics, sound finance, to issue another \$2,000,000,000 of currency on the large amount of gold which we have in the country now: it is a question of sound business judgment, keeping in mind the fact that there is a possibility that Great Britain, and, perhaps, other countries in Europe will get onto the gold basis, in which case they may draw from our reserves of gold and thus reduce the basis upon which that money is issued.

Dr. SANDS. That is all true, but even if they do that, then could we not gradually contract the currency back to the normal of the gold reserve that we have? We do that, do we not?

The CHAIRMAN. That can be done and has been done, but the theory, as I understand it, and I do not claim to be a financial expert,

upon which our money is issued now, is that the Federal reserve notes are issued upon the basis of interest charge, which automatically adjusts, or more or less automatically adjusts, volume of currency to the volume of business.

Dr. SANDS. I understand that is the function—supposed to be the function—of the Federal Reserve banks, but whether or not they are properly carrying out that function, especially pertaining to the interests of agriculture or not, is very questionable with the farmers of the country.

The CHAIRMAN. Do not let me interrupt your statement. Go ahead with your argument.

Dr. SANDS. Relative to the credit to the farmers, from the standpoint of the Federal reserve banks, as I understand, his paper must go through the local banks to be rediscounted by the Federal reserve banks. In my State the banks have all borrowed to the limit, and, according to the ruling of the Federal reserve board, to make further loans to the local banks would increase the rate of interest to such an extent that even the farmer can not afford to borrow, and, as the result of it, the banks will not even make loans to the farmers of the State. They say they can not.

The CHAIRMAN. Of course, there again the question seems to be as to whether it is the fact that the banks have reached their limit in discounts with the Federal reserve banks or whether they have reached the limits with respect to their own resources and their own capital and surplus.

Dr. SANDS. That is a matter for investigation, I would think, but the experience that we have had and the knowledge that we have gained in regard to those matters, especially in my State, and the loans that have been received from the Federal reserve banks, show that only a very small per cent of that has been extended to the farmers of the State. It has been used in other enterprises to a greater extent than in agriculture.

Representative SUMNERS. Has it not been used to extend loans to merchants, who in turn have carried the farmers, sold them goods or credit?

Dr. SANDS. That is true to a great extent, and, diverting a little bit, I might say right along that line that there are a great many merchants in my State to-day who are on the verge of bankruptcy.

Representative SUMNERS. Yes.

Dr. SANDS. A great many of them have already made settlements with the wholesale and jobbing houses at 15 and 20 cents on the dollar. The reason they have been forced to do that was due to the fact that the farmer whom they had extended credit to could not liquidate. That comes back to this fact, that all the debts that may be created, whether agriculture or otherwise, and all taxes and interest, must come back to production for liquidation. The farmers in my State are the greatest sources of production. We are an agricultural State, and, as the result, the burden of liquidation falls upon the agriculture of the State, but if the agriculture of the State can not liquidate then the debts are not liquidated.

Representative SUMNERS. What State is yours—Arkansas?

Dr. SANDS. Arkansas.

Representative SUMNERS. Let me ask you one question to see if your condition is similar to some of the sections I have just recently

returned from. I found in the section of the South that I have just returned from a condition under which country banks were practically unable to function. They had been extended to the limit. They could not take care of the needs of people who could tender good security and who needed money. It seemed to me from an investigation of the situation that if the condition was to be relieved you would have to find some route around the local banking institutions to get money to the farmers who were able to tender good credit, in order that they could start the liquidation and the purchasing power of the rural communities anew. What shape are your banks in in that regard?

Dr. SANDS. I was talking to one of our leading bankers not very long ago, relative to the situation, and he said this: "We are just sitting still in a boat." That is, it means that the banks are not doing anything.

Representative SUMNERS. I just wanted to know that one question; I did not want to go into the details of it, just the situation.

Dr. SANDS. Relative to transportation, that, of course, is only one factor that affects the interest of agriculture. We have no fight to make upon the railroads as public carriers any more than we feel that the transportation system ought to be able to render better service at lower rates. Now, we usually arrive at conclusions by analogy. When I was a boy, growing up on my father's farm, we had no railroads in that section of the country, and as the result of it, corn sold for 10 cents a bushel; Irish potatoes sold for 10 cents a bushel, because there were no transportation facilities for those products. As the result of that the corn was fed into livestock, cattle and hogs, and sheep, that could walk to market at a less cost of transportation, that is, to the shipping point, but it was too far to haul corn profitably to ship it, and as the result the price of corn was down to 10 cents a bushel. Freight rates from that same analogy will undoubtedly affect the price of any farm commodity, and the prices will be governed to a great extent upon the condition of the transportation or the transportation rates.

The CHAIRMAN. In other words, a thing that can not be gotten to market does not have any effect on that market.

Dr. SANDS. It has no effect on it. As far as the farmer is concerned, many times he loses many of his products, especially those that are perishable, due to the fact that he does not get them to market. The transportation, the export market, and the domestic market are three fundamentals that are affecting the agriculture of the country to-day, and in connection with that his money and credits. My experience has been, as a farmer, that the greatest drawback to the farmers of my section of the country is due to the fact that he is not in a position to control his own credit. As the result of that, others who are in a position to control his credit use that credit and even turn around to exploit him out of the profits of his own products.

It seems to me, gentlemen, that in order to put the agriculture of the country upon the basis that it should be placed, it is necessary to provide a different system of credits for the agriculture of the country, different from that of the commercial banks, because the commercial banks are interested in making short loans and quick turnovers, and the turnover of the farmer is usually 9 or 12 months,

and they do not like that kind of credit. As the result the farmer is often deprived of a credit that could be extended to him, due to the fact that there is a demand for their money from other sources where there are quicker turnovers, and they prefer that to the farmers' credits.

Gentlemen, I have given that matter some little consideration, and have thought if Congress would provide a system whereby, say, the farmers of each county—take my State, to illustrate—would establish a central agricultural bank and place agricultural credit of the county behind that bank under Government supervision, to be used for no other purpose, only to develop the agricultural interests of the county and to be used in marketing his products, that would relieve him from the commercial banks and, perhaps, would afford him a better system of credit than that which he has now through the commercial banks.

The CHAIRMAN. In the country banks in your section of the country, is the stock largely owned by farmers or is it owned by business men?

Dr. SANDS. It is principally owned by business men; in some instances, some farmers have some stock in the banks, but, as a rule, the banks are owned by the business men. In my home town, the town of Charleston, the bank that I do business with and have some interest in, perhaps 25 per cent of the stock in that bank is owned by farmers. But now, to illustrate the point that I have brought out there, relative to the agricultural bank, my bank has been loaning money to a cotton broker to buy cotton, and that cotton broker has been buying my neighbor's cotton, and, of course, he was using my deposits that I had in the bank.

I have been informed, and, in fact, my banker told me, and I presume it is reliable, that this man was buying on a contract that he had made with some cotton farms a good while ago, and that he was getting for this cotton 25 cents a pound and he is buying it for 7 and 8 cents a pound. Now, if my bank furnishes my money that I have on deposit there and uses my credit and the credit of my neighbors to furnish this man to turn right around and exploit my neighbors and exploit me out of the profits of my products, then it is a system of exploitation, and it is only a question of how long the farmer can survive under a system of exploitation where he is exploited in such a way. There should be some method provided to enable him to get out from under that. If not, then it is only a question when the entire agriculture of the country will be in this condition.

As I have been informed by students of economics, there are but two ways to increase production. I suppose that it is imperative for this Government and the people at this time to stimulate production as much as possible, but as I understand these two ways, one is true economics, and the other is false economics. One is to stimulate production by giving to him that produces a profit on that which he produces. That stimulates production. The other is false economics by placing burdens of debt, taxation, and interest upon those who produce, until they will have to produce more in order to live and have the necessary money required to liquidate the debt, taxes, and interest that they are required to meet. That would be a system of economic slavery, and we should not want to place the agriculture of the United States in that condition, but that is where it will ultimately lead to under those conditions.

Right here there is another important question that affects very materially the agriculture of the country. The farmer has no selling agency that can properly function; that is, he has not a selling agency like other industries have a selling agency. Take the manufacturing industries of the country: they have their selling agencies and they have them properly financed so that they can successfully sell their products, but the farmer has no selling agency that is functioning by which he can properly market his products at the minimum cost and have it properly financed. Along that line of the selling agency, I have talked with men who are inclined to believe that a selling agency for the farmers of the country ought to be under Government supervision. I do not think so. I think that the farmers should organize their own selling agencies collectively; that is, I believe that a way should be provided for collective bargaining or collective selling, just as other agencies do for other industries, and eliminate the possibility of every producer, of every farmer, competing with the other farmers.

To go back now and recapitulate: We have transportation; we have the export market; we have the domestic market; we have money and credits, and a selling agency that can properly function. With these things, gentlemen, before you, I regard them as the fundamentals upon which you should base your conclusions relative to working out matters that will affect agriculture of the country and help it. If you have no questions, I believe that is all.

Mr. ERNEST M. POLLARD. I have a communication here that an editor of a Farmers' Union paper in Nebraska, the Nebraska Union Farmer, desired to have presented to the committee. It is his own product. He has his own ideas as to the remedies for the present situation, and I would like to have it submitted for the record. It is by L. S. Herron, the editor.

The CHAIRMAN. Yes.

#### STATEMENT OF MR. L. S. HERRON, EDITOR NEBRASKA UNION FARMER.

Mr. HERRON. What ails the farmer? The business depression that began last fall is the inevitable result, it seems to me, of the tremendous inflation that occurred during the war and the consequent riot of speculation and profiteering. Currency and credit had been expanding in volume for several years before the United States entered the war, but the large amount of money spent in this country by European nations for war supplies and the expansion of credit in floating our bond issues hastened the breaking point.

Most of us expected the slump to come soon after the close of the war. Instead of that the rise of prices continued for more than a year after the armistice. This was partly due to the fact that the people began using their Liberty bonds to buy goods, which had the same effect as an enormous addition to the circulating medium. Prices kept rising. People began to rebel against high prices. By the spring of 1920 most of the people had spent their bonds and were at the end of their rope. Then the depression began.

One of the principles of the quantitative theory of money is that the rapidity of circulation of money has as great an effect upon prices as the volume of currency and credits. When the people ceased to

buy freely, it meant a great decrease in the velocity of circulation. Bank clearings, which are a good criterion of rapidity of circulation, began falling about a year ago and have been falling ever since. This decrease in velocity of circulation—or, in other words, the decrease in buying—explains most of the deflation that occurred last year, I think.

True, the Federal Reserve Board began putting on the brakes in May of last year by discouraging any further expansion of loans and discounts. But the board did not cause the volume of loans and discounts to be decreased. The volume remained fairly constant up to the first of this year and has not declined a great deal yet. Likewise the per capita circulation of money increased steadily up to November and did not decline appreciably until after the first of this year.

Whether farmers were placed at a disadvantage in securing credit when the Federal Reserve Board put on the brakes is a disputed question. My personal view is that farmers have always been at a disadvantage in the matter of securing credit and that the business depression only served to emphasize this disadvantage. It is a condition that can best be remedied, I think, by farmers' cooperative banks, such as exist in almost every European country. Farmers must mobilize and control their own credit resources.

Why did farmers suffer most in the slump? I think the chief reason was that the big trusts and monopolies could shut down their plants, stop production, and hang on for the old level of prices—at least for the time being. On the other hand, farmers had already produced their crop. They could not shut down. Neither were they in position to exert monopoly power. With many consumers out of employment and with the European market badly curtailed, the inevitable result was a tremendous slump in prices of farm products.

Now, as to remedies: We can not expect Congress to legislate farmers back to prosperity. Congress has not the power to do that. We should be wary, too, of paternalistic, Government-aid schemes. But Congress can do something to help the situation, which I shall enumerate under four heads:

1. Something should be done at once to bring about a reduction in railroad rates. My own belief is that unified Government operation, such as we had during the war, should be restored until a permanent solution of the railroad question can be worked out. At all events, the Cummins-Esch law, with its guaranty provisions, should be repealed, so that inefficient and wasteful railroad management will not be encouraged, as it is now.

2. Government expenses should be pared to the limit. The burden of Federal taxation is almost crushing. Much of it is indirect, but it adds to the cost of living. A good place to begin cutting down expenses would be in the Army and Navy Departments. Over 90 per cent of the total cost of the Federal Government is for war preparation and expenditures arising out of past wars. Our war burdens are terrific.

3. All barriers to voluntary cooperation should be removed. Congress should enact a law removing any possible legal obstacles to cooperative marketing. Cooperative national banks should be provided for specifically. Then farmers could work out their own

salvation. I would object to any Government loan schemes. The business of Government, as I see it, is to be impartial and to maintain equality of opportunity. If the Government will quit giving favors to other classes and see that business freedom is maintained, farmers can take care of themselves very well.

4. Every sort of prop to monopolies should be removed. The monopoly question is closely related to the present condition of farmers. The big trusts have been able to hold their prices up while prices of farm products were falling. This has put farmers at a great disadvantage. Had all prices fallen in proportion, farmers would be in much better condition now. Farmers can not hope to build a monopoly, because for almost every farm product there is some substitute. Farmers should be interested, therefore, in seeing that other monopolies do not exist. It is their only hope of being on a par with other interests. The tariff is one of the big props to monopoly. I wish farmers would quit asking for "protection" and go in for free trade. They would profit by it much more than they would lose. The steel monopoly, the coal monopoly, and the lumber monopoly all rest upon monopolization of natural resources that of right belong to all the people. Freedom of access to these natural resources should be restored. That would do more than anything else to break down all monopoly and restore equality in the industrial world.

**STATEMENT OF MR. B. HARRIS, OF COLUMBIA, S. C., COMMISSIONER OF AGRICULTURE OF SOUTH CAROLINA.**

The CHAIRMAN. You may proceed.

Mr. HARRIS. Gentlemen, I am glad to be here before you this afternoon. Cooperatively, I think that the farmers and probably this committee can do some good work. I know there is a great deal that you have been asked to do that you can not do. I know largely the farmer has got to work out his own salvation, with the cooperation of our Congress and Senate, and that I believe we can do and do it profitably.

Agriculture, as you all know, is one of the biggest businesses in the world. There is no business as big as agriculture, and without agriculture all other business would stop. I am a farmer, have farmed all my life, never done anything else. I have tried to study some of the problems that confront the farmer and how to solve them, and I realize he has got to solve most of his problems himself. There are some where he needs some little help, and I think that whenever we try to solve these problems of ours along the right, common-sense lines, we can get what help it is needful to have. Agriculture is a very expensive operation, as those of you who have ever engaged in it may know. It is very expensive. It takes 12 months to grow a crop, and certainly you should take 12 months to market that crop, to market it profitably to the grower.

In regard to solving the problem we are up against to-day, as I see it, one of the greatest needs is a lack of finance, of a long-term of credit for the farmer. He should have 12 months' credit to properly and successfully market his crop for a profit. Any crop that is grown and thrown on the market in three to four months is bound to be put on the market at a loss to the producer. The producer, being one of the most important factors in the world to-day, can not afford to pro-

duce food and clothing for the world at a loss, as he has been doing for the last 8 or 10 months. No longer will the intelligent farmer put forth efforts and energies and spend his money in time to grow a surplus crop to feed the cities of this Nation at a loss. This is one thing that we should give a serious consideration, for if we fail to raise food and clothing for the world, where are you going to get them? Gentlemen, it is a very serious problem when we come to think about this thing, just the conditions that confront us to-day. When I am awake my thoughts are in agriculture, and when I am asleep virtually it is my dreams, because I realize what agriculture means to the world. I know we have a great many people who have never given this a serious consideration, but it is time that we were waking up to-day to realize just what condition agriculture is in, not only in the United States but in the world.

Did you ever think for a moment, if the seeds were withheld from the soil for even 30 days somewhere in the world, what a condition we would be in. Just 60 days, if the seeds were withheld from the soil, we would find that we were getting pretty scarce of some articles that we need. There is no need for a great country like this United States, one of the greatest countries in the world, to be really in the condition that we are in to-day, and I believe that with due consideration of conditions that relief can come by which agriculture can get back upon a paying basis. As I said a few moments ago, the extension of credits for 12 months to the farmer will be one of the biggest things that possibly can be done to remedy the conditions that are confronting us to-day. It seems pretty hard when the farmer grows his crop and it should take him 12 months to sell it, and he is forced to sell it on a market in from 4 to 6 months. Somebody is going to take the advantage of him. Why? For a lack of money to handle this off of the market until the world needs it and will pay him a profit for growing.

A man should not be forced to work and sell his commodity below cost of production, because he is dependent upon a little profit by which he might live and educate his family and have some of the comforts of life. Gentlemen, underconsumption to-day is one of the big things that is hurting us in the United States, underconsumption. I know of a great many that actually are in need of bread in the United States to-day, and more bread in the United States than we can consume. I know of many families that are in destitute condition for the want of clothes in the United States, one of the greatest countries in the world.

These are facts, gentlemen, and I believe if you will investigate it around most of your homes, you will find that they are in dire need of food and clothes. It is underconsumption. If to-day the people of the United States, the great masses, had money, they would eat more; they would wear more clothes, and they would use more of the things that are manufactured here in the United States. I am afraid we throw too much stress upon the foreign market when we here to-day in the United States have not a market as our needs call for really, for sanitary conditions, of food and raiment. I believe if these conditions can be somewhat eliminated, if you can find any way by which it can be done, I believe that immediately we will see times getting better here in the United States, and of

course we have got to get better here before we can expect to get better off from home.

I do not care to take up any more of your time, gentlemen, but I just simply throw out these little suggestions, that might be of benefit to you and help to make this whole country what it should be.

Representative TEN Eyck. You mean that you believe that the country ought to have confidence. If there is more confidence in the country, and everybody believes that we would have good times, then we will have good times.

Mr. HARRIS. We would go a long way toward it, if we all prove it and back up this confidence, and say what is right.

The CHAIRMAN. If there are no questions, the commission will take a recess until to-morrow morning at 10 o'clock.

(Whereupon the commission adjourned to meet at 10 o'clock a. m. Wednesday, July 13, 1921.)



# AGRICULTURAL INQUIRY.

WEDNESDAY, JULY 13, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met at 10 o'clock a. m. in the caucus room, House of Representatives, pursuant to adjournment on yesterday, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. Mr. Barrett, who will you have next?

Mr. BARRETT. We would be glad to have you hear Mr. McAuliffe.

The CHAIRMAN. Give your full name, residence, and business to the official reporter for the purpose of the record.

STATEMENT OF MR. MAURICE MCAULIFFE, FARMER, SALINA,  
KANS.

The CHAIRMAN. You may proceed.

Mr. MCAULIFFE. I do not know what I am here for, hardly. I understand I am to appear here before an agricultural investigating commission. I have studied the personnel of the commission, and I believe that the members know more about agricultural conditions than I do—or as much, anyhow. I do not know that I can throw any additional light on the subject. One of the members from Kansas [Senator Capper] knows as much about agricultural conditions in Kansas as I do; and the Congressmen present from Kansas [Representatives Tincher and Strong] I am sure are in the same position; and I believe you gentlemen of the commission know just as much about general conditions as I do.

But possibly you have not been at home as recently as I have and, therefore, are not in touch with present conditions as fully as I believe I am. Gentlemen of the commission, conditions out in the agricultural States have been undergoing very rapid changes in the last four or five or six months, or, I will say, commencing last September or October; in that time there have been very great changes to the detriment of agriculture generally, and those detrimental conditions continue on down to this time.

This time last year our wheat was selling for \$2.60 a bushel in the Kansas City market, and for about \$2.45 in the local market. Wheat is selling now in our local market, 186 miles west of Kansas City, the best of our wheat—well, first, at Kansas City it sells for \$1 a bushel. In Salina the top price being paid for new wheat is 90 cents a bushel, and for second-grade wheat 87 cents a bushel, and third-grade wheat 84 cents a bushel.

I have market quotations from Kansas City for four or five days of last week. Possibly you would like to look over them, and I now pass them over to the commission. There is a difference in price per bushel between new wheat and old wheat. New wheat is about 20 cents a bushel higher than old wheat; but there has been very little new wheat going into the market until recently. And now the market is being flooded with new wheat because the farmers are afraid they will have bad car conditions such as they suffered from last fall. You gentlemen are all familiar with the shortage of cars last fall and what it meant to the farmers of the country.

About two weeks ago yesterday wheat on the Kansas City market dropped 22 cents a bushel one day.

Senator CAPPER. How do you account for that?

Mr. McAULIFFE. The speculator just got a chance to do it and did it. The speculators claimed that there was more wheat coming on the market than they could take care of, and that there was no foreign demand for it.

The CHAIRMAN. Is the wheat coming into the market now new wheat or old wheat?

Mr. McAULIFFE. New wheat principally. You will see by the market quotations a difference in price between old wheat and new wheat.

The CHAIRMAN. I was particularly interested in the receipts. The receipts at Kansas City according to these statements you have furnished the commission show that about four times as much wheat is coming in now, new wheat, as came in at the same time last year.

Mr. McAULIFFE. Yes, sir. New wheat is going to market this year about 30 days ahead of last year. Our harvest is fully two weeks ahead of last year. Of course, wheat from the grain belt of Kansas proper is not going to market at all yet, but still a large amount of new wheat is going in, being rushed in.

Senator ROBINSON. Does that represent a break on the local market or does it represent a general decline?

Mr. McAULIFFE. A general decline on the Kansas City market.

Senator ROBINSON. That can not be accounted for by the coming in of the new crop, can it?

Mr. McAULIFFE. Yes, sir; new wheat is coming into the market at this time.

Senator ROBINSON. But you can not account for the very heavy decline or very great decline in the price of wheat in that way, can you?

Mr. McAULIFFE. That is what they attribute it to; that they were receiving more wheat than they had sales for. Of course, wheat going on the market at this time is not in shape for milling; it has too much moisture in it, and they must depend upon export demand.

The CHAIRMAN. Wheat can be milled with a certain amount of moisture in it, as I understand?

Mr. McAULIFFE. If it only contains about 16 per cent moisture they can put it through a drying process in the elevators, but they can not mill wheat with more than 14 per cent of moisture in it. However, wheat can be stored with 16 per cent moisture in it.

The CHAIRMAN. I was at a meeting at the office of the Secretary of Agriculture when moisture in wheat was under consideration, and there I was told that they mill wheat with 16 per cent and sometimes

17 per cent moisture in it; and that in fact they put moisture in wheat sometimes to bring it up to that point, more to toughen the skin so as to make it separate more easily and control the break.

Mr. MCAULIFFE. They claim for milling purposes they do not want to handle wheat with more than 14 per cent or 15 per cent of moisture. I know what you say about adding moisture to wheat when it gets too dry, and they do that.

The CHAIRMAN. Of course, wheat with 16 per cent moisture is not safe for storage, and I do not think it is safe for export, but that is not a serious proposition, it seems to me, because putting it a couple of times through the spouts will take enough moisture out of wheat to make it millable or safe for storage. The reason stated for break in price does not seem to me to be very sound.

Senator ROBINSON. That is the way it seems to me; the break was too great.

Mr. MCAULIFFE. Yes; it broke 22 cents in one day, and the most of it broke as much as 20 cents in one day.

The CHAIRMAN. When did that occur?

Mr. MCAULIFFE. Two weeks ago.

Senator ROBINSON. In one day?

Mr. MCAULIFFE. Yes. That has been the greatest trouble with our local buying agencies—that they take too much margin between the home market and the Kansas City market to protect themselves against the beastly breaks. The breaks generally run from 8 cents to 20 cents on the bushel, but the rises do not go more than 2 cents a bushel at a time.

Senator CAPPER. Do you not think the present grain exchange system has something to do with that?

Mr. MCAULIFFE. Oh, certainly; it has all to do with it, I think.

Senator CAPPER. You said, I believe, that wheat was selling at 90 cents on the Kansas City market?

Mr. MCAULIFFE. That is in my town, Salina, Kans.

Senator CAPPER. What is your estimate of the cost of producing that wheat, the cost to the farmer?

Mr. MCAULIFFE. As near as I can figure it out the cost of producing wheat to the farmer would be about \$2.50 a bushel, provided he allows himself for his time the same wages as he pays the men to help him, and taking into consideration 6 per cent interest on the value of the land that the wheat grows on. You can not raise an acre of wheat in Kansas for less than \$26, taking everything into consideration. Of course, then, the yield per acre is the next thing regulating the cost per bushel, but about \$25 or \$26 an acre is as near as we can come to the cost of growing wheat this past year.

The CHAIRMAN. Is that on the basis of present land values?

Mr. MCAULIFFE. Sir?

The CHAIRMAN. Is that on the basis of present land values?

Mr. MCAULIFFE. Yes, sir. The value of land has not decreased, or at least but very little.

The CHAIRMAN. Has it increased?

Mr. MCAULIFFE. It has not increased or decreased. It has possibly been stationary for the last couple of years in Kansas.

Senator ROBINSON. Very little land in Kansas, I suppose, has recently changed hands?

Mr. McAULIFFE. Yes, sir. That is figuring on the average value of wheat land in Kansas as about \$100 an acre, which is a low average for the State.

We will probably be able to produce wheat cheaper this year. We expect to get our harvest labor a little cheaper: at least we are getting it some cheaper. We expected to get harvest labor for \$3 a day, but we are finding the average price of harvest labor running between \$5 and \$6 a day, and in western Kansas they are paying as high as \$7 a day for labor now, and are having some trouble even then. Men will go out and stay overnight and then will say in the morning "We will have to have more money or we will quit." As a result there will be quite a little wheat in western Kansas that will not be cut at all, except what the man can cut with his own labor, because he can not pay the price and come out.

Senator CAPPER. How much increase in cost of production do you think there has been since what we call the prewar period?

Mr. McAULIFFE. A little over 100 per cent. And take conditions at the prewar period, we could buy a binder for \$150, and a header for \$175. To-day we are paying, or at least last year we paid \$325 for a similar binder, and about \$375 for that header. This year there has been a reduction of 10 or 15 per cent, however. I would say that 15 per cent at the outside is the reduction. The cost of a binder now is around \$300. The price of labor has been reduced some; the average labor on farms has been reduced, I would say, about 25 per cent this year over last year.

Senator CAPPER. The price the farmer is now receiving for his wheat is about back to prewar prices, is it not?

Mr. McAULIFFE. It is a little lower. Taking the average for the year before the war, and taking the average price for that year, and the price we are now getting for wheat is a little lower than was received then. I think I got \$1.18 a bushel for wheat in May of the year before the war.

But, gentlemen of the commission, the people are scared out in Kansas now, you know. There are two reasons why they are rushing wheat onto the market: (1) The banks are forcing them to do it. The banks made heavy loans on wheat last year when it was worth \$2.50 a bushel. The farmers gave wheat and cattle and hogs as collateral. The prices of these commodities have reduced one-half, which reduced the security the banker had for his money, and the banker necessarily is forcing those men to sell or put up additional collateral, and those men have not got it. (2) Another reason is that the farmers are afraid scarcity of cars will come up later on as it came up last fall, and that it will result in reducing the price still more.

Senator ROBINSON. The farmers are having no difficulty in getting cars now, I take it?

Mr. McAULIFFE. No, sir; we have not had any difficulty getting cars since wheat got down to about \$1.25 a bushel. They dropped down out of the heavens, apparently, when wheat got down to that price.

The CHAIRMAN. Is there anything further, Mr. McAuliffe?

Mr. McAULIFFE. We think it is within the province of this commission to pass legislation that will help the farmers to get credit, so that they can hold their wheat off the market, so that they may at least hold enough of their product off the market to reasonably pro-

tect themselves and put them in a position that they will not have to dump all of their stuff on the market at one time and break prices. We think this commission can recommend legislation along that line and use its influence and effort to get it enacted into law.

Every other industry in the country can get credit. Why not the farmer as well? The farmers were forced to put their stuff on the market last fall at reduced prices simply because they could not get credit to carry it over. The regional banks and the local banks throughout the country give credit according to the amount of capital they have, but last fall that credit was not enough to meet the farmers' needs. Whenever the home bank asked for more credit from the regional bank the latter bank advanced the rate of discount. I know of one bank in Kansas City that paid as high as 16 per cent discount for money and then loaned that money out to the farmers at 8 per cent. That is the Midwest Bank, of Kansas City. I know of another bank, a bank in my town, that could not get money from the regional bank at all, and they went to New York and borrowed \$500,000—just one bank—to tide the farmers over.

I believe it is possible for you men to pass a law here that will enable the farmers to get the necessary credit to tide them over, so that they will not have to dump their products on the market all at one time.

The CHAIRMAN. Anything else, Mr. McAuliffe?

Mr. MCAULIFFE. I have got a few suggestions here that I thought over on the way down. I have tried to think the matter over, so that I might suggest things that you can do and should do. I am one who does not want any special legislation for farmers. I do not want farmers to be wards of the Government in any way, shape, or form. But I want the farmer to receive the same rights and privileges of all other classes; no more. I believe we are entitled to that much. I know conditions out in Kansas and the West pretty well.

The first thing I think you ought to do, if we are to get relief at all out there—and it is the first of the subjects in the way of relief that I have in mind although it will not be the greatest—would be a reduction in freight rates. Prior to the war, freight rates on a bushel of wheat from my town to Kansas City were 9 cents a bushel. For corn it was the same. To-day the rate is 13 cents a bushel for wheat and corn, or 21½ cents the 100 pounds. While 4 cents a bushel does not seem a very great amount, yet it is that much added to a bushel of 90-cent wheat.

The CHAIRMAN. And it is a good deal more on wheat that brings \$1 a bushel than on wheat that brings \$2.50 a bushel?

Mr. MCAULIFFE. Yes, sir.

Senator CAPPER. That is the highest freight rate you have ever had on wheat, is it not?

Mr. MCAULIFFE. Yes, sir; 21½ cents a hundred pounds, the same as the freight rate on corn.

Senator ROBINSON. What is the lowest rate you can remember?

Mr. MCAULIFFE. Seven cents a bushel.

Senator ROBINSON. When was that rate in effect?

Mr. MCAULIFFE. About 10 years ago. Another thing to take into consideration is this: At the time when we had the rate of 7 cents a bushel on wheat and corn about 500 bushels was the capacity of a

car. Now the average car carries to Kansas City 1,600 to 2,000 bushels of wheat, and at 21½ cents the hundred pounds.

Representative TEN EYCK. How many miles?

Mr. McAULIFFE. One hundred and eighty-six miles.

Representative TEN EYCK. Seven cents a hundred pounds?

Mr. McAULIFFE. No, sir; 21½ cents the hundred pounds.

Representative TEN EYCK. Oh, 7 cents a bushel?

Mr. McAULIFFE. Yes, sir.

Representative TEN EYCK. In relation to your storage; you have spoken of money, of additional credit—which I think is necessary for the farmer—storage facilities to keep their grains and other things they have produced is also necessary. Have they any arrangements for it?

Mr. McAULIFFE. The landowners have; the tenants have not.

Representative TEN EYCK. You say the landowners have such facilities?

Mr. McAULIFFE. Yes, sir.

Representative TEN EYCK. But the tenants have not?

Mr. McAULIFFE. No, sir.

Representative TEN EYCK. In other words, the landowners are rich enough to build the necessary storage, is that it?

Mr. McAULIFFE. Well, whether they are rich enough or not they do build storage houses.

Representative TEN EYCK. That is what I mean, they have the money.

Mr. McAULIFFE. They have it or get it to build storage.

Representative TEN EYCK. But they will not build storage for their tenants; is that it?

Mr. McAULIFFE. No, sir. But storage is not so expensive to build. Take the galvanized granaries, say, one to hold 1,200 bushels of wheat, and which will last for 25 or 30 years, it can be built for about \$175 now. It could be built five years ago for \$135.

Representative TEN EYCK. That has all to do with financing the farmer; that is, giving him credit so he can do these things.

Mr. McAULIFFE. Yes, sir.

Representative TEN EYCK. There is no need of giving him credit to hold his products if he has no place to store them?

Mr. McAULIFFE. No, sir.

Representative TEN EYCK. In the east it is a little different. The farmers have storage in a great many places, but they have not enough storage for all their perishable things, like apples and potatoes. Would cooperation in communities, providing community storage plants, be of any value?

Mr. McAULIFFE. Yes, sir. I will get to that after a while. The last Kansas Legislature passed a law making local warehouses, local elevators, Government warehouses by licensing them. We are now trying to organize a terminal marketing association in Kansas City. There is ample room in Kansas City to store all the wheat that comes in there, a capacity of 20,000,000 bushels of wheat, while the greatest amount of wheat there any one time least year was 5,000,000 bushels. It is down to less than half a million bushels now.

Representative TEN EYCK. If you had all the credit in the world, could you store your grain in the Kansas City warehouses or elevators?

Mr. McAULIFFE. Yes, sir. We can get warehouse receipts.

Representative TEN EYCK. You can store it there and they will hold it?

Mr. MCAULIFFE. Yes, sir. Our terminal elevator association in Kansas City, if we get it organized, will be in a position that we can hire elevator space in Kansas City which belongs to the railroads. It can be rented to anybody.

Representative TEN EYCK. Is that the law now or would you have to form a cooperative organization and make certain further arrangements to accomplish that end? In other words, can you go there now with your wheat and arrange for it?

Mr. MCAULIFFE. No, sir; I would have to go through our selling agency in Kansas City.

Senator CAPPER. I take it it would make very little difference whether wheat is in storage in a terminal market or a local market if it is still under the control of the producer, and for that reason you suggest that additional credit facilities would be a great assistance to the producer?

Mr. MCAULIFFE. Why, certainly it would.

Representative TEN EYCK. The question is, even if the farmer gets credit, is the system of such a nature that the individual can store his grain, if he has not a storage place on his own farm, for a year?

Senator CAPPER. I understand that any man can go there and rent storage facilities if he has sufficient quantity of grain to store.

Mr. MCAULIFFE. Yes, sir.

Representative TEN EYCK. What is a sufficient quantity?

Mr. MCAULIFFE. Well, say, a carload. But you can if you agree with the storage warehouse to put in 300 or 400 or 500 bushels, and your wheat is graded when you go to the storage elevator, and it is dumped in with the other wheat, and when sale is made you are paid on that basis.

There is one thing I want to impress upon you, that when you store with a mill or a local elevator through the country they take your wheat in and give you a warehouse receipt for it, but when you come to sell that wheat you have got to sell it at their figures. They will not give you back your wheat. If you are not satisfied with the price you have got to take it anyhow, because they will not turn back the wheat. If you store it in Kansas City they will give you so many bushels back if you wish that done.

Representative TEN EYCK. Will you explain how a farmer with 300 bushels of wheat operates, through his local buyer, and the rest of the procedure, the different hands the commodity goes through to get into Kansas City, so he can hold it in Kansas City for a year?

Mr. MCAULIFFE. The farmer delivers his wheat at the local elevator, and if he desires the local elevator will store it; it would be better to have a carload than 100 bushels, but three or four farmers can get together and make up a carload.

Representative TEN EYCK. Then you do cooperate to that extent?

Mr. MCAULIFFE. Yes; then they ship that wheat to Kansas City to a commission house, with instructions that it be stored, and get a warehouse receipt on it, and get money advanced on it. That is all there is about it.

Representative TEN EYCK. How much does it cost you to carry it that way in storage?

Mr. MCAULIFFE. About 3 cents a bushel for the first month, and then it is graduated down according to the length of time you keep it there.

The CHAIRMAN. That includes storage, insurance, and so on?

Mr. MCAULIFFE. It includes everything.

Representative TEN EYCK. And interest?

Mr. MCAULIFFE. Yes, sir.

Representative TEN EYCK. About 3 cents a month for the first month?

Mr. MCAULIFFE. Yes, sir; and then it is graduated down according to the length of time you keep it in there. There is a graduated price, so much for the second month, and so much for the third month.

The CHAIRMAN. Are those rates fixed by law?

Mr. MCAULIFFE. I do not think they are fixed by law but by the terminal association.

Representative SUMNERS. How much does it cost you to carry wheat a year?

Mr. MCAULIFFE. I do not know.

Representative SUMNERS. Three cents a bushel per month would be a pretty big tax and would finally take all your wheat?

Mr. MCAULIFFE. It gets down to about half a cent a bushel after it has been there a couple of months.

Representative TEN EYCK. If you had 300 bushels of wheat and some of your neighbors had each 300 bushels of wheat you could put it together and fill a car, if it was all of a particular grade, or would you have to make up a carload by dividing the car up into sections and ship in that car the different grades of wheat?

Mr. MCAULIFFE. You would have to ship it in bulk.

Representative TEN EYCK. It necessitates everybody else having the same grade of wheat that you have?

Mr. MCAULIFFE. Oh, the grade of wheat grown in a county is all about the same because it is all grown under like conditions by everyone.

Senator CAPPER. There are very few farmers in Kansas that are in the 300-bushel class?

Mr. MCAULIFFE. Oh, we don't talk about that class.

Representative TEN EYCK. We do not consider separately the 2,000-bushel or 5,000-bushel or 10,000-bushel farmer; we must consider all classes of farmers. We also consider the man who produces milk as well as the man who produces wheat, and the man who produces corn as well as the man who produces cabbage.

Senator CAPPER. Is not the chief trouble confronting the farmer the fact that the speculator and the commission man and the elevator man, under the present credit system, have had an opportunity for securing credit accommodations while the producer has been deprived of those credit facilities, and the products of his farm have passed out of his control and into the hands of the middleman, the speculator, and the mill man, to whom credit accommodations were available?

Mr. MCAULIFFE. There is no doubt in the world about that. Let us say that when wheat was \$2.50 a bushel the farmer could not get a dollar but the speculator could get all the money he wanted.

Senator CAPPER. As I understand, the storage facilities are ample at either the local or terminal markets; and, apparently, there is ample credit for somebody, because the products of the farm are in storage, but the trouble is that they have passed out of the hands of the man who produced them and gone into the hands of the middleman and speculator, who have made all the profits on the results of the producer's labor.

Mr. MCAULIFFE. Talking about cooperative elevators, we have in Kansas now right close to 500 cooperative elevators. They are purely cooperatively owned elevators, owned by farmers. We are forming an organization in the nature of a selling association in Kansas City, but we can not get into the board of trade; they will not let us in as a cooperative organization. Under the rules of the Board of Trade of Kansas City, and everywhere else as far as I know, they will not admit to membership any association that prorates its profits to its members.

The CHAIRMAN. We have just passed a law in Minnesota requiring boards of trade to admit such organizations. The law is being litigated now to determine whether or not it is constitutional.

Mr. MCAULIFFE. Of course we have a bill under consideration now, or you have, known as the Capper-Tincher bill, which will come up in a few days, and we hope you gentlemen will pass it, because we believe it will be of greater benefit to the farmer than any other law we could get.

Representative TEN EYCK. Senator Capper says there are storage facilities now, but I would like to know from somebody qualified to tell me whether that storage that now exists is of such a nature that the farmer is in rather an awkward position as regards holding his wheat. There is a difference between shipping wheat to a terminal center and having it out of one's possession, feeling that it is practically gone, and having it in one's own hands, and if the owner has not received his money for it and it is in some other man's hands, whose interest at times is to sell it or work with it for personal gain or profit, the situation is not the same as if the man who raised the grain is holding it in his own hands for a definite time, say, until he decided to put it on the market. Is there any difference about that?

Mr. MCAULIFFE. I would feel more secure if I had it in my own bin rather than in somebody else's.

Representative TEN EYCK. Or in a cooperative elevator.

Mr. MCAULIFFE. I would feel safe if it were there, because I am part owner of the cooperative elevator. Otherwise I would rather store my wheat in my own granary; in fact, I carry wheat in my own granary for as long as two years.

Representative TEN EYCK. Possession is nine-tenths of the law, and when the other fellow has the wheat he feels sort o' like it is his?

Mr. MCAULIFFE. Yes, sir.

The CHAIRMAN. I do not know that you are familiar with conditions in other States, but perhaps you are. Is not the position of the farmer with reference to storage quite different in different States? In other words, do not conditions as to storage differ very widely in different States; are not the laws quite different?

Mr. MCAULIFFE. Yes, sir.

The CHAIRMAN. Consequently the position of the farmer with respect to storage is very different considering one State with another.

I know, for instance, in reference to storage that in North Dakota it is very different from conditions in Minnesota, with the result that the farmer may have more opportunity in one place than in another so far as storage facilities are concerned. Our country elevators are practically useless for storage purposes from the farmer's point of view for the reason that their capacity is limited, and they will not give you a storage receipt which entitles you to receive the grain you put in, just as you say is the condition in Kansas in the country elevators?

Mr. McAULIFFE. Yes, sir.

The CHAIRMAN. I suppose that is due to lack of space?

Mr. McAULIFFE. Yes, sir.

The CHAIRMAN. If you could have a receipt issued at the country elevator for a specified number of bushels of grain, at a specified grade, redeemable either in wheat or the cash equivalent, less the charges, if that could be done at any time would not that receipt be sufficiently negotiable so that you could borrow money on it as an individual farmer?

Mr. McAULIFFE. Possibly it would.

The CHAIRMAN. Would not the facility of possibly pooling those receipts so that you could deal in a larger number of bushels result in getting a better rate of interest than when dealing in a smaller number of bushels?

Mr. McAULIFFE. I doubt that very much; I do not think it would.

The CHAIRMAN. Do you think a farmer with a receipt for 1,000 bushels of grain could get just as good a rate of interest and just as high a percentage of value in a loan as a cooperative association or pool of farmers handling, we will say, 100,000 bushels of grain?

Mr. McAULIFFE. They do in Kansas to-day. The banks do not discriminate in the rate of interest they charge on the number of bushels of wheat involved.

The CHAIRMAN. Would not there be this advantage in a pooling situation of that kind, that that pool, handling 100,000 bushels of grain or 50,000,000 bushels of grain, would be able to put the grain on the market at such time or times as it saw fit and would have a greater influence on market conditions than in the case of 1,000 farmers or 10,000 farmers dealing individually in the market?

Mr. McAULIFFE. Yes, sir; it would have an influence on the price, there is no question about that.

The CHAIRMAN. Does not the whole proposition come down to this, the question of the farmer pooling his selling power on such basis as to give him influence in the market, something comparable with the purchasing power of those great industries of the country that handle his grain?

Mr. McAULIFFE. Yes, sir; we are asking for that. That is just one of the privileges we are asking for.

The CHAIRMAN. And I think you should have it.

Mr. McAULIFFE. That is one of the privileges we are asking for now.

The CHAIRMAN. I am trying to get at the basis of a situation upon which legislation should be enacted.

Mr. McAULIFFE. We do not want any privileges that others do not have, but we think we have a right to that.

Coming back to the freight-rate question, I think there are many things you can do to help us out without trespassing on the rights of the other fellow or making it more difficult for the consumer to get the necessaries of life. I believe you can do that. I do not want to put any additional burden on the consumer. I think it is unnecessary. But I think there are conditions existing that can be remedied, existing between the producer and the consumer, and if remedied will result ultimately to the benefit of both, and without hurting anybody. We may put a certain class of fellows out of business by so doing, but if we have no need of them we do not want them.

What you said a while ago, Mr. Chairman, comes back to my next question—and I spoke about the credit question, and we have discussed it; but I believe you ought to enact some legislation here that will make it possible for cooperative associations to have the same rights and privileges of doing business that corporations have. For instance, we think you should admit us into the boards of trade on an equality with other folks. Furthermore, we think you should force corporations and others who manufacture or handle products to sell to cooperative associations on the same basis and margin that they sell to other folks. They do not do that now. There are corporations that will not do it, that I know will not do business with a cooperative association at all. They claim if they do the other trade will not patronize them.

Senator CAPPER. Have you in mind any corporations especially?

Mr. McAULIFFE. I have some papers to that effect at home but did not bring them with me. I know of a cement factory at Bonner Springs that will not sell to a cooperative association a single bag of cement.

Representative SUMNERS. Even when you offer to buy in the same quantity that they sell generally and to pay the same price, they will not make a sale to a cooperative association?

Mr. McAULIFFE. That is my understanding.

Senator CAPPER. Has that question ever been raised before the Federal Trade Commission by your people?

Mr. McAULIFFE. No, sir.

Senator CAPPER. It would seem to me to be in violation of the unfair trade practices law. How about that, Senator Robinson?

Senator ROBINSON. I think that by filing a petition in the nature of a complaint before the Federal Trade Commission probably a remedy for that condition could be obtained now. Of course, I am assuming that the facts are as stated by Mr. McAuliffe. I do not think a corporation engaged in interstate business would have a right to refuse to sell to a cooperative association merely because it is a cooperative association. I think a refusal to sell would render it liable to the penalties of existing law, although I have not gone into the question in detail.

The CHAIRMAN. My impression is that that question was involved in the Goetz case, and it is very doubtful if a refusal to sell to a concern constitutes a violation of the Federal Trade Commission act. You will remember that in the Clayton Antitrust Act the right was specifically reserved to sell to one's own customers, and that was practically a nullification of everything else put in on that line.

Senator ROBINSON. Of course there is the general principle of law that the seller has the right to choose his customers. That was

the law before the Clayton Act; it is general law, and has been in existence for a long time. But I doubt whether under existing law the right can now be claimed to say to a cooperative association: You can not buy from me because you are a cooperative association.

Representative TEN EYCK. Would not that come under the head of conspiracy, conspiring to put the cooperative association out of business?

Senator ROBINSON. That would involve a technical question of law that would be right hard to answer.

Representative TEN EYCK. I do not believe you could make them sell to a man unless you could prove that they were conspiring for the purpose of putting him out of business.

Mr. MCAULIFFE. While I am down here in Washington I believe I will take that question up with Mr. Victor Murdock, over at the Federal Trade Commission.

Senator ROBINSON. I think it would be worth while to do that. I will say that I helped to write the Federal Trade Commission act, and it was a long and difficult process, and was the result of a compromise of many conflicting views, with which Senator Cummins and myself who were members of the subcommittee principally engaged in preparing the act, were not entirely satisfied; and while I would not like to give an opinion as a matter of law that the present statutes give you a remedy for the case you mention, yet I think you can easily find out by conferring with the Federal Trade Commission. And I think it would be wise to do so. It may be that additional legislation is advisable in order to remedy the condition of which you complain. If such a condition is to continue, and if cooperative associations are to be promoted as the result of this investigation or the activities of the farmers, such cooperative associations will be under a very great handicap, a handicap that will make it almost impossible for them to succeed, it would seem to me.

I think the principle suggested by Mr. Ten Eyck does apply. I think if any number of persons or corporations should agree that they would not do business with someone else, for such reason as is assigned in this instance, it would constitute a conspiracy in restraint of trade, in all probability. But the Federal Trade Commission beyond any doubt has had this question or an analogous question to consider, and can give much information on the subject. And it may be that this commission in the progress of its hearings will want to take some advice from the Federal Trade Commission in that particular. The question you have raised, Mr. McAuliffe, is a very important one in view of the fact that representatives of farm organizations are asking for legislation which will facilitate organization and operation of cooperative associations.

Mr. MCAULIFFE. Coming back to freight rates again, there is one other matter I want to call your attention to, and that is to the shipping of live stock. In years gone by we had cars furnished and loaded them with stock, with a minimum and maximum weight. Whether we loaded so many head of cattle into a car, or whether we had a full carload, we had to pay the minimum price, which was formerly \$22 for a 32-foot car, running up to a 36-foot car. Now, all those small cars are done away with and 40-foot cars are what we are furnished. We hire a car and the freight is \$44.

But the railroads introduced new tactics on us at Kansas City this year. Instead of charging us \$44 for a car they went to the commission merchants in Kansas City and took the weight of the cattle and tried to force the commission merchants who objected to doing so to give them the weight of cattle as they were weighed out to be delivered to packers or whoever bought them in Kansas City, and they made us pay by the hundred pounds. And by forcing us to abide by that rule they required us to pay freight on about 25 to 50 pounds per head that they never hauled. That is on what we call "fill" that was fed to the cattle in Kansas City.

Senator ROBINSON. I do not quite understand that statement.

Mr. MCAULIFFE. You probably know that when cattle are sold in Kansas City they are brought in and sold in the morning. But they are not weighed out and paid for until along in the afternoon, when given a fill of feed and water. The railroads want to collect freight on the weight of the cattle after they get the fill. It gives them an additional freight charge on from 25 to 50 pounds added at Kansas City.

The CHAIRMAN. In other words, the railroads expect you to pay freight on the grain and hay that an animal eats and the water it drinks after it is taken off the car?

Mr. MCAULIFFE. Yes, sir. I might explain that some of the commission firms refused to comply with their request; and I think the railroads are going to have a lawsuit over it—over the failure of the commission firm to furnish the weights of the cattle after they have got their "fill."

But that is not getting us anywhere and I am taking up too much of your time. Another thing we are discriminated against occasionally is in the matter of distribution of cars. Cooperative elevators have been so discriminated against. We have cooperative elevator associations at points in Kansas that last fall never got a car in two or three months, with the result that those associations are actually broke to-day. They bought in wheat at \$2.50 a bushel or \$2.45 a bushel, and could not get cars to ship it out until the price of wheat got down to \$1.30 or \$1.35 a bushel.

Senator ROBINSON. Do you mean to say that the railroads were at the same time furnishing cars to other persons?

Mr. MCAULIFFE. At the point I am mentioning they did not have any competition. They only had one cooperative elevator doing business in that community.

Senator ROBINSON. And it did not get any cars at all?

Mr. MCAULIFFE. No, sir; I can name some elevators that did not get any cars for two months.

Senator ROBINSON. Do you know whether cars were available for others in other localities?

Mr. MCAULIFFE. Yes, sir; they were getting cars at other points.

Representative MILLS. When was this?

Mr. MCAULIFFE. Last October and November.

Representative MILLS. That was when there was a great movement of freight and there existed a car shortage all over the country?

Mr. MCAULIFFE. Yes, sir; it was about that time. But the car shortage relieved itself overnight and we then had an abundance of cars.

Representative MILLS. You did not get an abundance of cars until along in November or December?

Mr. McAULIFFE. No, sir; it was in November or December. I know another thing, while I do not blame the railroads so much for it possibly, for I believe the instructions of the railroads to their employees were to distribute cars equally between the cooperative and other elevators, but I do know that cars were not distributed equally, because some fellows were wise and they would slip a \$5 or \$10 bill to the train crew, and they would get a car when the other fellow could not get any.

Representative MILLS. But you do not think the railroads were practicing discrimination as against the cooperative associations, do you?

Mr. McAULIFFE. I would not say that. I would not say they did, except in the case of the large milling interests. There is no question but what they did it there; the large milling interests could get more cars than an elevator doing a small amount of business. The other fellows were getting cars whenever they wanted them.

The CHAIRMAN. I suppose that condition in some degree was due to the better facilities for getting cars?

Mr. McAULIFFE. Yes, sir.

The CHAIRMAN. Most large organizations maintain car service departments, and thereby they have facilities for getting cars, and they use cars in larger quantities, and consequently they do get an advantage that the small shipper does not get.

Mr. McAULIFFE. Yes, sir. In ordering cars last fall we had to order cars for a week's need, what we would need for that week. If we did not get the cars by the end of the week, that order was nullified, and we had to make a new order the first of the next week. A great many of us men who are operating cooperative elevators are not on to the game as the old line companies are, and we were handicapped. But taking the matter as a general thing I would not say that the railroads discriminated against the cooperative elevators. I have had lots to do with the railroads, and I know something about the situation; but I will say this positively, that at points where there was no competition that situation existed, for I know of a local elevator that was treated that way; I know of a point where there was only one local elevator doing business, and they did not get cars for two or three months at a stretch, and consequently they are broke.

Senator CAPPER. At points where there was competition did corporation-owned elevators have an advantage over cooperatively owned elevators?

Mr. McAULIFFE. Oh yes, sir; they had a big advantage. Take, for instance, a cooperative elevator that possibly had 100 stockholders, all wheat raisers, raising as high as 100,000 bushels of wheat, and over yonder is a privately owned elevator, run by an individual who did not grow a bushel of wheat; and he got as many cars as the elevator that had 100,000 bushels of wheat in sight.

Under the old utilities law of Kansas, under what was called the Bristow ruling, we got cars according to the amount of grain we handled, and we were satisfied with that. That was a ruling made by the Utilities Board of Kansas; and then there was the Hayes ruling. According to that ruling an elevator got cars according to the amount of grain it handled. If one handled 20,000 bushels and

another one 5,000 bushels they got cars in proportion. When the Government took over the railroads that was changed.

Another point I think you men want to know, if you are going to help us out at all in the difficulties surrounding us, and if you do not help us I do not know what is going to happen; we are busted, that is all. The farmers of Kansas are busted. We can not sell wheat for a dollar a bushel or less than a dollar a bushel when it costs us \$2.50 or \$2.60 to produce. We can not sell a steer for \$40 or \$50 when it cost us \$90 to produce him.

Representative SUMNERS. Just a minute before you pass from that. In estimating that cost what elements have entered in?

Mr. MCAULIFFE. I figure the cost of producing wheat on the basis of hiring everything done.

Representative SUMNERS. The hiring of the production of the wheat?

Mr. MCAULIFFE. Yes, sir.

Representative SUMNERS. And what allowance do you make for the use of farm implements and for the use of the land?

Mr. MCAULIFFE. The fellow that produces wheat for me furnishes the implements with which to do the work and I pay him for his help and the implements.

Representative SUMNERS. You furnish the land?

Mr. MCAULIFFE. Yes, sir; and he boards himself.

Representative SUMNERS. How much do you estimate in arriving at that figure of total cost of production is the value of the use of your land?

Mr. MCAULIFFE. Six per cent interest.

Representative SUMNERS. On what acreage valuation?

Mr. MCAULIFFE. I figure for the whole State \$100 an acre, which is a low average for the State.

Representative SUMNERS. What would it cost you to raise that wheat eliminating the element of use of land and coming down to the simple question of amount of money that a man would have to put out if producing wheat on hired labor?

Mr. MCAULIFFE. It would cost about \$20 an acre.

Representative SUMNERS. How much a bushel? You are discussing the rest of it in bushels and now tell me this in bushels.

Mr. MCAULIFFE. The average this year will be about 10 bushels to the acre.

Representative SUMNERS. Ten bushels to the acre?

Mr. MCAULIFFE. Yes, sir; this year. Last year it was 16 bushels to the acre.

Representative SUMNERS. Which is how much?

Mr. MCAULIFFE. At \$20 an acre it would bring it down to about \$2 a bushel.

Representative SUMNERS. Do you mean that it costs in Kansas this year \$2 a bushel to produce wheat without taking into consideration the value of the land?

Mr. MCAULIFFE. Yes, sir.

Representative SUMNERS. Or without taking into consideration any interest on the land?

Mr. MCAULIFFE. Yes, sir; that is, providing the farmer gets the same compensation for his labor that he would pay the other fellow for doing it.

Representative SUMNERS. Well, yes, I understand that you take that into consideration.

Mr. MCAULIFFE. Yes.

Representative SUMNERS. What did your farm labor cost you out there? On what basis of farm labor cost did you make the estimate?

Mr. MCAULIFFE. Why, the farmers paid \$4 in the eastern part of the State, and as we proceeded further west, it was \$5 and \$6, and from that on to \$8. We did not get any at less than \$4 that I know of.

Representative SUMNERS. What wage do you pay for breaking your ground and seeding your wheat?

Mr. MCAULIFFE. For breaking our ground it costs us about \$5 an acre, sir. That is about the average amount that it would cost us to break it.

The CHAIRMAN. That is new land?

Mr. MCAULIFFE. No; for breaking stubble.

The CHAIRMAN. Breaking stubble?

Mr. MCAULIFFE. Yes, sir.

Representative SUMNERS. That is what you pay for breaking your land. And, of course, you have got to furnish the wheat, and then you come along and seed it afterwards.

Mr. MCAULIFFE. Well, here are three processes which you go through. You have got to break it in the first place. Then you have got to harrow it at least three times. Now, the best a man can do in harrowing with a four-horse team, an average day's work, is about 30 acres a day for one man with a four-horse team.

Representative TEN EYCK. For harrowing?

Mr. MCAULIFFE. Yes, sir. That is a good day's work. And you have got to go through that process, if you are going to get the ground in shape for your wheat, three times. You have got to harrow that ground three times, because if you don't get a good seed bed you don't get a good crop, so you have got to figure about a dollar an acre for harrowing.

Representative TEN EYCK. Isn't your figure for breaking a good deal too high?

Mr. MCAULIFFE. Well, sir, it appears to be high, but you can not get it done for any less than that.

Senator ROBINSON. What is your breaking charge?

Mr. MCAULIFFE. \$5, sir.

Senator ROBINSON. An acre?

Mr. MCAULIFFE. Yes; when a man does the work himself, and boards himself, and furnishes everything.

Representative TEN EYCK. How much do you pay a day for a man and team out there?

Mr. MCAULIFFE. It runs about \$10 to \$12. We pay this harvest now an average of \$8 for a man with a team of horses. That is for a two-horse team and a man. Eight dollars is about the average wages for a two-horse team and man in the harvest season this year.

Representative SUMNERS. How much is it on the basis of four horses and a man?

Mr. MCAULIFFE. Well, about \$12.

Representative SUMNERS. When you come to break your ground and seed your wheat it is a little less then, isn't it?

Mr. McAULIFFE. Yes; we pay so much for harrowing, and then we have the ground disked, and we pay 60 to 65 cents an acre to have it disked.

Representative SUMNERS. How uniform is the custom of growing wheat by the plan which you have indicated?

Mr. McAULIFFE. It is done that way extensively by large growers in our country. In most cases the farmer does the work himself; furnishes his own teams, and hires a man to run them; but on all these very large farms they hire teams, bring them in, or have the work done by the use of tractors. But with all that, we say that the farmer is entitled to the same compensation for his labor that he has to pay the other fellow who does the work for him.

Representative SUMNERS. Yes. I am not questioning that at all.

Mr. McAULIFFE. I want you to understand one thing, that I am not here to misrepresent anything. That is not my purpose.

The CHAIRMAN. Have you anything further, Mr. McAuliffe?

Mr. McAULIFFE. Why, we are up against a serious condition out there. We have an overproduction of wheat in this country this year, there isn't any doubt about that. We will produce 150,000,000 bushels more wheat than we can consume. And if some effort is not made to provide a market for that wheat, heaven knows what the price of our wheat is going to go to, and that is the most serious problem for you men to consider. We have got to get a market somewhere for this surplus wheat, because as long as we have a surplus in this country it gives the speculator an excuse to pound our wheat down to the lowest limit, but if there is a market provided for that surplus wheat at a liberal price, then we can expect a reasonable price for the balance of the wheat that we consume at home.

We are in a very unfortunate condition in that no matter how small the surplus is, it seems to control the price of what we consume at home. You all know that. And the farmers are thinking out there very seriously about what this commission will do; they are looking very seriously and earnestly to what this commission is going to do. I will be frank with you men and tell you that this is what they say: "Here, if the little surplus that we produce, the little extra we produce, controls the price, it will be profitable for us to just confine our efforts to producing sufficient for home consumption." They are thinking very seriously about that. I would hate to see them do that, but they are thinking seriously about doing that.

Representative TEN Eyck. In other words, you think that it is necessary for us to consider investigating and arranging for some way to dispose of your surplus abroad, in Europe or in some other place?

Mr. McAULIFFE. Yes, sir.

Representative SUMNERS. You might take into consideration that you may be taking a chance of not getting pay for it if it goes out of this country.

Mr. McAULIFFE. This matter of saying we may not get paid for it is all wrong. This proposition of not getting paid for our product is all nonsense. Mr. McSparran yesterday in his testimony covered the situation and gave the condition and standing financially of the European countries. There are none of them insolvent. None of the European countries are insolvent.

Representative SUMNERS. We have got a lot of people in this country right now that would eat a good many more biscuits every day if there were some way for them to pay for them; isn't that so?

Mr. MCAULIFFE. That is true, sir.

Representative SUMNERS. How are we going to get them in shape so they can buy more?

Mr. MCAULIFFE. That is a question.

Senator CAPPER. Are you familiar with what is known as the Norris bill, which creates the Agricultural Finance Corporation?

Mr. MCAULIFFE. Yes, sir.

Senator CAPPER. Do you think that would be helpful to you?

Mr. MCAULIFFE. Oh, there isn't any question about that, Senator; there isn't any question at all about that. I believe that the European countries could give you collateral enough to make the payment for this wheat sure. I believe that they are financially sound.

Representative TEN EYCK. Summing up all your recommendations, the matter comes down to this, that you think the primary troubles, or the largest troubles, that the farmers experience to-day are finance, marketing, and transportation.

Mr. MCAULIFFE. Yes, sir.

Representative TEN EYCK. Those are the three principal troubles that the farmers are experiencing to-day?

Mr. MCAULIFFE. Those are the three principal things.

Representative TEN EYCK. How about labor? I mean as it enters into the cost of your production?

Mr. MCAULIFFE. Well, there is another item that will have to enter the cost of production. We have got to find out some way whereby we will establish a ratio of something reasonable between the things that the farmer has to buy and the things that he has to sell. You have got the farmer to a prewar basis in what he has to sell, but he is buying his supplies on the highest war basis. There must be some regulation between those conditions. The price of wheat even at a dollar a bushel would not be so oppressive on the farmer if he could buy the binder in the same proportion as the price of wheat, or buy anything else in the same proportion, but he can not do it, therefore the hardship is double on him.

Representative SUMNERS. You have not been able to cut your debts down either, with your decrease in ability to pay them.

Mr. MCAULIFFE. Why, we have doubled them since this situation began to occur. We have doubled our debts, because we have cut down our ability to pay our debts to one-half of what it was before the war, haven't we?

The CHAIRMAN. Well, you have actually doubled the debt besides?

Mr. MCAULIFFE. Yes, sir. But this thing about having any doubt that Europe can not pay, or won't pay, or won't be able to pay in time, that thing should be eliminated entirely. Why, when we take the conditions in the south here 60 years ago, with regard to the Southern Confederacy after the war, they didn't have a thing left on earth, practically, to do anything with. Inside of 50 years they are a prosperous manufacturing country, as prosperous as any section of the country, aren't they?

Now, here we have Germany to-day, one of the largest purchasers of grain products.

The CHAIRMAN. Well, you do not want to wait for 50 years to cure this situation?

Mr. MCAULIFFE. No; but couldn't we extend credit to Germany in long-time payments? Her manufacturing industries are intact; they are in the same condition as they were before the war, her ability to

create wealth is intact, and what doubt should there be that Germany could in time, in 15 or 20 years, liquidate her indebtedness, even if we should extend it to her for a period of time? We are going to refund our indebtedness of the European countries, what they owe us, the money that we loaned to them to carry on the war. Now, why not do the same thing with Germany to take on our products? You men can work out a solution of this problem better than I can suggest to you, and you have the ability, I believe, to do it, and I hope you will do it.

I thank you, gentlemen.

Representative SUMNERS. You are right. I am with you on that.

The CHAIRMAN. Mr. Barrett, who will you call next?

Mr. BARRETT. We will ask that you hear Mr. Strong, of the same State and congressional district.

**STATEMENT OF HON. JAMES G. STRONG, A REPRESENTATIVE  
IN THE CONGRESS OF THE UNITED STATES FROM KAN-  
SAS.**

Mr. STRONG. Mr. Chairman, It was at the suggestion and request of Mr. Barrett, the chairman of the National Board of Farm Organizations, that I introduced in the House the resolution for the purpose of creating this commission; and I am very glad to come here now at his request to make such suggestions as I can, based on the experience I have had by spending a lifetime in close relationship to agriculture in the great grain and stock producing States.

I shall not attempt to make much reference to the present depressed condition of agriculture. For the last two years in the House, in connection with the agricultural group, I have been trying to bring home to the Members of Congress the condition in which agriculture is placed, and there are members of this commission from agricultural districts who are familiar with the situation, and you are having now before your committee, and will continue to have, men from the agricultural States who will present the conditions to you.

I do, however, want to call your attention to the fact that one-third of all the people of the United States are interested in agriculture, and one-fourth of the wealth of this, the richest Nation in the world, is invested in agriculture. I think agriculture is the basic industry of America. A nation must produce its own food. The prosperity of this country will rest upon the farmer. The history of the world shows that nations begin to decay when their agriculture begins to decline.

I want to confine myself to one or two thoughts and suggestions. The first is that the farmer must have a financing system to meet his needs. The present system of finance in this country I have found by two years' service upon the Banking Committee to be perhaps the best in the world, but it is based upon a system of short-time credits, which does not serve the needs of agriculture.

Banks that depend upon commercial deposits which are subject to call or demand, and which loan them to their customers, must of necessity, maintain a system of short-time liquid credits, in order that when their depositors come for their money it may be ready for them.

Our Federal reserve system is based upon the same system; but the farmer needs a 6, 12, 18, 24, 30, and 36 months' credit. A short-

time credit of one to six months does not give him the credit he needs and should have.

Now, it is true that in his banking community he comes in and borrows money for six months at a time, and the banker says, "I will be glad to renew this for you," and many farmers are renewing time after time. But if a farmer who invests his money in a crop, or stock, has to depend upon a renewal every six months, he is subject to the fact that when a pinch comes in the finances of the country he is called upon to liquidate. And he is hurt. That is just what hurt the farmer after the war.

The Federal reserve system, created and based upon liquid credits to help the different banking sections of the country in time of stress, found itself after the war—because we financed the war through the Federal reserve system—crowded and clogged with Liberty bonds, not liquid credits, and there was a necessity to get those bonds out of the Federal reserve system and the great banking institutions, because if they did not and a panic came there would be no opportunity to liquidate. And so the process of liquidation and deflation commenced, and the farmer was hurt.

Now, I think the farmer should have built up a system of credits to meet his needs. And I want to make this suggestion. We have the Federal farm loan bank. Realizing that the people could not sell their mortgages individually successfully, we built up a system by which we collected the mortgages and upon them we issued bonds to finance the farmer in his need for loans on land. Why could we not let the farm loan banks collect the personal credits of the farmer based and secured upon his grain and live stock, and upon these credits issue short-time debentures for one, two, and three years? There is an investing public that would be glad to have a short-time debenture of one, two, or three years. I believe a system of that kind, through the farm loan banks, could be created which would finance agriculture. I think the Federal farm loan system is now going to function. The law creating it has been approved by the Supreme Court of the United States. Recently we reported out of the Banking Committee and passed through the House the Curtis-Nelson bill authorizing the Treasury to deposit with the farm loan banks an amount which together with their capital will give them a turnover fund of \$56,000,000 and enable them to float bond issue after bond issue.

Representative SUMNERS. Mr. Strong, will it inconvenience you if I interrupt you at this time to ask you a question on that point?

Mr. STRONG. Not at all.

Representative SUMNERS. I have just made rather a detailed study of some sections of the South which seem to me to be typical; and the people in those sections told me that their local banks were unable to extend credit, that the credit resources of the country had been pretty well exhausted, except that they had a good deal of unincumbered land in that section, and that if the farm loan banks could take care of the applications for loans very soon, they would be able to get some money back into the country that would enable the country people to pay their pressing obligations owing to the country banks and to the country merchants, which would in turn strengthen their position with reference to an attempt at orderly marketing of the stock that is coming in now.

Do you hope that the Federal farm loan bank may be able to sell those bonds in sufficient quantities to meet those emergency demands?

Mr. STRONG. Well, it has just floated a bond issue of \$40,000,000, and will float another one this fall of fifty millions. Of course, the trouble is that the demand now is very great. The insurance companies and large estates which have in the past put their money into farm mortgages are now withdrawing that money because of the attractiveness of the greater amount of interest that is offered in other securities. That makes the demand from the farmer for money very great.

Representative TEN EyCK. If it was not for the land bank they would be in terrible straits.

Mr. STRONG. Yes; that is true.

Now the joint stock land banks find that they can not sell their bonds as readily as the farm loan banks, and they have come to Congress to ask the privilege of increasing the amount of interest at which they can sell their bonds. The present law requires them to sell them at not to exceed 5 per cent. They say they can sell several millions of bonds at 5½ per cent, and they have come to Congress asking for permission to do that. They are not proposing to increase the rate to the borrower, but simply to narrowing the spread between what they sell the bonds for and what they loan the money to the borrower at. The bill has passed the Senate and is now in the House committee, and I was promised by the chairman of the Banking and Currency Committee of the House last week that he would call the committee together soon, and we will report out a bill to permit them to issue bonds at 5½ per cent. The joint stock banks say that this will help them at once to float their bonds, and that they can go to the relief of the agricultural and stock raising sections very materially. So that farm loan credits, I think, will be taken care of. But I do think the personal credit of the farmer should also have attention, and a system should be built up to enable him to be financed for his personal needs, as I have suggested.

The next thing I want to just mention is the spread between what the farmer gets for his products and what the people pay for them. You have had a lot of testimony, and will have more, showing the outrageous difference between what the producer receives and the consumer pays. I think the only way to remedy that proposition is a better marketing system. The farmers are now engaged in trying to create a marketing system for their products, but I think there should be a market exchange system created by and under proper Government supervision, which would enable any man who raises food products, under a proper standardization, to list them with the exchanges where the consumers might purchase them.

An exchange bulletin could be published daily by each market exchange listing standardized food products and the price and name and address of the producer which would enable the consumer to communicate directly with the producer either by wire, mail, or in person and secure prompt and direct shipment. Such a system would eliminate the charges of middle men and market costs and commissions, and greatly lessen the cost of transportation by shortening the route between producer and consumer, and I think such a system should have the attention of this committee.

The CHAIRMAN. Have you investigated and do you know anything about the Post Office Department's efforts to do what you are now talking about?

Mr. STRONG. Yes; I have investigated it a little and have studied it. But you must first standardize the product. For instance, if a man up in Minnesota has potatoes to sell, and I live in Kansas and want to buy them, I now either have to send a man up there to select them or go into the market. He sends his potatoes to Chicago and from Chicago to Kansas City, and I go to Kansas City after them.

Representative SUMNERS. Mr. Strong, the Post Office Department has never attempted to establish any system of produce exchange in this country or attempted to do anything of that kind, have they?

Mr. STRONG. No. Not to that extent.

The CHAIRMAN. I think they have rather attempted to do it on a small scale. I did not ask the question with a view of discrediting anything that they have done, although I think their experience may be of some value in determining the feasibility of that sort of a system.

Representative SUMNERS. The plan that they undertook to put over was not feasible and had no elements of economic soundness in it, it strikes me, when they attempted it. They were sending out some trucks over the country.

Mr. STRONG. Mr. Chairman, I sought by my answer to avoid criticism of the Post Office Department scheme, but a different and better system is needed. Under the market exchange system I have suggested, a producer having potatoes or any other food product to sell would, after having the same properly standardized, list them with the exchanges and any consumer wanting such products could through information secured from the exchanges communicate directly with the producer and secure prompt and direct shipment. Of course, there would have to be a standardization of such products and all transactions through such exchanges would have to be protected by proper laws and Government supervision to assure shipment of proper grades and to assure payment on delivery.

Senator ROBINSON. What is the Post Office system? How did the Post Office Department get into the marketing business?

Representative TEN EYCK. I can answer that. May I answer it, Mr. Strong?

Mr. STRONG. Certainly.

Representative TEN EYCK. The answer to that is this, that during the war transportation was congested, and the Post Office Department endeavored to put in a scheme through the use of trucks to eliminate the short haul on the railroad.

Senator ROBINSON. Yes.

Representative TEN EYCK. The idea was to eliminate the short haul.

Mr. STRONG. They would send a truck out to a man's peach orchard and let him load and ship there, but it did not afford very much relief.

Senator ROBINSON. That has a very limited relationship to the suggestion you are making here.

Representative MILLS. We can not solve that marketing problem as a Federal proposition without the cooperation of the States and the large municipalities, can we?

Mr. STRONG. Well, you could create exchanges under Government supervision.

Representative MILLS. To handle farm produce?

Mr. STRONG. You could create an exchange. . We are trying to regulate the grain exchanges now.

Representative MILLS. Yes; we are planning the regulating of the grain exchanges now.

Mr. STRONG. Well, couldn't we create and regulate other exchanges?

Representative MILLS. Well, I think probably your grain exchange proposition is a very doubtful one.

Mr. STRONG. It may be doubtful, but it certainly needs regulation.

Representative MILLS. Well, I am talking now about the constitutional feature. I am wondering whether, for instance, if you establish a large wholesale market in the city of New York—and I do not know of anything that is more necessary; I quite agree with you—whether the Federal Government could come in and undertake to supervise that market.

Mr. STRONG. It was not my thought that the Government should do that; I did not mean to say that I wanted the Government to establish the market. I want the Government to pass a law by which the market could be created and regulated to protect both the man who listed his products there and the man who sought to purchase through the exchange by a system of standardization.

Representative MILLS. But the trouble is to-day that there are no markets. I am speaking of it as a specific proposition. There is no such thing as a real wholesale market in the city of New York.

Mr. STRONG. No; but if you will create the law the farmers will furnish you the market. The farmer organizations will be glad to build up the market if they had the proper legal machinery to protect it.

Senator HARRISON. What will you do, Mr. Strong, with the proposition that we must have less government in business and more business in government?

Mr. STRONG. Well, I am not proposing for the Government to go into the marketing business. I am simply proposing to build up the market and to surround it with the proper laws for the protection of those who sell and those who buy.

Representative MILLS. Well, now, aren't there two propositions—and I am in entire accord with what you are saying, Mr. Strong—that on the one hand you have got the need for cooperation on the part of the producer and the shipper in the way of standardizing his products and in the way of shipping as much as possible in carload lots, and on the other hand, from the consumers' standpoint, is there not the necessity for having a good wholesale terminal market, with good rail connections, where goods can be sold at auction, if necessary, under Government supervision, whether that be State or municipal?

Mr. STRONG. Well, that will help; but if you compel the farmer and the producer to ship all his stuff to a central market, you will find that there will be a lot of it that will never bring enough to pay the freight.

Representative MILLS. Well, why not?

Mr. STRONG. For the simple reason that at times producers will flood and overstock the market, and the commission merchants will sell it at a loss, and it won't pay the freight.

Representative MILLS. Well, now, wait a minute. If he has the privilege of selling, not through commission agents, but through, let us say, Government officials, who sell it for him at auction, so that every day there will be published by noon, let us say, of that day a market price list of which he would be informed by wire, he could follow the practice that is followed by all organized producers to-day of diverting his shipment when the market is overstocked.

Mr. STRONG. Well, that would help; but my thought was to go a little further and establish an exchange where the producer could list his goods or his product, and let the consumer or the man who desires to purchase them secure that list and go direct to the producer to purchase them. Not moving them till sold.

Representative MILLS. But isn't he much better off if he ships direct to the consumer?

Mr. STRONG. I say he would do so by my market exchange. Suppose the man lived in Nebraska. If you simply depend upon a central market, he would send his goods to Kansas City, and I would go to Kansas City for them; but if there was an exchange at Kansas City where his goods were listed, I would write to him in Nebraska and have him send them direct to me and save the round-about freight haul and commissions and profits.

The CHAIRMAN. Do you think the farmer under those circumstances could be induced to sell in the quantities required for consumption?

Mr. STRONG. Well, I think the farmer is getting to a point where his organizations are going to take hold of these things, and I think he will avail himself of them. I would not destroy the central market—that is, your commission market—but I think this other marketing scheme should be built up and encouraged.

The CHAIRMAN. As a practical proposition, the consumer buys in very small quantities.

Mr. STRONG. That is true.

The CHAIRMAN. I suppose in the city of Washington the average consumer of potatoes buys a peck or a half a peck or a quarter of a peck of potatoes at a time.

Mr. STRONG. Yes, sir.

The CHAIRMAN. Most of the consumers in the city of Washington have no place to keep a considerable quantity, or I won't say most of them, but a great many of them have no place to keep any considerable quantity of produce from day to day or from week to week. Those people obviously, it seems to me, can not deal direct with the producers.

Mr. STRONG. No, they could not. But they could go to their little market and buy as they do now, but the man who supplies them, instead of having to go the cold storage house in Washington, who buys in Philadelphia, who buys in Chicago, could get his potatoes shipped direct from Michigan and retail them here in Washington, and save three or four middlemen's profits and a good deal of the expense of transportation.

Representative SUMNERS. Here is what you have in mind too, Mr. Strong, applying your scheme to the grain, for instance, with your cooperative grain elevator, or anybody's else elevators. With your wheat stored where it will be physically protected, under a system where it will be morally protected that man could list his wheat while it is still in the elevator, and any miller, the little miller

and the big miller, could get the wheat at the source. And the important thing that you have in your mind, I think, is that the little miller will have a chance to get his wheat at the source.

Mr. STRONG. Yes, absolutely.

Representative SUMNERS. And he will not have to pay three or four tolls to anybody.

Mr. STRONG. Yes.

Representative SUMNERS. And you would probably reduce the necessity for your antitrust legislation if you gave the little miller, for instance, a chance at the initial source of supply. And then, as you say, instead of sending your wheat up to Minneapolis or Chicago for redistribution to the little millers and the little millers may be shipping the flour back over the same line, it would move from the place of initial source of supply, from the place where the wheat is sold direct to the miller.

Now, you take your perishable commodities coming into a great city like New York. Of course there is the question of solving the problem of interurban distribution. You will bring the product to the borderline of the city and of course if they can not take care of the distribution within the border of their own city, that is not your problem. But in New York City, for instance, if you people were producing any perishable commodities in Kansas you could list your commodities by standardized grades, and New York could bid for them, Philadelphia could bid for them, Chicago could bid for them, anybody who wanted them could bid for them, and when the commodities moved they would move from the place where they were produced to the place where they were needed. And you would not have your congested market. That is your scheme?

Mr. STRONG. Yes.

Representative SUMNERS. No business on this earth ever can be more stable than the market in which it sells, and I do not think you ever will be able to build a stable market on these privately controlled, so-called exchanges. The public market basis, it seems to me, is the right one. It is a fact that from the eleventh century up to the last few years the maintenance of a public market place and its control by the Government, to insure democracy and business opportunity, has been regarded as a function of government. I agree with you on that question.

Representative TEN EYCK. There is a proposition that I would like to suggest to you, Mr. Strong, along that line, for your consideration and criticism.

Mr. STRONG. Yes.

Representative TEN EYCK. We have a system of weather reports—but we would want these other reports a little more accurate, perhaps, than the weather reports. The proposition is to have an intercommunication between the various States, through Federal assistance, reporting daily all the market conditions of all foodstuffs throughout the entire United States, so that the man in Chicago knows that the fellow in New York is paying both retail and wholesale, and the man in St. Louis would know what the fellow in Baltimore is paying wholesale and retail. That information will bring your whole country together on a level, and will create an interchange of com-

modities, through the proper channels, which will work itself out a larger market. What do you think of a scheme of that sort?

Mr. STRONG. Why, that might help some, but my idea is that it would help the speculator a good deal more than it would help the producer and the consumer. My idea is that what this marketing system should do is that it should list the actual product that the producer has to sell, and then let the man who wants to buy them have a way to discover who has them and the price he wants for them, and then he can get into communication with the man who has them to sell and buy them direct.

For instance, suppose I was conducting a cold-storage plant. I would find out that a certain cooperative farmers' organization in Kansas could ship me a carload of eggs a day.

Representative TEN EYCK. How would you find that out?

Mr. STRONG. By means of this exchange.

Representative TEN EYCK. But how?

Mr. STRONG. Through a published report.

Representative TEN EYCK. Now, you are coming back to what I suggested.

Mr. STRONG. Certainly, if you establish exchanges and list with them products for sale, of course the list would have to be published.

Representative SUMNERS. But now, Mr. Strong, in the old market days—and your scheme is simply a developing of that to meet conditions—they had market places in the little towns.

Mr. STRONG. Absolutely.

Representative SUMNERS. And the man that had something to sell took his product to that well-known place, and the fellow who wanted to buy went to that well-known place to buy.

Mr. STRONG. Yes.

Representative SUMNERS. Now, that sufficed in the old days when the community was the industrial organization. Now, what you propose to do is instead of providing a place where the man who wants to sell can haul his stuff and the man who wants to buy can come to the same place and buy it, is to list it by its descriptive title.

Mr. STRONG. Yes; certainly.

Representative SUMNERS. And the fellow who wants to buy can, instead of getting on the train and coming up there, wire or by any other method tender his bid.

Mr. STRONG. Yes.

Representative SUMNERS. Exactly similar to the way the grain is bought on the exchange.

Mr. STRONG. Yes; of course the only action the Government should take, I think, is to provide the exchange and regulate by law the standardization so that it would protect both the consumer and the producer.

Senator ROBINSON. Mr. Strong, I am compelled to go to the Senate in a few moments, and I wanted to ask you a question about one of the first propositions that you advanced. You suggested, if I understood you correctly, that the authority of the Farm Loan banks which now make only long-time loans and issue only long-time bonds, might be extended so as to authorize the issuance of short-time bonds or other securities based upon the products of the farm.

Mr. STRONG. A grouping of personal credits of the farmers.

Senator ROBINSON. Yes; his personal credits. And you expressed the thought or assumed that those short-time bonds based on that credit would find a ready sale.

Mr. STRONG. Yes.

Senator ROBINSON. Usually the purchaser of short-time bonds requires a higher rate of interest. What rate of interest do you think would be adequate to provide for the flotation of those bonds?

Mr. STRONG. Well, of course that all depends on the condition in the country and the bond market, but the farmer now is paying on those personal credits 8 per cent and in many sections of the country 10 per cent. I suppose there are very few places in the farming communities where he is borrowing on a basis of less than 8 per cent, I believe those bonds can be sold so that the money can be furnished him at 7 per cent, and be very attractive to investors.

Senator ROBINSON. I was just about to suggest to you the thought that it might be a very desirable thing to authorize if it would work, but the difficulty in the proposition lies in the question of its practicability or impracticability. It would seem to me to be very doubtful whether upon that sort of security investments could be had in view of the numerous other long-time securities of various kinds that are being floated, and of course if you could not sell the bonds the whole scheme would fail.

Mr. STRONG. Well, of course I have no exact knowledge of what could be done, all over the United States but I base my ideas upon the premise, that what can be done in my section of the country can be done in others. All my life I have been a borrower, and I have, perhaps with some success, built up some industries in my country through borrowed capital. I have found a lot of people who did not want to loan for five years or for ten years, but who would like to loan one or two thousand dollars for one or two years, and I financed a proposition largely upon short time loans, borrowing it from people who said: "I do not want to invest in your stocks, or bonds, but I will loan you \$2,000 for two years, or one year. I am going to build a house the year after next, and I do not want to loan my money beyond that time, but I would be glad to get 7 per cent on my money for a year or two years."

Now it seems to me that there could be plenty of money secured if a good bond based upon good security should be issued for one, two, or three years.

Senator ROBINSON. Would you fix in the law the rate of interest that such a bond should bear?

Mr. STRONG. I would fix the limit that the bond should bear, the same as we do now. I would not fix the rate of interest, but I would fix a limit.

Senator ROBINSON. You would fix the maximum rate of interest on the bond?

Mr. STRONG. Yes, the maximum rate. And your interest should be higher than the rate of interest on a bond secured by real estate security.

Senator ROBINSON. Oh, undoubtedly that would be true. Now, assuming that Congress should act upon your suggestion immediately authorizing that to be done, what maximum rate of interest would you fix in the bond?

**Mr. STRONG.** Well, I would say a maximum of 6 per cent or 7 per cent.

**Senator ROBINSON.** Do you think the bonds would sell at that rate of interest, under present conditions, to any great extent?

**Mr. STRONG.** Well, if you issue a tax free bond bearing 6 per cent interest, I think it is a pretty good investment. You might, however, make it 7 if it was not tax free.

**Senator ROBINSON.** You can not make everything tax free. You have to tax something along the line.

**Mr. STRONG.** Well, until we get into a universal system of not exempting any bonds it seems to me you should exempt the farmers' bonds. As long as you exempt all manner of municipal bonds for all kinds of improvements you should continue to exempt the farmers' bonds.

**Senator ROBINSON.** Well of course the question of tax free securities is a very large one.

**Mr. STRONG.** Yes.

**Senator ROBINSON.** And I don't mean to take up that question now.

**Mr. STRONG.** I am in favor of wiping them all out, but I am not inclined to have the farmer limited. Until we have a universal system of not exempting any bonds, I do think the farmers' bonds should be exempted.

**Senator ROBINSON.** I am inclined to think that the farmer will suffer more in the future by the growing habit of the Government issuing tax-free securities, than he will by the policy of not issuing any more.

**Mr. STRONG.** I think so too.

**Senator ROBINSON.** You can not very well deprive those securities that have already been issued tax free of that feature. That will involve questions of the impairment of obligations of contract.

**Mr. STRONG.** Yes.

**Senator ROBINSON.** But supposing now that you were to issue bonds under the provisions which you have stated, do you think they could be floated, tax free, at 6 per cent.

**Mr. STRONG.** Well, I think so.

**Senator ROBINSON.** I want to get your idea about that. You think they could be?

**Mr. STRONG.** Yes. I believe so, but I have no positive information. Of course we would have to have hearings on the subject and investigate the matter.

**Senator ROBINSON.** If they were not tax free what rate of interest do you think would be fair to put on such bonds?

**Mr. STRONG.** Well, it would have to be higher, but I do not think they ought to be issued subject to tax until you adopt a general law prohibiting all bonds from being issued exempt from taxation. Of course, as you say, it could not apply to the bonds issued.

**Senator ROBINSON.** Yes.

**Mr. STRONG.** But until you pass a law stopping the issuance of the millions of dollars of tax-free bonds—and I understand that there are about \$17,000,000,000 of such bonds in the United States—I do not think you ought to limit the bonds issued to assist the farmers.

Representative MILLS. What would be the security back of these bonds?

Mr. STRONG. The same security that the local banks now have. They would be secured upon grain and live stock.

Representative MILLS. That would be the security. Chattel mortgages?

Mr. STRONG. Chattel mortgages approved by his local banker, collected and taken up by the banks and turned over to the Farm Loan Bank.

The CHAIRMAN. Your proposition, Mr. Strong, is not an entirely new one.

Mr. STRONG. Oh, I do not advance any of these propositions as new. I am just presenting these suggestions for your consideration.

The CHAIRMAN. I understand that what you suggest might be done with farm commodities has been done very recently in the case of copper. It has been done in the case of a good many commodities, some more stable, but nevertheless personalty that moves almost as freely, perhaps as freely, as farm products do.

Representative MILLS. Well, it is a fact, is it not, that 11 States have already taken care of this situation? Have they not?

Mr. STRONG. Well, I do not know whether they have taken care of it or not. They have passed legislation, but I don't know how successful it has been.

Representative MILLS. Well, they have attempted to by creating cooperative banks for the purpose of short-time credit to farmers.

Mr. STRONG. Yes, they have created cooperative banks for short-time credit.

Senator ROBINSON. Short-time credits to farmers?

Representative MILLS. Well, we are discussing short-time credits. Long-time credits are taken care of by the present law.

Senator ROBINSON. No.

Mr. STRONG. Credits for a period of from six months to three years, is what is needed by farmers and stockmen.

Representative MILLS. Well, I should call that short-time credit.

Senator ROBINSON. If you will pardon me a moment, short-time credit, as defined in commercial law, and as understood generally, is a distinct proposition, a very different proposition. Mr. Strong's proposition is to create a credit intermediary in character between what we now call long-time credit, as applied to farm loan banks, and what we understand as short-time credit proper, as applied in the commercial banks of the country and the Federal reserve bank, and unquestionably such credit ought to be availed of if a practical and safe system can be devised. There is no question about that.

Mr. STRONG. Yes, my idea is that the present banking credit system of the United States is to serve the man wanting short-time credits, and we ought to have a system which will enable the farmer to have the credits to meet his needs, which is from 6 to 36 months.

Senator ROBINSON. It would not be necessarily a long-time credit.

Mr. STRONG. No.

Senator ROBINSON. It would not have to be a long-time credit extending over a period of several years, but, as you have already said, from six months to three years.

Mr. STRONG. Yes; credits extending from six months to three years. A cattleman ought to have, probably, three years.

Senator ROBINSON. Yes.

Mr. STRONG. He would probably need credit for three years.

Representative TEN EYCK. For your criticism, I just merely offer this as a suggestion for thought: Could we take our local banks and, by giving them a more liberal discount and extend thereby the privilege of longer credit to their farmer borrowers, help the situation? Would that assist at all?

Mr. STRONG. Well, it would assist; but the trouble is that you would crowd your present banking system with frozen credits, which I do not think is a safe proposition.

Representative TEN EYCK. You think it would create a congestion there?

Mr. STRONG. Yes; certainly, because the depositor would come for his money, and the banker would have his money in long time loans, of a year or a year and a half, which would endanger our present banking system.

Representative TEN EYCK. Well, if he had more liberal discount, would that, except as to the merchant?

Mr. STRONG. Well, you would have to get the money then from an issuance of bonds. You could not get it from deposits, commercial deposits.

Representative TEN EYCK. But the only reason why I make this suggestion is to do away with too many banking institutions all of which want profits and overhead charges.

Mr. STRONG. Well, that is just what this would do. It would use our established Farm Loan Banks. It would get rid of several middlemen that are taking a commission.

Representative TEN EYCK. Yes.

The CHAIRMAN. Have you anything further to say, Mr. Strong?

Mr. STRONG. I believe not.

The CHAIRMAN. Are there any more questions? If not, that will be all, Mr. Strong, and we are very much obliged to you.

Representative McSWAIN. Might I make a motion, Mr. Chairman?

The CHAIRMAN. Yes.

Representative McSWAIN. In behalf of Mr. J. S. Wanamaker, who is president of the American Cotton Association and resides at St. Matthews, S. C., I move the joint commission that Mr. John Skelton Williams be subpoenaed to appear before the commission and to testify.

The CHAIRMAN. The commission will take that matter up for consideration in an executive session.

Representative McSWAIN. Thank you.

Mr. BARRETT. Mr. Chairman, we have some witnesses who will be in during the afternoon and evening, and if we could be excused until to-morrow morning I don't think it would take us very long.

The CHAIRMAN. All right. I will take on some other people then this afternoon.

The commission will now take a recess until 2 o'clock this afternoon.

(Whereupon, at 11.50 o'clock a. m., the commission took a recess until 2 o'clock p. m., Wednesday, July 13, 1921.)

(Upon convening at 2 o'clock p. m., the commission took a further adjournment until 10 o'clock a. m., to-morrow, July 14, 1921.)

# AGRICULTURAL INQUIRY.

THURSDAY, JULY 14, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met at 10 o'clock a. m. in the caucus room, House of Representatives, pursuant to adjournment on yesterday, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. Mr. Barrett, who will you have next?

Mr. BARRETT. Mr. Pommerening, of Wisconsin.

The CHAIRMAN. Give your full name, residence, and business to the official reporter for the purpose of the record.

STATEMENT OF MR. E. C. POMMERENING, OSHKOSH, WIS.,  
REPRESENTING THE AMERICAN SOCIETY OF EQUITY OF  
THE STATE OF WISCONSIN.

Mr. POMMERENING. I might say that just at the present time I am managing the business I am engaged in, but otherwise am a farmer.

Mr. Chairman and gentlemen of the commission, the greatest trouble with the farmer to-day is the fact that he is between two millstones in his marketing problem. In our State we have a cooperative organization, that I happen to be at the head of at the present time, composed of about 40,000 farmers. We do a lot of cooperative buying, and in that way are trying to solve one of the problems of the farmer.

I would like to explain, however, that we meet very many handicaps that we seem unable to overcome. It seems that various companies from whom we must purchase our commodities do not feel like selling to a cooperative organization on the same basis that they sell to a private concern. We have trouble on both the local and the terminal end.

I will give you a few specific instances as to how the thing works out. For instance, last summer we were distributing coal throughout the State of Wisconsin. We were buying coal direct from the mines and having it shipped to the various locals throughout the State with hardly any overhead expense, the farmers going to the railroad siding at the local depot, unloading the coal, paying for it at wholesale rate, and handling it themselves. We were going along very nicely for about two months when, all at once, we got word from our source of supply that from two places in particular they had received objections to our getting any coal. Somehow or other information had gotten out as to the name of the company from whom we were

getting our coal, and the retail dealers' association objected to the wholesale people, and the wholesale people objected to the coal miners, and we were shut off from our supply of coal.

The wholesale people said they were willing to continue giving us coal, but that we would have to make some kind of an arrangement by which we would keep secret our source of supply. That is a pretty hard thing to do. I feel if something could be done so as to compel, maybe, the wholesale dealers, the mines, to sell to cooperative organizations as well as to privately owned concerns, and on the same basis, it would help the farmer in general.

Senator ROBINSON. How much were you saving by that method of doing business?

Mr. POMMERENING. It depends somewhat upon the competition the local dealer may have in the community where we sent the coal. And at the present time you understand I am speaking about coal in particular.

Senator ROBINSON. Yes; and that is what I am asking about.

Mr. POMMERENING. We were saving all the way from \$1.50 to \$3, \$4, and \$5 a ton.

Senator ROBINSON. I suppose the reason, of course, the retail dealers' association objected to your being supplied with coal was that they wanted to handle the business themselves?

Mr. POMMERENING. Absolutely. And, they gave other reasons. Let us say at my home station, Vandyke, we have a dealer who has a shed with scales, and is on the job continuously, and has his regular outlay. Consequently he feels he is entitled to that business and makes complaint because he does not get it. They say to us: "The very nature of your organization is such that that dealer can not compete against you if we supply you with coal." That is one of the greatest obstacles we have to overcome. We are willing to admit that we can handle that product cheaper than it is handled in the ordinary way; but that is one of the things we feel we need to do in order to alleviate some of the conditions that the farmers have to meet and must overcome.

Senator ROBINSON. And I suppose that is the primary purpose of your organization?

Mr. POMMERENING. Absolutely.

Senator ROBINSON. It is to escape the charges that are made by men who intervene between you and the source of supply?

Mr. POMMERENING. Yes, sir. Then we have another serious obstacle along that line, that we can not get certain commodities at all. I have particular reference to cement. At the present time it seems that the cement people are so well organized in our State—and I have reference now to the retail dealers, and they have a strong organization—that they prevent the cement mills from shipping to our various locals, especially when we order through our central business agency. These wholesale concerns, cement mills, mines, and various other concerns do not object so much to selling to our local branches as they object to selling through our central business organization. They realize that by selling through our central business organization we should be able to get better prices than we do when sales are made to our local branches; and the cement people will not sell to us at all.

Senator ROBINSON. Would you mind stating in this connection what the method of organization of your cooperative association is, the details?

Mr. POMMERENING. The method of operation is for the branch warehouse or local to put its order in with the central business agency, which is located in our case in Madison, Wis. This central business agency has, if possible, a contract with the coal man, when it is coal, or with the sawmill, if it is lumber, and so on, by which the various agencies representing the commodities supply the business to the local—that is not directly to us, but they send the commodity ordered directly to the home station, the local branch. That local branch pays for the commodity on draft against bill of lading. It is a cash proposition.

Senator ROBINSON. The central agency then operates as a kind of exchange?

Mr. POMMERENING. Yes; as a brokerage house.

The CHAIRMAN. You save the expense incident to carrying large stocks for periods of time?

Mr. POMMERENING. Yes; we do not carry any stocks at all.

Senator ROBINSON. One can very readily understand why a retail dealer's association looks with alarm on that sort of organization.

Mr. POMMERENING. At the same time I believe for the good of the country as a whole if the handling expense can be saved it is a good thing for the producer and the consumer as well.

Senator ROBINSON. I agree with you. But I am not surprised that the retailer does not view it that way.

Mr. POMMERENING. On the selling end we have met a little different kind of trouble. We are told that supply and demand regulate prices. They might if it were not for the fact that demand is so manipulated, and the farmers are not in a position to manipulate the supply, that with present marketing conditions supply and demand have nothing to do with prices. This has been true for a long period of time. It was especially true throughout the war. I know that at that time the packers, together with some agencies of the Government who O. K'd. the matter here at Washington, worked hand in hand to reduce the price of live stock whenever there was a glut on the Chicago terminal market.

I had hoped to have telegrams here to-day, and that is the reason I did not appear yesterday. I had hoped to have telegrams here, original telegrams, to show that that condition of affairs took place throughout the war. But I have not been able so far to get them. However, if this commission sits for several weeks I may be able to get them so that you can have first-hand information.

Senator ROBINSON. Have you copies of the telegrams?

Mr. POMMERENING. I know where the originals are. Originals are always better than copies. But it seems to me, and I think everybody realizes it, that when there is a big supply on the terminal market, regardless of whether live stock or grain, buyers do not buy the way they do when there is just an average supply.

The CHAIRMAN. And that is in total disregard of whether the entire supply that may come on the market during the season is large or small, is it?

Mr. POMMERENING. Yes, sir; that does not make any difference. The point I want to make clear to this commission is that this con-

dition must be corrected in some way or other. Probably the only way in which it can be corrected is through the farmers organizing, but the laws of our Nation should be such as to facilitate such organization and not hinder them wherever possible.

About two years ago we tried to get a seat on the Chicago Livestock Exchange for our organization so as to market our live stock. We made efforts for about six months, and finally gave it up for the time being because the conditions laid down were such that we could not possibly comply with them. All the rules and regulations of the Chicago Livestock Exchange prohibit the prorating back of profits, which they term rebating. They do not allow any rebating. In other words, they do not allow anyone to give back to the farmers themselves the profits made upon the terminal market upon their product.

The CHAIRMAN. Suppose you organized a corporation with capital stock without par value, and paid your shippers on the basis of stock ownership, which might be equal relatively to their shipments, would that make any difference?

Mr. POMMERENING. I am now talking from the standpoint of being in the live-stock exchange, a member of the live-stock exchange.

The CHAIRMAN. I understand.

Mr. POMMERENING. First of all, you have to agree, regardless of whether you are a stock corporation or a nonstock corporation, to abide by their rules. Their rules are that a certain price will be charged for a certain service done for a shipper on that market. As the result of that service, of course, there will be a profit. Their rules prohibit the prorating back of that profit, or rebating, as they call it.

The CHAIRMAN. If you had a corporation instead of a cooperative organization you could pay dividends from your profits, could you not? That is what they do?

Mr. POMMERENING. That is against the cooperative principle of doing business. The cooperative principle is to give to the man dividends in accordance with the amount of business he gives you and not in accordance with the amount of money he has invested.

The CHAIRMAN. You could give him an interest according to the amount he ships every year, could you not?

Mr. POMMERENING. I think that would be rather difficult. You do not know how much any man will ship.

The CHAIRMAN. I know that it is pretty hard to apportion it, but I wondered if you knew of any way to get around that proposition.

Mr. POMMERENING. Not that I know of.

Representative FUNK. Will not the Capper-Volstead Act and the packer bill take care of that?

Mr. POMMERENING. No, sir; I do not think they will. The Capper-Volstead Act, in the first place, only legalizes cooperative undertakings. It will not compel the Chicago Live Stock Exchange, for instance, or any other live-stock exchange or any grain exchange, to permit cooperative organizations to go on those markets.

The CHAIRMAN. My impression is that the packer bill contains a provision, put into the bill in the Senate, which is intended to require live-stock exchanges to permit cooperative organizations to hold memberships. Whether that provision is legal or not there may be some question, but the provision is in the bill and doubtless will be retained when passed.

Representative TEN EYCK. Yes: I think that provision is in the bill. I think one provision was put in the bill in the House, too. It may have been enlarged upon in the Senate, and that provision gave the Secretary of Agriculture authority to insist upon certain farm organizations being permitted to have membership on boards of trade. I know that it was discussed.

Mr. POMMERENING. If it is in the bill I do not know about it, but it is a good measure and will help cooperative organizations to get some things they have been working for.

In this connection let me say that agricultural organizations will have to be given legislation so as to permit them to withhold from the market their product when there is a glut on the market. This must be done in my opinion by legislation that will give us proper financing, long-term financing, and also short-term financing.

I have a letter which I would like to introduce, on the subject of agricultural finance. It is addressed to Mr. Lyman. [Reading:]

HUTCHINGS LUMBER CO.,  
Rector, Ark., July 9, 1921.

Mr. C. A. LYMAN,  
Secretary N. B. of F. O., Washington, D. C.

DEAR SIR: I am sorry I can not come to Washington to present some of our great questions before the Commission on Agriculture.

The question of high interest rates in Arkansas: We pay not less than 10 per cent on all short-time loans from our local banks. This should be prohibited by law, as no farmer can pay over 7 per cent for the use of money and get pay for his labor and the labor of his wife and children, as they all work in the cotton fields from the time the crop is large enough to cultivate until it is all picked, which is usually about New Year's of each year.

I want to say this is the cause of so many uneducated people in this State and other cotton-raising States. In States south of Arkansas this work is done mostly by Negroes. But in Green and Clay Counties in which I am well acquainted with conditions, it is all done by white people, and these children need more schooling than they can get under the present conditions. There is no man in these two counties that can make and gather a crop of cotton without the assistance of his wife and children and pay 10 per cent on the money he uses to make this crop.

It has become a custom in this country for the landlord to find out how many children a renter has old enough to hoe and pick cotton, and whether the renter's wife works in the field, before he rents him land to make crop on; and the landlords are compelled to do this as he pays high rates of interest on whatever money he has borrowed on his land. I will take my own case, for example, and I know many other landowners in the same condition.

In the fall of 1920 I found I had borrowed from our local bank to make crop on, about \$1,500, and on account of money getting scarce the local bank could not carry me another year. So I had to borrow this money, together with \$1,500 I owed at that time, on my 160 acres of land, making \$3,000 debt against my land. I could not get this money from the Federal land bank at St. Louis, as you know they were not making loans to farmers at that time. So the only place I could find this money was with the St. Louis Farm Mortgage Co., No. 620 Security Building, St. Louis, Mo., at 9½ per cent, and they compelled me to take it for 10 years, and sign separate notes for each year's payment.

There were 20 notes to sign, 10 at 6½ per cent interest and 10 at 3 per cent commission. The first 6½ per cent notes were secured by first mortgage and the 3 per cent notes were secured by second mortgage. I know I can never make enough off my farm to pay this interest, without working myself and family beyond all reason, and denying my child of the schooling he needs. I would like to see a law made to prohibit any bank from charging over 7 per cent on short-time loans. And another law to prohibit any loan company from collecting over 6 per cent interest on realty security. And loan companies should not be allowed to compel farmers to keep this high interest money longer than they desire to do so, as I could now get this money at 5½ per cent interest, and 1 per cent on the principal from the Federal land bank. I know I am not the only man in this country in this condition.

For the sake of the farmers in Arkansas as well as farmers in other States, I would like to see laws made to control interest rates to farmers.

Fraternally, yours,

O. H. HATCHINGS,

*Member of Tokio Local, No. 3523, Farmers' Union, Green County, Ark.*

**Mr. POMMERENING.** In this connection, let me say that the Federal farm-loan banks have been of great help to the farmers in our State. During the time they were not in operation I know personally of the case of a man, who was a close neighbor near where I lived, near Oshkosh, Wis. During that time he wanted a loan of \$3,000 on 40 acres of land which were worth at least \$6,000 in the open market at any time. So it was good security. At the same time he had to pay \$200 commission to get the loan at 7 per cent, making a total rate for the first year of almost 14 per cent. This was during the time the farm-loan banks were not in operation.

I believe that if this commission could work out a short-time-credit proposition for agriculture, so that agricultural paper could be used the same way as commercial paper in getting short-time loans at banks, it would help agriculture to a considerable extent.

**Senator ROBINSON.** What do you mean in your use of the term "short-time loans"?

**Mr. POMMERENING.** Well, there are various kinds of short-time loans. For instance, if a farmer wants to carry his crop, harvest his crop in the fall when prices generally are low, he should be given an opportunity to store that crop in a bonded warehouse, for instance, and get a warehouse receipt for the crop and get a short-time loan on that warehouse receipt at a reasonable rate of interest.

**Senator ROBINSON.** I know, but for what length of time do you mean?

**Mr. POMMERENING.** Probably for three or six months.

**Senator ROBINSON.** I was wondering whether you distinguished between the ordinary use of the term "short-time loan" as defined in commercial credits, and what is probably meant by the farmer. I imagine you would restrict short-time loans, speaking in behalf of the farmer, to not more than six months or a year, as compared with a Federal land bank loan. That is perhaps what you mean?

**Mr. POMMERENING.** Yes, sir. By short-time loans I mean loans to tide the farmer over a temporary stringency or condition, for which purpose a farmer needs money for a short time only as he looks at the proposition.

**Mr. Chairman and gentlemen of the commission,** that is all I wanted to present to you.

**The CHAIRMAN.** Any other questions? [After a pause.] If not, we are very much obliged to you.

**The CHAIRMAN.** Who will you have next?

**Mr. BARRETT.** I would like to have the commission hear Mr. Hougas, of Iowa.

**The CHAIRMAN.** Mr. Hougas may come around and give his name, business, and place of residence to the official reporter for the purpose of the record.

**STATEMENT OF MR. T. A. HOUGAS, FARMER, PRESIDENT  
IOWA FARMERS' UNION, DES MOINES, IOWA.**

Mr. HOUGAS. I presume the situation has been gone over in its various phases, and in an endeavor to avoid unnecessary duplication I will say there are just a few points I want to call your attention to.

First, I have a letter I want to introduce. It is rather a comic thing, and yet it is suggestive of the situation along a good many different lines. It is dated at Barnegat, N. J., and is as follows [reading]:

OAK LEAF POULTRY FARM,  
Barnegat, N. J., July 6, 1921.

MR. CHAS. A. LYMAN, *Washington, D. C.*

FRIEND LYMAN: As Mr. Dooley says, "I see by the papers" that the agricultural investigating committee is about to go to work. Now, I have no desire to go before them, but I think they should be enlightened as to how we make money here, near the "great city." I just threw 32 bushels of onions out on the ground to rot, as I would not ship them to the market for the price offered.

Here is how I made: Container would cost 20 cents, freight 30 cents, and commission 10 per cent—5 cents. Total of 55 cents per 100 pounds. The price was 50 cents per 100 pounds. Therefore, I made a profit of 5 cents per hundred pounds by throwing away the onions.

Respectfully, yours,

W. J. DOUGAN.

While this letter is along the line of a joke yet it is not a joke; it is descriptive of any one of a number of conditions. I might go along and point to different commodities and cases here and there in the country that would serve to prove the same thing, but will not take your time to go into further detail along that line. I presume it has been gone over—the different commodities that will not pay the cost of marketing, transportation, etc., and lie decaying on the farms.

Dropping back to a matter in connection with Mr. Pommerening's suggestions, while they are fresh in our minds, let me say, on the question of cooperative buying, the conduct of cooperative organizations, in Iowa we have been conducting an exchange and have met with a great deal of opposition, opposition almost identical with that Mr. Pommerening mentioned.

We find that there are companies who will not sell to us at all, who will not permit us to handle their goods. This results in their being able to maintain their prices here, there, and everywhere over the State. It forces the farmer to pay certain prices for his agricultural implements. They arbitrarily name their price, because if the local dealer will not sell at what they dictate as the proper price he does not get the goods.

There is a condition which it seems to me must be remedied in this country before fair prices can ever be established. I believe it should be made illegal for any company or manufacturer to dictate the price at which his goods shall be sold after it leaves his hands. I know the argument that is made, that it would be destructive of business; but we know, too, the fact that articles that are sold more extensively, perhaps, than any other in the world—sugar and gasoline—have absolutely free sale, with no restrictions of any kind whatsoever. Everything else can and should be sold in the same way. When the manufacturer gets his price, he should be compelled to stop interfering with business. He should let things alone after they leave his hands.

To illustrate: Our exchange has featured strongly in the matter of binder twine. For a good while the standard or the leading twine companies endeavored to keep us out of the market, but they were unable to do so. The difference to-day is that in Iowa these regular-line dealers are exacting 16 cents or 16½ cents for binder twine, while the exchange is putting it out for less than 12½ cents. The difference in price represents the difference in cost of handling between the manufacturer and the consumer.

Further, concerning the sale of live stock, which was referred to by the last gentleman; also the question of a seat on stock exchanges. The farmers' union has endeavored to secure a seat on the stock exchange at Chicago, but were told they could not get it—absolutely could not—for the reason that the exchange would not tolerate the paying of rebates or patronage dividends.

Representative FUNK. Do you mean stock exchange, board of trade, or the group of commission men in the stock yards?

Mr. HOU GAS. I mean the live-stock exchange, the men that control the commission firms in Chicago.

Senator ROBINSON. What reason do they assign for that action?

Mr. HOU GAS. That it is against their rules to give rebates, and that any cooperative concern that pays patronage dividends gives rebates, and therefore they can not permit such a concern and will not permit such a concern to have a seat on the exchange.

We have had the same experience in all of the Missouri River points. I think without exception every one of those exchanges acted in the same way. While I was not personally connected with the matter, yet I was sufficiently closely in touch to understand the situation.

Representative MILLS. That rule was made long before there were any cooperative organizations, I take it.

Mr. HOU GAS. I presume it was.

Representative MILLS. And it was not made for the purpose of excluding cooperative associations from membership?

Mr. HOU GAS. That is very possible; but it is made to serve that purpose now.

Representative MILLS. In other words, you have found organizations which have certain rules under which you can not have membership?

Mr. HOU GAS. Yes, sir.

Representative MILLS. That is the situation, is it not?

Mr. HOU GAS. That is what confronts us.

Senator ROBINSON. I would like to go back of the explanation you have given and find out why these exchanges make such rules. The situation is not quite clear to me, and perhaps Mr. Mills can explain it—why the exchanges make such rules.

Representative MILLS. I do not know that I can explain it, but as I understand the situation there is a fixed commission to be charged by members of exchanges for services rendered, and those rules must apply to and govern all members.

The CHAIRMAN. The charge is made that the effect of paying patronage dividends as cooperative organizations term it, and rebates as the exchanges term it, is to set up competition, that it brings up competitive rates in the exchanges, which result sometimes in diminishing the financial stability of a commission house doing business there, so that there is sometimes the inability of a

commission firm to pay. That is the claim that they make, as I understand it.

Representative MILLS. They undertake to regulate the commissions that are to be charged and they can not be exceeded.

The CHAIRMAN. They claim that it is a public service, and that a rebate on a charge for public service is the same as a rebate for service made by railroads. That is the position they take, although I am not trying to defend it, of course.

Representative FUNK. They not only say the charge made shall not be in excess of a certain amount, but that it shall not be below a certain amount.

Representative TEN EYCK. It was to maintain the commission?

Mr. HOUGAS. Yes, sir.

Representative TEN EYCK. They maintain the commission that you pay when you go in there. What you want to do is that after you have gotten the commission to return it to the members of your cooperative organization?

Mr. HOUGAS. Yes, sir. We adhere to all the rules of the exchanges where we do business. We collect exactly the commissions dictated. Then when the expenses are paid and a reasonable reserve fund is set aside, the remainder is distributed back, pro-rated to the men who sent business to us, and who paid the commissions.

Representative TEN EYCK. What you want to do is to distribute that fund to the members the same as these other people pay dividends on stock if it is a stock corporation, or if a commission merchant pays salaries to his people or divides sums up among the members of the commission house?

Mr. HOUGAS. Yes.

Representative FUNK. I take it your members claim that you are not only unable to distribute profits of the commission firms back to your members but that you want the right to select your own commission man and not be compelled to select only from those members who are recognized by the live stock exchange? You want your own representatives there to handle your business?

Mr. HOUGAS. Well, we can have that and do have it. I am happy to say that while this regulation looked big to us at first, it really has been a godsend to us in the end. We are running on Missouri River points on the outside. We do not belong to the exchanges, but the Farmers' Union Live Stock Commission at Omaha does more business than any other house on that market to-day. It is not a member of the exchange, but it is doing business just the same. Their rules have not hampered us once we got in motion and got to doing business. Where we are suffering now is from the limitations that men can put upon us behind the screen, working against what they term "outlaws." We are termed outlaws there. What they can do behind the screen is not small in some cases. Those are the things. It is not that we need a seat on the live-stock exchange, because we can get along without it, and are doing it, and are doing very well.

Senator ROBINSON. You have a sort of rival establishment?

Mr. HOUGAS. Yes, sir; we are what they call "outlaws." We are outrivaling the whole thing. Our people could not rent a room in the Exchange Building, and had to go out across the viaduct and

take a room that was once used as a saloon. There they started up. They prospered and then got better quarters, and now they sell more cars of stock than any other concern on the Omaha market.

Representative TEN EYCK. That is true of that particular locality, but there are other places where cooperative organizations are not so thrifty.

Mr. HOUGAS. Yes, sir; that is true. Our house at St. Joe is not quite so large but it is coming along rapidly. It is leading on some lines of stock but not on all. The Sioux City business is gaining likewise. It has made a bigger business in gain than any other firm in the Sioux City yards as I understand it, and in spite of the fact that the Sioux City yard receipts have fallen off.

Senator CAPPER. You handle live stock for stockmen who are not members of your association, do you?

Mr. HOUGAS. We handle for anybody.

Senator CAPPER. Do you distribute patronage dividends to non-members who do business through your organization?

Mr. HOUGAS. We distribute dividends to any cooperative organization or cooperative shipping association; not only the farmers' union, but the farm bureau or any other cooperative concern that will ship there will participate in the dividends. I am speaking now for the houses on the Missouri River points.

The CHAIRMAN. Do you do business for persons who are not cooperative in character?

Mr. HOUGAS. Yes, sir.

The CHAIRMAN. But you do not distribute patronage dividends except to cooperative organizations?

Mr. HOUGAS. To cooperative organizations, or to individual members of such organizations, all.

Representative MILLS. But you do not pay dividends to those individuals who are not members of cooperative organizations?

Mr. HOUGAS. Individuals who are not members of some cooperative concern do not get patronage dividends.

Senator ROBINSON. Do any of them try to do business with you?

Mr. HOUGAS. Quite a few. I could not say how many, but a good many.

Gentlemen of the commission, I come from a State which I am pleased to call purely agricultural, the State of Iowa. That is, our interests are so nearly exclusively agricultural that we call ourselves one of the exclusively agricultural States. For that reason our interests mainly lie in the condition of the farmer. Conditions in Iowa at the present time are such that they can not last an indefinite length of time. Just what I mean is that almost half of the farmers in Iowa who are tenants will be unable to continue business if another year of disastrous prices strike them as was the case last year. A large portion of them are really bankrupt now, but are simply going along by the assistance of their bankers or their landlords or their friends. The bankers, in some instances, knowing that they are by nature thrifty men, are allowing them to go on even though insolvent, on the partially selfish idea that if they get another year's work in they will come nearer paying out than would be the case now.

As to the most of these men, if they had to liquidate to-day they would have to drop out with their bare hands and go to work for somebody else. I have two tenants of that class myself, both of

them industrious men, competent farmers, but if they had to liquidate to-day they would have to walk off barchanded. But they are going on. I am like all the rest, giving them another year, or two years, maybe, as long as they want to go ahead, and I hope they will be able to work out their salvation.

Representative MILLS. Are they paying rent on the basis of the high price of last year and the year before?

Mr. HOUGAS. No, sir; these two I have are not. Some are, but the most of the landlords, for whom tenants are working on a cash basis, have made a substantial discount on rent.

The CHAIRMAN. What is the average cash rent per acre in Iowa now?

Mr. HOUGAS. That would be pretty hard for me to say. It will run all the way from \$8 to \$12 an acre.

The CHAIRMAN. How does that compare with 1913?

Mr. HOUGAS. About two-thirds.

Senator ROBINSON. Do you mean it is two-thirds of what was paid in 1913?

Mr. HOUGAS. No; it is possibly a little higher than that.

Senator ROBINSON. The rent is higher now than it was in 1913?

Mr. HOUGAS. Yes, sir.

The CHAIRMAN. But you rent this year for about two-thirds of what it was last year.

Mr. HOUGAS. Yes, sir; two-thirds of what the 1920 contract called for. That is putting it roughly. A great many are dropping back to the share rental now; which is usually half of the grain.

The CHAIRMAN. All right.

Representative MILLS. What crops have been hit hardest?

Mr. HOUGAS. I suppose corn and oats have been hardest hit.

Representative MILLS. How are your wheat growers?

Mr. HOUGAS. As to wheat growers, Iowa does not figure very strongly in wheat, as you probably understand. We are so small in wheat that we almost forget it in the general consideration. Iowa is not a strong wheat State at all. But, of course, it is a losing crop.

Representative MILLS. What I was getting at is this, are your wheat growers substantially better off than your corn growers?

Mr. HOUGAS. There are so few wheat growers in Iowa to the extent that you could call them wheat growers, that it is not considered. The farmers raise wheat just because they have to change their ground. Wheat and oats are alternated with the corn crop. Corn is the leading crop in Iowa. Oats and wheat are put in as exchange crops. Farmers raise some oats because they need them for feed, but they raise wheat because they have to change their ground. I do not believe one man in twenty raises wheat because he wants to.

Representative TEN Eyck. Wheat is a rotating crop?

Mr. HOUGAS. Yes, sir. Corn is our normal crop, fed in normal times to cattle and hogs and sold in that way.

Senator CAPPER. Is there any crop you could produce in Iowa to-day on a profitable basis?

Mr. HOUGAS. Well, if there is I do not know what it would be. I may say this, that I am a lifelong farmer in that State, and I do not know of any at this time that could be raised at a profit.

Senator CAPPER. Is there any crop that you could grow and break even on, under present prices?

Mr. HOUGAS. I do not know what it would be at present prices; no. A gentleman came into my office the other day and gave me a little problem to work out. He said: "My oats will make not to exceed 20 bushels to the acre. They will not bid me to exceed 20 cents a bushel for them." That would be \$4 an acre, would it not?

Representative TEN EyCK. At 20 bushels to the acre, sold at 20 cents a bushel would mean \$4 to the acre?

Mr. HOUGAS. Yes, sir. He said, "I give half for the rent." That would bring it down to \$2 an acre. He said, "My thrashing will cost me 3 cents a bushel cash for the machine and 1½ cents off for coal. Then twine costs me about 1 cent to the bushel." And he had another item which has slipped my mind. Anyway, it figured him out a little bit of actual cash on his crop to market it, to say nothing of losing his work. Oh, it was the item of seed I forgot. He said, "I sowed three bushels of oats that cost me 40 cents a bushel." That means \$1.20. You can see where he would come out on that.

Now, gentlemen of the commission, that case is representative of the condition on the oat crop this year.

Representative FUNK. That is on ground worth how much per acre?

Mr. HOUGAS. That is a question I asked the man because he was from a region I was not acquainted with. He said land would run from \$150 to \$250 an acre at that time. It had been considered higher than that, but at that time he said it was figured at that. Oats will be raised on at least an average of the land, not the cheapest, nor possibly the best.

Now, gentlemen of the commission, in order not to prolong the statement, I will say that I have a number of similar statements and could present them if my baggage were here and had been opened up. But I will not take up your time for that now. But as to this man in question, it will figure out the man as having paid out more in actual cash expense than his share of gross receipts. That is the same situation with others. That means that these men will not only lose all their work, but will have to pay out something additional in cash besides.

The CHAIRMAN. If you care to put those cases in the record in the form of a statement we will have it done later if you will furnish them.

Mr. HOUGAS. I will be very pleased to furnish them. I only got in this morning, and my baggage did not get up in time for me to open it, but I will be very pleased to furnish this information to you in the shape of a concise and accurate statement.

The CHAIRMAN. Very well, that may be done, and it may be inserted at this point.

(The statement afterwards furnished by Mr. Hougas is here printed in full in the record, as follows:)

Charles T. Blassell, Perry, Iowa, reports, July 8, 1921: Oats estimated not over 20 bushels per acre, and buyers bidding 20 cents or less per bushel delivered.

20 bushels per acre, at 20 cents.....	\$4. 00.
Give one-half for rent.....	2. 00
My share of grain.....	2. 00
Straw is worth not over (damaged).....	1. 00
Total value to me per acre.....	3. 00.

Cash expenses:

Seed, 3 bushels, at 40 cents.....	\$1.20
Thrashing 20 bushels, at 3 cents.....	.60
Binder twine, 2 pounds, at 15 cents.....	.30
Coal for thrashing, per acre.....	.20
<b>Total.....</b>	<b>2.30</b>

"I lost 30 cents cash expense besides all my work, board of men and horses, wear and depreciation of my equipment, and interest on my investment." He said, further, "I believe my crop is as good as the average in that locality."

The landlord's side of this same case reads:

Received for rent 20 bushels oats per acre, at 20 cents.....	\$2.00
Paid taxes per acre.....	2.00

"Thus I lose the use of the land, the cash for upkeep, and the depreciation of the farm."

Mr. HOUHAS. We have this to suggest: Naturally the question comes, What will help remedy these conditions? I do not think there is any one thing that will remedy all of them, but one of the most important things is to provide adequate credits for the farmers of Iowa. First, let me suggest that the Federal loans should be made sufficiently large to be of real value to a man buying a farm in Iowa. The average farm in Iowa is a shade less than a quarter section. That is about as small a unit as one can operate, unless he is a truck farmer, with any degree of economy. In fact, farms in Iowa are growing larger in the last decade instead of smaller.

Representative SUMNERS. Do you believe that is a good tendency and one that ought to be encouraged?

Mr. HOUHAS. I do not know whether it is a good tendency but it is the inevitable tendency. What I mean by that answer is, I can not farm intensively in Iowa and make enough to pay the extra help required at the present time.

Senator ROBINSON. What limit do you think ought to be fixed for Federal loans? Do you mean to the individual borrower?

Mr. HOUHAS. Yes, sir.

Senator ROBINSON. The limit now is \$10,000 I believe.

Mr. HOUHAS. Yes, sir.

Senator ROBINSON. What should it be?

Mr. HOUHAS. It should not be less than \$25,000. And I sometimes think it might be safely made \$35,000 or even a greater sum than that. I do not know that there should be any absolute limit for the whole United States. I think each region should have its practical limitations.

Senator CAPPER. What is an average quarter section of land in Iowa worth?

Mr. HOUHAS. It runs from \$25,000 to \$40,000.

Representative SUMNERS. The value of land is determined in some degree by the rate of interest you have to pay on your investment, is it not?

Mr. HOUHAS. Yes, sir.

Representative SUMNERS. If you put a very large limit, or practically no limit at all, on the amount of cheap money which may be borrowed for the purposes of purchasing land, is not the tendency to increase the value of land?

Mr. HOUHAS. In theory it may be, but I do not think it would work out in practice that way. We all know that there must be a

limit on the amount that can be borrowed on a piece of land, whether the law puts it on or not.

Representative SUMNERS. I do not mean a limit on a particular piece of land, but I mean a limit as to the amount of money that may be loaned to an individual?

Mr. HOUGAS. No; I am not prepared to state that it would make very much difference in that respect, except that as more men would be able to buy land and pay through on it it would make a slight competition in that respect, and would increase the demand, because with the borrowing power extended more men in the course of time would own their farms.

Representative SUMNERS. Let us see about that. Take your situation. I suppose you have your quarter section paid for?

Mr. HOUGAS. All right.

Representative SUMNERS. And suppose the quarter section adjoining your land is offered for sale. If you can get money at, say, 6 per cent; that is, if you know in advance that you can get it, you go to the place of sale, and the man who has no home goes to the place of sale. Naturally you two will compete, and you will bid a little higher for that quarter section if you know you can get the money at 6 per cent. You could borrow \$10,000 on your quarter section now, if it is unencumbered. You can do it indirectly if you can not do it directly.

Mr. HOUGAS. Yes, sir.

Representative SUMNERS. So that you could get not only the money to pay the initial payment, on a 6 per cent basis, but if you could get money for all the deferred payments, on a 6 per cent basis, you would be more ready to buy. Whereas the tenant farmer, who aspires to have a home, too, would probably have to pay 8 per cent if he did not have all cash to make the initial payment. He would have to make his initial payment on an 8 per cent basis.

Mr. HOUGAS. Yes, sir.

Representative SUMNERS. I want to know if this would not give a big advantage to the people who already own farms as against the men who are now tenant farmers and are aspiring to own farms?

Mr. HOUGAS. Well, I am very glad you brought that question up. It brings to my mind a thing that might have slipped me. I very seriously doubt if there are many farmers in Iowa now owning farms who will borrow money and pay 6 per cent to buy more land.

Representative MILLS. Now—

Mr. HOUGAS (continuing). Let me finish my statement, please. And that is because unless there is to be another advance in the value of that land there has not been a time lately that a farmer would buy land at all. It is the expected advance in price of land that has kept me and many another farmer where I and they have been. It has not been from what I have made, because the Lord knows I have not made it, but the men who have bought land have made it hoping prices would advance; not that a farm can or will pay 6 per cent on the investment, because it will not do it.

Representative MILLS. Well, now, how did land prices in your State in 1919 compare with land prices in 1914?

Mr. HOUGAS. The land prices in 1919 as compared with 1914—I can not give you the figures, but they were much higher in 1919.

Representative MILLS. The prices of land were much higher in 1919?

Mr. HOUGAS. Much higher; yes, sir.

Representative MILLS. And of course the proposition which Mr. Sumners makes would not be true in a period of stagnation or a falling market?

Mr. HOUGAS. No.

Representative SUMNERS. But would be true during an expanding market when men are willing to take chances and extend their credit; is that not so?

Mr. HOUGAS. Yes. But get my thought, men, and I hope you will, that the farmers who have been buying land, the speculators who have been buying land, have been buying it because they felt certain that it was advancing. The feeling over the country to-day is that it will be a long time before land takes another substantial advance. In fact, down in their innermost hearts they are expecting still lower prices.

Representative MILLS. Now let me ask you another question. The farmers in your State had some good years during 1917, 1918, 1919, and the first half of 1920, so far as prices are concerned, didn't they?

Mr. HOUGAS. Well, the prices looked good; yes, sir.

Representative MILLS. Well, as a matter of fact the figures that I have seen tend to indicate that corn was 20 per cent above the average of all commodities during the war years.

Mr. HOUGAS. Yes; but when you stop to figure that in Iowa in normal years 80 per cent of the corn is fed to cattle and hogs, the hog and cattle price determines the income on that corn. I know men that fed that high-priced corn and lost all the way from 20 cents to 50 cents and to as high as a dollar a bushel on the corn they fed. They lost it on the feeding.

Representative MILLS. Well, now, as a matter of fact, we find that from 1910 to 1918, let us say, the price of hogs doubled, which is natural in view of the statement as to the price of corn. But both as to hogs and as to corn there were good profits during the war years. Isn't that so?

Mr. HOUGAS. Well, I won't admit that they were in all cases. They were in the main; yes.

Representative MILLS. Well, you had a range of prices, so far as hogs and corn are concerned, which exceeded any other prices which you had known for some time?

Mr. HOUGAS. Yes; but you consider that because the price is high the profit is considerably high.

Representative MILLS. Yes; if that price is higher than the relative increase of all other commodities. I will admit that if all other commodities rise higher, then the price is not high, but the figures show that during the war years the price of corn was higher than the price of all other commodities in this country, therefore the farmer was getting a good price.

Mr. HOUGAS. During how many of those war years was that true?

Representative MILLS. Well, three years.

Mr. HOUGAS. Three was it?

Representative MILLS. Yes.

Representative SUMNERS. Let me interrupt.

Representative MILLS. Well, I would like to pursue this further, if I may.

Representative SUMNERS. Yes.

Representative MILLS. I would like to know whether during 1917, 1918, and 1919, and until the bottom dropped out of the market, farmers in your State were making money?

Mr. HOUGAS. There were some farmers in my State that were making money; yes.

Representative MILLS. Well, on the whole?

Mr. HOUGAS. Well, I presume on the whole, they were making money.

Representative MILLS. And that accounts for the large increase in the land values, does it not?

Mr. HOUGAS. Not altogether; no. It does to some extent, yes; but there was a spirit of speculation rife that was not traceable to market prices directly, unless they thought that prices were always going to remain high.

Representative MILLS. Well, now, what became of those profits which the farmer made during those good years?

Mr. HOUGAS. Well, I don't know what became of all of them. Some of them—a few of them—saved them. A few of them put them into speculation and sunk them there.

Representative MILLS. Well, was there a tendency to increase land holdings, to build new barns, or in other words to expand as profits increased?

Mr. HOUGAS. Yes; there was quite a tendency to improve on the part of the farmers. Yes.

Representative MILLS. There was that general tendency to increase holdings, to expand?

Mr. HOUGAS. Yes; there was a tendency to expand, but not so great as is commonly supposed. The actual legitimate farmers did not do nearly all of that speculative working. It was men who never had been farmers and never would be, who just bought it to sell again. Most of those farms were bought to sell—to turn again.

Representative MILLS. Well, those are the fellows who are in the real hole to-day?

Mr. HOUGAS. Well, they are in the hole, but they have taken a lot of other fellows with them.

Representative MILLS. Now, let us see; is your real farmer who made good money during these three years and who put it aside and did not expand the way some of those speculators did, in a very bad hole to-day?

Mr. HOUGAS. The farmer who did nothing in 1920 but hold to his money; if he did not farm he made more money than the man that was active.

Representative MILLS. But that does not quite answer my question. I will admit that he did not make money, that he was producing a crop with a rapidly dropping price.

Mr. HOUGAS. He was losing money.

Representative MILLS. He was losing money then.

Mr. HOUGAS. Yes; he was losing money then. Maybe I didn't catch your question.

Representative MILLS. Well, you said that there were two classes during these good years. That there was a class of men who were

not real farmers, who were speculators, and who bought land expecting an increase, and they were, of course, the fellows who suffered most, but that the real farmer did not blow in his profits, the money that he had made, but had put it away. Now I am asking you whether the fellow who put away the profits which he made during the good years is in very bad position to-day?

Mr. HOUGAS. No; if he absolutely put them away and did not use them for improvements, or waste them, or anything else, of course he is all right. But so many were compelled to make improvements with costs two or three times what they originally were. I put a building on my farm that cost me easily three times what it would have cost me back in 1910 or 1912, somewhere, before the war prices started. It had to be. And the upkeep on that farm has been excessive since this started in. The price of labor has gone up, and everything has gone up in the same way.

Representative MILLS. Now isn't it as a matter of fact true that most of that profit did go into either new land or new buildings or improvements, so that when that falling market struck the farmer he had no reserves on hand to help him through?

Mr. HOUGAS. Oh, I suppose that would be pretty largely true; yes. To my personal knowledge the few that held to their money, as money—they are few indeed—they used it some way, somewhere, so they are taking a loss.

The CHAIRMAN. Most of it went into capital improvements, didn't it?

Mr. HOUGAS. Yes; most of it went into capital improvements.

The CHAIRMAN. Which, on the basis of present prices, means a load of interest on the capital charge which it is practically impossible to meet on the basis of present prices?

Mr. HOUGAS. That is the fact.

Representative MILLS. They went into capital improvements at the peak.

Mr. HOUGAS. Yes; they went into capital improvements at the peak.

Representative SUMNERS. And in addition to that the tenant farmer, who has been saving his money during those two or three years went out and bought some of that high-priced land, and paid out all the money he had saved.

Mr. HOUGAS. Yes.

Representative SUMNERS. And now that saving has gone through the shrinkage of values.

Mr. HOUGAS. Yes, sir; that is true in many cases.

Representative TEN EYCK. Let me ask you this: You say it went into improvements?

Mr. HOUGAS. Yes.

Representative TEN EYCK. I want to know whether Iowa is different from some other States that I have a little knowledge about. Is it true that the farmer that made money in the one or two prosperous years did not use a lot of that money to pay off indebtedness that he had incurred previously and instead of improving his farm, as you use the word "improvement," wasn't it that he spent that money for deferred maintenance, the buildings had in a great many instances run down on account of not having the money to improve them, that he took this opportunity to bring his buildings up to the

proper shape, rather than to put additional improvements on the farm; also he used some of that money to improve his living conditions?

Mr. HOUGAS. Yes, sir.

Representative SUMNERS. I would like to have you explain it from that standpoint.

Mr. HOUGAS. Well, now, as to actually being behind with improvements, I do not believe we were.

Representative TEN EYCK. Not in Iowa?

Mr. HOUGAS. No; not in Iowa; I don't think we were.

Representative TEN EYCK. You do not?

Mr. HOUGAS. No; in fact, I believe that Iowa would rank ahead of a majority of the States in that respect. Over a good deal of the State in the last 10 years there have been going up magnificent houses and barns. They have been keeping right up. And I believe, on the contrary, that I would be correct in saying that during these peak times there have been less improvements put on than normally. I know on my own place I built what I had to build and no more. And that is the condition there, and I believe it would be true almost everywhere there.

Representative TEN EYCK. In Iowa there were no deferred maintenance charges; that is, in other words, bringing the property up to the standard that it ought to be in?

Mr. HOUGAS. Yes; wear and tear, etc. Frequently changes of program necessitates an alteration in a building or yards, and improvements, just as it does in the fixtures in stores.

Representative SUMNERS. Recurring to your position and to illustrate what I have in my own mind, I own a pretty fair sized farm myself, and it happens to be paid for. If I had any money I could loan it in Texas at around 10 per cent, I assume. There is a tract of land that is adjoining my place which would fit in pretty with my farm, but I can get along without it. The deferred payments, if I should purchase this tract, would bear 8 or 9 per cent interest. Now, I can borrow \$10,000, say, on the farm that I have now, and stock it, cash in at one place and borrow at another.

Now, then, if I can get all the money for the cash payment and the deferred payments at 6 per cent, when that farm that is adjoining my place comes on the market I will pay a higher price, I will bid a higher price for it than I would if I had to buy it on an 8 or 10 per cent basis. I know a tenant farmer that would like to have that place. He could not make his initial payments on it now, but he could under the conditions of two years or so ago. It would make it more difficult for him to get it. Now, the effect of permitting me to borrow, say, \$20,000, that would be to enhance the price which I would offer and make it more difficult for this tenant to get a home of his own. In my judgment, the best interest of the Nation would be subserved and promoted if these people could own their homes. I think it is the owned home, not the big home necessarily, that constitutes the foundation on which the Government rests. I may be wrong about that, but that is what I think.

Mr. HOUGAS. Well, you are, probably, at least to a degree, right there. But if I were having my way I would increase the size of that loan. If I had it to say, Mr. Man with 160 acres of land would not be eligible. Now, that would hit me. I could not borrow a

dollar if you made that law, but I will say "amen" to it if you will increase the size of the loan to the man who has not anything, to get into shape, better shape, and I will desist.

Representative FUNK. And loan a larger percentage upon the value of the property?

Mr. HOUGAS. Yes, sir; open up for the man who has not got it. The man who has got a good farm now is not suffering. He will get along anyhow. But it is the man who needs the extended credit that is suffering, because \$10,000 won't get him very far in my State. Now, that is the idea. I would rather see you limit me, cut me and men just like me entirely off, make us ineligible, if you can expand it for the benefit of the man that does not have that quarter section of land.

Representative SUMNERS. I am glad to have you express that sentiment.

Mr. HOUGAS. Yes, sir; and I am glad to express it, too, because I believe that is the feeling of a good many men in the world to-day.

Personally, I am not in the market for more land as long as the interest rates are so high, because I don't want to pay a bonus every year that I live for the sake of owning that land—to pay interest—and that is the point I want to make right here, lest I forget it, that whenever a farmer must pay over 5 or 5½ per cent interest he is just paying a bonus every time he does it, because the farm and the farm business, one year with another, or through a series of years, will not justify it, unless there is a bag of gold at the end of the bow—a rise in the land ultimately. And I don't believe any sensible man would start it.

Representative SUMNERS. And recently there has been just the same sort of a bag of gold at the end of the rainbow as actually is at the end of the rainbow that is in the sky.

Mr. HOUGAS. Are there any other questions on that point? If not, I just want to refer to the loans from the Federal reserve banks.

Iowa had an apportionment of \$31,000,000, I think that is the apportionment for Iowa. Just a mere drop in the bucket, as compared with the agriculture of the State. The basis for apportioning those loans is not right. It is not going to conserve our interests at all. Iowa is so thoroughly agricultural that \$31,000,000—oh, it just does not mean much of anything, that is all.

Representative SUMNERS. Based on banking facilities rather than on the needs of the people?

Mr. HOUGAS. Yes.

Representative SUMNERS. Which is absurd.

Mr. HOUGAS. That is what it is. And even then it is not on banking facilities, or else it would be better, but it is on the facilities of the Federal reserve banks, that is all that figures in the basis, you understand, and not all banks take to it. That is a matter that I think is obvious. That is a condition there.

That system should be made to conserve the interest of the producer, the circulation should be adequate to the crop that it is intended to swing. Or else it will not serve the purpose for which it was created. You understand what I mean by that.

Right now in our State there are men selling females from their herds of cattle, simply because their credit is at an end. We are way below the normal now. We are going fast every day. That

condition is so extensive, not only in Iowa, but all through the great northwest, that what they call canners and cutters are down below \$2 a hundred on many of the markets. I talked with a manager from the South St. Paul market the other day, and he told me that he had seen canners and cutters sell for as low as 50 cents a hundred. The condition I speak of, this stock being forced on to the market at no price, means in a year from now, or in two years from now, a shortage. It takes one or two years' operations to show the effect of this.

Representative SUMNERS. You say the people are cleaning out their female stock on their ranches and farms?

Mr. HOUGAS. Yes, sir; it is coming in, they say, in South St. Paul in abnormal quantities, in absolutely abnormal quantities, and that means that they are closing out in an unusual way. So much has the supply been that it has just reduced the price to almost nothing compared with what it should be. Quoted at \$1.75 to \$2 regularly, and many sales have been made at even less than that. That emphasizes the necessity for more credits.

Railroad rates should and must be adjusted, or else we will "kill the goose that laid the golden egg" in lots of localities. There are commodities in the country to-day that can not and will not be moved, simply because, as that letter I had here shows, the costs will not all be accounted for when the product gets through. Railroad rates are not in themselves all of it, but that is one material part of it. We are paying to-day, as my figures show, about 190 per cent on live stock from my State as compared with before the war.

The CHAIRMAN. Do you mean that the rates are 190 per cent higher?

Mr. HOUGAS. Excuse me; that is not on stock, that is on grain; 190 per cent on live stock altogether.

Representative FUNK. You mean that if you paid \$1 on a given shipment before the war you now pay \$1.90 on the same shipment? Not 190 per cent more, but 190 per cent of what you did pay?

Mr. HOUGAS. I mean 190 per cent of the former, prewar price, or 170 per cent. On the basis of the prewar price, 170 per cent. Now that cuts a great deal of figure, because the freight rates are a part of our costs.

Now, the farmers ask as a remedy—

Representative MILLS. Let me ask you one question there: Who pays the freight on a rising market?

Mr. HOUGAS. On a rising market?

Representative MILLS. Yes.

Mr. HOUGAS. Why, the farmer pays it all the time, rising or falling.

Representative MILLS. Well, does he? Does not the consumer ultimately pay the freight?

Mr. HOUGAS. Not in that case; no.

Representative MILLS. Well, now, let us see. I would like to get straight on that.

Mr. HOUGAS. All right; I am glad to figure with you on that proposition.

Representative MILLS. The consumer in the long run, on any particular article which is produced, pays at least the cost of production.

Mr. HOUGAS. Well, I can not admit that yet. If I had not in the last year paid 90 cents cost on producing a bushel of corn that is now selling at 39 cents I would admit that.

Representative MILLS. I said, in the long run. I did not say in the last year.

Mr. HOUGAS. No; that difference between 39 cents and 90 cents is out of my pocket once and forever. It is eating up on some reserve.

Representative MILLS. Well, but now over a period of 20 years goods are not produced at a loss?

Representative FUNK. Not factory goods.

Mr. HOUGAS. Factory goods are not.

Representative MILLS. Well, would you say that farm products throughout the United States over a period of 20 years are sold at less than cost?

Mr. HOUGAS. Well, I don't know that they would be, taking the entire period of 20 years; but I will say this much, that, take for the last 20 years, there are more years in which they have been produced at a loss than there are years where they have shown a profit.

Representative MILLS. But, generally speaking, goods will not continue to be produced at a loss, will they?

Mr. HOUGAS. No.

Representative MILLS. So that in the long run they are sold for at least the cost of production, and probably a slight profit, let us say. Is that not so?

Mr. HOUGAS. That is true with the factory made article, but I want you to get this point, men. That is exactly why the farmer to-day is calling, is because he is absolutely unable to get cost.

Representative MILLS. To-day, yes. I will admit your proposition in so far as the situation to-day is concerned. But we are not only dealing with the emergency situation to-day, we are dealing with more or less permanent conditions, aren't we?

Mr. HOUGAS. Yes, but there never has been a time in the history of this country when the farmer, as a class, did not go and sell for what he could get, and take that money and go and buy for what they asked him. Now that is true.

Representative MILLS. That is not the point I am making, but if you are under the impression that over a period of 20 years, let us say, goods will be produced and sold at less than the cost of production, why you and I have got to agree to disagree, and let it go at that, I guess.

Representative SUMNERS. Is not this about the situation, that the manufacturer is able to put his commodities on the market at the cost of production plus a profit written into the initial selling price, whereas the farmer, after gambling with all the hazards of production, sells very largely to the highest bidder, and that under present methods of sale, without regard to the total volume of production. His tenders in the market in the crop-moving period are in excess of the demands for immediate and immediately prospective consumption. That is about the way you have been selling?

Mr. HOUGAS. Yes, sir.

Representative SUMNERS. I agree with your proposition as a fundamental proposition applicable when population shall have reached a state of relative stability with reference to the vocations. But the very fact that the census reports of this country show the enormous movement of population from the country to the town, seems to me to indicate pretty clearly where are the centers of best financial opportunity. While that process of movement is going on, and while

under the influences which put it in motion, the farmers, the common people, not yet having changed their vocation, are working away at their job, the only one they have, and are not now protected by that economic law. But when the population shall have reached a position of relative stability, then I think that the freight rates and profits, more and more will be shifted from the farmers to the people who live in the cities.

Now, there is another thing. There are a lot of country boys and girls that until comparatively recently have been chained, by the lack of general education, to the vocations of their parents. They have not been able to accept the higher bids of industry. They have just had to stay out in the places where they were living.

The CHAIRMAN. Is not this true too, Mr. Hougas, that if on the whole agricultural products have been produced at a profit, they have been produced at a profit on the basis of a very low economic return to the farmer, both for his personal service and upon his investment?

Mr. HOUGAS. Yes, sir.

Representative FUNK. And is it not also true that no account has been taken of the exhaustion of the fertility of the soil?

Mr. HOUGAS. Absolutely right.

Representative FUNK. And that the fertility of the soil of this country is deteriorating every year, taking the country as a whole?

Mr. HOUGAS. Yes.

Representative MILLS. Well, I was getting at the proposition which has been repeatedly advanced here, that the producer pays the freight rate. Now, my understanding is that on every article sold to the ultimate consumer he pays the price received by the farmer, the cost of transportation, the cost of marketing, and the profits made by the intermediaries, and that where your freight rate affects the farmer is not necessarily because he pays it, but because if the freight rate is very high it will necessarily raise the cost to the consumer, and so diminish the farmer's market, leaving a surplus on hand at the point of production. Now, that is my conception of the situation, and I think it is probably misleading if you base it entirely on the proposition that the farmer is paying the freight rate. Now, what would you say about that?

Mr. HOUGAS. I want to say this, that if the farmers were as well organized, as systematically conducting their business as are the manufacturers, we would stand on an equal footing with you. We would not ask odds of anybody. But the farmers of this country are not. Six million farmers of this country are going it every fellow for himself, in a sense. Markets have a certain tendency, are manipulated, and I speak advisedly there. It causes a panicky condition. Credits are screwed down. Men are compelled to sell; they are compelled to sell all at one time, and you know what that does. Those speculators wanting to buy take advantage of that. It is very plain to me that it is a concerted effort at times. Credits tighten up just when a crop is about ready to turn, and so it is all put on the market at once.

Representative SUMNERS. When you have produced a small crop and there is a scramble among consumers for what you produce, I believe you do, in a very definite degree, shift the freight rate to consumers. But when you sell in a market that is not keen for what you

have, and you have the pressure of economic necessity to get the best you can out of your commodity, as is the situation now, you are paying the freight, it seems to me, because you are not getting the cost of production.

Mr. HOUGAS. Yes.

Representative TEN EYCK. Along that line on the freight rate, is it not true that whenever the farmer does not receive a fair return on money invested and labor performed he pays the freight rates, and that has been the condition of the farmer for a good many years? Therefore, he pays the freight rates on shipments out?

Mr. HOUGAS. Yes.

Representative TEN EYCK. Now, on shipments in, when he pays a fair profit to the producer of the things that he consumes, he pays the freight rate.

Mr. HOUGAS. Yes, sir.

Representative TEN EYCK. And therefore practically for quite a number of years back the farmer has been paying the freight rate both ways, even though he has been operating under very low economic conditions?

Mr. HOUGAS. Yes, sir, that is true. That thought of shifting freights is a correct one. That works in there. I have at different times been compelled to go out of my country and buy hay and ship it in. There may come a dry year when we did not raise enough hay. The price to me was the cost of hay in some other country, plus the freight.

Representative SUMNERS. Well now, let us see just where you get to there.

Representative MILLS. Well, who paid the freight there?

Representative SUMNERS. The producer of that hay in that situation did not pay that freight rate, did he?

Mr. HOUGAS. No, I paid that in; but when I shipped out I had to take that basis at some market.

Representative SUMNERS. Now, then, if you had been the producer of that hay, and the other fellow had been buying it he would have paid the freight rate.

Mr. HOUGAS. Well, it just depends.

Representative SUMNERS. No, it is just that situation exactly, just the condition like that.

Mr. HOUGAS. It depends on——

Representative SUMNERS. No, I am just taking that specific situation.

Representative FUNK. No, take that situation just as it is.

Representative SUMNERS. Yes.

Representative FUNK. Supposing this gentleman wanted to buy some hay, and there were two men that would offer him hay, the one was his next door neighbor and the other man was 200 miles away, the price that this gentleman would have to pay would be the same in either event; if he bought the hay from his next-door neighbor there was no freight to pay, but if he bought it 200 miles away the price would be as much less than what the neighbor would sell to this man than the amount of the freight rate, and so therefore the producer paid the freight rate.

Representative SUMNERS. But under the same production conditions as that the chances are he would buy it from the man nearer home, and the freight rate would not enter into the transaction.

**Representative FUNK.** It would not enter into it, but you are discussing that.

**Representative SUMNERS.** You have a situation here where both of these people are farmers.

**Mr. HOUGAS.** Yes.

**Representative MILLS.** This gentleman admits that in the case of the hay that he bought he paid the freight rate, and I have no doubt that that is true.

**Representative FUNK.** He paid it in that it was incorporated in the price of the hay, but the man from whom he bought received just as much less than the neighbor would have sold it to him as the amount of the freight.

**Representative MILLS.** Oh, well, yes, of course.

**Representative FUNK.** Therefore, he paid.

**Representative SUMNERS.** Who paid?

**Representative FUNK.** The man 200 miles away.

**Mr. HOUGAS.** The man that grew the hay.

**Representative FUNK.** If this gentleman ships corn to Chicago, the freight rate that he pays on corn to Chicago is probably 15 cents a bushel. I raise corn in central Illinois and my freight rate to Chicago is cents a bushel. This man pays the difference in the freight rate, because he gets as much less on his corn.

**Representative SUMNERS.** Suppose you were the buyer of that corn in Chicago, and wanted to feed that corn, and he is the raiser of the corn in the country and wants to sell it, would both of you pay the same freight rate?

**Representative FUNK.** No; he is 400 miles farther from Chicago than I am.

**Representative SUMNERS.** No; I am talking about you being in Chicago and wanting to feed that corn in Chicago, if that is a situation that could be imagined, would you both pay the freight rate—the man who shipped it and the man in the neighborhood of Chicago that received it? You would not both pay that freight rate?

**Mr. HOUGAS.** The man that is away from where the price is made pays the freight rate.

**Representative SUMNERS.** I believe you are right.

**The CHAIRMAN.** Up to the point where the farmer's product comes in competition with the other farmer's product where the price is made he pays the freight.

**Mr. HOUGAS.** Yes.

**Senator ROBINSON.** I think he is right.

**The CHAIRMAN.** All right; proceed, Mr. Hougas, and let us get through.

**Mr. HOUGAS.** All right. Jones pays the freight. If you know who Jones is.

**Senator ROBINSON.** Jones seems to be hard to identify in this instance.

**Mr. HOUGAS.** Well, freights do shift; there is no mistake about that; but as I said a moment ago, the man that has to do business at a distance from the place where the price is paid is the man that pays the freight.

**Representative FUNK.** Absolutely.

**Mr. HOUGAS.** I remember at one time a neighbor of mine shipped some stock to South Omaha and would not take the price paid right

there. That stock was shipped back to the country, and he paid the freight in and out.

Well, there we have the freight rates and credits. There is another thing that we are quite emphatic on, and that is that this speculation on our products, this gambling on our products shall cease. Gambling on the board of trade. That has been gone over so much that we just mention it as one of the strong demands made by the farmers.

Another thing. The farmers' interest, agricultural interest, which is approximately 35 per cent of the business of the country, demands representation on boards that have control over the business of the country. We should be heard by men at first hand. However honest or competent or willing men may be that are not familiar with agricultural conditions, they can not represent agriculture, and they can not do us justice. There are many strong statesmen, strong business men in other lines, but they do not know any more about farming than I know about navigating an ocean liner, and that is not anything. They are not in sympathy with it. Their interests lie in other directions. How can you expect them to properly and adequately represent the interests of the farmer? It can not be done.

Men from behind the plow, competent men, I mean, must have a chance to speak where men of their class have interests at stake. It is only fair, it is only right. Why should 35 per cent of our population be represented almost not at all? Why should one of the largest interests of the country to-day, the largest, go practically unrepresented on all these boards and in all these places? Other business would not stand for it at all. If the farmer was organized, as he should be and as he will be, he would not stand for it. It is one of the things that must go.

And as to the laws that should be passed, that point has been covered quite thoroughly. A law to make possible the cooperative selling of the farm products is absolutely essential to the life of the industry. For, mark what I tell you, men—you may ignore it—but the last line of business in this country will in the near future feel it if agriculture is not given an opportunity to square itself in the world. When agriculture fails the foundation of everything else is slipping.

Go back in your mind to some year when we had a burn out and see the effect on all the other business in the country. And it does not make any difference whether it is a burn out or a flood or a panic, or what it is that cripples the agriculture of the country, if the agriculture of the country is crippled, everything else follows in its wake sooner or later.

Then another matter. We want to call attention to the custom in the business world to-day of a good many practices that are calculated to and do hold up prices. Gentlemen's agreements, understandings, trade restrictions of one kind or another hold prices up abnormally high. You are bleeding the consumers of the country to-day to an extent that is neither necessary nor is it warranted. There are many articles that are selling far above any reasonable basis when the cost of production is considered. This is done by trade agreements, by circulated price sheets—gentlemen's agreements, if not by out and out organization and contract.

**Senator McNARY.** What is the character of the trade restrictions of which you speak?

**Mr. HOUGAS.** The trade restrictions—some jobber will say, “Well, we will sell you this line of goods. We expect you to maintain a fair price.” They may not or do not even say what that price is, but those prices are printed in circulars. They know them. And that man may not say, “Well, I will maintain your price.” He may not say it at all, and probably does not, but he knows that if he does not do it he gets no more goods, he is off the list for that man’s goods. That is a trade restriction. It is universal. I say universal—it is all but universal. Men demand that their lines be held to a certain price after their goods have passed from their hands.

Now it may seem radical to some, but my opinion is that the interference with price after the goods have been bought and paid for should be absolutely prohibited, and if that dealer wants to sell them for a lower price when he gets them, that is up to him.

**Senator McNARY.** Does that rule obtain generally with regard to farm implements?

**Mr. HOUGAS.** I think, sir, that it does. Not with all brands, but mainly in the large concerns it does; yes, sir.

**Senator McNARY.** Is there not more or less competition among manufacturers and among wholesalers handling farm tools?

**Mr. HOUGAS.** Not very much. There are not very many firms to compete any more, and these gentlemen’s agreements some way or other seem to drop them all in the same groove.

**Senator McNARY.** You take farm tractors that have now displaced horses on the farm for power. There are a great many different kinds of tractors. I know that I have three different makes on some of my farms in the west. Do you mean that there are restrictions in the sale of farm tractors?

**Mr. HOUGAS.** There were. Just now the financial condition regarding tractors is so bad that they may have thrown those restrictions to the winds on the tractors, but before the slump came there was restriction in the tractors.

**Senator McNARY.** That is very difficult when there is keen competition among several manufacturers, is it not?

**Mr. HOUGAS.** I did not quite catch your question, sir.

**Senator McNARY.** I say, when there are a number of varieties, a number of different varieties of farm implements all tending to the same use, is it difficult to get an understanding between the manufacturer and retailer, the wholesaler, regarding the price restrictions?

**Mr. HOUGAS.** It does not seem to be from the fact that you go to any dealer and he gets you the list price, and you can not help yourself. You can take it or let it alone. You can go to some other dealer and it is the same thing right there.

**Representative TEN EYCK.** What you mean is this: If you buy a Ford tractor, Ford puts a price on that tractor to the purchaser, and you have got to pay that?

**Mr. HOUGAS.** Yes; you have got to pay the price that is put on that tractor.

**Representative TEN EYCK.** Yes; and the same thing is true about repairs. If you have any repairs to that tractor the repairs are sold to you at a list price, and you have got to pay the particular list price of that repair, and there is no competition.

**Mr. HOUGAS.** No; you have got to pay the list price of that. There is no competition.

Representative TEN EYCK. There is competition on the different tractors, but the price they make is the price made by the factory to the agent, and he has got to sell at that price.

Mr. HOUGAS. Yes, sir.

Senator McNARY. Oh, there is no doubt about that.

Representative TEN EYCK. There is no doubt about that.

Mr. HOUGAS. That is what I mean.

Senator McNARY. If you do not want to go to the Ford Tractor people you can go to a man selling another tractor, so you do not have to take that product if you do not want it.

Mr. HOUGAS. But take the price list of tractors, or almost any other line, and go right through, and if you do not strike a uniformity of price there that would almost compel you to believe that a committee made it, then I miss my guess.

Representative TEN EYCK. And the same thing stands true of all other farm implements made by the International Harvester Co.; they have their specific, stated price to their agents, and you have got to pay those prices, and the agent can not cut.

Mr. HOUGAS. Yes.

Representative TEN EYCK. And when there are any repairs, the repairs are sold to you at a list price, and the agent has no authority to cut the price.

Mr. HOUGAS. Yes.

The CHAIRMAN. Is there anything further, Mr. Hougas?

Mr. HOUGAS. Well, no; I don't know that I have anything further at the present time. I would like to furnish those exhibits that you mentioned and have them inserted at the right place.

The CHAIRMAN. Very well, if you are through the commission will stand in recess until 2 o'clock this afternoon.

(Thereupon, at 11.50 o'clock a. m., a recess was taken until 2 o'clock p. m., of the same day, Thursday, July 14, 1921.)

#### AFTER RECESS.

The commission resumed its session at 2 o'clock p. m., pursuant to recess.

The CHAIRMAN. The commission will come to order. Mr. Barrett, whom do you wish to present?

Mr. BARRETT. Mr. J. D. Miller, of Pennsylvania, of the Dairymen's Association.

#### STATEMENT OF MR. J. D. MILLER, SUSQUEHANNA, PA., REPRESENTING THE NATIONAL MILK PRODUCERS' FEDERATION, UTICA, N. Y.

Mr. MILLER. Mr. Chairman, I appear here representing the National Milk Producers' Association, one of the national farm organizations that is affiliated with the National Board of Farm Organizations, with an office at 1731 I Street, in this city. We expected that Mr. Campbell, the president of our association, would be here, but I received a telegram yesterday saying that owing to illness in his family he could not come and requesting me to be here.

There are many phases of this very complex problem, so many contributory causes to the depression in agriculture, that possibly

some of the suggestions that have been made may be considered as temporary remedies to meet the present depressed conditions, owing to the staggering losses that farmers have sustained. These I do not propose to discuss before this commission, but only one paramount question that, in the minds, as I believe, of the leaders of the great farm organizations and of others who have studied conditions is the one remedy that may do more than anything else to permit agriculture in the United States to become prosperous.

Therefore may I call to the attention of the commission the necessity as the farmers view it, for such absolute clarification of the Federal laws that farmers may combine into organizations for the purpose of collectively marketing their farm products.

There is a bill now pending in Congress, already having passed the lower House, being the Capper-Volstead bill, H. R. 2373—I have not the Senate number here—which does clearly provide that farmers may combine into organizations for such purposes. This bill has twice passed the House of Representatives by a very large majority, once last year and once again this summer, about two months ago. Last year when that bill reached the Senate the Senate committee reported it with amendments that in the judgment of the farm organizations engaged in collective marketing, would nullify the declaratory part of the bill. In that form it was passed by the Senate. The conference committees were appointed and they failed to agree. The bill which was again passed by the House of Representatives about two months ago, since that time has been in the hands of the Committee on the Judiciary in the Senate and is now in the hands of a subcommittee, to whom it was referred, and no action has been taken.

May I call the attention of the commission to the party declarations of both the great political parties upon this subject. I first call to your attention the conditions existing at the time that these two declarations were written and the causes that led up to these platform declarations.

Following the enactment of the original Sherman law many of the States adopted a like law prohibiting all combinations, etc., in restraint of trade. The enemies of farm organizations—that in every case are middlemen, not consumers—insisted that as farmers produce individually and sell individually they are competitors with each other, and that by combining into organizations that competition is restricted, limited, and that because that competition is restricted, the trade has thereby been restrained.

The directors or officers or executive committees of five different farmers' cooperative organizations were indicted under the State antitrust laws, most of which, as I have said, follow very closely the original Sherman Act. Four of those cases resulted in a jury trial, and in nearly every case they were tried by city jurors, consumer jurors, and in every case the jury promptly acquitted them. But the expenses of those trials were such that they have been a serious burden upon these cooperative marketing associations.

The Federal district attorney in Chicago a year ago last winter, caused an investigation to be made of one of the farmers' marketing associations, resulting in third degree tactics most discreditable to the men who were responsible for it. Upon a certain hour of a certain day the head offices of that organization in the city of Chicago

were invaded by detectives, books and papers were seized, and at the same hour, out in the country, miles out, more than a hundred miles out some of them, at the same hour of the same day, local officers of local organizations were served with subpoenas duces tecum, which commanded their immediate attendance before the district attorney in the city of Chicago, with their books and papers. Those men were not lawyers, they were plain farmers, and they could not distinguish between a subpoena duces tecum, which commanded an immediate attendance with their books and papers and an arrest. and over that whole territory telephones were busy stating that all of these local and general officers of that cooperative marketing association had been arrested under the Federal law.

One of those men upon reaching Chicago was taken into an upper story room, and there received what in police circles is sometimes known as the third degree. He was being interrogated as to all matters referring to the contemplated prosecution, and interrogated on some matters so remote that it was difficult to connect them with the organization's work. Finally one of the sleuths pulled a revolver out of his pocket and laid it down on the table. He looked at that farmer, that stranger, who sat there. The interrogations went on. A few minutes later the sleuth picked up the revolver and began to twist the cylinder. He asked the farmer, "Does this make you nervous?" No indictment followed that investigation.

In Ohio when the officers of a farm organization were arrested they were all men well known in their communities, men financially responsible, men of high repute. They learned one afternoon that the State grand jury had returned an indictment, and the president of the organization called up the sheriff, and after verifying the information stated to the sheriff that they would be in the next morning to give bail. The sheriff told them all right. That did not satisfy the prosecuting attorney, and he started the sheriff out in the evening to go miles out into the country and drag those men out of bed, take them into the city of Cleveland, put them in jail until the court would convene the next forenoon so that they could give bail. I am not going to recite what took place further; I would take too much of your time. That indictment was followed by acquittal.

In one of the five cases where the officers of these farm organizations were indicted under a State law—that was in the State of New York—the legislature, which convened about the same time that the indictment was found, promptly amended the State antitrust law in such a way that it was construed to have a retroactive effect, and the district attorney of New York County, in which the indictment was found, caused the indictment to be dismissed. The expenses incurred by these different farm organizations were very, very heavy.

At the time that the two great political conventions met last year—and I recite this to show the conditions under which these platform declarations were written—there was pending in the Federal court at New Orleans, La., an indictment against three men, who were the executive committee of the Farmers' Milk Marketing Association, being the dairy farmers that supplied the city of New Orleans with milk. The facts leading up to that indictment were briefly these:

With the rapid increase in the costs of milk production—always high in that territory, and rapidly mounting with the mounting costs during the war—the farmers who sold to a middleman—they delivered the milk to the middleman in the city, and he sold it to the consumer—their costs got so high that they asked and received an advance of 2 cents a quart. The dealer or middleman raised the price to the consumer 3 cents a quart. We are not complaining of that; probably his costs had also increased.

In the latter part of the winter of 1920 the dealer gave notice to the consumers in New Orleans that on April 1 they would reduce the price of milk to the consumers 2 cents a quart, and immediately turned around to the farmers and said, "You must suffer that reduction of 2 cents a quart." It meant a destructively low price to the farmers. They resented it, and the result was that there was a milk war between the farmers' organization and the dealers.

Finally the dealers, as the farm organizations stated, promised that if the association would sell them milk they would then meet them and adjust prices equitably. They did so. They resumed the shipment of milk at once, and then the dealers absolutely refused to meet them at all to discuss any prices.

Just about that time the Federal district attorney laid an indictment before the Federal grand jury. The middleman was not indicted, only the three who were the executive committee of the farmers' organization. The result of that transaction was this: A demurrer was filed to the indictment, and the court sustained the demurrer and dismissed the prosecution. So far as the effect upon the three men accused was concerned, they were fully exonerated; so far as the effect upon the organization was concerned, it was as destructive as if there had been a conviction, for it resulted in the disorganization of that little farm organization of 300 or 400 men, and nobody profited except the middlemen.

That indictment was pending when the two great political parties met. Both parties, in language that can not be misunderstood, pledged to the farmers of this country remedial legislation that would make the right to collective marketing clear. The present antitrust law leaves it very uncertain, obscure, indefinite. I will not take the time to read the two declarations, unless the committee so directs, nor the different speeches of acceptance of the candidates.

The CHAIRMAN. The commission will take judicial notice of the platforms of the political parties, as well as the speeches.

Mr. MILLER. Very well. I have found that taking judicial notice helps us all over a good many obstacles.

The Committee on the Judiciary of the House of Representatives in reporting out the Capper-Volstead bill in the early part of the summer, referring to these political platforms, stated as follows: "Both the great political parties in their last national platforms pledged their support to this legislation," showing that the Committee on the Judiciary of the House interpreted the Capper-Volstead bill as a redemption of the pledge made by both of the great political parties.

That bill is now sleeping in the Senate committee; we know not its fate. It has been there possibly two months. Meanwhile there is growing up—and I think my associates that are here will corroborate this—a feeling of very grave unrest in the minds of the farmers by

reason of the delay in this legislation which for three years they have been asking for.

The farmers believe in self-help. While, as I stated in the beginning, many of these things that have been suggested are justifiable and necessary because of the present depressed conditions, yet in the long sweep the farmers believe in self-help organizations, and they believe that by so clarifying the law that they may be assured of the right to combine and collectively market their products, they themselves in due time can solve many of the questions the solution of which they are now asking of Congress. With those associations having clear liberty of action they can, in a measure, mobilize the financial strength of the farmers for the purpose of such marketing.

The economies that can be perfected if the farmer keeps all of the saving will result in a stimulation of production, which is necessary. Not for one moment would I pose as an alarmist, but some very fretful leaders of the farm organizations are convinced that unless present conditions are corrected that this country will within 10 years cease to be a self-supporting country. What that means as to navies and military establishments you gentlemen know best. And yet there are farm lands enough in the United States to support possibly three times its population.

The work of these cooperative marketing associations may be considered along several lines. First, I refer to selling organizations that sell farm products. Out of that will naturally grow buying organizations. Seth Low, whom all of you know, before one of the Senate committees less than two or three years ago stated that no great industry could stand what the farmers are compelled to stand now; namely, to sell all of their products at wholesale and buy all of their necessities at retail.

As was suggested here this morning by one of the gentlemen of the committee, I believe, the question of the exhaustion of the fertility of the soil is a mighty important question. The result of that depletion of the soil we find first appears, in the East, on upland farms, where the fertility becomes so exhausted that the land can not be operated to compete with those more fertile, and the people move on. In the State of New York to-day there are 24,000 farm houses, fit for occupancy, that are vacant.

The CHAIRMAN. Why do you say "farm houses"? Are we to infer from that—

Mr. MILLER. I was just going to explain that, Mr. Chairman. That does not mean 24,000 abandoned farms, because some of those houses are the second houses, the houses of the hired men that they have been unable to get. But it does mean that a large number of those are abandoned farms. The exact number I can not tell, although I think it is ascertainable.

That is the condition in the State of New York. From my own town of Susquehanna, Pa.—and that is a dairy section—the postmaster last fall caused a census to be made on the five rural-delivery routes running out from that post office. He found on those five routes 63 vacant farm houses. To my personal knowledge a part of those represent abandoned farms. A part of them represent farms that have been made an adjunct or a part of other farms. But the very fact that they are taken on and made a part of another

farm indicates a diseased agriculture, in this: Nine times out of ten you will find that the combined farm, after combining, keeps no more cows than they did before. They are taking on the additional land so as to have additional pasture and additional rough forage for winter, in order to carry the normal herd that was before carried. That is not a universal condition; sometimes they do increase the herds, but in the main what I stated is correct.

The CHAIRMAN. Mr. Miller, in general has there not been in the last few years a very marked increase in the number of dairy cows?

Mr. MILLER. As I recall the census, I think it showed an increase in the dairy cows. But if one will analyze those figures he will find that the increase in recent years has not been the normal increase of a decade ago, but that the increase has been gradually diminishing. The Department of Agriculture here at Washington sent out a bulletin very recently; I have not analyzed it or studied it, but I was informed that it shows there were last year about 270,000 fewer cows in the country than in 1919.

Representative FUNK. That would be what percentage of the whole?

Mr. MILLER. There are about 23,000,000 all told. But considering the probable increase of human population, not only does this absolute decrease in the number of cows mean much, but, as related to the increased consumption of milk, of course, it means much more. And yet there is no reason why the farmers of this country can not abundantly supply all the people of this country.

This brings me back to this summary, if I may make it. The American farmer is an efficient producer. He has not been an efficient salesman of his own product, and that is what the farmers all over the country are now demanding in these organizations—that through these organizations they may themselves so guide the lines and the times of distribution that the law of supply and demand may have full sway and not be affected by a 24-hour demand or a 24-hour supply.

Representative SUMNERS. Mr. Miller, if you are through I want to ask you one question. What is your judgment with reference to the proposition that possibly somewhere, short of a control of the supply of a given commodity by groups of producers, the Government might meet those groups and safeguard the interests of the public and make possible the giving of a fair reward to the producers?

Mr. MILLER. As I view that question broadly, Mr. Sumners, my answer would be this, that the economics of agriculture will absolutely prevent the farmers forming any oppressive monopoly.

Representative SUMNERS. Just explain that briefly, if you do not mind.

Mr. MILLER. The reason is this: There is such a solidarity of agriculture that if at any one time the price of any one product makes it more profitable to produce than to produce other farm products, so many millions of the farms of America would be diverted from the least profitable product over to the most profitable one that it would result in an increased production of that which formerly was more profitable, and decrease the production of that which was formerly less profitable, so that it would bring its own leveling process, and that no powerful organization can stop. It is one of the relentless

economic laws upon which our whole system of agriculture is based, and must be recognized.

I might illustrate that with this. Suppose that the power of these organizations could make the production of milk more profitable than to produce wheat, cotton, corn, oats, or any of the other staple products, for any but the most brief period of time. Why, it would mean that so many farmers would produce more milk and less wheat and less of these other staples that the law of supply and demand would bring the prices back again to their former relative level.

Then, again, suppose all of the wheat producers of this country should combine in one gigantic association. I think it is safe to assume that possibly the great bulk of the wheat of this country is produced on a million farms. But there are three or four million other farms that can raise wheat. Our dairy farms here in the East can raise wheat if necessary, and we are among the largest consumers of wheat products. Why? Because we must buy, for our family needs, flour, and we must buy for our dairy needs the by-products of wheat; we buy nearly all of the grain concentrates that are fed in the East. We raise very little; about 97 or 98 per cent are purchased.

Now, assume that the price of wheat got so high that we could not buy those by-products, or that flour for our families got so high that it would be more profitable for us to raise wheat than to raise milk. We would cut down the number of our cows and go to raising wheat, and so all the way around the circle.

So, in my judgment, the only way the farmers can ever form an oppressive monopoly or attempt to do so would be to form one great gigantic association, including all farmers of every class, which would simply break down of its own weight.

Representative MILLS. I think you are, in the main, sound on that without any question, but what do you say to this proposition? Take a case where the distributors of milk, for instance, as in the city of New York, are comparatively few in number. Let us assume that the milk producers in the territory serving the city are completely organized. Assume that those two groups got together and agreed on production and agreed on prices and a division of profits. Have you not got there all the elements of a complete monopoly that it would be very difficult to break down? Because it is obvious, if I may finish the thought, that if in spite of increased freight rates milk started to flow in from a more distant territory they could at once meet that competition by lowering the price temporarily, and as soon as the new producers had been put out of business, go back to the previous condition. That is assuming cooperation on the part of the producers and the distributors. Is not that a possible situation?

Mr. MILLER. Again, I think that the economic laws would absolutely prevent the formation of any oppressive monopoly by a joining of the distributors and the farmers. Why? Possibly it might be easier to do that 25 years from now if at that time the city took all of the milk that is produced within a radius where it could reach the city in good shape. But even then I think it could not be successful for any but the briefest possible time. But as conditions now are a little less than one-half of the milk that is produced in the State of New York and in the adjacent counties of the surrounding States—all of which is the milk territory tributary to Greater New York, the upstate cities, and the cities of the anthracite coal

region in Pennsylvania—in that whole territory less than one-half of the milk that is produced is consumed in the city in a fluid state. That milk must go into butter, cheese, condensed milk, all of which has its prices established by nation-wide, and even world-wide, competitive conditions. And if for any length of time the producers supplying the city with fluid milk received a price more than enough higher than the butter and cheese milk to cover increased costs, no power on earth could prevent the butter and cheese and condensed milk fellows from getting their milk into the city, and the monopoly would be broken down.

Representative MILLS. Unless the distributors were completely organized and acting in cooperation with the producers.

Mr. MILLER. Even that could not. All that the farmers would have to do in a given vicinity—those who are now producing milk for butter and cheese—would be to build a plant, adjust their farms so as to comply with the State health requirements, buy the cans, ship it into New York, and sell it there on the platform at the railroad terminals, where there are always buyers at all times ready to buy it.

Representative MILLS. Do I understand you to say that at present the demand is such that the milk producers of the State of New York can sell their entire supply at all times?

Mr. MILLER. Not in the form of fluid milk; no. About half of it has to go into the manufactured form—condensed milk, butter, cheese, etc. The last survey made by the State department showed that in the State of New York, which I think is fairly typical of our whole territory, 47 per cent of that milk was consumed in the city in a fluid form and all the rest was manufactured.

The CHAIRMAN. How do you explain, Mr. Miller, if you have any theory about it, the decrease in the percentage of tenancy in States like Pennsylvania and New York—farm tenants? All over the West, in practically every State west of the Mississippi and south of the Mason and Dixon line, there has been an increase in the percentage of tenants. In practically the entire section east of the Mississippi River and north of the Mason and Dixon line there has been a decrease in farm tenancy. That does not seem to me to quite agree with your description of the situation of the farmers and general conditions in the agricultural sections of the East.

Mr. MILLER. I think, Congressman, if I catch your thought there, there are different degrees of agricultural depression. The charts that are sent out by, we will say, the advertising experts to show the buying power of people in different sections of the country show that the buying power of the agricultural population in the Middle Atlantic States is at present greater than out in the Middle West, as you indicate. That does not mean that the farmers in the Middle Atlantic States are producing at a profit. Included in the cost of production, as computed, is, of course, a reasonable wage to the farmer for the work he does, and for his family. If he sells that product for less than the cost of production after paying his actual expenses—considering now the milk business—the remainder is his wage and the return on his investment. It is because the return has been so low that that wage has been far less than those farmers could earn in other lines of work. That has resulted in a lowered standard of living for the dairy farmers. I am speaking now of the large majority of the dairy farmers of that territory; not the pure-bred stock farms

that you see on the boulevards, but the typical dairy farms, from which four-fifths of the milk of the city must come. There the standard of living is not up to the American standard.

You can go all through that territory and you will find in farmhouse after farmhouse no universal heating system, no universal lighting system, no indoor toilets or baths. You will find that the farmers are not able to send their children away for purposes of education. You will find that while they have obtained from their farm enough to pay their monthly expenses and to give them a certain kind of living that living is very, very far from the American standard of living, and it is because of that we have this drift to the city.

Coming back to your question, I do not know that I can explain, Mr. Anderson, why there has been a decrease in farm tenancy in Pennsylvania, unless the explanation is this—

Representative SUMNERS. Would not this explain it? During the period of high prices paid for labor the big manufacturing industries sucked out of the country all the loose population there was. The tenants left and went to the cities. I do not know what the proportions may have been, but I think that is true.

Mr. MILLER. Speaking with reference to New York, Pennsylvania, and the Middle Atlantic States, that whole territory is so covered by a network of railroads and manufacturing towns, that, beginning with the war, not only was it impossible to keep farm tenants but to keep farm hired help. The farmer that owned it—some of them had to stay, but not all of them did. The farms stood idle there for some time during the war; the owner was out in these manufacturing plants.

The CHAIRMAN. I was really getting at another proposition. I wanted to get back to the statement I made sometime ago, which you seemed to think was erroneous, with reference to the increase in the number of dairy cows. As I have looked at these figures—and this is with relation to what you have said about farmers going from one character of production into another, if the prices became sufficiently high to make a better profit in the one than in the other—my recollection of the graphs showing the relation of the all-commodity prices to corn, wheat, oats, etc., is that they indicate that the dairy farmer, so far as his relation to all-commodity prices has been concerned, has been better off than almost any other class of farmer.

Mr. MILLER. I agree with that.

The CHAIRMAN. And it was the theory of some gentlemen that I have talked with that one result of that has been a very material increase in milk production during the last few years.

Mr. MILLER. The increased production has not become apparent in our territory. In fact, production now in our territory is lower than it was a year ago. But I do believe you are correct, Mr. Anderson, in your thought that dairy products to-day bear a fairer relation to the cost of production than almost any other kind of farm products. And while I have no pet theory why that is so, I will just give you my passing thought for what it may be worth.

Any finished product, any food that is more nearly finished on the farm, and particularly milk, with a daily production, responds more readily to changes in cost of production. Now, while in the broad way a farmer can not decrease his production so much, except by

killing the cows, in a smaller way he can do so by simply stopping feeding. Lots of farmers do that; when the price of milk gets too low they stop purchasing grain and concentrates and get what they can from their home-grown feed. That is bad for the herd. That cow during her period of lactation will never come back to her maximum production. Some authorities go further than that and say that she will be affected for life, but certainly throughout that period of lactation.

Representative FUNK. Is not this true, that the producers of milk are closer to the ultimate consumer and there are fewer middlemen in that business?

Mr. MILLER. Yes; that is true.

Representative FUNK. And is there not another point which might explain why the dairy industry has been less hurt than other lines of agriculture—that the dairymen are better organized, or that they can cooperate in their marketing better than the isolated and individual grain farmers?

Mr. MILLER. I believe that to be true; yes, sir.

Representative FUNK. It is very clear in my mind.

Representative TEN EYCK. The dairy men are closer to the consumers than the other producers?

Mr. MILLER. Yes, sir.

Representative TEN EYCK. I want to ask you a question in a general way. I am going to ask a question by suggesting the answer for your consideration. Do you not think that one of the reasons why the agricultural industry feels the effect of hard times more and to a greater extent than the other industries is due to the fact that all those who are interested in the agricultural industry are hurt 100 per cent, whereas those who are affected in other industries are only hurt to a certain percentage of their investment, because the consumers are financially interested in all other business, and therefore the consumer takes a part of the loss of all other industries, whereas in agriculture the farmers take the whole loss because he is 100 per cent owner?

Mr. MILLER. Yes; I think what you have stated there is fundamentally sound. Further, the farmer can not stop producing; manufacturers can. The farmer must plant in due season and go through it all. It is not possible for him to stop. The cow must be milked, or she will die. They can not stop producing. They can stop manufacturing shoes——

Representative SUMNERS. They can stop any day?

Mr. MILLER. Yes, sir.

Representative SUMNERS. But if the farmer has his crop half way through and the price slumps, he has to carry it along anyway.

Representative TEN EYCK. Another thing. The man who is engaged in manufacturing can carry his project through no matter what the elements might be, while the farmer depends to a certain extent upon the elements and the weather. He may perform a lot of work and spend a lot of money, and after all, if he has a drought or an unusual wet spell, or something of that sort, over which he has no control, his entire production is liable to be spoiled without getting a fair return on his output in accordance with the amount that he has expended to produce it?

Mr. MILLER. That is true.

Representative SUMNERS. Is it not true also that the manufacturer is able to respond more nearly to the demand from time to time? I just came through the cotton-mill district of the South. A good many of the mills there are working only two or three days in the week. They have not suspended, but they are cutting down production to meet profitable sales. A farmer can not do that. When he has his land in cultivation and his crop half grown he has to go through with the whole thing.

Mr. MILLER. And even if the farmer could foresee a year or two in advance the decreased demand for his product, he must still of necessity keep the farm busy. If they are not producing one thing they must produce another, as a rule.

Really, gentlemen, while of course I am reluctant to suggest anything that this committee should do, as I view it and as I believe my associates here all view it, if this committee could do anything to see that that Capper-Volstead bill is enacted into law you will do more for the ultimate prosperity of the farmers of this country than by passing any other measure.

Representative SUMNERS. Have you people ever been successful with intraurban distribution of your milk? I do not mean in a little town where the dairyman lives in the neighborhood and brings his own wagons in, but I mean in cities like New York, Chicago.

Mr. MILLER. Our organization, the organization with which I am connected, has not yet embarked upon the retail distribution of milk in any city, but only wholesale.

Representative SUMNERS. Is yours the only important organization among the dairymen?

Mr. MILLER. Oh, no; there are many others. There is a small organization that is now distributing milk in the city of Syracuse—distributing part of the milk there.

Representative SUMNERS. What is the name of that organization, if you know?

Mr. MILLER. The Onondaga Milk Producers' Association.

Representative TEN EYCK. Just in closing, it is your idea, in a general way, that laws should be passed that will give the farmer the right to cooperative bargaining in marketing?

Mr. MILLER. Yes, sir. The only alternative is to have the farmers of this country gradually sink step by step until they are on a level with the peasant farmers of Europe.

Representative MILLS. Before you finish I wish you would describe, very briefly, your organization and your present methods of marketing and distribution.

Mr. MILLER. The Dairymen's League Cooperative Association is an organization recently formed to take the place of the old organization, and ultimately it will be the organization that will function alone. That consists now of about 57,000 farmers. The association has from each of its members authority, in the form of a signed instrument, giving the association power to sell milk, either in the fluid state or as processed or manufactured by the association, to collect the proceeds of sales, and to distribute such proceeds among the producers in proportion to the amount of the commodity they delivered to the association for sale. About 80 per cent of the milk that that association sells never comes into the possession of the association; the members are simply notified to deliver it to the dealers,

who own receiving stations in the vicinity, accessible to the several farms. The member thereupon delivers the milk to the buyer, who keeps an account of the amount received, as well as the farmer, its butter fat content, etc., and once a month each dealer reports to the association as to the amount received from each, with one check to pay for all.

The remaining 20 per cent of the milk that our association has sold is manufactured. I think now it is, perhaps, 25 per cent—about 75 and 25. That is manufactured into different kinds of products—butter, cheese, condensed milk, etc. That is sold, and the proceeds of all sales, fluid milk and manufactured products, are blended into one fund, and, subject to certain differentials, as to location of the farms, quality of the milk, freight rates, etc., the distribution is made to the farmers at the same price per hundred pounds. The dealers who receive that milk, referring now to the fluid-milk dealers who supply the State, they having received it at the country plants—

Representative MILLS (interposing). How many dealers do you deal with in New York City? Are you familiar with that situation?

Mr. MILLER. Three or four hundred. Probably four of them handle 60 per cent of the entire supply, but there is a large number of small ones. The dealer who receives that at the country plant takes charge of it from that time on and takes it to the city and sells it.

Representative TEN EYCK. Is your enterprise incorporated or by what method are you doing business?

Mr. MILLER. Yes, sir; our association is incorporated as a non-stock, nonprofit organization. The association distributes everything collected, after paying expenses. It was formed under an act of assembly of the State of New York in 1918. That act of assembly followed very closely, as closely as the former statutes of the State would permit, a recommended form of act of assembly issued by the Bureau of Markets or the Federal Department of Agriculture recommending that the farmers request several States to enact such a law to permit of the organization of such nonstock, nonprofit associations. And it is under such a law that we incorporated as a membership corporation.

Representative FUNK. What advantages would you or similar organizations have if the Capper-Volstead bill is enacted into law?

Mr. MILLER. We are all the time facing the very doubtful question whether or not what we are doing, whether these farmers combining together to market their milk, to collectively name the price at which the milk is sold, is not a violation of the antitrust act which forbids conspiracies, etc. That is causing all associations to be very timid about all their acts: they are reluctant to make any investments other than those imperatively necessary, not knowing but what at any time they may be faced with process for dissolution.

Representative MILLS. You make contracts with these milk dealers in New York City, and how long do they run?

Mr. MILLER. Generally one month.

Representative MILLS. And how much a month do you contract to deliver—a specified quantity?

Mr. MILLER. No, sir.

Representative MILLS. Is it a sliding scale?

Mr. MILLER. The dealer agrees to receive and we agree to deliver the milk our members produce in territory accessible to their several

plants, but these plants are not specified, and that matter is left a little bit open and vague; that is, a farmer may be just half way between two dealers, each of which is contracting for milk from the farms accessible to him. We have a general rule that a farmer shall continue to deliver to the one he has been accustomed to deliver to.

Representative MILLS. Is there any attempt made by these contracts to control the supply and to stabilize it?

Mr. MILLER. To control the supply of milk?

Representative MILLS. Yes, sir; available for distribution in the city.

Mr. MILLER. To this extent, we have found it is necessary in the short production period, which we are now just entering, to have some of the butter and cheese factory milk produced under such sanitary regulations as will pass the city board of health, so that during two or three months of the year, when the city may require that milk, it may be diverted to the city. To that extent only has there been any attempt along the line you mention.

Representative MILLS. We read from time to time of attempts to stabilize, to make the production of milk or the available supply of milk stand up, by agreements between producer and distributor, so that at any one time the surplus milk production will not break the price. Is there anything to that?

Mr. MILLER. Nothing like that has taken place in our organization, and for reasons already stated an attempt of that character would be abortive in my judgment, because of the fact that there is twice as much milk produced in the territories as the cities will take throughout the larger part of the year. In fact, throughout the whole of the year that is true, although during a part of the year it becomes necessary to divert more milk to the cities from the cheese plants.

Representative MILLS. You would say there has never been any attempt to restrict production?

Mr. MILLER. No, sir; never on the part of farmers, absolutely not. One of the big dealers did a year ago last May send out notice requesting farmers to cut down production. Our organization resisted it. We are trying to increase production, but to so guide the lines of distribution of the milk that it can all go into channels that will yield to the farmers the best profit.

Representative FUNK. What proportion of the milk consumed in New York City does your organization furnish?

Mr. MILLER. Probably about 60 per cent.

Representative FUNK. These large distributors of milk, like the Sheffield Farms Dairy, and others for instance, they distribute direct to the consumer, do they not?

Mr. MILLER. Yes, sir.

Representative MILLS. There is only one intermediary between the producer and ultimate consumer so far as milk is concerned?

Mr. MILLER. That is largely true.

Representative MILLS. And of course that results in very great economy and efficiency in marketing as compared with products that have to pass through commission merchants, wholesalers, retailers, etc.

Mr. MILLER. There is no multiplicity of middlemen in the case of milk as in the case of many other products.

Representative MILLS. And that is to a large extent I take it, the result of organization, both on the part of distributors, and on the part of consumers?

Mr. MILLER. No; I do not think that is the result of organization, because I think that fact existed before the farmers had any organization. Usually the same firm that bought the milk of the farmer in the country distributed it in the city. But under the old plan, before we had any organization, bear in mind that the most of the farmers have but one milk plant accessible to their farm, to whom they could deliver milk; and if they happened to be so located that they could reach two or more plants, we always found that if for any reason a farmer had trouble with the dealer accustomed to take his milk, yet we could never get it into the other plant no matter how much they needed the milk. The result was that the farmer was compelled to sell to noncompetitive buyers, and the prices paid by the noncompetitive buyers were fixed by them regardless of cost of production, regardless of supply, and regardless of demand. It is that situation that the organization is seeking to correct.

Representative MILLS. Has the organization succeeded in substantially raising the price of milk to the farmer?

Mr. MILLER. Yes, sir; it has.

Representative FUNK. Without increasing the price to the consumer?

Mr. MILLER. The price to the consumer has increased since our organization started to function, but we commenced to function just as all costs commenced to mount, so that the cost of milk and the cost of distribution—well, what we are seeking to do and what we are gradually doing is cutting down the spread between what the farmer gets and what the city consumer pays.

Representative FUNK. What is the spread this month, approximately? A gentleman from Virginia testified day before yesterday I think, as to the spreads in various cities, and I would like to get this in the record.

Mr. MILLER. I will figure that out and give it to you exactly in a minute.

Representative FUNK. All right.

Mr. MILLER. The price paid to farmers in the country for milk this month is about 5½ cents per quart. The dealers charge the city consumer for that milk, delivered in bottles at the residence of the consumer, 14 cents a quart. That represents, again, about one-half the milk that those dealers sell in the city. About half of it is sold in cans to large consumers and the retail dealers, who sell to delicatessen stores, etc. I think for such milk, as I now recall it, the dealers charge 10 cents a quart. But I am not quite sure of that.

Representative TEN Eyck. Is not it a fact that your organization, through its work, in its connection between the producer and the retail milk man, has assured to the people of New York a more adequate and continuous supply throughout the entire year?

Mr. MILLER. Yes, sir; that is very true. And I think you can go further than that and say that the work of our organization has insured them reasonably a future adequate supply.

Representative TEN Eyck. And a better supply?

Mr. MILLER. Yes, sir.

Representative FUNK. Do you mean by "better" a more sanitary supply?

Mr. MILLER. Yes, sir.

Representative FUNK. More rigidly inspected?

Mr. MILLER. Yes, sir.

Mr. HOU GAS. May I ask a question if you are through there?

The CHAIRMAN. You may ask a question or two.

Mr. HOU GAS. What effect does the price of manufactured milk have upon the price asked for cheese and butter?

Mr. MILLER. If I catch the meaning of your question I will answer, no particular influence, because the most of the butter and cheese milk is produced under such conditions that it could not enter the city at all.

Mr. HOU GAS. A recent ruling of the Internal Revenue Commissioner making neutralized cream adulterated, does that affect your business any?

Mr. MILLER. I am not well enough versed upon that question to answer. So far as I know, it has not affected us, but it may. That is a branch of the operating department I am not in close touch with.

Mr. HOU GAS. All right.

The CHAIRMAN. The commission is much obliged to you, Mr. Miller.

Mr. MILLER. And I am very much obliged to you.

The CHAIRMAN. We will now hear Mr. Pinchot.

**STATEMENT OF MR. GIFFORD PINCHOT, MILFORD, PIKE COUNTY, PA., MEMBER OF THE EXECUTIVE COMMITTEE OF THE BOARD OF FARM ORGANIZATIONS.**

Mr. PINCHOT. Mr. Chairman and gentlemen of the commission, I came rather to listen than with any thought that I would make a statement. But since you are good enough to give me an opportunity, which I appreciate, there are one or two things I would like to say, very briefly.

The first is that I believe you gentlemen of this commission have a larger opportunity to be of use to the farmers of this country than ever has been presented before to any body of men in the United States, with the possible exception of the original Roosevelt Country Life Commission. Your report will be listened to not only by the farmers but by the city people on those questions which so vitally affect them also, as no other voice would be listened to in this country save that of the President himself.

It has been a matter of the keenest congratulation to me personally that this commission has been appointed. It seems to me you have many, many great services you can render, two in particular which are likely to result from your work.

The first of them is that you have at least the opportunity, and I hope and believe you will realize it and achieve it, to bring together behind your program, the program which you will lay down, the united power of the farm organizations and farm leaders of the United States—a thing that has never yet been done. If you do that you have, of course, substantially insured the enactment of any reasonable program.

On the other side you have at the same time an opportunity to convince the city man of the situation of the farmer in a way that it has

never been presented before. One of the great difficulties, as we all know, in the matter of securing farm legislation, is that the man in the city does not understand the problem of the farmer, and especially that the farmer does not get the price that the city man pays for his products. The city man, at least in some cases, has an idea that the high prices he pays for farm products are paid, in some sense at least, directly to the farmer, and that the farmer himself is responsible for the excessive cost of living.

Gentlemen of the commission, if these things can be moved forward by your work it seems to me you will have rendered an enormous service to the country, and these are certainly two strong reasons why I have been so glad that this work has been undertaken.

And then the other thing I want to speak about for just a moment, while a truism entirely, yet perhaps deserves mention for a moment here: That is that the trouble with the farmer's situation fundamentally as I see it lies more than in any other single thing in the faulty system of distribution that now exists. That is a very large term, perhaps; and to correct the faulty system of distribution is an enormous undertaking, and yet it seems to me we have gotten along far enough to know with considerable accuracy that unless a real attack can be made on this faulty system of distribution we shall not get in any direction very far. I do not want to be understood by that statement as not being heartily in sympathy with the Capper-Volstead act. I am thoroughly convinced of its necessity. But I do think that unless your commission tackles that tremendous problem you will have left unconsidered what to my thinking is an essential part of your whole undertaking.

Take for example the question you were discussing a moment ago, the distribution of milk. As Mr. Miller knows I think, and it is part perhaps in answer to the question asked by Mr. Mills, there was brought about in Philadelphia, mainly through Prof. Clyde King—whom I am very glad indeed to know is connected with your commission—a series of conferences between the milk distributors in Philadelphia and the farmers who produced milk for the Philadelphia market, with the result that it was true sometime ago, and I am informed is still true, the price of milk to the consumer in Philadelphia is lower than in any other great city; and at the same time the farmer receives a larger price per quart for his product. That condition grows directly out of a simplification of methods of distribution.

We have been told by all sorts of authorities, from secretaries of agriculture down, that it cost sometimes 65 per cent of the cost of farm products to deliver them to the consumer, and sometimes it has been figured at 50 per cent, and sometimes at other percentages. Nobody seems to know exactly what the facts are. But everybody seems to be agreed that the cost of distribution is iniquitous; and if it is true in general that the cost of transporting food from the farm to the table is equal to the cost of producing the food in the first place, then it seems to me reasonable to assume that there is serious trouble.

There is another side to this question of distribution which ought to be just referred to in this connection it seems to me, and that is, if you take up the question of distribution and are able to make an improvement you throw on your side of the fight immediately

not only the farmer, who will inevitably benefit from improved methods of distribution, but also the consumer. So that you will have both sides of what have been so far in many cases the opposing forces, standing behind the program which looks to a simplification of the route between the farm and the table.

I hope for that reason very strongly, Mr. Chairman and members of the commission, that you may decide to give as much attention as you possibly can afford to give to what is in my view at least a fundamental question, a question without which no permanent remedy can be reached for the difficulty which we all agree exists as being very necessary to be corrected.

The CHAIRMAN. That question is clearly the most difficult one with which the commission has to deal, largely owing to the fact that there is less information of an accurate character, less real knowledge of the economics of distribution, than there is upon any other phase of the question the commission is investigating. I do not know how far we will get with it, but I know this, that we will get as much information, and we will get as accurate information, as anybody has so far gotten; and I think we will get more information, and that it will be a great deal more accurate.

Mr. PINCHOT. I venture to believe, Mr. Chairman, that that will be so, and I am very glad indeed to hear you say it. But the very fact of your calling attention to this question, and the need for a remedy, will be of the greatest value. The average city man does not know that that condition exists, according to my experience.

The CHAIRMAN. Any questions?

Representative FUNK. Mr. Pinchot, I think we all agree with your analysis of the situation. But, as the chairman pointed out, that is going to be a very difficult matter to remedy by legislation. I take it that perhaps the principal result of these hearings will be recommendations to the Congress to enact certain legislation. Everyone is agreed that distribution of farm products is faulty, cumbersome, and expensive, and that there are too many middlemen, but it is very difficult for me to see how this commission, or any commission, or the Congress, can by legislation correct that situation. We might point the way, but it is going to be a very far distant remedy to reach by legislation.

Mr. PINCHOT. I am very sure it is not going to be soon. What little experience I have had with these things would indicate to me that it is unnecessary to think of building very much at the beginning; but with the direction of public sentiment toward a question of this kind there is the beginning of the working out of a remedy. That is why I am so glad this commission is going to start that formation of public sentiment by telling the public the truth about these things as far as the facts can be given, and get the people interested and give them a chance to find out the situation.

Senator CAPPER. When you mentioned, approvingly, the so-called Capper-Volstead Act as one likely to help the farmer, the thought occurred that I would like to ask, Is there any other act before the Congress that will bring some relief to the farmer under present conditions?

Mr. PINCHOT. There are undoubtedly, but I have been laid up recently and am a good deal in the situation of the late Senator Dolliver; I do not want to vote for a bill until I have read it. The

most of these bills I have not read yet, and do not want to discuss them until I have.

I recognize that one of the essential remedies for present conditions is to find foreign markets for our surplus products. I know that you have that in mind also. There are other things of that kind, but if you do not mind excusing me from a specific discussion until I can post myself more thoroughly, I will be glad, Senator Capper.

Representative TEN EYCK. I understand it is your idea that if the commission will point out to the country at large that an economic distribution is one of the things that is paramount in the matter of reducing the cost of farm products to the consumer; and if we at the same time give the farmer, through proper legislation, the privilege of cooperative marketing, we will have gone a long way toward covering present conditions?

Mr. PINCHOT. It will be a very great service. I do not think it will be a complete remedy, of course, but I think it will be of great service to have you clear up what the fundamental trouble is.

The CHAIRMAN. We are very much obliged to you, Mr. Pinchot.

Mr. PINCHOT. And I am very much obliged to you.

The CHAIRMAN. We will next hear Mr. Quisenberry.

**STATEMENT OF MR. JAMES H. QUISENBERRY, FREDERICK HALL, VA., FARMER, REPRESENTATIVE OF THE FARMERS' UNION.**

Mr. QUISENBERRY. Mr. Chairman and gentlemen of the commission, I am sorry to appear before you to-day without a carefully prepared statement, like the gentleman who preceded me seems to have done, but I came like Mr. Pinchot did, unconscious of the fact that I was expected to make a statement, but have consented to do so since I got here this morning.

The brief statement that I wish to make is with reference to the system of selling the tobacco crop, which is the chief money crop of our section of the State of Virginia. The most of you gentlemen know nothing doubtless of the tobacco crop—except that I think some of you know how to manipulate it when put up in form for smoking. But the tobacco crop is sold in a different manner from that of any other farm crop—sold at auction. That is the way it is done in our section. It is sold in a different way in Connecticut and some other points, perhaps.

Down in our section the tobacco crop is sold at auction. We know of no system of selling that if uninterrupted or unmanipulated is more equitable than the auction system. But having watched the tobacco market for 30 or 40 years—and I was born on a tobacco farm—I have seen manifest evidences of the fact that this very admirable system of selling is interrupted and manipulated. We see sometimes overnight a violent fluctuation, frequently amounting to as high as 100 per cent difference between the price of two different lots of the product, of the same amount, of the same type, and same quality. Following the sales on the Danville market, which is our greatest leaf tobacco market, and the greatest leaf tobacco market in the world save one; I say, watching that market currently, last winter we found where in one instance the same type and same grade of tobacco as graded by the man who bought it, on the same ware

house floor, the same morning, brought in one case, \$41, and in the other case, \$21.

Senator CAPPER. When was that?

Mr. QUISENBERRY. This past winter, the fall of 1920. I could multiply instances like that. It is a very frequent occurrence that we divide the same lot and grade of tobacco and put it on the floor, and in some cases there has been as wide a variation in price that the individual received for his product as that I have mentioned.

There are two things, gentlemen of the commission, that cause fluctuations. One thing that will always cause violent fluctuations is the glut, which is the result of disorganization. As long as the producers of farm products market their products without organization there will necessarily be a flooding of the market at one time and a lack of products in the market at another.

In the case of the tobacco market, sometimes the price shoots up, and then each tobacco grower tries to beat his neighbor to market the next day. Then it is entirely unstable. As the result we frequently find the streets actually so crowded with wagons of tobacco growers that a man will have to stay in the street with his wagon a night and a day before he can approach the place where he is to sell it.

Organization as we view it is the only thing that can possibly prevent this condition. Whenever we have one of these gluts it is invariably attended by a terrific fluctuation in price.

The other thing that causes fluctuation, and one to which we object very seriously, is complete manipulation of the tobacco market by the tobacco manipulator. We frequently start to market with our product, having received very encouraging news the day before, and without any visible cause when we arrive there the next day, find that the market has broken anywhere from 25 to 50 per cent.

Representative SUMNERS. Let me ask you a question right there if it will not interrupt you.

Mr. QUISENBERRY. All right.

Representative SUMNERS. Do you find such breaks in your tobacco market are simultaneous with breaks in other tobacco markets, where the same sort of tobacco is sold?

Mr. QUISENBERRY. No, sir; that is not invariably true, and I think is rarely ever true. We have known in some cases the market to break without any ostensible cause whatever.

Representative SUMNERS. Is tobacco capable of standardization? Do you undertake to standardize it?

Mr. QUISENBERRY. Yes; absolutely. I was coming to the matter of standardization in a minute.

Representative SUMNERS. Very well, I will not interrupt you for that now.

Mr. QUISENBERRY. I will get to that a little later. One other evil of the present system of marketing the tobacco crop is that the man who buys the product grades the product. All tobacco is standardized. If we were marketing grain or live stock we would not very much like for the man who buys the product to fix the grade. But in the case of tobacco the grading by the buyer is final. Before the banks will loan any money on tobacco—and tobacco paper is considered highly acceptable paper as collateral—I say, before the banks will furnish any money on tobacco paper two things have to be done. One is, the product has to be graded. For instance, in

our particular type of tobacco there are 21 grades. There are standards fixed. The other thing necessary is that the tobacco must be dry prized, that is reordered. After tobacco is dry prized it will keep indefinitely.

Representative SUMNERS. What do you mean by that?

Mr. QUISENBERRY. You take tobacco and put it into a building where the heat is very intense, and it practically drives out of the tobacco every bit of moisture in it. While under that high temperature there is enough steam introduced to moisten it sufficiently to be prized.

Representative FUNK. What do you mean by prized?

Mr. QUISENBERRY. To put it in big hogsheads and squeeze it in. Each one of those packages averages about 1,100 pounds.

Representative MILLS. Who owns the buildings?

Mr. QUISENBERRY. Do you mean the dry prizers?

Representative MILLS. Yes.

Mr. QUISENBERRY. A great many are owned by the men who buy and sell tobacco. The manufacturers own a few of them but not many.

The CHAIRMAN. This dry prizeding is not done on the farm?

Mr. QUISENBERRY. Oh, no, sir. It could not be done on the farm. We pooled some tobacco last season and made arrangements for one of the dry prizers to do it at so much the hundred pounds. Some will do it one way and some another. That is absolutely necessary to be done before money can be loaned on tobacco, because it is not safe to loan money on tobacco before it goes through that process.

Representative MILLS. Does it go through that process before you sell it?

Mr. QUISENBERRY. Under the pooling system it does; under the other it does not.

Representative MILLS. But the prevailing system is that you sell it before it is dry prized?

Mr. QUISENBERRY. Yes.

Representative FUNK. How are the 21 grades established, by legislation of any kind?

Mr. QUISENBERRY. No, sir.

Representative FUNK. Is it the rule of the trade?

Mr. QUISENBERRY. Yes, sir. We have a law which is available to us to-day, but we have not to any appreciable extent taken advantage of it; that is, whereby the Government will establish the grades.

Representative FUNK. You say there is a law whereby the Government will establish the definition of the grade or do the actual grading of the tobacco, which?

Mr. QUISENBERRY. The Government furnishes a trained grader who goes down and does like the man we now employ, and it then becomes final.

Representative FUNK. Does not that relieve the difficulty?

Mr. QUISENBERRY. In very great measure it does. But that is only available under the new system of marketing tobacco, because under the old system that service would only be available to the manipulator or speculator of tobacco. As our tobacco has been sold hitherto it has been in the natural state and processed afterwards.

Representative FUNK. Is the new system in common use now?

Mr. QUISENBERRY. No, sir. It is just coming in good. It is about that I would like to speak to you gentlemen briefly. As to some of the evils I could refer to them and cite illustrations but I would rather not. When we go out to accomplish things I think we find we are very much to blame ourselves sometimes, and we want to consider measures for relieving ourselves instead of blaming somebody else.

To show you to what extent the evils of the present system have gone, talking about tobacco, you asked this morning if a farm crop continued to be grown for 20 years if it was bringing less than cost of production. That term "cost of production" is subject to a good deal of argument and interpretation. If you will give the farm women and the farm boys and girls and the farmer himself who has to raise the tobacco, and who has raised tobacco for the last 25 years, even a decent living wage according to abundant statistics that we have at hand, I will say unhesitatingly that tobacco has been raised for 25 years at an absolute loss. You take these boys and girls out of school, which has been done and is being done, and if you will go down there you will see it; if you will take them out of school and allow them no wages whatever, and consider the thousands of farm women who are working in tobacco fields and consider no wages for them, then you are raising tobacco at a price less than cost of production.

But on the other hand, Mr. Charles Bryant, whose post office is Spring Garden, Pittsylvania County, Va., is a tremendously wealthy tobacco grower. He is a very fine business man. Mr. Bryant has large warehouse interests in the city of Danville. He has the reputation of being a big, clean man as well as a very successful business man. Mr. Bryant prepared on five of his tobacco farms the 1920 crop on very carefully kept cost accounts, and by request as I have just suggested, not of a farm organization, but of the tobacco interests of the city of Danville. I had the pleasure of hearing Mr. Bryant present his report. The average cost of production of tobacco to Mr. Charles Bryant—who buys his supplies in larger quantities than the average tobacco grower can possibly buy, and who also by virtue of the fact that he is a very influential man, gets unconsciously concessions from the buying world—I say his tobacco crop last year, which brought him \$80,000 to \$90,000, cost him on the average \$36.80. But the average price of Mr. Bryant's tobacco for the entire season was about \$19.25.

The CHAIRMAN. Do you mean an acre or hundred pounds?

Mr. QUISENBERRY. No, sir; both figures refer to the hundred pounds. That report, by the way, has been published all over the Orient, and I happened to learn since about it.

So there is no question that if you give these people anything like a decent wage tobacco has been produced and is being produced at a loss. The country there looks like a blight had struck it. Still they produce the highest quality of that type of tobacco that is grown in the world.

To get to some of the evils: We have believed for a good long time that there was some mystery behind the fact that here and there all over the tobacco territory there was a man who each successive year

received a sufficiently high price for his tobacco. I watched that myself for 30 years. I happen to know some of these men and have in mind one right now—and I do not believe that man would make a deal that he thought would enure to his advantage and yet to the injury of his fellow growers.

But this winter when we ran the temporary pool to which I have referred they told us they did not need tobacco, had several years' supply on hand and the surplus was in the way, and so on. But through sheer desperation we ran this temporary pool, which we knew was a desperately dangerous expedient. Mr. Harris, of Frederick Hall, one of those gentlemen who each year got a very high price for his tobacco, the day the plan of the pool was presented at Louisa courthouse, some time in December, got on his feet—and nobody else knew this was coming and did not suspect it—and told how those people had come out and said to him that they would guarantee his price if he did not put his tobacco in the pool.

Another gentleman, A. J. Houchins, of Forest View, Goochland County, got up and told a similar story. In other words, these tobacco manipulators have been systematically—and I say this with absolutely no bitterness—they have been systematically pensioning one man in a community and penalizing all the balance in the community to keep up the excitement.

Now, gentlemen of the commission, I do not want to unnecessarily occupy your time, but I want to emphasize one thing Mr. Miller said to you. I believe the biggest thing your commission can do, and I have devoted a good deal of study to this question and realize the enormity of the task to which you gentlemen are appointed; but I am sure the biggest thing your commission can do, or two things I will say, are:

(1) Bring to light the conditions as you find them, bring them to the attention of the general public; and (2) make available to the farmers of this country the application of the true principles of cooperation.

One of our great generals is credited with having offered, when he was about to go into a great battle, a prayer to the Almighty to be with him in his efforts in the battle and to crown them with success. But he concluded with the plea:

Now, Lord, if you can not see your way clear to help us in this thing, the only other petition I have to make is that you will not help the enemy. Take your hands off and don't help him.

We want you to go a little further than that and use your influence to supply to the farmers of this country the machinery by which they may have true cooperation. If you will just do that we will do our best to take care of the situation.

The CHAIRMAN. You referred to an auction law. Are those auctions held under law in the State of Kentucky?

Mr. QUISENBERRY. Well, doubtless those sales are made under the law of the State of Kentucky and in Virginia, too. But one of the rules of the game down there, gentlemen, is that the auctioneer has to sell three piles of that tobacco a minute, and it is all graded as it is sold.

Representative FUNK. Who establishes that rule?

Mr. QUISENBERRY. I understand that the tobacco warehousemen employ the auctioneers, and in order for those auctioneers to hold their jobs they must average that season in and season out.

Representative SUMNERS. Do you mean that the auctioneer will determine which of 21 grades any pile of tobacco belongs to and make three sales a minute?

Mr. QUISENBERRY. Yes, sir. That is one of the conditions I want to complain of. I did not have an opportunity, as I lead a very busy life, and did not know what was expected of me up here, to prepare myself before I came, but I would like an opportunity to prepare a statement for your consideration, along definite lines, if I may. I will get that up and send it to you if you wish it.

The CHAIRMAN. We will be very glad to have such a statement.

(The statement referred to by the witness will be inserted in a subsequent number of the hearings, when furnished.)

Representative SUMNERS. What advantage would there be in a cooperative association having the privilege of having capital stock as against no capital stock?

Mr. QUISENBERRY. I do not know that I can answer that quite fully, but I do know this: That the best of our authorities on cooperation advise against the issuance of capital stock. In our organization further—and we have just organized Virginia, and are organizing three States—and I forgot to refer to that fact. We are organizing three States now on the Pacific coast plan, and we do not issue any capital stock. We have a five-year contract. Every man signing one of these contracts relinquishes his right to sell his product, relinquishes that right to his organization for the term of five years.

Representative SUMNERS. I am interested to know whether the fact that you do not have capital stock is due to the provision of the antitrust law which gives you the right to operate without capital stock or whether it is because you do not need capital stock?

Mr. QUISENBERRY. I really think that is the reason it is not incorporated that way now.

The CHAIRMAN. If you have this auction law and tobacco has to be sold at auction—

Mr. QUISENBERRY. Oh, no; you can sell tobacco in any way you please. I thought you wished to know how it is usually done. You can sell tobacco in any way you like.

The CHAIRMAN. If you organize these pools you do not expect to sell pooled tobacco by the auction system?

Mr. QUISENBERRY. Oh, no; not at all. Under the auction system you employ highly trained talent to sell your product. He sells that product to the man or men who want tobacco and at the best price obtainable under the market conditions of the day of sale.

The CHAIRMAN. That is one of the ways wherein I think the farmer has gone up against his principal difficulty, or perhaps has not helped himself as much as he might, the failure to provide himself with a competent and efficient selling agency.

Mr. QUISENBERRY. Unquestionably. You can not do it without an organization. There is no way to do it otherwise.

The CHAIRMAN. The commission will now stand in adjournment until to-morrow morning at 10 o'clock.

(Whereupon, at 4 o'clock p. m., the commission adjourned to meet at 10 o'clock a. m. to-morrow, Friday, July 15, 1921.)



# AGRICULTURAL INQUIRY.

FRIDAY, JULY 15, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met, pursuant to adjournment on yesterday, at 10 o'clock a. m. in the caucus room, House of Representatives, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. We will hear Dr. David Friday, professor of economics, University of Michigan, who will discuss, as I understand, the relative profits in agriculture as compared with other industries, interest rates, etc.

Prof. Friday, you may proceed.

## STATEMENT OF PROF. DAVID FRIDAY, PROFESSOR OF ECONOMICS, UNIVERSITY OF MICHIGAN.

Mr. FRIDAY. As Chairman Anderson said, he has asked me to discuss the relative profits in agriculture as compared with other industries before, during, and since the war; and the relative wages paid in agriculture and other industries before, during, and since the war; also the probable future trend of interest rates.

I think I ought to say to the commission that I know very little about agricultural profits, of which more anon. I do know something about industrial profits, and about what return various industries make upon their investment. The most complete data we have of profits in industry generally are for banks, especially national banks. We have in the reports of the Comptroller of the Currency from the year 1870 to the year 1920 a complete statement of gross and net earnings and the ratio of those net earnings to capital and surplus.

I have worked these things over in very considerable detail and find that for the decade which elapsed between 1870 and 1879 the national banks made on an average 8.4 per cent on their capital and surplus combined. During the decade 1880 to 1889 they earned 8.2 per cent on capital and surplus combined. And during the decade 1890 to 1899, when we had a severe industrial depression following the panic of 1893, the earnings of the national banks on the average were 6.5 per cent; for the decade 1900 to 1909 their earnings were 9.9 per cent, and for the decade 1910 to 1919 their earnings were 9.5 per cent, and for the year 1920 their earnings were 12½ per cent.

That gives us a picture of the profit people have made from 1870 to 1920 in the banking business, so far as national banks are concerned. The outstanding thing is the fall in profits in the decade

1890 to 1899, and the very great rise in profits from 1900 on, culminating in 1920 in 12½ per cent, being an average for the 20 years of about 10 per cent.

For the State banks in the various States we have information over a very much smaller period of time, but in the State of Michigan we have them for the last 11 years. The State banks there have made an average of 11.4 per cent on capital and surplus. In the State of Ohio and in the State of Kansas, which are typical States with a large State banking development, we find also that the profits of the State banks are somewhat above those of the national banks.

It seems safe to say, then, that in the banking business generally for the last 20 years profits have equalled fully 10 per cent on the entire invested capital, being measured by capital and surplus. These are profits after paying all expenses of operation, writing off losses, and paying taxes and interest on deposits and borrowed money.

The CHAIRMAN. In that connection have you figures in reference to the rise in cost of doing business?

Mr. FRIDAY. In the national banking system we have detailed figures of costs. They show that cost amounts to about one-half the gross earnings. It required about that amount to pay rents, expenses, salaries, clerk hire, taxes, etc.

Representative SUMNERS. Have you any figures showing the relationship of the salaries of executive officers to capitalization or volume of business, or anything that would give the commission some idea as to how much the officers of banks are getting?

Mr. FRIDAY. There are some figures in the comptroller's reports, but I have not them in mind now. I could put them into the transcript of the hearing if that is desired?

Representative SUMNERS. Personally I would like it. I do not know about the other members of the commission.

(The witness was not able to find figures covering the information requested.)

Senator ROBINSON. In that same connection, Dr. Friday, can you show how salaries and wages of bank employees compare with salaries and wages paid in industrial pursuits generally?

Mr. FRIDAY. My conviction is that they are materially below those in manufacturing.

Senator ROBINSON. I have that impression, too. While I had that impression very definitely in my mind, yet I have no figures on the subject and was anxious to know about it.

Mr. FRIDAY. To finish my answer to Chairman Anderson's question, the ordinary national bank has been making about 50 per cent gross on its capital and surplus. That 50 per cent consisted mostly of interest. Of that 50 per cent about one-half has been going to pay operating expenses. The other 25 per cent has been divided about equally between payment of interest on deposits and profits to stockholders. Banks have been paying out about two-thirds of those profits in dividend payments, and about one-third has been added to surplus. When we come to industries other than banking, we have less information, and what we have is less authoritative than that which exists for banking. There is, however, some information of a pretty satisfactory nature that has been gathered in connection with the administration of the excess-profits tax law.

From time to time I have had occasion to make some studies for the Treasury in estimating the yield of excess-profits taxes, corporation taxes, and income taxes. In that connection the Treasury has made tabulations of manufacturing and industrial concerns. Those tabulations indicate that during the years before the war—1911, 1912, and 1913—the ordinary industrial and mercantile establishment made about 11 per cent on its invested capital as that term is defined in the excess-profits tax law. During the war that return rose greatly. In 1914 it was a little less than in 1911, 1912, and 1913, but in 1915 it was materially higher.

Representative MILLS. Of course that 11 per cent would not represent the actual capital invested, as one ordinarily understands it, would it? It would not include, for instance, bonded indebtedness?

Mr. FRIDAY. No, sir; that is one of the defects in the figures, Mr. Mills. I should say if we added bonded indebtedness it would be reduced for industrial concerns generally, leaving out public utilities and railroads, to perhaps 9 per cent, because manufacturing and industrial corporations generally pay a comparatively small amount of interest, as we gather from these statistics. So I think that would reduce it to less than 10 per cent.

Representative MILLS. You are not including in those figures public-service corporations?

Mr. FRIDAY. No, sir. For public-service corporations the amount of return previous to the war was not over about 6 per cent, taking one year with another, and they were fortunate if they made that. The railroads made a little less and other public utilities made a little more.

Representative SUMNERS. Upon what valuations are those figures of income based?

Mr. FRIDAY. For industrials or railroads?

Representative SUMNERS. Public-service corporations.

Mr. FRIDAY. Upon valuations that have been generally used in the rate cases, but they do not differ materially as a rule from the book values, especially as to public utilities. It is true that in the earlier days some water got into their capitalization, but under regulation—since about 1900 and 1905—large amounts of surplus were reinvested, so taking it all in all, the valuation is not so very much different from the book accounts, I think.

Representative SUMNERS. As to the water that got in before 1900 or 1905, has it been carried there or squeezed out?

Mr. FRIDAY. I think it has been squeezed out mostly by charges to maintenance that should have gone to property. Take the Lake Shore & Michigan Southern Railroad, I went over the accounts of that railroad once for the minority stockholders, when they merged it with the New York Central in 1914. I found that from 1880 to 1904 not a single dollar was charged to capital account, despite the fact that during that period they invested over \$150,000,000 of profits in the property. I have also been over the accounts of the Pere Marquette Railroad, and found that there some \$30,000,000 had gotten into property accounts, that represented no investment. But taking it by and large, I am pretty well convinced that book values represent about the investment.

Representative SUMNERS. What with reference to electric lines, commonly known as interurban lines; have you made any study of them?

Mr. FRIDAY. No; I have not. They have rather a short history, and do not loom very large. That development rather fizzled out.

Representative MILLS. The 6 per cent you referred to is for how long a period?

Mr. FRIDAY. Before 1913.

Representative MILLS. You gave 6 per cent. What did you mean?

Mr. FRIDAY. I should say the 6 per cent was for a period from 1896 to 1913.

Representative MILLS. Have you the figures from 1913 to date?

Mr. FRIDAY. They have been less. When the European war broke out in 1914 profits fell somewhat, but in 1915, 1916, 1917, and 1918 they increased greatly. Mining companies were the first to increase, then the profits of manufacturers rose, afterwards the profits of mercantile corporations, and last of all the profits of banks. The war increased the profits of railroads and public utilities somewhat during 1916. A reduction came during 1917 and thereafter. So that during 1917, 1918, 1919, and 1920 public utilities' profits generally were below 6 per cent, just how much I do not know, but materially under it.

Representative FUNK. In the valuation for public utilities do you carry the same valuations and include betterments and additions, or do you have a sliding scale of valuation on the reproduction theory?

Mr. FRIDAY. No; I am here taking the same scale.

Representative FUNK. If a property was worth \$10,000,000 in 1913, the inventory of the same property would be carried at the same valuation and not valued according to the enhanced value of the units that go in, cost of the units?

Mr. FRIDAY. That is correct, sir.

Representative TEN EyCK. Do you think 1913 was a normal year as regards business and production?

Mr. FRIDAY. Nineteen hundred and thirteen was rather better than a normal year, as things went before the war. When I say industries made 11 per cent on invested capital as defined in the excess profits law, I mean they made that much for three years on the average; when I say 10 per cent on the investment I mean for those three years.

Representative TEN EyCK. Nineteen hundred and thirteen was a little better than normal on account of the anticipation of the war or for what cause?

Mr. FRIDAY. I do not know what the cause was.

Representative FUNK. Will you state again your conclusions as to profits in the banking industry?

Mr. FRIDAY. In the banking industry we have profits for 50 years. For the seventies the national banks earned 8.4 per cent on capital and surplus combined, after paying all operating expenses, taxes, writing off losses and paying interest on deposits and borrowed money. In the eighties they earned 8.2 per cent, and in the nineties they earned 6.5 per cent. In the decade 1900 to 1909 they earned 9.9 per cent, and in the decade 1910 to 1919 they earned 9.5 per cent. In the year 1920 they earned 12½ per cent. For State banks the

earnings were slightly higher than that, where we have figures for State banks.

Representative FUNK. What conclusion may we draw from that? What light does that furnish us in the investigation that we are now making, that in 1920 the banking industry seems to have been very profitable, whereas the industry we are charged with looking into, agriculture, seems to have been quite a bit below par?

Mr. FRIDAY. Well, it shows that in 1920 people were anxious to get capital, both here and abroad, and that therefore they borrowed immense amounts of money and increased the loans of the banks very rapidly, at high rates of interest.

Representative FUNK. Can we draw the conclusion that perhaps the agricultural industry might have been unduly burdened by the high rate of interest that farmers and others must necessarily have paid, and that perhaps it might be a function of the Government to enlarge and expand the opportunity for borrowing by people engaged in agriculture?

Mr. FRIDAY. Well, I should not want to draw that conclusion. You would want a great many facts more than I have given here before you could draw such a conclusion.

Let me say on that point that profits of banks rise generally less rapidly than profits of most other industries. For example, in 1916 the banks made only 8.3 per cent on their capital and surplus, and in 1917, 10.5 per cent on capital and surplus. In 1916 the profits of all corporations in the United States were exactly twice as large as they had been in the highest prewar year. The highest prewar year for corporate profits was 1913, when they were \$4,300,000,000. The profits jumped from that to \$8,600,000,000 in 1916, and to \$10,700,000,000 in 1917. Yet the banks were below the 20-year average. The banks came up more slowly than did mining, merchandising, and manufacturing.

Representative FUNK. That may all be true, but the banking business is being regulated both by Federal and State governments?

Mr. FRIDAY. It is being supervised.

Representative FUNK. And regulated to a certain extent. And we have been confronted here by the testimony of every witness who has been before this commission for the last four days with the statement that credits have been restricted and opportunities for borrowing money have not been equal to the demand from people engaged in agriculture, and yet we are informed by your statement that the banks have increased their profits, particularly in 1919.

Mr. FRIDAY. 1920.

Representative FUNK. Well, pardon me, 1920; when they were 12½ per cent. That is quite an increase over former years. That would indicate to me that the banks are profiting very handsomely by the present situation.

Mr. FRIDAY. That was in 1920. In 1921 the banks are sustaining very large losses.

Representative FUNK. By reason of what?

Mr. FRIDAY. In New York the banks have sustained very large losses, among other things, by reason of the money they have advanced to Europe and to Cuba, and South America particularly, largely for the purchase of American products. Just how great the

losses have been to interior banks I do not know. I have the impression that interior banks are suffering considerably smaller losses.

Representative FUNK. How was that loss sustained?

Mr. FRIDAY. I am not a banker, but I suppose it was sustained by reason of loaning money to people on goods exported which goods were not accepted on the other side or were not paid for. There is a lot about the banking situation in New York now that nobody up there wants to tell you anything about. It is a very serious situation. I know of a bank in New York that made, in the year 1919, 80 per cent on its capital and surplus—and when I state this fact I am not violating any confidence, because Senator Owen read the facts into the record of the Senate; that bank in 1921 will probably not make a dollar. The profits of banks seem to rise much more slowly than in the case of manufactures or agriculture or other industries. At the end of the peak, when the crash comes, or just before the break comes, bank profits seem to rush up and then when you have a depression there is always some loss in the banking business, not as much as we sometimes believe, but some loss. But for the year 1921 the banks will not show a profit of more than 6 per cent or 7 per cent for the entire year.

Representative TEN EYCK. Necessarily banks do not show their losses coincident with other industries, because other industries have their slump and it takes about a year to be cleaned up and be reflected in the banking industry.

Mr. FRIDAY. Yes, sir; the banker always tries to hold his customers and he will hold a loan a year or two before writing it off.

Representative MILLS. And he is holding back to-day?

Mr. FRIDAY. That is true. The facts about banking profits surprised me, and I think they surprise most people as they do Mr. Funk.

The CHAIRMAN. I think in view of the discussion we have had in regard to profits of transportation and public utility companies that you ought to say something if you can in reference to profits of water transportation.

Mr. FRIDAY. I was going on to say just one word more about these general industrial profits.

The CHAIRMAN. All right.

Mr. FRIDAY. The profits of mining and manufacturing corporations were two and a half times as much in 1916 as in 1914. The profits of those same companies in 1917 were still larger, more than three times as large as in 1913. In 1918 they were a little less than in 1917; in 1919 they were materially less than in 1918, and in 1920 still less. But profits of industrial concerns generally in 1920 were still at least double what they had been in 1913.

The percentage of profits to invested capital can be determined with a fair degree of accuracy for the year 1917. In 1918 Senator Borah introduced a resolution calling for the earnings and invested capital of all corporations that had made more than 15 per cent on their capital stock during 1917. The Treasury found that there were about 55,000 such corporations and actually compiled data for 31,000. Those 31,000 corporations comprised corporations with an income well over \$4,000,000,000 and their net income was 21.7 per cent on the invested capital, as that term is defined in the excess-profits tax law. After paying excess-profits taxes it still left them approximately 17 per cent on their invested capital.

Representative SUMNERS. Which group earned the largest return? I do not want to interrupt your presentation, and perhaps it would be better to wait until you conclude. But I wondered if you were going to put into the record anything as to which of those corporations or groups of corporations made the most money?

Mr. FRIDAY. I shall put such a table into the record.

Representative SUMNERS. Then, I will not ask you to give the information now.

Mr. FRIDAY. I can answer it in a sentence. The group which paid the highest return was transportation by water. One half of all the net income reported by that group was earned by corporations which made between 75 per cent and 100 per cent on their invested capital.

Representative TEN EYCK. Gross?

Mr. FRIDAY. No, sir; net. Next after them came mining, manufacturing, and mercantile corporations, which had about one-fourth of their net income reported by corporations that made between 40 per cent and 50 per cent, and one-half by corporations that made over 30 per cent.

Representative SUMNERS. You have grouped three activities that are very different in character. Do you purpose in your statement to give some details that would enable the ordinary layman to have a judgment with regard to the matter?

Mr. FRIDAY. Yes; I shall show just how much net income was earned by those who earned less than 10 per cent, and those between 10 per cent and 15 per cent, etc.

Representative SUMNERS. The three groups you speak of represent industries each of which include various activities.

Mr. FRIDAY. You want these divided up?

Representative SUMNERS. I was wondering if the statement you purpose to file will give an analysis of different conditions in the several groups.

Mr. FRIDAY. All right, I will do that.

(The statement furnished by the witness is here printed in full in the record, as follows:)

*Percentage of corporate net income to invested capital for different industries in 1917.*

Percentage of net income to invested capital.	Net income.						
	Mining.	Financial.	Public utilities.	Transportation by land.	Transportation by water.	Mercantile.	Manufacturing.
Under 10. ....	\$12,263,723	\$7,236,600	\$45,000,244	\$303,274,111	\$1,224,161	\$18,566,588	\$44,493,175
10 to 15. ....	60,496,120	16,304,541	32,054	70,602,550	476,988	51,462,233	120,192,859
15 to 20. ....	73,818,621	716,747	731,266	20,287,288	.....	52,286,245	244,154,136
20 to 25. ....	79,888,334	3,063,189	.....	1,767,146	240,193	77,080,102	238,863,419
25 to 30. ....	93,517,099	.....	.....	.....	.....	6,863,637	78,849,348
30 to 33. ....	4,700,062	.....	.....	.....	.....	3,775,738	203,853,102
33 to 40. ....	23,954,108	.....	.....	.....	.....	5,216,567	229,433,090
40 to 50. ....	4,773,966	.....	.....	.....	.....	6,791,615	1,074,818,903
50 to 75. ....	11,479,797	.....	.....	.....	2,492,592	27,128,658	139,556,613
75 to 100. ....	775,385	.....	.....	.....	18,282,150	186,327	34,962,990
Over 100. ....	15,579,579	123,018	52,229	.....	1,258,006	10,179,729	38,772,216
Total. ....	381,266,798	27,444,104	46,724,793	395,031,104	23,984,063	256,532,439	2,447,667,151

Mr. FRIDAY. These figures I have given for 1917 are for the more profitable corporations, because the Borah resolution excluded the

less prosperous ones. But it seems clear that the earnings of mining and manufacturing, etc., were around 18 per cent in 1917. Since then they have fallen off in 1919 and 1920. Of course, in 1921 they will be low, probably back to prewar figures or even lower. That is the general story of industrial profits since 1915.

For the farming industry we have nothing that is at all comparable to those figures I have given for banks or to those for manufactures and other lines of industry. The work that has been done by the Department of Agriculture and by the various agricultural colleges is pretty meager, and I have never been quite satisfied as to just how dependable it is. I believe Dr. Wilford I. King is to appear before this commission in executive session. He has gone over the whole situation and made a careful and critical estimate of the incomes of farmers for the National Bureau of Economic Research. It is an able piece of work. I know something about it because I am a director in that bureau.

I have done this, however, which may be of some use to the commission: I have taken the value of farm products as reported by the Department of Agriculture in 1899, in 1909, and in 1919; I have taken the value added by manufactures as reported by the census, and have tried to make a comparison as to what the average person engaged in agriculture and in manufacturing has gotten out of his industrial activity in these industries for that series of years.

It might interest the commission to know that for every year where we have figures for both agriculture and manufactures, those figures being the years 1899, 1904, 1909, 1914, and 1919, the value of agricultural products produced on the farm and the value added by manufactures are within about 3 per cent of each other. They have remained together for a period of 20 years.

The figures are not strictly comparable; they do not mean exactly the same thing. The value of agricultural products means value of products without any recognition of the fact that a large part of those products is used up on the farm and therefore contains a duplication. Considerable amounts of corn are fed to hogs, and ensilage to cows and other animals.

Representative TEN Eyck. That is later purchased in the shape of the live animal?

Mr. FRIDAY. Yes, sir. Neither has there been any deduction made from the agricultural figures for the fertilizer and machinery the farmer gets from somebody else. In the case of manufactures there is deducted the value of materials consumed, so duplication is removed. There is also deducted the value of coal consumed and power purchased and taxes paid, and things of that sort.

If we take the figures for agriculture for 1899, 1904, 1909, and 1919, and reduce them by 25 per cent for cost of farm crops fed to animals on the farm, we will arrive at a better figure. Dr. King will give you a more detailed statement and a more complex one, but as a rough and ready statement this will probably do. Then if you divide what is left by the number of people engaged in farming you will get these figures: In 1899 you get as the product per person in agriculture \$340, as against a product per person engaged in manufacture for the same year \$930. In 1909 you get a product of \$550 per person on the farm as against a product of \$1,100 in manufactures.

Representative SUMNERS. Would it interrupt you to inquire who are classed as engaged in agriculture?

Mr. FRIDAY. All people who work at agricultural pursuits who are over 14 years of age.

Representative SUMNERS. Does that mean the seasonal worker out of the family, or the person who is expected to make a farm hand during the entire cultivating and harvesting period?

Mr. FRIDAY. Both those are included if I understand you correctly.

Representative SUMNERS. Here is what I mean. It is the custom in the country during the peak of demand for agricultural labor for everybody to work.

Mr. FRIDAY. Do you mean the daughter who gets out and drives a hay rake as a sort of diversion?

Representative SUMNERS. Even the children from less than 9 years of age up.

Mr. FRIDAY. I do not think they are included in this. It does not include anybody under 14 years of age and I do not think it would include the daughter or the women who might get out in an emergency and help in the fields.

Representative SUMNERS. Would it include the boy 15 years of age who works on the farm six months of the year and goes to school the balance of the time?

Mr. FRIDAY. Yes, sir.

Representative SUMNERS. That would pretty nearly break even on the average?

Mr. FRIDAY. Yes, sir.

The CHAIRMAN. I think we will get along better if the members of the commission will allow Dr. Friday to make his statement and then ask any questions later.

Representative SUMNERS. I do not want to interrupt the witness but wanted some information here.

The CHAIRMAN. Oh, I think the members of the commission should have anything cleared up as we go along, but as a general proposition I think it would be much better for the witness to go along in the regular order.

Representative SUMNERS. I agree with you, Mr. Chairman.

Representative MILLS. May we have these figures gone over again for these three decades so as to have them appear together in the transcript?

Mr. FRIDAY. In 1899 the product per person engaged in agriculture represented \$340, and the product per person in manufactures represented \$930; in 1909 the product per person in agriculture was \$550, and the product per person in manufactures was \$1,100; in 1919 the product per person in agriculture was \$1,540, and the product per person in manufactures was \$2,500.

The persons that are taken into consideration in the figures for manufactures are not only wage earners but also salaried clerks, managers, and proprietors, who work in the business; they are all the people engaged in it. So you have everybody connected with the business except the stockholders of a manufacturing establishment, who have no positions with the company.

The increase in product per person in agriculture has been more rapid during two decades than in manufacturing. The product in

agriculture measured in money was about four and one-half times as large in 1919 as it was in 1899. It was a little less than three-times as large in manufacturing.

You must remember, too, that these people in agriculture have house rent, which is not included here; and they have a certain amount of food and fuel, which they get from the farm. Nothing is deducted for the materials which they purchase, like fertilizers and farm machinery and used up on the farm in production.

Dr. Wilford I. King will weigh every one of these items and his figures for agriculture will be materially less.

If we take just wages paid to wage earners in manufacturing we get these figures: For 1899, \$426; for 1909, \$518; for 1919, \$1,350. I estimate the latter, as these figures are not yet out. There are a number of figures out for various States, but there are no important industrial States in the group except Delaware and Rhode Island. The actual figures for Delaware in 1919 were \$1,380 per worker, and for Rhode Island \$1,100 per worker.

So it seems that the person engaged in manufacturing, taken on the average, was somewhat better off in 1919 than in agriculture.

Representative MILLS. These figures are not exactly accurate unless you deduct from the gross amount the amounts distributed in profits. Is not that necessarily so?

Mr. FRIDAY. I do not follow your logic there.

Representative MILLS. You take a corporation that has some 150,000 stockholders. You have excluded them, but you have used the profits of the corporation and divided them up by a substantially smaller number of people.

Mr. FRIDAY. You should deduct the dividends paid in manufacturing, you mean?

Representative MILLS. Yes, in order to get your figures more in accordance with the other figures?

Mr. FRIDAY. Well, I can do that. Dividends paid in manufacturing could be determined pretty accurately.

Representative MILLS. Yes.

Mr. FRIDAY. But even at that I have the impression that in 1919 the division of product in manufacturing was still above agriculture.

One other deduction should be made. I have not deducted excess profits and income taxes paid by manufacturing corporations in 1919. Those figures are not yet available, but will exceed \$1,000,000,000.

Representative FUNK. Will you please give again the results of agriculture and manufactures?

Mr. FRIDAY. In agriculture the return per person was \$340 in 1899, \$550 in 1909, and \$1,540 in 1919.

Representative FUNK. That is the return per person of those engaged in agriculture?

Mr. FRIDAY. Yes, sir. But before deducting, however, the materials they have to buy and before allowing them anything for house rent and food and fuel that they get off the farm. In manufactures in 1899 the product per person was \$930, and in 1909 it was \$1,100, and in 1919 it was \$2,500.

Representative FUNK. In other words, those figures may be described as the amounts that these persons had to take care of themselves and their families. That was the income?

Mr. FRIDAY. Yes, sir. Of course, as between the individual farmer and the individual manufacturer it is not necessary to say there are wide variations, just as in the case of banking. When I say banks made 12½ per cent in 1920, there are some that made only 6 per cent and some that made as high as 25 per cent on their capital and surplus. This is merely a general picture.

Representative FUNK. These figures that you use pertaining to agriculture, I take it, are the prices of farm products, and so on?

Mr. FRIDAY. Yes, sir.

Representative TEN EYCK. I would like to ask the same question again that I asked a while ago; that is, if you have any explanation of the matter at hand at the present time that you can give to the commission.

Mr. FRIDAY. That is a historical question, and I suppose largely dependent for its answer on the fact that the very great immigrant population in the forties and fifties, and even later, after the Civil War, was a population which was trained in agriculture when they came from Europe—Irish, German, and Scandinavian—and went onto new land and developed it.

I would like to say in passing that this takes no cognizance whatever of the benefits that have accrued to owners of farms by reason of increase in farm values. Census figures just out show that the value of farm lands increased by approximately \$5,000 per farm between 1910 and 1920. None of that is taken into consideration here.

Representative SUMNERS. Are not business sites and factory sites in cities increased as well, and has there not a general increase also come to urban communities?

Mr. FRIDAY. Oh, yes; urban communities have had an immense growth.

Representative SUMNERS. I do not want to lead too far afield but with regard to immigration, within the last quarter century immigrants have very largely stopped in industrial centers, have they not?

Mr. FRIDAY. Yes, sir; and that is why I think the product of the farmer and the well-being of the farmer have, according to my figures, increased more rapidly than the well being of the person engaged in manufacturing. In 1919 the value of product per person engaged in agriculture was four and one-half times that of 1899, while in manufacturing it was less than three times as much.

Representative SUMNERS. How do you harmonize that conclusion with the fact that during that time there has been an enormous drift of population from country to city, and many rural districts have suffered a net loss in population?

Mr. FRIDAY. Because while the relative increase has been greater in agriculture the amount which they got absolutely was still behind. It has been catching up for 20 years, that is, up to 1919. Until it has caught up that population will drift from country to city unless some superior dignity or superior comfort can be attached to rural life which will keep people there instead of seeking the larger attractions in a financial way to be found in the city.

Representative SUMNERS. These figures, \$1,500 and \$2,500—and I am only speaking in round numbers—last given by you, are arrived at by dividing the total value of agricultural production at the farm by the number of agricultural producers?

**Mr. FRIDAY.** With the total value reduced by 25 per cent by reason of the stuff fed on the farms.

**Representative SUMNERS.** And the other figure, \$2,500 in round numbers, is arrived at by dividing the total production at the factory?

**The CHAIRMAN.** The value of manufactured products minus materials consumed.

**Mr. FRIDAY.** Yes, sir.

**Representative SUMNERS.** Divided by the number of people engaged in industrial operations?

**Mr. FRIDAY.** Yes, sir.

**Representative SUMNERS.** How do you arrive at the number of people engaged in manufacturing activities? By the number of days in the year that they worked or the number of people who during the course of the year have been on the pay roll of a factory?

**Mr. FRIDAY.** As I understand it, every employer reports the average number of employees each month, and then they are added together and divided by 12. That plan has some statistical difficulties, but I am using these figures because I have none better.

**Representative TEN EYCK.** How do you divide by 12?

**Mr. FRIDAY.** The employer sets down the number of people he had in January, February, and so on, and gets the total number for the year, then that is divided by 12 to cover the 12 months of the year.

**Representative TEN EYCK.** Have you any notes as to the hours performed? That should have a considerable bearing on this matter. If the farmer in order to get this return puts in 14 hours per day, while the man in the city in a factory only puts in eight hours a day, it would appear that the farmer only gets half as much as the other fellow. These figures would then have to be divided in half again, would not that be so?

**Mr. FRIDAY.** I have not made any computations on that matter.

**Representative TEN EYCK.** But is not that a relative question, and is not that true?

**Mr. FRIDAY.** That is a matter to be considered.

**Representative FUNK.** Furthermore, the man who works in dairying works on Sundays, and the man who works as a factory operative of course does not work either on Sundays or holidays.

**Mr. FRIDAY.** That is true.

**Representative TEN EYCK.** Yes; and that is a very big item that should be taken into consideration in your computation.

**Mr. FRIDAY.** I am not giving the returns for the hours worked.

**Representative TEN EYCK.** I understand, but we are talking of reward for man power, and we have not given consideration to the number of hours the different classes of labor have put in at their respective occupations?

**Mr. FRIDAY.** That is right.

**Representative FUNK.** If you should add the item which I understood you had omitted, namely, materials purchased by the farmer, would that affect the general result very much?

**Mr. FRIDAY.** That would reduce the farmer's return.

**Representative FUNK.** Quite materially, would it?

**Mr. FRIDAY.** That is a pretty difficult question. Mr. King, however, is going to give you the details of these matters when he comes before you. He has gone into these matters very carefully.

The CHAIRMAN. You may proceed now with your statement.

Mr. FRIDAY. On this matter of relative wages and difference in wages in agriculture and other industries, I have no data beyond that which appears in the statistics of the Bureau of Labor. That data indicates, roughly, that agricultural wages advanced during the war very much as other wages did, but with all that they are still materially under wages in manufacturing. I want to say in passing that the importance of the labor element as a cost in agriculture has been much overemphasized in all of the discussions of the farmer's position, especially in the agricultural press. In dairying the labor cost is of course important, but for the great mass of general farming it is only a slight part of the expense of operating a farm. So I have practically nothing to say on the matter of wages that would be of any help to the commission or of any consequence.

On the third question concerning which the chairman asked me to testify, "The probable future of interest rates," it is my opinion that we are now on the eve of a very decided fall in interest rates. The call money market has already fallen. It has been ruling at  $6\frac{1}{2}$  per cent, and then was 6 per cent and then  $5\frac{1}{2}$  per cent, and has been down to 5 per cent. Money has been loaned off the money market repeatedly as low as 4 per cent. For this week it is 6 per cent again. That is a material reduction in the price of call loans.

There has been a reduction in rates for bank loans in the larger financial and industrial centers, and I believe that that reduction will continue still further.

One year ago last month the Federal reserve ratio of gold and other reserve money to Federal reserve notes and deposits was about 42 per cent. It was decidedly less than that in New York City. Last Wednesday the reserve ratio was 61.6 per cent. In New York City the ratio is 68.7 per cent. With such an increase as that in the ratio of reserves in the 12 Federal reserve banks of the country to notes outstanding and deposits the interest rate is bound to fall, both for call money and for 30, 60, and 90 day; and for 4 and 6 month money. I think it is only a matter of a very short time before we will see a further fall in the bank rate. The Federal reserve banks have already reduced the rediscount rate; and the member banks are sure to reduce their interest rates still further.

Representative FUNK. Do you think the situation as to the rate of interest for call money has any particular bearing upon the ability or nonability of people engaged in agriculture to borrow money? In other words, is not it a fact that practically all the money that is loaned as so-called call money is used in speculation on stock exchanges?

Mr. FRIDAY. Yes; practically all call money, or the great mass of call money, is used for speculation on stock exchanges.

Representative FUNK. If it went down to 1 per cent it would not help the farmer any, would it?

Mr. FRIDAY. Yes, sir.

Representative FUNK. How?

Mr. FRIDAY. Indirectly. Whenever the call rate rises as high as it did in the summer and autumn of 1919 and in the year 1920 a great many country bankers and interior bankers send their money to New York and there have it loaned out for them on the call money market. The amount of interior money loaned on the New York

call market is not known to me exactly, but it runs into the hundreds of million dollars. The Federal Reserve Board can give you pretty accurately the amount of interior money loaned there. That money is withdrawn from the interior funds available for loans to the farmers, and affects the interest rates in the interior somewhat.

Representative FUNK. But the average length of time that these call loans are made for is very, very short?

Mr. FRIDAY. On paper it is, but actually it is not. As a matter of fact, if you will look over the length of time call loans have been with any New York bank you will see that they range a considerable time because they are renewed from week to week or month to month.

Representative FUNK. Oh, I know they are renewed, but I say the average time of a call loan is very, very short?

Mr. FRIDAY. I think not.

Representative FUNK. How long would you say they are for?

Mr. FRIDAY. They are not renewed in the sense that they call them due, but they simply change the interest rate. They do not call them due and have the party giving the note come in and pay up; but they change the interest rate from time to time.

Representative TEN EYCK. For Mr. Funk's information I might say I was connected with a business concern in 1907 that was owed quite a few thousand dollars by a very prosperous railroad. We needed money in 1907, and we went to the treasurer of that railroad, as the bill was overdue, and asked him to pay the bill because we needed the money in our business on account of scarcity of money. The treasurer's reply was that he was not going to pay that bill because he could get 125 per cent on call loans in the city of New York, and that necessitated our going to the banks and borrowing that much more, and that of course lessened the amount of money in the interior. In the same way the interior banks put their money into New York at times for use in making call loans, and thus it is taken away from the manufacturer and the farmer in the interior.

Representative FUNK. And because of the speculation in Wall Street, which caused the rate for call money to go up to 125 per cent, the demand of legitimate business of the country was lessened or the accommodation to the business of the country was decreased or lessened that much. The money that was rightfully in the interior for use in business was used in speculation in Wall Street.

Representative TEN EYCK. I do not know what that money was used for. It may have been used for legitimate business.

Mr. FRIDAY. Yes.

Representative TEN EYCK. But I do know it created a shortage in the rural districts.

Representative FUNK. We do know that no legitimate business would pay 125 per cent for the use of money. Only a speculative proposition can afford to do that.

Mr. FRIDAY. Of course the call rate went to no such heights in the present depression.

Representative FUNK. I do not care what year it was, that is the result.

The CHAIRMAN. I suggest that this question be discussed: There seems to have been an impression among the witnesses who have heretofore testified that one of the causes for the tight money situation

in the past few months, and one of the causes of deflation, was the withdrawal of money from the country into the city of New York for speculative purposes. Will you discuss that, Prof. Friday?

Mr. FRIDAY. What happened was this: After business revived in the spring of 1919, and the country became convinced that we were not going to have an industrial depression in 1919, money rates in New York did rule pretty high, and continued so all through 1919. In the autumn of 1919 there were considerable volumes of money sent by the interior country bankers, as a matter of choice and ordinary business, to Wall Street, and were loaned there. Furthermore, the bankers increased their balances with New York banks. All these interior banks carry balances with the larger interior cities or New York, or both. Those balances were increased during 1919. That was the time when we had a rising stock market.

Whether it is lack of opportunity to loan at home or whether it is conservatism, the country banker keeps larger balances than the law requires; and if he is a shrewd banker he has it on call loans so he can recall it if desired. In 1919 the interior banks had abundant funds, some of them borrowed from Federal Reserve banks, and they kept those funds as balances in New York banks or had them loaned on the New York market. About the spring of 1920 the Federal Reserve Board began to raise rediscount rates and check the astounding expansion of loans which we had in this country after the close of the war.

Loans of all banks in the United States expanded between June 30, 1919, and June 30, 1920, by \$6,000,000,000.

Representative SUMNERS. What percentage of increase is that?

Mr. FRIDAY. Twenty-five per cent. It was a remarkable expansion. The Federal Reserve Board knew, of course, as all sensible people knew, that it must be stopped pretty soon or it would stop itself.

Representative SUMNERS. You say there was an abundance of money, and that they were printing money; how much did we print?

Mr. FRIDAY. Oh, no; I meant that loans were expanded.

Representative SUMNERS. But you were referring to the printing of money, and when so referring you had reference to European countries.

Mr. FRIDAY. Yes, sir; I said we were almost as bad about increasing our loans as some of the Europeans were, such as Germany and Russia, about printing money.

Representative SUMNERS. All right. I beg pardon for interrupting you.

Mr. FRIDAY. First of all, when the interior of the country was demanding funds actively in the spring of 1920 and later when the Federal Reserve Board tried to induce the interior banks in April, May and June, 1920, to curtail their rediscounts with the Federal Reserve banks, these interior banks proceeded to draw their money out of New York. They first withdrew their money on the call loan market, and put it under pressure, and call money went up to 12 per cent or 15 per cent in January and again later on in the spring of 1920, and remained high in July and August when the interior banks were pulling their money out of the call money market.

Second. The interior banks withdrew their balances out of New York. The national banks lost between May 4, 1920, and April 28, 1921, \$230,000,000 of net balances that they had held for interior banks.

A New York bank president asked me what I thought was going to happen, in January, 1920. I told him the New York money market was going to be very tight, that security prices were going to fall, that the New York Federal Reserve Bank was going below the legal limit from time to time; and that no wise banker would do otherwise than get under cover right then and there. I told him that the end was at hand and it was only a question of months. I told him my reasons, which were these: That when, after a rapid rise in prices and a rapid expansion of bank credits, you come to the point where the New York banks have to stop expanding their loans, then you know the end is at hand. It is then just a matter of months before you are going to have a crash. This happened in 1897 and again in 1907, and will always happen, at least as long as we have the present system. But the interior banks go on talking optimistically at such times. The interior people will say: What have we to do with Wall Street? Our people are planting corn, and building automobiles, so let Wall Street speculate. And in the interior they go on expanding their loans. In Detroit they had an expansion of almost 50 per cent within a year when the New York banks had almost stopped loaning.

So I said to this man, "You are facing trouble in New York. You are going to have high interest rates. You are going to have a falling stock market. You are not going to be expanding loans because you are down to your legal limit." He said, "The Federal Reserve Board will control these interior banks." My answer was that the Federal Reserve Board could not control them: Interior banks had balances with New York in January, 1920, which were equal to the entire reserve deposits those banks had with the Federal reserve banks. Half of their funds were with the Federal reserve and the other half with New York banks. When the Federal Reserve Board said: You put a check on this matter of rediscounts, you can not go on expanding any further, they took the money off the stock market, and took the money out of the New York banks and put the New York situation under pressure.

They took the money out, I suppose, because they needed it for loaning at home. Because of this talk about deflation I looked yesterday at the report of the country member banks in the Federal reserve system; their loans on April 28, 1921, stood just about 2½ per cent below their loans of May 4, 1920. During that time those country banks reduced their loans \$170,000,000 and they withdrew \$135,000,000 from their correspondents in New York and other cities. So that money has been drawn out of New York and other cities, just as in every other business depression.

Representative MILLS. How did their loans and discounts appear in May, 1920, compared with normal loans and discounts?

Mr. FRIDAY. They were 100 per cent above normal.

Representative MILLS. You say they had only fallen 2½ per cent?

Mr. FRIDAY. Yes, sir; and the New York banks have fallen 8 per cent below 1920.

Representative MILLS. What I am trying to get at is that 1920 showed an enormous expansion over normal?

Mr. FRIDAY. About twice over 1914; yes, sir.

Representative FUNK. Why did the Federal reserve banks require the country banks to call in their loans when you have just stated the New York banks had a greater comparative excess of loans than interior banks? At the time the Federal reserve banks directed interior banks to call in their loans did they also issue a similar order to the New York banks?

Mr. FRIDAY. Certainly.

Representative FUNK. To what extent, by comparison?

Mr. FRIDAY. The New York banks have decreased their loans 8 per cent within the year while the country banks have decreased their loans  $2\frac{1}{2}$  per cent.

Representative FUNK. Yes; as to the existing status. I have forgotten your figures you have read so many, but the New York banks were 100 per cent greater?

Mr. FRIDAY. More than that.

Representative FUNK. And the interior banks were only how much greater, 75 per cent or 80 per cent?

Mr. FRIDAY. Yes, sir; something like that. I will put the exact figures in the record. (They were 103 per cent for the whole country.)

Representative FUNK. Then they still have a greater proportion. It is not a true picture.

Mr. FRIDAY. Of growth, do you mean?

Representative FUNK. No; of decrease of loans, to compare 8 per cent and  $2\frac{1}{2}$  per cent. The real picture is that the New York banks were 100 per cent over some previous figure and the interior banks were only 75 per cent over.

Mr. FRIDAY. No, sir.

Representative FUNK. Take the same dates you have used and compare them with some other dates you have used, showing an expansion of loans in New York, which gave a figure of 100 per cent.

Mr. FRIDAY. The expansion of loans in New York by 100 per cent was due to the needs of business in New York. You can find many places in the United States where you have had only a small increase in loans, and others, like Oklahoma, where loans increased 252 per cent.

Representative FUNK. You can take these same two dates and show that the interior banks, comparing the one with the other, had only increased their loans 75 per cent.

And as a result of those orders issued by the Federal reserve bank the New York banks have decreased their loans 8 per cent and the interior banks have decreased their loans  $2\frac{1}{2}$  per cent, which would leave a net difference of 19 per cent greater in the amount of loans in New York as compared with loans by interior banks?

Mr. FRIDAY. What is the conclusion?

Representative FUNK. Why, that the deflation has not applied to New York as it has to the interior, and the interior banks have been compelled to call in loans and force farmers to market their products and sell them at low prices, and the same rule has not been applied to business in New York City.

Mr. FRIDAY. Do you mean deflation?

Representative FUNK. I am speaking of deflation.

Mr. FRIDAY. Deflation is a decrease from a certain level. The difficulty you call attention to here is that the interior banks, which might have deflated more than New York banks did previously, did not increase their credit as much. Perhaps they did not ask for it; if they had they could have had it. New York has bought gold from abroad from its reserves, and the interior banks did not do it.

Representative FUNK. I think I express the view of people engaged in agriculture that through the actions of the Federal Reserve Board, and I would like to see figures to the contrary, a greater calling of loans has been imposed upon them than upon those in any other lines of business.

Mr. FRIDAY. I can not see that, when the decrease in New York City has been 8 per cent and in the interior  $2\frac{1}{2}$  per cent. Now, obviously, New York had had a greater increase than the interior. I suppose the reason for that is that in New York the need for banking accommodation is growing because of growth in population and of business generally. After all, a  $2\frac{1}{2}$  per cent decrease in a year is a very small decrease upon which to base any charge of deflation.

Representative FUNK. We have the figures as to Iowa. As I recall they went from \$90,000,000 down to \$31,000,000.

The CHAIRMAN. No; that was the allotment which was originally made to Iowa, but the loans that were actually made to Iowa under rediscount was \$91,000,000. And that was reduced during the period of deflation to somewhere between \$74,000,000 and \$79,000,000.

Mr. FRIDAY. Let me say on that, that the loans, both in New York and in the interior, especially in the interior, will be still further reduced, not because the Federal reserve bank or anybody else forces a reduction. Business people are not going to be asking for loans because of the decrease in prices and a smaller degree of optimism. There is a big difference between the man who may want to borrow money and the man who can offer security that a banker or anybody else will take. The only reason why you need loans and bank credit is to perform the bank work of the country, and with lower prices it takes a smaller amount to do it.

Representative SUMNERS. Is not this an important factor in the situation: When this call came, or about that time, there began not a recession of agricultural prices but a slump, a ruinous slump, in agricultural prices. That being the point where the break was coming it seems to me probably true that that was the point where the call ought not to have gone into effect. If the banks in New York had been able to expand 100 per cent and the country banks had expanded 70 per cent, the country banks had a greater margin with reference to expansion as compared with the original amount of their loans than the New York banks had. The people in the country have a very definite opinion that in so far as it would have been reasonably possible and safe at that particular time, there ought not to have been any call on the country banks, or at least any call which would apply to the country banks; but, on the contrary, whatever was possible ought to have been done to increase the loaning capacity of the country banks in view of the crisis that threatened the ruin of agriculture. Have you any observations to make on that particular phase of the matter?

Mr. FRIDAY. Yes. The first observation I will make is that people on the stock market feel exactly the same way. I think this is

wholly by reason of the thought that the increase of loans in New York and the increase of loans by country banks was based on the assumption that 1915 was a normal level; that it was a God-given normal level, and that all comparisons were to be measured by that. That is fallacious.

Between 1915 and 1917 this country got \$1,100,000,000 of gold. New York bought and paid for that gold. No country bank wanted any of it, or if it did it could have gotten it by paying 100 cents on the dollar at any time, and have increased its loaning capacity by buying it. They did not buy it, I suppose, because they did not want the credit.

Representative SUMNERS. They did not want credit, do you say?

Mr. FRIDAY. During 1915, 1916, and 1917 they did not expand loans much. It was not until the time of the war that they expanded much.

Representative SUMNERS. They wanted it last year?

Mr. FRIDAY. Yes, sir. These figures I have here show that in September loans increased very rapidly.

Representative SUMNERS. They did not get the credit in proportion to their ability to borrow money in all instances?

Mr. FRIDAY. Neither did people in manufacturing industries nor people on the stock market.

Representative SUMNERS. It may not be a very proper attitude for me to take, but I can not help drawing a marked distinction between the man who is engaged in a productive activity and the man dealing on the stock market.

Mr. FRIDAY. The stock market is a very small part of the demand for money in New York. Manufacturing and public utility companies were in the same position. The public utilities certainly needed the money. Everybody wanted it. People in Europe wanted it by the billions of dollars to keep from starving to death.

Representative SUMNERS. Coming down to the practical situation, I will say that these matters of history are very valuable, but we are trying to deal with the situation existing to-day and in the recent past, and if you do not want to discuss it at this time I will withdraw the question and wait until you get through.

Here is the situation: A group of country banks in the cotton-producing territory have a total capitalization of about \$500,000. Their loans are \$3,500,000 now.

Mr. FRIDAY. Is that capital and surplus?

Representative SUMNERS. Yes, sir; and undivided profits. They have about \$3,500,000 loaned out in that country. Those banks, of course, are the only regular facilities through which the people who need the money can borrow. There are some exceptions, but they do not seem to me to be very important at this time. Now, the Federal reserve banks have gold 61.6 per cent?

Mr. FRIDAY. That is right.

Representative SUMNERS. There is one additional thing that ought to be stated in that connection and that is the condition which obtains in the country districts with reference to their need for credit which is a very abnormal one, and one which they have not prepared themselves to take care of through the establishment of banks with proper capital to deal with the present situation. Their inability to get loans now to market their cotton crop in an orderly way, in the judg-

ment of every man I have talked with in the South—there is no division of opinion with regard to it—creates a condition under which they are apprehensive that the cotton which was necessarily carried over from last year and the crop just now coming to harvest will put such a pressure behind this weak dam that is holding this surplus off, that when the head rise of new crop comes down it may break the dam and all the cotton go out to market. That is an overdrawn picture, possibly, but they are apprehensive about it. There is a good deal of basis for credit that is not exhausted in the country. It is there yet. But they have no way through these banks by reason of their volume of loans outstanding to get the money. Is there any practical route by which even a thing somewhat extraordinary might be done to get out a part of this gold that is lying in the Federal reserve banks and get it back to the farmer who has a good loan to offer, a mortgage, that will let him have money to prevent him from going to ruin, and taking the merchant and the country banker possibly along with him?

Mr. FRIDAY. Yes, sir; through the reserves in New York and in Boston and in Philadelphia. We have large gold reserves there. Are you speaking of the Dallas or the Atlanta district?

Representative SUMNERS. I was speaking with reference to the Atlanta district; but it is to a very definite degree applicable to the whole of the southern country. Can it be gotten to the farmer who lives in the community the bank of which has already expanded its loans?

Mr. FRIDAY. Let me answer in two parts. The Federal Reserve Board has a method, and it is used and was used extensively in the last year, of putting reserves in any portion of the system at the disposal of other portions of the system.

Representative SUMNERS. Yes; I am familiar with that and with the law under which it is made possible.

Mr. FRIDAY. At the present time the Federal reserve bank at Richmond has borrowed \$20,000,000, and that sum has been put at its disposal from the reserves of other banks. Furthermore, \$10,000,000 has been put at the disposal of Minneapolis and \$16,000,000 put at the disposal of the Dallas bank. This is from the reports of yesterday as they came out. So already they have put at the disposal of these three places very considerable quantities of money.

Furthermore, the Richmond bank has only a 43 per cent reserve ratio. It has utilized its full loaning powers even with this \$20,000,000 thrown into its reserves. So what I conceive to be going on is that New York has bought the great mass of the \$500,000,000 of gold that has come in within the last nine months; and the Federal Reserve Board is requiring the New York banks to buy paper from other banks and is putting the New York reserves at the disposal of other banks, Richmond is being loaned down to 43 per cent and we are now putting at the disposal of Richmond, Atlanta, and Minneapolis the reserve power of the banks. That reserve power represents gold the New York banks obtained from abroad.

Representative SUMNERS. I know that.

Mr. FRIDAY. Can it go any further?

Representative SUMNERS. Here are people living in a community where the total banking capacity is \$500,000. Those banks have

already outstanding loans to the amount of \$3,500,000. Many farmers who have not heretofore borrowed money, by reason of their desperate situation, are anxious to put up their farms, it being the only unexpended reserve they have, in order to get some money to live on. Can we get at the situation to help them? Can we get this money out to these people in that situation safely?

Mr. FRIDAY. Well, I am not a technical banker. I should assume that if the plight of those people is so serious their condition is like people who have suffered from flood or other calamity.

Representative SUMNERS. That is exactly their situation.

Mr. FRIDAY. If it is local I should say it would be perfectly proper to take \$50,000,000 of this money and put it in the hands of somebody to loan to those people and see that the loans are safe.

Representative MILLS. The question was that the money, as far as statistics available are concerned, would tend to indicate that the gold which has been purchased to strengthen the New York and Boston and Philadelphia situation is now being used to strengthen interior banks. Mr. Sumners asked if anything more can be done. You were about to state if anything more could be done; what is it?

Mr. FRIDAY. Well, the Federal Reserve Board can, if it thinks it is sound banking, further expand or extend assistance to this bank by having the Federal reserve banks buy bills or acceptances from the Dallas bank.

Representative MILLS. Up to the point where the credit of the New York banks would become endangered? Up to the limit, I mean?

Mr. FRIDAY. The Federal Reserve Board has power even to suspend that.

Representative MILLS. I know, but as a general banking proposition they could go on and transfer up to the point where they would endanger the New York banks?

Mr. FRIDAY. Yes, sir. Another thing I answered which answers that same question. It would possibly come within the purview of law for the Congress of the United States to put money at the disposal of those people, and if the calamity is serious enough, that is a matter to be considered.

Representative SUMNERS. Will you put in the record what you mean by buying gold? How does a bank buy gold?

Mr. FRIDAY. A bank buys gold by getting the title to bills of exchange. Someone who is sending over a shipload of wheat draws a bill of exchange against a London wheat dealer. He sells this bill of exchange to a New York banker, who then takes that bill of exchange and asks the London banker, his correspondent, to send him over gold. Formerly we could get gold also by sending over securities and selling them over there. But we have been buying back American securities by the billions of dollars for the last six years, and have been buying European securities in addition.

Representative TEN EyCK. Have you any idea what the export business has consisted of, whether farm products or manufactured products from the eastern section of the country?

Mr. FRIDAY. Well, both. Of course our wheat exports are always large, and our cotton exports are normally large.

Representative TEN EyCK (interposing). I mean this last \$500,000,000 you spoke of.

Mr. FRIDAY. I do not think you could tell that. It is like the mingling of moneys.

Representative MILLS. I suppose we could find out from statistics?

Mr. FRIDAY. I do not know.

Representative MILLS. I wanted to know if it was farm products that brought in the \$500,000,000 of gold, and if so, it should have gone to the West, because if the farmer in the West or South had demanded gold for it, it would be the only natural procedure for it to go to the source from which the products came; is that right?

Mr. FRIDAY. Well they evidently did not.

Representative TEN EyCK. I am talking about getting the New York banks to go beyond their elastic limit. I am trying to find out what we can do to relieve present conditions.

Mr. FRIDAY. Answering your specific question as to whether the country out there did not deserve the gold paid for cotton and wheat, that would depend on whether they took their pay in cotton cloth or in iron or other commodities. Evidently they have, because New York has the title to the gold and not the interior. If they had taken the gold directly they would have the gold.

Representative TEN EyCK. They sold it to exporters here and took our regular currency or perhaps other exchanges, such as you have suggested. When our exporters sold it, which was the proper thing, they demanded gold. You know all our mortgages, as a rule, are made payable in gold, but we never stop to make a man put the metal on the table when the mortgage is canceled. We take ordinary currency.

Mr. FRIDAY. What I conceive happened is this: That a man sold his wheat or his cotton and got payment by check; then he bought manufactured goods from the East, so he has his pay for the wheat or the cotton. If he had kept the bill of exchange and had not bought things in the East he would have had the gold, and his bank in the interior in the natural course of events would have gotten the gold.

Representative MILLS. Before you leave this subject I think it would be very helpful if you would describe briefly what has taken place since the armistice in 1918, and by that I mean the action of the Federal Reserve Board in refusing to raise the rediscount rates immediately after the armistice and when the enormous expansion took place, and then subsequently raised the rediscount rates and there was a restriction of credit and an increase in interest rates. It is apparent to me, not only from what I have read in the press but what witnesses have stated here that there is the prevailing impression, and there are some reasons stated that are probably unjustified, that the Federal reserve bank has deliberately restricted the agricultural situation. It seems to me it would be well for this commission, without going into the reasons, to have a complete picture of just what has happened and how this situation differs from periods that usually happen in periods of expansion followed by credit restriction.

Mr. FRIDAY. I am afraid I am not as well up on the technical end of just what did happen as you imply by your question. After the signing of the armistice it was thought that the expansion of credit would cease. On June 30, 1918, we had \$22,500,000,000 of loans out in the United States. The banks had in addition about \$10,000,000,000

of securities. That made, all told, about \$33,000,000,000 of loans and investments owned by the banks. I might say that loans had expanded from \$15,000,000,000 in 1915 to \$22,000,000,000 in 1918.

In a short time it seemed as if that increase in credits would check. We all thought prices would fall after the war, and we all thought there would be unemployment and lack of production. When employment falls off there must be a fall in bank loans. The business world pretty generally felt that there would be a decline in prices. In March, 1919, business expanded and it continued to so do all through 1919. Prices rose from 206 at the time of the armistice to 272 in May, 1920. All through 1919 conservative students of finance thought that the Federal Reserve Board was dilatory in not raising the rediscount rates. It has told us why it did not; we were still floating the Victory notes and extending credits to Europe, and pressure was put on by the Treasury to prevent higher rates. My understanding is that pressure was brought to bear to prevent the Federal reserve bank from raising the rediscount rates. It was not until 1920 that they got up courage to do it. At the same time I reported to the New York banker that the crash was coming the Federal Reserve Board was doddering as to raising rediscount rates.

Representative MILLS. I wish you would explain what leads a bank to raise its rediscount rates.

Mr. FRIDAY. The Federal reserve bank, the central bank, do you mean?

Representative MILLS. Yes.

Mr. FRIDAY. The Federal reserve bank will raise the rediscount rate when its ratio of reserves to deposits and notes approaches the legal limit if it is a really efficient central bank, such as the Bank of England or any other central bank; it will raise the rediscount rates whenever it feels that the rise of prices and rise of business optimism and speculation, the increase in inefficiency of labor and inefficiency of management has brought us near to business depression. Whenever it feels that conditions have gotten to the point where it is going to lead presently to a crash, then the central bank raises the rediscount rate even though they may not be anywhere near the legal reserve limit.

Representative MILLS. Have you studied rediscount rates not only in this country but in the principal countries of Europe?

Mr. FRIDAY. No, sir; I have not gone specially into rediscount rates.

Representative MILLS. Are you familiar with the fact that along about the time the rediscount rates were raised by the Federal reserve bank they were raised practically all over the world by the central banks of those countries?

Mr. FRIDAY. Yes, sir; I know that they did this, despite the fact that in all countries of Europe there was political pressure to keep them down.

The CHAIRMAN. They were raised in most instances in other countries before they were raised here? My recollection is that Japan raised the rediscount rates first, and then it was done in Europe and then here.

Mr. FRIDAY. I can not answer as to that, but should assume so, because Japan got into a serious condition long before we did. She had her crash over a year ago now. It was in the spring of 1920 that the Federal Reserve Board began to consider seriously raising the

rediscount rates because wages and inefficiency and high prices, according to everybody's judgment, meant a crash was coming.

This reduction in prices was not caused entirely nor even primarily by the raising of the rediscount rates, or the so-called deflation. There was no deflation in the country banks. They expanded steadily until September; any statistics you may examine will prove that. Prices fell primarily because of what we call the buyers' strike in this country and because of the exhaustion of European purchasing power. In this country the buyers' strike came because all people of sense began to feel in the spring of 1920 that certain prices could not indefinitely continue.

I will name one instance which is an outstanding one. I do not think any man present to-day believed that the price which houses had to bring in order to cover cost of production in the spring and late summer of 1920 was a price which could prevail in this country for 5, 10, or 20 years. If you buy a bushel of potatoes, you pay the amount asked and consume them in a short time; or if you buy a beefsteak, you pay for it and consume it within 24 hours. But a house is a very different thing. You may want to sell it 20 years hence. A man will not build a house unless he feels that at some time in the future he can sell that house for more than he paid for it. People lost confidence in house prices and in building prices in the spring of 1920.

Housing had been needed and was then needed. People had plans drawn up, and people in cities like Detroit went so far as to have their plans figured on. When they did that, they found what it would cost and they quit. We had a buyers' strike there. We postponed buying clothing. We postponed buying shoes and other things. People had lost confidence.

Furthermore, Europe had been buying things very rapidly from January and February, 1919, to April, 1920, and had been buying on borrowed money. We had been sending her pretty nearly \$3,000,000,000 a year of credit—the most astounding performance the world ever saw, to my mind. But by the spring of 1920 it became apparent that Europe was not going to be as good pay as we thought; and it is obvious this year that she is not going to be as good pay as we had hoped.

The trouble with the cotton situation is that the mills in Germany are not consuming what it was thought they would consume. The mills in Czechoslovakia are not using cotton as it was thought they would.

Representative FUNK. Do you think the buyers' strike is the only reason cattle fell so tremendously in price?

Mr. FRIDAY. No; I do not imagine so.

Representative FUNK. Do you not think that as a matter of fact the reason the price of cattle dropped so was because the bankers of the West refused to renew or extend cattle loans and practically ordered the cattlemen who had borrowed money to market their cattle, which resulted in a glut on the market? And if that is not deflation, I do not know what deflation is.

Mr. FRIDAY. I do not know much about the cattle market.

Representative FUNK. I know a good deal about it.

Mr. FRIDAY. I do know this, that any man who is fit to be a banker at all, any man who loans out savings, who did not see that cattle prices were going to drop was a poor banker. If you take

any man in this room who knows about dairy products, he can tell you why butter dropped. We had an enormous demand for dairy products built up during the war, when Europe was not producing; but when Europe stopped buying, it was inevitable that the surplus product of the cow going into cream and butter would cause the price of butter to go to smash. And it did.

Representative MILLS. You said conditions reached the point where rediscount rates had to be raised and the crash had to come. What would happen when the peak of speculation or business expansion has been reached if the bank failed to put on the brakes?

Mr. FRIDAY. You would go on a little further before you had a great many personal failures.

Representative MILLS. Banks would necessarily fail if they had loaned at very high prices on a rising market and on reaching the peak of their credit the market collapsed?

Mr. FRIDAY. Yes, sir; they would fail. A good many banks have virtually failed. I could name some that are in practically that situation.

Representative SUMNERS. Without taking issue with you as to speculative values, yet after the peak has been reached and recession has gone on until it has swept prices far below the normal, farther below normal in a great many industries than they were above normal, what is your judgment as to what fiscal policy or governmental policy could now be inaugurated to give stability and possibly stop the recession? I want to make this additional statement, that while it is true a great many banks are in a very bad situation, due possibly to overloaning, after all, the possibility of those banks being able to weather this storm is going to depend in very great degree upon whether the people upon whom they are dependent for the payment of their debts be given the necessary financial support to prevent a sacrifice of their assets. A crowding of these assets upon the market, which is in bad condition now, would create a worse market condition if we sacrifice these assets upon such a market, the only assets from which we can hope to pay our debts. We can not pay these banks, and they will lose whatever element of stability they now have.

Mr. FRIDAY. Anything that can be done should be done. The time for deflation is over.

Representative SUMNERS. The history of this thing is very interesting, but I am concerned as to immediate remedial procedure. With regard to many agricultural sections we find a condition similar to that of the man desperately wounded in the street and bleeding to death. Instead of spending too much time trying to discover how he happened to receive his injury, it might be better to keep him from bleeding any more, and then try to find out how it happened, so as to prevent a recurrence of the tragedy.

Mr. FRIDAY. The only reason for the discussion of what has happened is to get some light on what may be done.

Representative SUMNERS. I do not want to break in, and if you prefer not to go into that now I will withdraw my question.

Mr. FRIDAY. I want to say first of all that anything than can be done should be done. I think this deflation has gone plenty far enough. I should think a liberal banking policy would certainly

help. Whatever else can be done is a complex question. I have not come here with any plan of my own.

Representative SUMNERS. What you have given is very interesting and valuable. I do not want to put myself in the position of lacking in appreciation of it.

Senator CAPPER. I was interested in what you said about the Federal reserve system. Are you familiar with the profits of the Federal reserve banks last year?

Mr. FRIDAY. Quite. I can not give you those profits exactly, but they were tremendous.

Senator CAPPER. Do you think the banking situation can be said to be satisfactory and to be on a good basis and giving the best service to the people when it permits enormous profits in times like we have had this past year?

Mr. FRIDAY. The Federal reserve banks are not run for profit. Profit is a mere incident to their operation. Anyhow, the great bulk of those profits go back to the Government; no private individual gets them. The stockholders of the Federal reserve banks, the member banks, can only get 6 per cent, and it is the business of the Federal reserve banks and of the board to use its judgment to govern the flow of business. I think the question of profit is irrelevant.

Senator CAPPER. Even if the profits do go back to the Government, do you think that can be said to be an ideal banking system, especially under the conditions like we have had in the last year?

Mr. FRIDAY. You have to do it in one of two ways. You must either raise rediscount rates, in which case you will have enormous profits; or you must ration the credits to the banks. You might have made the rediscount rate 4 per cent and required the banker to come in and make a showing of what he wanted to do with the money he was applying for. Then you would tell him how much credit he might have. They could have restricted it through some other means than by raising the rediscount rate, perhaps, but that is a matter of judgment. And if you adopt that method then why a 4 per cent rediscount rate? Why not have a zero rate? Things are regulated by prices. While I know nothing about the inner workings of the thing, yet my impression is that after the advisory board met in May, 1920, they decided it would be better to regulate it by the rediscount rate rather than by rationing credits.

The CHAIRMAN. They had tried before that in a more or less informal way the ration system and it did not work.

Mr. FRIDAY. Yes, sir.

The CHAIRMAN. The general claim has been made that the agricultural industry furnishes approximately 50 per cent of the credit and gets back about 14 per cent. Have you any figures indicating the proportion of credit furnished by agriculture and the amount which it uses?

Mr. FRIDAY. No, sir; I have none. I have never made that computation. Usually when that kind of statement is made, the evidence that people adduce to support the statement is something like this: They say the national banks of the United States had deposits of \$14,000,000,000 in 1920, and that the country banks have \$7,300,000,000. Inasmuch as the country banks have \$7,300,000,000 they furnish 50 per cent of the deposits. If you will

look at the classification of country banks you will see that they include banks in all cities except those which were designated as central reserve cities under the old national banking system and reserve cities. The great mass of these so-called country banks are not in small agricultural centers. In the State of Michigan we have two reserve cities, Detroit and Grand Rapids. Flint, a city of 100,000 people, an automobile center, and all cities ranging from 30,000 to 100,000 people, are cities where the banks are classified as country banks. In the State of Pennsylvania there are only two reserve cities, Philadelphia and Pittsburgh. Scranton and all other cities are classified as country bank cities. So that when these figures are used to represent deposits of farmers they are worthless. You would have to make a special investigation to determine what part represents farmers' deposits.

I want to say one thing more. That statement conveys the impression that these deposits are created by savings deposited in the banks. As a matter of fact a very large part of the deposits for commercial banking are created by loans made at the banks. You go in and borrow, say, \$10,000, and deposit \$9,500, and then you have a deposit there. So there are two defects in those figures.

I want to say about the future of the interest rate the only thing which can materially increase the interest rate in the United States is a great increase in the demand for capital, and that must come from demand from manufacturing plants, railroad and public utility plants, and for buildings, like residences, business and public buildings. I do not look for any great increase in the demand for capital except from railroads and public utilities, and perhaps for building residences. The cost of building residences is as yet so high as to retard any great activity along that line. There will be no great demand for capital for expansion in mining or manufacturing plants. The other large source of demand for capital is generally understood to be from foreign countries. My own opinion is that Europe will not get anything like the volume of capital out of America that is commonly supposed. If we extend to her new loans, amounting to \$500,000,000 a year it will be a large amount. European nations in this matter are in the same state as the boy outside the baker shop—he has a big want for cookies and cakes, but he has very little effective demand, because the baker will not accept what the boy has in exchange. I do not believe Europe has the security we will accept.

So I look for the demand for capital funds to be comparatively light and the rate of interest to fall in consequence.

Representative SUMNERS. If we can sell to Europe some of our agricultural products on long-time credit, say four or five years, would the fact that we could probably defer the payment to that time and when there would possibly be a change in exchange rates to a more favorable situation, enable Europe to buy those commodities at a considerable higher price than it can now pay in cash with the exchange rate as it is?

Mr. FRIDAY. It would enable it to do so provided those funds get into the hands of people who want actually to consume the agricultural products. Assuming that it got into the hands of the poor people and the hungry, it would without doubt increase the price and demand somewhat. But if it were merely credit extended, say to the manufacturers of cotton over there, I do not believe it would greatly

affect the demand for cotton or the price of cotton. The manufacturer of cotton in Europe, as I get it from the cotton people, is not worrying so much about where he is going to get his finances. Often he will not pay \$2 a bale extra for 90 days' additional time in paying for that cotton. But perhaps you know more about that than I do.

Representative SUMNERS. No; and I am anxious to find out more about it.

Mr. FRIDAY. But these European manufacturers say they can not sell the goods when manufactured. It is surprising how long a man can wear a shirt if he only tries it. I would be perfectly willing as a matter of public policy to go probably further than many of you around this table would go: I would be willing to extend Europe a billion dollars credit.

Representative FUNK. By this Government?

Mr. FRIDAY. Yes, sir; with which they could buy American products and sell them to their own people cheaply; I would be willing to go to that extent, even though we knew we were never going to get back a dollar, because I believe it might possibly make a new demand for the farmer's product and a new demand for some of our manufactured products, and put our people back to work so that we would have renewed business activity, and so that next year we could make \$2,000,000,000 worth of goods with labor and machinery which would otherwise lie idle.

Representative SUMNERS. In other words, we could take the chances by furnishing the seed to plant the crop?

Mr. FRIDAY. Yes, sir; that is it exactly.

Representative SUMNERS. Have you studied the European situation sufficiently to give the commission your judgment as to what we may expect with reference to the revival of purchasing power, for after all there is where we have got to sell our surplus products?

Mr. FRIDAY. I have not made a study of European conditions.

The CHAIRMAN. Can you give us any information, and I recognize you perhaps can not do it accurately, of the amount of credit that has been extended to Europe during the last four years?

Mr. FRIDAY. That would go back to the middle of 1917?

The CHAIRMAN. Well, say 1919 and 1920?

Mr. FRIDAY. Roughly about \$5,000,000,000.

The CHAIRMAN. In the two years?

Mr. FRIDAY. Yes, sir; \$5,000,000,000 to \$6,000,000,000.

The CHAIRMAN. What proportion is that of our credit in this country?

Mr. FRIDAY. I should say one-fourth or one-fifth.

Representative FUNK. Of that \$5,000,000,000 what proportion represents Government loans and what proportion loans to commercial enterprises?

Mr. FRIDAY. I have not got it at all accurately. I think \$2,000,000,000 would represent loans to governments since the armistice, and \$3,000,000,000 to private enterprise.

The CHAIRMAN. What will be the effect upon unemployment and prices in this country through the flow of goods from Europe to this country in the payment of the interest on that indebtedness?

Mr. FRIDAY. Well, if it came right now it would depress prices still further. That is, if it came in in a period of business depression, when we were not inclined much to buy. Of course, if it came in in

ordinary normal times, or in times of optimism, we might absorb it, but on the whole it would depress prices.

The CHAIRMAN. It would depend upon the state of the economic demand in this country?

Mr. FRIDAY. Yes, sir; but upon the whole it would depress prices.

The CHAIRMAN. In the last analysis the interest on those loans has to be paid in goods?

Mr. FRIDAY. Yes, sir.

The CHAIRMAN. And those goods have to be consumed in this country?

Mr. FRIDAY. Yes, sir.

The CHAIRMAN. And to the extent that they have to be consumed here they take the place of goods we would otherwise produce?

Mr. FRIDAY. Yes, sir.

The CHAIRMAN. Did you finish your statement as to the trend of interest rates?

Mr. FRIDAY. I think so. The call rate has already fallen, and the bank rate is now falling; and the long-time rate on mortgages and bonds I think will fall for the next two years.

The CHAIRMAN. You referred to the relative fall in deposits and rediscounts in New York as compared with the country. I do not think you read into the record the figures. I do not know if you have them there, but if you have I think it would be helpful if you would read into the record the relative fall in loans and discounts in the interior and in New York.

Mr. FRIDAY. I have them for last year. April 28 to May 4 the figures are that New York loans and discounts fell by \$320,000,000, though the member banks of the Federal reserve districts have lost \$230,000,000 of bankers balances. They had to pull in loans because that amount was sent back into the country. The country banks reduced their loans \$170,000,000.

The CHAIRMAN. Just about 2 per cent of the total deposits?

Mr. FRIDAY. Yes, sir. New York loans were \$4,068,000,000 a year ago. In April this year they were \$3,747,000,000. Country bank loans and discounts a year ago were \$6,868,000,000, and this year they were \$6,696,000,000.

The CHAIRMAN. The commission will be very glad to have you put in the record figures and statistics showing the whole story from 1915 on, and I think there will be no objection to your putting into the record any additional statistical matter which you may desire in order to illuminate the point you have made.

Is there anything further you want to discuss that would be interesting to the commission?

Mr. FRIDAY. I do not think so.

The CHAIRMAN. I am sure the commission has been very much interested in your statement, and we are very much obliged to you.

The commission will now take a recess until 2 o'clock this afternoon.

(Whereupon, at 12 o'clock and 20 minutes p. m., the commission recessed until 2 o'clock p. m.)

#### AFTER RECESS.

The commission resumed its session at 2 o'clock p. m., pursuant to the taking of recess.

**STATEMENT OF MR. GRAY SILVER, REPRESENTING AMERICAN FARM BUREAU FEDERATION, WASHINGTON, D. C.**

Mr. SILVER. Mr. Chairman, my name is Gray Silver. I am a farmer in West Virginia, and I am the Washington representative of the American Farm Bureau Federation.

Following the receipt of a letter from the chairman of this commission under date of June 25, 1921, together with a copy of the resolution under which the commission is acting, the American Farm Bureau Federation sent out from its headquarters to all the farm bureaus of the United States instructions for conducting a referendum, asking that they hold meetings on or before July 11, the day set for the beginning of these hearings, giving them a list of questions and suggesting that such other inquiries as might seem pertinent to them be included.

This was done for the purpose of giving your commission information not as some one may have figured out things ought to be but as the facts in the case are at this time. I will ask to have those instructions incorporated in the record.

(The instructions referred to are here printed in full, as follows:)

**SUGGESTED OUTLINE FOR THE GUIDANCE OF COUNTY FARM BUREAUS IN CONDUCTING A HEARING INQUIRING INTO THE CONDITION OF AGRICULTURE FROM THE VIEWPOINT OF THE FARMERS THEMSELVES.**

1. A hearing should be held on or before July 11 in the office of the county farm bureau.
2. The president of the county farm bureau should call the hearing and preside at all sessions.
3. The county agent should devote as much preliminary time and attention as possible to setting up the local machinery in order to hold an effective hearing.
4. The county agent should present the preliminary statement reviewing the agricultural history of his county, describing the present economic status of the community, and presenting the outlook for the important phases of agricultural production and distribution in the community.
5. Having presented a general statement, the county agent should assume the rôle of "prosecuting attorney" and question the witnesses. In this way he can bring out the facts and secure the figures which will prove the most valuable evidence.
6. At least one representative producer of each of the important commodities of the county should be called to the farm bureau stand to relate his personal experiences in growing and distributing his products. He should be asked to present facts and figures as to cost of production, methods and cost of distribution, relation of selling price of his commodity to the buying price of agricultural necessities, credit facilities, transportation, profits, losses, labor costs, land values, etc. The witness should be asked to suggest remedies for ameliorating the condition.
7. The witness should be asked concerning his attitude as to commodity cooperative marketing organizations.
8. A special effort should be made in a corn-producing county, for instance, to secure the presence at the hearing, as a witness, of the leading corn grower of the county. In a tobacco-producing county the best tobacco grower should be asked to testify. In a dairy district the most successful dairyman should be asked to present his views. In a beef-producing section a representative beef cattleman should be requested to furnish information concerning his operations, and so on.
9. This line of procedure should be adopted in every county with special attention to the important agricultural commodities produced there.
10. In addition to representative farmers, it would be well to secure the points of view of such men as the local banker, the secretary of the livestock shipping association, the rural preacher, the superintendent of schools, or anyone else who can shed light on the condition of agriculture from the economic and social point of view.
11. The hearing will be valueless unless a complete stenographic report is taken.
12. After the hearing is concluded, four complete stenographic reports, with both questions and answers and all exhibits, facts and figures which are presented, should

be made. Two copies should be mailed at once, preferably under special delivery stamp and registered mail, to the general offices of the American Farm Bureau Federation, 1116 Garland, 58 East Washington Street, Chicago, Ill. One copy should be retained in the county farm bureau office and another sent to the secretary of the Farm Bureau Federation.

13. The county agent should make it a point to secure as much publicity as possible for the hearing in his county.

Mr. SILVER. In addition to that, we put to work our economists and statisticians, in order that as fast as this material was received they might put it in such shape that it could best be used by your commission. We will, therefore, have to ask of you that this matter be presented somewhat on the installment plan. I have with me considerable material, but we will have much more and very important material as the reports of these hearings are received and put into shape to be submitted to you. So we ask that other representatives of our group may be given an opportunity to appear before you later on.

Here is the report as to Ohio. I will begin with the summary and follow that with specific cases. [Reading:]

#### SUMMARY.

**Farm profits:** A minus or nominal labor income has been received by several groups of farmers in different sections of Ohio where surveys have been made by the Ohio State University.

**Prices of products and supplies:** Articles which farmers buy have fallen 23 per cent, while those which they sell have fallen 52 per cent. See Appendix A for resulting losses.

**The farmers' reaction:** Farmers are retrenching in their operations, are more or less discouraged, and many who have not made assignments are ready to quit.

**Money and credit:** In 42 counties, farmers report that money is to be had on good security. From 7 to 8 per cent is charged on short-time loans and mainly 7 per cent on longer loans. In 36 widely separated counties, money is reported as not being available for loans. Payments of bonuses to obtain money are asked in several counties, but more particularly by loan companies.

**Freight rates:** Freight rates have disarranged marketing and caused heavy losses. See Appendixes B, C, and D.

**Marketing and transportation:** Grading, packing, and storage facilities are lacking in the fruit section of southern Ohio.

**Steam and electric roads** traverse the State thoroughly but lack facilities in five terminal markets for handling shipments when conditions are above normal.

Only 11.5 per cent of Ohio's farm to market roads are improved.

#### OHIO DATA FOR USE IN CONNECTION WITH THE CONGRESSIONAL JOINT COMMISSION OF AGRICULTURAL INQUIRY.

In response to the request for information to be used in presenting the farmers' case to the Agricultural Joint Commission of Congress, the Ohio Farm Bureau Federation has submitted a list of 13 questions to farm bureau leaders in each county. Information which it was felt that farmers were not in a position to supply was obtained from county agricultural agents, bankers, merchants, the department of rural economics of the Ohio State University, and different departments of the State government.

The material is arranged under the six topics or subdivisions mentioned in the joint resolution of Congress, excepting that topics 3 and 4 of the resolution, which it was felt deal with interstate conditions, have been omitted.

I. The causes of the present condition of agriculture: 1. Rapid fall in price of farm products produced at high prices.

**Representative MILLS.** Who prepared this statement?

Mr. SILVER. The State Farm Bureau of Ohio, based on the information they got in when they sent out their questionnaires to the

different farmers. Upon their return they compiled this statement. [Reading:]

*State average of prices received by Ohio farmers, June 15, 1920-1921.*

	1920	1921		1920	1921
Corn, per bushel.....	\$1.83	\$0.59	Chickens, live weight, per pound.....	\$0.30	\$0.21
Wheat, per bushel.....	2.72	1.35	Hogs, live weight, per hundred-weight.....	13.78	7.58
Oats, per bushel.....	1.07	.38	Cattle, live weight, sold for beef, per hundredweight.....	10.01	6.55
Barley, per bushel.....	1.65	.60	Grade dairy cows, per cent of last year's price.....		57
Rye, per bushel.....	1.82	1.15	Veal calves, per 100 pounds.....		8.28
Clover hay, new:			Sheep, live weight, per 100 pounds.....	8.99	3.82
Per ton, loose.....	30.48	9.27	Lambs, live weight.....	14.21	8.11
Per ton, baled.....	32.73	12.88	Milk, whole, per 100 pounds.....	3.22	2.12
Timothy hay, new:			Butter, per pound:		
Per ton, loose.....	31.18	11.68	Country butter.....	.51	.24
Per ton, baled.....	33.56	14.55	Butter fat.....	.57	.25
Mixed hay, new:			Wool, per pound:		
Per ton, loose.....	30.15	9.00	Fine.....	.69	.23
Per ton, baled.....	32.54	13.65	Coarse.....	.57	.18
Alfalfa hay, new:					
Per ton, loose.....	34.94	11.92			
Per ton, baled.....	37.30	14.48			
Eggs, per dozen.....	.38	.21			

#### LOW LABOR INCOMES.

These figures are reflected in records of farm accounts made in different areas of Ohio by the Ohio State University.

A summary of the accounts of 50 farmers in the dairy section of northeastern Ohio for the year ending March 1, 1921, showed that their cash receipts average to exceed the cash expenses by \$1,897. The inventory value of the live stock and feed on hand, however, decreased by \$793. This left a net return of \$1,104 as a wage for the operator and interest on an average investment of \$23,673.

The CHAIRMAN. That was in 1920?

Mr. SILVER. Yes. [Reading:]

In northwestern Ohio, in Allen and Putnam Counties, the same number of farmers for the same period showed cash receipts exceeding cash expenses by \$1,676. The inventory value of the live stock and feed on hand decreased by 30 per cent, or by \$1,424. This left an average of \$252 as wages for the operator and for interest on an investment of \$37,300.

In Greene County, southwestern Ohio, a summary of the records of 20 farmers for the year 1920 showed that farm receipts exceeded farm expenses by \$2,248 per farm. The inventory of live stock and farm products on hand, however, was \$2,415 less on January 1, 1921, than on January 1, 1920, thus showing that the farmer had received for the year no return for his labor and no interest on his capital.

On 24 farms in Huron County, north central Ohio, for the year ending March 1, 1921, receipts were on an average \$258 short of sufficient to pay expenses and 5 per cent interest on the capital value.

Representative MILLS. Do you know how those capital values were reached?

Mr. SILVER. In what particular, Mr. Mills?

Representative MILLS. You said \$37,000. Do you know how that figure of \$37,000 was arrived at?

Mr. SILVER. That was the average of the sale prices of the crop, based on the number that were included in that report and treated together.

Representative MILLS. Was that the sale price of 1920 or of 1921?

Mr. SILVER. I do not know that I can definitely state, but in making these figures the report was conservative in not using extreme values at the high points.

The CHAIRMAN. Whose figures are these? The State college's or the farm bureau's?

Mr. SILVER. The farm bureau of the State of Ohio. Some of them were compiled by the farm bureau, and some of them by the State college in cooperation with the farm bureau.

The CHAIRMAN. Do you know whether this cost of production work was done in cooperation with the Federal department?

Mr. SILVER. No, sir; I do not.

Representative TEN EYCK. I might suggest that he can get that information—

Mr. SILVER. I will be mighty glad to get that for you.

Representative TEN EYCK. Because I believe that undoubtedly those figures are on some prewar basis. I do not believe that any of those farmers increased their farm values at that particular time, and I think it is quite relevant to suggest that we get that information correctly.

The CHAIRMAN. What Mr. Mills wants to know, as I understand, is whether it is based on the high capital value of 1920 or some other value.

Mr. MILLS. Yes.

(Later information from Ohio shows 1920 values.)

Mr. TEN EYCK. That is the idea.

Mr. SILVER (reading):

In Hardin County, Ohio, last year—central Ohio—35 farmers show their cost of producing corn to range from 57 cents to \$1.72 per bushel. The lowest cost was 57 cents; 34 of them showed costs ranging from that figure up to \$1.37. Fifty per cent showed costs above \$1 per bushel.

In Madison County, 35 farmers showed their cost of producing wheat to range from \$1.30 to \$3.43 per bushel. Fifty per cent of them had costs of \$1.86 per bushel or above. Twenty-five per cent had costs of \$2.42 per bushel or more.

As a result of the prevailing conditions many tenants have not been able to pay their rent, and farmers owning their land have been obliged to liquidate.

Farmers on the whole have reduced their production to a minimum, a majority are more or less discouraged and many are ready to quit if prevailing conditions continue.

Still another result of the present situation is the decreased use of lime and fertilizer. One company distributing the largest amount of limestone in Ohio reports a 61 per cent decrease in sales—from 3,528 tons in 1920 to 1,357 tons in 1921. This comes in the face of increased sales effort.

Continued failure to curtail the use of lime, according to experiments at the Ohio Agricultural Experiment Station, would very materially reduce crop yields.

For specific instances of farm failures, see Appendix A.

2. Expenses have not fallen as rapidly as the price of farm products.

The price of farm products has fallen 55 per cent during the past year, or more than twice as much as the principal supplies that he buys, as shown by the following table:

Percentage of decrease of farm products and farm supplies:

FARM PRODUCTS.		Per cent.	Per cent.
Corn.....	67.7	Eggs.....	45.0
Wheat.....	50.0	Chickens.....	30.0
Oats.....	66.0	Hogs.....	45.0
Barley.....	63.6	Cattle.....	34.5
Rye.....	36.8	Dairy cows.....	57.0
Clover hay:		Sheep.....	57.0
Loose.....	69.5	Lambs.....	57.5
Baled.....	62.5	Milk.....	34.1
Timothy hay:		Butter.....	53.0
Loose.....	62.5	Butterfat.....	56.3
Baled.....	56.0	Fine wool.....	66.0
Mixed hay:		Coarse wool.....	70.0
Loose.....	70.4		
Baled.....	54.9	Average.....	54.6
Alfalfa hay:			
Loose.....	65.9		
Baled.....	34.3		

## FARM SUPPLIES.

	Per cent.		Per cent.
Lumber.....	25.1	Shoes.....	18.0
Cement.....	20.5	Fuel.....	21.2
Brick.....	16.5	Feed.....	50.0
Hardware.....	12.7	Labor.....	23.0
Implements.....	17.6		
Clothing.....	30.4	Average.....	23.5

The data regarding prices of farm crops were obtained from the Bureau of Markets and those for farm supplies directly from the farmer.

The CHAIRMAN. Upon what are those percentages figured? Do you have that there?

Mr. SILVER. Yes. It says here that the price of farm products has fallen 55 per cent during the past year, as this schedule shows.

It shows that the commodities that the farmer had to sell off in price 54.6 per cent; the things he has to buy off in price only 23.5 per cent. That is, the things that the farmer buys have fallen in price less than one-half as much as the things he had to sell.

Money, another item which the farmer needs, has not only cost him a higher rate but has been hard to obtain. See Topic 5.

## 3. Freight rates.

Freight rates have steadily advanced, and were increased last summer just before prices dropped. The farmer is unable to pass on the transportation charged directly.

The high rates have greatly reduced profits, discouraged production, and in numerous instances have made the difference between profit and loss.

In some localities the freight on products has made it necessary to discontinue to ship to a market formerly used and to seek a new outlet. See Appendix B.

In numerous instances the freight rates have amounted to nearly as much or more than the price received—see Appendix C—and which has resulted in waste and ruinous prices. See Appendix D.

4. A feeling of pessimism is prevalent, due to a feeling of uncertainty about the future. See Appendix C.

## II. THE CAUSE OF THE DIFFERENCE BETWEEN THE PRICES OF AGRICULTURAL PRODUCTS PAID TO THE PRODUCER AND THE ULTIMATE COST TO THE CONSUMER.

1. High cost of transportation, labor, packages, and other items of costs: Apple barrels cost \$1.50 last fall, and other containers in proportion.

2. Consumer's demands and fancies: (a) Small quantities; (b) particular grades; (c) delivery; (d) credit.

3. Lack of standard grades and containers.

4. Reluctance to reduce retail prices. See monthly review bureau of labor statistics.

(III and IV omitted. See Introduction.)

## V. THE BANKING AND FINANCIAL RESOURCES AND CREDITS, ESPECIALLY AS AFFECTING AGRICULTURAL CREDITS.

Farm bureau leaders in 42 of the 88 counties in Ohio report that money is to be had on good security at from 7 to 8 per cent for short loans of less than \$1,000. In 28 counties long time loans can be secured at from 6 to 7 per cent interest; 7 per cent being the more common rate. In 35 widely separated counties and representing the richest as well as the poorer agricultural counties, the farmers report that money is not available regardless of security. Banks say that they have no money to lend.

A number of individual instances show that bonuses are charged. This is done more particularly by loan companies than banks. The amounts vary with local conditions; Clark County reports that 10 per cent is charged on loans of \$1,000; Clermont, \$35 to \$75; Clinton, 3 per cent; Darke, \$20; Gallia, 1 per cent; Madison, \$100; Summit, \$10 to \$50; Trumbull, \$50 to \$100.

The CHAIRMAN. Are those commissions?

Mr. SILVER. Yes; those are commissions in addition to the rate of interest of from 7 to 8 per cent. [Reading:]

In Clermont, Clinton, and Darke Counties, the same amount or percentage applies on long time loans, but in the others the bonus is not required.

In Darke County a farmer recently asking to borrow \$1,900 was obliged to take \$2,500 and pay a bonus, which, with the interest added, made 10 per cent.

Tenant farmers in many instances are able to obtain sufficient financial credit, but on the whole they are not. Replies from questionnaires indicate that, not always having proper security, their plight is worse than that of the landowner.

VI. THE MARKETING AND TRANSPORTATION FACILITIES OF THE COUNTRY.

1. Marketing facilities: Grading, packing, and storage facilities are lacking in the fruit section of southern Ohio.

2. Transportation facilities:

(a) Adequate mileage: Both steam and electric roads operate over an adequate territory.

(b) Insufficient terminal facilities: Yardage and motive power are insufficient every time business gets slightly above normal at Toledo, Cleveland, Cincinnati, Columbus, and Pittsburgh. Shippers are obliged to have representatives at these points at such times to expedite the movement of freight in which they are interested.

(c) An extension of joint rate arrangements by electric lines is needed, as well as some means of interchange between these lines whenever possible.

(d) Improvement of farm to market roads: Only 11 per cent of Ohio's roads in the open country are improved, as shown by the following table:

*Condition of Ohio roads outside of incorporated cities and villages.*

Total mileage of roads outside of incorporated cities and villages .....	84,500
Miles of dirt (58.4 per cent).....	49,357
Miles of cinder (0.3 per cent).....	275
Miles of traffic-bound gravel (18.1 per cent).....	15,271
Miles of traffic-bound stone (11.7 per cent).....	9,867
Miles of concrete, brick, asphalt, water bound and tar bound macadam, bituminous, concrete, and other improved roads (11.5 per cent).....	9,730

APPENDIX A.

INSTANCES OF HEAVY LOSSES TO OHIO FARMERS FROM THEIR 1920 FARMING OPERATIONS.

*Allen County.*—J. O. Montague, Lima, lost \$1,000 on cattle feeding.

*Ashland.*—A farmer lost \$800 on a load of steers. Selling price in April less than cost in October.

*Athens.*—Carl W. Hayers, Athens, lost \$1,000, due to drop in prices and increase in price of feed. H. P. Dutton, Athens, lost half of rental income due to increased cost of labor and other unusual items of cost.

*Auglaize.*—One farmer fed a carload of steers that cost \$9.40 a hundred. They were sold for \$7.50. They consumed \$24 worth of cottonseed meal, \$300 worth of corn, and 540 bushels of silage.

*Belmont.*—Howard J. Campbell, Barnesville, bought 36 cattle in Chicago, June 1, 1920, for \$9.65 per hundred. July 1 quotations \$6.25.

*Champaign.*—One farmer paid 25 cents a shock for cutting corn, 25 cents for husking, and received 49 cents delivered at the elevator.

*Clark.*—Howard Dunkel lost \$5,900 on cattle feeding due to the drop in prices and cost of operations.

*Clermont.*—C. G. Phillips lost \$4,000 in feeding cattle. He sold them at their original cost and lost pasture, feed, and labor.

*Clinton.*—One farmer lost \$4,000 in feeding cattle.

*Coshocton.*—Five cars of cattle cost the shippers a loss of \$11 a car. Four carloads of hogs bought at 13½ cents sold for 9½ cents. Four cars of cattle bought at 8 cents sold at Pittsburgh for 3½ cents.

The CHAIRMAN. Have you heard of anybody who has got any money out of feeding cattle in the last 18 months?

Mr. SILVER. No, sir. And here are the names and addresses and locations of specific cases where they have lost money. This is not general talk; this is not newspaper talk; this is the actual condition.

The CHAIRMAN. All right; go ahead.

Mr. SILVER (reading):

*Crawford.*—Two thousand two hundred pounds of wool netted farmers \$748. Needed \$1,100 to absorb expenses. Loss due to drop in price.

*Cuyahoga.*—Milk from feed of the 1920 crop sold on an average of \$1 per hundred pounds below the cost of production.

*Darke.*—Martin Hardman, Rossburg, hog breeder, lost \$20,000; Roscoe Best, Greenville, \$15,000; Jesse May, Rossburg, \$10,000, due to a decline in the market.

*Defiance.*—Henry Behnfeldt sold wheat for \$1 a bushel, last year \$2.40. E. S. Breckbill, Defiance, lost \$1,000 in feeding hogs, due to drop in prices.

*Fairfield.*—Hay sold for \$10 a ton, all expenses lost. One farmer lost a corn crop through feeding it to cattle. Including one steer of his own raising, in addition to feeders purchased, the lot brought him less than they cost.

*Franklin.*—Loss in marketing corn was from 50 to 80 cents per bushel; wheat, 40 to 75 cents. Loss due largely to high cost of labor.

*Gallia.*—Hay selling at \$10 a ton. Cost \$4 to bale and \$3 for labor. Thousands of dollars lost on apples. One thousand bushels of apples not sold because of low prices and high freight rates.

*Hamilton.*—Many farmers still have 1920 corn crop. Acreage greatly reduced in 1921.

*Hancock.*—Matthew Willis lost heavily on a carload of cattle. George Decker lost heavily on hogs.

*Hardin.*—Steers cost \$8.88 at Mt. Victory sold for \$8.60 in Cleveland.

*Henry.*—Elmer Kelly lost \$3 per hundred on two cars of lambs. Fred Kelly lost \$1,000 in feeding steers. L. O. Wirich lost \$300 on wheat taken by fly. He also lost \$500 on potatoes and killed through flood. Karl Mowery lost \$1,000 on wheat damaged by fly.

*Hocking.*—Thirty per cent of the wheat lost through wet weather early in the spring.

*Lake.*—A. H. Williams, Madison, lost \$2.80 per head on 100 ewes.

*Licking.*—Clarence Henry, Hebron, lost \$699 on 65 acres of corn. Sold for less than cost. Frank Allen, Hebron, lost \$700 in feeding cattle.

*Logan.*—A. R. McCalls lost \$900 on a car of cattle. Got less than cost. A. F. Huber lost \$1,000 on sale of car of good Angus cattle. Willard Herring received less for a car of onions than the cost of freight. L. D. Musselman, Rushsylvania, lost \$3,000 on 1,000 lambs due to high cost of feed and freight.

*Lorain.*—Wheat \$2.65 at seeding time. Now, \$1.25. Hay, \$36 last harvest, now \$12.

*Lucas.*—Sterling Benson, Waterville, lost feed, taxes, and \$52 on 10 steers.

*Mahoning.*—Price of milk \$1.90 now; \$3.90 to \$4 last year, too much overhead expense.

*Medina.*—S. B. Stoddard lost \$483 on 150-acre farm, not including value of labor. William Richans's farm of 155 acres and P. G. Orth's farm of 90 acres and C. C. Kenyon's farm of 100 acres lying idle because of high cost of farm labor. All in the same neighborhood. R. W. Strong writes of a neighbor who has made an assignment, and reports that another neighbor was in debt \$3 on a cow selling for \$13 after he had paid freight, commission, yardage, etc.

*Mercer.*—An owner of 240 acres, depending entirely on hired help, has spent all profits on help.

*Miami.*—Edward Kirk lost \$3,800 and J. H. Benson \$200 in feeding cattle through the decline of prices after purchasing. Forty per cent of the cattle feeding operations did not pay for the cost of the cattle.

*Monroe.*—J. P. Gates bought sheep for \$19. Sold for \$3. Holds the wool yet.

*Montgomery.*—One cattle feeder lost 800 bushels of corn, 4,000 pounds of cottonseed meal, and 5 tons of sweet clover in feeding cattle.

*Morgan.*—Morgan Lane fed \$2 corn last spring to hogs, which brought 9 to 10 cents in the fall.

*Morrow.*—Gates Bros., Cardington, lost 1,200 lambs from New Zealand due to de-fatted market and freezing in transit. L. L. Hobson, Mount Gilead, lost \$2,000 on cattle feeding.

*Pickaway.*—Walter Macdill, Williamsport, lost on 28 cattle. Selling price less than cost. S. H. Bell, Zanesville, fed 16-cent hogs his corn crop and sold them for cost.

*Preble.*—J. C. Campbell lost \$10,000 in feeding 3-year-old cattle. W. G. Ulrich lost \$300 plus 1,000 bushels of corn in feeding 40 hogs. Joe Marckey lost \$500 and feed in feeding 17 3-year-old steers.

*Putnam.*—C. A. Hummon, Leipsic, lost \$40, feed, and labor on 14 steers. Low price. Tenant on Cass farm lost \$12,320 on 8,000 bushels of corn produced in 1919. Due to lower prices.

*Ross.*—One farmer found cost of 20-acre field of corn was \$2 per acre more than selling price of corn.

*Trumbull.*—Records from 26 dairy farms show that dairy farmers made 3.2 cents per hour on their labor. Other farmers received nothing for their labor.

*Union.*—J. Mills Richards, Venedocia, lost \$3,000 on a lot of hogs which sold for less than cost of production.

*Wayne.*—M. B. Kosier, Marshallville, lost \$750 on wheat. Still holding 500 bushels of 1920 wheat.

*Williams.*—G. F. Newcomer, Bryan, lost \$50 per head on steers fed last winter. L. D. Chirra, Montpelier, fed a carload of cattle; lost feed and cost of three steers of his own raising through deflated prices.

*Wood.*—George Hageamyer, Bowling Green, lost \$700 and feed on cattle feeding; John Cron, \$500 and feed on 7-months-old cattle; M. C. Dimmick, Bowling Green, five months' feed in cattle feeding; Lummerbrook Bros., \$350 and corn crop on cattle feeding; Fred J. Hendricks lost \$441 and feed on load of lambs, and lost \$2.40 per 100 on fat cattle.

That list, Mr. Chairman, shows not only the losses on feeding cattle but on almost everything that is done on the farm. It is not limited to losses on feeding cattle but takes in every other transaction on these farms. [Reading:]

## APPENDIX B.

SPECIFIC INSTANCES OF WHERE THE INCREASED FREIGHT RATES HAVE MADE IT NECESSARY TO DISCONTINUE TO SHIP TO A MARKET FORMERLY USED AND SEEK A NEW OUTLET.

*Adams County.*—High freight rates on river boats necessitated the use of trucks.

*Carroll.*—Trucks are used instead of railroad to Canton and Cleveland.

*Champaign.*—High freight rates are causing trucks to greatly take the place of railroads.

*Clinton.*—Live stock that was formerly shipped to Pittsburgh is now trucked to Dayton and sold for less.

*Defiance.*—Buffalo formerly was the market for live stock; Toledo now is.

*Franklin.*—Hay and corn were shipped to Pittsburgh and Parkersburg, W. Va., but they are now dumped in Columbus.

*Henry.*—Trucks are used to a great extent instead of the railroads.

*Licking.*—Shipments now go to Pittsburgh and formerly some went to Buffalo.

*Morgan.*—Because of high freight, live stock is shipped by boat and trucks are used to some extent.

*Medina.*—Trucks are used instead of the railroads. Live stock is now shipped to Cleveland instead of Pittsburgh.

*Meigs.*—Local butchers are taking livestock instead of the shippers.

*Monroe.*—The river is used instead of the railroad.

*Morrow.*—A number of farmers truck their livestock to Marion, Ohio, slaughter houses instead of shipping to Cleveland by rail.

*Pickaway.*—Trucks carry the livestock to Columbus instead of railroads.

*Ross.*—Hogs that were formerly sent to Baltimore are now sent to Cincinnati.

*Trumbull.*—A good beef cow was shipped 50 miles by boat and cleared the owner \$12 after paying the freight.

*Wood.*—Toledo now receives hogs, cattle and sheep that formerly were shipped to Buffalo, Pittsburgh, and Cleveland.

You will notice from these statements that these conditions are remaking the agricultural map. They have all got to find new markets, and find some other way of transporting their products than by the former usual methods. [Reading:]

## APPENDIX C.

SPECIFIC INSTANCES WHERE THE FREIGHT ON PRODUCTS SHIPPED HAS AMOUNTED TO NEARLY AS MUCH OR MORE THAN THE PRICE RECEIVED.

*Auglaize County.*—A farmer bought a carload of lump coal, the freight of which amounted to as much as the wholesale price.

*Belmont.*—In a case of a certain car of sheep shipped to Pittsburgh the freight and feed bills were more than the price of the sheep.

*Carroll.*—Limestone screenings can be bought for \$1.25 per ton, but the freight is \$1.68 per ton.

*Champaign.*—Some No. 1 alfalfa was shipped to Cincinnati at \$14. Freight, commission, and hauling amounted to \$11. A car of coal shipped from eastern Ohio to Columbus cost \$3.50 per ton, while the freight was \$3.96 per ton.

*Clermont.*—The cost of limestone is \$2 per ton, and the freight is \$2.66 per ton.

*Clinton.*—A local factory ordered lumber posts, but found that the freight charge was more than the lumber cost, so canceled the order.

*Coshocton.*—A farmer shipped 50 lambs to Pittsburgh. Because of high freight, etc., he received \$10 for the lambs.

*Defiance.*—E. J. Shock, Defiance, bought a car of waste lime from a sugar company for \$10. The freight on the 20-mile haul was \$75 for a 50-ton car.

*Erie.*—Seed potatoes were bought from Wisconsin for \$1 per bushel. The freight was \$1.05 per bushel.

*Fairfield.*—A carload of lumber from the South cost less than \$400, while the freight was \$467.

*Fulton.*—The freight on hay to New York is as much as the price received.

*Gallia.*—Some grades of live stock and tobacco that were shipped to Cincinnati and Cleveland failed to pay the expenses. Three thousand pounds of tobacco were thrown on a field and were used as fertilizer because of high-freight rates. Because of high freight rates money was lost on a certain car of sheep shipped to Pittsburgh. Losses were many on shipments of limestone and apples.

*Hancock.*—Freight on hay from Findlay to Cincinnati is about \$9. Buyers here offer \$4 and the freight is twice the price of the hay. On hay that was shipped to Florida the price was less than one-half of the freight cost.

*Hardin.*—The freight on limestone is more than the cost at the quarries. One car of onions that was shipped to New York City, \$27.50 freight; on another \$72.50 freight and transfer.

*Henry.*—Hay sells at an eastern market for \$8 per ton; freight is \$9. High freight rates kill the markets for soft coal, hay, hides, and sheep.

*Holmes.*—Sheep, hides, and hay markets are crippled by high freight rates.

*Knox.*—Freight on hay amounts to more than the local dealers will pay per ton. In one instance hay is quoted at \$18 per ton, and the freight is \$12.

*Lake.*—Hundreds of bushels of onions did not bring enough to amount to the freight. A farmer received less than 30 cents per bushel for raising and marketing 3,000 pounds of apples. He trucked it to Cleveland.

*Licking.*—A car of hay was shipped to Pittsburgh for \$172; the freight and war tax amounted to \$221.10.

*Logan.*—Robert Wren shipped a carload of onions and received \$60 above the freight. On a carload of lumber the freight was \$500 more than the original cost of the lumber.

*Morgan.*—A few farmers shipped beef hides to receive only a few cents profit.

*Medina.*—A farmer hired a truck to haul his corn to market because the truck was cheaper than freight. He received \$10, and after paying expenses his loss was \$3.

**Representative MILLS.** You have not figured out what the situation would have been under the freight rates which prevailed a year ago, have you?

**Mr. SILVER.** No; but these same figures are the basis on which that can readily be done, because by taking these figures you can go to the files and see just what the condition would have been in these lines.

**Representative MILLS.** It would not have been as bad, but even if the freight rates had not been raised you would have had a very serious situation?

Mr. SILVER. It is said that in many of these cases the freight rate represented the difference between profit and loss. As to apples, I know from personal experience down in the Shenandoah Valley, two hours out of this town, that many thousands of barrels of apples remained on the trees and fell with the cold weather, for the freight rate to the normal market for those apples was so increased that they could not be shipped there within the market price. In other words, where it had formerly cost us from 40 to 60 cents a hundred bulk, last fall it cost from \$1.40 to \$1.60 a hundred. That represented a loss to society on that production. That was the shadow across the path.

Representative MILLS. But a number of the items you gave there would have sold for less than cost anyhow, even if you had not had a 35 per cent increase in freight rates.

Mr. SILVER. They do not say so.

Representative MILLS. But the figures show it.

Mr. SILVER. I do not understand it so. The fact that they made a loss with these charges does not mean that they would have made a loss with less charges.

Representative MILLS. But in the cases you have cited there the margin was much greater than 35 per cent.

Mr. SILVER. That may be, in some of them.

The CHAIRMAN. Of course if you go back to 1913, the freight increase in many instances has been over 100 per cent.

Mr. SILVER. Yes, certainly. [Reading:]

*Mercer County.*—On some sheep that were shipped to Cleveland, the consignor was left in debt for the freight and commission.

*Miami.*—High freight rates have killed the hay market.

*Morgan.*—There is no market for potatoes because of high freight rates.

*Morrow.*—On a bunch of sheep that were sold, just a slight profit was realized after the freight was paid. Freight is more than apples, potatoes, second-class live-stock carrier cows, etc., are worth at market.

*Noble.*—Only the best sheep bring enough to pay the freight rates.

*Putnam.*—The experience of a lumber dealer was that the freight and war tax were \$28 more than the price of the lumber. The freight rate from Leipsic to Buffalo was 20 cents per bushel for corn, the elevator paid 40 to 42 cents per bushel. The sheep situation too is very bad because of high freight.

*Richland.*—A farmer received \$9 for hay, the shipper \$1, the freight was \$15.

*Sandusky.*—Freight rates have seriously affected the marketing of hay, straw, sheep, dairy, poultry, eggs, potatoes, and apples.

Representative MILLS. Last year it would have been \$10, you say. You would have had a very serious situation anyhow.

Mr. SILVER. But if the farmers' crops are to sell at a price that is now below the five-year average, you can not take last year's freight rate as a fair freight rate for them to pay.

Representative MILLS. Obviously not, or for any other commodity.

Mr. SILVER. I grant you that.

Representative MILLS. They would all have to be deflated to the point to which farm products have been deflated before you could get a fair basis of exchange.

Mr. SILVER. All right; we agree. [Reading:]

*Trumbull.*—Hay dealers pay \$5 per ton while the freight is over \$6 per ton. Freight on limestone is from \$1.50 to \$2.50, almost as much as limestone is worth.

*Tuscarawas.*—A tile factory sent out one car on which the freight was \$1 more than the cost of the tile.

*Van Wert.*—A carload of sheep to Pittsburgh did not pay for the freight.

*Williams.*—Hay is quoted at \$6 to \$9 per ton, while freight to eastern points is \$10.40 to \$11.40.

You know, it seems so inconceivable that the cost of distribution, just the freight charges, should be greater than the cost of producing that crop on the farm. And yet here is a case where on a comparatively short haul, less than 100 miles, the freight charge is more than the price of the commodity.

Representative TEN EYCK. Does the Ohio organization in any place give any data as regards what these same commodities cost the consumer?

Mr. SILVER. I think not, not in the Ohio report.

Representative TEN EYCK. The reason I ask that question is this: I am very strongly of the opinion that we have got to find out what the trouble is between the actual cost of the product on the farm and the cost to the consumer, whether it is transportation, cost of marketing, finance, or any other one of numerous things. I have brought up the same thing a number of times with other witnesses. I believe before we get through we will have to pick out the particular place where the largest expense obtains and look into it from the standpoint of cutting it down, if possible.

Mr. SILVER. Yes. Remember, the farmer's market that he sells in is a wholesale market, and the prices given here are the wholesale selling market for the farmer. But that is not what the consumer pays, by any means.

Representative TEN EYCK. Of course, if the consumer continues to pay in 1921 as much as he did in 1920 the farmer is losing the benefit of that. I think before we get through we will have to have a comparison in that way, as I have suggested before.

Mr. SILVER. Yes. [Reading:]

Another farmer quotes hay at \$10, with the freight to market at \$11.

*Wood County.*—The cabbage crop in Weston district was a failure because of freight rates. Expenses in shipping sheep amounted to half of the market price. A car of coal shipped from Bellaire to Bowling Green, cost \$5.85 per ton and the freight took \$1.96 per ton of it. The freight rate on hay for a distance of less than 40 miles was as much as buyers pay for hay. Freight on some kinds of coal is more than the cost of the coal.

#### APPENDIX D.

SPECIFIC INSTANCES WHERE INCREASED FREIGHT RATES HAVE MADE IT NECESSARY FOR THE FARMER TO DUMP OR WASTE, OR SELL LOCALLY AT VERY LOW PRICES A FARM PRODUCT BECAUSE OF THE FACT THAT THE FREIGHT WOULD AMOUNT TO MORE THAN THE PRICE OFFERED.

*Allen.*—Great numbers of fields of hay are not being cut because high freight rates would cause a loss of money.

*Ashland.*—Thousands of bushels of apples were lost because of increased freight rates.

*Ashtabula.*—Nearly all of the onion crop was dumped. Apples and potatoes were a loss.

*Athens.*—Carl W. Hayes, Athens, could not ship potatoes to Columbus because of high freight rates.

*Belmont.*—The price of eggs is 12 to 14 cents locally, but 25 miles away the price is 35 to 40 cents. Freight rates would kill profits if this haul were made.

*Champaign.*—Cabbage, onions, and tomatoes shipped from Woodstock to Columbus, 32 miles would not pay the freight.

*Clermont.*—Most of last year's hay crop is still in barns because the freight to Cincinnati was too high to pay to move it.

*Coshocton.*—Apples and potatoes were fed to hogs because of freight rates.

*Darke.*—Hay is not being made because of low market.

*Franklin.*—Apples were left on the trees at Groveport because the rate to Columbus, 15 miles, was too high.

*Gallia.*—Thousands bushels of apples and vegetables were lost last fall because of high freight rates.

- Greene.*—High freight rates killed last year's hay market.  
*Hamilton.*—The onion crop of last year was a failure.  
*Hancock.*—Many thousands of bushels of oats of 1920 are still in farmers' bins because of no demand. Freight rates have also destroyed the hog market.  
*Hardin.*—Thousands of bushels of onions were at a loss because the freight was more than could have been received for the onions.  
*Henry.*—Hay and straw could not be marketed as usual.  
*Holmes.*—Potatoes were not sold.  
*Huron.*—Ewes did not bring enough to pay the freight.  
*Jackson.*—Fruit and hay were a loss.  
*Lake.*—Hundreds of bushels of apples did not reach market. Carrots and onions were a loss.  
*Lawrence.*—A loss of 10 per cent was felt on the apple crop.  
*Licking.*—Hay brings \$10.50 baling \$4, leaving \$6.50.  
*Logan.*—The onion crop was wasted.  
*Lorain.*—Hay, livestock and grain markets were too low for anything—loss to farmers.  
*Meigs.*—The hides sold did not pay for the freight.  
*Monroe.*—The early apples last year were wasted. Freight rates caused losses in lumber, hay and potatoes.  
*Morgan.*—Sheep, lambs and potatoes sold too low.  
*Morrow.*—Hay, fruit, sheep, apples and hay markets were too low because of freight rates.  
*Preble.*—Coal was bought for \$3.50 and the freight was \$2.17.  
*Ross.*—Hay is almost valueless.  
*Sandusky.*—Apples and potatoes rotted last year. Some corn was not husked.  
*Scioto.*—Corn was wasted.  
*Trumbull.*—Potatoes and bushels of onions were wasted.  
*Van Wert.*—Potatoes, apples, milk and eggs were sold too low.  
*Williams.*—The freight rate on potatoes was more than the price in market.  
*Wood.*—Cabbage, apples and hay were left where they grew.

Mr. SILVER. I now wish to read a letter from the Ohio Farm Bureau Federation to Mr. J. W. Coverdale, secretary American Farm Bureau Federation, 58 East Washington Street, Chicago, Ill., dated July 7, 1921. [Reading:]

DEAR MR. COVERDALE: Immediately upon receipt of your letter of July 1 I wrote several parties requesting that they send me specific information which might be of use to you in connection with the inquiry of the congressional committee. I am leaving the office to-day for a 10-day trip and am sorry to say I have not had a single reply as yet to my inquiry. I presume the 4th is responsible for this delay. I will leave word at the office so that any replies which come within a day or two will be forwarded immediately to you.

For fear these reports may not come in in time, I will give you some facts which have come to my notice but which I wish to have vouched for by some other people.

Referring, first, to the fruit situation last year, it is a known fact that there were thousands of bushels of apples which rotted in the orchards. This was true of Michigan, New York, and southern Ohio, and probably other States of which I have less knowledge. One of the reasons for this loss was the high freight rate and express rates; another the high cost of labor and the difficulty of securing it, and third, the high cost of packages. Barrels cost from \$1.50 to \$1.75, and in a few cases even higher. Labor was from \$5 a day up and difficult to secure, and the railroad rates in some cases almost prohibitive. On top of all this was the extremely heavy crop. Growers were not assured that they would be able to get as much out of the apples when packed and shipped as the package and labor cost alone amounted to. At Grand Rapids, Mich., for instance, apples retailed at 50 cents per bushel until after the 1st of January.

Another crop which wasted in many States was Irish potatoes. Some time ago I received a statement from A. B. Large, of the Michigan Potato Growers' Exchange, to the effect that at least 1,000 cars of potatoes would not reach the market in Michigan. The principal reason for this situation was the heavy production and corresponding underconsumption. Last year was such a favorable season throughout the United States that the potato production was next to the largest ever produced. With so many men being turned out of employment, it was natural that consumption would be reduced. The fact that freight rates were so high and that many retailers kept the price up made it impossible for consumers to secure the potatoes at a figure which would permit them to use potatoes freely.

Another crop which was a great disappointment to the growers was the onion crop. There were 12 or 15 cars of onions shipped by the Grand Rapids Growers' Association, Grand Rapids, Mich., to Southern States, particularly Texas. Some of these cars did not bring the freight charges, others did not sell at all. This was another case of overproduction and underconsumption. One Ohio onion grower stored 40 carloads. He was able to sell seven carloads at, I believe, about 50 cents per bushel, the balance was hauled back on to the field and plowed under.

There were thousands of tons of cabbage the country over plowed under last year and much of that which was sold was sold at a loss. Again it was a case of overproduction. I believe that in all of our deliberations along this line we should keep in mind the fact that last season was one of the most favorable seasons for crop production throughout the United States and Canada which this country has ever experienced.

In connection with the freight rate proposition, I may say so far as Ohio growers are concerned those who live near large cities and therefore can get their products to market without paying freight or express have no objections to Ohio freight rates. Some of them are sufficiently broad to realize that anything which affects the general prosperity of the country will affect them, therefore, they appreciate the fact that it may be necessary to reduce freight rates to assist in the return of general prosperity, even if it may affect their market adversely to some extent. The thing, it seems to me, the American Farm Bureau officials should bear in mind when the freight rates are being considered is that no particular section of the United States or particular crop should be picked out and given better rates than other sections or crops. It seems to me that freight rates should be based upon service rendered and that no special privileges should be granted.

I trust that some of the things herein given may be of some assistance to you. With kindest regards, I am,

Yours, very truly,

THE OHIO FARM BUREAU FEDERATION,  
By C. W. WAID, *Vegetable Department.*

I have here a communication from Kentucky, giving questions propounded to Capt. J. T. Daughaday before the farm bureau of Graves County, to be used by the congressional investigating committee of Congress investigating agricultural conditions, June 12, 1921. These are the questions propounded to Capt. Daughaday and his answers. [Reading:]

Q. Capt. Daughaday, how long have you been engaged in raising tobacco in Graves County?—A. About 64 years.

Q. What is the present condition of the tobacco market now in this county?—A. Well, I don't really think we have got much here. It's demoralizing here. I don't think you could dignify it by the name of a market because there is absolutely no competition. There are Italian and French contractors here who propose to buy, but they send no man to the country to purchase, but we have to haul it here to the barns, and they have a price to give, and you can give it or take it back home.

Q. What is the average market value when you get a sale now in this county?—A. Well, that would be right hard to say. I don't think over \$7, because it goes down as low as \$2, and I would think the average price would be about seven.

Q. Now state whether or not that is below the cost of planting?—A. Why, certainly, that isn't half what it costs to produce tobacco. It couldn't be produced profitably for possibly less than \$15.

Q. Now, what is the chief money crop in this county?—A. Tobacco.

Q. What is the actual average a year per acre of this tobacco?—A. I think about 800 pounds, about an average of 800 pounds.

Q. Now, state how long you think the farmer can sustain himself under the present price of tobacco.—A. Well, sir, it's owing to what surplus he has on hand. He is absolutely making less than half. If he has a bank surplus and pork and corn laid away at home, as long as that lasts he can live. A farmer is the only man who can make stuff and sell it for less than half the cost and live.

Q. Now, please suggest, if you have any suggestions, what remedy you may think of for that situation.—A. It has been my opinion for a number of years that inasmuch as our country grows an exclusive export brand of tobacco, and these buyers for the Governments of Italy, France, Austria-Hungary and the other countries of Europe and Asia come here to New York and send out men to Mayfield, Paducah, Murray, and set the tobacco price and say, we will give you so much and you can sell it or keep it, I have contended that this great Government of ours should have a warehouse here and not let these men put a price on our tobacco.

Representative SUMNERS. Now, Mr. Silver, in that connection. He wants the Government to have a warehouse. Why do the farmers not have warehouses?

Mr. SILVER. That is a very proper question, but the thought was in his mind, if I would be allowed to interpret it, as to what has been done by other countries. He states that this is for export purposes only, tobacco grown for this foreign market. But he has in mind what Japan did with silk and what Brazil did with coffee, and what other governments have done with things of that kind.

Representative SUMNERS. Well, did Japan get off very well in the long run with this silk venture, or did Brazil with the coffee proposition; are you advised about that?

Mr. SILVER. As Japan is not through with the silk, I do not know.

Representative SUMNERS. Silk is not through with Japan.

Mr. SILVER. I don't know. And I am not advised as to the financial outcome as to the Brazil deal in coffee, which I presume you refer to?

Representative SUMNERS. Yes.

Mr. SILVER. But their purpose was and their thought was that this was an export crop. That they would not see their citizens suffer when they could reach out the strong hand of the Government and steady it financially and otherwise while the outside market would get on a consuming basis, at a profit.

Representative SUMNERS. What I am driving at is this: Does he mean that the Government would come into the situation, for instance, and either rent or buy a plot of ground and erect a warehouse owned by the Federal Government, in which these farmers would store their tobacco until they get ready to sell it?

Mr. SILVER. I scarcely get that from reading this statement. I rather get the thought that he feels that the Government should take an interest in foreign markets, in addition to what they now have, and do these things that would get the information to the farmer so that he might reach that market on a profitable basis instead of on a loss basis.

Representative SUMNERS. And put its consular service at the disposal of these people who have these products to market?

Mr. SILVER. That is one of the ways; yes, sir. That is one of the ways to help, and with regard to this tobacco, that is one of the things that should be done. We should have agricultural attachés in every land. We can not afford not to have them.

I will continue with Capt. Daughaday's statement. [Reading:]

Q. If I understand you, then, you think a remedy of the situation would be this: If the European Governments furnish the market for all tobacco and do it without competition, the only way the producer can be protected is for this Government to take charge of it and do for the farmer who produces tobacco what is now being done for the seller?—A. Yes, sir.

Representative SUMNERS. He refers there to the European Governments furnishing the markets. The European countries buy the tobacco. They have a monopoly on the tobacco trade, is not that so?

Mr. SILVER. Yes; it is a government monopoly in Italy, and the tobacco trade is a government monopoly in other countries that consume this tobacco. There is no competition, and those people come in and buy. They send an agent to buy, just as the European

countries send representatives and made a common buying pool on wheat last spring in this country, so many millions of bushels long, and then bought it back.

Representative SUMNERS. Tobacco growers have no consumption in this country of what they produce?

Mr. SILVER. I beg your pardon, do you refer to the ones he speaks of?

Representative SUMNERS. These particular tobacco growers have no market in this country for what they produce, there is no domestic consumption?

Mr. SILVER. No; it is not a domestic proposition. I know it is not used in the United States at all. It is wholly produced for foreign markets. [Continuing reading:]

Q. How have prices of other commodities which the farmer has to buy been reduced, in a comparative way to the tobacco which he has to sell?—A. I think the prices of dry goods have been reduced perhaps 25 per cent or 30 per cent, while the tobacco prices have been reduced about 75 per cent. That would about cover it—fully as much as 75 per cent. There has been no reduction in agricultural implements, rather a 20 per cent increase in price.

Q. Then the agricultural implements which the farmer would buy to raise his crops have increased and not been reduced?—A. Increased about 20 per cent.

Q. How much has the cost of labor been reduced?—A. About as much as 30 per cent; a few that much.

Q. What about land values?—A. Well, if we take our land values now as compared with one and two years ago they have gone down 50 per cent. Our lands that would have brought \$100 and \$150 an acre two years ago are reduced about 50 per cent now.

Q. What other agricultural commodities does Graves County produce which farmers sell besides tobacco?—A. Why, many of the farmers don't know it, but Graves County is a large corn-producing county and does ship out and use a great deal of corn.

Q. Has there been a reduction in this commodity?—A. Yes, sir; everything.

Q. What reduction has there been in the price of mules?—A. Well, to illustrate, I have two mules that I was offered \$250 a head for last summer, and I could sell them possibly to-day for \$150 each. I don't know whether I could or not.

Q. What about the value of corn?—A. Corn is very hard to sell at 70 cents a bushel. A year ago it sold for \$2 and \$2.25 a bushel. That's another thing that hurts the farmer so bad. Year before last we had a poor crop in corn and we paid \$10 and \$12 a barrel for corn to make our last year's crop, and we sell that now for \$4 sometimes.

Q. What do you think about the proposition of a cooperative marketing organization for the purpose of disposing of these farm products?—A. I think that's one of the best propositions and one of the most sensible, practicable things I ever heard of.

Q. What is the cause of this big difference in the price that the producer gets for his stuff and the consumer pays for it?—A. It's bound to be a combination of the dealers, and under the Sherman Act is called a restraint of trade. There's somebody between me that grows this stuff and the one who buys it that gets the profits. There is no man that can afford to raise cattle on his farm—it's absolutely at a loss—and sell it at the price he can get for it now. You can't afford to buy meat at 10 cents from the butcher when you can only get 4 cents for a good, fat cow, and it's got to be a good one at that.

Q. What do you think can be done to remedy this condition?—A. That's a great big question and can't be done unless it can be brought under Government control or the enforcement of the laws on the people here at home so the profiteering will be cut down. It is robbing the producer on one hand and the consumer on the other.

Q. Don't you think the principle of this cooperative marketing organization if adopted and adhered to would be a remedy for this situation?—A. I believe it is a remedy that will practically cure all evils the farmer would have. I believe the farmer is going to need more credit in the next 12 months than he ever has needed before. It is going to be impossible for the farmer to pay his taxes next fall. Five out of ten won't have the money to pay the taxes with. I had a man on my farm last year and his half of the crop won't pay my taxes and then I will have to borrow money to pay my taxes. Now, then, the Federal loan system—the Federal land bank—is a salvation of the farmers in this crisis and the only thing. We have to have aid

from the Government and it is the best thing—long-time loans at normal rate of interest. The bank interest is always higher: the great Government of the United States will give you time—on and on for 30 years.

Q. You think, then, the extension of the farm loan bank would now at this time go very far toward relieving possible bankruptcy?—A. Yes, sir; I don't see any other way out.

Q. Do you think the present high freight rates that farmers have to pay affect this complicated condition any?—A. Why, sure. The freight rate is a two-edged sword; it cuts both ways. The freight rates are very unjust. We go to buy any article from our merchants and he transports them to our railroads and he adds to his profits the cost and the railroad freight. It will cost you twice as much to-day to ship a load of cattle to Louisville as it did 12 months ago. These things will help to bring about a crisis. Now, I understand that the Government in taking over these railroads have guaranteed these people 6 per cent above costs of operation. If it would guarantee me 4 per cent I would be glad to get it. The Government don't guarantee the farmer anything.

CAPT. J. T. DAUGHADAY.

This investigation was approved by the following members of the Graves County Farm Bureau, who were present at the meeting:

Geoffrey Morgan, J. E. Virgin, Charlie Charlton, J. C. Osborn, J. M. Mathis, Emmett McGee, C. E. Sanderson, Wm. S. Harris, I. C. Richardson, R. W. Morris, R. L. Knight, W. J. Prince, J. F. Ballard, J. A. Washam, R. B. Carter, D. W. Crittendon, J. E. Evey, J. S. Gray, Joe L. Payne, H. D. Carter, J. E. Breckenridge, D. F. Wade, Jake Sanderson, A. B. Crooks, M. S. Jetton, R. O. Black, A. A. Luther, Henry L. Scott, G. J. Byrd, H. C. Connor, Wm. Miller, J. C. McAlpin, J. M. Brady, T. J. Robb, S. E. Hobbs, J. B. Carrico, J. J. Casey, Edgar Elliott, T. F. Martin, A. J. Legate, W. C. Summerville, Otto Ahlfield, Lee Enoch, H. C. Dowdy, W. D. Perkins, Noah Perkins, T. B. Yandell, V. T. Stokes, J. L. Elliott, W. H. Mack, J. A. Pryor, J. B. Wilson, J. H. Townsend, N. E. Douthit, Bertie Cartwright, W. H. Whitis, A. B. Neale, V. L. Lamm, C. O. Peeler, Emil Peck, J. C. Scott, C. L. Gregory, Jeff Sanderson, S. H. Adams, R. J. Gough, D. W. Alexander, J. T. Colley, R. T. Ligon, H. B. Douthit, C. M. Morris, B. A. McCall, I. K. Grayson, S. F. Harrelson.

Representative SUMNERS. Mr. Silver, have you all that boiled down into a statement, summarized?

Mr. SILVER. No, Mr. Sumners; I did not have this boiled down, owing to the short time in which we had to prepare we could not do it. All of this has just been coming in in every mail, and I have here correspondence from 20 or 30 States, just first-hand statements making the grand jury charge or indictment with regard to the conditions. But we hope to show the conditions as they exist by introducing these first-hand statements from the farmers of the country and having them in this record so they can be studied, so that you can see just what the conditions throughout the country are, namely, that in some places they had money and in other places they could not get money, or, if they did get money, they got it at such a price that it was causing the destruction of their business; getting it at such a high rate that they could not go on. In some places transportation enters into it. At other places transportation does not enter into the proposition. Now, these statements that have come to us from the farmers in different parts of the country show just what hurts in the different communities. These are the things they believe hurt. And these communications, these statements, give us the facts at first-hand. It has not been edited and boiled down or in any way worked over, but these are just the spot cases which we are giving as we go along.

I realize that there is a considerable amount of this, but it seems to me that it is very important.

Representative SUMNERS. I am not raising any question in regard to it at all.

Mr. SILVER. And I know you gentlemen will need this information for your deliberations later on.

I have here a letter from Mr. Roy B. Emens, of Clover Leaf Farm, Holton, Mich., dated July 12, 1921, addressed to the legislative department of the American Farm Bureau Federation, Washington, D. C., in which he says [reading]:

GENTLEMEN: We have a request from the Michigan State farm bureau office to get answers to a questionnaire regarding the conditions of agriculture. Am sorry we have not had this in hand earlier, for we have not had time to get it before our members in this county. However, I have talked with our president, Mr. O. F. Marvin, and the following represents our views, quickly given, which I think would be representative of the members on Muskegon County.

Low prices received for farm produce: We realize that we as farmers can not escape from our just share in the losses of getting back to normal. However, there is an inequality between the products of our labor and that of practically everything we purchase. Our cost of production is still high; cost of implements and other commodities we buy are very high. There is a serious question as to how long farmers in general can take losses, which we are forced to do, without affecting the whole country economically.

Present method of distribution of our products is in most cases very expensive, netting the farmer too little and costing the consumer too much. Not only are the methods of distribution costly but the present high freight rates are prohibitive. What can be done in the freight-rate matter is hard to say, but something must be done. Freight rates will have to be lower or farm produce must sell for more. There can be no doubt but that the cooperative method of handling farm products, under the commodity plan, is the cheapest means of marketing. For of all people the farmer has the greatest interest in knowing that his products reach the market in good condition; in fact, his interest along the line will work toward economical marketing.

Farm credits: There is no question but that in many sections farmers are in a bad way by reason of lack of adequate credit facilities. In many sections the interest rates are terribly high, and in many sections money is almost entirely unavailable. The modern farmer must have adequate credit facilities, and where funds are unavailable from private sources, or rates of interest are too high, it seems that some Federal aid should be given. In this connection, the writer urges that wherever Government farm loan bonds are issued they should not be tax free. I should say this advisedly, for I realize that with other tax free securities it might be hard to move farm loan bonds. However, we must get away from tax free securities of every nature, and I wish action might be taken which would exempt no securities whatever.

Mr. O. F. Marvin suggests that less clerks for public offices, and the old-fashioned 10-hour day would go a long way toward remedying conditions.

I do not know that I have helped the work along a great deal by this letter, but I as I write I wonder if the great mass of people, not engaged in agriculture, understand the problems that the farmer is up against. A basic industry, yet at the present time we are in a bad way, and we are in such a position that we must have governmental aid; at least governmental aid in the way of removing barriers which prevent natural laws from functioning freely.

Respectfully,

R. B. EMENS,

*Secretary-Treasurer Muskegon County Farm Bureau, Michigan.*

I have here a letter from Dr. Bradford Knapp, formerly director of the States Relations Service for the South, and now the director of the Agricultural College of Arkansas, in reply to an inquiry that was sent to him. This letter is addressed to Mr. J. W. Coverdale, secretary, American Farm Bureau Federation, 58 East Washington Street Chicago, Ill., and is as follows [reading]:

DEAR MR. COVERDALE: Absence from the office for three days last week prevented my getting the material out in answer to your circular letter of July 1. I attempted to frame an answer for you last week, but could not find the time to do so. I am sending a copy of this letter to your Chicago office and to your Washington office. I will answer as definitely and as speedily as possible.

(1) *Causes of the present condition of agriculture.*—Lack of buying power on the part of the entire world, including the United States; lack of credit; deflation and enormously reduced consumption. I will comment only on one of these features, and that is the one regarding lack of credit.

In the fall of 1920 rates of interest began to go up. It always seemed to me that the rates of interest should have been made highest on the purely speculative, unnecessary investments, and lowest on the necessary and less speculative investments. This policy would have continued credit to agriculture and withdrawn it from speculative investments and industries, purchase of automobiles, mining stock, etc.

(2) *The cause of the difference between the prices of agricultural products paid to the producer and the ultimate cost to the consumer.*—This is the biggest question you ask. It exists not only in time of peace, but in time of war. It existed before the present condition came upon our farmers, and will exist, unless remedied, after the present condition is finished. In other words, even when we get back to "normalcy" there will be too great a difference between prices paid the farmer and prices paid by consumers unless something is done to remedy this one great and outstanding problem.

The cause of this difference is our wasteful and speculative system of distribution. Seventy to 75 per cent of all farm crops are marketed within four months from harvest time (see reports Bureau of Crop Estimates). They pass then into the hands of persons who hold them for gradual marketing either for profit or for speculation. In any case under the present system the first, and every succeeding buyer, of a farm product, makes his living and his profit by buying at as low a figure as possible and selling on as high a figure as possible; hence, the farmer receives but a small percentage of the amount paid by a consumer for a farm product. Likewise, we say that farming is the only business in the country that purchases at retail and sells at wholesale.

The remedy is to be found in one system, and one system only, and that is cooperative marketing and distribution. Personally, I favor as the only successful plan yet introduced in this country the California cooperative system. The essential features of this system have been adopted by the United States Grain Growers (Inc.) and by the Cotton Growers' Association of Oklahoma, Texas, Mississippi, and other Southern States, now being rapidly associated in the American Cotton Growers' Exchange.

The true object of each one of these associations is not so much to control the production or fix the price as it is to handle the product, sell it by an agency controlled by the farmers, and do everything necessary in the process of distribution by an organization whose intent and purpose is to get what the market will warrant and distribute the proceeds back to the farmer, less the actual cost of transacting the business. This is a very different thing from the present system. Under this system the organization takes the product from the farmer, gets him the best price obtainable on the market, controls the product sufficiently to prevent glutting any particular terminal market, or, in other words, distributes the product intelligently and returns to the grower all the money received for the product less the actual cost of operating the system. The cost of operating would be greatly lessened, because the very object of the association is to decrease the cost. Its principal reason for existence would be constantly to show a lower cost of distribution.

*Cotton.*—To the cotton industry this is an absolute necessity. Sixty per cent of our crop on an average is exported. With no buying power abroad and the enormous reduction in consumption, the cotton farmers have been in very serious distress. The Bureau of Markets has furnished figures, readily obtainable, from which the present condition can be easily understood. Let me quote from an article which I wrote recently some material taken from the public records on the necessity of changing our system of marketing cotton:

"There are many estimates of the actual losses due to bad management of the cotton crop. For example, it has been estimated that the 'country damage' runs as high as \$75,000,000 a year; needless sampling and repacks from waste, \$25,000,000; excessive freight on land and water due to inferior methods of baling and other reasons, \$15,000,000; cost of unnecessary compressing, \$19,000,000; excessive storage and insurance charges due to bad baling and other causes, \$15,000,000; loss from lack of knowledge on the part of the farmer of grade, staple, and market price, \$25,000,000; total, \$171,000,000."

I do not know about some of these estimates, but I am sure there are among the number estimates which are entirely too low.

From Farmers' Bulletin No. 764, published October 31, 1916, I quote the following language: "After cotton is ginned and baled it is often thrown into the gin yard or cotton yard, or perhaps hauled home and left exposed to the weather. The cotton sometimes becomes weather beaten 2 or 3 inches deep on each edge. In order

to ascertain the true grade it is necessary to cut through this plate when the bale is sold. The bands have to be loosened and the outside plates taken off, or the price per pound paid for the whole bale will be influenced by the lower value of the outside plate. In either case an unnecessary loss is sustained. The better protected the cotton has been the easier it is to find a market, and the higher price it should bring. Cotton which has been picked carefully and stored while dry always finds a ready market in normal times, while no one cares to buy weather-beaten or damaged cotton unless it is penalized heavily. It is a well-known fact that buyers must have a larger margin of profit on weather-beaten and damaged cotton on account of the greater risk incurred, as they are not always able to estimate the extent to which it has been damaged and the chances to resell it quickly are not so good, as there is not always a ready market for cotton of this character.

"There is no agricultural product that is so neglected as American cotton. The careless wrapping, the sampling abuses, indifferent storage, and country damage all combine to illustrate in a most striking manner the utter disregard of consequences and the careless indifference which exists in the handling and marketing of this important and valuable crop. In no other case does a farmer care for his product from the time it is planted in the spring until it is harvested in the autumn and then expose it to all kinds of weather and abuse."

"By Bulletin 457, Department of Agriculture, and from more recent data published lately, it is perfectly apparent that the same grade and length of staple of cotton often sells on the same market, on the same day, at very widely differing prices. These prices have varied as high as \$25 a bale when cotton was selling at approximately 12 cents a pound. If the same difference was made on the same market to-day, it would be equal to \$75 to \$100 per bale. Of course, this was an extreme case. Numerous cases running from 3 per cent to 10 per cent or 15 per cent of the total value of the bale have been recorded. I care not whether this results from ignorance of the farmer or the buyer or of both, it is an evil which intelligent men can and should correct.

"On page 13 of this bulletin it was estimated that the losses from bad ginning alone were over \$2,000,000. It was estimated in the same bulletin that selling on a net weight instead of the present system would have made a saving of \$12,852,000 on 7,000,000 bales. The United States Department of Agriculture's studies of primary cotton marketing indicates that practically no premium is paid for grades above middling. On the basis of this investigation they estimated the loss that year as in excess of \$7,500,000 to the farmers through failure to secure premium on higher grades of cotton. The plans of the American Cotton Association contemplate buyer and seller having equal knowledge regarding value, market price, length of staple, and grade.

"By bulletin 775 of the United States Department of Agriculture it appears that 8½ per cent of the entire cotton crop of the year 1915 was sold 'in the seed.' Thirteen per cent of the Arkansas crop was so sold. This amounted to 927,000 bales in the United States, while in 1913 it was estimated that over 1,200,000 bales were sold 'in the seed' in the whole country. It was revealed in this investigation that ginned cotton sells to greater advantage than unginned cotton. On the average the farmer who sells his cotton 'in the seed' is the loser. This difference on the basis of 1913 prices often ran as high as \$10 to \$15 a bale, and yet business interests in some sections of the South use every possible means to hold on to the system of purchasing cotton 'in the seed.' In Oklahoma in 1913-14 the average loss to the farmer who sold his cotton 'in the seed' was \$16.90 a bale on the basis of middling cotton, or more than 20 per cent."

Many of us are working overtime on this problem now. We hope for relief, but Congress needs to authorize the organization of farmers' cooperative associations under a law similar to the one which we have succeeded in putting through in this State, a copy of which is inclosed.

The ridiculous condition of the present system is best shown by a couple of tables I prepared from United States figures, one regarding the price of rice and one on meat, copies of which are inclosed.

Let me suggest that if the Federal Government better coordinated its publications and more fearlessly compared farmers' prices with prices being paid at wholesale and at retail, it would help. Recently I tried an experiment in sending one of these tables inclosed to about 14 or 15 papers. Only one paper out of the lot published this record.

A question that is well worth considering is, Are there not too many retailers? I suggested to the Bureau of the Census some years ago (copy of my letter can be found in files of the department) that the census of 1920 should show us how many retail establishments selling food there were in the United States. My guess is that there is one for every 40 families in the United States. In the city of Washington before the war I figured that there was one establishment selling food at retail for every 25 families.

I can not help thinking that in spite of their denial the retail merchants have blocked conditions by refusing to take the losses that other people have had to take. I don't want to do them an injustice, but that is my observation. That has resulted in labor, still with justice, saying that living conditions are high, and has resulted also in an abnormal profit in the retail business.

A very pertinent inquiry which our farmers are asking is "When are we going to get out of our present condition?" As I pointed out above, we will not get out of it really until we remedy some long-existing evils. However, we can relieve conditions materially whenever the following two conditions come about, namely, whenever farmers produce a crop and sell that crop at a profit and whenever the labor in the world gets back to work—in other words, when the world gets back to even a narrow margin of profit the distressing conditions will commence to be relieved.

*Rice.*—Before I close I should say just a word about rice. The rice farmers of the South are among the best and most progressive farmers in the United States. They have suffered even beyond the cotton farmers. On the average, however, they were in better financial condition, having larger holdings, and therefore have been able to hold on. It is anomalous that we should have millions of bushels of rice begging a market in this country while the Chinese people are starving to death. The table I am sending you shows that until recently at least the retail price of rice has not come down to the same extent that the price to the farmers and the wholesale price has come down. The June issue of the Monthly Labor Review tends to show that the retail price of rice is still coming down, though in the majority of cities the retail price is still above 1913, while the wholesale price is below.

Rice farmers need a cooperative marketing organization with the biggest brains in the United States behind it to work out their problems. We produce the best rice produced in the world, but the crop has never been properly distributed nor have the problems of marketing been thoroughly established.

The other points which your inquiry covered can probably be answered by other people better than by me. My comments upon them would be merely a repetition of what you receive from other sources.

I want to urge very strongly that our Census Bureau and the Bureau of Markets and the Department of Labor get us more accurate information and more closely correlated publications of information on costs and the relative price to the farmers, wholesale prices, and retail prices.

Write this one big fact in the record, the farmers of the United States must be given the privilege and must be encouraged to come to a cooperative plan of marketing and distributing farm products. Cooperative marketing is the surest and best antidote for the present condition, for growing dissatisfaction, and the surest way to prevent the growth of socialism. The present situation will never be solved by organized hatred and cupidity, but only through organized service and unselfishness.

With best wishes for the success of the inquiry and hoping to give you any assistance within my power, I remain,

Yours, very truly,

BRADFORD KNAPP, *Dean and Director.*

I have here a letter from J. E. Ludden, county agricultural agent, Kearney, Nebr., which reads as follows [reading]:

{Cooperative extension work in agriculture and home economics, State of Nebraska.}

JULY 12, 1921.

THE AMERICAN FARM BUREAU FEDERATION,  
Washington, D. C.

DEAR SIR: In compliance with your request of recent date for information, will advise that a meeting of Buffalo County farmers was held Saturday evening, July 9, for the purpose of securing such information as was possible on the questions your commission has asked. The following are the reports turned in at that meeting:

Mr. Guy E. Bearss reported the following on the milling of wheat:

5 bushels wheat make 1 barrel of flour.	
5 bushels wheat make 100 pounds bran and shorts.	
Cost sacks per barrel flour equals.....	\$0.28
Cost sacks per 100 pounds bran and shorts.....	.10
Cost of labor and incidentals.....	.30
Cost of 5 bushels wheat.....	4.50
<b>Total.....</b>	<b>5.18</b>

100 pounds feed is worth 80 cents at eastern points.....	\$0. 80
Net cost of 1 barrel of flour, or 4 48-pound sacks.....	4. 38
Cost of 1 48-pound sack of flour equals.....	1. 10

Mr. W. H. Grassmeyer reported the following on the cost of growing corn:

Cost per acre of corn on land valued at \$125:	
Disking.....	\$0. 66½
Listing.....	. 75
Seed.....	. 75
Cultivation.....	2. 00
Interest.....	10. 00
Taxes.....	. 60
Total.....	14. 76

Average yield per acre equals 30 bushels.  
\$14.76 divided by 30 equals \$0.49 per bushel.

Cost of production.....	. 49
Cost of husking, shelling, and hauling, per bushel.....	. 23
Total cost of production and marketing.....	. 72

He does not give the sale price there, but the sale price is along in the thirties some place. [Continuing reading:]

Mr. J. J. Kline, of Kearney, reported the following on the cost of growing corn:

Cost per acre of corn on land valued at \$160:	
Disking, two times.....	\$1. 00
Listing (single row).....	1. 14
Seed.....	. 29
Cultivation—	
Double row, twice.....	1. 60
Single row, once.....	. 75
Interest.....	12. 80
Taxes.....	. 90
Total.....	18. 48

Average yield per acre equals 33 bushels; \$18.48 divided by 33 equals \$0.56 per bushel.

Cost of production.....	. 56
Cost of husking is 5 cents, board 1 cent, shelling (has own outfit) 3 cents, hauling 5 cents.....	. 14
Total cost of production and marketing.....	. 70

The same market, the same locality. [Continuing reading:]

#### SHORT-TIME LOANS.

1. What rate of interest have farmers in your vicinity paid bankers or others for short-time (three to nine months) loans during the last 12 months?

The rate of interest paid for short-time loans in various parts of Buffalo County are as follows: Riverdale, 7 to 12 per cent; Lowell, 8 per cent; Gibbon, 8½ to 9 per cent; Kearney, 8 per cent. Eight per cent is a good average.

2. Do bankers or others require a bonus when making a loan?

None required.

3. About how much does this bonus amount to on \$1,000?

4. Do farmers have to pay a full year's interest when borrowing for a fraction of a year, say eight to nine months?

No.

5. Do farmers have to carry money on deposit in the banks in order to obtain loans, and how much of each \$1,000 borrowed?

It is the rule to take care of regular customers first. The fellows who are the regular customers have to be satisfied first.

## LONG-TIME LOANS.

1. What rate of interest have farmers in your vicinity paid for long-time loans during the last 12 months?

The usual rate has been 8 per cent, including the bonus charged.

2. Is a bonus required?

The loan companies have accepted applications for loans for 7 per cent, but sufficient bonus charged and the money deducted from the amount of the loan so that it makes a rate of 8 per cent over the period of five years.

In order to borrow \$6,000 and buy land one of necessity must have a good standing.

The question of issuing bonds against farm lands was discussed at length. It was suggested that the cost of issuing individual bonds against a few thousand dollars indebtedness would cost more than the usual loans. It was further suggested that these grouped or pooled so that the cost would not exceed a reasonable rate of interest.

In this locality a 60-day loan is the usual loan. This is of little value to farmers, as it does not allow them to have the money long enough to make use of it. The remedy suggested is that a method be worked out whereby a farmer can secure a reasonable amount of credit on chattels for a long enough period of time to permit him to operate the same way as other lines of businesses operate.

It was the sense of the meeting that the farm loan act should be so changed as to enable a farmer to secure \$25,000 provided it is properly secured and also to work out a credit method whereby a young man of limited capital could begin the business of farming.

The social features of the farms need improvement.

Why is there so low a cost of production and so great a cost to the consumer, and why that cost? Due to profiteering.

What can we do to remedy it?

The United States should do some publicity work to help sell corn in Europe and other foreign countries.

The condition of our corn is so that at certain times of the year it can not be shipped across the ocean because of too much moisture. We should sell but very little corn. Why not use corn for human food when there are millions of people starving for food? Publicity is one of the big things to remedy it.

It was suggested by one man that the Government should secure accurate cost records and establish a price for products and that whenever the selling price is below that, the farmers refrain from selling.

Freight rates were discussed, and with one accord all agreed that freight rates were prohibitive, several instances being cited where farmers had been charged a rate entirely too high. The following are examples: It costs \$280 freight on a carload of barley from Riverdale to Omaha. It cost \$109 from Riverdale to Omaha to ship a load of hogs. Twenty years ago the freight was about \$32.

Notice that is a horizontal increase from \$32 to \$109. [Continuing reading:]

The matter of the development of natural waterways was discussed and all present seemed to be in favor of this development, provided that the control of the same remained within the jurisdiction of the Government. Especially did it seem advisable to have the Mississippi and the Missouri Rivers so developed that ocean liners could make these waterways. You could save money by waterways.

Highways was the next topic to be discussed, and it was suggested that by the development of proper highway facilities and the development of large truck trains freight could be moved quite economically. Mr. J. R. Betts stated that he had moved 30,000 pounds of potatoes on truck and trailer and believed that it was a method of transportation well worth developing.

Most of the farmers reported that no profit was being made, partially due to the high labor costs, in terms of products. For instance, the matter of harvest wages this year compared with last year: In 1920 harvest wages represented approximately 2 bushels of wheat per day, in 1921 the wages were actually 20 cents per hour less but represented 3½ bushels of wheat, showing an actual increase of about 60 per cent based on the amount of products.

Land values were next discussed as a limited factor on profit. All were inclined to think that one of two things must happen—either products must sell for more, or the land values would have to drop back to a lower value than prewar prices.

Trusting that this will have answered some of the questions asked, we are,

Yours, very truly,

J. E. LUDDEN,  
County Agricultural Agent.

I will now read the meeting of Farm Bureau held at Blair, Nebr., the 9th day of July, 1921. [Reading:]

Opening talks as to the purpose of meeting by Chairman C. C. Van Deusen and County Agent C. Olsen.

Q. What is the usual rate of interest for short-time loans in this community?—A. I believe that it is 9 per cent. I don't believe that there are any that are much less than that; I know that it is 9 per cent. I know several that pay 10 per cent, mostly 10, for a period of about three months.

Q. If this is not paid at maturity, do they refuse to renew it at 10 per cent?—A. I have heard of some cases. I know that the bank at Kennard is renewing notes at 8 per cent. They have been making loans for a year at 8 per cent, and some of them if the note is not paid draw interest at the rate of 10 per cent after maturity. The general rate of interest seems to run from 8 to 10 per cent.

Q. What rate of interest have you paid for long-time loans?—A. Six per cent interest and a commission of 3 per cent.

Q. What do you think ought to be charged?—A. At the present time it seems to me that the rate is 6 per cent. The commission on a \$5,000 loan is \$150, which is outrageous.

Question No. 1 of the questionnaire:

Q. Do you favor commodity financing based on bonded warehouse receipts?—A. Mr. President, they tried that, but come to find out we would have to pay 1 cent per month for storing the grain at the elevator. He should also have to take out a high-price bond to do that business. I would like to ask our member of the legislature. Have we got that kind of a law?

A. Yes. I think it would be well for Mr. Miller to state that law.

Mr. MILLER. It provides that you can store your grain on your farm, and it should be inspected. We do not think that it will be a workable law, and since it was demanded by the farmer it was passed. The average farm granary is not the best and as a result the actual value of the grain will be cut down by the inspector. This law might well be worked in the western part of the State where we find grain farming, but here in this section, where we have verified, it will not be of great success.

Q. What is the cost of this inspection?—A. \$5.

Q. Who is the inspector?—A. A man who is appointed in each county. Each county has its local inspector and they then grade the grain. Lack of proper inspection. Supposing you had No. 1, No. 2, or No. 3 grain or whatever it may be. It gives 75 per cent of what the grain is worth; we do not know how far we can go as there was no limit placed in the law. Say you have No. 1 or No. 2 and when you ship your grain you are up against it. It should be so that these warehouse receipts should be respected wherever they were sent.

2. Q. Do you favor live-stock financing based on an adequate pledge of animals and feed?—A. Mr. Jensen, I have fed cattle, and after paying freight, commission, and other charges on cattle that I paid 9 cents for, I received 7.75 cents for the same after feeding them eight months, and that is why they ask for it.

3. Q. Do you favor the development of a personal rural credits system based on proper safeguards? What do they call proper safeguards?—A. Mr. Olsen, I believe that there is no note should be discounted at any national bank unless another with a signer on. That is a guaranty.

4. Q. Do you request that authority be granted the Federal Reserve Board so to classify rediscounts as to give priority to loans for basic production of all kinds?

Mr. JENSEN. I believe that it should, because at the present the farmer can not get credit. I believe that they should have as much chance to borrow money as the business man, and it seems that the merchant can get money at 6 per cent, while the farmer is not able to get it at all, and I think we should have the same.

Vote: Unanimous.

5. Q. Do you favor increasing the limit on Federal land bank mortgage loans from \$10,000 to \$25,000?—A. You take stock at \$10,000 is not sufficient, and that is why they ask \$15,000 addition, making it \$25,000 in place of \$10,000. Ten thousand dollars will not go very far toward the purchase of eastern Nebraska farms.

Vote: Unanimous.

6. Q. Do you favor asking Congress to submit to the Senate a constitutional amendment prohibiting the issuance of all tax-free securities?—A. I have always held that we should have tax on securities.

Mr. MILLER. Why exempt any one class of security? I believe that all classes of securities should be taxed. This includes State, county, and municipal bonds.

7. Q. Are you in favor of continuing the excess-profits tax?

Mr. JENSEN. I have stated that the income tax is, and I believe that this tax should be retained. It is the big tax.

Mr. SPRICK. I hate to take issue with the gentleman, but I think it would come under the surtax, as I understand the Congress now sets income on the gross of your goods. I do not believe that the average farmer would be under this.

A. I do not mean that I will fight this tax. I believe it ought to stand.

Vote: Unanimous.

8. Q. Are you opposed to the enactment of a general sales tax?

Vote: Unanimous against.

9. Q. Will you be able to move a materially larger amount of agricultural products if the American Farm Bureau Federation secures an adequate reduction in freight rates?

Mr. JENSEN. Yes.

A VOICE. In Lincoln they raised the street car fare from 5 to 8 cents, after which people refused to pay this, which resulted in that the cars ran empty the greater part of the time. I feel sure that the railroads would do much more business at 2 cents per mile than they do at the present rate of 3.4 plus the war tax, and that their income would be increased accordingly. Mr. Miller.

A VOICE. I do not think that is good, for we have conditions that we have never had before. We have automobiles that carry people the railroads used to carry, and we have the trucks that carry much freight. I do not believe that they would have greater profit at a lower rate. Mr. Krough.

Mr. J. JENSEN. Now you take the hay proposition last winter. I know many people that shipped hay that did not make enough to pay the freight.

Q. Would we move a greater amount of freight provided the freight rate was lowered?

Vote: Unanimous. (More freight moved.)

10. Q. Do you favor the building of farm-to-market roads prior to the construction of transcontinental highways?—A. I am. I am going to appear before the county board and see if there is nothing to be done in that line, so that all roads will be kept in repair.

A VOICE: I have to go 2 miles out of my way to get to town for the reason that the road is not passable. Mr. Jensen.

Mr. SPRICK. I believe that all roads should be passable. County as well as State roads.

Vote: Unanimous in favor of good roads from farm to market.

11. Q. Do you favor the Great Lakes—St. Lawrence waterway?—A. It is probable that we are vitally interested, for in that way the grain does not have to be handled, twice—once in the grain center and then again at the seaboard. Mr. Sprick.

A VOICE. The people of the State of New York are vitally opposed to this. They must think that it will be of benefit to us.

Mr. OLSEN. Freight per bushel from Chicago to New York is 26 cents per bushel for wheat; by water it is 13 cents.

Vote: Unanimous in favor.

12. Q. Do you favor other waterway development for transportation, reclamation, and power at this time?

Vote: Carried.

13. Q. Do you favor placing the packers under regulation by the Government, and the vesting of such regulation in the Department of Agriculture?

Mr. MILLER. I have always thought that the packer should be regulated. I have read and seen that they make from 37 to 100 per cent, so it seems that there is something wrong. I believe that they should be placed under the regulation of the Department of Justice. Not only the farmer believes this but also the man who buys the stuff.

Mr. SPRICK. This thing has gone so far that some of the bills that have been introduced in Congress the last year which provide for Government control and certain restriction. This should be regulated and within certain limits.

Mr. JENSEN. I am very much like Mr. Miller, for I believe they should be controlled. When I shipped my last cattle I got sore at them, but we got to talking in the office and they showed me by statements that they got only 13 per cent and that our local butcher was the one that made the profit.

Mr. KROUGH. It means that the stockyards should be taken out of the hands of the packers that control them. But the packers ought to be controlled, but whenever that will be I do not know.

A VOICE. Is it not a fact that the stockyards have been taken out of the control of the packers?

Vote: Carried, small opposition.

14. Q. Do you favor legislation making illegal the practice of short selling in agricultural products?—A. You produce the grain. You take what you can get for it. After it is out of your hands, it is sold a number of times before the consumer gets it. But now the question is, do you favor this?

Mr. KROUGH. Does it make any difference if the grain man makes \$1,000,000?

The CHAIRMAN. The question is, Is it the producer or the consumer that stands this loss?

Mr. KROUGH. I think it can manipulate both ways, on both the producer and the consumer. The miller looks over the grain, say, 1,000 bushels, and it is between him and the commission man. The commission man may ask a certain price, but the miller will not pay this and will hold out until he gets it at his price. The farmer will surely be the looser.

Mr. JENSEN. I am of the opinion that the law of supply and demand should govern the price of grain, and there is no reason why grain should rise and fall 7 or 8 cents per day. The farmer sells on a wholesale market and buys on a retail market. Is there any way to reverse this? I think that we should have the same right as the business man or the railroad. We should be allowed to figure goods on our investment.

Mr. H. JENSEN. Suppose that there are several kinds of grains raised. Suppose that they all raised wheat because of the price of wheat. Supply and demand should regulate prices. What would be the result of oversupply? The lowering of prices.

Mr. OLSEN. The law of supply and demand should regulate prices. The farmers need protection in this respect and more things at the actual prices.

I can give figures on raising of an acre of corn on \$200 land. With a fair rate of interest, seed, tools, depreciation on tools and implements, figuring 50 cents per day for board and washing for man, it will cost \$8. Interest and taxes will bring it to \$12 per acre. I figure rent on the \$200 land and \$2 per day for my man, including both board and lodging. These figures also include husking, shelling, and hauling.

Mr. JENSEN. I figure interest at 6 per cent; two months to produce the crop.

Mr. VAN DEUSEN. I think that figure is entirely too low for the actual work figured.

Mr. BUNN. I have never figured the price of producing corn, but I can tell pretty close on wheat. It will cost about \$15 per acre, which does not include interest on investment or taxes. Including these, it will cost about \$25 per acre.

Mr. CARPENTER. It seems to me that it is about \$18 per acre.

Mr. TYSON. \$15 without interest on investment or taxes, about 20 bushels per acre. This does not include the depreciation on machinery. A new binder lasts about three years and costs \$250.

Mr. KROUGH. I figure that you can not produce wheat, considering everything, for much less than \$40 per acre. This includes everything on \$300 land.

Mr. SPRICK. The average for the State of Nebraska for production of wheat seems to be about 15 bushels.

Mr. JENSEN. The only thing that the American farmer is trying to do is to make a fair and just profit.

Mr. STANLEY. It appears to me that the only way that Congress can do anything along these lines is to investigate and find out where the loss comes in and right some things that are wrong. If we can show that it is the great freight rates, and we tell Congress where we stand, we must ask assistance from them. We must ask Congress to regulate the packer. It is to get these things before Congress, if it is freight rates, it is up to them to do it.

We can not regulate the law of supply and demand with the crop this year.

Corn costs to raise per acre, with interest at \$12 and taxes at \$2.50, making a total of \$24 for the raising of an acre of corn.

Wheat, labor, etc.....	\$12.50
Interest on investment.....	12.00
Taxes.....	2.50

27.00

Average yield for wheat is 17 bushels, at \$1. This will mean a loss of \$10 per acre.

Corn at 35 bushels per acre, value 38 cents, total \$13.28. Loss, \$11.28 per acre

Mr. Chairman, I move you that this go on record and be the general average according to the evidence produced here to-night. Mr. Jensen.

Seconded. Vote unanimous.

15. Q. Do you favor the truth-in-fabric legislation?

Vote. Unanimous.

16. Q. Do you favor enabling legislation for cooperative marketing?

Vote. Unanimous.

Mr. Chairman, I move we adjourn. Seconded. Carried.

Here is a letter from Mr. L. R. Snipes, county agricultural agent, Weeping Water, Nebr., to which is attached the report of the representative chosen by the Cass County Farm Bureau Board. It is as follows [reading]:

[Cass County Farm Bureau, affiliated with Nebraska Farm Bureau Federation.]

AMERICAN FARM BUREAU FEDERATION,  
*Chicago, Ill.*

DEAR SIR: The representatives chosen by the Cass County, Nebr., Farm Bureau Board met Saturday, July 9, and are submitting the following report. In figuring the cost for corn and wheat the figures are taken from a landowner on a quarter section of land and his equipment is worth \$2,700, which we depreciated at 10 per cent and from this we arrived at the depreciation of \$1.65 per acre. There were also present a banker, manager of elevator, and three farmers.

Yours,

L. R. SNIPES, *County Agriculturist.*

The report is as follows [reading]:

1. The causes of the present condition of agriculture: Low financial condition is due because the Federal reserve banks stopped loaning money all at once instead of gradually stopping. Also it has too large a surplus which we believe should be used to relieve the situation. The directors of the Federal reserve bank at Kansas City, Mo., were appointed by the board of five in Washington instead of selecting the men which the bankers and farmers suggested as the law said they should. The earnings of the Federal reserve banks in the seven years of operation have never been turned back to the Government. This equals millions of dollars. Last year their profits were 190 per cent for the 12 banks.

2. The cause of the difference between the prices of agricultural products paid to the producer and the ultimate cost to the consumer: Basing our answer from selling price of wheat at \$1 per bushel, and flour \$2.25 a sack. One bushel of wheat at our mills here, the miller will give you 36 pounds of flour; he takes the bran and shorts for his grinding. The cost of a sack of flour is \$1.23, selling price \$2.25, minus the \$1.23, equals \$1.02; the middleman gets this. They get too much.

3. The comparative condition of industries other than agriculture: They are 30 to 50 per cent better off than the farmer, because they still sell above the cost of production.

4. The relation of prices of commodities other than agricultural products to such products: Corn is down to prewar prices, 42 cents per bushel. All machinery still is 100 per cent above. Labor 20 per cent above prewar prices. Assessed land values before the war, \$90 to \$100, now \$150, 33½ per cent higher. Credit facilities are now 100 per cent worse than before the war.

5. The banking and financial resources and credits of the country especially as affecting agricultural credits: They are bad. The bankers say this is due to the short-time credits of the Federal reserve banks. Ninety days is too short time credit to help the farmers. They say the Federal reserve banks should take one-third of their notes for 90 days, one-third for six months, and one-third for nine months.

6. The marketing and transportation facilities of the country: The car shortage is always noticeable when the market is good. The cost of transportation increased 100 per cent. The following figures show corn to Kansas City in 1917, 9 cents per 100; now 17.8 cents per 100. Wheat to Kansas City in 1915, 11 cents per 100; now 21 cents per 100. Corn to Omaha in 1916, 5 cents per 100; now 12 cents per 100. Wheat to Omaha in 1915, 6 cents per 100; now 13 cents per 100.

*Cost per acre of producing corn in Cass County, Nebr., crop of 1921, if we get a 30-bushel yield.*

Cost of seed.....	\$0. 37
Preparing ground and planting.....	2. 00
Cost of cultivation.....	3. 00
Shucking.....	1. 50
Shelling.....	.45
Delivery.....	.75
Depreciation per acre on equipment.....	1. 65
Taxes.....	1. 25
Personal taxes.....	.45
Value of land \$150 per acre, at 6 per cent.....	9. 00
<b>Total.....</b>	<b>20. 42</b>

Representative SUMNERS. And what are the total receipts?

Mr. SILVER. With a total of \$20.42, 30 bushels would average about 70 cents per bushel cost to raise the crop.

Representative SUMNERS. That is for last year.

The CHAIRMAN. This year's.

Mr. SILVER. This is the last crop harvested. Of course it is the last year's crop.

Representative TEN EYCK. The 1920 crop. It could not be this year's crop.

Representative SUMNERS. What is corn bringing in that country now?

Mr. SILVER. Thirty some cents as against a growing cost of 70 cents.

He has the items here for wheat, in the same way, the 1921 crop of wheat. Now of course the wheat was planted last fall, harvested this summer. [Reading:]

*Cost of 1921 crop of wheat as we are selling to-day.*

Cost of seed.....	\$3.00
Cost of plowing.....	2.50
Getting the ground ready.....	1.00
Sowing.....	.75
Cutting.....	1.25
Twine.....	.45
Shocking, labor, and threshing.....	3.00
Threshing, at 7 cents per bushel.....	1.05
Marketing.....	.75
Taxes.....	1.25
Personal taxes.....	.45
Depreciation on equipment.....	1.65
Value of land \$150 per acre, at 6 per cent.....	9.00
Total.....	26.10

With a total of \$26.10, 15 bushels would average about \$1.74 per bushel cost to raise crop.

You will notice that the land values here are about the same. They are not the extreme prices that some one possibly thought about a while ago.

Representative TEN EYCK. How much did they get for it?

Mr. SILVER. You can not get a dollar for it. Between 90 cents and a dollar somewhere. He does not say here, but he would have lost 75 or 80 cents a bushel.

Representative TEN EYCK. Well, how much is flour selling for now?

Mr. SILVER. Do you mean the retail price?

Representative TEN EYCK. Retail.

Mr. SILVER. About \$10.20 a barrel. Five bushels.

Representative TEN EYCK. Five bushels. That would be at the rate of \$2.04 per bushel.

Mr. SILVER. Yes.

Representative TEN EYCK. And it costs how much to raise it, do you say?

Mr. SILVER. It costs \$1.74.

Representative TEN EYCK. \$8.70. Cost \$8.70 per acre to raise a barrel of flour.

Mr. SILVER. Yes.

Representative TEN EYCK. The wheat of that flour costs \$8.70, approximately. Well, there is not a big spread between the cost of the wheat and the sale price of the wheat, but there is a big spread between the sale price of the wheat and the sale price of flour of that particular wheat.

Mr. SILVER. But if you get it in the paper sack, that it is usually sold in, instead of the barrel, that will sell a little bit higher.

Now, here is a communication from Mr. D. C. Vann, farm bureau manager, 127 East Avenue, Rochester, N. Y., Monroe County. This is the agricultural hearing conducted at 127 East Avenue, Rochester, N. Y., by the Monroe County Farm Bureau July 11, 1921. I will read the testimony of R. Bly Martin, West Henrietta, N. Y. [Reading:]

Q. Mr. Martin, are you a farmer?—A. Yes.

Q. Do you make a specialty of any particular crop?—A. Potatoes are my cash crop—main money crop.

Q. Have you kept an account of the cost of production?—A. Well, I do not know as I have kept an accurate account but I know pretty well what it has cost per acre to grow potatoes.

Q. On an average, what did it cost per acre?—A. Last year I think pretty close to \$150 per acre.

Q. What rate per month do you pay for labor?—A. \$65 per month.

Q. What privileges does this include?—A. Tenant house, garden, and milk.

Q. Do you take into account these privileges in addition to the \$65 per month?—A. \$65 case besides these privileges.

Q. This includes your own time?—A. Yes.

Q. Time of all help?—A. Yes.

Q. Does \$150 include interest in your investment?—A. Yes.

Q. What was the price at which you sold last fall?—A. Around \$1.15 for some of them—I sold the bulk for around 30 cents.

Q. You sustained a loss in the transaction?—A. It seemed quite a big loss to me.

Q. This was an exceptional year for the farmer?—A. Yes.

Q. What is the average cost for a period of five years? For production of an acre of potatoes?—A. I would say the average cost would run around \$125. Pretty close to it for the last five years.

Q. This includes the war period?—A. Yes.

Q. You paid high wages then?—A. Yes.

Q. Let us get at a period of five years when wages were what you would call normal.—A. \$110 in normal times.

Q. Average yield about 150 bushels?—A. Yes.

Q. What was the average selling price?—A. Around 60 cents—it would average pretty close to it.

Q. You are doing business at a loss even at that, Mr. Martin; 150 bushels at 60 cents is \$90, and it costs you \$110. This was for the period for the five years before the war, taken as an average?—A. The average for the community.

Q. What do you suggest, Mr. Martin, as a remedy for this condition—conducting your business as a farmer with reference to growing this special crop? At a loss?—A. One suggestion that has occurred to me would be some sort of central supply house here in the city to reduce the difference between the price the farmer gets and the consumer pays.

Q. In other words, to reduce cost of distribution? I suppose it has occurred to you many times that the farmer's business is a gamble. He had to gamble on the weather and he has to gamble on his particular crop. What suggestion would you make to remedy this condition? You can not remedy the weather, of course, but how about growing the crop with a blanket over the man's head?—A. I do not know, I am sure, whether anything could be done in that case or not.

Q. You suggest a central supply house? This is for distribution. What suggestion do you make for the establishment of such a plant?—A. You mean how to establish it? Well, I do not know as I have gone as far as that. I have always thought the farmers could have it if they would get together.

Q. You mean it might be possible?—A. I would not want to say for certain, but the farmers and consumers might get together.

Q. But their interests are antagonistic—the consumer would not be a very great help to the producer.—A. It ought to be a help.

Q. I have always felt that the farmers were afraid of each other. I have attempted several times to get a body of them together but it has seemed they have felt that some one in the group would get a little advantage out of it that they did not enjoy. How is that feeling now?—A. I think that feeling has somewhat passed. My experience has been that they feel they are getting into deep water and do not want to take the responsibility of it.

Q. From your experience, Mr. Martin, what is the difference between the relation of cost of production and the selling price of potatoes, as contrasted between cost of production and selling price of other farm products—say corn or wheat—during this period of five years?—A. Before the war?

Q. Yes; before the war.—A. I think it seems to me there was more money in growing potatoes than in corn before the war—and I would almost say that in case of the wheat.

Q. You are doing business out of pocket all the time?—A. It does seem that way.

Q. How does the net result of growing potatoes compare with that of growing apples?—A. I have not had much experience with apples. But it has always seemed to me that there was more money in fruit than in general farm crops.

Mr. SALISBURY. I met this summer a man who was growing apples, and he said there was three times more money in growing fruit.

Q. In your judgment, Mr. Martin, is the cost of distribution now greater than it should be—and if so, how can it be remedied?—A. Yes; I think that at the present time cost of distribution is higher than it should be. Freight rates are practically eating up farm products. I shipped a carload of potatoes amounting to \$180 and the freight rate was \$147.

Q. Concerning the relation, Mr. Martin, of the selling price of farm products and the buying price of agricultural necessities—what information can you give on that question?—A. Last year the buying price of machinery, fertilizer, and labor was too high and the selling price too low. Previous years I do not know that there was much difference in comparison.

Q. Can you name any instance in the last five years in which the cost of farm necessities which you bought were exorbitant when compared with selling price of your products?—A. Yes; I think the price of farm machinery exorbitant.

Q. What remedy do you suggest for such a condition?—A. I do not know, I am sure; it is a proposition.

Q. What information can you give us as to credit facilities available to the farmer?—

A. They are very poor. I think they are very poor in this section.

Q. Can you suggest any remedy for it?—A. Yes; I think closer unity with some of the bankers of the city. Have some of the farmers in their directors' meetings. It seems to me that the bankers of the city do not take care of their outside interests enough even for their own benefit. I have felt this very strongly during the past few years.

Q. Has there been a limit to the amount you could secure with proper security or by way of loan?—A. Yes; I think there has been a limit in the last few years.

Q. Has it been as easy during this period to obtain a loan on long time as on short time?—A. They prefer the short-time loan.

Q. What rate of interest has been charged?—A. Mostly 8 per cent.

Q. What suggestion have you to make as to the transportation problem as affecting the farmer?—A. I think we should have cheaper transportation.

Q. How do you suggest getting it?—A. It seems to me that the railroads would get enough more trade if they had cheaper freight rates; they would make up for it in the increase of business, particularly from the farmers.

Q. They are evidently working on the theory that whatever the farmer produces he has got to sell, and in order to sell he has to transport it by rail, and therefore is subject to prey by the railroad.—A. When the freight amounts to practically as much as the car of potatoes, I think my potatoes had better rot on the ground.

Mr. SALISBURY. I remember one instance some years ago when there were plenty of stomachs in the east that needed corn, yet the farmers in the west were using it for firewood.

Q. From your observation and knowledge of the farming industry in the community in which you live, what do you say as to the relation of profits and losses in the business, say, during the past year? Whether it has been a losing business?—A. Losing entirely this past year.

Q. Can you suggest a remedy for that?—A. When business gets back to normal and prices of things get back to normal, the remedy will find itself. But when things are all out of proportion with the farm products as they have been and are to-day, I

think we will still have losses. While the buying power of practically one-half the population which is farmers, can not anywhere near compete with other business, I think business will go back.

This is the testimony of Frank Yarker, Charlotte, N. Y. [Reading:]

Q. What is your name?—A. Frank Yarker.

Q. You are a farmer growing fruit in the town of Greece?—A. Yes.

Q. How long in the business?—A. Twenty years and over.

Q. Your specialty is fruit?—A. Fruit, yes.

Q. Some general farming?—A. Yes.

Q. What varieties of fruit do you grow?—A. Apples, peaches, pears, cherries, plums, prunes, and some berries.

Q. Now, take apples; during the last five years what has been the average cost of growing a barrel of apples?—A. Could not tell you.

Q. Approximately?—A. Do not know—would not want to answer that question.

Q. Can you give average cost per unit?—A. Never have kept any separate account. Have always made money on apples until last year—did not make any money last year and had a big crop, too.

Q. Have you thought of a remedy for that condition?—A. Must have cheaper supplies, cheaper storage, and lower freight rates.

Q. How much did you pay for barrels last year?—A. \$1.15 to \$1.40.

Q. Before the war what was the cost—the average cost of a barrel?—A. Anywhere from 38 to 55 cents. I think one year I bought them for 33.

Mr. SALISBURY. I remember buying for 25.

Q. What wages have you paid for farm help, taking an average for the past five years?—A. Last year I paid my men \$25 a week for a 9-hour day. Most farmers are working 16 hours a day against the city man's 8. When we work on the same basis as the city man, 8 hours a day and a half holiday on Saturday, we will begin to make some money. Until that time I don't know.

I think the greatest trouble we have is with the railroad rates and the careless way the railroad company allows their men to handle the stuff. I won't ship fruit any more unless the man I ship it to is responsible and takes the fruit at place of shipment, taking all risk of transit. I will tell you of one instance where I shipped 55 baskets of cherries to Salamanca and when the fruit arrived there they were 20 baskets shy. The car was loaded at Rochester and made no stops until it reached Salamanca. The baskets were all tagged, covers marked and staves marked; but when the fruit was delivered there were only 35 baskets. So I will not ship any way but to have the man accept the express receipt and I expect him to pay me. I will not ship any other way. The fruit is handled too rough. I followed up one or two shipments expressly to see and you would not know your own fruit when it arrives at the other end. Some people knock the commission men, but I think the trouble is mostly due to the careless way in which the fruit is handled.

Q. What remedy do you suggest?—A. I do not know how you are going to remedy while you let them do as they are a mind to.

Q. What do you suggest as a remedy against excess charges?—A. I think they should run their business cheaper. They are paying too high wages, and the head men do not take enough responsibility for it. They are all too busy "passing the buck." In my judgment they pay too high wages to let the men carry sail the way they do. There is too much careless handling and constant pilfering.

Q. Then with the high transportation charges and careless methods of handling, you are doing business out of pocket?—A. I have only put in two claims in all the years I have been doing business. I will not ship stuff unless the fellow at the other end is going to take the express bill and collect.

Q. What is cost production of fruit during the past year compared with selling price?

Mr. SALISBURY. The chief thing some have in view is to do the least possible and get all they can for it.

A. I had a gang of men working for me; but on account of the drought I was caught up and we had no work, and I had to lay them off. I would liked to have kept those men on. I have had a few shirks, however, but I have let them go. I tell them I won't stand for shirking, and when I find them doing that I let them go. I tell them that George Eastman may stand for that sort of thing, but I won't do it.

Q. Have you any other suggestions?—A. There is just one thing. I can not agree with this young man (Mr. Martin) about the banks. I do not think the farmer need have any fear if he will walk up to the bank, tell them who he is, what he wants, and what he is trying to do. He will get all the money he wants and can get security for.

Mr. MARTIN. That may be true in your section, but I have not found it so.

Q. What remedy would you suggest regarding cost of production?—A. My cure-all is "Make it a little scarce."

Q. What remedy would you suggest for excessive cost of transportation?—A. The railroad company should have better business men and they should get more out of their men and should see that the careless methods of handling fruit and stealing stuff are stopped. They should look after their men more. An express messenger who has 50 bushels of peaches put in his care and only 25 are delivered, the company should say to him, "Where is that other 25 bushel?" Make him responsible for it.

Q. What is your observation as to the result of profits and losses on fruit during the past year?—A. Very few farmers have made any money in the year 1920. Business has been conducted at a loss. We must have a fighting organization. We must stand together. We must fight our own battles and take more interest in the political life of this State.

This is the testimony of Clinton Dix, Coldwater, N. Y. [Reading:]

Q. Mr. Dix, what is your first name?—A. Clinton; Clinton Dix is my name.

Q. You are a fruit grower in the town of Gates?—A. Yes.

Q. How would you remedy these troubles?—A. Reduction of freight rates. Freight rates are too high, and everything else is out of proportion to the farmers' stuff at the present time.

I will now read the testimony of Rev. John D. White, of Coldwater, N. Y. [Reading:]

I agree with what Mr. Martin says in regard to the banks. I was brought up in this State and have lived most all my life in this county. I have observed the farmer and I sympathize with him. I agree with you in regard to the banks. The great trouble with country banks is that there are no country banks. They are run on city methods. What the Federal reserve bank will do for the farmer I do not know. The men in the country have to accept short-time loans for the amount they want and it is an inconvenience and unfair. There is no such thing as the country bank as I know it. It is run on city methods and is not fair to the farmer. Farmers who sell their wheat for a dollar only make money selling dollar wheat. The only reason they grow it at all is because they have to have rotation and the only reason that they are able to sell is because their wives and children were compelled to work without getting any return for it. In Brooklyn people pay 10 cents a quart for potatoes and the farmers could not sell them for 10 cents a bushel. I bought a suit of clothes the other day for \$55.85, marked down from \$67. I had 77 fleeces of wool to sell—what would be called pure grade Delaine wool, and I sold it for 20 cents per pound.

Another trouble is caused, I believe, by the employing of men only eight or nine months of the year. The country loses out on that. The high grade man can not be held on the farm by employing him only eight or nine months a year.

Q. How can you remedy that?—A. A real business farmer can find work for a man to do during the other three months.

Mr. MARTIN. I always hire by the year.

Mr. WHITE. The farmer waits until he needs a tool before he gets things in shape. On slack days this work could be done. I think he would gain more by keeping his man the year round.

Q. What about the railroads?—A. I know from inside sources that the railroads do not want your business at the present time. Rates will not be reduced. They are after the bonus which they are expecting from the Government. There is no reason why the Government with a lot of business men back of them could not run the railroads just as well as they run the Post Office Department.

Another thing, the farmers are beginning to keep books. The farmers in the past have not kept books—not very many of them are doing so now. It is a good thing to keep tab on his real outlay, reckoning in among the profits to be made the work of his wife and children. The farmer is the only business man who does not set a price on his own product. The farmer is not allowed to set a price on his product.

Q. Have you felt any difference in the condition of the economic situation around your community this year from what it has been during the past two or three years?—A. Do not think any of our men have made money. Some of our biggest men have gone back.

Q. You feel that this past year was a tight situation so far as money was concerned?—A. Yes.

Mr. MARTIN. This is the first year I have bought no fertilizer. Simply could not afford to do it.

Mr. WHITE. The farmers have got to stand together. If you can get them into an organization the gain is entirely theirs. But the politician is very wily, and if he can drive a wedge into a group of farmers he will do it. I believe that the farmers have been too easily led by the politicians. I know that a great many farmers in the country are supporting their party and are voting for their party as an idea.

Mr. MARTIN. When the price of potatoes was going down, car after car of potatoes was turned down after they had been sold at a higher price by the commission men.

Mr. WHITE. The cost of living has come out of the farmer.

Mr. MARTIN. The farmer has been knocked and his business has been knocked right into the ground.

And the testimony of George W. Dunn, Webster, N. Y. [Reading:]

Q. Mr. Dunn, you are a farmer?—A. Yes.

Q. How long have you been in the business?—A. Born in '59 and always lived on a farm.

Q. What varieties of fruit do you grow?—A. Apples, pears, and grapes.

Q. Some general farming?—A. Principally fruit.

Q. Were any of your varieties of fruit produced at a profit last year?—A. Yes.

Q. What varieties?—A. Grapes and pears.

Q. How about apples?—A. Apples about even—made a little on them. On some varieties which we kept in storage we did quite well.

Q. Have you any suggestions to make on any of the questions which have been brought up?—A. I believe they are all right.

Q. Do you believe the consumer should know what the producer is getting?—A. I believe he should.

Q. What can you tell us on the banking question?—A. I will say from personal experience that they do not like to bother with the small loan. If you have anything large enough to be worth while, they are anxious.

Q. Is the short-term loan preferred?—A. There is a difference in every locality. Rochester is a large city and a banking center and the Rochester banks intend and expect that the local banks are going to take care of local business.

Q. Have you any suggestions to make on the testimony given?—A. In most cases I agree with what the men have said.

Mr. KENYON. I think the whole trouble has been with the freight situation and cost of packages in the fruit problem. Prices have been way out of proportion. Freight rates have been so high that we could not market if we wanted to. The men are standing round doing nothing. Inefficiency in the railroads is the greatest trouble.

Mr. MARTIN. I think credit facilities are somewhat better in the fruit section. Fruit men can obtain credit better than other farmers. Credit facilities are very poor.

Mr. KENYON. The fruit business has a bad outlook. I think we should go on record as favoring the cooperative marketing bill. In regard to the banking situation, in my home town they are very liberal. They will allow credit to the extent of a man's responsibility.

Mr. McEWEN. Regarding the cost of growing apples in 1920, without including the risk charge, the cost per barrel on seven western New York farms was \$3.70 and on 39 Hudson Valley farms, \$4.50.

According to the estimate of 261 western New York growers, Baldwin apples, grade A, including the barrel, averaged \$6.63 in order to cover cost and leave a reasonable profit. This was the estimate made on August 1, 1920. I sold apples at \$5 for grade A and \$4 for grade B after paying 60 cents storage and \$1.25 for the barrel. Mr. Bush, of Morton, let 2,000 barrels go to waste. On every barrel he packed he was going in the hole. We did not lose a cider apple. We cleaned up everything. I had a profit because I had to pay an income tax.

Mr. YARKER. In my judgment with the cost of barrels so high, storage so high and labor so high, you could not make any money. The combination was against you.

Mr. McEWEN. Freight rates are prohibitive and the fruit handled in a careless manner.

Mr. YARKER. Then there is the careless way of icing. The railroad company should know whether a car is iced or not.

Mr. DUNN. We have talked of establishing an icing plant and icing our own cars. Due to the dishonesty of the employees, we can not now tell whether a car is iced or not.

The testimony of Mr. McIntosh, Churchville, N. Y. [Reading:]

Q. Have you any suggestion to make, Mr. McIntosh?—A. There seems to be a unanimity of opinion that when there were any losses to be had the farmer must not

be lost sight of at that time. They are all willing to pass the loss over to the farmer. I think some sort of machinery for establishing credit to the farmers is very essential. The farmer at the present time can not get a long-term loan. The 90-day loan does not give him time to dispose of his crop. It makes him more expense and you have to pay Government tax every time you renew a note and you have to discount it at the bank in 90 days. I think there should be some arrangement whereby the farmer could get loans for nine months or a year. It would help the credit situation.

Resolution was framed by Mr. Kenyon and adopted by the other members present, as follows:

"Resolved, That we go on record as being in favor of the passage of the Federal cooperative marketing bill."

Mr. Salisbury suggested getting the farmers side of the situation before the public through the press, but it was pointed out that it was almost impossible to get anything into the papers even when they paid for the article. It was stated that the editors of most papers took a decided stand against the farmer. Mr. Dunn stated that it was almost impossible to get an article into the paper as you wanted it, that so much was cut out that it was practically no good. It is almost impossible to get the farmers' side of the question before the public. The American farmer must speak up. The American farmer produces more food than any other farmer in the world.

Mr. YARKER. The dairyman is getting no price for his milk.

I am in favor of a universal 10-hour day for both the city man and the farmer. I did not make any money in 1920 and I do not believe any farmer made money in 1920.

Mr. McINTOSH. The farmers do not have money in their hands this year. Never since I have known anything about farming have the farmers had so little ready money as they have this year. Although they have property they are hard up for ready cash. Farmers have not for the last several years been putting back into their farms a normal amount, enough to keep up cost of replacement, tools, harnesses etc. Fences have been practically neglected the past few years. At the present time the farmers are not buying any more than they actually have to. These things stand out as a pretty good indication of the economic condition that the farmer is in at the present time.

Q. What effect do you believe this condition is going to have on farm products unless some change takes place?

Mr. DUNN. Less production.

Mr. WHITE. They are only going to do what they actually have to.

Mr. DIX. It is a fact that they are going to cut expenses wherever possible. Produce cheaper rather than produce more.

Mr. SALISBURY. Farmers of my acquaintance are cutting as closely as possible.

Mr. MARTIN. It is a good business policy to cut down on fertilizer.

Q. That will ultimately mean a decrease in food production?

Mr. YARKER. Absolutely. Packages are so high we can do nothing.

Mr. KENYON. I say so.

Mr. McEWEN. Freight rates are exorbitant. Shipped a car from Lyell Avenue, to Barnard, N. Y., a distance of 7 miles, and it cost \$89 per car. We have, however, succeeded in getting the rate reduced from \$2 to 80 cents per ton.

Mr. McINTOSH. Thirteen tons of cabbage selling for \$169 in Louisville, Ky., had a freight charge of \$137.

Mr. WHITE. I know of an instance where a man had less than 1½ tons of freight which he wanted shipped from Coldwater to Montana, and the freight charge was \$127.

I will read the proceedings at a hearing at Seaford, Sussex County, Del., Friday evening, July 8, 1921, at which Mr. Robert G. Houston, of Georgetown, Del., interrogated Mr. Thomas N. Rawlins, of Seaford, Del., treasurer of the Seaford Produce Growers' Association, and a large landowner, as follows. [Reading:]

Mr. HOUSTON. What is the present condition of agriculture?

Mr. RAWLINS. The things we find right here is that all farmers are having a great problem to meet expenses.

Mr. HOUSTON. What is the cause of that condition?

Mr. RAWLINS. The crops they are growing are not paying the expenses of production and marketing. The farmers are getting 10 bushels of wheat to the acre and some less than that.

Mr. HOUSTON. What, in your opinion, is the cause of the present low prices?

Mr. RAWLINS. The high pressure of war conditions stimulate production. The labor conditions at the present time have very much to do with it because so many people are out of employment, and the cost of transportation.

Mr. HOUSTON. In what way.

Mr. RAWLINS. The low price of commodities.

Mr. HOUSTON. How is the price of potatoes this year compared with last year?

Mr. RAWLINS. We have not been marketing potatoes this year, but it is a very small fraction of last year's price.

Mr. HOUSTON. How is the price of wheat this year compared with last year?

Mr. RAWLINS. It was \$2.25 last year. This year \$1.06.

Mr. HOUSTON. Is it a fact that a good bit of last year's crop of late potatoes were not marketed?

Mr. RAWLINS. They were not.

Mr. HOUSTON. Why were they not marketed?

Mr. RAWLINS. They would not pay for marketing.

Mr. HOUSTON. In your opinion, is the cause of overproduction a case where the supply exceeds the demand that accounts for present low price of products?

Mr. RAWLINS. The price that the consumer has to pay has not reduced.

Mr. HOUSTON. What is the cause of the difference in the cost and the price received for produce?

Mr. RAWLINS. Cost of transportation, and if we could shorten the road from the producer to the consumer there would be a larger market for the products that we have.

Mr. HOUSTON. How could that condition be improved in your opinion?

Mr. RAWLINS. As I have said before, if we could shorten the road from the producer to the consumer.

Mr. HOUSTON. In your opinion should Congress encourage organization among the farmers for cooperative marketing?

Mr. RAWLINS. I certainly do believe it would be to the interest of the farmer and consumer.

Mr. HOUSTON. What is the financial condition of the farmers, generally speaking, at the present time?

Mr. RAWLINS. The farmers are short of cash.

Mr. HOUSTON. Do you know whether or not they are having any trouble securing sufficient credit?

Mr. RAWLINS. I do not know, but I know that many farmers are delaying the payment of bills because they haven't the money. They hesitate to use the bank.

Mr. HOUSTON. Is the condition such that it would justify Congress to loan Government money to farmers on a basis of a long time credit, or on basis of crop credit?

Mr. RAWLINS. They should afford relief. If the farmer can get the same credit on his warehouse receipts, no injustice should be done to anybody.

Mr. HOUSTON. Then you would be in favor of extending loans on warehouse receipts?

Mr. RAWLINS. I certainly would.

Mr. HOUSTON. In your opinion, Mr. Rawlins, would such laws be a source of danger in that it might encourage over-production or encourage the farmer to extend credit more than necessary?

Mr. RAWLINS. Safeguards are needed when credit is given.

Mr. HOUSTON. Would you be in favor of raising the farm loan from 50 per cent to a higher per cent?

Mr. RAWLINS. Yes. About 65 per cent.

Mr. HOUSTON. The present maximum loan is \$10,000. Would you be in favor of raising it to \$25,000?

Mr. RAWLINS. Yes.

Mr. Houston asked the following questions of Mr. B. B. Bowden, a farmer and lumber dealer, of Seaford, Del. [Reading:]

Mr. HOUSTON. What is your opinion of the cause of the present low prices of farm products?

Mr. BOWDEN. It must be too much stuff coming back on the market and that so many people are out of employment. I sold potatoes at \$1.50 and the first thing I knew I could not give them away. Raised 1,000 baskets of late potatoes and could not sell them or give them away.

Mr. HOUSTON. What is your general knowledge of the present stress among the farmers?

Mr. BOWDEN. Money is very scarce with them.

Mr. HOUSTON. Does there seem to be a general necessity among the farmers to extend their credit?

Mr. BOWDEN. So far as I know the banks have been very lenient with the farmers. Cash seems to be pretty scarce among the farmers.

Mr. HOUSTON. Is the cost of the crop now maturing greater than the amount you will receive in market?

Mr. BOWDEN. I should say it is. On account of weather conditions some things are a failure. Strawberries and asparagus paid well.

Mr. HOUSTON. Why, in your opinion, did asparagus and strawberries bring a good price?

Mr. BOWDEN. It was a long dry season on asparagus and strawberries were not grown extensively.

Mr. HOUSTON. Have the prices of other industries fallen in price compared with farm products?

Mr. BOWDEN. I should say not.

Mr. HOUSTON. How is the price of machinery compared with farm products?

Mr. BOWDEN. The price has not dropped very much. They gave us 10 per cent.

Mr. HOUSTON. How many bushels of wheat did it take to buy a self-binder last year?

Mr. BOWDEN. About 70 or 80 bushels.

Mr. HOUSTON. How many bushels this year?

Mr. BOWDEN. About 225 bushels.

Mr. HOUSTON. Why do you suppose the farm machinery has not fallen in price as much as farm products?

Mr. BOWDEN. We are compelled to sell our crops, and they are not.

Mr. HOUSTON. How does the price of other products—for instance, baskets and crates the farmers buy—compare with farm products that have fallen?

Mr. BOWDEN. Higher in price.

Mr. HOUSTON. To what extent does the price of labor enter into that?

Mr. BOWDEN. They throw off one-fourth.

Mr. HOUSTON. How does the price of labor compare with former prices?

Mr. BOWDEN. It is not so very much lower. Two-thirds of the amount.

Mr. HOUSTON. How does the price of lumber compare with farm products?

Mr. BOWDEN. Lumber is not much over one-half compared with last year.

Mr. HOUSTON. In your opinion is the necessity of farmers so great that the Government should take some action that would bring about the loaning of Government money?

Mr. BOWDEN. If they are ever going to help, they should help us now for we are the backbone of the whole thing. I think it is important to relieve the farmer before he gets broke up.

Mr. Houston asked the following questions of Mr. S. E. Staples, farmer, of Bridgeville, Del. [Reading:]

Mr. HOUSTON. What is the cause of the present condition of agriculture and what do you think would remedy the situation?

Mr. STAPLES. Overproduction, too high wages and salaries in certain lines. It all hinges on transportation.

Mr. HOUSTON. Is the present supply and demand entirely natural in your opinion?

Mr. STAPLES. Yes.

Mr. HOUSTON. What is the cause of the overproduction?

Mr. STAPLES. The desire of the farmer to make money

Mr. HOUSTON. Would organization solve the problem?

Mr. STAPLES. No.

Mr. HOUSTON. Why not?

Mr. STAPLES. If organization reaches 100 per cent efficiency then it must control the acreage of each farmer. In other words, cut down the production.

Mr. HOUSTON. What is the financial condition of the farmer, generally speaking?

Mr. STAPLES. Have lost money for the last two years.

Mr. HOUSTON. Do you believe the need is such that it would justify the Government extending relief by some kind of legislation?

Mr. STAPLES. When you speak of bonded warehouse receipts I think that would be a perfectly justifiable business.

Mr. HOUSTON. How about live-stock loans?

Mr. STAPLES. I don't approve of live-stock loans.

Mr. HOUSTON. Why not?

Mr. STAPLES. I see no reason why the Government should assume risks which have not been profitable to national banks.

Mr. HOUSTON. What do you think of the farm loan bank act?

Mr. STAPLES. Don't approve of it.

Mr. Houston asked the following questions of Mr. W. H. Miller, Seaford, Del., railroad agent. [Reading:]

Mr. HOUSTON. What in your opinion is the cause of low prices?

Mr. MILLER. As I see it the cause of the low prices is the fact that the people are living from hand to mouth. Business men tell me they can not get orders unless they have got a place to put the goods. We will wake up one of these days to the fact that we have got very little. I have been brought up to believe production meant wealth. I believe the world is impoverished and we will need everything the country can produce.

Mr. HOUSTON. What is the present financial condition of the farmer as compared with prewar times?

Mr. MILLER. There are farmers now short of money and there are some farmers, I believe, that have made some money.

The question of transportation I am interested in. I heard you talk of the present prices of wheat and I heard that the cost of transportation was a detriment to the farmer. Our freight rates are based on mileage and not on the article. We charge the same on all articles. The present rate of freight I believe is 14½ cents a hundred pounds. Then we have actually increased the rate 3 cents per bushel on wheat, so I feel that our rates have not been exorbitant. The rate on a carload of cantaloupes, the minimum, 35½ cents a hundred pounds. On watermelons, 24 cents a hundred pounds. Prices of freight rates on watermelons and cantaloupes, 40 per cent higher than prewar freight rates.

Mr. HOUSTON. How does the amount of shipments of agricultural products out of Seaford at the present time compare with normal times?

Mr. MILLER. On a tonnage basis we are just about shipping our normal amount of commodities of all kinds at this time.

The following questions were asked by Mr. Houston of Mr. George Eddy, of Seaford, Del., who is in the fertilizer business. [Reading:]

Mr. HOUSTON. What do you think about the farm conditions?

Mr. EDDY. At present they are not very encouraging.

Mr. HOUSTON. What is the trouble?

Mr. EDDY. The weather conditions have a great deal to do with it. While we have not marketed many crops, yet some of them have paid and some of them have not. If people will stick together, they will come out. People can not expect to make money like they did years ago.

Mr. HOUSTON. Is the financial condition so serious in your opinion as to justify the Government to extend credit?

Mr. EDDY. I don't look upon it in that way.

Mr. HOUSTON. Was there much purchase of farm lands in your community at high prices?

Mr. EDDY. I don't know that you can say very much.

The following questions were asked by Mr. Houston of Lee Morris, of Federalsburg, farmer. [Reading:]

Mr. HOUSTON. How is the condition in your neighborhood?

Mr. MORRIS. Not very good. Crops are poor, phosphate bills are high, labor getting to be plentiful, but very common.

Mr. HOUSTON. Is the financial condition among the farmers serious?

Mr. MORRIS. I think so. A number of young men bought farms at big prices during the war. A young man offered \$25,000 for a farm last year and he did not buy, and this year he bought it at sheriff's sale at \$13,200.

Mr. HOUSTON. Do you think the condition is such that it is necessary the Government extend a measure of relief?

Mr. MORRIS. It looks so to me. If the farmers don't deposit a little money the banks will not have it to lend.

Mr. HOUSTON. Do you think that the maximum loan of the Government should be increased?

Mr. MORRIS. A little larger.

And the following questions were asked by Mr. Houston of Mr. G. M. Huston, of Seaford, Del., manager of the Delaware Trust Co. [Reading:]

Mr. HOUSTON. How is the financial condition of farmers in your community?

Mr. HUSTON. It is pretty bad in some cases.

Mr. HOUSTON. How are they taking care of the notes?

Mr. HUSTON. Very slowly. Our banks are encouraging payments, but of course the farmers can not make much of a headway yet. I notice lots and lots of notes coming into the bank for collection, while we did not have so many in the past.

Mr. HOUSTON. Has the low price of farm products affected the deposits to any extent?

Mr. HUSTON. I believe it has.

Mr. HOUSTON. Is the condition among farmers such that your local institution could not take care of them to tide them over?

Mr. HUSTON. Just at this time I don't see but what they can take care of them. If the demand should be very much greater, I don't believe the banks could take care of them.

The Delaware Trust Co. is one of 10 branches of the Delaware Trust Co. in the State of Delaware, the parent bank being located at Wilmington, Del.

Mr. HOUSTON. If you had been merely a local bank, would you have been able to extend credit to the extent you have?

Mr. HUSTON. Would have had to stop long ago.

Respectfully submitted.

ROBERT J. HEEMS,  
*President Sussex County Farm Bureau.*  
JOHN C. GREEN,  
*Secretary Sussex County Farm Bureau.*

The CHAIRMAN. The commission will stand in recess until to-morrow morning at 10 o'clock.

(Thereupon, at 4.45 p. m., Friday, July 15, 1921, an adjournment was taken until Saturday, July 16, 1921, at 10 o'clock a. m.)

# AGRICULTURAL INQUIRY.

SATURDAY, JULY 16, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
Washington, D. C.

The joint commission met, pursuant to adjournment on yesterday, at 10 o'clock a. m., in the caucus room, House of Representatives, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order.

## STATEMENT OF GRAY SILVER—(Resumed).

Mr. SILVER. Mr. Chairman and gentlemen of the committee, I have labored long and hard, and I have reduced my pile of correspondence and data to a very small one of actual cost accounting records, but in order to get it fully before the committee and before those who will study the committee's report, I want to have a statement made that will show you just the basis and just the system on which this cost accounting was done. I was asked a question that I could not answer, but I have with me this morning a gentleman from Iowa who has charge of this work in Iowa, and I am going to ask Mr. Cunningham to explain to you their process in this cost accounting, and you may ask him any questions that you may care to and he will endeavor to answer you, and I would like to offer for the record here some cost-accounting figures. And I may have something else to say to you aside from that.

## STATEMENT OF MR. E. H. CUNNINGHAM, SECRETARY IOWA FARM BUREAU FEDERATION, CRESCO, IOWA.

The CHAIRMAN. Mr. Cunningham, will you give your name and address and your business to the stenographer?

Mr. CUNNINGHAM. E. H. Cunningham, Cresco, Iowa. My business is farming. I am also secretary of the Iowa Farm Bureau Federation.

Representative FUNK. How many members have you, approximately?

Mr. CUNNINGHAM. We have approximately 128,000 members in Iowa, Mr. Funk. Now those are approximate figures, gentlemen. I can not give them to you exactly. The membership comes and goes just a little. It might be of interest to you gentlemen to know that with all the depression we have now and all the hard times in the country, that 1921 shows less than one-half per cent of cancellations in the Iowa Farm Bureau membership.

Now, gentlemen, in coming before you I probably owe you somewhat of an apology. I do not come here to make any definite statement as to what is going to cure all our troubles. Mr. Silver has asked me to come over here, and I am assuming he is going to submit to you something in regard to the cost of production as we find it out in Iowa.

We carried on the work of ascertaining the cost of production of grains in Iowa through the Iowa Farm Bureau Federation. Now I am here on other business, and I do not have that data with me. I think possibly Mr. Silver has some of our data. It is in the Agricultural Department down here. It has been called for by several States, and as yet we have not found any one that is willing to come out in the open and controvert the accuracy of the figures.

Now, I merely want to make a statement to you, just briefly, as to how we arrived at that cost of production. In the first place, the Iowa Farm Bureau Federation, through its marketing committee, directed the Secretary to set up a system of cost accounting in Iowa and ascertain as nearly as possible what it costs to produce crops in Iowa, corn, wheat, and oats, our principal grain crops. Mighty little barley is grown. Iowa's crop is wheat, corn, and oats. We started out with the work under the supervision of the farm management department of the Iowa State College. They attended to the technical work, furnished us the technical men to handle this work, and we paid the bill and generally supervised what they were doing, of course. We allowed them as specialists to carry on the work.

We established in two counties a block of 30 farms. We opened up as complete a set of books as was possible for an expert to make on those 30 farms. We hired a man and supplied him with an automobile, and his duty is to make the rounds of those farms.

The CHAIRMAN. Let me ask you there: Do you mean that you gave each farmer a set of books?

Mr. CUNNINGHAM. Yes, sir; we placed them on his farm; they were his books. We required this man to make the rounds in his automobile and enter up every item of credit or debit that actually goes into the operation of that plant, the conduct of that business there. We did this because, as you gentlemen know, and so do I, it is pretty hard to get a hard-headed farmer, after he has been working all day out in the field, when he comes home to pay particular attention to a matter of that kind, of bookkeeping, to get down to brass tacks on what he is doing and what the costs are, and so on. So we hired this man to go around and enter up the items of credit and debit that go into the conduct of this business. And last year we had a block of 30 farms. This year we are carrying on this same work on 60 farms in different parts of the State.

In addition to that we circulated 25,000 project cost accounts. We sent them to the county agents, and I sought to put them in the hands of farmers that would agree to keep a cost account on what we call a project; for instance, on his field of corn, not on the whole farm, but simply on the one thing, on the field of corn, or on the field of wheat, or the dairy herd, or his hogs, and so on. We put out a number of those project accounts, as we call them, thousands of them. And after the harvesting of the grain we started men out through the State, and we selected over the State of Iowa, in five different corners, sections of the State, the northwest, the northeast,

the southeast, and the southwest, and in the center of the State, a block of farms. We selected counties which were typical of that area, you understand. We sent out men into those counties. They would go to a county seat, and would start out in the morning, going right down this road here. Nobody knew where they were or that they were coming. They would go along a road and drop a man at the first farm, and another at the second farm, and another at the third farm. Then he would take his automobile and pick up the men and repeat the process, and they would go down the road and inquire from the farmers along the road the cost accounts. And, you understand, this was just his estimates, or the figures he happened to have.

The CHAIRMAN. Cost accounts for how long a period? During that entire season?

Mr. CUNNINGHAM. During the entire season, yes; for the production of any crop.

The CHAIRMAN. You adopted, as I understand, two methods. One is the survey method and the other one is this intensive method?

Mr. CUNNINGHAM. Yes.

The CHAIRMAN. In the survey method you got your information from questions asked from the farmer at the end of the season?

Mr. CUNNINGHAM. Yes.

The CHAIRMAN. From his own records?

Mr. CUNNINGHAM. Yes.

The CHAIRMAN. Whether they are complete or incomplete?

Mr. CUNNINGHAM. Yes, sir; the farmer's estimates.

The CHAIRMAN. You get it as far as you can from the farmer, from his own records?

Mr. CUNNINGHAM. Yes; from the actual farmer.

The CHAIRMAN. For whatever it may be worth?

Mr. CUNNINGHAM. Yes.

Representative SUMNERS. Just one minute before you proceed. Did these men whom you dropped off from the automobiles visit the men to whom you had in advance sent out the blanks?

Mr. CUNNINGHAM. These men in the automobiles were from the extension department of the college, and they knew nothing about where these cost account records were, and as a matter of fact we did not. We put them in the hands of the county agents, and they put them in the hands of the farmers.

Representative SUMNERS. What I am trying to find out is this: Did these men whom you dropped off along the road visit the farmers whom you had asked in advance to keep the accounts?

Mr. CUNNINGHAM. They might have run into farmers whom we had asked in advance to keep accounts, but they were not sent direct to them. They took them down the road, and they were dropped off at the various farms along the road, and they visited all the farmers, either owners, tenants, joint owners and tenants, no matter who. They visited each farmer as they went along. They wanted to get the consensus of opinion, the general opinion of the farmers, as to the cost of producing their crops. And then we had the three systems, and out of those they have worked an average cost of production, and that cost of production will come to you probably through Mr. Silver, and it will show you in addition to the cost of production a figure on the land value and every item of

expense. It will show you the cost of production on those crops, gentlemen, laying aside any land values, the actual cost of producing that crop, not considering any land values in it. Those figures will show you that.

The CHAIRMAN. You mean the actual cash outlay and labor?

Mr. CUNNINGHAM. Yes, sir; by the hour.

Representative MILLS. Have you got a copy of the blank you sent out?

Mr. CUNNINGHAM. No; I did not come prepared, gentlemen. I was not expecting to come in here. I am wholly unprepared to come before you gentlemen and substantiate that thing, although in Iowa, of course, I could get those things.

Representative TEN Eyck. You can substantiate them to this extent, that you can send some of those reports on to this committee if they so desire?

Mr. CUNNINGHAM. Yes; I think Mr. Silver has a great many of those reports in his possession, reports that have come from our office, undoubtedly, but I did not come before this committee prepared on this matter. I am just appearing here on the spur of the moment, giving you our experience or trying to tell you how we went at that, so that when the figures do come before you gentlemen you will have some first-hand knowledge as to how we got at it, as to how we arrived at those figures over there. We were driven to this by the fact that when we went out for the purpose of getting information of this kind, endeavoring to get figures and information in regard to the cost of production, we were not successful. We could not get the figures. You know how it is, Mr. Chairman. We did not have them, and the average farmer did not have them.

Now, gentlemen, I don't know just exactly how you want your information to come on this matter, but while I am on my feet, if you will pardon me a minute, I want to call another little matter to the attention of this committee. We have out in Iowa what we call farm bureau day at the State fair. We have a pretty good State fair out there. It is the second best in the country. The first is the one in the State you live in, of course, Mr. Chairman. Now, then, gentlemen, on farm bureau day out in that State our farmers gather together in large numbers. I want to extend an invitation, Mr. Anderson, to you and your committee, or a sub-committee of this committee, to come to Iowa on farm bureau day and talk with ten or twenty thousand real Iowa farmers, call them up before you and ask them as to the conditions, what the situation is, and find out about it at first hand. It would be a great pleasure for us to have the opportunity of welcoming you over in Iowa and entertaining you as our guests over there, and I know that the farmers would appreciate it greatly, and I am sure, gentlemen, you would pick up some information that would be valuable to the Congress of the United States. It is hard, gentlemen, for the people of the eastern part of the country to understand this problem and figure out why it is that a farmer out in the Middle West has not been making money when hogs have been selling at such high prices.

Representative SUMNERS. I want to ask you a question, because I am not clear in my mind as to just how you arrived at your averages.

Mr. CUNNINGHAM. Yes.

Representative SUMNERS. I can appreciate the value, the special value, which would come from the averages which you have taken from that block of farms, by groups, I believe you say, located in different sections of the State, which are representative sections.

Mr. CUNNINGHAM. Three hundred and thirty-seven farms, to be exact.

Representative SUMNERS. Now, if you have blended with those figures these cornfield estimates of the farmers who have been called upon by the men who went out in the automobile, stopping at the farm and asking the farmer what it cost him to raise his crop, I would be of opinion that your estimates would perhaps not be dependable to the degree that they would be dependable if you had taken estimates from that group of farms where you had books kept during the progress of the cultivation of the crop, and kept under the supervision of an expert who would stimulate them to keep the books right.

Mr. CUNNINGHAM. Yes; I think you are right.

The CHAIRMAN. Let me ask you in that connection: The figures that you get by one method are not averaged up with the figures that you get by another one, as I understand it?

Mr. CUNNINGHAM. No, sir.

The CHAIRMAN. The figures that you get by one method stand on their own feet?

Mr. CUNNINGHAM. Yes.

The CHAIRMAN. The figures that you get by the other method stand on their own feet?

Mr. CUNNINGHAM. Absolutely.

The CHAIRMAN. One of them sort of checks against the other?

Mr. CUNNINGHAM. Yes.

The CHAIRMAN. Obviously, the figures of the greatest value are the figures that are obtained from the records that are kept more or less coincidentally with the incurring of the expense or the doing of the work, etc.

Mr. CUNNINGHAM. Sure.

The CHAIRMAN. Any cost at the end of the crop season is bound to be more or less inaccurate.

Mr. CUNNINGHAM. Yes. And you understand, gentlemen, if you understand farming, that the average farmer does not have these detailed figures. If you are going out for this information, to know what is the matter, and if you attempt to pin the farmer down to a fraction of a cent on production costs, it is simply a waste of time to ask him to do that, because the average farmer does not have it. But he is still there, and he knows the number of hours, and he knows the amount of his investment, and he knows what his operation expenses are, and let me say this to you, gentlemen: That fellow is not missing the actual figures by anything more than a very small percentage, strange as it may seem to you, when you come to nail him down as to what it costs him to produce that crop.

Representative SUMNERS. I want to get this quite clear. Do you propose to submit to this commission the totals or averages which have been acquired from these farms which have been closely supervised?

Mr. CUNNINGHAM. No, sir, we have not got them here in Washington.

Representative SUMNERS. But we ought to have them.

Mr. CUNNINGHAM. I doubt whether that record is here in Washington at this time, gentlemen.

Representative SUMNERS. Personally, if I may make myself clear, I would like very much for the benefit of the record, and for my own information, to have some averages which come out of those five groups of farms.

Mr. CUNNINGHAM. Out of the five groups of counties. Those five groups are counties in which we selected farms that are typical of that area of the State.

Representative SUMNERS. I would like those figures.

Mr. CUNNINGHAM. We will be glad to give them to you.

Mr. SILVER. If I may interrupt, here is a set of accounts made on the same farm, with the exact figures carried through the season. Here is another test for the two years, by the Iowa method. It is an interesting statement.

Representative SUMNERS. Let me ask this question: What is the difference between the estimates which have been made from the books of the farmers who carefully kept their books, and the corn field estimates of the farmers interviewed by your interviewers?

Mr. CUNNINGHAM. Well, I don't believe I had better undertake to put that into this record. You see I have not the records with me.

Representative SUMNERS. Now, let me ask you another question: When you went into the territories that were more or less representative of the State, did you in those territories select the farmers who themselves were typical of the agricultural community, or perhaps the most intelligent and best farmers of that community, who would be most calculated to keep an accurate account?

Mr. CUNNINGHAM. Now, will you gentlemen let me repeat that again as to how we got that? I do not see how it could be more typical of the general community of the farmers. We went into the county seat. Here are various roads leading out from it. These men started out along the road with this automobile.

Representative SUMNERS. No; I am not talking about the automobile trips. I am talking about those five groups that you speak of.

Mr. CUNNINGHAM. Those five groups that I spoke of were the groups that were taken by these men that went out in the automobiles.

Representative SUMNERS. They were?

Mr. CUNNINGHAM. Yes, sir; they were. Those men were the men that took these cost accounts.

Representative SUMNERS. All right.

Mr. CUNNINGHAM. Now, they went down the road and they stopped at everybody's house until they had gotten a certain number of records. They took in everybody along the road. They did not pick out here and there a man, but they took every man along that road. And the next day they took every man along another road, and then following that they took every man along still another road. And so they kept on until they had an equal number of reports of the various roads leading out of that town. Then they went down to the other part of the State, and then to the center of the State, and so on until they had completed it. Now those men must have been typical of the average farmer.

Representative SUMNERS. I dislike to interrupt you, but I am not going to let you go until I get this clear in my mind.

Mr. CUNNINGHAM. Yes, sir; that is all right.

Representative SUMNERS. I am talking now about those sections where you selected these men and in advance of the beginning of this crop made arrangements with them to keep accurate books under the supervision of experts. That is what I am talking about.

Mr. CUNNINGHAM. Those men are grouped together in the central part of the State. This year they are in two groups.

Representative SUMNERS. I am not concerned about that, Mr. Cunningham. I am not concerned as to where they are. Here is what I am concerned about. When you selected the men who were to keep the books, did you pick men who were typical and average farmers in that particular community, or did you pick the most intelligent men there, the men most calculated to render you cooperation and keep books?

Mr. CUNNINGHAM. When we went in to establish that block of 30 farms we found some difficulty with some of the farmers in the way of getting their cooperation. You understand how that would be. So we tried, of course, to get the typical man. We wanted to get men that were typical of the farmers of the community. We wanted to get some men that were dairymen, grain farmers, and feeders. That is typical of Iowa, practically. And that class of fellows are represented in that group. But we could not always get the men we wanted. Some of those men are tenants and others are landowners.

Representative SUMNERS. That is right.

Mr. CUNNINGHAM. Yes, sir; but they cover every class of farmers.

Representative SUMNERS. All right.

Mr. CUNNINGHAM. The men we got cover every class of farmers.

Representative MILLS. Now these figures that we have got here are on the selected group of farms, and the figures are prepared by the experts?

Mr. CUNNINGHAM. No, sir; we have not got those experts' figures. As I said, we do not have them here. I did not bring them with me, as I had not expected to take that up.

Representative MILLS. Are these just the figures prepared on the basis of answers made by the farmers, on figures furnished by the farmers, from the records that they keep there themselves?

Mr. CUNNINGHAM. Yes, sir; those are records kept by the farmers out on their own farms, in their own way of keeping them. As I say, the other record is not here; I was not thinking of bringing that.

Representative SUMNERS. You do not have that with you now?

Mr. CUNNINGHAM. No, sir.

Senator ROBINSON. In that connection, how do they compare? How do the two sets of figures compare?

Mr. CUNNINGHAM. You would be surprised, sir, how close the farmer would come to being right in the matter of the cost of the general production. You will find that his figures are pretty accurate on the general average.

Senator ROBINSON. As shown by the actual records of the farmers who did actually keep books?

Mr. CUNNINGHAM. Yes, sir; as shown by the actual recorded records, the actual figures, you will see how near the farmer comes to giving you the approximate cost of the production. We have here a statement, gentlemen, which you will read at your leisure and which I shall not now take up the time of the commission to read. This

statement shows you how we arrive at this cost. In computing costs on the owner basis each farm was used as if it were an owner farm, 5½ per cent interest on the value of land and taxes being used as the land charge. In each case the farmer was asked to place an estimate on the value of the land. Care was used not to value the farm as a whole, which would include improvements and possibly some wet pasture land, but rather to secure an accurate valuation for the land on which the corn grew.

In computing the cost of corn on the cash rent basis all farmers visited were asked to place an estimate on the cash rental value of their land in corn. Such rental is used as the land charge.

In computing cost of producing corn on the grain rent basis, the tenant's rent is half of the corn, his operating expenses per acre are the cost of producing his half of the crop.

Operating costs of production: Where seed was farm grown it was valued at feed price and any extra labor of picking seed, testing, shelling, etc., is included in labor cost. Purchased seed is charged at the price paid.

In Union and Jefferson Counties when corn was sold it was sold in the ear, hence no shelling charge.

Man labor was charged at 35 cents per hour except where extra labor for husking was employed. Such labor was paid by the bushel and was so charged in this report.

Horse labor was charged at 20 cents per hour.

Equipment is charged at the rate of 5 cents per horse hour for such equipment as is horse drawn. For special corn equipment like elevator, etc., an estimate was secured from each farmer having such equipment, of the value, and depreciation from which an annual cost was figured.

Wherever tractors were used a rate of \$1.50 per tractor-hour was charged.

The operating cost per bushel of corn is as follows:

Average of the counties, 337 farms, \$0.564.

Crawford County, 48 farms, \$0.608.

Union County, 45 farms, \$0.70.

Jefferson County, 51 farms, \$0.628.

Story County, 48 farms, \$0.486.

Jones County, 55 farms, \$0.577.

Fayette County, 40 farms, \$0.585.

Pocahontas County, 50 farms, \$0.499.

That is the operating cost of producing a bushel of corn, gentelman. That would vary a little bit, according to the yield, you understand. Now, this does not figure land value.

Now, these are the figures on owner basis:

Average of counties, 337 farms, cost per bushel, \$0.93.

Crawford County, 48 farms, \$0.98.

Union County, 45 farms, \$1.06.

Jefferson County, 51 farms, \$0.99.

Story County, 48 farms, \$0.91.

Jones County, 55 farms, \$0.86.

Fayette County, 40 farms, \$0.83.

Pocahontas County, 50 farms, \$0.89.

The average on 337 farms being \$0.93 per bushel cost of production.

The figures include seed, shelling, man labor, horse labor, equipment, tractor, manure, and miscellaneous. The miscellaneous item per acre was 24 cents.

Representative SUMNERS. Do they put into that cost item there any rent or interest on investment of land?

Mr. CUNNINGHAM. Both ways. Here is one figure on operating cost, merely what it actually costs to operate that land and produce that crop.

Representative MILLS. Take the item "horse labor." How does he figure that?

Mr. CUNNINGHAM. The horse labor is charged at 20 cents per hour.

Representative MILLS. Twenty cents per hour if he owned the horses?

Mr. CUNNINGHAM. Yes, sir.

Representative MILLS. Man labor at 35 cents per hour; horse labor at 20 cents per hour.

Mr. CUNNINGHAM. Yes, sir. Equipment is charged at the rate of 5 cents per horse hour. Wherever tractors were used a rate of \$1.50 per tractor hour was charged. Now, if you men have run a tractor you know that is very conservative.

Representative FUNK. That is fair enough.

Mr. CUNNINGHAM. Yes; you know that, Mr. Funk.

Senator ROBINSON. You could not run a tractor for less than that.

Mr. CUNNINGHAM. No; you could not. Manure was one of the most difficult factors for which to determine an accurate charge. In this study an attempt was made to get a record of all manure hauled onto the 1920 corn ground during the past three years. Manure was charged to the 1920 corn crop as follows: 50 per cent of that applied in 1920; 30 per cent of that applied in 1919; and 20 per cent of that applied in 1918. A charge of \$2.50 per ton was made for manure on the field.

In the analysis table you will see that the cost was \$46.23 an acre to produce this corn, and the average cost per bushel was 93 cents. The net cost was \$46.23.

Representative FUNK. That is per bushel? The cost per bushel was 93 cents?

Mr. CUNNINGHAM. Yes, sir; 93 cents.

On a cash-rent basis the cost per bushel of corn was 87 cents.

Now, the total operating cost, as I have shown you, was \$27.93.

The use of land and cribs was \$16.73. Making a total of \$44.66.

We have deducted from that the value of stalks and cobs, \$1.43, making the net cost per acre of producing corn \$43.23 on a cash-rent basis, and the cost per bushel, 87 cents.

Representative SUMNERS. What do you mean by "cash-rent basis," and what is your estimate of cash-rent charge?

Mr. CUNNINGHAM. This is the estimate of the cost, as we find it, on the cash-rent basis.

Representative FUNK. He means as contrasted with the share-rent basis.

Mr. CUNNINGHAM. Yes, the cash-rent basis as compared with the share rent basis.

Representative FUNK. One farmer pays cash rent for the use of the farm and the other pays share rent for the use of the farm.

Mr. CUNNINGHAM. Yes.

Representative SUMNERS. What is the custom on the average land? What is the amount ordinarily charged as cash rent?

Mr. CUNNINGHAM. I should judge that the ordinary cash rents in Iowa up to this time must have been twelve or thirteen dollars. It is different now. We are lost now. Nobody knows what he is going to get, or anything about it. There was a readjustment between the owners and the tenants in the majority of cases, as you know, Mr. Funk, and I think the majority of the cash leases that hold over in Iowa are carrying a clause, attached last year, by which the tenant can, on the 1st day of October, 1921, either go ahead on his cash rental basis or deliver to the owner one-half of the crop. That was the adjustment that went into a great many Iowa leases.

Representative MILLS. Let me ask you, have you got any figures that have been prepared on the basis of actual operating costs?

Mr. CUNNINGHAM. To farm, that is?

Representative MILLS. Without going into these estimates of the value of services, of, let us say, horses owned by the owner, what did it actually cost him in the way of hired labor, and in the way of cash expenditures?

Mr. CUNNINGHAM. Well, this operating cost here, as near as we have got it, is for seed, for shelling that corn, delivering it to market, for the man labor, horse labor, equipment, tractor, manure, and miscellaneous.

Representative MILLS. But you have included his own.

Mr. CUNNINGHAM. Gentlemen, how would you get at a cost?

Representative MILLS. I am not saying that those are not proper elements to be included. I am asking you whether you have got any figures in which you have not included those until the end?

Senator ROBINSON. May I make a suggestion?

Mr. CUNNINGHAM. Yes.

Senator ROBINSON. Now, you can take the figures you have and eliminate the elements entering into it, and by the use of the figures you have in that way arrive at the cost upon a different basis.

Mr. CUNNINGHAM. You are absolutely right, Senator. There is the total cost. Now, any man that would want to find out and eliminate the farmer's labor, himself, can take it out of there, and you have got the balance of the cost.

The CHAIRMAN. Is there a separation in these statements between the labor of the farmer himself and the labor which he actually hires?

Mr. CUNNINGHAM. No, sir.

The CHAIRMAN. Then you can not make that separation.

Representative SUMNERS. That would not be valuable in separating the cost.

The CHAIRMAN. He did not say that it was, but Mr. Cunningham just said that that could be separated, but I do not see how you could separate it on that statement.

Mr. CUNNINGHAM. You can take the man labor in producing the corn. That is shown in this statement here.

Representative MILLS. I wanted the actual cash cost of production. I wanted to know whether you had any figures that would show that. Have you?

Mr. CUNNINGHAM. You mean the actual money that he paid out to produce that acre of corn?

Representative MILLS. Exactly. If I were a manufacturer that is the form my statement would be prepared in.

Mr. CUNNINGHAM. I doubt it. I would not want to accept that as a statement.

Representative MILLS. Well, what do you include in operating expenses?

Mr. CUNNINGHAM. Well, everything is included in the operating expenses.

Representative MILLS. Exactly, but what goes into the operating expense?

Mr. CUNNINGHAM. Well, for instance, you are a manufacturer, and you are giving your time to the production of the goods that are manufactured in your factory. Do you eliminate yourself, or do you include what you do yourself?

Senator ROBINSON. You usually charge a very large salary.

Mr. CUNNINGHAM. Yes.

Representative MILLS. I would like to follow this out, because I am very much interested in getting at the figures of this cost of production. Now, what do you generally include in your operating expense? You include the cost of such material as you purchase.

Mr. CUNNINGHAM. Yes.

Representative MILLS. And you include your labor cost in actual operating expense.

Mr. CUNNINGHAM. Yes.

Representative MILLS. Now, I am not saying that operating expenses represent cost by a long shot, because you have got to add to that depreciation, you have got to add obsolescence, you have got to add interest on your investment. But I am asking you whether you have prepared any figures on actual operating cost, in the ordinary acceptance of the term?

Mr. CUNNINGHAM. Yes; I think those figures that we have are the actual operating costs, according to my interpretation.

Representative MILLS. Well, are they?

Mr. CUNNINGHAM. Well, that is a difference of opinion, of course.

Representative TEN EYCK. Let me explain that to you, Mr. Mills. May I?

Representative MILLS. You have included, for instance, in so far as your tractor is concerned, the rental value of the tractor. If I am a manufacturer I do not include the rental value of the machinery which is employed in my factory in estimating operating costs. It comes in later, I will admit, as an interest charge on my investment, but in the actual figures of operating cost you would not include the rental value of a tractor or the rental value of horses actually owned.

Mr. CUNNINGHAM. Now, I would interpret that in this way: You would take your machinery there and figure it in as a part of your equipment and your necessary investment. You would ask for a return on that then, and you would take a depreciation on it. Now if I charge a rental or a depreciation, what is the difference?

Representative MILLS. I am not saying that there is any difference.

Mr. CUNNINGHAM. Oh, I guess I don't get you gentlemen.

Representative MILLS. I am asking you the very simple question whether you have prepared any figures on actual operating costs, in the ordinary sense of the term.

Mr. SILVER. May I answer?

Representative TEN EYCK. May I explain right here? Mr. Mills has asked if you have figures as regards the actual cash paid out in wages. You have charged the owner's time in. Now he has made a statement that in the city, in a manufacturing plant, they have certain wage charges.

Mr. CUNNINGHAM. Yes.

Representative TEN EYCK. In the country the farmer or his sons do not pay themselves wages, and, therefore, it is not a cash transaction, and you have got to figure it in at the value of their time.

Mr. CUNNINGHAM. Yes.

Representative MILLS. Well, no one is denying that. I will admit that it is an element that must be considered in the cost of production. You must not take it for granted that because I am asking for operating cost that I am using that term as if it were synonymous with the cost of production. I am not. I am simply asking these gentlemen whether they have segregated these figures so we can see what the operating cost is. That is what I am asking.

Mr. SILVER. May I say that both the memorandum which has been placed before you gentlemen and this memorandum from which Mr. Cunningham is giving these figures show that.

Representative MILLS. That is what I want to find out.

Mr. CUNNINGHAM. These figures that we gave you, in so far as those figures in the statement are concerned, include the actual labor of the farmer himself; 20 cents for his horsepower and 35 cents for man labor.

Representative FUNK. Which is the only fair way to do it, because a part of the labor may be by hired men, a part by his sons, and part by himself.

Mr. CUNNINGHAM. Yes.

Representative FUNK. That is the way the Department of Agriculture determines the cost.

Mr. CUNNINGHAM. Yes.

Representative MILLS. How much do you allow him an hour?

Mr. CUNNINGHAM. Thirty-five cents an hour in 1920 was charged for man labor.

Representative MILLS. Thirty-five cents an hour?

Mr. CUNNINGHAM. Yes; 35 cents an hour for man labor, and 20 cents an hour for his horses.

Senator ROBINSON. I take it that the primary purpose of the investigation was to disclose the cost of production.

Mr. CUNNINGHAM. Yes; the primary purpose of the investigation was to find out what it really costs. We were constantly confronted by the statement that the farmer lost money, and the question was: "How do you know?"

Representative TEN EYCK. Have you put in any charge for the women on the farm?

Mr. CUNNINGHAM. No.

Representative TEN EYCK. Well, that is a just charge to my mind.

Mr. CUNNINGHAM. Yes, sir; absolutely. And there is no such charge in there.

Representative FUNK. What you have done, Mr. Cunningham, is to show by these averages the number of man hours and horse hours and implement or tool hours, and then assign a proper rate per hour for those services?

Mr. CUNNINGHAM. Absolutely.

Representative TEN EYCK. As regards your tractor cost of \$1.50, the Farm Bureau endeavored to do some tractor work—I think it was at the rate of \$1.25—and we found that we lost money on it, as we had tried to do the work at actual cost. So that this figure of \$1.50 seems to me, is low.

Mr. CUNNINGHAM. We tried to be very conservative. And personally, our tractors on my farm can not be run for \$1.50.

The CHAIRMAN. Is there anything further, Mr. Cunningham?

Mr. CUNNINGHAM. Not unless there are some questions.

Representative FUNK. Now, have you given the figures?

Mr. CUNNINGHAM. What figures?

Representative FUNK. Have you given the figures in this statement here? There has been so much discussion about this. What were your conclusions with regard to the cost?

Mr. CUNNINGHAM. They are all in here. The statement will be put in the record.

Representative FUNK. Very well.

Mr. CUNNINGHAM. The gentleman merely asked me as to how we went at it to gather this data, and how we arrived at the figures that we set out in this cost accounting, and I merely wanted to explain that to you.

Gentlemen, I am serious in my thought. I do wish that I could have this committee, or a subcommittee of this committee, come over to Iowa, and I would like to know as soon as I can whether you can come out to Iowa and be present on farm bureau day at the fair.

Representative FUNK. When is it?

Mr. CUNNINGHAM. The 29th day of August. I think it would be a good place to come. You would meet a good many farmers, and get a lot of valuable information over there direct from the farmers, and you would really be able to get such information if you would meet the farmers out there. And that is really what you have got to have, gentlemen, direct information from the farmers, to get down to brass tacks on the proposition, because we are in serious straits. We are not going to the poorhouse right away, but we are headed in that way right now under present conditions, and we hope that you will be able to straighten us out, not altogether by legislation. I am not getting wild on this proposition, but we need some help.

The CHAIRMAN. The commission, of course, will be very glad to take your invitation under consideration, but we have discovered already that a great deal of testimony is more or less cumulative in character.

Mr. CUNNINGHAM. Yes, sir.

The CHAIRMAN. We are under the necessity of making report within 90 days after the passage of the resolution, and if we do that, it seems to me that it will be necessary to limit the hearings as far as we can, and to get all the information that we can in such digested and collated form that the commission can get the effect of it in a relatively short time.

Mr. CUNNINGHAM. Mr. Chairman, in that connection, permit me to say that if you men will set down the data as to just what you want, and how you want it, I will do my best among over 120,000

men in Iowa to get this information and lay it before you in such shape so that you will be able to understand it the minute it appears.

The CHAIRMAN. You have got some right here.

Representative SUMNERS. If you have all you say you have, you have got all we want.

Mr. CUNNINGHAM. Yes.

Representative TEN EYCK. I guess that is the consensus of opinion.

Mr. CUNNINGHAM. I am sure you gentlemen will get some valuable data if you come out to us at the State Fair and talk direct with these people. I know that you have got a big problem on your hands, a tremendous problem. I know you have a difficult task before you to help us to pull out of this mess. I understand that.

Representative SUMNERS. What would we learn from the people out there that you can not tell us, except that they are in bad shape and would like to get some help?

Mr. CUNNINGHAM. You can go out to these farmers in Iowa and have them tell you the situation direct. They can lay their books before you and give you their figures to show what they have paid out, what the cost of production has been, and what their return is, and everything. You can get all this information from them out there first hand.

The CHAIRMAN. That information can be laid before us by you gentlemen. That information can be collected and tabulated in infinitely less time than we can possibly get it by listening to every individual's story.

Mr. CUNNINGHAM. If you are willing to take it, it can be brought before you. But I thought that if you would come out west to Illinois, Iowa, Minnesota, and get it from the farmers direct you would get information that you can substantiate in every particular, and you would be willing to come back to Congress with it and be willing to stand up for it. And I invite you gentlemen to come out there.

The CHAIRMAN. Thank you. As I said, that is something that we will have to take under consideration.

Have you anything further, Mr. Cunningham?

Mr. CUNNINGHAM. That was all, gentlemen, I wished to say, and I thank you very much.

The CHAIRMAN. We are very much obliged to you, Mr. Cunningham.

#### STATEMENT OF MR. GRAY SILVER—(Resumed).

Mr. SILVER. Mr. Chairman, and gentlemen, I would like now to offer for the record these cost-accounting records. There are two statements here covering one farm over two years, and two statements by the Iowa Farm Bureau Federation, one on the cost of producing corn in 1920 and one on cost of producing wheat and oats in 1920. And then I have records from the New England Milk Producers' Association containing charts covering the milk and butter situation, and a number of other sets of figures which I would like to go into the record. These are figures from different farms on different crops—wheat, corn, oats, and dairy products.

Representative MILLS. Are you going to let us have the records of the 30 farms where the accounts were kept by the expert accountants?

Mr. SILVER. I will be very glad to furnish them to you.

Senator ROBINSON. I suggest that you identify the various sets of figures that you are offering for the record.

Mr. SILVER. Exhibit A is the actually kept cost accounting by items on Illinois farm No. 361, for the year 1919-20.

Exhibit B is the actually kept cost accounting by items, on farm No. 361, for the year 1920-21.

Exhibit C is preliminary report on cost of producing corn, 1920, by the Iowa Farm Bureau Federation, and the Iowa Agricultural Experiment Station, Farm management section, H. B. Munger, chief, cooperating. This is the statement from which items were given by Mr. Cunningham in his testimony.

Exhibit D is preliminary report on cost of producing wheat and oats, 1920, prepared by the Iowa Agricultural Experiment Station, farm management section, H. B. Munger, chief, and Iowa Farm Bureau Federation cooperating.

Exhibit E is a recommendation from the New England Milk Producers' Association to the Joint Commission of Agricultural Inquiry for improvement of agricultural conditions. This is a statement by the New England Milk Producers' Association, containing charts and tables. Chart No. 1 is a butter chart showing the monthly price of butter from 1897 to 1921. Chart No. 2 is a comparison of prewar price for butter, cheese, grain, and fresh milk. Chart No. 3 is a comparison of cost of grain, hay, and labor; also cost of production, f. o. b. Boston and price received f. o. b. Boston, and weighted average prices for hay. Chart No. 4 is a comparison of agricultural index as published by the United States Department of Labor and the index for all commodities.

Exhibit F shows the figures on the cost account of 40 acres of oats, for 1920, as given by C. A. Hunt. On this exhibit are shown the items asked for by the gentleman from New York. The figures are given, separating the operating expenses from the total costs.

Exhibit G is cost account, 40 acres of corn, 1920, as given by C. A. Hunt, which shows the items, separating the operating expenses from the total costs, as referred to by Mr. Mills.

Exhibit H gives the figures on potatoes. These figures are given by W. W. Chamberlain, Woodsville, Grafton County, N. H.

Exhibit I is a statement by Mr. Frederick Davis, Ulster County, N. Y., giving the cost figures on eggs. It shows what eggs would purchase in feed, which emphasizes that the farmers' products are cheaper than anybody else's.

Exhibit J is a statement as to cost of production of potatoes, by L. J. Wilson, Gainesville, N. Y., item by item, right down, giving the actual cost accounting on potatoes.

Exhibit K is a statement by Mr. William Schiff of Seville Township, Mich., as to the cost of raising and harvesting an acre of sugar beets.

That covers the list of staple crops that I read in the record yesterday. I wish to offer those exhibits for the record.

The CHAIRMAN. Very well.

(Exhibits A to K, inclusive, offered by Mr. Silver, are here printed in full, as follows:)

## EXHIBIT A.

Farm No. 361, year 1919-20.

SPRING WHEAT, 1919; ACRES, 20; YIELD, 362 BUSHELS.

Items.	Total.	Per cent.	Per acre.	Per bushel.
Man labor (351½ hours).....	\$66.24	10.3	\$3.31	\$0.18
Horses (611½ hours).....	123.84	19.2	6.19	.34
Equipment (611½ hours).....	33.26	5.1	1.66	.09
Interest.....	8.60	1.3	.43	.02
Rent.....	162.49	25.2	8.13	.45
Manure.....	130.31	20.2	6.52	.36
Seed (1,955 pounds).....	71.06	11.0	3.55	.20
Twine.....	12.25	1.8	.61	.04
Threshing.....	25.00	3.9	1.25	.07
Formaldehyde.....	.60	.1	.03	.....
Hauling.....	12.00	1.9	.60	.03
<b>Total.....</b>	<b>645.65</b>	<b>100</b>	<b>32.28</b>	<b>1.78</b>
Wheat straw (15 tons).....	90.00	10.1	4.50	.25
Adj. on spring wheat.....	36.21	4.1	1.81	.10
Spring wheat (362 bushels).....	759.73	85.8	37.99	2.10
<b>Total.....</b>	<b>855.94</b>	<b>100</b>	<b>44.30</b>	<b>2.45</b>
<b>Cost.....</b>	<b>645.65</b>			
<b>Gain.....</b>	<b>240.29</b>			

EQUIPMENT: INVESTMENT, \$746.65; HOURS, 5,521½.

Items.	Value.	Per cent.	Items.	Value.	Per cent.
Man labor.....	\$22.45	7.7	Depreciation.....	\$136.18	46.5
Horses.....	5.46	1.9	Oil.....	5.78	2.0
Repairs.....	63.52	21.7	Miscellaneous <sup>1</sup> .....	4.51	1.5
Interest.....	37.34	12.7	<b>Total.....</b>	<b>293.24</b>	<b>100.0</b>
Buildings.....	18.00	6.1			

<sup>1</sup> Fire insurance, \$4.61.

LABOR: NUMBER OF MEN, 2.

Items.	Value.	Per cent.
Operator.....	\$600.00	44.3
Hired labor.....	460.75	33.9
Board.....	300.00	22.0
<b>Total.....</b>	<b>1,360.75</b>	<b>100.0</b>

HORSES: NUMBER OF HORSES, 7; HOURS, 5,478.

Item.	Total.	Per cent.	Item.	Total.	Per cent.
Man.....	\$152.21	15.8	Manure.....	\$50.00	27.0
Shoeing.....	37.07	3.9	Increase investment.....	135.00	73.0
Equipment.....	24.92	2.6	<b>Total credits.....</b>	<b>185.00</b>	<b>100.0</b>
Interest.....	36.63	3.8	<b>Total debits.....</b>	<b>962.10</b>	
Buildings.....	48.00	4.9	<b>Cost.....</b>	<b>777.10</b>	
Feed.....	649.08	67.5			
Miscellaneous <sup>1</sup> .....	14.19	1.5			
<b>Total.....</b>	<b>962.10</b>	<b>100.0</b>			

<sup>1</sup> Medicine, \$3.70; salt, \$1.98; veterinary, \$1.75; insurance, \$6.76; total, \$14.19.

Farm No. 361, year 1919-20—Continued.

CLOVER, MIXED, 1919-20; ACRES, 10; YIELD, 25 TONS.

Items.	Total.	Per cent.	Per acre.	Per ton.
Man labor (163½ hours).....	\$27. 70	15. 1	\$2. 77	\$1. 11
Horses (160 hours).....	22. 70	13. 3	2. 77	. 91
Equipment (160 hours).....	8. 48	4. 6	. 85	. 33
Interest.....	2. 15	1. 1	. 21	. 09
Buildings.....	15. 00	8. 1	1. 50	. 60
Rent.....	81. 25	44. 2	8. 13	3. 25
Seed.....	25. 55	13. 8	2. 58	1. 02
Insurance.....	1. 42	. 8	. 14	. 06
<b>Total</b> .....	<b>184. 25</b>	<b>100. 0</b>	<b>18. 43</b>	<b>7. 37</b>
Clover, mixed hay (25 tons).....	625. 00	98. 0	62. 50	25. 00
Cost new seed.....	12. 77	2. 0	1. 28	. 51
<b>Total</b> .....	<b>637. 77</b>	<b>100. 0</b>	<b>63. 78</b>	<b>25. 51</b>
<b>Cost</b> .....	<b>184. 25</b>			
<b>Grain</b> .....	<b>453. 52</b>			

OATS, 1919-20; ACRES, 10; YIELD, 468 BUSHELS.

Items.	Total.	Per cent.	Per acre.	Per bushel.
Man labor (146½ hours).....	\$24. 82	9. 8	\$2. 48	\$0. 05
Horses (200½ hours).....	28. 45	11. 2	2. 84	. 06
Equipment (200½ hours).....	10. 63	4. 2	1. 06	. 02
Interest.....	2. 89	1. 1	. 29	. 01
Buildings.....	5. 00	2. 0	. 50	. 01
Rent.....	81. 25	32. 2	8. 13	. 17
Manure.....	57. 88	23. 0	5. 79	. 12
Seed (25 bushels).....	18. 75	7. 4	1. 88	. 04
Twine (28 pounds).....	7. 00	2. 8	. 70	. 02
Thrashing (462 bushels).....	14. 60	5. 8	1. 46	. 03
Insurance.....	. 71	. 3	. 07	.....
Formaldehyde.....	. 50	. 2	.....	.....
<b>Total</b> .....	<b>252. 48</b>	<b>100. 0</b>	<b>25. 25</b>	<b>. 53</b>
Oats (468 bushels).....	397. 80	84. 7	39. 78	. 85
Oat straw (9 tons).....	72. 00	15. 3	7. 20	. 15
<b>Total</b> .....	<b>469. 80</b>	<b>100. 0</b>	<b>46. 98</b>	<b>1. 00</b>
<b>Cost</b> .....	<b>252. 48</b>			
<b>Gain</b> .....	<b>217. 32</b>			

SHRED CORN, 1919-20; ACRES, 14; YIELD, 530 BUSHELS.

Items.	Total.	Per cent.	Per acre.	Per bushel.
Man labor (512½ hours).....	\$88. 51	16. 0	\$6. 32	\$0. 167
Horse (770½ hours).....	118. 63	21. 5	8. 47	. 224
Equipment (770½ hours).....	41. 08	7. 5	2. 93	. 078
Interest.....	8. 05	1. 5	. 57	. 015
Buildings.....	10. 00	1. 8	. 71	. 019
Rent.....	113. 74	20. 6	8. 12	. 215
Manure.....	98. 53	17. 8	7. 04	. 186
Seed (131 pounds).....	7. 00	1. 3	. 50	. 013
Coal.....	9. 35	1. 7	. 67	. 018
Twine (58 pounds).....	14. 50	2. 6	1. 04	. 027
Shredding.....	35. 00	6. 3	2. 50	. 066
Insurance.....	. 71	. 1	. 05	. 001
Gas (2 gallons).....	. 46	. 1	. 03	. 001
Oil (1 gallon).....	. 55	. 1	. 04	. 001
Kerosene (9 gallons).....	1. 26	. 2	. 09	. 002
Tractor (5 hours).....	5. 00	. 9	. 37	. 009
<b>Total</b> .....	<b>552. 37</b>	<b>100</b>	<b>39. 45</b>	<b>1. 042</b>
Corn (530 bushels).....	822. 50	85. 5	58. 75	1. 552
Stack fodder (5 tons).....	20. 00	2. 1	1. 43	. 039
Corn stover (3 tons).....	30. 00	3. 1	2. 14	. 057
Shred corn (6 tons).....	60. 00	6. 2	4. 29	. 113
Seed corn (10 bushels).....	30. 00	3. 1	2. 14	. 057
<b>Total</b> .....	<b>962. 50</b>	<b>100</b>	<b>68. 75</b>	<b>1. 816</b>
<b>Cost</b> .....	<b>552. 37</b>			
<b>Gain</b> .....	<b>410. 13</b>			

## AGRICULTURAL INQUIRY.

Farm No. 361, year 1919-20—Continued.

SILAGE, 1919-20; ACRES, 20; YIELD, 160 TONS.

Items.	Total.	Per cent.	Per acre.	Per ton.
Man labor (670½ hours).....	\$116. 89	14. 3	\$5. 84	\$0. 73
Horses (2,070½ hours).....	170. 44	20. 9	8. 52	1. 06
Equipment (1,070½ hours).....	57. 18	7. 0	2. 86	. 35
Interest.....	11. 19	1. 4	. 56	. 07
Buildings.....	58. 00	7. 1	2. 90	. 36
Rent.....	162. 49	19. 9	8. 12	1. 02
Manure.....	135. 71	16. 7	6. 79	. 85
Seed.....	10. 00	1. 2	. 50	. 06
Twine.....	18. 75	2. 3	. 94	. 12
Thrashing.....	5. 00	. 6	. 25	. 03
Insurance.....	1. 42	. 2	. 07	. 01
Kerosene (21 gallons).....	2. 84	. 4	. 15	. 02
Oil.....	5. 06	. 6	. 25	. 03
Cutter.....	60. 90	7. 4	3. 00	. 38
<b>Total.....</b>	<b>815. 07</b>	<b>100. 0</b>	<b>40. 75</b>	<b>5. 09</b>
Silage (160 tons).....	1, 200. 00	91. 4	60. 00	7. 50
Corn picked up (75 bushels).....	112. 50	8. 6	5. 63	. 70
<b>Total.....</b>	<b>1, 312. 50</b>	<b>100. 0</b>	<b>65. 63</b>	<b>8. 20</b>
Cost.....	815. 07			
Gain.....	497. 43			

## HOGS, 1919-20; WEIGHT, 5,770.

Items.	Total.	Per cent.	Items.	Total.	Per cent.
Man labor (361 hours).....	\$61. 15	8. 4	Manure.....	\$5. 00	1. 0
Horse (31.45-hours).....	4. 50	. 6	Hogs sold.....	356. 65	50. 4
Equipment.....	. 68	. 1	Increase.....	315. 00	44. 5
Interest.....	27. 85	3. 8	Personal.....	30. 00	4. 1
Buildings.....	7. 00	1. 0	<b>Total.....</b>	<b>706. 65</b>	<b>100</b>
Feed.....	547. 50	79. 1	Cost.....	726. 68	
Miscellaneous.....	50. 60	7. 0	Gain.....	-19. 63	
<b>Total.....</b>	<b>726. 28</b>	<b>100</b>			
Inventory.....	315. 00				

Hauling.....	\$10. 00	Service.....	\$4. 00
Yardage.....	\$0. 80	Hogs at beginning of year.....	385
Grinding.....	\$2. 70	Hogs at end of year.....	700
Medicine.....	\$4. 00	Hogs bought.....	45
Veterinary.....	\$29. 10	Hogs sold.....	\$431. 65

## HOG FEED, 1919-20.

Feed.	Value.	Weight.	Per cent.	Feed.	Value.	Weight.	Per cent.
Barley.....	\$207. 46	<i>Pounds.</i> 7, 182	36. 8	Whole milk.....	\$9. 15	<i>Pounds.</i> 280	90. 1
Corn.....	343. 75	16, 800	60. 9	Skim milk.....	1. 00	225	9. 9
Oats.....	13. 14	576	2. 3	<b>Total milk.....</b>	<b>10. 15</b>	<b>505</b>	<b>100. 0</b>
<b>Total grain.....</b>	<b>564. 35</b>	<b>24, 558</b>	<b>100. 0</b>	<b>Total feed.....</b>	<b>574. 50</b>	<b>24, 558</b>	

Farm No. 361, year 1919-20—Continued.

WEIGHT OF HOGS, 1919-20.

	Number.	Weight.
Hogs at beginning of year.....	11	<i>Pounds.</i> 1,925
Hogs bought.....	9	45
Total.....	20	1,970
Hogs at end of year.....	21	5,040
Hogs sold.....	10	2,520
Hogs personal.....	1	180
Total.....	32	7,740
Hogs at end of year sold personal.....	32	7,740
At beginning of year bought.....	20	1,970
Hogs produced in year.....	12	5,770

DAIRY, 1919-20; COWS, 20; PRODUCTION, 110,578 POUNDS MILK.

Items.	Total.	Per cent.	Per cow.
Man labor.....	\$465.23	10.2	\$22.81
Horses.....	90.39	2	4.52
Equipment.....	108.54	24	5.43
Interest.....	182.26	4.1	9.11
Buildings.....	145.00	3.2	7.25
Feed.....	3,025.61	67.7	151.28
Miscellaneous.....	462.43	10.4	23.12
Total.....	4,470.46	100	223.52
Personal.....	102.12	1.8	5.11
Manure.....	323.00	5.7	16.15
Milk.....	391.23	69.6	197.06
Skim.....	1.00		.05
Cream.....	9.10	2	.46
Stock.....	1,242.87	21.9	62.14
Miscellaneous.....	42.70	.8	7.15
Total.....	5,662.02	100	783.10
Cost.....	4,470.46		
Gain.....	1,191.56		

Man hours, 2,693.15; horse hours, 637.15. Stock at beginning of year, 2,670; at end, 3,925. Stock purchased, \$285; stock sold, \$272.87. Locating milk wit., \$5; bull fee, \$4.50; hides, \$33.20; total, \$42.70.

M. P. A. dues.....	\$3.00
Milk tickets.....	315.66
Veterinarian.....	20.25
Medicines.....	2.70
M. P. A. business.....	.82
Grinding.....	31.17
B. K.....	6.70
Salt.....	6.66
Milk commission.....	28.55
Hauling cow.....	5.00
Gas and oil.....	25.32
Fire insurance.....	16.60

Farm No. 361, year 1919-20—Continued.

## DAIRY FEED, YEAR 1919-20—NUMBER OF COWS, 20.

Feed.	Value.	Weight.	Per cow.
O. M.	\$16.42	520	\$0.82
C. S. M.	6.73	200	.34
Bran	207.75	10,600	10.39
Oat feed	107.75	12,066	5.39
Middlings	9.86	400	.49
Barley	87.30	3,504	4.36
Corn	606.50	32,357	30.33
Oats	55.45	2,528	2.77
<b>Total grain</b>	<b>1,097.76</b>	<b>62,175</b>	<b>54.89</b>
Oat straw	7.50	4,000	.38
Wheat straw	64.00	21,000	3.20
Barley straw	54.00	20,000	2.70
Silage	1,268.80	339,700	63.44
Alfalfa hay	124.05	9,750	6.20
Mixed hay	72.00	6,000	3.60
Clover mixed hay	250.00	20,000	12.50
<b>Total rough</b>	<b>1,840.35</b>	<b>420,450</b>	<b>92.02</b>
B. G.	87.50		4.38
Total pasture	87.50		4.38
<b>Total feed</b>	<b>3,025.61</b>		

## MILK PRODUCED DURING YEAR 1919-20 (CREAM INCLUDED).

Month.	Weight.	Price.	Month.	Weight.	Price.
	<i>Pounds.</i>			<i>Pounds.</i>	
January	11,073	\$454.21	August	7,673	\$301.59
February	9,441	372.47	September	7,266	290.16
March	9,459	329.05	October	8,490	345.27
April	10,461	336.52	November	7,674	310.03
May	11,005	327.35	December	8,890	369.28
June	10,657	320.04			
July	8,489	297.48	<b>Total</b>	<b>110,578</b>	<b>4,053.45</b>

These included:

Personal—

365 pounds of 30 per cent cream..... \$55.00

1,450 pounds of milk..... 47.12

Hog—

280 pounds of milk..... 9.15

225 pounds of skim..... 1.00

1918 WINTER WHEAT, 1919-20; ACRES, 10; YIELD 205 BUSHEL.

Items.	Total.	Per cent.	Per acre.	Per bushel.
Man labor (247½ hours)	\$51.89	16.8	\$5.19	\$0.25
Horses (232 hours)	52.82	17.1	5.28	.26
Equipment (232 hours)	12.76	4.1	1.27	.06
Interest	5.46	1.8	.55	.03
Building	3.00	1.0	.30	.01
Rent	81.25	26.4	8.13	.40
Seed	45.00	14.6	4.50	.22
Twine	6.50	2.2	.65	.03
Thrashing	18.00	5.8	1.80	.09
Insurance	.71	.2	.07	.....
Tractor (44 hours)	17.51	5.7	1.75	.08
Kerosene	11.48	3.7	1.15	.06
Oil	1.93	.6	.19	.01
<b>Total</b>	<b>308.31</b>	<b>100</b>	<b>30.83</b>	<b>1.50</b>
Seed wheat (50 bushels)	125.00	18.5	12.50	.61
Winter wheat (205 bushels)	489.37	72.6	48.94	2.39
Wheat straw (10 tons)	60.00	8.9	6.00	.29
<b>Total</b>	<b>674.37</b>	<b>100</b>	<b>67.44</b>	<b>3.29</b>
<b>Cost</b>	<b>308.31</b>			
<b>Gain</b>	<b>366.06</b>			

Farm No. 361, year 1919-20—Continued.  
 BARLEY, 1919-20; ACRES, 11; YIELD, 284 BUSHELS.

Items.	Total.	Per cent.	Per acre.	Per bushel.
Man labor (140½ hours).....	\$23.84	7.7	\$2.17	\$0.08
Horses (199 hours).....	28.23	9.2	2.57	.10
Equipment (199 hours).....	10.55	3.4	.96	.04
Interest.....	2.68	.9	.24	.01
Building.....	2.00	.7	.18	.01
Rent.....	89.37	29.1	8.12	.31
Manure.....	106.10	34.6	9.64	.37
Seed (2.2 bushels).....	22.00	7.2	2.00	.08
Twine.....	7.25	2.3	.66	.03
Thrashing.....	14.40	4.7	1.31	.05
Insurance.....	.42	.1	.04	.....
Formaldehyde.....	.40	.1	.04	.....
<b>Total.....</b>	<b>307.24</b>	<b>100</b>	<b>27.93</b>	<b>1.08</b>
Barley (284 bushels).....	433.26	89	39.39	1.53
Barley straw (9 tons).....	54.00	11	4.91	.19
<b>Total.....</b>	<b>487.26</b>	<b>100</b>	<b>44.30</b>	<b>1.72</b>
Cost.....	307.24			
Gain.....	180.02			

EXHIBIT B.

Farm of Edward Petersen, No. 384, Lombard, Ill., fiscal year 1920-21.  
 CORN, 1920 CROP; ACRES, 33½; YIELD, 1,467 BUSHELS.

Items.	Total.	Per cent.	Per acre.	Per bushel.
Man labor (865½ hours).....	\$187.16	14	\$5.59	\$0.13
Horses (1,623½ hours).....	364.93	26	10.89	.25
Equipment (1,623½ hours).....	83.30	6	2.49	.06
Interest.....	16.43	1	.49	.01
Buildings.....	10.00	1	.30	.01
Rent.....	281.01	21	8.39	.19
Manure.....	360.39	26	10.76	.24
Seed (5 bushels).....	16.25	1	.49	.01
Tractor (4 hours).....	4.00	.....	.12	.....
Oil.....	.69	.....	.02	.....
Insurance.....	8.06	1	.24	.01
Reseeding sod <sup>1</sup> .....	35.96	3	1.07	.02
Weighing.....	.05	.....	.....	.....
Kerosene.....	.97	.....	.03	.....
<b>Total.....</b>	<b>1,369.20</b>	<b>100</b>	<b>40.88</b>	<b>.93</b>
Clover pasture.....	17.00			
4 tons green corn.....	20.00			
1,404 bushels.....	1,004.25			
<b>Total.....</b>	<b>1,041.25</b>			
Cost.....	1,369.20			
Loss.....	327.95			

<sup>1</sup> One-half cost of seeding clover which was turned under.

SHRED CORN, 1920 CROP; ACRES, 12; YIELD, 475 BUSHELS.

Man labor (453½ hours).....	\$87.85	17	\$7.32	\$0.18
Horses (625½ hours).....	144.82	28	12.07	.30
Equipment (625½ hours).....	32.01	6	2.67	.07
Interest.....	8.24	2	.69	.02
Buildings.....	3.00	1	.25	.01
Rent.....	100.66	19	8.39	.21
Manure.....	78.60	15	6.55	.17
Seed (2 bushels).....	6.50	1	.54	.01
Coal (3,200 pounds).....	14.05	3	1.17	.03
Twine (79 pounds).....	12.25	2	1.02	.03
Thrashing.....				
Insurance.....	32.00	6	2.67	.07
Shedding.....				
<b>Total.....</b>	<b>519.98</b>	<b>100</b>	<b>43.24</b>	<b>1.10</b>

Farm of Edward Petersen, No. 384, Lombard, Ill., fiscal year 1920-21—Continued.

## SHRED CORN, 1920 CROP; ACRES 12; YIELD, 475 BUSHELS—Continued.

Items.	Total.	Per cent.	Per acre.	Per bushel.
Fodder (8 tons).....	\$30.00			
Corn (475 bushels).....	332.50			
Shred corn (2½ tons).....	20.00			
Corn fodder (630 pounds).....	4.75			
Total.....	437.35			
Cost.....	519.98			
Loss.....	82.73			

## OATS, 1920 CROP; ACRES, 20; YIELD, 905½ BUSHELS.

Man labor (207.30 hours).....	\$40.44	8	\$2.02	\$0.04
Horses (308 hours).....	71.30	15	3.57	.08
Equipment (308 hours).....	15.76	3	.79	.02
Interest.....	5.96	1	.29	.01
Buildings.....	10.00	2	.50	.01
Rent.....	167.76	33	8.39	.18
Manure.....	86.86	17	4.34	.10
Seed (40 bushels).....	34.80	7	1.74	.04
Coal.....	8.52			
Twine (55 pounds).....	8.52	2	.43	.01
Thrashing.....	35.90	7	1.80	.04
Insurance.....	2.24		.11	
Formaldehyde.....	.64		.03	
Baling 10½ tons straw.....	26.88	5	1.34	.03
Total.....	506.97	100	25.35	.56
905½ bushels oats.....	454.89			
10½ tons oat straw.....	129.10			
Total.....	583.99			
Cost.....	506.96			
Gain.....	77.03			

## BARLEY, 1920 CROP; ACRES, 10; YIELD, 315 BUSHELS.

Man labor (288½ hours).....	\$51.95	14	\$5.20	\$0.16
Horses (555 hours).....	93.79	25	9.38	.30
Equipment (555 hours).....	29.10	8	2.91	.09
Interest.....	6.92	2	.69	.02
Rent.....	83.88	23	8.39	.27
Kerosene.....	3.25	1	.33	.01
Seed (24 bushels).....	39.35	11	3.94	.12
Oil.....	1.69		.17	.01
Twine (29 pounds).....	4.50	1	.45	.01
Thrashing.....	17.45	5	1.75	.06
Insurance.....	1.57		.16	.01
Formaldehyde.....	.35		.04	
Baling straw (8½ tons).....	21.25	6	2.13	.07
Tractor labor (14 hours).....	14.00	4	1.40	.04
Total.....	269.05	100	36.94	1.17
Barley (315 Bushels).....	274.00	73	27.40	.87
Straw (8½ tons).....	102.00	27	10.20	.32
Total.....	376.00	100	37.60	1.19
Cost.....	369.05			
Gain.....	6.95			

Farm of Edward Petersen, No. 384, Lombard, Ill., fiscal year 1920-21—Continued.

1919 WINTER WHEAT, 1920 CROP; ACRES, 16; YIELD, 479 BUSHELS.

Item.	Total.	Per cent.	Per acre.	Per bushel.
Man labor (238½ hours).....	\$51.81	10	\$3.24	\$0.11
Horses (360½ hours).....	69.46	14	4.34	.15
Equipment (360½ hours).....	18.73	4	1.17	.04
Interest.....	6.98	1	.44	.01
Buildings.....	6.00	1	.38	.01
Rent.....	134.21	27	8.39	.28
Manure.....	70.71	14	4.42	.15
Seed.....	75.00	15	4.69	.16
Twine (45 pounds).....	6.97	1	.44	.01
Threshing.....	33.55	7	2.10	.07
Insurance.....	4.48	1	.28	.01
Formaldehyde (1 pint).....	1.85		.12	
Baling straw (9 tons).....	22.50	5	1.41	.05
Weighing straw.....	.05			
<b>Total.....</b>	<b>502.31</b>	<b>100</b>	<b>31.42</b>	<b>1.05</b>
Wheat straw (14½ tons).....	145.16			
Wheat (479 bushels).....	792.07			
<b>Total.....</b>	<b>937.23</b>			
Cost.....	502.31			
<b>Gain.....</b>	<b>432.92</b>			

1920 SPRING WHEAT, 1920 CROP; ACRES, 4; YIELD, 80 BUSHELS.

Man labor (62½ hours).....	\$12.18	13	\$3.05	\$0.15
Horses (78 hours).....	18.06	19	4.52	.23
Equipment (78 hours).....	3.99	4	1.00	.05
Interest.....	1.53	2	.38	.02
Rent.....	33.55	35	8.39	.42
Seed (4½ bushels).....	11.70	12	2.93	.15
Twine (17 pounds).....	2.64	3	.66	.03
Threshing.....	5.60	5	1.40	.07
Baling straw (2½ tons).....	6.57	7	1.74	.09
<b>Total.....</b>	<b>95.12</b>	<b>100</b>	<b>24.07</b>	<b>1.21</b>
Wheat (80 bushels).....	147.95			
Wheat straw (2½ tons).....	27.66			
<b>Total.....</b>	<b>175.61</b>			
Cost.....	96.12			
<b>Gain.....</b>	<b>79.49</b>			

CLOVER, MIXED, 1920 CROP; ACRES, 13; YIELD, 18 TONS.

Man labor (135 hours).....	\$26.31	7	\$2.02	\$1.46
Horses (114 hours).....	26.40	7	2.03	1.47
Equipment (114 hours).....	5.83	2	.45	.32
Interest.....	3.34	1	.26	.19
Buildings.....	20.00	6	1.54	1.11
Rent.....	109.05	31	8.39	6.06
Manure.....	89.05	25	6.85	4.95
Seed.....	46.39	13	3.57	2.58
Insurance.....	1.50		.12	.08
Baling hay (11½ tons).....	28.75	8	2.21	1.60
<b>Total.....</b>	<b>356.62</b>	<b>100</b>	<b>27.44</b>	<b>19.82</b>
Meadow pasture.....	2.00			
Mixed hay (18 tons).....	455.02			
<b>Total.....</b>	<b>457.02</b>			
Cost.....	356.62			
<b>Gain.....</b>	<b>100.40</b>			

## EXHIBIT C.

[Iowa Farm Bureau Federation and Iowa Agricultural Experiment Station, farm management section, H. B. Munger, chief, cooperating.]

## PRELIMINARY REPORT ON COST OF PRODUCING CORN, 1920.

This report covers the cost of producing corn on 337 farms in Story, Jones, Fayette, Pocahontas, Crawford, Union, and Jefferson Counties for the crop year 1920. The investigation was carried on cooperatively by the Iowa Farm Bureau Federation and the farm management section of the Iowa Agricultural Experiment Station.

## METHOD USED IN GATHERING COST FIGURES.

The survey method was used in gathering data reported in this study. Trained enumerators visited the farmers and secured from them estimates of the various items of cost.

## BASIS OF CALCULATIONS.

The cost of producing corn is figured on three different bases. First, owner basis; second, cash rent basis; third, grain rent basis.

In computing costs on the owner basis each farm was used as if it were an owner farm, 5 per cent interest on the value of land and taxes being used as the land charge. In each case the farmer was asked to place an estimate on the value of the land. Care was used not to value the farm as a whole which would include improvements and possibly some wet pasture land but rather to secure an accurate valuation for the land on which the corn grew.

In computing the cost of corn on the cash rent basis all farmers visited were asked to place an estimate on the cash rental value of their land in corn. Such rental is used as the land charge.

In computing cost of producing corn on the grain rent basis, the tenant's rent is half of the corn. His operating expenses per acre are the cost of producing his half of the crop.

## OPERATING COSTS OF PRODUCTION.

*Seed.*—Where seed was farm grown it was valued at feed price and any extra labor of picking seed, testing, shelling, etc., is included in labor cost. Purchased seed is charged at the price paid.

*Shelling.*—In Union and Jefferson Counties when corn was sold it was sold in the ear, hence no shelling charge.

*Man labor.*—Man labor was charged at 35 cents per hour except where extra labor for husking was employed. Such labor was paid by the bushel and was so charged in this report.

*Horse labor.*—Horse labor was charged at 20 cents per hour.

*Equipment.*—Equipment is charged at the rate of 5 cents per horse-hour for such equipment as is horse drawn. For special corn equipment like elevator, etc., an estimate was secured from each farmer having such equipment of the value and depreciation from which an annual cost was figured.

*Tractor.*—Wherever tractors were used a rate of \$1.50 per tractor-hour was charged.

*Manure.*—Manure was one of the most difficult factors for which to determine an accurate charge. In this study an attempt was made to get a record of all manure hauled onto the 1920 corn ground during the past three years. Manure was charged to the 1920 corn crop as follows: Fifty per cent of that applied in 1920, 30 per cent of that applied in 1919, and 20 per cent of that applied in 1918. A charge of \$2.50 per ton was made for manure on the field.

Factors of cost in producing corn—Average cost per acre.

County.	Average of counties.	Crawford.	Union.	Jefferson.	Story.	Jones.	Fayette.	Pocahontas.
Number of farms.....	337	48	45	51	48	55	40	50
<b>Operating costs:</b>								
Seed.....	\$0.44	\$0.43	\$0.53	\$0.44	\$0.46	\$0.47	\$0.40	\$0.37
Shelling.....	1.10	1.42			1.44	1.78	.72	1.47
Man labor.....	9.00	9.50	.02	9.47	8.70	9.53	8.20	8.64
Horse labor.....	9.81	10.70	10.98	11.40	8.02	10.75	9.38	9.06
Equipment.....	2.73	3.09	2.75	2.91	2.34	2.71	2.42	2.87
Tractor.....	.46	.32		.33	.57	.16	.24	1.07
Manure.....	4.15	5.11	3.56	2.99	2.76	7.20	6.38	3.51
Miscellaneous.....	.24	.23	.37	.22	.21	.33	.28	.22
Total operating cost.....	27.93	30.80	27.21	27.76	24.50	32.93	28.11	27.21
Operating cost per bushel.....	.564	.608	.70	.628	.486	.577	.585	.499
<b>Owner basis:</b>								
Operator costs.....	27.93	30.80	27.21	27.76	24.50	32.93	28.11	27.21
Use of land.....	18.03	18.73	14.08	15.80	21.35	16.23	12.96	20.34
Buildings.....	1.70	1.85	1.20	1.53	1.40	1.94	1.69	2.13
Total gross cost.....	47.66	51.38	42.49	45.09	47.25	51.20	42.76	49.68
Value of stalks and cobs.....	1.43	1.60	1.11	1.32	1.21	1.91	3.02	1.03
Net cost.....	46.23	49.78	41.38	43.77	46.04	49.29	39.74	48.65
Cost per bushel.....	.93	.98	1.06	.99	.91	.86	.83	.89
<b>Cash rent basis:</b>								
Operating costs.....	27.93	30.80	27.21	27.76	24.50	32.93	28.11	27.21
Use of land and cribs.....	16.73	18.60	13.36	16.77	16.31	15.67	12.29	19.88
Total gross cost.....	44.66	49.40	40.57	44.53	40.81	48.60	40.40	47.09
Value of stalks and cobs.....	1.43	1.60	1.11	1.32	1.21	1.91	3.02	1.03
Net cost.....	43.23	47.80	39.46	43.21	39.60	46.69	37.38	46.06
Cost per bushel.....	.87	.94	1.01	.98	.78	.82	.78	.84
<b>Grain rent basis:</b>								
Tenant's operating cost.....	27.35	30.08	26.95	27.54	24.12	32.53	27.81	26.86
Value of stalks and cobs.....	1.30	1.51	1.06	1.13	1.18	1.36	2.69	.99
Net cost.....	26.05	28.57	25.89	26.41	22.94	31.17	25.12	25.87
Cost per bushel (tenant's share).....	1.05	1.13	1.33	1.20	.91	1.09	1.05	.85
Value of land per acre.....	302.00	316.00	224.00	268.00	361.00	275.00	212.00	342.00
Yield of corn per acre.....bushels.....	49.7	50.7	39.0	44.2	50.4	57.1	48.0	54.5

Variation in net cost per bushel of corn, 1920—Owner basis.

337 FARMS: STORY, JONES, FAYETTE, UNION, POCAHONTAS, CRAWFORD, AND JEFFERSON COUNTIES.

[Average cost per bushel, \$0.93.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.55	1	0.3	70	0.4	4,900	4,900	0.6
.60	3	1.2	97	1.0	5,947	10,747	1.2
.65	4	2.4	218	2.2	14,435	25,182	2.9
.70	7	4.5	326	4.1	21,435	46,617	5.4
.75	14	8.6	626	7.7	37,044	83,661	9.6
.80	32	18.1	1,636½	17.0	93,967	177,628	20.5
.85	31	27.3	1,787½	27.2	98,904	276,532	31.9
.90	48	41.5	3,054½	44.7	157,966	434,498	50.0
.95	40	53.4	1,903	55.6	92,416	526,914	60.7
1.00	41	65.6	2,163½	67.9	109,470	636,384	73.3
1.05	25	73.0	1,302	75.4	62,446	698,830	80.5
1.15	17	82.5	1,701½	85.2	72,635	771,465	88.9
1.20	13	87.4	616	88.6	28,660	799,025	92.0
1.25	5	92.9	641	92.4	26,121	824,146	95.0
1.30	4	94.1	147	93.4	6,426	830,472	95.7
1.35	5	96.1	347	96.2	5,154	835,626	96.3
1.40	7	97.3	259	97.7	7,548	843,174	97.7
1.45	1	97.6	12	97.8	480	843,654	98.0
1.50	2	98.2	138	98.5	4,395	848,049	99.1
1.55	1	98.5	12	98.6	398	848,447	99.2
1.60	2	99.1	70	99.0	2,730	851,177	99.5
1.65							
1.70	1	99.4	26	99.2	1,300	852,477	99.6
1.75							
1.80	1	99.7	35	99.4	1,155	853,632	99.8
1.85	1	100.0	110	100.0	2,000	855,632	100.0

## AGRICULTURAL INQUIRY.

Variation in net cost per bushel of corn, 1920—Owner basis—Continued.

## 51 FARMS, JEFFERSON COUNTY.

[Average cost per bushel, \$0.99.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.75	1	2.0	22	1.2	1,300	1,300	1.6
.80	6	13.7	202	12.1	9,625	10,925	13.3
.85	4	21.6	187	22.2	9,650	20,575	25.1
.90	3	27.4	117	28.5	5,586	26,161	31.9
.95	4	35.3	214	40.0	10,910	37,071	45.3
1.00	5	45.1	209	51.3	8,918	45,989	56.2
1.05	5	54.9	202	62.2	9,652	55,641	67.9
1.10	8	70.6	316½	79.3	12,292	67,933	83.0
1.15	6	82.3	135	86.6	5,420	73,353	89.6
1.20	2	86.3	42	88.8	1,518	74,871	91.4
1.25	1	88.2	40	91.0	1,600	76,471	93.4
1.30	1	90.2	23	92.2	900	77,371	94.5
1.35	1	92.2	50	94.9	1,600	78,971	96.4
1.40	1	94.1	44	97.3	748	79,719	97.3
1.45	1	96.1	12	98.0	480	80,199	97.9
1.50							
1.55	1	98.0	12	98.6	396	80,595	98.4
1.60							
1.65							
1.70	1	100.0	26	100.0	1,300	81,895	100.0

## 48 FARMS, CRAWFORD COUNTY.

[Average cost per bushel, \$0.98.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.75	1	2.1	72	2.5	4,300	4,300	2.9
.80	1	4.2	62	4.6	4,400	8,700	5.9
.85	4	12.5	211½	11.9	11,578	20,278	13.8
.90	9	31.2	728	37.0	39,641	59,919	40.7
.95	3	37.5	153	42.3	7,803	67,722	46.0
1.00	9	56.2	494	59.3	25,083	92,805	63.1
1.05	4	64.6	293	69.4	14,390	107,195	72.9
1.10	6	77.1	385	82.7	18,205	125,400	85.3
1.15	3	83.3	175	88.8	7,470	132,870	90.3
1.20	3	89.6	126	93.1	6,160	139,030	94.5
1.25	2	93.7	58	95.1	2,446	141,476	96.2
1.30	1	95.8	39	96.4	1,404	142,880	97.1
1.35							
1.45							
1.50	1	97.9	63	98.6	2,520	145,400	98.9
1.55							
1.60	1	100.0	40	100.0	1,680	147,080	100.0

## 48 FARMS, STORY COUNTY.

[Average cost per bushel, \$0.91.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.75	1	2.1	74	2.0	4,440	4,440	2.3
.80	6	14.6	479½	14.7	26,751	31,191	16.4
.85	6	27.1	540	29.0	29,085	60,276	31.6
.90	8	43.7	961	54.4	49,130	109,406	57.4
.95	7	58.3	395	64.9	18,500	127,906	67.1
1.00	6	70.8	364½	74.5	18,985	146,891	77.1
1.05	5	81.2	295	82.3	14,527	161,418	84.7
1.10	5	91.7	369	92.1	17,065	178,483	93.7
1.15	2	95.8	96	94.7	4,440	182,923	96.0
1.20	2	100.0	202	100.0	7,585	190,508	100.0

Variation in net cost per bushel of corn, 1920—Owner basis—Continued.

55 FARMS, JONES COUNTY.

[Average cost per bushel, \$0.86.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.60	1	1.8	14	.8	994	994	1.0
.65	3	7.3	133	8.0	8,485	9,479	9.1
.70	2	10.9	59	11.3	3,945	13,424	12.9
.75	3	16.4	109	17.2	6,905	20,229	19.4
.80	7	29.1	277	32.3	17,005	37,234	35.7
.85	8	43.6	275	47.4	16,846	54,080	51.8
.90	8	58.2	305	64.0	16,670	70,750	67.8
.95	7	70.9	204	75.2	11,015	81,765	78.3
1.00	5	80.0	185	85.3	9,775	91,540	87.7
1.05	4	81.8	18	86.3	1,180	92,720	88.8
1.10	1	89.1	76	90.4	3,796	96,516	92.4
1.15	3	94.5	105	96.2	4,730	101,246	97.0
1.20	2	98.2	40	98.4	2,128	103,374	99.0
1.60	1	100.0	30	100.0	1,050	104,424	100.0

40 FARMS, FAYETTE COUNTY.

[Average cost per bushel, \$0.83.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.55	1	2.5	70	5.8	4,900	4,900	8.5
.60	2	7.5	83	12.7	4,853	9,753	16.9
.70	2	12.5	75	19.0	4,500	14,253	24.7
.75	4	22.5	109	28.1	5,844	20,097	34.8
.80	4	32.5	68	33.7	3,980	24,077	41.8
.85	2	37.5	41	37.2	2,570	26,647	46.2
.90	7	55.0	214	55.0	9,555	36,202	62.8
.95	8	75.0	246	73.0	9,270	45,472	78.9
1.00	3	82.5	115	82.6	4,850	50,322	87.3
1.05	1	85.0	26	84.7	4,192	54,514	89.4
1.10	4	85.0	118	94.6	3,737	58,251	95.9
1.15	1	87.5	40	97.9	1,800	57,051	99.0
1.25	1	100.0	25	100.0	575	57,626	100.0

50 FARMS, POCAHONTAS COUNTY.

[Average cost per bushel, \$0.89.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.65	1	2.0	85	2.4	5,950	5,950	3.1
.70	3	8.0	192	7.7	12,990	18,940	9.7
.75	7	12.0	116	11.0	7,965	26,905	13.8
.80	7	26.0	532	25.7	31,246	58,151	29.8
.85	6	38.0	453	38.5	25,655	83,806	43.0
.90	6	50.0	395	49.3	21,339	105,145	53.9
.95	6	62.0	518	63.8	25,410	130,555	67.0
1.00	9	70.3	703	83.5	37,875	168,430	86.4
1.05	5	80.0	266	90.9	13,150	181,580	93.1
1.10	1	92.0	100	92.7	5,000	186,580	95.7
1.20	1	94.0	55	95.2	2,200	188,780	96.8
1.35	1	96.0	65	97.1	2,925	191,705	98.3
1.40	1	98.0	70	99.0	2,100	193,805	99.4
1.80	1	100.0	35	100.0	1,155	194,960	100.0

45 FARMS, UNION COUNTY.

[Average cost per bushel, \$1.06.]

Net cost per bushel.	Number of farms.	Cumulative per cent of number of farms.	Acres of corn.	Cumulative per cent of acres harvested.	Production.	Cumulative production.	Cumulative per cent of production.
\$0.75	2	4.4	124	5.3	6,390	6,390	7.0
.80	1	6.7	16	6.0	960	7,350	8.0
.85	1	8.9	84	9.4	3,520	10,870	11.9
.90	7	24.4	344	24.1	15,945	26,815	29.3
.95	5	35.6	203	32.8	9,508	36,323	39.8
1.00	4	44.4	93	36.7	3,984	40,307	44.1
1.05	4	53.3	202	45.4	8,355	48,662	53.3
1.10	4	62.2	337	59.8	12,540	61,202	67.0
1.15	2	66.7	65	62.5	2,800	64,002	70.1
1.20	3	73.3	176	70.0	6,530	70,532	77.2
1.25	1	75.6	55	72.4	1,705	72,237	79.1
1.30	1	80.0	85	76.0	2,850	75,087	82.2
1.35	5	91.1	232	85.9	7,700	82,787	90.6
1.40	2	95.6	145	92.1	4,700	87,487	95.8
1.50	1	97.8	75	95.3	1,875	89,362	97.8
1.85	1	100.0	110	100.0	2,000	91,362	100.0

## EXHIBIT D.

[Iowa Agricultural Experiment Station, farm management section (H. B. Munger, chief), and Iowa Farm Bureau Federation cooperating.]

## PRELIMINARY REPORT ON COST OF PRODUCING WHEAT AND OATS, 1920.

## Variation in net cost per bushel of winter wheat, 1920.

167 FARMS, MONTGOMERY, WARREN, AND WAPELLO COUNTIES, IOWA.

[Average cost per bushel, \$1.88.]

Net cost per bushel.	Number of farms.	Cumulative percentage of number of farms.	Acres harvested.	Cumulative percentage of acreage harvested.	Production.	Cumulative production.	Cumulative percentage of production.
					<i>Bushels.</i>	<i>Bushels.</i>	
\$1.00	3	1.8	57	1.2	1,790	1,790	2.0
1.10	2	3.0	38	2.0	1,278	3,068	3.4
1.20	4	5.4	57	3.4	1,608	4,676	5.3
1.30	9	10.8	237	8.1	5,948	10,624	11.9
1.40	14	19.2	567	19.9	12,823	23,447	26.4
1.50	8	24.0	189	23.7	4,086	27,533	30.9
1.60	18	34.7	467	33.4	10,989	38,522	43.2
1.70	9	40.1	261	38.8	5,762	44,184	49.7
1.80	10	46.1	235	43.7	4,337	48,521	54.5
1.90	10	52.1	551	55.1	9,073	57,604	64.7
2.00	10	58.1	367	62.8	6,467	64,071	72.0
2.10	12	65.3	365	70.4	5,461	69,532	78.1
2.20	9	70.7	290	76.4	5,022	74,554	83.8
2.30	9	76.0	174	80.0	2,681	77,235	86.8
2.40	8	80.8	246	85.1	3,692	80,927	90.9
2.50	4	83.2	121	87.6	1,865	82,792	93.0
2.60	7	87.4	153	90.8	1,928	84,720	95.2
2.70	3	89.2	48	91.8	827	85,547	95.9
2.80	1	89.8	70	93.3	555	86,102	96.5
2.90	1	90.4	34	94.0	374	86,476	97.0
3.00	3	92.2	50	95.0	511	86,987	97.5
3.40	2	93.4	21	95.4	234	87,221	97.8
3.50	1	94.0	14	95.7	150	87,371	98.0
3.60	1	94.6	24	96.2	369	87,740	98.4
3.80	1	95.1	18	96.6	180	87,920	98.6
3.90	1	95.8	24	97.1	189	88,109	98.8
4.00	3	97.6	82	98.8	676	88,785	99.6
4.20	2	98.8	32	99.5	196	88,981	99.8
4.30	1	99.4	20	99.9	180	89,161	99.9
6.10	1	100.0	5	100.0	21	89,182	100.0

## 59 FARMS, WARREN COUNTY, IOWA.

[Cost per bushel of wheat, \$1.86.]

\$1.20	1	1.7	12	0.6	348	348	1.0
1.30	1	3.4	60	3.6	934	1,332	3.8
1.40	9	18.6	414	24.2	8,922	10,254	26.5
1.50	2	22.0	65	27.5	1,335	11,589	33.3
1.60	2	25.4	54	30.2	1,104	12,693	36.5
1.70	4	32.2	110	35.7	2,211	14,904	42.8
1.80	7	44.1	194	45.3	3,523	18,427	52.9
1.90	4	50.8	248	57.7	3,763	22,190	63.7
2.00	4	57.6	237	69.5	4,443	26,633	76.5
2.00	9	72.9	268	82.9	3,732	30,365	87.3
2.20	2	76.3	37	84.7	673	31,038	89.2
2.30	3	81.4	49	87.2	703	31,741	91.3
2.40	2	84.7	65	90.4	1,016	32,757	94.2
2.50	2	88.1	42	92.5	550	33,307	95.8
2.60	2	91.5	48	94.9	492	33,819	97.2
2.70	1	93.2	11	95.5	111	33,930	97.5
2.90	1	94.9	34	97.2	374	34,304	98.6
3.00	1	96.6	23	98.3	194	34,498	99.1
3.40	1	98.3	10	98.8	121	34,609	99.5
3.90	1	100.0	24	100.0	139	34,798	100.0

Variation in net cost per bushel of winter wheat, 1920—Continued.

54 FARMS, WAPELLO COUNTY, IOWA.

[Average cost per bushel, \$2.07.]

Net cost per bushel.	Number of farms.	Cumulative percentage of number of farms.	Acres harvested.	Cumulative percentage of acreage harvested.	Production.		Cumulative percentage of production.
					Bushels.	Bushels.	
\$1.10	1	1.9	20	1.4	600	600	2.5
1.20	1	3.7	10	2.1	265	865	3.6
1.30	2	7.4	49	5.6	1,545	2,410	10.0
1.40	3	13.0	103	12.8	2,351	4,761	19.8
1.50	5	22.2	106	20.3	2,493	7,254	30.1
1.60	3	27.8	69	25.2	1,668	8,922	37.1
1.70	1	29.6	20	26.6	480	9,402	39.1
1.80	2	33.3	23	28.4	980	10,382	41.1
1.90	4	40.7	213	43.4	3,890	14,272	57.3
2.00	4	48.1	90	49.7	1,248	15,520	62.4
2.10	1	50.0	40	52.5	609	16,129	65.0
2.20	2	53.7	86	58.6	1,310	17,439	70.4
2.30	3	59.3	73	63.8	1,068	18,507	74.9
2.40	3	64.8	63	68.3	1,066	19,573	79.3
2.50	2	68.5	79	73.9	1,315	20,888	84.8
2.60	3	74.1	70	78.8	926	21,814	88.6
2.70	1	75.9	12	79.7	141	21,955	89.2
2.80	1	77.8	70	84.6	555	22,510	91.5
3.00	1	79.6	12	85.5	162	22,672	92.2
3.40	1	81.5	11	86.2	113	22,785	92.6
3.50	1	83.3	14	87.2	150	22,935	93.3
3.60	1	85.2	24	88.9	369	23,304	94.8
3.80	1	87.0	18	90.2	180	23,484	95.5
4.00	3	92.6	82	96.0	676	24,160	98.4
4.20	2	96.3	32	98.2	196	24,356	99.2
4.30	1	98.1	20	99.6	180	24,536	99.9
6.10	1	100.0	5	100.0	21	24,557	100.0

54 FARMS, MONTGOMERY COUNTY, IOWA.

[Average cost per bushel, \$1.75.]

\$1.00	3	5.6	57	4.1	1,790	1,790	5.9
1.10	1	7.4	18	5.4	678	2,468	8.2
1.20	2	11.1	35	7.9	995	3,463	11.5
1.30	6	22.2	128	17.1	3,419	6,882	22.8
1.40	2	25.9	50	20.7	1,550	8,432	28.0
1.50	1	27.8	12	21.6	258	8,690	28.9
1.60	13	51.9	344	46.4	8,127	16,817	55.8
1.70	4	59.3	131	55.8	3,071	19,888	66.0
1.80	1	61.1	16	57.0	326	20,214	67.1
1.90	2	64.8	90	63.5	1,420	21,634	71.8
2.00	2	68.5	40	66.4	776	22,410	74.4
2.10	2	72.2	57	70.5	1,100	23,510	78.1
2.20	5	81.5	167	82.5	3,039	26,549	88.1
2.30	3	87.0	52	86.2	910	27,459	91.2
2.40	3	92.6	116	94.6	1,610	29,069	96.5
2.60	2	96.3	35	97.1	510	29,579	98.2
2.70	1	98.1	25	98.9	375	29,954	99.4
3.00	1	100.0	15	100.0	165	30,119	100.0

Variation in net cost per bushel of oats, 1920.

196 FARMS: LUCAS, FLOYD, AND BUENA VISTA COUNTIES, IOWA.

[Average cost per bushel, \$0.75.]

\$0.30	1	0.5	25	0.3	1,680	1,680	0.6
.40	1	1.0	60	1.0	2,900	4,580	1.5
.45	7	4.6	268	4.5	14,583	19,163	6.3
.50	9	9.2	291	8.1	12,481	31,644	10.4
.55	13	15.8	494	14.4	22,450	54,094	17.8
.60	16	24.0	624	22.3	25,291	79,385	26.2
.65	32	40.3	1,248	38.0	49,487	128,872	42.4
.70	26	53.6	1,040	51.2	39,638	168,510	55.6
.75	23	65.3	994	63.8	39,342	207,852	68.5
.80	12	71.4	491	70.0	18,489	226,341	74.6
.85	17	80.1	839	80.6	28,911	255,252	84.2
.90	12	86.2	395	85.4	12,476	267,728	88.3
.95	2	87.2	80	86.4	3,034	270,762	89.3
1.00	9	91.8	443	92.0	14,954	285,716	94.2
1.05	3	93.4	94	93.2	2,467	288,183	95.0
1.10	4	95.4	158	95.2	5,508	293,691	96.8
1.20	2	96.4	130	96.9	3,653	297,342	98.0
1.30	5	99.0	211	99.5	5,175	302,517	99.7
1.35	1	99.5	20	99.8	600	303,117	99.9
1.40	1	100.0	16	100.0	201	303,318	100.0

## Variation in net cost per bushel of winter wheat, 1920—Continued.

## 74 FARMS, LUCAS COUNTY, IOWA.

[Average cost per bushel, \$0.75.]

Net cost per bushel.	Number of farms.	Cumulative percentage of number of farms.	Acres harvested.	Cumulative percentage of acreage harvested.	Production.		Cumulative percentage of production.
					Bushels.	Bushels.	
\$0.45	1	1.4	20	1.0	1,000	1,000	1.6
.50	4	6.8	88	5.3	2,842	3,842	6.3
.55	5	13.5	95	9.9	3,511	7,353	12.1
.60	5	20.3	179	18.6	6,157	13,510	22.2
.65	13	37.8	411	38.7	12,669	26,179	42.9
.70	10	51.3	278	52.2	8,309	34,488	58.6
.75	10	64.9	263	65.0	7,392	41,880	68.8
.80	5	71.6	155	72.6	4,858	46,738	76.8
.85	5	78.4	161	80.4	4,701	51,439	84.5
.90	5	85.1	126	86.6	3,465	54,904	90.2
.95	1	86.5	10	87.1	234	55,138	90.6
1.00	2	89.2	55	89.8	1,440	56,578	92.9
1.05	2	91.9	78	93.6	2,035	58,613	96.3
1.10	1	93.2	25	94.8	500	59,113	97.1
1.15							
1.20							
1.25							
1.30	4	96.6	91	99.2	1,578	60,691	99.7
1.35							
1.40	1	100.0	16	100.0	201	60,892	100.0

## 58 FARMS, BUENA VISTA COUNTY, IOWA.

[Average cost per bushel, \$0.81.]

\$0.45	1	1.7	60	1.8	4,333	4,333	3.1
.55	2	5.2	91	4.7	4,976	9,309	6.7
.60	3	10.3	141	9.0	7,094	16,403	11.7
.65	10	27.6	487	23.8	22,507	38,910	27.9
.70	7	39.7	420	36.6	18,264	57,174	40.9
.75	8	53.4	512	52.1	23,955	81,129	58.1
.80	5	62.4	226	59.0	9,501	90,630	64.9
.85	7	74.1	443	72.5	16,870	107,500	77.0
.90	4	81.0	193	78.4	7,280	114,780	82.2
.95	4	82.8	70	80.5	2,800	117,580	84.2
1.00	5	91.4	278	88.9	10,258	127,838	91.6
1.10	2	94.8	113	92.4	4,533	132,371	94.8
1.20	2	98.3	130	96.3	3,653	136,024	97.4
1.30	1	100.0	120	100.0	3,600	139,624	100.0

## 64 FARMS, FLOYD COUNTY, IOWA.

[Average cost per bushel of oats, \$0.66.]

\$0.30	1	1.6	25	1.0	1,680	1,680	1.6
.40	1	3.1	60	3.3	2,900	4,580	4.5
.45	5	10.9	188	10.6	9,250	13,830	13.5
.50	5	18.8	203	18.5	9,639	23,469	22.8
.55	6	28.1	305	30.4	13,963	37,432	36.4
.60	8	40.6	304	42.1	12,040	49,472	48.1
.65	9	54.7	350	55.8	14,311	63,783	62.0
.70	9	68.8	342	69.1	13,065	76,848	74.8
.75	5	76.6	219	77.6	7,995	84,843	82.5
.80	2	79.7	110	81.8	4,130	88,973	86.5
.85	3	87.5	235	91.0	7,340	96,313	93.7
.90	3	92.2	66	93.5	1,731	98,044	95.4
1.00	2	95.3	110	97.8	3,256	101,300	98.5
1.05	1	96.9	16	98.4	432	101,732	99.0
1.10	1	98.4	20	99.2	473	102,205	99.5
1.35	1	100.0	20	100.0	600	102,805	100.0

*Factors of cost in producing wheat—Average cost per acre.*

<b>167 farms, Montgomery, Warren, Wapello Counties, Iowa, 1920:</b>	
Seed.....	\$3.41
Use of land (5½ per cent interest and taxes).....	16.80
Man labor.....	4.14
Horse labor.....	5.04
Machinery.....	1.24
Threshing.....	1.67
Twine.....	.35
Thrashing fuel.....	.16
Manure.....	1.49
Storage.....	.44
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	1.04
Total cost.....	35.78
Value of straw.....	.97
Net cost.....	<u>34.81</u>
Yield per acre, bushels.....	18.5
Cost per bushel.....	\$1.88
Acres of wheat per farm.....	29
Value of land per acre.....	\$282
<b>Fifty-nine farms, Warren County, Iowa, 1920:</b>	
Seed.....	\$3.57
Use of land (5½ per cent interest and taxes).....	15.14
Man labor.....	3.69
Horse labor.....	4.33
Machinery.....	1.08
Threshing.....	1.57
Twine.....	.31
Thrashing fuel.....	.13
Manure.....	1.55
Storage.....	.43
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	1.34
Total cost.....	33.14
Value of straw.....	.84
Net cost.....	<u>32.30</u>
Yield per acre, bushel.....	17.4
Cost per bushel.....	\$1.86
Acres of wheat per farm.....	34
Value of land per acre.....	\$253
<b>54 farms, Wapello County, Iowa, 1920:</b>	
Seed.....	\$3.36
Use of land (5½ per cent interest and taxes).....	16.05
Man labor.....	4.74
Horse labor.....	5.93
Machinery.....	1.44
Threshing.....	1.38
Twine.....	.31
Thrashing fuel.....	.13
Manure.....	1.89
Storage.....	.35
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	.71
Total cost.....	36.29
Value of straw.....	1.06
Net cost.....	<u>35.23</u>
Yield per acre, bushels.....	17.0
Cost per bushel.....	\$2.07
Acres of wheat per farm.....	26
Value of land per acre.....	<u>\$270</u>

## 54 farms, Montgomery County, Iowa, 1920:

Seed.....	\$3.23
Use of land (5½ per cent interest and taxes).....	19.96
Man labor.....	4.16
Horse labor.....	5.18
Machinery.....	1.29
Thrashing.....	2.13
Twine.....	.44
Thraashing fuel.....	.24
Manure.....	1.01
Storage.....	.53
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	.94
Total cost.....	39.09
Value of straw.....	1.07
Net cost.....	38.02
Yield per acre, bushels.....	21.7
Cost per bushel.....	\$1.75
Acres of wheat per farm.....	26
Value of land per acre.....	\$337

*Factors of cost in producing oats—Average cost per acre.*

## 196 farms, Lucas, Floyd, and Buena Vista Counties, Iowa, 1920:

Seed.....	\$3.23
Use of land (5½ per cent interest and taxes).....	15.53
Man labor.....	2.87
Horse labor.....	3.14
Machinery.....	.79
Thrashing.....	1.44
Twine.....	.39
Thraashing fuel.....	.18
Manure.....	1.66
Storage.....	.91
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	.48
Total cost.....	30.62
Value of straw.....	1.97
Net cost.....	28.65
Yield per acre, bushels.....	38.3
Cost per bushel.....	\$0.75
Acres of oats per farm.....	40
Value of land per acre.....	\$260

## 74 farms, Lucas County, Iowa, 1920:

Seed.....	\$3.08
Use of land (5½ per cent interest and taxes).....	11.30
Man labor.....	2.50
Horse labor.....	2.67
Machinery.....	.67
Thrashing.....	1.42
Twine.....	.32
Thraashing fuel.....	.17
Manure.....	.80
Storage.....	.91
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	.36
Total cost.....	24.20
Value of straw.....	1.81
Net cost.....	22.39
Yield per acre, bushels.....	29.7
Cost per bushel.....	\$0.75
Acres of oats per farm.....	28
Value of land per acre.....	\$187

58 farms, Buena Vista County, Iowa, 1920:	
Seed.....	\$3. 20
Use of land (5½ per cent interest and taxes).....	20. 52
Man labor.....	2. 99
Horse labor.....	3. 20
Machinery.....	. 80
Thrashing.....	1. 48
Twine.....	. 43
Thrashing fuel.....	. 14
Manure.....	2. 06
Storage.....	. 90
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	. 80
Total cost.....	36. 52
Value of straw.....	2. 31
Net cost.....	34. 21
Yield per acre, bushels.....	42. 5
Cost per bushel.....	\$0. 81
Acres of oats per farm.....	57
Value of land per acre.....	\$346
Sixty-four farms, Floyd County, Iowa, 1920:	
Seed.....	\$3. 39
Use of land (5½ per cent interest and taxes).....	12. 54
Man labor.....	3. 01
Horse labor.....	3. 43
Machinery.....	. 86
Thrashing.....	1. 42
Twine.....	. 40
Thrashing fuel.....	. 22
Manure.....	1. 84
Storage.....	. 93
Miscellaneous (formalin, hire of binder, drill, crop insurance, etc.).....	. 15
Total cost.....	28. 19
Value of straw.....	1. 64
Net cost.....	26. 55
Yield per acre, bushels.....	40
Cost per bushel.....	\$0. 66
Acres of oats per farm.....	40
Value of land per acre.....	\$208

EXHIBIT E.

RECOMMENDATIONS FROM THE NEW ENGLAND MILK PRODUCERS' ASSOCIATION TO THE JOINT COMMISSION OF AGRICULTURAL INQUIRY FOR IMPROVEMENT OF AGRICULTURAL CONDITION.

The New England Milk Producers' Association suggests that Congress can bring about relief to dairy farmers in New England by—

1. Providing adequate protective duties on dairy products.
2. Providing some relief for present high transportation costs on milk and cream.
3. Providing better facilities for short-time credits.
4. Passage of laws which make it possible for the farmers to cooperate more fully in the marketing of dairy products.

I. TARIFF ON DAIRY PRODUCTS.

The present permanent tariff bill as introduced in the House provides, among other rates, for duty on butter of 8 cents per pound; milk 1 cent per gallon; cream testing over 30 per cent, 10 cents per gallon. The raw material, milk and cream, required to make butter, carries a lower rate than its manufactured material, butter, in that 1

gallon of 40 per cent cream will make approximately 4 pounds of butter, which would call for an equivalent tariff on cream, considering transportation charges, of about 30 cents per gallon, three times the rate given. One gallon of 4 per cent milk would make about 0.4 of a pound of butter, which would call for a rate of at least 2½ cents per gallon on milk, to give an equivalent rate of 8 cents on butter. The rate in the permanent tariff bill should be more nearly equalized with an 8-cent butter rate.

#### II. TRANSPORTATION CHARGES.

Transportation charges on milk and cream in New England as compared with prewar have increased about 100 per cent. These charges are paid primarily by the farmer. Any relief that Congress can give by providing cheaper transportation rates, will result in a higher price to the farmer and a somewhat lower price to the consumer. Increased freight rates have resulted in the farmer paying much higher prices for feed and fertilizer in New England. With freight rates increased about 100 per cent over prewar normal, the farmer producing dairy products in New England is doing so at a loss.

#### III. SHORT-TIME CREDITS TO THE FARMER.

The present system of financing short-time credit to the farmer is not adapted to the farmer's rate of turnover. He requires loans of nine months or longer in order that he may obtain a return on his investment at the same time that such loans become due. Some system of short-time credit for farmers should be authorized and established by national legislation.

#### IV. COOPERATIVE MARKETING OF DAIRY PRODUCTS.

National legislation should be passed which would make it possible for farmers to cooperate more fully in the proper marketing of their products. From the time that milk and cream leaves the farm until it reaches its ultimate consumer in the city there is duplication of facilities for marketing, such duplication increasing tremendously the expense of moving the product from the country to the city. In New England some five or six companies have systems of milk-receiving stations throughout the country districts. At many shipping points two or three companies have equipped stations and manufacturing plants for handling dairy products. This means an overcapitalized process of distribution, which can only result in increased costs to the consumer and decreased prices to the farmer. We believe that proper national legislation which would allow combinations of farmers in the marketing of their products would reduce such overcapitalization. Through consolidation a decrease in the costs of bringing such products from the farm to the consumer would result in increased prices to the farmer and decreased costs to the consumer.

#### CONDITION OF THE DAIRY INDUSTRY.

The present condition of the dairy industry was, in our opinion, brought about through the development of the large export market in dairy products during the war period, which resulted in a tremendous increase in the facilities provided for the production of dairy products, both on farms and in manufacturing establishments. Large numbers of condenseries and other dairy manufacturing establishments were built during the war, and the demand from the farmers of additional supplies of dairy products was great. With the resumption of dairy production in Europe, such export demand was largely decreased, which resulted in an oversupply of dairy products in the United States at the price then obtained. With a fixed butter price in England, butter which normally would have gone to England from Denmark, Canada, and other countries came to the United States in large quantities and helped to break the price to below cost of production.

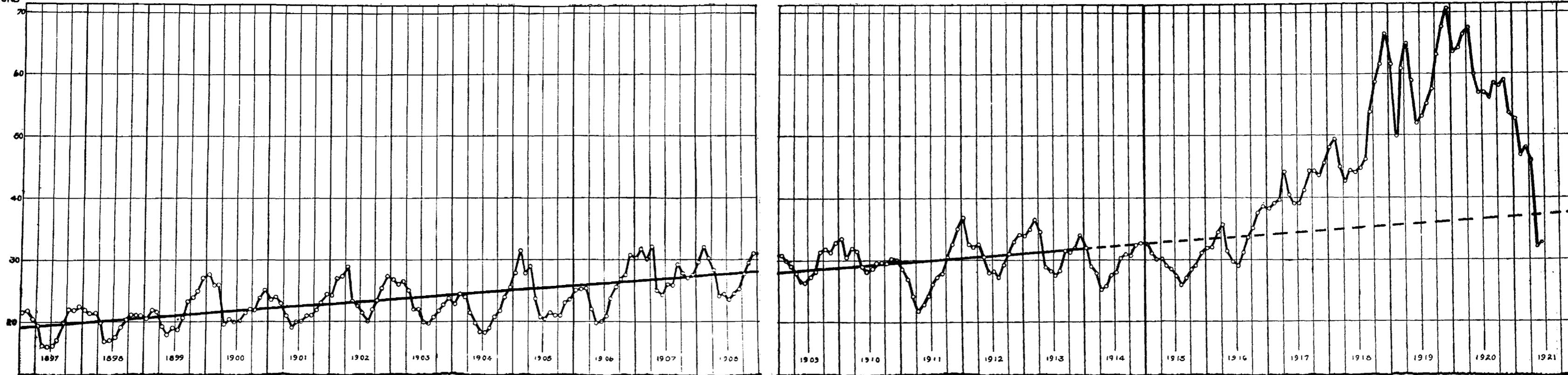
#### CHARTS AND TABLES.

Inclosed herewith are the following charts and tables, which will provide some additional material for presentation to the commission.

#### I. CHART OF BUTTER PRICES.

The chart of butter prices covers Boston Chamber of Commerce monthly quotations for creamery extra from 1897 to last month, June, 1921. It brings out the tremendous break in prices which took place this last year and shows the present prices with relation to prewar. A line was fitted to the price data from 1897 to 1913 through use

CENTS PER POUND CHART NO. 1.



MONTHLY PRICE OF BUTTER 1897 — 1921. BOSTON CHAMBER OF COMMERCE CREAMERY EXTRA.

Heavy line is line of trend fitted to 1897—1913 prices and extended in broken line to 1921.

of the method used by the Harvard University committee on economic research, and such line was prolonged through 1921. It is believed that prices will finally settle about this line through 1921. The general tendency of the market at present is to strengthen and probably average about this line for July.

#### II. COMPARISON OF PREWAR PRICE OF BUTTER, CHEESE, HAY, GRAIN, AND FRESH MILK.

In this table a comparison month by month is given for prices in 1920 and 1921, compared with prices which existed for corresponding months in 1913, butter being the quotation from the Boston Chamber of Commerce for creamery extras, cheese being the highest quotation given by the Boston Chamber of Commerce, hay being from the Crop Reporter, grain being a combination of five feeds as reported by the Boston Chamber of Commerce. Milk is the farmer's price at the shipping station, 60-80 mile zone, for all milk he sells. Comparison of 1913 prices with prices of 1920 and 1921 will show that milk prices have followed fairly closely to butter prices through the whole period, 1920 and 1921, up to the month of April and May of this year, when price received for milk has been considerably better than the relative price of butter and cheese.

#### III. COST OF PRODUCTION AND PRICES RECEIVED BY THE FARMER.

A comparison of costs of hay, grain, and labor, and cost of production with the price received f. o. b. Boston for fluid milk: Since July of 1920 this organization has been making studies of cost of milk production and in doing so has obtained from retail grain dealers costs of grain and from farmers cost of labor. The grain costs given represent the average weighted prices for the ration which the farmer was feeding monthly by month, the price per ton being arrived at by weighing the different grains reported on the basis of the feeds which were being fed by farmers.

*Hay prices.*—The hay price is a composite price for the New England States, weighted on the basis of the amount of milk coming from each State to Boston, with prices taken from the Crop Reporter for clover hay.

*Cost of labor.*—These figures were obtained from a questionnaire to farmers, on which they report who was doing the work on cows and what prices they were paying for farm help. From such information our weighted cost of farm labor was obtained. The price in December in 1920 was higher than the price in October and September, due to the shorter hours which farm labor was working during that period.

*Cost of production.*—This is determined through the application of these grain, hay, and labor costs to the quantity figures obtained by the Boston Chamber of Commerce in their study of cost of milk production in 1917.

The selling price f. o. b. Boston for fluid milk is the price which the dealer pays for all milk which he sells at fluid prices. For all milk not sold as fluid he pays a manufacturing price which depends primarily upon the market for butter.

#### IV. COMPARISON OF AGRICULTURAL INDEX AS PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR AND THE INDEX FOR ALL COMMODITIES.

This comparison shows the rapid decline which took place in farm products compared with the decline in all other commodities, showing that farmers have taken a much greater loss on their products than have other industries.

CHART No. 2.—Comparison of *prevailing* price of butter, cheese, grain, and fresh milk.

	Butter.					Cheese.				
	Price, 1913.	1920		1921		Price, 1913.	1920		1921	
		Price.	Based on 1913.	Price.	Based on 1913.		Price.	Based on 1913.	Price.	Based on 1913.
January.....	33.9	63.7	188	52.7	155	18.00	32.37	180	28.50	158
February.....	34.9	64.2	184	46.7	131	18.00	31.75	176	28.37	158
March.....	36.4	66.4	182	48.0	132	17.90	31.00	173	28.00	166
April.....	34.5	67.5	196	45.5	132	16.75	30.00	179	25.13	150
May.....	28.8	60.0	208	32.2	112	16.00	27.75	173	16.75	105
June.....	28.2	57.0	202	32.8	116	14.85	27.40	184	16.4	110
July.....	27.5	57.0	207	.....	.....	14.69	28.13	191	.....	.....
August.....	28.2	56.1	199	.....	.....	14.94	28.00	161	.....	.....
September.....	31.4	58.5	186	.....	.....	16.05	29.00	181	.....	.....
October.....	31.2	58.1	186	.....	.....	16.88	28.62	170	.....	.....
November.....	31.9	59.0	185	.....	.....	16.81	27.12	161	.....	.....
December.....	33.8	53.7	162	.....	.....	17.05	27.50	161	.....	.....

	Grain.					Milk. <sup>1</sup>				
	Price, 1913.	1920		1921		Price, 1913.	1920		1921	
		Price.	Based on 1913.	Price.	Based on 1913.		Price.	Based on 1913.	Price.	Based on 1913.
January.....	26.50	64.25	242	40.65	153	0.0447	0.0769	172	0.0699	156
February.....	26.15	64.15	249	36.85	141	.0435	.0766	176	.0617	142
March.....	25.16	66.56	265	36.85	146	.0412	.0763	185	.0570	138
April.....	25.05	69.40	277	33.05	132	.0376	.0743	196	.0544	145
May.....	25.70	73.70	287	33.10	130	.0318	.0664	209	.0465	146
June.....	26.52	73.68	278	33.08	125	.0318	.0636	200	.....	.....
July.....	27.05	67.40	249	.....	.....	.0387	.0705	182	.....	.....
August.....	28.45	63.00	221	.....	.....	.0400	.0772	193	.....	.....
September.....	30.20	58.08	192	.....	.....	.0400	.0790	198	.....	.....
October.....	29.25	47.90	164	.....	.....	.0459	.0763	166	.....	.....
November.....	29.15	45.60	156	.....	.....	.0494	.0811	164	.....	.....
December.....	29.48	42.64	145	.....	.....	.0494	.0789	160	.....	.....

<sup>1</sup> Farmer's price at shipping station—60-80 mile zone.

CHART No. 3.—Comparison of costs of grain (hay and labor), also cost of production *f. o. b. Boston*, and price received *f. o. b. Boston*.

Grain, per ton, Northeastern States:		Hay, per ton, Northeastern States:	
1920—		1920—	
July 20.....	\$79.69	July 1.....	\$29.00
Aug. 20.....	76.04	Aug. 1.....	25.48
Sept. 20.....	72.73	Sept. 1.....	25.14
Oct. 20.....	66.37	Oct. 15.....	22.70
Nov. 20.....	61.85	Nov. 15.....	21.93
Dec. 20.....	55.15	Dec. 15.....	22.41
1921—		1921—	
Jan. 20.....	51.50	Jan. 15.....	22.10
Feb. 20.....	47.48	Feb. 15.....	21.93
Mar. 20.....	45.70	Mar. 15.....	19.59
Apr. 20.....	43.43	Apr. 15.....	19.41
May 20.....	41.71	May 15.....	18.19
June 20.....	40.53	June 15.....	19.40

Cost of labor per hour, North-eastern States:

1920—	
July 20 .....	\$0. 357
Sept. 20 .....	. 365
Oct. 20 .....	. 332
Dec. 20 .....	. 375
1921—Apr. 20 .....	. 303

Cost of production, per quart (weighted average):

1920—	
Aug. 1 .....	. 1009
Sept. 1 .....	. 0978
Oct. 1 .....	. 0957
Nov. 1 .....	. 0900
Dec. 1 .....	. 0884
1921—	
Jan. 1 .....	. 0865
Feb. 1 .....	. 0848
Mar. 1 .....	. 0832
Apr. 1 .....	. 0804
May 1 .....	. 0773

Cost of production, per quart (weighted average)—Contd.

1920—Continued.	
June 1 .....	\$0. 0757
July 1 .....	. 0766
Sale price, f. o. b. Boston, for fluid milk:	
1920—	
Aug. 1 .....	. 10
Sept. 1 .....	. 105
Oct. 1 .....	. 105
Nov. 1 .....	. 105
Dec. 1 .....	. 105
1921—	
Jan. 1 .....	. 095
Feb. 1 .....	. 09
Mar. 1 .....	. 0825
Apr. 1 .....	. 0825
May 1 .....	. 0800
June 1 .....	. 0800
July 1 .....	. 0800

Weighted average prices for hay.

	1913	1920	Per cent increase over 1913.	1921	Per cent increase over 1913.
January .....	\$15. 05	\$21. 95	146	\$21. 68	144
February .....	15. 04	23. 10	154	22. 13	147
March .....	14. 35	27. 10	189	19. 48	136
April .....	14. 98	29. 12	194	20. 46	137
May .....	14. 66	28. 76	196	18. 53	126
June .....	14. 93	29. 10	195		
July .....	14. 85	25. 40	171		
August .....	14. 76	25. 30	171		
September .....	14. 92	25. 31	170		
October .....	14. 79	23. 92	162		
November .....	14. 88	22. 93	154		
December .....	15. 53	22. 54	145		

CHART NO. 4.—Comparison of agricultural index as published by United States Department of Labor and the index for all commodities.

	Farm products.	All products.		Farm products.	All products.
1920.			1920.		
January .....	246	248	November .....	165	207
February .....	237	249	December .....	144	189
March .....	239	253			
April .....	246	265	1921.		
May .....	244	272	January .....	136	177
June .....	243	269	February .....	129	167
July .....	236	262	March .....	125	162
August .....	222	270	April .....	115	154
September .....	210	242	May .....	117	151
October .....	182	225			

## EXHIBIT F.

*Cost account, 40 acres of oats, 1920, farm of C. A. Hunt*

Seed, 120 bushels, cleaned and treated at 50 cents per bushel.....	\$60 00
Disking twice—man hours, 50; horse hours, 200; 4 horses.....	32 50
Seeding—man hours, 15; horse hours, 30; 2 horses.....	6 75
Harrowing twice—man hours, 16; horse hours, 64; 4 horses.....	10 40
Rolling—man hours, 18; horse hours, 54; 3 horses.....	9 90
Harvesting—man hours, 25; horse hours, 75; 3 horses.....	13 75
Shocking—man hours, 48.....	12 00
Thrashing—man hours, 180.....	45 00
Twine, 120 pounds, at 15 cents.....	18 00
Coal for thrashing, 1 ton, and hauling.....	7 00
Thrashing bill, at 2 cents per bushel.....	33 60
Hauling of grain to market—man hours, 36; horse hours, 72.....	16 20
Interest on land and equipment at 6 per cent; land valued at \$250 per acre and equipment at \$1,500 for a period of three months.....	622 50
Tax.....	84 00
<b>Total labor and expense.....</b>	<b>971 60</b>
Yield, at 42 bushels per acre, 1,680 bushels, at 30 cents.....	\$504 00
Straw, 40 tons, at \$4.....	160 00
	<u>664 00</u>
Loss.....	307 60
Man labor, at 25 cents per hour; horse labor, at 10 cents per hour.	

## EXHIBIT G.

*Cost account, 40 acres of corn, 1920, farm of C. A. Hunt.*

Plowing—man hours, 130; horse hours, 520; 4 horses.....	\$84 50
Disking twice—man hours, 50; horse hours, 200; 4 horses.....	32 50
Harrowing, three times—man hours, 25; horse hours, 100; 4 horses.....	16 25
Planting—man hours, 22; horse hours, 44; 2 horses.....	9 90
Rolling—man hours, 20; horse hours, 60; 3 horses.....	11 00
Cultivation, three times—man hours, 140; horse hours, 280; 2 horses.....	63 00
Weeding and mowing—man hours, 30.....	7 50
Manure hauling—man hours, 40; horse hours, 120; 3 horses.....	22 00
Husking—man hours, 192.....	48 00
Seed—6 bushels, at \$3 per bushel.....	18 00
Shelling, including coal or gas, at 2½ cents per bushel.....	40 50
Hauling to market, man hours, 50; horse hours, 100.....	22 50
Interest on land and equipment, at 6 per cent, land valued at \$250 per acre, equipment at \$1,500 for a period of 4 months.....	630 00
Tax.....	86 00
<b>Total cost.....</b>	<b>1,091 65</b>
Yield, at 45 bushels per acre, 1,800 bushels, at 50 cents per bushel..	\$900 00
Value of fodder, at \$2 per acre.....	80 00
	<u>980 00</u>
Loss.....	111 65
Man labor, at 25 cents per hour; horse labor, at 10 cents per hour.	

EXHIBIT H.

Potatoes, farm of W. W. Chamberlain, Woodsville, Grafton County, N. H.; acres in farm, about 250.

Q. How many bushels of potatoes did you raise last year?—A. 275 bushels.

Q. Do you have figures in cost of growing them?—A. I have the detailed figures with me. The 275 bushels cost \$1.40 per bushel to grow. This does not include interest or taxes and not time for Paris greening.

Q. I do not see any charge for spraying for blight.—A. Potatoes were not sprayed for blight. They rotted very little, however. Thorough spraying would have added considerable to cost of production.

Q. Do you have a record of your sales of potatoes?—A. Sales of 1920 crop:

10 bushels, at \$2.....	\$20.00
7 bushels, at \$1.50.....	10.50
2 bushels, at \$1.25.....	2.50
28 bushels, at \$1.....	28.00
10 bushels, at \$0.90.....	9.00
3 bushels, at \$0.83½.....	2.50
80 bushels, at \$0.75.....	60.00
4 bushels, at \$0.50.....	2.00
<hr/>	
Total (144 bushels).....	144.50

About 25 bushels were used by the family, the shrinkage by rot was about 12 bushels, and the remainder of the crop, or 82 bushels, were fed to the cattle and horses, except 12 bushels that were planted this spring.

The total cost of growing crop was \$386, and the sales plus home use and shrinkage would amount to about \$211, or a loss on the crop of \$175.

NOTE.—Attached hereto is the detailed record of production cost.

Cost of producing potatoes, 1920; yield per acre, 137½ bushels:

2 days plowing, man and team, at \$7.....	\$14.00
2 days harrowing, man and team, at \$7.....	14.00
1 day planting, 3 men, team and planter, at \$13.....	13.00
2 days cutting seed, 1 man, at \$3.....	6.00
30 bushels seed, at \$4.....	120.00
2 tons phosphate, at \$68.....	136.00
½ day sowing phosphate, 1 man, 1 horse, at \$4.....	4.00
1 day cultivating, 2 men, 1 horse, at \$8.....	8.00
1 day hoeing, 2 men, 2 horses, at \$10.....	10.00
12 pounds Paris green, at \$0.60.....	7.20
1 day digging, 5 men, team and digger, at \$20.....	20.00
2 days digging, 4 men, team and digger, at \$17.....	34.00
<hr/>	
Total.....	386.20

Cost per bushel, \$1.40; sales, \$1 per bushel; labor, at \$3 per day; team, at \$4 per day; no interest or taxes are charged and no time for Paris greening.

EXHIBIT I.

ULSTER COUNTY, N. Y.

Mr. Davis, give your full name, address, age, and occupation.

Name, Frederick Davis; age, 43; address, Stone Ridge; and occupation, farmer.

Question. How long have you been a farmer?

Answer. Eight years.

Question. What was your occupation before?

Answer. A butcher.

Question. What line of farming are you engaged in?

Answer. Mainly poultry, some fruit and some dairy.

Question. How is your poultry business now?

Answer. Never better.

Question. What is the comparison between the cost of production and the price you have to pay for feed, which, I believe, is your principal cost in producing poultry?

Answer. For the past seven years I have been keeping a record.

Question. Have you any figures to show?

Answer. I have prepared a short statement showing the amount of feed it takes to produce a dozen eggs.

## COST OF POULTRY FEED.

	January.	April.	July.	October.	Average.
1914.....	\$1.90	\$2.00	\$1.90	\$2.10	\$1.95
1916.....	2.00	1.90	1.90	2.00	1.95
1918.....	4.00	4.00	3.70	3.60	3.83
1919.....	3.35	3.45	3.50	3.80	3.70
1920.....	3.80	2.75	4.50	3.25	3.82
1921.....	2.70	2.20	2.15	.....	2.35

## NET PRICE OF EGGS.

1914.....	\$0.38	\$0.24	\$0.24	\$0.41	\$0.32
1916.....	.40	.24	.28	.41	.344
1918.....	.67	.40	.50	.60	.542
1919.....	.82	.48	.57	.75	.654
1920.....	.78	.57	.58	.84	.692
1921.....	.73	.30	.38	.....	.47

	Pounds feed.
One dozen eggs would purchase in—	
1914.....	16.4
1916.....	17.6
1918.....	14.2
1919.....	17.7
1920.....	19.1
1921.....	20
One dozen eggs would purchase July 1—	
1914.....	12.6
1916.....	14.7
1918.....	13.5
1919.....	16.3
1920.....	12.9
1921.....	17.6

The year 1918 was the worst in the poultry business.

Question. Does that happen to be in the year that Mr. Hoover's commission forbade the selling of old hens, and did it affect the poultry business?

Answer. It certainly did. This year was the most favorable of any year during the seven.

Question. Describe method and cost of production, and have you any suggestions to make in regard to method of production and distribution?

Answer. Fifty per cent of the eggs are sold to commission men, but we have satisfactory selling to home trade, and the local success is due to local markets. Home markets much more satisfactory.

Question. Do you consider the present distribution economical?

Answer. No.

Question. How do you account for California eggs being shipped 3,000 miles and from 10 to 15 days old and receiving more money than we do for our eggs?

Answer. This is due to cooperative selling and the way they are packed and graded. In that way they realize a good price. California only ships their best eggs and we ship all grades.

Question. Do you feel that under these conditions there might be a better way of marketing our eggs.

Answer. Yes; in certain sections with cooperative selling and packing organization.

Question. Do you think that the National Congress would make a great mistake in not supporting the Capper-Volstead bill which allows farmers to sell and buy cooperatively?

Answer. I do.

Question. Do you have any trouble in getting short-time loans?

Answer. No.

Question. Do you believe that some short-time system should be worked out in this country to help farmers get short loans?

Answer. Yes.

Question. Have you had any trouble with transportation?

Answer. Not of late.

Question. What about the price you have to pay to get eggs to your chief market in New York City.

Answer. It is too high. The price is just double according to the prices before the war.

Question. Have the profits been satisfactory?

Answer. I have no fault to find.

Question. Any exceptional loss in your business?

Answer. Loss against net account about satisfactory.

Question. What about the tariff on eggs consigned to this country?

Answer. Yes. If we have to buy under a restricted market our products should be sold under a restricted market.

Question. Don't you feel that for the quantity of eggs produced in the Rondout Valley that a farmers' cooperative selling and distributing organization would improve conditions.

Answer. Yes; it would.

EXHIBIT J.

NEW YORK STATE—WYOMING COUNTY.

Testimony on cost of production of potatoes by L. J. Wilson, Gainesville, N. Y.:

I have grown potatoes for several years and have usually kept accounts. Last year we had 37 acres of American Giants. The following is a summary of production costs:

*Cost of growing 37 acres potatoes, 1920—The Wilson Farms.*

Man labor per hour.....	\$0. 50
Team labor per hour.....	. 20
<hr/>	
Man and team labor:	
Plowing.....	110. 60
Harrowing.....	122. 90
Drawing fertilizer.....	15. 40
Drilling fertilizer.....	57. 00
Mixing fertilizer.....	3. 00
Treating seed.....	53. 90
Cutting seed.....	107. 00
Planting.....	160. 00
Cultivating.....	224. 70
Spraying.....	170. 30
Hoeing.....	17. 50
Rogueing.....	107. 50
Digging.....	799. 50
Boarding help.....	163. 25
	<hr/>
	2, 112. 55
Seed (550 bushels, at \$3).....	1, 650. 00
Fertilizer.....	854. 87
Lime.....	26. 00
Vitriol.....	138. 25
Arsenic.....	26. 00
Soda.....	8. 16
Paris green.....	. 50
Interest, land and school tax, depreciation on farms. Proration of above on 37 acres.....	482. 00
Yearly employees, unprofitable period, repairs, blacksmithing, depreciation on tools.....	900. 00
Cost per bushel.....	. 635
Coat per acre.....	167. 50

It should be noted our item against man and team labor was 70 cents per hour. This, I believe, was low for last year. Our production last year was much above the average, which brought the per bushel cost down.

Taking the county as a whole the cost of production last season would not be less than \$1 per bushel.

Our average production would be around 150 bushels per acre or nearly a half less than that of 1920.

I doubt if the production in Wyoming County will exceed 110-115 bushels per acre on the average.

The cost of producing an acre of potatoes varies widely on different farms, depending to a large extent upon methods used. The average cost, however, will not be less than \$90 per acre. This means that growers, on the average, do not get cost of production for their crop.

The potato growers in our community have lost heavily during the past year and future prospects are far from promising; unless we get good yields and fair prices this fall our growers will face a very serious situation. Many growers were obliged to sell their 1920 crop this spring for almost nothing. These men had to borrow funds at the bank with which to continue their farm operations. Practically all of these notes remain at the bank unpaid. The bank has about reached its limit and would rather not make further loans.

## EXHIBIT K.

## MICHIGAN—GRATIOT COUNTY.

Question. Can you give the cost of 1 acre of beets from the time the preparation of the beet ground starts until the beets are delivered to the factory?

Answer. The cost is \$53.85, divided as follows:

Disking.....	\$0.40
Plowing.....	2.00
Rolling 2 times, at \$0.40.....	.80
Dragging 3 times, at \$0.40.....	1.20
Floating.....	.40
Rent of beet drill.....	.40
Drilling.....	.50
Beet seed.....	3.75
Cultivating 6 times.....	2.40
Hand labor.....	23.00
Lifting beets.....	2.00
Drawing to market, 7 tons.....	7.00
Rent of land.....	10.00
Total.....	53.85

Question. What do you consider an average crop of beets?

Answer. Seven tons.

Question. What will the farmer probably get this year for beets?

Answer. We now expect only the \$6 guaranteed.

Question. Then, how does that make the beets pan out financially?

Answer. They will lose about \$11.85 an acre.

Mr. SILVER. I would also like to state for the record that in 1914 a farm wagon cost \$90, which was equivalent to 112½ bushels of wheat, or 150 bushels of corn, and to-day (this figure was made as of July 9) the same wagon is retailing at \$150, which is the price of 157.8 bushels of wheat or 300 bushels of corn.

Representative MILLS. Now, let me ask you a question concerning the making up of those figures, and I do not want you to think that I am asking this in an unfriendly spirit, because unless your figures will stand up under any ordinary accounting test, some one will shoot them full of holes, and you will not accomplish what you seek to accomplish. Now, I notice one item of equipment, for instance at so many cents an hour. Now, you take one of these wagons. Were those figures reached on the basis of the cost on a wagon in 1920, irrespective of whether the wagon was bought in 1919 or 1910?

Mr. SILVER. Not in the specific item that you have mentioned.

Representative MILLS. I mean generally speaking.

Mr. SILVER. It is difficult to arrive at. It is difficult accounting, but a proper depreciation charge will provide for that.

Representative MILLS. You get my point?

Mr. SILVER. I get your point, but these figures can and will be substantiated, and any question, Mr. Mills, that may arise in your mind when you study these figures, I want the accountant to come

and set you straight as to their correctness. I am putting these figures in here to show you and prove to the committee and to the world, that when the farmer says he loses \$100 or \$1,000, he has facts and figures to show how he arrives at it. And this proposition about its costing the farmer nothing to live because he gets it all off the farm, that is just as fallacious as saying that it does not cost the merchant anything because he gets his goods out of his store, or that it doesn't cost the banker anything because he gets his money out of his bank. The purpose of these figures is to show what the farmer bases his statement on that he is losing money, so that when the farmer makes the announcement that he is losing money, his word will go with the business men, because his estimates and his figures are made on a business basis.

Senator ROBINSON. Mr. Chairman, this is a very interesting study to me, and if the figures are reliable it is very important testimony, and while I have no disposition whatever to discredit them, I am willing and would be glad to have them investigated by any test which Mr. Mills or any one else who is interested in the subject may be disposed to suggest, because, as Mr. Mills has suggested, if the figures are not sound the conclusion to be drawn from them will not be reliable, of course.

Mr. SILVER. Of course that is true.

Senator ROBINSON. If the figures are sound, the conclusion may be accepted. I am anxious to know whether a similar study has been made in any other section of the country as to the cost of production?

Take, for instance, cotton, rice, potatoes?

Mr. SILVER. I have figures on all of those, Senator. I think I have given all except cotton.

Senator ROBINSON. That is as to that particular section of the country?

Mr. SILVER. No, no; I beg your pardon. Those figures are from all over the country.

Senator ROBINSON. Are they general?

Mr. SILVER. They are general.

Representative TEN EYCK. Those figures are general, I understand.

Mr. SILVER. They are figures from different places scattered around the country, from New York and from Michigan and from New Hampshire and from Missouri and from New England.

Representative TEN EYCK. From all over the country.

Senator ROBINSON. I did not understand, and I do not believe the other members of the commission understood that these figures you gave are from all over the country. I understood they were based upon investigations made in Iowa.

Mr. SILVER. No; each and every one of these exhibits represents a different locality.

Representative TEN EYCK. That is my understanding.

Mr. SILVER. All these exhibits represent different parts of the country, different crops.

Senator ROBINSON. With the exception of the first exhibits, which relate solely to Iowa.

Mr. SILVER. Yes.

Senator ROBINSON. There were a number of exhibits there that related solely to the special investigation made in Iowa.

Mr. SILVER. Yes.

Senator ROBINSON. Now, as to these investigations in other parts of the country, were the same methods of ascertaining the cost of production pursued as in Iowa? Mr. Cunningham explained the methods that were used in Iowa to ascertain costs; were the same methods used in other parts of the country?

Mr. SILVER. In some of these exhibits the figures are all shown in the same way. You can see from these charts and the statements how they were arrived at.

Senator ROBINSON. The statements show on their face what they are?

Mr. SILVER. Yes; the statements show on their face what they are, and the accounts show just how they were kept.

Senator ROBINSON. Has there been a study made on the question of the cost of production of cotton?

Mr. SILVER. I think there has, but I don't have it, Senator.

Senator ROBINSON. Will you be able to give it in a short time?

Mr. SILVER. I think so.

Senator ROBINSON. I would like to have it.

Mr. SILVER. We would be glad to give the commission those figures.

Senator ROBINSON. Have you made a study of the production of rice during the last year?

Mr. SILVER. We have asked for the figures for both rice and cotton, but we have not received them yet. Keep in mind, Senator, that this matter came up recently, and this information is coming in right along, we are getting it daily. Some of this matter which I have just referred to came in last night, and I may have this information that you are asking about later in the day, or on Monday, but our notice was short and our groups are large, and a large group is a little unwieldy, and when we sent out those letters we got answers to some of them promptly, and to others we did not get answers so promptly.

Senator ROBINSON. As they come in will you bring them to the attention of the committee?

Mr. SILVER. We will be mighty glad to do so, Senator. As soon as we get further information we will present it to the commission. (This information will be inserted at a later date).

Senator ROBINSON. I think it is a very important study, and the commission should have all the information possible.

Representative MILLS. You are going to let us have for the record one of those blanks which you sent out, which will indicate the character of the questions that you ask?

Mr. SILVER. Yes.

Representative TEN EYCK. I do not think we ought to close the hearing on this matter, but believe we should accept things of this sort if the representatives of the farmers wish to bring information of this kind in later.

Senator ROBINSON. Yes.

Mr. SILVER. I will move on to something else if these exhibits are accepted for the record and say nothing more about that, because the accounting speaks for itself.

The CHAIRMAN. I take it after this material has been printed, that the commission can call anybody that it wants to with reference to these figures, and examine them to determine their accuracy, or the method by which they were obtained, or any other material fact that may relate to them.

Senator ROBINSON. Yes.

Mr. SILVER. We will be very glad to explain anything, or answer any questions that may arise.

The CHAIRMAN. Of course, nobody can examine a witness with respect to these figures without having them before him, and we can not all have one copy before us at the same time; consequently the other members of the commission would not understand what the particular member of the commission who was asking the questions was referring to, so it seems to me that it is much wiser to get this material in such shape that every member of the commission can have a copy, and then examine any particular statement that there may be question about.

Mr. SILVER. Yes.

Senator ROBINSON. Yes; and in addition to that, Mr. Silver could be questioned as to the meaning of these figures intelligently. One would want to study the figures and know in a general way what they show.

Mr. SILVER. My presentation is in the nature of a grand jury indictment. I am presenting a grand jury indictment as to expense. Now, we will follow it up at the petit jury trial later on, and that is the thought I had in mind in presenting it in this way.

Now, we have the result of the referendum by items on the cost of money. I would like to put in the record something about that if you will permit me to do so. It shows what was sent out and what the answers were as they came back.

The CHAIRMAN. This is a character of inquiry that can be tabulated, and it seems to me that instead of printing each one of these in the record that all this matter should be gone over and tabulated so we can get the summary of the result of this questionnaire.

Mr. SILVER. I have no objection to tabulating it, Mr. Chairman. I have no objection whatever to doing so, and will be glad to do it. There is one thing with reference to this that I wish to call attention to that is of value, and that is this: It shows the spots where bad practices are indulged in as to charging extortionate or unfair rates of interest, and the commissions in addition, and instances of that kind are abundant in this list, and that is one of the hard things to get.

The CHAIRMAN. Could not the material be tabulated by States or by districts in such a way as to show where relatively interest rates are high and where they continue low?

Mr. SILVER. I expect that the material can be so tabulated, Mr. Chairman, and I would be glad to put it in that way. But I want to get in the record the results of that referendum.

The CHAIRMAN. I agree that it would be much more valuable to us if we could get it just by States or by districts—that is to have a tabulation of it so that it would give the situation with reference to loans and credits in such a way that you could tell where the bad spots were, as you suggest.

Mr. SILVER. Yes.

Replies from several hundred counties in the United States to questionnaires sent out by the American Farm Bureau Federation regarding the amount of interest paid on money borrowed for short-term and long-term loans showed that farmers are paying from 6 to 11 per cent interest on short notes and from 6 to 10 per cent on long-term loans. The rates, of course, vary rather widely even within the States. In some States farmers report that it has been very

difficult to obtain money during the past 12 months and that those conditions still prevail. In other instances money is available, but at the prevailing high rates. Rather frequently farmers are charged a bonus amounting to 1, 2, and 3 per cent for the privilege of borrowing money for a short period. As a general rule this bonus is not required by the bank itself, but the loan is made by some individual or agency, which may or may not be connected, directly or indirectly, with the bank. In many instances farmers have had to borrow more than they were allowed to remove from the bank, which is another way of extracting a higher than the legal rate of interest. As a rule bankers required farmers to pay their interest at the time the loan is made.

A summarization of the returns from 10 States is as follows: North Dakota, 8 to 11 per cent on short-term loans; 8 to 10 per cent on long-term loans; Vermont, about 6 per cent for both long and short term loans with bonuses sometimes charged on short-term loans; Michigan, 6 to 7 per cent on short-term with bonuses frequently required; long-term loans, 6 to 7 per cent. The rate charged for short-term loans in New York is 6 to 7 per cent, with occasional bonuses; long-term loans, 6 per cent. In Iowa bonuses are frequently charged in addition to an interest rate of 7 to 9 per cent on short-term loans, and long-term loans are made at 6 to 7 per cent with occasional bonuses required. In Illinois the short-term rate is about 7 per cent and bonuses are frequently charged. Long-term loans can be secured at 6 to 7 per cent, but frequently bonuses are extracted. In Missouri the interest rate on short-term money is 7 to 8 per cent and frequently bonuses are required. Long-term money costs 6 to 8 per cent and bonuses frequently required. In Kentucky short-term money sells at 6 to 8 per cent and long time at 6 to 7 per cent with occasional bonuses for long-time loans. In Florida the rate is 8 to 10 per cent on short-time loans, and sometimes bonuses are charged in addition. The long-term rate is practically the same as the short-term loans. In Arizona short-time loans cost about 10 per cent.

(Filed herewith are two typical replies to the questionnaire:)

#### ONAWAY COUNTY, MICH.

##### SHORT-TIME LOANS.

1. Interest paid on short-time loans during the past 12 months ranges from 8 to 12 per cent.
2. A bonus is required in a large number of instances on short-time loans.
3. The amount of this bonus has in some instances been great enough so the interest and bonus would amount to \$300 on a \$1,000 loan.
4. Farmers have not had to pay full year's interest when borrowing for a fraction of a year.
5. When loans are made, cash deposits have not been necessary.

##### LONG-TIME LOANS.

1. The rate of interest on long-time loans during the past 12 months has been 7 to 8 per cent.
2. A bonus is very seldom required on long-time loans. Where there was a bonus required it was very small.

## VERMILION COUNTY, ILL.

## SHORT-TIME LOANS.

1. What rate of interest have farmers in your vicinity paid bankers or others for short-time (3 to 8 months) loans during the last 12 months? Seven per cent in advance.

2-3. Do bankers or others require a bonus when making a loan? No bonus in most cases. A few report being charged 2 per cent for making the loan. In some cases the banker has refused to make a loan for the bank on the ground of not having enough money, but he has arranged to make a loan himself as a personal loan and charged from 2 to as high as 10 per cent for doing so, in addition to the regular interest rate.

4. Do farmers have to pay a full year's interest when borrowing for a fraction of a year, say eight to nine months? Most loans must be paid in 90 days or the note renewed. The interest is figured for the actual time the note runs and is usually taken out at the time loan is made.

5. Do farmers have to carry money on deposit in the banks in order to obtain loans and how much on each \$1,000 borrowed? No.

## LONG-TIME LOANS.

1. What rate of interest have farmers in your vicinity paid for long-time loans during the last 12 months? Long-time loans secured by mortgage have been made this year at 7 per cent with 2 per cent commission.

## MEMORANDUM.

Page 133. Deed of trust book. No. 18. Geo. T. Mish, trust. A. C. Naderbusch, trustee. To secure \$1,500 loaned by Jno. M. Miller. Recorded, August 27, 1920.

Note dated August 26, 1920, payable to Jno. M. Miller or order 3 years after date with interest from its date at the rate of 10 per cent payable semiannually in advance.

Now, gentlemen, we are asking for legislation here. The marketing question and the financial question are so closely related and so vitally important that I am anxious to get in the record testimony on these points, and I am anxious for this committee to go into those two things along with others, but those two things particularly in a very full way.

The farmer is to-day in a most unhappy situation, on this financial question. Possibly not through anybody's intent. I do not blame anybody, nor am I trying to pull down the Federal reserve bank when I say these things. The Federal reserve bank has not been to blame for all of it. But the farmer has not been financed. And the farmer has not been financed, largely owing to a situation that has developed through years when he was not given credit like other people were given credit. The farmer has been given credit on net worth. He did not get any other kind of credit. The business man, the merchant, the other fellow got credit on a turnover basis. As long as he kept going he got credit on the volume of business did.

Now, the result of that was this: The farmer last fall was in need of credits that he had never needed or gotten before. His own banker was his friend—his neighbor often. When last fall arrived and markets were closed—both foreign and domestic markets—in a large way the farmer needed credits that he had never gotten before. He needed moneys he had never had to ask for before. Why? Because had the markets been functioning those products would have moved off in a normal way and he would have gotten returns in money. But when the products did not move because the markets were not functioning, and when he asked for moneys which were out of proportion to his requests in former years, when he had marketed normally, he was not given that credit. In many instances he had absorbed his usual allotment of credit, and in this instance, when

this emergency arose, it in no wise took care of his needs. Had we had what we term commodity financing, a system of warehousing with the deposit of the commodity and the issuing of a uniform warehouse receipt, when his banker looked at him, instead of looking at the man as a good net worth risk of \$5,000 or \$10,000, he would have looked at the bushels of wheat or the bales of cotton that he had deposited and held his warehouse receipt for.

Whatever may be worked out by this Congress or some succeeding Congress—and I hope it will be this and not a succeeding Congress—I do know that the farmer can not wait; he has got to have two things. He has got to have markets, and he must have finances during that time to carry on. We are sick. We are sick nigh unto death. We come here to the great healer, and we are telling you these things, and we are asking you that an instrument of relief be given. It may be that the bills that we have asked for are not, in your judgment, in the exact form they ought to be. It may be that you can cure them by some other method. But if you have no better method in your minds, do not delay the passage of the things that the farmers of America are asking for to-day. And they are not asking for it in any selfish way. They are not asking for it because the farmer alone needs it. They are not asking for it because it is a group or sectional need only. The farmers are not asking for a group or selfish thing. They are not asking for something for a separate interest, but they are asking for a chance to exist and a proper place in our national life. These things are just as important to the city man or to any other class or group as they are to the farmer.

When the Great War was on and we mobilized all our resources to save our institutions and our Government, we did a proper thing, and to-day the danger is just as great and we need to mobilize all our forces that we may enjoy these institutions that we have saved. The farmer must have, if this basic industry is to be saved for all of our people, for the enjoyment of all our people, relief that has not as yet been given to him. He must have things that have not as yet been done for him; not as a class, or a special thing for a group, but that he may have an instrument to carry on his business. And that instrument, I would say, in reference to this financial question, is contained in some of these bills that we are asking, whether it be commodity financing or pooling or personal credits, known as rural credits, or whether it be some of the other things, the 5½ per cent bill or the 10 to 25 farm loan bill. Both of them are necessary to make the farm loan banks function. All those things must be had or agriculture and the country suffer.

Now, gentlemen, these things must not only be had for the farmer's sake. They must be had to save these country banks, so that they can continue to function. If you make an instrument which allows the farm loan bank to function so that the farmer can get loans and pay the deposit bank the loan that he can not now take care of, and has no immediate prospect of taking care of, the welfare of the bank is no longer jeopardized. If the bank examiners to-day were doing what they had been required to do 10 years ago, how many banks would be closed? You all can make as good a guess on that as I can; but running into the thousands.

Now, if this bank is allowed to function and the farmer can get from the farm loan bank money, so he can amortize this indebtedness, he will pay out. He is not given to taking an immunity bath by the processes of insolvency and bankruptcy. He is not given to availing himself of bankruptcy. He carries on and eventually comes through. And the record of the farmer's notes show at these banks that they are paid. They are slow, but they are paid. Now, here is an opportunity to give him a chance, to give him a chance to make good to the bank so that the bank may make good to other people. When he gets long-time money, and amortizes his debts, he carries along and pays and puts money in the bank, and they can help some fellows with short-time loans.

Now, we do not ask that you take in this banking system the deposits of customers and make long-time loans, for we know that the man who deposits money in the bank would not deposit it there if he could not get it when he wants it. But there are other kinds of money than that. There is money for long-time investments, and we must have some instrument whereby we can approach this great national reservoir of moneys and credits. We must have an instrument that will enable us to approach it differently from what we now do.

Now, I want to say again, and I want to say it in connection with that, that we are not trying to pull down the Federal reserve. We are not trying to pull down existing institutions. But we would rather build alongside of existing institutions that which will serve us and that which is essential to our welfare, essential to our needs.

I will illustrate by calling attention to one farmer's plight. He is a neighbor of mine, and lives in my home county and serves this city with milk. He has above \$150,000 of property, and about \$27,000 of indebtedness. During this past fall he had occasion, for he could not get money out of his crops, and so on, to need \$5,000 more. He went to his local bank to get this \$5,000. He could not be accommodated there. Why could he not be accommodated? They did not have the money. He went with me to one of the large banks in Baltimore. I know the president of this bank very well. I said, "Dick, you must let this gentleman have this money." The president of this bank said, "No; but I will loan the bank that he deals with the money." And he dictated a letter right there to that effect. But he said, "I will do that provided he does not borrow \$5,000, but borrows \$7,000, and leaves \$2,000 on deposit in addition to the 6 per cent that he pays." Well, when you want money badly, when you have got to have money you have got to take whatever terms you can get.

Well, this neighbor of mine went back home, and the bank back home said, "No; we do not want to do that. Our statement looks bad enough now, and if we have to add some rediscounts, or money borrowed, to that, it makes it worse. We can not accommodate you. We won't take it on that farm." I went to the largest trust company in Baltimore—I had dealt with the president of that trust company often before—and said, "This man must have \$5,000 for this farm." The president said, "Don't come here with a farmer's account. We have got the money, and if you will bring a deal worth while, as you have before, we will loan you money, but we do not want a farmer's account."

Now, there were two big banks, gentlemen, in the city of Baltimore that did not want a farmer's account.

Representative MILLS. Why not?

Mr. SILVER. Both of them had the money. Well, they can answer that question, sir, better than I can.

Representative MILLS. Well, is this not the fact: It is not because he was a farmer and that there was any intention to discriminate against farmers, but because in a time of credit stringency they do not want to tie up their money for a long period of time? How long did your friend want to borrow for?

Mr. SILVER. A farmer can not borrow on a 60 or 90-day note with any other expectation than of renewing it. It is of no account or value to him if he can not renew it. He must have it for a crop season, and a crop season means a year's turnover.

Representative MILLS. He was asking for long-time credit, in banking terms?

Mr. SILVER. Yes; and as I said a minute ago, that was a deposit bank, and the banker did not want to accommodate the farmer. Now, the banker did not feel like putting out deposits on so long a time, and the farmer's account was not desirable because it would be a borrowing account, and it could not be gotten in readily. Now, the bankers do not want to do this, and it may be rightly so. But, as I say, the bankers do not feel like putting out deposits on these long loans.

Representative TEN EYCK. What you are trying to get at is this, that there should be some medium whereby the farmer can get extended credit when he wants it.

Mr. SILVER. Yes, sir. We want some instrument so that he can reach that investment money; that is, that kind of money. It is an intermediate loan, but it is for a longer time than the ordinary deposit bank wants to loan.

Representative TEN EYCK. They can not rediscount for a longer period than six months with the Federal reserve bank.

Mr. SILVER. And they can not get in that six months' period, because they do not come direct to the Federal reserve bank. They go to the local bank, and it is a bank of deposit, and that bank of deposit does not take a six months' loan. It takes a 60 or 90 day loan, and he never gets to avail himself of that six months' provision of the Federal reserve bank.

Now, we were unable to secure this loan in Baltimore. So following that I came over here with that same farmer to one of the big banks of this town. I knew the president of that bank very well. He lives out near me. I said to him, "This man must have \$5,000." He said the same thing: "Gray, don't bring me a farmer's account. What can I do with a farmer's account?" He said, "If I loan him that money, I have got to carry through a whole crop year, and," he said, "I can not do it under present conditions."

Now, here I could make an appeal to this banker that I could not make to the Baltimore bankers. I said to him, "This man, living out here in West Virginia, is producing milk and selling it in this town. This is his particular territory. You are entitled to accommodate him as you accommodate other business persons in this town." T is banker said, "Well, that sounds all right to you as a farmer, but it

does not sound all right to me as a banker. I must not let my money out at a time like this where I can not get it back quickly."

Now, gentlemen, it all comes back to the same thing, that the present banking facilities do not finance the farmers. There is money enough, but how are you going to reach it? The farmers can not be expected to take dynamite and a crowbar and get the money in that way. They must do it in some other way, and Congress is the only place that we can come to and ask for the proper instrument whereby we can get money. The farmer has no other place to go, and he must come to Congress, and he has now come to Congress asking for relief.

Now, I have here a letter which I received from Walter L. Eddy, assistant secretary, Federal Reserve Board, which I would like to read into the record, which shows the number of banks in the Federal reserve system and the number out, their capital, and the other things having to do with it, and to show there that one of the reasons why the farmers have not gotten credit, to some extent, was the lack of country banks belonging to the Federal reserve [reading]:

FEDERAL RESERVE BOARD,  
Washington, July 14, 1921.

DEAR MR. SILVER: In accordance with request made by a representative of your office, there is given below certain data showing the number, capital, and surplus of banks which are members of the Federal reserve system and the same information with respect to nonmember banks. The number, capital, and surplus of all banks in the United States as of June 30, 1920, the latest date for which figures are available for nonmember banks, are shown on the table below:

Banks.	Number.	Capital.	Surplus.
<b>Member banks:</b>			
National.....	8,025	\$1,223,416,000	\$985,861,000
Nonnational.....	1,574	493,598,000	494,595,000
<b>Total.....</b>	<b>9,399</b>	<b>1,717,014,000</b>	<b>1,480,456,000</b>
<b>Nonmember banks:</b>			
State bank and trust companies.....	18,229	902,358,000	542,353,000
Mutual savings banks.....	620		334,546,000
Stock savings banks.....	1,087	69,183,000	39,422,000
Private banks.....	799	13,334,000	13,046,000
National banks.....	5	750,000	523,000
<b>Total.....</b>	<b>20,740</b>	<b>985,625,000</b>	<b>929,890,000</b>
<b>Grand total.....</b>	<b>30,139</b>	<b>2,702,639,000</b>	<b>2,410,346,000</b>

On April 28, 1921, the latest data for which figures for all member banks are available, there were 9,698 member banks with capital and surplus as indicated below:

Banks.	Number.	Capital.	Surplus.
<b>Member banks.....</b>	<b>9,698</b>	<b>\$1,350,074,000</b>	<b>\$1,552,418,000</b>
National banks.....	8,148	1,270,683,000	1,028,306,000
Nonnational banks.....	1,550	579,391,000	528,112,000

Yours, very truly,

WALTER L. EDDY,  
Assistant Secretary.

The Federal Reserve Board apportions money on the basis of investments in capital and deposits. If the bank has not become a member of the Federal reserve system, in their distribution or allotment you do not get an apportionment in that community that you would get otherwise. Consequently when they, the farmers, went to their banks they did not have the limit of credit or the margin of credit that they would have had at other times, so we are advocating that all country banks become members of the Federal reserve system as one means of helping to get a greater amount of credit to the rural communities.

Representative MILLS. You can not do that by legislation, though.

Mr. SILVER. I grant you that, nor did I ask you to do that by legislation. But I said we are asking that that be one of the things. And if that message is carried rightly to the country banks, they will do so, instead of the message that is largely carried now to them, when the city bank says to the country bank that is a correspondent: "Don't join the Federal reserve. We will take care of you." They may take care of it, but they do not take care of the banker's customer, and when the times comes and the apportionment is made so that the money is apportioned to the city bank and the country bank is not in the apportionment, the country fellow stands to suffer and the other fellow to benefit, because in tight times he has money available and the other fellow does not have money available.

And, again, from the viewpoint of the method of drawing money in from the country and depositing it in the city banks in selling Federal securities that is something that needs attention. We all bought them, and we are still going to buy them if we have any money. But when you sell in a country community, whether it be one of the recent issues of the 5½ per cent Treasury certificates, or some of the older issues, that money leaves that community and comes in the city and is deposited in the city bank. And when that happens there is no method, at this time, of carrying that money back. It is concentrated. It is drawn from the country community for a perfectly proper purpose, but it functions to the disadvantage of the country community.

Representative MILLS. Well, it goes wherever it is needed. When it is needed in the country district it goes back.

Mr. SILVER. Well, what brings it back to the country district?

Representative MILLS. Higher rates. Money goes where it will earn the most. The reason it goes in ordinary times to the cities is because it will earn most in the cities. That is where the country banks make their deposits.

Mr. SILVER. The money that we were patriotically appealed to to expend in Government securities may not have brought any more than it would have brought in some other investment, but it came to the city bank because it was invested in those securities that we all urged everybody to invest in.

Now, as a general proposition, in normal times, I would say your proposition is correct; but it is not correct as to drawing money to rural communities during and since the war except and because of the way our money situation was handled, which enabled bankers, brokers, and money lenders generally to further distress farmers by charging outrageous rates of interest and a large commission or brokerage in addition, and the Congress only can give us an instru-

ment that will free us from this abuse of power exercised by the money-changing class of to-day.

Representative MILLS. You heard the doctor on Friday who described how the money on deposit in the central reserve city banks was withdrawn in 1920 and went back to the country banks.

Mr. SILVER. When the country commodities are selling high and there is a demand for them you can take back moneys by selling your commodities. You can take back moneys if you have any kind of collateral that the city bank will use. But I have illustrated that the city bank does not want a farmer's account, and if you have no money for your commodity, or if your commodity is selling on such a low basis that you can not any more carry on, you can not avail yourself of that money. You can not avail yourself of that method of getting it back that you have in mind. It does not come back to the country bank, and the country bank does not loan it, and the farmer goes without and suffers the consequences.

Now, keep this in mind, that when the farmer goes without, he curtails production. He does not do it with any bad intent, but he can not do anything else. Why, gentlemen, is the cotton crop 68 per cent of the normal crop this year? Because those poor souls did not have enough of money or credit to get out a greater crop. They are carrying on as best they can. They still have faith, but they were so distressed with the sale of last year's crop, and with no relief since, that they could not hire help, they could not buy fertilizer, they could not buy harness, they could not buy mules, and they could not do the things that are necessary to put out a greater crop.

Now, economically speaking, it may be that a greater crop would be an added calamity, for under the carry over of around 8,000,000 bales of cotton, and the estimated production of some 8,000,000 bales of cotton for this year, making 16,000,000 in all, and the estimated needs for this year being around 17,000,000 bales, or something over, without counting Egypt and India or any other cotton-producing countries, we are producing almost enough in the South for this country and all the world. But at the same time half of the world is hungry, and many people are going ill clad or naked.

Representative TEN EYCK. Let me see if I understand you. Your contention here to-day is this, that you want an extension of the time on the short-time loan in keeping with the turnover of the farmer, which is nine months to a year. Have I summed up correctly what your contention is?

Mr. SILVER. Yes; in addition to the long-time credits that are referred to.

Representative TEN EYCK. That has nothing to do with the long-time credits.

Mr. SILVER. There are now two bills pending in regard to that long-time credit.

Representative TEN EYCK. When we took a 90-day credit for the business in the city it evidently was based upon the idea of an average turnover of the business in the various communities. Now, what you want is an extension of that time on the short-time loan in keeping with the turnover of the farmer, which is from 9 months to 12 months.

Mr. SILVER. Yes, sir; you have it right. That is what I am trying to make plain, that we do not only want it, but that if we are to

carry on we must have it, and we do not want to talk about not carrying on. We want the other thing.

Now, I think I have made plain the situation about that.

The CHAIRMAN. How much longer do you expect to take, Mr. Silver?

Mr. SILVER. I have several other points which I wish to discuss. It will take me some time.

The CHAIRMAN. The commission will take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.30 o'clock p. m., a recess was taken until 2 o'clock p. m., the same day, Saturday, July 16, 1921.)

AFTER RECESS.

At 2 o'clock p. m. the commission reassembled, pursuant to the taking of recess.

**STATEMENT OF MR. GRAY SILVER, WASHINGTON REPRESENTATIVE OF THE AMERICAN FARM BUREAU FEDERATION—Resumed.**

Mr. SILVER. Mr. Chairman and gentlemen of the committee, taking up where I left off this morning, I have here a letter which I wish to read into the record from Russell & Allen, of Augusta, Ga., to Mrs. H. E. Moore, Culverton, Ga., advising Mrs. Moore to sell her cotton and liquidate her indebtedness to the bank.

The CHAIRMAN. At what time was that?

Mr. SILVER. On June 2, and then on June 16, 1920, they wrote again. [Reading:]

RUSSELL & ALLEN,  
Augusta, Ga., June 2, 1921.

Mrs. H. E. MOORE,  
Culverton, Ga.

DEAR MADAM: The first Government condition report came in to-day at 11 o'clock, showing a condition of 66 as of May 25, and, as the growing conditions have improved some since then, the effect on the market was that of weakness, as the month of June is considered a good growing month, and the July condition report is expected to show some improvement over the June report; consequently a larger estimated crop will have to be figured on at that time.

The action of market on the report was very disappointing, as the general impression was that report would be followed by an advancing market and a betterment in trade demand for spot cotton, which up to this time has been very poor, and this, taken into consideration with the large estimated carry over of spot cotton into next season, makes the outlook indeed a gloomy one for the producer and holder of spot cotton.

Should there occur anything in the way of a crop scare or ending of strikes, etc., to bring about a temporary betterment in demand and values, we can not help thinking that it will prove to be an opportune time to sell spot cotton; in fact, unless the growing crop proves to be a very small one it will be doubtful whether current values will maintain for long.

The present outlook is such that we feel that any advance that may come will not be permanent, nor will it compensate the spot holder of spot cotton for the risk and carrying charges.

Upon any advance in the market there will be a free marketing of cotton that has been held back and on which the banks have loaned money, as on account of the present strained credit conditions the banks are requiring the liquidation of all loans on cotton, whether protected by proper margins or not.

We are giving you the above for your consideration.

Yours, truly,

RUSSELL & ALLEN.

RUSSELL & ALLEN,  
Augusta, Ga., June 16, 1921.

Mrs. H. E. MOORE,  
Culverton, Ga.

DEAR MADAM: In our letter of the 2d instant we called attention to the fact that the banks, on account of the strained credit condition, were requiring the liquidation of all loans on cotton, whether properly protected with margins or not.

We understand that this action is due to pressure on the banks from the Federal Reserve Board, who have demanded of all member banks the settlement of all loans, with cotton as collateral, before the beginning of the new cotton season; this being the case, it necessitates the member banks calling in their loans on cotton collateral in order to settle with the Federal reserve banks.

We regret beyond measure this condition of affairs, but as we have been called on by our banks to settle up our cotton loans, and being unable to make new loans elsewhere, we are compelled to ask that you kindly settle up your account with us on or before July 1, 1921.

If you are fortunate enough to be able to negotiate a loan elsewhere and require your cotton as collateral, we will be pleased, upon settlement of charges to date, to turn your cotton over or give bonded warehouse receipts for same; otherwise we will be forced to sell your cotton or so much of it as will liquidate your indebtedness to our bank.

Hoping that you will appreciate our position in this matter, we remain,  
Yours, truly,

RUSSELL & ALLEN,  
By R. E. ALLEN.

P. S.—Since the Government report of the 2d instant the growing condition of crop has shown an improvement of about 3 per cent, according to mid-monthly report of the National Ginner's Association. With the forced liquidation of spot cotton all over the South by the banking interests calling loans, and improved crop conditions, together with the poor mill demand and large expected carry-over into next season, we can see no reason at this time to expect an enhancement in value; on the contrary, would rather expect a further decline in values.

R. & A.

Representative FUNK. What is the date of that?

Mr. SILVER. June 16, 1921.

The CHAIRMAN. Who is that from?

Mr. SILVER. From Russell & Allen, cotton brokers. Then I have another letter here which I will read into the record, from John A. Moore to Hon. R. A. Kelly, president of the bank, I judge, at Atlanta, Ga., inclosing the first letter, in which he says [reading]:

CULVERTON, GA., June 17, 1921.

Hon. R. A. KELLY,  
President Georgia Farm Bureau Federation, Atlanta, Ga.

DEAR MR. KELLY: Inclosed you will see a couple of letters that were handed me by my sister-in-law, Mrs. H. E. Moore, my brother being dead, I am looking after her business affairs for her.

I don't know whether the Farm Bureau can do anything in regard to getting this action rescinded by the Federal Reserve or not; you may use the letters as you see fit, and if necessary I can get letters from other parties here, which goes to show that Mrs. Moore is not the only sufferer, and you will notice that these letters especially say that the loans will be called whether protected by proper margin or not.

This means the dumping of a lot of distress cotton on the market, which means a big slump.

In connection with this question of where will the money come from to buy this cotton, will it not be the Federal reserve bank? Why should the cotton not be proper collateral in the farmers' hands, as well as the buyers and mill men?

If we could handle this for the farmers, I think it would be good business for the Farm Bureau, and I am willing to do what I can.

With best wishes, I am,  
Yours, truly,

JNO. A. MOORE.

Then Mr. Oliver, secretary of the Georgia Farm Bureau, writes the following letter:

GEORGIA FARM BUREAU FEDERATION,  
Atlanta, Ga., June 22, 1921.

Mr. GRAY SILVER,  
Munsey Building, Washington, D. C.

DEAR MR. SILVER: Inclosed you will please find a letter from one of our leading Farm Bureau members to President Kelley, relative to a situation that promises to become somewhat aggravating, if the Federal Reserve insists on banks collecting all loans on cotton.

The indications are that speculators have already taken advantage of this to depress the market. If all the cotton is forced onto the market which is now carrying loans, it certainly will give the speculator quite an advantage.

We would appreciate it if you would see how you can aid in this matter.

We would be glad to hear from you with regard to it. Thanking you for the courtesy, I am,

Yours, very truly,

GEORGIA FARM BUREAU FEDERATION,  
J. G. OLIVER, *Secretary*.

So I took the inclosed letters, which I have just read into the record and wrote to Gov. Harding, inclosing them to him, and got back from Gov. Harding this letter [reading]:

FEDERAL RESERVE BOARD,  
OFFICE OF THE GOVERNOR,  
Washington, June 30, 1921.

DEAR MR. SILVER: I have your letter of the 29th instant inclosing letter and inclosures from Mr. J. G. Oliver, secretary of the Georgia Farm Bureau Federation. The board has no information that any Federal reserve bank has been insisting that member banks collect all loans on cotton. Your attention is directed to a press statement which the board issued on June 6, copy of which was sent to all Federal reserve banks, from which you will see that the board takes the position that forced collection of farmers' indebtedness should not be undertaken in the present circumstances and advises that liberal treatment be accorded.

You will notice from the letters that you sent me, particularly from the letter of Messrs. Russell & Allen, of Augusta, Ga., that no definite statement is made that the calling of cotton loans is due to pressure on banks by the Federal Reserve Board, but that they say "we understand" this to be the case. This understanding is entirely erroneous and I hope you will correct it. In order to show you how these false impressions can arise, I inclose copy of a letter which was written by the cashier of a national bank in Alabama to the Federal reserve bank of Atlanta, from which you will see that the bank, of its own volition, notified all customers whose indebtedness to it was secured by warehouse receipts for cotton that they would be expected to sell the cotton and pay their notes by July 1. You will see from the reply signed by the governor of the Federal reserve bank, dated June 25, that the Federal reserve bank made no such demand and that it is not the policy of that institution to demand of any bank that any particular class of paper be liquidated and the proceeds paid to the Federal reserve bank. It is very unfortunate that these erroneous impressions gain currency and I think that some of the member banks are to blame. They call cotton loans of their own volition and in some cases give the impression that they are doing this under pressure from the Federal reserve bank.

Very truly, yours,

W. P. G. HARDING, *Governor*.

Mr. GRAY SILVER,  
Washington Representative, American Farm Bureau Federation,  
Munsey Building, Washington, D. C.

Now, I want to say that so far as the farmer is concerned, that it isn't any relief to him when they are distressing him by taking his collateral, his cotton in this case, and selling it to satisfy the loan, as to just particularly how it is stated to be, whether they "understand" or are "officially advised." But to give the Federal board credit, I do not believe they directed the selling of this security in this instance, but that makes it very plain what the distress of the borrower was.

Then, in addition, to go a little further, I have here a copy of a letter from the cashier of the first national bank in some town in Alabama.

The CHAIRMAN. What place in Alabama?

Mr. SILVER. It does not show the town. The letter is addressed to Mr. M. B. Wellborn, governor of the Federal reserve bank, Atlanta, Ga. The letter is as follows [reading]:

THE FIRST NATIONAL BANK,  
———, Ala., June 24, 1921.

Mr. M. B. WELLBORN,  
*Governor Federal Reserve Bank, Atlanta, Ga.*

DEAR SIR: On June 15 we notified all customers who owed us notes secured by warehouse receipts for cotton that we would expect them to sell cotton and pay their notes July 1. Since that time cotton has declined, and they are teeming in to see us, begging more time.

We are at a loss to know what to say to them until we learn how you feel about what we owe you.

We realize and appreciate the fact that you have been exceedingly nice and good to us, and we do not feel warranted in giving our customers, who are holding cotton, further extensions unless it is perfectly satisfactory with you to give us extensions.

They all think, as they have been thinking since last fall, that cotton will go up and that it will not be fair and just to force them to sell on this down market.

We have enough paper secured by cotton to pay you all we owe you on rediscounts. Please advise us your wishes in the matter and your opinion about cotton.

Yours, very truly,

———, *Cashier.*

I have a letter from the Federal reserve bank of Atlanta, Ga. which is in answer to this letter to Mr. Wellborn, although the name here is blank. The letter is as follows [reading]:

FEDERAL RESERVE BANK OF ATLANTA,  
*June 25, 1921.*

MY DEAR MR. ———: I am in receipt of your letter of June 24, and note that you have notified your customers, who are borrowing on cotton, to sell some and pay their notes by July 1.

Of course, you understand, this is a matter with which we have nothing to do. From our correspondence with your bank, we have made no such demands, for it is not our policy to demand of member banks that any particular class of paper be liquidated and the proceeds paid to us. It is a fact that some member banks are borrowing very heavily from us, and, when their borrowings reach such a great amount that we feel they should be more conservative and do banking in a safer way, then we call their attention to the fact that we do not wish to extend further accommodations. It is then a matter between the member bank and their customers and there are ways of obtaining liquidation of their paper other than forcing their customers to sell their cotton.

We assume that a great many of your loans are made to customers where there is no cotton hypothecated as collateral. Probably the bulk of your loans are in that shape, and, while we are not insisting that your bank pay off your borrowings in total, or any amount of it, we are merely admonishing you not to go to any greater length on your borrowings which are already so high, being more than two times greater than your capital and surplus and more than six times greater than your basic discount line. We will continue to carry for you your large line of rediscounts until business conditions in your locality bring about a proper liquidation without forcing your customers to sell their cotton to liquidate.

Yours, very truly,

M. B. WELLBORN, *Governor.*

Mr. ———, *Cashier,*  
*First National Bank, ———, Ala.*

Now, that shows a very serious and unhappy situation.

And following that I have another letter from Gov. Harding.

The CHAIRMAN. Mr. Silver, do you have, or do you know anybody who has, a program for relieving this situation? I am frank to confess that so far I have not seen anything that will relieve it, except the prospect of additional markets somewhere.

Mr. SILVER. Additional markets somewhere and additional financial facilities.

The CHAIRMAN. Now, let me ask you this question: I am not arguing the proposition with you, but suppose you are a banker.

Mr. SILVER. Yes, sir.

The CHAIRMAN. And you loaned a man 20 cents a pound on cotton, and cotton goes down to 10 cents a pound.

Mr. SILVER. Yes, sir.

The CHAIRMAN. Are you going to loan him any more money; do you think he is a good credit risk?

Mr. SILVER. That does not answer the question in this case; not one of these calls are because the margin is not sufficient; they want to call their loans and pay off the obligation to another bank. In not a single case that I have here, or elsewhere, have they claimed that there was not sufficient collateral upon the loan. It is too slow for them. We are asking for some instrument where we will get the money that does not work so rapidly.

The CHAIRMAN. You think it is a matter of time?

Mr. SILVER. I think—and I am not unmindful of the banker's point of view, and you came close to it in your statement—

The CHAIRMAN (interposing). I expected to express the banker's viewpoint on that proposition. Not that I agree with it, but I think it has to be answered.

Mr. SILVER. It has to be answered, and, as I said early in this testimony, we are not asking that you use the depositor's checking account for our accommodation. We want an instrument by which we can use other kinds of money. There is an abundant supply of investment money, and we can be supplied if we can have the instrument.

The CHAIRMAN. It seems to me that this situation winds up in this sort of a way: You have got all your money tied up now, apparently, in what you have got.

Mr. SILVER. We have, more than our money.

The CHAIRMAN. More than your money, and some way or other you have got to get money to move the crop that is coming on. Of course, if you could refund the indebtedness that you now have in longer time paper; if you could, for instance, refund indebtedness based on three months' or six months' paper on the basis of one or two years, you would release this short-time money for the moving of the next crop, and that, it seems to me, is the problem that we have left to us.

Mr. SILVER. That would make a long-time loan, which we must amortize; that is true. If I may, Mr. Chairman, I will read into the record this letter from Governor Harding.

The CHAIRMAN. You may proceed.

Mr. SILVER. This letter is dated July 11, 1921, and is addressed to "My dear Senator," and is signed by W. P. G. Harding, governor;

he is governor of the Federal Reserve Bank. The letter is as follows: [Reading:]

JULY 11, 1921.

MY DEAR SENATOR: Referring again to our telephone conversation on Saturday, I would state that some of the charges which have been made against the Federal Reserve Board and against its members personally, which have appeared in certain papers and in some public speeches, do not appear to me to be susceptible to argumentative reply. They are made without giving any facts to support them and show either total ignorance of the subject on the part of the proponents or else wanton disregard of actual facts. Some, such as those made in the newspaper which I am inclosing with this letter, are libelous, and the best reply to them is to brand them with the short and ugly word.

I inclose copy of an address which I made before the Cleveland (Ohio) Chamber of Commerce on the 16th of September last, which explains fully the board's attitude at that time. Perhaps you may not have time to read all of this address, but I hope that you will find time to read pages 5 to —.

Owing to the exigencies of Treasury financing, the war-time Federal reserve rate of 4 per cent was not advanced until December, 1919, although after the 1st of July, 1919, there was a rapid advance in the market rate for money, and the best grades of commercial paper sold in the open market at from 7 per cent to 8 per cent. The customers of the member banks were willing to pay full rates for accommodation and urged upon the banks as a reason for easy credit that they were willing to pay high rates and the banks in turn could rediscount with the Federal reserve banks at a very substantial profit. On or about September 15, 1919, the total amount of invested assets of the Federal reserve banks, including bills rediscounted for member banks, acceptances bought in the open market and Government obligations held, amounted to about \$2,350,000,000. An expansion of bank credits was going on all the time at a rate which has never been equaled in the history of the country, and far in excess of any war-time expansion. Federal reserve bank rates were advanced to 4½ per cent early in December, 1919, but the advance was negligible, and had no effect. The latter part of January, 1920, rates were advanced to 6 per cent. On the 23d of January, 1920, the total rediscounts and earning assets of the Federal reserve banks had declined to about \$2,000,000,000, of which only about \$1,920,000,000 were gold reserves.

The pyramiding of credits was proceeding at an alarming degree, and it was evident that if expansion should continue to proceed at such a rapid rate, it would be merely a question of time until the credit structure of the country would explode.

It should be noted that even after the rates were increased and after the statement of May, 1920, was made, which statement appears in my Cleveland speech and is the basis for most of the attacks which are made upon the board, although it is rarely quoted, the expansion of loans and currency continued in a moderate degree.

On the 15th of January, 1920, the total loans and earning assets of the Federal reserve banks amounted to about \$3,000,000,000. These increased gradually and steadily until the 5th of November, when they amounted to \$3,400,000,000. On January 15, 1920, the volume of Federal reserve notes outstanding was about \$2,800,000,000, and this note issue also increased steadily until it reached the peak on December 24, 1920, of \$3,400,000,000. You will remember that the great price reactions which took place all occurred before the 5th of November or the 24th of December. Wholesale prices reached their peak about the middle of May, 1920, being at that time about 272 as against 100 for the year 1913. After the middle of May wholesale prices declined steadily, although the loans of the Federal reserve banks and Federal reserve note issues increased until November 5 and December 5, respectively.

Since the close of the year 1920 there has been a marked reduction in the loans and note issues of the Federal reserve banks combined, although this reduction has been by no means uniform at all the banks. As a matter of fact, the liquidation in the New York district has been about equal to that in all other districts combined; which shows prices to city consumer were maintained and profits were used to liquidate indebtedness, but the farmer's sale price for crops was so deflated that no debt-paying power was left.

The rediscounts and advances of the Federal reserve bank of New York, at the close of business on June 30, 1921, were lower than they had been since July 10, 1918. I inclose herewith copies of the weekly statement of condition of all Federal reserve banks for July 9, 1920, and July 6, 1921, and would call your attention to the fact that on the earlier date the Federal reserve bank of New York had total bills discounted and bought amounting to \$1,001,864,000, while on July 6, 1921, total bills held at the Federal reserve bank of New York were \$461,585,000, a reduction of \$540,279,000.

If comparison should be made a week earlier in each case, it would seem that a reduction took place of \$588,880,000. Bills held at the Federal reserve bank of New York increased from June 29, 1921, to July 6, 1921, from \$423,169,000 to \$461,585,000, a net increase for the week of \$38,416,000. The detail is as follows:

	July 9, 1920.	July 6, 1921.
Secured by United States bonds and certificates.....	\$544,229,000	\$212,999,000
Commercial paper, etc.....	303,454,000	236,970,000
Bills bought in open market.....	154,181,000	11,616,000
Total.....	1,001,864,000	461,585,000

Some of those who have complained of the curtailment of credit live in the Richmond and Atlanta districts, and it may be interesting, therefore, to ascertain just what the Federal reserve banks in those districts are doing. The inclosed statements show that on July 6, 1921, the Federal reserve bank of Richmond had total bills on hand amounting to \$105,974,000, against \$110,052,000 on July 9, 1920, but there was a reduction between these dates of \$15,830,000 in the amount of notes secured by Government obligations, which probably represents sales of bonds and certificates, while loans on commercial and agricultural paper increased from \$58,344,000 on July 9, 1920, to \$74,280,000 on July 6, 1921.

The Federal reserve bank of Atlanta shows between July 9, 1920 and July 6, 1921, an apparent reduction in total loans of about \$17,000,000, but you will notice that commercial and agricultural paper increased from \$61,611,000 on July 9, 1920, to \$65,754,000 on July 6, 1921. When the difference in the value of cotton is considered it is evident that the real amount of accommodation given is considerably greater now than was the case a year ago. It should be noted, however, that the decrease in the total loans of the Federal reserve bank of Atlanta is not as great as it appears, for the bank on July 6, 1921, reports United States bonds and notes owned amounting to \$10,142,000 against \$117,000 on July 9, 1920. This increase represents bonds and notes purchased under resale agreement from certain member banks which had previously been using the bonds as collateral for loans with the Federal reserve bank of Atlanta, so the actual reduction in the amount of the bank's total loans is only about \$7,000,000 instead of \$17,000,000.

As your State is in the San Francisco district, some figures relating to the Federal reserve bank of San Francisco may be of interest to you. The total loans of the Federal reserve bank of San Francisco on July 6, 1921, amounted to \$161,203,000 as against \$199,003,000 on July 9, 1920. This reduction, however, is made up as follows: A decrease of \$4,446,000 in the amount of paper secured by Government obligations and a decrease of \$14,637,000 in the amount of bills and acceptances bought in the open market. Commercial and agricultural paper under rediscount for member banks amounted on July 6, 1921, to \$114,623,000 against \$103,290,000 on July 9, 1920, an increase in commercial, agricultural, and live-stock loans of \$11,333,000.

Let us now consider the figures for the system as a whole. On July 9, 1920, the total bills on hand at all Federal reserve banks amounted to \$2,934,184,000. On July 6, 1921, this total amounted to \$1,832,493,000, a decrease of \$1,101,685,000. The detail of this decrease is as follows: On paper secured by Government obligations, \$621,973,000, which can be accounted for in part by Government redemptions of bonds and Treasury certificates and private purchases for investment account; in bills bought in the open market, \$341,455,000. While the volume of the acceptance business has declined during the past 12 months, this decrease is accounted for principally by the greater demand for first-class acceptances on the part of member and nonmember banks and trust companies. The total of agricultural, commercial, and live-stock paper on hand, rediscounted for member banks, on July 6, 1921, was \$1,126,986,000, as against a total of \$1,265,243,000 on July 9, 1920, a decrease of only \$138,257,000, which is more than accounted for by the decrease in the holdings of paper of this kind by the Federal reserve banks of Boston, New York, and Chicago.

The Federal Reserve Board has made no suggestion whatever that any Federal reserve bank should undertake to force farmers to sell their cotton before the new crop comes in, and telegraphic inquiry made of the Federal reserve banks in the cotton-producing districts shows that no such restrictions have been made by the Federal reserve banks. I inclose copy of a statement by the board which appeared in the papers on the morning of June 6, 1921, and would call your attention to the last paragraph of that statement. This is the only statement which the board has given out which relates in any way to loans on cotton or other farm products.

I also inclose mimeographed copy of recent correspondence between the Federal reserve bank of Atlanta and one of its member banks, from which you will see that the governor of the Federal reserve bank calls the attention of his correspondent bank, which writes that it has notified its customers who are borrowing on cotton to sell it and pay their notes by July 1, to the fact that this is a matter which the Federal reserve bank has nothing to do with, and that it has made no such demands. I also inclose copy of a letter written by the governor of the Federal reserve bank of Atlanta to the commissioner of agriculture of the State of Georgia, dated September 17, 1920, in which he states what the bank's policy will be regarding loans on cotton.

The comptroller's abstract No. 130, made up from reports rendered as of April 28, 1921, shows that the total rediscounts with the Federal Reserve Bank of Richmond by national banks in South Carolina on that date were \$12,506,000, while total loans and discounts of the South Carolina national banks on the same date, exclusive of the amounts rediscounted, amounted to \$75,208,000. Adding these two items together we find that the South Carolina national banks had total loans and discounts on April 28, 1921, of \$87,714,000, and of this amount they had rediscounted with the Federal reserve bank \$12,506,000, or 14.3 per cent of their total loans. At the same time the total reserves carried by all national banks in South Carolina with the Federal Reserve Bank of Richmond amounted to \$3,829,000. Deducting the loans to State member banks, \$2,285,000, the loans of the Federal Reserve Bank of Richmond to national banks in South Carolina on June 30, 1921, amounted to \$18,820,000, an increase of \$6,314,000 since April 29, and the total loans to all member banks in South Carolina on June 30, 1921, by the Federal Reserve Bank of Richmond amounted to \$21,105,000, against \$17,316,000 on June 30, 1920, and yet the Federal Reserve Bank of Richmond is charged with restricting loans in South Carolina. I may add that the Federal Reserve Banks of Richmond and Atlanta were both heavy borrowers during the latter half of 1920 from other Federal reserve banks, and the Federal Reserve Bank of Richmond has recently shown loans as high as \$25,000,000 from the Federal Reserve Bank of New York. It is worthy of note also that the Federal Reserve Bank of Richmond has never had the progressive rate and has never had a higher rate than 6 per cent. The legal rate of interest in South Carolina is 8 per cent. So you can see that there is a margin of profit to member banks in that State of two full points, or 33½ per cent, in their rediscount transactions with the Federal reserve bank.

In conclusion, I wish to say that the attitude of the Federal Reserve Board toward agriculture has been greatly misunderstood and grossly misrepresented. The board has always advocated as liberal a policy as possible consistent with the terms of the Federal reserve act and with reasonable banking prudence toward agriculture, which it recognizes as the basic industry of the country and the foundation upon which all other industries necessarily rest. The trouble is that the loans made by the member and nonmember banks throughout the country are not well distributed and in a number of cases have not been judiciously made. Something over a third of all member banks are not borrowing from the Federal reserve banks at all, and of the two-thirds which are borrowing, more than one-half are borrowing very large amounts. Many of these banks have extended themselves so far that they do not feel warranted in making any new loans, regardless of the disposition of the Federal reserve banks to rediscount the paper. They do not want their names on any more paper than they already have. They do not like the idea of increasing their contingent liability. In view of the fact that the 12 Federal reserve banks are independent bodies corporate and are controlled and directed each by its own board of directors, subject only to the general supervision of the Federal Reserve Board, whose authority with respect to discount is confined principally to defining eligible paper in accordance with the terms of section 13 of the Federal reserve act, it seems to me that the statement which many, both in Congress and on the outside, urge be issued by the Federal Reserve Board, stating that the Federal reserve banks will adopt certain policies in connection with the rediscounting of agricultural paper, would have to be made by the Federal reserve banks themselves. The Federal Reserve Board has no power to interfere with the discretion given or the responsibility imposed by law upon the directors of the Federal reserve bank with respect to passing upon the merits of eligible paper offered for discount.

Congress did not establish a central bank in this country. It established 12 banks under the general supervision of the Federal Reserve Board, which does not exercise banking functions. These functions are exercised exclusively by the Federal reserve banks. The board has taken up repeatedly with the various Federal reserve banks complaints of a general nature regarding the restriction of agricultural credits, and the banks have always made a good showing of what they have done for agriculture. Very few specific cases have been brought to the attention of the board where eligible

agricultural paper has been refused for rediscount, and in those cases it seems that the management of the Federal reserve banks have justified themselves in the refusal.

In some agricultural States there was two years ago, unfortunately, great speculation in farm lands, and member and nonmember banks in those localities loaded themselves up with a large volume of real estate mortgages, which paper is not eligible for discount under the terms of the Federal reserve act, and many of them have sustained losses in deposits. In the present circumstances they are endeavoring to work out from under the tremendous load which they ought never to have taken on and do not feel able, or else are indisposed, to extend accommodations for agricultural purposes, which ordinarily they would be glad to do. In almost every State, however, there are a number of ultraconservative banks which have strong reserves which are not borrowing and which ought to do their part in assisting agriculture at the present time.

In the present condition of the country it seems to me that the strong position of the Federal Reserve Board should be a source of comfort rather than the cause of so much reckless criticism. The Federal reserve banks can not be expected to encourage their member banks to make loans to the public on the basis of values which obtained 18 months ago. The inability of any banking system to maintain values in the face of a world-wide decline is evidenced by the plight of the banks in Cuba which were heavily loaded up with loans on sugar at high prices. Surely, the return of better conditions in this country would not be expedited by having American banks in the same condition that Cuban banks are in to-day.

By way of summary, let me state that while the Federal reserve act imposes a general limitation upon the maturity of paper eligible for discount of three months, it is provided in section 13 "That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months, exclusive of days of grace, may be discounted in an amount to be limited to a percentage of the assets of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board." Had the board been unfriendly to agriculture, as many of its critics claim it has been, it could easily have limited the amount of six months agricultural paper which could be discounted by a Federal reserve bank to a very small percentage of its total assets. But in order to offer the fullest possible accommodations to agriculture, the board more than five years ago fixed this percentage at 99 per cent and has never changed it. It has already been pointed out that the decrease of more than \$1,100,000,000 which has taken place in the loans and earning assets of the Federal reserve banks is represented mainly by a reduction in loans secured by Government obligations and by bills and acceptances bought on the open market.

The actual reduction in commercial, agricultural, and live-stock paper, rediscounted for member banks, from July 9, 1920, to July 6, 1921, was \$138,257,000. This reduction is more than accounted for by the decrease of paper rediscounted by banks in Boston, New York, and Chicago. The bank liquidation which has taken place has been mainly in financial and industrial centers, and the figures of the Federal reserve banks do not indicate that there has during the past 12 months been any decrease in Federal reserve accommodations to banks in the agricultural and live-stock districts, but on the contrary there has been a considerable increase, as you will see from the official statements inclosed herewith.

Very truly, yours,

W. P. G. HARDING, *Governor.*

That will complete what I have to say on that subject.

Now, the transportation question as to highways, rail and water, is just as live as can be. I mention the highways first, advisedly, for we have no use for the railways or waterways until we have been served by the highways; so, unless the highways are properly conditioned we can never have economical distribution; and in addition we must develop the economies of water transportation, and thereby and to that extent remove the shadow of higher rail rates from across the path of business.

I will call your attention to some work which has been done by the Georgia Farm Bureau Federation in investigating freight rates by the economics committee of that federation.

An investigation of the freight rates by the economics committee of the Georgia Farm Bureau Federation shows that the average increase in freight rates since 1913 is 80 per cent; that the average

tonnage of farm crops and live stock moved on railroads during 1916, 1917, 1918, 1919, and 1920 was 203,031,593 tons; that the average freight rate per ton in 1913 was \$3.74, and in 1920 it was \$6.74. The investigation further shows that the total charge for hauling a year's tonnage of farm crops is \$1,358,432,802, which was for the year 1920, which was the high figure for that one crop movement. That is the figure based on the one crop alone. It also shows that the increased cost to be deducted from the prices of producers or added to the prices paid by consumers, or both, is \$599,094,719. Bear in mind, that is the increased cost, \$599,094,719, in that one crop movement. And bear in mind that as the farmer is not able to pass on this tax bill, he has had that much tacked onto him and taken out of his money returns for his crops when they were already on a very unhappy basis.

And then, again, to show how abnormal things are, I have figures from the Shipping Board. These figures which I have gotten show the rate on the shipment of eggs, from Shanghai, China, to New York—from Shanghai to San Francisco, with the case and fillers, including excelsior, \$14 per 2,000 pounds, or 40 cubic feet, or 70 cents per hundred pounds. Shanghai to New York, under refrigeration, \$27.50 per 40 cubic feet, or \$1.88 per 100 pounds; egg products, \$23 per 40 cubic feet, or \$1.65 per 100 pounds. In cartons, or cases, \$26.50 per 40 cubic feet; that is by water. And by rail from San Francisco to New York \$3.33½ cents per 100 pounds in carload lots, with a minimum load of 24,000 pounds. So it costs \$1.45½ per 100 pounds more to ship eggs from San Francisco to New York than it does from Shanghai to New York. In fact, it is possible to ship from San Francisco to Shanghai and from there to New York and save 75 cents over rail rates across the continent. This means that it costs less to ship eggs 16,000 miles by water than it does to ship 3,000 miles across the continent. I have here the different routes that they may go, which I will put into the record, if I may. The distance across the continent, to be exact, is 3,191 miles.

The CHAIRMAN. The shipping routes may be inserted in the record, without objection.

(The shipping routes referred to are printed in full, as follows:)

SHIPPING MILEAGE, SHANGHAI-NEW YORK.

Via Cape Good Hope, 14,427 nautical miles, 16,614 statute miles.  
Panama Canal and Pacific, 10,677 nautical miles, 12,284 statute miles.  
Suez Canal-Mediterranean, 12,379 nautical miles, 14,255 statute miles.  
(Above summer courses; winter courses slightly longer.)

Representative FUNK. Is it your idea that the increase in freight rates has fallen entirely upon the producer?

Mr. SILVER. I do not know that the entire burden has fallen upon the producer, but as the producer can not pass on his cost, that part of the freight chargeable to primary production has fallen on him, because he pays the freight on what goes out to the distributing points, and he pays the freight from the control market on what he buys back, from whatever point is the distributing point.

Representative FUNK. Then, that being true, all the increase in freight rates since 1913 has fallen upon the producer?

Mr. SILVER. The greater part of it. The price between Chicago and New York on corn—that is, the wholesale price, beginning from 1913 and going on to 1920, the rates per bushel have varied very greatly, but have constantly risen, and those rates are now two and one-half times what they were in 1913 on that particular haul.

The CHAIRMAN. Where is that?

Mr. SILVER. That is the difference between the average wholesale price in New York and the domestic shipping—

Representative MILLS (interposing). You say the freight rates are two and one-half times as much as they were in 1913?

Mr. SILVER. Practically; not quite.

Representative MILLS. What were your hogs selling for?

Mr. SILVER. This is a corn price, and not a hog price.

Representative MILLS. Well, they follow each other very closely, do they not?

Mr. SILVER. They do at times, but there are wide margins sometimes. They ought to follow each other closely, but they do not.

Representative MILLS. Did they not follow each other in the war years?

The CHAIRMAN. Hogs were above corn part of the time.

Mr. SILVER. Part of the time, although the farmer had put \$2 corn into the hogs, which should have given him \$26 per hundred-weight for his hogs, he sold them on a broken market for \$8.75 to \$14, so that it did not follow in that case by a wide margin.

The CHAIRMAN. Was there any time during the war when the hog prices per hundredweight were equivalent to 13 bushels of corn?

Mr. SILVER. That was Mr. Hoover's figures based on what it was during previous years.

The CHAIRMAN. But, as a matter of fact, the hog price never was on the basis of 13 to 1 during the war period?

Mr. SILVER. I don't know whether it was or not. During the early part of the war, when the high-priced corn had been fed into the hog, and the hog had not come into market, I am inclined to think it was. The point is, the farmers were promised that sale price and after growing the hogs were not paid it.

Representative MILLS. Is it not a fact that whether you take corn or hog prices, that the high war prices were over twice as high as the prices of 1913?

Mr. SILVER. Yes; at times.

Representative MILLS. Well, generally, the average during the three war years, that is so, is it not?

Mr. SILVER. Yes; some crops—

Representative MILLS (interposing). We are not talking about some crops; we are talking about hogs and corn.

Mr. SILVER. Yes; the hogs more than doubled, and corn more than doubled.

Representative MILLS. From 1913?

Mr. SILVER. Yes; to the high place.

Representative MILLS. The average prices in 1917, 1918, and 1919—

Mr. SILVER (interposing). No; when you are talking about the average prices, you are talking about something else; I am taking the low point and the peak.

Representative MILLS. I am taking the average prices for the three years, 1917, 1918, and 1919.

Mr. SILVER. It will not check out as you indicate; I haven't the information in detail, but your average is all wrong.

Representative MILLS. Well, will it not for the purposes of a general statement?

Mr. SILVER. Without the figures I would not know just what to say. I do not have them here. But you do not get that on an average, if you take the average of the cost of corn and the average on hogs.

Representative MILLS. Let us take the corn and leave out the hogs. For instance, I find in 1913 corn was selling for 48 cents; in 1919 it was selling for \$1.44; in 1918 it was selling for \$1.34, and the average for 1920 was at least equal to those years, although there was a sharp drop at the end. What I am getting at is this, that the prices of your corn and hogs have been deflated and your railroad rates have not been, as yet; is that not a fact?

Mr. SILVER. I have a blue print here that I can illustrate that with, and I would like to show it to you at this time. This treats of the prices of beef cattle in Chicago; it shows the advance of beef cattle and the advance of railroad rates, and the beef cattle going down, and the railroad rates not going down.

Representative MILLS. That is the point I make; it shows that your beef was substantially higher from 1914 to 1919 than the increase in railroad rates.

Mr. SILVER. And this other blue print specifically treats of hogs, that we have just had under discussion. The increase in rates is just about with them, or goes higher.

Representative MILLS. There was a gradual increase, in other words?

Mr. SILVER. But if we put in this line [indicating] which we did not put in, the moneys the railroads got from the Government, it goes steeper and higher; what the adjustment finally will be I do not know. Then the rates go up. This is an illustration of how the hurt comes to the farmer under that present situation of freight rates.

Representative MILLS. But what happened was that the prices and rates went up together, and the prices on farm products dropped first?

Mr. SILVER. That is right; not only first, but there is nothing in sight yet in the way of a drop of rates; the one came down, and the other did not, so far as the matter stands at this time.

Representative MILLS. So far as the rates are concerned that is true.

Mr. SILVER. Yes, sir. Now, the situation is such that that must be cured; the farmer can not sell low-priced commodities—and he has to sell low-priced commodities, because the market only buys them at a low price—when his freight is higher than the amount that he can get at the market out of his produce, as I will show you. And I use this advisedly, which is from the National City Bank, the National City Bank Building, New York, and they would not put anything other than what they believe to be correct, and they would not be partial to the farmer's side, and show the cars of produce that sold for less than the freight paid.

This article says [reading]:

Wholesale prices for fruits and vegetables have gone down so low in the New York market in the last few weeks that many farmers who shipped produce here have received nothing in return but a bill for the balance of the freight. Not only have prices declined to the point where the farmer is getting little or nothing for what he produced after transportation charges are paid but even at the low wholesale prices the demand is very light.

A few examples will illustrate what the present market conditions mean to them. A grower at Sanford, Fla., shipped a carload of 400 crates of lettuce which sold here for \$339.48. The freight alone amounted to \$339.75, the icing charges \$77.50, war tax \$12.52, cartage \$27.93, and commission to the receiver \$33.95. When the total expenses of \$491.65 were paid, the farmer got a bill for \$152.17 due the commission men.

All his crop gone; all his produce gone, and he gets a bill back for \$152.17 for selling charges, and the amount due the commission men. [Continuing reading:]

A grower at Laredo, Tex., sent a carload of 756 bushel baskets of spinach to New York, which brought only \$467.35 on the market. The freight charges alone were \$627.47 and the total expenses amounted to \$720.66. Another carload of spinach from Austin, Tex., sold for \$262.99 less than the freight and cartage charges. Another carload of 920 baskets of spinach from Derby, Tex., sold at \$1 a bushel and after transportation charges were paid brought the grower only \$134.63 for the whole carload. Another carload from Bay City, Tex., brought the farmer nothing but a bill for \$143.16 to pay the balance of the transportation and commission charges.

California growers are also hard hit by the new freight rates and low prices. For example, a shipment of 172 crates of celery that came in this week from Knightstar, Calif., brought only \$559. The transportation charges amounted to \$626.66, which, added to the commission charges of 7 per cent, made the total shipping expenses \$665.79. Another carload of celery from Walnut Grove, Calif., brought the grower a net proceed of only \$55.27 for 164 crates, the freight charges alone amounting to \$609.83.

It is not only the growers in distant States that are suffering big losses from the drop in prices for farm products and the high freight rates. Dozens of New York State farmers have shipped carloads of cabbage, onions, potatoes, apples, carrots, and celery to the market in the last few days only to receive net returns so small as to pay little more than the cost of the containers.

In other words, 120 carloads of stuff that went on the market and did not bring enough to pay the freight charges, to say nothing of the cost of production.

Representative MILLS. Now, what is the answer?

Representative FUNK. If the freight charges had been what they were in 1913 the farmer would have gotten something?

Mr. SILVER. I do not know what the exact figures show, but he would have gotten something.

But think about the enormity of this illustration: The Federal Government gave the railroads more land than there is in Illinois, Ohio, Indiana, and Pennsylvania, and they read in, through the Interstate Commerce Commission, over \$5,000,000,000 of an appraisal value of those railroads at the high spot of last year on a replacement basis, and, in addition, during the war period they got something like a billion and a half dollars from the Government, and now they are asking the Government for some \$900,000,000 more; and yet when you get them down here they try to make money on that amount and put the rate up to where they will earn money on that kind of thing. It is an awful thing to think about, inconceivable for any group of people to try to get away with a deal like that.

Representative MILLS. Now, is it not true that a lot of the railroads are not even earning operating expenses, and have not been for some time?

Mr. SILVER. Just a minute. In addition to those gifts and loans the railroads are not earning enough—

Representative MILLS (interposing). What gifts are you referring to now?

Mr. SILVER. The lands.

Representative MILLS. Given to them about the middle of the century, to induce railroad construction.

Mr. SILVER. It is a gift, and they read it in as capital, and they are asking rates that will enable them to earn money on it. If they had not read it in as capital, they are entitled to it—a gift is the same as anything else after you get it—but they put it in as capital and then start to earn money on it. Let me just call your attention to this, that under an arbitrary figure, a multiple they want to use, which, in the case of the Texas Midland Railroad would increase a \$67,000 item of land for that purpose which the Interstate Commerce Commission valued at \$225,000 to \$878,000 as capital. Is it any wonder the rates are high? Where is the end? If they are going to take gifts and read them into capital, and are going to take multiples and multiply by them, what will be the end of the rate?

Railroads have got to do like other people, they must use proper business economies; they have got to operate efficiently; they have got to take into consideration the real things in the commodities they handle, and keep in line with what makes business possible, and not be a shadow across the path of business, as they are doing to-day.

Representative MILLS. How can a railroad that has to pay twice as much, or more for the labor that it employs than it did before, and at least twice or three times as much for the material that it buys furnish the same service for the same price as it did before this enormous inflation took place?

Mr. SILVER. How can the farmer pay three times as much for labor, and five times as much for harness and implements, and sell his wheat and corn for what he has to sell it to-day, and keep going?

Representative MILLS. He can not; that is the answer, and you gentlemen are coming here to prove that he can not.

Mr. SILVER. He is doing it to-day; his whole crop is sold on that basis.

Representative MILLS. You are proving that he can not.

Mr. SILVER. He is selling many of his commodities for less than it costs to transport them to market.

Representative MILLS. You know you can not operate a railroad for less than it costs to operate it.

Mr. SILVER. You can not operate a farm for less than it costs to operate it.

Representative MILLS. Not in the long run.

Mr. SILVER. The railroads can not come in with a capital like that and earn dividends on it, in place of charges, and on their labor and other things, that will take a fancy toll off all business. If they undertake to do so right there they become a shadow across the path of business.

Representative MILLS. No; but you people are intelligent people, and you are dealing with a very difficult problem. Now, if you could come here and show that the railroads were making a large profit under existing circumstances, you would make a very strong

case. But when, as a matter of fact, the figures show that they have been barely earning operating expenses for the last six months, it seems to me that the solution which you offer is not entirely sound.

Representative FUNK. Is it not this way, Mr. Silver; the farmers object to one arm of the Government guaranteeing the railroads  $5\frac{1}{2}$  per cent return on what some people think is an inflated value, and at the same time another arm of the Government is calling in the loans which have been extended to the farmers and requiring them to sacrifice their crops at a figure which they are not willing to sell at at this time? That is the picture in my mind, the two arms of the Government working adversely to the farmer, one calling in their loans and the other guaranteeing the railroads  $5\frac{1}{2}$  per cent return on their valuation.

Representative MILLS. That would be true if both of those statements were correct. But, as a matter of fact, neither one is.

Representative FUNK. Point out wherein they are not correct.

Representative MILLS. There is no guaranty.

Representative FUNK. It is the talk of the Interstate Commerce Commission that these railroads will earn  $5\frac{1}{2}$  per cent on that amount.

Representative MILLS. And the answer to that is that the present rates have not yielded anything like that. And the statement that the other branch of the Government has withdrawn credit from the farmers is not correct. I do not know of a branch of the Government that has withdrawn credit from the farmers.

Representative FUNK. You did not hear the letters read here where they have called upon the borrowers to liquidate their loans or they would sell the cotton which the farmers had put up as collateral?

The CHAIRMAN. There is nothing in the letters from the Federal Reserve Board that would indicate that.

Representative MILLS. I will be very much interested if I can find that any branch of the Federal Government has restricted credit to the farmers.

Mr. SILVER. I just repeat again, the farmer's prices for his crops must go up or the railroad rates must go down or the whole agricultural map and life of our Nation is changed. If we can bring in from Australia and China and everywhere else crops cheaper than we can transport them here, or because we can not transport them across the continent at the same rate at which they can be imported into the country, we are in a most unhappy situation.

Representative MILLS. You and I are agreed on that. The railroad rates must come down, and the prices for the farmer's crops must go up.

Representative SUMMERS. It seems to me that to attempt to hold the rates as at present rate until the traffic on the roads will bring in the money is working against the interests of the railroads themselves. It occurs to me that an effort to earn this money from the freight rate now charged is working against the railroads themselves, in that the rate of charge is greatly curtailing the volume of commodity movement over the roads. I do not know whether there has been assembled any evidence of that or not, but I take it that is a fact.

Representative TEN EyCK. Just before you go on with this other information, Mr. Silver, it would be very interesting, and I think that we have got to show it sometime, either now, if you can, or later, that where these losses were sustained in selling carloads of lettuce,

and so on, on different commodities, and where there was a loss, that information should be carried on further to find out how much the consumer paid for that, and what that great spread was at that point. Now, the consumer might have paid enough so that there would be a profit to the people who handled it, and that properly spread over would have netted a profit to the producer.

Mr. SILVER. Just on that point I have memorandum here that would have some bearing on that. Last fall when prices were tobogganing, I had occasion to visit the eastern shore of Maryland, which grows general crops, and truck in particular, and New Jersey, and living in the Shenandoah Valley, I was familiar with that situation along in early September. Tomatoes in great profusion were lying on the ground everywhere rotting, but few of them could be sold, and the ones that could be sold were bringing not over 50 cents per bushel; that is less than a half cent apiece. I went down on Center Market at that time and priced those commodities. Now, those three places I mentioned are all nearby; they are not far away, any of them. My own home is in sight of this city at night, when the lights are on. What do you suppose I was asked for tomatoes on Center Market at that time? I was asked 10 cents apiece for tomatoes, or three for a quarter. That was right in Center Market, in this town.

I went from there to the Piggly Wiggly store, where you are supposed to get things cheap; their boast is that they sell at a very close price. I was asked, at the Piggly Wiggly stores, for apples, if I brought my own container and carried them away, with no expense to the store except to put them up and weigh them, 10 cents a pound for apples; and those apples were being laid down at my home station at 1 cent a pound.

I went from there up on F street to visit a tailor whom I knew, and to ask him about a suit of clothes. He looked at the label on my clothes—he makes my clothes sometimes—and he said, “You have been wearing this suit too long; what is the tailor’s family going to do?” I wanted more information before I would tell him what a farmer and his family were going to do, and I indicated a couple of patterns and asked him what he would charge me for a suit of clothes off each one of those patterns. He priced one of those patterns at \$150, and one at \$180.

The CHAIRMAN. If you were a Congressman you would be down here buying some clothes at about \$11 a suit.

Mr. SILVER. I said that I would probably need an overcoat after a while, if the cold weather came on, and indicated an overcoat and asked him what it would cost. He said \$150. I said, “Why, there isn’t more than \$4 worth of wool as it comes from the farmer’s sheep in that suit and overcoat that you are trying to sell me for \$300, and if I wanted to buy it, I would have to buy it with farm commodities; I would have to buy it with stuff I am selling from the farm, and it would take a whole carload of apples, 30,000 pounds, at \$1 per hundred, to pay for that suit and overcoat; I can not buy clothing on that basis,” and I left him.

The next morning I was invited to breakfast with a party at one of the principal hotels, and when I went to this breakfast party, we had baked apples; it was in the fall of the year, just when the apples were beginning to come in. And when I looked at the menu,

I thought aloud for a minute when I looked at the figures. Fifty cents for a baked apple; \$6 a dozen; \$175 a barrel. And yet those same apples were grown and packed within sight of the town, and the grower of them got less than \$6 a barrel for them, and for what? For 10 years' time growing of an apple tree, and spraying the tree, and caring for it, and picking and packing the apples, and paying for the barrel to put them in. And yet they are sold to the consumer at \$175 a barrel.

Representative SUMNERS. Mr. Silver, what is the remedy for that situation?

Mr. SILVER. Cooperative marketing, in that case.

To give another illustration: I went up to the Seventh Street market. I was to be called before another congressional committee on the high cost of living about that time. I saw a box of apples with my neighbor's name on it—Charley Thatcher—and I asked for an apple out of that box, indicating the box, and I handed over a quarter, and I was passed back an apple and 13 cents in change, making the apple cost me 12 cents. The box was marked, and this was a box which had 120 apples, according to the label. I went back and called up Charley Thatcher by telephone and asked him, I said, "Charley, what did you get for those apples?" He told me he got \$3.50 per box. I teased him a little bit and said, "Weren't you ashamed of yourself to charge the consumer that amount, when we used to be glad to get \$3.50 a barrel?" He admitted that he got a pretty good price. I said, "Charley, I had occasion to invest in one of your apples, and they are selling them at 12 cents apiece." That makes \$11 a box profit, all but 10 cents, between what the producer got and what the consumer paid, and those apples are raised within sight of the town. That is not the freight rates. If the farmer got that price, I would not have a word to say about the freight rate. But when the freight rate is greater than the amount for which the commodity sells, there is something wrong.

Representative MILLS. If you investigate the marketing conditions in my city you will find that it costs more to handle the commodity from the time it leaves the railroad to the time it reaches the consumer than the freight rate.

Mr. SILVER. This was not the freight rate. That shows a spread between the producer and the consumer that is wrong, abnormal, and can not continue. It is pulling down the building of our national structure.

Representative SUMNERS. Now, Mr. Silver, to get at the heart of this thing, I think the people representing the farmers and the farm organizations can probably at this time assume that it is pretty well understood that the spread is too great; that agriculture is being sucked white by economic waste, urban industries, and activities in the cities, and that these are the conditions that will have to be settled or somebody will be going hungry in the country.

Mr. SILVER. Very true.

Representative SUMNERS. Now, the thing I am interested in is to get down to concrete propositions, as man and man, so far as we can, around this table or somewhere else, put our heads together, and see if we can help by the adoption of some practical, constructive, and cooperative policies on the part of the Government to straighten this thing out.

Mr. SILVER. That is fine.

Representative SUMNERS. I think what you are doing in giving these facts as to agricultural conditions is necessary for a whole lot of people. There are a whole lot of people in this country who do not know about them yet.

Mr. SILVER. Yes; lots of people.

Representative SUMNERS. But if we have to wait to educate all the people in this country, it will be a long time before anything is accomplished.

Mr. SILVER. There must be something done, and we have come here and asked for certain measures that we believe are helpful. We do not tell you that they will cure everything; we do not tell you that you can not do something better, but we are asking for cooperative marketing organization. Farmers in four States have been sent to jail for trying to do cooperative work.

Mr. SILVER. We have been here asking for helpful legislation year after year. I am not blaming the House side; they have passed it twice.

Representative TEN EYCK. Would it be feasible for the Government to step in and assist in an educational way in the establishment of marketing conditions in the various large communities? During the war we had bureaus of economic food consumption, and so on, that went all around the country. Now, would it be feasible for the Government to establish an educational bureau where they could go into the different large cities and consuming centers and endeavor to establish marketing conditions where the farmer, after he has arranged his cooperative plan of selling, could meet the consumer, on the other hand, and educate the consumer to be prepared to meet him?

Mr. SILVER. The step in advance of all others that has been taken in that way by that plan, it seems to me, is visualized or illustrated by the plant at Inwood, W. Va., for standardizing fruit, so that the consumer may know that he is safe in his investment. I will go a little more into the details; it may not be plain to you. The State of West Virginia made an appropriation of money sufficient to put up what is known as a community packing house and vocational school in this great orchard section at Inwood, W. Va., which loads annually about 1,000 cars of apples. It is State-owned, operated by the State Agricultural College, and the extension service jointly, and checked or inspected by the Bureau of Markets at the farmers' expense. I will explain about the Bureau of Markets when I get through with this.

The Inwood Fruit Growers' Club—and they are liable to be harassed for what they are doing; they are violating the law in what they are doing—pledge a sufficient amount of fruit to keep the plant going. The farmer leaves his fruit there, and he temporarily waives all right to it when he puts it off at the platform—the loading platform, it is called. It goes through the packing plant, and is packed by trained people into cartons of a dozen in a box, or a carton of 2 dozen in a box, or 4 dozen, or a bushel box or barrel; it all depends on the variety of the apples, and on the sales. These parcels can go by parcel post or by express or by trainloads, as the customer may desire. But when it is packed it goes to the warehouse, and before the lid is put on it is there inspected by experts from the Bureau of Markets, and they label it, and when it is graded it is standard. They have a blank that shows how many apples, the color of the apples, the

size of the apples, the name of the apples, and all the things pertinent thereto are put on the label; everything would have to be put on that the buyer would be interested in, so that when it goes out it goes to the buyer and he knows what it is; he would not have to see it any more than you would have to see an Oliver chilled plow, or a roll of fence that comes from one of the well-established business corporations.

That will permit the sale from the producer at cost to the consumer with no additional expense, except the difference that there might be in transportation between a small quantity and a large quantity. So far as the apples are concerned, there would be no difference in the cost, except that maybe the small package would have more labor on it in proportion to its size than the larger package. But he would have the economy of being able to buy a small package; if it was a small family or an individual he could buy a small package, and there would be no waste. By doing that you can bridge across that gap. Any person in this town can remit by money order or otherwise out there and have a package of just the variety he wants come to him by parcel post at the time he wants it. That is bridging that gap successfully.

Representative SUMNERS. Do the people generally know that they can get those apples?

Mr. SILVER. The people can not generally get them there; that is, it operated for the first time last year, and they put up about 135 or 140 cars in that packing house, and about the same in a nearby building, which was well equipped. So that of the 1,000 carloads that were loaded, only about a third of them could go through this packing house. But it is a demonstration of the possibilities, and all the apples there will come through there in a few years; it can be done, and will be done.

Representative SUMNERS. How do the profits in that method of marketing compare with the profits in other methods of marketing?

Mr. SILVER. Well, when you talk about profits in apples last fall, there were no profits. But I can say this, that to my knowledge it is the only place apples went from during the season where there were none turned down.

Representative SUMNERS. Can you get a report from that concern as to its operations? I do not know whether the commission would like to have it or not, but I would.

Mr. SILVER. Yes. The insertion follows:

INWOOD FRUIT GROWERS' CLUB WORKING AGREEMENT FOR PACKING SEASON OF 1920.

BERKELEY COUNTY FARM BUREAU,  
HORTICULTURAL DIVISION,  
*Inwood, W. Va., February 18, 1920.*

A. It is hereby agreed between the undersigned:

1. That sufficient money will be turned over to the State for completing the packing plant.

2. To elect a president, a secretary and a treasurer which officers shall also be an executive committee to represent the club in the horticultural division of the farm bureau, to cooperate with the superintendent in determining the amounts and sources of fruit for packing, providing packages, marketing, and to work out other details incident to the successful operation of the packing plant.

3. To advance by July 1, 20 cents per barrel for the estimated amount each grower will deliver during that month, and make similar advances on the first of each succeeding month, the actual cost of packing for each month to be determined and anv

surplus or deficit to be prorated according to number of barrels packed. These funds are to be handled by the treasurer of the club and paid out upon the order of the superintendent and approved by the president of the club.

4. To deliver to the packing plant such amounts and varieties, when requested by the superintendent, not to exceed the amounts opposite their names.

B. It is hereby agreed between the Inwood Fruit Growers' Club and the college of agriculture in cooperation with the Berkeley County Farm Bureau:

1. That the college will provide superintendent, at least one instructor and use of building without cost to the club.

2. That the superintendent will be in control of all operations at the packing plant.

3. That all packing shall be according to the West Virginia State apple packing law.

4. That the education of the students as packers shall have first consideration even if the cost per barrel be thereby somewhat higher.

5. That the records of the club shall be audited by representatives of the college.

6. The superintendent may accept fruit from those not members of this club when club members can not furnish the necessary amounts of the proper varieties:

#### CHARTER MEMBERS AND OFFICERS INWOOD FRUIT GROWERS' CLUB, 1920.

President, Gray Silver; vice president, E. F. McDonald; secretary, L. F. Wilson; treasurer, W. Z. Adams.

Executive committee: Gray Silver, Martinsburg; D. Gold Miller, Gerrardstown; L. F. Wilson, Inwood.

Charter members: Inwood Cooperage Co. (Jno. F. Staub, Harry Staub), Inwood; R. F. Whiting, Inwood; G. W. Groff, Inwood; W. Z. Adams, Inwood; E. F. McDonald, Inwood; Dr. E. B. LeFevre, Inwood; H. P. Henshaw, Bunker Hill; L. P. Miller, Gerrardstown; Geo. Daniels, Gerrardstown; L. Lyle Bentz, Martinsburg; John M. Miller, Gerrardstown; Leith Griffith, Gerrardstown; C. C. Westrater, Martinsburg; H. H. Rutherford, Martinsburg; S. C. Ramsburg, Martinsburg, R. No. 1; Bailey & Adams, Inwood; Dr. A. B. Eagle, Martinsburg; George H. Shroades, Gerrardstown; Edwin C. Henshaw, Bunker Hill; Miss Anna M. Henshaw, Inwood; Lyle Campbell, Gerrardstown; Union Corner Orchard (H. A. Hammann, M. L. Dorn), Martinsburg; American Fruit Growers (Inc.) (Mr. Foster, manager), Inwood; Gold Orchard Co. (X. Poole), Martinsburg; McKown Orchard Co. (H. H. Rutherford), Martinsburg; Buck Hill Orchard (H. L. Alexander), Martinsburg.

Now, if that method of marketing is successful with a perishable commodity, it can be done with other commodities. The basis of cooperative marketing is the standardizing of these things so that there is a full understanding between the buyer and the seller.

Representative SUMNERS. He has the right idea.

Mr. SILVER. Now, we want lawful authority to do that. We want it so that when a dozen or 20 of us get together and do something like that we will not be pinched. We are violating the law. Judge McCall, in the district Federal court at Tennessee, tells us that when they did three things—it was a lumber case, it is true, but he announced it broadly; he did not limit it to lumber—when interested parties through a common secretary exchange information as to costs of production, stocks on hand, and prices actually received, they violate the antitrust law.

The CHAIRMAN. That was the open-price case?

Mr. SILVER. Yes. Did you ever see a group of farmers get together that they did not talk over those three things? What would a farmer talk about? Under that decision every group of farmers that are running a cooperative milk route are violating that law; and yet Congress has been for several years trying to make up its mind to pass a law that will clearly authorize what is being done in this marketing business. And I do not say that unkindly; it is a fact. We ought to have such legislation as will clearly give the farmers the right to do just what we have been talking about doing through that packing house and with all other commodities that come from the farm to the consumer.

Representative SUMNERS. Mr. Silver, under this plan of yours, if the private distributors will not distribute your commodities on the basis of a reasonable charge for service rendered, you will have built a route around them which would make it impossible to compel them to put the total of their distribution charges somewhere near the basis of the value?

Mr. SILVER. That box of apples that I referred to comes within 5 miles of this packing house. Through the packing house this same box of apples sold, not at \$3.50, but at \$5, and by the old method of distribution they sold at \$14.40. That is where the consumer is helped, and that is where the producer is helped. There is \$9 saved to the consumer.

Representative SUMNERS. You say to distributor, "If you will distribute them and be decent about it, you can go on;" and if it is more convenient for the people to go down and get their apples from the fellow who opens up a big barrel and sells them, they can do so, but the minute he begins to collect a big profit there is a practical route around him?

Mr. SILVER. There is a practical route around him whenever we have the lawful authority. That does not mean that the farmers expect to go out and put all the distributors out of business, but it does mean that where a distributor or group of distributors get together and do what they did in the case of that box of apples and punish the consumer to that extent, there is a remedy. There is a remedy, not a violent one, but it is an effective remedy, and we want to do that thing.

And while we are wanting to do that, what happens? A group met out in Cincinnati and, according to this report, appropriated \$250,000, and some reports say as much as several million dollars, to see that the grain growers and other cooperative societies do not function, and that we do not get the legislation that we are here asking for. Here is a "release," calling attention to the fact that Senator Kenyon over here set forth these facts and asked for an investigation by the Senate. I would like to ask that this go into the record right at this place.

The CHAIRMAN. Very well; if there is no objection, that will be done.

(The articles referred to are here printed in full, as follows:)

AMERICAN FARM BUREAU FEDERATION,  
Washington, D. C., July 13, 1921.

CONGRESS TO INVESTIGATE PROPAGANDA AGAINST COOPERATIVE MARKETING AND AGRICULTURAL LEGISLATION.

The Senate Agricultural Committee was directed yesterday to inquire fully into the alleged fund of \$250,000 reported to have been subscribed at the June 27 meeting of the National Grain Dealers' Association held in Cincinnati, Ohio, which it was announced was for the purpose of combatting legislation for the relief of the farmers of the country.

The resolution was introduced by Senator W. S. Kenyon, of Iowa, and will give the committee authority to ascertain the various subscribers to the alleged fund and the officers and executive agencies appointed to carry out the program adopted by the convention and to ascertain the efforts of business, commercial or otherwise, to defeat the cooperative marketing movement which the farmers of the country have instituted; also to inquire and ascertain whether the United States Grain Growers (Inc.), which the farmers organized for cooperative marketing, are or are not in the public interest.

At the Cincinnati convention it is said the interested parties constituted the United States Chamber of Commerce and other chambers of commerce, the Wholesale Dealers' Association, the Wholesale Lumbermen's Association, the Millers' National Federation, the Flour Association, the National Feed Dealers' Association, the National Hay Association, the National Cotton Growers' Association, the Growers of Potatoes and Produce, the Wholesale Grocers' Association, country grain elevators, all grain exchanges, National Seedmen's Association, and also banks and exporters of grain.

Reports state that at this meeting it was determined to institute a campaign against the United States Grain Growers (Inc.), a newly organized cooperative marketing company for marketing the grain of farmers of the country, and also to defeat legislation desired by the organized farmers.

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AMERICAN FARM BUREAU FEDERATION.  
*Washington, D. C., July 12.*

FARMERS DISCOVER JOKER IN WOOL TARIFF.

The wool growers of the United States object to the provision in the Fordney tariff bill which limits the duty on wools to 35 per cent ad valorem and which when applied to the present values of wool in this country will afford protection of only 9 to 18 cents per pound on one-fourth and three-eighths blood cleaned wool, instead of 25 cents per pound specific duty, which the growers anticipated would be carried in the bill," stated J. F. Walker, chairman of the wool committee of the Ohio Farm Bureau Federation and J. B. Wilson, of Wyoming, representing the Sheep and Wool Growers' Association and the National Sheep and Wool Bureau, before the House Ways and Means Committee to-day.

It had been generally understood that the tariff committee was in favor of a specific duty of 25 cents per pound on cleaned wool, and the growers were greatly surprised to learn that a limiting clause had been introduced which provides that in no case shall the duty exceed 35 per cent ad valorem. With the present abnormally low prices of wool and with small prospects for materially higher prices, the wool interests pointed out that 70 per cent of the wools produced in the United States will be protected only to the extent of 35 per cent ad valorem. They object to the ad valorem duty because it gives the domestic wool grower no protection when he needs it, when prices are low.

In no case, according to the present tariff schedule, can the duty go above 25 cents per pound on cleaned wool and the average price of wool in this country for a long series of years has not been sufficiently high to afford adequate protection, in the minds of the wool growers, on the ad valorem basis.

The great bulk of the western wools is known as one-fourth and three-eighths blood wools. South American wools of this grade is now quoted at about 11 cents per pound. Under an ad valorem duty of 35 per cent they would pay a duty of 5.8 cents per pound cleaned basis and 3.7 cents per pound in the grease. This means that the importer could bring this grease wool into the United States at a total cost, including duty, of 14.7 cents, whereas the same domestic wool is selling here at 24 to 26 cents. The wool imported from South America, of one-fourth and three-eighths blood comprised 50 per cent of the total imports for the past five years.

"As the schedule now stands, it not only works great hardships to the producer of wool, giving him a minimum protection when he needs the maximum, but it fails to pass this reduction on to the consumer as the compensatory duty to the manufacturer is based on the 25 cents clean-content wool duty throughout, where in some instances he is securing his wools at one-fifth that value, as in the case of the South American one-fourth blood wools, and in no instance is he obliged to pay more than 25 cents per pound clean content," stated Mr. Walker. We believe that this is unfair and unjust to both the producer and consumer and that it is a repetition of the discrimination shown in the Payne-Aldrich tariff that incited the public to resentment and brought the whole tariff into disrepute.

The wool-producing industry is in no condition to be handed a joker in the form of a tariff bill. In the past 18 months enormous quantities of wool have been rushed into this country pending the enactment of the tariff bill, and we now have enough wool to take care of normal requirements for from 18 months to two years. But what of the future? The sheep population of the United States has decreased 28 per cent during the last 10 years and the wool-producing industry is in the dumps.

Let me cite the instance of the Arizona flock master. His condition is typical of thousands in the far West. He shipped 1,017 lambs to the Chicago market, and after

paying freight, feed bills, yardage commission charges, etc., was out of his pocket \$1,446. These lambs sold for that much less than it cost to feed them and ship them. This allows him nothing whatever for the production cost of the lambs. I could cite numerous instances where sheep have come to market that do not sell for enough to cover feed, freight, yardage, and other marketing charges. Instances could be multiplied by the thousands where men would be glad to get out of business with a 25 per cent recovery on their investment.

Mr. SILVER. That is what we are confronted with. Here are groups of people who are interested in the distribution of these things right down to the last detail. Now then, when you take "truth-in-fabric" or packer control or other things of that kind, the song that comes up from the other side of the table is, not that there is anything so particularly bad about it but that the public is better served by the group that is interested in the particular business, with a supervision of their own. In other words, that the wool people—and I am not talking about the farmer but the manufacturer and the people who handle it—will give the people better treatment by weaving in shoddy and other things like that, and when we get too much of a flareback they will settle with the occasional consumer through the local retailers, but keep him in the dark as to what he buys.

That benevolent supervision that they want to pass along in that way is their idea, and they say that the public is better served than if you give them the information. What we ask in that case is the labeling, the truthful labeling, which is common honesty, that the individual may exercise his own judgment. They say, "Oh, no; they are better served if you let us alone, and we will serve them with benevolent supervision." The packers said it, and the other groups said it.

That has been argued enough so far, and there have been none of those bills passed. It is not good argument. It is contrary to our theory of government and our best institutions. But that is what is going on, and we must have that kind of thing. If you want to buy a woolen suit you are entitled to know whether you buy wool or whether you buy shoddy. And in the packer business, you are entitled to know what goes on in the dark. I do not think for a minute that there is going to be a great big money return in the price per pound or the price per steer, but you know when it is right and when it is wrong if it is made public. That bill should pass, and their activities should be known. It is right that they should be known. There is no reason for keeping anything that is right and proper from the light of day. Turn on the sunlight.

The CHAIRMAN. Mr. Silver, I do not want to interrupt you, but there are some gentlemen here who would like to go on to-day, as they want to get away. If you are going to conclude in a short time we may be able to hear them.

Mr. SILVER. I will conclude in just a few minutes; I have just a few other things to submit.

I would like to ask to have inserted in the record a table, prepared by Dr. Warren, of Cornell University, giving the whole list of agricultural products and their percentages of buying power along with their previous buying power.

The CHAIRMAN. Without objection, that will be inserted in the record.

Mr. SILVER. I would like also to insert in the record another illustration showing what the consumers do buy the most of and the least of. It shows they buy the most of farm products.

The CHAIRMAN. There is no objection to its going in, but I think that under the rules of the Printing Committee we will have difficulty printing that in the record. We will have later on to make some special arrangement for printing some of these graphs and charts.

Mr. SILVER. Very well; I will leave it with you and you may do as you please with it.

Representative MILLS. Who prepared that?

Mr. SILVER. It was prepared by a Chicago consumers' group, as to the illustration, and this is an explanation of ours, interpreted in terms of the producer instead of the consumer.

Representative MILLS. Was that just a newspaper report?

Mr. SILVER [handing paper to Representative Mills]. It tells the whole story right there; it illustrates what the buyer buys instead of telling it in words.

Representative MILLS. That is just a newspaper clipping—the Chicago Tribune.

Mr. SILVER. I would like to offer this wool schedule here, with the statement that the report of the Tariff Commission shows the cost of producing wools on the farm and ranch to have been 45 cents per pound for the years 1918 and 1919, not including marketing expense. I do not care for the whole chart to go in, but will just mark it so as to show what the actual prices are and the actual cost, as determined by a Government agency, and the actual sales on the market.

The CHAIRMAN. Without objection, that will be inserted.

Mr. SILVER. To show that we do not overproduce, I have a list of tables here showing what we produced as to quantities—

Representative MILLS. Where did you get these figures?

Mr. SILVER. We got these figures largely from the agencies that handle it, or the Government figures.

Representative MILLS. Is the source indicated in every case?

Mr. SILVER. No; in this it is not.

Representative MILLS. Do you not think it would be a good thing to have it indicated?

Mr. SILVER. I think it might be, if you desire it.

Representative MILLS. It is very confusing to get different sets of figures, and, of course, there are Government figures for nearly all of this.

Mr. SILVER. Yes. We have checked these, and I think there will be nothing confusing, because I have tried very hard to see that anything I submit to you or leave with you will stand any scrutiny that you desire to give it. We are trying to lay a solid foundation, so that you can be very sure when you come to make up your minds as to what ought to be done that you have started rightly, always remembering the farmer was the first record, for he makes it under the supervision of the Government expert.

While we are on the subject of marketing, these tables all have to do with that. We have had only a few long crops. We show here the long sales and the short sales, to show the markets that were close to us, which accounts for the fact that we have these products on hand. This set of figures has all been checked with the Government figures; some of them were gotten from that source and some of them not. I would like to offer them for the record.

The CHAIRMAN. Without objection, they will be received.

Mr. SILVER. I think that is all I have to leave with you, except that I was asked yesterday to bring these specific figures here, largely from the Government figures, supporting the contention as to the number of cattle, and working out the cost of one steer, the profit and loss on each one, in six or eight States. I intended to offer those figures this morning, but I did not come to them at that time.

The CHAIRMAN. That may be inserted in the record. We are very much obliged to you, Mr. Silver, and I am sure that material will be very helpful in our consideration of the questions which the commission is considering.

Mr. SILVER. I also have a list of the measures that are before Congress; I do not know whether you want to insert those here or not.

The CHAIRMAN. I think that had better be inserted.

Mr. SILVER. I will leave that with you then.

(The data submitted by Mr. Silver are here printed in full, as follows:)

*Farm products.*

[Prepared by Prof. George E. Warren, Cornell University, New York, May 26, 1921.]

	Unit.	Months.	Price latest month.	5-year average before the war for the same month.	Price index, 5-year average before the war, 100.	Purchasing power, 5-year average before the war, 100.
Corn.....	Bushel.....	May 1	\$0.595	\$0.647	92	59
Oats.....	do.....	do.....	.368	.412	89	67
Wheat.....	do.....	do.....	1.107	.898	123	78
Barley.....	do.....	do.....	.492	.649	76	48
Rye.....	do.....	do.....	1.053	.721	146	93
Buckwheat.....	do.....	do.....	1.159	.731	159	101
Flaxseed.....	do.....	do.....	1.257	1.763	71	45
Beans.....	do.....	Apr. 15	2.69	2.19	123	78
Broom corn.....	Ton.....	do.....	69.00	105.00	66	42
Cotton.....	Pound.....	May 1	.094	.126	75	48
Cotton seed.....	Ton.....	Apr. 15	17.23	22.70	76	48
Hay.....	do.....	May 1	13.08	12.23	107	68
Timothy seed.....	Bushel.....	Apr. 15	2.84	4.12	69	44
Clover seed.....	do.....	do.....	10.80	9.73	111	71
Cabbage.....	Hundredweight.....	do.....	2.03	2.04	100	64
Onions.....	Bushel.....	do.....	.98	1.27	77	49
Potatoes.....	do.....	May 1	.68	.696	98	62
Sweet potatoes.....	do.....	do.....	1.272	.978	130	83
Peanuts.....	Pound.....	Apr. 15	.085	.05	70	45
Apples.....	Bushel.....	May 1	1.422	1.226	116	74
Chickens.....	Pound.....	do.....	.217	.118	184	117
Eggs.....	Dozen.....	do.....	.202	.167	121	77
Butter.....	Pound.....	do.....	.386	.247	156	99
Milch cows.....	Head.....	Apr. 15	64.35	49.42	130	83
Beef cattle.....	Hundredweight.....	do.....	6.08	5.50	111	71
Veal calves.....	do.....	do.....	7.73	6.76	114	73
Sheep.....	do.....	do.....	5.11	5.07	101	64
Lambs.....	do.....	do.....	7.55	6.46	117	75
Wool.....	Pound.....	do.....	.179	.18	99	63
Hogs.....	Hundredweight.....	do.....	7.96	7.59	105	67
Horses.....	Head.....	do.....	100.00	146.00	68	43
Average, 31 products.....					106	67

<sup>1</sup> The weighted average according to amounts usually sold is practically the same (Index 110).

Price (in cents) net to grower on farm or ranch after deducting marketing expenses.<sup>1</sup>

Territory, fine medium.....	2 19. 92
Territory, fine staple.....	25. 22
Michigan and New York, delaine.....	32. 61
Ohio and Pennsylvania, XX delaine.....	37. 85
Territory.....	23. 42
Michigan and New York, half blood.....	28. 83
Territory, $\frac{3}{4}$ .....	27. 66
Ohio, Pennsylvania and Michigan, $\frac{3}{4}$ .....	33. 78
Ohio, Pennsylvania, and Michigan, $\frac{1}{4}$ .....	29. 91
Territory, quarter blood.....	24. 24
Missouri, Indiana, Illinois, and Iowa, low $\frac{1}{4}$ .....	27. 48
Territory, low $\frac{1}{4}$ .....	23. 02
Missouri, Indiana, Illinois, and Iowa, braid.....	21. 90
Territory, braid.....	18. 75

Cotton.

Year.	Production.	Value.	Export.	Import.	Per cent exported.
	<i>Bales.</i>	<i>Bales.</i>	<i>Bales.</i>	<i>Bales.</i>	
1911.....	15,692,000	749,890,000	11,081,000	229,268	68. 19
1912.....	13,703,000	786,800,000	9,199,000	225,460	64. 27
1913.....	14,156,000	885,350,000	9,256,000	265,646	62. 56
1914.....	16,134,000	591,130,000	8,931,000	363,595	52. 56
1915.....	11,191,000	627,940,000	6,405,000	420,995	52. 84
1916.....	11,449,000	994,060,000	5,963,000	288,486	46. 66
1917.....	11,302,000	1,532,690,000	4,587,000	217,381	36. 91
1918.....	12,040,000	1,737,710,000	5,663,000	197,201	43. 67
1919.....	11,420,000	2,030,960,000	6,760,000	682,911	56. 21
1920.....	12,987,000	903,340,000	6,145,000	651,590	53. 80
1921 (11 months).....			4,701,000	212,780	36. 20

PRINCIPAL COUNTRIES EXPORTED TO AND APPROXIMATE NUMBER OF BALES.

	1913	1919	1920	1921 (11 months).
Austria.....	109,202	30,000	42,000	5,000
Belgium.....	214,245	60,000	198,000	144,000
France.....	1,014,834	651,000	564,000	525,000
Germany.....	2,350,761		374,000	1,011,000
Italy.....	478,894	478,000	594,000	494,000
Netherlands.....	13,932	38,000	181,000	86,000
Norway.....	2,855	16,000	5,000	4,000
Portugal.....	8,162	38,000	16,000	15,000
Spain.....	298,435	261,000	256,000	232,000
Sweden.....	40,703	58,000	47,000	51,000
Switzerland.....	75	22,000	23,000	34,000
United Kingdom.....	3,563,218	2,058,000	3,251,000	1,575,000
Canada.....	148,292	190,000	189,000	153,000
Mexico.....	19,995	1,000	368	64,000
China.....	6,987	8,000	9,000	27,000
Japan.....	374,802	729,000	837,000	446,000
Other countries.....	78,822	20,000	53,000	40,000

<sup>1</sup> The report of Tariff Commission shows cost of producing wools on the farm and ranch to have been 45 cents per pound for years 1918 and 1919, not including marketing expense.

<sup>2</sup> All these figures are as of Feb. 14, 1921.

## Wheat.

Year.	Production. <sup>1</sup>	Value. <sup>1</sup>	Exports. <sup>1</sup>	Imports.	Per cent exported.
	<i>Bushels.</i>		<i>Bushels.</i>	<i>Bushels.</i>	
1911.....	621,338,000	\$543,063,000	60,311,000	1,146,000	10.91
1912.....	730,267,000	555,280,000	79,689,000	3,413,000	12.83
1913.....	763,380,000	610,122,000	142,879,000	1,282,000	19.57
1914.....	891,017,000	878,680,000	145,590,000	2,383,000	19.07
1915.....	1,025,801,000	942,303,000	332,464,000	715,000	37.31
1916.....	636,318,000	1,019,968,000	243,117,000	1,187,000	37.70
1917.....	636,655,000	1,278,112,000	203,573,000	24,924,000	31.99
1918.....	921,435,000	1,881,826,000	133,990,000	31,215,000	26.25
1919.....	934,265,000	2,009,407,000	287,401,000	11,288,000	31.19
1920.....	787,128,000	1,135,806,000	219,864,000	5,495,000	23.53
1921 (11 months).....			268,032,000	4,496,000	

<sup>1</sup> U. S. Department of Agriculture.

## PRINCIPAL COUNTRIES EXPORTED TO AND QUANTITY (BUSHELS).

	1913	1919	1920	1921 (11 months).
Austria.....			370	
Belgium.....	10,601,248	25,193	12,447	24,250
France.....	4,931,708	8,497	25,903	24,394
Germany.....	12,112,223			22,236
Gibraltar.....		2,293	405	6,526
Greece.....	298,937	96	706	3,913
Italy.....	7,217,479	28,664	26,086	47,174
Netherlands.....	14,832,000	3,904	186	18,577
Norway.....			186	822
Switzerland.....		4,367	2,122	335
United Kingdom.....	31,548,607	60,804	34,216	83,237
Canada.....	861,139	26,483	5,345	9,631
Other countries.....	11,209,633	1,887	1,608	25,032

## Eggs.

Year.	Production.	Exports.	Imports.
	<i>Cases.</i>	<i>Cases.</i>	<i>Cases.</i>
1911.....	1,14,275,000	285,290	52,446
1912.....	13,699,000	513,523	32,435
1913.....	13,653,000	680,313	45,573
1914.....	13,277,000		
1915.....	15,266,000		
1916.....	15,120,000	807,873	24,418
1917.....	13,945,000	830,847	37,010
1918.....	13,639,000	652,305	53,968
1919.....	16,821,000	946,159	28,256

<sup>1</sup> Receipts at 7 leading markets.<sup>2</sup> These imports priced our eggs.

## EXPORTS (CASES).

Country.	1913	1919	1920	1921
United Kingdom.....	1,702	266,466	981,400	54,800
Canada.....	423,556	101,533	303,633	185,400
Panama.....	27,282	23,800	18,333	18,833
Mexico.....	28,253	62,033	44,733	73,166
Cuba.....	190,706	2,679	376,533	424,933
Other countries.....	3,812	3,533	41,433	3,500

Total production.

	Wheat, million bushels.	Corn, million bushels.	Oats, million bushels.	Barley, million bushels.	Rye, million bushels.	Buck- wheat, million bushels.	Potatoes, million bushels.	Sweet potatoes, million bushels.	Rice, million pounds.
1920.....	787	3,232	1,526	202	60	14	430	112	54
1915-1919..	831	2,798	1,433	208	59	15	371	85	37
1910-1914..	728	2,732	1,157	186	38	17	361	57	24

	Tobacco, million pounds.	Hay, million tons.	Cotton, million bales.	Sugar beets, million tons.	Apples, million bushels.	Cows, million.	Other cattle, million.	Sheep, million.	Swine, million.
1920.....	1,508	108	43	8½	240	23½	44½	47	71½
1915-1919..	1,272	103	11½	6	183	22½	41½	48½	69
1910-1914..	999	82	14	5	198	20½	38	54	61½
1921.....						23½	42½	45	66½

1920 crop but slightly above 5-year average and only three crops unusually above.

Apples.

Year.	Production.	Value.	Exports.
	Barrels.		Barrels.
1910.....			922,000
1911.....	71,340,000	\$231,141,000	1,721,000
1912.....	78,407,000	209,345,000	1,456,000
1913.....	48,137,000	106,149,000	2,150,000
1914.....	84,300,000	270,924,000	
1915.....	76,670,000	156,407,000	1,456,000
1916.....	64,635,000	153,184,000	1,379,000
1917.....	55,583,000	168,416,000	1,739,000
1918.....	56,542,000	225,602,000	635,000
1919.....	49,152,000	196,117,000	1,576,000
1920.....	80,144,000		1,045,000
1921.....			2,654,000

EXPORTS (BARRELS).

	1913	1919	1920	1921
Denmark.....	17,439	31,000	15,000	21,000
Norway.....	14,628	116,000	75,000	74,000
Sweden.....	3,926	27,000	14,000	12,000
United Kingdom.....	1,318,426	1,016,000	600,000	2,058,000
Canada.....	376,951	263,000	186,000	321,000
Mexico.....	31,271	33,000	25,000	45,000
Cuba.....	19,745	26,000	27,000	40,000
Argentina.....	7,239	6,000	28,000	14,000
Brazil.....	14,172	11,000	22,000	13,000
Other countries.....	346,435	33,000	49,000	50,000

Butter.

Production:	Exports—Continued.
1909..... 1,621,796,000	1913..... 3,585,000
1919..... 1,648,505,000	1916..... 13,487,000
	1917..... 26,835,000
Exports:	1918..... 17,735,000
1909..... 5,981,000	1919..... 33,739,000
1910..... 3,140,000	1920..... 26,459,000
1911..... 4,877,000	1921 (11 months)..... 7,188,000
1912..... 6,092,000	

Which shows our butter production was as large 10 years ago as at this time, although our demands, through great increase in population, are many times greater. This illustrates what per cent of our population must depend upon filled milk, substitutes, and other preparations instead of the health-giving pure butter fat.

*Long crops.*

Corn.

Oats.

Potatoes.

Tobacco, perhaps largest crop yet produced.

*Value of farm products.*

1910.....	\$9,037,000,000	1918.....	\$22,480,000,000
1911.....	8,819,000,000	1919.....	24,961,000,000
1914.....	9,895,000,000	1920.....	19,856,000,000
1916.....	13,406,000,000	1921 (estimate).....	14,000,000,000

*Cattle feeding financial statements, De Kalb County, Ill.*

[On the basis of one steer. Season cattle were fed, winter of 1918-19 and 1919-20.]

	Average of all the cattle.		
	Survey, 1918-19.	Survey, 1919-20.	Route, 1919-20.
Method of gathering data.....	Survey.	Survey.	Route.
Number of droves.....	72	83	25
Number of cattle.....	2,668	3,543	1,069
Original cost of feeder animal.....	\$81.92	\$78.75	\$85.00
Operating expenses:			
Feed.....	86.72	89.54	88.18
Man and horse labor.....	8.60	8.22	5.57
Buildings and equipment charge.....	4.44	4.74	3.85
Interest.....	3.80	3.61	3.92
Death risk.....	.43	.34	.43
Veterinary.....	.10	.08	.08
Insurance.....	.04	.04	.02
Taxes.....	1.01	.83	.80
Incidentals.....	.64	.68	.72
Marketing.....	2.31	2.10	2.52
Total operating expense.....	108.09	110.18	106.09
Sum of operating expense and original cost.....	190.01	188.93	191.09
Manure and pork credit.....	23.85	20.45	21.42
Net cost.....	166.16	168.48	169.67
Sale price.....	158.27	133.70	143.57
Loss.....	7.89	34.78	26.10

*Financial outcome varies.*—In the winter of 1918-19, approximately 40 per cent of the cattle made a profit over feed charged at cash farm prices, but about 60 per cent could not meet those prices, resulting in an average loss of \$7.89 a head on the 2,668 cattle. During 1919-20 only about 5½ per cent of the cattle in the survey could show a profit in the face of the unusual marketing conditions at Chicago with feed charged to them at cash farm prices. There was an average loss of \$34.78 a head on the 3,543 head in the survey group. The average loss per head on the detailed route (1919-20) was \$26.10 per head. These losses mean that many of the farmers received less for their crops when marketed through cattle than they would have received if they had sold the crops for cash.

*Distribution of cattle according to the profit or loss.*

Range of profits or losses at which cattle were sold.	Number of head.		
	Survey, 1918-19.	Survey, 1919-20.	Route, 1919-20.
<b>Profit per head:</b>			
\$50 and over.....	48		
\$40 to \$50.....	57		
\$30 to \$40.....	22	31	
\$20 to \$30.....	429	82	125
\$10 to \$20.....	300	39	60
\$0 to \$10.....	218	40	51
Number showing profit.....	1, 074	192	236
Per cent showing profit.....	40. 2	5. 4	22. 1
<b>Loss per head:</b>			
\$0 to \$10.....	448	518	237
\$10 to \$20.....	562	579	170
\$20 to \$30.....	146	402	82
\$30 to \$40.....	19	724	109
\$40 to \$50.....	195	390	60
\$50 and over.....	224	748	175
Number showing loss.....	1, 594	3, 351	893
Per cent showing loss.....	59. 7	94. 6	77. 9

*Cattle feeding financial statements, east central Indiana.*

[On the basis of one steer. Season cattle were fed, winter of 1918-19 and 1919-20.]

	Average of all the cattle.		
	Survey, 1918-19.	Survey, 1919-20.	Route, 1919-20.
<b>Method of gathering data.....</b>	Survey.	Survey.	Route.
Number of droves.....	49	76	21
Number of cattle.....	1, 540	2, 199	817
<b>Original cost of feeder animal.....</b>	<b>\$75. 38</b>	<b>\$81. 42</b>	<b>\$83. 91</b>
<b>Operating expenses:</b>			
Feed.....	73. 93	80. 51	71. 82
Man and horse labor.....	5. 03	7. 16	3. 80
Buildings and equipment charge.....	4. 66	4. 59	6. 67
Interest.....	3. 65	3. 85	3. 55
Death risk.....	. 46	. 73	. 46
Veterinary.....	. 13	. 13	. 11
Insurance.....	. 14	. 06	. 03
Taxes.....	1. 93	. 83	. 77
Incidentals.....	. 67	. 55	. 50
Marketing.....	1. 46	2. 29	2. 43
Total operating expense.....	92. 07	100. 70	90. 14
Sum of operating expense and original cost.....	167. 45	182. 12	174. 05
Manure and pork credit.....	16. 59	24. 15	14. 74
Net cost.....	150. 86	157. 97	159. 31
Sales price.....	146. 33	138. 64	132. 20
Loss.....	4. 53	19. 33	27. 11

Returns from cattle expressed in amount received for corn fed to them.—While average figures show a loss in feeding in Indiana when cattle were charged with cash farm prices for feeding stuffs, they were in many instances able to return an amount sufficient to pay for all roughages consumed and in addition pay enough for corn to cover cost of production. The following table covers only those droves that were fed an average of 15 bushels of corn or more per head.

Gain or loss, expressed in terms of amount received for corn consumed.

Amount realized or lost per bushel of corn fed to cattle.	Survey 1918-19.		Survey 1919-20.		Route 1919-20.	
	Droves.	Cattle.	Droves.	Cattle.	Droves.	Cattle.
\$3 and over.....	4	147	1	39		
\$2.75 to \$3.....	1	30				
\$2.50 to \$2.75.....	1	38	1	76		
\$2.25 to \$2.50.....	2	50				
\$2 to \$2.25.....						
\$1.75 to \$2.....	5	88	3	68	2	96
\$1.50 to \$1.75.....	3	108	6	165	1	18
\$1.25 to \$1.50.....	2	86	5	116		
\$1 to \$1.25.....	3	66	9	300	1	104
\$0.75 to \$1.....	5	114	8	253	3	61
\$0.50 to \$0.75.....	2	55	4	93	1	12
\$0.25 to \$0.50.....			9	221	2	35
\$0 to \$0.25.....					1	63
Cattle below returned nothing for corn and in addition lost on every bushel eaten:						
\$0 to \$0.25.....	1	19	5	148	1	15
\$0.25 to \$0.50.....			1	58	2	142
\$0.50 to \$0.75.....	1	44	1	35	1	19
\$0.75 to \$1.....	1	22	2	38		
\$1 and over.....	1	19	2	47		
Average price realized for corn when fed to steers.....	\$1.35		\$0.90		\$0.73	
	<i>Per cent.</i>		<i>Per cent.</i>		<i>Per cent.</i>	
Cattle that lost on corn.....	11.7		20.6		31.7	
Cattle that returned less than \$1 per bushel.....	19.1		33.8		30.8	
Cattle that returned \$1 to \$1.50 per bushel.....	17.2		24.8		18.8	
Cattle that returned \$1.50 to \$2 per bushel.....	22.1		13.9		18.7	
Cattle that returned over \$2 per bushel.....	29.9		6.9			

*Cattle-feeding financial statements, Saline County, Mo.*

[On the basis of one steer. Season cattle were fed winter of 1918-19 and 1919-20.]

	Average of all the cattle.		
	Survey, 1918-19.	Survey, 1919-20.	Route, 1919-20.
Number of droves.....	50	75	27
Number of cattle.....	3,473	3,415	2,076
Original cost of feeder animal.....	\$73.75	\$76.29	\$80.65
Operating expenses:			
Feed.....	61.16	67.23	61.96
Man and horse labor.....	5.85	5.04	4.88
Buildings and equipment charge.....	1.71	1.77	2.04
Interest.....	4.04	4.05	3.27
Death risk.....	.77	.37	.72
Veterinary.....	.14	.05	.09
Insurance.....	.22	.05	.01
Taxes.....	.14	.35	.11
Incidentals.....	.28	.37	.30
Marketing.....	2.77	2.80	3.23
Total operating expense.....	77.08	82.09	76.61
Sum of operating expense and original cost.....	150.83	153.38	157.26
Manure and pork credit.....	7.76	11.72	7.79
Net cost.....	143.07	146.66	149.47
Sale price.....	138.53	125.71	125.77
Loss.....	4.54	20.95	23.70

Returns from cattle expressed in amount received for corn fed to them.—While average figures show a loss in feeding in Missouri when cattle were charged with cash farm prices for feeding stuffs, they were in many instances able to return an amount sufficient to pay for all roughages consumed and in addition pay enough for corn to cover cost of production. The following table covers only those droves that were fed an average of 15 bushels of corn or more per head:

Return expressed in terms of amount received for corn consumed.

Amount realized or lost per bushel of corn fed to cattle.	Survey, 1918-19.		Survey, 1919-20.		Route, 1919-20.	
	Droves.	Cattle.	Droves.	Cattle.	Droves.	Cattle.
\$3 and over.....	2	121				
\$2.75 to \$3.....	1	35				
\$2.50 to \$2.75.....	1	180	1	45		
\$2.25 to \$2.50.....	2	95	1	20		
\$2 to \$2.25.....	1	105				
\$1.75 to \$2.....	1	51	1	48		
\$1.50 to \$1.75.....	2	114	5	206		
\$1.25 to \$1.50.....	1	24	6	284		
\$1 to \$1.25.....	2	94	9	378	3	248
75 cents to \$1.....	4	201	10	537	3	143
50 cents to 75 cents.....			4	128	2	78
25 cents to 50 cents.....	3	134	5	230	2	284
25 cents and less.....	1	57	3	79		
Cattle below returned nothing for corn and in addition lost on every bushel eaten:						
25 cents.....			2	85		
25 cents to 50 cents.....			3	132	2	69
30 cents to 75 cents.....	2	70	1	22		
75 cents to \$1.....			1	24	1	54
\$1 and over.....			5	366		40
<b>Average price realized for corn when fed to steers.....</b>		<b>\$1.52</b>		<b>\$0.67</b>		<b>\$0.60</b>
		<i>Per cent.</i>		<i>Per cent.</i>		<i>Per cent.</i>
Cattle that lost on corn.....		5.5		24.4		19.6
Cattle that returned less than \$1 per bushel.....		30.6		38.6		53.9
Cattle that returned \$1 to \$1.50 per bushel.....		9.2		24.7		28.5
Cattle that returned \$1.50 to \$2 per bushel.....		12.9		9.8		
Cattle that returned over \$2 per bushel.....		14.7		7.5		

Cattle-feeding financial statements, Pottawattamie County, Iowa.

[On the basis of one steer. Season cattle were fed, winter of 1918-19 and 1919-20.]

	Average of all the cattle.		
	Winter 1918-19 survey.	Winter 1919-20 survey.	Winter 1919-20 route.
Number of droves.....	81	87	26
Number of cattle.....	3,996	3,165	1,129
Original cost of feeder animals.....	\$74.03	\$79.12	\$73.63
Operating expenses:			
Feed.....	80.49	78.35	87.04
Man and horse labor.....	4.82	4.53	3.78
Buildings and equipment charge.....	3.16	3.47	3.21
Interest.....	3.52	3.98	4.49
Death risk.....	.58	.28	.44
Veterinary.....	.12	.03	.08
Insurance.....	.09	.12	.14
Taxes.....	.42	.32	.48
Incidentals.....	.46	.32	.27
Marketing.....	2.46	3.08	2.55
<b>Total operating expenses.....</b>	<b>95.95</b>	<b>94.70</b>	<b>102.48</b>
Sum of operating expenses and original cost.....	169.98	173.82	176.11
Manure and pork credit.....	16.98	21.45	20.63
<b>Net cost.....</b>	<b>153.00</b>	<b>152.36</b>	<b>155.48</b>
Sale price.....	143.57	142.33	146.15
<b>Loss.....</b>	<b>9.43</b>	<b>10.03</b>	<b>9.33</b>

*Financial outcome varies.*—In the winter of 1918-19 approximately 32 per cent of the cattle in this study made a profit over feed charged at cash farm prices, while about 68 per cent could not meet these prices, resulting in an average loss of \$9.43 per head on 3,996 cattle. During 1919-20 the same proportion of feeders showed a profit upon their cattle when feed charged to them at cash farm prices, and there was an average loss of \$10.03 a head on the 3,165 head in the survey group and of \$9.33 per head on the detailed route. These losses mean that many of the farmers received less for their crops when marketed through cattle than they would have received if they had sold the crops for cash.

*Distribution of cattle according to the profit or loss.*

Range of profits or losses at which cattle were sold.	Number of head.		
	Survey, 1918-19.	Survey, 1919-20.	Route, 1919-20.
<b>Profit per head:</b>			
\$50 and over.....		34	
\$40 to \$50.....	61		
\$30 to \$40.....	262	62	
\$20 to \$30.....	142	120	98
\$10 to \$20.....	335	282	200
\$0 to \$10.....	493	517	269
Number showing profit.....	1,293	1,015	567
Per cent showing profit.....	32.4	32.1	50.2
<b>Loss per head:</b>			
\$0 to \$10.....	1,078	501	22
\$10 to \$20.....	290	542	155
\$20 to \$30.....	234	209	186
\$30 to \$40.....	443	589	96
\$40 to \$50.....	472	236	59
\$50 and over.....	196	73	44
Number showing loss.....	2,703	2,150	562
Per cent showing loss.....	67.6	67.9	49.8

*Cattle-feeding financial statements, Burt County, Nebr.*

[On the basis of one steer. Season cattle were fed, winter of 1918-19 and 1919-20.]

	Average of all the cattle.		
	Survey, 1918-19.	Survey, 1919-20.	Route, 1919-20.
<b>Method of gathering data</b>			
Number of droves.....	70	103	21
Number of cattle.....	2,293	3,041	795
<b>Original cost of feeder animal</b> .....	\$71.79	\$90.54	\$86.08
<b>Operating expenses:</b>			
Feed.....	75.79	65.69	71.78
Man and horse labor.....	6.74	3.75	4.99
Buildings and equipment charge.....	3.12	3.52	2.48
Interest.....	3.38	3.20	3.91
Death risk.....	.38	.21	.54
Veterinary.....	.13	.06	.02
Insurance.....	.04	.01	
Taxes.....	.12	.18	.14
Incidentals.....	.55	.52	.37
Marketing.....	2.28	2.44	2.52
Total operating expense.....	92.53	79.58	86.75
Sum of operating expense and original cost.....	164.32	160.12	172.78
Manure and pork credit.....	16.17	14.53	20.71
<b>Net cost</b> .....	148.15	145.59	152.07
<b>Sale price</b> .....	144.98	134.90	137.50
<b>Loss</b> .....	3.17	10.69	14.57

*Financial outcome varies considerably.*—Average returns per head show a loss each year, \$3.17 in 1918-19, \$10.69 in 1919-20, and \$14.57 on the route. Not all cattle included in the study were fed at a loss, however. In the winter of 1918-19 approximately 48 per cent tops returned a profit, but the losses on the remaining 52 per cent were enough larger to make an average loss of \$3.17 a head on the 2,293 steers. During the winter of 1919-20 a smaller proportion, about one-third, tops made money, the other two-thirds losing enough to make the average loss \$10.63 a head on the 3,041 cattle of that year. Only 12 per cent of the 795 cattle fed on the detailed cost route made any profit.

*Distribution of cattle according to the profit or loss realized per head.*

Range of profits or losses at which cattle were sold.	Number of head.		
	Survey, 1918-19.	Survey, 1919-20.	Route, 1919-20.
<b>Profit per head:</b>			
\$50 and over.....	40		
\$40 to \$50.....		20	
\$30 to \$40.....	114	142	
\$20 to \$30.....	240	127	
\$10 to \$20.....	345	372	62
\$0 to \$10.....	353	358	30
Number showing profit.....	1,092	1,019	92
Per cent showing profit.....	47.6	33.5	11.6
<b>Loss per head:</b>			
\$0 to \$10.....	351	740	261
\$10 to \$20.....	255	154	238
\$20 to \$30.....	208	330	135
\$30 to \$40.....	199	195	
\$40 to \$50.....	33	347	
\$50 and over.....	155	256	69
Number showing loss.....	1,201	2,022	703
Per cent showing loss.....	52.4	66.5	88.4

*Bills in which farmers are interested, showing present status of bills.*

Subject.	Introduced by—	No.	Date introduced.	Referred to Committee on—	Reported by committee.	Passed House.
Packer control.....	Haugen	H. R. 6320.	May 18	Agriculture.....	May 20	June 2
Increase of farm loan deposit.	Curtis	S. 1837.....	June 3	Banking and Currency.	June 20	June 24
Commodity financing.....	Sterling	S. J. 26.....				
Grain futures.....	Tincher	H. R. 3676.	May 3	Agriculture.....	May 4	May 13
Farm loan interest rate increase.	Kenyon	S. 1811.....	June 9	Banking and Currency.		
Truth in fabric.....	French	H. R. 16.....	Apr. 11	Interstate and Foreign Commerce.		
Cold storage.....	Haugen	H. R. 7112.	June 13	Agriculture.....		
Cooperative marketing.....	Volstead	H. R. 2373.	Apr. 11	The Judiciary.....	Apr. 26	May 4
Federal farm land banks, individual loan increased.	McLaughlin.	H. R. 4983.	Apr. 25	Banking and Currency.		
Permanent tariff.....	Fordney	H. R. 7456.	June 29	Ways and Means.....	July 6	
Good roads.....	Phipps.....	S. 1072.....	May 20	Post Offices and Post Roads.	June 10	June 27
Filled milk.....	Voigt.....	H. R. 6215.	May 13	Agriculture.....		
Commodity financing.....	Kenyon	S. 682.....				
Personal credits.....	do.	S. 1255.....				

Subject.	Introduced in Senate.	Referred to Committee on—	Reported from Senate committee.	Passed Senate.	In conference.
Packer control.....	June 2	Agriculture.....	June 6	June 17	June 17
Increase of farm loan deposit.....	May 17	Banking and Currency.....	May 24	June 2	
Commodity financing.....	Apr. 13	do.....			
Grain futures.....	May 13	Agriculture and Forestry.....	July 8		
Farm loan interest rate increase.....	June 16	Banking and Currency.....	May 22	June 9	
Cooperative marketing.....	May 4	The Judiciary.....			
Good roads.....	Apr. 21	The Post Offices and Roads.	May 9	May 16	

**STATEMENT OF MR. W. B. DOAK, OF CLIFTON STATION, VA.,  
MEMBER OF FARMERS' UNION AND MEMBER OF RESOLUTIONS COMMITTEE OF NATIONAL UNION FARM LOAN ASSOCIATIONS.**

MR. DOAK. Mr. Chairman, I desire to direct your attention to some shortcomings of Congress in this rural-credits legislation. In the first place, Congress entirely omitted the personal-credits measure, which was originally reported and which should have accompanied the land-bank act. That will be necessary before there is a complete fulfillment of our hope for cooperation in this matter of handling farm products. Land banks are the lead horse but the wagon, overloaded with farm crops, won't be pulled out until a horse is hitched to the other end of the double tree.

Congress also failed in a number of particulars to provide a system under which the Federal land banks could operate fully. They put unwise and unnecessarily harsh restrictions in the act. Here is the 20 per cent limit on the loan, for instance. You will recall it is provided that "no loan shall exceed 20 per cent of the value and the permanent, insured improvements thereon." In that way it operates to deter home building and to prevent what it was really intended to do; that is, to encourage farmers to build and live in good houses and barns, and it keeps out, arbitrarily and unjustly, a great many people who are just as much entitled to the benefits of the system as the few who get in. As it stands it will never be possible for the majority of farmers to come into it. They must have an equity of 90 per cent in their buildings and 50 per cent in their land.

You will recall that in actual operation they segregate the land from the buildings thereon and they say the land is worth so much. But when it comes to buildings they really do not consider the value of the buildings at all. They are practically limited to 20 per cent of the insurance. Of course, you can only get 75 per cent in insurance. There is a maximum limit on insurance. The Mutual Insurance Co. in our section will not insure anything for over \$4,000, so your maximum loan would be 20 per cent or one-fifth of \$4,000, i. e. only \$800 under this act. That is manifestly unfair. Suppose a farmer with even first-class improvements wanting to borrow enough on them to build a silo, etc., for dairying or fences for sheep, could he?

Mr. Phelan, who represented Mr. Glass years ago, and handled the matter on the floor of the House, admitted that there was really no justification for it. There is no precedent for it. There is not a single rural-credit law in the world that does not loan at least three times that, and so we ask that this limit be increased from 20 per cent to 60 per cent.

There is another way in which the farm-loan act has been unfairly dealt with by Congress. The original act provided that when subscriptions to stock in Federal land banks reached \$100,000 the Federal Farm Loan Board should call an election. The loan associations were to elect six of the nine directors who were to manage the Federal land banks directly.

The situation was this, that they had finally agreed to put these bonds on the market. The land-bank bonds went to 106, and were going higher. Liberty loans were 97, and they were going lower. Mr. McAdoo, it seems, thought that would not do and took our bonds off the market. Then they gave out the impression, which was false

because our land-bank bonds were selling like hot cakes on a rising market, that they had to put up this \$180,000,000 for the rest of the farm mortgage bonds, and take it out of the Treasury. While they were doing it they repealed this part of the act which would order the directors to be elected by the national farm loan associations. That resulted in this sort of anomaly: Here were the farmers who had subscribed and paid in \$18,000,000 of the \$26,000,000 stock issued by the banks, and they are denied any representation whatever on those banks. I do not believe there is any fair-minded man who would agree that this is fair. Some other things that have been done are unwise and unjust. The fixing of these arbitrary limits—the \$10,000 maximum loan limit; and requiring 10 to organize—of the amounts of loans does restrict credits. The fact is, this is the only piece of machinery we may resort to for refunding these loans under which farm business is groaning. Furnish farmers money they are entitled to, which is certainly many times the amount they have gotten so far—and their bonded debt is now several times \$4,000,000,000. Four hundred million dollars can't finance an 80-billion-dollar industry. Absurd to claim it. We did spend ten or twelve times that much money on the merchant marine. I do not know whether it was worth that much or not. It is said we are feeding marine borers on 190 vessels in the James and lose \$1,000,000 a day trying to run the rest. I do not know how much we loaned Great Britain or Russia or France, but I know there was a time when anybody but a farmer could go to the Federal Treasury and get money out of it. And I know the farmers do not ask for any gifts. The Secretary of the Treasury admits all interest on land-bank bonds is paid. May I ask who else has?

As a member of this resolutions committee over at 1731 I Street NW. we had a set of ready-made resolutions offered to us. I opposed that, among others, in opposition to the Smoot bill, which proposed that we pay the expense of the system, some \$146,000, on account of the board and the registrars of the Federal land banks. I said, "That is not very much. I would not oppose paying the expenses of the system. I think the farmers of the United States want to pay the expense of running that land bank." Our members are found in most every county in the United States, several thousand of us, and there is no reason why we should not pay the entire expense of the system and relieve the Treasury of it.

But the farmers must have some money—cash, not merely bank credits. The farmer has a right to it—not as a gift or bonus from the Government. I do not say he has a right to all the money he wants; I think there should be some limitations to that. At the same time it is perfectly clear in my mind that agriculture, as the basic industry of this Nation or any other great agricultural empire, is entitled to consideration when it comes to money; not just such an amount as the Federal reserve bank may see fit to give us from time to time, but a regular and constant flow.

Therefore we introduced into those resolutions that we ask Congress to amend the postal-savings act. You will recall the situation. That act limited the rate to 2 per cent. Now, here is Uncle Sam telling the depositor at the city post office, "We can not take your money and pay you more than 2 per cent interest," the very same day he tells farmers they can't get money even at 6 per cent. And besides, there

is a positive limit to the amount of money they are allowed to take in the postal savings banks. Why it is I do not know; and I have not been able to find anybody else on the Capitol Hill or elsewhere who does know why there should be any limit on that or the number of post offices eligible. There is no reason in the world that I can see why they should not remove that absolutely and the Secretary of Agriculture put on the board.

And the money could be invested in Federal land bank bonds. Not all of it. I do not say you should put it all into a long-term land investment, but a great many authorities have recommended that you authorize the investment of 40 or 50 per cent in Federal land bank bonds. That would mean a constant and continual flow of cash into the system. There never would be a time, in other words, as in the past two years, when credit would be frozen so land banks couldn't get cash to make a single loan.

The gentleman from New York undertakes to say that the farmers' credit has not been restricted. As a matter of fact, the farmers' credit has been restricted. I am a director in our association over there. We had applications for \$150,000 in one county, and we had \$13,000 this summer to loan. We had 50 men in another county anxious to borrow, and we had money for four or five small loans, \$3,000 apiece. You can readily see that is utterly inadequate, and the movement that Congress should now put up \$25,000,000 is not anything like a reasonable effort; it is only an average of \$6,000 for each association, less than one corn-belt farm loan.

Now, I would like to get down to some of the things in which it seems to me that the Federal Farm Loan Board itself, in administering the law, is subject to severe criticism. I want to make no personal reflection on anybody, but the board has imposed a number of severe restrictions. For instance, here they put a blanket order on; at the start they would not loan on any Virginia land more than \$50 an acre; on Iowa land \$100 an acre. Now, there may be a limitation; I suppose there should be a limit to the amount of money that should be loaned on land. But you can not buy land at their ideas of value.

Take their orchard ruling, they won't lend any on timber or an orchard. There might be a place over in Virginia where they grow Albemarle Pippins, they might be able to grow 150 or 200 barrels, but in the eyes of the Farm Loan Board it forms no basis for a loan. If you will take the pains to look into Senate Document 214,<sup>1</sup> giving the results of the investigation of the American commission which studied the situation all over Europe, you will find they actually loan on vineyards in France valued at \$2,000 an acre. Where the selling values are well maintained, where the products have averaged good both in quality and price, where the production for a series of years justifies such a loan, there is no reason why these restrictions should be made, and for the life of me I can not understand why the Federal farm loan act should not be allowed to operate. As a matter of fact, it is not allowed to operate; people can not get any money out of it, and as it stands now the majority of the people will never be able to

<sup>1</sup> P. 22. Italy, land in citrus fruits, \$3,200 per acre down to \$16 per acre.

P. 86. 2,470 acres; at \$200; rents at \$6.40.

P. 111. Egypt, \$300 to \$2,000 per acre; rents at \$25 and \$100 per year.

P. 622. Spain, 750 acres, exclusive of improvements, \$300 to \$400.

P. 623. Spain, Valencia arable land, \$300 or \$400 to \$1,000; citrus, \$1,000 to \$3,000.

P. 764. France, frequently worth \$1,600 per acre.

P. 760. France, vineyards, \$1,000 to \$2,000.

get into it, because of these restrictions. We would like very much—I know our young men would, and a couple of the associations that I represent here would like very much for the members of this commission to look into this subject very thoroughly. There are a number of changes which certainly could be made. I do not know just how far you can go. I do not say you can provide all the money at this time that is needed, but we certainly can make an effort to provide some money, and let whatever it be come in such a way that it is not necessary to beg Congress for the money. The farmers justly resent the imputation. For instance, if you will read the hearings before the Banking and Currency Committee on credits, 1921, you will notice the remarks made by one Congressman from New York, who said that the Federal Government has already put up a big amount of money and is having to carry the farmers. That really is untrue and not just at all to agriculture.

Here is another thing. I do not like to go into all these things, but here is the board absolutely determined to do away entirely with all these 4,000 farm-loan associations. They threatened us that if we joined a union to protect our own interests after we had been advised that the commissioner himself had said he was going to cut them all out—by the way, that is the cooperative feature of it—they went so far as to say that if we took \$10 of our money to meet here and look out for our interests they would take our charter away, that they would sell the borrowers out. So I think the situation looks strong enough to justify an investigation by Congress and some measures of relief.

Another matter I should mention is that the original act provided several other facilities for the loan associations. For instance, they were to get one-eighth of 1 per cent semiannually of this interest money to use as operating capital. Another was that the premium on the bonds was to go to the borrower. That is, if the bonds were at a premium the borrower had the privilege of taking bonds instead of cash. When some went in, the bonds were at 106; that was \$300 on a \$5,000 loan. Again comes the savings-bank feature, which is entirely ignored. Some cash might come in thus.

I think you will find, gentlemen, if you look into it, that I am giving you facts, and that this land banking is really our biggest problem and the only way to solve this situation. Money is a common commodity. I might be interested in the raising of potatoes on the Eastern Shore, or wheat in the Northwest. The other fellow might be interested in wool, apples, or something we grow around here. But we are all interested in money. That is the one common approach to this corral; this expresses it, for international bankers and vested interests have corralled credits. The only way we can solve the stringency of the times that now exist is land banking way—is by writing off our losses into 40-year loans on land and figuring closer next time; it can not be done by short-term loans.

The situation could be materially relieved by expanding this the only system by which debts could be refunded for long periods of time and paid back upon the amortization plan.

## RESOLUTIONS UNANIMOUSLY ADOPTED BY BOARD OF DIRECTORS, NATIONAL FARM LOAN ASSOCIATION, OF FAIRFAX COUNTY, VA.

Raise \$10,000 loan limit to \$25,000.

Raise 20 per cent loan limit on improvements to 60 per cent.

Raise 50 per cent loan limit on land to 66 $\frac{2}{3}$  per cent.

Urge election of six out of nine land bank directors by, and to be representative of, the national farm loan associations, as provided for by the Federal farm loan act.

Remove the limit and increase the rate on postal savings, then require 50 per cent to be invested in Federal land bank bonds semiannually.

Put the Secretary of Agriculture or other farmer-minded man on all financial boards.

I thank you for your attention.

The CHAIRMAN. We are very much obliged to you for your suggestions, Mr. Doak.

Mr. Barger, we will hear you now.

## STATEMENT OF MR. D. H. BARGER, OF SHAWSVILLE, VA.

Mr. BARGER. Mr. Chairman, the resolution that was passed by Congress creating this commission required the commission to investigate and report to Congress within 90 days after the passage of the resolution upon certain subjects. I have just a few notes here which I think you will understand. but if you want me to elaborate upon them a little bit in order to make them clearer to you I will do so. If not, I will leave these notes with you as embodying the whole entire thought that I have upon the subject, answering all the questions asked in this resolution.

The commission is directed, first, to look into the causes of the present condition of agriculture. I claim that the present condition of agriculture is due to differentials having been created in favor of other industries and labor by combinations and legislation, thereby preventing an equitable exchange of commodities. I think that is the milk in the coconut. It is simply a question of the farmer being unable to exchange his commodity on a just and equitable basis with other commodities. I think that is about all there is to that.

The next question is the cause of the difference between the prices of agricultural products paid to the producer and the ultimate cost to the consumer. I answer that by saying that it is the high cost of organized labor in handling agricultural commodities from producer to consumer and additional money needed therefor plus increased taxes. Also an excess number in the retail business, resulting in a too great overhead charge.

The comparative condition of industries other than agriculture. I answer that other industries are suffering from the causes outlined in my answers to questions No. 1 and No. 2. The differentials are so great the farmer can not exchange his commodities for those of others.

The CHAIRMAN. But the other industries are not suffering to the same extent, perhaps?

Mr. BARGER. Well, they are suffering in this way, Mr. Chairman, they are not suffering so much in a reduction of price as in a reduction of production, which as an economic proposition is practically the same.

The next question is the relation of prices of commodities other than agricultural products to such products. I answer that the law of supply and demand has asserted itself as to prices on farm prod-

ucts, but has not as yet done so on other commodities, due to artificial conditions.

In passing, I will say that a part of those artificial conditions are due to Congress itself. Congress is responsible for the Adamson law. It was responsible for the La Follette Seamen's Act. It is responsible for the workmen's compensation act. It is responsible for commodities produced by convicts being excluded from interstate commerce. It is responsible for commodities being excluded from interstate commerce when manufactured or produced by children, whereas it has not excluded from interstate commerce farm products so produced. I might go on and mention a great many other things of like nature which have resulted in this differential being spread between the product on the farm and the product off the farm.

The next question is the banking and financial resources and credits of the country, especially as affecting agricultural credits. I answer that the farmer should be financed until he can make a turnover on his product, the same as the manufacturer and merchant. You understand that as well as I do, Mr. Chairman and gentlemen of the committee, and it is not necessary for me to give my views upon that subject any further.

The last question is the marketing and transportation facilities of the country. No impediment by law should be placed upon the farmer in marketing his products.

That touches upon the question that Mr. Silver had up here in regard to cooperation in marketing. I know full well the snag you ran against in that respect, and appreciate the position that all of you occupy in that particular instance, and yet it does seem as though it is ridiculous when a little bit of a community, not controlling the one-thousandth part of a product that is produced in that community so far as the country as a whole is concerned, can not get together and market the products cooperatively in order to eliminate as far as possible the middleman and to protect themselves as against the buyer. Because it is a buyer's proposition all the time.

The cost of transportation should and must be lowered, as the accumulated turnover from the raw material to the finished product which the farmer buys adds an unnecessary and prohibitive cost thereto. Take the workmen's compensation act. Take the increased freight rates, starting out from the limestone quarry or the sand pit and the ore mine to the furnace; the coal in the mine that makes your coke, the coke plant, the transportation of the coke to the furnace; and like a snowball running down hill, it accumulates until you get back to the farmer with a reaper. I have to pay \$260 to-day for a reaper that I used to buy for \$85, and my farm products have gotten back to the point where they were when I paid the \$85 for the reaper.

Gentlemen, I know you are tired. You have been very patient in hearing everybody. I would like to have talked to you much longer on this all-important matter. The farmer is up against it in my section of the country this year. They have lost money down there on cattle. My cattle this year were not worth as much as the same cattle were worth last year. I had to carry those cattle over, as everybody had to carry them over, and there was the loss of a year's feed, and to-day I can not get as much for my cattle as I could one year ago.

It is not necessary to go into a strict accounting in order to find out that you have lost money. I know something about the accounting that was referred to by the gentleman from New York. As a matter of fact, the farmer practically keeps—theoretically he does not keep his accounts the same as is required by the Federal Trade Commission or by the Treasury Department, but practically it is exactly the same. He does not charge off 10 per cent per annum on his tractor, for example, as a manufacturer charges off 10 per cent per annum on the generator in his factory, but he will buy a tractor, and inside of 10 years his tractor has gone, and he will charge it up to his year's operating expenses. He does not take off for depreciation as a general proposition, but if he does it amounts to the same thing. If he does not, it amounts to the same thing in the long run.

Gentlemen, I think this—and I have said this frequently in my addresses to farmers throughout the country—that it is not legislation that can help us, because nature controls our product—cattle, for instance—and the law of supply and demand controls the price. We can not get around that. But legislation can ruin agriculture by legislating in favor of the other fellow. Because in the last analysis agriculture does carry that burden which Representative Ten Eyck suggested a little while ago when he referred to that situation in asking Mr. Silver about the farmer in the last analysis carrying that. He can not pass the buck.

I am in other lines of business, and when all these costs come to me in that business it is part and parcel of the cost, and it goes on with the product. But when it comes to me as a farmer I have to absorb it; I can not pass it on, because the law of supply and demand governs that product.

That is about all I can say to you, gentlemen, and I hope it may be of some benefit to you and therefore a benefit to the country. It is legislation we want repealed, more than legislation we want enacted. I thank you very much.

The CHAIRMAN. Mr. Blair, do you want to make a brief statement?

**STATEMENT OF MR. M. S. BLAIR, FARMER, OF GRAND FORKS, N. DAK.**

MR. BLAIR. Mr. Chairman, I have listened here a few days in this investigation, and I have been very much interested, because farming has been my life occupation. I have farmed for 42 straight years. I started in with preemption land that I got from the Government; I paid \$2.50 for that right.

I have been up against a great many of these same conditions during my life. The first experience that I had in a financial condition was in 1872. I was quite young then, but old enough to remember. I was with my uncle on a farm at that time. I have also gone through other panic conditions, such as we had in 1893 and 1894. The 1893-94 panic was the one that came the nearest to taking everything I had accumulated for twenty-odd years.

Of course, a fellow learns by experience, and the experience I had in 1894 taught me a lesson, so that I tried to avoid a condition that exists now among a great many farmers. I realized as well as you do—possibly you realize better—that the farmers are certainly in a pretty bad condition.

I have had occasion this last year—I am renting my farm; not that I dislike farming, but I believe that after 45 years of it I have practically served my apprenticeship as far as hard work is concerned, and I have taken these last five years trying to ferret out conditions in other parts of the country, in Texas, Oklahoma, Kansas, Nebraska, and South Dakota. I find that the farmers are up against a hard proposition at this time.

You gentlemen no doubt are trying to arrive at some remedy. I do not know that we differ in regard to the remedy. There is a chance for a remedy, and it lies largely with the farmer himself, is my experience. The farmer has got to be educated a little different than what he has been educated in the past. My friend from New York there struck the keynote with me when he said, "Would it be possible for this Congress to recommend something along the educational line?" It surely is. They surely need it. They have been going along in a road that brings disaster to almost every generation.

We all realize that we are placed in a condition to-day whereby the production of the soil will not cancel our indebtedness by a whole lot. Probably very few here realize that the wheat crop of this country, the average crop as it is being sold, will not pay the interest on our war debt. Sold on the basis of the present price, which is about a dollar a bushel, it will not begin to pay it.

When those things confront me, gentlemen, I feel that it is time for every one of us to be up and doing and trying to guard against this calamity that might possibly occur. We can not go on with our war indebtedness year after year, accumulating interest, and expect to pay it with the profits and labor that will not produce enough to pay the interest, let alone the principal.

The last four or five years, during the war, have been quite fortunate for me. Not that I had any better knowledge than anybody else; possibly it was chance. I have made more off my farm operations since the war than I ever made in my 35 years before. You may wonder why that is. It was an abnormal condition, absolutely. If you want to know more in regard to that later on, I will answer your questions. But I feel that we have got to try and provide for two or three or four different things at first.

From a grain grower's standpoint, one of the first things that presents itself to me is the storage facilities, storage facilities whereby we will not be hampered as farmers by the things that have been hampering us for the last 25 or 30 years.

First, there are the different phases of securing advantages by the paying of commissions, or little rakeoffs, as we oftentimes call them. Those are not small any more. They used to be small and reasonable, but to-day, gentlemen, they are large and very unreasonable. You may ask me for some particular cases whereby I know that absolutely. I have not prepared any paper here; consequently only from memory can I give you some of those instances.

Our storage proposition has been the storage proposition we have been fighting for in North Dakota for the last 25 years. Our farmers got educated to a point where we realized that in order to get our grain nearer the consuming public we needed a channel of storehouses. We learned that we had to have a place at the head of the Lakes where we could assemble our grain to be carried down over the Lakes and

be delivered to Buffalo, or New York if it was absolutely necessary. We found then that a large proportion of our stuff was tributary to this section of the country. Millions of bushels are being shipped out to this eastern country. On my way down here I could not see where there was wheat enough raised to feed this section of the country, and I realized that we must help these people. That channel would give us an opportunity to get our grain down here and get it closer to the consumer without deterioration of the stuff we raise.

I have been at Duluth many a time and met gentlemen from foreign countries, and they have said, "If you could produce and give us that grain in the virgin state it would be worth 10 or 15 cents a bushel more to us, but we can not get it; it comes in a deteriorated condition. The best quality wheat from the North is mixed with this poor quality, and then when it gets into the terminal elevators it is being mixed by the different mixing concerns, and we have got to buy that, and we buy it according to the quality of the grain. And you gentlemen that raise the best quality of grain that can be produced have to suffer the consequences."

Representative TEN Eyck. Right there, you believe in having storage houses in the various communities, so that they can regulate these supplies for the market and send them out in bulk as a community——

Mr. BLAIR. As the consuming public requires.

Representative TEN Eyck. The wheat you would gather together in the community storehouse?

Mr. BLAIR. Not so much in a community storehouse; you have got to get it to the large terminals where we can assemble volumes of our stuff, because when we assemble it we have to assemble it all over the country. The individual farmer can take care of his own individual situation ordinarily. We do take care of that; that is, in most parts of our country.

Of course, we made our elevator fight years ago. We had a hard struggle in establishing that. We had a fellow who was in the business prior to us who, every time we put in a farm elevator, would boost the price to a point where it was impossible for us to get any profit at all, and our farmers would go out and sell to the other fellow and would not sustain their own house. If they would come back and put up the money to sustain it, it would pay them big. But they have seen just the other side of it; they were just looking at the present, at what was giving them the best at the time. A little later on this elevator went busted and was out of business and the price was right back again.

Of course, there were laws passed in different States remedying a whole lot of that. In our State they enacted a law, after four or five years, after considerable money had been spent, that wherever an elevator company paid a certain price at one elevator and they had another elevator at another point, they had to pay the same price with the freight difference. That helped to eliminate a lot of this discrimination in price, so that wherever there was a farm elevator located they could not put it out of business.

So after all that fight it has come down to where it requires a larger assembling. We are advocating this cooperative marketing, and we are advocating the sale of the stuff through a selling agency. But in order to do that we must declare a place to assemble this stuff, so that

when the public want it they can get it. But we are also trying to provide for them to get cost plus a fair profit out of that. I do not think we are asking anything unreasonable when we aim to go to the public with that demand. The contention is that every man is entitled to a fair profit on whatever he is doing, it makes no difference what line of business he is in.

Representative TEN EyCK. If I understand you correctly, I gather that this is what you mean: You believe that the cost or spread between the producer and the consumer in farm products has increased beyond the cost or spread in other commodities?

Mr. BLAIR. Yes, indeed, it has. But, mind you, we do not aim to give up our local cooperative concerns at all. We operate through those just the same; that is, where it is absolutely necessary to accommodate the farmer.

Now, then, the storage is what we want protection in. Before, when we have made this demand for storage, we could not get it, because the storage would possibly be public. Some of it was private elevators at terminals. The railroad companies have had a great many terminal elevators of their own, and they have loaned them out to private individuals, whereby it would be utterly impossible for us to get that storage. We contend there is plenty of that storage to carry all these different commodities without building any more, without going to that expense, if that stuff is delivered to the public gradually and marketed in a merchandising way.

We contend that that can be done: My experience teaches me that it absolutely can be done. My experience also teaches me that as far as the money, the financial end of it, is concerned, the farmer can finance himself a whole lot more if he gets that education that he must have if he is going to benefit himself and benefit the whole country in the future. He must get that.

In my own case, in the last 25 years, I have never needed to go into the terminal markets for one dollar on my crop. I have marketed all the way from 2,000 to 10,000 bushels in one year, and I have never called on anybody for one dollar. You may not think that is possible, but I believe you can see my point. My investment is in my farm. It is in it at the opening of the season. I finance my farm all the season through, when I seed it, when I plough it, and when I thrash it. When I got it into the wagon box I used to take it over to town and turn it over to the other fellow and let him do the financing, which cost me directly many a time. Since that time I have shipped my own stuff in to the terminal elevator and had it sold direct to the mill, and when the mill had it and weighed it they sent me the check. I contend that is my own financing.

I have often said that if we had a channel by which we could do the same thing and deliver our grain in Liverpool, it might do it. It might take a month longer, but is it not better to take a little while longer and market your stuff reasonably, gradually, and get a better price or get cost out of it, than it is to raise it and throw it onto the market and take a loss? It is a good deal better for us to raise less than half of what we do raise and get a profit out of it than it is to undertake to raise everything and get a big loss.

It has not been a loss this last three or four years—this last year, of course, has been quite a loss, but it was none of the farmer's fault. It was the fault of our system. I realize that if we had been reen-

forced as we should have been it would never have been necessary for us to take our loss and be in our present financial condition, by any means.

A great many men when money is plentiful are liable to spend a whole lot more. We are liable to buy a great many more things than we would have bought if we could have seen a couple of years further in the future. But I do not think there are very many people who buy really more than what they think they are entitled to and can afford, and I know there are a lot of us that would buy half of what we are entitled to in the way of necessities and the comforts of life—that is, from the farmer's standpoint. I know there is a lot of them that do not do that, but they help make the condition just the same.

What we are trying to get at is to see if it is not possible to better our condition in the future. We are up against the condition now, and we have got to make the best of it. Along these lines I feel, from the farmer's standpoint, that it can be done.

I have touched upon storage and finances. With a lot of farmers there is no doubt there should be a lot of this money available at certain times when the product should be marketed, and they want a place to get that money where it will not cost them too much and where they can not abuse it. I do not believe in encouraging farmers to add mortgages on their farms and pay high rates of interest, or any rate of interest, in fact. It is all right for them to put a small mortgage on a farm for three or four years for some particular improvements that they feel they would like to have, if they have plenty of reserve. That is good business. But for the farmer to go to work and put himself heavily in debt just to gobble some high-priced land is very poor business, and I think that is what a good many have done. I have seen the time when I was very much inclined to do that myself.

Mr. DOAK. May I ask you a question? What have you to say about the suggestion I made about a provision for long-term loans and the amortization of payments?

Mr. BLAIR. The long-term note is all right provided you have a low enough rate of interest and that production will warrant it. If not, leave it alone absolutely.

The next proposition is cooperative marketing and cooperative selling. The selling and the marketing are two different problems. I do not have to tell you gentlemen, because you probably know it by this time, how the English people have a system of cooperative buying. We have looked upon them as a pattern to follow on a cooperative basis. They have been quite successful, I understand, and they do nothing but buying. They buy for their people; they are a consuming people, and they buy for them. We are a producing people and we are a selling people, and it takes a different kind of cooperation to sell stuff than it does to buy it.

The cooperative end of the buying is what they really need in the cities and other places where there are extortionate prices being paid to the fellow we call the middleman. To eliminate those middlemen, those big profiteers, all you have got to do—if you think he is making too much money, he will have plenty of competition, ordinarily. But if you want to buy without so much profiteering you can organize your collective-buying agencies in your cities and towns and you can buy direct, and in that way you certainly would elimin-

ate a good deal of that and get your stuff practically down to what it cost, in order to give the consumer a fair price and give the producer a fair profit.

Now, the consumer may say that he is paying too much now, and the producer may say he is not getting enough. Now, then, it may be that the cooperative idea would help them both. It would, from their point of view, possibly eliminate a lot of this profiteering, but from our point of view we say we have got to raise this stuff higher. It requires a higher level of value for us to get a profit out of it. In doing that, you see, we have to put the price on you.

Now, my particular commodity that I am interested in is wheat. The wheat price of \$3 a bushel did not amount to half of what the average family will pay in a picture show in a year as against a dollar a bushel. They may say that the cost is so much for a barrel of flour. The average person uses, we figure,  $4\frac{1}{2}$  barrels per capita. Figuring that out on the basis of \$3 a bushel, it would not be much more than what they are paying to-day. As I saw the quotation in Wichita, Kans., the price of wheat was \$1.35, and right down below, \$8.80 a barrel for flour was quoted. Figuring that out, you have got \$1.35 per bushel for wheat, and you have got what your flour is selling for there in plain figures, nearly \$3 difference.

The CHAIRMAN. Of course, all the wheat does not make fancy patent flour?

Mr. BLAIR. No; we realize that, but we also realize that the offal will take care of practically all the overhead.

The CHAIRMAN. Do you mean that \$8 was the price over the mill door?

Mr. BLAIR. \$8.80 per barrel, that is the price quoted.

The CHAIRMAN. Over the mill door?

Mr. BLAIR. At the mill. I presume on a barrel of flour, as far as the retailer is concerned, there might be a 50-cent charge for putting out four sacks of flour. Of course, when you get it to the consumer those charges are adjusted. They are not exorbitant. The people require it. They require this service for delivery. You order it over the phone, and the grocery man will have to deliver it, and that is indispensable. So the point we are making is the difference between what we get for it and what it is sold for to the trade.

I do not know that we would have any right to criticize what their profit is. I am not doing that, I am just saying that it is up to me to see that I get a profit. The miller is doing business on business principles when he is getting a profit for his labor and investment. The miller is, no doubt, entitled to a fair profit, and I do not know that we can tell him what a fair profit is. I know that during the war a great many millers said that 25 cents a barrel would be a reasonable profit under existing conditions.

The CHAIRMAN. That was net profit?

Mr. BLAIR. Net profit; yes.

The CHAIRMAN. There was a good deal of flour made at 10 cents net profit.

Mr. BLAIR. Of course in a large production of flour—you take a 3,000-barrel or 4,000-barrel mill, and it would be quite an item.

The CHAIRMAN. I do not wish to interrupt you, Mr. Blair, but the bell has rung for a vote in the House, and we will have to adjourn in a few minutes.

**Mr. BLAIR.** There are just one or two points in reference to the freight rates that happened to come to my mind when I was in Oklahoma. There is quite a difference there. I went up to the storage and warehouse commission, and I found that in one place, where my sister lives, the freight rate was the same to Galveston as it was to Kansas City, 350 miles farther. Those people have been up against that condition for a great many years, and it does not seem to me that there ought to be that much difference.

**Representative TEN EYCK.** Is there any water competition in there? If so, that would account for the difference.

**Mr. BLAIR.** No; there is no water competition.

**The CHAIRMAN.** The export rates recently are apparently higher than necessary. I know that is so on the export rates from Chicago to New York—relatively higher than interior rates. Why that is, I do not know.

**Mr. BLAIR.** You can go into Texas there, just 30 or 40 miles, and you will find quite a difference in the rates. And here is one point I want to make on that rate. That wheat is based on the domestic rate. We have two rates there; we have a domestic rate, and we have what we call an export rate. Now, the domestic rate is  $4\frac{1}{2}$  cents higher than the export rate, and their prices are all fixed on the domestic rate. Consequently the miller that has the advantage of only a 50-mile shipment to make his flour has that rate both ways.

(Thereupon, at 4 o'clock and 15 minutes p. m., the commission adjourned to meet in executive session at 10 o'clock a. m., Tuesday, July 19, 1921.)

# AGRICULTURAL INQUIRY.

SATURDAY, JULY 16, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met, pursuant to adjournment on yesterday, at 10 o'clock a. m. in the caucus room, House of Representatives, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. The commission this morning will hear Mr. R. E. Jones, of Wabasha, Minn., who desires to present some phases of the agricultural situation with particular reference to the northwest.

## STATEMENT OF MR. R. E. JONES, WABASHA, MINN., GRAIN MERCHANT (PRINCIPALLY BARLEY).

Mr. JONES. I am a grain merchant, principally barley.

The CHAIRMAN. Do you represent any organization. If so, state it.

Mr. JONES. No; I am simply a grain merchant dealing principally in barley, at Wabasha, Minn., I also wish to introduce Mr. Charles Kenning, who is president of the Farmers' Cooperative Elevator Association of Minnesota, and Mr. Alexander Huddleston, who is president of the Wabasha County Farm Bureau, who will address you.

The CHAIRMAN. You may proceed to make your statement.

Mr. JONES. We are here to tell you briefly in peface of the condition of agriculture, of which you already know very largely, and therefore we will not touch general conditions very much. We are here principally to tell you of a very substantial remedy that we have to offer to the condition of agriculture in the Northwest, especially as to the barley industry.

The remedy that we have for the barley industry can be briefly outlined as follows: It is the manufacture of pure barley malt beer containing 2½ per cent alcohol, manufactured exclusively of barley malt, hops, yeast, and water, and not intoxicating, to be under Government control absolutely as to the formula and manufacture and distribution.

The beer that we wish to talk about is a new beer; it is not the old 4 per cent beer nor is it adulterated. It is a beer that has not been manufactured in this country to any large commercial extent for a period of 50 years. It is not manufactured here now—and when I say that I mean before the period of prohibition, and has not been brewed in this country at all excepting in some little country breweries where they were not equipped for adulterating beer or for coloring beer.

In the olden times the breweries put a large percentage of alcoholic content into their beers. The beer we are advocating is 2½ per cent and we propose to show that this 2½ per cent alcoholic content has been defined by the Agricultural Department at Washington as a wholesome beverage, a liquid food, and not harmful and not intoxicating.

This 2½ per cent alcoholic content beer was standardized by the Pure Food Commission with Dr. Wiley at the head about 12 years ago, and we seek a definition to this beer that it is not intoxicating, and seek to have the beverage really and generally understood. We are absolutely standing for the eighteenth amendment. We absolutely stand for that and for its strict enforcement.

The CHAIRMAN. Perhaps we can develop your proposition a little more expeditiously by propounding to you a few questions. If my recollection is correct, the barley growing section of the country was principally Wisconsin, Minnesota, northern Iowa, North and South Dakota.

Mr. JONES. And on the coast, Washington and California.

The CHAIRMAN. The market for that product, I take it, has been largely reduced by the prohibition against the manufacture of beer?

Mr. JONES. Yes, sir.

The CHAIRMAN. Your proposition, as I understand it, is to establish a market for this product, barley, which is especially adapted to certain parts of Wisconsin, Minnesota, North and South Dakota, Washington, and California?

Mr. JONES. Yes, sir.

The CHAIRMAN. By permitting the manufacture and sale of a malt beverage made from barley, hops, yeast, and water, and nothing else?

Mr. JONES. Yes, sir. With a view to showing how the barley market has suffered, I will quote from a statement of the United States Department of Agriculture. The price of barley per bushel on July 1, 1920, was \$1.49. A year after that, last July, it was 57 cents in Wisconsin; in Minnesota it was \$1.29 as against 46 cents a year later; in Iowa it was \$1.40 as against 47 cents a year later; in North Dakota it was \$1.43 as against 35 cents a year later; in South Dakota it was \$1.22 as against 34 cents a year later; in Kansas it was \$1.21 as against 42 cents a year later. Malting barley is not raised in Kansas to a great extent, but this matter affects the whole barley production.

Therefore the price of barley in a year has dropped two-thirds in value. It is worth less than one-third now what it was worth a year ago. And barley has suffered more than any other cereal.

You might ask why we do not drop barley and go to other cereals. We wish to tell you that the barley crop is a necessary crop to the farmer; so necessary in the matter of crop rotation and protection to the land that the farmer would have to grow barley if he practically got nothing for it. But we will undertake to show more about that later on.

The consumption of barley for brewing purposes was 80,000,000 bushels a year. The production of barley was from 200,000,000 to 225,000,000 bushels a year. This last year the crop was brought down to 184,000,000 bushels. It necessarily had to drop down on account of the awful reduction in price.

Take this 80,000,000 bushels of barley and find a new market for it, a market not in existence before, make a new place for it and a

legitimate place for it, and it not only helps all other cereals but places the barley industry on its feet. It would be the salvation of the barley industry.

Senator ROBINSON. How do you think the barley crop that is being grown now will compare with the last one in total number of bushels?

Mr. JONES. The last crop was about 184,000,000 bushels.

Senator ROBINSON. But how do you think this year's crop will run?

Mr. JONES. I think it will be less. That is the condition with reference to all cereal crops, owing to the recent unfavorable weather conditions, and barley will take its share in the reduction, although during this heated spell barley has stood up better than other cereals because it is an earlier maturing crop.

Furthermore, finding a new market for the 80,000,000 bushels of barley would lift the pressure off from the other coarse grains, corn and oats.

When I speak of a new outlet for 80,000,000 bushels from the total coarse-grain crop, we must look for the probable results in this manner. I find a quotation here from Dr. Adam Smith, the celebrated Scottish political economist, that if a man goes to market with 10 sacks of grain and finds buyers but for 9 the sale of the tenth sack fixes the price of the entire 10. We can readily see how that works.

Here is another illustration: Take a man with 10 loaves of bread, and he takes it to 9 people who want a loaf apiece. He must sell 10 loaves and that extra loaf will pull the price of the whole 10 down. But if he have 10 loaves of bread and 11 people are in the market for them; if each of those 11 must have a loaf, one can see how that lacking loaf will bring up the price of the whole 10 very substantially.

That is just how these 80,000,000 bushels of barley will operate on the whole coarse grain crop. It is the same way with wheat or corn or oats, and is the way it always operates. When we had the malting outlet for 80,000,000 bushels of barley, which we have not now, the barley crop was very profitable.

The Department of Agriculture about 1900, when there were produced in this country only about 50,000,000 bushels of barley, if I remember correctly, began to encourage the growing of more barley and better barley—to encourage both quantity and quality. The farmers responded to that encouragement so that in about 10 or 15 years they multiplied the production of barley some four times; and not only did they multiply the crop, but they learned what was not known to them before and what the Department of Agriculture had worked to demonstrate, that barley was a very valuable crop, not only as a cereal, but valuable as the best nurse crop, and the best for exterminating weeds.

The farmers responded to the extent of raising four times as much in 10 or 15 years as they had raised in 1900. Immediately following this period, and when the farmer had the industry highly developed, and had introduced new barleys, the industry was practically destroyed by legislation.

Now, gentlemen, I want to make it very clear and plain at this time that the movement we have started is in support of the eighteenth amendment and for its strict enforcement. Not only do we stand for it, but our proposition provides a means for enforcing it.

We recommend a tax on this new beer of \$300,000,000, which money can be used to enforce the eighteenth amendment.

Gentlemen of the commission, I wish to tell you briefly of this matter of revenue, if this proposition were put into effect, how much new revenue it would bring to the farmers of the Northwest. It is readily seen with respect to barley, that if out of the production of 184,000,000 bushels, or, we will say, under normal conditions the production of about 200,000,000 bushels; if we take 80,000,000 bushels out of that production and put it to a new use, the price of barley will come back to where it was before prohibition came into effect.

We are making an estimate that it will raise the price of barley 15 cents a bushel. Fifteen cents a bushel is very conservative. The present price of barley in the country is around 35 cents a bushel. Before the war the price of barley was around 50 cents or 60 cents a bushel. So that when I say it will increase the price of barley 15 cents a bushel I am putting the matter very conservatively. This would bring a revenue to the farmers of the Northwest of \$30,000,000.

Representative MILLS. Do you think prohibition has something to do with the agricultural depression?

Mr. JONES. The way it is defined now it has very much to do with it. That is exactly what I wish to say, the prohibition of beer cancels the outlet for barley malt, which in turn is the destruction of the barley industry. But we are not asking for a replacement of the old beer. We are asking for a place for a new beer, and which is not intoxicating.

Representative SUMNERS. Is barley valuable chiefly to make beer?

Mr. JONES. It is chiefly valuable for beer and feed, yes.

Representative SUMNERS. It is not a good feed?

Mr. JONES. No, sir; for the reason that it is not a handy feed. You can not feed it raw. You can feed corn and oats raw. Nor can you feed—

Representative TEN EYCK (interposing). I thought there was a lot of barley and oats raised together, half-and-half?

Mr. JONES. Not very much.

Representative TEN EYCK. You do not think that is a good feed?

Mr. JONES. Well, if fed half-and-half, yes; but barley should be ground.

Representative TEN EYCK. You do not think barley is a good feed for horses, fed with oats, and raised in that way?

Mr. JONES. Oh, it is, and is shipped east very much.

Representative TEN EYCK. And it is grown in the east, too?

Mr. JONES. Well, in the States I speak of barley and oats are not grown together. Wheat and oats are grown together and wheat and flax, but those are the only mixed crops.

Now, gentlemen, while this would be the salvation of the barley crop, it necessarily follows that it will take that much pressure off from corn and oats. We estimate that by relieving that much pressure off from oats it will lift the price of oats up 5 cents a bushel.

Representative SUMNERS. If they should make whiskey out of rye that would raise the price of rye, too?

Mr. JONES. Well, we stand absolutely against the manufacture of whiskey and brandy and gin. We stand absolutely for the enforcement of the eighteenth amendment; we stand against anything that is intoxicating.

Senator ROBINSON. I might say for the benefit of the members of the commission who were not present when Mr. Jones began, that he claims 2½ per cent alcoholic content of beer is not intoxicating. He wants it standardized.

Representative MILLS. And I say he is right.

Mr. JONES. Well, we are going to propose a plan to demonstrate that fact, whether or not it is intoxicating.

Representative MILLS. Very well, I can furnish some of my constituents to try it out on if you want to do it.

Mr. JONES. The chemists of the country claim it is not intoxicating, that 2½ per cent beer is not intoxicating. Having this outlet for barley would raise the price of oats 5 cents a bushel. That would give a return of \$70,000,000 to the farmers of the northwest. And the increase of 15 cents a bushel on barley, estimated at 180,000,000, which was about last year's crop, would represent an increase of \$27,000,000 to the farmer. And when we get back to 200,000,000 bushels it will mean \$30,000,000 that the farmers will get, but I am putting it at \$27,000,000 to be safe.

It will also raise the price of corn so that the farmers of the Northwest will get \$250,000,000 more out of their corn. It is just that pressure lifted that lifts the price up. It is the odd sack or the odd loaf that will do it. It does do it.

That can be demonstrated in a great many ways. Why, gentlemen, in Chicago, when they hear of rust spreading over certain sections of the country, wheat pops up 10 or 15 cents a bushel in a session. It is not the mere loss of that rusted wheat, that is not it; it is the bearing that this loss has upon the world's demand for the whole crop. That is why the price is brought up so substantially. This \$80,000,000 new demand would mean a total new revenue to the farmers of the Northwest estimated at \$347,000,000 annually.

Representative TEN Eyck. Do you think that the price of wheat would rise in that way if there were no speculators? Just a little paper notoriety that there was rust would not raise the price of wheat that way without the work of the speculator and manipulator, would it?

Mr. JONES. I think so, but it would rise gradually without the speculator and the manipulator.

Representative TEN Eyck. You are talking about when a story comes out in the newspapers and all that sort of thing. That would not be permanent unless there were speculators and manipulators to work on the matter. If there were notoriety, later on it would have an influence on the price.

Mr. JONES. Yes. Just as quickly as the trade would get information about the situation it would stiffen the price up. It would not go up in a day as it does now under the work of the speculators and manipulators as you mention, but the price would go up gradually to that same amount, or might go gradually to more than that amount.

Representative MILLS. Do you think there would be a demand for this product?

Mr. JONES. What product?

Representative MILLS. For this 2½ per cent beer you refer to.

Mr. JONES. Well, we purpose to show that by some computations.

**Senator ROBINSON.** I do not think you need take up any time on that phase of the proposition.

**Mr. JONES.** All right. Now, then, gentlemen, this movement that we have in hand at the present time is one that I think I should explain. I want to tell you very briefly about how it started. You might think it started with the breweries and whatnot, but that is not so. This has started right among the farmers and grain merchants. It has started among those who are interested in having good grain crops and in being engaged in profitable grain growing. Some years ago Mr. John R. Mauff, who was one of the largest barley dealers we had out West, in Chicago and St. Louis, paid us a visit.

This was 10 or 12 years ago, and it was gradually coming to the surface that breweries were manufacturing cheap beer, putting glucose and other substitutes in beer so as to cheapen beer, and they were selling beer at pretty nearly half of what pure barley malt beer could be sold for. The situation got so that the demand for the use of malting barley was very much reduced, and it was greatly affecting the price of barley. Mr. Mauff came to Minnesota, came into our county—and as for ourselves we were barley merchants, and were furnishing the Anheuser Busch Brewing Co. about one-third of the barley they used. In certain sections of Minnesota they raise a very high grade of barley, which is also true of eastern Wisconsin, and the same is true of northern Iowa. Mr. Mauff came to our county and told the farmers what the trouble was with the market on their barley.

This resulted in their petition to Mr. Mauff to go before the Pure Food Commission, and a label was placed on beer, showing its constituents. Dr. Wiley, in 1912, I think it was, through his commission, required the labeling of beer to show its constituents.

This cured the evil of adulteration to a very large extent, and gave a very large relief to the barley industry, because the brewers, when they had to stamp their beer to show the adulteration largely stopped adulterating it.

In the present condition of the barley industry practically the same farmers in our county have asked Mr. Mauff again to see what he can do to relieve the present situation; they can not see any sense at all in cutting out this legitimate use of barley. That resulted in Mr. Mauff's taking the matter up. He gave an address on this matter at the convention of the Tri-State Grain Dealers' Association, held in Minneapolis last month, and I would like to leave for your files a copy of that address.

**The CHAIRMAN.** The copy of the address may be filed with the commission, but it is not necessary to print same in the record.

**Mr. JONES.** Here is a copy of the original petition, and it started in a very modest way.

**The CHAIRMAN.** I do not think it necessary to print all of the names attached to the petition, but the petition itself may be copied into the record and then sign one name and state that there are so many others, just how many they may amount to.

**Mr. JONES.** No; I do not think it is necessary to print all the names.

(The petition referred to is here printed in full in the record, as follows:)

Mr. JOHN R. MAUFF, *Chicago, Ill.*

WABASHA, MINN., *March 31, 1921.*

DEAR SIR: In the years 1910 and 1911 at our request you interested yourself in behalf of the barley growers of Minnesota and Wisconsin in the manufacture of pure wholesome beer and the placing of restrictions on the adulterated products where substitutes for barley were being used without proper labeling. Following this agitation the pure food commission passed rulings very favorable to the manufacture of pure unadulterated malt beer that gave the barley growers the protection that they were honestly entitled to.

At the present time and because of national prohibition the whole country is infested with illicit and health-destroying liquors of many descriptions. The pest is growing and is reaching our farmer boys and the results are alarming.

We believe that the restoration of pure wholesome beer under a Government formula and control would largely eliminate the present disastrous bootlegging trade and consumption.

We believe that pure beer is a healthful, wholesome beverage and that it should not be denied to a large majority of people who wish to use it as a liquid food.

We believe that all saloons and public drinking places should be eliminated.

The barley industry that was propagated for brewing purposes was the leading crop in large sections of the Northwest and one of the large farm industries of the country. At present this industry is seriously crippled and our revenue destroyed by the prohibition against the operation of breweries in the making of a wholesome, healthful beverage.

In behalf of the growers of barley and of the rights of the public, we, the undersigned, farmers and growers of barley of many years standing, once more earnestly solicit your best endeavor in behalf of our industry and the salvation of our barley crop.

In this connection we respectfully urge that you act for us before the public, press, or any legislative body or committee and persist along the lines that pure beer of not over 2½ per cent alcohol, Government control as to manufacture and distribution, be exempted from the act defining intoxicating liquors, and that the brewing industry be taxed an amount per barrel sufficient to create a fund that under control of the Department of Justice would actually enforce prohibition against intoxicating liquors, such as brandy, whisky, rum, gin, wine, etc.

ANTON SCHUTH

(And 101 others).

Mr. JONES. That brought on our present petition, which we purpose circulating in every farm community in the States we have named, namely, Minnesota, North Dakota, South Dakota, Iowa, and Wisconsin. It is only a page, and I would like to read this [reading]:

WABASHA, MINN., *July 12, 1921.*

Mr. JOHN R. MAUFF, *Chicago, Ill.*

DEAR SIR: In the years 1910 and 1911, at request, you interested yourself in behalf of the barley growers of Minnesota and Wisconsin in the manufacture of pure, wholesome beer and the placing of restrictions on adulterated products where substitutes for barley were being used without proper labeling. Following this agitation the Pure Food Commission passed rulings very favorable to the manufacture of pure, unadulterated malt beer that gave the barley growers the protection that they were honestly entitled to.

At the present time, and because of nonenforcement of national prohibition, the whole country is infested with illicit and health-destroying liquors of many descriptions. The pest is growing and is reaching our farmer boys and the results are alarming.

We believe that the restoration of pure, wholesome barley malt beer under a Government formula and control would largely eliminate the present disastrous bootlegging trade and consumption.

We believe that pure barley malt beer is a healthful, wholesome beverage, and that it should not be denied to a large majority of people who wish to use it as a liquid food.

We believe that all saloons and public drinking places should be eliminated.

We believe in the eighteenth amendment—properly interpreted and enforced.

The barley industry that was propagated for brewing purposes is the leading crop in large sections of the Northwest and one of the large farm industries of the country. At present this industry is seriously crippled and our revenue destroyed by the pro-

hibition against the operation of breweries in the making of a wholesome, healthful barley malt beverage.

In behalf of the growers of barley and other coarse grains, we, the undersigned farmers and growers of many years standing, once more earnestly solicit your best endeavor in behalf of our industry.

The restoration of pure barley malt beer would mean a new outlet for 80,000,000 bushels of high-grade barley and the salvation of the barley industry.

In this connection we respectfully urge that you act for us before the public press or any legislative body or committee and persist along the lines that pure barley malt beer of not over 2½ per cent alcohol, Government control as to manufacture and distribution, be not defined as an intoxicating liquor, and that the brewing industry be taxed an amount per barrel sufficient to create a fund that, under control of the Department of Justice, would actually enforce prohibition against real intoxicating liquors, such as brandy, whisky, rum, gin, wine, etc.

The joint commission on food standards under the pure-food law did assume to define beer for the Department of Agriculture some 12 years ago as follows: "Beer must be made of proper materials—barley malt, hops, yeast, and water. Materials which produce only alcohol, such as sugars of all kinds and substitutes for malt, must be excluded."

We stand on this definition under the pure-food law and demand recognition of a barley malt beer as having food value and with a 2½ per cent alcoholic content can not be construed as an intoxicating liquor.

We are opposed to all beers containing any materials that produce only alcohol and having no dietetic value.

With reference to the portion of the petition mentioning "bootlegging and trade consumption," you may not think that there is anything to that, you may not think that the putting back of that kind of beer would have anything to do with decreasing this craze for bootlegging, but I want to tell you what happened in Massachusetts. Massachusetts in 1789 encouraged the manufacture and consumption of beer of wholesome quality and greatly recommended same to general use as an important means of preserving the health of the citizens of the Commonwealth and preventing the pernicious effect of spirituous liquors. They recommended malt liquors. They had that experience in Massachusetts a long time ago. Gen. Putnam of the Revolution sold beer. The State Board of Health of Massachusetts, under the title of intemperance, stated that light beers could be used freely without any apparent injury to the individual or without any sign of intoxication.

We suggest a tax on this new product that will raise \$300,000,000, and that that money be used to enforce the eighteenth amendment against intoxicating liquors.

Now, Mr. Chairman, I would like to have you hear Mr. Kenning.

**STATEMENT OF MR. CHARLES KENNING, PRESIDENT OF THE STATE FARMERS' COOPERATIVE ELEVATOR ASSOCIATION OF MINNESOTA, BIRD ISLAND, MINN.**

The CHAIRMAN. Will you state your name, residence, and occupation?

Mr. KENNING. Charles Kenning. I am president of the State Farmers' Cooperative Elevator Association of Minnesota. I live at Bird Island, Minn.

I am going to be very brief. The problem which seems to be before the people in general, whether farmer or otherwise, is, What can you do to help the farmer? I say, give him a wide-open market for his products, and he will get along fairly well. I can not see why you

should curtail the uses that his product may be put to as long as they are not injurious or detrimental to the public.

It is well known that barley can not be and is not used as a human food to a very great extent. All these cereal millers that I am acquainted with that have gone into the manufacturing of food products for the human family are shutting down. The product will not stand up, it will not keep, and the people of the United States do not seem to want it. There are some parts of Europe where it is used to a small extent.

The CHAIRMAN. We had a rather pleasant experience with the use of barley as a human food during the war.

Mr. KENNING. Yes. Well, I will say that before I went to farming my profession was millwright, and I am familiar with the milling industries to a great extent, and still at the present time I take a deep interest in manufacturing, being inclined that way. While visiting a mill not long ago, a cereal mill, I asked why they had to shut down, and they said that there were almost more products shipped back on account of not standing up, on account of spoiling—that is, barley products—than they were shipping out.

Now, I am a little different from these other two gentlemen. I have had some experience with this beer that we speak of. In my native town I was brought up by the side of a brewery, and up to 1864 they manufactured beer as we speak of beer. A Bavarian started the brewery there in 1860, and made it in the old style. Also, there was an English family living out at what is known as Excelsior, Minn., a noted summer resort, living close by there, that used to get this malt from this brewery and manufacture their beer at home, and they were a very pious family, but still I never saw them sit down to a meal but what a pitcher of beer was on the table, such as they made, and it was used almost as freely as coffee. And some of them are living yet, some of the children of that family, and it does not seem to have hurt them very much.

Representative MILLS. Do they still make it?

Mr. KENNING. No; I do not know as to whether they do. There is one thing about that. The reason that they changed off on that beer was, as they termed it, it did not have steam enough. That beer could be drank at your leisure. You could set a glass on the table, leave it sitting there, and drink it in sips, as it was by the people in this district, just as they would drink their coffee. And although, as I say, I lived beside a brewery there, and was acquainted with the people in general, we very seldom saw a man who was intoxicated. In fact, a man could not really hold comfortably enough of that kind of beer in order to get intoxicated.

Of course, it is well known that at the present time cattle feed is overproduced, especially in our section of the country, and by putting this surplus barley on there yet why it makes it so much worse.

I have been asked "Why do you raise barley?" Now, the fact is there is no farmer that likes to handle barley very well. It is hard even to get men to help you thrash when you have a lot of barley, because it is disagreeable stuff to handle, especially in warm weather. But in our section of the country we absolutely have to rotate and keep our soil in proper condition, keep it clear of foul weeds. I have tried to do the same thing with oats, but I find that it does not put

our soil in the condition, and it does not mature in the proper time. Our early barleys mature, as a rule, before wild oats and before a lot of the foul weeds mature. The result is that it cleans the field.

The CHAIRMAN. You cut the barley before the weeds get ripe?

Mr. KENNING. Yes.

The CHAIRMAN. That cleans the field of weeds?

Mr. KENNING. That cleans the field of weeds; yes. I have in 40 acres of barley myself that I did not want to put in, but the ground was not in condition, could not get onto it because it was too damp, too wet, and I was forced to put it in.

You may ask, "Why don't you summer-fallow?" In our section we can not summer-fallow. Our soil is such a strong weed-producing soil that we can not handle it as a summer-fallow. If we used it as a summer-fallow we should now be working that ground every day, but being too busy in the harvest it is neglected, and the result is our field is fouler after it was summer-fallowed than it was before.

Now, I will just cite an instance of this old English family. In 1862, at the time of the Indian outbreak, they, like lots of others, left the country. I was driving a team, teaming for a man at that time that ran a line of barges on the river. I and two others were sent out there to harvest that field, and on the way out I said to one of my chums, "I hope Mother Aldrich at least has left the barrel well tapped so that we can have something besides coffee." We harvested that entire crop, and I do not believe we drank a cup of coffee. We just used it as a beverage right along and did a lot of work. In those days in the harvest field it was a matter of cradling by hand. We started at 4 o'clock in the morning and sometimes would be out in the field until 10 o'clock at night shocking, and we seemed to stand it all right.

The difference between that beer and the beer that has been used of late is this: When you draw a glass of beer, of our late beer, it must be drank up quickly, and they do drink it up quickly, and continue to drink it up quickly. But this other beer they would drink at their leisure. There would not be any hankering to see how much they could rush down. I have seen families come to town there and sit down at a table, eat their lunches and drink a mug of beer each, and go home about their business again. You did not see in those days men standing up at the bar and saying, "Well, now it is my turn. Have another one with me." They simply went up and bought their beer, or more often sat at the table and drank it, and for that reason it did not have the effect that it has had since. If barley is given a wider use than it now has it is bound to increase its market value. Not only will the market value increase, but also it will increase the market value of hops that are almost a drug on the market to-day, and it will help the farmers of the countries again that are raising hops—in Wisconsin and some parts of Minnesota.

There is one thing certain, gentlemen, when you curtail the earnings of a farmer you certainly destroy the prosperity of the Nation, because—at least in our State, out in the Western States—the prosperity of our States entirely depends upon the prosperity of the farmer, and I for one can not see, so long as there is no danger in it, and in fact, rather a benefit, why this should not be permitted. This beer, I am satisfied, is not intoxicating, and when you come down to real

facts, I am willing to say that it is not as injurious a drink as even tea and coffee.

Representative TEN EYCK. What is the percentage of alcohol in the beer which you spoke of?

Mr. KENNING. The percentage ran according to just how they manufactured it. But it would get up to 3 per cent—2 $\frac{3}{4}$ , 2 $\frac{1}{2}$ , even 2 per cent. Two per cent was known as young beer; 2 $\frac{3}{4}$  for lager was what we generally figured on.

Senator ROBINSON. Well, your proposition is that 2 $\frac{3}{4}$  beer be legalized?

Mr. KENNING. Yes; the proposition is that 2 $\frac{3}{4}$  beer be legalized.

Representative TEN EYCK. Then you are here in opposition to the Campbell bill that is in the House, preventing the doctors prescribing beer to people as medicine? Are you against that legislation?

Mr. KENNING. I want to be frank with you and say that I do not favor any such a law as that, because I have had experience with that years ago when people could not buy whisky, but they would get a prescription from the doctor and get all the whisky they wanted.

Senator ROBINSON. Well, their proposition is not limited to that. They go further and desire to legalize 2 $\frac{3}{4}$  per cent beer.

Mr. KENNING. Yes.

The CHAIRMAN. Made out of barley.

Senator ROBINSON. Made out of barley, yeast, water, and hops.

Mr. KENNING. Yes. I am personally opposed to any law that will give a chance for fraud. We know that men are sometimes easily bought. I have seen in the times that I speak of when you had to have a prescription in order to get whisky, a prescription tacked onto a bottle and used for three or four years to get whisky, that same prescription, and the parties were not sick there and did not need it. And you would find the same conditions with beer. There is no use denying that; we know it to be a fact. And I believe in having laws that the people are willing to obey and ought to obey, and then enforce them.

I favor the eighteenth amendment to a great extent, but the result is very discouraging. In my neighborhood, men that I have known for the last 25 years or more, always good, law-abiding citizens, four of them, near neighbors of mine, were arrested last week for making moonshine and beer. I find they take a barrel of this near beer, take out a portion of it, add sugar and yeast to it, let it ferment, and I sampled a sample that a man gave to me to show what could be done, and I would be willing to swear it contained 7 per cent. I would not dare to drink a glass of it. These were only experiments that he was making. He was not manufacturing it.

Representative FUNK. Well, Mr. Chairman, this is all very interesting, but I do not see that it is getting us any place in this investigation. I do not want to be unreasonable about it, but the question of whether men are making near beer or not does not interest me, and I assume it is not very much in point with our investigation.

Mr. KENNING. Well, I will leave that out. Now, we hold that this as the first practical move made to make it possible to enforce this eighteenth amendment; and I believe that it will not be detrimental to anybody, and instead of that, that it will be for the best interest of everyone. I do not know that there is anything else to say.

Mr. JONES. Now, gentlemen, we are here in the interests of the agriculture of the Northwest. We believe that we have a remedy.

We wish to impress upon you that the barley crop is a necessity to the Northwestern farmer, even if he does not make a profit on it; even if he loses on it it is a necessity. We believe that what we are advocating here not only is the salvation of the barley crop, but it is the salvation of the whole industry—that is, of the cereal industry. It gives the Northwest about \$300,000,000 through higher prices because of this new use, and what should be a legitimate use. And that is what we are pleading.

We are not interested in beer as such, save that that is the outlet; that is the outlet for this 80,000,000 bushels of barley; and we claim that this new beer is not intoxicating, and we ask that this be demonstrated. I have a little section here from the address of J. R. Mauff, before mentioned. This is a statement by Dr. H. W. Wiley [reading]:

That beer has food value can not be denied by any competent student of nutrition. Not only is the alcohol which it contains burned in the body largely, but also its unfermented carbohydrates and protein are both food materials. While "beer is a veritable food," it is by no means a well-balanced ration.

One can not live on beer altogether. One can not live on water altogether. But it is a food.

Then, again, a publication known as *The Hospital*, in London, in an editorial concerning a report that was made on the nutritive value of beer, says [reading]:

When a man drinks good beer he drinks and eats at the same time, just as when he eats a bowl of soup. The terms "eat" and "drink" are curiously but inconsistently used as connoting the difference between what is merely quenching our thirst and what is actually consuming nourishment. Our commissioners point out that a man might be more properly said to eat beer than to eat certain kinds of soup, or, indeed, watermelon. Their report will enable members of the medical profession and the public to understand clearly what constitutes good beer and when and how they may obtain it. Beer drinkers—the numbers of whom we hope will increase considerably as the result of the researches of our commissioners—are now in a position to protect themselves from bad beer. Our commissioners properly drive home that, when a man drinks beer habitually, he is not only drinking but eating, a fact which has not been sufficiently recognized in recent years.

Dr. William Frear, of State College, Pa., and an eminent authority, who served with Dr. Wiley on the joint committee on food standards, has stated [reading]:

The extract of beer has a food value and is consumed by the average beer drinker in sufficient quantity to deserve marked consideration in the definition of the normal product.

This joint committee on food standards agreed upon certain standards for beer, as follows [reading]:

The joint standards committee of the National Food and Dairy Departments Association, and of the Association of Official Agricultural Chemists, after a discussion which has lasted many years, has agreed upon certain standards for beer. Conformity to these standards will insure, first, that beet is made of proper materials; second, that it contains a sufficient quantity of extract, and that the extract itself is made up of the proper food materials; third, it will secure a proper quantity of alcohol, and thus prevent a beer being made with scarcely any alcohol at all.

The point is, that it is necessary to have a certain amount of alcohol in beer to preserve or to make it of dietetic value [continuing reading]:

This latter proposition on its face would seem to be detrimental rather than otherwise, since if beer could have all of its good properties with less alcohol, it would be

highly desirable. Unfortunately, however, it is not possible to make real beer with very little alcohol, and hence a beverage which is made with only a very small quantity of alcohol should have some other name. It is highly desirable in the manufacture of beer that the materials which produce only alcohol be excluded.

And we are standing for that, we are petitioning for that, that all materials which produce only alcohols be cut out.

And then they go on [reading]:

For this reason sugars of all kinds, by the standards that have been adopted, are excluded in the manufacture of beer, and only malt, or malted cereals, are permitted. This secures a beer of proper quality, made of proper materials, and having proper organoleptic properties.

Representative SUMNERS. Which Dr. Wiley are you quoting from?

Mr. JONES. Dr. H. W. Wiley, who was the head of the pure food commission a few years ago. He is a very eminent authority on food standards in this country.

Mr. KENNING. May I add just a few words? I have had experience with this kind of beer. I have for some time passed my three score and ten mark, so that I have lived during the days when it was made, and used it, and therefore I know whereof I speak. Mr. Volstead is from our district, and I was one of the workers that helped to elect him. The impression has gone out that it was the rank prohibitionists that elected Mr. Volstead. That is not true.

Representative SUMNERS. Does Mr. Volstead support this measure?

Mr. KENNING. I have not seen him since I came. I intended to see him, but I have not seen him.

Senator HARRISON. You have not talked to the Attorney General to get a ruling on that proposition, have you?

Mr. JONES. Oh, no. I do not see how he would be qualified to rule.

Senator HARRISON. No; but he has ruled on some other propositions.

Mr. KENNING. And I am well satisfied to bring this petition before the people in Mr. Volstead's district to-day. Even a large per cent of these so-called rank prohibitionists will sign it, because they are so disgusted.

Representative TEN EYCK. I suggest that you bring this proposition before him while you are in Washington.

Mr. KENNING. Well, we undoubtedly will.

Mr. JONES. Before whom, do you mean?

Representative TEN EYCK. Mr. Volstead.

Senator HARRISON. If you enlist the President, too, and get him to deliver a message to the House and Senate it will be very potential.

Mr. KENNING. Some of them are a little shy of the cars sometimes.

Senator ROBINSON. Well, I think we understand the proposition that these gentlemen have presented. It is very clear what their desire is and what their viewpoint is. I suggest that unless they have something further, that we go to something else.

Mr. JONES. I wish to tell you this, that you would be surprised to learn the present attitude in the country on this matter of beer, and especially when it becomes known to them that the beer that we advocate is a pure barley malt beer and not intoxicating.

Mr. KENNING. It is not intoxicating. It is a wholesome beverage in every way.

Mr. JONES. Yes. This petition that we are talking about now is a petition to John R. Mauff. John R. Mauff we consider as one of

the first experts of the country, not on the chemical analysis, and so on, but on barley and its uses. It was he that got this Oderbreucker barley. He spent a year in Europe studying barley and studying beer, and we consider him one of the best experts that we have got in this country as to what barley is and on barley malt.

I believe that we are through, Mr. Chairman. We are very thankful to you for your attention and courtesy.

Mr. KENNING. I wish to insert the following statement as a part of my testimony:

AGRICULTURE NEEDS HELP—PRESENT CONDITIONS MAY CONTINUE FOR YEARS, AS THEY DID AFTER THE CIVIL WAR.

Up to the present time our proposition is the only real permanent relief presented to the farmer of the Northwest. Lending him money simply puts off an evil day. It is infinitely better to increase his income in a legitimate manner than to increase his burden with borrowed money loaded with interest. It is better to increase his income than to increase his debt.

We ask for a demonstration that this new beer is not intoxicating, by experiment with a squad under the direction of this commission or the board of food and drug inspection of the Department of Agriculture.

Representative Mills asked the question, "Do you think there would be a demand for this product—for this 2½ per cent beer you refer to?"

To this question I wish to answer further. The people of this country would hail the advent of wholesome beer as did the Israelites of old hail the daily manna in the wilderness. I venture to say that three out of every four who voted for its prohibition would now vote for the restoration of a pure, wholesome barley-malt, non-intoxicating beer, under Government control as to its formula, manufacture, and distribution, with the saloon and all its barbed-wire entanglements eliminated. The demand for this beverage is reflected by the home-made brews throughout the whole country, made after all sorts of formulas and growing apace like an epidemic. There is practically no interference with this practice, which may be one of the indications that the present public sentiment does not stand for the abolishment of this beverage.

The use of barley for its beverage is as old as history. It has a wider range of areas of growth than any other cereal.

As the primal use of wheat is for its bread, so the primal and chief use of barley is for its beverage and other malted foods.

The courts disclose and physicians publish endless instances of personal confessions of the destructive effects of whisky and other distilled liquors. Many instances can be given of people who can not drink coffee or tea without ill effect. Query: Was there ever a testimony by any normal user of wholesome beer that this beverage ever did him any harm? Query: What country other than the United States prohibits the use of beer?

We ask that standard beer made under Government control, from pure barley malt, hops, yeast, and water exclusively, be defined as not intoxicating and exempt from the act defining intoxicating liquors.

# AGRICULTURAL INQUIRY.

TUESDAY, JULY 19, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met, pursuant to adjournment on Saturday, July 16, 1921, at 10 o'clock a. m. in the hearing room of the commission in the Capitol, Representative Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will hear this morning in executive session Dr. Willford I. King, representing the National Bureau of Economic Research, who will discuss the division of the national income between agriculture and other industries. I understand that it will cover the period 1909 to 1920 in part at least.

## STATEMENT OF DR. WILLFORD I. KING, REPRESENTING THE NATIONAL BUREAU OF ECONOMIC RESEARCH, 175 NINTH AVENUE, NEW YORK CITY.

Mr. KING. Up to 1918 in toto and to 1920 for agriculture. We have it up to 1920 for agriculture.

The CHAIRMAN. We would like to have you develop the material you have in your own way.

Mr. KING. I really do not know exactly in what the commission is interested. Perhaps I might tell you briefly about just what we have been doing and then you will know what you will want to ask about.

Representative TEN Eyck. Who are "we"?

Mr. KING. I have been working for the National Bureau of Economic Research.

Senator ROBINSON. In that connection explain the organization of the bureau and the auspices under which it is conducted.

Mr. KING. I do not represent the bureau officially in making this report for the reason, as I have already explained to your chairman, that all the reports of the bureau have to be O. K.'d by our directors before they can be officially made. This report has just been completed and has been sent to the directors, in part at least, but has not yet been returned by them, hence I can not here to-day express anything but my own opinion.

I am a member of the staff that worked out this research and think that probably the directors will endorse our work. However, until that is done the report can not be officially made.

The object of the bureau is purely to serve the public by attempting to furnish unbiased facts without any opinions at all concerning those facts.

I suppose that you gentlemen would like to know who is supporting this bureau. Our principal funds come from the Carnegie Foundation and the Commonwealth fund, but there are a number of minor contributors.

The object in organizing this bureau was to ascertain certain facts regarding the national income and its distribution, and concerning such other economic problems as the executive committee will suggest later, the idea being to get a body of facts upon which all parties to economic controversies will be able to agree.

In order to insure that these facts will be unbiased, the board of directors is made up in an unusual manner. It is composed partly of a continuous body of men who elect their own successors. These are mostly economists. For example, Prof. Commons, of the University of Wisconsin, and Prof. Adams, of Yale, and men of that type who organized it, are interested in the work. And then there are elected members of the board who represent the principal bodies interested in this field. We have one member representing the American Economic Association, one representing the American Statistical Association, one representing the Accountants' Association, and one representing the engineering council. The National Industrial Conference Board has a director, as also have the American Bankers' Association, the Intercollegiate Socialist Society, the American Federation of Labor, and the Federation of Farm Bureaus. I do not know that I could name offhand all of the bodies represented, but these named will illustrate the situation generally. The capitalistic, socialistic, and labor sides are all represented. And all our findings have to be submitted to the board of directors and be ratified thereby before they can represent the bureau.

Senator ROBINSON. Does ratification have to be by a unanimous vote?

Mr. KING. No, sir. It can be by a majority vote, but in event a director dissents his dissenting opinion must be put forward with the report. If you had to have a unanimous vote you would not get anything out.

Senator ROBINSON. That was my idea in asking the question, and to clear it up.

Mr. KING. I am simply employed by this bureau in assisting in getting up the facts.

Now, gentlemen of the commission, the facts we have gathered pertain to national income. We were instructed by the executive committee to attempt to ascertain the national income, its principal sources of industries, and the division of it between the employees in the form of wages and salaries, and the other factors of production.

We have only attempted to separate out the wages and salaries in each industry, but the remainder evidently goes to somebody else either for managerial ability, personal work, property investment, or whatever it may be. We have only divided it into these two shares.

In some industries we have gone into more detail and worked out other things that we think will interest the people; I mean as regards a particular industry. But the different industries are not all worked up on exactly the same basis.

This commission I think probably may be interested in having agricultural reports presented a little more fully than some of the other reports, so I have worked out several additional items for the benefit of the commission, some of which items I only finished in the last day or two, and I have carried this report up to 1920. The 1920 figures on agriculture are not quite as reliable as some of the earlier figures, because a number of official estimates are not out yet, and hence I had to guess at some items. But I think the major items are sufficiently complete to answer most purposes.

Furthermore, the census of 1920 is not complete as to agriculture, so I have had to estimate several of the items for the census year on the basis of the 25 State reports which are now in. I think, however, the report will be fairly close to the truth, as a number of the figures are in for very nearly all of the States of the country. In the case of some products the figures are not as complete as for some other products. The general plan in all of our estimates has been to tie everything to the census.

My idea in so doing is that the census figures are more reliable than any others, except in the field of transportation, in which we have used Interstate Commerce Commission reports to a large extent. But we have depended upon the census for our basing points in some of the transportation industries. The census, however, only makes reports once in 5 or 10 years, and hence we have been compelled to interpolate.

In agriculture we have depended almost exclusively upon reports of the Agricultural Department for interpolation. You are as fully aware as I that they have statistics on almost everything, and in some lines their statistics are apparently very good, while, in other lines, as you may have discovered, they do not fit very well when they meet the census figures, as, for instance, in 1920. We have assumed that the census figures are more correct than the estimates of the Department of Agriculture, because the Census Bureau had more data to go on. Our mode of procedure has been as follows: The census reports may bring a quantity up to this point here [indicating by holding hand above table] or to this point here, and if the Department of Agriculture should shoot the curve up to a higher level we would bring the curve down to fit the census. That is the method we have used to adjust the Department of Agriculture report to the Census Bureau basis.

I think that the statement I have just made outlines the general plan of the work, and I am very glad, indeed, Mr. Chairman and gentlemen of the commission, to offer you any information I may have, and I will touch on any particular subjects of interest to the commission.

**THE CHAIRMAN.** I think perhaps it might be best to discuss first the general divisions of national income between agriculture and other industries, and then we will take agriculture in detail when we have a picture of the relative position of the different industries.

**MR. KING.** Very well. We have made two independent estimates of the total income of the United States. Dr. Knauth, another member of our staff, has made an estimate by taking the amount of income reported to the Income Tax Bureau and then attempting to estimate the amount of income that was received by people below the income-tax limit, adding the two sums together to obtain the total income

of the country for each year. My attempt has been to take the different industries, one by one, and therefrom to derive estimates which we call the net value products of each industry.

The way we arrive at the net value product is this. We assume that each industry buys or obtains some things or services from other industries which must be charged against its gross output. If an industry sells its gross output for \$1,000,000,000, but it requires \$400,000,000 of products of some other industry or industries in order to turn out \$1,000,000,000 of products from its own industry, then we only credit it with \$600,000,000 of net product. For example, you can not credit manufacturing with the products of the mines. You can only credit manufacturing with the additional value which it gives to those articles that it has purchased from other industries.

So, in giving you the product of each industry, we shall always mean the net value product, or the value added by the industry mentioned. We assume that the employees and the entrepreneurs—or managers, or whatever you call them—all work together to add value, so that the products are worth more when the industry gets through with them.

These two different estimates were made almost entirely independently of each other. The income of the United States, measured in terms of money, according to the estimate that I made for 1918, amounted to \$61,000,000,000. Dr. Knauth's estimate was \$62,000,000,000, leaving off the fractions. The difference between these two estimates is approximately 1 per cent. During the 10 years covered by our studies in no place did the two estimates get further apart than  $4\frac{1}{2}$  per cent, and in one year we came within less than one-tenth of 1 per cent of reaching the same figure. The fact that we estimated independently and did not know at all how our figures would come out, relatively, until we got through, gives us some confidence that neither one of us went far astray. However, we are not presenting these as the exact facts, but as the best figures obtainable from the data at hand. But we believe our estimates are not very far from the truth. I think perhaps you gentlemen may be able to see these two lines on the chart which I hold in my hand. These lines represent the two estimates made by two different men for the entire period. You will observe that the lines do not run far apart; to all intents and purposes they are close enough together to be the same thing.

Senator McNARY. Were you gentlemen working with the same material?

Mr. KING. We were working occasionally with the same material, but mostly not, due to the fact that Dr. Knauth used the income-tax returns for the people who paid income taxes, and then estimated the rest of the income on the basis of various wage data for people who received less money than was required for making an income-tax return. My work was almost entirely with the census reports and reports of the Interstate Commerce Commission and Department of Agriculture and materials of that sort. So that while in cases we overlapped, I would say that in about 80 per cent of the data there was no overlapping at all, as a rule; we did not use the same materials, if that answers your question.

Senator McNARY. Yes; that is sufficient.

Mr. KING. When it comes to the apportioning of this income for 1918 between different industries, this being the last year for which we have a complete estimate, I find that 22 per cent of the national income was produced by agriculture, 3 per cent by mines—including oil wells and quarries—26 per cent by factories, 5 per cent by the hand trades—including such things as building construction, automobile repair, and shoe repair—and about 6 per cent by the railways, Pullman Co., express companies, switching and terminal companies.

Senator McNARY. Did that figure of 6 per cent of the total income represent railroads or only the Pullman Co.?

Mr. KING. That includes railways, the Pullman Co., express, switching, and terminal companies.

The CHAIRMAN. You may continue your statement.

Mr. KING. Street railways, electric light and power, telephone and telegraph companies—the electrical industries—represented 1.7 per cent of the income. Transportation by water represented 0.8 per cent, banking represented 1.2 per cent, and Government 8 per cent.

Senator HARRISON. What do you mean by Government?

Mr. KING. Well, we have considered the Government largely as an industry the same as other industries. We have considered that there are a great many people employed by the Government who are producing valuable goods and services—largely services. The way we have measured the value of the product of the Government is this: We assume that in the manufacturing industry, for example, if you add together all the wages people get from the manufacturing industry and salaries and profits that they withdraw, and the net surplus that the industries save up during the year, you have the product or the income resulting from manufacturing, because evidently somebody gets it all. If you add together the parts that everybody gets, then that is what you call the value of the product in manufactures.

As regards Government we ask: What income do people get out of it? They get salaries and wages, and also they receive interest on the Government debt. Those are the principal items that the people get from the Government. There is no such thing as monetary profit accruing to people out of Government; that is, at least not in any legitimate way that I am aware of, but there are large sums paid out as salaries, wages, and interest. We use the aggregate of these, assuming that people working for the Government are producing in the same way as are people working for any other industry. That answers your point, does it?

Senator HARRISON. I believe so.

Mr. KING. That leaves over for further consideration various unclassified industries and miscellaneous income, including, for example, mercantile establishments, concerning which the census gives no report; the professions, such as the legal and medical professions, of which we have no record; and also miscellaneous income accruing from the rental value of houses people occupy; and all that sort of thing. It leaves about 26 per cent of the total income going to the unclassified field.

Now, gentlemen of the commission, that is about the way the income is apportioned for 1918 as nearly as we can estimate it.

The CHAIRMAN. Have you the income by years, Dr. King?

Mr. KING. Yes, sir; I have the income by years. Do you wish the total?

The CHAIRMAN. If you please.

Mr. KING. If I may pass this paper around, which contains that information, it will probably illustrate the matter to the members of the commission.

Representative FUNK. Mr. Chairman, as to the agricultural income of 22 per cent of the national income for 1918, I assume that includes sale of products, but does it also include labor?

Mr. KING. It includes the total amount going to laborers in agriculture, the profits of the farmer, the rent that goes to the landlord who owns the land, and the interest that goes to the mortgage holder, who has a mortgage on land; it includes all of these things. Evidently it must all be paid out of the return from agriculture.

Senator McNARY. Is that the net or the gross profit from agriculture?

Mr. KING. That is intended to be the net product from agriculture. It is arrived at by adding together as accurately as possible the net value of all crops and live-stock products of the farm and subtracting therefrom the expenditures the farmer must make for fertilizer, farm machinery, and the things that he must buy from other industries.

Representative FUNK. Out of pocket money?

Mr. KING. Yes, sir; for the conduct of the business.

Representative FUNK. What consideration do you give to the farmer for his own labor for which he is not out of pocket any money?

Mr. KING. The way the farmer gets paid for his labor is by the sale of products from the farm, and if you subtract from the total value of crops and live-stock products the amount he pays to some other industry (for example, manufacturing and mining, to cover farm implements and fertilizers, and so forth), evidently what he has left is the amount which must be divided between the farmer himself, his creditors, his landlord (if he is a tenant farmer), and his laborers. That is all that he has to divide. The remainder of his receipts he has paid out to other industries. The dollars he had left he had to divide. The question is then how they were distributed. That is the way we have arrived at our total.

The CHAIRMAN. I suggest that we can get this agricultural proposition a little later on if we may now get the division between the industries. Dr. King, I think you have more figures on agriculture than anything else, and you can go into that matter with a little more detail perhaps than you can go into other industries.

Mr. KING. Yes, sir. Someone has asked for the total national income by years. We have the total income estimated as follows: In 1909, \$29,000,000,000; 1910, \$32,000,000,000; 1911, \$31,000,000,000; 1912, \$34,000,000,000; 1913, \$36,000,000,000; 1914, \$34,000,000,000; 1915, \$37,000,000,000; 1916, \$46,000,000,000; 1917, \$55,000,000,000; 1918, \$61,000,000,000. I have no estimate for 1919, but Dr. Knauth has made an estimate for that year running about \$67,000,000,000. I have not been able to get figures for so late a period.

Representative FUNK. As to the year 1919, does it end June 30 or run for the calendar year?

Mr. KING. These are all calendar-year estimates.

The CHAIRMAN. Have you any division of this industry by other per centages? Have you the figures in amounts?

Mr. KING. Yes, sir. We have them in amounts for each industry.

The CHAIRMAN. Very well.

Mr. KING. Which ones do you care to have?

Representative MILLS. Suppose you take one prewar year and one war year.

Mr. KING. Would you like each industry for a prewar year and a war year?

The CHAIRMAN. The suggestion has been made that you give us the per cents for one prewar year and one war year for all industries, and if you have no objection we would like to have the entire table for the record.

Mr. KING I shall turn over for the use of your commission and your record anything you wish.

The CHAIRMAN. That will be appreciated.

Mr. KING. The per cents for a prewar year might refer to 1913. I suppose that would be a satisfactory year for you, would it?

Representative MILLS. Yes, sir.

Mr. KING. Would you like them compared with some other industry in the prewar year?

The CHAIRMAN. Yes.

Mr. KING. We will first take agriculture. In the year 1913 it produced about 16 per cent, and in 1918 about 22 per cent of the national income.

Mines in 1913 produced 3 per cent, and also in 1918, 3 per cent.

Factories produced in 1913, 22 per cent, and in 1918, 26 per cent.

The hand trades produced in 1913, 7 per cent, and in 1918, 5 per cent.

Railways, express, switching, and terminal companies and the Pullman Co. produced in 1913, 6 per cent, and in 1918, 6 per cent.

Street railways, electric light and power companies, telephone and telegraph companies produced in 1913, 2.3 per cent, and in 1918 about 1.7 per cent.

Transportation by water produced in 1913, 0.7 per cent, and in 1918, 0.8 per cent.

Banking produced in 1913, 1.4 per cent, and in 1918, 1.3 per cent.

Government produced in 1913, 5 per cent, and in 1918, 8 per cent.

The unclassified field, including, as I said, mercantile and professional operations and all that sort of thing, and all kinds of miscellaneous odds and ends, produced in 1913, 35 per cent, and in 1918, 26 per cent.

The CHAIRMAN. The difference between 5 per cent and 8 per cent as between the year 1913 and the year 1918 in your income for the Government, does that represent the payment of interest?

Mr. KING. No; interest would not make that big difference. But you see in 1918 we had the tremendous expense of the Army and Navy, the enormous wage bill of the Army and the Navy. That was one of the principal things that caused the increase.

The CHAIRMAN. It represents increase in personnel.

Mr. KING. Yes, sir; larger salaries paid, more people in the Government service, and so on. Then there was also additional interest.

The CHAIRMAN. Have you made any division of income for the various industries as respects the amount paid to capital and the amount paid to labor?

**Mr. KING.** Yes, sir; we have a division in each industry in that regard.

**Representative MILLS.** May I ask a question right here before you go ahead with that?

**Mr. KING.** Certainly.

**Representative MILLS.** In your Government expenditures for 1918 have you deducted cost of materials purchased by the Government?

**Mr. KING.** Well, we did not go at it in quite that fashion. We simply, as I said before, added together the sum of wages and salaries paid out, then made an allowance for food and clothing furnished the soldiers as a part of their pay, and added the pay of employees to the interest charges paid by the Government. That is all. As to government, you understand that it does not mean just the Federal Government, but all governments in the United States. It includes the Federal Government, State governments, city and county governments, and school districts as well. It is a summation of salaries, wages, and interest payments of all governments in the United States.

**Representative TEN EyCK.** Do you credit anything to that large amount?

**Mr. KING.** It is simply an addition of these amounts because we figure that the Government employees rendered the service they were paid for. I know of no way of estimating anything except to assume that people get their money's worth when they hire people to work for them. That is the only assumption that we made. When the people borrow money through government we have assumed that they get their money's worth from the loan, and if they have hired employees we have assumed the same thing.

Would you now like me to go ahead with the division?

**The CHAIRMAN.** Give the division of the income of each industry paid to capital and labor.

**Mr. KING.** I have the percentages of income from each industry that went as payments for salaries and wages and pensions and compensation for injuries to employees. Evidently if you subtract from 100 you will get the amount that goes to the other people. That is the only division we have made. In most industries, of course, it is primarily salaries and wages; other things are only incidental. In the Government the pension bill is a considerable item, but that is not true in the case of most industries.

We find that for all industries the employees, in the form of wages, salaries, pensions, etc., receive just a trifle over one-half, about 50.5 per cent up to 55.2 per cent of the total income of the country. And this does not vary widely for the different years when you take all industries into consideration.

**The CHAIRMAN.** Does that include agriculture?

**Mr. KING.** Yes, sir. And this only includes actual money payments to hired employees. It includes no payment or moneys allowed by farmers to their families. It is the census report for wages and salaries paid, including allowances for board and lodging.

**Representative TEN EyCK.** What was that figure?

**Mr. KING.** It is a little over one-half. It has never been under 50.5 per cent (1917 was the lowest) and was 55.2 per cent in 1913, which, according to our estimate, was the highest year. When you take all industries together the percentage shows considerable sta-

bility. When you take the different industries separately the percentage shows variability, but the percentages for the different industries have varied in such a way that the charges have largely offset each other.

In agriculture, the per cent that goes as actual payment for wages and salaries is lower by far than in any other field of industry. In agriculture, the total payments for salaries and wages started out with 15.3 per cent in 1909, and ran along about 13 per cent to 14 per cent up to 1913, then dropped down to 13 per cent in 1914, and in 1916 went down to 12 per cent. In 1917, our figures show 10.7 per cent, and in 1918 17.8 per cent as being paid to employees on farms; so employees get a very small proportion of the total product of agriculture—that is, hired employees.

Senator HARRISON. How do you account for that decline?

Mr. KING. I think there was a decline, as far as we could find out, in the actual number of employees, although the data on that point is not very good. It must have been because a lesser proportion of men were employed on farms because agriculture was drawn on pretty heavily for the war, and also because wages did not go up quite as rapidly as the price of farm products. I think that is quite evident.

Representative TEN EYCK. Is that just money spent by the farmer for labor?

Mr. KING. Just money and board and lodging paid by the farmer who hired labor. It does not include any allowances for the farmer's children who rendered service on the farm, or anything of that kind. It is just based on the census report of payments made to hired labor, interpolated by the best data we could get. There was nothing else we could do.

Representative TEN EYCK. Of course there are a number of things that entered into that situation. The majority of the labor put on a farm is by the owner himself and his family.

Mr. KING. Undoubtedly.

Representative TEN EYCK. Another thing that must be taken into consideration to get a fair view of this situation is that the farm hand, the owner, and the farmer's children put in a great many more hours per day than does the man in the city.

Mr. KING. Yes, sir.

Representative TEN EYCK. And the hired man on the farm is paid for 14 hours a day, and he is really a man and a half rather than one man when you consider the city worker; is not that a fact?

Mr. KING. I should think that is about the way it would work, according to my experience with farm life.

Senator ROBINSON. Did you count any of the time of the farmer's family?

Mr. KING. We took into account only payments to hired labor, these being the only amounts that were paid to people as wages on the farm. The farmer in no case, as I understand it, accounted for any wages paid to his family.

Senator ROBINSON. As a matter of fact, the farmer does not pay them wages as a rule?

Mr. KING. No, sir.

Representative TEN EYCK. Money paid to what in New York is known as a farm hand?

Mr. KING. Yes, sir.

Senator HARRISON. It is a great tribute to the farmer and his wife and his girls who went out in the field and took the places of the boys who were called to war.

Mr. KING. I think that is true. Now, gentlemen of the commission, would you like the figures for some other industries?

The CHAIRMAN. If you please.

Mr. KING. In the mining industry—and of course there is not the same question of how to define the wage and salary bill as is the case regarding the farm—in 1909 the total salaries and wages paid for labor were 73 per cent of the net value product. The percentage remained about the same until 1914, when it was still 73 per cent. Then the share of the employees began to fall off, until in 1915 it was 68 per cent. In 1916 it was 62 per cent, and in the next year (1917) it was 62 per cent. In 1918 it jumped up again to 70 per cent. That is what the employees got out of the mining industry.

Our factory report covers all the fields that the census covers. The census does not cover hand trades, such as the shoe-repairing trade and similar minor trades. In the factory field in 1909 hired employees, including salaried men and wage earners, received about 72 per cent of the net value product. Their share fluctuated until 1911, when it went up to 77 per cent. In 1912 and 1913 it went down to 74 per cent. In 1915 it went up to 76 per cent. In 1916 it went down to 69 per cent; 1917 was another low year; 1918 was the highest year on record for that decade, when 78 per cent went to the employees.

Representative MILLS. There was no increase during the first two years of the war period, due unquestionably to the fact that wages lagged somewhat behind prices?

Mr. KING. I think so. Manufacturing concerns were able to make very large profits as wages lagged behind.

Representative MILLS. Along about 1919 wages as a whole caught up with prices?

Mr. KING. I assume so. We have not the 1919 data as yet, but from the study I have made I assume that this is true.

In connection with the hand trades our estimates are only rough approximations, so I would not attach any great weight to them. I think the ones that I have given you are good. The salaries and wages paid to hired labor in the hand trades absorbed about 60 per cent of the value product in most of the years, as, for example, 58 per cent, 59 per cent, and 60 per cent.

In the transportation industry—railways, Pullman Co., express, switching and terminal companies—the type of industries in which the data is apparently good (this data comes from the Interstate Commerce Commission reports, which I imagine are fairly accurate), we find that the share paid out for salaries and wages started out in 1909 with about 60 per cent; in 1911 it was 63 per cent; in 1912, 65 per cent; in 1913, 67 per cent; in 1914, 66 per cent; in 1915, 61 per cent; and in 1916, 61 per cent, which is nearly the same as in manufacturing. Then it made a jump in 1917 to 67 per cent, and on up in 1918 to 78 per cent. You see that the experience in transportation was quite similar to that in the manufacturing field.

As to street railways, electric light and power companies, telephone and telegraph companies—the electrical industry—the employees got a shade over one-half for all the years up to 1916 (from 50 per cent to 52 per cent). Then in 1917 their share went up to 55

per cent, and in 1918 to 63 per cent, showing a sharp rise in 1918 for that field.

Transportation by water: Here again our information is poor. That is one field in which the census data itself seems to be inaccurate, so I do not think you can stress these figures at all. Apparently the employees got about 80 per cent in transportation by water. They may have received somewhat more or less.

Concerning banking, our information is very poor except for the last two or three years, because for the earlier years the Government did not publish accurate statistics; in fact, the statistics are not very good in banking anyway, because, outside of the national banks, we have only a rough approximation. You can not consider the data accurate, but in recent years they are more nearly correct. Apparently the wages paid to employees have increased. In 1909 they only received about 28 per cent of the net value product. Their share climbed up steadily until 1914, when they received about 38 per cent; in 1915 they received about 42 per cent, in 1916 about 43 per cent, in 1917 about 48 per cent, and in 1918 about 51 per cent. Gentlemen of the commission, I can not vouch for the accuracy of this trend; it may be due to poor data, because the basic figures were very poor for the earlier years. The data for the later years, I think, are more nearly correct.

Senator HARRISON. Have you data as to school-teachers' salaries?

Mr. KING. We have, but I have not the data here with me.

Senator HARRISON. I was curious to know how salaries in that field went?

Mr. KING. If you desire I can send the data to you, but I have not the reports here with me.

In the field of government, where the division is merely between salaries and wages and interest payments, we have included pensions with salaries and wages on the ground that pensions are payments to past employees rather than to present employees. I believe that is the current theory.

The CHAIRMAN. Do you mean retirement pay and not war pensions?

Mr. KING. Well, I mean all kinds of pensions. They were included on the same ground that the soldiers are applying for a bonus, namely, on the ground that they had to abandon their work on account of the war and are entitled to back pay.

Senator HARRISON. In your figures do you take into consideration the bonus bill that was before the Senate and which did not pass the other day?

Mr. KING. No, sir; we have not included any money except what the Treasury Department reports as paid. But I may say that while the pension bill is really small as compared with the salary bill it does amount to something. Out of Government expenditures about 75 per cent to 77 per cent went to the employees up until 1915. In 1915 the percentage began to rise, and in 1916 the employees got 79 per cent. In 1917 they received 79 per cent, and in 1918, 82 per cent.

Concerning the unclassified industries our information is very poor, so that I do not think you should put any stress on it at all. We estimate in general that employees in unclassified industries get about 61 or 62 per cent of the total value of the product, and they received somewhat less in 1917 and 1918, or about 54 per cent. But that is a very rough estimate indeed.

Gentlemen of the commission, that covers the apportioning between the different industries.

Representative TEN EYCK. In relation to that, it appears to me—of course, your figures ought to be right, but it appears to me that they are way off on the percentage of labor on the farm. Either they have not been figured in the right way or they are very far off. They are—well, I just can not express it as they are so very far off the right road, in my opinion.

Mr. KING. They are based on the figures of the Census Bureau—are tied up with the census figures for 1920 and 1910 covering the figures for the years 1919 and 1909, respectively. The census figures for those years were used, and our figures generally are tied up with them, and if the census figures are anywhere near correct, so are ours; if the census figures are in error, then our figures are in error by exactly the same amount.

The CHAIRMAN. I think you are proceeding upon an erroneous theory as to what these figures represent, Mr. Ten Eyck. As I understand Dr. King's statement they do not represent the amount paid for labor in the sense that they cover any payments to the farmer, his wife or his children. All these figures cover amounts actually paid by the farmer for hired labor. The amount the farmer received as a total income is not based on these figures at all.

Senator ROBINSON. A great many farmers do not pay any wages.

Representative TEN EYCK. I understand that, but we are comparing it with the man who pays himself a salary in business.

The CHAIRMAN. We will get to that very soon.

Representative TEN EYCK. Yet at this time I wanted to get into the record that the amount of money paid to farm labor as stated by the witness does not include any amount paid by the farmer to his family for their labor. I think Mr. Funk will bear me out in that, because I have paid out wages on my farm, and those wages represent 200 per cent or 300 per cent more than the figures stated here by Dr. King.

The CHAIRMAN. That may be so in individual cases.

Representative TEN EYCK. Oh, no; it is not only in individual cases. You take any man who runs a farm and ask him if 8 per cent is all he pays out as wages.

Senator LENROOT. There are thousands of farmers that do not pay out anything as wages because the family do the work.

Representative TEN EYCK. And that is the reason why these figures give us the wrong impression.

Senator ROBINSON. No; I do not think you understand just what these figures are intended to portray.

Representative TEN EYCK. I want to bring these facts out in such a strong way that we will understand it later.

Senator ROBINSON. I think we all understand these figures as showing the percentage paid for wages and not as reflecting the value of the labor performed on the farm, because a great many farmers do their own work and do not pay wages.

Representative TEN EYCK. Not only that, but the length of hours put in by the farmer and his family and the farm hands would give an idea of a much smaller wage when you compare it with that paid to the city man. But when a reasonable wage is paid for a reasonable number of hours for a day's work it increases the pay

materially when compared with wages paid in the city by industry. I just want that to be noticed here for our information when we come to use this data later on.

Mr. KING. I will agree with you very heartily, Mr. Ten Eyck. This does not at all cover the value of all physical labor done on the farm, nothing like it. But I rather infer that it is fairly accurate for the actual cash payments made, because the two censuses made for the years 1909 and 1919 check up so closely to the data we have, and indicate that we are probably somewhere near the truth.

The CHAIRMAN. If there is nothing further on the general industrial division I would like to take up the figures on agriculture in detail, both as to method and as to results.

Mr. KING. I shall be glad to do so.

The CHAIRMAN. We will then get at the proposition to which Mr. Ten Eyck refers.

Mr. KING. As I stated at the outset, we attempted to arrive at the total value of the products of agriculture by estimating the value of all crops and live stock either sold off the farm to the city or consumed by the farmer's family in what economists call consumption of goods directly. That is, if the farmer feeds grain to his live stock to raise his live stock you can not count both the grain and the live stock, for in that way you would get a duplication. But if he eats strawberries out of his garden it is the same as if he sold them to the city and bought them back again. What he uses up in his business as a farmer we have not counted in at all, only what he uses as a consumer.

I might take up the principal tables and show how we arrive at them to see if they appeal to you as being reasonable. The first thing we take up is the value to the farmer of animals slaughtered. We figure that in the case of animals slaughtered, either the farmer eats them himself or sells them to somebody else for consumption. In either case, their value is the product of agriculture. It makes little difference whether the farmer consumes them or sells them; they are the products due to agriculture.

I have taken the census of 1909 of animals slaughtered and have carried the figures forward by means of the joint inquiry made by the Department of Agriculture and the Food Administration. Mr. Stephen Chase worked on it a long time and checked up the figures of the Department of Agriculture, and since then the Bureau of Crop Estimates has reported in its monthly report the value of animals slaughtered. The last census does not tell you the value of animals slaughtered on farms and by small retailers. I do not know whether they have made the subsidiary study of those fields or not, but, from reports of the killings at slaughterhouses it looks like the Agricultural Department estimates could not be off more than 5 per cent or 10 per cent. I have used them as a basis.

Senator HARRISON. Did you consult the Federal Trade Commission's report at all on that proposition? In an investigation of the packers they said they could not give any figures of the amount of cattle slaughtered that did not enter into interstate commerce, but gave accurately what did enter into interstate commerce.

Mr. KING. I looked over their report, but can not say I used anything out of it. I took the Agricultural Department's estimates of the total slaughter, and think they are fairly accurate, but am not sure they are accurate. I judged when looking over the census re-

ports recently that they were going to hit pretty closely the estimates of the part that went into interstate commerce, and the other part of the slaughter is only about 10 per cent or 15 per cent of the total, according to the census for the year 1909. So the estimate could not vary from the truth very much. If recorded and unrecorded slaughter remain in about the same proportions, I assume these figures are approximately correct.

According to the census figures for 1909, we estimate the value of all farm animals slaughtered at \$1,381,000,000. It ran along in that neighborhood up to about 1915, and then the value began to go up. In 1916 it reached \$1,900,000,000; in 1917, \$2,500,000,000; in 1918, \$3,500,000,000; in 1919, \$3,600,000,000, and then it dropped down in 1920 to \$2,900,000,000. That is the estimate of the value of animals slaughtered.

Then we added to that as the next thing the estimate of dairy products consumed by farm families. This is rather a rough estimate. I can not vouch at all for the accuracy of it, but it is based on the census estimate for 1909, and brought up to date and adjusted by aid of the census of 25 States for 1919. It indicates about \$300,000,000 of dairy products consumed in 1909 on farms, and the figures ran along something like that until 1917 when the value was \$400,000,000. In 1918, the value was \$500,000,000, in 1919, \$600,000,000 and in 1920, \$670,000,000.

Representative MILLS. What were the last figures?

Mr. KING. The amount of dairy products estimated to have been consumed at home; that is milk and butter consumed on the farms by the families of farmers. We have not accurate data except for the census years but have estimated the approximate total production and total sales. Subtracting total sales from total production, and making allowance for the amount fed to calves, which is a fair estimate but probably not quite accurate, I think we get practically the consumption.

The next estimate I think is probably considerably more accurate, namely, that of the amount of dairy products sold off the farm. It apparently started in 1909 at about \$500,000,000. It ran along, roughly speaking, about the same up to the year 1915. In 1916 it was about \$600,000,000, in 1917, \$800,000,000, in 1918, \$1,000,000,000, in 1919, \$1,200,000,000, and in 1920, \$1,300,000,000. These amounts must be added to the value of meat products and dairy products consumed at home.

As to poultry, we have estimated as a single total the amount of poultry raised on farms and that consumed or sold. Poultry products started in 1909 at about \$200,000,000, and continued in that neighborhood to about 1916. In 1917 they amounted to about \$250,000,000, in 1918 to \$300,000,000, in 1919 to \$350,000,000, and in 1920 to \$360,000,000.

Then we combined with the values of poultry the estimate of the value of eggs sold. Apparently the eggs were worth in 1909 about \$300,000,000, and continued in that vicinity until 1915, and then went up in 1916 to about \$370,000,000, in 1917 to \$457,000,000, in 1918 to \$512,000,000, and in 1919 to \$628,000,000.

Representative MILLS. What was it for 1920?

Mr. KING. \$660,000,000.

Then we have an estimate of the value of wool produced, not a large item at all. In 1909 it ran about \$66,000,000, and went down

in 1914 to about \$47,000,000. Then it began to rise again until in 1917 it amounted to \$110,000,000, and in 1918 to \$140,000,000. Then it began to fall. In 1919 it amounted to \$129,000,000, and 1920, to only \$98,000,000.

Another item we have had to take into consideration, which is of some importance, is the fact that the farmer in some years sells a great deal of his live stock off his farm. You will say that in that year he has an enormous production. The next year he does not sell much. You will then say that he did not have much of a production. But you have to take the inventory into account. If he sells off his stock and reduces his inventory you have to consider that.

The Department of Agriculture estimates on the 1st of January each year the number of meat and dairy animals on the farm, and also the values of these animals. We have summated the values of these different kinds of animals as of the 1st of January; and have made the same estimate for horses, which the Agricultural Department does not estimate, as they only estimate meat animals—cattle, hogs, and sheep—and leave out horses. By so doing we have arrived at the change of inventory for live stock. If correct, the live-stock figures recording this change in inventory from year to year will show that the farmer was selling off when it was not an unusually productive year. These changes in inventory are very considerable. The loss in inventory in 1917 was over \$700,000,000, a considerable item.

Then, we have summated all these things. We have included all the amounts I have given you, and also a little addition for two minor items, one of which is honey and was produced, and another is horses sold for city use. The last is not a large item, since it does not run over \$100,000,000 in any year. The most of the time it is not more than \$30,000,000 or \$40,000,000, and hence does not affect the estimate much. In 1920 it was only about \$20,000,000.

We have summated all of these animal products and gotten a total. The total value of animal products apparently started with \$2,200,000,000 in 1909, which was a low year, and went up a little to over \$3,000,000,000 in 1910, and ran along about \$2,500,000,000 to \$3,000,000,000, until 1917, when it was \$3,900,000,000. In 1918 it was \$6,000,000,000; in 1919, \$7,000,000,000; and then it dropped back again in 1920 to \$5,700,000,000.

Next, we took up the crops that were either consumed on the farm directly by the farmer and his family; that is, garden produce (and such things as that), which he eats himself, and those which he sells off the farm to bring in money (for example, such things as wheat and cotton that he sells to the city man), and added up the values. Our method of arriving at the grand total was something like this: We have in the reports of the Department of Agriculture fairly good estimates of the total value of crops. We used for each crop the number of bushels required for seed according to the Agricultural Department estimated and, multiplied this number by the number of acres sown in each year and multiplied that product by the price. We then deducted the total cost of seed from the value of the crop.

First, you have the big feed crops, like hay and corn, that are mostly fed on the farm. But there is some shipment to the cities, and

there was an estimate made thereof in the census for 1909. We used that as a basis and extended it on the basis of the estimate of the Department of Agriculture of crops shipped out of the county where grown; except as hay, and as to that we took the Interstate Commerce Commission reports. We varied this figure in proportion to the shipments originating on the railways. We estimated that the most of the wheat was sold to the city. We made a separate estimate for rye on the basis of the grindings of rye, the amount used in liquor manufacture, and the amount of exports.

In that way we tried to arrive at the amount of crops that either the farmer used up himself or sold to the city man. This estimate includes, as the census does, not only growing crops, but also timber, such as cord wood used and sold. We followed the census plan on that.

Our estimate is that the net value of crops consumed or sold off the farm was about \$2,800,000,000 in 1909. It ran along roughly about the same until 1914. Then in 1915 it went to \$3,500,000,000, in 1916 to \$4,500,000,000, in 1917 to \$6,400,000,000, in 1918, to \$7,100,000,000, and in 1919 to \$8,400,000,000. Then it dropped back in 1920 to \$5,100,000,000.

In computing the value of crops we followed the census and the Department of Agriculture's estimates, and they both estimate that farmers' crops are sold as of December 1. All computations in the census are made as of December 1. We believe it is fair in the long run to accept that basis. All these estimates are figured on the idea that crops are sold December 1. I imagine that that date is as fair as could be made.

Senator CAPPER. Does that include live stock?

Mr. KING. No, sir; only crops. We took live stock first and then crops that were not fed to live stock.

Senator McNARY. You simply excluded live stock from this estimate?

Mr. KING. This last estimate was just crops and had nothing to do with live stock. That is, crops that were fed to live stock were taken out of this computation; just crops that were sold or eaten by the farmer were included.

Senator McNARY. Does that include dairy products, poultry, and eggs?

Mr. KING. No, sir; they are included with live-stock products.

Senator McNARY. You said all that was consumed by the farmer. Poultry and eggs and dairy products are a big item of consumption by the farmer.

Senator ROBINSON. But he said that was included separately.

Senator McNARY. Do you include those items?

Mr. KING. I can make that clear, I think. We have two estimates made separately. One is for live stock and live-stock products. In that we included all live stock and live-stock products sold off the farm or consumed by the farmer's family. In the estimate of crops we did not include anything of that kind at all, but included crops sold off the farm or consumed by the farmer's family. We would not include them at both places, but they are added together at the end.

Representative TEN EyCK. Eggs, poultry, and so on are considered in connection with live-stock products and not in connection with crops?

Mr. KING. Yes, sir.

The CHAIRMAN. You may go ahead.

Mr. KING. Evidently, as I said at first, when you add these two together you get a sort of gross product; that is, all that the farmer has. Out of that he must pay certain business expenses before he can get any profit. If he sells cotton to a city man and buys fertilizer from the city man, you must deduct the cost of that fertilizer before you get what the farmer has in the way of money to pay his landlord or himself. You must not include fertilizer in agriculture, but must carry it to manufacturing.

We have had a number of deductions to make, and some are crudely made and some are very carefully made. One of the things I have attempted to deduct is the cost of farm implements—the value of farm implements purchased. I calculated that largely by taking the reports of the manufactures—the census gives the amount manufactured in the United States—by making an allowance for the difference in price between the manufacturer and the farmer, and after deducting the excess of exports over imports of implements which have taken place I figured the rest had been used on the farm.

Senator LENROO. As to agricultural implements, do you figure that the amount purchased is fairly constant, so that you apply the purchases of that year to the products of that year, although its life may extend over a number of years?

Mr. KING. I found that there was a total value given in the census of the number of implements on hand in 1909 and 1919—10 years apart. The total value of those implements had increased very materially during that time, much more than the rise in the price level would indicate. So we adjusted for the price-level changes and we found a certain fraction—I think, 47 per cent—of the implements bought by farmers were not consumed in the year, but saved, and that is not charged off in that year. We only charged off the amount that they apparently used up. So we took increase in inventory into account.

Apparently agricultural implements cost the farmers during the first part of the period around \$100,000,000 a year, and around the latter part of the period \$180,000,000 a year.

The census of 1909, and again of 1919, stated just how much fertilizer the farmers bought. For the intervening years we have reports taken from the American Fertilizer Handbook. They seem to check very closely with the census, and I infer they are just about right. I made up an average index of prices of fertilizer from the prices quoted for different articles, and by its aid got a rough total value. The census reports the value of fertilizer and not the net tons. But the values checked closely enough so that I believe the Fertilizer Handbook presents a very good estimate, and I imagine that the reports of fertilizer used are close enough for all intents and purposes.

Senator McNARY. Does that include nitrates?

Mr. KING. Yes, sir.

Senator McNARY. And barnyard manure?

Mr. KING. No, sir; it includes fertilizer purchased.

Senator McNARY. If you have a quantity of barnyard manure, you would not have to buy manufactured manure. The barnyard manures have the same value?

Mr. KING. Oh, yes. But I think the point that should be explained is that our purpose was to arrive at the net value of the products of agriculture. We were not interested in the value of fertilizer as such. We were not trying to find out how much fertilizer the farmer put on his ground, but how much was charged to another industry. Barnyard manure is a product of agriculture, and we were only trying to find out what was paid to the manufacturer or the importer of fertilizer—what may have been paid out. Our figures do not specify how much fertilizer a farmer may have put on his farm—not at all. That makes the point clear, does it not?

Senator McNARY. I think so.

Mr. KING. Fertilizer that the farmer bought from the outside ran from about \$115,000,000 in 1909 to \$160,000,000 in 1911 and continued in that vicinity up to 1916. In 1917 it increased to \$222,000,000, in 1918 it went to \$294,000,000, in 1919 to \$329,000,000, and in 1920 to \$360,000,000.

Representative TEN Eyck. That not only shows that when the farmer is prosperous and is making money, at least getting a fair return upon his investment and work, that he purchases more fertilizer; but the same thing, I imagine, is true as to farm machinery—that he replaces more of it and buys more machinery.

Mr. KING. I think that is undoubtedly true.

Senator HARRISON. The figures you were reading show value and not amount?

Mr. KING. Yes, sir.

Senator HARRISON. It shows what these things cost and not the amount of them?

Mr. KING. Yes, sir.

Senator HARRISON. It may be that the higher value represents the larger part of the increase?

Mr. KING. Yes, sir.

Senator HARRISON. Have you any figures on the amount of fertilizer and farm implements purchased?

Mr. KING. I have no figures on the amount of fertilizer here. I have them at the office.

Senator HARRISON. It may be that the facts would not bear out the statement that they have been using more, but that the values represented more money?

Mr. KING. I did not mean to say that the farmers were using more, but that there is a tendency on the part of the farmer in good years to buy more. I think the fluctuations on the curve indicate that they do buy more in good years; but whether the trend has been up or down I could not tell you without referring to the original data.

Representative TEN Eyck. I think the additional orders have been larger, too?

Mr. KING. Yes, sir. If you will get the American Fertilizer Handbook, which I think you can obtain at the Congressional Library, you can get the information. It will be shown in that publication.

Senator LENROO. Are there any particular crops against which there are practically no charges for fertilizer?

Mr. KING. We have not made a study of that point, and I do not know.

I made a rather arbitrary charge here for expense of upkeep of automobiles used in the farmer's business. While the automobile on the farm is partly a pleasure car, yet it is also partly a business car.

The farmer uses it for running to town and also for pleasure. So I arbitrarily assigned a percentage on that basis. It is merely a showing on the basis of the number of automobiles used on farms according to the figures of the Automobile Association. It is just a rough guess. We simply put it in because we thought some allowance ought to be made. It is by itself of no practical value that I know of.

Senator HARRISON. That information only gives the number of automobiles belonging to farmers who belong to the association?

Mr. KING. It only gives an estimate of the number of automobiles owned by farmers.

Senator HARRISON. Farmers in my country do not belong to the automobile association.

Mr. KING. No; but this National Automobile Chamber of Commerce attempts to make an estimate of the automobile business for the whole country.

Representative TEN EYCK. They are working for the manufacturers in making up the data?

Mr. KING. Yes; and they are also working with the registration officers of the different States. I do not know about the accuracy of it. It may be bad data, but I judge that it must be fairly good.

Representative TEN EYCK. I should not wonder if it is very good. I know something about the way they work.

Mr. KING. I imagine their totals of values are correct. I do not know about their estimates of numbers of automobiles which the farmers have. I simply used this data for what it is worth. The number of automobiles owned by farmers has gone up very rapidly in the last decade.

Representative TEN EYCK. Is that taken into machinery account? Speaking of machinery purchases, were automobiles taken into that account?

Mr. KING. They were not.

Representative TEN EYCK. They were taken into equipment account, I suppose?

Mr. KING. They are taken in here in a separate account. They do not come under the head of farm implements as classified by manufacturers or the census.

Representative TEN EYCK. I think they should be. I do not see how you are going to get any percentage of pleasure out of it on the farm. It seems to me for the time that the farmer uses an automobile it is practically a business vehicle. There may be a certain amount of pleasure use of the automobile in going to the city, but I imagine the trips made to the city are for the purpose of purchasing goods or in connection with some business transaction. The automobile takes the place of the horse, and certainly the horse you would not put down as a pleasure animal; not the horse on the farm?

Mr. KING. I would say that the automobile is, to a certain extent, a pleasure vehicle. I do not know how much it is used on the farm as a pleasure vehicle, but I think the horse on the farm is also used partly for pleasure and partly for business.

Representative TEN EYCK. I admit that you get more pleasure driving a horse to a hay rake than you do by putting the hay in the mow by hand.

Senator CAPPER. You think the farmer is not doing much joy riding right now?

Mr. KING. No.

Representative TEN EYCK. No; I do not think you could find a decimal figure low enough to indicate the amount of joy riding the farmer is doing now.

Mr. KING. I have no brief to hold for these figures. We simply made up an arbitrary figure based on the idea that nearly or about half the use of an automobile was for pleasure and half was a business matter.

Representative TEN EYCK. Half for business and half for pleasure?

Mr. KING. Yes, sir.

Senator ROBINSON. And I think that a fair estimate.

Representative TEN EYCK. I do not agree with you, not in my locality.

Senator LENROOT. Do not you think half the mileage an automobile makes on a farm is for pleasure?

Representative TEN EYCK. Not in the case of the farmer, not in my country.

Senator ROBINSON. You take the case of any automobile, and I think it will be at least that much.

Representative TEN EYCK. Half of the use of the automobile by the city man is no doubt for pleasure, but I do not think that is the case with the farmer.

Senator LENROOT. Do not you think the farmer on Sunday uses his automobile more than one-seventh of the mileage for the week?

Senator HARRISON. And no doubt the farmer's boy uses the automobile at night.

Representative TEN EYCK. Undoubtedly the farmer uses his automobile on Sunday to go to church and at night sometimes. But in those times he is doing himself a service, going out over the country and looking over the crops and asking people about conditions and generally informing himself. I endeavor to get my farmer to ride over the country on Sunday and look after crops, and so on.

Senator LENROOT. I suppose those are men operating farms.

Senator ROBINSON. And that is a more justifiable division than the one that Representative Ten Eyck talks about.

The CHAIRMAN. Dr. King states that he only presents these figures for what they are worth, after explaining their bases.

Representative TEN EYCK. I want to say that the larger percentage of the time the farmer is in his automobile he is taking crops to the city and going to the city on business in connection with the farm. He takes to the city in his automobile small crops that he could not take otherwise. I think the automobile is a benefit to the farmer in that way.

Mr. KING. Undoubtedly. Estimating it roughly on the basis I have suggested—which may or may not be right—we figured the expense of the automobile—upkeep, depreciation, gasoline, and tires—ran from almost nothing in 1909 to about \$400,000,000 for 1919 and 1920. Figuring it on that basis it becomes a considerable item of expense chargeable against the agricultural industry. It may be more or less than that.

We figured the value of saddles and harness purchased, and that ran from about \$60,000,000 in 1909 to about \$177,000,000 in 1920.

Then we charged the farmer with a small item of insurance against fire and wind. I was unable to locate any data that was satisfactory

on that, so I simply assumed that about two-thirds of the farm buildings were insured, and at about the current average rate for insurance, and multiplied the two estimates together, which only gives a small item of about \$7,000,000 or \$8,000,000 an item, which does not affect the total materially.

Another item we had to charge off was interest paid by farmers on bank loans. The banking industry has been treated separately, and this amount must not be counted again in the agricultural industry. This figure also is a very rough estimate, because I was unable to get any satisfactory information. I looked over the reports of the Comptroller of the Currency as to the amount of loans of country banks, and we made a very rough guess, and probably, therefore, there is very little value to it. We estimated it to run from \$50,000,000 in 1909 up to \$100,000,000 in 1917, to \$132,000,000 in 1918, to \$155,000,000 in 1919, and down to about \$100,000,000 in 1920.

Senator HARRISON. Is that based on the report of the Comptroller of the Currency?

Mr. KING. It is merely an estimate. I do not think it can be a much greater amount than that; that is, it could not go up to \$300,000,000 or \$400,000,000 for any reason. The percentage of possible error might be considerable, but I do not think these figures are very far wrong.

Representative MILLS. Are there figures for the total of farm mortgages?

Mr. KING. Yes, sir. The Census Bureau has those. They have pretty accurate figures, and the amount paid can be estimated rather closely. I have not them with me.

Representative MILLS. To that extent your figures are accurate figures, so far as farm mortgages are concerned?

Mr. KING. Yes, sir.

Representative MILLS. That would be a large item?

Mr. KING. A much larger item than banking interest. We have not separated that item because we have not tried to apportion this among the different holders. I could not find out to what extent farm mortgages were held among the farmers themselves. You can get data from the census for total farm mortgages only.

Senator McNARY. The increase in interest paid, is that due to the greater amount of borrowing or the increase in the rate of interest paid?

Mr. KING. The reason I ran up the estimate in 1920 was because as the farmers' crops went up in value they could borrow more. As crops went down they could not borrow as much. As to this estimate of rise and fall, it is so uncertain that I would not advise you to put reliance on it. We had to make some estimate and we did the best we could.

Senator CAPPER. Did you make these estimates by States, of the interest paid?

Mr. KING. No, sir.

Senator CAPPER. Interest rates are much higher in some sections than in others?

Mr. KING. Yes, sir.

I next made an estimate of a little item that I thought was due to the farmer, and it is this: The farmer has been improving much new

land in the United States; adding to the value of farm lands by improving new areas. You will find the area in cultivation has increased during the decade. This does not take into account the rise in land values due to inflation of the currency. I assume that this new acreage of land brought into cultivation was valued at about the average value of land according to the report of the Department of Agriculture. I assume that it ought to be credited to the farmer as a part of his productiveness, because he has added something in the way of tillable land that was not there before—by irrigation, drainage, clearing, and so on. By taking the number of acres and multiplying by current prices of land one arrives at the value of the increase, running some years as low as \$25,000,000 and some years as high as \$400,000,000. In 1919 it went as high as \$600,000,000.

We added together the value of animal products, the value of crops consumed or sold off the farms, and the increase in land values (the last being a minor item), and deducted from that sum the business expenditures—that is, the expense for implements, interest, insurance, and all that sort of thing, to arrive at the net value of the product of the agricultural industry.

The CHAIRMAN. Did you deduct labor?

Mr. KING. We did not deduct labor because labor—we have assumed that labor forms a part of the agricultural industry. We have in no industry deducted labor because laborers are working in their respective industries the same as are the hired hands for the farmer. This total value of the product includes all that goes to the farmer, to the mortgage holder, to the landlord, and to the laborer. We find according to this method that the net value of the product of agriculture in 1909 was about \$4,500,000,000; in 1910 it was \$5,500,000,000. It continued near that amount until 1914, when it went up to \$6,000,000,000; in 1915 it was \$6,500,000,000; in 1916 it was \$7,000,000,000; in 1917 it was \$9,500,000,000; in 1918 it was \$12,500,000,000; in 1919 it reached a total of \$15,000,000,000; and in 1920 it dropped back to \$9,500,000,000. You will see that there was a very sharp fall in 1920, due mainly to the decline in the value of the crops.

We wanted to apportion this among the different classes of people I mentioned, but we only apportioned it among two classes by reason of the fact that I could not find any information as to how many mortgage owners were farmers themselves and how many landlords were farmers themselves. As to farm hands, we have the census report of the amount paid to farm labor, including the estimate of the amount allowed to them for board and lodging. The census estimates that in 1909 \$652,000,000 and in 1919 \$1,363,000,000 was paid in the shape of wages and other compensations to farm hands, to hired men, and hired girls on the farm.

I found in the reports of the Department of Agriculture the average wage given for farm labor. They give average wages for farm labor that is hired for the different periods of the year. I found in one year that they made a study of the labor hired by classes. I then used weights as indicated by that study and thus arrived at the average wage for all farm labor. I found also that the Bureau of Labor of the State of Iowa had made an estimate of the time farm hands were unemployed, and I made some allowance for that. It is very crude, because that is only one State and one year—so it is a rough guess. But by figuring in that way I estimated the average

annual earnings for farm hands in the country. I estimated the total amount paid to farm hands and the average annual earnings for farm hands, and this includes allowances for board and lodging. I divided the one by the other in order to arrive at the average wage of farm hands. I arrived at this figure: Average annual earnings per employee in 1909 about \$302. They earned along about that rate for a year or two and then their earnings began to go up a little until in 1913 they reached \$328. They continued at that level until about 1915. In 1916 they went to about \$357, in 1917 to \$463, in 1918 to \$590, in 1919 to \$675, and in 1920 to \$718.

In order to measure the welfare of the employee you have to consider certain things besides money wages. You can not tell very much about his prosperity by the number of dollars he gets. It is a question to him mainly of what his dollar will buy. We have worked out a consumer's index, but it is an index that is not especially applicable to farm hands, because we did not have data enough for that. It is merely a general consumer's index for the prices of things bought by working people. I have assumed that the things bought by the farm laborer will not differ very much from the prices of articles consumed by the other classes of laborers. We have divided by this index of the price of goods consumed to find out about how much the farm laborer's wages would buy if the price level had been the same throughout. We have taken the year 1913 as the best base year because the Bureau of Labor Statistics and some other departments have adopted it. It does not represent the price level at which the farmer has to sell, but the price level at which the farmer has to buy food and clothing.

Representative MILLS. Do these figures include money wages only?

Mr. KING. They include board and lodging; hence, if prices had not changed we figure that at the 1913 level the farm hand would have received about \$316 in 1909. While the average earnings go up and down a little bit, the average was still only about \$325 in 1916 (based on 1913 dollars). In 1917 it was about \$359. The farm employee was getting a little more in 1918, when he received \$373; in 1919 he received \$381; and in 1920 he received only \$332. He was going back in 1920, but was still better off than in 1912. In 1916 he was nothing like as well off proportionately as in 1918 and 1919. The farm hand suffered somewhat in 1920, just as the farmer did, but nothing like as severely, as I will point out later.

Senator McNARY. These figures do not include certain elements. I think your figures are too low for the income of the farm hand the last two years. Aside from that, you take the farmer who boarded himself.

Mr. KING. These are for farm laborers, hired hands.

Senator McNARY. I know what that means, but the most of the farmers hire their labor off from the farm and do not give them board and lodging. At least not in my country. You include those fellows. We pay a great many people \$5 to \$7 a day, and for the last five years the average wage, I think, at certain seasons may have run more than that.

Mr. KING. The average wage I have presented is the average as published by the Department of Agriculture through the Bureau of Crop Estimates. They publish the average wage each year by States, and they publish the average wage for laborers without board and with board. This is estimated purely on the reports of the

Department of Agriculture and with their allowances for board. I do not know how accurate the figures are, because I have never investigated them. But they have been published for a good many years, and for each State, and I suppose they are fairly accurate. If the figures are in error, the errors are those of the Department of Agriculture.

The CHAIRMAN. Of course there will be wide variations from this general average in certain industries. All you are trying to show is whether the farm worker was relatively better off in 1918, 1919, and 1920 than he was in 1913.

Mr. KING. That is what I have attempted to show.

Representative TEN EyCK. As to these wages, at certain times of year, \$6 and \$7 a day are paid, and at other times as much as \$8 and \$9, in the harvest season. You have averaged that up for the entire year. Isn't that the way it is divided up? And by dividing it up by 365 days in the year it has brought the average down to a low amount per day. Isn't that the reason the figures appear to be so low?

Mr. KING. Yes; that is largely the reason. You will find the Department of Agriculture reports wages paid to harvest hands by the day without board, and they also have another estimate of wages paid per day with board not to harvest hands (I have forgotten the exact title), and of wages paid by the month without board. In one year they estimated that a given per cent of the labor was hired as harvest hands, and a given per cent of the total of labor on farms was hired by the day not as harvest hands, and a given per cent was hired by the month. I took the average of wages paid the different classes and arrived at an average wage for the year. Then I carried that wage along to other years on the basis of their average wage for the different classes. That is the way this average was arrived at. So, if the figures of the Department of Agriculture are correct, and if the figures of the Bureau of Labor statistics are a fair sample of the prices of the things that the agricultural laborer buys, then I would say that the conclusion we arrived at, that farm labor was better off in 1918 and 1919 than it was in 1913, is about right. If those figures are not correct, then these are not.

I thought it would also be interesting to know something about other people who get an income from agriculture, including farmers and the like, as well as about the employees. So I worked out the income of the other classes by subtracting the wage bill of the hired man from the total income of agriculture. I have thus obtained what I call the share of the entrepreneurs and other property owners; that is, of the farmers and landowners and mortgage holders. I have another index number indicating the price of goods bought by people of a slightly wealthier class than the laboring class. The most of the farmers are not at all wealthy, but I have introduced, at a small weight, another index giving the changes in prices for families whose average expenditures were about \$5,000 a year. I used a ratio of 4 to 1 for the index of the laboring class as compared to the index of the \$5,000 class.

We find that the share of farmers, mortgage holders, and landlords was about \$4,000,000,000 in 1909, about \$5,000,000,000 in 1910, and ran along about that level until 1914. In 1917 it went to about \$6,800,000,000, in 1918 to about \$7,200,000,000, and in 1919 to \$7,700,000,000. This is on the basis of the purchasing power of the dollar

of 1913. Therefore, the farmer and his creditors were getting as a whole in 1918 and 1919 something like 74 per cent more than in 1909. But in 1920 their share dropped down to \$3,800,000,000, so that in 1920 it was only about one-half what it was in 1919.

Representative MILLS. In that particular group are you including landlords?

Mr. KING. Yes, sir; farmers, mortgage holders, and landlords.

Representative MILLS. What was it in 1913?

Mr. KING. About \$5,000,000,000.

Representative MILLS. That is your base?

Mr. KING. Yes, sir. And in 1919 it was \$7,700,000,000, and yet in 1920 it dropped down to \$3,800,000,000.

Representative MILLS. Have you separate figures for those three groups?

Mr. KING. No; I could not find any way to separate them fairly.

Representative MILLS. Why did you include mortgage holders?

Mr. KING. The way we arrived at these figures was that I took the total value of agriculture and subtracted the payments to the employees and that left the remainder which is given here. It is difficult to exclude rent and mortgage interest. I have had trouble attempting to do that.

Senator LENROOT. This table is based on the man who owns a farm unencumbered?

Mr. KING. That would be typical; yes.

We also have a table in which is an estimate of the value of products sold off the farm, and we have divided this sum by the number of farmers so as to ascertain whether the farmers were producing more per man than they used to produce (if the products are valued at the price level of 1913). We took the farmers and their hired men (all the people on the farm) to see whether they were turning out more per man or less per man than formerly (all considered at the prices of 1913). This includes all crops and live-stock products for people engaged in agriculture. The amount of the gross product per person was about \$617 in 1909. It went up to about \$781 in 1915 and dropped back in 1916 to \$632; then went up to \$779 in 1918 and to \$818 in 1919, and dropped back again to \$768 in 1920. Therefore, as concerns volume of output, there has in general been a tendency to increase, though it has been a rather wavy motion. Counting the farmer and his hired men together, they are, however, turning out more than they were in 1909.

Representative MILLS. That is expressed in terms of dollars?

Mr. KING. In dollars if the price level had been constant at the 1913 level. It would be nearly meaningless if expressed in terms of current prices.

The CHAIRMAN. This includes all people on the farm over 15 years of age?

Mr. KING. No; unfortunately it does not. It includes entrepreneurs and their hired men. It does not include children. The number of farmers has not changed much from year to year, and the number of children probably has not changed materially from year to year. The number has probably been about constant during the decade.

Representative FUNK. They could buy better machinery, but when prices are higher it creates a desire on the part of the farmer to use his children more. I think that was done during the war. They took a lot of children out of school and put them on the farm, more than

they did in 1913. They produced more but used more members of the family to produce it. I think a part of that is due to additional help that does not show in this record.

Mr. KING. I think that is perfectly possible. You may be right about that.

Next I compare this total product with the number of people in the United States to see whether agricultural production was keeping up with increase in population; whether it was more or less per inhabitant. These figures are at farm prices, not at city prices. Per inhabitant in 1909 they produced about \$60. This figure varies a good deal, but in 1910 it was \$68; in 1911 it was \$64; in 1913 it was \$63; in 1912 it was \$63; in 1913 it was \$61; in 1914 it was \$65; in 1915 it was \$68; in 1916 it was \$55; in 1917 it was \$55; in 1918 it was \$64; in 1919 it was \$68; and in 1920 it was \$63; so that apparently it has just about been keeping pace with population. I do not see any trend up or down; it is about level.

The next question which we consider is whether agriculture is producing an increasing or diminishing percentage of the total income of the country as the years go by. Is it keeping pace with the income of all the different industries? We find that, in 1909, agriculture produced about 16 per cent of the total net value products of all industry. In 1910 it produced about 18 per cent.

Representative MILLS. Eighteen per cent of what?

Mr. KING. Of the total net value of the products of all industry. That is, if you take the value of the production of all industries and divide it into the value of the products of agriculture you find agriculture producing about 16 per cent in 1909, and 18 per cent in 1910. This fraction runs about 15 per cent, 16 per cent, and 17 per cent, varying up and down, until 1917. In 1918 agriculture produced 20 per cent, and in 1919 about 23 per cent of the national income. We have no estimate for 1920 for all industries, so I can not tell you the figures for that year.

Senator LENROOT. That is based on farm prices?

Mr. KING. Yes, sir.

Representative TEN EyCK. But this is in comparison with all other industries, and in comparison with the high prices of products of other industries at that particular time.

Senator LENROOT. Yes; but the increase in agricultural products in the matter of price to the consumer would probably be greater than the increase in price of other products.

Mr. KING. I have noted down here one point which I think may be of some interest. That is that while about 30 per cent of the gainfully employed persons in the United States have been engaged in agriculture, they receive only about 17 per cent of the national income. I thought that was something of interest.

Representative MILLS. Is that the average figure for that year?

Mr. KING. Yes, sir; it is about the average figure. It is a rough approximation to it. It would hold somewhere near to that for the whole decade.

Senator CAPPER. I would say that return for agriculture is too low an average.

Mr. KING. Yes, sir.

The last question I have here that might interest you is the question as to how much the farmer as such, on an average, gets for his effort. I have made rather an arbitrary allowance for

returns for his property. I have assumed that he could sell his property and buy bonds and stocks with the proceeds and therefore that he might be considered as getting from his efforts only the return above what would be a reasonable interest rate on his investment. If he sold his property and moved to town this would be the situation. From the census figures we can not find what is the average interest rate, but I have an estimate for each year which I think is perhaps near enough.

I did not find very good evidence as to what the farmer might invest in. The interest rate chosen may be something with which you will quarrel. I have taken as the interest rate, except for the last two years, 5 per cent, and for the last two years, when interest has been unusually high, I have taken  $5\frac{1}{2}$  per cent for 1919, and  $6\frac{1}{2}$  per cent for 1920. I have felt that anybody with reasonable judgment could have gotten that much if he had sold his farm and invested his money. A different answer will be arrived at if you change the interest rate, but I am putting it at these figures simply by way of a rough guess.

If you first take the farmer's income and subtract therefrom the amount that he pays to labor, and then deduct all the other expenses, and then charge off his interest bill, and say: Well, the rest of it is what he would get for his work, and then reduce this last amount to the prices of 1913, you can see whether he is getting better or worse off. You arrive at a result something like this: In 1909, the average farmer made from the efforts of himself and family about \$337; in 1910, \$479; in 1911, \$387; in 1912, \$365; in 1913, \$369; in 1914, \$443; in 1915, \$498; in 1916, \$543. You see his reward has been going up on the basis of 1913 prices. In 1917 the average reward per farmer at 1913 prices was \$720; in 1918, \$819; in 1919, \$865, or pretty nearly three times what it was in 1909. But in 1920 it dropped down to \$197.

Representative MILLS. In that do you include his rent?

Mr. KING. No; this estimate applies only to his efforts and to those of his family, the labor return for himself and family; not the payments for the hired labor, and nothing for his property. You see we have allowed 5 per cent on his property.

Representative MILLS. But you have deducted that?

Mr. KING. Yes, sir.

Representative MILLS. You allowed him that as the deduction but have not allowed him anything for getting his house rent free?

Mr. KING. I will tell you what we did with this house-rent matter. In figuring up income from agriculture I first made a calculation of house rent, and then made a calculation of the repairs to all of the farmer's buildings, the depreciation, and all that sort of thing, and the expenditures for lumber, and when I got it all figured up the best guess that I could make was that they just about offset each other; that is, that the upkeep of farm buildings, including fences, nearly offset the house rent. We did not have any accurate data, and I calculated it for one year and it came out about the same. I decided that since we did not have accurate data and since the two things appeared to cancel each other it was useless to bother with it further. So this matter of rent was offset in that way. It may be just a trifle too much or a trifle too little.

Representative MILLS. Let me see, I believe you said the average reward per farmer at prices of 1913 was \$865 for the year 1918?

Mr. KING. Yes, sir.

Representative MILLS. And for 1920 it was \$197?

Mr. KING. Yes, sir.

Representative MILLS. Were prices in 1921 one-half to one-sixth what they were in 1920 it would be necessary to use red ink to describe it.

Mr. KING. Not necessarily. This was on the 1913 price level of prices, and things the farmer buys have gone down.

Representative MILLS. I did not understand you to say on the 1913 basis.

Mr. KING. The way we estimated was this: We subtracted from the net income in dollars the amount that was paid to the hired men. After we took that amount away it left what the other people received. Then I divided what the other people got by the index prices of the things that they bought, because what they want an income for is to buy things with. I divided it by an index of the prices of things that people—that is, consumers—could buy with their money. We had already deducted business expenses. The quotient shows how much the money would buy if the prices of things consumed had remained at the 1913 level—had not changed any. We reduced everything to the basis of the 1913 price level.

Representative MILLS. You have not applied the 1913 price level to the money level; you have not adjusted them both so as to give an increase in purchasing power?

Mr. KING. I have tried to bring all items to the 1913 figures.

Representative MILLS. So your dollar figure does not represent the actual dollar of purchasing power, taking the 1913 dollar as the base?

Mr. KING. Yes, sir.

Representative MILLS. Your \$197 does not represent actual money?

Mr. KING. No, sir.

Representative MILLS. But represents the purchasing power based on the 1913 figures?

Mr. KING. Yes, sir. I also have figures in dollars of current purchasing power. It might be well to compare them. In terms of the ordinary dollar—that is, in the ordinary sense of current purchasing power—the farmer's income for his work was in 1909 about \$322, and in 1910 \$459. Then it went down to \$363 in 1912. It went up to \$448 in 1914, to \$596 in 1916, to \$922 in 1917, to \$1,267 in 1918, to \$1,511 in 1919, and down to \$419 in 1920. These figures are measured in dollars of current purchasing power, the kind we usually speak of.

Gentlemen of the commission, that covers the principal tables that I have here. I will be glad to give any other information that I can.

The CHAIRMAN. Have you a comparison of the returns for urban workers with other industries that would be a fair basis?

Mr. KING. I have an average of wages paid to urban workers in the principal fields of industry, and also the return on the average farmer's income.

The CHAIRMAN. I would like to have that.

Mr. KING. Perhaps I had better give you some of the principal industries in which the earnings are well established. The others are more or less guesswork. These are stated in current money. In factories of the country the average income of employees—and this includes wage earners and salaried workers—was \$571 in 1909. This income went up to \$700 in 1913, to \$1,060 in 1917, and to \$1,191 in 1918.

If you reduce these sums to terms of purchasing power at prices of 1913, you will find that they will be equivalent to about \$600 in 1909, \$700 in 1913, \$822 in 1917, and \$755 in 1918. That will give you the general course in the big manufacturing industries of the country.

Representative MILLS. Will you give us the actual wages of men employed in factories in 1919 and 1920?

Mr. KING. No; I have not those figures carried beyond 1918. We will be able to give you data in manufacturing for 1919, shortly. The Census Bureau promised to send it to us in two or three weeks.

In transportation, which is another big field, wages represented \$657 in 1909, \$762 in 1913, \$1,017 in 1917, and \$1,286 in 1918. Those amounts, reduced to the basis of purchasing power, represent \$688 for 1909, \$762 for 1913, and \$814 in 1918. In that field wages continued to go up right along. That industry was different from manufacturing, largely, as I remember, because railway wages went up. Railway and transportation by water went up right along. The purchasing power of earnings in some electrical industries went down in 1918.

In the field of government, and this includes the Federal Government, State governments, city and county governments, and school districts, all employees (including the Army and Navy as well) received an average money salary for 1909 of \$688. It went to about \$788 in 1914, to \$878 in 1917, and down to \$812 in 1918, owing to the large increase in the number of men in the Army, with their low rate of pay.

If you put that in terms of purchasing power it amounts to about \$720 in 1909. It gradually climbed up to \$781 in 1915. It then began to go down and was \$754 in 1916, \$681 in 1917, and \$514 in 1918. There was a very sharp and steady decline in purchasing power.

Representative TEN EYCK. What is that attributable to?

Mr. KING. Well, I should say the fact that governmental bodies did not raise salaries and wages as fast as the price level went up. There was currency inflation which affected prices, and in Government service it takes time to get wages and salaries up.

The CHAIRMAN. That is particularly true in the matter of Government employment?

Mr. KING. Yes, sir. We have an aggregation of unclassified industries, which group includes all kinds of miscellaneous pursuits; e. g., clerks and stenographers. It is made up of 70 or 80 independent industries. I think the data are fairly good, although you might think the figures not highly accurate because of their scattered sources, yet I doubt if the average is far off because there are so many indicators represented in it. In 1909 the average was \$715. It gradually went up until in 1914 it was \$770; in 1917, \$971; and in 1918, \$1,054.

Reduced to the basis of purchasing power at prices of 1913 the figure would be about \$748 for 1909; \$781 for 1913; and \$788 for 1916. Then earnings began to fall off and went down to \$755 in 1917 and to \$667 in 1918, showing the same tendency as in Government, although not so marked.

This gives you an indication of how these earnings have been running. I think they are fairly typical of wages outside of agriculture.

You can compare these figures with the amounts the farmer received from his effort according to the method of computation that we have used. You will see that the average farmer made more money in 1918 and 1919 than did the average worker in the city industry. But in 1920 the farmer made very much less and in other years somewhat less.

Representative TEN EYCK. Are you able to deduce from your figures a conclusion as regards how much the farmer would receive with all of his different kinds of machinery, farm implements, etc., capitalized at, say,  $5\frac{1}{2}$  per cent or 6 per cent? How much would the farmer receive if it were spread over the entire farming industry per capita?

Mr. KING. That is, if you would add all his income from property?

Representative TEN EYCK. No; simply capitalize the entire farming industry of the country at a certain rate of interest paid to him and divided by the number of farmers; what would he receive? In other words, if he went out of business and invested his money, would he get more money than if he spent his entire time farming? Of course, we would have to add to that as income his earning capacity as an individual, because he would have his time free?

Mr. KING. If all persons owning agricultural property sold their holdings and invested the money at 5 per cent, we would find that in 1909 they would have gotten about \$2,000,000,000 of interest on their investment. In 1919 I have placed the rate at  $5\frac{1}{2}$  per cent.

Representative TEN EYCK. All right.

Mr. KING. They would have received \$3,600,000,000 in 1919, and about \$5,300,000,000 in 1920. That is about what all of the farmers and property owners would have gotten.

The CHAIRMAN. I understand that you are going to leave these tables with us, and we will insert in the record whatever we want, with the further understanding that none of the material furnished by your statement is to be made public until after the publication of your data by the National Bureau of Economic Research.

Mr. KING. We would much prefer it that way, because it is expected to be released in about two months. This is really the work of the bureau, but the directors have not ratified it yet, so I can not present it as the report of the bureau, but only as my report. They would not care to have me present a report which they have not indorsed, and I would be very pleased to have you so handle it.

The CHAIRMAN. If there is nothing further, we are very much obliged to you, Dr. King, for your kind and interesting statement. The information, I think, is of very, very great value, probably of greater value than anything we have been able to get or will be likely to get.

Mr. KING. I thank you very much, and am very pleased, indeed, to be of any assistance. And if our bureau can be of any further assistance at any time, if you will write us we will be glad to help. That is the only purpose of our bureau, to be of any assistance we can. The only reason for our existence is to be able to give the public information.

The CHAIRMAN. The commission will now stand in recess until 2.30 o'clock p. m.

(Whereupon at 12 o'clock and 25 minutes p. m. the commission recessed until 2.30 o'clock p. m.)

# AGRICULTURAL INQUIRY.

WEDNESDAY, JULY 20, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met at 11.30 o'clock a. m. in room 70, the Capitol, Mr. Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. We will hear Hon. Carl Vrooman, former Assistant Secretary of Agriculture, who will discuss the subject matter of the investigation. Mr. Vrooman, will you proceed in your own way?

## STATEMENT OF MR. CARL VROOMAN, FORMER ASSISTANT SECRETARY OF AGRICULTURE, BLOOMINGTON, ILL.

Mr. VROOMAN. Mr. Chairman and gentlemen of the commission, there are several aspects of this problem that I fully recognize the importance of and would be glad to speak upon if I felt that I possessed any special competence on them, for instance, railroad rates, domestic marketing processes, and taxation. But I have during the past six months devoted most of my time to the consideration of one aspect of this problem, and therefore I shall confine my remarks to that question. That is the problem of disposing of our surplus agricultural products abroad.

We are in the position of having in this country surpluses of various farm crops or products above the domestic demands of the country. The farmers produced these crops not only in good faith, but in accordance with what I would consider good business management, for the reason that at the time they undertook to produce them there was a large, an enormous demand for all of these products abroad, both in Europe and in the Orient. The farmers read statements from high public officials to that effect and consequently it never occurred to them that there would be any trouble about disposing of all that they could produce.

They had heard various representatives of the Government during the war come out and urge them to produce to the limit. I was one of those who went about the country on that mission. They thus formed the habit of going in for maximum production, and even so far, during the war, as to slight crops that normally they would have produced, in order to build up the fertility of the soil, such as the clovers and other legumes.

To the consternation of the farmers, of whom I am one, we discovered about a year ago that the available foreign markets were not

as great as we had been told, owing to the inability of foreign countries to pay cash for more than a portion of what they needed and inability to buy the rest on credit. This fact was brought to our minds primarily, I presume, by the fact that the prices of all farm products began suddenly to go down very, very rapidly.

Now, practically every statement connected with agriculture has been challenged at one time or another by different people. I had the pleasure yesterday of attending a session of the Senate during the discussion of the Norris bill, and a Senator challenged the statement that there were any agricultural surpluses. But, of course, all he needed to do to disabuse his mind of this error would have been to call up the Department of Agriculture and ascertain the facts.

The statement also was made yesterday on the floor of the Senate that we shipped out of America last year 60,000,000 bushels more of corn than ever before. I believe the Senator who made that statement on the floor of the Senate yesterday thought he was quoting from an article in the Herald of the day before. But he was not. What the Herald stated was that we had shipped out 60,000,000 bushels of corn. As a matter of fact we shipped out more corn than that in the year 1916-17—sixty-six million and some odd hundred thousand bushels.

He also made some statements with regard to our exports of wheat, which were very large last year, but did not take into account our imports of wheat. We imported I think 55,000,000 bushels of wheat last year from Canada alone. And so in talking about our exports we must deduct the imports from the exports to get the net exports.

Representative MILLS. But isn't it a fact that the exports of wheat last year were above the average?

Mr. VROOMAN. Oh, yes. But it is not necessary to leave these errors uncorrected because of that fact. The general point is perfectly sound. We did export, as I said a moment ago, an enormous quantity of wheat.

Representative MILLS. And did we not export more hogs than in 1913?

Mr. VROOMAN. I have not the figures for 1913, but there have been several years when we exported more pork products than we did last year.

Representative MILLS. Last year was above the average.

Mr. VROOMAN. No; not above the average in recent years. We exported more pork products every year during the five years preceding, than we did last year—notably in 1918-19, when we exported over a billion pounds more.

Senator McNARY. Mr. Vrooman, if you are considering the exportation to foreign countries I assume you have in mind the European markets and the moneys and credits available to justify the exportation. It is not necessary to take into consideration the imports from Canada.

Mr. VROOMAN. I was just correcting a statement that was made yesterday.

Senator McNARY. You are, then, raising a domestic problem that involves the economic policy of the tariff. What you started to discuss was the ability of the foreign people to take our surplus.

Mr. VROOMAN. I have no desire, Senator, to discuss the tariff at this time.

Senator McNARY. What I wanted to say was this: It occurs to me that there is no relation between the importation from Canada and the great volume of exports to foreign markets.

Mr. VROOMAN. It is only to get the net exportation. Every bushel that came in from Canada or its equivalent went out, because we are an exporter of wheat.

Senator McNARY. But what we are interested in is our foreign markets.

Mr. VROOMAN. Yes. Now the real problem is, as you say, whether or not there exists abroad a foreign market for such surpluses as remain in this country. That is the problem before us this morning. I have no desire whatever to enter into any aspects of the tariff problem. I have investigated very carefully the problem of our exportable surpluses, having gone over the matter with the representatives of a number of European countries, and have had their estimates as to how much of our products they need at the present time and will need during the coming year. That data has been incorporated in the hearings of the Agricultural Committee of the Senate. We have definite statements from accredited sources, from authoritative sources, of these different Governments, that they do need large amounts of our agricultural products.

Following is a statement of those requirements:

Czechoslovakia, a minimum of 150,000 tons of wheat and corn, 350,000 bales of cotton, 310,000 tons of wool, 17,000 tons of cotton waste, 40,000 tons of linseed, 3,000 tons of linseed oil, and 2,800 tons of tobacco.

Finland, 150,000 tons of wheat and corn.

France, 500,000 bales of cotton.

Lithuania, 50,000 to 75,000 tons of foodstuffs.

Rumania, uncertain. Normally need 45,000 to 75,000 bales of cotton.

Belgium, 500,000 tons of foodstuffs, largely for resale to other countries.

Austria, a minimum of 1,500,000 tons of foodstuffs.

Germany, 2,500,000 tons of foodstuffs and an enormous amount of cotton.

Poland, from 100,000 to 200,000 tons of grain or flour, 300,000 bales of cotton.

Italy, embassy would not state requirements which, however, will be large.

A couple of months ago I was endeavoring to see if we could not export some of our agricultural products through ordinary business channels. In fact I worked on that problem for several months, but fell down on it. There was no way of doing it, that is, of adding to the existing exportation going on, for the simple reason that we have no way to arrange long-time credits. We had orders given us through the Department of Commerce. Mr. Hoover cabled over and asked his agents in Prague as to the needs of their cotton and flour mills at the present moment, whether or not they needed any more cotton and corn. His agents cabled back giving the names of six different firms that wanted to buy cotton or corn and desired at once prices and samples. Following is a copy of the letter from the United States Department of Commerce containing this information:

DEPARTMENT OF COMMERCE,  
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,  
*Washington, June 11, 1921.*

Mr. CARL VROOMAN,  
*Cosmos Club, Washington, D. C.*

DEAR MR. VROOMAN: In regard to the cablegram which was sent at your request on May 13, 1921, to the American Trade Commissioner at Prague, Czechoslovakia, asking for information concerning the market for raw cotton and American maize, I quote below several cablegrams received from Prague:

"Firm Mencik & Pelly, controlling 150,000 spindles, interested cotton. Want cheaper grades. Send samples immediately. Will make offers for better qualities. Telegraphic address is Mncikpelly."

"Central Organization Czech Cooperative Agricultural Societies desire know at what price can buy for immediate shipment large quantities American maize. Send samples at once and full particulars to me. Firm Leopold Mahler, telegraphic address is Spinnmahler, Prague, want cheaper grade cotton."

"Following three firms interested in cheaper grade cotton. Want open negotiations immediately. Cable addresses Bondy Jaromer, Liser Slany, and Meligh Semily. Cable further information concerning yarn, including numbers demanded if possible. Send samples to me."

Our representative at Prague is Trade Commissioner Donald Breed, and his cable address is Amcomat, Prague.

If the bureau can be of any further assistance in this matter do not hesitate to call upon us.

Very truly, yours,

C. E. HERRING, *Acting Director.*

In other words, it seems to me that from the most reliable possible sources of information it is perfectly clear that there are very large demands abroad for our surplus farm products.

Representative MILLS. Well, now, would it not be better rather than to make a sweeping statement of that character, if you have the information to specify just what farm products you refer to?

Mr. VROOMAN. Yes, sir; I can do that.

Representative MILLS. We know they are taking wheat even to-day in large quantities.

Mr. VROOMAN. We have got it in all these hearings before the Senate Committee. Mr. Crossette, will you kindly look up the actual facts from these hearings?

The CHAIRMAN. What hearing are you referring to?

Mr. VROOMAN. The Agricultural Committee of the Senate, at the hearings on the Norris bill.

The CHAIRMAN. Yes.

Mr. VROOMAN. And all this data was presented there in very great detail, and I will give you the exact figures.

The CHAIRMAN. Very well.

Representative MILLS. I do not want you to go into the exact figures, but I think it would be well, rather than to say all surplus farm products, if you would specify what farm products there was a demand for. I don't mean that you should go into the details concerning it, but give us the farm products that there was a demand for.

Mr. VROOMAN. Well, the chief demand was for cotton, wheat, and corn; that is, the chief demand that we have the figures for.

Senator McNARY. Mr. Vrooman, there is the other end; there is the financial end.

Mr. VROOMAN. That is the problem I am coming to next. The first point I wanted to speak about is this, that there is a demand for our products, which has been questioned.

Senator McNARY. That has been questioned by the Secretary of Commerce, Mr. Hoover, in the hearings on the Norris bill, June 25, 1921, at page 68 of the record. I think you will recall the statement of Mr. Hoover along that line.

Mr. VROOMAN. Mr. Hoover's testimony is always interesting. I got a good deal of information from Mr. Hoover prior to the time that he decided to come out against the bill, and at that time the information he gave me was very useful in showing not only that there were demands abroad for these products but that these countries have

ample resources to hypothecate as securities. I was not there when he gave his testimony—I have here the revised copy of the proceedings and his testimony in the hearing—but some of the data that he had given me prior to that time did not occur to him when he gave the testimony before the committee. His memory seems to have refreshed itself since that time, and in his speech in Boston the other day he made some statements, which to my mind are very pertinent, that I would like to go into the record here.

In this speech, in speaking of the necessity of extending further credits to European countries, Mr. Hoover says:

Exchange, itself, is not the cause but the effect. It bears the same relation to trade that the barometer does to the weather. It is but an indication of the movement of commodities and credit. Our high barometer means we need more credits outward, or alternatively we must send less goods out or take more goods in.

Again Mr. Hoover says:

I may repeat that we need to realize above all things that even if we lower our vision of civilization in this crisis solely to that of our own selfish economic interest, we are mightily concerned in the recuperation of the entire world. There is an economic interdependence in the world that recognizes no national boundaries. The greatest jeopardy to the standard of living of our people is the lowered standard of Europe.

As to Europe's ability to repay us for credits extended, he says, for example:

I may say in passing that I am confident that our debtors can eventually carry the debt due to us with ease, provided they have the time necessary for the healing of their economic wounds, that they succeed in the reorganization of their fiscal policies so as to balance their Government expenditure, and, above all, that they secure disarmament and continued peace. Before the war the world carried a debt to a single European nation of twice the size of our foreign claims without knowing it, and with the renewed growth of the world commerce and wealth our debt will be no burden. Our problem is the difficulties of our debtors during the few years until these blessings are attained. *Washington Herald*, July 13, 1921.

Senator LENROOT. In that connection I would like to ask you, Mr. Vrooman, whether you think Mr. Hoover was referring to those debtor nations that are now able to finance their own products, or whether he was referring to such nations as Austria, Poland, Czechoslovakia, and where this demand comes from?

Mr. VROOMAN. I think that is what he is referring to here.

Senator LENROOT. The smaller nations?

Mr. VROOMAN. Yes, sir.

Senator LENROOT. I do not think so, Mr. Vrooman.

Mr. VROOMAN. Well, I think he was, because I have talked with him a number of times about the matter during the past six months.

Senator LENROOT. Do you think Mr. Hoover thinks Austria can liquidate her indebtedness to us and pay a further indemnity?

Mr. VROOMAN. Oh, I don't say that. Austria might be an exception. But I believe he thinks that Czechoslovakia can and will. I have heard him say that.

Senator LENROOT. I think that is true, too.

Mr. VROOMAN. I have had a good many conversations with Mr. Hoover on that subject, and the impression he gave me all the time was to the effect that nearly all, if not all, the countries of Europe will sooner or later be able to pay their obligations, provided they are given food and raw materials on credit now. Of course, Germany is first on his list, so far as ability to pay is concerned.

Senator LENROOT. Now, do you think that he believes that Germany can liquidate any indebtedness to us without the consent of the Allies?

Mr. VROOMAN. No; not without the consent of the Allies.

Senator LENROOT. No.

Mr. VROOMAN. But the Allies want Germany to get on her feet so that she can pay the reparations, and wanting this the Allies naturally would be glad to do what any receiver would do. They doubtless would be willing to give receiver's certificates to us or to anybody for the necessary advance of raw materials and food to enable Germany to go ahead and develop enough wealth in the country to pay the enormous liabilities of the country.

Senator LENROOT. Certainly, and that being so, would not the Allies then be willing, so far as necessary, to forego this annual payment of \$715,000,000 for reparation; in other words, anything we loan Germany is in a sense helping Germany directly to pay her reparations to the Allies, is it not?

Mr. VROOMAN. Yes; if the Germans make a profit on the deal, eventually they will be better able to pay the Allies.

Senator LENROOT. So in a sense, then, when we loan to Germany we are loaning to the Allies?

Mr. VROOMAN. Well, it is all to the good so far as the Allies are concerned.

Senator LENROOT. That is, we are making further loans to the Allies when we are doing that?

Mr. VROOMAN. That is one way of stating it.

Representative FUNK. But incidentally we are providing means for disposing of the surplus products of this country.

Senator LENROOT. That is another question.

Mr. VROOMAN. That is the primary point. How it affects Europe is secondary in this consideration.

Senator McNARY. Mr. Chairman, on this point I think it is interesting to refer to the hearings to which I adverted a moment ago concerning Mr. Hoover's state of mind. In the Senate committee hearings Senator Norris asked Mr. Hoover if he did not think there was an opportunity to find an outlet for surplus products, and Mr. Hoover said, at page 68 [reading]:

The difficulty in my mind is that I do not believe that, so far as the accumulated stocks of foodstuffs are concerned, we would obtain any increased market by the use of Government credits over what we will have by the normal flow of commerce, at least during the next several months. The European harvest is coming on, and they have supplies on hand with which to carry them until harvest, at their present rate of consumption.

And later on; on the same page, 68, Mr. Hoover says [reading]:

We can say at once that Europe must have a large importation of foodstuffs. There is no question about that. Every country of Europe must import foods with the exception of the Baltic and Balkan States. The problem is, will they be able, out of their own resources, to provide the finances for getting imported foodstuff? That is, as I see it now, I doubt if they would take any more food even if this credit machinery were provided.

That is, Mr. Hoover is referring to the Norris bill now before the Senate for consideration.

Mr. VROOMAN. And yet at the same time Mr. Hoover knew when he said that, that he had given us this cablegram from his own agent, saying that they were interested in buying corn and cotton.

Representative MILLS. Who do you refer to, Mr. Vrooman, when you say "they?" You said, "they would buy?"

Mr. VROOMAN. Czechoslovakia.

Representative MILLS. Well, that is one country.

Mr. VROOMAN. He is making a general statement. I do not have to prove that all countries—

Representative MILLS (interposing). No, but that is a small country, and it would be only a drop in the bucket.

Mr. VROOMAN. I meant to show that he had overlooked that fact when he made his statement, and I want to add that he overlooked another fact, namely, that if we can extend credits to these foreign countries we can take away from the Argentine a lot of her markets. To-day she is selling a lot of wheat and is selling a lot of corn and is selling a lot of beef to Europe. We can take a part of these markets away from the Argentine, providing we can grant credits and Argentine can not. The Argentine sells for cash. It is just an open and above board common everyday country grocery store proposition; the man who can offer credit gets a lot of trade that the man who can not or does not offer credit does not get.

Senator McNARY. Is their credit sufficient to invite private capital to invest?

Mr. VROOMAN. That brings us to an entirely different point, to which I have been gradually leading up. The point was brought up yesterday in the Senate, and it is pertinent, and it is worthy of our most careful consideration. I am forced to the conclusion that private capital will not do what we are trying to create a Government agency to do. This is the result of six months of my investigations. I have tried to find ways in which private capital will do this. I would rather have it that way, but I have totally failed to find any way of getting private capital to extend this credit. I do not think they will do it. The same Senator asked yesterday: "Why does not private capital do it? If private capital will not do it, does that not show that the securities over in Europe are worthless?" I say, "decidedly no." It shows that the securities over in Europe do not appeal as strongly as do other securities over in America to these private agencies.

My position is this, and I may be wrong about this, but it is the result of my observations and studies, during several months of hard work, that the Government has many interests in selling on credit over there that a private corporation, export house, or a banker would not have. The Government of the United States can afford to offer credit on conditions that an agency working purely for profit could not afford to do, and I will enumerate them to you.

Senator McNARY. Right there, Mr. Vrooman. Would you want your Government to accept securities that would not look inviting to private individuals?

Mr. VROOMAN. I decidedly advocate that proposition.

Representative FUNK. In other words, the Government might be in a position to hold these promises to pay for a longer period than private people would be willing to do.

Mr. VROOMAN. Not only that, Mr. Congressman, but our Government is in a different position, is in a very different position from a private agency working purely for profit. As has been shown in the hearings of the Senate Committee on Agriculture, this Government

has a pecuniary interest, aside from all other interests, a direct financial interest in Europe to the amount of \$10,000,000,000, in round numbers, that was loaned to European countries. Moreover, business men of this country have advanced practically an equal amount in the way of commercial transactions on credit.

It is a recognized procedure in the business world, when a creditor of any firm or corporation gets into temporary financial straits and is unable to meet his obligations, for the creditor corporation to say to him, "We will stake you to more capital so that you can work your way out of this temporary slump and meet your obligations to us." That is an every-day procedure of the business world. It is recognized as good business. Now, that is what the Norris bill proposes in the case of European countries.

Senator LENROOT. That is true of a business concern that is in good condition financially; but our own business concern is not in good condition financially. Would an ordinary business concern with a treasury deficit such as we have, with the assessments against its stockholders that we have now in the form of taxes, pour in a lot more of money?

Mr. VROOMAN. First of all, let me say that I am not proposing to send a dollar of money abroad. We are to extend credits to Europe with which to buy our rotting agricultural surpluses. But all the money—every dollar—stays at home and is paid to our farmers or to those who have bought their products from them.

Moreover, I take the position, sir, that our farm surpluses are doing so much damage to this country that if there were no such proposition as this credit proposition that I am talking about, if there were no markets abroad where we could sell goods on long-time credits, as we can by the hundreds of millions, we could better afford to take our farm surpluses over and give them away. We could even better afford, if no other recourse were possible, to take them out into the ocean and dump them there. We would be better off if we did that. At present our crop surpluses are liabilities not assets.

Do you know what is happening, sir? Every fortnight this country is losing more from the demoralization and paralysis of agriculture and of business, commerce, and finance than the total value of what I am asking you to sell on credit abroad.

Senator McNARY. How much is that?

Senator LENROOT. Then do you think that we can restore prosperity in this country by further increasing taxation?

Mr. VROOMAN. I think, sir, that by an advance or investment of \$100,000,000 of the money of our people we can go a long way toward remedying this intolerable situation, while also getting back the hundred million dollars with interest. Raise the money by taxation, if you like. I had advocated taking some money that the Federal Reserve Board had made in its profits and putting that into it, but I believe the bill provides for taking it from whatever funds are in the United States Treasury.

Representative MILLS. Well, that is exactly the same thing. You take it out of one pocket and you put it into the other.

Mr. VROOMAN. Yes. Well, I say it is all one with me. I believe that we can afford at this time to make a good investment, a peculiarly good investment, one of the best investments that was ever offered to any nation in the history of the world, and I feel, sir, when

times are as hard as they are now, that we can not afford to turn down so exceptional an investment.

Representative MILLS. Well, now, let us see whether you can make this investment. You are expressing opinions here.

Mr. VROOMAN. Yes.

Representative MILLS. But very few facts. England before the war was one of our best cotton purchasers. Are you of the impression that England is not buying cotton because she has not got credit to buy or because there is not a market for cotton goods?

Mr. VROOMAN. England has plenty of cotton on hand, according to my information.

Representative MILLS. The trouble with England is that there is no market for cotton goods, or has not been up to this time. I understand the situation is beginning to improve. But England is not buying cotton, not because she has not the credit to buy cotton but because she can not dispose of the cotton on hand. Is not that the case?

Mr. VROOMAN. Yes. I have no idea that we are going to sell any cotton to England on credit.

Representative MILLS. Well, now, let us see where we are going to sell it.

Mr. VROOMAN. Well, we can sell 500,000 bales, we are told by the representatives of the French Government, to France. I have a good many facts that I will give you before the morning is over.

Representative MILLS. You can sell 500,000 bales of cotton to France, providing they can get the credit?

Mr. VROOMAN. And we can also sell cotton to Czechoslovakia.

Representative MILLS. You can sell cotton to Czechoslovakia. How much can you sell to Czechoslovakia?

Mr. VROOMAN. Well, sir, 350,000 bales of cotton to Czechoslovakia is the estimate.

Representative MILLS. Who is making these statements?

Mr. VROOMAN. The commercial representative of the Government of Czechoslovakia made that statement to me at the legation.

Senator HARRISON. How about Poland, Mr. Vrooman?

Mr. VROOMAN. And Poland.

Representative MILLS. Just a moment. Would the Government take it and give Government obligations?

Mr. VROOMAN. They would be glad to, but we can get better securities than Government obligations. The talk about taking "worthless securities" is far wide of the mark. The talk about taking worthless securities is wide of the mark for the reason that we are able to go over there and get commercial securities, and those commercial securities can then have the indorsements of their Governments.

Representative MILLS. You say you can sell 500,000 bales of cotton to France by extending France this credit. France owes us approximately \$5,000,000,000. You would extend further credit to France so we can dispose of 500,000 bales of cotton. Now, as to Czechoslovakia, you want to extend them credit to the tune of 350,000 bales of cotton. Do they owe us money, do you know?

Mr. VROOMAN. They bought some cotton of us, sir, on a similar proposition as this, and they have paid every dollar of it.

Representative MILLS. Now, who else will purchase cotton?

**Mr. VROOMAN.** And they bought cotton of us at 40 cents, and they paid for it when it was not worth a quarter that much. That is the kind of people they are. They have attained a reputation for financial integrity that is not surpassed.

**Representative MILLS.** Well, now, who else will buy cotton from us?

**Mr. VROOMAN.** Poland wants some cotton. Poland has one of the most intensive cotton manufacturing districts in the world. I have forgotten the number of bales of cotton that Poland will want. **Mr. Crossette,** have you got the figures in the hearings there?

**Mr. CROSSETTE.** Three hundred and fifty thousand bales.

**Mr. VROOMAN.** Poland wants 350,000 bales of cotton from us.

**Mr. CROSSETTE.** Their capacity is 600,000, but they are limited this year on account of inability to furnish labor.

**Representative MILLS.** Well, now, are you under the impression that the credit of Poland is such that it is a good business risk?

**Mr. VROOMAN.** We are not going to sell it to Poland for Polish bonds. We are going to sell cotton, if we sell it, to a Polish mill. We will sell a mill a certain kind of cotton. We will have as a security a mortgage on that mill, on the lands and the machinery, and we will also have a first lien on the product of the mill. Our cotton every day will be getting more valuable as it is spun into cloth, and we will have a first lien on that cloth. The labor and the overhead expense, all those things going into it makes the cotton more valuable, and we will have a first lien on it, and then the Government will indorse the security on top of that.

**Representative MILLS.** If this is such a good business risk, why do you think it is that private capital is not willing to take the venture?

**Mr. VROOMAN.** Well, sir; of course, in reply to the question as to why private capital would not take the risk, I suppose there are a good many reasons for that. I know of a case out in my town where a note given on some automobiles by a man worth a quarter of a million dollars was offered to me at a 20 per cent discount. I said, "Why do not the banks take this?" He said, "The banks are taking care of their own customers."

**Representative MILLS.** Now, I saw in the paper last week—I do not know how true it is—that private interests financed a large export of cotton to Germany.

**Mr. VROOMAN.** Yes; they are doing this sort of thing nearly every day. We are shipping abroad a tremendous amount of all sorts of agricultural products. More than 50 per cent of all our exports are agricultural products. The sum total is colossal.

**Representative MILLS.** Now, let me ask you one other question. If the Government should extend credits in order to sell on credit agricultural products to foreign nations, why shouldn't it also extend credit to sell manufactured articles to foreign nations?

**Mr. VROOMAN.** I have no objection. I am not arguing that matter.

**Representative MILLS.** No; but I am asking you, would you advocate that?

**Mr. VROOMAN.** No, sir; I am not advocating that, for the simple reason that I have not devoted any special time to the study of the problem of exporting manufactured articles.

Representative MILLS. Well, now, let me ask you this question. Assuming that there are these millions of men out of work in the industrial centers, and it may be demonstrated that some of these countries, France and Poland, for instance, would take some of our manufactured articles providing they could get them on credit, would you favor the United States Government advancing a few hundred millions of dollars to enable the manufacturers to sell their products on credit?

Mr. VROOMAN. I would want to consider that carefully in all its bearings. I have considered this agricultural problem very carefully. As I say, I have spent months studying it from every angle. But if you can show me how such a proposition can do one-half as much good to the country as will the plan embodied in the Norris bill, I will support it with all my heart.

Representative MILLS. Is there any logical distinction between the two?

Mr. VROOMAN. Yes; there is a distinction between the two. I think there are some very important differences, but I am not prepared to say that your suggestion would not be a good idea. I am not prepared to say that. But there is a very great distinction between agriculture and manufacture. There are several very great distinctions. One is that agriculture is the basis of our whole national prosperity. It is the largest single industry. The farmer class furnishes the largest domestic markets. And when agriculture is hurt, when agriculture is hard hit, it is hitting at the heart of the country. Moreover, agriculture was hit first and was hit the hardest. I don't know of any manufactured articles that are selling to-day for one-third the cost of production, but that is what I am selling my corn for in the State of Iowa.

Representative MILLS. Well, there are some that are not selling at all, which is about the same.

Mr. VROOMAN. I have heard it intimated that some of our manufacturers have closed down, among other reasons, in order to maintain high prices so that they can continue to profiteer as in the past.

Certain it is that the prices of nearly everything the farmer has to buy are still maintained way above prewar prices, whereas the prices of nearly everything he has to sell are way below prewar prices.

A business man closes down and takes his losses on overhead for a few weeks or months, and then when the demand for his product is brisk enough and prices are high enough, starts up and proceeds to recoup those losses. But over half the farmers of the country during the past year or so have lost practically all their accumulated savings. Moreover, conditions are rapidly getting worse. Without the opening up of foreign markets there is no prospect in the near future of getting anywhere near cost for their products; and as for recouping their recent and prospective losses, with the present outlook, that is a far-off and visionary dream. Really are these two cases "about the same?"

Representative TEN EyCK. Do I deduce from what you have said that loaning money in this way to the cotton mill, and having a mortgage on the mill and on the ground, and then having it indorsed

by the Government, makes it a preferred credit really underlying these other bonds and the other obligations?

Mr. VROOMAN. Yes, sir.

Representative TEN EYCK. The same as you would give a preferred credit to a company that is insolvent?

Mr. VROOMAN. Yes, sir.

Representative TEN EYCK. Do I understand that your idea is that if you get rid of the surplus produced, and the farmer gets his money, that he in turn will be able to purchase the manufactured articles, and they will not need to be sent abroad, or credit given?

Mr. VROOMAN. It is the quickest possible way.

Representative TEN EYCK. Is that your idea?

Mr. VROOMAN. That is my idea; yes.

Senator ROBINSON. Now may I ask a question, Mr. Chairman?

The CHAIRMAN. Yes.

Senator ROBINSON. If I understand you correctly, Mr. Vrooman, you have shown or attempted to show where there is a ready market provided credit can be arranged for 1,250,000 bales of cotton to France, Czechoslovakia, and Poland combined. Do you know what the total surplus supply of cotton is in this country at this time?

Mr. VROOMAN. About 7,000,000 bales, I think.

Senator ROBINSON. Have you other figures in detail showing where a market could be obtained?

Mr. VROOMAN. Yes, sir; we have the figures for practically every country in Europe.

Senator ROBINSON. If you can put those figures in the record I wish you would do so.

Mr. VROOMAN. Those figures are all in the hearings before the Senate Committee on Agriculture, and I will include them in the record for you.

Representative MILLS. Will you answer me one question: What reason is there to believe that Poland can sell cotton goods, manufactured cotton goods, to-day, if England can not?

Mr. VROOMAN. Sell them to her own people.

Representative MILLS. Why can not England sell them to her people to-day?

Mr. VROOMAN. Do you mean to Polish people?

Representative MILLS. Yes.

Mr. VROOMAN. Every country has its own commercial arrangements and its own commercial channels and its own advantages, and, of course, you could ask me a good many questions about Poland that I would know nothing about, that I would be utterly incapable of answering, but it seems to me that there would be a decided advantage to the Polish people if they were to put a lot of unemployed Poles at work manufacturing cotton cloth. That would start the wheels of industry turning there. That would create an additional demand not only for cotton, but for wheat and corn and other things, so that would be a decided advantage. But of course the Polish people are buying cotton to the extent of their ability to do so. They are buying it to a considerable extent from England, or from us or from some place else.

On the other hand there is a large latent demand for cotton goods in Poland which is not supplied at all—for the simple reason that they have no funds with which to buy it.

The concrete problem, as I see it, is this: England has a surplus of cotton she has bought, and that she is gradually selling at a profit both raw and in a manufactured state. We have a much larger surplus than we have grown. Would it not be much better for us to sell some of our surplus to Poland than to allow England to monopolize that market because we refuse to extend credits?

Moreover, the Polish people have a commercial treaty with Russia, and Russia is in very great need of cotton goods, and they have been buying cotton goods from the Poles for a long, long time.

Representative MILLS. Well, if they buy raw cotton from us on credit and sell the finished product to Russia on credit, I guess we can kiss our credit good-bye.

Mr. VROOMAN. Russia has a lot of gold and in her commercial treaty with Poland it was arranged that Russia was to buy millions of dollars worth of cloth from Poland—the gold coming up to the Russian side of the border guarded by Russian troops, and the cloth being brought up to the Polish side of the border guarded by Polish troops.

Moreover, Mr. Arct, the Polish purchasing agent in this country, made an interesting statement with regard to the sale of the cotton cloth to be spun in Polish mills. He said:

As all cotton mills are located in the part of Poland which previously belonged to Russia, those parts of Poland which were German or Austrian did not use any of the output of these mills, but got their products from Germany or Austria. Now in United Poland these parts are using the cotton from these Polish mills which are located in the prior Russian Poland. In prewar times these mills exported out of Poland 50 per cent of their production. Now in United Poland with normal consumption there will be no surplus left and these 350,000 bales are required for home consumption. There is a ready market for Polish goods right on the border, that is, in Roumania, Russia, and Lithuania; in prewar times it consumed about 150,000 bales. It is absolutely certain that to meet these requirements we will have to increase the output of our mills and to get not 350,000 bales but about 500,000 bales a year, provided we can get them. The mills are fitted to work it out.

Representative TEN EyCK. In a business way would you not have the opportunity and the right to insist on certain liens even on their bills receivable and as regards their output where it is sold?

Mr. VROOMAN. Yes; absolutely.

Representative TEN EyCK. And would we not have the right to insist on certain restrictions as to how it is sold and what arrangements are made for the payments?

Mr. VROOMAN. Yes.

Representative TEN EyCK. In a business deal you can go beyond the actual manufacturer. You can go into a man's selling organization and arrange with him when he sells and to whom he sells, and at what price, and so on.

Mr. VROOMAN. Yes.

Representative SUMNERS. If Poland and its people would make a special effort to get their own organizations, their own industries into operation and give employment to their people, that is a matter of their own national public policy. The Polish Government should encourage such policy; the Government should endeavor to get its industry to stand on its own feet, rather than to be under industrial dependence to another people.

Mr. VROOMAN. Well, as I said a moment ago, Poland could take 600,000 bales of cotton if they had available markets and sufficient

capital, and all that sort of thing. Their present spindles could handle that amount.

Representative SUMNERS. There is another point. From the standpoint of our own export markets it seems to me that it is advisable to establish as far as feasible direct trade contact with the peoples that are in the market for our products.

Representative MILLS. You do not get the purport of my question. I do not want to sell raw material to a manufacturer and give him credit unless that manufacturer could show me that he had a market for his finished product. My understanding of the cotton situation, not only in this country but in Europe, is that the market for the immediate finished product is gone.

Representative SUMNERS. I imagine it is in a difficult situation. But if Poland could finance the situation, either directly or indirectly, so as to help its own people produce what its own people need to buy, it would seem to me that it would have a tendency to stimulate its industries.

Representative MILLS. Of course Poland would not be taking the chance that we would be taking.

Mr. VROOMAN. I do not feel that it would be exactly a calamity for us if some of the markets for cotton cloth or wheat or corn flour that Poland, Czechoslovakia and other countries are counting on, failed to materialize in full measure, and we were forced to foreclose on and take over a few of their flour and cotton mills.

I can remember the time when English capital thought it an excellent thing to buy American factories, railroads, breweries, mills and the like, and when German capital was invested freely in like manner in Italy, Russia, and elsewhere.

Such investments would help to build up a permanent American export trade, if they were made on a forced sale, by competent American business men. They would become centers of American commercial influence.

Thus, even at the worst, I do not see how we could well lose out on the plan proposed.

Representative TEN EyCK. Well, is it not true that with England there is no market for her finished products, more so than with any other country, because she is an export country, and she is in certainly the same position that we are in.

Senator McNARY. I want to propound one question to Mr. Vrooman. I know Mr. Vrooman's connection with the framing of the so-called Norris bill. I know that you were very helpful, Mr. Vrooman, and you contributed much to that, and of course you are favorable to that measure. Speaking of the large amount of cotton that might be sold to the foreign countries on credit, has that matter been called to the attention of the War Finance Corporation that was handling matters of this kind on a different scheme than provided in the Norris bill?

Mr. VROOMAN. Yes; I have gone to them to see if I could not find some means of doing this. We tried for months to find some way of doing it, and I hoped all the time that I could, because it seemed to me that the natural thing to do was to handle it through the War Finance Board if possible, but I was totally unable to handle this matter. Mr. Meyer told me that repeatedly. He said, "We can

not do that. It is impossible. We are doing everything we can." And I think Mr. Meyer is a very able man.

The CHAIRMAN. Why is it impossible?

Mr. VROOMAN. He can not loan a dollar on credit abroad. He could not loan a dollar on the securities of a foreign country, or of a citizen of a foreign country. He can loan money to you or to me if we have proper banking security behind us, but we would be required to take all the risk. Our exporters are unable to assume that risk.

There must be some intermediate organization, some business financing corporation that can hire experts to go over and investigate these securities. The ordinary exporter has not a staff of experts who are competent to deal with matters of international securities. What do they know of the relative value of Polish and Czecho-slovakia's securities? But with a large governmental agency it would be different. We could have a great financial organization that would secure the ablest international security experts that this country possesses, and send them abroad to look into matters, and then we could be sure that we are getting securities of approved value, while at the same time overlooking no chance to unload our farm surplus where it was possible and safe.

Representative MILLS. Let me ask you a question. Do you consider the \$5,000,000,000 that France owes us as good as cash?

Mr. VROOMAN. I would be, of course, glad to answer your question, but I do not think it has any relationship to the matter in hand.

Representative MILLS. Now, wait a minute.

Mr. VROOMAN. I am not advocating selling anything to the French Government, you understand, for bonds, or to the Polish Government for bonds, or to Czecho-slovakia for bonds. I am advocating commercial propositions, selling to manufacturers on good commercial security, backed up by Governmental indorsement.

Representative MILLS. But I am asking you whether you think that governmental indorsement is as good as cash.

Mr. VROOMAN. No, sir, I would rather have the cash. I was born in Missouri.

Representative MILLS. Yes, I guess so. So would we all.

Mr. VROOMAN. Yes, sir.

Representative MILLS. But you appreciate, of course, that if the industries of France continue to be solvent, that is as good as cash. If they get on their feet, in the long run that \$5,000,000,000 will be paid.

Mr. VROOMAN. I think so.

Representative MILLS. And if that \$5,000,000,000 is not paid, it will mean that the French industries have gone to smash, including the manufacturing gentlemen to whom you propose to extend credit, which you say is as good as cash.

Mr. VROOMAN. Well, now, I do not say that any credit is quite as good as cash. If I said that I wish to go on record as saying I prefer the cash.

Representative MILLS. Well now, let me ask you whether you think that credit, even to an individual of a country which is still spending some 15,000,000,000 or 20,000,000,000 more francs a year than it is collecting in taxes, and whose paper money therefore is

increasing at that rate per year, is a particularly good risk, irrespective of the personal credit of that manufacturer?

Mr. VROOMAN. I started to say, and some one interrupted me so that I did not get to finish my argument, that I take the position that our Government at this time, the American people through its Government, can afford to take risks which a private enterprise here could not possibly afford to take. In view of the fact that our Government has loaned to these various countries some 10 billions of dollars, and that their merchants and manufacturers and importers have gotten another \$10,000,000,000 from us on purely commercial credit, we have got a large stake in the rehabilitation of Europe and we can afford to take a little more risk as a means of helping them to get on their feet and enabling them to pay us back.

Senator LENROOT. The major part of this \$10,000,000,000 is owed to us by countries to whom you do not propose to extend this credit at all, is not that true?

Mr. VROOMAN. Well, yes, sir, countries like England, of course, whom we think are perfectly good.

Senator LENROOT. Very well. Then if we extend this credit as you suggest, and thereby deprive England, France, and Italy of the markets they would otherwise have, how do you claim that we have increased the value of the security of those three countries?

Representative FUNK. We are not depriving them of any market for any product which they produce in competition with us. He is advocating the disposition of the surplus of grain and cotton.

Senator LENROOT. Well, take cotton for instance. England has a surplus of cotton, and England is seeking a market for it.

Representative FUNK. Of raw cotton?

Senator LENROOT. No; manufactured cotton. And Poland and these other countries who manufacture this raw cotton will just to that extent deprive England of her best market for a finished product. Now, is that a benefit to our principal debtors? I am just taking his theory now that it is going to help our own securities of \$10,000,000,000.

Representative TEN Eyck. But you would not advocate not going into the markets of the world and competing with England and France on that basis?

Senator LENROOT. Not at all. Now, I want to ask Mr. Vrooman a question along that line: If a credit is extended to any country, which credit shall be used solely for the consumption needs of their people, without producing a surplus of other products which they can sell in other markets, is that a good credit; is that a good security? Can there be any good security under such conditions?

Mr. VROOMAN. Would you mind repeating that, Senator?

Senator LENROOT. Supposing we extend a credit here to a country the entire amount of which will be used in production for the consuming needs of their own people, without creating any surplus in that country for markets abroad, can there be any good credit to us in that kind of a transaction?

Mr. VROOMAN. Well, I suppose that is directed at Poland?

Senator LENROOT. Oh, certainly.

Mr. VROOMAN. In the case of Poland: Poland has a special trade treaty with Russia, in accordance with which she is to sell them cotton goods and other products of Poland for gold. She is to take it

right up to the frontier line by the trainload, guarded by soldiers, and there sells it. They have got a special arrangement of that sort with Russia. They have got a wonderful market there. They have sold the cotton goods to Russia largely for generations. With a huge cotton manufacturing area in Poland which in normal times can take 600,000 bales of cotton per year, they can manufacture cotton goods, of which a large portion is meant for export trade. And that export trade will undoubtedly grow as conditions settle down. But there is a considerable export trade at present.

Senator LENROOT. Now, thake that Russian trade. All that Russia has to pay with is gold. Their gold will soon be exhausted. What will Russia pay with when this gold is exhausted?

Mr. VROOMAN. Well, the point I am making is to get ourselves out of this present terrible crisis, the most terrible crisis—

Senator LENROOT (interposing). Well, I am looking ahead to see what our securities are, Mr. Vrooman.

Mr. VROOMAN. Yes, I know.

Senator LENROOT. Now, if we get right back to the proposition that you once suggested, that we should not consider those securities, but go ahead here on the same theory that we are just going to dump this without any compensation, to help our farmers, that is one theory, but when you talk about securities of these countries, I can not follow you. What are they going to pay us with, Mr. Vrooman, especially if we pass a tariff bill such as is proposed? They can not pay us without gold. Are they going to pay us with goods?

Mr. VROOMAN. They will pay us with a portion of the money that they otherwise have to buy the goods with elsewhere. But they would use a great deal more this way than they would otherwise; but, as I say, we would be building up the prosperity of the country, and gradually they would have more to buy with. We would stimulate the prosperity of the country. I think it would be hard for us to figure what it would be to a little country like Czechoslovakia or to Poland if we should furnish them what they need in the way of raw materials. It would simply lift them out of the slough of despond and start a revival of business there that would only be comparable to the revival of business in our own country if we could get rid of these surpluses.

Senator LENROOT. Now, you say that by increasing the prosperity in Europe it would greatly increase the consumption of our raw materials. Do you not think that if we had prosperity in this country that it would very greatly increase the consumption of our agricultural products?

Mr. VROOMAN. Yes.

Senator LENROOT. Now, if the extension of this large credit is to retard the resumption of our own prosperity, and thus retard the consumption of our agricultural products in our own country, do you think that we then have rendered agriculture in this country a service?

Mr. VROOMAN. Do you mean that the extension of this credit would have the effect of retarding prosperity in this country?

Senator LENROOT. Yes.

Mr. VROOMAN. I am not in accord with you on that. To me that is not conceivable.

Senator LENROOT. I do not see how you can increase taxes in this country and expect prosperity.

**Mr. VROOMAN.** An increase of taxes by \$100,000,000 would cause a revival of industry and agriculture in this country which would amount to millions of dollars.

**Senator LENROOT.** Let us see. You say you would expect to finance this with \$100,000,000 and a billion dollars on sale of bonds?

**Mr. VROOMAN.** Yes.

**Senator LENROOT.** Isn't it going to take that much away from resumption of prosperity and industry in our own country?

**Mr. VROOMAN.** This plan would not take a dollar in money out of this country, nor a dollar's worth of anything of which we haven't got more than we know what to do with. The trouble in our country is not a lack of wealth. I would stake my reputation on the fact that the trouble in our country is not in a lack of wealth. We are reeking with wealth; on every hand we stumble over it. This country has got more wealth than any nation has ever had in the world. We have simply a plethora of wealth of every kind—gold, food, coal, copper, clothing, lumber, etc. We are going broke surrounded by almost unlimited wealth.

**Senator LENROOT.** And it is a matter of adjustment, is it not?

**Mr. VROOMAN.** If we would let some of this wealth go abroad, we would be like a man whose blood was too rich, and who had paralysis; and it would be a jolly good thing if we could thin out our blood a little.

**Representative MILLS.** What we need is more liquid capital.

**Mr. VROOMAN.** What we need is a demand for our surplus. What we need is a market. There is nothing that can save us except markets. We have got the wealth. If we would send over there a billion dollars' worth of our rotting surpluses, we would be better off. That is the point I do not seem to have presented to you with sufficient clearness, gentlemen. If we send over there a billion dollars' worth of agricultural products, we would not have lost anything, we would not have weakened ourselves; rather we would have strengthened ourselves, and every State in the Union would be better off without it, and every bit of money we would get from Europe or from China or anywhere else would be that much velvet.

**Representative MILLS.** Well, suppose you apply that to our domestic affairs. Suppose we should say; "Let us extend credit to everybody that wants to buy." What would then happen to us? Suppose we should do that generally in this country.

**Mr. VROOMAN.** Well, I think everybody in the United States that has good security ought to have credit.

**Representative MILLS.** No; I am not talking about good security. I am talking about security that the business men of the country will not accept. But, now, take a grocery man and assume that he should extend credit to everybody that wants to come to him and buy.

**Mr. VROOMAN.** Senator, is not that practically what we are doing? The banks of this country are extending credit to-day to tens of thousands of people whose credit is not a commercial risk.

**Representative MILLS.** New credits?

**Mr. VROOMAN.** No, sir.

**Representative MILLS.** No, sir?

**Mr. VROOMAN.** No.

**Representative MILLS.** This is a new credit.

Mr. VROOMAN. But this is a crisis we are in. I would not advocate this in normal times, Senator, not for a minute. It is only because we are in this crisis that I am advocating this emergency measure.

Representative FUNK. I take it, Mr. Vrooman, that your idea is that one of the causes of hard times, so called, in this country is the failure of the agricultural population to be in a position to buy as they do in normal times.

Mr. VROOMAN. Yes, sir.

Representative FUNK. Now, if some adjustment or some relief could come about, so that the agricultural people could resume buying as they have done when times have been good, if that would be done that would reflect itself throughout every channel of trade in the country?

Mr. VROOMAN. Absolutely.

Representative FUNK. And business would revive?

Mr. VROOMAN. Absolutely, sir; and nothing else can do it.

Representative FUNK. And we are now in a position of checkmate, an impasse right now, and in order to break the deadlock your idea is to stimulate to some extent the agricultural interests so that things resume their normal activities, their normal purchasing power?

Mr. VROOMAN. Quite so.

The CHAIRMAN. Do you make any distinction, Mr. Vrooman, between the credit of goods for consumption, like food, and credit for goods like cotton, for further manufacture?

Mr. VROOMAN. In normal times, Mr. Chairman, there is a very decided distinction which should be made; in normal times credits for food products should only be extended for one year, because food is generally consumed each year. And other products are consumed more slowly. That would be the normal rule of good financing. But at the present moment that rule, it seems to me, is controlled by another consideration.

These countries are in a condition requiring help until they can gradually get on their feet. They must be given credit to get them out of an acute financial crisis, and therefore it is my opinion—and I do not pretend to be an exporting expert or a financial expert—but it would be my opinion that the demands of the situation would require us to sell them food products where necessary and where the securities were sound, for longer periods than one year.

Poland wanted her cotton, I think, part of it on one year, part of it on two years, and part of it on three years, and she wanted to buy also some corn and wheat. Most of the corn they asked only nine months on. They said, "We can grind it up into meal and sell it and pay you in nine months." But they said they would possibly run into a situation where they might want two years for some of it. I think, under the circumstances, that we should do everything that is safe from our point of view to help them get out of their present predicament so that they can be good customers in the future.

The CHAIRMAN. Well, it seems to me there is a very wide economic difference between credit, even under these circumstances, for food for immediate consumption which brings nothing whatever back, which does not increase the wealth of the nation to whom you are loaning at all, but simply increases the indebtedness, and something which creates wealth. In the case of cotton, where you are selling

the raw product for further manufacturing, producing labor and consequently increasing demand for all products, giving them an opportunity to create wealth through the use of that labor, that is a different situation.

There is also, it seems to me, this difference, that in the case for instance of cotton that goes to a manufacturing concern, you can get perhaps security from the manufacturer in some form or other. But in the case of food for consumption do you not have to fall back in that case to Government credit alone?

Mr. VROOMAN. No, sir; for the reason that one of the main reasons why they want to import this additional amount of wheat and corn into Poland and Czechoslovakia, to cite two instances, is in order to reduce the selling price of those commodities in those countries, without any subsidy from the Government. Their buying experts and financial agents tell me that if, as Mr. Hoover has indicated, they struggle along and only bought such food products as they can pay cash for, that probably they could keep the country from acute starvation, but that a large proportion of the population would be undernourished, owing to the fact that the rich could and would buy all the food they wanted, but that the poor could only buy a little, barely enough to keep soul and body together, and not enough to keep them in working efficiency, able to do their part in the building up the business and the industry of the country.

The CHAIRMAN. But the selling to them of food does not create anything with which they can pay any more than they can now.

Mr. VROOMAN. By increasing the stock of food in the country and not increasing the demand you very naturally cut down the price for which the food will be sold, and that was their idea, to furnish cheaper food to the people, so that the poor people buying it themselves, paying for it out of their wages or from whatever sources of income they might have, would have more food. Now, I talked that point over with Mr. Hoover, and he did not make any statement on it, but he did not deny it. He can not deny it. No living being can deny it. It is the truth. The Polish officials here can give you all the details you want on that subject by the hour. And the Czechs can do the same.

Representative TEN EyCK. Let me ask you a question on this point in relation to Germany, leaving out of consideration for the moment Poland and these other countries that we have been speaking of, and just taking up the matter with reference to Germany, from a financial standpoint. If they actually need food for consumption to keep the strength and the health of the people up to a standard so that they can produce other manufactured articles and thereby produce more per capita and increase their wealth—and I am not speaking as an opponent or a proponent of the proposition, I am merely asking this question for information—do you not think under those circumstances that France, England, and Italy and other countries might be willing, if it be taken up through the proper channels, to allow a priority credit, as against their indemnity claims against Germany for payment on actual food necessities to keep the nation alive so that they can work out their own salvation and more quickly earn the money with which to pay this indemnity?

Mr. VROOMAN. I would think it would be good financial policy for them on their part to do that.

Representative TEN EYCK. On France's part and England's part and Italy's part?

Mr. VROOMAN. Certainly. If it were necessary. But, as a matter of fact, Mr. Congressman, the best purchaser we have in Europe to-day, just as soon as peace is declared, is Germany. She has got the greatest amount of cash and she has the best credit, and we can do business with her on a very large scale. After we have sold her all she has got the cash to pay for we can sell her a very large amount of cotton. I have forgotten the number of bales of cotton that Germany wants, and the amount of corn and wheat, but the amount that Germany wants is very large. And Mr. Hoover has said that Germany stands first as being the best paying customer we have and the best risk.

The CHAIRMAN. I do not think you answered, Mr. Vrooman, the question I asked with reference to where the credit was coming from for these food shipments, where the security is coming from, in other words, if it does not come from the Government.

Mr. VROOMAN. Well, it comes from the flour mills and the corn-products mills, just as credit would come from the cotton mills. Now, Mr. Hoover gave us the name of a large wholesale agricultural society that wanted to buy corn in large quantities, that he secured by cablegram through his agent in Prague. Mr. Arct, the Polish purchasing agent, also gave us a definite order for 5,000 tons of corn for Polish mills.

I have incorporated the letter from Mr. Hoover's department in the record and will incorporate Mr. Arct's letter here.

POLISH OFFICIAL PURCHASING BUREAU,  
New York, May 17, 1921.

Mr. LOUIS CROSSETTE,  
Cosmos Club, Washington, D. C.

DEAR SIR: As per your offer of corn on credit, referring to our conversation of yesterday's date, I herewith confirm my acceptance of from five to ten thousand tons shelled corn, kiln dried, inspected Produce Exchange rules, Atlantic seaboard, c. i. f. Danzig, at market price, this on credit from nine months to one year, delivery on June or July, 1921. If this is acceptable to you kindly reply at once and we can immediately proceed with the minor details.

Thanking you, I remain,  
Very truly, yours.

STANISLAW ARCT,  
Commissioner of the Polish Government,  
Director of Purchases in America.

Also five to ten thousand tons per month. This for the city of Warsaw. Notes will be municipal, indorsed by Poland.

Senator LENROOT. What security?

The CHAIRMAN. What securities did they offer?

Mr. VROOMAN. They would mortgage their mill and mortgage their product; give us a first lien on the product, or, in the case of Poland, Warsaw municipal bonds were offered.

Senator LENROOT. That would not be as good as a Polish Government bond, would it?

Mr. VROOMAN. Very much better.

Senator LENROOT. Because a Polish Government bond would have a priority over the mortgage on the mill.

Mr. VROOMAN. No.

Senator LENROOT. Oh, yes.

Mr. VROOMAN. I do not understand it that way, Senator.

Senator LENROOT. You do not mean to say that private security has priority over taxation of any Government?

Mr. VROOMAN. Well, sir, I say this, that the Government bond does not mature for several years, and this obligation would have been paid for, and they would have bought more corn and paid us for it, and bought more and paid for it, again, several times, before the Government bonds would be due, before it would be called.

Senator LENROOT. Poland is owing us money now, to-day, if we should call for the money, that is, the Government.

Mr. VROOMAN. We have already had some of these transactions, Senator, and they have been obligated to pay, and they have actually paid us, you know. As I say, Czechoslovakia bought cotton from us at 40 cents and paid us back the money due when the cotton was not worth 10 cents; they paid us back one hundred cents on the dollar, and it nearly broke the mills. It was not a Government transaction, it was a mill transaction, but they paid us.

Now, gentlemen, here is another point that I would invite your consideration of.

Senator LENROOT. I would like to ask you one question before you come to that. Do you urge this, Mr. Vrooman, as a business transaction, or do you urge it irrespective of loss, even though we lose everything, that still we ought to go into it?

Mr. VROOMAN. Yes, sir; I would say that.

Senator LENROOT. That is what I wanted.

Mr. VROOMAN. Yes, sir; I would say that, certainly. But we are not going to lose it. The chances are very strong in favor of our getting back every dollar.

Representative SUMNERS. The difficulty about that, Mr. Vrooman, is this, I imagine, in so far as the average member of this committee is concerned, that when you say you would urge this being done even if we were to lose every dollar of it, it would have the effect of creating the impression, possibly, on the minds of members, that you would not be very careful or very dependent upon the character of the security that may be had, in advocating that this matter be put through.

Mr. VROOMAN. Well, that might be the impression created. I would be sorry to create such an impression. And yet I do not hesitate to go on record as saying that this country's agricultural surplus, as I said a little while ago, is doing more harm every fortnight than we are asking the Government to invest in this remedial legislation.

Representative SUMNERS. It would seem to me that if the matter could be done with approximate safety—and there is some element of risk in the extension of practically every credit, I assume?

Mr. VROOMAN. Always, always.

Representative SUMNERS (continuing). That this Government, because of the fact that it is a big creditor nation, this Government as a government is a big creditor of Europe, is interested in trying to do what it can to get its debtors in shape to pay their debts. Europe has been the victim of this terrible calamity that has affected, at least temporarily, perhaps for some time, its ability to respond in the payment of those debts, just as the banks now find a good many of their debtors unable to respond. And just as the mercantile concerns find at different times, even under normal conditions, some of their cus-

tomers have met with some business reverse that temporarily makes them unable to respond, but that will not affect the permanent possibilities of payment, and they try to keep them on their feet and going. I think from that angle perhaps the Government would have greater interest, and would be justified in perhaps in taking greater financial responsibility and risk than under ordinary conditions. I do not see how we can ever get these debts paid to us until those Governments and their people will get their institutions into operation. If we can safely furnish them with the means of conserving the physical ability of the people so that they can get their manufacturing concerns, their industries into operation, and furnish the raw materials necessary for getting the concerns going, we can eventually get from them the amount that they are indebted to us. I know as a lawyer I always advised that sort of procedure on the part of my clients who happened to have a debtor similarly situated who could not pay. You have got to keep them going somehow or other if you are going to get your payment.

Mr. VROOMAN. I would hate, Mr. Congressman, to have any misunderstanding on that point that you raised, because I flatter myself that I am as careful a business man as anyone I know, and I have always been equally careful with Government funds.

The point I was going to make, and which I did not possibly make clear, was this, that there are two sorts of benefits that would accrue from such an action as this. I mean there are two sorts of returns. One is the return we would get in the shape of the return on the securities, the actual money paid back. If we would loan a million dollars to somebody, we would get the million dollars back. That is one kind of a return. The other return I regard as even greater, namely, the help to American agriculture and American business.

So I say we are getting back more than 200 per cent on our investment. And the only reason for my saying that I would be willing to sell this stuff, even if we were not going to get anything back on the securities, is because I feel that we would get more than 100 per cent, yes, several hundred per cent, back in the improvement of agricultural and business conditions throughout the country resulting from the operation.

Representative SUMNERS. Your contention is that the thing we are getting rid of is not of much value to us under present conditions, and you think we would get pay for it.

Mr. VROOMAN. Yes, sir; I think that the thing we are getting rid of has less than no value; I think it is a liability rather than an asset. Think of the State of Iowa with 260,000,000 bushels of corn on the farms a month ago. One hundred million bushels more last year than ever raised before in the history of Iowa. They are simply swamped with their grain. They are being smothered in it. And the same is true of cotton. You know far better than I do that throughout the South there are thousands and thousands of acres of cotton that have never been picked. Would they be afraid to sell that on credit? Would they be afraid to take a chance? They have absolutely given it up. All the money and labor that went into the production of that is gone. They are not trying to do anything with it. Why? Because if they did go to the expense of picking it they would lose money on it now. The same thing is true of hay in Colorado

and Utah and out in the West—millions of tons of the best quality of hay are lying on the ground, rotting. They can not ship it to market, because the price of moving it is more than they could finally get for it.

The CHAIRMAN. Have you any actual figures as to the surplus in this country, Mr. Vrooman?

Mr. VROOMAN. No one knows, Mr. Chairman. I took that matter up with the Department of Agriculture to see what figures they had, but they say they do not have figures that are satisfactory on this point; but they have given me the figures as to the surplus at the beginning of the year, that is, the surplus of production. Now, there was a production of corn aggregating in round numbers 460,000,000 bushels more than the 10-year average; 230,000,000 bushels of oats more than the 10-year average. The amount of wheat over the 10-year average was small. In fact, our surpluses, except of corn and cotton, are not enormous. We probably would be surprised at the rise in prices that would be caused by comparatively small exports on credit, in addition to what we already have sold for cash.

Representative FUNK. There is an unusually large crop of corn right at hand now.

Mr. VROOMAN. Yes; there is another crop of corn coming on now to swell that surplus.

Senator LENROOT. I would like to ask why such a large acreage was planted if everything was raised at a loss? Why was such a large acreage planted this year? Why was not a campaign launched against it?

Mr. VROOMAN. Well, Senator, I have not raised so large an acreage this year. I have gone into the business of building up the fertility of the soil this year. I have put one-third of my land into clover, soya bean, alfalfa, and sweet clover.

Senator LENROOT. I wonder why more farmers have not done that this year?

Mr. VROOMAN. I think the Department of Agriculture should have started a campaign in favor of their going into the matter of increasing the fertility of the soil this year. I think they should have conducted such a campaign as we did when during the war from one end of this country to the other Government officials urged the farmers to increase production.

Representative SUMNERS. Here is one point about it. A farmer has got his farm, his family, his equipment, and it is mighty hard for him to lay off his mules and his laborers or his own family and cut down. And then, of course, there is always the hope that conditions will improve. They realize that they can not figure what the next season will be; there might be a drought. If a drought should happen to strike a large part of the country they would get along very well.

Senator LENROOT. That is true of some sections, but in the northern part, as Mr. Vrooman said, the farmer had an opportunity to build up his farm.

Mr. VROOMAN. I think the more intelligent farmers, Senator, have gone into the building up of their farms to a great extent. I know the farm bureaus out in my country advised it. And farmers have got in a tremendous amount of cover. But that means that they would have to put in wheat and oats.

Representative TEN EYCK. Rotating. I think the farmer has been educated for generations to look to the future, to deal in futures. It is his entire business training.

Senator LENROOT. He is an optimist, too.

Representative TEN EYCK. He is an optimist.

The CHAIRMAN. Have you anything further, Mr. Vrooman?

Representative TEN EYCK. One further question, Mr. Chairman. I think we all agree that to get rid of this surplusage and sell it if we would be sure of our money would be a very good thing. Now a banker, as a rule, does not go to a borrower and say, "We have got this money. Now how can you arrange to take it from us?" He generally sits in his office and the other fellow comes over to him and puts his securities on the table and tells him what he has to borrow on. Even though the banker wants to loan the money he generally sits back.

I believe that what we ought to have brought to the attention of this committee are concrete arrangements, suggested by the representatives of the other countries as to what they can put up, what they will put up. How they believe their Governments will indorse it, and what other arrangements they can surround it with for safety. I believe that you could get that, Mr. Vrooman, from the representatives of the foreign countries, and then we will have something in a concrete way to work upon to tell them whether or not we can give them the money that they need.

Senator LENROOT. That was done in some instances in that other hearing.

Mr. VROOMAN. Yes; Mr. Arct, the financial representative of the Polish Government, gave a full, detailed statement of that to the Senate committee.

Representative TEN EYCK. Before the Senate committee?

Mr. VROOMAN. Yes. I can get Mr. Arct down here to make a statement of that sort. He is in New York.

The CHAIRMAN. Personally I would like to hear him, but I would like to see it on paper, as to what arrangements that country can make.

Representative TEN EYCK. If he can map out a scheme to take care of that problem in an intelligent way, to my mind it would be just as beneficial as to hear him.

Mr. VROOMAN. If you would glance over the testimony he gave before the Senate Committee on Agriculture you would see what his proposals were along that line, and if there is any further information you would like from him I would be very glad to take it up with him.

Representative TEN EYCK. We would be very glad if you would do so.

Mr. VROOMAN. We have also had similar conversations with the representatives of other Governments, although for some reason the other government representatives did not want to appear before the committee. I do not remember just what the cause was. It had something to do with diplomacy. So we had to get the information ourselves and lay it before the committee.

Representative TEN EYCK. Mr. Chairman, is there not a way that we can secure this information from our departments here? Do you not suppose that they have taken this matter up in a diplomatic way,

and that the record is in such shape so that we can secure the information necessary to act intelligently?

The CHAIRMAN. I assume we can get whatever information they have.

Senator LENROOT. Well, I assume that Mr. Meyer or Mr. Hoover, so far as the Government departments are concerned, have all that can be available.

Mr. VROOMAN. Well, not being sympathetic to this measure heir memory is rather poor on some of these points, as I noticed at the hearing the other day.

Representative TEN EYCK. Mr. Vrooman, do not take it that I am not sympathetic to this measure or any other measure. My idea is on the broad plane of obtaining the necessary information for this committee to act on intelligently, regardless of any other branch of the Government, under the resolution passed by the Senate and the House.

Mr. VROOMAN. For instance, Mr. Meyer made a statement there that he was told by an authoritative representative of the Polish Government that no more cotton was needed there. Well, we happen to know that this so-called authoritative representative of the Polish Government was completely discredited with the Polish Government, that he had been accused of grafting, and not allowing any purchase of cotton excepting through the brokerage house that he made his percentage out of, and had been got rid of by the Polish Government.

Now, I have been making a study of this situation for six months, and I have come very slowly to this idea that I am now advocating. It has been a very slow development. My relations with these foreign Governments began with the "gift corn movement," and that is how it was brought home to me. I have tried to look at it from every angle. And the point that I would like to suggest now in concluding these scattering remarks is this, gentlemen, that this measure, or some such plan as this—and I don't care anything about the details, which you Members of the Senate and the House must work out to your satisfaction—all I am insisting on is that some method must be put into effect that will give us immediate relief, and some such measure as this could give immediate relief. Of all the agricultural legislation that is proposed, and most of it I am in favor of, there is not one measure, except this Norris bill, that I know anything about, that even promises any immediate relief. The others are for the future, a year or two hence, or perhaps longer. But if this measure were to go through we could have a start along the road to normalcy within three months.

Now if something is not done of this sort we will have the reverse of relief within three months. We will have hundreds of thousands of farmers bankrupt that to-day are only potentially bankrupt. I am holding up more than half of my tenants to-day. I dare say that the members of this committee who are farmers are doing the same. And we can not do this indefinitely. And the banks can not do it indefinitely. And if the banks ever get to the point where they have got to call the tenants and sell out their implements, sell out their horses, and all that sort of thing, this country will be put into a tumult. If the bankers are selling out the farmers throughout the agricultural regions, and the workingmen are lining up in bread lines in the cities—I am not talking about any collapse of civilization, as

was talked about in the Senate yesterday, but I am saying to you that I am most apprehensive about the coming winter. Unless some such legislation as this is brought about I am firmly of the opinion, reluctantly but firmly of the opinion that we are in for the biggest financial smash in the history of our country.

Senator LENROOT. Mr. Vrooman, assuming the Norris bill passes, and this \$1,100,000,000 provided, how much would you utilize it, in your judgment, in the next 90 days?

Mr. VROOMAN. Well, that would be only a guess. I asked Mr. Hoover several months ago this question: "Mr. Hoover, how much of our stuff can Europe take if you would offer her credit?" He said, "Mr. Vrooman, that is merely a guess." He said, "I can not say. Nobody can say." They alone can figure out what their needs are for the coming year.

Several weeks ago Mr. Alonzo Taylor, one of Mr. Hoover's relief men, came back from Europe, and his reports were that the crops over there were wonderful. Since that time they have been getting steadily worse. There have been terrible droughts in England and in other parts of Europe, so that most of the calculations he made then are ready for the scrap heap now. Nobody knows what the crops will be in Europe, and nobody knows what the crops will be in this country as yet. Congressman Funk said we had a big corn crop coming on. But when I left Illinois a week ago it was so hot and dry that it looked as if we would not have a half crop. And I say to you, gentlemen, that if the Norris bill does not pass, or something to do the same work, I would have been glad to see a half crop instead of a whole crop this year. We would be much better off.

Representative SUMNERS. Have you discussed the probability of our ability to sell the debentures to be issued if the Norris bill should be passed?

Mr. VROOMAN. We have looked into that considerably, and I have talked with members of the Farm Loan Board and a good many other people who have special competence along that line, and they feel that if we could offer a little higher rate of interest than is being received for, say, the Farm Loan bonds that we could sell these debentures very comfortably.

Representative SUMNERS. I think that is a very serious question in the matter.

Mr. VROOMAN. You see there is a tax exemption feature in this thing. Now, that would help very materially with the sale of these bonds. The Farm Loan Board believes, if I am not mistaken, that if it could raise its percentage from 5 per cent to 5½ per cent their bonds would sell in large quantities.

Senator LENROOT. Do you think these could be sold without the direct guaranty of the Government?

Mr. VROOMAN. Well, that, of course, is a question for discussion. I don't know that my opinion on that would be worth anything.

Senator LENROOT. Well, the statement that you made, Mr. Vrooman, was on the theory that it would not be a direct guaranty by the Government.

Mr. VROOMAN. No; the committee has put that in the bill, so I took it for granted that it would be put in.

Senator LENROOT. Of course, if it would be a direct guaranty by the Government, there is no question about their selling the bonds.

Representative SUMNERS. I do not know that the Government would guarantee the entire issue. I think the guaranty under the original proposition was a marginal first assumption of risk.

Mr. VROOMAN. That was my idea; yes, sir. The Government's guaranty was suggested by some one in the Senate Committee, but if the investment bankers would handle our securities and try to sell them, I have no doubt at all about our being able to sell them without the Government guaranty.

Senator LENROOT. Of course, it would make a very great difference in the consideration of this bill if the Government guaranty is limited, as to whether they will be sold, because it will insure the conduct of this business on something like business principles.

Mr. VROOMAN. Of course, this is not strictly speaking a commercial proposition. This is a part of the reconstruction of the country, Senator. That seems to be the only sound basis upon which to look at it, a purely temporary emergency measure for immediate relief.

I believe that is all, Mr. Chairman.

The CHAIRMAN. We are very much obliged to you.

The commission will take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.30 o'clock p. m., a recess was taken until 2 o'clock p. m., of the same day, Wednesday, July 20, 1921.)

#### AFTER RECESS.

The joint commission met at 2 o'clock p. m., pursuant to recess, Mr. Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission this afternoon will hear Mr. Crutchfield, representing the American Fruit Growers.

#### STATEMENT OF MR. J. S. CRUTCHFIELD, PRESIDENT OF THE AMERICAN FRUIT GROWERS (INC.), PITTSBURGH, PA.

The CHAIRMAN. Mr. Crutchfield, will you give your full name, business, and address to the stenographer for the record.

Mr. CRUTCHFIELD. J. S. Crutchfield, president of the American Fruit Growers (Inc.), Pittsburgh.

The CHAIRMAN. I understand, Mr. Crutchfield, that you are going to discuss the present situation in the light of railroad rates, with particular reference to the business with which you are familiar. Now if you will develop that in your own way the commission will be very much obliged.

Mr. CRUTCHFIELD. The fruit and produce industry, like all other lines of agriculture, has suffered an extreme depression during the past 10 months, and the status of the producer is very critical at the present time. We feel that in a very short time it will be reflected in its effect on the consumer as well. We are anxious to aid in any way that we can in establishing the facts as to what, if any, artificial causes have helped to produce this situation. We believe that in establishing these facts in connection with the present situation that the remedies which we are all interested in will be more or less obvious.

Fresh fruit and vegetables are not only perishable but they are bulky. Their perishable nature causes the railroads to assess them with the highest rates of freight in most instances, and their bulkiness, limiting the car capacity, has a tendency to make their transportation not only on the railroads, but to the railroads before loading, and from the terminals in the markets to the ultimate consumer, a very important part of the cost of getting to the ultimate consumer.

The crop produced, maturing last summer and fall—

Representative MILLS (interposing). What are you talking about now?

Mr. CRUTCHFIELD. I am talking about fruit and produce in particular, sir.

Representative MILLS. In general, you mean? You are not talking about any particular kind of fruit?

Mr. CRUTCHFIELD. No; the general line of fruit and produce, Congressman.

Representative MILLS. Your association is composed of what fruit growers?

Mr. CRUTCHFIELD. We have fruit growers from practically all parts of the country interested as stockholders. It is a corporation; we handle all lines of fruit and produce in the fresh state.

Representative MILLS. Well, are you a marketing agency?

Mr. CRUTCHFIELD. We are producers and a marketing agency as well.

The CHAIRMAN. I think perhaps, Mr. Crutchfield, it would be of interest to the commission if you would describe the operations of your organization and its relation to the fruit-growing industry in general, so the commission will have a picture of just what your organization is and how you approach the questions.

Mr. CRUTCHFIELD. The American Fruit Growers (Inc.) was organized in June, 1919, for the purpose of producing and marketing fruits and vegetables on a national and international scale. The company owns properties in a large number of the best commercial producing districts of the country—Florida and California, and the Central and Eastern States, probably about 12 States in all we have properties in. Our production amounts to about 10,000 acres of bearing properties.

Representative MILLS. By that you mean your members?

Mr. CRUTCHFIELD. No; that is the company itself.

Representative MILLS. Oh, the company own these?

Mr. CRUTCHFIELD. Yes, sir.

Representative TEN EYCK. A stock corporation?

Mr. CRUTCHFIELD. Yes, sir.

Representative TEN EYCK. Something like the United Fruit Co.?

Mr. CRUTCHFIELD. No; it is different from the United Fruit Co. in that the company was organized by producers to quite a large extent.

Representative TEN EYCK. In other words, they have bought stock and it is not a cooperative organization or association?

Mr. CRUTCHFIELD. No; it is not a cooperative organization as cooperative organizations are understood to be.

Representative TEN EYCK. But a great many farmers and producers have purchased stock in your company?

Mr. CRUTCHFIELD. Yes, sir. The company's purpose was to organize the fruit and produce industry along the same lines that other

industries have been organized on, and to attempt to get in the largest number of producers themselves into the organization in order to—

Representative TEN EYCK (interposing). Control their output?

Mr. CRUTCHFIELD. Well, in order to control their output, and also to afford them and their communities the facilities which are needed in order to meet the very exacting problems of the fresh fruit and vegetable industry. The company markets about 85 per cent more stuff from other growers, however, than it produces for itself. Its own production this last year was only about 15 per cent of its business.

Representative TEN EYCK. What is your capitalization, Mr. Crutchfield?

Mr. CRUTCHFIELD. The paid-in capital is \$5,600,000.

Representative TEN EYCK. What is the capitalization of the company?

Mr. CRUTCHFIELD. \$10,000,000 preferred and 400,000 shares of no par common; \$5,600,000 of preferred issued and paid for and 56,000 shares of common stock.

Representative TEN EYCK. One other question. What is your capacity in the company, your position?

Mr. CRUTCHFIELD. I am president of the company.

Representative TEN EYCK. You are the president?

Mr. CRUTCHFIELD. Yes, sir. The company was organized for the purpose of giving the fruit and vegetable industry the facilities, the capital required for effecting an efficient and economic distribution. Our conception of the way that can be best brought about, and the only way, is to start out in the standardization of the product itself. And in the containers, and so forth. Particularly fresh fruit and vegetables have lacked a standardization in the inherent qualities in the past which have greatly interfered with their economic distribution. Fresh fruits and vegetables can only be standardized in the growing process, in the matter of fertilizer, and spraying and thinning, etc.

In order to bring that about we have found it necessary to maintain organizations in the various growing districts, and it is best accomplished by a demonstration of how the products should be grown; we have endeavored in the principal districts to acquire sufficient property to demonstrate by our own methods of production just how we think the remainder of the community ought to handle their product, which can best be done by showing them how to do it.

Representative TEN EYCK. It helps you in sales, too, because if you all grow the same kind of potatoes you can ship them in carload lots, whereas if there are a great number of different kinds of varieties it is hard to market.

Mr. CRUTCHFIELD. Yes, sir; that is one of the results. And it also enables us to plan over a period of years a system of handling the business, which has been lacking in the past, because of the fluctuating methods that have been employed.

We started out on the theory that the product itself must be standardized in its inherent qualities, and then must be standardized in the handling, in the speed of handling, the crating and packing and shipping. And marketed under a trade-mark brand

that the ultimate consumer can identify as far as possible; this, with direct shipment, the shortest route to the ultimate consumer, will bring about the most economical distribution, and assurance that the producer gets the right proportion of what the consumer pays for the product, which in turn will stimulate the production to the utmost.

The company's volume of business last year amounted to about 40,000 cars. Do you wish to have some more details as to this, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. CRUTCHFIELD. Its volume of business last year amounted to about 40,000 cars, comprising about 6,000 carloads of cantaloupes principally from the California, Colorado, Arizona, and Arkansas districts. Apples from the northwest and eastern districts, the Appalachian district. Citrus fruits from Florida, California, and Cuba. Potatoes from all the main producing districts. And other fruits and vegetables from practically every State in the Union. Handling for the growers' accounts, and in some districts buying, besides what we produced ourselves.

The crops produced the year previous to this were at a comparatively high cost, practically a war-time cost in the production, and also we had to contend with very high cost of packages. For instance, barrels last year for apples cost up from \$1.25 to about \$1.50 per barrel, as against the value of the fruit itself on the trees of less than a dollar a barrel, showing what a tremendous effect the package had on the ultimate cost.

The CHAIRMAN. What was the prewar price of barrels, Mr. Crutchfield?

Mr. CRUTCHFIELD. About 40 cents.

Representative TEN Eyck. Thirty-five to forty cents.

Mr. CRUTCHFIELD. Yes, 35 to 40.

Representative TEN Eyck. And they cost up to as high as \$1.75 in many instances last year.

Representative SUMNERS. Is it not practical to have a collapsible container that could be returned and reissued? Is that or is that not practical?

Mr. CRUTCHFIELD. We have not been able to develop anything of that kind even on an experimental basis.

Representative SUMNERS. Is it practical to have shipment in bulk, delivered in concentration points, and there delivered to purchaser in less expensive containers?

Mr. CRUTCHFIELD. Well, as the result of the high price of packages it did result in quite a large percentage of the crop being shipped in bulk. Otherwise it could not have been marketed.

Representative SUMNERS. With regard to your standardization of commodity. I think that is the very first essential in economic distribution. Take potatoes, sir, in the range of production through the United States. The climate and soil would have such a material effect on the product that you would have, perhaps, to geographically subdivide your standard commodity, would you not?

Mr. CRUTCHFIELD. Well, the standardization of the product is a matter that needs and can be attended to in any district.

**Representative SUMNERS.** I know. Perhaps I did not make myself clear. You say that potatoes of "A" grade means a potato of a certain smoothness and a certain size; it has to do with the physical characteristics of the potato.

**Mr. CRUTCHFIELD.** Yes, a variety.

**Representative SUMNERS.** Yes. Now, then, perhaps the potato even of that size and general conformation would be regarded as more desirable, as a rule, if produced, for instance, in the Northwest, rather than in my own State of Texas. I do not make that observation as a statement of fact, of course, but an inquiry. Now, if you should undertake to establish grades for what we call in my own country Irish potatoes, would you have grade A Wisconsin, Minnesota, and grade A Texas, for instance, in order that the purchaser who is purchasing by grade description would know what the quality of the potato is that he is getting?

**Mr. CRUTCHFIELD.** To a limited extent that is true, but generally speaking a uniform potato grade would cover the country as a whole.

**Representative SUMNERS.** In other words, the quality of the potato of the same stock would not be materially affected by the fact that it is grown in Texas as against potatoes grown in Maine, for instance?

**Mr. CRUTCHFIELD.** No.

**Representative SUMNERS.** That is very interesting.

**Representative TEN EYCK.** Your idea is to standardize the variety? Different varieties have different values in cooking?

**Mr. CRUTCHFIELD.** Yes.

**Representative TEN EYCK.** In various localities you take up the one variety that is best adapted to that particular locality, and all the farmers would raise that variety?

**Mr. CRUTCHFIELD.** Yes.

**Representative TEN EYCK.** That is the way to handle it.

**Mr. CRUTCHFIELD.** Yes; and absolutely endeavor to cut out the waste in production by starting with the proper seed and the proper soil.

**Representative SUMNERS.** This commodity would be possible to sell by its descriptive grade?

**Mr. CRUTCHFIELD.** Yes.

**Representative SUMNERS.** Rather than tendering the potatoes for this physical inspection?

**Mr. CRUTCHFIELD.** That is the big economy in distribution; yes, sir.

**Representative SUMNERS.** Having done that, the next possibility, perhaps, would be to have it move from the point of first concentration to the point of use, preferably under prior sale?

**Mr. CRUTCHFIELD.** Yes.

**Representative SUMNERS.** I am very interested to know whether you think that it is possible, practically speaking, that the needs for the commodity could be ascertained before the movement begins?

**Mr. CRUTCHFIELD.** We handle a large percentage of our business on that basis. That is the theory, sir, that we operate on.

**Representative SUMNERS.** It seems to me that is the only way that it would be possible to systematize distribution.

**Representative TEN EYCK.** Let me ask you another question here. In addition to that you keep in touch with the market over the entire

country, and you know where the best markets are, so that you can ship your goods to the markets that are paying the best price?

Mr. CRUTCHFIELD. Yes, we endeavor to.

Representative TEN EYCK. And in addition to that, if you have plants located all over, you can cut out long-distance shipments and freight by taking the potatoes and shipping them from a place where they are produced nearest to the place of consumption?

Mr. CRUTCHFIELD. That is fundamental in the present situation.

Representative SUMNERS. I do not want to take too much time on this point. Mr. Ten Eyck says that you know where the best markets are, and therefore the best place to ship. I recognize that it is highly desirable to know that. But I am trying to draw the distinction between the position of the person who has a commodity for sale and ships it to what he considers would probably be the best market, in order that there he may find sale, and the position of the person who locates his purchaser first and closes his trade, shipping his commodity according to his tender.

Mr. CRUTCHFIELD. According to what?

Representative SUMNERS. According to his offer.

Mr. CRUTCHFIELD. At shipping point—f. o. b. shipping point?

Representative SUMNERS. Yes, sir. It would seem to me that perhaps it would be a further development toward avoiding possibility of congestion resulting from the fact that you had acquired knowledge of what was a good market, and your competitor had acquired the same knowledge, and everybody else had, and while you had gone into what yesterday was a good market and had good prospects, still when you got there all the other fellows had arrived there also.

Mr. CRUTCHFIELD. Well, I would say that the way we determine as to the desirability and strength of any particular market is largely on the basis of the demand springing from that market on an f. o. b. basis.

Representative SUMNERS. Yes.

Representative TEN EYCK. Price is a signal as regards supply invariably.

Mr. CRUTCHFIELD. Well, not invariably under the present market conditions, but generally.

Representative TEN EYCK. No; but you, using it with your other information, it is a guide?

Mr. CRUTCHFIELD. Yes.

Representative SUMNERS. Price also indicates the point to which the other man is going to ship his goods, does it not?

Mr. CRUTCHFIELD. It does if the goods were being consigned as they used to be. But if they are sold f. o. b.—

Representative SUMNERS (interposing). That is what I am trying to get at.

Mr. CRUTCHFIELD (continuing). On an f. o. b. shipping point sales basis and policy, a more perfect and scientific distribution is effected than this indiscriminate consignment, no matter how skillful the shipment and distribution for sale after arrival.

We have endeavored to standardize the product and to surround the trading in it with such safeguards that the small absent buyer in the small towns of the country and in foreign countries can buy with

the same assurance as if they were personally present on the ground, and you can only do that to advantage when you not only standardize your product and your package, but also give sufficiently liberal terms of sale so that the buyer does not have to part with his money until he gets the goods practically, and has the assurance, a reasonable assurance, that he gets what he pays for before he pays for it.

Representative SUMNERS. How do you acquaint the unacquainted prospective purchaser with the fact that in the transaction the moral risk will be absent?

Mr. CRUTCHFIELD. We do not require his payment for the goods, as a rule, until they arrive at his destination, so he has the right of inspection before he actually pays the draft, but he does not get delivery as a rule before he pays it.

Representative SUMNERS. If this is not an inquiry with regard to personal business I would like to ask also: How do you acquaint the general trade with the fact that you have these commodities for sale?

Mr. CRUTCHFIELD. We have branch offices in the majority of the markets of the country, or brokers, and through trade-paper advertising and wires we describe the goods. And another thing to be remembered is that the dealer seeks the goods as well as the producer seeking the market, and where the distributor is conducting his business along proper lines and in a fair manner the facility of exchange is greatly helped. It is simply a merchandising proposition, and like any other merchandising, the seller should surround the transaction with every reasonable safeguard so that the purchaser has to take no risk excepting the risk of the market, not a risk of delivery if the market should go up or risk of grade. We also have traffic departments and claim departments; while we assume no responsibility of rendering such a service, we actually do surround the transaction with every safeguard, from a movement standpoint that can be devised, tracing the cars to destination.

Senator LENROOT. Have you described your system of marketing? If you have I do not want you to repeat it.

Mr. CRUTCHFIELD. Well, Senator, I do not know whether I did intelligently or not.

Senator LENROOT. I do not want you to repeat it if you have. But if you have not, I want to have you do so.

Mr. CRUTCHFIELD. Well, we quote to the markets of the world by description, catalogues, circulars, wires, and letters the crops that we have to move. For instance, oranges from Florida and California.

Senator LENROOT. Now, to begin with, tell how you get those crops.

The CHAIRMAN. What is your relation with the producer; is what he wants to get at. How do you get hold of the producer's goods, and how do you get them to the consumer? What is your relation to the transaction as you go along?

Mr. CRUTCHFIELD. We grow about 10,000 acres of our own, which represents about 15 per cent of our volume of business. And in the majority of other lines, including cantaloupes, citrus fruits, vegetables, etc., we handle for cooperative associations and individual shippers.

Representative MILLS. Now right there, do you own your own packing plants and do the packing?

Mr. CRUTCHFIELD. We do pack perhaps 20 or 25 per cent of our business, but the remainder is shipped by others.

Representative MILLS. Through the grower's own houses?

Mr. CRUTCHFIELD. Yes.

Senator LENROOT. Now, do you solicit that business?

Mr. CRUTCHFIELD. We attempt to get that business largely on a 5-year contract, with a yearly cancellation clause. In some instances we assist in financing. In the cantaloupe industry we assist the growers, who are tenants largely, in leasing their ground. We furnish them the seed and help superintend the irrigation, furnish them the packages, and practically do everything but the labor in the production of the crop itself.

Senator LENROOT. Now, do you buy the product or handle it on a commission basis?

Mr. CRUTCHFIELD. No, we handle it for the growers' account. We make them an advance, as a rule, which covers about the actual cost of production, guarantee them an advance. That particular industry is different from any others.

Representative SUMNERS. Would you care to make a statement as to what commission is charged? I hope you will understand that I do not want to inquire into your private affairs.

Mr. CRUTCHFIELD. We are perfectly willing to give you any information you want, sir. The commissions range from \$10 a car up to 15 per cent, depending upon what is included in the service. In this cantaloupe industry where we practically assume all the risk and do all the financing and guarantee the cost of production and pay for the loading, etc., we get 15 per cent, but the net of that would probably be nearer 8 or 9 per cent. The rest is taken up in actual out-of-pocket expense which the higher rate is intended to cover.

Representative SUMNERS. Let me ask you another question, and any time I go too far, tell me. I do not want to go too far into your private affairs.

Mr. CRUTCHFIELD. Yes.

Representative SUMNERS. In that commission charge which you make, do you absorb any commission charge that might develop at the terminal market?

Mr. CRUTCHFIELD. Yes; we absorb at the 15 per cent rate any commission in the markets.

Representative SUMNERS. You do not absorb drayage or anything like that?

Mr. CRUTCHFIELD. No drayage or transportation. On some of the cheaper rates, rates as low as \$10 per car, on some of the lower rates it is specifically provided that any subcommission that we pay—and we pay very little, because we endeavor to sell the bulk of our stuff—why that is charged in addition to the flat rate.

Representative MILLS. Well, now, follow your cantaloupes through, will you, to your ultimate consumer, and let us see how you dispose of it.

Mr. CRUTCHFIELD. We ship from California, say, 25 to 75 cars a day during the season. We ship those direct. We sell quite a good deal of them f. o. b. shipping point outright.

Representative MILLS. So that you are not concerned as to who does the buying, whether it be a retailer or a wholesaler or a commission man?

Mr. CRUTCHFIELD. No; we sell to chain stores, or anyone that is in the market to buy. Largely the wholesale trade in the various markets. We ship those cantaloupes to practically every market in the United States, from Portland, Me., to Portland, Oreg., and as far south as Cuba.

Representative MILLS. Well, what governs your price, the wholesale price of your commodity in the principal markets, plus the freight rate?

Mr. CRUTCHFIELD. The f. o. b. price is governed by the supply and demand. We quote a price, and if we can make sales we keep the price on as high a basis as we can move the product.

Senator LENROOT. Well, what fixes your price?

Mr. CRUTCHFIELD. Supply and demand.

Senator LENROOT. Well, do you determine that?

Mr. CRUTCHFIELD. We determine that.

Senator LENROOT. So you really fix the price originally?

Mr. CRUTCHFIELD. Absolutely; yes, sir.

Senator LENROOT. You fix the price at what you think it will bear?

Mr. CRUTCHFIELD. Yes; and if we can not get that price my theory is that not only in perishables but in steel and coal, that the goods are not worth any more than they will bring.

Representative MILLS. But your practice differs from the practice of the California Fruit Growers' Association, does it not?

Mr. CRUTCHFIELD. Yes, sir; the California Fruit Growers' Exchange ship practically all of their commodities to the market and sell them after arrival.

Representative MILLS. But do they not to a very great extent do away with the commission merchant?

Mr. CRUTCHFIELD. No; they sell to the same class of trade that we do.

Representative MILLS. They do?

Mr. CRUTCHFIELD. Very largely.

Representative MILLS. I had understood that they were able, through their association, to deal almost directly with the retailer.

Mr. CRUTCHFIELD. No; we come nearer doing it than they do, because we have in New York, Pittsburgh, Chicago, and St. Louis jobbing facilities, where we break the cars and sell in single packages, even to the retail grocer.

Representative MILLS. Well, you both aim to do that?

Mr. CRUTCHFIELD. No; they do not do that. They do not sell in those markets except at auction.

Representative MILLS. But that is the ideal toward which you strive; that is what I mean?

Mr. CRUTCHFIELD. Yes; that is the ideal toward which we strive, shorten the route and effect the most economical distribution from producer to consumer.

Senator LENROOT. Now, you fix the price. Now, carry it on from there.

Mr. CRUTCHFIELD. I will make the statement concerning that. I did not quite finish.

Senator LENROOT. Yes.

Representative MILLS. I would like to interrupt, Senator, if you do not mind.

Senator LENROOT. All right.

Representative MILLS. On this same line, exactly. Where you break the package, obviously you are not selling on your f. o. b. basis, are you?

Mr. CRUTCHFIELD. No; I was going to explain that a little further, Congressman.

Representative MILLS. All right.

Mr. CRUTCHFIELD. We have recognized in the last few years—and I have been in the business about 20 years before organizing this company, and we were doing quite a large business prior to that—that distribution is really more essential than the price on a particular day's shipments or a particular week's shipments that in order to get the maximum and fair market price for any given crop where you are undertaking to supply the entire markets of the country, you have to serve the total demand. In order to make the total supply and the total demand produce the best market price, you have to pay particular attention to distribution. With a highly perishable, like cantaloupes, where frequently the temperature is 120 in the shade at the shipping point, that is particularly important. Where the crop comes on, as it fortunately did this year, with great evenness, because of unusual weather conditions, cool nights, etc., the situation is better. Sometimes it comes on with a great rush, with an extreme heat, and 50 per cent of the crop will be shipped in 10 days. It makes an awful strain on the market to absorb such large shipments at a profitable price. So that we have never found it practicable on that crop to attempt to sell more than 25 per cent of it on f. o. b. basis, because we must keep all channels open and on an even basis, and beside, the practice of the trade has been to buy cantaloupes largely after arrival, partly because they have not been properly standardized up to the last few years, so that the buyers could not know what they would be getting.

We practically in all of our commodities keep in mind the question of distribution, at the same time endeavoring to get the full market price for the product. In order to have the most direct and efficient channels of distribution we maintain in New York, Pittsburgh, Chicago, and St. Louis jobbing facilities, in addition to the car-lot branch offices in all the markets of the country, either through our own salaried representatives or brokers.

We quote cantaloupes, for instance, out daily to these markets. We send out a quotation about once a week to all markets. We do not guarantee that quotation for a week, but as far as possible we keep it pretty well on a level. We effect sales to the various markets of the country to the extent of about 25 per cent of the shipment on an f. o. b. basis. The remainder we distribute pro rata pretty well to the various markets of the country, so that our brand will be kept on all the markets continuously.

Sale prices are made at the market on arrival. I do not suppose 3 per cent of our stuff is diverted from the original markets to which shipped for sale on a delivered basis. That gives us the maximum of demand and insures all markets being kept open.

Representative TEN EyCK. One essential thing is to assure the trade of continuous supply?

**Mr. CRUTCHFIELD.** Yes.

**Representative TEN Eyck.** If you can do that you create a confidence and continue your customers at other times; is that not a fact?

**Mr. CRUTCHFIELD.** That is absolutely the fact; yes, sir.

**Representative MILLS.** But you must have two prices under that system. You have your wholesale price, of course, whether it be the f. o. b. price or whether it be your wholesale price at the point of distribution. Or, if you undertake to distribute yourself, you have another price.

**Mr. CRUTCHFIELD.** On our f. o. b. sales it is the price agreed upon, whatever it may be. On the delivered price it is whatever the goods bring on their arrival at the markets. The goods sold on the delivered price and those sold f. o. b. are sold for all they will bring on the day they are sold. On the delivered sale basis the prices vary very largely. For instance, New York yesterday was selling cantaloupes at \$3.50 a crate and Chicago at \$3.25; and sometimes as much as a difference of 25 to 50 cents a crate on the delivered basis between New York and Philadelphia, often depending altogether on local conditions.

**Representative SUMNERS.** When you ship them and break your car, are you able to reduce the cost of distribution so as to stimulate the consumption in the event of a rapid movement of the commodity to the market?

**Mr. CRUTCHFIELD.** To a certain extent we are. We have an assured outlet there where we would not have under weak market conditions.

**Representative SUMNERS.** We had a condition in the eastern part of my own State, where the commodity was not bringing a sufficient price to justify the expense of harvesting, in one particular period that I recall, and 36 hours away from that point by fast freight the retail charge was so high as to deny that commodity—practically deny it—to the average family. It seems to me that wherever you have a necessity to get your commodity quickly consumed, by being able to break your package you might force the charge for retail distribution down to the point where you could increase consumption. Did you ever find it necessary to deal with that problem in attempting to stimulate consumption of your commodities moving to markets in an unusual volume?

**Mr. CRUTCHFIELD.** We recognize that as fundamental in proper distribution and proper marketing. That can be covered very largely by close cooperation with the chain stores and the hucksters, in addition to the regular channels of trade. There is one thing certain. By the policy that we follow—that is, of selling the goods promptly on arrival at what they will bring—somebody has got to buy them, and, being perishable, the retailer, even, is forced to keep his prices to a certain extent in conformity with the law of supply and demand, because if he does not there is a clogging in the wholesale market, and the result is his competitor the next day will have goods, fresh goods, at a lower price than his stale goods cost him.

**Representative MILLS.** Now, with reference to your cantaloupes, let us take New York City, for instance. They arrive there, and I suppose they go to the Erie Pier, do they not?

Mr. CRUTCHFIELD. Yes, sir; the cantaloupes go to the Erie Pier.

Representative MILLS. Now, when they get to the Erie Pier you sell them to a commission merchant, do you not?

Mr. CRUTCHFIELD. No; we sell them to anyone. It is open there.

Representative MILLS. Well, that means mostly to the commission merchants that handle it there.

Mr. CRUTCHFIELD. And the large retailers.

Representative MILLS. And the large retailers?

Mr. CRUTCHFIELD. Usually all wagonload buyers.

Representative MILLS. And after that you lose your interest in them, do you not?

Mr. CRUTCHFIELD. No; we do not. We theoretically do, but as a matter of fact we follow our goods to the ultimate consumer, in that to a certain extent in some markets we advertise our products or influence certain large retailers in the market to advertise our brand of stuff at a particular price. When the large retailers in any given market will advertise a particular commodity at a certain price, it more or less forces competitors in the same district to conform to the price, or at least it will give the people in the district an opportunity, if they shop around for our goods as they do for dry goods, a chance to get our products at a fair value.

Representative MILLS. If we have got, as I think we have, a faulty system of distribution in the city of New York, which is largely responsible for the very high cost paid by the ultimate consumer, you people do not really do very much to relieve that situation, except in so far as you standardize your product and get it to the Erie Pier in carload lots, where it could be readily sold and handled on a commission basis. But after that there is a very abnormal increase in the cost, is there not, from the time that your cantaloupes, for instance, leave the Erie Pier to the time that they are put on the breakfast table?

Mr. CRUTCHFIELD. Well, it is popular, as a rule, for wholesalers and producers and everybody else to acquiesce in that point of view. As a matter of fact, when the goods are delivered to the wholesale market at a fair price they to a certain extent are within the reach of the ultimate consumer. They could, if they went about it right, actually purchase those goods. Now, I do not want to get in too much theory, but I will give you a certain thought that may be of interest.

Representative MILLS. Well, now, let us see. Your cantaloupes arrive at the Erie pier. How can a consumer, for instance, who lives in Brooklyn or in the Bronx, purchase those goods? How can even the small retailer afford to send that great distance and buy the goods? Has he not necessarily got to rely on intermediate channels?

Mr. CRUTCHFIELD. Well, in England the consumer organizes himself into cooperative buying societies. There is no law against it. In fact, the Food Administration endeavored to persuade them that that was the best way of doing.

Representative MILLS. Do not misunderstand me; I do not think this question is unsolvable. I think there is an answer to it. But I am dealing with present conditions, under your present system of marketing.

Now, under your present system of marketing, the ultimate consumer, and even the small retailer, under the physical conditions

prevailing in a large city like New York, can not deal directly with you, for instance?

Mr. CRUTCHFIELD. That is true; but, as I say, I was a little theoretical on part of this, because I think it is very essential that the consumer recognizes, as everybody else has to recognize, that their relief is going to come, to a considerable extent, from within and not from without. It is possible for them to get relief by taking the measures that have been taken in foreign countries, and that they have found necessary. But the retailers can and are combining together. Take in Philadelphia, for instance, where the chain store has forced the independent retailer to organize, and then through the Girard Grocery Co., for instance, about 1,200 retailers do their buying through a common purchasing agent, and they buy competitively and successfully against these chain stores.

Representative TEN Eyck. In other words, retail at wholesale?

Mr. CRUTCHFIELD. Retail at wholesale, that is just what this company and the chain store do.

The consumer, by patronizing the retailer that gives him the best value for his money, just as he does the dry goods store, will enable that particular retailer in any particular community to serve him at a less margin.

We have further been working for years on a solution of that problem by endeavoring to get the consumers to come to the market instead of buying on the phone, not alone for the purpose of getting the benefit of the cash and carry price, but to get the consumer educated and go to the market and buy what the market affords, instead of buying what they think they want. The consumer comes to the market to buy tomatoes, and he may find tomatoes are very high and scarce for one reason or another. He can buy lettuce for one-half or one-third of the price that tomatoes cost. Well, if the consumer goes to the market he will buy the stuff that is plentiful. If he orders on the phone he will order what he wants. The average salesman is not able to convince the housewife on the phone that she wants something that she has not intended to buy. So we endeavor, in cooperation with the Bureau of Markets, and through the large retailers, to get the consumers to relying more on themselves than on some one else to solve these problems, because as a grower and as a wholesaler we recognize that any undue profit charged by the retailer is going to interfere with the free consumption of products and the normal demand.

Representative TEN Eyck. There is another thing that I wish to have entered in the record right here in the distribution phase. At times when there is a peak production, as there always is in every commodity, that is the time that the housekeeper should purchase not to eat for immediate use, but for canning purposes.

Mr. CRUTCHFIELD. Yes.

Representative TEN Eyck. One time it is tomatoes, and another time it is lettuce, and another time it is some other vegetable.

Mr. CRUTCHFIELD. Yes.

Representative TEN Eyck. I believe that in some way we should endeavor to assist in that information, in getting it to the public at those times.

Mr. CRUTCHFIELD. Yes.

Representative MILLS. Have you got any knowledge that you can furnish us as to how these consumers' organizations are organized abroad, and how they operate?

Mr. CRUTCHFIELD. May I answer this suggestion that was made a moment ago by Mr. Ten Eyck? We cover that ground by advertising ourselves. Our volume in some lines is large enough at times, such as peaches and other fruits and vegetables, to enable us to advertise to the public, in paid advertising in some of the leading papers of the cities, when the right time is to put up fruits and vegetables. The Bureau of Markets are developing and furnishing to the papers a list of normal abundant and scarce commodities also.

Representative TEN EYCK. The Government officials, I understand, send it out in the different cities.

Mr. CRUTCHFIELD. Yes. That is one of the most valuable things, from the consumers' and producers' standpoint, that could be done, in my opinion.

Now, your point, Mr. Mills, was?

Representative MILLS. I wondered whether you had any information as to the organization and method of cooperation of foreign consumers' organizations?

Mr. CRUTCHFIELD. The Rochedale system, I believe is the system.

Representative MILLS. I am familiar with that.

Mr. CRUTCHFIELD. Well, in those countries the movement started from just the opposite angle from what it starts from in this country. In this country the Government has and does cooperate largely with the producer in organizing cooperative organizations for the sake of effecting distribution and finding a market. In England and those other countries the consumers organized because of the very reasons that we mentioned here—excessive retail cost under the old system, and have organized to such an extent that they have gone into production in their own and in a number of foreign countries.

Representative SUMNERS. Is not this true, also, that speaking relatively, the European necessity, as between the buyer and the seller was greater with the buyer than it was with the seller, because the demand was greater than the community could supply?

Mr. CRUTCHFIELD. Yes, sir.

Representative SUMNERS. Whereas in this country just the reverse was true?

Mr. CRUTCHFIELD. Yes; just the reverse was true in this country.

Representative SUMNERS. Is it not true that in so far as the general survey of the situation is concerned, we may expect that the major part of the responsibility for economically getting to the market agricultural products shall rest upon the producer from the farm to, say, the terminal point, in the city, and after it gets to that point, the major part of the responsibility for the economic distribution among the people of a given community must rest upon the people who live in that community?

Mr. CRUTCHFIELD. That is my idea exactly.

Representative SUMNERS. It seems to me that is it.

Mr. CRUTCHFIELD. I do not believe they will ever solve the problem on any other basis right.

Representative SUMNERS. It has seemed to me that right at that point, right where those major responsibilities come together, may be found a proper place for governmental functioning. The maintenance of public market places and their regulation has been regarded as a Government function, in so far as we have inherited our institutions, from the days of the monarchical markets in England. It seems to me that if we had an exchange system, a real produce exchange system, not with reference to any particular city but with reference to the whole country, where these commodities could be listed for sale by their descriptive grade and the sales there effected, a place known to the whole people, buyers and sellers, just as the old markets were known to the people in the district when the community was the industrial organization, we might be able further to effect system and economies in sales and distribution.

Mr. CRUTCHFIELD. The distribution of farm products largely is an interstate proposition, and therefore properly comes under the National Government, the Department of Agriculture, to assist in developing the best plan of reaching the wholesale market. After that it looks like a municipal problem to work out improved facilities and system, not necessarily of a community proposition, but in order to encourage the traders and the retailers and, if necessary, the consumers themselves, in having access to the goods on the most favorable basis. Municipalities being controlled by the people themselves, that is simply an economic problem that they will have to work out some way or another.

Now we are endeavoring, and the California Fruit Growers' Exchange, and all other organizations of size and scope sufficient to enable them to do so, are more and more looking at this distribution of fruit and vegetables as a merchandising proposition, the same as a manufacturer of canned goods is regarding it, and therefore we are endeavoring to follow the goods to the ultimate consumer in a way that we did not formerly. And in order to do that we have to have sufficient volume to justify advertising and publicity, and specialty salesmen, not to sell direct to the consumer, but to encourage the retailer to a quicker turnover at a less margin and better display methods. In other words, utilizing the retailer as our salesman at a proper margin, instead of allowing the retailer to be the controller of both the producer and consumer—not necessarily because they were scheming to do it, but because they were ignorant and unorganized and without the proper facilities and training in expert retailing methods.

The result is that by a standardized product and package, plus a regularity of supplies, the chain-store system and the Piggly Wiggly and the self-serve groceries have been enabled to serve the public on a margin that is very much less than is necessarily charged by the fancy retailer who includes not only the product but telephone service and credit and delivery, which in fruits and vegetables is a very expensive proposition, because a customer is very much more particular in buying perishables when he does not see them than when he does. A very considerable quantity of stuff is returned after it has been purchased.

We believe that the system which we are following, and which is being followed by the California Fruit Growers' Exchange, of selling

the goods promptly on arrival, is very largely in itself forcing all the factors in the market to follow reasonably close the law of supply and demand, and the retailers that have been profiteering, particularly in this time of large production, now are beginning to find that with hard times the consumer is beginning to shop around a great deal more than he did in these careless times that we have had recently, so that with the proper information distributed to them through the Bureau of Markets and others, considerably more progress is being made in the line of an improved retail distribution than is usually thought to be the case.

Another thing is this. During the war, men became very scarce, and the huckster, who has always been the emergency outlet of all the larger and smaller towns, was absent. Now with the large numbers of those unemployed, anybody can go into the huckster business, and a great deal of stuff is being sold now by hucksters that formerly went to the consumers through the usual retail channels, and that has tended to enable a rapid distribution on a reasonable basis.

I was in Boston last Saturday. At 10 o'clock in the morning the police authorities there in the wholesale market released the retail-wagon boys and pushcart men to go and sell stuff on all the street corners of the city, particularly down in the wholesale market. That has a tendency to keep cleaned up the stuff that was not sold in the usual channels during the forenoon.

Senator LENROOT. Do you handle watermelons?

Mr. CRUTCHFIELD. Yes, sir.

Senator LENROOT. Can you give us any reason for the range in prices here in Washington of from 40 cents on the huckster's cart to \$1.50 in the grocery store, for equal qualities?

Mr. CRUTCHFIELD. The huckster sells the watermelon only in proportion to its value. It is a very bulky and perishable commodity. The average retailer would not only carry the watermelon to the store, but also put it on ice and deliver it up to the apartment of the customer, to the second or third or fourth or fifth floor. The actual transportation of the watermelon in a retail way is quite an expensive proposition. Another thing about watermelons is this. You will find that the average retailer will guarantee that they will cut ripe. The huckster may sell you a watermelon that may look all right, but it may cut green. All of those points go into account for certain discrepancies among various classes of retailers that do not seem to be apparent on the surface.

Representative TEN EYCK. That extra price would be called overhead?

Mr. CRUTCHFIELD. That is practically an overhead charge, yes, sir, Mr. Congressman.

Senator LENROOT. What would you get for a watermelon that the retailer charges \$1.50 for?

Mr. CRUTCHFIELD. Well, a retailer charged \$1.50 this year early in the season for probably a 35-pound melon. Those melons are loaded about 800 to the car, and we sold those melons in the early part of the season as high as \$1 apiece f. o. b. shipping point.

Senator LENROOT. I am referring to last week.

Mr. CRUTCHFIELD. Last week watermelons were sold in the principal markets around \$400 to \$500 a car for 30 or 35 pound melons.

About 800 to the car, and probably 50 bad melons in the car; say, 750 melons for \$400 to \$500 a car wholesale in the market.

Senator LENROOT. What would that come to?

Mr. CRUTCHFIELD. Well, that would be around 60 cents apiece.

Senator LENROOT. How could a huckster sell that melon for 40 cents, then?

Mr. CRUTCHFIELD. Well, he was not selling as large a melon then.

Senator LENROOT. Yes, he was. I am giving you actual cases.

Mr. CRUTCHFIELD. A 35-pound melon?

Senator LENROOT. I do not know the weight; but I am giving you an actual case where a huckster was selling a watermelon for 40 cents, and the same size and quality of melon was sold for \$1.50 in the retail store.

Mr. CRUTCHFIELD. Well, undoubtedly there was some profiteering on that transaction.

Senator LENROOT. That is what I was getting at. I wanted to know if there was any justification for that.

Mr. CRUTCHFIELD. No; there is no justification for the retailer selling it or the consumer buying it, because he does not have to. He can buy it for less money.

Representative MILLS. You say he does not have to. Of course he does not; but he will have to put himself to great inconvenience to get it for less.

Mr. CRUTCHFIELD. Yes. But I don't know how you are going to keep a retailer from taking the price that the consumer will pay. They do it in neckties and they do it in all other lines of goods. The consumer is the final arbiter of values.

Senator LENROOT. No; but it does affect very greatly the producer if the retailer charges such prices to the consumer. It does have a very material effect on the producer.

Mr. CRUTCHFIELD. The producer has to organize along the line that we are organizing, and the California fruit growers are organizing and others are organizing. And if the consumer will pay for something that he can get otherwise for 40 or 50 cents, through certain channels \$1.50 to a retailer, who will gouge him, I don't know how you can help it. If the consumer will deliberately pay that to the retailer, I don't know how you can help it.

Representative SUMNERS. I do not want to get into the question of intraurban distribution, but it has seemed to me, in walking around the cities and looking at things that I have seen that there is probably an enormous, avoidable waste, physical waste, especially on perishable products. It has occurred to me that it might arise in part from taking these commodities out of refrigerator cars and subjecting them to radical changes in temperature, and things of that sort.

Mr. CRUTCHFIELD. That is absolutely the case.

Representative TEN EYCK. Just a moment now. I would like to revert back to a statement you made some time ago in relation to the fact that you can control the prices to a certain extent, or regulate the prices on some of these commodities that you ship. I wanted to ascertain whether they were regulated from the point of supply and demand at the market, or whether they were regulated at the point of shipment, as regards cost of production.

Mr. CRUTCHFIELD. From an extensive and sometimes sad experience we have recognized that the cost of production has nothing to do with the selling price of perishable goods. The law of supply and demand is absolutely controlling. And anyone that does not recognize that fact is eliminated in our line of business so quickly that he does not know what hit him. And we believe that the same thing is more or less true in all lines. Of course I perhaps am wandering a little on that, but I don't know why goods are worth any more than they will bring.

Representative TEN EYCK. Well, of course, you realize that we are very much interested in the consumer getting his food at a reasonable price. But I understand that this committee's investigation is along the line of relief to the producing branch of the country, as regards getting a fair return on money invested and labor performed.

Mr. CRUTCHFIELD. Yes, sir.

Representative TEN EYCK. And that is why I am anxious to know how you regulate your price, whether or not it is from the standpoint of actual cost, and endeavor to sell it to the consumer so that the farmer gets a reasonable return on his produce?

Mr. CRUTCHFIELD. The market price, the wholesale market price particularly, is absolutely controlled by the law of supply and demand. The way the producer is insured the maximum and most stabilized market is for the distributor to understand the science of merchandising by proper distribution and salesmanship and standardization of the product and by advertising it, to secure the highest possible demand for the product. The demand is a variable quantity. People either eat potatoes, peaches, fruit, fresh fruits, or else they do not eat them at all. People do not have to eat as much as they do eat. They can actually do without or they can use dried fruits, or they can use meats, or they can use some other food.

Representative TEN EYCK. Yes, that is true; but the very point that Senator Lenroot brought up here, that one man sells his watermelon for one price, now that price may have been so low that the producer received a deficit on his sale, while the other price may have been so high that there was profiteering on the other side, and the producer still may have received a deficit, or he may have received a profit. This, of course, can only be controlled through distribution and marketing, but if prices are controlled in any way, shape, or manner, the question is whether or not they should not be controlled from the point of shipment, and whether it is not better for the consumer that the producer receives a fair return on his work, and cut out that spread in between the two, and raise the price in one instance and lower it in the other.

Mr. CRUTCHFIELD. Well, I believe that on the majority of products, such as potatoes, apples, cabbage, and any but the highly perishable, that the best way to secure that result is to sell the bulk of the product f. o. b. shipping point. The producer has more control and more chance to get the fair market value for his product there than he has at any other point, and he can more or less regulate the shipments of certain lines. He does not have to crowd the markets on the delivered basis very frequently. Shippers, not knowing what the others are doing, glut a market, which results in feeding the consumer with

stale goods and increasing the necessary cost of distribution, bringing results on the producer and only temporary benefit of cheap prices to the consumer.

It all gets back to this: The farmer is a large merchant, and he has to, in order to solve his problem, follow the same principles of merchandizing that any other manufacturer or merchant does. That starts in with standardization, salesmanship, distribution, and advertising.

The CHAIRMAN. Mr. Crutchfield, I do not know whether the gentlemen have finished with that or not, but I want you to keep in mind that you are going to discuss the freight-rate proposition before you get through.

Mr. CRUTCHFIELD. Yes, sir, Mr. Chairman, I am anxious to speak about that point.

Senator LENROOT. Before he comes to that I want to ask, do you think that the retail business is being overdone? Is there too much overhead in the expense of retailing?

Mr. CRUTCHFIELD. I think there is, yes, sir; I think the retail business is the crudest, in proportion to its importance, of any line of business in the country.

Senator LENROOT. There is no remedy for that, as far as you are concerned?

Mr. CRUTCHFIELD. If we can get the stuff to the wholesale market at a reasonable price and a fair return to the producer from the wholesale market, why, I do not see how you can get very far beyond that, excepting that I do believe that the producer must have an interest in following his goods to the ultimate consumer.

Now, on the freight-rate proposition. Last year's crop was produced at war costs, the packages and everything else were high, labor in harvesting, etc. The season was very favorable, the result being a tremendously large crop of all kinds of fruit and produce, as well as of other farm products. Prices during the preceding years were high, and there was a big export demand for certain lines. The relief of the domestic market by the export of cereals helped the market for perishables. The result was we went through the spring a year ago with comparatively high prices for all lines, including fruit and produce and into the big new crop with a price sufficiently high to restrict consumption to a certain extent.

In addition to the natural reconstruction period that was beginning to set in, by prices being too high, and for other reasons, we were beginning to have, in the shape of this big crop, difficult market conditions to contend with right from the start.

Along in August, as you remember, last year, in addition to all the other troubles incidental to the reconstruction period, and the big crops, which naturally had a tendency to bring the prices down, the Government of the United States, through the Interstate Commerce Commission, arbitrarily permitted the railroads to advance their freight rates 25 to 40 per cent at one crack, right at the time when the markets were already beginning to feel the effect of reconstruction. The result was the price to the farmer was demolished in a great many lines, from that direct cause, in my judgment. I think any such advance in freight rates, at any time, excepting under most extraordinary conditions, short supply, would demoralize and break the market. It was too much of a readjustment to take place

from August 24, one freight rate, to the next day, 25 to 40 per cent higher. It is an adjustment that commerce can not stand, particularly on bulky stuff, where the freight rate is such a large proportion of the value of the product.

Senator LENROOT. Well, you had some time to prepare for that, did you not?

Mr. CRUTCHFIELD. Sir?

Senator LENROOT. There was considerable warning that it was coming, was there not?

Mr. CRUTCHFIELD. No warning that made it possible to avoid the consequences, because the crop was being grown. The warning did not take place until along in May, and the crop was already maturing, and ready for harvesting nearly at that time.

Representative SUMNERS. Do you think the advance in itself would have affected production?

Mr. CRUTCHFIELD. Absolutely.

Representative SUMNERS. Has production since the rate went into effect decreased as against production prior to the rate?

Mr. CRUTCHFIELD. Production takes a little time to adjust itself, because particularly on tree fruits it could not adjust itself, because they grow anyhow, but on seasonal, annual crops, where the notice is sufficiently early to make possible the arrangement of the soil and planting for the succeeding crop, they would be very much affected.

Senator LENROOT. Well, is there a marked reduction this year?

Mr. CRUTCHFIELD. The reduction in this crop that is to mature this fall, and particularly in the following crop, is going to be, in my opinion, very marked.

Senator LENROOT. Well, you say "particularly the following crop." Why should it not operate on this crop?

Mr. CRUTCHFIELD. Because the farmer is not able to readjust. He has been in the habit of doing certain things and the soil is adapted to certain products.

Senator LENROOT. Well, then, if there had been an advance warning of several months before it would not have been to any avail?

Mr. CRUTCHFIELD. Not several months, but if it had been of sufficient time to have affected his ability to plant, it would have very materially.

Senator LENROOT. Well, how is it with this year's crop, with the advance notice?

Mr. CRUTCHFIELD. Well, this year's crop is shorter, too, in acreage. The crop that is to mature this fall, beginning September, I think you will find is short. In fact, the estimated yield of potatoes this year is 375,000,000 as against 430,000,000 last year.

Senator LENROOT. Is that due to acreage or otherwise?

Mr. CRUTCHFIELD. Well, it is very difficult to say. You know those figures are very unreliable, not dependable.

Representative TEN EYCK. Is it not a fact that crops increase when prices are high, they continually increase, and as soon as the price lowers, the farmer stops planting, in that particular line, as a rule? There is an old adage in potatoes, that when seed potatoes are high do not plant many potatoes, and when seed potatoes are low put in a lot.

Senator LENROOT. If this advance had been made a year prior to the time it was made, when everything was upon the upgrade, the consumer in that event would have paid, and probably there would have been a very rapid readjustment, is that not true?

Mr. CRUTCHFIELD. Why, I believe freight, on perishable goods particularly, is a part of production costs, and until that extra expense had come out of the producer sufficient to make his business unprofitable, it would not have affected the supply or the price.

Senator LENROOT. Does not the law of supply and demand there operate as well as in any other case?

Mr. CRUTCHFIELD. The law of supply and demand, particularly as to a perishable product that can not be stored, is the demand at point of consumption and not at point of production.

Senator LENROOT. If everything is prosperous at the point of consumption he is able and willing to pay the increased price occasioned by increased freight rates?

Mr. CRUTCHFIELD. Well, he would pay it if the freight rate was 25 per cent higher or lower; he would pay the same.

Senator LENROOT. Well, it would either come out of him in that case or the distributor.

Mr. CRUTCHFIELD. It would come out of the producer at any rate.

Senator LENROOT. But when the demand falls off it all falls on the producer, does it not, as it did last year?

Mr. CRUTCHFIELD. It certainly falls on the producer when the demand falls off, but I think it comes out of him when the market is high, but he does not notice it so much. In other words, the supply and demand at point of consumption is what makes the price. The question of what the expense is of getting it to the point of consumption, is an expense that must come out of the goods.

The CHAIRMAN. If I get your idea, you get all for your produce that you can at the point of consumption. Now, whatever costs there are between that price and the producer have to be paid as cost of production.

Mr. CRUTCHFIELD. Yes, sir; and I contend that if a reduction in freight is brought about, that the producer will get 100 per cent of it. Any reduction in freight will go 100 per cent to the producer, unless the goods meanwhile have passed into the hands of some one, some other factor.

Representative TEN Eyck. Well, would the producer get all the freight if the farmer was still selling at a loss? Now, I contend that when the farmer is receiving a fair return upon his work in placing the products upon the market, then the producer is paying the freight, but as soon as the farmer gets to a point that he is selling below cost, he is paying the freight if he puts his produce on the market.

Mr. CRUTCHFIELD. I think the producer is paying the freight in either event.

Representative SUMNERS. Let me ask you this question: Say you deliver your commodity at the terminal market in New York at the wharf, and it costs you \$200 a car to deliver it there. Then somebody comes down to that point and drays it to another point, and it goes through the process of intraurban distribution, until it is finally delivered from the retailer's delivery wagon to somebody, say, on the

fifth floor of an apartment house. Who pays that cost of distribution from the place where you delivered this car?

Mr. CRUTCHFIELD. Well, the consumer pays that cost. Do you mean from the wholesale terminal to the consumer?

Representative SUMNERS. Yes.

Mr. CRUTCHFIELD. The consumer pays for the time being that excessive cost, but it reacts in the shape of a lessened demand, and ultimately it affects the producer, but still I would call that a consumer's expense.

Representative SUMNERS. Consumer's expense beyond the terminal market?

Mr. CRUTCHFIELD. Yes, sir; but up to the terminal market the freight, particularly on perishable goods, is a production cost, and I will illustrate that to you. I would like to illustrate that to you, if you please.

Representative SUMNERS. Yes, sir.

Mr. CRUTCHFIELD. We had this question up before the Interstate Commerce Commission, and I talked to Commissioner Clark when this cantaloupe rate question was up. We had 11,000 cars of cantaloupes to move in about six weeks out of the Imperial Valley, Calif., and it was a serious question as to whether or not the crop could be shipped at the high freight rate. In fact, it looked very doubtful. Only this shortage of eastern fruit made it possible to market this entire crop, which has been marketed.

Now, the point was raised as to whether 11,000 cars would bring more or less in the terminal markets or on f. o. b. basis if the freight rate was \$1.75 per crate as compared with the same 11,000 cars under exactly the same marketing conditions, if the freight was \$1.40. Would the fruit bring in the market any more? Would the 11,000 cars sell for any more, providing the freight rate was \$1.75, compared with if it was \$1.40? I contended that they would not sell in the market for a cent more or less either way, but that the grower in the event of the \$1.40 rate would get 35 cents a crate more for his product.

Senator LENROOT. Well, let me ask you this question: Instead of there having been an increase in rate last year of 25 per cent, if there had been a reduction of 50 per cent, your contention is that the consumer would not have benefited?

Mr. CRUTCHFIELD. The consumer would not have benefited on that that particular crop.

Senator LENROOT. I am speaking of the general principle.

Mr. CRUTCHFIELD. No; the consumer would not have benefited on that particular crop. Now here is where the consumer would benefit. The consumer would benefit by a stimulation of production from the farmer getting that additional price. Now the only thing that is going to benefit the consumer in this country is increased production and stabilized production. You can talk about every other theory and legislation in the world, but you can not safeguard the interests of the consumer excepting by stabilizing production and insuring the farmer a normally healthy market for his product, and you can not do that when you arbitrarily, without any regard for the value of the service, increase his cost 25 to 40 per cent in getting his product to the place of consumption. Now, I will give you an

illustration of this: A farm product is not worth anything to the farmer excepting before harvesting. When you talk about what a farmer gets out of his products, you have got to follow it back to the point when it is ready for harvest, because he makes no profit out of his cost of harvesting, or out of his package, or out of his transportation, or any other cost. You do not get to a net price until you get back to that harvesting point.

Last year, on account of the excessive cost of transportation, and the demoralization which was caused in other lines of business which were also put out of business—iron and steel were put out of business just as much as farm products, practically, by this increase in freight, in my opinion—you not only thus taxed his product, which he had to move to market, because he could not do anything else with it, but you destroyed his market, because this 25 to 40 per cent freight advance shut off all other commerce and industry or a large percentage of it. And the farmer's product, potatoes for instance, were in some instances not worth enough to justify the cost of harvesting.

There were a lot of potatoes which the farmer would have been a great deal better off if he had not harvested at all last year. I have a clipping here from a California paper which says there were 30,000 bags of onions recently dumped, in good condition, that were harvested, bagged, and stored, simply because they could not find a market to pay the freight on them.

Now, you will not get any increased production, and the consumer is bound, if common sense and reason prevails, to suffer, because production is going to be seriously curtailed. You have seen the farmers of this country, who one year ago were in the height of prosperity and good condition, transformed by this one stroke. He would have suffered some anyhow, but nothing like as acutely. By this one transaction he has been impoverished, so that he is destitute.

Senator LENROOT. Now, I would like to ask your opinion on the other angle of that very question. Supposing a freight rate is not sufficiently high to enable the railroad to receive revenue so as to furnish the service of cars and transportation, what becomes of the producer?

Mr. CRUTCHFIELD. I am a friend of the railroads, Senator. I have been for 20 years and I believe I am so considered by Mr. Chambers, of the Santa Fe and the other roads. I recognize that the railroads are our servants, and that we have to pay them in order to justify them serving us, particularly in our line of business, with the class of equipment we need. Nothing would be more shortsighted than for the producers of perishable goods to intentionally do anything unfair to the railroads. But the fact that the railroads were unfairly deprived of revenues that they were entitled to 5 or 10 years ago does not make it possible to remedy that situation by attempting at one stroke to correct the whole economic blunder of past times, and make by another blunder the situation that at present exists.

Senator LENROOT. That is true; but up to this point the railroads were protected out of the Federal Treasury. Now, with the increased freight rates the railroads did not receive increased revenues enough for operating expenses. I am frank to say I think some of those rates were too high, and they should have been decreased rather than increased. But if they had not been high enough, would not

the transportation have been so inefficient as to have been of very great damage to the producer? In other words, a mistake that may have been made in the past could not operate to the relief of the producer last year. Nothing could have been done to rectify that mistake.

Mr. CRUTCHFIELD. I have never advocated the breaking down of the present rate system, except by emergency rates, because I believe in getting the railroads back in good financial condition. But there is no net revenue that it is possible to pay the carriers that is at a point higher than the traffic can bear, without in a 3-year average hurting them more than it helps them. Now, it seems to me that the mistake is being made of allowing the railroads to point out each month what their showing is on the present rates, under their present costs, etc., which are excessive, and which are coming down, and basing governmental action on a monthly showing, instead of figuring out what these rates will produce through the next year or two.

Now, to assess farm products—and farm products are the only things, practically, that keep on moving, because they can not stop—to assess farm products of this country a freight rate great enough, with 60 per cent of total traffic moving, as it has been moving within the last five months, to produce a greater gross and net revenue to the carriers of this country than 110 per cent of the traffic produced a year ago, was one of the greatest economic crimes ever done, and bound to disrupt agriculture, commerce, and everything else.

Representative TEN EYCK. What effect on the economic condition of the country, outside of the railroads themselves, would there be in having freight rates too low to stand the cost of the service?

Mr. CRUTCHFIELD. Of the service?

Representative TEN EYCK. Of the service? .

Mr. CRUTCHFIELD. I believe that the freight rates ought to be on a basis that will cover the cost of service, and that the figure placed by Congress of 6 per cent is not excessive over a three or five year period.

Representative TEN EYCK. You do not get my question, or the meaning of it. Perhaps I have not made it clear. I will explain to you why I asked. Would not a freight rate over a number of years, if it was too low, throw out of balance the entire economic distribution of the country?

Mr. CRUTCHFIELD. Yes, sir.

Representative TEN EYCK. Is it not liable to create too much production in one locality under a low freight rate system that can not be delivered into another when the freight rate has been raised?

Mr. CRUTCHFIELD. Yes, I agree with you.

Representative SUMNERS. I want to go back to that onion transaction that you mentioned. You mentioned an instance where 30,000 bags of onions had been dumped, and you stated, I believe, that the farmer pays the freight. As a matter of fact, will not consumers have to bid up the price of onions until they offer to pay the freight rate and a reasonable profit to the farmer for raising them?

Mr. CRUTCHFIELD. The farmer has recognized by the necessities of the situation, the only successful farmers that I know of, that a five-year program of production, and taking the ups and downs of the market, is his only salvation; that is, he can not vary his program as a manufacturer by shutting down. He shuts down at the

wrong time, because the cost of potatoes shows that the very time that he ought to close down he increases, because he is not educated up to how those things work.

The CHAIRMAN. You made a statement a moment ago that I did not get the full effect of, I think. I think you said that 60 per cent of the tonnage of the railroads is loaded by agricultural products.

Mr. CRUTCHFIELD. No; I said that the total tonnage being moved by the railroads during the last five months, up to June 1, was about 60 per cent of their capacity, of all their normal capacity of all lines of merchandise, and that consisted largely of agricultural products, I don't remember what percentage of it, but to quite a considerable extent, plus the incidental business in other lines that moved. Now, that 60 per cent produced a greater gross and net revenue than 110 per cent traffic did the year previous.

The CHAIRMAN. Have you got the figures on that, the actual figures, instead of percentage?

Mr. CRUTCHFIELD. No, I have not got the actual figures here at present, but I will see if I can locate them for you.

The CHAIRMAN. I take it this is the situation. In the industrial lines where production could stop, it has stopped?

Mr. CRUTCHFIELD. Yes, sir.

The CHAIRMAN. And the tonnage on the railroads which would otherwise come has also stopped?

Mr. CRUTCHFIELD. Yes, sir.

The CHAIRMAN. And in the case of agriculture, not being able to stop the production, the tonnage has continued as before.

Mr. CRUTCHFIELD. At a loss.

The CHAIRMAN. At a loss. Consequently agriculture has borne a larger proportion of the high freight rate than it would have borne had the business of the country as a whole been upon a sound basis.

Mr. CRUTCHFIELD. Yes, sir.

The CHAIRMAN. I wanted to make certain that I had your point of view correct on that.

Mr. CRUTCHFIELD. No question about that.

Now this dislocation of production by too low a freight rate is absolutely a right analysis of the situation, but this location of production was largely established prior to the war, prior to 1914; that is, the locations geographically. Since up to 1914, and up to this last advance, freight rates had been advanced already 30 to 40 per cent, in some instances more, so that this last advance of 25 to 40 per cent was, as compared with the prewar situation, practically, from 65 to 110 per cent advance.

Now, my personal opinion is that the advance of foodstuffs, building material, and heavy, bulky stuff that had been made up to the last advance, was practically all the traffic will bear, with a few exceptions, that the advance on the light stuff, where the freight is a small proportion of the value of the product, where freight is a less essential factor, might have safely stood this additional 25 to 40 per cent. But that the total net result to the railroads of the country will be maximum when the freight rate is kept at the right relation, whatever it is, and not arbitrarily fixed, irrespective of economic law.

Now, in this live stock decision one of the examiners of the Interstate Commerce Commission referred to the fact that the rate was

from an economic standpoint unreasonable, but from a transportation standpoint reasonable. He said:

From a strictly transportation standpoint the rates are not excessive, but are unreasonable from an economic standpoint.

I think that is absolutely a correct statement. Now, the attempt to provide arbitrarily for the needs of the railroads by an uneconomically high rate in so far as the rest of the country is concerned, is disrupting and always will disrupt commerce.

A year ago in May, when the commission decided on these advances, they were confronted by just the opposite position, in many respects, of what the situation is to-day. At that time the country was in fairly comfortable position and the railroads were in distress, so the commission, having delegated to it by the shippers and the public the question—and no one opposed their fair consideration of the subject—practically determined, as I understand it, that the dire needs of the railroads justified this advance in rate, notwithstanding its possible effect on the rest of the country.

Now, the commission recognized, and so stated in their decision, that an arbitrary flat advance was unscientific and unsound; but in view of the distress of the railroads and the needs of the country for transportation, and because they could not do it any other way, they just lifted the whole rate structure up 25 to 40 per cent, including every article of commerce in the United States, and gave notice that an immediate readjustment should be proceeded with between the shipper and the carrier. In other words, they put the burden practically on the shipper and off of the railroads, where it had been previously, to prove the unreasonableness of the advance.

Now, the shippers, being unorganized, found it impossible and have had practically no relief, although the commission and everybody recognizes that that basis of advance in rates was absolutely uneconomic and unsound.

Now you are looking for remedies. A reversion to the old order, where the burden is on the railroads, and putting these rates back temporarily, particularly on foodstuffs and coal and building material and things that we need to have moved in order to bring down the cost of living—if, at least to that extent, the rates were restored for 90 days to the basis before the last advance, and then place the burden onto the railroads of proving the fairness of an adjustment up to the present basis, or to somewhere between, would be a method of correcting this situation which would be workable, and there would be no unfairness to either the carriers or the public in it, because you would leave for perhaps 50 per cent of their traffic the present rates—that is, on commodities which are not directly affected so much.

**The CHAIRMAN.** Mr. Crutchfield, you refer to the greater effect of these rates upon the low-priced, heavy-tonnage commodities in comparison with the higher-priced, lower-tonnage commodities. Have you any figures or examples which illustrate the effect of this flat increase upon commodities of different prices and different tonnages?

**Mr. CRUTCHFIELD.** Well, take apples from the Northwest; the freight was advanced from 50 cents a box in 1914 to about 90 cents a box at the present time. That 50 cents a box represented formerly, on a 5-year average, about one-half of the value of the product on

the trees. At the present rate of 90 cents during the last crop it represented twice the value of the fruit on the trees. In that particular it changed from that relation of representing one-half of the value of the product on the tree in the prewar times to double the value this present year.

On potatoes from Minnesota and Maine and other like points the previous rate represented about one-third of the value of the product to the farmer, and this past year it represented the full value of the product to the farmer, or more.

On onions the freight on a previous five-year average basis represented about 25 per cent of the value of the product at the farm. This year it represented considerably more than the value of the product at the farm.

And taking the crop as a whole, onions, potatoes, cabbage, and root crops, I should say between these figures on potatoes and onions would represent about the actual facts.

As to citrus fruits from Florida and California, before this last advance freight charges represented about one-half the value of the product itself to the farmer. During the past year on oranges, leaving out lemons, because they are in a class by themselves, the freight represented fully double the value of the product to the farmer.

The CHAIRMAN. Have there been instances in your observation during the last few months in which the price at the terminal, the wholesale market, was insufficient to pay the freight?

Mr. CRUTCHFIELD. Very numerous instances.

The CHAIRMAN. What proportion of the total shipments would those cases represent; have you any idea?

Mr. CRUTCHFIELD. Not a large percentage of the total where the sale price of the product did not cover the actual freight; I do not suppose over 5 per cent.

The CHAIRMAN. But that would be a very large percentage?

Mr. CRUTCHFIELD. Sir?

The CHAIRMAN. That is a very large percentage and has a very marked effect, I imagine, upon production.

Mr. CRUTCHFIELD. Yes. But I contend the way that should be viewed is to figure the percentage that is sold for not enough to cover the cost of harvesting, packages, transportation, and a reasonable selling charge, which is all an expense to the producer; I should say the percentage that failed to cover that—in other words, not to cover any net for the product itself, would be, oh, fully 25 per cent.

The CHAIRMAN. I just want to ask one more question, Mr. Ten Eyck. Representative TEN EYCK. Excuse me.

The CHAIRMAN. From your observation of how these cars run, can you give us an idea as to the section of the country that has been hardest hit by these freight rates?

Mr. CRUTCHFIELD. Well, naturally the distant points. The large consuming centers are from Chicago to the Atlantic coast and the North Central States.

The CHAIRMAN. I would imagine that the production that is centralized at long distance from the consuming markets are the communities and commodities that are hardest hit?

Mr. CRUTCHFIELD. Yes, sir; that are most affected.

The CHAIRMAN. Mr. Ten Eyck, you may proceed.

Representative TEN EYCK. If apples sell for 5 cents apiece in cities, what percentage is that of the cost of the apple on the tree?

Mr. CRUTCHFIELD. Do you refer to the northwestern apples or to eastern apples?

Representative TEN EYCK. Well, what apples did you refer to when you compared freight rates. I want the same comparison you gave on the freight rates?

Mr. CRUTCHFIELD. I was referring then to northwestern apples.

Representative TEN EYCK. All right.

Mr. CRUTCHFIELD. Well, 5 cents apiece retail, say on 100 apples to the bushel—

Representative TEN EYCK (interposing). There would be more than that, wouldn't there be 150 apples to the bushel?

Mr. CRUTCHFIELD. Not those that sell for 5 cents apiece.

Representative TEN EYCK. Do you mean the Oregon apples?

Mr. CRUTCHFIELD. Yes, sir; the apple that sells for a nickel apiece will run around 100 to 112 to the box. That would represent a wholesale price of \$5 a box at retail. Do you want the price back?

Representative TEN EYCK. In other words, I want to get a comparison of the consumer's price to the cost on the tree. To put in a comparison with the rate to the cost on the tree. You can get that by knowing how much it is a box, and it is just as many times greater at \$5 a box than the rate is on a box.

Mr. CRUTCHFIELD. The rate is 90 cents a box and \$5 would be five times at least.

Representative TEN EYCK. It would be over five times, would it not?

Mr. CRUTCHFIELD. Yes.

Representative TEN EYCK. In other words, the spread is five times greater than the rate of freight; is that it?

Mr. CRUTCHFIELD. Well, no; an apple that is sold at 5 cents to the consumer—

Representative TEN EYCK (interposing). Well, take that Oregon apple that is sold at 10 cents apiece.

Mr. CRUTCHFIELD. You are talking about a small percentage of the apples that are sold from these fancy fruit stands.

Representative TEN EYCK. Well, take an apple that sells at 5 cents.

Mr. CRUTCHFIELD. Take the consuming public as a whole and you will find in my opinion that that will be full price.

Representative TEN EYCK. That will be full price?

Mr. CRUTCHFIELD. Yes, sir.

Representative TEN EYCK. That is the apple that the hotel man buys and sells for 25 cents apiece to us in the hotel?

Mr. CRUTCHFIELD. Yes, sir; that represents 5 per cent of the trade and the other 95 per cent of the trade goes through a more reasonable channel. The apple that sells at 5 cents apiece is a very choice variety, of which the Northwest had but few this year. While some of those large apples sold wholesale at from \$3 to \$4 a box, the same quality and variety of apple sold for \$2 a box or bushel in the smaller sizes.

Representative TEN EYCK. We were told the other day that apples grown five miles from Washington, over in Virginia, sold out of the

store at 10 cents apiece, at the rate of \$15 a box, without any freight thereon, when the man had paid \$3.50 a box.

Mr. CRUTCHFIELD. Well, but that is not a typical case nor a large part of the production.

Representative TEN EYCK. I realize that, but I realize that 5 cents apiece for the Oregon apple is more than fair for comparison.

Mr. CRUTCHFIELD. I think it is about fair for the large size. The farmer on the proportion of his crop of that size this past year got one and one-half times the freight, about. But it is on the run of his crop, which happened to be this year of small size.

Representative TEN EYCK. But we do not make freight rates based on a small crop.

Mr. CRUTCHFIELD. You have got to take into consideration the average.

Representative TEN EYCK. I am not talking about reduction in freight rates.

Mr. CRUTCHFIELD. Well.

Representative TEN EYCK. I am trying to bring out that there are other spreads and a comparison to the freight rates that you brought up.

Mr. CRUTCHFIELD. Yes; but in order to develop the facts you have to take the average of the commodity and the average spread. And my statement about production costs relative to freight rates takes into consideration the average product this year, which was a little under the average quality the northwest usually produces because of dry weather out there.

Representative TEN EYCK. Let us make it clear right here. First give us the freight rate comparison with that Oregon apple by the box, or cost of the apple on the tree, and then give a comparison of the apple at 5 cents to the consumer with the cost of the apple on the tree.

Mr. CRUTCHFIELD. Well, now, I gave you those figures of the particularly small part of the crop that would sell for 5 cents apiece. The value on the tree was one and one-half times the freight rate, and therefore that would make the spread: At \$1.35 plus 65 cents for harvesting, boxing, etc., would be \$2, plus 90 cents freight and 10 cents for selling, would be \$3 delivered in the market. It would be selling at retail at \$4.50 to \$5 a box.

Representative TEN EYCK. What does the smaller apple sell for apiece?

Mr. CRUTCHFIELD. They do not sell by the piece; they sell by the peck and box. The small northwestern apples have sold at the rate of \$2.50 to \$3.50 a box retail by the peck, lots of them, and they are on the market to-day.

Representative TEN EYCK. What would you say oranges are selling for, say, 8 cents apiece?

Mr. CRUTCHFIELD. There comes again the matter of the size of the orange. You have oranges running all the way from 80 to the box up to 300 to the box.

Representative TEN EYCK. Let us take a box of 150 oranges, which is an average.

Mr. CRUTCHFIELD. You have got to stick to the per box basis because the freight is just as high on the 300-size oranges as it is on the 150-size orange.

Representative TEN EYCK. I realize that, but a box of small oranges has more small oranges in it and they can afford to sell them at a lower price per orange. You are confused a little bit as to the price value by the box. I am interested in the price the consumer pays. When the consumer buys small oranges, he may pay less for small oranges, but there are more oranges in the box, therefore he gets the same per box.

Mr. CRUTCHFIELD. The price I gave you that the consumer pays is by the box. If the wholesale price of the 250 size orange was \$3 a box, the retail price the consumer pays by the dozen would be around \$4 to \$4.50 a box.

Representative TEN EYCK. The consumer does not buy by the box as a rule.

Mr. CRUTCHFIELD. No; I mean the retail price that he would pay would amount to \$4 to \$4.50 a box when buying by the dozen. That is, through the chain stores and the average stores.

Representative TEN EYCK. Oh, you are talking about chain stores?

Mr. CRUTCHFIELD. Well, the general stores and the average of the Italian fruit stands in the majority of the districts. You can go into a fancy store or into the Waldorf-Astoria or the New Willard, and you can get the price up. But if you will take Child's restaurant or the various people that to-day are getting the bulk of the traffic you will find the spread in the retail price from \$1 a box up to \$2 a box.

The CHAIRMAN. I think you have got that pretty low. My impression is that the ordinary retail market on apples is pretty nearly 100 per cent above the price paid by the consumer.

Mr. CRUTCHFIELD. Competition has brought that down pretty much in the last six months.

The CHAIRMAN. I have in mind the war period.

Mr. CRUTCHFIELD. Yes; as to the war period you are right, 100 per cent.

Representative TEN EYCK. I believe we could go down the street now and show that even in the case of the small orange as well as in the big one, but I do not know just what it is.

Mr. CRUTCHFIELD. I think you are mistaken about that. I would be as much interested as anybody in the world in correcting that, but I believe you will find the retailer is beginning to recognize that he is limited by competition as to what he can charge now, particularly within the last two or three months. But that is something that needs attention; whatever the facts are, that spread ought to be reduced to the minimum.

Representative TEN EYCK. It is my idea, and I think it is the idea of the other members of the commission, that what we have to consider is the entire spread from the producer to the man who actually eats the food, and give attention all along the line wherever necessary and wherever we can.

Mr. CRUTCHFIELD. But can Congress take care of the municipal problem which relates to the cost of getting the stuff from the wholesale terminal to the consumer within the municipality? I do not believe it can.

Representative TEN EYCK. I do not know as to that, but something ought to be done.

Mr. CRUTCHFIELD. I think it is an obligation to see to it that after the commodity gets to the municipality it is sold there wholesale at the right basis.

The CHAIRMAN. Would you mind stating what the various elements of cost are. For instance, on a carload of apples, giving freight, delivery, commission, and everything up to the wholesale point?

Mr. CRUTCHFIELD. Yes, sir; including production, do you mean?

The CHAIRMAN. Well, I am perfectly willing to start at the point of production.

Mr. CRUTCHFIELD. Last year's cost in the Northwest amounted to fully \$1.25 a box on the tree for production cost. That is for all sizes and grades; a good many apples would amount to \$1.50. A box costs about 28 cents. The harvesting, and paper and packing costs about 40 cents, warehousing and all, at the shipping point. That would make a cost f. o. b. car \$1.65 to \$1.90 a box. That is a very reasonable estimate, because costs were higher last year. Freight was about 90 cents. Storage was up high this past year in the markets, and it is going to be high because there has been no building of storages in the last five years. Storage would run around 35 cents to 40 cents a box. The wholesale selling charge was 10 cents a box. The insurance was 3 cents to 5 cents a box. The average selling price for those apples would not exceed, I expect, around \$2.25 a box, wholesale price in the market I mean.

Representative TEN EYCK. That is the wholesale price of the apples?

Mr. CRUTCHFIELD. Yes, sir. So you can see there is a loss there of pretty nearly \$1 a bushel.

Representative TEN EYCK. What is your experience in relation to the cost of growing apples in the West, Oregon, and other places of that sort as compared with the cost in New York State and in Pennsylvania?

Mr. CRUTCHFIELD. The cost of growing fruit itself on the tree is not very materially different in a five-year average according to grade.

Representative TEN EYCK. This was a five-year average you gave us?

Mr. CRUTCHFIELD. Yes, sir. The Northwest, on account of the more even crop, irrigation, etc., gets more uniform production as a rule. But they were short of water the last year or two.

Representative TEN EYCK. Then, according to what you say here, it would cost us to raise our apples on the tree here in the East \$3.75 a barrel, taking your lowest cost price?

Mr. CRUTCHFIELD. No; I said that was last year's cost in the West against last year's prices. On a five-year average in the West they ought to grow those apples for 50 cents.

Representative TEN EYCK. They ought to grow them for 50 cents a box?

Mr. CRUTCHFIELD. Yes, sir; they ought to grow them in the East for \$1.50 to \$2 a barrel.

Representative TEN EYCK. What I think we ought to take into consideration is the average cost and not the particular cost for one year. You see what I mean, Mr. Chairman, that there is a big discrepancy between a cost of 50 cents and a cost of \$1.50.

The CHAIRMAN. Well, Mr. Crutchfield gave what I was asking for, I think.

Representative TEN EYCK. All right. I did not quite understand it.

Mr. CRUTCHFIELD. I want to give you the facts. When that 50-cent cost was the situation with reference to the apple on the tree in the West the freight was 50 cents.

Representative TEN EYCK. And you think they would cost us in the East \$1.50 a barrel?

Mr. CRUTCHFIELD. On the tree; yes.

Representative TEN EYCK. Well, I guess you have got it about right.

Mr. CRUTCHFIELD. Well, if you count the crops that you miss, and interest on your investment, and so on, I do not think it is too high.

Representative TEN EYCK. I am glad to get that information from you, if you know the situation.

Mr. CRUTCHFIELD. I should say if we averaged above that and kept our orchard right up to the handle we would be pretty well satisfied.

The CHAIRMAN. Perhaps we have got a little bit away from what we were discussing. You may go on with your statement.

Mr. CRUTCHFIELD. I want to say this, that we as producers—and all farmers are interested on the same basis—are vitally interested in the effect that these freight rates have on the business of our customers, the working men and the rest of the consumers of the country. We in the perishable line of business naturally must conform very strictly and promptly to the law of supply and demand, and to other economic laws; otherwise we would be annihilated. We believe therefore that we have more experience in the effect of price on demand. We believe that a normal reduction of 10 per cent on the price of a commodity will very considerably increase the demand; and under normal conditions an advance of 10 per cent in the price of a commodity will very greatly decrease demand. In other words, where a seller by misjudgment of the markets advances his price 10 per cent when he ought to be reducing it 10 per cent he demoralizes the whole market and that even though there is no competition. The wholesale market is particularly sensitive to correct values, and to get its price out of line with the correct market value means that the effect will very soon be evident in the shape of decreased demand. People will shift over to another commodity.

We believe that the increase in freight rates, not only on agricultural products, but on building material, on steel, coal and other products of that kind, has absolutely caused a collapse of the market in those products as well as in agricultural products. I make this statement from actual interviews with some of the most practical and larger steel people in Pittsburgh, and with lumber people, and people in other parts of the country.

We are interested in getting a remedy for the present situation. We believe fundamental conditions in this country are absolutely sound, and that prices have gotten to a basis now where there is abundant opportunity for resumption, because the price basis is very attractive if other elements are within reason. We believe that the freight rate being an item that affects every transaction in wholesale commerce, is an element that until it is settled is going to interfere with resumption of business. It ought to be settled one way or the other; it ought to be settled right. Whenever the freight rate is settled you will find competition in steel, lumber, and everything else will immediately cause a resumption of business, no matter

whether there is a profit or a loss on the immediate transaction, because everybody is anxious to get back to business; and it is a well known and established fact in commerce that costs follow the market up when it is rapidly advancing, and follow it down when it is rapidly declining. This idea that you have got to keep the price of everything up until you get the cost basis down is fallacious. It can not be done, and merchants and sales people will find that out to be true. You get your price down according to the value of your product no matter what it cost, just as farmers have done this year, and which they should have done. You will never get your costs down until values come down below your costs. That is the only way you can get them down.

Representative TEN EYCK. What is value?

The CHAIRMAN. It is what you get for a product.

Representative TEN EYCK. He says you must get the value down. I want to know what his value is. I do not quite get his proposition.

Mr. CRUTCHFIELD. I say the value of a product is dependent upon the law of supply and demand and not upon costs, and on an advancing market, as we have had in the last five years, the farmer and manufacturer gets all the advantage of the advancing market. His labor and the consuming public get the worst of it.

Representative TEN EYCK. You do not think the intrinsic value of a thing is what it costs to produce it, do you?

Mr. CRUTCHFIELD. Theoretically yes, but actually no. If I want to sell you a box of apples for \$4 a box, and it cost me that; yet if you can buy a box for \$2 you will not buy from me.

Representative TEN EYCK. That is not value, but selling price.

Mr. CRUTCHFIELD. Value is what it brings, and that is the position I take, that no matter what your costs are the value of your product is what you can get for it. If it is worth more and you are a good salesman you can sell it to somebody by a small shading of the price. Your money will buy more to-day of railroad securities than it would a few years ago. Why should not it buy at least a reasonable amount of transportation?

Representative TEN EYCK. But the Government has created a valuation of these railroads—even though the railroads could not be sold to-day for what the valuation is—and therefore there is a difference between you and me on the definition of value.

Mr. CRUTCHFIELD. The value of a product, if you want to find out what it is, may be tested out in this way: Try to borrow some money on a product and they will tell you to go by the market and not by the cost.

Representative TEN EYCK. They will ask what is the market price. I have borrowed a good deal of money and they never asked me what is the value of my product, but what is the market.

Mr. CRUTCHFIELD. I do not know Webster's definition of value but my definition is that the market is the value.

Representative TEN EYCK. I see what you are using as a value and that is what I wanted to know.

Mr. CRUTCHFIELD. We follow the rule that a product is worth all it will bring, no more and no less, under fair trading and proper conditions; and that the Lord Almighty ordained that there would be times when the producer would get the best of it for a year or two,

and other times when the consumer would get the best of it; the only thing to ever teach people to be frugal is hard times. When they get extravagant and production costs get up is when you are getting too much for a thing.

Representative TEN EYCK. I do not believe if you have a farmer sell his tomatoes for 10 cents a bushel he will say that is their value. With all the work and interest and everything else that goes into producing a bushel of tomatoes he will consider the value a great deal more than his selling price.

Mr. CRUTCHFIELD. I have been spending the last 20 years of my life trying to convince the farmer that that is the value regardless of what he thinks about it; therefore that he should plan his operations on a five-year average basis, and when he gets a chance to get big profits he should get them and put a part of them in bank.

Representative TEN EYCK. I think you are right about that.

Mr. CRUTCHFIELD. And not let the depressed years, particularly on onions, potatoes, and cabbage, affect him so much by his being unprepared.

The CHAIRMAN. The fellow who got high prices in recent years and banked his money is pretty well off.

Mr. CRUTCHFIELD. The manufacturer has to do the same thing. Whether right or wrong there are uncontrollable causes, such as weather, a cold winter or a warm winter, that affect the man, and that affect production, and that affect the net average price of a commodity. The farmer must depend upon the law of averages.

As to the carriers, that is the point I object to in the matter of consideration of this whole rate situation. They are figuring on yield for this month or last month, whereas if you figure-out present rates on the basis of the normal traffic the last year or two you will produce a result that will buy the railroads and pay for them in a few years' time. It is perfectly ridiculous. I believe the rate existing prior to the last advance on bulk stuff with the railroads running to 100 per cent capacity will give as high a yield approximately, or somewhere around that, as the traffic will bear. These high freight rates, coming at a time when ocean rates are coming down, and exchange is so favorable to foreign countries, acts as a tariff against American agriculture; in manufacture of iron ore it amounts to \$6 a ton at Pittsburgh, this last advance.

Representative SUMNERS. Do you think that abnormally high freight rates create just the sort of condition that Mr. Ten Eyck mentioned some time ago, might be created by an abnormally low freight rate?

Mr. CRUTCHFIELD. Yes. There is no question about it.

Representative SUMNERS. We might cause communities to develop industries because of inability to ship in at a reasonable rate, and it would be discovered when normal freight rates are put into operation again, that these industries can not compete with some other community more advantageously circumstanced with regard to production.

Mr. CRUTCHFIELD. That is just what is taking place to-day. You will find that production has been so dislocated that when business resumes there will be a most chaotic condition existing in this country if you do not change this freight rate promptly. If it were necessary

to protect the railroads in some other way, if they have to be protected, you will have to do it in some other way. You can not do it this way, because it is contrary to economic law in my opinion. Mr. Hoover, the Government, and everybody else tried early in the war to go contrary to economic law, and they could not do it, although they had the whole power of the Government behind them; they never succeeded until they got to conforming to the economic law of supply and demand. When they got to controlling the price of sugar they had to control distribution. The only way they could control the consumption of meat and bread was to get people by persuasion to conform to meatless days and wheatless days.

Representative TEN EYCK. I am not opposing anything in freight rates, but think it is a matter open to suggestion. Do you think immediate attention should be given to the food products of the country before anything else—do you think that a good idea?

Mr. CRUTCHFIELD. I think we need also more homes and cheaper rents and cheaper building material and coal, which go into the cost of living, and cheaper road material. I think products of that kind, along with agricultural products ought to be given immediate relief. This little pecking at these rates the way they are doing, it will take them 50 years to get them right. It will be a physical impossibility going over the tariffs that way, it being such a gigantic task you will never get relief. These rates were brought up horizontally and uniformly, and they have to be brought down the same way if you are to get immediate relief.

Gentlemen of the commission, I wish to say to you that it is my opinion, and it is the opinion of a number of manufacturers of steel and iron and producers of coal, that business would begin to pick up inside of a week from the time this freight rate is reduced very materially. Fundamental conditions are right now, for what adjustments have not taken place already will immediately take place when this thing is settled.

I believe the people have confidence, absolute confidence in the Government's ability to settle this tariff question, and the foreign situation, and that they are going to do it in a reasonable time in a fairly successful manner. The only thing that is needed to-day is to get the rail rate situation remedied, and that portion of labor adjusted that the Government is still interfering with. The Government has brought this disordered condition on the country, this acute depression, and to the extent that the Government can relieve it it is bound to do so, and that promptly.

Representative TEN EYCK. The war had a little to do with it.

Mr. CRUTCHFIELD. Yes; but I do not think things were so much out of line during the war or immediately afterwards, but they have been a long time now in getting them corrected. It is beginning to be a long time at least. It would be a crime in my opinion to burden agriculture with this additional freight rate on a second crop. They have stood it now on one full crop, and they are just coming in with a new crop, and if they have to stand this, with demoralized market conditions and these excessive costs, which go not only into what they ship but what they get in, you are going to have a bankrupt agriculture in this country that you will have to help like we are helping foreign countries now. But it will be absolutely unnecessary if immediate relief is given.

I cut out a clipping from the Boston News Bureau of July 18 by J. W. Barron, editor of the Wall Street Journal. He says:

The United States will lose out against Germany in the industrial race unless we recover cheap transportation on land and sea, which has been increased by labor unions, doubling the cost of transportation as well as living.

I do not charge it altogether to the labor union. I have a special article sent out from Washington under date of June 17 promising a reduction in freight rates in order to grant relief to the country, which article is as follows:

WASHINGTON, June 17.

The administration has decided there must be a cut in freight rates. President Harding, after a conference with Secretary Hoover, who is regarded as the most expert authority in the Government on the sale and transportation of commodities, has informed the chairman of the Interstate Commerce Commission that a freight cut must be had and that it must begin with the products of the farm and the field.

The reason why the farmers come first is frankly stated in official quarters. Agriculture is the chief industry in which the rates fall on the producer. The farmer has to pay the freight, whether it be on cattle, fruit, or other produce. In almost every other line the consumer pays the freight, all costs being passed on to him through the system of selling from the mills to the wholesaler, jobber, and retailer, all the final cost being paid by the purchaser. For this reason the administration feels that the farmer must get first relief.

Unless the railroads voluntarily put reduced schedules into force the Interstate Commerce Commission will do so, but it is understood here that informal negotiations are now under way with the trunk lines by which there will be preferential treatment for the products of agriculture. Statistics now in the Bureau of Commerce and in the Agricultural Department show that live stock is being sold, plus freight rates at Omaha, Denver, and Kansas City, at 20 per cent less than the cost of production. The rail rates eat up all chance of profit. This also is true in the sales of hay and other farm products, including fruit, and this is to be remedied at once.

A general cut in freight rates will follow next and in time to stimulate the autumn trade. The administration, after hearing from producers and bankers, has decided that business can not carry the overhead load, but it is the opinion here that the cuts will be gradual in the fact that they will be made first on the material that go into the basic industries, such as building.

Coincident with this will come the announcement of a further cut in steel prices for which the country has been waiting so long. President Harding's advisers have convinced the steel directors that an average rate of 110 per cent above prewar prices stifles buying and affects many lines of commerce. Another thing that has eaten into the minds of the steel men is that production now averages only 30 per cent of capacity. There is a buyers' strike against these corporations, and only actual necessities are being ordered from the mills.

It can be said that a reduction has been agreed upon and that the basis is now being worked out with the view of holding up the weaker companies whose organizations can not produce at the same cost as the United States Steel. Some of these companies have a lot of paper in the banks, and it is felt their interests must be protected as far as possible when the general cut is announced.

Whether this downward revision in steel and iron manufactures means also another cut in labor wages is unknown, but there is a rumor that there will be 10 per cent more lopped off, making 25 per cent in all since the first of the year. In defense of this it is said by agents of the steel men here in Washington that even then the wage rate will be 40 per cent higher than before the war, which, it is held, will be a fair share of the deflation which the men ought to take. It is further pointed out that nearly 70 per cent of them are now idle and that unless there be a reduction in pay, to follow a further cut in costs of production, at least 40 per cent of them will remain out of work.

An important announcement as to the plans for cutting manufactures of steel may be looked for after the next meeting of the steel directors. With a cut also in freight rates, the administration points out that cement, lumber, and other building material will be delivered at cheaper rates and a direct stimulus given to the building industry of the country. It is understood that most of this preliminary work in bringing about reductions is now in the well-trained hands of Herbert Hoover, and that the first results may be looked for early in July.

Western railroads—that is, some of them—are already getting together new schedules on farm freight, which they will submit to the Interstate Commerce Commission probably on July 5. The recognition by the administration that high rail tariffs have obstructed the return of the country to anything like normal business is now also held by Senator Cummins, author of the railroad bill, and is also the opinion of most of the bankers who of late have conferred with the President on plans to stimulate the business of the country.

Representative SUMNERS. How do you think the thing can be done?

Mr. CRUTCHFIELD. I believe that the burden of proof as to reasonable rates ought to be put on the carrier again, and particularly on the lines of commodities that the general public, including the carriers, have got to be interested in in order to get living down to a reasonable basis.

Representative SUMNERS. Do you think that we could have a horizontal reduction in freight rates or any other reduction in freight rates, now, under existing conditions, without some additional draft on the public Treasury, either directly or indirectly, in order for the railroads to continue functioning properly?

Mr. CRUTCHFIELD. I think you could do it for a period of three months on these particular commodities, which, say, would be one-half the traffic, not over that, probably 50 per cent or 60 per cent of the traffic, and then leave upon the carriers, who are experts along that line, to develop with the Interstate Commerce Commission during that time the reasonableness of the advance. In the meantime it would give the country a stimulus that is needed to get business started again. After you get business started again it will stand a higher rate than it will stand in getting started. I think the railroads will make just as much money under this plan as they are making at the present time.

Representative SUMNERS. You think the increase in volume of business under a reasonable reduction in rates might give the railroads the same net earning or more than they are getting now.

Mr. CRUTCHFIELD. I believe that a reduction to the basis existing prior to the last advance, on agricultural products, and also perhaps on building material, coal and road material, that class of stuff, would immediately give the railroads all the traffic they could handle and would tend to reduce the cost of living to their employees and the general public, which in turn would enable them to get their costs down, and that their possible revenue would be practically as great or better than it is at the present time.

Representative SUMNERS. Why do you draw the distinction—I think I know why, but I want an explanation in the record—as to why you draw a distinction between the commodities which you have mentioned and general commodities which make up the total of freight movement?

Mr. CRUTCHFIELD. Because all these commodities, which are bulky commodities, are those on which the freight represents a much larger proportion of the market price as compared with the lighter commodities. Also because of the fact that the general public are particularly interested in depressed times in getting the cost of living down, which means you must do whatever can be done to stabilize and increase production of foodstuffs. You have got to get rents down by encouraging building, which is affected very largely by the excessive cost of building material freight. And in the matter

of coal and road material, something I think probably should be done.

Representative SUMNERS. In other words, they are commodities which do now enter most into industrial activity and most affect the ordinary interests of the people, and their use would be increased in any general revival?

Mr. CRUTCHFIELD. Yes, sir.

Representative TEN EYCK. In other words, you think the railroads should take hold and start the entire readjustment of living conditions in the country; that it is within their province to be the initiators?

Mr. CRUTCHFIELD. No; I do not put it that way. I believe the railroads have no right to hold their commodity, which is transportation, for a higher price than it will bring any more than a carpenter or a labor union has a right to do so, particularly with the consent of the Government. That is what they are doing.

In other words, the railroads are holding their commodity, which is transportation, at a higher price than they can get for it, and allowing it to go to waste, which is what it means, rather than sell it for less. They ought to put in excursion freight rates on commodities, like is done at times for passengers. I do not say break down the rate structure, as I am a friend of the railroads and we need the railroads to be in the market to buy. I do not want to do any injustice to them.

Representative TEN EYCK. It was not from that stand point I asked the question. There is some point where the deadlock must be broken, and you feel that it is the railroads that must break it, or that can break it?

Mr. CRUTCHFIELD. I think the railroads ought to do what I believe every other line of business should do, and that is, sell their product, which is transportation, for the market price, i. e., for the present all they can get for it, and not refuse to sell it simply because they can not get for it what they think it is worth.

Representative TEN EYCK. Of course the railroads could not lower their freight rates to-morrow if they wanted to.

Mr. CRUTCHFIELD. Oh, yes, sir. The Interstate Commerce Commission says it will grant an emergency rate for any commodity the railroads want to reduce the rate on, but that the commission can not force them to come down without a formal hearing. The commission allowed the railroads to reduce canteloupe rates, a very small percentage it is true, voluntarily. It did not amount to much.

Representative TEN EYCK. It was voluntarily done?

Mr. CRUTCHFIELD. Yes, sir. I believe under existing conditions there needs to be a certain amount of flexibility or elasticity in the price of all commodities, and that that would be brought about by emergency rates rather than by a permanent reduction. I do not claim to know that that arbitrary reduction on these particular commodities would be a scientific rate, and I do not believe anybody but the railroads and the commission can tell. I do not believe the shippers have the facilities or the capacity or the equipment to prove what is a reasonable rate. And I believe the commerce of this country, and the condition of the world will be in chaos until it is worked out; and the railroads and the commission together can work it out.

The burden ought to be put on the railroads to work it out, as it was before the war. You would find some action then.

The CHAIRMAN. Is there anything more you desire to say, Mr. Crutchfield?

Mr. CRUTCHFIELD. I wish to emphasize that I believe the cause of the acute depression in business lies 65 per cent with the railroad rate issue. And as this was done by the Government through the Interstate Commerce Commission after the war, last May, it could not be called a war measure, and it is incumbent upon the Congress to do something. It affected agriculture in particular, representing a tax against agriculture, because it destroyed its markets as well as put a tax of \$600,000,000 on the products of agriculture; and I think it is absolutely incumbent upon the Congress to remove the cause of this depression, which can be done by a correction of that rate matter—and if the Congress owes any obligation to the railroad it should be settled in some other way.

When you get the price of a commodity below cost of production, or below cost of replacement, you get to the point where somebody is going to be interested very quickly. You can not start business from a dead standstill until you get pretty near to that point.

The CHAIRMAN. I do not understand what you mean by that statement.

Mr. CRUTCHFIELD. The great complaint throughout the country to-day is that there is no demand for commodities at the prevailing prices, and the railroad executives say price has nothing to do with demand; that you can offer even at a lower price and you will not create demand. That is not true. Whenever you get a price down below the price of replacement you get to a point where a good salesman can do business. The Congress agreed, as I remember it, that the Interstate Commerce Commission shall initiate as well as permit rates that will yield 5½ per cent or 6 per cent to the railroads on this new valuation. That puts the burden on the Interstate Commerce Commission, a burden that it can not bear; they have proved it. They have put rates too high in my opinion to produce the maximum revenue, and it gives the Interstate Commerce Commission, composed of men who are not railroad operators, a problem that they are not equipped to solve on such a gigantic basis. That problem ought to be put back on the railroads where it belongs and where it can be solved. If the country owes the railroads anything from the troubles of war it ought to pay them in some other way.

The CHAIRMAN. If the railroads were on a competitive basis instead of on a uniform rate basis, it is very likely that some railroads would be out now trying to get traffic.

Mr. CRUTCHFIELD. Absolutely. If you restore the competitive basis among railroads, real competition, it will go a long ways toward solving this problem. I do not know that that is practicable, because there may be a necessity for more or less cooperation, but something ought to be done. I am not offering any cure-all as to just how to do all these things, or anything of that kind, but I do feel confident as to the one thing, and that is, that this 25 per cent to 40 per cent advance in freight rates will disrupt business at any time; no such alteration in basic principles or universal custom can possibly be made at one time without disrupting business. And to continue such a proposition is going to keep business disrupted until you

change it, no matter what you do along other lines; and as the Congress did it, it ought to undo it.

The world in my opinion is going to be crying for increased production of foodstuffs, and increased production of houses is necessary if this country is going to continue to grow, and you are not going to get either in the United States until you correct this situation. There is a theory that is being given wide circulation and believed by even such eminent authorities as Judge Gary, that the cost of living has necessarily a direct bearing on the wage scale. Therefore he said recently that he did not feel like reducing wages paid by the steel corporation to its employees because the cost of living had not come down, and that he could not reduce the price of steel because the price of labor had not come down. But he is now wisely reducing the cost of steel whether labor has come down or not, because they are selling considerably below their list prices, I understand, at the present time.

And the cost of foodstuffs and the cost of rent are not going to come down under present conditions. You may witness, and I believe you will witness pretty shortly, an increase in the cost of foodstuffs, simultaneously with a decrease in the wage scale, because the price of food is determined by supply and demand. People eat a certain amount regardless, and unless you control distribution arbitrarily you get to a point, if you keep killing off production as is being done at the present time, where production of foodstuffs, regardless of unemployment, is going to force the price of food up. You see how difficult it is in spite of unemployment to get the price of rents down, and it can not be done until you can get more buildings constructed. Rents are almost stationary at the high level on account of lack of buildings; and the price of foodstuffs, on account of short crops, not only in this country but abroad, is going to bring food prices up. You are likely to see food prices generally advance on account of acute shortage; and if the economic situation in this country is out of adjustment you will see a very chaotic and dangerous situation if wages come down much further with the cost of living going up.

That is another reason why this thing ought to have quick attention. You have the shortest fruit crop in this country you have had in 20 years, on account of a very open winter, which brought the buds out early and practically annihilated the fruit crop in the East. Crops of winter produce are also uncertain.

Mr. Chairman and gentlemen of the commission, I believe that is about all I have to say.

The CHAIRMAN. Mr. Crutchfield, you have made a very interesting statement and a very valuable one, and detailed a great many things which I hope we will be able to develop. I am very much obliged to you for coming down, and each member of the commission appreciates the statement you have made.

We will now adjourn until 10 o'clock to-morrow morning.

(Whereupon, at 5 o'clock and 10 minutes p. m., the commission adjourned until 10 o'clock a. m. to-morrow, July 21, 1921.)



# AGRICULTURAL INQUIRY.

THURSDAY, JULY 21, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
Washington, D. C.

The joint commission met at 10 o'clock a. m. in room 70, the Capitol, Mr. Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. We will hear from Mr. Marsh this morning.

## STATEMENT OF BENJAMIN C. MARSH, REPRESENTING THE FARMERS' NATIONAL COUNCIL, BLISS BUILDING, WASHINGTON, D. C.

The CHAIRMAN. Mr. Marsh, give your name, organization, and your residence.

Mr. MARSH. My name is Benjamin C. Marsh. I am acting managing director of the Farmers' National Council, whose managing director, Mr. George P. Hampton, died last month. I might state, thinking that perhaps it would be of interest, indicating the position of the organizations making up the council, that every vote cast for Mr. Hampton's successor so far has been for me, and over half of the votes have been cast. I cite that not with the idea of throwing bouquets at myself but merely to let you know that, as I have been working for three years and a half as Mr. Hampton's assistant, and all of these farm organizations know me, I feel that the vote of confidence that they have given indicates that they agree to the statement which I make.

I am merely going to outline to you in this statement this morning, Mr. Chairman and members of the commission, the position taken by the Farmers' National Council on practically all the points involved.

To put agriculture on a human basis of cost of production plus at least current rate of interest as profit, three things must be done at once:

First, costs of production must be reduced.

Second. Costs of marketing must be reduced.

Third. Government, local, State, and National, must stop taxing away from farmers the small money wages or return on the investment they get.

Now, I would like to take up those three points, Mr. Chairman, and if it would be so desired, of course, I would be glad to answer any questions as I go along; but if it is convenient I should like to make a consecutive statement and thereafter answer such questions as it may be desired to ask.

The CHAIRMAN. Very well.

Mr. MARSH. Farmers pay over half a billion dollars a year interest on indebtedness against farm values. Now, that is an estimate, the closest estimate I could get recently from the Farm Loan Bureau.

The House should promptly adopt the Sinclair resolution, House resolution 102, providing for an investigation by the House Committee on Banking and Currency of the alleged control and manipulation of money and currency by international banks and banking corporations.

Mr. Chairman, with your permission, I would like to file this Sinclair resolution, House resolution 102. I think it should go into the record, if agreeable to the committee.

(House resolution 102 is here printed in full as follows:)

[H. Res. 102, Sixty-seventh Congress, first session.]

- Whereas money and credit is the lifeblood of commerce and its unnatural expansion or contraction affects the entire body politic; and
- Whereas the Constitution of the United States provides and the Supreme Court of the United States has decided that "whatever power there is over the currency is vested in Congress"; and
- Whereas it is charged, and there is good reason to believe, that the money and currency of the United States is now controlled and manipulated by international banks and banking corporations organized for private gain, and in restraint of trade in violation of the Constitution and antitrust laws of the United States; and
- Whereas it is charged, and there is good reason to believe, that the lawful money that should be in circulation to sustain values and pay debts has been drawn to New York by high interest rates, running from 20 to 30 per centum, and is being used by international bankers, members of the Federal reserve system, and affiliated banking houses and trust companies, for speculation and gambling in the property of the people and the products of labor for their own private gain; and
- Whereas it is charged, and there is reason to believe, that international bankers, through the Federal Reserve Board, control the money and credit of the United States, which enables them to fix the prices of property and the products of labor and control the business affairs of the people of the United States; and
- Whereas it is charged, and there is good reason to believe, that international bankers and affiliated banking houses and trust companies—dealers in debts and bonds—have made billions of dollars out of the misfortunes and miseries of the people during the past five and a half years, largely represented by bonds and debts, and are now responsible for enforcing a drastic "deflation" of values of the property and products of the people, which will double the value of their bonds—the people's debts—while causing terrific losses to the Nation; and
- Whereas, as a result of this deflation three and a half million laborers are now in enforced idleness, causing untold suffering, and a loss of hundreds of millions of dollars in the productive power of our people at a time it is most needed; and
- Whereas the Constitution provides that whatever power there is over the currency is vested in Congress, it is therefore the plain duty of the representatives of the people in Congress to decide this question of contraction of "currency and credits" of this country, and not leave it to international bankers and affiliated banking houses and trust companies—the owners, agents, and dealers in these debts, and
- Whereas it is charged, and there is good reason to believe, that in sections in the West where there is no wood or coal and no money to bring in fuel, the farmers are actually burning their corn for fuel in their extremity; and
- Whereas in Oklahoma some farmers, who have abandoned their cotton fields because they can not raise enough money to pay the labor cost of picking their own cotton fields where they have raised an indifferent character of cotton, are making \$1.75 a hundred pounds for picking the cotton of neighbors who have produced a grade that will bring a better price than their own; and
- Whereas in Wyoming there are millions of pounds of wool which woolgrowers are quite unable to sell at this time, and in other parts of the State there is an abundance of cattle food, but the cattle have disappeared; and
- Whereas in some parts of the West the scarcity of money is such that horses are being sold as low as \$3 apiece and purchased by impoverished neighbors who kill and feed their flesh to the hogs and obtain some reimbursement by selling the hide

of the horse; and in parts of the South the scarcity of money is so great that farm mules are being sacrificed at foreclosure sales at 10 cents on the dollar of their value of a year ago; and that to raise cash other property is being thrown overboard in the same proportion; while in North Carolina the situation among the farmers is so lamentable that three citizens of one county, with hope destroyed and nerves shattered, unable to struggle longer with desperate conditions, had ended their lives by suicide; and

**Whereas** in parts of Kansas farmers are being turned away from their farms, their cattle and implements sold, and ruined families becoming wanderers on the face of the earth; and

**Whereas** in the face of this distressing condition brought about by the scarcity of money, investigation will show that four banking institutions in New York City at the same time were borrowing from the reserve system an average of over \$118,000,000 each—or practically as much money as the Federal reserve banks of Saint Louis, Kansas City, Minneapolis, Dallas, and Richmond, all combined, were lending to more than four thousand member banks in twenty-one States in the Union, comprising more than one-half of the entire area of the United States; and

**Whereas**, if the reserve system has funds to loan in such large sums to banks in New York City for questionable purposes, it is the business of the representatives of the people in Congress to know why money is so scarce in the interior, where the real wealth of the country is so largely produced and where money is so distressingly needed; and

**Whereas** this destruction of value is not confined to the farmers, but it is estimated that the shrinkage of values in this country from the highest prices of 1919-20 to the low prices of to-day in the year's products of our fields, mines, factories, mills, and forests, with the material left over from the previous year, will amount to somewhere from \$12,000,000,000 to \$18,000,000,000 in property value in the past twelve months, which represents a loss far greater than the total gold supply of the whole world at this time. The significance of these figures and of these terrific losses may be better imagined when we recall that the total wealth of this country in 1900 was estimated at only \$88,000,000,000; and

**Whereas**, in face of the fact there is more wealth in the country to-day than ever before, a recent estimate made by a large bank asserts the loss in the farmers' purchasing power this year as compared with 1919 amounts to 30 or 40 per centum, or between \$6,000,000,000 and \$8,000,000,000. This loss affects every business group, including industrial concerns which buy their raw materials from the farmer and manufacturing and mercantile business which sell their products to him; and

**Whereas** a prominent farm publication estimates that the value of the oats crop shrank \$303,000,000 between July 1 and October 4; that the value of the cotton crop shrank \$523,000,000 between July 1 and October 4; that the value of the wheat crop shrank \$732,000,000 between July 15 and October 8. This publication estimates that the decrease in value of the crops of corn, wheat, oats, and cotton from July 1 to October 4 amounts to \$3,203,000,000; and

**Whereas** it is charged, and there is good reason to believe, while this depression has fallen upon the people of the United States, that the international bankers and banking interests organized for private gain are controlling the money and credit of this country and have made billions of dollars represented by their tremendous increase in assets, capital stock, dividends, and surplus during the period of this war; and

**Whereas** it is charged, and there is good reason to believe, that the Federal Reserve Board, under the dominating influences of international bankers, is destroying billions of dollars in value of the people's property, and doubling the value of debts, and unless arrested in their plans of contraction of the lawful money and credits of the United States will ruin the business of this country; and

**Whereas** the Pujo committee appointed by Congress to investigate the control of money and credit in the United States in its report states, "We find from the testimony that the most active agents in forwarding and bringing about the concentration and control of money and credits through one or another of the processes above described have been and are J. P. Morgan and Company, of New York; the First National Bank of New York; the National City Bank of New York; Kidder, Peabody and Company, of Boston and New York; Lee, Higginson and Company, of Boston and New York; and Kuhn, Loeb and Company, of New York"; and

**Whereas** the Federal reserve act, under the management of the Federal Reserve Board, has increased the privileges and powers of this Money Trust and under its present policy of contraction is destroying the legitimate business prosperity of this country; and

Whereas this committee of Congress stated in its report that the bankers in the reserve cities had refused to allow them to investigate their books and the then comptroller of the Currency declined to give them the following information in which they stated "that no exhaustive investigation can be conducted such as is provided by the resolution, without access to the books of account and affairs of the principal national banks of the great cities," the committee closed its report by requesting that Congress grant them the power to complete their investigation of this Money Trust: Therefore be it

*Resolved*, That the members now or hereafter constituting the Committee on Banking and Currency, or a subcommittee from the members of said committee, is authorized and directed to fully investigate and inquire into each and all of the above recited matters and subjects connected with, appurtenant to, or bearing upon the same; and that said committee as a whole or by subcommittee is authorized to sit during the sessions of the House and during the recess of Congress. Its hearings shall be open to the public. The committee as a whole, or by subcommittee, is authorized to hold its meetings both during the sessions of Congress and throughout the recesses and adjournment thereof and in such cities and places in the United States as it may from time to time designate; to employ counsel, experts, accountants, bookkeepers, clerical and other assistants; may summon and compel the attendance of witnesses; may send for persons and papers; and administer oaths to witnesses. The Comptroller of the Currency, the Secretary of the Treasury, and the Commissioner of the Bureau of Corporations, and their respective assistants and subordinates, are hereby respectively directed to comply with all directions of the committee for assistance in its labors, to place at the service of the committee all the data and records of their respective departments: to procure for the committee from time to time such information as is subject to their control or inspection, and to allow the use of their assistants for the making of such investigations with respect to corporations under their respective jurisdictions as the committee or any subcommittee may from time to time request.

No person shall be excused from giving testimony or from answering any question or from otherwise disclosing any fact within his knowledge as an individual or as an officer or director of a corporation, or otherwise, or from producing any book, paper, or document on the ground that the giving of such testimony or the production of such book, paper, or document would tend to incriminate him, or for any other reason: but every person so testifying shall be granted immunity from prosecution with respect to any matter or thing concerning which he may be interrogated and as to which he shall truthfully make answer under oath upon such investigation. The Speaker shall have authority to sign and the clerk to attest subpoenas during the recess of Congress.

*Resolved further*, That this committee of Congress investigate and report to the Congress the profits made by international bankers of the United States and the member banks of the Federal reserve system, including all affiliated banking houses and trust companies, during this World War and down to the close of its investigations.

Mr. MARSH. I wish to state that representatives of the farm and labor organizations are arranging to accompany Congressman Sinclair, the introducer of this resolution, to see Mr. Campbell, the chairman of the Rules Committee, to which the resolution has been referred, and request an immediate hearing by the Rules Committee on this resolution, which provides for the investigation of the whole money and credit situation by the Banking and Currency Committee of the House, or a subcommittee thereof.

At this point I want to make a brief statement which involves—and I realize the seriousness of what I am going to say—a very severe criticism of the President and of the administration. I think it is only fair that I should make this statement and have it go in the record. I can not give the exact date, but very recently, about three weeks or a month ago, I received a telegram from Mr. Ed. C. Lasater, of Sulphuria, Tex., who is well known to many members of this commission, asking what the Farmers' National Council could do to secure a loan by Congress to live-stock interests.

I want to tell you the procedure which I took. The very day I got that telegram I asked the representatives of the farm organizations having headquarters here, to wit, Mr. Holman, of the National

Milk Producers' Federation; Dr. Atkeson, of the National Grange; Mr. Gray Silver, of the American Farm Bureau Federation; Mr. Charles A. Lyman, secretary of the National Board of Farm Organizations, to meet in Dr. Atkeson's office.

We met that afternoon, but there was not a quorum present. Then we met the next morning. All these gentlemen knew the live-stock situation. Mr. C. W. Jamieson, representing Mr. Silver of the American Farm Bureau Federation, and Mr. Jamieson, also being president of the Colorado State Farm Bureau Federation, said, "Why, the private bankers are treating us farmers and live-stock growers beautifully." "Why," I said, "Mr. Jamieson, I don't think that that can be so, certainly not in any State but your own."

We agreed in this meeting, then held in Dr. Atkeson's office, Dr. Atkeson being the representative of the National Grange, that we would go to the agricultural blocs of the House and Senate and ask them if they would back this resolution or the effort to get the \$50,000,000 loan to the live-stock interests. Mr. Dickinson, chairman of the House agricultural bloc, arranged this conference. I will hurry through this, gentlemen, but I think it is very important to show the influences which are keeping the agricultural interests from getting credit. Senator Kenyon was going West, and he could not call the Senate bloc, but we had a meeting with Mr. Dickinson, and Congressman Clarke of New York State charged me with being a Socialist for trying to get some credit relief for the live-stock interests. I read to them the telegram from Mr. Ed. C. Lasater, to which I referred, calling attention to the desperate situation of the live-stock interests and to the fact that the Texas live-stock growers requested this appropriation.

Well, I could not get the House agriculture bloc to do anything. But I found that Congressman Strong of Kansas had drafted a resolution very similar to that which Congressman Hudspeth of Texas had introduced, providing for the \$50,000,000 loan to the live-stock interests. Mr. Strong called off his resolution because the President invited J. P. Morgan & Co. and the other bankers down here to organize a private live-stock pool.

I then went down to see Gov. Harding. He was absent. I saw Mr. Platt, vice chairman of the Federal Reserve Board. I said, "Mr. Platt, what is the reason that the President has called off Congress on this plan to make a loan for the live-stock interests?" "I don't know," he replied. "Gov. Harding went out to indorse this loan by Congress." "Well," I said, "that is funny. I will go further up the line."

I went in to see Mr. Eugene Meyer, managing director of the War Finance Corporation; Mr. Meyer said to me, "Oh, the farmers do not care what rate of interest they pay so they get their money in a hurry." I said—and I will omit my adjectives, "Mr. Meyer, you don't know a thing about farmers."

I then went up to see the Secretary of the Treasury. Mr. Meyer took me in. I said, "Mr. Secretary, why have you turned the farmers over to be exploited by the big investment bankers?" He said, "Because Congress did not act," "Oh," I said, "did either you or the President ask Congress to act in this matter?" And he said, "No." I said, "Why didn't you?" I received no answer.

I then went to Mr. Strong again and asked him to put in this resolution of his for the \$50,000,000 loan by Congress to live-stock interests, but to amend it to provide that they should not charge live-stock interests over 6½ per cent, to a maximum of 7 per cent.

I then wired Mr. Ed C. Lasater about the organization of this live-stock pool and told him that in my judgment, from all I could find out by inquiry, they would charge 8 or 9 per cent, and possibly 10 per cent. I said, "Will that relieve the situation?" Mr. Lasater wired back—and all this is a matter of record—that "No part of the live-stock industry has averaged over 5 per cent profit during the past five years." Such a rate of interest, in effect, he said, "will fasten the chains still further."

Now, gentlemen, that is where the thing rests, except that I went again to the Secretary of the Treasury, after trying for a long time to get some action from him, and I said, "Mr. Secretary, Congressman Strong tells me that you were assuring him the bankers won't charge a high rate of interest in this live-stock pool. What assurances have you of that? What control have you over the bankers? Don't you know they will charge what they can?" He said, "They will charge the current rate of interest." I said, "How much will that be?" He said, "Six or 6½ per cent." "No," I said, "it will be as high as 10 per cent plus the commission." And I said to him frankly that I thought the President and he had done a great injustice in calling Mr. Morgan down here when Congress seemed ready, and was ready, in my judgment, to do something for the live-stock interests at a reasonable rate of interest.

Now, we have got to change our system so that agriculture can get credit, not only for production, for it has been relatively easy for agriculture to get money, I do not mean that it has really been easy for them to get it, but it has been relatively easy for them to get money as compared to getting money for marketing farm products.

Representative SUMNERS (interposing). Mr. Marsh, have you concluded your discussion with reference to the \$50,000,000 loan?

Mr. MARSH. Yes; except as I might refer back to some detail. I do not want to go into too much detail, Congressman.

Representative SUMNERS. The only reason I make the inquiry is to ascertain whether or not you have been advised as to what has been the conclusion of the matter?

Mr. MARSH. Of that \$28,000,000 loan?

Representative SUMNERS. No, that \$50,000,000 item of the live-stock loan that you have been discussing. What happened to that matter, and to what extent has it been put in operation?

Mr. MARSH. I will answer that.

Representative SUMNERS. I do not mean to interrupt your statement now. Perhaps you may want to make a statement about that nearer the conclusion of your discussion.

Mr. MARSH. I will go a little further. I can not give the names of two Senators from Western States—States in which I shall be probably next month, for I am going on a trip from here to the Pacific coast to tell the farmers and organized labor, holding joint farmer and labor meetings, what is happening down here—who are in favor of this loan. One of them gave the names of bankers in his State who favored having Congress make the loan to the live-stock interests. Those Senators—and I am sure you gentlemen will not ask me to give their names, be-

cause it would embarrass them, and this conversation that I had was a confidential conversation—both of these Senators were called into the conference with Mr. Morgan. Both of them regretted seriously that they had been tied up, as they told me, by the action of the President. They did not see any relief for the live-stock interests after I told them just what I told Secretary Mellon. It was just turning over the live-stock interests to be further exploited by the investment bankers of America, and I said that the farmers of America will not stand for these vast appropriations to the railroads in the form of subsidies and revolving funds at 6 per cent and guaranteed dividends. They won't stand for the loot and waste in the United States Shipping Board and then be told that it is socialism for the Government to extend credit to them on adequate security at a reasonable rate of interest.

Representative SUMNERS. Do you know what these investment bankers have done, and what disposition has been made of the fund?

Mr. MARSH. I have not been able to find out if they have made any loans yet. The papers report that they have. As I told Congressman Strong: "Is this a bluff of the bankers? If it is not a bluff of the bankers, well and good, but even then the farmers will pay 3 to 4 per cent more interest than they ought to pay. If it is a bluff farmers won't get the money at any rate, and I think you ought to go ahead, Congressman." And Congressman Strong told me yesterday that this week he will let me know definitely, after consulting with some people, whether he will go ahead and put in this resolution for \$50,000,000.

Senator HARRISON. The resolution has not yet been introduced.

Mr. MARSH. Congressman Strong has not yet introduced it. He has it prepared and was waiting to see what the live-stock people will do. I said that if he introduced the resolution I would make a fight for it from here to the Pacific Coast.

Senator ROBINSON. Is that the resolution which you put in the record?

Mr. MARSH. No; that resolution which I put in the record, Senator, was the resolution to investigate that whole situation, and I think that is very important.

Representative SUMNERS. Now, I would like to ask you this question, Mr. Marsh.

Mr. MARSH. Congressman, may I finish the statement I just began? I think that is very important, because if you get a bona fide investigation of the whole control and monopoly of credit in this country it will be mighty easy to get relief for the agricultural interests. It will be an exposition and an exposé of the control by the investment bankers of a great many Government agencies, which will arouse the farmers all over the country.

Senator HARRISON. May I ask you a question about this resolution that was offered for the record, introduced by Representative Sinclair?

Representative SUMNERS. May I ask a question on this particular item first, Mr. Senator?

Senator HARRISON. Yes.

Representative SUMNERS. Where did this proposition to give some relief to the live-stock interests originate; with the investment

bankers, those who have been responsible for the organization of the pool, or did it grow out of the discussion of the resolution in Congress? Which started first?

Mr. MARSH. I think it started with the introduction of Mr. Hudspeth's resolution. You know Congressman Hudspeth, of course, from your own State, Congressman Sumners.

Representative SUMNERS. Yes.

Mr. MARSH. I think it started with that. And then Congressman Strong presented his resolution. I think I stated the situation with reference to that before you came in, and I will repeat it.

Representative SUMNERS. No, sir; I heard that. I am trying to get the relationship of the two, as to which was the cause and which the effect.

Mr. MARSH. Now, here is what one of these western Senators, whose names I have asked permission not to give because they have talked to me confidentially with that understanding, said to me. He said, "When these investment bankers saw that Congress planned to do something for affording reasonable credit at reasonable interest rates to agriculture, they felt that it was interfering with their graft on the farmers, so they got busy and asked the President"—

Senator HARRISON. What was that you said about "graft"?

Mr. MARSH. He said "they felt that it was interfering with their graft, with their graft on the farmers, so they got busy and asked the President to see Mr. Morgan and to organize this live-stock pool."

Senator ROBINSON. What rates are the farmers paying to the investment bankers now for live-stock loans?

Mr. MARSH. Ordinarily, if I am correctly informed, from  $7\frac{1}{2}$  to 9 per cent, often with commissions.

Now, I would like to repeat, as some of the members of the commission have come in since I made this statement, that, as Mr. Lasater wrote me—and I have found no one to challenge his statement—the live-stock interests of America, no part of them, have averaged 5 per cent profit for the last five years. Therefore, they will be paying from  $2\frac{1}{2}$  up to 4 or 5 per cent more interest than their average profit for the last five years.

Senator ROBINSON. I take it that loans even at that rate have been very difficult to procure.

Mr. MARSH. They have been difficult to procure, yes, sir, Senator. They have been very difficult to procure. But, as I pointed out, even these loans for production have been easier to procure than it has been to procure money for the orderly marketing of farm products.

As I see it, gentlemen, the fight on in this country in agriculture is whether or not the middle men, which, generally speaking, because of their control of credits, means the investment bankers, are going to continue handling the commerce of agriculture. Up to date the farmers have been told—and I am sorry to say that Secretary Houston when he was Secretary of the Treasury seemed to encourage this viewpoint—"You produce. It doesn't matter how much it costs you, you produce." Well, the farmers have come to the conclusion, naturally and properly, that they have got to handle their products clear through as near as possible to the ultimate consumer, and eliminate the speculative middle man.

Now, that means that the farmers have got to have credit, and the big financial interests have made up their minds that by withholding

credit they can keep the farmers out of the field of marketing farm products. For, as you gentlemen all know, the whole profit in agriculture comes not from agriculture, but handling agricultural products.

Now I think Senator Harrison had a question that he wanted to ask, and I will answer it when it is convenient for him.

Senator HARRISON. Yes. You showed a good deal of interest in this resolution No. 102.

Mr. MARSH. Yes, sir.

Senator HARRISON. The resolution which was introduced by Mr. Sinclair. Mr. Sinclair is a Republican Congressman, is he not, from North Dakota?

Mr. MARSH. Yes, sir. May I add this, Senator; that this is the identical resolution that was introduced at the last session of Congress by Mr. John M. Baer, also of North Dakota.

Senator HARRISON. This resolution was introduced on May 25, 1921. That has been some two months ago. And it was referred to the Rules Committee. I wonder if Mr. Sinclair or any one else who is interested has called on the Rules Committee and asked them to report out this resolution?

Mr. MARSH. I think Mr. Sinclair has, Senator Harrison. And I wrote the chairman, I should say, a month ago. I am now arranging, in cooperation with Mr. Sinclair, to have representatives of farm and labor organizations call upon Chairman Campbell this week or early next week and ask for a hearing on this resolution. We want a hearing.

Senator HARRISON. You consider that a very important resolution?

Mr. MARSH. I consider this resolution, which goes right to the root of the concentration of credit, monopoly of credit in this country, as of vital importance. It relates to the whole railroad question, to the monopoly of our merchant marine, to agriculture, and not only agriculture but all legitimate business interests, because despite the statement of the Federal Reserve Board, which I have referred to repeatedly, agriculture has not had its proportion of credit; legitimate productive industry generally has not had its proportion of credit, but the speculative business interests have had much more than their proportion of credit. They are not entitled to any credit.

Now, gentlemen, we would like an amendment to the Federal reserve act so that none of the deposits of the American people, which constitute thirteen-fourteenths—that is, \$14 out of \$15—of the Federal reserve banks deposits, that not a dollar of the people's money could be used for speculative purposes, but for productive business.

Representative SUMNERS. How would you control that, Mr. Marsh?

Mr. MARSH. I think one of the best ways would be to limit the spread between the rate at which member banks get funds and the rate which they can charge. None of them will take a chance on a spread of 1 per cent. That will be an effective check. I do not mean that that is the sole method, but that is one method.

Representative SUMNERS. Do you mean if they find a loan, a speculative loan, one that carries an element of considerable risk, as you assume all speculative loans do, that they will not take the risk for the low rate of interest?

**Mr. MARSH.** They certainly will not. They will be afraid to do it.

**Representative SUMNERS.** Does anybody else agree—without assuming to question yourself as an authority on the subject—or do many people agree with that suggestion, which is, to say the least, very interesting?

**Mr. MARSH.** Well, we had a conference here in the Farmers' National Council, when Mr. Lasater was here, and we spent several evenings thrashing out the whole situation, and we have done so on other occasions when he has been here, and I have talked it over with our representatives who have been here from all over the country. That is one thing. That is not the only thing, but I mention that first. That is the thing that should be done. I do not like to burden the record over much, but, gentlemen, I understand from the morning's paper that you plan to have Mr. John Skelton Williams appear before this commission. That may not be a correct statement, but it is so reported in the paper.

Now, the former Comptroller of the Currency, Mr. John Skelton Williams, made an address before the convention of the Peoples Reconstruction League here in Washington on April 15, 1921, which, I think, is the most logical, consecutive exposé of the credit and banking that has been made for a long time, and if it would be appropriate I would be glad to have this address, which is not very long, read into the record.

**Senator ROBINSON.** Well, the address was printed in the Congressional Record of yesterday, and it is expected that Mr. Williams will appear here in a day or two.

**Mr. MARSH.** Very well. Then I will withdraw my offer of reading it into the record.

**Senator ROBINSON.** And in all probability he will repeat at least some of the statements in person. We will withhold that for the present, Mr. Marsh.

**Mr. MARSH.** I would also like to ask if I might read into the record an address made by Mr. Frederick C. Howe, executive secretary of the All-American Cooperative Commission, on "The Uses and Abuses of Credit," which he delivered before the second All-American Cooperative Congress at Cleveland, on February 10, 1921. Dr. Howe has written extensively on this subject, and is perhaps the best expert on cooperative banking in the country, and his address is full of facts, which I think would be of very great value to the commission. I would like very much to read it into the record.

**Senator ROBINSON.** Very well.

**Mr. MARSH.** His address is as follows [reading]:

#### THE USES AND ABUSES OF CREDIT.

[An address delivered before the second All-American Cooperative Congress at Cleveland, Feb. 10, 1921 by Frederick C. Howe, executive secretary of the All-American Cooperative Commission, Bliss Building, Washington, D. C.]

There are a number of rather elemental and simple facts that should be established before passing to the consideration of the uses and abuses of credit. They enable us to test the accuracy of our conclusions.

(1) In the first place, credit is the most important agency in our lives. Every economic and industrial activity depends upon credit. It is impossible for life to go on without credit. More than that, credit shapes the nature of our social and industrial development. It determines what kind of an industrial life we shall have. It decides for us whether our efforts shall go into the production of more wealth or less

wealth. It determines what kind of wealth shall be produced as well. Moreover, those who control credit decide for us where our credit shall be used. They decide whether it shall go to the farmers and cattle raisers of the West or to the builders of railroads in China; they decide whether it shall go to production of wealth at all, or to speculation and stock gambling. Whether the statement attributed to the elder Morgan to the effect that "If you give me control of the finances of the country, I care not who or what party makes the laws," is correct of himself or not, the fact itself is true. For whoever controls credit controls life. Without credit the modern world would not go on for a day.

(2) We have given the absolute and exclusive control of commercial credit to the bankers. They alone have the legal power to erect credit on a structure of money reserves. To this extent, at least, the control of credit is a monopoly. For individual credit is a very different thing from banking credit. So is the credit extended by an insurance company, a merchant, or a mortgage loan association. The bank has power to inflate credit, and in fact to create credit, because of the fact that the bank alone can lend in excess, and far in excess, of the actual amount of money it has on hand. It alone has the power to receive deposits and to lend other people's credit. This power has been given the banks by the act of the people. It has been given them by law. The power the bankers enjoy is not a natural right; it is a privilege, a privilege conferred by the people themselves on their own creations to enable the community and the people to develop their powers and resources. The bank is a public, not a private agency. It only exists by law. It can not exist otherwise.

(3) The bank does business with other people's money. The working capital of a bank consists of two things: First, its capital stock and surplus. Surpluses are usually earnings which have not been distributed as dividends. Secondly, the deposits placed with the bank by the people. These constitute the resources of the bank.

Deposits are either private or public. They come from individuals or from the Government. Only a bank can be a depository of public funds. According to the report of the Comptroller of the Currency for 1919, the total of capital stock invested by the shareholders in the 31,618 banks in the country amounted to \$2,568,600,000. At the same time the total amount of deposits in the banks, and owned by the people, amounted to \$36,743,700,000. In other words, for every dollar invested by the stockholders there was \$14 invested by the people. The banks therefore do their business with other people's money. They pay little or no interest for it; and then charge the people who have deposited it a larger interest when they come to make a loan.

(4) Thus far banking is simple enough. The above facts can not be disputed, and anybody can understand them. Credit is not so simple. Yet credit, too, is easily understood. If the mystery of it is removed, anyone can understand credit. We all assume that the bank creates or makes credit. We assume that it gives credit. Yet the fact is that the credit the bank lends to borrowers, like the money it holds from depositors, is other people's credit. This is important. The bank really lends the people's credit.

It should be remembered that the bank does not lend money. Obviously, it could not lend money. The loans and discounts and investments of the banks in 1919 amounted to \$37,530,905,000. Yet in 1919 all the money in the Federal reserve banks and in the hands of all other banks was but \$3,197,500,000; while all the money of all kinds in the country—in the United States Treasury, in the banks, and in the pockets of the people, was \$7,518,800,000. Thus, the loans, investments, and discounts made by the banks amounted to nearly twelve times the amount of money held by the banks, and to five times the total amount of all of the money there was in the country. Quite obviously the banks do not lend money. They lend credit. The question is, whose credit do they lend? How is it created? What does it consist of? Do they lend their own credit, or do they lend the credit of the people? They lend the credit of the people. They lend the individual credit of their depositors and the wealth owned by the borrowers as well. They really lend the farms, the houses, the factories, the machinery, the goods, the merchandise in the stores. They even lend the wealth that is to be produced by the labor of men in the future. The banks lend the people's wealth. They lend the people's labor.

Let us see how this is possible. John Smith goes to the bank and borrows \$10,000. He immediately redeposits in the bank the \$10,000 that he has borrowed. That is done thousands of times daily. The borrower rarely takes the money away. The \$10,000 he borrowed is now a bank deposit, the same as the \$100 of cash deposited by a workman out of his monthly wages.

Peter Robinson now goes to the bank and borrows \$10,000. He borrows the \$10,000 just deposited by John Smith. Robinson also deposits his \$10,000. It again is borrowed by some one else, and redeposited. And so it goes on until the bank has about \$100 in loans and investments outstanding to about \$13 in actual cash on reserve.

The \$13 is used to pay checks or to satisfy small demands. The bank collects interest on all these loans, and it keeps the cash reserve required by law in the Federal reserve bank of the district. Most bank deposits are not money deposits at all. They are credit deposits. They are the proceeds of loans made in this way by borrowers. They are merely bookkeeping entries.

Now, when John Smith borrowed \$10,000, he gave to the bank one of two things, probably both of them; he gave either a mortgage, warehouse receipt, bill of lading, shares of stocks or bonds; or his personal note or acceptance unsupported by collateral of any kind. The latter may have been indorsed. Now, the mortgage, bill of lading, or corporation security left as collateral was an evidence of some kind of wealth. There was actual property back of it. Smith borrowed a portion of his own wealth from the bank. He had it changed in form. When he redeposited the loan in the bank, he deposited, in a sense, his own wealth with the bank. Then Robinson borrowed \$10,000. He, too, put up securities of some kind or other. He borrowed his own wealth, and in a sense, the wealth of John Smith. Even if he gave an unsecured note, he put up his credit or expected wealth with the bank. He pledged the credit and good name he held in the community—the belief that he would produce wealth in some form or other to repay the loan.

The same is true of every borrower. They all put up their wealth, and they all borrow back their own or other people's wealth. They change its form. As a result of these transactions, one man receives tractors for a thousand bushels of wheat. Another receives a piano for a thousand dollars' worth of merchandise. If the banking transaction was a proper banking transaction, all persons who borrowed at the bank either borrowed their own wealth or some other persons' wealth. For all of the credit that the bank can loan, except such as is invested in money in the capital stock, is the credit of the people of the community. Thus the bank deals in the people's credit. It deals in the people's wealth. The service it renders consists in changing wealth in form, in place, or in possession.

(5) Loans are possible because a great many people make deposits, while only a few people make loans. In addition, all of the people make deposits all the year around, while only a few make loans at certain periods of the year. This is why sums are available for big loans. They are made up of very small sums. It would not be possible for everybody to borrow at the same time. There would not be enough credit to go around.

From the foregoing it seems clear:

(1) Credit is the most important agency in our lives. Life itself is dependent upon it.

(2) We have turned over the control of credit to private agencies created by ourselves, and have permitted them to decide for us how it shall be used and what forms of wealth shall be produced. We have made the control of credit a profit-making agency, like any other purely private business, despite the fact that the ability of all the rest of us to make wealth and enjoy wealth is dependent upon the will, the whim, or the caprice of the class to whom we have entrusted the control of credit.

(3) The bank does business with the people's money. It does business with other people's deposits. The great bulk of its resources belong to the people of the country. Were there no wealth in the hands of the people, and no wealth to be produced, there would be no credit.

(4) From this it follows that the people have created legal agencies and have given them powers and privileges for aiding in the production of wealth, for serving the people in the community, for lending the credit of the community back to the community that creates it. The bank is a public bookkeeper and an insurance agency. It insures that a man is solvent. It insures depositors that their money will be paid back. It backs up this insurance with the capital stock that the stockholders have subscribed, for the capital stock is the guarantee of the good faith, the intelligence, and the honesty of the stockholders. If there is a banking loss, if the bank makes a bad guess as to the solvency of a borrower the stockholders have to pay before the depositors lose.

(5) There is another thing. The bank guarantees, impliedly at least, to the thousands of depositors who do business with it, that if they want a loan they can have it. This is of the essence of banking. The banks exist for that purpose. They undertake that obligation. That is why we have permitted banks to be created. A bank is under a moral obligation to use the deposits of the people for the individual and collective benefit of the people who deposit them. That obligation is not expressed in law. Bankers say it is not good business to limit the way they may use the deposits entrusted to them. Certainly the people, who create fourteen-fifteenths of the total banking resources of the country, have a moral right, and they should have a legal right, to insist that their money should be used, not to make as much money

for the bankers as the bankers demand, but to render as much service and to create as much wealth for the community as is possible. Herein is the vital difference between private profit-making banking and co-operative service banking: The private banks use their resources where they will and for what they will. Their primary and almost exclusive interest is the making of money. The cooperative bank, on the other hand, uses its resources exclusively for the benefit of the members, for the stockholders and depositors. It uses it for the production of wealth. And it uses it almost exclusively at home, in the community that creates it.

In the first instance, the bank is a means of making money for a few stockholders. In the other, it is a means of making wealth for those who unite their savings and deposits in a common cooperative undertaking.

We see the difference in the results of these two types of banks when we compare the kind and nature of loans made by a profit-making bank with the kind and nature of loans made by the thousands of little cooperative banks that are found all over Europe and in at least three of the States of America.

Let us now see what is done with the \$54,000,000,000 of banking resources of America. It is important to know that America is to-day the world's banker. We have to-day, according to the report of the Comptroller of the Currency for 1919, more than three times as great banking resources as the total banking resources of the whole civilized world 30 years ago. Yet despite this fact, interest rates are high. Often they are usurious and exorbitant. There is practically no money at all for the building of homes. There is no money to aid men to become farmers. There is little money for the farmers; very little for the workers, and very little for the man of small means. The man of talent who has only his labor and his character to offer rarely gets any credit at all.

Something has happened to the colossal credit resources of America, which amount to from one-fourth to one-fifth of the total estimated wealth of all kinds in the country. Let us see if we can trace the banking resources of America and find out where and to what purpose they have gone.

Up to a generation ago banking in America was local. The deposits of the bank remained at home. Banking was competitive. The bank built up and developed the productive resources of the community in which it was located. It aided men of talent and ability to get started. The concentration of credit in the money centers is a product of the last generation. This concentration took place in America, in Germany, England, and France in much the same way and in much the same period of time. International finance and imperialism are by-products of the concentration of money power in the money centers of the world—in London, Paris, Berlin, and New York.

During the past generation the following changes have taken place. These changes are largely responsible for the condition in which the economic life of America now finds itself:

(1) The control of banking has passed largely out of the hands of the men who are interested in the production of wealth, and into the hands of men who are interested in the exploitation of wealth. The first reason for new banks, for cooperative banks, is to transfer the control of credit into the hands of the producing classes, and to surround such banks with laws or regulations that will compel the banking resources of the community to be used for productive purposes.

(2) Credit is fluid. It moves overnight with the rapidity of the telegraph to the point of highest returns. Bankers make more money out of speculative activities than out of loans on real estate (which are long termed), on farming operations, or even for commercial purposes. The turnover is more rapid. Speculators can afford to pay almost any interest rate charged by the bankers. Moreover, the speculating groups are often closely interlinked with the banking groups who make the loans.

Call money is money used in Wall Street and in every other stock market in the country for the speculative purchase and sale of stocks and other securities. The call money rate is purely arbitrary. It is pushed down or forced up as a small group of bankers in New York decides. When the rate goes up, money from all over the country flows quickly to Wall Street. The local loans are called to meet this suction. The Comptroller of the Currency in the summer of 1920 protested against these conditions. He disclosed that the call money rate in New York had been pushed up to 10, 15, 20, and even 25 per cent. He showed that over a billion dollars was constantly used for speculative purposes in New York, not to speak of equal sums used in Chicago, Boston, Philadelphia, Minneapolis, and other speculative centers.

(3) Immense sums, possibly measured by billions, have been tied up in commodity speculation since the war. With falling prices these loans were frozen. The borrowers could not pay, and neither the borrowers nor the bankers were willing to take the losses. So these loans remained fixed. The famine of credit all over the West

is traceable to the higher interest rates offered in the grain pits than can be paid by the farmers and more particularly to the fact that the banks in the grain centers are interrelated in a variety of ways with the small banks throughout the farming districts. The reserve banks bring pressure, or at least suggest to the local banks to call their loans on the farmers in the fall when the speculators desire to buy, and when the farmers ought to be encouraged by easy credits to hold on to their produce in order to secure a fair average price for what they produce.

(4) The banks of the country, operating through the banks in the large centers, are intimately related with the railroads, public utility corporations, and immense trusts. Banks in recent years have become security merchants. They underwrite new corporations; they float securities of railroads and other corporations. They parcel out these underwritings amongst similar banks all over the country. As a consequence hundreds of millions of credit that should be fluid is tied up in monopoly underwritings, from which the banks earn more money than they earn from ordinary commercial loans.

(5) Since the beginning of the war, colossal profits have been made from the underwritings of foreign loans. These loans run into the billions of dollars. Since the war approximately \$3,500,000,000 has been loaned to the world on open accounts or bank acceptances. Hundreds of millions of other loans have been made to South America, to Africa, and to China. The money of the people is used for loan exploitation. Now it is perfectly obvious that the credit resources of the country can not be used at home and abroad at the same time. As larger profits are to be made from foreign exploitation than from domestic enterprises, the money of the people flows first to New York, and then flows all over the world.

The banking resources of America amount to nearly \$54,000,000,000, according to the Comptroller of the Currency's report for 1919. This is more than three times the total banking resources of the world in 1890. America is the world's credit reservoir. Money should be easy; interest rates should be low. The bankers should be seeking borrowers. It should be possible for any man of character, ability, or property to secure money for the building of homes, the development of industry, the operation of a farm, or the carrying on of his business. But the reverse is true. The money resources of America have not only passed into the hands of the speculating, exploiting, imperialistic group, but a banking psychology has been created which discriminates against, if it is not actually hostile to, the groups that produce wealth, especially the farmers.

This is the condition into which the credit resources of America have been brought through intrusting these service agencies to unregulated private control. The evolution is not dissimilar from the evolution in other countries. Monopoly in industry has been accomplished by monopoly in credit; and monopoly in credit is not only primarily responsible for monopoly in industry; it is responsible for the continuous sabotage of the free development of the country as well.

#### COOPERATIVE BANKING.

Can these tendencies be reversed and the credit resources of the Nation be made available to those who need them most? And those who need them the worst are those who have little or no credit at all. The worker needs credit most. He needs it in small amounts for sickness, for emergencies, for starting in housekeeping, for the building of a home. These are the primary needs of every man. And a properly organized banking system would enable any man to secure credit for all of these purposes. There is no reason why there should not be billions of credit resources for the erection of homes all over this country. The farmer has equally urgent needs for credit. He needs it to buy seed and to plant and harvest his crops. He needs it to buy cattle and machinery, to improve his farm. The farmer rarely receives more than a living wage. Under natural conditions he has the best security in the world to offer. Yet interest rates to the farmer are high. They are often usurious. For the tenant farmer they are prohibitive. The farmer, who 50 years ago had adequate credit, is all but deprived of credit. In the West credit is often used to dispossess him of his farm, of his wealth.

The local merchant, the local manufacturer, need credit for the same reasons. And if credit were dedicated to productive purposes there would be no shortage of credit for the production of all kinds of wealth.

There are two means of impressing banking and credit with the service motive. One is through public banks like the State Bank of North Dakota and the Commonwealth Bank of Australia. The other is through various kinds of cooperative banks owned and operated by the people themselves. The Commonwealth Bank of Australia has had a wonderful career of success. It has branches all over the country.

It has kept down interest rates. It has dedicated the banking resources of Australia to the development of Australia. The State Bank of North Dakota, although only a year old, has had a similar stabilizing influence. Were it free from hostile attack, it would reestablish proper banking conditions in North Dakota.

Cooperative banking has many advantages over public or State banking. And cooperative banks exist in most of the countries of the world. They have been highly developed in Germany, Russia, Denmark, Italy, and Hungary. They have been recently developed in Ireland. They are found in France, Switzerland, and Belgium. And wherever they have gained a foothold the results have been the same. These banks have the following characteristics:

(1) They have small beginnings. The capital stock often amounts to no more than a few hundred dollars. The shares are small, sometimes as low as \$2 to \$5.

(2) The banks deal only with members or with cooperative societies. The rule, "One man, one vote," keeps control democratic and insures that the resources of the bank shall be used for service purposes.

(3) The loans may be made only for productive purposes. A man may borrow to buy a cow, but not to buy a talking machine. And these banks loan for useful purposes only.

(4) The banks are operated without skilled experts, and often by unpaid employees. The smaller ones have no offices. They are often under the schoolmaster or the local minister. In the trade-unions they are closely related to the cooperative societies.

(5) Loans are made usually on personal security. The borrower has to secure one or more indorsers. The indorser interests himself in the borrower. So does the credit committee. They see that the money is expended as promised. As a result, men study the best breed of cattle. They watch one another's processes. Very often they buy collectively farming machinery, seed, and blooded cattle. All over Europe where these little banks have been organized a fraternal spirit has arisen; a sense of solidarity among farmers on the one hand and workers on the other. Along with this there has been a great improvement in agriculture, due to the collective interest in the loans that have been made to the members. Cooperative banking in Europe has been a great educational agency.

(6) The cooperative bank is the mother of the cooperative store, the cooperative creamery, and cooperation generally. In Italy, where there are 2,500 such banks owned by the peasant workers, there is a suggestion of the development of a cooperative commonwealth. Farmers have bought tracts of land cooperatively, with which they have been wonderfully successful. They sell their produce to the cooperative stores. The workmen have gone into all kinds of enterprises. They have even taken contracts for the building of roads. The Italian revolution in the summer of 1920 was largely financed, and the Italian workmen and farmers were largely trained, through thousands of cooperative societies that have been developed in the last generation. The same is true in Russia and Germany. The little credit unions and people's banks use the collective funds of the community for the development of many kinds of industrial activities and in mobilizing their political power as well.

(7) In Russia, Germany, Italy, and Denmark central banks have been organized in the larger towns. These larger banks are the depositories of the small banks. They often own imposing buildings. They issue publications. They promote a sense of solidarity among the smaller banks. The small bank keeps its reserve in the large bank, and the large bank extends loans to the smaller banks. In Italy and in France the state itself makes loans to the cooperative banks as a means of promoting and encouraging agriculture.

In 1914 the cooperatives in Denmark organized a control cooperative bank in Copenhagen. It has branches all over the country. Its resources have grown with great rapidity. It occupies six of the floors in the finest office building in Copenhagen.

The credit union or Raffeisen bank found its first foothold in America in eastern Canada under the inspiration of Alphonse Desjardins. There are now upward of 200 such banks in eastern Canada. In 1909 Massachusetts passed a credit union act. There are to-day 60 credit union banks in Massachusetts, with resources of \$2,500,000. The growth has been constant. There are nearly as many more credit unions in New York State, which also have substantial resources. Laws permitting credit unions have been enacted in Rhode Island, North Carolina, Texas, Utah, Wisconsin, and Oregon, although in a number of these States the laws have been so badly drawn they are practically unworkable. In all of the States where the farmers and workers have taken charge of these banks they have been of tremendous service to the community. In North Carolina there is an agricultural commission which promotes credit unions. The College of Agriculture cooperates in their promotion. There are now 30 credit unions in North Carolina, with 1,198 members. They buy foodstuffs, fertilizers, and

seed. Through them the farmers learn to trust one another. The credit unions are making business men out of the farmers. They learn accounting. The whole neighborhood develops new virtues.

Cooperative banking is in its infancy. To the workers within the trade-unions it offers a means of mobilizing their credit resources, (1) to secure a higher return than they now receive from the banks, and (2) to help one another in a variety of ways. Through such mobilization cooperation becomes easy. It becomes possible first to mobilize buying in quantity, and next to distribute the commodities to members. From this the buying club is a natural evolution. The buying club evolves into the cooperative store. From this it is possible for workers of all kinds to branch out into industrial democracy, into producers' cooperation, into the ownership of bakeries, laundries, garages, restaurants, and a great variety of small industries which supply a locality. The cooperative movement depends on credit agencies of this kind, for it needs credit, which it is unable to secure from the existing banking agencies.

I am of the opinion that the workers of Europe have risen to political power in direct proportion as they have first risen in economic power. Economic solidarity precedes political solidarity. The having of common economic interests, the constant meetings, the conflict with the political State and the exploiting ruling classes, have by necessity impelled the workers to enter politics. They had to fight for the life of their cooperatives. And they learned how necessary political activity was to protect and advance their economic interests. This certainly has been the evolution in Denmark and in Belgium and Italy. It undoubtedly explains in large part the economic cohesion of the Russian peasant and the Russian artisan. The new Irish movement has an economic foundation. It is founded on home ownership through the land purchase acts and the many cooperative activities promoted by Sir Horace Plunkett and others. There is similar evidence in this country. It is in the State of North Dakota, Wisconsin, Minnesota, and Washington, where the cooperative movement is most widely developed and has had the longest successful experience, that the farmers exercise the most influence in politics. It is in these States that they are fast rising to political power. The political State is beginning to mirror the economic interests of the producing classes, who have been trained to the necessity of group effort by the training, the experience, and necessities of many cooperative activities.

Mr. MARSH. Now, Mr. Chairman, may I just repeat the proposition that I have previously made. To put agriculture on a human basis of cost of production plus at least current rate of interest profit, three things must be done at once:

First. Cost of production must be reduced.

Second. Cost of marketing must be reduced.

Third. Governments, local, State, and National must stop taxing away from farmers the small money wages or return on investment they get.

I was discussing now reducing costs of production, and was discussing in this connection the reduction in the cost of credit which is such a tremendous part of the cost of production.

Representative TEN EYCK. In relation to the cost of credit, summing up your argument, I take it to be that your recommendation to this committee is that the farmer gets equal credit at the same rates with all other industries of the country?

Mr. MARSH. All other legitimate productive industries. I am glad you put that question, Mr. Ten Eyck, because two years and a half ago when the Farmers' National Council was organized, at the Farmers' Reconstruction Conference, we adopted a resolution or statement to the effect that farmers must have access to credit upon the same terms as any other equally responsible and necessary industry.

Representative TEN EYCK. Yes.

Mr. MARSH. And our minds practically agree upon the standard basis of credit to agriculture. Of course I am here, I want to emphasize, as representative of the Farmers' National Council.

Congress should pass a bill to end the control by the big investment bankers of the Federal reserve system, and establish a short time credit system for farmers.

Representative SUMNERS. What do you mean by "short time"? Are you going to discuss that later, Mr. Marsh?

Mr. MARSH. I will take it up right now, Congressman Sumners. We must have a system, as we see it, so that the farmer can secure adequate credit to enable him to exercise the same control over all his products until they are all used, as is exercised to-day by the middlemen who have access to credit. Now that does not mean that the Government should loan the farmers enough credit to carry all their crop for 12 months. That would kill the farmer. But it does mean enough credit so that he can market his product in an orderly way. So much a month, we will say, roughly a twelfth a month, not exactly that, but roughly that a month during the entire year following the harvesting of his crop. It won't pay him to hold up several months' crop through credit, but he wants enough to carry part of it 12 months, part of it 11 months, part of it two or three months only. As things are to-day he practically has to dump a very large part of his crop upon the market, the most of it within 90 days after it is harvested, a great deal of it 30 to 60 days, and then the other fellow, the middleman, gets the profit of agriculture.

Representative SUMNERS. I am interested, Mr. Marsh, in trying to get your own idea with reference to whether or not the middle man should be eliminated. If he is to be eliminated, what agencies for the intraurban and intracommunity distribution do you propose to set up?

Mr. MARSH. May I take that up under costs of marketing?

Representative SUMNERS. Yes, sir.

Mr. MARSH. I had that in mind, Congressman Sumners, and I will take it up later.

Representative SUMNERS. Very well.

Mr. MARSH. Then continuing how to reduce costs of production. Congress should immediately loan the live-stock growers at least \$50,000,000.

I got a letter this week from the president of the North Carolina Farmers' Union that they have not been able yet to get any appreciable credit for marketing their cotton. Last night's papers announced that the War Finance Corporation was going to make a loan. They have not done anything appreciable yet for these cotton growers. The North Carolina Farmers' Union is connected with the Farmers' National Council, and, of course, these organizations are writing in to me constantly presenting their problems and I do the best I can to get solutions for them.

The Attorney General should immediately break up price-fixing organizations.

I want to tell you something, gentlemen, on that. I was a little bit surprised the other day when a gentleman came into my office. I said, "How do you do. What can I do for you?" He said, "I am from the Attorney General." I said, "Oh, yes." And I called in my stenographer. He said, "I want to investigate the Peoples Reconstruction League."

Senator ROBINSON. What is that?

Mr. MARSH. The Peoples Reconstruction League, which includes, as officers, by the way, men like Warren S. Stone, of the Brotherhood of Locomotive Engineers, and William H. Johnston, president of the International Association of Machinists. The president of it is a Republican State Senator up in Michigan, Hon. Herbert F. Baker.

Well, to return to this interview. I got my secretary to come in, and I said, "Take down every question and answer." He asked me who was supporting us, etc., and I told him. Then I drew out a list of the big lobbies, read him Senator La Follette's list of the lobbies maintained in Washington. I said, "Is the Attorney General investigating these?" He said, "I can not answer."

Well now, gentlemen, I am going to say right now that if the Attorney General of the United States will stop trying to do things like this, wasting his time—and this man held his authority to investigate from A. Mitchell Palmer, but if the present Attorney General will stop investigating organizations that are trying to help the farmers and the general public, and will devote his attention a little bit to breaking up the price-fixing organizations—

Senator ROBINSON (interposing). What are they?

- Mr. MARSH. Well, take the report of the Federal Trade Commission on the manufacture of farm and agricultural implements, and in that report they cite one concern after another. And in the report of the Federal Trade Commission to the President—which you remember, on high prices—the Federal Trade Commission cited the prevalence of these price-fixing organizations which were keeping up prices of everything, pretty nearly—I won't say everything, that is not correct—but nearly everything that a farmer has to buy. Now, that ought to be stopped. The Attorney General has the power to do it. And I wrote him a pretty sharp letter respectfully requesting him to do it, asking him if he were investigating any of these big lobbies, and he wrote me back that he was not going to enter into any controversy with anybody for the purpose of advertising.

Well, now, I am going, gentlemen, from here to the Pacific coast next month, and I will address big meetings of farmers and labor. I am going to be in Senator Capper's State, and I am going to be in my friend Senator McNary's State, and I am going to be in a number of States; I am going to be in Washington State for a week, and I am going to tell the people what is happening here to labor and the farmers, and I am going to address the farm and labor organizations and outline this program that is going to help all of us.

Representative SUMNERS. And what distinction, if any, do you draw between price-fixing organizations controlling commodities which must be purchased by the farmers and a price-fixing organization, either actual or attempted to be created, to influence the prices of the commodities which are sold by agricultural producers, or do you draw any distinction?

Mr. MARSH. I think that is a very important question. You raise a principle there, and I will just take time to answer it briefly.

Representative SUMNERS. Yes, sir; that is what I want.

Mr. MARSH. I think that we have got to adopt, Congressman Sumners, the principle of the Steele bill. I think we have got to

adopt it in farmers' cooperative organizations. That bill has been pending before the House for some time, and in outline it provides that any corporation may get an elective license from the Federal Trade Commission permitting it to do business, subject to the control and supervision of the Federal Trade Commission. While it retains that license, which may be revoked for violation of the terms thereof by the commission, it can not be prosecuted by the Federal Government, and comity between the State and the Federal Governments, I believe, would render them immune from prosecution under State laws. Any corporation which does not elect to take such an elective franchise or license, I should say, from the Federal Trade Commission, is open game for the Attorney General of the United States and of the States.

Now, as far as the handling of agricultural products are concerned—

Representative SUMNERS (interposing). Now, just a minute before you leave that point.

Mr. MARSH. Yes; Congressman Sumners.

Representative SUMNERS. I am not asking these questions at this time in any controversial spirit.

Mr. MARSH. I appreciate that.

Representative SUMNERS. But I am asking merely to get the information. You, of course, would lodge a great deal of power with the Federal Trade Commission, and without any reference to its present personnel, of course the personnel of bodies like that changes. Do you consider the possibility or probability of abuse from lodging such power there which might result in hurt to the public or favoritism among licensees under the system?

Mr. MARSH. I realize that that danger inheres in any system of licensing, but with the concentration of wealth in this country, and I am going to add, with the frightful distrust of government in this country, which I think is most deplorable, I think we have got to do something to reestablish confidence, and I am going to say that I think even conservative farm organizations who may differ with the Farmers' National Council on many proposals, agree that the Federal Trade Commission retains or has held and retains the confidence of the public in a marked degree.

Representative SUMNERS. That is due to the personnel of the Federal Trade Commission.

Mr. MARSH. Yes; but I will add this: There is no eternal cure.

Representative SUMNERS. I know.

Mr. MARSH. We have got to keep alert constantly. We have got to watch every Government agency.

Representative SUMNERS. What would happen, though, if the Federal Trade Commission should fall under the control of the interests which you mention?

Mr. MARSH. Then there would be a grand turnover compared with which last November's turnover would look like a zephyr, at the next election.

Representative SUMNERS. Why would not the turnover result just as much from favoritism or lack of proper administration on the part of the Attorney General's office, which, of course, is an agency of the Government, as the Federal Trade Commission, which is an agency of the Government.

Mr. MARSH. Well, for one thing, the Attorney General has been asked to enforce some laws which have not met the purpose for which they were enacted. Take either the Sherman or the Clayton anti-trust laws. As long as you have the present control of credit and natural resources and the railroads, and the merchant marine. I mean the ships, in the hands of the same little group of investment bankers, you can not meet that situation. Why, we have changed. We have got to have concentration of big businesses, and they have got to be controlled by the Government. We have passed out of the old stage of wasteful competitive production to huge integrations of capital which should make possible vast economies in production, and the people have got to be sure of their fair measure of the economies of production that such vast integrations of capital make possible.

Representative TEN EYCK. Not arguing the point as regards whether or not it is advisable for the Federal Trade Commission or some other agency of the Government to license business, you do not mean to say, however, that because of the fact that a Government agency has licensed people to do business, that they should be absolved from any prosecution by the proper authorities of the Government later if they are found to be doing wrong?

Mr. MARSH. No, Congressman; I quite agree with that.

Representative TEN EYCK. Well, I think your statement rather indicated that.

Mr. MARSH. Well, I am glad that you corrected me, Mr. Ten Eyck. What I meant to say was this: I am merely discussing the principles of a bill which I referred to, and I say that the general principle, I think, should be adopted. But I say, just exactly as in the pending packer control legislation, I do not think that the jurisdiction of the Attorney General should be terminated. I think that we should have a supervising agency just as in this case, the Secretary of Agriculture. If the Secretary of Agriculture finds that the antitrust laws have been violated, why, after this bill goes into effect, just as to-day, I think the packers should be liable to prosecution.

But, answering further Mr. Sumner's question as to what the position should be toward agricultural organizations, I think that we ought to have the same attitude. For instance, when the bills on cooperation were up, the cooperative bills that you have before you, the Volstead bill, and the Capper bill, which is identical, and which is before the Senate, I stated to the House Committee on the Judiciary that it seemed to us that if you are going to exempt farmers' cooperative organizations, or great commodity marketing organizations from the jurisdiction of the Attorney General; that is, exempt them from the operation of the antitrust laws—I am not a lawyer, but I understand that is what it means—that you should have, and I so recommended to the House Committee on the Judiciary, some representative of the Government upon the board of directors of any great corporation of this sort.

For instance, take this United States Grain Growers (Inc.). I think they will be vastly safer if they have a representative of some Government department on their board of directors. There is one thing the farmers have got to remember. There are two votes off the farm for every vote on the farm in this country. It ought not to be so,

but it is so. The farmers want to do only the fair thing. We have got to adopt the principle underlying the United States Grain Growers (Inc.); that is, commodity marketing with respect to all, I believe, of these great staple commodities, and it has got to be adopted in such a way that the farmers will not make the same mistakes in their vast integrated business which is developing, as the Steel Corporation and the Standard Oil and the Harvester Trust have done.

Representative SUMNERS. Do you think the farmers ought to be restricted in that regard any more than are the other industries of the country?

Mr. MARSH. Not at all; not at all. I would be much more strict with the others, because the others have a tremendous advantage because of their concentrated wealth.

Representative SUMNERS. Why do you then suggest that a governmental official be on the governing boards of the various farm cooperative organizations?

Mr. MARSH. For this reason, that if we pass such a law it entirely exempts them from the antitrust laws. But I think a lot of those other businesses should be prosecuted, and I think every one of them should take out a license, like the steel corporation, and the Standard Oil Co. I am not picking them out particularly for denunciation, but I am just suggesting those companies because they are outstanding companies, also the sugar trust and the copper trust.

Now, I say this, gentlemen, the tariff bills as they stand to-day are going to increase the cost of production for farmers tremendously. I can not give you all the rates. I have analyzed a great many of the sections. Now, I have made a careful study of this question, and I noticed that up to 1912 for every dollar the farmer got out of the protection pool, he put in about \$10.

Senator McNARY. That is your individual view.

Mr. MARSH. What is that?

Senator McNARY. I do not think one-fourth of the farmers agree to that, Marsh. I do not think they agree with a good many things you say, particularly on the tariff. I do not think you speak for the farmers at all.

Mr. MARSH. I do not pretend to speak for all the farmers of the country; I am very frank about it. I will say this, though, if I may, Senator, that before you came in, Senator McNary, I stated that since Mr. Hampton's death last June—and you know he was managing director of the Farmers National Council—since his death we have taken a vote of the organizations affiliated with the Farmers National Council, and every vote for a specific candidate has been cast for me; that is, a majority of them. Those gentlemen know my views. I have worked with them for three and a half years, and I have met most of them and talked to their organizations, a great many of them.

Now, I am not saying, if you please, that the whole principle of protection is wrong. Some of our farmers think it is right. Some of them think it is wrong. But I am saying this, that it is pretty clear that when agriculture, under a protective tariff such as we have had, has gone to the dogs, and when these vast fortunes have been secured by the beneficiaries of the protective duties on manufactured products, it is pretty clear that the protective tariffs we have had have not helped the farmers.

I said to the Senate Committee on Finance when they were considering what they call the emergency tariff for agriculture that that was not any emergency bill to help agriculture, but an emergency dodge to serve as an excuse for skyscraper duties upon manufactured products which they were going to levy in the next law.

Senator ROBINSON. I think you are right.

Mr. MARSH. But leaving the farmers with a little one-story shanty protection. And I will challenge my friend, Senator McNary, to come out to Portland with me on the 16th of next month to debate it. I am going to be there at that time, Senator.

Senator McNARY. Oh, I want some one to meet when I accept a challenge.

Mr. MARSH. All right, nothing will interfere with our discussing it, then. And that is the position I take. I am criticizing these specific rates in the tariff reported out by the Ways and Means Committee.

The President found some flaws to pick in that, as you remember. The farmers will find several more. I hope you will defeat that.

Senator McNARY. Well, there is no chance, I want to add right here. I think it is a profitless discussion.

Mr. MARSH. Oh, very well. I am here to present the views of the farmers who just elected me to represent them. I am going to do the best I can. And then I am going to remind you of this, that there is nothing which will prevent the American people from registering what they think about measures at every election. Why, Senator Kenyon told me he was out in Iowa, talking with the Republican governor of that State, and the Republican governor said to the farmers that what happened to the Democrats last year would be as a zephyr compared with the cyclone that was going to hit the Republicans in 1922 if they did not mend their ways. Now, that was a Republican governor, the Governor of Iowa, who said that. Now, I am not going into any politics, because I do not belong to either party, but I am talking about specific statements.

Representative MILLS. Mr. Marsh is one of the worst prophets I know.

Mr. MARSH. Well, he prophesied that the Democratic Party would follow Bryan's heart into the grave, and it did. The Republicans are trying to resurrect it. It is not my purpose to discuss politics, but it did go the way I said, did it not?

Senator McNARY. Yes; it went 7,000,000 against your views a year ago.

Mr. MARSH. Well, I don't agree, but let us get back to the matter under consideration. I say that that tariff will, if anything, vastly increase the costs of production of agriculture, which I want to see reduced.

Senator ROBINSON. I think that is a statement pertinent to the issues. Of course this commission can not settle the tariff question.

Senator McNARY. That will be settled in the House.

Senator ROBINSON. Not finally.

Senator McNARY. Well, it may be increased in the Senate.

Mr. MARSH. I will take up the next point. I want to take up the cost of production, and point out to you, if I may, the tremendous and increasing concentration of agricultural wealth. I want to give specific figures. I have to use the census figures on some of these

points for 1910, because the 1920 figures are available on some matters but not on others.

In 1910 less than seven-tenths of 1 per cent of the farms represented over 7 per cent of the farm wealth of America. In other words, in 1910 the farm property of 50,135 farms of 1,000 acres or more had a value of \$2,845,494,346; that is, seven-tenths of 1 per cent of the farms had 7 per cent of the value of all farm property, while the land values of this seven-tenths of 1 per cent of the farms was 7.1 per cent of all farm land. Now that concentration of wealth is going on faster and faster. And the tenant farmers and the small farmers are pretty desperate.

I just need refer you to the investigation of the United States Commission on Industrial Relations, in which they showed what was happening to the tenant farmers. I am not going to ask to read it into the record, for I have asked for several things, but I wish it could go in.

I want to call to your attention that just 20 years ago this year there was a similar commission to this commission investigating industrial conditions in agriculture, and I would like to ask permission to file their summary. I do not have it with me. It is a huge volume. There are 10 enormous volumes. And if we had followed some of their advice we would have gotten along much better in agriculture.

For instance, we suggest that you enact principles of the Keller bill to tax land values above a certain exemption, which will exclude—may I make this clear—between 90 and 95 per cent of the farms of America, by exempting \$10,000 bare land value exclusive of value of orchards, irrigation, drainage, fencing, grading, and everything of that sort. So that you may not forget to vote for that bill, it is H. R. 6773, and it is intended to check speculative increases in land values.

**THE CHAIRMAN.** Well, we all understand that the Federal Congress has not any power to levy a direct tax on land.

**MR. MARSH.** Well, it happens that a lawyer, Mr. Jackson H. Ralston, who appears a great deal before the United States Supreme Court, carefully studied that, and worked it out, and it is not directly a tax on land values. It is an excise tax upon the privilege of holding land values exceeding a certain amount of value. I want to show you something about the increase in farm land values. This hits the tenants and the small farm owners. I personally do not believe that the single tax is a solution for economic issues. I never have. The farmers whom I represent know my position.

**REPRESENTATIVE MILLS.** You have been urging it pretty consistently ever since I have known you, and that is for some years, Mr. Marsh.

**MR. MARSH.** I am sorry that your statement indicates your failure to understand economic matters, because I have never preached and do not advocate the single tax.

**REPRESENTATIVE MILLS.** Well, your proposition is so akin to the single tax that it is pretty hard to differentiate, now that you have become a farmer, whether you carried your single tax doctrine with you.

**MR. MARSH.** I have never been a single taxer. I have always been a triple taxer, advocating taxes on land values, incomes, and inheritances.

The CHAIRMAN. What is that?

Mr. MARSH. Taxes on land values, incomes, and inheritances.

In 1910 the 1,153,505 farms of 175 acres and over—18.1 per cent of the total number of farms—were valued, including all farm property, at \$19,443,458,622, or 47.4 per cent of the total value of all farm property, while the value of the land of these farms—less than one-fifth of the total number of the farms—was 50.7 per cent of the value of all farm lands. The value of farm lands in the three States of Illinois, Iowa, and Nebraska was in 1910 \$7,506,924,290, or 26.5 per cent of the value of all farm lands of the United States, while the acreage of farms in these three States was only 11.9 per cent of the total acreage of farms in the United States, and only 9.4 per cent of the total number of farms.

I want to explain that the Census Department does not give the bona fide farm land values. In farm land values they include the value of ditching, irrigation, grading, orchards, fencing and so on, which is a great mistake. We asked the Census Bureau in this census to get an accurate account and record, but they failed to do so.

Representative TEN EYCK. Is that the assessed value that they took?

Mr. MARSH. That is the value that the Census Bureau and Department of Agriculture places upon these farms.

Representative TEN EYCK. Is it the assessed value?

Mr. MARSH. I think in most cases they check up by the assessed values. Sometimes they take the values put upon the farms by the owners, but I am using the Department of Agriculture or Census Bureau's figures, Congressman Ten Eyck.

Representative TEN EYCK. I am merely asking how they arrive at it.

Mr. MARSH. I think they usually take the assessed valuation figures.

We are coming to the factory system of production on farms, gentlemen. We are coming to the same kind of a conflict between hired men on the farm and the men who own, as some do, fifty, seventy-five, one hundred, and five hundred thousand acres, as between factory workers and big employers of labor. We are going to have within the next two or three years the same differences of interest between those hired men and the tenant farmers who jointly constitute approximately 50 per cent of the total number of people on the farms, and the large landed estates and the owners of the large landed estates, and in between them there is the group of small farm owners.

As you see, the farms of 175 acres and over in 1910 constituted less than one-fifth of the total number. Well, they are gradually reducing the number of farms. They are increasing the acreage of these big farms. In Illinois and Iowa and Nebraska farm land is worth up to \$700 and \$800 an acre. Down in Texas and in the Western States \$100 is a fairly big price. A great deal of it is land that is worth from \$25 to \$50. Now, is it not fair to say that to permit a 6 per cent or even a 5 per cent return upon land held or rented at \$600 or \$700 an acre makes an unfair cost of production? I am discussing the question of reducing the cost of production.

The CHAIRMAN. Unfair to whom?

Mr. MARSH. Unfair to the consumer, unfair also to the producing farmer, because the producing farmer does not gain by speculative increases in farm land values. Now, North Dakota has had a hard time.

Senator McNARY. Now, Mr. Marsh, that statement on the land values is not accurate at all. I have recently had occasion to go into the average price of farm lands in Iowa, Massachusetts, Washington, and Kansas in connection with the irrigation bill that I framed and reported recently. The average cost—

Mr. MARSH (interposing). I was not giving the average cost.

Senator McNARY. Well, what are you giving? The exceptional farm lying outside of the large cities? That is the only place that you will find that is priced that high. The average price of land that produces corn is about \$225.

Mr. MARSH. Between that and \$250.

Senator McNARY. The land you have mentioned in Texas is some arid land used for grazing purposes. There is no analogy between the two. And the \$800 an acre land is that land which lies adjacent to the city of Cincinnati, and to other large cities, which is used for truck gardens.

Mr. MARSH. It happens that Col. Brookhart, who has been before this commission, told me that he owns land near the little town of Washington, Iowa, valued at \$700 an acre. I have been out in Iowa repeatedly.

Senator McNARY. Semisuburban. We ought to take into consideration in this discussion the average farming, agricultural land, and not this exceptionally high priced land.

Mr. MARSH. Precisely; and therefore you will agree that when farm land is speculated in so much that it sells for \$700 or \$800 an acre, or \$600 an acre, it makes an unusual condition, which is just the point which I am stressing.

The CHAIRMAN. Well, do you mean that a land tax on the part of the Federal Government will tend to reduce the cost of production on that high priced land?

Mr. MARSH. It will tend to prevent in the future speculation and speculative increases in the value of farm lands.

Representative MILLS. What will it do to the present owner of the land?

Mr. MARSH. If sufficiently high it will prevent the reducing of the selling price of the farm land. It would not be anything like so serious a blow to him as the slump in the price of farm products last year, which was equivalent to about a 2 to 3 per cent tax on all farm lands.

Representative MILLS. Your purpose, of course, is to materially reduce the value of farm land.

Mr. MARSH. No.

Representative MILLS. On that particular farm land?

Mr. MARSH. Will you permit me to state my purpose? You do not understand my purpose.

Representative MILLS. Let me ask you this: Your general theory is that you ought to tax the bare value of the land very high and exempt improvements from taxation?

Mr. MARSH. All improvements should be exempted from taxation.

Representative MILLS. Exactly.

Mr. MARSH. Yes.

Representative MILLS. And that your ultimate goal would be to tax the bare value of the land practically 100 per cent?

Mr. MARSH. Not that high. I do not think that would be equitable.

Representative MILLS. But almost. Now, let me pursue this inquiry. Now, that would necessarily reduce the value of that land, would it not?

Mr. MARSH. It would reduce it somewhat; yes.

Representative MILLS. Yes; it would reduce it and the value of the improvements.

Mr. MARSH. No; that would not follow at all.

Representative MILLS. Well, approximately.

Mr. MARSH. It would tend to reduce it, but I did not say the value of the improvements; far from it; quite the reverse.

Representative MILLS. Well, but it would materially reduce the value of the farm?

Mr. MARSH. No; it would not reduce the value of the farm land to produce wheat and corn.

Representative MILLS. No; but as far as the owner is concerned. Let us say that I own a farm of 100 acres worth \$200 an acre, and you undertake to tax the bare land value of that farm at 90 per cent, let us say, of its bare land value. As an asset, is that as good an asset after you have taxed it at 90 per cent as it was before?

Mr. MARSH. No; it is not as good an asset.

Representative MILLS. It is not worth as much.

Mr. MARSH. It won't sell for as much in the open market. It won't increase in land value.

Representative MILLS. No; but it will actually diminish in value, so that it will not sell for as much. Is that not true?

Mr. MARSH. It will tend to.

Representative MILLS. So one of your solutions for the present trouble of the farmer is to materially diminish the value of the land he holds?

Mr. MARSH. No; there again I am going to insist upon the right of this witness to make his statement, and concede the right of the Congressman to ask questions.

Representative MILLS. Well, I will admit that you need not answer a question if you do not want to.

Mr. MARSH. I am going to answer your question. I have never ducked a question, though I have forced many people to duck them. What I suggested was this, and may I make it very specific. I recommended the principles of the Keller bill, which would levy a tax of 1 per cent on all bare land values, but with an exemption of \$10,000 bare land value, which would exempt between 90 and 95 per cent of the farms of America,

Representative MILLS. I know that was an entering wedge. You know it and I know it.

Mr. MARSH. I will say this, that if it is bad it will be knocked out.

Representative MILLS. The next thing to do is to tell the farmers the whole program, what you are aiming at.

Mr. MARSH. I will tell the farmers what we are aiming at without any help from the gentleman. I am going out to the western coast to do it next month, and I will tell them also that the bare land value of the city of New York is as large as the bare farm land values of

18 or 20 of the big agricultural States, and it will be the city of New York that will pay a high proportion of this tax.

Representative MILLS. That will not be much help to the fellow who has lost 50 per cent of the value of his farm.

Mr. MARSH. Well, none of them will have lost 50 per cent of the value of their farms, because as you will realize, you allow approximately 6 per cent net return with present land taxes. When you levy a 1 per cent tax on land values on certain big landed farm estates, you may reduce the selling price of the land by one-fifth at the maximum, and not 50 per cent. We have got to think clearly on these economic questions. I was going to take up the taxation question later, but Mr. Mills has raised it. The Farmers' National Council is on record in favor of a progressive capital tax on the value of all property, to take a maximum of 75 per cent of all fortunes of \$500,000,000 and over to be paid in kind, i. e., in stocks and bonds, Liberty and Victory bonds, railroad stocks, etc., to pay off the war debt, with an exemption of at least \$25,000.

Representative MILLS. That is, of course, another proposition.

Mr. MARSH. That is another proposition.

Representative MILLS. That may and may not be sound from a taxation standpoint if the needs of the Government warranted it, but I will be very much surprised when a real farmers' organization, and a real representative of real farmers advocates something that is so close to the single tax that you can not tell them apart.

Mr. MARSH. Well, fortunately the farmers have more powers of discrimination than some other people, and they use them in a wonderful degree.

I will be very glad to read into this record, if you care to have me do so, the last annual address delivered in June of this year, by the master of the Washington State Grange, a farmer himself. I make it very clear that I am not a farmer, although I spent a good deal of my life on a farm, while going through college, out in Iowa and Missouri. I know something about farming. I am not a farmer. I am here to look after the legislative interests of the farmers in Washington. They are satisfied with the way I am going about it, and they have asked me to go ahead.

The CHAIRMAN. We have heard that several times. Proceed with your statement.

Mr. MARSH. I know, but Mr. Mills was not here and I am challenged with not having the right to speak for farmers because I do not happen to be wearing overalls this morning. I resent it, and I shall tell the farmers so, and why I resent it.

The value of farm lands, which includes ditching, irrigation, grading, orchard, fencing, etc., as reported by the census—and please note this, gentlemen—increased from \$13,058,007,905 in 1900 to \$28,475,674,169 in 1910; that is, by \$15,417,666,174, or 118.1 per cent.

The annual ground rent at 5 per cent of farm lands in 1910 was \$1,423,783,708, and the annual ground rent at 5 per cent on the decade's increase in farm land value is \$770,883,308.

STATEMENT BY THE FARMERS' NATIONAL COUNCIL, BLISS BUILDING, WASHINGTON, D. C.

The Bureau of the Census reports that the value of farm land alone in the United States increased from \$28,475,674,169 in 1910 to \$54,903,453,925 in 1920: that is, by \$26,427,779,756, or 92.8 per cent. The Bureau says:

"This value was obtained by subtracting from the value reported for farm land and buildings together (total real estate value) the value reported separately for buildings."

Of course, this "land" value includes value of orchards, irrigation, draining, grading, fencing, etc., but relatively little of this was done since the European War broke out in 1914.

The ground rent calculated at 5 per cent on the 1920 farm land values was \$2,765,172,696, and the ground rent on the increase in farm land values during the decade, calculated at 5 per cent is \$1,321,388,987.

In 1920 the farm land value for Illinois, Iowa, and Nebraska was \$15,259,510,509, or 27.98 per cent of the total farm land value of the United States, and the farm land value of Iowa alone was \$6,679,020,577, or 12.2 per cent of the total farm land value of the United States. Farm tenantry is increasing very rapidly in Iowa, also in Illinois and Nebraska.

The increase in the value of farm land in Illinois, Iowa, and Nebraska from 1910 to 1920 was \$7,752,586,219, or 29.03 per cent of the total for the United States; and the increase for Iowa alone was \$3,877,046,848, or 14.7 per cent of the total increase for the United States.

Gentlemen, a very large proportion of that went to less than 5 per cent of the farmers. The tenant farmer was hit by that. The little farmer, who wants to own his farm, was hit by it, and it is becoming increasingly difficult, and more difficult for the little fellow, to get a farm. Why a chap came in to see me a few months ago, a fellow whom I used to go to school with out at Grinnell, Iowa, and who had worked constantly since then on a farm in Minnesota. He said, "My wife and I have no children. We both of us worked on the farm. If it had not been for the increase in prices of farm products during the war we would have gone broke."

Now, I am not speaking for the big landed farmers. The American Farm Bureau Federation was organized to look after them. The Farmers' National Council is concerned with the 5,500,000 small farmers. Bernard Baruch told me recently that the tenant farmers are going to become bolsheviks in the next few years if we do not change the economic conditions, and he is dead right. And nobody hates bolshevism more than I do.

Much of this increase in the selling price of farm land is speculative, and this big increase is a constant and heavy waste in the cost of production. And much of it occurred in the three States of Iowa, Illinois, and Nebraska, which are the high speculative farm land value States.

The increase in the value of farm land due to improvements, such as irrigation, orchards, etc., is a legitimate cost of production, but the speculative increase in the selling price in farm lands is one of the worst millstones around the neck of agriculture.

Even to-day probably not over 10 per cent of the farms of America have a bona fide selling price of farm lands—that is, real land value—of over \$10,000.

To continue as to how to reduce the cost of production on farms. This resolution introduced by Congressman Newton, a confrère of the distinguished chairman of this committee, this Federal coal control act should be promptly passed. It is the bill recommended by the Senate Committee on Manufactures, of which Senator La Follette is chairman.

The farmers are hard hit by prices they pay on all of the products of all natural resources, for coal and everything else.

Senator McNARY. Is this something like the Calder coal bill, or the Frelinghuysen coal bill?

Mr. MARSH. It is not the Frelinghuysen coal bill; not at all.

Senator McNARY. Is this similar to the one reported by the Senate Manufacturers Committee, known as the Calder bill?

Mr. MARSH. Yes.

Senator McNARY. Modified by the committee?

Mr. MARSH. Yes.

Senator McNARY. I was on that committee, and I know that very well.

Mr. MARSH. That was modified considerably, and this bill introduced by Mr. Newton is the amended bill—reported out by the Senate committee.

Senator McNARY. That cuts out all price fixing.

Mr. MARSH. It gives the cure—we believe, the peaceful cure, or the first step to the peaceful cure—of all wrongdoing, and that is publicity.

Senator McNARY. That is what I say.

(The Newton bill is as follows:)

[H. R. 20, Sixty-seventh Congress, first session.]

A BILL To promote the general welfare by gathering information respecting the ownership, production, distribution, costs, sales, and profits in the coal industry and by publication of same, and to recognize and declare coal and its production and distribution charged with public interest and use, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this act may be cited as "the Federal coal act."*

SEC. 2. That coal and its sufficient and economical production and proper distribution and information respecting ownership of coal and ownership, production, distribution, cost, sales, and profits in the coal industry are necessary to the public health and general welfare of the people of the United States and to the Congress of the United States for the purpose of legislating from time to time respecting interstate and foreign commerce, public health, taxation, and other matters, and that the ownership and the production of and the distribution of and dealing in coal throughout the United States are hereby recognized to be, and are hereby declared to be, charged with public interest and use.

SEC. 3. That when used in this act—

The term "coal" means anthracite and bituminous coal and all kinds thereof, including lignite, whether in place or extracted.

The term "coal lands" means coal lands, coal in place, coal mines, or culm banks.

The term "owner" means any person or corporation owning, leasing, or having any legal title or beneficial interest in coal lands or buying or selling or otherwise dealing in coal lands.

The term "operator" means any person or corporation engaged in the business of operating a coal mine or coal washery.

The term "dealer" means any person or corporation engaged in the business of selling coal in commerce at wholesale or retail, including storage of coal, except storage by consumers.

The term "person" includes natural persons and part-company, and also the organization, business, conduct, partnership, incorporated or unincorporated, which is organized to carry on business for profit and has shares of capital or capital stock, and any company or association, incorporated or unincorporated, without shares of capital or capital stock, except partnerships, which is organized to carry on business for its own profit or that of its members.

The term "interstate and foreign commerce" and the term "commerce" mean commerce among the several States or with foreign nations, or in any Territory of the United States, or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation, or between any insular possessions or other places under the jurisdiction of the United States, or between any such possession or place and any State of the United States or the District of Columbia or any foreign nation.

The title "Federal trade commission act" refers to an act entitled "An act to create a Federal trade commission, to define its powers and duties, and for other purposes," approved September 26, 1914.

The term "commission," when not otherwise specifically described herein, means the Federal Trade Commission.

The words "and" and "or" in this act shall not be construed to lessen or restrict any powers granted or to lessen any duties or obligations of owners, operators, or dealers under this act which would not be lessened or restricted if the phrase "and/or" had been used instead of "and" or instead of "or."

Sec. 4. That the Federal Trade Commission is hereby authorized and directed to currently require, secure, and compile reports respecting ownership, production, distribution, stocks, investments, costs, sales, margins, and profits in the coal industry and trade from persons or corporations interested in the production, sale, storage, or distribution of coal, requiring such separation of the information as to enable calculations to be made to show separately costs and profits as to the following classes of investments and business: (a) The investment actually used currently in the business of producing, selling, or distributing coal; (b) investment in land or other items, including expenses incidental thereto, held for future use or development; and (c) other investments not directly used in the production, sale, or distribution of coal, and may investigate from time to time the organization, business, conduct, practices, and management of such persons and corporations, including also any corporation acting as a holding company for or guarantor of the stock of any such corporation, and including also any partnership acting in a capacity analogous to that of such a holding company, and also the organization, business, conduct, practices, and management of owners of coal lands, and report its findings and recommendations thereon to Congress, and shall from time to time investigate and report as to all financial interrelations, including contracts between owners, operators, or dealers, or any of them, and other owners, operators, or dealers, or any of them, or other persons or corporations, in so far as may be necessary to determine (a) the full profits of owners, operators, or dealers; (b) the existence of any combination or relationship which may tend to lessen competition or to create a monopoly in the coal industry and trade: *Provided*, That with respect to persons or corporations interested as consumers only in the storage of coal, the powers granted under this section shall extend only to reports and investigations covering the quantities of coal consumed by, the stocks of coal held by, and the kind of business engaged in by any such person or corporation that consumed during the preceding fiscal year thereof in excess of one thousand net tons of coal. The commission is authorized and directed to classify persons and corporations required to make reports to it under the provisions of this act, and according to such classification to make variations in the form of reports and to make reasonable exemptions from requirements to report, but no variations in the form of reports shall be permitted as to operators or dealers producing or handling in excess of fifty thousand tons per annum, and no exemptions from requirements to report shall be granted to operators or dealers producing or handling in excess of twelve thousand tons per annum.

The current requiring, securing, and compiling of reports, as herein provided, by the commission shall cover regular monthly periods as respects production, costs, sales, and margins, and as respects other data shall cover monthly or other regular or special periods, and as respects such other data such regular or special periods need not be the same for all classes of data, or for different years or parts of years, but are to be determined in view of the nature of the data and of the conditions existing from time to time: *Provided*, That statements of investments and profits shall be required and compiled at least annually. The commission shall currently and promptly make public and submit to Congress summarized statements of the current information above mentioned in this section.

That all reports, answers, and information required by the commission under the provisions of this act shall be made under oath or otherwise, and in such form as the commission shall prescribe, and shall be filed with the commission within such reasonable period as it may determine, and such reports and answers in writing shall be held confidential to the extent that no report or answer in writing, nor any information contained therein, shall be divulged or published in such manner as to specifically identify such report, answer in writing, or information with the name of the person or corporation furnishing the same, except under a finding of the commission as above directed, or except under resolution of the commission signed by a majority of the members thereof reciting that the commission deems it in the public interest so to divulge or publish the report, answer in writing, or information and stating its reasons therefor; and, except that any such report, answer in writing, or information shall be produced by the commission in response to a subpoena or order of a court of competent jurisdiction or on resolution of either House of Congress: *Provided*, That whenever any association or associations are found to exist

having to do with the coal industry or trade, whether national or local, and regardless of the alleged purpose for which organized and existing, the commission is hereby authorized to investigate fully the activities of such association or associations and to employ in such investigations any or all the powers by this act granted.

SEC. 5. That the Interstate Commerce Commission under its powers granted by law shall require and secure reports, in the form deemed proper and prescribed by it, from railroads on the ratings of mines for the purpose of distribution of coal cars thereto and the percentage of coal-car rated requirements furnished, the loading, movement, reconignment, and unloading of coal or coal cars, and other information relevant thereto and shall compile information and statistics thereon. In the event of doubt or controversy as to the correctness of the facts or compilations secured or made hereunder, the Federal Trade Commission under the powers granted it by this act may require and secure reports relating to the matters in dispute from the operators or dealers concerned, and in such cases it is hereby made the duty of the Interstate Commerce Commission and the Federal Trade Commission jointly to determine the facts.

The requiring and securing of reports by the Interstate Commerce Commission and their compilation shall be currently done and shall cover regular monthly or other regular or special periods, corresponding with the periods for which the Federal Trade Commission shall require reports, as provided in section 4 of this act. The Interstate Commerce Commission shall currently and promptly prepare concise summarized statements of facts covering such regular or special periods, with its comments thereon or interpretations thereof as it deems useful to Congress and to the people of the United States, and shall transmit the same to the Federal Trade Commission for publication.

SEC. 6. That the Director of the Geological Survey shall continue the series of reports and bulletins concerning the coal industry heretofore published by him, namely, an annual report on the production of coal, by counties and by producing fields; an annual report on the movement of coal, showing the State or locality to which coal produced in each district is shipped, and the origin, by producing fields, of the coal consumed in each State or locality; current reports at frequent intervals, showing production of coal, operating conditions at the mines, and the movement of coal by rail and by water to various consuming districts; stocks of coal in the hands of representative consumers; consumption by the larger users; and also shall from time to time publish such special reports on the subjects specified in this paragraph as he deems of value to Congress and to the people of the United States.

The Director of the Geological Survey shall request the Federal Trade Commission and the Interstate Commerce Commission to obtain for him in such form as agreed upon by the director and the respective commissions as proper for such reports from owners, operators, dealers, consumers, and carriers by rail or water, as may be necessary to the continuance of the publication of the reports and bulletins referred to in the foregoing paragraph of this section, and said commissions are, respectively, empowered to require such reports and reports so obtained for the Director of the Geological Survey shall be promptly transmitted to him for compilation: *Provided*, That the Director of the Geological Survey may secure voluntary reports, in similar form in so far as practicable, on such subjects contained in said series of reports and bulletins and from such classes of persons or corporations having this information on such subjects as the Federal Trade Commission and the Interstate Commerce Commission, respectively, may mutually agree with the Director of the Geological Survey to be subjects on which or classes of persons or corporations from whom it is impracticable or not desirable to require reports: *Provided further*, That in order to facilitate promptness in securing and compiling information on current production of coal, current conditions of car supply and operating time at the mines, and on current movement of coal covering regular daily, weekly, or monthly periods, the Director of the Geological Survey is hereby authorized to require and secure reports or answers containing such information from operators, dealers, and carriers by rail or water, and every person or corporation making such report or answer or furnishing any information required shall be subject to the penalties provided in section 9 of this act with respect to willfully false reports, entries, or statements of fact in any such report or answer. In the event that any operator, dealer, or carrier by rail or water fails to supply information required by the Director of the Geological Survey under this section, the director shall certify the name of the delinquent to the Federal Trade Commission if an operator or dealer, and to the Interstate Commerce Commission if a carrier by rail or water, and the Federal Trade Commission or the Interstate Commerce Commission as the case may be, shall secure the report required under the powers and penalties provided by this act.

SEC. 7. That for the purpose of this act the commission, or its duly authorized agent or agents, shall at all reasonable times have access to, for the purpose of examination

and the right to copy, any documentary evidence of any person or corporation reporting or being investigated; and the commission shall have power to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to any matter under inquiry. Any member of the commission may sign subpoenas, and members and examiners of the commission may administer oaths and affirmations, examine witnesses, and receive evidence.

Such attendance of witnesses, and the production of such evidence, may be required from any place in the United States, at any designated place of hearing. And in case of disobedience to a subpoena the commission may invoke the aid of any court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence.

Any of the district courts of the United States within the jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpoena issued to any corporation or person, issue an order requiring such corporation or person to appear before the commission, or to produce documentary evidence if so ordered, or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

Upon the request of the commission, the district courts of the United States shall have jurisdiction to issue writs of mandamus commanding any operator or dealer to comply with the provisions of the act, or any order of the commission made in pursuance thereof, relating to the furnishing of records or information.

The commission may order testimony to be taken by deposition in any investigation pending under this act at any stage of such investigation. Such depositions may be taken before any person designated by the commission and having power to administer oaths. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the commission, as hereinbefore provided.

Witnesses summoned before the commission shall be paid the same fees and mileage that are paid witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

No person shall be excused from attending and testifying or from producing documentary evidence before the commission or in obedience to the subpoena of the commission on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to criminate him or subject him to a penalty or forfeiture. But no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may testify before the commission in obedience to a subpoena issued by it: *Provided*, That no natural person so testifying shall be exempt from prosecution and punishment for perjury committed in so testifying.

Sec. 8. That any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce documentary evidence, if in his power to do so, in obedience to the subpoena or lawful requirement of the commission, shall be guilty of an offense, and upon conviction thereof by a court of competent jurisdiction shall be punished by a fine of not less than \$1,000 nor more than \$5,000, or by imprisonment for not more than one year, or by both such fine and imprisonment.

If any person or corporation required by this act to file any report or information shall fail so to do within the time fixed by the commission for filing the same, and such failure shall continue for thirty days after notice of such default, the person or corporation shall forfeit to the United States the sum of \$100 for each and every day of the continuance of such failure, which forfeiture shall be payable into the Treasury of the United States, and shall be recoverable in a civil suit in the name of the United States brought in the district where the person or corporation has his or its principal office or in any district in which he or it shall do business. It shall be the duty of the various district attorneys, under the direction of the Attorney General of the United States, to prosecute for the recovery of forfeitures. The costs and expenses of such prosecution shall be paid out of the appropriation for the expenses of the courts of the United States.

Sec. 9. That any person or corporation who shall willfully make, or cause to be made, any false or misleading entry or statement of fact in any report or answer required to be filed, whether under oath or otherwise, and filed under this act, or who shall willfully neglect or fail to make, or cause to be made, any such report or answer in the form, within the period and containing the information required or prescribed, or who shall willfully neglect or fail to make or cause to be made full, true, and correct

entries in the books, accounts, records, or memoranda of any owner, operator, or dealer, relating to the business thereof, or who shall willfully remove out of the jurisdiction of the United States, or destroy for the purpose of avoiding any Federal law or any order or other authorized process of a court or commission or other Federal agency acting under law, or willfully mutilate, alter, or by any other means falsify any books, accounts, records, or memoranda of any owner, operator, or dealer shall be guilty of a misdemeanor and shall on conviction be punished by a fine of not more than \$1,000 or by imprisonment for not more than six months or by both.

Sec. 10. That any officer or employee of the commission who shall make public any information obtained by him or the commission, without its authority, unless directed by a court, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding \$5,000, or by imprisonment not exceeding one year, or by a fine and imprisonment, in the discretion of the court.

Sec. 11. That the Secretary of Labor shall investigate from time to time the wages, output per person, working conditions, terms of employment, and the living expenses of miners and other workmen employed in mines from which coal is transported in commerce in order that such information may be available at times of general readjustment of wage contracts in the coal industry.

Sec. 12. That the Bureau of Mines shall investigate from time to time methods and processes for storage and combustion of coal and the transmission of power from fuel centers, and conduct such experiments and research as it may find advisable to determine the most efficient means for such storage, combustion, and transportation, and shall make a preliminary report to Congress with respect thereto not later than June 1, 1921, and the Bureau of Mines shall also investigate the desirability and practicability of prescribing in the marketing of coal statutory standards and inspections for various kinds and grades of coal, and shall submit their report thereon to Congress on or before June 1, 1921, accompanied by such recommendations as it may deem proper.

Sec. 13. That the Federal Trade Commission, Interstate Commerce Commission, and Geological Survey shall cooperate with one another, and may cooperate with any State, official board, commission, or official agency in carrying out the provisions of this act.

That the various departments, bureaus, boards, commissions, and agencies of the Government, when directed by the President, shall furnish to the Federal Trade Commission, the Interstate Commerce Commission, or the Geological Survey, upon their respective request, any records, papers, and information in their possession relating to any matter which the respective commission, or the Director of the Geological Survey, is authorized to investigate under the provisions of this act, and shall detail from time to time such officers and employees as the President may direct for service under the respective commissions, or the Director of the Geological Survey, for the purpose of carrying out the provisions of this act, and upon joint recommendation of the Federal Trade Commission, the Interstate Commerce Commission, and the Director of the Geological Survey, the President may by Executive order direct such transfer of personnel, equipment, and records from one bureau to another, as may be deemed necessary in fully carrying out the intent of this act, together with an allotment and transfer of funds from which the transferred personnel is paid.

The Federal Trade Commission, the Interstate Commerce Commission, and the Geological Survey shall keep their analyses and compilations currently revised and available for immediate reference and shall on request, and to the extent that each deems proper in the public interest, subject to the provisions of this act, place at the disposal of any private or public board, State or Federal department, agency, commission, or other group engaged in the arbitration, conciliation, or settlement of any labor dispute arising in any mine or group of mines from which coal is shipped in commerce, such analyses and compilations, or any of them, and all other data or information, or any part thereof, in the files of their respective offices relating to the matter in controversy.

Sec. 14. That the Federal Trade Commission and the Interstate Commerce Commission, respectively, shall have power to make and enforce all rules and regulations necessary for carrying out the respective provisions of this act and to prescribe the method of procedure to be followed in making the respective investigations which they are respectively authorized by this act to carry out and to make.

Sec. 15. That nothing contained in this act shall be construed to limit or repeal any of the provisions contained in the Federal Trade Commission act or the interstate commerce act and amendments thereto, nor the transportation act, 1920, and that the Federal Trade Commission and the Interstate Commerce Commission, in addition to their powers and duties herein provided, shall have and may use for carrying out the purposes of this act any of the powers and duties which they may have under

their respective organic acts and amendments thereto and other acts of Congress. If any clause, sentence, or paragraph, or part of this act shall for any reasons be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which judgment shall have been rendered.

SEC. 16. That there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1921, the additional sum of \$10,000 each to the Director of the Geological Survey and the Interstate Commerce Commission and \$25,000 to the Federal Trade Commission to defray the expenditures incurred in the performance of their respective duties set forth in this act, and until otherwise appropriated for by Congress the expenses of printing or mimeographing and distributing the current bulletins or current reports to be issued as herein provided shall be met in equitable proportion from funds hitherto appropriated to the Federal Trade Commission, Director of the Geological Survey, and the Interstate Commerce Commission and available for printing.

MR. MARSH. Now further. The Federal Trade Commission should be given larger appropriations and power to investigate and stop unfair trade practices.

Now, I call to your attention the iniquities of this Pittsburgh base, under which every farmer has to pay a great deal more because the prices of steel products manufactured anywhere over the country are based upon the cost of manufacture or production or the price, rather, at Pittsburgh, plus the freight to the point of manufacture, costing the farmers—it is estimated, and I do not cite it as official—from \$30 to \$40 a year extra per family. I think that may be exaggerated, but it certainly costs them a good deal.

Costs of marketing must be reduced. I listened with the greatest entertainment to my friend, Mr. Gray Silver, reading to you hour after hour figures as to the increase in freight rates and what it was doing to farmers. Why, gentlemen, the American Farm Bureau Federation—after the Farmers National Council had canvassed the entire farmers' sentiment of America, and knew that the overwhelming majority of the farmers of America were opposed to that vicious and insidious form of Government subsidy and guaranteed dividends known as the Cummins-Esch law—the American Farm Bureau Federation indorsed the Cummins-Esch law and no farm organization is more responsible than the American Farm Bureau Federation for the blow that has come to agriculture through the enactment of the Cummins-Esch law.

Senator LENROOT. Mr. Marsh, do you contend there is a guaranty now existing under the Cummins-Esch law?

MR. MARSH. No; I do not say the definite guaranty is now existing. It existed for six months.

Senator LENROOT. Yes.

MR. MARSH. And the United States Treasury got so used to paying the guaranty that it seems to be quite clear that they are going ahead to do it one way or another.

Senator LENROOT. But you admit there is no guaranty now?

MR. MARSH. There is no specific guaranty now but the way the twig is bent the tree is inclined. And they have got used to this guaranty. What happened? Twice railroad rates were increased to permit increased wages, for that specific purpose, particularly the last increase.

What happened then? Farmers are broken by these high freight rates. \$400,000,000 have been taken off wages of all the railroad employees. In common, decent honesty there should have been

immediately a reduction in freight rates to equal at least \$400,000,000, because the freight rates were increased to pay that \$400,000,000 increase in wages.

The railroads announced that they will not reduce rates, and with due regret, their influence here seems to be sufficient so that that fact seems to be assured.

Senator LENROOT. Well, now Mr. Marsh, is the owner of the railroad under the Constitution of the United States entitled to any return upon his investment?

Mr. MARSH. The owner of a railroad in the United States is entitled, I believe, to a fair return upon actual prudent investment, and nothing else.

Senator LENROOT. Sure.

Mr. MARSH. The owner of a railroad is different entirely from the owner of a farm. The owner of a railroad enjoys a franchise under the terms, as you will remember, because you are a good lawyer, Senator Lenroot, of the charter, or by the terms of the constitution of every State which has granted a license to operate to a railroad. The railroads are specifically and constitutionally excluded from capitalizing increases in their land values and rights of way, but they have capitalized those, and they are earning dividends upon them, which is contrary to law and order, and which ought not to be tolerated in any civilized community.

Further, the charges made by the railway brotherhoods, particularly by the railway department of the American Federation of Labor, were so serious that shortly before Mr. Hampton's death he and I had a long talk with the President about it, and we said to the President that if any portion of the charges of these men are justified some of the railroad men ought to go to jail. We previously had written him an open letter asking him if he would direct the Attorney General to investigate the waste and loot and mismanagement under the Cummins-Esch law, and to see whether civil or criminal action could be brought, and what amount could be recovered to result in reduction of freight rates.

We asked him to submit that information to the Attorney General. He said he would do so. I got the data, and submitted it to Mr. Christian, secretary to the President, and about three or four weeks ago—I can not give the exact date—all that material was submitted to the Attorney General of the United States to see what would be done. Now I am not a betting man, but I will bet nothing will be done.

Senator McNARY. Mr. Marsh, now your whole argument that you make and will make can be summed up under the legend that you favor Government ownership of the railroads?

Mr. MARSH. And democratic operation.

Senator McNARY. Yes.

Mr. MARSH. And I will only have to say that strongly as I favored that three or four years ago, after very careful study of the question, and traveling over Europe a great deal and studying it, as well as over this country, with the experience of the past year and a half, roughly, under the Cummins-Esch law, I have been convinced that there is no way in which we are going to get freight rates down to a rate at which agriculture can come back, except to restore the

railroads to unified government operation, unified government operation so that we may get the advantage of all the inherent economies.

I call to your attention that most of the increases in wages occurred under private operation, that most of the increases of wages of railway employees occurred under private operation.

Senator McNARY. Following the passage of the Adamson bill.

Mr. MARSH. No; following the passage of the Cummins-Esch law, which was indorsed, as I stated, by the American Farm Bureau Federation.

Senator LENROOT. Well, do I infer, Mr. Marsh, that in your opinion, if the Government had continued to operate the railroads these increases would not have been granted?

Mr. MARSH. I am sure that if the Government had continued to operate the railroads, while increases in wages might and should have been granted, the economies which could have been effected would have been great, and the waste going on under the Cummins-Esch law would not have occurred, so that fair wages would not have involved any such increases in freight rates as we have to-day.

Senator LENROOT. What is your point concerning the increases made under private operation?

Mr. MARSH. It is this, they were made because a body comprising two to one representatives of the railroads themselves and the general public, felt that they were just.

Senator LENROOT. But you say the same increases would have been made had we had Government operation?

Mr. MARSH. Well, that might have been.

Senator LENROOT. Do you think that would have been so? Do you think they would have been?

Mr. MARSH. I think part of them would. I am not sure; I don't think they would have made quite as much increase as they should have.

Senator LENROOT. Do you think that increase was justified, or was it too great?

Mr. MARSH. I think to a large degree it was justified, yes.

Senator LENROOT. Well, then, there was no complaint on your part, so far as the increases were concerned, under private operation?

Mr. MARSH. No; not in the slightest.

Senator LENROOT. I understand.

Mr. MARSH. But I am trying to make this point, that the people who say that when you have government operation of railroads you are going to send up wages sky high, have got all the facts against them.

Senator LENROOT. You would not favor the Plumb Plan at all?

Mr. MARSH. No; I was not in favor of all of the Plumb Plan.

Senator LENROOT. I am glad to know that.

Mr. MARSH. I will tell you why. I am a very warm personal friend of Mr. Plumb, but my own conviction is this, that if we have Government ownership of any public utility that we ought to have a majority of the general public constituting the board of directors.

Senator LENROOT. I agree with you.

Mr. MARSH. I think we ought to have a large representation of the railroad employees, and a representation of the general public of 8 out of 15, and if a proposal is so just that it gets the unanimous vote, we will say, out of this board of directors of 15, of the 7 labor representa-

tives, I am pretty sure that there will be at least 1 out of the 8 of the public or railroad employees' representatives who will agree with it and make a majority out of the 15 for it. Personally I think that is the wisest plan, and I am convinced the American public will not now accept the other plan.

Senator LENROOT. Don't you think there is a natural tendency toward a unanimous vote on the part of a railroad employee or any other employee to increase his own wages, or even on the part of the Senators of the United States, if they had no responsibility?

Mr. MARSH. Do not ask me to answer that joint question, that second section of it, because it would embarrass me. I should assume that would obtain.

Senator LENROOT. Yes.

The CHAIRMAN. Do you think the question of increase of wages, or other questions of policy with respect to the railroads, ought to be determined by the unanimous opinion of the employees and one man representing the public?

Mr. MARSH. I would be very much more willing to leave that to those seven representatives of the rail employees and one representing the public, though I think in such a case there would more likely be three or four than one, of the public, than to leave the railroad policy and wages to be determined by a little bunch of bankers from Wall Street, who to-day control the railroad policy of the country. Frankly, I would.

Now here is my proposition: I did not quite have time to finish it. My friend, Senator McNary, indicated that he has done me the honor to consider my previous statements in his questions.

We recommend this—may I state it very carefully—that the railroads be promptly restored to unified Government operation, that a fair rental only be paid to the railroad owners, certainly not the rental paid during the war, which Senator Cummins said was two hundred and twenty-five to two hundred and fifty million dollars more than should have been paid. Of course that was during war times.

We recommend this, further, that the rates, freight rates particularly, be immediately reduced to those in force when the roads were returned under the Cummins-Esch law. If any deficit results, such deficit should be made up out of the Public Treasury. Ultimately we hope to have Government ownership and democratic operation of the roads, by which I mean that the railroad employees themselves should have a reasonable and a fair—I won't give the percentage, I won't attempt to—but a reasonable and fair representation on the board of directors.

Representative MILLS. And you consider that 7 out of 15 would be a reasonable and fair representation?

Mr. MARSH. No; I did not put it that way. I say that would be the minimum representation. Personally, I am inclined to think it ought to be around six to nine. That is my own personal opinion.

The CHAIRMAN. Six to nine which way?

Mr. MARSH. The general public nine and the railroad employees six. I am inclined to think that would be nearer a fair proportion. But I am not arguing that now. That question came up in connection with Senator Lenroot's question as to the Plumb plan, and, of course, I did get afield a little bit in answering. I am trying to stick

to the points which I have outlined, but I am also trying to and will be glad to answer questions along any other lines that are raised.

We recommend this reduction in freight rates, gentlemen, because we honestly deem it necessary for agriculture.

Let me illustrate. We are trying to get direct trading between farm producers and city consumers through the all-American cooperative commission. The Michigan potato growers were trying to send all kinds of potatoes down to the markets. They tried to send potatoes into Cleveland, which is not far away, but freight rates were prohibitive. Senator McNary and all the western Senators know what has happened out there in the West on account of freight rates.

Now, I shall take up later the concentration of wealth which we have got to deal with, because I want to say right now that as we view it—that is, the farmers who have asked me to speak for them in this matter, we do not believe you can settle the problem of agriculture without considering the general economic problems of the country.

Second, as to reducing the cost of marketing. The Government must retain our ships which Congress voted to turn over to the shipping rings of Wall Street, and reduce ocean freight rates—and please note this—and coordinate railroads, inland waterways, highways, and coastwise water transportation.

The CHAIRMAN. I would like to call your attention to the fact that the Director of the Budget this morning sent over to the Speaker a request for an additional \$125,000,000 for the Shipping Board for the period July 1 to December 31, 1921.

Mr. MARSH. Yes; I am going to continue and take that up. I will be very glad to tell you what we tried to do on this.

May I repeat. The Government must retain our ships which Congress voted to turn over to the shipping ring of Wall Street, and reduce ocean freight rates, and coordinate railroads, inland waterways, coastwise and transoceanic transportation for service and not for speculative private profit.

Senator McNARY. Mr. Marsh, right there. Wherein did Congress ever vote to turn over the merchant marine to Wall Street?

Mr. MARSH. Well, I will tell you, Congress knows what the results of its actions are going to be. When Congress votes and instructs the Shipping Board to sell the ships, Congress knows the condition of the farmers and of labor, and that they can not organize companies to buy these ships, they know that the inevitable result of this action is going to be to sell these ships to the big shipping rings for, as the House Merchant Marine Committee pointed out, about five shipping rings controlled the entire trans-Atlantic shipping of the country in 1916.

Senator McNARY. Recently Congress instructed the Shipping Board to sell the wooden ships.

Mr. MARSH. Yes.

Senator McNARY. Now, that is a very small part of the entire investment, and you don't think those ships lying idle in the Pacific and the Atlantic and in the Gulf, where they are entirely worthless, and costing so much a month to be maintained, should be kept indefinitely?

Mr. MARSH. But you remember this, that the bill specifically says that it shall be the policy of the Government to have private operation of these ships at the earliest possible moment.

Senator McNARY. Yes.

Mr. MARSH. All right. So I am absolutely correct in my statement that that was the intention. Having talked it over and having thrashed it out in both Senator Jones's committee and Mr. Green's committee, the Merchant Marine Committee of the House, and the Senate Committee on Commerce, I know just what the purport and purpose was.

Representative MILLS. Well, how many independent operators of merchant vessels are there to-day?

Mr. MARSH. Very few.

Representative MILLS. That is not an answer.

Mr. MARSH. Well, sir, I will get it and give it to you.

Representative MILLS. Well, I think it would be very well for you to get it before you make the statement that you assume to make.

Mr. MARSH. Well, I have the figures. I know just exactly, Mr. Mills, during the war how many of those ships—

Representative MILLS (interposing). During the war. This is 1921, Mr. Marsh. Do not give us old figures. It is perfectly easy to ascertain the number of independent operators there are in the United States to-day.

Mr. MARSH. Precisely.

Representative MILLS. And where they are located, and who owns them.

Mr. MARSH. No, no. Now, please let me register my dissent with that. You can not find out who owns them. You can not locate the ownership of these things. I will make the charge that Great Britain is trying to get hold of these ships at a bargain sale, and Great Britain has outwitted us at every point since 1917, when we went into the war. We have been strung right along, whether purposely or not time will tell.

I did not mean to go into that. Would you like me to get those figures and put them into the record?

Representative MILLS. No; only I wanted to call your attention to the fact that that is a misstatement.

Mr. MARSH. I will again assert that is true, and get the figures if the gentleman wants them. During the war the Shipping Board—and we fought this—allocated roughly a third of the tonnage of the ships to the shipping companies whose representatives were officials of the United States Shipping Board.

Representative MILLS. Well, now, in your statement you describe it as a ring, whatever that may be.

Mr. MARSH. Why, I use the term that was used by the Merchant Marine Committee of the House.

Representative MILLS. That five rings control the American Merchant Marine?

Mr. MARSH. Yes, sir; or a few at least.

Representative MILLS. Now, I challenge that statement and I deny that it is in accordance with the facts.

Mr. MARSH. Mr. Chairman, I ask the privilege of inserting at this point—I have not got it here—the report of the House Committee

on Merchant Marine, if I remember correctly, in 1916, in which that specific charge, with the names and the data was set forth.

Representative MILLS. I am stating the facts to-day, not what they were in 1916 or 1896.

Mr. MARSH. All right. I am stating the facts to-day, and I will try to produce the figures. And I also suggest, Mr. Chairman, that among the things which this committee could well investigate, would be just exactly that. The relation of ocean freight rates to building up a wall to prevent the export of American farm products.

Representative MILLS. You do not contend that ocean freight rates are not way down to-day, do you?

Mr. MARSH. Why, they are down sometimes and up at others.

Representative MILLS. Well, now, what do you mean by that?

Mr. MARSH. Why, they vary. On some commodities they are very low, and on some they are very high. I will get the exact scale of rates for you, if you like.

Representative MILLS. Why, the one thing the ships need to-day more than anything else is cargo, and they can not get cargoes.

Mr. MARSH. Why can they not get cargoes?

Representative MILLS. They will take the cargoes for almost any rate if they can get them. If you want this committee to understand that one of the reasons of agricultural depression is high ocean freight rates, why we will let it go at that.

Mr. MARSH. Why surely, that has been one big factor.

Representative MILLS. To-day?

Mr. MARSH. It is not so operative to-day; no.

Representative MILLS. Was it operative in the last half of 1920?

Mr. MARSH. It certainly was. I went down and looked at those rates down there and found out how they were made, and the man in charge of the operations told me that the rates were fixed, the ocean freight rates, by what they called a conference of the operators of the ships who leased them from the Government.

Senator LENROOT. Now the Shipping Board operated or controlled the operation of probably half the American Merchant Marine during the last six months of 1920. If your statement is true the Shipping Board should have made a lot of money. What was the result?

Mr. MARSH. Why, Senator Lenroot, when I saw the report which Mr. Lasker made I knew that this thing had been going on, this loot, practically since the Shipping Board was started. I knew that some of the biggest business men in America were in that Shipping Board or running it, and when I recalled the President's statement that we want more business in Government I said, "We will have it."

Senator LENROOT. And yet are you in favor of continuing that state of affairs?

Mr. MARSH. I certainly am, and sending some of those business men to jail. I just want to call your attention to the New York World's exposé of the relation of P. A. S. Franklin to the wrecking of the international mercantile marine. I will send it to you.

Senator LENROOT. Now, Mr. Marsh, I am very greatly interested in that. I happen to be a member of the Committee on Commerce. If we have had this deplorable experience with a Government operation of this kind, what makes you feel that we can start in now and completely reverse this?

Mr. MARSH. Because——

Representative MILLS (interposing). The Republican Party is in control. It is Mr. Marsh's great respect and confidence in the Republican Party that is leading him to do that.

Mr. MARSH. Mr. Mills's generosity leads him to attempt to speak for me. I must decline to accept his generosity—"Beware of Greeks, even bringing gifts"—and state to you that my reason is this, Senator Lenroot: Things can not be any worse than they are, we will admit. We have had an exposé which was overdue. It was well known. I am going to publicly ask the President again if he will put this up to the Attorney General to prosecute the gentlemen in the Shipping Board responsible for this waste. The farmers have a right to ask it. It was their money. They subscribed the Liberty bonds to build those ships. And then big business came into control under both administrations.

I won't speak officially for the council. I won't speak for any political party, but I am quite sure that in the next few years we are going to have an administration which will not permit this sort of thing to go on without sending somebody to jail, and this administration has got to send a few people to jail pretty shortly or it is done for.

Senator LENROOT. Have you such confidence in this administration that you believe that from now on all these things will be cured, and there will be no longer this waste and inefficiency if we continue Government operation of ships?

Mr. MARSH. Now, you are asking me to express an opinion, a personal opinion, when I am appearing on behalf of these organizations. Do you want my personal opinion?

Senator LENROOT. Yes; I would like your personal opinion.

Mr. MARSH. May I enter it specifically and particularly as my personal opinion? My personal opinion is that both the Republican and Democratic Parties are controlled by the big vested financial and business interests, and I see no hope in either party. I am in favor of a new party to combine the progressive and not idiotically radical members of both old political parties to work for the public good, instead of the privileged classes of this country. This is my personal opinion, and I am not speaking officially for the Farmers' National Council, but Senator Lenroot has asked me for my personal opinion.

Senator LENROOT. Yes.

Mr. MARSH. And he must be the judge of the propriety of his action, and not I.

Senator LENROOT. Yes. One question following that, Mr. Marsh. Again asking for your personal opinion, and not as a representative: Believing as you do that this waste, extravagance, and worse has been going on in the Shipping Board, do you want it to continue during the present administration?

Mr. MARSH. I will reply to that, Senator Lenroot, that it is up to the party of which you are a member.

Senator LENROOT. But you have no confidence that there will be any relief, and yet you wish the taxpayers of the United States to continue to pay these hundreds of millions of dollars out in waste and incompetency; is that your position?

Mr. MARSH. If the present party, in complete power and responsibility for everything that happens, domestic and foreign policy, at least until the new Congress, the next Congress is elected, is not free enough of the big interests to send to jail those responsible for this loot, I think the best thing that can happen is to let them go ahead and see what will happen when the electorates register their vote in November, 1922. That is my present opinion.

Now, may I get back to how to reduce costs of marketing?

Representative MILLS. But if that party wants to do away with this so-called loot and get rid of the ships and turn them over to efficient private operators, as far as you are concerned, you will insist that they keep them and go on looting?

Mr. MARSH. I again suggest the propriety of my friend, Mr. Mills, putting his statements to which he wants an answer in the form of questions and not assertions, because there are certain logical ways of doing things.

Assuming you had a question in mind there, I do not want this looting to continue. I want a centralized responsibility. I know that we are in imminent danger of getting involved in another international war. I know that ships and the fight over private shipping monopolies has been a big factor in producing past wars. I merely need to remind you that the British Board of Trade severely criticized the competition they felt early in 1914 from the Germans. I will get you that board of trade report if you want it.

I believe this, that we ought to keep our ships, and that we should, as Mr. David Lubin suggested, call an international conference to fix and stabilize ocean freight rates. His suggestion was ready to be introduced as a joint resolution in Congress, I think, when the war broke out. I think that the Government should retain those ships, and be in a position, if necessary, Mr. Mills, to operate these ships at a loss. I do not think it will be necessary, but I am going to call your attention to the fact that they propose to write down the cost of these ships, as a basis for sale, to the present, or practically the present price of reproduction, if I correctly understand, or to go into the open market and get anything they can for them.

Now the Government could, as a business proposition, lease these ships. I am not asking that the Government operate the ships, you know, but lease the ships on that same basis. And my point is this: You will remember that the first witness in this Senate Committee on Interstate Commerce investigation of the railroad situation, Mr. Kruttschnitt, chairman of the board of directors of the Southern Pacific, opposed the competition of ships through the Panama Canal, and opposed the competition that the railroads received, as you remember, on the highway routes.

Now we feel that all these transportation facilities should be coordinated and under absolute Government control, and the transportation of agricultural products should be a Government service at cost and not for speculative private profit.

Congress must pass a real packer control bill, not the fake bill in conference. I have analyzed that very thoroughly. It must pass the Capper-Tincher bill to control dealing in grain futures, and the Capper-Volstead bill authorizing cooperation association of producers, agricultural producers.

Congress must enact the Norris bill, S. 1915, to create "the Farmers' export financing corporation."

I would like, Mr. Chairman, to read into the record the Newton bill, H. R. 20.

(The Newton bill, H. R. 20, will be found, preceding this point a few pages, at p. 31.)

Mr. MARSH. I would like to read into the record this Norris bill, S. 1915.

(The Norris bill, S. 1915, is here printed in full, as follows:)

[S. 1915, Sixty-seventh Congress, first session.]

A BILL To provide for the purchase of farm products in the United States, to sell the same in foreign countries, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this act shall be "The farmers' export financing corporation act, 1921."*

SEC. 2. That when used in this act the term "person" includes partnerships, corporations, and associations, as well as individuals.

SEC. 3. That the Secretary of Agriculture and four additional persons (who shall be the directors as hereinafter provided) are hereby created a body corporate and politic in deed and in law by the name, style, and title of "the farmers' export financing corporation" (herein called the corporation), and shall have succession for the period of ten years: *Provided*, That in no event shall the corporation exercise any of the powers conferred by this act, except such as are incidental to the liquidation of its assets and the winding up of its affairs after five years from the enactment of this act.

SEC. 4. That the capital stock of the corporation shall be \$100,000,000, all of which shall be subscribed by the United States of America, and such subscription shall be subject to call upon the vote of three-fifths of the board of directors of the corporation, with the approval of the Secretary of Agriculture, at such time or times as may be deemed advisable; and there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$100,000,000, or so much thereof as may be necessary for the purpose of making payment upon such subscriptions when and as called. Receipts for payments by the United States of America for or on account of such stock shall be issued by the corporation to the Secretary of the Treasury, and shall be evidence of stock ownership.

SEC. 5. That the management of the corporation shall be vested in a board of directors, consisting of the Secretary of Agriculture, who shall be chairman of the board, and four other persons, to be appointed by the President by and with the advice and consent of the Senate. No director, officer, attorney, agent, or employee of the corporation shall in any manner, directly or indirectly, participate in the determination of any question affecting his personal interests, or the interest of any corporation, partnership, or association in which he is directly or indirectly interested; and each director shall devote his time, not otherwise required by the business of the United States, to the business of the corporation. Before entering upon his duties each of the four directors so appointed, and each officer, shall take oath faithfully to discharge the duties of his office. Nothing contained in this or any other act shall be construed to prevent the appointment as director of the corporation of any officer or employee under the United States or of a director of a Federal reserve bank. Three members of the board of directors shall constitute a quorum for the transaction of business.

SEC. 6. That the four directors of the corporation appointed as hereinbefore provided shall receive annual salaries, payable monthly, of \$7,500. Any director receiving from the United States any salary or compensation for services shall not receive as salary from the corporation any amount which, together with any salary or compensation received from the United States, would make the total amount paid to him by the United States and by the corporation exceed \$7,500.

SEC. 7. That the principal office of the corporation shall be located in the District of Columbia, but there may be established agencies or branch offices in any city or cities of the United States under rules and regulations prescribed by the board of directors.

SEC. 8. That the corporation shall be empowered and authorized to adopt, alter, and use a corporate seal; to make contracts; to purchase or lease and hold or dispose of such real estate as may be necessary for the prosecution of its business; to sue and be sued; to complain and defend in any court of competent jurisdiction, State or

Federal; to appoint, by its board of directors, and fix the compensation of such officers, employees, attorneys, and agents as are necessary for the transaction of the business of the corporation, to define their duties, require bonds of them, and fix the penalties thereof and to dismiss at pleasure such officers, employees, attorneys, and agents; and to prescribe, amend, and repeal, by its board of directors, subject to the approval of the Secretary of Agriculture, by-laws regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised.

SEC. 9. That the corporation shall be empowered and authorized (1) to buy agricultural products from any person within the United States and to sell such products to any person or government or subdivision of government without the United States; (2) to act as agent of any person producing or dealing in agricultural products within the United States; and (3) to make advances for the purpose of assisting in financing the exportation of agricultural products for periods not exceeding five years from the respective dates of such advances, upon such terms and subject to such rules and regulations as may be prescribed by the board of directors of the corporation, to any person producing such products within the United States, or to any person, government, or subdivision of government without the United States purchasing such products, but in no case shall any of the moneys so advanced be expended without the United States. Every such advance shall be secured by adequate security of such character as shall be prescribed by the board of directors of a value at the time of such advance (as estimated and determined by the board of directors) equal to at least 100 per centum of the amount advanced by the corporation. The corporation shall retain power to require additional security at any time. The rate of interest charged on any such advance shall be determined by the board of directors at an amount estimated sufficient to enable the corporation to meet all expenses, including the interest on its bonds.

SEC. 10. That in no case shall the aggregate amount of the advances made under this act to any one person exceed at any one time an amount equal to 5 per centum of the authorized capital stock of the corporation.

SEC. 11. That the corporation shall be empowered and authorized to issue and have outstanding at any one time its bonds in an amount aggregating not more than ten times its paid-in capital, such bonds to mature not less than one year nor more than five years from the respective dates of issue, and to bear such rate or rates of interest, and may be redeemable before maturity at the option of the corporation, as may be determined by the board of directors, but such rate or rates of interest shall be subject to the approval of the Secretary of the Treasury. Such bonds shall have a first and paramount floating charge on all assets of the corporation, and the corporation shall not at any time mortgage or pledge any of its assets. Such bonds may be issued at not less than par in payment of any advances authorized by this act, or may be offered for sale publicly or to any person at such price or prices as the board of directors, with the approval of the Secretary of the Treasury, may determine.

SEC. 12. That all net earnings of the corporation not required for its operation shall be accumulated as a reserve fund until such time as the corporation liquidates under the terms of this act. Such reserve fund shall, upon the direction of the board of directors, with the approval of the Secretary of Agriculture, be used from time to time, as well as any other funds of the corporation, in the purchase or redemption of any bonds issued by the corporation. Beginning five years after the enactment of this act the directors of the corporation shall proceed to liquidate its assets and to wind up its affairs, but the directors of the corporation, in their discretion, may from time to time prior to such date sell and dispose of any securities or other property acquired by the corporation. Any balance remaining after the payment of all its debts shall be paid into the Treasury of the United States as miscellaneous receipts, and thereupon the corporation shall be dissolved.

SEC. 13. That any and all bonds issued by the corporation shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, corporations, or associations. The interest on an amount of such bonds the principal of which does not exceed in the aggregate \$5,000 owned by any individual, partnership, corporation, or association, shall be exempt from the taxes referred to in clause (b). The corporation, including, its franchise and the capital and reserve or surplus thereof, and the income derived therefrom shall be exempt from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or any local taxing authority, except

that any real property of the corporation shall be subject to State, county, or municipal taxes to the same extent, according to its value, as other real property is taxed.

Sec. 14. That the United States shall not be liable for the payment of any bond or other obligation or the interest thereon issued or incurred by the corporation, nor shall it incur any liability in respect of any act or omission of the corporation.

Sec. 15. That whoever makes any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person any advance under this act, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both.

Whoever willfully overvalues any security by which any such advance is secured, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both.

Whoever (1) falsely makes, forges, or counterfeits any bond, coupon, or paper in imitation of or purporting to be in imitation of a bond or coupon issued by the corporation; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited bond, coupon, or paper purporting to be issued by the corporation, knowing the same to be falsely made, forged, or counterfeited; or (3) falsely alters any such bond, coupon, or paper; or (4) passes, utters, or publishes as true any falsely altered or spurious bond, coupon, or paper issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Sec. 16. That whoever, being connected in any capacity with the corporation (1) embezzles, abstracts, or willfully misapplies any moneys, funds, or credits thereof, or (2) with intent to defraud the corporation or any person, or to deceive any officer of the corporation, (a) makes any false entry in any book, report, or statement of the corporation, or (b) without authority from the directors, draws any order or assigns any note, bond, draft, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both.

The Secretary of the Treasury is authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction, any person committing any of the offenses punishable under this section.

Sec. 17. That the corporation shall make a report to Congress on the first day of each regular session relating to the business transacted during its preceding fiscal year, stating as of the first day of each month, (1) the total amount of capital paid in (2) the total amount of bonds issued, (3) the total amount of bonds outstanding, (4) the total amount of advances made under this act, (5) a list of the classes and amounts of securities taken under this act, (6) the total amount of advances outstanding under this act, and (7) such other information as may be hereafter required by either House of Congress.

The corporation shall also make a report to Congress on the first day of each regular session, giving a detailed statement of receipts and expenditures.

Sec. 18. That for the purpose of securing reduced freight rates for export shipments of agricultural products, the corporation may negotiate with any common carrier and may petition the Interstate Commerce Commission for reduced freight rates for the transportation of agricultural products by rail from points of shipment within the United States to the ports from which such products are to be taken by water carrier; and any such common carrier is hereby authorized to reduce its rates on such products as may be agreed upon with the corporation; and the Interstate Commerce Commission is hereby authorized to reduce the freight rates on such products to any extent that in its judgment may be fair and reasonable.

Sec. 19. That for the purpose of securing reduced freight rates for export shipments of agricultural products, the corporation may arrange with the United States Shipping Board for reduced freight rates for the transportation of such products by water. The United States Shipping Board shall carry such products in ships operated by such board at cost of operation, whenever it can do so, in any of its vessels that are not otherwise in use or whenever it can not otherwise secure sufficient cargo.

Mr. MARSH. I would like, Mr. Chairman, to put in right here, before I take up the third point, these figures from the Department of Agriculture, on the farm mortgage debt of the United States, and on the number of mortgaged farms in the United States.

The CHAIRMAN. Well, we have all that data already, Mr. Marsh.

Mr. MARSH. You have that, Mr. Chairman?

The CHAIRMAN. At the proper time it will go into the record. I would rather not have it go in at this stage.

Mr. MARSH. You would rather not have it go in now?

The CHAIRMAN. No. At the proper time it will go into the record.

Mr. MARSH. Well, may I just make this statement then, if you will permit me, Mr. Chairman.

In view of the revelations made as to some aspects of the agricultural conditions, by the last census, we feel that it is absolutely imperative that Congress should promptly enact legislation which we have submitted. It must also pass a law encouraging national cooperative banks which will be a great factor in helping the credit situation of farmers.

I want to call your attention to the fact that there is one national cooperative bank, the bank of the Brotherhood of Locomotive Engineers, located in Cleveland, Ohio. The present Comptroller of the Currency, for reasons best known to himself, has made a ruling which would practically preclude the establishment of any more cooperative national banks. That is, he would prevent their being fully cooperative, because he has ruled that the profits must go to the shareholders or stockholders, and not to the patrons, and of course it is the essence of cooperative banking that the profit should go to the patrons, either those who make deposits, or those who make loans.

Now for instance, in the Engineers' National Cooperative Bank they have a rule that profits are limited, even with provision for reserve funds and everything, to 10 per cent. After that is earned they reduce the interest rates to the borrowers. I also want to make this suggestion. The Department of Agriculture must not be used as the private agency of any farm organization, as it is to-day of the American Farm Bureau Federation, contrary to honest and sound public policy. I am not going to ask you to read into the record any long statement, but I would appreciate, Mr. Chairman, if you would permit me at this point to put into the record the summary of the investigation of the American Farm Bureau Federation made by the House Committee on Banking and Currency. It is a brief summary. And I wish to submit to you the additional evidence brought out yesterday at the hearing before this House Committee on Banking and Currency, examining Mr. J. R. Howard, president, and J. B. Coverdale, secretary of the American Farm Bureau Federation, showing that the tax payers' money had been used through the county agent to develop the growth of the American Farm Bureau Federation, one of the most conservative organizations, which does represent the wealthy farmers, and assumes to speak and wants to speak for all the farmers.

Representative MILLS. Well, Mr. Chairman, I do not want to object to anything relevant going into the record, but it does seem to me that if charges of that kind are going into the record, that the Farm Bureau Federation will feel entitled to appear and answer those charges, and then will find itself in the position of trying charges relating to the Farm Bureau Federation, which has nothing to do with the subject of this investigation. And therefore I object to that going into the record.

Mr. MARSH. Mr. Chairman, may I say that I ask to present it because it gives the reason for the recommendation which I am going to make.

The CHAIRMAN. Well, objection is made, and that settles it.

Mr. MARSH. Very well. I want to make this recommendation. That in view of the fact that the American Farm Bureau Federation, through its State farm bureaus and county farm bureaus, has been trying to compel farmers to join the American Farm Bureau Federation in order that they might get certain privileges and certain help from Government officials, paid partly by the Federal Government under the Smith-Lever Act, by appropriation from State governments and in some cases from local governments, that the Departments of Agriculture of the United States and the States should be given adequate appropriation to permit them to do what they should do, for all the farmers of America, everything relating to encouraging the production and assisting in the marketing of farm products, in ameliorating rural conditions, now being done by the county farm bureaus, since this is the proper task of a Government really devoted to the interests of the people. This should be done at the expense of the country as a whole. The farmers should not be taxed \$10 to \$25 apiece for this service which Congress should do. This is a service which Congress, representing the American people, should do.

Representative FUNK. We are not taxed, Mr. Marsh. A tax is imposed by a governmental body.

Mr. MARSH. Of course, I will be glad to change it. Sometimes you "tax" a person for doing something. I will be glad to amend that. That the farmers have been obliged to pay; I will make that amendment.

Representative FUNK. They are not obliged to pay. They are a voluntary organization.

Mr. MARSH. In order to get the service. And this entire work should be done by the Department of Agriculture. I am going to show you in a few minutes just how you can get plenty of money.

Representative TEN EYCK. May I interrupt there?

Mr. MARSH. Yes, Mr. Ten Eyck.

Representative TEN EYCK. Now, of course, this amount that the farmers pay in the farm bureau is voluntary.

Mr. MARSH. Yes; surely.

Representative TEN EYCK. It is a voluntary organization.

Representative FUNK. Open to everybody.

Representative TEN EYCK. Yes; open to everybody. I do not know what they pay in other organizations, but I helped to found the farm bureau in my own locality, and I am a member of it. I was secretary and treasurer of the Albany County Farm Bureau for a number of years. I resigned when I came down here. All we ask the farmer in our bureau is to pay \$2 a year, and it was only \$1 a year up until a year ago, and we raised the membership fee to \$2 a year merely for the purpose of making him feel that he had a monetary interest in the association and organization.

Mr. MARSH. Well, leave that amount. You can put in the correction if you want to. What States are there where it is \$1? I think generally it is \$10 and they have put on a \$10 campaign in New York.

Representative TEN EYCK. No; they have not.

Mr. MARSH. \$5, is it?

Representative TEN EYCK. No; it is entirely up to the farmer to pay what he chooses, and there are some counties where the fee is still \$1.

Mr. MARSH. Yes.

Representative TEN EYCK. There is a propaganda at the present time in New York State to pay a little bit more, not for membership ultimately—well, it is really membership in the local organization—but part of that money is to go to the operation of the State federation, and another portion of it goes to the operation of the farm bureau; all the local organization gets out of that is about \$1 to-day.

Mr. MARSH. All right; I am very glad Mr. Ten Eyck made this statement. I will be glad if the committee could listen to this because you may not, I know, have time to read all of this. If it is possible for the American Farm Bureau Federation, for the State Farm Bureau Federation to do this required work for \$1 or \$2 or \$3 a year, I don't know why they are collecting from \$10 to \$25 per member. That would be an interesting point to raise.

Representative TEN EYCK. That might be in other places.

Mr. MARSH. Yes.

Representative TEN EYCK. I can not vouch for them.

Mr. MARSH. Yes.

Representative TEN EYCK. They get \$50 a month from the Government toward the manager's salary.

Mr. MARSH. Yes.

Representative TEN EYCK. \$50 a month from the State toward the manager's salary. And the county in which the organization is formed, through the appropriation of the board of supervisors, pays the additional amount that is necessary, minus the dollar or two dollars a year that the farmer pays in himself.

Mr. MARSH. Well, my point very emphatically is this, and this is the real point, that the Department of Agriculture should be doing all of this work for the farmers, out of public taxes, and when any party in control has the courage and the sense of justice to tax the concentrated wealth of this country it will be done. And I am going to the farmers with this. I am going from here, as I stated, out to the Pacific coast, and I am going to speak before farm and labor organizations.

Representative TEN EYCK. I have no objection to your taking this up and presenting your views.

Mr. MARSH. Yes.

Representative TEN EYCK. I am merely presenting the case as it now stands.

Mr. MARSH. Well, they have told me that they are going to get \$10 in as many States as possible. That is why I am putting it on this basis. And I say that the Government should do this entire work that the American Farm Bureau Federation is doing, through the county agent, pay the county agent a living salary, and that the Federal Government, through the Department of Agriculture, and State and local governments, should do for the farmers of America 100 per cent of the work the farm bureaus is doing now. I think that the Department of Agriculture should do for 100 per cent of the

American farmers, at the cost of the taxpayers, all the legitimate work in helping production and cooperation and better marketing, now being done by the American Farm Bureau Federation, and I shall so recommend to the House Committee on Banking and Currency investigating farm bureau organizations, as I also recommend to this committee.

Now, I have outlined, gentlemen, three things which we feel must be done. Costs of production must be reduced. Costs of marketing must be reduced.

I now take up the third point. Governments, local, State, and National, must stop taxing away from farmers the small money wages or return on investment they get.

Congress and State legislatures must stop taxing farmers so heavily and tax land values, particularly land held for speculation, incomes, individual and corporates, and estates, and Congress should levy a capital tax to pay off the war debt.

Producing farmers are paying close to a billion dollars more taxes a year than they should pay, and a sales tax of 1 per cent would levy hundreds of millions additional taxes upon them.

I do not hardly need to remind you that since the Civil War, what Lincoln foresaw has happened. He wrote to Seward right at the close of the Civil War:

I see in the near future a crisis arising which unnerves me and causes me to tremble for the safety of my country. As a result of the war, corporations have been enthroned and the money power will endeavor to establish its reign by working on the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed. I feel at this time more anxiety for the safety of my country than ever before, even in the midst of the war.

Senator LENROOT. Might I ask you one question, Mr. Marsh?

Mr. MARSH. Yes.

Senator LENROOT. Do you think the average farmer is better or worse off to-day than he was in Lincoln's time?

Mr. MARSH. Do I think the average farmer is better or worse off to-day than in Lincoln's time?

Senator LENROOT. Yes.

Mr. MARSH. Well, I am not much of a student, perhaps, of history though I spent some years studying it in college; but I will say that that does not seem to me a fair question or a germane question. Nor a question which the farmers want to worry about.

Senator LENROOT. Well, that was occasioned by your quotation, Mr. Marsh.

Mr. MARSH. Yes. My point is this: The farmers are entitled to the values they produce, and by the help of God, and through their ballot they are going to get them in a short time.

Representative MILLS. Is that your answer to Senator Lenroot's question?

Mr. MARSH. Not complete. The farmers are not to-day getting what their produce is worth. Some of them are not getting what they were at the close of the Civil War. People are starving down South—probably they were at the close of the Civil War. But there is not the slightest excuse for any farmer in America who works reasonably hard and fairly, and gives an honest day's work, to be in want to-day. He will not be in want three years from to-day if the present adminis-

tration will serve the producers on farms, in factories, and mines, and transportation, instead of the privileged interests.

I do not know whether the farmers of the country, the average farmers, are worse off to-day than were the farmers at the close of the Civil War. I do know that there is no excuse for present conditions and that is what I am concerned about.

In Commerce and Finance, in about September, 1918, figures were published showing that 22,600 people owned 27.2 per cent of the national wealth. Now, we all know that the talk about efficiency and economy has gone glimmering, gentlemen. We all know, that with due deference to Gen. Dawes, that there is only 8 per cent, practically, of the Federal expenses aside from those for war and the results of war. And there has been little economy, none to mention, in those expenditures. The Federal Government has got to pay back, at least for the next several years, \$1 out of every \$7, and possibly about \$1 out of every \$6 of the total national income from agriculture, rents, dividends, royalties, interests, bonds, and profits.

Representative MILLS. What do you estimate the national income to be?

Mr. MARSH. Why, I estimate that it will be now between \$48,000,000,-000 and \$55,000,000,000. I may be off \$2,000,000,000 or \$3,000,000,000.

Representative MILLS. There have been two very careful estimates made, and given to this committee, indicating the income to be \$61,000,000,000.

Mr. MARSH. Well, I doubt it, but if it is \$61,000,000,000, then God knows there is no excuse for not paying the war debt off promptly, within the next six months, half of it, by a capital tax. I talked with the Secretary of the Treasury on this matter, and the Secretary of the Treasury stated to me that it is his intention to refund the war debt for from 40 to 60 years. I said, "All right; but that will be the finish of this administration."

Senator LENROOT. May I ask you: How would you impose a capital tax under the Constitution? You say it can be done within the next six months.

Mr. MARSH. Surely.

Senator LENROOT. How would you do it?

Mr. MARSH. Why, do you not think the Government can levy a capital tax directly?

Representative FUNK. You would have to have an amendment.

Mr. MARSH. Perhaps, but I doubt if that is right.

Senator LENROOT. You can not do anything within six months.

Representative FUNK. Some legislatures would not meet for a matter of years.

Mr. MARSH. Why, you can call for special sessions of legislatures and you can put it through if you want to. Now, if this war debt is refunded it will be laid upon the workers of this country and on the farmers. But the big investment bankers and profiteers who made their billions and billions and scores of billions out of the war, have decreed they are going to refund this debt and lay it on to the farmers and other workers.

Senator LENROOT. Now, Mr. Marsh, you say you would pay it off by enforcing a capital tax.

Mr. MARSH. Yes.

Senator LENROOT. That would be a percentage tax on all property in America.

Mr. MARSH. With a high exemption. We would recommend at least a \$25,000 or \$50,000 exemption. I would be glad to submit the figures showing how it can be paid off in the next year.

Senator LENROOT. What would happen to the industry of the country?

Mr. MARSH. You will have to get them to pay in kind, as it was suggested for Great Britain. You know how many Liberty bonds are outstanding. There are several billion, aren't there?

Senator LENROOT. Yes.

Mr. MARSH. Most held in amounts of \$50,000 and over, a very large proportion. There was no excuse for issuing a single Liberty bond, except, possibly, for the loans we made to the nations with which we were associated. The war was paid for out of current production. It could not be paid for in any other way. And instead of taxing the war profiteers, instead of taxing the aggregations of wealth which before the war in this country constituted a terrible national menace, we issued bonds intending to unload the cost of this war upon succeeding generations.

Senator LENROOT. Well, let me ask you, do you think the war could have been paid out of the war profits?

Mr. MARSH. Yes, sir; the war could have been paid out of the war profits, accumulated and concentrated wealth, at least except the loans to the Allies, Senator. The proof of it is found in the fact that in 1918 this little bunch of people, according to Commerce and Finance, every one of them worth \$1,000,000 and over, had at that time wealth of \$68,000,000,000.

Senator LENROOT. You think that no profits, I take it, should have been allowed in the war?

Mr. MARSH. I certainly think that no profits should have been allowed in the war, and I know that if that had been done we would never have another war.

Senator LENROOT. That will apply to the farmer, or any other individual?

Mr. MARSH. Yes; except interest on his investment, absolutely; but I am very sure that mighty few farmers would have asked for any big profits, and none of them did get any big profits. None of them would have asked for any big profits if big profits had been denied to everyone.

Senator LENROOT. I quite agree with you, but the farmer should also come in on that proposition.

Mr. MARSH. He would have come in. He would have got his price of production plus the going rate of interest.

Senator LENROOT. You could not have paid for the war on such rate as that.

Mr. MARSH. Yes.

Senator LENROOT. Who paid the farmer for what he raised and sold to the Government to carry on the war?

Mr. MARSH. Who paid the farmer?

Senator LENROOT. Yes.

Mr. MARSH. Why, the consuming public, organized labor, which is its great market.

Senator LENROOT. Where did the money come from?

**Mr. MARSH.** Where did the money come from to pay it?

**Senator LENROOT.** Yes.

**Mr. MARSH.** It came from the loans which the Government made, and part of it from the taxes.

**Senator LENROOT.** Yes. Now, if we were to take off all profits, where would the money have come from to pay the farmers, on your scheme? I want to say, Mr. Marsh, there are many men who seem to have the idea that we could have paid for the war out of the profits made in the war, ignoring the fact that if that had been done the farmer could not have gotten anything for his production.

**Mr. MARSH.** Oh, yes, sir. Now, let me answer you with a question.

**Senator LENROOT.** Yes.

**Mr. MARSH.** Could you have fed the soldiers in 1917 on wheat raised in 1918?

**Senator LENROOT.** No.

**Mr. MARSH.** You had to pay out of current production, either pay directly or put somebody else in possession of the wealth produced and borrow their money. Now we would have raised just as much if we had taken the profits of these corporations which they invested in Liberty bonds, as we did by issuing Liberty bonds and letting them invest their surplus profits in Liberty bonds.

**Senator LENROOT.** Well, now, Mr. Marsh, this is getting a little far afield. Do you think those corporations would have functioned and produced as they did without profit?

**Mr. MARSH.** Well, I would hate to say, in reply to what you say, Senator Lenroot, that the average American would not have done it.

**Senator LENROOT.** I am taking your opinion, not mine.

**Mr. MARSH.** I would hate to say that they would have refused to have backed up the war unless they made their big profits.

**Senator LENROOT.** I am taking your opinion, not mine.

**Mr. MARSH.** I would say, as I stated when the war started, that you have got to conscript wealth if you conscript men.

**Senator LENROOT.** I agree with you. We should have done so.

**Mr. MARSH.** And the financiers have loaded upon us a back-breaking debt, and they propose to keep on paying high rates of interest.

Now Mr. Mellon said to me, "Well, we have not got the income in this country to pay off this war debt. You remember there are \$2,347,000,000 of Government obligations coming due in November of this year." I said, "Well, we certainly have the wealth here."

Now you have asked how to levy a capital tax or an estate tax?

**Senator LENROOT.** No; a capital tax.

**Mr. MARSH.** A capital tax?

**Senator LENROOT.** Yes.

**Mr. MARSH.** By permitting payment in kind. Require the men who own the railroad stocks to turn over so much to the Government. Require companies who own Liberty bonds to pay them over, and then retire them.

**Representative MILLS.** You would turn over 50 per cent of the stock of a railroad to the Government?

**Mr. MARSH.** Yes.

**Representative MILLS.** What does the Government do with it?

**Mr. MARSH.** The Government can sell it in the open market if it wants to.

Senator LENROOT. Who would buy it with that capital tax?

Mr. MARSH. Well, if they do not sell all here, then the Federal Government could easily sell some abroad.

Senator LENROOT. Sell it abroad?

Mr. MARSH. Yes; in Europe and elsewhere.

Senator LENROOT. Where?

Representative MILLS. Yes; where?

Mr. MARSH. Not necessarily right away, possibly.

Senator LENROOT. Where?

Mr. MARSH. Why, to the profiteers of France and Great Britain, and of Italy, where they are having a very mild but very effective social revolution.

Senator LENROOT. You think there is plenty of wealth in France to invest in securities in this country then?

Representative MILLS. To the tune of about \$10,000,000,000?

Mr. MARSH. There is a great deal of wealth in France, Senator Lenroot, and the trouble is that no Government with which we were associated during the war dared tax the war profiteers any more than our Government dared, which explains the big national debts.

Representative MILLS. Now you are going to unload securities to the tune of seven or eight billion dollars.

Mr. MARSH. No; I was talking about this \$2,347,000,000 for this year.

Representative MILLS. Well, you want to pay off half the national debt this year and half next year?

Mr. MARSH. That would be about \$7,500,000,000 a year.

Senator LENROOT. What would they pay with, Mr. Marsh?

Representative MILLS. That is the question.

Mr. MARSH. I would imagine that they would pay with their wealth. They have got plenty.

Senator LENROOT. They have no gold, have they?

Mr. MARSH. They have some. I think this is tied up, as you remember, with my earlier proposition.

Senator LENROOT. Would you let any goods come in to pay it off?

Mr. MARSH. Yes; I would.

Senator LENROOT. You are not in favor of a tariff, then?

Mr. MARSH. I have already expressed my opinion on this act of perfidy known as the Fordney tariff bill. Now the thing is: Are we going to export chiefly manufactured products or agricultural? And we will have a mighty good fight over that.

Senator LENROOT. Are you in favor of having manufactured products come in freely?

Mr. MARSH. Some of them must, or they can not pay off the money we have loaned them.

Senator LENROOT. Yes; when you come to these great amounts that you speak of.

Representative FUNK. Four billions a year.

Mr. MARSH. Wait a minute.

Representative FUNK. Let us follow this out.

Mr. MARSH. I am going to refer to Commerce and Finance and give you some figures.

Representative FUNK. Which may or may not be accurate.

Mr. MARSH. Well, you know Theodore H. Price. He has never been accused of being radical, and he estimated the wealth of the

British Empire as \$230,000,000,000. Our own wealth is \$500,000,000,000.

Senator LENROOT. That has no bearing upon this subject whatever.

Mr. MARSH. Wait a minute; I am going to show the bearing in a very conclusive way, if you will permit me. Great Britain's present national debt is \$45,800,000,000, only 19.9 per cent of her national wealth. In France the estimated national wealth is \$100,000,000,000. Her national debt is \$51,000,000,000, in round figures, or 51 per cent. Italy's national wealth is \$40,000,000,000, and her national debt \$19,600,000,000. These figures mean they didn't tax their profiteers.

America's debt is put down here at \$23,950,000,000, including the \$10,000,000,000 that the Allies owe us, but I think not excluding the interest due. And our wealth is \$500,000,000,000. Our debt is 4.8 per cent, including what we have loaned the Allies, of our total national wealth, as estimated by Commerce and Finance.

Representative MILLS. Now you said that we could take these railroad stocks and sell them abroad, and you suggested France.

Mr. MARSH. Now wait.

Representative MILLS. I want to ask you a question. That is a fair statement of what you said, is it not?

Mr. MARSH. No; Mr. Mills. You never let me finish a statement, you never have yet, without breaking in. So I want to finish my statement.

Representative MILLS. Now let me ask a question, if you don't mind. Did you not say—and if you did not we will find out what you did say—that we could sell railroad stocks to France?

Mr. MARSH. I said we could sell some to France.

Representative MILLS. Some?

Mr. MARSH. Yes; and some to Italy.

Representative MILLS. And some to Italy?

Mr. MARSH. Yes; and some to England.

Representative MILLS. Yes.

Mr. MARSH. And we can sell a great many more to the American people when you stop robbing them by your tax system and your tariff system and your land system and your credit and middleman system, and let them put some of their savings into what has been the prize preserve of the millionaires and those in the near millionaire class.

Representative MILLS. Now you have finished that?

Mr. MARSH. That is one way out of it; yes; and we have got to act.

Representative MILLS. What are the French people going to pay for those stocks with?

Mr. MARSH. What are they going to pay with?

Representative MILLS. Yes.

Mr. MARSH. Maybe they want to exchange some of their own stock. I don't care about that because it doesn't worry me. I know perfectly well that if the Government of this country will take over, through a capital tax, enough to pay off seven and a half billion dollars of the national debt and retire it by taking Liberty bonds and other evidences of indebtedness, and the wealth, the stocks and bonds and mines owned to-day by 23,000 people—

Representative MILLS. That is not answering the question: How is France going to pay for that railroad stock?

Mr. MARSH. I don't care.

Representative MILLS. That is your answer?

Mr. MARSH. I know France—

Representative MILLS. Now, we will stop right there. You don't care.

Mr. MARSH. No; I know France is doing the same as our folks are to-day. They are trying to get concessions in Mesopotamia. One way France would have of paying for those railroad stocks, Mr. Mills, would be to stop her wicked warfare against little countries.

Representative MILLS. What would she pay with?

Mr. MARSH. With the same thing that she sends her expeditionary armies against Russia with. She found means to do that all right, and you know it.

Representative MILLS. No; I do not know it.

Mr. MARSH. Oh, now, Mr. Mills, don't you read the newspapers, or at least, the New Republic?

Representative MILLS. Not very often.

Mr. MARSH. Or the Nation?

Representative MILLS. I occasionally read the Nation.

Mr. MARSH. I am surprised that you should lapse from your previous intellectual aspirations.

Senator LENROOT. Mr. Marsh, you say you do not care what France pays with. There is only one thing France could pay with, and that is goods. And France is sending in goods now, and such agricultural products as we send to France to-day it is possible to send because of the goods that she sends in here and obtains credit on. Now, you say you do not care. You would have them send in goods to pay for railroad stocks, thus depriving us of the possibility of exporting of agricultural products to France.

Mr. MARSH. Not at all. You gentlemen have built up a bogey, the erection of which gives you keen delight, but it is a bogey. You assume that I said France would have to buy all these railroad stocks.

Representative MILLS. No; but you said they would buy. not have to buy.

Mr. MARSH. I said they would if they wanted to. And I say that if France does not buy a dollar of railroad stocks we could get rid of them in this country perfectly well, and you know it, Mr. Mills.

Representative MILLS. No; I do not. I do not think that if you take over the railroad stocks on any such capital tax as you suggest, and the Government then puts that railroad stock on the market, that there will be any market, if you take six or seven billion dollars of liquid capital out of the market to-day.

Mr. MARSH. Well, then, wouldn't it be a wonderful chance to reduce freight rates?

Representative MILLS. Reduce freight rates?

Mr. MARSH. Yes. Suppose we simply reduced the watered capital of the railroads—took \$5,000,000,000 of water out of the railroads.

Representative MILLS. You would not reduce freight rates, you would increase the value of the stock which was left.

Mr. MARSH. Not necessarily.

Representative MILLS. Unless you confiscated the actual values.

Mr. MARSH. Now, to get down to this issue. In raising this budget we are going to raise for the Federal Government from five to six or seven billion dollars next year.

**Representative MILLS.** No.

**Mr. MARSH.** We are going to do it, or go out and borrow money. And when the Government tells the farmers that they won't loan them \$50,000,000, but will go out and sell these billions of bond issues to the rich people in this country, the party that does that will hear from the farmers in the next two years.

**Representative TEN Eyck.** Mr. Marsh, how could you get an investing public to reinvest in an organization that has been taxed so heavily, at that particular time to the amount of \$7,000,000,000? What you suggest that should be done, don't you imagine that there would be a fear in that investing public mind that as soon as they had bought this, that the Government would come in and do the same thing right over again?

**Mr. MARSH.** No, they would remember that the capital tax, a progressive capital tax, mind you, based upon sound advice given by the church fathers in their early teachings. It is according to the Christian doctrines, though not as preached by the millionaire's churches in New York. St. Paul advised each person to lay aside each week according as God had prospered him. Now, I think you will admit that John D. Rockefeller, worth \$1,500,000,000 to \$2,000,000,000, can better afford to pay \$1,000,000,000, half of that wealth, in bonds or stocks, to liquidate the war debt than a farmer in your State, or up in drought stricken Montana, where for three years they have had no crop, can afford to pay \$25 in taxes. You will admit that, won't you?

**Representative TEN Eyck.** Oh, undoubtedly in some instances that is true; but what I mean is that when you take a large percentage of any great industry, and confiscate it or tax it to that extent, and then endeavor again to put that security on the market and sell it to another man, the other man will hesitate to invest in that for fear that proportionately his amount will again be taken in a very short time. That is the reason why even if there was money they might not do it.

**Mr. MARSH.** Now, Mr. Mills does not agree with you. He just said that if the Government would buy half of the stocks of the railroads it would increase the value of the rest. Well, if the Government should buy half, and it would increase the value, then there would not be any difficulty in selling the rest.

**Representative MILLS.** You said if they retired it it would increase the value of the remaining half.

**Mr. MARSH.** They would not have to retire it.

**Representative MILLS.** You suggested that they would retire it.

**Mr. MARSH.** I know this, that if they make up their minds to do it they can either retire it, if they want to, or they can put it on the market; and I am going to call your attention Mr. Mills, to the fact that this capital tax is just the proposal which has been put before the British chancellor of the exchequer and Lloyd-George.

**Representative MILLS.** I am familiar with the British report, and they concluded, after further examination, not to adopt the program. Now, I will admit very freely, if you want to know my personal opinion, that in 1917 and 1918 I thought that a capital tax was probably the way out, the best way out of the whole situation. That was my opinion. But it was not such a capital tax as you suggest. It was at a reasonable rate and moderate amounts. But, upon further

study, I have concluded that it is utterly out of the question, particularly at this time, and that was the conclusion of the British Government, and they investigated the matter very thoroughly. It is not the principle of the capital tax that one objects to.

Mr. MARSH. My dear Mr. Mills, that was for the same reason that it is "impossible" in this country, because the big interests control the Government there as here. And the British Labor Party is going to put it across in Great Britain by the ballot in the next five years, and the farmers and other workers, and those whose aspirations are along the same line, are going to do the same thing in this country.

Representative FUNK. Mr. Chairman, before we get away from a point that Mr. Marsh made, I want to make this comment. It may be that the group of farmers that he represents are in favor of capital tax, but the group of farmers with which I am familiar certainly are not in favor of a capital tax, because I have been flooded with protests against the provisions of a bare tax on land as provided in the Ralston bill, and I don't want to have Mr. Marsh's remarks have the appearance that he is expressing the unanimous view of all farmers.

Mr. MARSH. Mr. Chairman, I am very glad to have that statement made, and I want to call attention to the fact that I do not claim to represent all the farmers by any manner of means. I said I was speaking for a certain group of farmers.

Now, before Mr. Mills goes, I want to read from Senator Capper's paper. This is under date of July 9, 1921, from an article by Mr. T. A. McNeal, entitled "Passing Comment."

There should not be and never should have been any Government interest-bearing debt. The Government income and outgo should balance every year.

The Government should pay its current expenses by issuing of Government notes, and then provide sufficient revenue to offset those notes. The Government Treasury notes should be legal tender in payment of all dues, public and private, and as fast as received at the Treasury in payment of Government taxes, should be canceled just as the note of a private individual is canceled when redeemed.

It is absurd to say that a Government, with taxable wealth at its command estimated at more than \$200,000,000,000, can not pay its bills as they accrue. Were this policy instituted right now it would relieve the country of a tremendous burden of interest, and, in my judgment, would start the wheels of industry to humming all over the Nation. Not only would the Government cease to borrow money to pay its running expenses but it should take up the interest-bearing bonds already issued and pay them with noninterest-bearing notes.

I have two more suggestions to make which are germane, and then I am through. The International Institute of Agriculture estimates the anticipated demands for agricultural products of the world. You know, of course, they are doing something on that. We have a tragedy now, and have had for the last year, of overproduction in this country, and literally tens of millions of people are starving, and millions of them are dying of starvation in foreign countries. We have got to know what the actual needs of the entire world are for food. The Governments of the world have got to do it. Hon. David Lubin had that plan when he was our representative on that International Institute of Agriculture. And now, gentlemen, we have to put it up to the Governments of the world, and the peoples in the last analysis, to change the present condition, that millions of producers of farm products in America can not dispose of their products, while millions of people in China, in Czechoslovakia, in Poland, in Germany, in France, in Italy, in Russia, who want what those mil-

lions of farmers produce, are starving because they can not get it. We are not civilized, are we, gentlemen, as long as that condition exists? The Government must ultimately develop some sort of an insurance system to protect the most precarious industry in the world—agriculture.

Now, that is not an easy proposition. I think it should be investigated.

The CHAIRMAN. That is the trouble with the railroads now. According to your theory, you want to apply it to the farmers.

Mr. MARSH. No; that is a very different proposition. I want to submit to you that this thing needs to be investigated. It is not an easy proposition. It is like the old-age insurance system which they worked out in Great Britain; but if you are going to stop the flight from the farm to the cities you have got to work out a solution of this problem.

The CHAIRMAN. Well, if we have got more production now than we can eat and export, why should we want to stop the influx into the cities of people from the farms?

Mr. MARSH. Why, because we are going to have an industrial revolution within 10 years if we do not do it, Mr. Anderson, though I am not for that. I am perhaps as strongly against the use of violence as any man can be. But I know that with four and one-half million people out of employment in this country, to have even two or three hundred thousand more people, farmers, or 100,000 farmers, with their families, drifting into the cities is not much of a solution.

We have got to face the fact that overproduction, so called, never exists. It is underconsumption. A reasonable distribution of the wealth produced would assure a decent living for all workers in America.

I am going to ask to put in the record the figures of one fire insurance company and one general insurance company—the Hartford and the Home—which are now pushing insurance on agriculture.

(The information presented by Mr. Marsh is here printed in full, as follows:)

HARTFORD FIRE INSURANCE CO.,  
Hartford, January 6, 1921.

FARMERS' NATIONAL COUNCIL,  
Bliss Building, Washington, D. C.

DEAR SIR: Your letter of recent date requesting information on crop insurance is hereby acknowledged.

During the past season the Hartford has written insurance on various crops in different sections of the country, and we have found that there is a real demand on the part of the growers for this kind of protection. Our aim the past season was to guarantee a conservative amount per acre.

The amount of insurance allowed on any one crop varied in different sections of the country, ranging from \$15 to \$200 per acre, depending upon the section and the crop insured.

At the present time definite rates and forms for the coming writing season have not been established but we expect to have this information out in the near future, at which time we shall be only too glad to furnish you all information pertaining to this class of insurance.

Yours, very truly,

G. A. RUSSELL, Assistant Secretary.

THE HOME INSURANCE CO.,  
New York, December 22, 1920.

Mr. BENJAMIN C. MARSH,  
Care of Farmers' National Council,  
Bliss Building, Washington, D. C.

DEAR SIR: We have at hand for reply your favor of December 13, wherein you state you are informed that this company has organized a plan of insuring farm crops, and you ask for a full statement of said plans, rates, the interest on which we are working, and the whole general plan.

We have recently instituted a plan of crop investment insurance. It is necessarily in the experimental stage as yet, and it would be quite impracticable to send you all the data you ask, in view of the manifest diversity of conditions existing; for instance, on the Kansas prairies and in the Maine hills: in the celery farms of Florida and the irrigated lands adjacent to Yakima, Wash.

We are, however, sending you some blanks and circulars issued by our eastern farm department, referring to such insurance in this section of the country. You will readily understand that rates vary within wide limits: also that there are some sections where crop failures are of such frequent occurrence that it would be impracticable to write insurance in such sections at any obtainable rate.

Yours, truly,

C. A. LUDLUM, *Vice President.*

Mr. MARSH. I want to express my appreciation for the courtesy of the committee in affording me an opportunity to present some plans which, while they do not have the adherence of all the farmers of America, I am confident do have of at least 20 to 25 per cent, and I believe of many more. I have never yet addressed a body of farmers—and I have talked in a great many States—outlining these principles where they have not indorsed them. The principles of the council's program have been indorsed in Nebraska, and Nebraska is not a radical State. Some farmers have been misled, as my friend Mr. Mills has. Take the Nolan-Ralston bill. The American Farm Bureau Federation said that the purpose of that bill was to take one billion of dollars off of taxes on business and on wealth and put it on the farmers. If the Federation's statement were correct the value of farm lands would be about \$160,000,000,000.

The CHAIRMAN. Well, we were told that the Merchants' Association of Chicago was very strong for this legislation, and I suspect they thought that it was going to take the tax off them.

Mr. MARSH. By having, as I said, talked to conventions of farmers and explaining this situation and giving the facts, which I think every farmer is entitled to, we received indorsement even in the State of Nebraska, which is not radical, for the chief principles of the council's program. And I urgently ask that this commission lend its influence to the prompt enactment of the legislation which I have submitted to you, in addition to making investigation which will be very valuable. Agriculture can not stand being strung much longer. It has got to have some positive relief.

I thank you very much, gentlemen.

The CHAIRMAN. The commission will take a recess until 2 o'clock. (Thereupon, at 12.45 p. m., a recess was taken until 2 p. m., Thursday, July 21, 1921.)

#### AFTER RECESS.

The joint commission met, pursuant to recess, at 2 o'clock p. m.  
Mr. Sydney Anderson (chairman), presiding.

**STATEMENT OF MR. WESTERN STARR, REPRESENTING THE  
FARMER-LABOR PARTY, WASHINGTON, D. C.**

The CHAIRMAN. Will you state your full name and your residence, Mr. Starr.

MR. STARR. Western Starr. Farmer-Labor Party. Washington, D. C.

Mr. Chairman and gentlemen of the commission, I have sat here for several days and listened to a great deal of very interesting testimony, and as I told the witness of this morning, after hearing him I knew in a way what to avoid.

You have been flooded with figures of one kind and another, and I do not propose to give you a great deal in the way of statistics or figures. The problems that you are called upon to discuss and to deal with, are very complex, as is evidenced by the instructions of the resolution under which you act. But it seems to me that underlying all the phenomena of our present economic and industrial conditions, there are a few certain, definite, fixed principles which we can recognize as bearing on all the things that we see about us.

Before going into that I want to say this: I want to give you, if I can, a rational, symmetrical, balanced economic and political philosophy. The people that I represent, the Farmer-Labor Party group, have come to the conclusion that there is no political question that is not at the same time an economic question, and that there is no economic question that is not at the same time an ethical question, and they have a feeling that a policy, an institution, a program politically that does not work out in accordance with sound economic principles and in accordance with ethical principles, is in itself unsound. We feel that the test of institutions is their effect on human character and on human conduct.

Now, before going into that, I want to say that we believe the time has arrived, we believe that there is enough definite knowledge now at the command of the human mind to make it unnecessary that the racial development of the human species should be any longer left at the mercy of a brutal physical evolution. We believe the time has come for a conscious, rational intervention in the program of human development, and that the cascade of accidents out of which our present status as a human race has come, should be stopped, and that we can proceed according to rational lines. We believe that unless nature is playing the most ghastly and cruel joke on mankind that is conceivable by the human brain, we believe that all of those faculties that are implanted in a creature by nature are destined to be completely unfolded and developed in accordance with their end in the course of time, and we believe that man, whom we confidently assume to be the only rational creature, that so far as those faculties which are directed toward the use of his reason are concerned, can not be developed in the individual, but only can be developed completely and in accordance with their end in the species and in the race. In other words, human progress is social and not congenital and individual.

Now, we believe also that the means that nature has given to mankind by means of which progress can be made, is a species of social antagonism which we call competition, and we believe that every step of human progress, from the original barbarism, or from

the man-ape out of which we came, has come because of the operations of the principles of competition.

Now, the great issues that have controlled political development in America have been on one side, the establishment of monopoly, and on the other side, the prevention of monopoly. The antonym of competition is monopoly.

Now, we believe there are only two fundamental things that can be monopolized, and one of them is the natural surface of the earth and its contents, and the other is the key to the natural surface of the earth, which we call credit, and I propose to illustrate my general philosophy with special attention to the credit end of the program. I notice that one of your paragraphs here refers to the banking and financial resources and credits of the country, especially as affecting agricultural credits. Now, I can illustrate our whole philosophy in a very few words by saying that I do not care; it is a matter of indifference as to who owns the farms of the country, provided I can control the railroads upon which the farms depend for their very existence, to say nothing of their prosperity. And I do not care who owns the farms or the railroads if I can control the terminal facilities, the shops, docks, warehouses, wharves, machinery of the terminal facilities. And I do not care who owns the farms or the railroads or the terminal facilities if I can control the credits of the country, because when I do that I will be the dominant partner in every industry in the land from the farm up to the counting house.

Now, a little bit of history, please, here. In 1781 the surrender of Lord Cornwallis put an end to the Revolutionary War. In 1781 the Continental Congress established the Bank of North America and gave to it the power to issue the money of the people, to determine the volume of the money, and therefore its value. To determine also the credit of the people.

The termination of the Revolutionary War, was, up to that time, the most important social, historical event in world history. A people achieving sovereignty and independence as a result of a long, protracted war, with immense and unspeakable suffering and endurance acquired sovereignty, immediately goes to work and turns over to private individuals the principal treasure that sovereignty brings—that is, the credits of the people. The same thing happened, you will remember, during Jackson's time, and the same thing happened in the sixties during the War between the States.

That war was fought by Government credit notes issued by the Government itself after the bankers of the country had shamefully gone into bankruptcy in December, 1861. After the war was over these same bankrupt bankers came to the Government, under other names, and insisted that the Government should cease to issue credit notes; that it should retire the credit notes it had already issued, and that it should turn over to them, these bankrupt bankers, the power to issue their notes as the people's money; and again Congress failed in its duty to the people, and turned this priceless privilege over to the bankers.

That system had gone on, and its abuses had developed to a point where the very system itself was being threatened in 1908, and these bankers and the men behind them came to the Congress of the United States with a bill to consolidate the credits of the country, to institutionalize not merely Government issues, their own issues

in the form of money, but to make industrial and transportation securities the basis of still further issues of circulation and of credit.

Well, the attempt at that time failed. The smaller bankers of the country were unwilling to see their petty privileges absorbed by the monopoly of all monopolies, the credit masters of the central economic city of the country. They were not able to put it over.

But in 1913, after a five-year period of educational moral suasion, they were brought in, and the reserve act, the currency act of 1913, became a law under which we now live, and which I regard as having been, with one or two exceptions, the most vicious piece of legislation that was ever enacted by a people in the world. Of course, it is an insignificant fact, perhaps, that both of the old historic parties claim credit for that legislation. I have heard from the same platform the representatives of the Democratic Party and the representatives of the Republican Party claim credit for it. The difference between the two bills could be covered by the ink that would make a dot over an "i." In content and in form and in purpose they were identical. That merely shows the insignificant differences there are between these parties where the interests of the oligarchy happen for the time being to conflict with the interests of the people.

But the point is this: The power to control the credit of the people's business is the power to fix the prices of everything the people deal with or use. I can give you a little formula that will show that.

Let  $M$  represent the total amount of money there is in the country and  $V$  represent its velocity in circulation. Of course, a \$10 bill can pay 100 \$10 debts in a day if it moves fast enough, but if it is stuck away in some old woman's stocking and stays there for six months it has no velocity.  $M$  representing the money and  $V$  representing its velocity added to  $M$ , representing the credit multiplied by  $V$ , representing the velocity of credit, equal  $Q$ , the quantity of all goods, wares, merchandise, and services held or offered for exchange in the social community, multiplied by  $P$ , price. Now, given the power arbitrarily, with knowledge in advance, to modify the value of any one factor or the weight or influence of any one factor on one side of the equation, automatically a factor upon the other side of the equation must also be modified, and as it happens that  $P$ , price, is the variable factor on the right-hand side of the equation,  $P$  is the factor that changes.

I remember in Kansas in 1908 I stopped at a farmhouse of a man who had lived there on that particular farm since one week after he struck Castle Garden, New York, and he married his wife at Castle Garden, a woman who came over on the same boat, and whom he had never seen before they undertook the voyage. He said, "We could not understand why it was that Saturday night our hogs were worth 5 cents a pound, and Monday morning they were only worth 1½ cents. Now how did that come? What made it?" And there was not a hog or a cow or a plow, there was not an article in the whole circle of exchange in the United States that had not felt exactly the same influence, and I will tell you a little more about that further on. It was simply because somebody in New York controlling the credit string had pulled the string and dropped credit values, raised interest rates, discount rates, called their loans, and created a near panic, which became a panic intentionally, a handmade, a hand-picked panic created for a definite, specific purpose.

Now the point I want to make is that that is a power that is altogether too important, too vast, and it is an exercise of the sovereign power of the Government, to remain in the hands of any individual or any small group of individuals. But as it stands to-day, and we have had a very recent exhibition or illustration of it, it rests in the hands of six or seven men.

Now the Farmer-Labor Party says that is not right. It says that if it is not changed before we get a crack at it we will change it ourselves. And conditions in the country at large indicate that they are going to get a crack at it before a great while unless somebody takes the job out of their hands.

Talk about conditions in this country to-day. I have made a special inquiry on the subject, and I find that there have been seven times as many suicides, now, in the first six months of 1921, as there ever were in the same period in our history as a Nation. Look up the lapses that are going on in the insurance companies. I am not talking about the War Risk Board where 3,850,000 of them have lapsed within the last six months. I am talking about the old line companies. Look at the people who are eating moldy corn in the South where the pellagra has come to be a plague and calls for Government interference.

Now, those conditions are a direct result of the economic consequences of vicious legislation and vicious administration of the law. I do not mean to say that it has been intentionally vicious. I do believe, and I believe that every thinking man understands, that there has been interference with the natural operations of nature's economic law, and I do believe that many men believe those are vicious interferences deliberately intended, not to create distress for some, but to create special benefits for others. That is what we believe.

Now, the Farmer-Labor Party believes that no Government function should be operated by private individuals for private profit. We believe that in a democracy, where the people are supposed to be self-governing, once they understand that the powers which they themselves possess are being used as the instruments of their own exploitation, they will find a way to correct it. And they will not have any difficulty about doing it.

Something was said here this morning about changing the situation. That simply depends on whether the Government belongs to the people or the people belong to the party that happens to be administering the Government. If the Government belongs to the people, they can make it what they will, and if there is a page in the Constitution that does not suit them they can tear it out and put another one in. That is the incontrovertible right of a self-governing people. It has never been denied or been disputed, except by people who have had something to lose, and there is no one that has anything to lose here except an illegitimate, unlawful use of sovereign functions and power. Now this applies to the railroads and all public utilities. It applies not only to them, but it applies to the natural resources of the Government and the territory that belongs within the Government.

Now, it has occurred in all periods of world history, there never has been an exception to it, that the political power in any social

body at any given time is operated, held, exercised by that group in the community, which is the economic prepotent. In other words, as Emerson said 75 years ago, you can disfranchise property, you can make it a criminal offense for a man who possesses property to go to the polls, but yet property will make your laws.

The point I want to make is that economic prepotency is identical with political prepotency, and John Stuart Mill said 80 years ago that there never was any question about the fact that men who possess the political power, having economic power first, always used their political power to promote their own advantages.

Now, we think that the time has come when that ought to be stopped. We think it can be stopped. And when we are talking about agriculture we are talking about the disease that affects not only agriculture, but every other industry in the country. A man is not sick simply in one arm or one leg. If he is sick he is sick all over. A man can not have typhoid fever in his hand. If he has even got a bad cold it is not in his head or in his lungs or in his throat or in his bowels; it is his entire system that is diseased. And that is the situation here. And we think that it can be eliminated; we think we can get away from it.

Now, the mere fact that social transformations in the past have always been accompanied by measures of violence is no reasonable ground for believing that they always will be. For the simple reason that there has never been any consciously rational attempt to correct the difficulties before they became so acute as to provoke revolt. The only difference between a revolt and a revolution is that a revolution is a successful revolt, and a revolt is an unsuccessful revolution.

Now, we thought, or a great many people thought, that we had succeeded in establishing a peaceful revolution in 1912 when we elected a man who was proud to proclaim himself as a progressive in advance of his time. Perhaps it is unwise to feel that events that have transpired since then are in any way the conscious, deliberate purpose, or that the departure from progressive principles that took place during that time was one of the purposes intended and had in mind. I do not claim that, and I do not feel that at all. It was simply a cosmic catastrophe which overwhelmed the mind of the world. But it has only served to compress within a comparatively brief period events which normally would have covered generations of human life. In other words, it has foreshortened and brought out in distinct relief the principles that underlie all social phenomena, economic phenomena, political phenomena, and I think we would be very unwise not to take advantage of the opportunity that is given to us to seize upon and to use the lessons that this experience has given us.

The profit motive undoubtedly was a desirable, important, and perhaps a necessary element in the development of the country, but the time of the profit motive has passed, certainly in the development of the railroads. I think I can venture the prediction here and now that inside of two years the holders of the majority of the stocks of the railroad companies of this country will come here to Washington and beg the Government to take them off their hands at 50 cents on the dollar. I believe that is coming. The opportunities for excessive profits in the construction and operation of railroads has passed. These great enterprises have ceased to be service institutions so far

as the credit machines of the country are concerned. They are merely the cards, the dice, the chips in a gambling game of men who make their fortunes by knowing marketing conditions in advance and determining market conditions by handling the credit strings of the country.

That same thing is true in many other things, and the time I think has come when we can, and I use the word with a reservation—I do not want anybody to think that I am a Socialist, although I am sufficiently socialistic to believe that the Government itself should operate its own sovereign functions and not farm them out to individuals for the purpose of exploiting the people for their private benefit.

We think that the operation of transportation, either of persons or property or the transmission of intelligence, is as much a Government function now as it was in the time of Xerxes, as much as it was in the time of Caesar, as much as it ever was in the world; that it is a social, communal function, and we believe, as the Supreme Court has said, that institutions which by their magnitude or concentrated control have a bearing on the living conditions of the masses of the people, are impressed with a public use and should be under the control of the public. That brings your packers in.

Take the coal-mining industry of this country. I have been told by men who ought to know, and who have no motive to deceive, that the great coal properties of this country have been operated on an average of less than three days a week for the last eight months. Why? Because they can not afford to let coal prices go down by reason of an oversupply. Paying their men out in the Mingo field, paying them out in Illinois and in Iowa and in Pennsylvania, \$25 for three days work in order to keep them on the job and keep down the coal pile. Talking about railroads being out of employment: My God, if they want to employ them, let the same men who control the credits of the coal mines and of the railroads say the word, and there will be no difficulty about finding traffic, no difficulty about getting out coal.

I paid \$18 a ton for coal on my farm that 15 years ago I paid \$4.50 a ton for in Chicago, a thousand miles farther away from the mine, put into my bin, and I had to haul it 2 miles from the depot to my farm to get it into the bin. Is there any natural reason for that? Is there any logical reason for it? Is there any sound economic or political reason for it?

Now on the question of credit. I have given you the formula. The question is where men trade on their information, and I want to give you a little illustration. In 1920 prices were high. The cost of living was excessive. The great manufacturers and industrial employers insisted that the cost of living must come down because they wanted to lower the prices of wages in order, as they said, to lower the prices of their products to the people.

Well, now, they could not lower the wages without lowering railroad labor wages, and they could not lower them without lowering traffic. They have got to have a sort of a symmetrical balance between these factors.

Now this may sound hyperbolic, but I believe there is a logical relation between the facts. The Esch-Cummins bill was passed, and that was out of the way. But in order to smash wages, they

have got first to smash farm products, because that is what wages is determined by. But they could not smash that without smashing railroad labor. All right. They establish, as they have done in all cases where local opinion is outraged by the abuses of public utilities, an Interstate Commerce Commission. They went on with a monetary commission, they went on with a tariff commission, they went on with a wage board, they went on with various other officials, boards, and commissions that were simply to stand as buffer states between monopoly on the one side and the victims of monopoly on the other, to get the control of these institutions away from local public opinion.

You have got it right here in Washington, right under the shadow of this dome. You have got a street-car company that is capitalized with \$6,000,000 of water in its stock. It wants to keep going, and in order to pay a dividend on the railroad stock they want to raise the price of electric lights furnished by still another company. That is simply an illustration of what is going on. All right, what did they do?

They go to the wage board and they say: "We want to raise the wages of our men. We feel that they are not getting enough. We can not operate these concerns as they stand, and we want permission to raise wages \$650,000,000." That is about what it was. All right; they got that authority.

Now, then, how are they going to pay those wages? Go to the Interstate Commerce Commission and get permission to charge 250 per cent of wage increase in the way of rate increase in order to pay \$650,000,000 of wages.

And then the question is asked: Don't you believe that the railroads are entitled to a return on their investment? Why, certainly, they are entitled to the same kind of a return that a shoemaker is or a blacksmith or a small merchant. Anybody that is doing business in this country is entitled to a return if he can earn it, and if he can not earn it he will go through a bankruptcy court; he will take the same process that everybody has to take. We will wring the water out of them and put them on a basis where they can make a fair living. I can show you railroads that have been through the bankruptcy court four times in this country, and then I can show you other railroads which, depending upon their monopoly, have multiplied their capital two, four, six times.

Now, it does not seem rational, it does not seem Christian, it does not seem economically sound that such conditions should be permitted in any country, and they can not be permitted in any country where the people control. It does not seem rational that such things can go on, where they can capitalize the necessities of the people to wring dividends out of the toil and earnings of the people to support that kind of institution. The Farmer-Labor Party says it is wrong, and they say if it is not stopped before they get there we will stop it.

And let me tell you about the Farmer-Labor Party. I am not here to make a campaign speech nor to propagandize, but ask Senator Ladd if you want to, how many States will be carried for the Farmer-Labor Party and those associated in principle with us in 1922, and then ask him what he thinks about the prospects of such a party in 1924. We are further along to-day as an organization and as a party than the party of Lincoln was in 1855.

However, this Nation is a house divided against itself. A Nation that is organized as to its political form as a democracy, but which as to its essence and substance is an economic autocracy, is a house divided against itself, and it can not stand as it is. It will either become all one thing or all the other. It will become openly and avowedly, in name as it is in substance, a political autocracy, or it will go back to the plan destined by the fathers and become an economic democracy. One of the two.

And it is because we feel that the crisis is so near at hand that we are trying to stave off the necessity of a social transformation involving violence and force. We think that that would be the supreme unreason of the situation.

I do not believe that the American people can claim credit for any particularly advanced ethical standards or intellectual capacities after the experiences of the last five or six or seven years. I would not claim it for them. I believe that the great tragedy, the overwhelming tragedy of the last seven years is the moral breakdown of the Republic, the fact that people seem absolutely cowed, do not care whether their rights are trampled on or how they are trampled on. It is a simple case of the fleshpots. But it will not last a great while.

Now, I say that it is an economic autocracy, and I think that is very easy to demonstrate. It took us 40 years to get a parcel post. It took over 40 years for us to get a postal savings bank.

Here is a man reputed to be the author of a bill, the Esch-Cummins bill; one of the authors, utterly repudiated by his own district, placed on the commission that has charge of its administration, with authority to dictate to every railroad patron in the country.

Here is another case. Here is a man who never was elected to but one office in his life, a President, four years past the age which he himself fixed as the limit for appointment, appointed a judge on the Supreme Court, right at a time when the great questions involving labor and corporations are coming on for decision, when his attitude has been perfectly well known all through these years as the official propagandist for a special interest in these things. There isn't any question about the fact that this is an economic autocracy.

The CHAIRMAN. Well, I assume that the function of this commission is not to change the form of the Government or recommend changes in the form of Government. What we are supposed to do is to find out what is the matter with agriculture now, and what can be done about it.

Mr. STARR. All right; I am going to try to tell you. Now, in order to relieve agriculture and all the other interests of the country which are suffering from present conditions it is only necessary that the Government itself take over the exercise of its own sovereign functions. That is all there is to it. I am in favor of the Government issuing all the money there is in the country. I am not in favor of allowing any group of men to say what the money shall be, how much it shall be, or to fix the rates of interest. The time is coming in this country when every post office will be a national bank and the interest rates will come down to a point simply to cover the cost of administration, and nobody will be permitted to make any money out of the control of the Nation's credits.

There are only three billions of banking capital in the United States, not so much as that, and yet on the strength of the eight

billions of the total money of the country they erected a structure of phantom money, money of account, bank credit, that at one time hit fifty-seven billions of dollars, and ranges steadily now about fifty billions, reducing it as fast as they can.

So in order to reduce—going back to what I was saying before—the cost of living and to smash the prices of farm products, after having protected the railroads and protected the railroad employees, they pulled the string and smashed farm products. Lambs went from 22 cents to 8 cents in a week. Other things in proportion. I do not suppose you care to hear any more of that story.

Just one word on that, from an article in the Saturday Evening Post, and this, by the way, is written by a man whom I have known for 20 years, Mr. Forrest Crissey, who had a very valuable experience a number of years ago in looking up the commission business in the country. He was under contract with Everybody's Magazine to write three articles and he wrote them, and the first one was printed, and the organized commission men in the United States jumped on Everybody's and said, "If you print another one of those articles we will smash your magazine." They were not printed. Mr. Crissey can give you a great deal of valuable information on the commission end of this.

He writes that a man made a bet that another man could not carry across the street enough hides at one load to pay for the pair of shoes he had bought.

Calling at a leading shoe store I learned that farmers were quite generally buying \$10 shoes for best wear. Then I went to the hide dealer and asked, "How much will \$10 worth of hides weigh at the present price?"

"Three hundred and thirty-three pounds—if you refer to green hides, the kind commonly brought in by the farmers. We pay 4½ cents for salted hides, so \$10 would pay for 222 pounds. (All hides come from the dairy farmers. Ten dollars' worth of these would weigh between 90 and 100 pounds. I don't know what sort of an alibi the shoe men put up at present to account for their prices, but after a farmer has toted 333 pounds of green hides into my warehouse he is in no mood to be convinced that \$10 is a fair price for a pair of shoes. Just think of taking the skins off six cows or steers to pay for a pair of shoes."

Now, knocking the price of living, the cost of farm products is the first step toward knocking the price of wages all over the country. Now men are presumed to intend the consequences of their conduct, and it is impossible to arrange these facts in their chronological sequence and their philosophical connotations without a suspicion, at least, that the program has been carefully thought out for a good while.

Representative SUMNERS. What was it that caused that decrease in the price of hides? What specific thing?

Mr. STARR. The decrease in the price of hides was caused by the same thing that caused the decrease in the price of everything else. Credit was withdrawn by the men who control credit for all industries in the country.

Representative SUMNERS. That decreased the price of lambs, too?

Mr. STARR. That decreased the price of lambs, too. Well, the railroad rates helped to decrease that price.

Representative SUMNERS. Now, that big decrease from 22 cents to 8 cents you say took place in two weeks?

Mr. STARR. Yes, sir.

Representative SUMNERS. What outstanding thing was done in that two weeks?

Mr. STARR. Well, it was done before the two weeks happened. The order reducing the credits came down the line right on the start.

Here is a communication from the largest grocer and meat packer in this section. He incloses a quotation from the Federal Trade report, as follows:

Last spring the freight rate on sheep from Mendota, Calif., to Missouri River markets amounted to \$241 per car, while this spring the freight charges amount to \$321.50. Commission charges at Omaha were \$18.75 per car a year ago compared with \$25 now. In addition to these sharply increased expenses, the producer is confronted with a decline in price of approximately \$8 per 100 pounds. The first California spring lambs to arrive at Omaha in 1920 brought \$19.75 per 100 pounds, whereas the opening price this year was \$11.50. The movement of these lambs to market was about two weeks earlier this year than last, due chiefly to a mild winter and an abundance of feed.

The minimum time required to ship lambs from California to Missouri River points is from seven to eight days. The first shipment arrived on April 20 this year, and on May 6 in 1920. These lambs arrived around 65 pounds and sold at \$11.50 per 100 pounds with a 25 per cent sort at \$8. Since the first arrivals other shipments have been received, one of which consisted of 66-pound lambs that brought \$12.

One gratifying feature from the standpoint of California shippers was a recent reduction in charges levied at feeding stations in the vicinity of Omaha. These charges now amount to 3 cents per head per day for the first 10 days and 2 cents per head thereafter, compared with former rates of 4 cents and 3 cents, respectively.

This was the last April report. And since that time it has gone on further.

I will give a personal illustration of my own. I went to Baltimore in the latter part of February or the early part of March last year, 1920, with \$10,000 worth of collateral in my pocket that had never paid less than 8 per cent dividends and was quoted at 115 to 120. I wanted to borrow \$3,000 on the strength of that collateral for three months. The banker, a personal friend of mine, with whom I have been doing business for 15 years, or about that time, said, "I am very sorry, but I can not lend you any money." "Well," I said, "I have never had any difficulty before." "No," he said, "no, this is a new situation." I said, "Can you give me any reason?" "Well," he said, "there is only one reason. We are under orders from Washington." I said, "Orders; isn't this your bank?" "Well, apparently not; we are under orders from the head of the Reserve Board to make no new loans of any kind."

Representative SUMNERS. Under any conditions?

Mr. STARR. Under any conditions.

Representative SUMNERS. Would you mind giving the commission the name of that banker?

Mr. STARR. I will give it to you in confidence.

The same thing came from Oregon, Washington; the same thing came from St. Paul. And I think if the question is of sufficient interest to follow it up it will be found that it was on the order of a Federal reserve bank official in St. Paul—that all of the bank difficulties that took place in North Dakota were a consequence. I have no doubt about that. I have talked with men who ought to know. I believe that Senator Ladd has information on that subject, and I believe he will confirm the statement that I am making.

Representative TEN EYCK. Reverting back for a moment. Have you any data with regard to carrying on those lambs that you have explained, as regards their cost, transportation and the sale and the

difference in price, the price that the consumer paid for them after their reduction and before?

Mr. STARR. I have only my own experience, Mr. Ten Eyck, to give you on that. I know that my wife pays 60 and 70 cents a pound now for mutton chops.

Representative TEN EYCK. And that was about the price she paid for them before?

Mr. STARR. There has been scarcely any difference in price. And when that investigation in prices was on here two years ago, nearly, I said to my grocer, "I believe I will send you up there. I believe I will give your name in to have you go up there. You are buying Armour's meats." "Yes." "And you are selling Armour's meats." "Yes." "And Swift and Morris and those fellows are selling, and the average price of meat sold in Washington is so many cents, and you are charging four and a half times that. I believe I will send you up there." He said, "No, for God's sake don't. No, no, no."

Representative SUMNERS. Well, you ought to have done it.

Mr. STARR. I don't know but that as a matter of public duty I should have done it, but then I am afraid I should have had to change my grocer and my meat man.

Only last week the newspapers in this town reported a cargo of watermelons that were dumped down in the river here for fear that it would break the price of melons in Washington. And I went to my man to see if I could get him to send me a melon. "Oh, yes, we can send you some melons." "What is the average price?" "Seventy-five cents a melon." I know he does not pay more than 22 or 23 or 24 cents for it.

Why, the Chicago market was a great banana market at one time. I was personally acquainted with a commission man who received a communication one time, when I happened to be in his office, and he handed it over to me, and he said, "Just look at that. Two ship-loads of bananas have been dumped in the Gulf of Mexico for fear that they would break the price of bananas in New Orleans." Commission men did that.

I remember a friend of mine sent a carload of raisins from San Diego County, Calif., to Chicago, and the commission men had to draw on him for \$300 to pay the freight, after selling the carload of raisins. There was less, by \$300, than enough to pay the fixed charges.

Representative SUMNERS. How would you prevent that? I mean you have a situation where you, the consumer, are paying an enormously high price, under your statement, but the producer at the far end, of raisins, for instance, is not getting enough to pay even the low freight. I assume it was comparatively low at that time.

Mr. STARR. Twenty years ago.

Representative SUMNERS. Yes. How would you fix that? How would you avoid that?

Mr. STARR. Well, there is one way that I would fix that, and I think it ought to have been done long ago. I would have railroad rates for the transportation of produce adjusted to a scale to compare with the market price of the produce. If potatoes bring \$1 a bushel the freight should be so much. If they bring 75 cents the freight should be so much. If they bring \$1.50 the freight should be so much. I have ridden through thousands of acres of the finest looking

fruit in the eastern shore of Maryland; watermelons, tomatoes, cucumbers, beans, absolutely gone to rot in the field because they could not pay the transportation.

I have seen as fine peaches as a man ever ate hauled out by the wagon load and shoveled to the hogs, because they could not pay the freight on them to Philadelphia, less than three hours away, where there were hundreds of thousands of people who would not eat a peach in a whole year.

Representative SUMNERS. Would you fix that on the retail or the wholesale price?

Mr. STARR. I would fix that on the wholesale price. I would fix that so that the man who makes the first purchase pays it and carries it down. That would be one thing about it. Another thing about it, in the operation of these Government functions I would deny that any private individual has a right to be final arbiter. This is a social, this is a communal proposition, and no individual should have a letter of marque and reprisal to be a chartered pirate on the seas of industry and commerce.

Representative SUMNERS. I believe you advocate for the first time in the hearing that plan of fixing freight rates. Who would determine whether or not the shipment should be made?

Mr. STARR. Well, I am individualist enough to believe that everybody has got a right to make his own mistakes, Mr. Congressman.

Representative SUMNERS. The shipper might make the mistakes for himself, but should he also be privileged to make the mistakes for the railroad which has to perform the transportation service?

Mr. STARR. Exactly. Well, now here is another feature which I want to add to that, and which I think will help. My experience with farmers' cooperative marketing associations has been somewhat varied. I have found inevitably where the principal stock, or a particularly good sized block of stock in such organizations is owned by lawyers and wholesale produce dealers that the farmer is not much better off than he was before. As a matter of fact, in my own little post-office town where I did my shipping, the agent of the cooperative market, Farmers' Cooperative Market Association, used to mysteriously send out phone messages here and there and everywhere on certain mornings, and here would come this man in and that man in and some other body in, and they would stand around and they would buy tomatoes, and they would buy potatoes, and they would buy strawberries, and they had the tip from the agent of the exchange to come in because the water was fine, and when strawberries were selling for 15 cents a quart in Philadelphia and New York this man bought on the tip from the agent of the exchange for 4 and 5 cents a quart at the town.

Now I want to see every one of these cooperative exchange associations post on the door of the express office or the depot, or on some conspicuous place in the towns where they operate, the quotations of the market from the market towns on the day before, so that every man who can read can go and see what they were yesterday and get some kind of an idea of what his stuff ought to bring to-morrow when he gets stuff there.

Representative TEN EyOK. Well, what you want is an honest, cooperative organization made up of farmers themselves, and that is the only kind that will really operate with success.

**Mr. STARR.** I want to see not only an honest cooperative proposition, but I want to see an honest economic business situation throughout the country. I want to see honest railroad administration. I want to see honest manufacturing of steel rails and harness and clothing. And you can not have it unless you have free competition in it, and then you will get it, and you will never get it without. And I want to say to you that if you want to understand what is the matter with agriculture and business in this country to-day, you have got to go back 140 years.

**Representative SUMNERS.** Do you suppose we would have time to do that and get relief for this present emergency?

**Mr. STARR.** It is not a question of relief for this present emergency, because there is absolutely nothing that you can do to give immediate relief. You can shift the pain, maybe, for a moment.

**Representative SUMNERS.** Well, that would help some, wouldn't it?

**Mr. STARR.** Well, changing the position sometimes eases the pain, that is true, but this is the case where the fathers and the grandfathers ate sour grapes, and the children's and the grand children's teeth are now on edge, and you can not get away from that.

**Representative SUMNERS.** You could not cure that very quickly, could you?

**Mr. STARR.** Well, if Congress was disposed to do it, if Congress wanted to do it, it could change things so that the next year we could start on a basis where we could eliminate this private graft in social functions.

**Representative SUMNERS.** Well, now, if you get all these bad men into the new party you would have the same trouble.

**Mr. STARR.** Yes. And the Republicans can not go into the Democratic Party very well, and I know that there are a lot of Democrats that would like to see things different that can not go into the Republican Party to change it, but I will tell you, you can both come into the group represented by the Farmer-Labor Party.

Now, I am not hysterical or excited over the idea that the farmer-labor party is going to be the successful party. I want to say to you that until some party comes into power that operates upon the principles of the Farmer-Labor Party, you will keep on going from bad to worse.

I wish to read a communication which was asked for by a United States Senator from me. It sets forth as briefly and as succinctly as I know how to do it the principles of the Farmer-Labor Party, and I wish to read it into the record. [Reading:]

The events of recent years have so foreshortened perspectives that the lessons of generations of ordinary experience are a matter of days instead of decades. With the swift popular comprehensions, understandings, of cause and effect in public affairs, a correspondingly swift reaction must be anticipated.

To indicate briefly, and in principle, the generalized belief of the mass mind in the Republic, it may be said, primarily, that: A nation that is politically organized as a democracy; but which in subject and function is an economic autocracy, is a nation divided against itself. It can not endure permanently as it now is. It will either become all one, or, all the other. It will become, openly and avowedly, a political autocracy, or it will be restored to the economic democracy designed by the men who framed and the people who ratified the Constitution. The substance and function will determine the Nation's political favor, unless forces are applied that will cause the substance and function of our Government to correspond with its ostensible form. The immediacy and magnitude of the problem confronting American statesmanship, if the Nation is to endure as a republic, are only beginning to be understood.

Without undertaking to cover the preliminary reasoning that establishes the principle it may be declared that the means employed by nature to bring about the development of all the capacities implanted in man as a reasoning creature, is competition; competition leading to an organized society regulated by law.

This is the latest as it is the greatest practical problem of the human race, to the solution of which it is compelled by nature—the establishment of a civil society universally administering justice according to law.

A civil society, organized to establish justice, but which abandons the principle by which it was developed, and for its most vital functions creates monopolies, is the victim of political disease.

The political activities of the United States have turned entirely—exclusively—on the issues of creation or prevention of monopolies. Originally established on the fringe of a continent of unparalleled opportunity and national resources, less than 150 years ago. A nation of the most intelligent, most hardy, most virtuous, courageous and patriotic people, undertook the experiment of self-government. Their contributions to the material arts and sciences have enriched the world, only to impoverish themselves. Their splendid achievements in scholarship and dominion over the elements have not kept pace with the progressing degeneracy of her population in all that marks a distribution of the benefits of civilization.

Life, for the masses of the people, has become a form of slavery, devoid of ambition beyond fleshpots. The last spark of the original genius of their free spirit burned the blot of chattel slavery from their institutions—only to entail the substitution of their own economic slavery for the less insidious evil they had abolished. Yet slavery, in whatever form, has always been the Nemesis of nations; and the republic must follow the course of other republics to extinction, unless it first destroy the avenger and destroyer of nations.

Every source of social complaint, every form of civic grievance, in our Nation is directly traceable to some form of monopoly. It is understood that monopoly is the power to use a public right for a private benefit, to convert a public power to a private use.

Monopoly is the suppression of competition, which is abrogation of the law of human progress. It substitutes the artificial and unnatural for the natural in the law of organized society. Its purpose is not to increase the wealth of the whole, but to concentrate the wealth of the whole into the control of the few. The productive power of the whole people is a static factor that may be diminished but can not be increased by any form of monopoly.

The existing levels of distribution mark the stratification of American society, as shown by the reports of the Commissioner of Internal Revenue, which are an official confirmation of the conclusions reached years ago by the Industrial Commission—that 5 per cent of the people own 65 per cent of all the wealth accumulated since the beginning of our national history. It is preposterous to suppose that a self-governing people, once they understand the principles and processes by which they have become helots, through the abuse of their own civic powers, will permit these abuses to continue.

The operation of public functions, by use of public power for private benefit, appears in a very few classes of public service. These are the money functions; the public utility functions and the exploitation of the natural resources of the State.

On October 19, 1781, the surrender of Cornwallis ended the war of the American Revolution. On May 26, 1781, Congress passed a bill to incorporate the Bank of North America, and on January 7, 1782, the bank commenced operations.

Never was an event of such transcendent historic world interest followed by so catastrophic a sequel. A nation springs into being to claim liberty and sovereignty for its people. It gains both by great sacrifice of blood and treasure, and then, when victory is achieved and its objects are attained, it hands over the national credit—its chief treasure—to private individuals, to do with it as they please. The same anticlimax was reenacted at the close of the Civil War. That war was fought with credit bills issued by the General Government, after all the private banks had shamefully closed their doors and gone into bankruptcy (December, 1861). At the close of the war, these same bankrupt banks, under new names, demanded that Congress retire the credit bills that had saved the Nation and permit them to issue their own notes as the money of the people.

That such measures could become laws when and as they did, can only be explained by a lack of public understanding of the financial experiences of history and of the scientific meaning of money as a public measure.

Yet, in the celebrated "Mixt Money" case, decided by the Privy Council, in 1604, it was declared, almost in the very words of Aristotle, cited in the decision, "there can be no society without exchanges, no system of exchanges without equity and no

equity of exchanges without money." Therefore, it was held that "money is a public measure."

If, then, on principle and by constitutional decree, money is a public measure, how much the more is credit a public measure? The ratio of service performed by credit in existing commerce and industry as compared with the service rendered by actual money, is conservatively estimated as an average of seven to one. It is therefore sevenfold more important that credit be held to be a "public measure," a communal function, than that the Nation's money should be so held.

The existence of a private monopoly in credit control is a relic of the ignorance of the discredited past. With less than three billions of private capital actually invested in banking, American bankers have built up a structure of credit that has reached at times the enormous amount of fifty-seven billions, and ranges steadily above fifty billions, upon which an annual revenue is levied by bankers amounting to more than their total invested capital. This is a tax upon the industry of the Nation and on all of its people. An unnecessary tax; a use of public right and public power for private profit.

The public utilities of the Nation; the performance of the public service of transportation of persons and of property; the transmission of intelligence and other service, have always been recognized as functions of Government. In all cases where the cost of such service exceeded possible revenues, as in street cleaning, etc., it must be defrayed by taxation. But where a profit can be derived, the Government must delegate its powers to private interests.

Where these services are rendered by private grants of public rights, the profit motive determines the character and quality of service. Service charges are a tax levied upon the public with no logical relation to the cost of service. Where public resentment threatens the value of private investment in these great and necessary utilities, they are removed from the influence of local public opinion and placed under the supervision of National and State boards and commissions, that are not responsible to local authority. It has been determined that there is no form of contract that can be framed that will hold these quasi public agencies to their assumed obligations. Service charges are tribute to monopoly unregulated by competition, which, as in the form of natural waterways, they have practically ruined, and only a fantastic and perverted economic apprehension can regard them as just compensation for administration and return upon actual investment.

The story of the devastation of the natural resources of the Nation is an economic and social tragedy without parallel. Had it been the deliberate purpose of American public policy to promote the exhaustion of the mineral resources, the forests, the fertility of the soil, no more effective measures were possible than those that were set in operation.

Our economic development—so-called—has been simply the consumption of our national capital assets. Exploitation, and not development, has been the order of the day with no thought of replacement for future needs. To a startling degree, the "enterprisers" of American development have been pirates, chartered, with letters of marque, and set free to ravage the material endowment of a continent of opportunity and resources. The patrimony of all the people has been allowed to pass from the control of their official trustees, through negligence, or incapacity, to use no harsher words, into the control of interests that divert its revenues and waste its substance.

The people, forced by pressure of the economic results of these conditions, are directing attention to the causes that have produced them. They are finding the relations between facts and principles. They are seeing that these conditions flow from action or failure of action in the political field, and that relief lies only in a reorganization of their political methods.

As their grievances concentrate attention upon a common cause, monopoly, originating in perversion of the powers of a government deriving all its powers from their consent; as they gradually understand with clear conviction, that the purposes for which their Government was organized—to promote the general welfare—have been displaced by special purposes, the people are resolved, that if existing agencies and methods are unavailing, they will secure the relief that is necessary by other means.

These are the conclusions of the Farmer-Labor Party. The artificial barriers that by accident or design have been built up between the masses who dwell in cities and their kindred masses who dwell on farms, melt away under the fires of a common distress. No cure for the evils resulting from our form of monopoly can be secured by establishing other monopolies.

Special legislation entails evil results that can not be covered by bonuses to the victims of special laws, since these only add to the common burden upon all. The Farmer-Labor Party proposes as constructive remedies for the future, a resumption by

the Government of the exercise of the functions of government. The reassertion of its powers and duties in the performance of public services, for the use and benefit of the whole people.

We hold it to be politically, economically, and socially destructive of every object of our Government, that private interests are allowed to flourish at the expense of the Commonwealth. We charge that the existing discontent, suspicion, and unrest are the direct consequences of these practices. We believe the present state of the public mind will continue, with increasing intensity, until assured that a program is undertaken that shall offer a reasonable prospect of relief.

I thank you.

The CHAIRMAN. The commission will take a recess until 10 o'clock to-morrow morning.

(Thereupon, at 3 o'clock p. m., Thursday, July 21, 1921, an adjournment was taken until 10 o'clock a. m., Friday, July 22, 1921.)



# AGRICULTURAL INQUIRY.

FRIDAY, JULY 22, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met at 10 o'clock a. m. in room 70, the Capitol, pursuant to adjournment from yesterday, Hon. Sydney Anderson (chairman) presiding.

The CHAIRMAN. The commission will come to order. This morning the commission will hear Charles J. Brand, representing the American Fruit Growers (Inc.), Pittsburgh, Pa.

## STATEMENT OF MR. CHARLES J. BRAND, VICE PRESIDENT AND GENERAL MANAGER AMERICAN FRUIT GROWERS (INC.), PITTSBURGH, PA.

The CHAIRMAN. Mr. Brand, we would like to have you develop the marketing phases of this proposition in your own way, if you will. Will you state your name for the record?

Mr. BRAND. Charles J. Brand.

Representative SUMNERS. Mr. Chairman, may I suggest in connection with the introduction of Mr. Brand that he formerly had charge of the Bureau of Markets.

The CHAIRMAN. You were formerly Chief of the Bureau of Markets, Mr. Brand?

Mr. BRAND. Yes; Mr. Chairman.

The CHAIRMAN. What position do you occupy with the American Fruit Growers (Inc.)?

Mr. BRAND. I am vice president and general manager. I resigned from the Department of Agriculture a little over two years ago and joined this firm, which was a new organization at that time.

The CHAIRMAN. I think it perhaps would be helpful if you would outline the relations of your firm to the growers, and its general plan of operation.

Mr. BRAND. The American Fruit Growers, while a corporation, is organized to assist growers in marketing, as well as to carry on growing operations on its own account. We are large growers of apples, peaches, pears, cantaloupes, early potatoes, celery, citrus fruits, and things of that sort. But we do not produce above 15 per cent of the tonnage that we handle. In other words, it is by far the lesser part of the product that we market. We believe that being producers ourselves fits us to understand the producer's problems and to deal sympathetically with the producer and his problems.

Representative TEN EyCK. Is this an association or a corporation?

Mr. BRAND. It is a corporation.

Representative TEN EyCK. What is its capitalization?

**Mr. BRAND.** The authorized capital stock is ten million preferred and 400,000 shares of no par value common.

The distributive business of the company arises from three different sources. First and greatest, products handled for grower's account in the various markets of the United States, either under contract or by direct consignment from him. In other words, many, many growers know of our firm, and wherever we have a house they consign their stuff to that house to be handled. But more largely the tonnage comes from associations of growers for whom we perform services as marketing agents.

As an illustration, and to bring out the method, we are the marketing agents of the Northwestern Fruit Exchange of Seattle, who handle the very well-known Skookum apples, always shown with an Indian head. They are shipped in boxes. We have just begun this season to market the potatoes for the Minnesota Potato Growers' Exchange, with headquarters in Minneapolis, and with 98 associations federated together to form the exchange. We function as the marketing agent of that central federated body.

**Representative FUNK.** Well, Mr. Brand, you say that in some instances the produce is sent to you on consignment?

**Mr. BRAND.** Yes, sir.

**Representative FUNK.** These federated growers' associations sometimes employ you as an agent?

**Mr. BRAND.** Yes.

**Representative FUNK.** I do not get the distinction.

**Mr. BRAND.** The consignments referred to, Mr. Funk, relate to the shipments from individual growers who have no market outlet. The large marketing agency or the large representative of producers makes a contract just as has been done, for instance, by the Minnesota Potato Exchange. They make a contract by which we handle all of the products arising from all of the individual associations.

**Representative FUNK.** Well, it is consigned to you and you sell it to the best advantage to the owner?

**Mr. BRAND.** Well, there is a great diversity of methods of handling. That particular business would not be consigned to us excepting in very rare cases. In that case we station a sales manager in the office of the Minnesota Potato Exchange in Minneapolis, and he functions right there in the office and sells practically all of that crop f. o. b. Minneapolis or production point. Not all cars can be sold before they begin to roll. Then they may be sold while they are rolling. Some of them reach the market and no buyer is found. They are then turned over to a commission man in that market to be sold for the account of the exchange. And, generally speaking, the commission is the ruling commission in that market, which is well known, and which varies from 5, generally, to 12 per cent, and on potatoes the bulk of it is from 5, we will say, to 8 per cent, potatoes being handled much more cheaply than most other products. In fact, potatoes are probably handled under the cost of marketing, I know they are handled under the cost of marketing, but they are handled for a very good reason, because they fill in a tonnage during a period of the year when distributors otherwise would have a machine on their hands with full expense, and with no products to handle, and potatoes being shipped throughout the winter months gives them something to work on.

The CHAIRMAN. Do you handle potatoes in less than carload lots?

Mr. BRAND. Generally speaking, no, except through our wholesale houses. We have five large wholesale houses located in New York, Philadelphia, Pittsburgh, Chicago, and St. Louis. In those houses we handle any quantity that a grower may wish to ship us. We are, however, specializing in the larger quantity business, particularly in serving growers' associations. We believe that ultimately—in fact it ought to be now, but ultimately the great bulk of fruits and vegetables, particularly, will be handled at the production end and through shipping possibly even up to the point of the market by growers' associations, because you can not get standardized and efficient handling without associations of that character. The job-lot shipments of small quantities by individual producers are very difficult to market because they are unstandardized, usually not equaling the quality that the growers' association puts up, and a line of goods well packed and well handled and well grown takes half of the selling effort that these smaller lots take, even less than that.

Senator HARRISON. You have discussed, have you, the reasons why you think that these cooperative agencies and associations can better do it?

Mr. BRAND. No, I have not, Senator Harrison. It seems to me that we have advanced beyond the point where we ought to discuss whether or not cooperative associations are a good thing. I think it has been proven for the last 30 years wherever they have been handled properly that they are a great boon to the grower, and we continually go back over that ground to make a case which to any reasonable citizen is already made. I think that is recognized wherever we have organizations, whether among the cotton growers, or the citrus-fruit growers, or the apple growers, or whoever.

Senator HARRISON. Well, the reason why I asked was that I have in mind a town where they ship, I think, about 20 carloads of tomatoes a day in the tomato season, and until recently truckers had not organized themselves together, and now they have one truckers' association. But they have not yet made a large enough inroad on the commission merchants to get a majority even of the business there, and it seems to me that if it is so much better and can be done more economically, they should do away with those commission merchants altogether, and I do not understand why they do not do so.

Mr. BRAND. Well, the commission merchants are very useful, and they are very useful right there on the ground; useful to the producer irrespective of the cooperative association. They force the cooperative association to be efficient, to get the full market price, and all that sort of thing, and per contra, the existence of the association enforces fair dealing, good marketing methods, and prices in line with the market upon the merchants or the cash buyers who are there on the ground.

Senator HARRISON. Have the truckers' associations or any associations, I mean, that sell vegetables or whatnot, ever become so organized that they can handle these things from the producer right on through to the consumer? In other words, do they have their selling agency as well as their marketing and their distributing agency?

Mr. BRAND. No association that I recall attempts to go through to the consumer. There are so many functions of such different character that none of the organizations have found it practical to go all of the way through to the consumer. The most successful on a large scale, of course, is the California Fruit Growers' Exchange, and it carries distribution only to the point of full-car lots and, in a few markets, broken cars. The retail system must be depended upon, and the wholesale and jobbing system of the cities, to break cars and to function in the final distribution of the goods.

The CHAIRMAN. Whatever development there may be in the future, from the consumer's point of view, will have to, in all probability, not come from the producer's end but the consumer's end?

Mr. BRAND. Absolutely by organization of consumers into buying units of various kinds.

The CHAIRMAN. We have heard the opinion expressed by the officials of the various large associations that the independent commission men, the independent handlers, are a good thing for the association as well as for the general public. Do you agree with that general opinion?

Mr. BRAND. Yes; unquestionably; because they are the outlet for a very great part of the producer's product.

To continue the illustration, either of apples or peaches, or take potatoes. There is such a big crop, for instance, in the big potato States, like Maine, New York, Michigan, Minnesota, and Wisconsin, that the producer or the producer's representative or organization must take advantage of every outlet. For instance, take the cooperative warehouses in Wisconsin. Perhaps some of the most successful of them are those that sell to cash buyers right on the ground. Naturally these cash buyers are often keen speculators, and they are looking to make all the money they can on their transactions, and generally these various factors, whether they be speculators, whether they be buying for purely merchandising purposes to supply trade that they have built up, or what not, are a very useful factor in distributing the crop.

There are days when at Minneapolis there may be 120 cars of potatoes on the track. That is an awful lot of potatoes for a man to sell, and he is going to first sell the Minneapolis market. Indeed, he will do better than that. Many of these potatoes come from northern Minnesota, relatively the northern part. The first thing he will try to do will be to sell the prairie Provinces of Canada, then he will try to sell the Iron Range, where there is a big market, and then, finally, he will get into central Minnesota and the Twin Cities territory and dispose of all he can there, and then southern Minnesota, and then Iowa and Nebraska and the neighboring territory, and dispose of the greatest possible part of this product without rolling it to the big marketing centers.

The CHAIRMAN. There seems to be a general and popular impression that it ought to be possible to develop a most direct and expeditious system of marketing from the producer to the consumer and to use that method to the exclusion of all others. Such information as I have received does not indicate that that is possible. What do you think about it, Mr. Brand?

Mr. BRAND. I doubt very much whether that is possible, Mr. Chairman, because of the multitude of duties to be performed, which

call for a great many people to participate in the distribution. And it is a very intricate and difficult business. There are all sorts of problems that arise at every stage of the game. I doubt very much whether it will ever be possible to eliminate the factors that are handling these products, except in a very minor degree. I think we can improve their methods and possibly eliminate some few, but practically every one that is in the business has come in through some economic reason or excuse.

Representative FUNK. That does not hold out very much hope that there will be very much reduction in this spread between what the producer gets and what the consumer pays.

Mr. BRAND. I think the consumer has a great deal of that in his own control. I don't think he has exercised his powers very greatly, particularly with respect to foods. If he went on a buyer's strike once in awhile, or if he patronized the stores that give products more nearly at their cost and eliminated service and things of that sort, he could control prices in very great measure.

Senator LENROOT. Under existing conditions, do you think the price that the consumer pays has any relation to either the cost of production or the cost of distribution?

Mr. BRAND. Well, I sometimes feel that there is very little relation, Senator Lenroot.

Senator LENROOT. Supposing freight rates were cut in two, do you think that would benefit it?

Mr. BRAND. I think this, that a small benefit would undoubtedly accrue directly to the consumer, but practically the whole benefit would accrue to the producer, who, in turn, by making a decent living and fair profits, would engage more largely in production, and that the increase of production would then reflect itself upon the consumer.

Senator LENROOT. Later on?

Mr. BRAND. Yes.

Representative FUNK. It is your view, I understand, that the producer pays the freight rate?

Mr. BRAND. Unquestionably, primarily the producer pays the freight rate. Ultimately, in the course of things, undoubtedly it becomes spread according to supply and demand and other conditions over other factors, but primarily the producer pays the freight. I have numerous account sales here showing where it is charged direct to him; he has got to pay it.

Senator LENROOT. You think, then, that in normal times on a rising market an increase in freight rates does not result in an increased price to the consumer?

Mr. BRAND. Not immediately.

Senator LENROOT. An increased price to the consumer?

Mr. BRAND. I think it depends much more largely, Senator, upon the supply of the product that is available. If there is a relatively small supply he may feel the freight rate immediately. It will be added immediately to the selling price of the wholesaler.

Senator LENROOT. The same thing is true of a reduction of freight rates?

Mr. BRAND. Yes.

Senator LENROOT. In other words, the farmer and everybody else is getting all the traffic will bear, is that it?

Mr. BRAND. No; I don't think the farmer is getting all the traffic will bear.

Senator LENROOT. He gets all he can.

Mr. BRAND. He has so little voice in price making.

Senator LENROOT. I am not speaking of what his control will be, but I am speaking of the motive. Are we not all alike in that respect?

Mr. BRAND. Yes; we are, because we are operating from the same motive, each one trying to get the greatest amount possible.

Senator LENROOT. In other words, human nature is such that no man would be satisfied with a reasonable profit if he could get more?

Mr. BRAND. Very true. So many products, however, are so fully out of control.

Senator LENROOT. I understand that.

Mr. BRAND. Particularly those that are sold at auction, and possibly fully a third of our perishable crops are sold at auction, where the price is absolutely fixed by the supply and demand of the day and in prospect.

Senator LENROOT. Does the deduction then follow that we would all be profiteers if we had the opportunity?

Mr. BRAND. Well, I never took so much stock in this word "profiteer." I think I know what a profiteer is, but I think the name has been applied to a lot of people who are merely averaging in a term of years their final return on their operations.

Representative TEN EYCK. I have asked the following several times of different people, on account of the discussion of who pays the freight. Do you think that the consumer pays the freight rate if the farmer receives less than cost? Or I will put it in another way. Is it not a fact that the farmer pays the freight rate when he is selling his produce at less than cost, but when he is getting a fair net return on labor performed and money invested, then the consumer pays the freight rate?

Mr. BRAND. Well, I think that is the economic tendency in the matter. On the other hand, so far as the immediate transaction is concerned, it is taken right out of the farmer's proceeds.

Representative TEN EYCK. It does not make any difference who puts the money in the till, it is who ultimately stands the cost of transportation, and if he is losing money on the article shipped, certainly he must be the fellow that is standing the freight rate.

Mr. BRAND. Yes, sir; Mr. Ten Eyck, it is inevitable in that case.

Representative TEN EYCK. Certainly. Now, on the other hand, if you are getting a fair return on labor performed and money invested, then the consumer pays the freight rate, because he has permitted you to get a fair return which included the actual freight rate, whether it was sold at the point of shipment or sold at the point of consumption.

Mr. BRAND. Well, I certainly feel that the principle that you have in mind, namely, that when each factor gets a suitable return for the service rendered, that there is a proper distribution of all elements of cost is correct.

Representative TEN EYCK. I think the paying of the freight rate shifts from one to the other in accordance with the charge and the return. There is one other thing.

Representative SUMNERS. Are you about to leave the subject of freight rates, Mr. Ten Eyck? If so, I want to ask Mr. Brand one or two questions, if you please.

Mr. Brand, if, for instance, in a territory that is adapted to the production of, say a half dozen different commodities they have commodity freight rates which are relatively uniform, the freight rate on one of those commodities should be doubled, unless the consumer should pay a higher relative value for that commodity than he had paid when the rate was uniform, those six different products being uniform as to profit when the rate was uniform, the tendency would be to decrease the production of the commodity on which the freight rates had been doubled until consumers had bid up the price sufficient to enable the producer to make an equal amount of profit on that commodity charged with the higher rate, would it not?

Mr. BRAND. That would be an unquestionable economic tendency.

Representative SUMNERS. Now, in that particular instance the burden, in part at least, of the increased freight rate, would be shifted to the consumers, because the consumers would have to reach over all the freight rates on all the commodities and pay to the producers as much net profit for producing that one commodity as the other would offer in order to have the producer continue to produce that sixth commodity.

Now, in the final working out of this shift, and I think the shift is in progress, it would seem to me that the tendency would be to shift more and more upon the consumers perhaps all the burden of production, transportation, and distribution charges. If it is economically sound that finally we will have to give the country boy as much net profit in the business of agricultural production as industry or the professions bid for his service, somewhere, at some time, when the equilibrium in vocational and residential movement is established it will be found, in theory at least, that the consumers are paying all these intervening expenses. More and more they must pay them.

It seems to me that in the years of high production, when the position of the consumer is more independent and the condition of the producer more dependent, in that condition the producer would pay a larger percentage of the freight rate. The reverse would be true in years of low production.

Mr. BRAND. I think also, Mr. Sumners, there is something in the nature of an actually fixed charge.

Representative SUMNERS. Yes, that is true.

Mr. BRAND. That must be counted right along with the operation of these other forces, and certainly in the present transitory period on most products the freight charges come more directly from the producer.

Representative TEN EYCK. This question, I think, is pertinent as to what you have said so far, Mr. Brand. Your idea then is that there are three fundamental and separate functions in marketing: Cooperative marketing by the farmers or the producers so as to deal in a large way and intelligently with a business institution like yours or commission men; the second function is the commission man to take the produce from the farmer, and the third one is the retailer.

Mr. BRAND. Transportation also, of course.

Representative TEN EYCK. Well, that is merely the mule that carries the load.

Mr. BRAND. Yes.

Representative TEN EYCK. In this instance we are now talking about the actual business of buying and selling produce, not transporting it.

Mr. BRAND. Those are the present factors, though there is a splitting up of car-lot distributors, jobbers, wholesalers, brokers, and other intermediaries who function in wholesale distribution.

Representative TEN EYCK. That is what I am coming to. To-day there are a number. If it was carried out to a proper conclusion they would only necessarily need three, if you split your carloads as you are doing in some instances, you would get closer to the retailer than you are now. The farmer can do what you are doing by organizing a cooperative selling agency if he could pay for the same intelligent service that your business corporation is paying for. In other words, if he could afford to pay you and your good president, who appeared before us the other day, you could render all the service to the farmers that you are rendering to your company——

Mr. BRAND. Not all of them, Mr. Ten Eyck, even at that, because even with our large organization we have to call to our assistance because of the product being so widespread and because of the complexity of the distribution, many, many agencies who operate for us merely under contract, and who are only controlled by us according to whether or not it is advantageous for them to do business with us.

Representative TEN EYCK. Who calls them, the president?

Mr. BRAND. Yes; our organization.

Representative TEN EYCK. Well, you could call them for the farmer.

Mr. BRAND. Yes; that is very true.

Representative TEN EYCK. There is no reason why you can not. That is why I said if they had your service and the intelligent service that your company is paying for, they could do the work that you are doing, and they could create a second cooperative agency that would bring them closer and distribute that profit that you are making to the producer himself, the same as the grain cooperative agencies are now doing, who are striving to get on the grain boards of trade.

Mr. BRAND. It would not work out wholly to the advantage of the consumer to have production and marketing wholly combined, because of the fact that production is generally confined to organizations dealing with particular crops. For instance, the California Fruit Growers' Exchange, a magnificent institution, is interested only in marketing oranges and lemons and some incidental products to keep their machinery moving during the rest of the year. If the California citrus crop fails they do not hie themselves to Cuba and Porto Rico and Isle of Pines and to Spain and Italy and wherever, to get the citrus crops of those countries in order that our consumer may have citrus fruits which he wishes and which are good for his health, and so forth.

On the other hand, the minute there is a failure in one territory an organization such as ours makes every effort to supply the consumers' wants by going into the other territory and bringing the needed product to the consumer. So there is a very distinct service that can be rendered which cooperative associations would hardly be in a position to render.

Representative TEN EYCK. Well, I can see what you mean, that your interests are so diversified that it is an all-the-year-around job.

Mr. BRAND. Yes.

Representative TEN EYCK. On the other hand, you have to pay an all-year-around interest rate on the organization.

Mr. BRAND. Yes.

Representative TEN EYCK. Whereas the cooperative organization, in the communities which would function with each other in that way, and with other communities, would work for the good of the producer without an expectation of a financial return to the individuals outside of the managers.

Mr. BRAND. Yes. On the other hand also, Mr. Ten Eyck, they would have their year-around cost of keeping their machinery up, although their product might be too small to enable it to operate efficiently.

Representative TEN EYCK. Yes.

Senator LENROOT. I want to ask a question. You spoke of the broker, Mr. Brand; in the marketing of agricultural products, has a broker a legitimate place?

Mr. BRAND. Yes, he has, Senator, a very legitimate place, and I will just illustrate it in this way. In many respects he furnishes almost the most direct channel to the consumer. Take the case of the potato exchange, the sales manager functioning with the exchange in Minneapolis, and one broker, we will say, in Sioux City, places potatoes by the carload with all of the chain stores in Sioux City, and at the lowest possible cost of distribution. That broker's hire, generally speaking, averages about \$10 per car.

Senator HARRISON. I wanted to ask you this question so that you might discuss it. Of course you purchase from these cooperative associations, as well as commission merchants all over the country, not only vegetables and fruit but other things. Now it has been the practice where there are large quantities shipped, for example, from the South to northern points, that when a shipment was half-way to its destination they would get word that Pittsburgh would want some of this freight, or Kansas City, or New York. They would therefore divert the shipment in transit, and the Interstate Commerce Commission has heretofore allowed it. I understood that this last year they passed an order that prevented the diverting of these cars of vegetables or fruit in transit; in other words, that their place of destination had to be named and fixed at the place from which they were shipped. Now that has caused a good deal of confusion. What has been your experience and observation of that?

Mr. BRAND. The original proposal was substantially as you relate it, Senator Harrison, but upon the representation of the industry they modified it so that the original destination is not counted, and two diversions are permitted, but an increased price has to be paid for the privilege of diversion.

Senator HARRISON. Well, now, do you think that the Congress can do anything toward relieving that situation in the matter of legislation or otherwise? Of course it is up to the Interstate Commerce Commission, but if they refuse to do it, and it is a handicap to the farmer, then Congress ought to pass appropriate legislation to give him relief.

Mr. BRAND. Undoubtedly in many individual cases it is a handicap to the farmer not to have a greater freedom of diversion. I am one

of those who has felt that on occasion the diversion privilege has been abused. Nevertheless as an institution it is a very, very useful one, and it seems to me that practical business men will determine whether or not a car should be diverted. The added expense incident to diversion is such that no man will divert unless there is an opportunity for the farmer, the shipper, whoever he may be, to secure a greater return for his product. It has been particularly important in the past 10 months, when the markets have been receding so pitifully sometimes that everyone was trying frantically to find the market that would pay him most for the car, and it has just gotten up to the point where it is a question whether the added expense would not prevent a further shipment that might have resulted advantageously to the producer. I think it is a mistake to so narrowly limit the diversion privilege, though the vast majority of cars are delivered within the privilege now given, upon which there is an added cost.

Just a word more along the line of brokers and their utility, and how an organization like ours utilizes them. In addition to the five wholesale houses that I mentioned, we have divided the United States into nine districts, with a district supervisor in charge of each of these districts in charge of our operations within that district. We have salaried representatives in a great many of the important markets, men that we hire and place in the market to handle the product directly, who have no interest in it whatsoever. We can not afford, and no organization has ever yet been able to afford, to hire representatives devoted solely to its service excepting in the important car-lot markets. There are about 25 or 30 markets that are big enough so that it is practicable to hire men and open offices in those markets, but there are other places where you can not do that, but where you must have representation if you are going to give your producer the right kind of a deal.

Therefore we go to the brokers in those markets and make contracts with them under which they handle apples at a certain rate, handle potatoes at a certain rate, and so forth, and wherever the tonnage that we may be able to deliver to them is great enough we try to make those brokerage arrangements exclusive. But they are an essential factor.

For instance, we have about 150, possibly as many as 160, brokers stationed in the various markets of the United States at this moment, through whom we can pass products any day. And no organization could afford to employ on full time basis representatives in 80 per cent of those markets. Those men are supervised by the district supervisor. For instance, if the sales manager who is stationed with one of these cooperative associations finds that a broker is not giving correct service, or hears that other selling agents are selling more advantageously in his market, then this supervisor calls him up on the long-distance telephone and finds out about it. Or if he is not selling the number of cars that his market ought to be taking, we find out why, and try to keep this man tuned up to a proper degree of efficiency, and, when necessary, the supervisor actually goes to the market and goes over the ground, and if the broker has no proper explanations for his shortcomings he may be let out and another broker selected and contracted with for handling the product in that market.

With respect to the matter of freights, I brought together some illustrations of just what has been happening in the last nine months to producers of perishable products. The most striking instances, naturally, are those that relate to the more distant points, where the burden of the freight rate is so heavy as to be almost unsupportable. And in saying what I want to say about the effect of the transportation expenses upon the industry, I want to make it perfectly clear that it is said with no feeling of animus against the carriers. They have proven our very good friends in thousands upon thousands of cases and have done the best they could, and they, too, are confronted with a very serious situation. But I do feel that they are losing sight of the thing which is best for them in the long run, as well as for the industries. I think that they do not realize that a continuation of these rates is going to translocate production, force changes in our food habits, and in the end deprive the carriers of the tonnage that they have worked so assiduously for many years to build up in the territory served by their particular lines.

Now, I have brought along a number of cases which I want to present to you to show the average results. I have here the account sales on 11 cars of Coachella Valley (California) onions. Seven of these shipments show loss and only four of them show gains.

Senator HARRISON. Where were those sales made?

Mr. BRAND. For the purpose of this particular comparison all of these were in Chicago. The net result of the whole matter is that the producers of those 11 cars, and they typify the situation as a whole, received a negative \$336.41. These onions were not sold in car lots but were jobbed in quantities ranging from 1 crate to 200 crates to each purchaser.

Senator ROBINSON. You mean the freight rates were more than the commodities yielded?

Mr. BRAND. Exactly so. Four of the cars made an average net return of \$139.61, and seven of the cars made an average return of a negative \$127.80.

There were 5,400 crates of onions. And that same proportion will hold for the whole crop of that valley, that might have better been given away, except that the grower got some part of his packing expenses and the cost of his crates and things of that sort out of it. And in spite of these losses he continued to ship.

During the month of June in Chicago wholesalers and jobbers sold Coachella Valley yellow onions to retailers at from \$1.25 to \$1.75 for No. 57 crates and whites at an average of \$1.75 per crate. During the same period retailers in the average good-class stores in Chicago sold both yellows and whites to consumers at around 4 pounds for a quarter. In Pittsburgh, on June 15, a large cash-and-carry store sold to consumers at 2 cents per pound Coachella onions bought at wholesale at \$1.14 per crate.

Now the carriers seem to contend that if a large tonnage moves or continues to move in the face of these freight rates, that that is a sign that the rates are doing no special harm.

The information that is being published regularly by the Association of Railway Executives is to the effect that there is an increased movement in spite of the higher rates; that in the month of June, 1921, 10,000 cars moved as against 8,000 for the same month in 1920

when the freight rate was less. You gentlemen know as well as I do, that that merely means that the production, the crop, was larger. But arguing along this line, northwestern apples were a short crop this past year. Perhaps not more than 80 per cent of the 1920 movement moved in 1921. On the other hand, the eastern crop was very much greater, perhaps 130 per cent of the 1920 movement. But that does not argue that the freight rate is or is not doing harm.

The question is an economic one, and the question is whether the growers of these products, and I am speaking of perishable products particularly, but it applies just as well to road-building materials and building materials and other commodities as it does to our commodities—whether they are going on indefinitely to work for the carriers when they do not receive a return commensurate with their efforts. I maintain that they will not. And I maintain that our perishable crops, which for sound and economic reasons have been produced in those territories where they can be produced most advantageously, will cease to be produced there, and we will go back to the position when we were boys, when onions, potatoes, turnips, and cabbages, and a few other things, will be kept in the cellar and we will go without these other things. I maintain that that is a step back in our agriculture that will be forced upon the country by a continuation of these rates for another year. Already the truck growers in the neighborhoods of big cities are planning to increase their acreages because they realize that they are in a better competitive position than the more distant producers.

I maintain that for the good of the United States as a whole we want to continue production throughout the United States, and not force, at least unduly, near-by production, merely because an artificial, or a relatively artificial, factor such as transportation is the cause of such change.

Representative TEN EYCK. Yes; but you would not lower the freight rates to produce a commodity in a territory which is out of a reasonable region of distribution?

Mr. BRAND. I would be governed by the suitability for that region for best producing that crop.

Representative TEN EYCK. Well, now, I heard a man the other day kick because he could not put alfalfa from Kansas in the eastern States here to feed to his cattle, because the freight rate costs more than the alfalfa. And I told him it was his duty to raise alfalfa in the locality where he was feeding his cattle, rather than moving it from Kansas.

Mr. BRAND. Or red clover.

Senator ROBINSON. In regard to that transaction of the onions, did you follow it up to ascertain at what price the onions were being retailed? Did you go into that?

Mr. BRAND. Yes, we have followed that with respect to a great many products because of the fact that there has been absolutely no relation between the retail price and the wholesale price in many cases. In other words, the retailer has bought about as much as he thought his trade would take. The consumer has a weapon in his hand that he might use, but does not use, by going to the market, by going to the cash and carry stores, the general line of these stores where, because of their way of doing business, their cost of doing business is less, but the consumer is very fixed in his habits, and he takes a lot of punishment that he could avoid.

Senator ROBINSON. Do you not think, Mr. Brand, that it is of just as much interest to the producer as any one, if a way could be found to lower this spread between the wholesaler and the retailer? Is not the producer directly affected by it?

Mr. BRAND. That is essential, it seems to me.

Senator ROBINSON. Well, I gathered from what you said that you thought this was largely a problem for the consumer. It is a problem for the producer as well as for the consumer.

Mr. BRAND. It is a problem for both, but now I was addressing myself to whether the consumer has a right to kick too much. I am a consumer myself, and when I buy for 60 cents something I know probably only cost 10 cents, I naturally feel a little outraged. And when I go to some of our hotels and pay 60 cents for a slice of Honeydew melon I feel still more outraged. That is what occurs, and I think that is a fault that is inherent in our retail system. I am not sufficient of an authority to "dope" out what ought to be done with respect to the retail system.

Senator LENROOT. Now before the war, Mr. Brand, there was no such spread as there is to-day between the retailer and the wholesaler.

Mr. BRAND. Not before the war. I think the war did teach many of our enterprises what the traffic would bear, and they have been going after it since. I think that is equally true of rents. While there is a shortage of buildings unquestionably, yet with the same shortage, if they had not learned how the tenants can be charged to the limit and still bear it, they never would have done it. Buildings where the costs have increased very little nevertheless have increased their rental charges as much as those buildings where the charges are justified by increased costs.

The CHAIRMAN. Have you examples, Mr. Brand, of the profits, for instance, in vegetables and fruits?

Mr. BRAND. Yes, we have; and I would like to insert in the record some of those figures if I may. I did not have time, Mr. Chairman, to work out these figures fully, but I would like to call attention to a few average results.

Senator HARRISON. May I ask you, before you answer this, one more question about those onions. The market in the years past for those onions from California was in the Chicago territory?

Mr. BRAND. Yes.

Senator HARRISON. And further east than that?

Mr. BRAND. Even further east; yes.

Senator HARRISON. Well, then, when you had that loss in shipping them to Chicago, it was almost impossible to ship them any farther—to New York—as far east as that?

Mr. BRAND. Then the losses were even more disastrous.

Now I want to call your attention to the relation between the gross proceeds, the net proceeds, transportation expenses, selling expenses, miscellaneous expenses, and total expenses in the case of certain crops, and with the commission's permission I will insert some of these figures in the record at the proper place.

The CHAIRMAN. The commission will be very glad to have you insert any illustrative material, Mr. Brand, that you desire to put in.

(The figures furnished by Mr. Brand for the record are here printed in full, as follows:)

TABLE 1.—Relation between proceeds and expenses in marketing fruits and vegetables, with particular reference to transportation to and selling charges at market.

[Figures in *italic* indicate deficit.]

## LETTUCE.

Date of sale.	Point of origin.	Point of sale.	Quantity.	Gross proceeds.	Net proceeds.	Transportation expenses.	Selling expenses.	Miscellaneous expenses.	Total expenses.
Dec. 21, 1920.....	Sacramento district.....	Detroit, Mich.....	316 crates.....	\$584.00	\$26.48	\$538.12	\$20.00		\$558.12
Do.....	do.....	Chicago, Ill.....	320 crates.....	558.50	20.72	458.66	39.10	\$40.02	537.78
May 2, 1921.....	do.....	Omaha, Nebr.....	320 crates.....	960.00	488.81	471.19			471.19
June 4, 1921.....	do.....	Cleveland, Ohio.....	320 crates.....	861.80	279.51	566.29		16.00	582.29
May 7, 1921.....	do.....	Pittsburgh, Pa.....	320 crates.....	1,239.25	594.15	568.35	86.75		655.10
Apr. 19, 1921.....	do.....	Chicago, Ill.....	285 crates.....	932.25	389.31	458.48	65.26	19.20	542.94
Average.....			313 crates.....	856.07	298.16	510.18	35.19	12.54	557.90

## CELERY.

Nov. 30, 1920.....	Sacramento, Calif.....	Chicago, Ill.....	172 crates.....	\$774.00	\$76.26	\$526.79	\$20.00	\$150.95	\$697.74
Dec. 20, 1920.....	do.....	St. Louis, Mo.....	172 crates.....	688.00	138.08	528.42	20.00	2.50	550.92
Dec. 9, 1920.....	do.....	Detroit, Mich.....	160 crates.....	520.00	9.94	490.06	20.00		510.06
Dec. 13, 1920.....	do.....	New Orleans, La.....	172 crates.....	774.00	233.32	540.68			540.68
Do.....	do.....	New York.....	170 crates.....	510.00	119.32	603.82		25.50	629.32
Average.....			169 crates.....	653.20	67.46	537.95	12.00	35.79	585.75

## GRAPES.

Nov. 20, 1920.....	Sacramento district.....	Cleveland, Ohio.....	1,215 lugs.....	\$1,397.25	\$487.37	\$866.03	\$42.95		\$909.88
Nov. 24, 1920.....	do.....	St. Louis, Mo.....	1,072 lugs.....	1,444.20	650.55	744.77	48.88		793.65
Nov. 30, 1920.....	do.....	Kansas City, Mo.....	1,161 lugs.....	1,741.50	904.66	816.85	20.00		836.85
Nov. 22, 1920.....	do.....	Chicago, Ill.....	980 lugs.....	1,913.50	1,102.94	766.86	43.70		810.56
Do.....	do.....	Cincinnati, Ohio.....	1,037 lugs.....	1,587.40	690.32	816.61	79.37	\$1.10	897.08
Nov. 11, 1920.....	Sacramento district (Woodbridge).....	New York, N. Y.....	1,047 lugs.....	2,879.25	2,002.07	783.30	94.88		877.18
Nov. 27, 1920.....	Sacramento district.....	Pittsburgh, Pa.....	1,040 lugs.....	1,820.00	1,036.98	765.02	20.00		783.02
Nov. 9, 1920.....	do.....	Philadelphia, Pa.....	1,000 crates.....	1,805.00	1,091.04	661.88	52.08		713.96
Aug. 23, 1920.....	do.....	Cleveland, Ohio.....	930 crates.....	1,730.00	1,191.18	489.22	49.60		538.82
Average.....				1,813.12	1,017.46	745.71	50.16	.12	795.60

TEXAS CABBAGE.

Mar. 25, 1921.....	San Benito, Tex.....	Chicago, Ill.....	25,450 pounds.....	\$483.55	\$62.85	\$395.70	\$25.00	.....	\$120.79
Do.....	do.....	do.....	27,270 pounds.....	525.75	92.12	408.61	25.00	.....	433.61
Apr. 18, 1921.....	do.....	do.....	31,450 pounds.....	105.00	<del>368.07</del>	437.77	25.00	\$19.30	473.07
Average.....	.....	.....	28,057 pounds.....	371.43	71.03	414.03	25.00	3.43	442.46

TEXAS TOMATOES.

Apr. 29, 1921.....	San Benito, Tex.....	Chicago, Ill.....	1,120 lugs.....	\$1,498.45	\$82.15	\$677.81	\$104.89	\$33.60	\$810.30
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NORTH CAROLINA POTATOES.

June 24, 1921.....	Elizabeth City, N. C.	Chicago, Ill.....	200 barrels.....	\$670.00	\$371.25	\$231.75	\$67.00	.....	\$298.75
June 23, 1921.....	do.....	do.....	do.....	650.00	349.10	235.87	65.00	.....	300.87
Do.....	do.....	do.....	190 barrels.....	597.00	301.43	235.87	59.70	.....	295.57
June 27, 1921.....	do.....	do.....	do.....	666.65	388.23	231.75	46.67	.....	278.42
Average.....	.....	.....	200 barrels.....	645.91	352.50	233.81	59.59	.....	293.40

TEXAS MIXED VEGETABLES.

Jan. 24, 1921.....	Mercedes, Tex.....	Boston, Mass.....	864 baskets <sup>1</sup> .....	\$351.80	<del>\$248.07</del>	\$495.54	\$35.18	\$66.15	\$599.87
Feb. 25, 1921.....	do.....	New York, N. Y.....	609 bushels <sup>2</sup> .....	1,172.25	471.22	583.80	117.23	.....	701.03
Jan. 14, 1921.....	do.....	Chicago, Ill.....	644 hampers <sup>3</sup> .....	709.40	198.54	396.59	70.94	43.33	510.86
Jan. 24, 1921.....	do.....	St. Louis, Mo.....	621 hampers <sup>4</sup> .....	797.30	378.61	304.87	79.73	34.09	418.67
Jan. 21, 1921.....	do.....	Chicago, Ill.....	499 hampers <sup>4</sup> .....	839.95	384.07	339.23	84.00	32.64	455.88
Average.....	.....	.....	647 packages.....	774.14	236.87	424.01	77.42	35.24	537.26

COACHELLA VALLEY ONIONS.

June 21, 1921.....	Coachella Valley, Calif.	Chicago, Ill.....	540 crates.....	\$294.25	<del>\$207.06</del>	\$434.16	\$20.60	\$46.55	\$501.31
Do.....	do.....	do.....	540 crates.....	526.25	32.02	404.29	36.84	53.10	494.25
Do.....	do.....	do.....	540 crates.....	451.20	70.98	437.25	31.58	33.35	522.18
Do.....	do.....	do.....	540 crates.....	347.75	<del>168.65</del>	444.46	21.34	47.60	516.40
June 20, 1921.....	do.....	do.....	540 crates.....	244.15	<del>223.93</del>	333.39	17.00	57.00	468.08
June 18, 1921.....	do.....	do.....	540 crates.....	306.40	<del>140.13</del>	397.08	21.45	28.00	446.53
June 13, 1921.....	do.....	do.....	540 crates.....	642.55	177.61	392.96	44.98	27.00	464.94
Do.....	do.....	do.....	540 crates.....	468.90	<del>80.02</del>	399.14	32.82	57.00	488.96
Do.....	do.....	do.....	540 crates.....	559.00	88.61	403.26	39.13	28.00	470.39
June 14, 1921.....	do.....	do.....	540 crates.....	735.80	290.21	397.07	51.51	27.00	475.50
June 10, 1921.....	do.....	do.....	540 crates.....	398.45	<del>65.83</del>	407.38	27.90	27.00	462.28
Average.....	.....	.....	540 crates.....	452.25	30.66	410.09	31.66	41.06	482.81

• <sup>1</sup> Spinach.      <sup>2</sup> Beets, carrots, parsley.      <sup>3</sup> Beets, parsley, radishes.      <sup>4</sup> Spinach, carrots, beets.

AGRICULTURAL INQUIRY.

TABLE 1.—Relation between proceeds and expenses in marketing fruits and vegetables, with particular reference to transportation to and selling charges at market—Continued.

## PLUMS AND APRICOTS (IN LUGS AND CRATES).

Date of sale.	Point of origin.	Point of sale.	Quantity.	Gross proceeds.	Net proceeds.	Transportation expenses.	Selling expenses.	Miscellaneous expenses.	Total expenses.
July 7, 1921.	Sacramento district	New York, N. Y.	1,000	\$1,211.65	\$544.29	\$622.33	\$39.85	\$5.18	\$667.36
June 29, 1921.	do.	do.	924	1,248.42	560.13	639.57	40.95	7.77	688.29
July 8, 1921.	do.	do.	990	1,147.00	462.25	641.66	37.91	5.18	684.75
July 5, 1921.	do.	Detroit, Mich.	990	833.60	177.46	636.38	16.67	3.09	656.14
June 29, 1921.	do.	Chicago, Ill.	990	1,067.90	445.00	606.88	16.02		622.90
June 30, 1921.	do.	Pittsburgh, Pa.	878	555.40	87.13	623.93	16.60		640.53
July 6, 1921.	do.	Philadelphia, Pa.	1,050	1,049.95	401.99	632.21	15.75		647.96
Average			973	1,016.27	357.71	628.99	26.25	3.03	658.27

## GEORGIA PEACHES.

May 18, 1921.	Fort Valley, Georgia, district.	Pittsburgh, Pa.	450 crates	\$1,192.70	\$780.01	\$353.05	\$59.64		\$412.60
May 25, 1921.	do.	do.	479 crates	475.00	132.98	318.27	23.75		342.02
May 24, 1921.	do.	do.	560 crates	2,157.75	1,636.93	309.78	151.04		520.82
June 3, 1921.	do.	do.	387 crates	483.75	116.31	343.25	24.19		367.44
June 7, 1921.	do.	do.	387 crates	387.00	32.64	355.01	19.35		354.30
June 30, 1921.	do.	do.	387 crates	812.70	432.67	339.39	40.64		380.03
July 8, 1921.	do.	do.	447 crates	625.80	270.24	318.27	31.29		349.56
July 11, 1921.	do.	do.	387 crates	615.75	261.54	323.42	30.79		354.21
July 15, 1921.	do.	do.	387 crates	580.50	223.93	327.54	29.03		356.57
Average			430 crates	814.55	432.58	337.22	45.52		381.97

## EASTERN BARRELED APPLES.

Oct. 16, 1920.	Sleepy Creek, W. Va.	Philadelphia, Pa.	168 barrels	\$630.00	\$418.59	\$144.41	\$63.00	\$4.00	\$211.41
Oct. 1, 1920.	do.	Chicago, Ill.	168 barrels	789.25	453.62	221.50	78.93	35.20	335.63
Oct. 22, 1920.	Picardy, Md.	Peoria, Ill.	168 barrels	756.00	429.34	251.06	75.60		326.66
Oct. 1, 1920.	do.	Uniontown, Pa.	168 barrels	560.00	358.75	145.25	56.00		201.25
Oct. 16, 1920.	Cohill, Md.	Philadelphia, Pa.	171 barrels	569.00	451.29	137.81	65.90	4.00	207.71
Oct. 28, 1920.	do.	Providence, R. I.	168 barrels	1,008.00	724.58	182.62	100.80		293.42
Nov. 1, 1920.	do.	Atlanta, Ga.	168 barrels	1,134.00	745.91	274.69	113.40		388.09
Nov. 23, 1920.	do.	Oshkosh, Wis.	186 barrels	837.00	406.23	257.07	83.70		341.77
Jan. 5, 1921.	do.	Omaha, Nebr.	168 barrels	627.75	264.41	297.56	62.78	3.00	363.34
Jan. 12, 1921.	do.	Chattanooga, Tenn.	168 barrels	970.50	513.86	359.59	97.05		456.64
Average			170 barrels	788.15	485.66	227.16	79.72	4.62	312.50

Mr. BRAND. Take the case of Texas cabbage, grown in the San Benito district, which furnishes cabbages at a time when no other sections are furnishing them in bulk.

Senator HARRISON. Is that an early cabbage?

Mr. BRAND. Yes, sir; that is an early cabbage. It comes in at about the time that the storage cabbage is cleaned up. I have not shown the old-crop figures here, but I will do so. They show the same kind of losses, at least relative losses, and certainly losses on the cost of production, as is evidenced by the two typical shipments from New York State points to Pittsburgh given here.

As an average of several carloads, the gross proceeds per car on Texas shipments were \$371.43.

The net proceeds (red), a negative, \$71.03.

The average transportation expenses actually paid, \$414.02.

In other words, they exceeded by more than \$40 the total gross proceeds on the average of these cars.

Senator HARRISON. To what point is that?

SHIPMENT NO. 1, NEW YORK CABBAGE IN BULK.

Date of sale, November 18, 1920; point of origin, Hamilton, N. Y.; point of sale, Pittsburgh, Pa.; quantity, 30,400 pounds; gross proceeds, \$205.20; net proceeds, \$65.09; transportation expenses, \$109.59; selling expenses, \$20.52; miscellaneous expenses, \$10; total expenses, \$140.11.

SHIPMENT NO. 2, NEW YORK CABBAGE IN BULK.

Date of sale, December 6, 1920; point of origin, Medina, N. Y.; point of sale, Pittsburgh, Pa.; quantity, 32,000 pounds; gross proceeds, \$160; net proceeds, \$45.12; transportation expenses, \$98.88; selling expenses, \$16; total expenses, \$114.88.

SHIPMENT NO. 3, NEW YORK CABBAGE IN BULK.

Date of sale, November 22, 1920; point of origin, Holly, N. Y.; point of sale, Pittsburgh, Pa.; quantity, 34,500 pounds; gross proceeds, \$241.50; net proceeds, \$100.74; transportation expenses, \$106.61; selling expenses, \$24.15; miscellaneous expenses, \$10; total expenses, \$140.76.

The first two illustrations have not been selected to show extreme, but to show more nearly average conditions. In the case of shipment No. 1 the growers' net proceeds were \$65.09, while the transportation company, for about two days' service received \$109.59. In the second case the growers' net proceeds were \$45.12, and the transportation company received \$98.88 for their brief service.

Mr. BRAND. From San Benito to Chicago. In this particular series of comparisons I have used Chicago as the receiving point in each case.

Senator McNARY. Were those cabbages shipped in refrigerator cars, Mr. Brand?

Mr. BRAND. Yes, sir; they were shipped in refrigerator cars.

Senator McNARY. What was the actual loading of those refrigerator cars?

Mr. BRAND. An average of about 14 tons per car, Senator; just about that.

Representative SUMNERS. What is the increase of freight rate in those shipments?

Mr. BRAND. What was the increase? I won't attempt to be exact, but I will say that the increase subsequent to August 26 on those shipments would average in the neighborhood of \$125 a car, that is the increase itself, over the figures that prevailed after the first

increase. You see we have had three changes. The original change was June 25, 1918, and the next was August 26, 1920. So we had the old established level, which was the outgrowth, we believe, largely of economic readjustments of rates. Then the interim period, and finally the freight rate period in which we are working at the present time.

Senator HARRISON. And at that time that section was coming into competition with no other section in the shipment of cabbage?

Mr. BRAND. Of new cabbage. No; practically no other section was shipping new cabbage.

Senator LENROOT. If those freight rate increases had been made the year before, or had been made to keep on a level with general increases, would the situation have been different last year, in your judgment, or not?

Mr. BRAND. You mean 1920 or 1921? The season that is closed?

Senator LENROOT. I mean if the increases had not been made in August, 1920, but had been made in August, 1919, when we had really the peak in everything else.

Mr. BRAND. There would have been really relatively little complaint in 1920. The accompanying table shows the increase in rates on potatoes from Minnesota points to various markets that became effective on August 26, 1920.

TABLE 2.—Comparison of old and new freight rates on potatoes from certain production points in Minnesota to important markets.

[Old—Between June, 1918, and August 26, 1920. New—Since August 26, 1920.]

From—	To Baltimore, Md.		To Birmingham, Ala.		To Chicago, Ill.		To Cincinnati, Ohio.		To Jacksonville, Fla.		To Kansas City, Mo.		To New Orleans, La.		To St. Louis, Mo.		To Texas, common points.	
	Old.	New.	Old.	New.	Old.	New.	Old.	New.	Old.	New.	Old.	New.	Old.	New.	Old.	New.	Old.	New.
	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.
Askey.....	36	177½	67½	2 90½	25	33½	34	45½	73	95	31½	42½	55½	75	30	40½	90	121½
Bemidji.....	63	187	80½	108	34	46	47	63	81½	106½	34½	46½	71	96	39	52½	104	140½
Detroit.....	61	184	78½	105	34	46	45	60	81½	106½	34½	44½	69	93	39	52½	103	139
East Grand Forks.....	63½	187½	81	108½	34½	46½	47½	63½	82	107	35	47½	71½	96½	39½	53½	104½	141
Elk River.....	51½	171½	62½	83½	21½	29	31½	42	68	87½	30	42½	53	71½	25	34	87½	118
Holyoke.....	58	180	70½	94½	25	34	34	45½	73	94½	31½	42½	55½	75	30	40½	90	121½
Moorhead.....	62½	186	80	107	34	46	46½	62	81½	106½	33	44½	70½	95	39	52½	103	139
Wadena.....	59½	182	77	103	32½	44	43½	58	80½	105	33	44½	67½	91	37½	50½	95	128½

<sup>1</sup> 35 per cent to Minneapolis; 40 per cent beyond.

<sup>2</sup> 35 per cent to Minneapolis; approximately 33½ per cent beyond.

<sup>3</sup> 35 per cent.

<sup>4</sup> 33½ per cent.

<sup>5</sup> 35 per cent to Ohio River; 25 per cent beyond.

<sup>6</sup> 35 per cent to Minneapolis; 33½ per cent beyond.

<sup>7</sup> Approximately 33½ per cent.

Since the preparation of Table 2 still higher rates have been announced by the carriers on potatoes and other commodities, taking the same rates in carload lots from Iowa, Minnesota, Wisconsin, and the Northern Peninsula of Michigan to eastern Canada, and in general all of the territory east of Lake Michigan and the western boundaries of Indiana and Kentucky. These proposed increases are contained in E. B. Boyd's Freight Tariff No. 76-D, canceling Nos. 76-C and 9-E.

This new tariff was issued on July 16 to become effective on August 25, 1921. Its effect on several Minnesota potato shipping points is shown by the following tabulation:

To—	Cincinnati, Ohio (proportional).			Cincinnati, Ohio (proper).			Columbus, Ohio.			Indianapolis, Ind.		
	Present rate, Boyd's 76-C.	Proposed rate, Boyd's 76-D.	Increase (per cent).	Present rate, Boyd's 76-C.	Proposed rate, Boyd's 76-D.	Increase (per cent).	Present rate, Boyd's 76-C.	Proposed rate, Boyd's 76-D.	Increase (per cent).	Present rate, Boyd's 76-C.	Proposed rate, Boyd's 76-D.	Increase (per cent).
Detroit.....	60	70	16½	60	70	16½	65½	71	9½	60	66	10
Duluth.....	45½	54½	20	45½	54½	20	47½	55½	17	42	50½	20
Elk River.....	38½	51	32½	42	51	21½	44	52	18	38½	47	22
Little Falls.....	48½	61	26	52	61	17½	54	62	15	48½	57	17½
Minneapolis.....	38½	48½	26	38½	48½	26	44	48½	12½	38½	44½	15½
Moorhead.....	57½	72	25	62	72	16	67½	73	8	62	68	9½
Wadena.....	56	68	17½	58	68	17	61½	69	12	56	64	14½

As Princeton, Minn., and Waupaca, Wis., are usually the heaviest shipping points in these two States, the effect of the proposed rates upon them to a number of consuming markets affected by the increase is shown below:

Potato rates (carloads).

To—	From Princeton, Minn.				From Waupaca, Wis.			
	Rate prior to Aug. 26, 1920. <sup>1</sup>	Present rate. <sup>2</sup>	Proposed rate. <sup>3</sup>	In-creases result- ing from Boyd's tariff 76-D.	Rate prior to Aug. 26, 1920. <sup>1</sup>	Present rate. <sup>2</sup>	Proposed rate. <sup>3</sup>	In-creases result- ing from Boyd's tariff 76-D.
Baltim. re, Md.....	54	72½	77½	5	46	61½	73½	12
Boston, Mass.....	60	80½	83½	3	52	69½	79½	10½
Buffalo, N. Y.....	40½	54	55½	1½	33	44	51½	7½
Cincinnati, Ohio.....	31½	42	51	9	26½	35½	45	9
Cleveland, Ohio.....	33	44	52½	8½	33	44	46½	2
Columbus, Ohio.....	33	44	52	8	33	44	46	2
Detroit, Mich.....	29	38½	50½	12	26½	35½	44½	9
Grafton, W. Va.....	43	57½	58½	1	35½	47½	54½	7½
Indianapolis, Ind.....	29	38½	47	8½	26½	35½	41	5
Kalamazoo, Mich.....	29	38½	44	5½	26½	35½	38	2
Logansport, Ind.....	26½	35½	42½	7	26½	35½	38½	1
New York, N. Y.....	57	76½	80½	4	49	65½	76½	11½
Norfolk, Va.....	54	72½	77½	5	46	61½	73½	12½
Philadelphia, Pa.....	55	74	78½	4½	47	63	74½	11½
Pittsburgh, Pa.....	40½	54	55½	1½	33	44	51½	7½
Saginaw, Mich.....	29	38½	51	12½	26½	35½	45	9½
South Bend, Ind.....	26½	35½	40	4½	26½	35½	34	½
Toledo, Ohio.....	29	38½	49	10½	26½	35½	43	7½
Vincennes, Ind.....	29	38½	49	10½	26½	35½	43	7½
Wheeling, W. Va.....	40½	54	55½	1½	33	44	51½	7½

<sup>1</sup> Tariff authorities: Boyd's I. C. C. No. A-937, Tariff No. 76-C, and Boyd's I. C. C. No. A-1000, Tariff No. 9-E.

<sup>2</sup> Tariff authority: Boyd's I. C. C. No. A-1212, Tariff No. 76-D.

<sup>3</sup> Denotes reduction.

Rates shown above are in cents per 100 pounds.

Tariff No. 76-D was issued in compliance with an order of the Interstate Commerce Commission in Docket No. 11163 of May 10, 1921. It is proposed thereby to correct a discrimination against points in the State of Michigan in the matter of shipping potatoes into official and southeastern classification territory. Admitting that such a discrimination may exist, certainly under present agricultural

and commercial conditions the right way to correct it is to reduce rates from Michigan points to the affected territory and not to increase it from the other States farther west. This statement has in mind the best interests of all the producers and consumers in both the shipping and receiving territories.

Senator LENROOT. There would have been less in 1919, because we were still on a rising market.

Mr. BRAND. Yes. I have yet to discover that the farmer is seeking any particular class treatment. What he wants is to be paid on a parity with other industries. He wants his dollar to be worth as much as the other fellow's dollar. I just this week was reading an article in one of the papers stating how many pounds of green hides it took to buy a pair of shoes. The farmer would like to have his green hides have some relation to a pair of shoes.

Returning to the question of transportation and selling costs:

The transportation expense on San Benito, Tex., cabbage to Chicago, was, as I said, \$414.02.

The average selling expenses were \$25 per car.

The average miscellaneous expenses, \$3.43 a car.

The total expenses were \$442.45, of which \$414.02 was transportation.

Senator HARRISON. Where does the commission charge come in?

Mr. BRAND. That is the selling expense, \$25 per car.

Representative TEN EYCK. Can you carry that out just a step further and tell us how much the consumer paid for each head of cabbage?

Mr. BRAND. I can not from these figures, and it is difficult to do in any event, because, as you know, there is such a wide diversity of what the consumer pays.

Representative TEN EYCK. I understand, but in a general way can you give the figures?

Mr. BRAND. I could do that and put it in the record later.

Representative TEN EYCK. Well, could you state now about how much they paid per head, in a general way?

Mr. BRAND. Well, I suspect that at no time during the period did cabbage sell at retail in the high-class stores for less than 5 cents a pound. In the cash-and-carry stores in Pittsburgh it was around 3 cents per pound.

Representative TEN EYCK. Well, how many pounds were in that car?

Mr. BRAND. That car would be about 26,000 pounds, 24,000 to 28,000 pounds, I should say.

Representative TEN EYCK. Five cents a pound was paid for that cabbage, did you say?

Mr. BRAND. That is probably what we would have paid at our high-class grocery in Pittsburgh for that cabbage.

The CHAIRMAN. That would be approximately \$100 a ton.

Mr. BRAND. Yes.

Representative TEN EYCK. \$1,200 was paid by the consumer for the entire carload. Now how much was the amount that the carload sold for in the market of consumption?

Mr. BRAND. The gross proceeds were \$371 per car.

Representative TEN EYCK. \$929 spread. Three times more than the entire carload sold for including the freight, was the spread in the market to the consumer.

Senator HARRISON. Was that cabbage shipped to your wholesale house?

Mr. BRAND. Yes, sir; that was to our wholesale house, Senator, in Chicago.

Senator HARRISON. So you know it is all right?

Mr. BRAND. Oh, absolutely. In these cases I have taken our actual account sales, the record that we are absolutely governed by, and which is the true record of every one of these transactions.

Senator HARRISON. Have you got the figures there as to what you people sold those carloads for?

Mr. BRAND. Those are the figures at which we sold them.

Senator HARRISON. Those are the figures, which you received?

Mr. BRAND. Yes.

Senator HARRISON. Very well.

Senator LENROOT. You are a commission man?

Mr. BRAND. Yes; and if I may I want to explain just a word about the term "commission man." We have come to use the term "commission man" as a generic term. Every man who is in the wholesale distribution of perishable products is termed a commission man. Of course, we all realize, and no one realizes that better than a lawyer like Senator Lenroot, that technically a commission man is a man who handles on commission solely, whereas many of these men handle goods in many different ways.

Senator LENROOT. Now, this particular shipment you sold to a jobber, did you?

Mr. BRAND. This particular shipment may have been sold directly to some of the big hotels in Chicago. We have a very large hotel trade, but more likely it was sold to a jobber as a car lot, or was broken and sold to several jobbers.

Senator LENROOT. Well, now, there would be the spread between you and the price the jobber received.

Mr. BRAND. Well, only jobbed cars are included in this average. In other words, the difference is merely one in the expense of selling.

Senator LENROOT. What I am trying to get at is what the retailer paid. Did the retailer pay the \$375? Is that what it cost him?

Mr. BRAND. No.

Senator LENROOT. Now, what did that shipment cost the retailer?

Mr. BRAND. I can not tell you that offhand, Senator, but I can insert in the record the exact prices at which we sold to retailers on those days.

Senator LENROOT. That is all right.

Mr. BRAND. During March and April of 1921, on the Chicago market wholesalers sold cabbage to retailers at the following prices: Louisiana crates weighing 125 pounds sold at from \$2.12 to \$2.40 each. California crates weighing 75 pounds to 90 pounds sold at from \$1.75 to \$1.95 each. Wisconsin bulk (old crop) sold at from \$11 to 15.50 per ton. Texas bulk (new crop) sold at from \$42.50 to \$45 per ton. During the same period, retailers sold to consumers crated cabbage at from 3 pounds for 10 cents to 6 pounds for 25 cents; bulk cabbage at 4 cents a pound.

Senator LENROOT. Now, I want to ask you this question. Mr. Brand: Can agriculture under any conditions long stand a spread of 300 per cent between wholesaler and consumer?

**Mr. BRAND.** Absolutely, it can not, and I think it is going to result very disastrously to the country if the situation is not cured, and cured promptly.

**Senator HARRISON.** How are you going to cure it?

**Mr. BRAND.** Well, we always mention the cure that imposes the burden on the other fellow first, I suppose. I will say for ourselves, though, that we are trying to do our business efficiently. Our margins are narrow. Our profits are so small that our bankers complain about them. They say that it is not wise nor safe for a business as big as ours to be done on such narrow margins of profit. Probably during the last year on our overturn not to exceed 1.7 per cent. Now, that is a very narrow profit. In other words, we handled something over \$35,000,000 worth of goods, and you can figure about how much we made. I hope it won't always be as narrow as that, because it is disappointing to our stockholders, and, in common with many other enterprises, we have had to pass some dividends. Now, I say that only to convey forcibly that it is not because someone has made a great big profit, and I am sorry to see the carriers have rather inclined to spread the story that it would not help anyone if the freight rates were reduced, that the distributing agencies would absorb the reduction anyway.

Now, that is absolutely not the case, because we sell 85 per cent, probably, and certainly 75 per cent of the goods that we handle for grower's account, and the grower gets every penny of the net proceeds.

**Senator LENROOT.** Is not the truth of the matter this, that it is the great multiplicity of the agencies of distribution that causes the spread, and absorbs a great sum of money between what the produce brings the producer, and what it is sold for to the consumer?

**Mr. BRAND.** I think rather two-thirds of it will be found in the spread between the wholesale price and the retail price, for which, of course, many reasons can be given.

**Senator LENROOT.** I do not think it is difficult to find why that is. There are something like 880 butcher shops in Washington. As long as a woman wants 10 cents' worth of steak delivered to her from a butcher shop 4 miles away, and another one wants 15 cents' worth of something else delivered to her from another place several miles away, the cost of handling is going to be high; and as long as we patronize those things so lavishly and recklessly without regard to the idea of profits or service, we are going to have this high-cost spread. And what occurs to me is this: If you could go into a city like Washington where there are four butcher shops doing the work that one could do, and cut out and do away with that duplication and overhead, and have your territory assigned or zoned, so that people in that territory would purchase at that particular place and deliveries would be made in that zone, you could get down to where there would be a considerably less spread between the wholesale price and the retail.

**Representative TEN Eyck.** That is true, Senator, but the question is this: There has been a great deal of actual testimony that the commission man, or the business interests like the one this gentleman represents, and the railroads, are the cause of all this trouble, and they are endeavoring to cut out this spread by inquiring into only one or two particular places where the least spread exists.

Senator LENROOT. That is true.

Representative TEN EYCK. And what we want to do is to see where the great spread exists, because that is where the great saving can be made.

Senator LENROOT. Yes.

Senator MCNARY. Now, this situation is not unique to-day. When I first went into the fruit business and sold dried prunes at a couple of cents a pound and then came east and saw them selling in New York for 25 cents a pound, I could not understand it. And I have sold cherries at 3 cents a pound, and they would sell for 25 cents here in Washington. But that condition obtained long before we ever thought of going into it in this way, and I do not think the remedy is legislative in character, if you want to seek the remedy.

Senator LENROOT. I would like to ask this question. I am not speaking of congressional action now. Have you ever considered the licensing of retail stores and thus cut down a good deal of overhead?

Mr. BRAND. Yes; we have considered that, and you will recall that such authority was included in the original draft of the food control bill.

Senator LENROOT. It was.

Mr. BRAND. But it seemed impractical and possibly also inexpedient at that time.

Senator LENROOT. It was at that time. I am speaking now of a permanent condition, to cut down this tremendous overhead.

Mr. BRAND. I think that unquestionably with the growth in the population, and with the constantly growing acuteness of this problem, that some such measures can be adopted, and then some suitable supervision provided to enforce efficiency in the units that are permitted under any such systems.

Senator LENROOT. Of course it is understood that Congress would have no power to enact such legislation.

Mr. BRAND. That is purely intrastate.

The CHAIRMAN. Mr. Brand, what is the ordinary, usual mark-up, retail mark-up of perishable products? Have you any idea?

Mr. BRAND. I really have not. I have been told by some of our grocers that they aim to mark up about 20 per cent.

The CHAIRMAN. Well, I presume that is true, that the general mark-up, retail mark-up, is around 20 per cent, but the mark-up on the perishables must be very much higher. It is not less than 100 per cent, and probably more.

Mr. BRAND. As an illustration of the actual fact, I will say that our California citrus sales manager sold oranges direct to the concern, I believe, that handled the fruit stands in the station at Kansas City, at \$4.50, and found them selling at a per dozen rate that netted \$10 per box. So that that is over 100 per cent. I think undoubtedly that as a practical matter of fact the average will be found between 50 and 100 per cent.

Representative SUMNERS. Mr. Brand, what is the percentage of loss of fruits and vegetables in retail distribution?

Mr. BRAND. I have seen figures, which I do not now recall, Mr. Sumners, but in every case where those figures were given the admission was made that the data were based on pure approximations. I do not now recall them, but there is not so much of that now as there probably was, because there have developed houses in the perishable

trades that select goods suitable for distribution from day to day; in other words, the best grocers at the present time do not buy large quantities of cantaloupes just as they come out of the car. They buy from another intermediary, who sorts them over and puts into the individual crates the product which is ready for consumption within the next day or two, and saves for subsequent sales the least mature, so that the waste in that respect is growing less all the time. And I may say that that waste can be very greatly reduced and almost removed by means of suitable publicity and education, as we found during the war in many different cities.

I have in mind Providence, R. I., particularly. Providence has a very flourishing market-garden section in its environment. At this particular time the spinach season was on in its full flush, and it was just at such a point that unless a market was found for this spinach the growers would have to plow all their spinach under. Through the cooperation of the Federated Women's Clubs and the newspapers we started a campaign of publicity, and moved every bit of that spinach. The cooperation extended to the retailer, and the consumer took the spinach, so that publicity and education can deal with many of those problems and reduce that waste.

Representative TEN EYCK. Was there not a Government agency in that locality who did that sort of thing?

Mr. BRAND. Yes, sir; the Government had a man over in Rhode Island.

Representative TEN EYCK. I know I cooperated with him in our State at the peak of production of different perishable commodities.

Mr. BRAND. That has been done successfully in a number of other commodities, particularly peaches.

Senator LENROOT. With reference to your red-onion sales there, was any portion of that loss due to deterioration in transportation?

Mr. BRAND. These that we selected to show were generally products that arrived at the market in good order. I wanted to make it an average showing, because I could not get enough cars to just make it a general average, so I selected these to illustrate it.

Representative TEN EYCK. Just one question here. In relation to food products, do you not think that we might readjust our rates, or that we might be justified in adjusting our rates on commodities, especially that are only grown in particular localities, like oranges in California, that are not grown in the Middle Atlantic or the New England States? And then again make seasonal rates on food products. There is no reason why you should get a low rate on a food product that is grown in California at a time that the same product can be grown in New York State cheaper in season. The competition is not necessary, nor should you demand of the railroads to subsidize the producer in California by carrying it away across the continent to the consumers in another place, where it can be raised right at his home door.

Mr. BRAND. As a cold matter of fact, Mr. Ten Eyck, there is relatively little direct competition between California and New York products, for instance. New York is a great apple State.

Representative TEN EYCK. There is competition in Oregon apples with New York apples, and Oregon is near California.

Mr. BRAND. Yes.

Representative TEN EYCK. And I have no idea of cutting out the competition with the Oregon apple, but I believe that that is a plan

that we may be able to work upon that will give relief in an economic way.

Mr. BRAND. There is another thing there that is operative all of the time, and that is that whereas the eastern and central western apple grower and apple shipper is able to, according to market conditions, put practically all of his product on the market, the far western grower has to throw away about 20 per cent of his because he can not afford in these days of high freight costs to ship anything but his best qualities.

Representative TEN EYCK. Of course there is another cure, and that is the freight rates.

Mr. BRAND. Yes. Just to continue briefly with one of these illustrations, and then a summary of the whole showing.

The case of North Carolina potatoes, also sold in the Chicago market.

Average gross proceeds per car, \$645.91.

The average net, \$352.50.

The average transportation expense, \$233.81.

The average selling expenses, \$59.59.

Here we have actual net proceeds of \$352.50, and transportation expense, we will say only at this point, of \$233.81. But even there the grower has got to pay out of his \$352.50 his year's production costs, his barrels, his digging and packing and harvesting labor, and it would all show, probably, if he kept books in the right way, that there was a net loss in every one of those cases.

Senator LENROOT. Now, can you tell us what the consumer paid for them?

Mr. BRAND. I can tell you approximately what the consumer paid.

Senator LENROOT. Yes.

Mr. BRAND. Those potatoes sold for about four to four and a half a hundred to consumers who bought in 100 pound quantities.

Senator LENROOT. And what were the gross proceeds per hundred?

Mr. BRAND. Well, the weight of the car would be about 30,000 pounds; \$645 was the gross. So there is about \$2.50 over the wholesale cost in 100-pound quantities. However, in peck quantities, or even half-bushel quantities, that spread would be doubled if not multiplied by three.

Senator LENROOT. And presumably the larger part of it was sold in small quantities.

Mr. BRAND. Oh, by all means. The quarter peck, the half peck, and the peck are the most common units.

The CHAIRMAN. These were early potatoes, I take it?

Mr. BRAND. Yes; these were early potatoes. And I want to add that last year at the same date that same grade of potatoes from the same territory were bringing about \$12 a barrel, as against about \$3 to \$4 a barrel this year.

Senator ROBINSON. What was the consumer paying for them?

Mr. BRAND. The consumer was paying probably at the rate of \$30 a barrel last year at this particular time. That is, the average consumer.

The CHAIRMAN. The average consumer was not buying any of those potatoes.

Mr. BRAND. Well, the average consumer who bought that kind of potatoes. Last year at this time earnings were still fairly high in

many districts. The crash had not begun, and laboring men were buying rather extravagantly still at this time last year.

Well, I will not carry that any further, but I will give you the results of the 70 cars that I had time to work up in a summary. Those 70 cars include tomatoes, cabbage, mixed vegetables, onions, plums, and apricots, apples, lettuce, celery, and grapes. I just took what I could get in order to get a composite picture, and this is the result of the averages of the 70 cars shown in Table I spread over those products:

Average gross proceeds, \$872.70.

Average net, \$370.52.

Transportation expense, average, \$452.14.

Selling expense at the market, average, \$46.67.

Miscellaneous expenses, \$14.21.

Average total expenses, \$513.19.

Senator ROBINSON. What would be embraced in the small item of miscellaneous?

Mr. BRAND. That includes the labor of rehandling; for instance, a car of potatoes may have to be regraded because it may show rot, etc. In certain markets you may have to pay cartage, the cars are not delivered on wharves or docks where they can be sold directly, and they have to be carried to the place of sale. It includes miscellaneous items of that character.

So you see the average that the transportation companies received for service in the case of those 70 cars is \$452.14, whereas the average net return to the grower is \$370.52.

Senator ROBINSON. Of course they will lose that business hereafter unless conditions change.

Mr. BRAND. Yes; they will lose that business unless conditions change, and they have already lost a good deal of business.

For instance, in California, where it is customary to plant a second crop following the first crop, in many, many cases this second crop was omitted, because the growers knew it would not pay them.

Senator LENROOT. Has your organization taken up with the railroad executives the matter of reducing these rates?

Mr. BRAND. Yes, sir. Senator Lenroot, we have taken that matter up with the railroad executives very energetically and very earnestly.

Senator LENROOT. What is the attitude of the railroads in regard to that matter?

Mr. BRAND. The attitude of the railroads I think is summarized by both Mr. Luce, of the Southern Pacific, and Mr. Woodworth, of the Northern Pacific, by their saying, in substance, that they do not believe that if the freight rates were cut in half it would increase the movement of tonnage.

Representative FUNK. They have reduced the rates from California, as I understand, on account of the competition through the Panama Canal.

Mr. BRAND. They have made a reduction on northwestern apples—a very small reduction—and they have made a reduction on cantaloupes, and they are considering reductions on other things.

And to illustrate the effect of the reduction, take cantaloupes. The cantaloupe rate was reduced, so that the effect per crate from the Imperial Valley to Chicago and points in that general territory was 5 cents per crate. A standard crate has 45 melons in it. The rate on Pittsburgh was reduced 11 cents per crate. The rate on Atlantic

seaboard points was reduced 23 cents per crate. Naturally enough the greater part of this product falls in the territory where the rate reduction is least, so that neither producer nor consumer—well, at least the consumer—have had any opportunity to feel that reduction at all. Certainly not this year in the transitory period. While the benefit to the producer has been slight, he has nevertheless been very grateful for it. A car of cantaloupes has slightly over 300 crates in it, so that the \$15 reduction in the freight rate to the Middle West, and \$35 reduction in freight rates to the eastern territory has been a contribution gratefully received.

Senator HARRISON. What per cent of the increase do you presume, over the old rate, is embodied in this reduction?

Senator LENROOT. About 8 per cent, is it not?

Mr. BRAND. Yes; I can not give you the percentage, but I can give you the figures roughly. The old rate, including refrigeration—that is, the interim rate between June 25, 1918, and August 20, 1920—on cantaloupes from California to Chicago was \$1.25. The new rate was \$1.66½. The present rate is about \$1.50. So I guess between 6 and 8 per cent would be about what it amounts to.

We feel, too, that in some of these products a general reduction is fully warranted. That it is more or less dilatory to insist on considering each one of these products separately, taking a long time for hearings and presentation of facts, and things of that sort, and then have generally fairly sterile results. The problem is the same with respect to them. The fundamental proposition of continued production and its proper stimulation, the proper stimulation of agriculture, is such that a general treatment of the problem would be warranted.

Representative TEN EYCK. Do you think that the consumer, if the rates were reduced, would get very much benefit himself as regards lowering the price that he is paying to-day?

Mr. BRAND. I think that he would get a small direct benefit. It would be small, necessarily.

Representative TEN EYCK. Very small?

Mr. BRAND. Yes. But I think that the stimulation of business—

Representative TEN EYCK (interposing). What business?

Mr. BRAND. First, of agriculture, and, second, of all other business, because the farmer is the greatest purchaser in the United States.

Representative TEN EYCK. How would agriculture stimulate business?

Mr. BRAND. By increasing the farmers' purchasing power, by sending him some net returns that he could use to buy manufactured products.

Senator ROBINSON. Do you think it would also increase the transportation receipts?

Mr. BRAND. I think that in many instances, in many cases, it would stimulate tonnage. And we need not look solely to the agricultural tonnage. We can look to those manufactured products that go to the farm.

Representative TEN EYCK. Of course, the stimulation of agricultural production would mean that you would have to send more products to the cities. That is not a way to increase the price to the farmer. It would have the effect, if more produce were put on the retail markets, of lowering the price and perhaps giving an opportunity for a larger spread by these retailers.

Senator ROBINSON. It might not do that. You can readily see that the condition might exist where the consumption would be very greatly increased by the reduction of the cost of the commodity, and in that event, so long as the supply was not equal to the demand, it need not operate to reduce the price at all.

Mr. BRAND. The stimulative effect of giving the farmers some purchasing power, I think, would be enormous.

Representative TEN EYCK. You pay most of this freight, do you not, and then charge it back to the farmer?

Mr. BRAND. Yes, sir. To indicate the situation more fully, I will insert a table comparing prewar, war, and post war rates at this point in my testimony. There have been a few changes in rates since these figures were prepared.

TABLE 3.—Comparison of prewar, war, and postwar freight rates.

[Rates per 100 pounds unless otherwise specified.]

From—	To—	Commodity.	Prior to June 25, 1918.	June 25, 1918, to Aug. 25, 1920.	Aug. 26, 1920.
Cadillac, Mich.....	New York.....	Apples.....	\$0.375	\$0.47	\$0.66
	Chicago.....	do.....	.206	.255	.30
Washington.....	New York.....	do.....	1.00	1.25	1.665
	Chicago.....	do.....	1.00	1.25	1.665
Lockport.....	New York.....	do.....	.195	.245	.345
	Chicago.....	do.....	.215	.27	.38
California.....	New York.....	Cantaloupes.....	1.25	1.565	2.085
	Chicago.....	do.....	1.00	1.25	1.665
Colorado.....	New York.....	do.....	.825	1.035	1.38
	Chicago.....	do.....	.46	.575	.775
Arizona.....	New York.....	do.....	1.25	1.565	2.085
	Chicago.....	do.....	1.00	1.25	1.66
Cadillac.....	New York.....	Potatoes.....	.375	.47	.66
	Chicago.....	do.....	.205	.255	.36
Minnesota.....	New York.....	do.....	.39	.49	.66
	Chicago.....	do.....	.195	.27	.465
Maine.....	New York.....	do.....	.35	.44	.625
	Chicago.....	do.....	.50	.64	.895
California.....	New York.....	Celery.....	1.25	1.565	2.085
	Chicago.....	do.....	1.00	1.25	1.665
Orlando.....	New York.....	do.....	.39	.49	.655
	Chicago.....	do.....	.315	.40	.535
New York.....	New York.....	do.....	.235	.295	.405
	Chicago.....	do.....	.525	.66	.925
Cadillac.....	New York.....	do.....	.445	.555	.77
	Chicago.....	do.....	.285	.36	.51
California.....	New York.....	Oranges.....	1.15	1.44	1.92
	Chicago.....	do.....	1.15	1.44	1.92
Orlando, Fla.....	New York.....	do.....	.61	.765	1.025
	Chicago.....	do.....	.68	.85	1.135
Michigan.....	New York.....	Onions.....	.375	.47	.66
	Chicago.....	do.....	.205	.255	.36
Texas.....	New York.....	do.....	.985	1.24	1.655
	Chicago.....	do.....	.65	.815	1.10

<sup>1</sup> Per box.

Representative TEN EYCK. Can you give us some idea as regards the total amount of the difference of the freight that you paid under the old rate, and that you are paying to-day under the new rate, on your business as a commission man and as a producer?

Mr. BRAND. I think that our freight bill is between three and four million dollars a year. I am unable to say offhand, but I should say that on the same tonnage in 1919 that freight bill would not have exceeded two and a half million dollars.

Senator HARRISON. On your business?

Mr. BRAND. Yes, sir.

Senator HARRISON. There is about a 50 per cent increase, is there not, over the old rate?

Mr. BRAND. It varies very greatly, and it is difficult to say. The changes are from 25 to 40 per cent, generally speaking, because old arrangements were discontinued, old combination rates were discontinued, requiring the use of two locals, and all that sort of diversity that makes it very difficult to say.

Representative TEN EYCK. That is a very big cash transaction on the part of your business.

Mr. BRAND. Yes, sir; it is.

In the seven cars cited below are given the actual transportation paid the carrier in each case, also the amount that would have been paid prior to August 26, 1921, and the increase caused by the new rate of charges put into effect on that date.

The data below cover a car containing approximately 14 tons of cabbage shipped from San Benito, Tex., to Pittsburgh:

Freight paid.....	\$510.08
Freight prior to Aug. 26, 1920:	
27,380 pounds, at 65 cents.....	\$177.97
27,380 pounds, at 34 cents.....	93.09
Refrigeration.....	100.00
War tax, 3 per cent.....	11.13
	382.19
Increase.....	127.89

The grower's actual loss on this shipment was \$91.17, allowing him nothing whatever for his production costs, harvesting labor, packing and shipping supplies. In each case the comparison is drawn with a final footing to show the amount of increase due to the rise in transportation costs.

Freight paid.....	\$497.15
Freight prior to Aug. 26, 1920:	
26,300 pounds, at 65 cents.....	\$170.95
26,300 pounds, at 34 cents.....	89.42
Refrigeration.....	100.00
War tax, 3 per cent.....	10.81
	371.18
Increase.....	125.97

The above covers a car of 13 tons of cabbage, the total proceeds of which left the shipper owing \$94.76 for charges advanced. In other words, the increase in freight of \$125.97 more than explains the grower's "red ink."

The following covers a car of cabbage containing approximately 13 tons, shipped from San Benito, Tex., to Pittsburgh. The increase in freight in this case almost exactly covers the grower's loss of \$108.55:

Freight paid.....	\$473.35
Freight prior to Aug. 26, 1920:	
26,150 pounds, at 65 cents.....	\$169.98
26,150 pounds, at 34 cents.....	88.91
Refrigeration.....	100.00
War tax, 3 per cent.....	10.77
	369.66
Increase.....	103.69

The following covers a car of 170 crates of celery from Sacramento; the carrier received \$558.22 of the \$671.50 that the car brought:

Freight paid.....		\$558.22
Freight prior to Aug. 26, 1920:		
23,800 pounds, at \$1.44.....	\$342.72	
Refrigeration.....	85.00	
War tax, 3 per cent.....	12.83	
		<u>440.55</u>
Increase.....		117.67

The shipper's net after selling expenses were deducted was \$66.27. In other words, the mere increase in freight rates amounted to twice as much as the grower received.

This is another car of celery which grossed only \$522 and made the grower a loss of \$89.76. The average of \$3 a crate is, of course, low for Sacramento River celery, but it is not inordinately low compared with prewar times. The increase in freight rates more than explains the grower's "red ink" in this transaction:

Freight paid.....		\$558.22
Freight prior to Aug. 26, 1920:		
24,000 pounds, at \$1.44.....	\$345.60	
Refrigeration.....	85.00	
War tax, 3 per cent.....	12.92	
		<u>443.52</u>
Increase.....		114.70

This covers a carload of apples from one of our own orchards which brought the low price of \$1.50 a barrel. There were about 180 barrels in the car and we netted the ridiculous amount of \$32.05:

Freight paid.....		\$303.38
Freight prior to Aug. 26, 1920:		
38,400 pounds, at \$0.615.....	\$236.16	
War tax, 3 per cent.....	7.08	
		<u>243.24</u>
Increase.....		60.14

In order to show that not only distant but nearby shipments are suffering, the following covers a car of cabbage stored at Holley, N. Y., and shipped to Pittsburgh:

Freight paid.....		\$97.64
Freight prior to Aug. 26, 1920:		
32,300 pounds, at \$0.215.....	\$69.44	
War tax, 3 per cent.....	2.08	
		<u>71.52</u>
Increase.....		26.12

The grower's net loss on the car was \$15.01, the increase in freight being \$26.12.

I, of course, realize that low markets explain much of the trouble but in almost all these cases, which were taken at random from a list of cars showing losses, the added freight burden would have covered the actual loss suffered by the shipper.

Senator CAPPER. How long does it take to get a decision on an application for freight rate reduction?

Mr. BRAND. On this cantaloupe business we started to work in about December, and the reduction went into effect about the 23d of June, when two-thirds of the cantaloupe movement had been completed.

Senator CAPPER. Well, the making of these applications for reduction in all these specific items is a pretty expensive sort of a thing?

Mr. BRAND. Yes it is, indeed.

Now, potatoes are such a staple that I just wanted to refer to them.

Representative TEN EYCK. Before you get to that, Mr. Brand, I want to ask you this: Have you any idea of approximately how many people you would feed from the produce that you handle? I can realize that that might be, without study, a large question, but it would be very interesting in comparisons here, if we knew how many people you supply.

Mr. BRAND. Well, we handled in 1920 approximately \$35,000,000 worth of perishables. I suppose perishables amount to possibly one-fifth of the normal family's food consumption, and the normal family spends now, I believe, a little over \$1,000 a year, so that \$200 into \$35,000,000 would show how many families would have their perishable products from that amount of product. It would be about 175,000 people that would have their perishable foods from the product handled by our concern.

Representative TEN EYCK. Well, I suppose at some time or other the products that you are handling are sold to almost every family in the United States.

Mr. BRAND. Yes; they are. Oh, yes; our products are distributed very, very generally. We handled in 1920 just about 37,000 carloads, and they were sold throughout the United States. For instance, of apples alone we handled over 3,600 carloads. We handled something like 5,700 carloads of potatoes. And the distribution is very general.

Now, just a brief word more. And I am afraid that I am detaining the commission unduly, and wearing you completely to a frazzle.

The CHAIRMAN. No; the commission is very much interested in what you have to say, and we want to give you all the time that you wish to use.

Mr. BRAND. The average cost of production of potatoes, particularly in States like Michigan, Minnesota, and Wisconsin, and only slightly less true so far as New York and Pennsylvania are concerned, is about \$1.18 a hundred. The average price for the months of September and April and February received by the Minnesota Potato Exchange for round, white potatoes, was \$1.36. That left them 18 cents a hundred. Now, I do not think that the most weird city dweller would feel that any producer that was getting that for his year's work was a profiteer.

Red River potatoes for September, October, and February, \$1.54 a hundred. That is a somewhat increased cost of production. I have just prepared this to show how narrow the margin is.

The CHAIRMAN. What is included in that cost of production?

Mr. BRAND. There is included in that cost of production every item that can be properly charged, including a rental or use of land figure—man labor; horse labor, manure, commercial fertilizer, seed, etc.

The CHAIRMAN. Interest on investment?

Mr. BRAND. Yes; that is, the rental figure includes the interest on investment.

The CHAIRMAN. Salary of producer?

Mr. BRAND. No.

The CHAIRMAN. It includes no labor cost?

Mr. BRAND. It includes labor cost paid.

The CHAIRMAN. But not to the farmer himself?

Mr. BRAND. Not his own supervision or things of that kind.

Senator LENROOT. You say interest on investment. Does that include his equipment?

Mr. BRAND. Yes; that is depreciation.

Senator LENROOT. Well, now, I am always interested in how you arrive at these agricultural costs. Why is a different method used in ascertaining costs in agriculture than is used in ordinary business?

Mr. BRAND. There is not, or there ought not to be any difference in the principle observed.

Senator LENROOT. Well, now, in ordinary business, interest upon the investment is not included as a part of the cost in arriving at cost.

Mr. BRAND. Well, we always include interest charges among expenses.

Senator LENROOT. Well, ordinary business accounting does not do that.

Mr. BRAND. I think generally they do. They do in our lines. Of course, it is so largely borrowed capital that it is an actual expense.

Senator LENROOT. Take a railroad, for instance. When we talk about the net income of a railroad we do not include interest upon the investment of the railroad.

Mr. BRAND. That is true, but they are entitled to a fair return on that investment.

Senator LENROOT. Yes; but that is profit.

Mr. BRAND. Of course in our line we operate so largely with borrowed capital, because the seasonal needs are so great that no concern can afford to keep available in its own till the amount required.

Senator LENROOT. Now in arriving at your net income you deduct interest on your capital stock.

Mr. BRAND. Interest paid in the form of dividends? We deduct interest on borrowed capital as one of our items of expense.

Senator LENROOT. You do? In arriving at the net income of your corporation?

Mr. BRAND. No; not dividends in arriving at the net income of our corporation.

Senator LENROOT. That is what I am getting at.

Mr. BRAND. No, no; not in arriving at the income, but in the ultimate net profit available for surplus.

Senator LENROOT. Oh, well, yes. But that has nothing to do with the business operation of your corporation.

Mr. BRAND. On this whole question of the effect of freight rates upon production costs, capitalization burdens and the general ability of agriculture to stand the strain, Mr. C. C. Teague, president of the California Fruit Growers Exchange, has visualized the matter in such a manner as to bring the facts home very forcibly. Table below shows the situation in graphic manner.

During June, 1918, the railroad rates were increased 25 per cent. The increase on oranges was from \$1.15 to \$1.48 per hundred, including war tax. The increase on lemons was from \$1 per hundred to \$1.287. Under the transportation act an additional percentage increase of 33½ per cent was made, raising the orange rate from \$1.48 to \$1.977 per hundred and the lemon rate from \$1.287 to \$1.714. The table shows that the 25 per cent increase on lemons applied to the

best yield a competent grower may hope for of about 350 packed boxes or 26,250 pounds per acre, increased the per acre freight burden \$75.47 over the condition that prevailed prior to June, 1918. The 1920 increase of 33½ per cent places an additional freight burden of \$112.20 per acre making a total for the two increases of \$187.67 per acre. This advance capitalized at 7 per cent is equivalent to a mortgage of \$2,681 per acre on the highest class producing lemon groves of California.

Needless to say the very best groves can not be sold for such a price for production purposes.

In the case of oranges, a high class producer may hope for 300 boxes or 21,000 pounds per acre. The 25 per cent advance adds \$88.56 to their previous freight burden; the 33½ per cent advance adds \$103.82, or a total for the two advances of \$192.38 per acre. This at 7 per cent is equivalent to a mortgage of \$2,748.28 on the highest class producing orange groves.

An inspection of the table will show the pronounced inequities caused by the application of blanket percentage increases. Apple, grape, and citrus fruit growers are penalized all out of proportion to other classes of producers.

TABLE 4.—Statement showing effect of increased freight rates of 25 per cent, effective June 25, 1918, and 33½ per cent, effective Aug. 26, 1920, when applied to yields per acre of representative California agricultural products.

[Production figures from Circular No. 210, March, 1919, College of Agriculture, University of California.]

	Yield, pounds.	Prewar rate.	June, 1918,		August, 1920,		Total increase per acre.	Capitalization at 7 per cent.
			Rate including war tax.	Increase per acre.	Rate including war tax.	Increase per acre.		
Lemons.....	1 13, 075	\$1. 00	\$1. 2875	\$37. 59	\$1. 71495	\$55. 89	\$93. 48	\$1, 335. 43
	2 18, 750			53. 90		80. 14	134. 04	1, 914. 85
	3 26, 250			75. 47		112. 20	187. 67	2, 681. 00
Oranges.....	1 10, 500	* 1. 15	1. 4832	44. 28	1. 9776	51. 91	98. 19	1, 374. 14
	2 15, 750			66. 42		77. 86	144. 28	2, 061. 14
	3 21, 000	* 1. 0615		88. 56		103. 82	192. 38	2, 748. 28
Rice.....	1 2, 500	. 55	7092	31. 84	. 9476	7. 95	11. 14	159. 14
	2 3, 500			29. 80		9. 94	13. 62	198. 86
	3 5, 000			55. 72		13. 92	19. 49	278. 43
Beans.....	1 1, 200	. 75	9682	2. 40	1. 29265	5. 97	8. 37	119. 57
	2 1, 400			2. 62		6. 51	9. 13	130. 43
	3 1, 400			3. 05		7. 60	10. 65	152. 14
Raisins.....	1 1, 500	1. 00	1. 2875	4. 31	1. 71495	6. 41	10. 72	153. 14
	2 2, 000			5. 75		8. 55	14. 30	204. 29
	3 2, 500			7. 19		10. 68	17. 87	255. 29
Grapes.....	1 6, 000	1. 15	1. 4832	19. 99	1. 9776	49. 66	69. 55	995. 00
	2 10, 000			33. 32		82. 76	116. 08	1, 658. 29
	3 14, 000			46. 65		115. 86	162. 51	2, 321. 57
Olives.....	1 2, 000	1. 00	1. 2875	5. 75	1. 71495	8. 55	14. 30	204. 29
	2 3, 000			8. 62		12. 82	21. 44	306. 39
	3 4, 000			11. 50		17. 10	28. 60	408. 57
Walnuts and almonds	1 800	1. 40	1. 8025	3. 22	2. 405	4. 82	8. 04	114. 85
	2 1, 000			4. 02		6. 03	10. 05	143. 57
	3 1, 500			6. 04		9. 04	15. 06	215. 43
Prunes (dried)	1 2, 500	1. 00	1. 2875	7. 19	1. 71495	10. 69	17. 88	255. 43
	2 3, 500			10. 06		14. 96	25. 02	357. 43
	3 5, 000			14. 38		21. 37	35. 75	510. 71
Apricots (dried)	1 1, 500	1. 00	1. 2875	4. 31	1. 71495	6. 41	10. 72	153. 14
	2 2, 000			5. 75		8. 55	14. 30	204. 29
	3 2, 500			7. 19		10. 69	17. 88	255. 43
Peaches (dried)	1 1, 500	1. 00	1. 2875	4. 31	1. 71495	6. 41	10. 72	153. 14
	2 2, 000			5. 75		8. 55	14. 30	204. 29
	3 3, 000			8. 62		12. 82	21. 44	306. 29
Apples (fresh)	1 9, 000	1. 00	1. 2875	25. 88	1. 71495	38. 47	64. 55	919. 39
	2 13, 500			38. 81		57. 70	95. 51	1, 378. 71
	3 22, 500			64. 69		95. 18	160. 87	2, 298. 14

1 Average yield per acre.  
 2 A safe estimate for business purposes.  
 3 A good yield which competent men may hope to obtain.  
 \* Per 72 pound box.  
 \* Per 78 pound box.

Representative TEN EYCK. You would have a right to charge interest on your bonds, if you had any, in the cost of production, but not dividends.

Senator LENROOT. Well, I understand in business accounting you first get income from operation, which does not exclude any interest payment. Then you deduct the interest, and the balance is the net income from the business. Is that not true?

Mr. BRAND. Exactly. At the peak of our borrowing we borrow nearly two millions of dollars, which is advanced to growers, ordinarily and that is one feature that I wanted to mention very briefly. I wanted to mention very briefly the matter of financing growers, which is done so very largely by distributors.

As I feel, it is a banking function, but one which has not been so developed that the farmer has been able to use it entirely, generally speaking, though in many, many individual cases he does borrow directly from his own bank. In still more cases he borrows as much as is possible from his bank, and still lacks enough to complete the production and marketing of his crop. The result is that practically the large distributing agencies are loaning millions of dollars to producers to help them produce and market their crops. That is particularly true this year when banks feel unable to give even their usual assistance.

Representative TEN EYCK. Tell us how you loan that money, Mr. Brand; in what way?

Mr. BRAND. We loan that in various ways, according to the territory and according to the crop. In some States, for instance, like New York, western New York, it may take this form: We go to the grower and solicit the marketing of his apples. He says, "Yes, I will let you market my apples if we can agree upon a rate of charge. But I haven't money enough to get my apples on to the car." So we will have to advance so much, whatever is agreed upon as a necessary amount. If it is insufficient, why many times he will come back and get some small additional advance. In some other cases it is based on a per-car advance. In the case of cantaloupes there is a definite so-called acreage advance, for instance, of \$30 an acre; packaging, paper, and nails worth about 25 to 30 cents per crate, and labor and miscellaneous to the amount of about 50 cents per crate are also advanced.

Representative TEN EYCK. Suppose there is a failure, for some reason or other, what happens?

Mr. BRAND. Sometimes in joint-account arrangements the losses are shared but often the loss is the distributor's loss. In certain cases the loss is the grower's loss, and we merely convert it into a note and carry it to another year.

Representative TEN EYCK. How could it be the distributor's loss entirely?

Mr. BRAND. The genesis of the cantaloupe industry came about in the manner I mention, of the distributor making a definite advance.

Representative TEN EYCK. If you loan as much as \$175 on an acre of land to the man who grows the crop, what kind of a contract would it be by which, if the entire crop was a loss, you would stand the entire loss of \$175?

Mr. BRAND. As a matter of fact, it practically never amounts to an entire loss in the case of cantaloupes. The charge for handling cantaloupes is 15 per cent, which is the highest rate, practically, that any product pays. But that 15 per cent is compensation for this risk as well as for the marketing service, and for the use of the money, and all the other services that the distributor gives.

Representative TEN EYCK. Well, do you charge other cantaloupe growers whom you do not help to finance in growing, 15 per cent?

Mr. BRAND. Well, generally speaking, the cantaloupe industry is such that these arrangements are made. At least in the Imperial Valley these arrangements are made and the grower is tied up with the distributor in these arrangements practically universally. In other territories it is not so true. For instance, in the East it is a question of making individual contracts with individual growers.

Representative SUMNERS. In most of these territories where you have the contracts under which you advance money for the crop irrigation is the rule, and there an entire crop failure would not very likely occur.

Senator LENROOT. Before the war were not large fortunes made by cantaloupe growers in the Imperial Valley?

Mr. BRAND. Occasionally growers have made very good money, but on the average their return has been just about like the rest of agriculture.

Senator LENROOT. I was there during the war, and they told me that some very large fortunes had been made on cantaloupes there.

Mr. BRAND. There have been years when individual growers have made very considerable sums of money. But taking it on an average of even three years their profits are moderate. Last year, although relatively high prices prevailed, losses were the rule. There are about 35 distributors in the Imperial Valley making these arrangements. There are a few others, but their operations are very small.

Representative TEN EYCK. Have you any idea of what the average selling price of the cantaloupe is per pound?

Mr. BRAND. I do not have it per pound, but the average thus far this season has been between \$3.25 and \$3.65 a crate, and a crate weighs about 68 pounds.

The CHAIRMAN. That is the wholesale price?

Mr. BRAND. That is the car-lot price.

The CHAIRMAN. How many cantaloupes would there be in the car?

Mr. BRAND. There are 45 cantaloupes per standard crate, and on an average 336 crates per car.

Representative TEN EYCK. Sixty-eight pounds to the crate?

Mr. BRAND. Yes; and there are anywhere from 300 to 364 crates per car, generally speaking. They vary.

Just as an index of how prices have been going, I requested our Sacramento office to send us the account sales on which some of these figures have been based that I have given you. At the present time they are marketing chiefly plums and apricots, but particularly plums. Whereas last year at this particular time the Climax variety was bringing \$3.10 a box, this year it is bringing \$1.45 a box. Last year they paid the lower freight rate. This year they are getting less than half as much money and paying about 30 per cent more

freight. Tragedies—and I think it is a tragedy, too—last year brought \$2.37 and this year \$1.60 in New York. In our own market—Pittsburgh—they were bringing \$3.28 this time last year and are bringing \$1.85 now. It just illustrates the general debacle with reference to the prices of these crops.

Senator LENROOT. Could you give us any information as to the relative retail prices last year and this year?

Mr. BRAND. There is of course a very great diversity in retail prices. A store reporting to the Bureau of Labor Statistics of the Department of Labor and regarded as indicating at least approximately average conditions in Pittsburgh, quotes California plums to the consuming buyer at \$4 per crate. A crate contains four carrier baskets. Each carrier basket weighs approximately 6 pounds, and these carriers sell at \$1 each. Smaller consumers purchase by the quart at 25 cents a quart. The carrier basket would equal about 5 quarts. The usual plum crate grosses 24 pounds.

Under the direction of its general manager, Mr. G. Harold Powell, the California Fruit Growers' Exchange has conducted an investigation extending over a period of eight years showing how the consumer's dollar is divided between the various factors entering into the marketing of oranges from the producer to the consumer, inclusive. The following table shows the average for the period of five years from December 1, 1913, to November 18, 1918, and covers Navels, Valencias, and miscellaneous varieties:

TABLE 5.—Division of the consumer's dollar paid for oranges from Dec. 1, 1913, to Nov. 15, 1918.

	Per box.	Per cent.
Fruit on tree.....	\$2.265	39.8
Harvesting.....	.112	2.0
Packing.....	.341	6.0
Selling.....	.061	1.0
F. o. b. California.....	2.779	48.8
Transportation.....	.935	16.4
F. o. b. market.....	3.714	65.2
Jobber's margin.....	.48	8.4
Jobber's price.....	4.194	73.6
Retailer's margin.....	1.50	26.4
Consumer paid.....	5.69	100.0

The above figures show that the consumer's dollar was divided approximately as follows:

	Per cent.
Received by producer for fruit on tree.....	39.8
Received by retailer.....	26.4
Received by railroads.....	16.4
Received by jobber.....	8.4
Packing costs.....	6.0
Harvesting costs.....	2.0
Selling costs.....	1.0

The situation existing under the transportation and other expenses existing at the present time and during the movement of the crop which is now practically gone is shown by the following tabulation:

TABLE 6.—Division of the consumer's dollar paid for oranges from Dec. 1, 1920, to May 15, 1921.

	Per box.	Per cent.
Fruit on tree.....	\$1.762	25.9
Harvesting.....	.186	2.7
Packing.....	.600	8.8
Selling.....	.062	1.4
F. o. b. California.....	2.640	38.8
Transportation.....	1.64	24.1
F. o. b. market.....	4.28	62.9
Jobber's margin.....	.54	8.0
Jobber's price.....	4.82	70.9
Retailer's margin.....	1.98	29.1
Consumer paid.....	6.80	100.0

It will be noted that the increase in the percentage costs has affected every element except the producer's and the jobber's percentages.

	Per cent.
Received by producer for fruit on tree.....	25.9
Received by retailer.....	29.1
Received by railroads.....	24.1
Received by jobber.....	8.0
Packing costs.....	8.8
Harvesting costs.....	2.7
Selling costs.....	1.4

While the railroad's proportion has increased nearly 8 per cent and the retailer's margin nearly 3 per cent, the producer's share has decreased practically 14 per cent.

These figures will help to answer at least the immediate question of who pays the increased freight rates. Primarily, and particularly during any transition stage, the producer pays the freight. Ultimately, by the operation of economic courses, freight costs are spread so that they effect both the producer and the consumer in accordance with the fluctuating conditions of supply and demand.

Mr. BRAND. Needless to say, the retail price is pretty nearly the same from year to year in the small units that the consumer buys. For instance, when cantaloupes were selling as low as \$3.25—

The CHAIRMAN (interposing). That is about 6 cents apiece.

Mr. BRAND. That is about 6 cents apiece—you still had to pay 20 cents for the good-sized cantaloupe at the retail stores. Now, of course they are coming down because near-by cantaloupes are coming in in practically all territories.

Representative TEN EYCK. I have a relative who raises cantaloupes of a very superior kind. It costs him more to raise his cantaloupes than you are selling them for, but he can sell all that he can raise at 25 to 30 cents a pound, and he does not have any difficulty in selling them for the consumers wire in and fall all over themselves to get them.

**Representative SUMNERS.** You are speaking of dozens?

**Representative TEN EYCK.** I am talking about 25 and 30 cents a pound, graded when sold to the hotels. One hotel does not know any other sized cantaloupe. He sells them one size or grade, and they get them year in and year out.

**Representative SUMNERS.** What do they weigh?

**Representative TEN EYCK.** They weigh from 2½ pounds up to as high as 10 pounds.

**Mr. BRAND.** That is equally true of the so-called Montreal melon.

**Representative TEN EYCK.** Yes. He really has a better melon than the Montreal. But his is not grown under glass, as they claim up there.

**Mr. BRAND.** Just another illustration. I wanted to call attention to the near-by freight rates as well as the far-away freight rates.

This particular shipment is a car of cabbage from Hamilton, N. Y., to Pittsburgh, 30,400 pounds. The freight charges, \$106.40. War tax, \$3.19. Making a total transportation cost of \$109.59. That particular car produced net \$65.09. There is an inclination also not to give sufficient weight to the effect of the freight rates upon the near-by production.

**The CHAIRMAN.** Now, Mr. Brand, I imagine you have a good deal more material.

**Mr. BRAND.** I have, Mr. Chairman.

**The CHAIRMAN.** We can perhaps go on a little while now, or we can take a recess until 2 o'clock. I think perhaps it would be better to take a recess until 2 o'clock.

**Representative SUMNERS.** You speak of not having any sales agents except the commission men in many of the carload towns. Does the carload town, by reason of that condition, buy at a very much higher price than the concentration centers do?

**Mr. BRAND.** No; because our sales managers are in constant touch, by long-distance telephone and by telegraph, with all of the outlying markets, and we place it in the market that brings us the biggest return.

**Representative SUMNERS.** You do not route through concentration centers, but route direct from shipping point?

**Mr. BRAND.** As far as possible we route direct from shipping point.

**The CHAIRMAN.** We will take a recess until 2 o'clock this afternoon. (Whereupon, at 12.20 o'clock p. m., a recess was taken until 2 o'clock p. m. of the same day, Friday, July 22, 1921.)

#### AFTER RECESS.

The commission reassembled at 2.30 o'clock p. m.

**The CHAIRMAN.** All right, Mr. Brand, you may proceed.

#### STATEMENT OF MR. CHARLES J. BRAND—Resumed.

**Mr. BRAND.** I did want to say a word about the cost of marketing—I am speaking of the actual cost. As an indication, one of our large wholesale branches that handled 3,300 cars last year, found its actual average cost of marketing to be \$77 and some cents per car.

**The CHAIRMAN.** Now, when you say your "wholesale branches," what relation do those branches sustain to the general organization?

**Mr. BRAND.** The general organization is made up of three types, or practically four types of instrumentalities. First, five wholesale

houses; second, nine district supervision offices, dividing the United States into nine districts; third, our salaried branches where we maintain our own sales agents; and fourth, our contract brokerage agents. In addition, we have permanent shipping divisions in the great production centers and temporary sales and distribution offices in territories while important shipping deals are going on.

The CHAIRMAN. What I am getting at is, does this represent a sale of the producer's commodity to the wholesaler, or what does it represent?

Mr. BRAND. No; this represents a distribution of the producer's commodity by the wholesaler to his trade. That trade is made up of wholesalers, who themselves break the lots further; in part of retailers, large and small; and in part of consumers, such as hotels, restaurants, and the like.

The CHAIRMAN. Well, would that charge be in addition to the charge which your organization makes in other directions?

Mr. BRAND. This is a cost; this is not a charge.

The CHAIRMAN. Yes; I understand.

Mr. BRAND. This is an actual cost. And any charge that this particular division of the business, namely, the wholesale division, might make would be in addition, for instance, to any cost which the producer had in marketing through his cooperative organization, or any other instrumentality which he used in marketing at the point of production.

Representative SUMNERS. Well, is there much of a practice or custom of reselling by a wholesaler to a wholesaler in getting these agricultural commodities into the channels of distribution which lead to consumption?

Mr. BRAND. Yes, there is; and it arises from several causes. For instance, certain houses specialize in certain things. There are potato houses that handle almost nothing but potatoes; they may handle onions and cabbages; those three things very frequently go together. Therefore, we, as wholesalers of apples, citrous fruits, lettuce, and potatoes, may get a considerable part of our potatoes from time to time from some other wholesaler, but more likely from some car-lot distributor.

Representative SUMNERS. When you get your potatoes from other wholesalers, do you take title to them at the point of concentration or after they have been delivered at the terminal market?

Mr. BRAND. That depends upon whether we need them instantly, and whether the person from whom we are purchasing them has them on hand, or whether they have not yet left the shipping point, or whether they are rolling. If we need them badly and he has them available, we take title at the point of concentration; more likely, he "diverts a roller quick," as we put it, a car, say, which is in motion somewhere and which he can divert conveniently and without additional freight cost to us as the purchaser.

Representative SUMNERS. It does not often happen that reloading is necessary when one wholesaler buys from another wholesaler?

Mr. BRAND. It is very unusual for that to occur.

The CHAIRMAN. How many breaks are there between the carload lot and the retailer? I suppose, before this carload, for instance, we will say of cantaloupes or cabbages, finally reaches the retailer, it is broken up into absolute weight, and all of that sort of thing. What I am getting at is, the correctness of the public impression that

these commodities pass through a large number of hands before they get to the retailer.

Mr. BRAND. Well, take a case like the exchange handling potatoes. The first charge is the charge of the local association, which varies according to the degree of service given by that local association. If they have a warehouse or packing house, grading facilities, and things of that sort, their charges will necessarily be high, because of the number of services they perform. In other cases, they may be merely a shipping organization, the farmer doing his own grading, packing, etc., and they loading across the platform, handling the billing and handling the relationship with the central exchange. So that the charges, you may say, may vary from 10 cents a hundred to 25 cents a hundred. That is the first charge, usually, when the commodity is the product of the Growers' Association.

The next charge is the charge of the exchange for the service it renders; it may be a distributing exchange doing a certain amount of marketing itself, or it may employ a marketing agent within its own organization to do the marketing. They usually charge from 10 cents to 15 cents a hundred; and out of that, if they charge the larger amount, they may pay the marketing agent that they employ; if it is the smaller amount, the charges of the marketing agent are in addition.

And those charges are usually based upon the number of carloads that the organization may have to handle. For instance, the cost per unit of marketing 1,000 cars is very much greater than the cost per unit of marketing 2,000 or 3,000 cars; so that the general arrangement which is made in those cases is a sliding scale. For instance, if an organization or exchange handles, we will say, 3,000 cars of potatoes, the charge for marketing might be \$18.50 a car; if they had 2,000 cars, it might be \$20; and if they had 1,000 cars, it might be \$22.50. The smaller the volume handled, the greater the expense per unit.

The CHAIRMAN. All right. Now, will you bring the procedure down just as far as you can?

Mr. BRAND. Yes. Now, there are two instrumentalities, and, generally speaking, an agency working for the second, namely, the exchange.

By the way, included in this \$22.50, \$20, or \$18, as the case may be, is the fee that the broker in the market receives for selling the product in his market. For instance, the broker at Des Moines, Iowa, will wire Minneapolis or Cadillac, or whatever exchange he is dealing with, that he wants a car of round white potatoes at such and such a price, and to go to such and such a firm. He receives for his selling service, and for the cost of his telegrams, etc., an average of \$10 per car; and that comes out of the \$22.50, \$20, or \$18.50, as the case may be. In other words, it is not a pyramid; it is a part of that charge.

Now, this broker may sell direct to a jobbing house or a wholesale house, or he may sell to a retailer. In many of the cities of anywhere from 3,000 population up, they will take a carload; the wholesale men in towns like, we will say, Albert Lea, Minn., and Tyler, Tex., and towns like Estherville, Iowa, and Oelwein, Iowa, will take carloads of practically all of these commodities, but they will take fewer carloads per week. This broker may sell direct to

retailers, to small jobbers, or to the wholesalers in those towns. Of course, in the event that he sells to a wholesaler, there is an additional handling in getting it to the retailer; but those are the usual steps.

The CHAIRMAN. What is the difference between the jobber and the wholesaler?

Mr. BRAND. There is very little difference between the jobber and the wholesaler; we use those terms relatively interchangeably. Wholesalers handle car-lot quantities generally, while jobbers buy and sell in less-than-car-lot quantities. The retailer is the jobber's chief outlet and his function in supplying the retail trade is a very important one.

The CHAIRMAN. When you say "broker," you mean a man who does not come into physical possession of the commodity?

Mr. BRAND. He acts solely as agent, and may never see the commodity. You quote it to him on description and he sells it on description; and it may be rolled from Riverside, Calif., to Topeka, Kans., and this man may be located at Kansas City, Mo., and never see the car.

And in that method of selling comes one of the wastes and expenses, due to lack of standardization, and hence lack of ability to sell on a true description; cars then are turned down, and the grower always feels that the cars are turned down because the market was bad, whereas many, many times it is because the goods did not measure up to the standard under which they were sold.

Senator CAPPER. Can you suggest how that can be remedied?

Mr. BRAND. By perfecting our standardization. For instance, in the case of potatoes, Senator, the United States grades are now so generally used that, in so far as they are applicable, they have served to reduce very, very greatly that kind of complaint. There is, of course, a good deal of latitude within the grades; but with the Food Products Inspection Service, maintained by the Bureau of Markets, of the Department of Agriculture, they are very chary about turning a car down, unless it very clearly does not meet the grades.

Senator CAPPER. The Bureau of Markets, in the Department of Agriculture, is trying to bring about this perfection of standardization of grades?

Mr. BRAND. Yes, sir.

Senator CAPPER. Does the present law give them all the authority that is necessary to bring about that improvement in methods?

Mr. BRAND. Well, I feel as if I speaking ultra vires about this, but I believe it does not; and I will be more specific and say that the inhibition in that law, which is a very brief paragraph, as you will remember, which confines it to interstate shipments, is very harmful to the general good that could come out of that legislation.

Senator CAPPER. What change would you suggest?

Mr. BRAND. I should suggest, certainly, striking out the words "in interstate commerce," as I recall that occur in the paragraph.

The CHAIRMAN. Yes; that is correct.

Mr. BRAND. And for this reason, Senator: At the same moment potatoes from Long Island and potatoes from New Jersey arrive in quantity on the New York market, and the man who ships them in from New Jersey can have an inspection certificate, and the man who ships them in from Long Island can not have an inspection certificate.

The CHAIRMAN. The same thing occurs in Milwaukee and Chicago as to potatoes.

Mr. BRAND. Yes, sir.

Representative SUMNERS. What percentage of potatoes, of good, usable potatoes, are not susceptible of grading or standardization?

Mr. BRAND. The scheme is complete, so that no usable potato is deprived of its market; it is merely required that they be labeled "U. S. No. 1," or "U. S. No. 2," or "U. S. fancy," as the case may be, or "Ungraded."

Representative SUMNERS. Labeled "Ungraded"?

Mr. BRAND. Yes, sir.

Representative SUMNERS. What percentage of potatoes have to come under that designation?

Mr. BRAND. A very small percentage, because growers have generally found that they can get more money for their potatoes when they are graded than they can get when they are ungraded.

Representative SUMNERS. That was not exactly my question. For example, you take wheat; that is graded No. 1, No. 2, No. 3, and No. 4.

The CHAIRMAN. And No. 5.

Representative SUMNERS. Then there is a certain amount of wheat that can not come within any of those grades.

The CHAIRMAN. No.

Mr. BRAND. There are those five numbers, and then "sample"—they used to term it "rejected"—and that is sold by sample, and it will always have to be sold by sample, because its quality varies so greatly that no miller can safely buy it except by sample.

The CHAIRMAN. What Mr. Sumners is trying to get at is what percentage of potatoes falls into that grade?

Mr. BRAND. Well, it varies with the season. For instance, they had a hot, dry period this year in the Kaw Valley of Kansas when the potatoes were in their final making. The result was that the potatoes are not of the size and fine quality that they usually are, but they are in unusual demand, because in that whole plains territory there is nothing to compete with them except the potatoes from the Eastern Shore of Maryland; and they are shipping the Eastern Shore potatoes into that territory. As a result, they are not grading these Kaw Valley potatoes, because they can not grade them, and therefore they sell them as "ungraded"; but they bring what they are worth. Indeed, I was surprised to find what they are bringing. In Minneapolis ungraded local potatoes were bringing \$1.50 per hundred, which is very good as compared with a California price of \$3 per hundred for graded stuff, with a heavy freight rate on it.

Representative SUMNERS. Speaking generally of agricultural products, have we made sufficient progress in standardization of agricultural products to justify the hope that within a reasonable time, if the matter is properly pursued, we will have standards and grades established so that, generally speaking, they may be dealt in by grade and standard?

Mr. BRAND. I think so, Mr. Sumners. I think that in the last eight years the progress that has been made indicates that without doubt within a very short period of years all of the products that are substantial in tonnage can be handled under suitable standards.

Representative SUMNERS. Do you think it is possible to establish standards and grades for live stock to any considerable degree?

Mr. BRAND. Yes; we have had opportunity to study it and that is actually done. Naturally, it must be adapted to the particular thing that is being dealt in, but even those who ridiculed the idea 10 years ago have adopted it and, to a great extent, follow it now; so that you will find that Chicago quotations are based on quite definite classes of cattle.

Representative SUMNERS. You think live stock is capable of sufficient standardization to make it possible to have a quite general use of the standards?

Mr. BRAND. I do, and I think that is the general opinion of the best-informed cattlemen. I think that unquestionably men like Senator Kendrick, and other big cattlemen, are of that opinion. Naturally, it has got to be dealt with in a common-sense way and not in a purely technical fashion. The live-stock exchanges are all working in that direction.

Representative SUMNERS. What assistance does the Bureau of Markets render in the effecting of an economic and proper distribution of agricultural products, from a practical viewpoint? I am asking you that question now to be answered from the standpoint of a distribution and not as having been yourself connected with that bureau.

Mr. BRAND. There are two bureaus in the Department of Agriculture which render an extraordinary service to all marketing agencies; they are now one bureau, as a matter of fact, though it has been so recently combined that I still think of them as two: the Bureau of Crop Estimates and the Bureau of Markets. We would not think of making our plans for merchandising operations, for the purchase of the large quantities that we do purchase, for instance, of apples and other crops, without having available the information that the Bureau of Crop Estimates gives as to the quantity and condition of crops and the probabilities of yields; they are quite indispensable to intelligent planning in our industry.

The Bureau of Markets renders the greatest service, to us, at least, through the food products inspection service, the market news service, and indirectly, through the work they are doing in promoting the establishment of cooperative organizations; because we realize that no large organization can take the miscellaneous tonnage of individuals and build largely, any more than a great bakery can be built on the basis of delivering to the door of each individual consumer. The food products inspection service is of the greatest possible use to us, not only in enabling us to satisfy the persons for whom we conduct marketing operations, because the inspection of a disinterested body does satisfy them; at least, it does away with the criticism; they may not be satisfied with the returns, but they recognize that it is due to failure of quality, and not to any failure to do the best for them in a marketing way. The telegraphic news service and the distribution services connected with it have, in a number of cases, I should say, paid for many years the cost of those services.

Representative SUMNERS. You are a distributor. There are a great many other people who are engaged in this activity of distribution; you all rely, I assume, upon the Bureau of Markets for information with reference to probable demand in the different markets. How do you avoid the congestion occurring in those markets as a result of all shipping to what seemed to you to be the best markets?

**Mr. BRAND.** The Bureau of Markets figures give us a great deal of information as to destinations; we know what the distribution of the total movement is, and we know where it is being placed, and we know how many cars there are on the tracks in each of the big markets. For instance, in a market in which we operate in a large way, we know daily how many cars there are unopened and how many broken cars there are on the tracks, and generally speaking, we also know how well stocked the retailers are; and we use that information in our diversion of cars, to prevent the glutting of any market.

**Representative SUMNERS.** How does it happen that with each one of you having the same information and all trying to get his goods to the best market, too many of you do not ship to the same place?

**Mr. BRAND.** Well, once in a while we do; but generally speaking, things are fairly well known around the market; if cars are being diverted generally, it gets around that so-and-so is diverting his cars to such-and-such a place, and they know where the bare spots are. Furthermore, generally speaking, diversions arise from sales having been made which call for the diverting of the car.

**Representative SUMNERS.** You know which ones are headed for a certain market, and that they will beat you to it if you do not start ahead of them?

**Mr. BRAND.** They do not always know that, because the stuff is on rolling cars, and sometimes the market which looks the best to-day gets so many diversions that it is the poorest market to-morrow.

**Representative SUMNERS.** Yes; that is what I was thinking.

**Mr. BRAND.** It is a pretty nice question as to how far to go with diversions, and things of that sort.

**The CHAIRMAN.** You do not always get 100 per cent efficiency in that respect?

**Mr. BRAND.** No, absolutely we do not; we do our best to get it, but we do not always get it.

**The CHAIRMAN.** All right, Mr. Brand, you may proceed.

**Mr. BRAND.** I do not think of anything further that I wish to volunteer.

**Representative SUMNERS.** Have you any suggestions to make to us with regard to improving the marketing methods of commodities such as grain, cotton, and possibly live stock? You have not discussed that, I believe.

**Mr. BRAND.** I believe it would be rather presumptuous of me to do that. I do feel that the steps that have been taken to, in a degree, at least, liberalize the exchanges, are in the right direction. They have been rather strongly inclined to be exclusive, in some cases for the best of reasons, and still there are opportunities to bring about improvements that would enable them to accept the membership of the large cooperative associations and bodies of that character.

**The CHAIRMAN.** As you have been observing, Mr. Brand, what are the chief difficulties of maintaining cooperative organizations?

**Mr. BRAND.** Well, the first and most important difficulty resides in the nature of the American farmer, I think. They are natural individualists, and it is pretty hard to get them together, and nothing but the stress of acute economic need gets them together and keeps them together.

**The CHAIRMAN.** The farmer is not willing to make a sufficient sacrifice of his individuality to give up following his own courses and cooperate?

Mr. BRAND. That is very true. It very frequently happens, for instance, that the individual member of an association can get a better price from the individual cash buyer than he can from his exchange. Naturally, he wants the best price, and before you know it he is outside of the exchange, ignoring the fact that, except for its existence he never would have the higher offer in many cases. Then there is the natural difficulty of getting, at the prices that growers feel that they can pay, the competent managers that the business requires. I think that is one of the very important difficulties.

Then our production, generally speaking, is disseminated in such a way that cooperation is in itself difficult to carry out.

The CHAIRMAN. The goal of the farmers, as we hear it expressed here, is apparently cost of production plus profit. Do you think it will ever be possible to get cost of production plus profit without regard to market conditions—supply and demand?

Mr. BRAND. Absolutely never; and I think that one of the fundamentals that we should go back to, and that is where it seems to me the Government can render a very great service, is to assist in the adjustment of production to probable market requirements. Any man who wishes goes into almost any kind of enterprise and he has a perfect right to, so that we find ourselves from time to time overproducing various things. It seems to me that all these information services should be perfected to the last degree, in order to bring about this adjustment of planting to probable requirements, having in mind that the god of the seasons will give you a good season and overproduction where there is an underplanting in some years with an underproduction where there is an overplanting in other years. I think those are obstacles which manufacturers always have to overcome with regard to their product.

The CHAIRMAN. I am afraid that the manufacturer does not have as close connection with the production as he ought to have.

Mr. BRAND. I think there are weaknesses there, too, but I think they are very much better adjusted than they are in agriculture. In agriculture, generally speaking, the reason for heavy planting is that some one made money last year. Making of money last year may have been due to a very short crop, so that the fact that somebody made money is a very poor argument for increasing acreage.

The CHAIRMAN. Can you give us any idea of the packing costs? What I am getting at is whether these packing costs have increased during the war, and if they are showing any tendency now to come down in any such proportion as agricultural products have dropped.

Mr. BRAND. They did increase very greatly during the war period and while they have come down to some extent, they have not come down ratably with the drop in prices of agricultural products. That isn't true with respect to every item, but I think it is wholly true in the large. For instance, in the case of potatoes, jute bags are very much down compared with war prices. In fact, they are nearly normal. For instance, apple boxes, one year shows how they can come down. Last year apple boxes cost up to 32 cents and I should say the bulk of them cost from 28 to 30 cents, and this year they are selling around 16. So that many things have come down, and come down notably. In the case of packing-house labor, the relative reduction in different territories has been less, particularly in the far West where wages are still sustained on a higher level. In the

South and East and Middle West there has been a greater reduction than there has been in the far West. For instance, I have before me the cost of packing a car of navel oranges—

The CHAIRMAN. Where?

Mr. BRAND. At Riverside, Calif. The cost of packing, which includes the furnishing of the box, the paper wraps, the nails, etc., that car, \$347.65.

The CHAIRMAN. That would include loading on the car?

Mr. BRAND. Yes. That includes everything from unloading on the packing-house platform to the loading in the car. In some cases we make agreements whereby we also pick, harvest the fruit on the trees, and that would be additional and is not included in this case, and that is not so frequent in our operations in California as it is in operations in Florida.

The CHAIRMAN. Has the better packing and better service generally, better conditions in which fruit is marketed, tended to increase or decrease the price?

Mr. BRAND. It has unquestionably tended to increase the price and increase the readiness of sale. We have had cases in the market during the last year in which well graded, well packed, high quality stuff has sold readily and at a modest profit generally while low-grade stuff has been slaughtered and has occasioned heavy losses generally.

The CHAIRMAN. Hasn't that situation been quite general during the period of high prices? When people have lots of money they buy higher grades of stuff to the neglect of lower grades of stuff?

Mr. BRAND. That is very true, Mr. Chairman, and the result is an unusual spread in prices between the different qualities.

The CHAIRMAN. Can you give us any information in regard to that?

Mr. BRAND. In prosperous times I would say that given an ample supply of all qualities, the lower grades go begging; given an ample total supply but a shortage of high qualities, these then bring unduly high prices, and the lower grades unduly low prices. In case of short crops and high prices generally the lower grades bring nearly as much as the higher; in other words, all disparity tends to grow smaller.

The CHAIRMAN. I know every one who has observed the more or less wide spread of quality explains it as due to the recent period of high prices. The demand has been almost entirely for the highest quality, almost exclusive of the lower qualities. For instance, the manufacturers have explained that they have been almost unable to sell forequarters of meat. They claim that the result of that is that the hindquarters of meat sell higher; and there is no market for the forequarter.

Mr. BRAND. That is unquestionably true in retail lines.

The CHAIRMAN. I heard of one wholesaler of meat the other day who had refused to sell a hindquarter at all unless he could sell a forequarter with it.

Mr. BRAND. That is the same as the apple grower who won't sell a buyer his Grimes Golden unless the buyer buys his Ben Davis at the same time. One has got to carry the other. With reference to the cost of hauling and things of that sort, particularly the picking and hauling, the general cost per car in the case of citrus fruit is around about \$75 to \$85 per car.

The CHAIRMAN. How large a factor—for instance, in apples—how large a factor is demurrage charges, as such, and storage charges?

What I am trying to get at is, how much of the crop is carried and for how long a period, and what charges are entailed therein?

Mr. BRAND. It would be almost an infinitesimal fraction of 1 per cent. For instance, since you asked the question I have been running through these account sales and I have about 20 here and demurrage is specified extra, and there isn't a one in this group that has any demurrage charge against it. In the onion case that I related this morning there are some, and market conditions are largely a determining factor as to whether there will be demurrage. If the market is bad and you try to do your very best with the car and the tracks are holding them, you will pay demurrage. But demurrage is paid on under 1 per cent of the cars that move. You will pay some demurrage, but it will be a relatively small amount. I should say of the hundred cars on which I have data before me there would not be over 10 with demurrage on them and 80 per cent of them would be the onions, where the market was bad and the selling organization was trying to rescue something out of the situation.

The CHAIRMAN. Tell us generally about the storage of apples and the cost of storage. How long is the apple season?

Mr. BRAND. Apples begin to be picked, different varieties at different times. Just now the Duchess is picked and it is practically as perishable as the peach, so it is picked just as quickly; so is the Yellow Transparent. Later comes the season of the winter apples. They begin to go in storage in the different sections of the country anywhere from September 1 on. There are very few sections where they go in that early, but by the middle of September the movement is pretty well on.

The CHAIRMAN. How long would they stay in storage?

Mr. BRAND. We had this year two cars and about 400 boxes in storage on the 1st of July, and that is the first time, I believe, in our history we have ever had any apples in storage the 1st of July.

The CHAIRMAN. What are the charges on storage? Are they usually uniform?

Mr. BRAND. They vary greatly in different cities. I should say they vary from 18 cents to 40 cents for the season on boxed apples. The storage is a little lower on barrels than boxes. Year before last we had to pay as high as 75 cents per barrel. But that is unusual, I think. I would say from 50 to 75 cents per barrel. If you lease the space you keep putting in and out. That is our custom. But the ordinary individual who puts in a car pays the full season rate, or relatively a larger proportion of it for any brief period for which he stores his goods. A box holds 1 bushel, a barrel 3.

The CHAIRMAN. You have got a monthly rate?

Mr. BRAND. There are monthly rates in some of the houses and they are some considerable percentage of the season rate. For instance, if the rate was 25 cents a season, it is altogether probable the rate for a month would be 15 cents. It isn't proportioned altogether on the length of time, but rather on the amount of work going in and out. It is generally true of all fruit and vegetables that if they are retained beyond the normal season of storage, they make the holder such a large loss that he can not afford to keep them.

The CHAIRMAN. Have you any information in the localities where you are in production as to whether there has been any restriction of credit in the past 18 months?

**Mr. BRAND.** There has been an inability to get credit. Whether it has been a restriction of credit or not in a technical sense I would rather doubt, but it is a fact that the banks have not been able, in numerous sections, to extend the usual amount of credit either to growers or distributors who are assisting growers. In the Pacific Northwest that is particularly evidenced at this time and is made unusually acute by the failure of one of the larger banks in Seattle.

**The CHAIRMAN.** You don't engage at all in the business of making advances to farmers on their production?

**Mr. BRAND.** Yes; we do.

**The CHAIRMAN.** You do?

**Mr. BRAND.** Yes; we make considerable advances.

**The CHAIRMAN.** I know you referred to it this morning, but I was wondering whether that was in the form of advances to growers.

**Mr. BRAND.** In many of those cases there are definite advances to growers. Sometimes they are in substance advances, although they are really advance payments on account of the crop to be moved.

**The CHAIRMAN.** Are you performing that service because you want to get in that business, or because the local producers can not get the service from the banker?

**Mr. BRAND.** Either because he actually can not get it or that it is relatively easier to get it from us than he can from his banker, and we usually do it because we get not only the percentage which we may get from the bank, but in order that we may have the earnings from the marketing service we render.

**Mr. SUMNERS.** Mr. Chairman, I was anxious to know, in connection with storage, where these goods are stored, whether they are stored in warehouses in the cities of distribution?

**Mr. BRAND.** It varies according to the crop and the geographical location and according to the market. For instance, we may have storage facilities at a point where we can store a fair amount of goods at harvest time and have them to market gradually. However, in the Pacific northwest where apples are harvested in the autumn, with great danger of freezing in going through the mountains in the winter, we try to get the highest possible amount to the market centers or near the market centers before the freezing weather comes. We also retain some at the production point. But generally we aim to get the product to places like Kansas City, Malvern, Iowa, and other storage points where they enjoy storage rates in transit. We also bring a lot of our fruit to Lockport, N. Y., for the Boston, New York, and eastern markets. We have a storage plant at eastern terminals and store as much as may be required for Pittsburgh and the east. Each enterprise aims to spread its storage operations about as its marketing expectations will run.

**The CHAIRMAN.** I don't know whether I ought to ask you this question or not, but I will ask it anyhow. What advantage (I am speaking about legitimate business advantage) has a large organization like yours in marketing a crop, for instance, over an individual grower? I suppose there is an advantage or you would not be in it.

**Mr. BRAND.** The great advantage is that we are able to build up trade, because we are in the market all the time. We are not only in the market when citrus fruit is rolling, but we are in the market when lettuce is rolling, when potatoes are rolling, and apples. Practically anything that the retailer or wholesaler requires we are in

position to furnish. That enables us to build up a trade, and there is nothing so powerful. I think, as trading habits once built up. I have been astonished myself at the strength of the ties that come about and the preferences that buyers will give to certain enterprises in which they have confidence. They will pay us sometimes 10 cents a package more for the same line of goods than they will pay a competitor.

The CHAIRMAN. I think that is frequently underestimated by people who denounce the market system of the country.

Mr. BRAND. Absolutely.

The CHAIRMAN. They do not realize the habits and customs of the buyers and their attachment to people or institutions with whom they have done business and whom they have found it satisfactory to do business with.

Mr. BRAND. It is an extraordinarily powerful factor.

A next very great advantage is the intimacy of the market information we have. Every hour of the day our sales managers are on the telephone. For instance, our manager at Pittsburgh is in touch with Buffalo, Cleveland, Cincinnati, Harrisburg, Washington, D. C., Baltimore, Columbus, Ohio, and all those markets, almost as well as if he were in one of those towns. That enables him to distribute successfully and with the highest possible accuracy, preventing glutting of the market.

The CHAIRMAN. That leads me to the conclusion that in market cooperation the failure to cooperate on a large enough scale, the inability to perform a large enough service, is a serious handicap.

Mr. BRAND. I think that is true, and the lack of knowledge that there are large organizations, like ours, for instance, and some others, willing and glad to perform at a very reasonable cost a service that they would not be able to perform themselves by reason of our large tonnage. And another reason is that by reason of our large tonnage we are able to better distribute the crop. And of course excellence of distribution is the great determining factor as to prices and stability of prices.

The CHAIRMAN. Have you any experience or observation with water rates? Do you use water rates?

Mr. BRAND. Only to this extent. It has been found advantageous on a number of cargoes which are now being brought from California to bring quantities relatively sufficient for Atlantic seacoast around through the Panama Canal. That fact is having an important bearing on the attitude of the transcontinental carriers and on transcontinental freight rates, and it has been arranged that a good many apples will be shipped by water during the coming season.

The CHAIRMAN. I understand the California Fruit Growers' Exchange is trying to make arrangements with the Shipping Board for fitting out certain ships for that purpose.

Mr. BRAND. Yes, sir.

Mr. SUMNERS. To what extent does the extension of credit to a wholesaler enter into the methods and customs of doing business?

Mr. BRAND. In our business there is very little credit extended in trade channels. Most of the markets have specific rules, under which they operate, requiring weekly settlement, and in some markets they require settlement on the third day, and the rules of the produce exchanges in those cities call for the posting of names of persons who

fail to pay within the period. That has grown out of experience of the past. The condition at the present time is very good. Most firms are able to collect except in cases of actual failure—are able to collect their bills every week—and the comparative loss is very small.

Mr. SUMNERS. How do these produce exchanges run?

Mr. BRAND. There are voluntary bodies which through their by-laws control the ethics of the trade and which lay down rules as to credit and things of that sort.

The CHAIRMAN. Sales are not their purpose?

Mr. BRAND. I have attended their meetings many times and never have seen a sale. There is one meeting in the United States that is always awaited, to determine on prices, not by collusion but by attendance at conferences, and at which there is a great deal of trading. That is the meeting of the International Apple Shippers. That is more because of an opportunity for all the men over the United States to get together and talk over how much crop they are going to have, what its quality is going to be, and then each one comes to his own conclusion as to whether now is the time to buy and what the prices are to be. It is his own conclusion.

Representative SUMNERS. Do the sellers attend those?

Mr. BRAND. Yes, sir.

Representative SUMNERS. It is an annual meeting of buyers and sellers.

Mr. BRAND. Yes, sir. A number of producers belong to the International Apple Shippers' Association.

The CHAIRMAN. Under existing conditions, going back to the matter to which you referred, have there been many losses during the past year?

Mr. BRAND. The past year has been one in which most people have made considerable losses, some extensive and some not so extensive; but it has been a generally disastrous year, as is natural in a falling market. Almost nothing that was bought last fall brought the price paid when it went to market. I was noticing a statement of market prices the other day and it stated that of 74 commodities, 20 were lower than they were a year ago, lower than the five-year average, and I noticed that 14 out of the 20 were agricultural products.

The CHAIRMAN. I was about to ask you in that respect from the standpoint of the purchasing power of agricultural products in general, or about 77 as compared to the hundred (this represents 1913). Would that fairly represent the situation with respect to perishables? That is to say, are perishables now down to 1913 or above it or below it?

Mr. BRAND. I should say down about to the 1913 average. Some of them have held up remarkably. Strawberries have held up extraordinarily well considering the large shipments. The prices have held up very high. That is usually because of better quality. In cantaloupes we have marketed between eleven and twelve thousand cars from California, which no one would have believed possible, at fairly good prices. I think the producers in many cases are going to lose, but on the average fairly good prices ruled. I don't think it would have been possible except that we had two exceptional situations. First, cool weather conditions after the movement had reached more than 300 cars per day, such that it reduced the number of cars

down from 300 to about 200. This gave an opportunity to clean up one heavy movement and then to undertake another with markets fairly well cleaned up.

The CHAIRMAN. I understand your difficulty of distribution is when you have a high peak of production at a certain locality.

Mr. BRAND. Yes, sir.

Representative SUMNERS. We are told that a good many of our charts are based on 1913, the prices and the relationship, the commodities, etc. It occurs to me that the gentleman who has been preparing those charts might have some information on it.

The CHAIRMAN. The question is whether 1913 was a fair average year and was a normal year.

Mr. BRAND. I think so, and the Bureau of Markets could very soon advise the commission on that from data which they have already available.

The CHAIRMAN. We have taken a dozen different bases and worked them out: Five-year average, 15 years' average, 20, 25-year average, and single-year averages, and as far as we are able to determine it, 1913 appears to represent about as near normal as it is possible to get.

Mr. BRAND. We consider it generally normal in our industry; not with respect to every crop, but on the whole.

The CHAIRMAN. Is there anything further, Mr. Brand, you could suggest?

Mr. BRAND. No, sir. I am going to take advantage of your suggestion to put certain figures into the record.

The CHAIRMAN. I want you to put everything into the record that you think would be interesting to us.

Mr. BRAND. I won't abuse the privilege. I would not have time to abuse the privilege even if I had the inclination.

The CHAIRMAN. We thank you very much for your statement, and appreciate very much your coming down. You have made very valuable recommendations.

We will take a recess until 10 o'clock to-morrow morning.

APPENDIX A.

*Transportation costs for certain products from important production points to important markets.*

POTATOES.

To—	Present rate from Presque Isle, Me. (per hundred-weight).	Rate prior to Aug. 26, 1920 (per hundred-weight).
Boston, Mass.....	\$0.44	\$0.31½
Philadelphia, Pa.....	.66½	.47½
New York, N. Y.....	.61½	.44
Pittsburgh, Pa.....	.81½	.58½

Transportation costs for certain products from important production points to important markets—Continued.

## CALIFORNIA CANTALOUPEs.

To—	Present rate.				Rate prior to Aug. 26, 1920.			
	Per hundred-weight.	Refrigeration.	Per car.	Standard crate.	Per hundred-weight.	Refrigeration.	Per car.	Standard crate.
Chicago, Ill. ....	\$1.66½	\$125.00	\$471.74	\$1.61	\$1.25	\$125.00	\$412.00	\$1.27½
New York, N. Y. ....	1.75	140.00	567.79	1.64	1.56½	140.00	498.83	1.54
Boston, Mass. ....	1.75	140.00	572.94	1.66½	1.56½	140.00	503.98	1.55
Pittsburgh, Pa. ....	1.75	135.00	562.64	1.62	1.44	135.00	465.35	1.43½
Philadelphia, Pa. ....	1.75	140.00	576.79	1.64	1.56½	140.00	498.83	1.54

Prior to February 28, 1920, the refrigeration on cantaloupes from California was \$30 less, and on this mentioned date charge for refrigeration was increased the above-mentioned amount.

## NEW YORK STATE APPLES.

To—	Present rate from Lockport, N. Y.				Prior to Aug. 26, 1920.			
	Per hundred-weight.	Refrigeration.	Per car.	Per barrel.	Per hundred-weight.	Refrigeration.	Per car.	Per barrel.
Pittsburgh, Pa. ....	\$0.29½	\$40.00	\$114.12	\$0.76	\$0.21½	\$40.00	\$91.60	\$0.61
Philadelphia, Pa. ....	.35	45.00	132.87	.88	.24½	45.00	108.91	.71
New York, N. Y. ....	.35	40.00	127.72	.85	.24½	40.00	101.76	.68

## POTATOES.

To—	Present rate from Cadillac, Mich. (per hundred-weight).	Rate prior to August 26, 1920 (per hundred-weight).
Cincinnati, Ohio. ....	\$0.40	\$0.28½
Pittsburgh, Pa. ....	.42½	.30
Indianapolis, Ind. ....	.38½	.27½

## CABBAGE.

To—	Present rate from Marietta, Ohio.		Rate prior to August 26, 1920.	
	Per hundred-weight.	Per crate.	Per hundred-weight.	Per crate.
Pittsburgh, Pa. ....	\$0.26	\$0.29½	\$0.19	\$0.21½

## FLORIDA WATERMELONS.

To—	Present rate from Trenton, Fla. (per hundred-weight).	Rate prior to August 26, 1920 (per hundred-weight).
New York, N. Y. ....	\$0.80	\$0.60
Philadelphia, Pa. ....	.76½	.57½
Pittsburgh, Pa. ....	.82	.61½

Transportation costs for certain products from important production points to important markets—Continued.

CALIFORNIA CITRUS FRUIT.

To—	Present rate.				Rate prior to August 26, 1920.			
	Per hundred-weight.	Refrigeration.	Per car.	Per box.	Per hundred-weight.	Refrigeration.	Per car.	Per box.
Kansas City, Mo.....	\$1.92	\$80.00	\$816.65	\$1.72	\$1.66½	\$80.00	\$719.13	\$1.51
Chicago, Ill.....	1.92	85.00	821.80	1.73	1.66½	85.00	724.28	1.52
Pittsburgh, Pa.....	1.92	95.00	832.10	1.75	1.66½	95.00	734.58	1.54
New York, N. Y.....	1.92	100.00	837.25	1.76	1.66½	100.00	739.73	1.56

FLORIDA CITRUS FRUIT.

To—	Present rate.				Rate prior to August 26, 1920.			
	Per crate.	Refrigeration.	Per car.	Per box.	Per crate.	Refrigeration.	Per car.	Per box.
Chicago, Ill.....	\$1.13½	\$85.00	\$438.27	\$1.46	\$0.85	\$85.00	\$350.20	\$1.17
Pittsburgh, Pa.....	1.12	85.00	433.63	1.44½	.84	85.00	347.11	1.15
New York, N. Y.....	.83½	77.50	337.84	1.12	.62½	77.50	272.95	.91

APPENDIX B.

Growers' proceeds and transportation costs to eastern markets in northwestern boxed apples sold f. o. b. point of origin, season of 1920-21.

Point of origin.	Location of marketing office.	Date of sale.	Variety.	Growers' proceeds.	Transportation expenses. <sup>1</sup>
Cashmere, Wash.....	Pittsburgh, Pa..	Dec. 8, 1920	Spitzenberg...	\$1,540.35	\$676.46
Okanogan, Wash.....	do.....	Nov. 29, 1920	Delicious.....	1,344.97	744.78
White Bluffs, Wash.....	do.....	May 25, 1921	Winesaps.....	384.01	713.50
Yakima, Wash.....	do.....	June 24, 1921	do.....	* 178.82	763.83
Brewster, Wash.....	do.....	May 24, 1921	do.....	550.91	736.96
Omak, Wash.....	do.....	June 13, 1921	do.....	467.84	727.70
Wenatchee, Wash.....	do.....	Dec. 13, 1920	do.....	698.10	774.54
Peshastin, Wash.....	do.....	June 15, 1921	do.....	151.56	737.10
Walla Walla, Wash.....	do.....	Jan. 24, 1921	Rome Beauty.	308.35	718.69
Spokane, Wash.....	do.....	Dec. 22, 1920	Various.....	1,164.22	795.45
Entiat, Wash.....	do.....	Nov. 18, 1920	Winter Banana.	1,931.75	739.62
Pateros, Wash.....	do.....	Mar. 16, 1921	Spitzenberg...	1,612.00	739.62

<sup>1</sup> This item includes freight charges, refrigeration, diversion and demurrage (if any), war tax, etc. The average number of boxes per car was 756. Freight charges per se from points in Washington to Chicago were about \$623; refrigeration, \$80; war tax, \$21; total, \$724.

<sup>2</sup> Loss.



# AGRICULTURAL INQUIRY.

TUESDAY, JULY 26, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met, pursuant to adjournment on Friday, July 22, 1921, at 10 o'clock a. m., in the caucus room, House of Representatives, Representative Funk presiding.

Representative FUNK (presiding). The commission will come to order. We will hear from Dr. Mumford. Dr. Mumford, please give your name and connection to the reporter for the purpose of the commission and the record.

**STATEMENT OF MR. HERBERT W. MUMFORD, DIRECTOR, LIVE STOCK DEPARTMENT, ILLINOIS AGRICULTURAL ASSOCIATION, 608 SOUTH DEARBORN STREET, CHICAGO; ALSO A MEMBER OF THE FACULTY OF THE UNIVERSITY OF ILLINOIS, ON LEAVE.**

Representative FUNK. You are connected with the University of Illinois in what capacity?

Mr. MUMFORD. As professor of animal husbandry, on leave.

Representative FUNK. Dr. Mumford, the commission will be glad to have your views on the matters under consideration.

Mr. MUMFORD. My understanding is that I shall confine what I have to say pretty largely to the matter of live-stock marketing. I shall direct my remarks more toward the suggestion of possible remedies and solutions of certain difficulties than taking up your time to enumerate what those difficulties now are. I assume that you have been fully informed as to the present condition of the live-stock producers of the country.

I have seen fit to approach this subject more from the standpoint of normal than of abnormal conditions. I believe that from the standpoint of public welfare we should not approach these subjects from the standpoint of the emergency or of emergency legislation, because, judging from the past, by the time we get Federal emergency legislation, the emergency has passed.

In the first place, if the live-stock producers of the country are to prosper, as we believe it is desirable for them to prosper in the interest of the public welfare as well as in the interest of the live-stock producers themselves, they must be more intelligent with reference to the demand for meats. It is ruinous for the live-stock producers of the country to continue to produce for an oversupplied market. The reason why I raise this question is because as soon as

there is any suggestion on the part of the farmers or live-stock producers of the country to consider the question of controlling production of a product and to wisely, in my opinion, regulate the balance between demand and supply, that seems to be in the minds of many people a crime, and yet that is exactly the policy that has been adopted by every well-regulated business in the country. No corporation considers it wise to go ahead producing an article without some regard to whether it is going to have a market for that product when it has been produced. Otherwise it is an economic waste, whether in the production of foodstuffs or in some other commodity.

The live-stock producers of this country have always been too ignorant of the supply of live stock in the country. I have spoken about the necessity for their knowing more about the demand for meats and live-stock products. I now call attention to the necessity of their knowing what the supplies of live stock are in the country and in the world. I do not mean in this country alone, because live-stock marketing and live-stock production is not only a national problem but is an international one.

How are we to get more dependable information with reference to the demand for meats and with reference to the supplies of live stock in this and other countries? I would say that the first great step is in the development of Federal bureaus, such as the Bureau of Crop Estimates and the Bureau of Markets. I may be treading on delicate ground with this commission in saying this at a time when there is, as everybody recognizes, a tendency to reduce Federal functions and bureaus rather than to expand them and make them more efficient. I want to say to you that in my judgment, after giving some 25 years of my best effort to the study of these problems, that any direct or indirect attempt to stifle or cripple the work of the Bureau of Crop Estimates or the Bureau of Markets is not in the interest of the public welfare, to say nothing of the interest of the farmers and live-stock producers of this country.

I know that there is a sentiment abroad in the land that the farmers know too much already, but I am going to have a little more to say about that matter later on.

Representative SUMNERS. Mr. Mumford, unfortunately I was detained for a few minutes and did not get in here at the beginning of your statement. I want to ask some questions about this matter, and want to know whether you would wish to conclude your statement first and have my questions asked afterwards?

Mr. MUMFORD. It makes no difference to me.

Representative SUMNERS. I prefer to conform to your preference in asking questions if you will indicate it.

Mr. MUMFORD. Perhaps, if you will just give me 10 minutes more and then ask your questions it would be better.

Representative SUMNERS. That is all right.

Mr. MUMFORD. With this brief introductory statement I want to call your attention to two or three activities which we believe will be in line with a permanent and constructive policy with reference to the live-stock industry.

I am going to speak first of a by-product, you might say, of the live-stock industry, namely, wool. You may or may not be familiar with the fact that the woolgrowers of the country, or, at least, in

many States, have organized and have successfully administered what are known as wool pools, in which the wool of various local woolgrowers is gathered together in carload shipments, shipped to some central point, placed in storage, graded, and sold by grade by producer owned and controlled agencies, presumably to the best advantage of the producers themselves.

I am going to refer particularly to the experience in Illinois, because I am more familiar with the situation there. But what is true of Illinois is true of several other, at least, Midwest States.

Two years ago there was a wool pool formed in the State of Illinois. At the time this pool was formed and organized nearly all the wool grown in Illinois was sold to the local wool buyer, and the woolgrower took whatever the local buyer was willing to pay. There was absolutely no attention paid to the grade of the wool produced or the quality or the condition of the wool; but, like the time when our mothers and grandmothers were alive, if we were fortunate enough to be born and reared on a farm, they sold their butter at a standard price at the local grocery store, and so the local woolgrower sold his crop of wool, no matter what its condition or grade, at approximately a uniform price.

The wool pit undertakes to grade each woolgrower's wool on its merits. And the individual woolgrower gets the benefit of care in the preparation of that wool and in the grading of that wool.

We inaugurated in the State of Illinois a plan which was never before used—that each local woolgrower should receive from the warehouse and storage company with whom we pooled our wool a copy of the original grader's report. When the wool grader takes up an individual clip of wool, he has a sheet something like this [indicating a paper, in triplicate, held in his hand], upon which are enumerated some 17 or 18 different grades of wool. And here are itemized the color, condition, quality, method of tying up, etc., and on this sheet as the wool is graded the wool grader makes notations. He shows the number of pounds of wool of the various grades, and he shows what condition it is received in, whether moist or wet, and whether tied with binder twine or paper twine or the kind of twine recommended by the wool trade.

We have this grader's report sent to our office and copies of it made. One of those copies went to the individual woolgrower. The National Wool Warehouse & Storage Co., with whom we pooled our wool, were opposed to sending these grader's reports to the individual woolgrowers. They told me this: "Mumford, if you start that, you will get in the worst kind of squabble and trouble you were ever in." They said, "You will have the woolgrowers of the State of Illinois right astride your neck." I said, "Why?" They said, "You can not give the producer the truth about this matter; it will make him sore." I said, "I have worked with producers for some 20 years, and I think I know the producers as well as you do; I think one of the troubles, apparent troubles, that we seem to have with the producers is that the trade has kept from them too long full information about these things; that is what keeps the producers of this country suspicious, because you only give them half the truth." I said, "I have never yet failed in an effort to defend the truth. You give me the grader's report and I will stand the gaff."

And, gentlemen of the commission, I want to say to you that after a year's experience I have not one single complaint to come from producers and, on the other hand, I have a great many letters stating that the grader's report has done more to make these people intelligent woolgrowers than anything that has heretofore happened to them.

(The form of the Illinois Agricultural Association, in triplicate, furnished for the record by the witness, is here reproduced, as follows:)

ILLINOIS AGRICULTURAL ASSOCIATION, LIVE-STOCK MARKETING DEPARTMENT,  
130 NORTH WELLS STREET, CHICAGO, ILL.

COPY OF NATIONAL WOOL WAREHOUSE & STORAGE CO. GRADING REPORT.

Date, \_\_\_\_\_; owner, \_\_\_\_\_; lot No. \_\_\_\_\_; number of bags, \_\_\_\_\_; gross reweights, \_\_\_\_\_; tare, \_\_\_\_\_; net weight, \_\_\_\_\_.

Grades.	Weight this opening.		Put into pile No.	Grader's report.
F. & F. M. staple.....				Grader.....
F. & F. M. clothing.....				Color.....
½ blood staple.....				Character.....
½ blood clothing.....				Conditions.....
½ blood staple.....				Staple.....
Medium clothing.....				Twine.....
½ blood staple.....				How put up.....
Low ½.....				
Braid.....				
Fine black.....				No. 1 sacks.....
Medium black.....				No. 2 sacks.....
Coarse black.....				Worthless sacks.....
Bucks.....				
Cotts.....				
Dead.....				
Damaged.....				
Burry and seedy.....				
Tags.....				
Total.....				

When these woolgrowers get their account sales they also get a statement of what each one of the different grades of wool is worth in the open market. They find out that one grade of wool brings a lot more money than another grade. Then they inquire why that is so, and gradually they become more and more intelligent producers of wool.

I have it on the authority of the National Wool Warehouse & Storage Co. of Chicago, that had pooled with them a great many million pounds of wool last year, that they can see a very decided improvement in the condition and quality of Illinois wool in three years. They saw an improvement last year, and they see a much greater improvement this year. So it is not only a question of getting a better price for their wool, but these men become more intelligent wool producers.

Another thing that is important: The individual woolgrower begins to read the wool market with some degree of intelligence. I imagine it would be difficult for you to find many woolgrowers in

the State of Illinois that do not understand to-day why wool is cheap. Those things have all been explained to them—why with conditions existing at the present time wool is abnormally cheap.

We published a little pamphlet, a copy of which I have here, that we call a catechism on pooling wool in Illinois, in which we explained generally the wool-pooling proposition. You understand that the principle of the pool is this: That this wool is sent to a central point. There it is graded in large lots, and wool buyers are invited to come there and look at the large lots of graded wools and bid on same as the manufacturers may need wool for their purposes. It does away with the old system of dumping on the market at the time shearing is done a very large quantity of wool, thereby depressing the price and placing the wool clip in the hands of wool speculators and brokers.

Are there any questions in regard to this wool pool before I leave it?

Representative FUNK (presiding). Any questions, gentlemen of the commission?

Representative SUMNERS. Yes; I would like to ask a few questions in regard to it. I am especially interested in your observations with regard to wool being graded. I became convinced a long time ago that the economic sale and distribution of agricultural products are not possible until we establish grades under which commodities may be sold, and I am interested to know to what extent the trade accepts the classification and the grading of this wool made by the wool graders to whom you referred in your remarks.

Mr. MUMFORD. Well, you understand that the grading in our pool is done by a commercial grader; by a man who grades wool according to the demands of the trade. So there is nothing else for them to do but accept his grading.

Representative SUMNERS. You say he grades it according to the demands of the trade. I think I understand what you mean, but I want the record to clearly show what you mean. Do you mean that the classifications which he makes are used and accepted by those who manufacture woolen clothing, who buy wool for clothing and other purposes?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. That is very, very important. You say there is nothing else for them to do but accept it. I would like for you to state clearly for the record as to whether or not they do accept it.

Mr. MUMFORD. Well, I will say this, that my experience and observation leads me to the conclusion that very few manufacturers in the last analysis accept anybody else's grades but the grades of their own buyers. Do you get me straight on that?

Representative SUMNERS. Yes; I think I do.

Mr. MUMFORD. But just to give you a concrete example: We had some 60,000 pounds of a certain grade of wool left in the Illinois pool, and I was notified by the National Wool Warehouse & Storage Co. that a certain woolen manufacturing company had offered a certain price for that wool. Later I learned that they had bought the wool. I assumed that our pool was closed out, but upon closer inquiry I found that the buyer for that manufacturing concern had gone into the warehouse, had handled every fleece of that wool, and had thrown

out of the 60,000 pounds about 20,000 pounds that he would not take; that he had discarded that much. The remaining 20,000 pounds, or whatever it amounted to, had to be sold at a lower price to another buyer.

As to the grading of wool, which is the grading that is done in these warehouses, it is simply fleece grading. They do not untie the fleeces and divide up the fleece into grades; that is wool sorting. That comes in in the scouring mill or in the manufacture of the wool.

Representative SUMNERS. What is the practical benefit derived from your grading of this wool?

Mr. MUMFORD. Do you mean the fleece grading?

Representative SUMNERS. No; of the grading that you do. If the man to whom you sell the wool does not accept the classifications which you establish, of what practical use or benefit is the grading made by yourselves?

Mr. MUMFORD. Well, it is a crude, rough way of grading. That is, fleece grading is always crude and rough.

Representative SUMNERS. I did not ask you what kind of grading it is. I want to know what is the practical use or benefit of that grading?

Mr. MUMFORD. It makes it possible to intelligently price a certain lot of wool.

Representative SUMNERS. Let me see if I clearly understand you. The grading done by your grader separates the wool substantially into the various classes into which wool should be separated.

Mr. MUMFORD. Yes.

Representative SUMNERS. That enables you to deal with your own individual members, and approximately to separate your wool so that when the buyer who desires wool of a certain grade comes to inspect your supply he can find it; the wool that he examines is in the main segregated?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. Well, I think that point is quite clear. Now, I want to ask you another question: From your experience in grading wool, as far as you have progressed in establishing grades—and I judge from your statement that, practically speaking, the establishment of standards and grades for wool is still in formative period?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. Do you have good reason to hope that we may be able to work out grades and standards of classification for wool under which it may be sold to the consumer upon the grades so established?

Mr. MUMFORD. In referring to the consumer, you mean the manufacturer?

Representative SUMNERS. I mean the man who uses the wool.

Mr. MUMFORD. Well, I think we are gradually working in that direction.

Representative SUMNERS. The objective toward which you are working seems to be possible of attainment, I take it?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. One other question: What attitude do the financial institutions of the country take toward your effort to market wool in the method indicated by you?

Mr. MUMFORD. The best answer I can give you to that question is to say that we had an arrangement with the National Wool Warehouse & Storage Co., which by the way is largely owned and controlled by western woolgrowers and is not simply a commercial concern; it is owned and controlled largely, I say by western woolgrowers—that they had financial connections which made it possible for them to agree to make advances to the woolgrowers up to three-quarters of the estimated market value of the wool. This is making it possible for woolgrowers to hold their wool and not force it on the market until there seems to be a fairly good market for it.

Representative SUMNERS. An orderly process of marketing, in other words?

Mr. MUMFORD. Yes. And yet this same concern got into difficulties last year—not serious, but they got into difficulties, and in this way: Those of you who are familiar with the condition of the wool trade early last spring will remember that the market had not yet taken an extreme decline or deflation, and they made advances on western wool, amounts really in advance of what that wool could possibly bring, and some of it has not been sold yet.

Representative SUMNERS. Under the decline, you mean?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. That experience is not different from the experience of practically everybody in every line of productive activity in this country.

Mr. MUMFORD. No.

Representative SUMNERS. I want to ask you some questions about the marketing of your live stock, if some other gentleman does not want to inquire further about wool.

Representative FUNK (presiding). Congressman Lazaro, of Louisiana, wants to ask some questions about wool.

Representative SUMNERS. Very well; I will wait until he asks the questions he desires to ask.

Representative LAZARO. Mr. Mumford, I was very much interested in your statement as to the grading of wool. The Department of Agriculture estimates that the cotton grower loses from \$3.50 to \$25 a bale in the growing of his crop. We passed a national warehouse law, and we are preaching to our cotton people to-day the importance of taking advantage of that law. Our understanding is that in a United States bonded warehouse cotton is weighed and graded by licensed graders, and that a receipt given for cotton in such warehouse is recognized at the bank as paper that anyone interested, for instance, in lending money will accept. Do you take advantage of this bonded warehouse law in the woolgrowing sections of the country?

Mr. MUMFORD. Answering for the State of Illinois, I will say no. The difficulty with that from the standpoint of the man who produces wool as a by-product and not as a main issue or main crop is that there is so much red tape, if you will pardon me for using that expression, connected with the matter that it is really easier for the Middle West woolgrower to get his advances on wool by some more direct method.

In that connection, I want to call the attention of the commission to the fact that this year we worked out in connection with the Illi-

nois Bankers' Association a plan whereby the local woolgrower is given a receipt by the National Wool Warehouse & Storage Co. for his wool, and attached to the receipt is a form of assignment which is acceptable to the members of the Illinois Bankers' Association. The woolgrower can take this receipt of the National Wool Warehouse & Storage Co. to his local banker and make an assignment of his wool to the bank and get an advance on the wool.

(The form offered to the commission by the witness is here reproduced in the record, as follows:)

## SHIPPER'S RECEIPT.

Rec. No. \_\_\_\_\_  
Whse. Lot No. \_\_\_\_\_  
CHICAGO, ILL., \_\_\_\_\_, 192—.

National Wool Warehouse & Storage Co., 4300 South Robey Street, Chicago, Ill., hereby acknowledges having received from \_\_\_\_\_, county agent at \_\_\_\_\_, \_\_\_\_\_ sacks of wool of which the gross receiving weight is \_\_\_\_\_ pounds, and stated by said consignor to belong to \_\_\_\_\_, of \_\_\_\_\_, R. F. D. \_\_\_\_\_, Ill.

This consignment of wool will be stored, graded, sold, and remitted on in accordance with an agreement between the Illinois Agricultural Association, as agent for consignors, and the National Wool Warehouse & Storage Co., of Chicago, Ill., terms and conditions of which are printed on the back of this instrument.

NATIONAL WOOL WAREHOUSE & STORAGE CO.  
By S. T. POPE, *Assistant Secretary.*

## ASSIGNMENT BY CONSIGNOR.

For value received the undersigned hereby sells, assigns, transfers and sets over unto \_\_\_\_\_ of \_\_\_\_\_, all right to the wool hereinabove described and to the proceeds of sale thereof, and hereby directs the National Wool Warehouse & Storage Co. to pay direct to said bank all sums, which in the absence of this assignment would otherwise be coming to the undersigned as the proceeds of sale of said wool, less charges of said warehouse; and the undersigned hereby directs the National Wool Warehouse & Co., as soon as may be, to provide the said bank with a true copy of its grading report on said wool. \_\_\_\_\_.

## NOTICE OF ASSIGNMENT.

If this receipt is assigned, notice of same must be given by both assignor and assignee to the National Wool Warehouse & Storage Co., which will acknowledge receipt of notice of said assignment to both assignor and assignee.

\_\_\_\_\_, 192—.

NATIONAL WOOL WAREHOUSE & STORAGE CO.,  
4300 South Robey Street, Chicago, Ill.

GENTLEMEN: This is to notify you that I have this date assigned shipper's receipt on lot No. \_\_\_\_\_ to \_\_\_\_\_ of \_\_\_\_\_ and wish you to make settlement accordingly.

(To be executed by assignor.) \_\_\_\_\_.

\_\_\_\_\_, 192—.

NATIONAL WOOL WAREHOUSE & STORAGE CO.,  
4300 South Robey Street, Chicago, Ill.

GENTLEMEN: This is to notify you that shipper's receipt on lot No. \_\_\_\_\_, dated \_\_\_\_\_, has been assigned by \_\_\_\_\_ to this bank and request that settlement be made accordingly.

(To be executed by assigned.) \_\_\_\_\_.

\_\_\_\_\_ Bank.  
By \_\_\_\_\_.

## TERMS AND CONDITIONS.

The shipment of wool referred to on the reverse side hereof is consigned to and received by the National Wool Warehouse & Storage Co., of Chicago, Ill., hereinafter called the company, under the following terms and conditions, to which the consignor by the acceptance of this receipt hereby consents and binds himself, viz:

1. The company agrees to receive, store, grade, fully insure, sell, and ship to purchaser or purchasers any or all wool consigned to said company by consignors through the Illinois Agricultural Association, hereinafter called the association, and subject to the deductions contained in the following paragraphs to pay over the amount received from such sales to the individuals who hold the company's receipt, as hereinafter provided.

2. The consignor agrees to pay to the company for the services of receiving, storing for a period of five months, grading, insuring, and selling any consignment of wool the sum of 3 cents per pound upon the weight of the wool sold, and that this commission of 3 cents per pound may be retained by the company at the time of rendering account of sale to the consignor.

3. The consignor agrees to pay 15 cents, with insurance added, for each month or portion of a month, upon each bag of said consignor's wool still in storage and unsold at the end of five months after a date of arrival of the wool at the company's warehouse, and that the company may retain, at the time of rendering account of sale to the consignor, the above storage and insurance charges accruing upon said consignor's wool held beyond five months' time. The weight of a bag of wool shall be considered 200 pounds or a portion thereof.

4. The company, as selling agent, agrees to assume responsibility for payments of all accounts contracted in the selling of the consignor's wool.

5. It is agreed that the interpretation of general market conditions, values, and all other matters pertaining to the sale of the consignor's wool shall be left to the company, cooperating with the representatives of the association, without liability to the company.

6. Upon examination of wool shipments after arrival and ascertaining their weight, the company will issue a shipper's receipt and deliver the same to the association. Shipper's receipt shown on other side of this sheet.

The association agrees to deliver the shipper's receipt to the consignor.

7. The company agrees that if shipments are received through the association composed of wool belonging to more than one consignor, each lot will receive individual grading and attention, and the company will prepare a separate statement of account for each consignor, which statement shall show the name of the consignor, the grades, weight, and price of each grade contained in each lot of wool, and each owner's or consignor's proportionate share of freight.

8. The company agrees to furnish at the warehouse during the grading season, a duplicate copy of the grader's report on each individual lot, these reports to be sent to the Illinois Agricultural Association, one copy to be retained by the association and the other copy to be sent to the consignor.

9. The company agrees to allow representative attendants who have been duly authorized by the association to observe all of the handling operations through which the wool will go until the time it is sold; the association agrees that said representatives shall in no way interfere with the routine manner of wool handling in warehouse or offices of the company.

10. Weights and owner's name on each bag in less than carload and express consignments shall be marked thereon by the consignor at the time of loading and lot numbers and weights for carload shipments, in order that mistakes may be checked and traced.

11. As an accommodation to the association, the company agrees to retain from the amount due each individual consignor from the sale of his wool, one-half of 1 cent for each pound of wool sold; and to remit the amount so retained to the association; it being understood that this is to cover cost of services rendered such consignor by the association, and that this arrangement is made with the sanction and approval of such consignors.

12. The balance of the proceeds from each consignment will be sent directly by the company to the consignor, or to the assignee of consignor's shipper's receipt.

**Representative LAZARO.** Would not the Federal reserve banks, for instance, recognize a receipt issued by a United States bonded ware-

house based upon your wool quicker than they would a receipt issued by your organization?

Mr. MUMFORD. It is quite likely.

Representative LAZARO. Would not insurance cost you less money?

Mr. MUMFORD. I can not answer that.

Representative LAZARO. I will say this, that some States have already made a reduction of 25 per cent on insurance rates where the product is deposited in a United States bonded warehouse.

Mr. MUMFORD. You understand that so far as this wool proposition is concerned that woolgrowing in the State of Illinois is a mere incident to the sheep industry and the sheep are not kept for the purpose of producing wool; and I am giving this wool matter simply as an example of what we believe to be an advantageous handling of the proposition from the mid-West standpoint and not from the standpoint of where wool is the principal product, as it is on some of the western ranges.

Representative LAZARO. Do you not think it would be of benefit to all the people if the producers of wool as well as of other products, say, of tobacco, cotton, rice, and so on, would take advantage of this national warehouse law and eliminate all the red tape and finally get to the point where a receipt issued by the United States bonded warehouse showing weight and grade would be recognized by the financial interests?

Mr. MUMFORD. That would seem desirable.

Representative LAZARO. You think so?

Mr. MUMFORD. There is one thing before I leave this matter of woolgrowing—

Representative SUMNERS (interposing). I want to ask you on the point that Congressman Lazaro has interrogated you with regard to. You stated to Mr. Lazaro in response to his question that quite likely you would be able to effect more advantageous financial arrangements if this commodity were stored in a bonded warehouse and the individual would negotiate his own loan. To my own mind there is a very serious question as to whether or not in the working out your answer is quite a correct answer. I do not mean to take issue with you, but I think this is very important, because two plans are under consideration by the farmers for the economic handling of their commodities: (1) Storing commodities in a bonded warehouse, where the identity of the commodity is not lost and the individual farmer, with wool, say, will take his receipt and undertake to negotiate his own credit. As I understand your plan, without having examined it or familiarized myself with your practice, I assume in a very definite degree this wool, which constitutes a part of the pool, loses its identity?

Mr. MUMFORD. Absolutely.

Representative SUMNERS. And the farmer's interest is a proportionate interest of the whole?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. Rather than ownership of the wool which came off his own sheep?

Mr. MUMFORD. You are quite right.

Representative SUMNERS. In California, where, perhaps the greatest success has been attained, greater than in any other section, the

bean growers, for instance, a few years ago found themselves in difficulties with regard to the marketing of their beans. They stored their beans in a recognized warehouse, a warehouse which met the requirements of those who proposed to make loans, and I assume they would meet the requirements of the bonded warehouse law; they took the receipts for those beans, the association did, to a trust company with which they had made arrangements. The trust company issued its notes bearing 6 per cent, I believe. The association issued its notes in return. They took those notes from the trust company and negotiated them at various banks, which banks in turn rediscounted them with the Federal reserve bank system. By reason of that pool they had the advantage of trained men, and had the advantage of financial institutions in the making of loans. I do not think there is perhaps any very considerable difference in the working out of that plan and yours. Just as you have an opportunity for collective sales, you have an opportunity for collective negotiations for cheap credit, which would seem to me to be a very considerable advantage.

Are you ready now to have me ask some questions about the live-stock market?

Mr. MUMFORD. There is just one point I want to raise in regard to this grading of wool before I leave it.

Representative FUNK (presiding). You may continue.

Mr. MUMFORD. I want to make it clear, however, that it is true, as has been pointed out, that the identity of the woolgrower's wool is lost when the wool is pooled and graded. I have understood indirectly that the Bureau of Markets interested itself in this matter of grading wool, and had a number of Federal graders out through the country grading wool. There was considerable criticism from the trade with reference to the wool grades which the Bureau of Markets undertook to establish. I am not sufficiently familiar with the subject to say whether the Bureau of Markets was right and the trade was wrong, or whether the trade was wrong and the Bureau of Markets was right. But I have been told that the appropriation for Federal wool graders has been eliminated and that it is not possible for Federal graders to be employed and used, either experimentally or otherwise, at the present time.

Representative LAZARO. It is not your understanding that where a community takes advantage of the Federal warehouse law that the grader is selected by the department, is it?

Mr. MUMFORD. No.

Representative LAZARO. The grader can be selected by the people interested in the warehouse, subject, of course, to the regulations?

Mr. MUMFORD. Yes; but you must have both, regulation of the warehouse and regulation of the grader.

Representative LAZARO. I know; but the grader's judgment comes in there.

Mr. MUMFORD. To be sure; but the only way you have of checking the grader is some Federal bureau.

Representative LAZARO. In name only. But that does not alter the fact that you can find a good grader in a community working under these regulations?

Mr. MUMFORD. Absolutely.

Representative LAZARO. The point I was trying to bring out was this: Would not a receipt, based on wool coming from a United States bonded warehouse, finally have more weight in the wool trade than any other receipt?

MR. MUMFORD. I am not prepared to answer that question; I do not know.

Representative FUNK (presiding). You may proceed with your statement.

MR. MUMFORD. In order to be brief I have set down a few points that I think are most needed to improve conditions surrounding the live-stock industry. Some of these points I have already mentioned incidentally, and with some danger of duplication I am going to note these in passing:

1. The better balancing of supply to demand. Live-stock producers must be more intelligent with reference to the demand for meats and avoid wasteful overproduction.

2. To avoid disastrous breaks in the market live-stock producers should work out a plan by which receipts on the market from day to day and from week to week would be evenly distributed. In other words, live stock should be sent to the market in a more orderly manner.

You, who are live-stock producers, realize that the disastrous breaks in the market make the difference very often between profit and loss to live-stock producer, who may have been working one year or two years or three years to get his live stock ready for market. And then he arrives on the market upon a day and hour when the market may have gone off, as we say, a dollar a hundred, or 50 cents a hundred, or maybe more. The live-stock producers of the country, because they are chiefly concerned, must work out some plan by which the live stock of the country can be fed to the terminal markets in an orderly way, and not dump same on the market precipitately whenever the live-stock grower may feel he is ready to sell.

In this connection I want to give you one illustration as an object lesson of just what this means to the live-stock producers: During the fore part of January, 1921, there were something like 200,000 hogs sent to the leading markets of the United States on two consecutive days, on a Monday's and Tuesday's markets. We tabulated the average weights of the hogs, and the prices of the hogs and the break with that large run which was made in the market price on those various markets. It varied all the way from 25 cents a hundredweight to 60 cents a hundredweight, and at a time when the general condition of the hog market and the trade in hog products was such that the tendency of the market was up and not down. But with this large run of hogs the average break in the market was close to 50 cents a hundredweight. As I say, the normal tendency of the market was up, but due to these large runs the market broke an average of 50 cents a hundredweight, and the result was that the hog raisers of the country lost in two days \$200,000. There was no reason why they should have lost that if they had had a plan worked out for a more orderly marketing of their products.

Representative SUMNERS. I wish you would work out that plan.

MR. MUMFORD. That is a long story.

Representative SUMNERS. Have you got it in your head?

Mr. MUMFORD. No, sir, and yes, sir. In making that double answer I want to call the attention of the commission to what I think are two necessary preliminary steps to bring that about, and I am going to discuss those. But you understand it is a very difficult problem, and I would simply expose my well-known ignorance if I were to tell you right off the bat how to do it.

Representative SUMNERS. A good many other people are perfectly willing to do that.

Senator LENROOT. We are very glad to have the refreshing information that there is a witness who will admit he can not do it right away.

Mr. MUMFORD. You will have to search elsewhere if you want someone who wishes to assume that he has a sure and complete solution to this difficult problem.

Representative SUMNERS. We have had some witnesses here who could do it, right off the bat.

Mr. MUMFORD. I am very glad at least that you all admit there is need for it.

Representative FUNK (presiding). You may continue your statement, Mr. Mumford.

Mr. MUMFORD. I want to point out to the commission that there is in this country a change in the tendencies in the matter of live-stock production. That change is toward a more universal live-stock production on our farms, where they are producing various classes of stock in smaller numbers, while the old live-stock specialist produced cattle or hogs or sheep in very large numbers, and he is gradually but surely disappearing. In other words, if I have correctly judged the tendencies in live-stock production, and looking to the future live-stock production is going to be a conservator of by-products of grain growing and also, to be sure, of pastures and areas used for pasture which can not be used for the purpose of grain growing.

The live-stock producer of old who, produced cattle, hogs, and sheep in very large numbers, was more or less an expert. He knew a great deal about the business. He knew very much more than the average farmer is likely to know. The large producer of live stock has always been a privileged man in the live-stock trade as compared with the small producer. That is true, of course, in any interest; the large producer has an advantage over the small producer. He knows his business better. He knows how to produce more intelligently, and he knows how to market more intelligently. The small operator has been the man who has not received what his product has been worth, relatively speaking, and he has had no way to protect himself. If I am correct in saying that the future of live-stock production in the country is tending toward a larger production on the farms of the country but in smaller lots, we are facing a situation where we must find a way for that small operator to operate successfully. We must find some way to give that small operator the advantage of expert help.

Gentlemen of the commission, I have led up to this point because I wanted you to see what in my judgment is one of the steps in the logical solution of the problem. I want to say to you, and I am sorry I can not give you exact statistics in this connection, that a

very large part of the volume of live-stock production in this country to-day comes from the small operator and not from the large operator; and if we are going to safeguard the food supply of the future so far as meat production is concerned, we are going to do it by taking care of the small as well as the large operator.

In the Middle West there has been a movement, growing very rapidly, which undertakes to bring to the small live-stock producer the advantage which the large operator has to a certain extent enjoyed or tried to enjoy. It has been no source of joy to anybody for the last few years, but I promised you I would not burden you with that story.

I refer in this rapidly-growing movement to what is known in the Middle West as the Cooperative Livestock Shipping Association, where the man, no matter whether he produces 1, 5, 10, 15, or 20 animals, has the opportunity to joint with his neighbor and ship those animals to the open market and get what the animals are worth on the open market. He does not have to be at the mercy of the local buyer, who knows infinitely more about the grade and value of live stock than the farmer knows, and who can take advantage of the small operator.

This Cooperative Livestock Shipping Association puts within the reach of the small operator the opportunity to know that his stuff is sold on the open market according to its grade. You can see what an advantage that is to the small operator and what a tendency it has to stabilize conditions.

Just as a matter of illustration, I am going to refer to the growth of this movement in the State of Illinois—and what is true of Illinois is also true in great measure in Iowa, Indiana, Missouri, Minnesota, Michigan, Ohio, and many other States in that section of the country, where, as you know, a great deal of live stock is produced. Nine months ago there were 213 of these cooperative live-stock shipping associations in the State of Illinois. Coming down on the train I counted up, for I had had a list prepared in my office, and I found that the number now existing in the State of Illinois is 376, a gain of considerably over 100 in nine months.

I know there has been a tendency on the part of some people to look upon this as small business; I repeat, as small business. Let me have a word to say on that point—

Representative SUMNERS (interposing). May I ask you one question first?

Mr. MUMFORD. Certainly.

Representative SUMNERS. Are those associations in any way federated in regard to management or the working out of uniform shipments as among the various units?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. Would you mind indicating at this point how that is arranged?

Mr. MUMFORD. That is handled differently in the different States, but in the State of Illinois all these cooperative shipping associations have their clearing house, as you might say, through the live-stock department of the Illinois Agricultural Association, of which I happen to be a director. We undertake to give a local association the benefit of the last word in the matter of form of organization and in the method of handling these local shipments.

Representative SUMNERS. Do you have any arrangement by which, if the Chicago market on a certain date is a good market to which to ship, you can prevent all your people from shipping in about that time and thereby avoid what happened when 200,000 hogs went in on the markets?

Mr. MUMFORD. That is a very proper question, but I think you can all understand that from the standpoint of Illinois, Illinois is not the only contributor to the Chicago market, and while we might furnish the very best kind of advice to our cooperative shipping associations in Illinois we might get tangled up when Iowa, Indiana, or some other State contributing to the Chicago market got out different advice.

Representative SUMNERS. Or it might give out the same advice?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. If you do not mind, I wish you would let us linger for a moment at that point. I think you are getting at the very crux of this situation now. I assume from your statement that the difficulties you run into in undertaking to systematize distribution with reference to demand is that if you were able to effect systematic distribution as among the various cooperative marketing associations in your own State you have no way of knowing whether or not, even if your own people carried out the best information you are able to give them, that Iowa and Indiana and all other States that ship into the Chicago market may not be shipping in on the same day, and that when your people arrive, acting upon the best information you could get and give them, the other fellow would be found to have also arrived. Have you any plan by which that sort of thing can be avoided?

Mr. MUMFORD. I might say that it was just such problems as those that led the American Farm Bureau Federation—and some of you may have heard of it—to appoint a national committee of 15 to work out those problems in live-stock marketing. I happen to be a member of the national committee, and I can assure you that that committee is giving its most earnest consideration to this very problem we are discussing; and I think I violate no confidence when I say we had in mind a national board which will work out this very problem of orderly marketing, and the members of that board will have authority delegated to them through these local shipping associations and terminal marketing agencies for the regulation of receipts.

Representative SUMNERS. If I am not asking a question which goes into a realm you would regard as confidential, I would like to ask if you gentlemen have considered the possibility of establishing grades for live stock; not to which you would hope all live stock would conform, but that a substantial proportion of the live stock would conform in order to establish grades upon which you would agree, so as to make possible the selling of animals, while still on the farm, for future delivery, or concentration at least under prior sale. It would seem to me if you could do that that you would very much strengthen the position of the seller of live stock and make orderly distribution more easy. They could go then under prior sale. When live stock once leaves the farms and ranches and goes into the stockyards, where it is held under high expense for maintenance, and I assume shrinkage amounts to a good deal, with a limited number

of persons who patronize that market, the seller is at a great disadvantage?

Mr. MUMFORD. You are raising a very large question.

Representative SUMNERS. It seems to me it is fundamental to a complete solution of the problem.

Mr. MUMFORD. Of course, it gets into the question of whether a centralized market is necessary in order to establish a market.

Representative SUMNERS. Economic distribution is the problem. You have a number of packing houses in the United States. You have at least two that are available to your market, probably three. You have several things to consider: (1) The demand of a given market; (2) the demand as amongst markets. If you could effect any sort of arrangement by which you could have a real live-stock exchange, where those animals would be listed for sale by their descriptive grades, and make their purchase accessible to all purchasers—whether for feeders on the range, or for the small packing house in the little town—or for the big packing house—you would greatly broaden your market and strengthen the position of the seller, it would seem to me.

Mr. MUMFORD. Well, I hope that we shall eventually be able to work out a plan whereby a given grade of live stock will be followed by a given price.

Representative SUMNERS. A relative price?

Mr. MUMFORD. Yes. Everybody who is familiar with the live-stock markets of the country knows that a certain grade of live stock may sell in a certain section, say in the Union Stockyards at Chicago, at a certain price, whereas the very same grade of live stock will sell in another section of the same yard at quite a different price.

Representative SUMNERS. And that the different packing houses scattered over the country pay different prices on the same day?

Mr. MUMFORD. Yes; of course there is some reason for that. The matter of freight rates has a bearing on that question. But it is logical to believe that we should work to the end that a certain grade of live stock on any given market should sell at approximately the same price, whether it is one section of the yards or another section of the yards. At the present time it is a good deal of a horse-trading proposition—the fellow that is the best trader gets the best price.

Representative FUNK (presiding). You may continue your statement.

Mr. MUMFORD. If I may proceed with these points that I have they may raise some other questions in your minds. You reverted to this point I mentioned, to avoid disastrous breaks in the market live-stock producers should work out a plan by which receipts on a market from day to day and from week to week will be evenly distributed. In other words, live stock should be sent to the markets in a more orderly manner.

3. Freight rates on live stock must be speedily lowered. I bring in this point not because I want to spend time on it but because I wish to point out what the present high freight rates are going to mean in the development of the live-stock industry if they are persisted in—just simply one incidental point. I am making this statement with a very different purpose in mind; that is, the point I am going to try to make will have a very different effect in speedily

bringing about lower live stock freight rates. I do not know of any one single factor in the live-stock business that will bring about decentralization of the live stock and meat trade any quicker than the present high freight rates on live stock.

Representative FUNK (presiding). Decentralization as applied to buyers or producers?

Mr. MUMFORD. Buyers; just think that over.

Senator LENROOT. Will you repeat that statement again?

Mr. MUMFORD. I do not know of another single factor in the live-stock trade to-day that will bring about decentralization of the live stock and meat industry as quickly as present high freight rates; that is, any condition or seeming condition giving advantage to centralization in live-stock markets and the meat business, is at present largely destroyed by high freight rates.

Senator LENROOT. Do I understand that you are an advocate of high centralization?

Mr. MUMFORD. No, sir.

Representative SUMNERS. Are you an advocate of high freight rates?

Mr. MUMFORD. Did I say so?

Representative SUMNERS. No; but I wanted to get it clear in the record.

Mr. MUMFORD. Did not I give my reason for making that statement, that I wanted to bring about lower freight rates?

Senator LENROOT. As the record now stands you are in favor of lower freight rates in order to further centralize the markets?

Mr. MUMFORD. Not at all.

Senator LENROOT. I am afraid that deduction may follow unless you give a further explanation.

Mr. MUMFORD. I do not want that to follow. That is not what I mean. Is there anybody who does not understand what I mean?

Representative FUNK (presiding). I confess that I do not understand you.

Representative SUMNERS. And I do not.

Senator LENROOT. And I have not got the matter straight yet.

Mr. MUMFORD. First of all, I believe in line with public policy, public welfare, and the good of the live-stock industry that freight rates on live stock should be speedily lowered.

Representative SUMNERS. We have got that.

Mr. MUMFORD. I do not want any mistake to be made in my position on that matter. Now, gentlemen of the commission, with the hope that one fact, which stands out very clearly in my mind, will help to bring about that desired effect, namely, lowered freight rates, I say if freight rates are not speedily lowered, there is not any other single factor that will as speedily bring about decentralization of the live-stock and meat trade—nothing else like high freight rates.

Representative FUNK (presiding). Is that a desirable thing?

Mr. MUMFORD. Decentralization?

Representative FUNK. Yes, sir.

Mr. MUMFORD. I believe the future development of the live-stock industry and the meat trade will be in the direction, possibly not of decentralization of what we have, but the growth and development of this industry will be in the way of a larger number of independent plants.

Senator LENROOT. Then high freight rates tend to bring that about, according to your judgment?

Mr. MUMFORD. Yes, sir.

Senator LENROOT. High freight rates, then, are not altogether an evil?

Mr. MUMFORD. It is not altogether an evil; it is not an unmixed evil; but I do not advocate it.

Senator LENROOT. I understand that.

Mr. MUMFORD. According to my own hopes, it can be brought about in a less painful way, do you understand?

Senator LENROOT. Yes.

Representative SUMNERS. Right on that point, which is rather important, balancing one against the other, how do you conclude that high freight rates, which will develop decentralization, are more desirable than low freight rates?

Senator LENROOT. He does not take that position.

Mr. MUMFORD. Oh, no. And now let me go on, if I may.

Representative SUMNERS. May I ask another question so as to get your view more clearly?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. As against the benefits to be derived from decentralization by the existence of high freight rates, the benefits to be derived in the other direction from lower freight rates would more than offset the other benefits; is that what I understand you to say?

Mr. MUMFORD. I think the live-stock producers of this country and the public will not be satisfied until we get not only lower freight rates but ultimately get an increase of independent plants.

Senator ROBINSON. I apprehend when those who are interested in maintaining what you have designated as centralization of market control become awake to the fact that high freight rates make that condition impracticable, if not impossible, they will join hands in an effort to secure lower freight rates?

Mr. MUMFORD. You have the idea.

Senator ROBINSON. I had the idea some time ago, but I saw you did not care to express it in that way and refrained from doing it myself.

Mr. MUMFORD. I did not intend to evade your question, Senator Lenroot.

Senator LENROOT. Oh, I understood that.

Mr. MUMFORD. I think it is a matter that will clear up as we go along.

Representative FUNK (presiding). You may resume your general statement.

Mr. MUMFORD. The next point I wanted to note was the broadening of competition for live stock and its products. Speaking of centralization, these large terminal markets and packing houses that go with them, there is a good deal to be said in favor of centralization of the industry to that extent. But if the live-stock producer is to go up against that highly centralized policy he must meet a highly centralized buying by a highly centralized selling.

I think the advantages of high centralization in the live stock and meat trade are chiefly two:

1. In the advantage in buying, which has never yet been met by successful centralization in selling; and
2. By centralization in distribution.

That is, the advantages of high centralization in the live-stock and meat trade have been advantages in buying and in distribution. I do not say that this high centralization has been used to the disadvantage of the producer on the one hand and the disadvantage of the consumer on the other hand, but I do say it is possible.

Senator LENOX. Do you think that high centralization develops a higher use of by-products?

Mr. MUMFORD. Up to a certain point; yes. Beyond a certain point mere bigness is not an economic advantage but an economic waste. That proposition has been overworked. What we need to develop in this country is more real competition for our live stock and live-stock products. I doubt very much whether we can do that by greater centralization.

The fifth point I have noted here is that ultimately the financing of the live-stock industry must as far as practicable be controlled by live-stock producers, because live-stock producers in this country can never control their marketing, they never can bring about orderly marketing, until they control the financing of the live-stock industry. When you call your money you call your live stock.

6. I have called attention to the desirability of encouraging co-operative shipping associations. And, by the way, I just jumped headlong away from that subject because some questions were asked me, but I am glad they were asked; but I want now to get back to that subject for a moment. I started in to say that we are inclined to look upon the Cooperative Shipping Association as a small insignificant affair. I told you what the growth of the movement in Illinois had been in nine months, and it is still going strong. There are some 90 out of 102 counties in the State of Illinois that are organized with these cooperative shipping associations. The aggregate business of those shipping associations in those counties vary from \$20,000 of business a year up to \$3,500,000 worth of business a year. We had one county in the State of Illinois last year that shipped into the Chicago market \$3,500,000 worth of live stock. This movement has grown to such an extent in the Middle West that receipts on the Chicago market now approximate from 25 per cent to 33½ per cent cooperative business.

This leads up to the next point, and that is, that the establishment of these cooperative shipping associations and this new movement in the marketing of live stock, has created new problems in marketing. The present selling agencies have been antagonistic to the movement of cooperative shipments. There was a time when they did their best to strangle them, kill them, put them aside; but the child was too strong and vigorous. The result is now that the volume of business has gained to such an extent that every so-called old line commission company in the business in our terminal markets is going out after this cooperative business. Instead of not wanting it they are asking for it, because the volume of business has grown to such an extent that it is a case of either life or death, take it or nothing.

Nevertheless, there is a fundamental antagonism to this movement, and I maintain that the proper clearing house for these cooperative

shipments is a terminal cooperative commission house at the leading markets, where the live-stock producer will be in touch with the marketing of his own product. I do not believe the live-stock producer will ever know as much as he ought to know about the marketing of his products until these commission companies are organized and controlled by the live-stock producers of this country. And I maintain that it is the really logical channel through which the cooperatively handled shipments from the farms of this country should go. And I further believe we will never make any successful progress in orderly marketing, in other words, distributing of live stock on the markets of the country, until we can do the work through our own commission houses. In that way you have your finger on every one of the elements in the marketing trade, and without it you have simply got a lot of competing firms who are looking for an opportunity to slip one over on the other fellow. I think that successful selling means cooperative selling.

Representative SUMNERS. What percentage of your sales are made directly by your own representatives at the packing houses and what percentage has to clear through these commission houses?

Representative FUNK (presiding). They have no representatives.

Representative SUMNERS. Do you make any sales directly to packing houses?

Mr. MUMFORD. No, sir; not at the present time.

Representative FUNK. Can not you get in?

Mr. MUMFORD. No, sir.

Representative SUMNERS. I think you might put in the record why you can not do that.

Mr. MUMFORD. That is one reason why, gentlemen, we do not have our own selling agencies now on the market.

Representative SUMNERS. Why do not you sell directly to the packing houses?

Mr. MUMFORD. One reason why we can not is because at the present time these cooperative shipments come in with various grades in the same load. We have a mixture of grades, and the only avenue of escape at the present time is through the regularly organized channels of the trade, namely, the old-line commission companies.

Senator LENROOT. Why can not you organize a company?

Mr. MUMFORD. That is exactly what we are getting ready to do.

Senator LENROOT. Is there any difficulty of your getting on the exchange and representing your own organization?

Mr. MUMFORD. Absolutely.

Senator LENROOT. What is that difficulty?

Mr. MUMFORD. The difficulty is simply this, that every live-stock exchange of the country refuses membership to any cooperative commission company.

Senator LENROOT. Yes; as such. But could not you organize a corporation which could be owned by your members?

Mr. MUMFORD. Yes; I suppose we could. But we believe that the individual in the country, the live-stock producer, is entitled to a cheaper, to a more economical method of marketing, and it has been demonstrated that the cooperative commission company is that more economical method.

Senator LENROOT. That is what I wondered, whether you could not reach the same result through the organization of something com-

posed of your own members. You could organize a stock company and get around the difficulty that you mention.

Mr. MUMFORD. Of course; but why should we have to get around the difficulty? To my mind there is no reason why the live-stock producers of this country should not be able to form a selling agency of their own without asking the privilege of anybody.

Senator McNARY. What you say about stock exchanges prohibiting the members of cooperative live-stock associations becoming members or having seats on the exchanges is also true of the grain exchanges?

Mr. MUMFORD. Yes, sir.

Senator McNARY. And isn't it true that there is now pending legislation which deals with the grain exchanges and seeks to correct that situation?

Mr. MUMFORD. Yes. But may I point out to you that the difficulty in taking membership on the stock exchanges, particularly the live-stock exchanges, is this: That if you violate the slightest technical point or rule of the exchange you are outvoted 100 to 1 and are kicked out, and become an outlaw. And if you are going to be kicked out and become an outlaw you might as well go in as an outlaw at the very beginning. Every successful cooperative live-stock commission house that is operated to-day is operating as an outlaw. What I mean by that is, that the members of the exchange will not sell to or buy from them. They absolutely undertake to boycott them.

Representative FUNK (presiding). How do they do business?

Mr. MUMFORD. In spite of the handicap they are becoming stronger and more vigorous and more successful every day.

Representative FUNK (presiding). How do they do business; to whom do they sell?

Mr. MUMFORD. In the live-stock trade they sell to the packers, who do not discriminate, theoretically, and I believe practically; I believe they are trying to carry that out in good faith. And as to the thin stuff, the stocker and feeder stuff, that goes to the country for further feeding.

Senator McNARY. Are those simply cooperative organizations that do not pay dividends or that pay patronage dividends?

Mr. MUMFORD. They pay patronage dividends.

Senator ROBINSON. And that is the reason the stock exchanges will not admit them to membership, because they claim it is in the nature of a rebate?

Mr. MUMFORD. Yes; they can not maintain a certain scale of prices of commission without some such arrangement as that.

Now, gentlemen of the commission, I just want to point out that one way in which the cooperative commission company is a help in the cost of marketing is that it is not necessary for it to maintain an expensive publicity department or promotion bureau in order to get business. Business comes to them without solicitation, whereas in the case of the regular commission companies they maintain highly specialized forces for the particular purpose of getting business, of going out and getting the business.

Senator LENROOT. Let me ask you in that connection: Do you think that the service these various cooperative commission houses perform is a specially advantageous service?

Mr. MUMFORD. I certainly do, because at the present time it is the only means that we have. I believe that this is of especial advantage.

Senator LENROOT. In so far as the cooperative agencies may be handling live stock for other than their own members, is not it a discrimination against the regular commission companies to allow patronage dividends?

Mr. MUMFORD. I do not know of any cooperative commission company that does not offer its service to anybody, members or others.

Senator LENROOT. Then, as to that, it is a discrimination? It is not, so far as service rendered its own members is concerned, because it is simply another form of paying the stockholders a dividend. But where a cooperative agency does business in competition with regular concerns and allows patronage dividends in one case and does not allow them in another case, is not that a discrimination?

Mr. MUMFORD. There is nothing to prevent a man from becoming a member. If he is a live-stock producer he may become a member and share in the benefits, if there are any.

Senator LENROOT. But is not it a discrimination?

Representative FUNK (presiding). Does the old-line commission firm charge the same rate that the cooperative commission firm charges?

Senator LENROOT. I assume that they do.

Representative FUNK. That would not be discrimination.

Senator LENROOT. Yes; the rules of the exchange very properly forbids rebate on the part of the regular commission firms. The cooperative concerns distributed dividends, not to all of those who do business with it but to those who are members.

Senator McNARY. That was recognized in preparing legislation in connection with the grain exchanges.

Mr. MUMFORD. It would seem that the producers of the country are entitled to as economical and efficient a service in marketing as it is possible to secure.

Representative SUMNERS. Whenever you desire to submit to questions, I want to ask you with reference to the method of distribution of the thin stuff.

Mr. MUMFORD. What do you mean by thin stuff?

Representative SUMNERS. Live-stock producers ship into the stock-yards fat stuff, a lot of thin stuff, and all sorts of animals, and a considerable part of the total shipment is redistributed among the feeders. Is that right?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. From what distance does the Chicago market draw in cattle that are sent there for resale to feeders?

Mr. MUMFORD. Well, all the way from Kansas and Oklahoma and the Northwest.

Representative SUMNERS. Now, then, into what territories are they distributed for feeding purposes?

Mr. MUMFORD. Well, mainly in the corn belt—Illinois, Iowa, Indiana, and States close by.

Representative FUNK (presiding). And formerly they went to Pennsylvania, before freight rates got so high that they could not ship them there?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. Of course, that necessitates in many instances shipping back over the same route over which they reached the market?

Mr. MUMFORD. Yes, sir.

Representative SUMNERS. Let us see just the method of procedure: You ship those cattle in there and they are unloaded in the stockyards?

Mr. MUMFORD. Yes.

Representative SUMNERS. They are retained in the stockyards until somebody who wants to buy them for feeding purposes does buy them?

Mr. MUMFORD. Yes.

Representative SUMNERS. And they are reloaded on cars to be shipped out to the farms where they are to be fed. That is the method of procedure?

Mr. MUMFORD. Usually that is the method; yes, sir.

Representative SUMNERS. I understand that this is a very difficult proposition, but do you think it would be possible to effect the sale of those animals at nearer points of concentration where the expense of distribution could be reduced, as against the present plan?

Mr. MUMFORD. Yes, sir. That matter is now under consideration. One of the chief difficulties comes in the great practical difficulty of getting the man who wants feeder cattle and the man who produces feeder cattle to think alike on prices. The range man naturally feels that he is entitled to the price that those feeder cattle would bring if he bought the stuff on the market.

Representative SUMNERS. In Chicago, for instance?

Mr. MUMFORD. Yes, sir. On the other hand, the main reason why the feeder of the corn belt would go the range or concentration point near the range to buy feeders is because he could buy them at a lower price, and the difficulty of establishing a price without coming to a centralized market, of course, becomes rather a serious one. But I believe that will be ultimately worked out. There is more and more of that direct buying each year from the production area.

8. The eighth point I have noted here is the development of a national sales agency that will aid in insuring the live-stock producers the maintenance of a price level for their live stock in keeping with the price which the consumer pays for meat and live-stock products.

9. The development of more economical methods—

Senator LENROOT (interposing). Won't you develop that other point just a little for us?

Mr. MUMFORD. The important idea on that is this: That the live-stock producer in order to continue his business must one year with another be reasonably assured that he will have a market which will return to him a conservative profit on the enterprise, I say, one year with another. And in order to maintain a proper market for his live stock it is necessary that the product that is marketed in the end, meat, for example, shall be sold to the consumer at a price that has some relation to the price which the producer of the live stock gets for his product. That must be done in order to maintain a proper demand for that product.

Senator LENROOT. Assuming it was possible to form an organization with the exercise of power to fix prices absolutely, because that seems to be your thought, do you think that is in the public interest?

**Mr. MUMFORD.** No, sir; I have not any such thought in mind. Until you put it there I had no such thought in mind.

**Senator LENROO.** Well, that is what I wanted to know about.

**Mr. MUMFORD.** Of course, sir, you must realize at once that live-stock producers, who are I am happy to say becoming more and more intelligent every day, are not going to produce live stock at a loss. And there is, as our live-stock survey and reporting service in the State of Illinois and other States show a very decided tendency toward reducing the number of head of live stock in this country. Where the surplus, we will say, or overproduction of live stock, is followed by a shortage there is consequent high price. It is in the interest of the public welfare and the public good that there should be a greater stabilization of production on the one hand and of consumption on the other. And when that is brought about, as it probably will be, there will be a more standardized value.

I think I am keeping well within the truth when I say that the farmers and live-stock producers of this country do not seek in their organizations any economic advantage; all they seek is economic justice.

9. The development of more economical methods of marketing and distribution.

10. The establishment of grades of live stock and meat that will standardize, as far as practical, the live-stock and meat markets of the country.

11. Regulatory Federal legislation that will reassure not only the live-stock producer but also the general public that their interests are properly safeguarded against exploitation on the one hand or misleading propaganda on the other.

The sooner it becomes generally recognized that with the increasing intelligence of our people there is coming a more insistent demand for wholesome publicity in industry with less attendant opportunity for the exploitation of the producer on the one hand and the consumer on the other the better it will be for all concerned.

**Mr. Chairman,** I have had to make my statement somewhat in response to answers to questions, which I have been very glad to have asked and to have an opportunity to answer, but I think I might make a little more distinct and concise statement for your purposes.

**Representative FUNK** (presiding). The commission will be glad to have you do so.

**Mr. MUMFORD.** As to improvement in the marketing of live stock, this subject is approached from the standpoint of normal rather than abnormal conditions, as I said.

Emergency legislation if it ever does come will doubtless come after the emergency passes.

Anyway it would appear better public policy to surround the live-stock industry with conditions which may largely eliminate emergencies.

Again as a matter of public policy it is desirable that there shall be a fairly well stabilized production of live stock to meet normal demands.

A producer can always sell his live stock at some price. Production costs have increased to so marked an extent, however, in recent years that in many cases the prices received are not sufficient to in-

sure a worth-while profit, even to the most skillful meat makers. Overproduction invariably brings about disastrous market breaks and a range of prices unsatisfactory to producers. Unsatisfactory prices discourage production. Decreased production ultimately results in a shortage. Inadequate supplies create a lively demand and stimulate prices. Acute shortages at times result in a range of prices for live stock and meat that forces a decreased consumption, in turn reduces the demand for live stock, and is followed by low prices. Attractive prices for live stock stimulate production, frequently to the point of overproduction.

This, in brief, has been the history of live-stock production in the United States. Intelligent production policies can only be determined by securing more accurate information concerning how nearly supply and demand balance; the more nearly they balance the more stable the market; the more stable the market the more satisfactory it is for producer and consumer.

How is live-stock production to be stabilized?

Marked improvement can be made along this line by governmental agencies adequately supported. I refer to such agencies as the Bureau of Markets and Crop Estimates. Instead of the activities of these agencies being curtailed and their work crippled, they should be extended and improved.

These agencies should be properly supported, not because the farmers and live-stock producers want them or because some other interests do not want them, but in the interest of the general public such information as they can secure should be available.

Farm organizations in the corn belt States are inaugurating movements to supplement and interpret the Government reports, and much good data has been gathered. As an example of what some States are doing, the Illinois Agricultural Association conducted a live-stock survey of the State and has a live-stock reporting service which has accurately pictured the status of the live-stock production in that State, showing among other things that owing to the unfavorable conditions surrounding the live-stock markets there is a marked tendency to reduce the live-stock maintained on Illinois farms and this is especially true in connection with breeding stock. In horses the survey shows that at the present rate of breeding it will take 23 years to replace the horse stock now on Illinois farms.

The low price of mutton and particularly wool has discouraged sheep owners, and next to horses the decline in breeding sheep has been greatest.

The large live-stock producer of the past and present possesses a distinct advantage over the small operator with a few animals, and yet it should not be overlooked that the bulk of our live stock is produced by these small operators. If the tendencies in production are in that direction—that is, in the direction of more numerous small flocks and herds—it is logical that proper regard should be paid to their problems if we are to look confidently to an adequate supply of live stock and meat in the future.

The live-stock producer on a small scale is not, to put it mildly, an expert in live-stock marketing. He may have some slight advantage in economy of production, but he is handicapped in a lack of knowledge of the grades of live stock that bring the best prices

and he is further handicapped in receiving what his live stock is worth if he produces the better grades.

The cooperative shipping associations of the Middle West are designed and fulfill this function.

Through the shipping association the live-stock producer knows he will receive what the open market will pay for the grade of stock he produces. The member soon finds out why his neighbor gets more for his live stock than he does. He learns how to cooperate with his neighbors in marketing his live stock. They cooperate successfully in marketing and they will learn to cooperate in production. He becomes interested in better live stock.

All in all, the cooperative live-stock shipping association is one of the most effective educational agencies in the field of live-stock production and marketing. The significance of the movement may be measured by the growth of the movement in Illinois, where especial attention has been given to the movement by the Illinois Agricultural Association.

Out of the 102 counties of Illinois only 12 do not have cooperative shipping associations, and, with but one or two exceptions, these are in counties where the live-stock population is very small. In the 90 organized counties there are now 376 live-stock shipping associations. Nine months ago there were 213.

One county in Illinois last year shipped cooperatively approximately 1,750 cars. From 25 to 33½ per cent of the receipts on the Chicago market come in from cooperative shipping associations. Efforts are being made to make the work of these shipping associations more uniform and efficient and provide terminal marketing agencies organized primarily to give especial attention to this class of business. Successful cooperative commission companies have demonstrated the practicability of these marketing agencies and a material saving of marketing expense.

The Farmers' Live Stock Marketing Committee of Fifteen is now developing a plan for the organization of cooperative commission companies that will coordinate the work of these agencies on the various leading markets. While such companies at some of the markets are operating successfully, they are doing so in spite of the handicaps which are thrown in their way.

It is imperative that such Federal legislation shall be speedily enacted as will insure to cooperative live-stock marketing agencies the opportunity to operate on the terminal markets without handicap or prejudice. Organizations, agencies, or individuals directly or indirectly who through rules, regulations, or practices, either intentionally or unintentionally, are guilty of acts which constitute such handicaps to these live-stock producer owned and controlled marketing agencies should be speedily and severely punished. This only with the purpose of eliminating practices which are unwarranted and which are not in the interest of live-stock producers or the general public. As long as present practices are permitted and protected these terminal live-stock markets can not in fact be said to be "open markets."

I think, Mr. Chairman, that is all I have to say, unless the members of the commission wish to ask some additional questions.

Representative Funk (presiding). Any questions, gentlemen? [After a pause.] If not, the commission will stand in recess until 2 o'clock.

(Whereupon, at 12 o'clock and 10 minutes p. m. the commission recessed until 2 o'clock p. m.)

## AFTER RECESS.

The joint commission resumed its session at 2 o'clock p. m., pursuant to the taking of recess, Representative Frank H. Funk presiding.

**STATEMENT OF MR. E. E. REYNOLDS, TREASURER INDIANA FEDERATION OF FARMERS' ASSOCIATIONS, INDIANAPOLIS, IND.**

Representative FUNK. State your full name and address, Mr. Reynolds?

Mr. REYNOLDS. E. E. Reynolds, Indianapolis, Ind.

Representative FUNK. And your connection with any farmers' organizations?

Mr. REYNOLDS. Treasurer Indiana Federation of Farmers' Associations.

Representative FUNK. That includes what associations, Mr. Reynolds?

Mr. REYNOLDS. The Indiana Federation of Farmers' Associations is the Indiana State Unit of the American Farm Bureau Federation.

Representative FUNK. You are familiar with the Senate concurrent resolution No. 4, under which this commission is operating?

Mr. REYNOLDS. I am, Mr. Chairman.

Representative FUNK. If you have any statements to make that will be helpful to the commission, we would be glad to have you make them.

Mr. REYNOLDS. I think probably it would be best, Mr. Chairman, if it would please you to have it so, to make a brief preliminary statement concerning the Indiana Federation, its organization and the completeness of that organization at the present time, in order that the record may be clear as to just whom I represent.

Representative FUNK. Very well.

Mr. REYNOLDS. The organization of the farmers of Indiana has been an internal matter within the State. It has not resulted from any pressure or urging or suggestion from other sources outside. For the purposes of organization the State has been divided into 10 geographical districts, as shown on a map I have here, the division not being in accordance with any existing political division but simply for classification and for proper representation of the farmers of the State in this State-wide organization.

The controlling body of the Indiana federation consists of a board of directors, one of whom comes from each of the 10 districts into which the State is divided. There are also three ex officio members of that board, a president and two vice presidents, making a board of directors of 13 members.

In completing the organization work in the State we have now succeeded in organizing all of the 92 counties of the State of Indiana. Our organization is based not upon a county unit, however, but upon a small township unit. At the present time we have 974 of the 1,016 townships in Indiana properly organized.

It is this organization that I am representing here to-day. It is not specifically a marketing organization. It is not for the purpose of undertaking commercial enterprises as an organization. It has resulted, however, from a demand on the part of the farmers of the State for an investigation of their problems, many of which will be found to be of a commercial nature and involving the questions of marketing the products of the farm. So that we are in line with the announced policy of the American Farm Bureau Federation in that we aid and abet and financially support to a certain extent the organization and the inception of such commercial undertakings as may be found wise and proper in safeguarding and forwarding the interests of the farmers of the State.

There are approximately 70,000 members of the Indiana federation at the present time.

Now, not knowing as I do at the present time exactly what your record may have contained, I believe it would be wise to present some of the reasons for the existence of this sort of an organization within the State of Indiana, at least, and as a fundamental reason for that movement on the part of the farmers I believe I have here an excellent bit of evidence. This is the announced result of a farm profits survey conducted under the direction of the United States Department of Agriculture, a report of which survey no doubt is available for the use of the commission. However, I would like to call attention to the fact that in this survey three separate agricultural territories were covered, one in the State of Ohio, 25 farms in Washington County, one in the State of Indiana, 100 farms in Clinton County, and one in the State of Wisconsin, 69 farms in Dane County. The most striking result of this survey is the final figure, and I believe this figure is primarily ample evidence of the need of an organization on the part of the farmers of the country to inquire into their industry as a means of livelihood. This survey covered a period of seven years in two of the territories and of five years in the third territory. The final result of this survey has shown this—that the average farm income of the 20 farms visited in Ohio was \$610, the average labor income \$276. Of the 100 farms in Clinton County, Ind., the average farm income was \$1,856, being on better land, better equipped; the labor income was \$558. In the Wisconsin territory, largely devoted to dairying, the average farm income was \$1,293, and the labor income \$408.

**Representative FUNK.** For what years were those surveys reported?

**Mr. REYNOLDS.** This began in one case in 1910, but the principal time covered was 1912 to 1918, inclusive.

Now, as a further conclusion from this survey, this report states that on the 185 farms in the three areas no one made a labor income of \$1,000 for every year of the study. Four farmers, 2 per cent of the entire number, made over \$500 labor income every year. Fifteen per cent of the farmers failed to make any labor income at all. I happen to be acquainted with parties in Clinton County, Ind., who

know all the farms that were surveyed during that period, and I have their assurance that those 100 farms are 100 of the best farms in Clinton County, manned also probably by 100 of the best farmers in Clinton County. I think those statements, without further comment, are the best evidence that I can present here to-day of the need for an organization on the part of farmers to investigate agriculture as a means of a livelihood.

I would like, if it please the commission, to insert in the record a few more or less scattered bits of evidence that I have here that have been brought to the surface as a result of the recent hearings held in the various counties in the State of Indiana. The first is a statement by Mr. E. C. Salisbury, county agent of Wells County, Ind., who, after conducting a recent hearing in his county, made this statement: "Not a single farmer got any interest on his investment last year, and few received as much wages as they paid their help."

The second statement that I would like to introduce comes from Mr. V. S. Calvin, a farmer in Fulton County, Ind., who keeps the best farm accounts of any farmer in his county. If I am properly informed, Mr. Calvin is a graduate of Purdue University, having taken a 4-year course in agriculture in order to prepare himself for farming as a vocation. He gives a summarized statement here of the results of his enterprise for four years—1917, 1918, 1919, and 1920—giving the total investment, the gross receipts, the gross expenditures, and his labor income. Possibly that one item of labor income is all that it would be wise to insert at this time. In 1917 it was \$1,082; in 1918, \$1,776; 1919, \$1,267; and in 1920, \$661. I merely call attention to these figures, Mr. Chairman, because of the fact that this is a very exceptional case. I would dislike to have it appear that we come before this commission endeavoring to hide everything that is good and bring forth only that which is bad in the matter of information concerning conditions on the farm. This young man, as I understand it, is engaged in dairy farming, which perhaps has suffered somewhat less than other lines of agricultural activity during the last year or two.

I would like to insert at least one more statement here of a specific case: Mr. R. W. Shepherd, farmer, Fulton County, Ind., kept accounts on 18 acres of corn in 1920, cooperating with the county agent. His yield was 504 bushels, which cost him \$565.06 to produce. He found a feeder who would give him 55 cents for the corn, and also sold the stalks, receiving total returns of \$322.20, netting a loss of \$242.86, or \$13.49 per acre, for having raised 18 acres of corn.

I have no doubt the records of the commission are already well filled with evidence of that kind. We could supply any amount more of similar cases should they seem to be desirable or worth while.

I would like to call attention in as few words as possible to the relation of this farmers' organization in Indiana to other existing agencies, and particularly to the county agents, since that matter has been brought into question rather recently by parties who apparently believe that Federal and State funds for forwarding the activities of county agents have been misapplied, and that their activities are being directed to the creation of organizations for the purpose of monopolistic control of the food products of the Nation or for other ulterior purposes. I would like to say that in Indiana

the organization of the farmers is cooperating in every possible way with other agencies, including the county agents, all of which have for their aim the benefit of agriculture. We do not, however, expect a county agent to serve as officer of a county farm bureau. In fact, we call most of our county units farmers' associations rather than farm bureaus. The officers are elected by the membership, and most of them serve without compensation. Because of their appreciation of the necessity and importance of educational development in connection with all of this great problem, they are cooperating to the fullest possible extent with all existing agencies, and are paying as much in some cases as \$1,200 and \$1,500 as an increment of the salary available for the county agent, and for supplying him with office assistance, such as a stenographer, perhaps. That is entirely a voluntary action on the part of the farmers' organizations themselves, and comes about because of the fact that available funds from other sources are insufficient at this time to maintain a good, effective man in the position of county agent, so that the farmers are coming to their own aid in that way through this organization.

Now, as to the marketing activities, I believe that is the particular phase of the problem that is before the commission at the present time. Our work thus far in Indiana has been directed almost exclusively to cooperation with existing agencies in the marketing of farm products. We have not endeavored to create anything entirely separate or apart from agencies that had heretofore handled the products of the farm. We have, however, appointed a committee covering each one of the principal products, the marketing of which appears to be in an unsatisfactory state. As a result of that work we have a permanent live-stock committee, a permanent grain committee, a wool committee, a canning-crops committee, and a dairy-products committee. It is the function of these committees to study the marketing problems as they affect each one of these particular commodities.

As a part of the activity, for instance, of our live-stock committee, the Indiana federation has employed a live-stock marketing agent, who has been situated at the Indianapolis stockyards. He is there for the purpose of representing the owner in case the owner is unable to be present at the time that his stock is for sale on the market; he is there for the purpose of ascertaining any information that the live-stock committee or the officers of the federation may deem advisable to have in their possession concerning the activities at the stockyards; he is there as a general utility man, not as a commission man; he is not buying and he is not selling anything. He is on salary, which at the present time is being paid from the general funds of the Indiana federation. In order that we might have that man working without friction with existing agencies, our live-stock committee went into conference with a similar committee from the Indianapolis Live Stock Exchange, representing the commission men operating on the Indianapolis yards. They also had a definite understanding with representatives of the owners of the stockyards at Indianapolis, so that this man, while he has not been receiving hearty cooperation from all of those connected with the industry at Indianapolis, has not encountered any serious opposition. It has been possible for us, through his activity, to get information

that has been of considerable value to the live-stock producers of the State.

As a specific instance of that I would like to state that serious delays in handling carloads of live stock on the Belt Road and at the unloading platforms at the stockyards were the cause of much complaint and of considerable loss, the exact amount of which is impossible to determine. With this agent located at the yards it was possible for us to get very definite information, even as to the number and initials of cars when a delay occurred, the time at which that car was placed at a certain point on the tracks, the time elapsing while that car was standing there unmoved, and the eventual time of unloading, and also the condition of the live stock in the car at the time of unloading. By presenting that tabulated information to the public utilities commission in Indiana we were able to get a very much better service.

That is perhaps one phase of a marketing problem which we have been able to handle very nicely and without friction and without antagonism on the part of anyone.

A further activity of the live-stock committee of the Indiana federation has been to foster the organization of local live-stock shipping associations. We have issued this booklet as a special report of a committee on live-stock shipping associations, in which is given the conditions under which a cooperative shipping association is most desirable, the fundamentals for a successful cooperative shipping association, the manager, being a dissertation on the qualifications and proper activities of the manager of a live-stock shipping association, live-stock practices, including home grading, marking, classification, preventing shrinkage and loss, financial practices, uniform records, sample invoices, and eventually educational activities, showing that we believe a manager of a live-stock shipping association may be a power in his community in bettering the live-stock products of that community and in bringing about more uniformity, and consequently better results in marketing. The final content of this booklet is a suggested constitution and by-laws for a local live-stock shipping association. It also contains a set of rules now in operation in a county wherein all of the local live-stock shipping associations are cooperating on a county-wide scale, so that the shipper may have the opportunity of choosing his point of shipment in order that his particular live stock may be classified with other similar lots, and consequently more uniform loads result.

As a matter of proof that our live-stock committees are studying the marketing problems carefully and are not attempting to inaugurate radical reforms, I would like to present these charts for consideration for a moment. We get reports from the Indianapolis stockyards of the total receipts of all kinds of live stock. We get reports from our live-stock marketing agents of exactly the number that have been handled through him. They are handled through him and receive his attention, because we have arranged with the commission firms to permit the consignment of loads of live stock direct to the Indiana Federation of Farmers' Associations, although that association does not attempt in any way to market this live stock. Consigning it in that way permits our live-stock marketing agent at the yards to name the commission firm who will sell that

est number. We are not asking for class preference; we are not asking for class legislation at any time. We are asking merely such legislation as may be necessary to give these cooperative marketing organizations a fair chance to show that they are efficient, and that they can save money. If they are not efficient and if they can not save money, the producers do not want them any more than does the consumer or the present existing agencies.

Now, we find that there is perhaps no objection on the part of anyone to a program on the part of the farmers for reducing production costs. Much of the activity in the past of existing agencies for the betterment of agriculture has been directed toward better production, increased production, more economical production. We heartily believe in those things, we heartily believe that every producer should produce as economically as possible. We believe also that merely because an activity of this farmers' organization may take up some questions other than actual production on the farm—that it is still within the realm of an educational activity. We believe that the farmers know more now about producing than they do about some of the other really important branches of their industry, particularly marketing. We think that it is just as much in the interest of the people that the farmer should market his crops intelligently as it is in the interest of the people that he should produce them economically.

There are two general items that may be considered in connection with an economical production. The first is the scientific side of farming, perhaps, which must be applied directly on the farm. Another thing that has very much to do with the cost of production, and particularly in carrying out these scientific farming ideas, is the purchase of staple supplies. In order that the farmer may follow the plans that are advocated by those who are making a study of the scientific side of farming, it is necessary that he go into the market and purchase some very definite things. Of course the cost of those supplies is necessarily a part of the cost of the production of these agricultural products. If it is necessary to have these things in order to farm intelligently and produce economically, then it is necessary also to know that these supplies are being purchased at a reasonable price.

There has been an insistent demand on the part of farmers ever since the existence of these organizations to investigate the buying of these supplies. The Indiana Federation was not organized as a commercial activity, as I stated before. It does not desire nor intend to go into the purchase of staple supplies for the farmer. It has, however, brought together in the State of Indiana representatives of three organizations: First, the Indiana Federation of Farmers' Associations; second, the Indiana State Grange; and, third, the Farmers' Grain Dealers' Association of Indiana.

In the purchase of staple supplies for the farm, if there is a possible plan by which a large number of traveling men, crisscrossing and following one another around over the State for the purpose of selling, all of them, the same commodity, can be somewhat reduced, there is a possibility of a lessened cost of sale and distribution. We believe that we have figures upon which we can base a statement that the cost of sale and distribution of many of these staple, bulk supplies that the farmer must have has been exorbitant

the conference table and talked over the problems. The representatives of the growers have been put in possession of the facts concerning the industry from the canners' point of view, and likewise the canners have been given information that was available from the growers' point of view.

As a result of those conferences we have in Indiana now a joint committee which is made up of representatives of the growers and also of representatives of the canners. They have agreed during the present season, for instance, on a reasonable price per ton of tomatoes. This price was not entirely satisfactory to the growers, and perhaps it was not entirely satisfactory to the canners, but it is an agreement, and is working comparatively harmoniously. We present these facts as evidence that the farmers' organization in Indiana is not endeavoring to tear down existing institutions; that it is perfectly willing to pay a reasonable profit for services rendered in the marketing of farm products; that it is more than willing to meet the representatives of the marketing agencies and to learn from them all that they are willing to tell.

We have recently sent members of our dairy committee to Minneapolis and St. Paul to study very carefully a producer-owned cooperative dairy marketing plant that is in operation there and has been since 1910. We have discovered as the result of that investigation that milk of a certain high quality is selling in those cities for 10 cents per quart, whereas a similar milk, possibly not quite so good, is retailing in Indianapolis for 12 cents per quart. We find also that the producers of this milk are receiving considerably more money in the territory tributary to the Twin Cities than are the milk producers in the territory tributary to Indianapolis. We believe that is evidence that a cooperative marketing organization for handling dairy products would probably be very desirable in each of the territories surrounding cities of the size of Indianapolis. We expect to try to organize a marketing machine of that kind, if it may be so called, with the belief that its operation will result, as it has elsewhere, in a reduced price to the consumer and an increased return to the producer.

So far as our general conclusions go, after investigating these matters with considerable care, they appear to show at the present time that the most promising line of activity for the purpose of reducing costs of marketing, which have been clearly demonstrated to be unnecessarily high, is along the line of cooperative marketing. It is not our idea to inaugurate a system of cooperative marketing until we are sure that the producers have been given all of the evidence that we are able to accumulate. It is not our idea to inaugurate a system of that kind for the purpose of entirely replacing existing systems. It is our expectation with a plan of that kind that it should be worked out in each specific case, and should be given an opportunity of demonstrating its efficiency.

We ask nothing more than that. I believe we have a right to expect nothing less. If the cooperating marketing of an agricultural product can not be of benefit to both the producer and the consumer, I am quite satisfied that the producers do not want it. I think we appreciate fully that the farmers' program can not succeed unless it can have the backing of public sentiment. I believe that our development must be along the lines of the greatest good for the great-

particular consignment. It permits him, in case the salesman of one particular firm has a large volume of business to handle on that particular day, and consequently might not be in a position to give it careful attention, to bring that business into the hands of some other commission firms not so encumbered. We believe there is possibility of considerable valuable cooperation there. There is, of course, a possibility of favoritism being shown, but we are preventing that in so far as it is at all possible for us to do it. We believe that the results tabulated in our office will show that our live-stock representative at the stockyards is showing no favoritism; that he is putting this business in the hands of those who are apparently best able at that particular time to render satisfactory service. As long as we can maintain that position I think we will encounter little or no opposition. It results, perhaps, in a somewhat more favorable attitude on the part of such commission firms as may not be thoroughly in sympathy with this movement than we would otherwise have.

Now, as evidence that we are investigating the problem pretty carefully, I have here these charts showing the exact number of animals handled by this particular live-stock marketing agent. One of these curves indicates the cattle, one the sheep, the third the calves, and the hogs are on another sheet, the scale being different. It shows there is a gradual trend upward; it shows that the farmers of Indiana are believing there is some benefit to be derived by using the services of this live-stock marketing agent at the yards. That is a thing we want to know, because if his services are not of any value, if he is not rendering value received for the time and the money that he is devoting to this thing, then we do not want him any more than anybody else wants him. If the farmers are going to persistently refuse to use an agency of this kind after it is established, then we do not want it. It is for the producer himself to determine whether this service is rendering something worth while to him or not.

The total number of head handled by this live-stock marketing agency is shown on this curve, which shows a gradual increase. This shows cattle, sheep, and calves combined. Here is the total number of head handled each month by the live-stock marketing agent, which has gradually increased. I present these merely as evidence of the fact that we are investigating these problems for the purpose of bringing ourselves into possession of the information.

Since only a part of the live stock produced in Indiana is unloaded at Indianapolis, we justify this by stating that it is an investigation which is more or less experimental; it is an attempt to find out the facts concerning live-stock marketing in Indiana. It does not cover all of the State. Similar information to this eventually will be available if we can have somewhat similar representation at other live-stock markets. I believe that the sum total of that information will be a guide as to how we may proceed in the future further along this line.

In the matter of marketing canning crops, our canning-crops committee, instead of endeavoring to build up an organization to buy tomatoes and resell to the canner, has called into consultation representatives of the canners' organization. They have come around

in the past; that it has been higher than was justified; that the cost of some of these staple supplies—fertilizer, for example—has reached the point where it has been impossible for the farmer to consider it as a part of his enterprise, of his development, to the detriment of economical production. So we have organized in Indiana, as the result of the conference of representatives of the three organizations whom I have mentioned, a federated marketing service, the purpose of which is to act as the purchasing agency for these staple supplies which the farmers of Indiana need, with the intent that eventually, through pooled orders for supplies being placed with this agency, the cost of sale and distribution can be greatly reduced. Other than that we have no plan to go into the production of these things for the farmer. We do not want to manufacture fertilizer, we do not want to manufacture binder twine, but we do want to feel reasonably sure that those necessities are being delivered to the farmers with the least possible expense and overhead. That is the reason we organized the federated marketing service, a separate and distinct organization, the board of directors of which is made up of men coming from all three of the organizations previously mentioned, and it is endeavoring to build up confidence on the part of the farmers themselves in this as a reliable purchasing agent, and on the part also of the manufacturers who have these staple supplies to distribute, and we are endeavoring to prove to both of those parties that through a large use of this organization, bringing into its hands a large volume of business, very considerable savings may be effected which will result directly in a somewhat lessened cost of production.

Now, if there are any of these matters that I have mentioned before the commission to-day that are of sufficient interest to bring out any questions, I will be very glad to attempt to answer them. I regret to say that we have had no advance notice to prepare this information, and such as I have is more or less fragmentary. It could have, perhaps, been presented in a more effective way had we had notice in time to prepare it more systematically.

**Senator CAPPER.** What is the attitude of the retail dealers toward your organization?

**Mr. REYNOLDS.** There is opposition in certain quarters, largely because of misinformation at the present time. Our federated marketing service is perfectly willing to give to a local retail dealer the same privileges, the same prices, that it would give directly to a farmers' organization, providing the local farmers' organization should desire to pool its order and place it with a local dealer, requesting that the order be placed through the federated marketing service, we are perfectly agreeable to that arrangement. We are perfectly agreeable to that local dealer receiving a reasonable compensation as a handling charge for that commodity. We would rather prefer that that system be followed.

**Senator CAPPER.** Is there any legislation that you would suggest that would be helpful to the cooperative marketing bureau?

**Mr. REYNOLDS.** Our feeling is at the present time that any legislation that may be necessary in order that these cooperating marketing enterprises may be given a fair chance to demonstrate their efficiency is desirable. I believe that at present the Capper-Volstead bill is perhaps the nearest approach to what may be necessary in order that they may have that fair chance.

Senator CAPPER. What is the feeling of your organization in the matter of future trading on the board of trade and evils that are complained of by a great many producers?

Mr. REYNOLDS. Our grain marketing committee has directed its activities so that the organization in Indiana may be in the position to align itself properly, without friction, with the plan recommended by the committee of seventeen. We are favorably disposed in Indiana to that plan at the present time.

Representative FUNK. You may be favorable to the plan of the committee of seventeen, but that does not quite express your attitude upon the futures regulation bill. In other words, do you believe that Congress should pass a law regulating the dealing in futures in grain?

Mr. REYNOLDS. I am not sure, Mr. Chairman, that the Indiana Federation has made its position perfectly clear. If the federation has not made its position perfectly clear I believe it would be presumptuous on my part to attempt here to make my position perfectly clear. I am here representing that organization, not representing my own individual opinions or views on this matter at all. I believe that the marketing plan, as it has been worked out and is now taking form through the organization of the United States Grain Growers (Inc.), has so much merit that it should be given every opportunity to prove itself. I feel that the ultimate success of that plan would mean that eventually there would be no dealing in futures. However, I would desire to say that since the Indiana Federation has not specifically and definitely gone upon record, to my knowledge, concerning the particular piece of legislation to which you refer, I am not endeavoring to state their position.

(Whereupon the joint commission adjourned, subject to the call of the chairman.)

# AGRICULTURAL INQUIRY.

THURSDAY, JULY 28, 1921.

CONGRESS OF THE UNITED STATES,  
JOINT COMMISSION OF AGRICULTURAL INQUIRY,  
*Washington, D. C.*

The joint commission met, pursuant to adjournment on Tuesday, July 26, 1921, at 10 o'clock a. m., in the hearing room of the commission, room 70, in the Capitol, Representative Ten Eyck presiding.

Representative TEN EYCK. The commission will come to order. We will hear Mr. McKenzie in relation to taxation as regards the farming industry and the dairying interests of the country, as he sees that situation from the point of view of the American Farm Bureau Federation.

**STATEMENT OF MR. H. C. MCKENZIE, TAX REPRESENTATIVE,  
AMERICAN FARM BUREAU FEDERATION; RESIDENCE, WALTON,  
N. Y.**

Mr. MCKENZIE. I might explain that I am the tax representative of the American Farm Bureau Federation, and that my own business is that of farmer and lumberman.

Representative TEN EYCK (presiding). You may proceed, Mr. McKenzie, and make your statement.

Mr. MCKENZIE. Mr. Chairman and gentlemen of the commission, the farmers of the country are vitally interested in the question of taxes, and vitally interested in the method of raising the money that is necessary for the operation of the Federal Government.

I would like to make clear, to begin with, the distinction between income and consumption taxes, because that is one of the things there is considerable confusion about, and one of the things that the advocates of a sales tax have tried to muddle the mind of the country on. The farmer is interested in a fair distribution of the tax burden. There is no disposition on his part to question the fact that the raising of \$6,000,000,000 to run the Federal Government is bound to be a serious burden on somebody. In the old days, after the Civil War and down until the beginning of the late war, our tax burdens were not so heavy. There were many years when a billion dollars and less ran the Government for a year, and when the tax per capita did not amount to more than \$10. It was not then a serious matter. It did not seriously affect anybody, but when the tax bill has grown to \$5,000,000,000 or \$6,000,000,000, the burden is a big one and amounts to about \$50 per capita, or \$250 for each average family in the United States. In this situation it is of vital concern to us that

no social injustice be done; that taxes necessary to run the Government be levied so that each person may pay in proportion to his ability.

But the special reason why the farmer objects to shifting the burden of taxation from income to consumption taxes is that the farmer will be caught in a particularly unfortunate position. You men all know, I presume, that in the fiscal year 1920, 73 per cent and a fraction of all our taxes came from income and 26 per cent and a fraction came from consumption and miscellaneous taxes. If we undertake to change that relation and shift the burden from income to consumption taxes here is what is going to happen to the farmer? Nobody has made a proposition to abolish the income tax, so that is going to remain with us. But if the burden should be shifted by means of a sales tax the farmer is so situated that he will not be able to pass that burden on. The farmer's price is fixed for the most of his commodities; it is fixed beyond his control. The price of his wheat is fixed at Liverpool, and whether he has to pay a tax on his general overturn, or sales, or not will not make one iota of difference in the matter of the net price he will receive for his wheat—the price the farmer will get for his wheat will be the price at Liverpool less the cost of getting his wheat from this country there. The farmer will have to absorb the consumption tax. He is even worse situated than that. There are people who by reason of particular advantages, in the case of closely controlled corporations and monopolies, who are not only able to add the cost of production but would be able to add the overturn tax to the price which they exact from the consumer. Take the International Harvester Co., for example. You gentlemen probably know that last January the prices which the International Harvester Co. was asking for farm machinery were higher than the year before. Some New York financial papers made a survey of the corporations at Chicago. They found that the most of the corporations were running from anywhere, say, 40 per cent to 60 per cent of capacity and had made reductions in wages from 10 to 25 per cent. The International Harvester Co. employs 25,000 men, was running 1,750 men short, but they had made no reduction in wages, while others had made a reduction of from 15 to 25 per cent. If the International Harvester Co. could add the price of war-time steel and war-time lumber to their selling price they could add the overturn tax. They were asking the farmer the war-time prices for machinery, while the farmer had to take prewar prices for his products.

The same thing was true in the case of the fertilizer people. They were selling nitrate of soda and potash at \$100 a ton above the market value at that time of the raw materials. If they could do that then they could add a consumption tax.

And what does it mean to the farmer? It leaves the farmer in the position that he would have to pay the income tax, the sales tax, and yet he would have to absorb all of the consumption tax which the International Harvester Co., the Fertilizer Trust, and the other trusts and closely controlled organizations can hand back to him. So it would practically leave the farmer holding the bag; he would have to carry on his back all three taxes.

And so it is, gentlemen of the commission, vitally important to the farmer to see that the burden is not shifted from income to consumption.

There is one other tax matter here at Washington, though it is not so vital, and that is the question agitated a good deal in regard to a single tax on land. There has been a great propaganda over the country that all land in excess of \$10,000 ought to have a special tax put on it. That would work, in my judgment, a very serious injustice, and eventually would result not in advantage to the people who are advocating that kind of tax but to their disadvantage. Here is the reason: The bill which has been introduced in the Congress provides that tax shall not only rest upon the land but upon all resources, either over or under the surface, which would include forests, petroleum, coal, and other natural resources. I think you gentlemen are all agreed that anything that would tend toward rapid depletion of our forests would be an evil instead of advantage. And nothing would so tend to a rapid cutting of our forests as the putting of such a tax on them. The owner could not afford to hold his property for future generations, but would have to market the wood, the lumber. The same thing is true of petroleum and coal.

I come from the edge of the anthracite coal basin, and I want to tell you that nothing would be so bad as to compel the owners of coal land to market their coal at once and not leave any for future use. It would throw on the market our resources that must be spread out, to cover present and future need.

Representative TEN Eyck (presiding). Would that bill tend to tax large water power on a man's land? It would naturally increase the value of the land and I wondered if the act would tax that as one of the resources?

Mr. McKENZIE. As I understand that bill it includes all natural resources. There are two bills; one of them does not mention forests and the other does. Without having any specific knowledge of that item I think it would be included.

The reason these men are making a mistake in this matter and damaging themselves is that the operation of a tax of that kind which covers the whole commodity will not rest on the commodity. The tax would not rest on the lumber or the coal or the petroleum but it would be added to the price and passed on to the consumer; and the people would pay more for their kerosene and more for their coal and more for their lumber. They would be paying the bill and not getting any advantage from this land tax.

Therefore, gentlemen of the commission, in addition to tending toward depletion of our natural resources the people would get no advantage whatever; in fact, it would be doing them an injury.

There is another fact in regard to taxes about which there has been a great deal of contradictory testimony, both before the Senate Finance Committee and the House Ways and Means Committee, and in all the papers, and that is in regard to whether or not our present taxes are all passed on and paid by the ultimate consumer.

Senator Smoot came before the farmers here in Washington, in April, and set forth the idea that all our domestic taxes, without exception, were eventually passed on to and paid by the ultimate consumer. If that theory were true it would relieve the advocates of

consumption taxes of a host of their difficulties, because in that event all that the Government would be concerned about would be in getting the money in the easiest way. But, as a matter of fact, an examination of that proposition shows it is not correct. If you will just look at it seriously and begin to take up specific examples, you will find immediately that the theory does not hold water. For instance, on that theory take the inheritance tax. Who passes the inheritance tax on to the ultimate consumer? The man who died, or the heir who does not get the money; and who is the ultimate consumer? To ask the question is simply to answer it; it is not a fact.

When we leave that question and go to the subject of income taxes, which is one of the great revenue producers, there is one fact which they have neither been able to ignore, nor to go around, nor climb over, and that is the existence of \$16,000,000,000 of tax-free securities. If their theory were correct there would be no reason for the existence of tax-free securities. Many men with large incomes, where surtaxes are high, are selling stocks of high-earning power, 15 per cent, and 20 per cent, and taking the money and putting it into tax-free securities that pay 5 per cent or 5½ per cent.

If such a man were passing on his taxes, and not paying them out of his own pocket, he would be a fit subject for a lunatic asylum, if he were to do a thing of that kind. The mere fact of the existence of \$16,000,000,000 of tax-free securities proves that that theory is not true.

I can prove that the inheritance tax and the income tax are not passed on. And now take the excess-profits tax, which they say is passed on to the ultimate consumer, and which it is said adds 23.2 per cent to the cost of living. Take commodities produced by monopolies: It is a rule that monopolies fix the price at the highest revenue-producing point. If we exact from them an excess-profits tax, they can not raise the price any higher, for if they did they would lose business. There are about 340,000 corporations that make reports to the Government, and of those 100,000 do not make any profits, and another hundred thousand never make profits enough to make a report of excess profits. In addition, there are individuals in partnerships. So that seven-eighths of the people doing business in the United States do not pay an excess-profits tax.

That being the case, let us suppose that I am in the lumber business as a corporation, and one of you gentlemen sitting on the right of the table is in the lumber business as an individual, and one of you gentlemen sitting at the left of the table is in the lumber business as a partnership. We all sell our lumber in New York on the open market. How can I, doing business as a corporation, add an excess-profits tax to my lumber when you gentlemen do not have to pay any? These taxes are not passed on to the ultimate consumer. So that any effort that is made to convince the people of the country that these taxes are passed on to the ultimate consumer is an effort to befog the issue and shift the burden from where it rightfully belongs and to put the burden on food, clothing, shelter, and fuel. It would tax the food of these 5,000,000 men who are out of work to-day and work a social injustice which Prof. Seeligman, of Columbia University, says would cause such an outcry and disturbance as was never before seen in America. And the professor is right, in my judgment.

In regard to the question you gentlemen have likely seen stated over and over again, that the Department of Justice had made an investigation and found that the excess profits tax added 23.2 per cent to the cost of living, I was just curious enough to send an expert to the Department of Justice to find out the basis for those figures. I sent Mr. Peacock, who was the secretary of the tax commission of the Industrial Conference Board. Mr. Peacock went there twice and got all the information available, and the gist of it is this, that the Department of Justice has never made an investigation and has no figures whatever substantiating such a statement; and so far as the people in that department know there never have been any figures to warrant such a statement, none whatever. So you need not pay any attention whatever to that statement as coming from the Department of Justice.

If their theory were true, that our present taxes are all passed on to the ultimate consumer, they admit that the sales tax, or this other, the consumption tax, will be absorbed by the ultimate consumer, and in that case the bulk of the taxes will be raised out of the living wage.

Is not this a fact, that this Congress should take some means by which it can make men of wealth pay their fair share in supporting the Government, instead of devising means that will shift a greater proportion of our burden on to the common man with an average income of \$333 a year? That is the duty of the Congress, if their statement is true, but it is not true.

I have had the pleasure of appearing before the Senate Finance Committee and the House Ways and Means Committee on this tax question, and while I have no official knowledge of what they are going to do, from what I gather from the public prints and other sources, it looks to me as if they had made up their minds to do three things:

- (1) Abandon the proposition of passing the sales tax;
- (2) Repeal the excess-profits tax; and
- (3) Lower the surtax on incomes of individuals.

Somebody has said there are three reasons for everything: (a) The reason you tell your friends; (b) the reason you tell yourself; and (c) the real reason.

The reason they are telling their friends why they are going to do these things is this: That business is being strangled by the present high taxes and is bound to have relief. They do not, as a rule, submit any facts or figures to substantiate their statement: I have not found a man yet who has brought out anything to show this contention to be a fact, and when you begin to look into the truth of the situation it does not bear out the statement.

If the statement were true that these taxes are strangling business, then men of wealth would cease to put their money into corporations. I have looked back at the number of corporations of over \$100,000 capital incorporated in the last three years, and what do I find? In 1918 the new corporations formed with a capital of over \$100,000 amounted to a total capitalization of more than \$3,000,000,000; in 1919 to a total capitalization of over \$12,000,000,000; and in 1920, to a total capitalization of over \$13,000,000,000.

The profits made by corporations tell the same story. In 1919 they amounted to \$3,000,000,000, and in 1918 to \$8,900,000,000. So it is that the facts do not bear out that statement.

That is the ostensible reason—the reason they tell their friends. The real reason for repealing the excess-profits tax and for lowering the surtax on income is this: Men of large wealth, who are caught by these taxes, as they should be caught, will be able to keep securities of high-earning power, these very profitable corporation securities, which under the present tax law they are compelled to sell. That is the net result of those two things in the tax law. You can imagine the agonies of these millionaires when they have to sell their securities of high earning power and invest their money in tax-free securities of from one-half to one-third the earning power. They are living off their income-producing securities, and, as is quite natural, they want to get all they can, whether they really need it or not.

But there is another side to the picture. There are other people whose condition must be considered and whose necessities are far greater. I ask you gentlemen, in justice to the people of the United States, which ought you to do first: Take off of wealth the surtaxes, which will allow them to keep high earning power securities, or relieve the country of the tax of transportation? I do not believe that the fact that these men of wealth may have to dispose of their high earning power securities should be considered in preference to the needs of the common people. What we need more than anything else at this time is to relieve the condition of the average man of the masses. These securities of high earning power will, in the event of their sale by the millionaires, ordinarily fall into the hands of people of moderate means, who do not have high surtaxes to pay, and in the end result in a redistribution of wealth among all the people.

Representative TEN EYCK (presiding). Do I understand that you are opposed to a sales tax?

Mr. McKENZIE. Absolutely; and there is no justice in such a tax.

Representative TEN EYCK. And the reason for it is that that tax is carried on to the consumer?

Mr. McKENZIE. Absolutely.

Representative SUMNERS. At some time during your discussion, and without any purpose to get very far into a discussion of the tariff question, I would like to ask a question or two with regard thereto.

Mr. McKENZIE. I will come to that in a moment.

Representative SUMNERS. Is there not one thing that can be said in favor of a sales tax, that at least that tax is not capitalized or multiplied, so that when the consumer comes to pay it he pays it without an accumulation of profit?

Mr. McKENZIE. No; and I can answer that by giving you an illustration better than in any other way. We have at Binghamton, N. Y., the largest shoe-manufacturing institution in the country—the Endicott-Johnson Shoe Manufacturing Co. They buy their hides in South America and sell their shoes to the men who wear them. Under a sales tax in their case there will be just 1 per cent added on the product sold by the Endicott-Johnson Co. But according to your statement——

Representative SUMNERS (interposing). I am not making any particular statement or argument, simply asking for your opinion on that one feature of a sales tax.

Mr. MCKENZIE. That would be the case with the Endicott-Johnson Co. But you take the small man, the way our country hides are gathered up, by the huckster or the dealer, and he takes them and sells them to the tanner at some place, who tans the leather and sells the product to the leather jobber or shoe manufacturer, and the shoe manufacturer sells the shoes to a jobber, and the jobber to a wholesaler or a retailer, and then the retailer sells them to the man who wears the shoes. In that way you get six or eight turnovers, and on each turnover you will pay a tax of 1 per cent, and very often more than that. They tell you it never gets to more than 3.3 per cent. But that is not a fact. Let us take a situation in Canada now, and the cost of automobile tires has been increased to 10 per cent by reason of a 2 per cent tax.

Representative SUMNERS. You not only get that tax, under your hypothetical case, multiplied by five or six, but if that tax were levied it would have attached to it three or four profits when the consumer purchases.

Mr. MCKENZIE. Absolutely; those profits afterwards added as it went along.

Representative SUMNERS. And when the consumer came to buy he would pay more than the sum of all these taxes?

Mr. MCKENZIE. Yes, sir. If any distinction should be made it should be made in favor of the necessities of life and not in favor of luxuries. Here is the way such a tax works out: Take a jeweler in Maiden Lane, New York. He imports a necklace of precious stones for which he pays probably \$2,000, and which he sells for \$3,000. He makes a profit of \$1,000, and his tax is \$30. You take a merchant who deals in flour or grain, and his average profit is not more than 2½ per cent or 3 per cent on the outside. To make a profit of \$1,000 he will have to sell \$30,000 worth of goods, and on those sales his tax will be \$300. In the first case I have cited the tax will amount to one-thirtieth of his profit, and in the second case one-third of his profit. So the advantage is always in favor of the man who sells luxuries, diamonds, and precious stones of other kinds, and against the man who sells the necessities of life. There is no argument in favor of a sales tax.

Representative SUMNERS. I would like to ask you one or two questions about tariff taxes.

Mr. MCKENZIE. All right, go ahead.

Representative SUMNERS. Under the tariff bill that passed the House carrying the American valuation scheme it is claimed by a good many people who profess to know that if the American valuation is carried in the bill as it is finally enacted into law it will amount, in effect, to practically doubling in many instances the amount of the tariff which would have to be paid on an imported article brought in from countries where the currency is relatively cheap compared to our own. Now, take an item that, we will say, bears a value in the country of production of \$2, and there is a 50 per cent ad valorem tax. If the proposition is sound that on account of the American valuation, which is only one of the features, that

tax would, in effect, be \$1, or if doubled it would be \$2. That is the tax that the importer pays, and we will say that he sells the article to a jobber and makes 50 per cent profit. He makes his profit not only on the price that he has to pay the foreigner for the article, but he also makes a profit on the tariff tax he has to pay in order to get the article into this country, is that right?

Mr. MCKENZIE. That is right sometimes; but there is a dispute about that. There is a claim that the fellow who ships the goods sometimes has to absorb the tariff into the country. There are cases in which that occurs, but where competition is not keen enough to make the shipper absorb the tariff your statement would be all right.

Representative SUMNERS. You mean where there is competition?

Mr. MCKENZIE. Yes.

Representative SUMNERS. When he sells, having made a 50 per cent profit on the man to whom he sells, that man has to pay \$3. I assume.

Mr. MCKENZIE. You say \$2. and \$1 for duty; that would make \$3; and if he added 50 per cent to that sum it would make the total \$4.50.

Representative SUMNERS. Yes; but I am separating the two—the purchase price and the tariff charge. And if the retailer made only 33½ per cent that tariff tax would become \$4 when the consumer came to pay it.

Mr. MCKENZIE. Your figures are twisted somewhere. In the first place, the tariff tax is \$1, and you add 50 per cent to that, which makes it \$1.50—

Representative SUMNERS (interposing). Well, run it without the item of American valuation at all. You say it is \$1 at first?

Mr. MCKENZIE. Well, I will tell you, I do not believe the farmer will be specially interested in that question, except this far, as the increase in price of imports might tend to limit the market on his product from the other side.

Representative SUMNERS. Why, would not he be interested in having to pay a tax which through all the processes of sale and retail have been increased, just as had the profits been increased on the original purchase price of the article?

Mr. MCKENZIE. If it were something like sugar or coffee, a commodity of general consumption, the farmer would be interested in it to a certain extent. But here is the fact: That the farmer's main interest in the tariff is in a general way, and if you will pardon me for a moment I will come to it pretty soon.

Representative TEN EyCK (presiding). Mr. Sumners, Mr. McKenzie says he is coming to that subject in a few minutes.

Representative SUMNERS. All right. I will not press the point now, and wait until he gets to the subject.

Mr. MCKENZIE. I will go into the tariff tax now if you wish.

Representative TEN EyCK. Have you finished with the direct taxes?

Mr. MCKENZIE. Practically so. I will say a few words on this tariff tax in which the farmer is vitally interested. You gentlemen know that the three great factors in business in the United States are agriculture, labor, and what is usually spoken of as business—that is, men who are running other forms of business besides agri-

culture. You are equally familiar with the fact that labor is pretty thoroughly organized, and I presume you are quite familiar with the fact that big business is just as thoroughly organized as labor is. There is not a large line of business in the United States, so far as I know, but what has a national organization which looks after its fences and takes care of the interests of their members.

Now, gentlemen of the commission, two of these elements, labor and big business, are both interested in the third factor, agriculture, primarily as the source of cheap food and cheap raw materials. There is no dispute about that fact. They have been organized thoroughly, and the result has been that they have been able to speak with authority, and the further result is this, that while they have wanted the things the farmer produces, cheap food and cheap raw material, being organized and able to come before you gentlemen of the Congress, while the farmer has not, little by little the farmer has lost the protection he once had on agricultural products, until to-day we find agriculture doing business on a free-trade basis and the factory on a protective basis.

You know agricultural prices are down here [indicating under the table] and factory prices are up here [holding hand as high above table as he could reach]. That is one of the troubles to-day. That is the chief interest the farmer has in the tariff. While I do not think other people should be compelled to come down to the level of where the farmer is now, yet I think the farmer should be protected and given such help as will put him in a better position.

You will remember that President Lincoln once said, "This country can not remain half free and half slave." Along that same line I do not believe that this country can continue half protection and half free trade. Why should the farmer be required to work about 14 hours a day for 365 days in the year for about \$500, while the conductor on the railroad gets about \$4,600 for working fewer hours in the day and fewer days in the year? Gentlemen of the commission, there is no answer to that question except that he should not do it. That is one of the reasons, one of the vital reasons, why the farmer is interested in the tariff question. All these things should be leveled up so that if there is protection on the products of the factory there should be protection on the commodities produced on the farm.

Representative SUMNERS. How are you going to give protection to short-staple cotton, 60 per cent of which is sold in the markets of the world?

Mr. MCKENZIE. It is not a thing that you need protection on in this country.

Representative SUMNERS. But you can not give it?

Mr. MCKENZIE. You can not give a tariff protection on a thing that is not imported.

Representative SUMNERS. How are you going to give the factory—

Mr. MCKENZIE (interposing). Here is the kind of article that you can give protection on: We raise some beans up in New York State, and our New York bean raisers have got to raise beans in competition with the coolie labor in China paid 10 cents a day. Is there any justice in that? Especially when the man in the factory gets from \$8 to \$10 a day as his wage, perhaps for 8 hours' work.

Furthermore, take the woolgrowers and the men in the Rockies are on their uppers on account of no protection on wool. There could be shipped in from Australia and South America all the wool that was wanted, before the emergency tariff was put on. And the shepherds in South America are Indians, who get \$17 a year and their keep. So we ask, are the shepherds in the Rockies to be put in competition with the shepherds of South America who receive as compensation \$17 a year, or shall we protect our own people. Furthermore, those very shepherds in the Rockies wear coats on their backs which have 35 per cent duty on them. That is the place where protection is needed.

Representative SUMNERS. How about wheat? Do you not think there is a sufficient exportation of wheat and such a relatively small importation to indicate that it is amongst the class of agricultural production that may be said is not compelled to compete with large importations?

Mr. McKENZIE. Do you mean to ask the question, do I think there ought to be a duty on wheat?

Representative SUMNERS. Do you think you could write a protective tariff bill which would put wheat among the protective articles so that it would make it possible to balance the advantages to wheat under the tariff as against the general manufacturer from whom the wheat grower purchases?

Mr. McKENZIE. I have not any hope that agriculture is going to get any such protection as some of these manufacturing industries get. I don't think we ought to try to get it. I think some of these things ought to be cut down. I do not believe in butting our heads against a stone wall. Let us get what is reasonable.

Senator ROBINSON. What effect do you think the emergency tariff act has had on the price to the producer of agricultural products?

Mr. McKENZIE. Well, it has not had as much effect as a great many people imagined. Personally, I did not think that we were going to reach the millenium as quickly as that bill became a law. Take the wool question which I cited a little while ago: You men know that the first thing the woolen mills did when they found that the proposed tariff bill was likely to become a law was to flood wool into this country from the four corners of the earth. They brought in all the wool they could get in, and they have almost wool enough to last for a year. But that supply will gradually run out, and when it does they will have to buy wool on the American market, and then our wool pools will begin to come out, and at that time we will be a year ahead, at any rate, of where we might have been if the enactment of a tariff on wool had been delayed. There will be a difference in woolgrowing—no millenium, it is true, but a help.

I want to say to you gentlemen that I do not believe our bean raisers or raisers of vegetable oils or wool growers should be made to compete with the coolie labor of China or the Indian labor of South America or the peasant labor of Europe. If you do make our agricultural population do that it will be bad, very bad, indeed, gentlemen. If you make the man in the factory in America compete with German labor you will see what it will do to him as compared with his present wage and mode of living.

Senator ROBINSON. What effect do you think the emergency tariff has had on the price of wheat?

**Mr. McKENZIE.** That is out of my bailiwick and I would not like to express an opinion on that. Now, gentlemen of the commission, that is all I want to say about the tariff.

**Senator ROBINSON.** I want to understand your position. Your suggestion is that the way to benefit the farmer in this immediate emergency, so far as the taxes are concerned, is to reduce the rates on the imported manufactured products carried in the bill as it passed the House; is that what I understand you?

**Mr. McKENZIE.** I would not say that. I was trying to answer Mr. Sumner's question as to whether it was possible to get the rates high enough to meet the rates that are now in force on some of our manufactured articles. I said I did not think so. I said the way to get them reasonable and nearer together was to get some of the unreasonable rates down.

**Senator ROBINSON.** If you start out with the proposition that some of the rates are unreasonable—

**Mr. McKENZIE (interposing.)** I am saying, Senator, that some of the rates—

**Senator ROBINSON (interposing).** Let us get something a little more practical now on the question of tariff.

**Mr. McKENZIE.** I have had no time to go into this new tariff bill. I have it here in my portfolio, but I have not had time as yet to go into it.

**Senator ROBINSON.** Then you do not want to go into the details?

**Mr. McKENZIE.** No; I can not do that. I could give only general information. I was pointing out general principles on which that thing should be done; that is all.

**Representative SUMNERS.** Your position is that the tariff on manufactured and agricultural products should be practically the same?

**Mr. McKENZIE.** Yes; that agriculture is entitled to the same consideration as any other industry.

**Representative SUMNERS.** In other words, to have the tariff on manufactured and agricultural products more equal?

**Mr. McKENZIE.** Yes, sir.

**Representative SUMNERS.** Now, then, when you reach a situation where it is not possible to write a bill that would give agriculture as much protection as manufactured articles are having under the law—

**Mr. McKENZIE (interposing).** Yes?

**Representative SUMNERS (continuing).** Then the proposition would be to pull down the tariff on manufactured articles until the benefits are the same as between the manufactured products and agricultural products?

**Mr. McKENZIE.** I don't know. Those questions have all to be settled according to established principles. The same thing is true of manufactured articles; there are some manufactured articles that you can not put a tariff on to do any good. For instance, I don't think you can put a tariff on coal that would do any good.

**Representative TEN EYCK (presiding).** I would like to ask a question, reverting back to taxation: Have you information regarding a comparison with relation to what the farmer pays in taxes to-day in comparison with his earnings to what the industrial people in the cities pay, and the financiers, in comparison to their earnings or income under the present taxation system?

**Mr. McKENZIE.** No; I have not. I have just recently been making some investigations as to the increases in local taxes. I have not said anything about local taxes yet. But the local taxes are one of the things that enter into the farmer's budget and are becoming a matter of very serious concern. Any of you gentlemen who live in New York State know that the taxes are pretty high, and by the time you have paid your taxes for the support of the National Government and then go and look up your local tax budget, you will find that in all probability your local taxes, your State, county, town, or municipal taxes have about doubled in the last six or eight years. I had occasion to look into the taxes we were paying not so long ago, and I found that they had doubled in eight years.

**Representative TEN EYCK** (presiding). On the same property?

**Mr. McKENZIE.** On practically the same property.

**Senator ROBINSON.** I think you will find that condition quite general throughout the country. There has been not only an increase in Federal taxes, but almost a proportionate increase in local taxes in every form.

**Mr. McKENZIE.** Yes; there is bound to be. Take, for instance, our school-teachers. They had to have more money. Take our high-school teacher, who was teaching economics and mathematics and was making \$1,150 a year, and the brakeman on the railroad made a lot more money than that.

**Representative TEN EYCK** (presiding). What I want to know is if you have any data to show the taxes the farmer pays in proportion to his production in comparison to what the other man pays?

**Mr. McKENZIE.** There isn't any answer to your question, Mr. Chairman, because the other fellows do not all pay the same rate. Take the corporations; they do not all pay the same rate. As I told you, they divide these corporations into three classes. There is the one that does not make a profit, and it goes out from under the income tax. Then there is the one that makes 8 per cent, and not in excess of 8 per cent, and it gets out of the excess-profits tax, but pays on a different rate. Then there is the other one, which pays, if it makes an excess of 8 per cent, pays an excess-profits tax, and pays on a different rate. You can divide these into classes and get the earnings of the corporations; but when you get to the question of taxes that the individual in the city would pay and what the man in the country would pay, I personally do not believe you can get at it.

**Senator ROBINSON.** The statement is attributed to you, said to have been made yesterday—I did not have the opportunity of hearing it, as I was not present—that whereas the average farmer's income was something over \$300, of that he paid approximately \$100 in taxes; do you recall that statement?

**Mr. McKENZIE.** I think there is no question that the farmer is paying his fair share of taxes. The chairman will probably remember that the governor of New York, in his first message of the year, made the statement that of all the real property in New York, 30 per cent of the income was absorbed in taxes.

**Representative TEN EYCK** (presiding). The question is not, Mr. McKenzie, whether the farmer is paying his fair share of the taxes; the question in my mind is if he is not paying more than his fair share of the taxes?

Mr. McKENZIE. I think so.

Representative TEN Eyck (presiding). And, if so, what statistics have we that would present accurately the figures as to what he is paying?

Mr. McKENZIE. I haven't any figures that I could give to develop that for you.

Senator ROBINSON. You have testified about a sales tax as being distinctly a tax on consumption?

Mr. McKENZIE. Yes, sir.

Senator ROBINSON. I think there is no question about that, and I think the proponents of the proposition concede it.

Mr. McKENZIE. Yes; and here is what they concede further, that it is not only a consumption tax, but that all our taxes are passed on to the ultimate consumer and are consumption taxes, and that is where they go astray.

Senator ROBINSON. You mean they claim that?

Mr. McKENZIE. Yes; they are willing to concede too much on that point.

Senator ROBINSON. As I understand you, you oppose a sales tax, because it is an increased burden on consumption?

Mr. McKENZIE. Yes; and on the necessaries of life.

Senator ROBINSON. And you do not look with favor on a repeal of the excess-profits tax, because, to say the least, it is not in all instances a tax upon consumption?

Mr. McKENZIE. Here is the theory—

Senator ROBINSON (interposing). Is that your position; do I understand you correctly?

Mr. McKENZIE. Yes; that is true.

Senator ROBINSON. I agree with you on that proposition. And you say also that the income tax ought not to be reduced, or, at least, it ought not to be shifted?

Mr. McKENZIE. It can not be shifted, and it ought not to be reduced, and that is the reason—

Senator ROBINSON (interposing). I mean the revenues that are raised now by the surtax on incomes?

Mr. McKENZIE. Ought not to be shifted and changed to a consumption tax.

Senator ROBINSON. Ought not to be shifted into a sales tax?

Mr. McKENZIE. No, sir. Excuse me a minute while I tell you the reason why I object to this lowering of the surtax brackets. This is the reason: Senator Smoot made the statement before the Committee on Finance of the Senate when a similar bill was under consideration that already the men with incomes of \$300,000 and upward had two-thirds of their investments in tax-free securities. Now, if that is true, why relieve them of the tax on the other one-third?

Senator ROBINSON. I suppose Senator Smoot's idea was that they would put the other one-third in tax-free securities, too.

Mr. McKENZIE. The answer is not to lower the surtax, but the answer is to put a tax on the tax-free securities.

Senator ROBINSON. I agree with you.

Mr. McKENZIE. That is the whole story, and any other theory is not logical, and their reasonings do not stick together.

Senator ROBINSON. If we continue to authorize tax-free securities, the large investors will put their money in them, and we will be compelled to levy more taxes.

Mr. MCKENZIE. Here is the theory you will come to: It will come to a time when the poor will be paying the taxes and the rich will have an opportunity to get richer. I do not believe that is a sound theory.

Senator ROBINSON. Do you know the total amount of tax-free securities that have been issued?

Mr. MCKENZIE. I don't know what the total amount is, Senator. The best estimate anybody can give is what Dr. Adams has said, that it is practically \$16,000,000,000, but when I mentioned that day before yesterday the chairman of the Ways and Means Committee disputed with me, and said it was only \$6,000,000,000. I am perfectly satisfied that he is mistaken about that.

Senator ROBINSON. Propaganda is abroad just now in behalf of a reduction or repeal of the excess-profits tax and the levying of a sales tax.

Mr. MCKENZIE. Yes, sir.

Senator ROBINSON. Of course, that has been in progress for some time.

Mr. MCKENZIE. The sales tax is dead. The Ways and Means Committee is not for it; there is nobody on the committee that is in favor of a sales tax. When I went before the committee day before yesterday and started to discuss that they said, "Mr. McKenzie, you need not waste any time on that proposition, because nobody is in favor of it."

Senator ROBINSON. Well, that word has not yet reached to the propagandists, because in my mail this morning three-fourths of the mail received by me appealed to me in the interests of a repeal of the excess-profits tax and the levying of a sales tax.

Mr. MCKENZIE. It is an effort to shift the burden on the consumer, of course.

Senator ROBINSON. It is propaganda, of course.

Mr. MCKENZIE. Yes.

Senator ROBINSON. I am sure some of the men that have written to me do not understand it.

Mr. MCKENZIE. I do not wonder that some of the men who are in favor of it do not see the true inwardness of it; they do not want to have to pay taxes on their business, if they can put in on their goods, wares, and merchandise. So they have used everybody they can to spread the propaganda, and they have used the bankers, and have covered the country with propaganda. You go out and meet a man, and about the first thing he will say is that a sales tax is a good thing. They have succeeded in getting it into the newspapers and into the magazines and everywhere.

Senator ROBINSON. It seems so simple.

Mr. MCKENZIE. It is simple. Collier's had an article the other day, and while they did not say so in so many words, it did mean it; they said if you put on a sales tax, the people do not know it, and it will go through; if you put a tax on the rich, they will kick, and cause trouble, and therefore do not put it on the rich. I call it a pickpocket theory of taxation.

Senator ROBINSON. I have heard it advocated, on the contrary, that they will know it.

Mr. MCKENZIE. They will know it. The history of the entire world, from the time of the Roman Government on down, is that if you put a sales tax on the people they will complain; it has never been done anywhere except in Spain; and it has caused a revolution, even there, in some parts.

Representative FUNK. Have you any figures as to the amount produced by the excess-profits tax year by year? The proposition is to repeal that. Now, we ought to know definitely——

Mr. MCKENZIE (interposing). In the fiscal year 1920 the estimates were \$1,750,000,000. Now, they do not give them out for some time, because they are tied up with the flat taxes. The year before it was about \$2,000,000,000, and this year they estimate it will be \$400,000,000 to \$500,000,000, on account of the fact that business has flattened out. Because business has flattened out, you can figure you are going to lose this year \$450,000,000.

Representative FUNK. What is your position on that proposition?

Mr. MCKENZIE. My position is that this is no time to repeal that tax. We need the money. And when you come to a time that you can spare the money, do not take off the tax that will benefit the few at the top, but take off the tax that will benefit the many, and that is the transportation tax of \$331,000,000.

Representative FUNK. Has the Government prepared figures giving the amounts in surtax by percentages; that is, 40 per cent, 30 per cent, 20 per cent, etc.?

Mr. MCKENZIE. No; I don't think so.

Representative FUNK. The proposition is to repeal the surtax down to 40 per cent; my question is, How much money is involved in that proposition?

Mr. MCKENZIE. More than \$50,000,000; maybe \$100,000,000.

Representative FUNK. That is small, comparatively speaking.

Mr. MCKENZIE. This is not normal times. When you come to normal times it will amount to more money.

Representative FUNK. The argument would be better received to repeal the surtax down to 40 per cent, if the Government is only collecting the surtax on amounts above 40 per cent, but——

Mr. MCKENZIE (interposing). Do you see any reason why you should let these men out that have two-thirds of their investments in tax-free securities; can you tell me any reason? If you abolish tax-free securities, then I will go with you on a repeal of the surtax to 50 per cent.

Representative FUNK. The trouble with that—with the abolishing of tax-free securities—you have got to get three-fourths of the 48 States to do that.

Mr. MCKENZIE. Are you sure about that?

Representative FUNK. That is my opinion.

Mr. MCKENZIE. There is a serious question there, and it is one about which good constitutional lawyers differ.

Representative FUNK. Some of the legislatures meet only once in four years, and some of them do not meet much oftener. I think the Alabama Legislature, for instance, meets only once in four years.

**Mr. McKENZIE.** But the sooner you start the sooner you will get somewhere. If you do not start, of course, you will not accomplish it. That is one thing I called to the attention of the Ways and Means Committee the other day, because I consider it the most serious menace in the tax situation to-day. They came back at me and said, "Your State won't ratify it, because you have the Federal reserve bonds and local bonds, and your State won't ratify it." I said, "You will find that the farmers' organization will be back of any movement to make the change." Here is the proposition, while we have \$400,000,000 of farm loan bonds out, which are tax free, the Government is losing on all the tax-free securities from \$600,000,000 to \$800,000,000 every year.

**Representative FUNK.** They took a referendum vote on that proposition in your State, did they not?

**Mr. McKENZIE.** Yes, sir.

**Representative FUNK.** Have you the result of that vote?

**Mr. McKENZIE.** Yes. I don't know whether I have it in my pocket or not, but I can tell you approximately what it was; 86,000 were in favor of abolishing tax-free securities and only about 7,000 were in favor of keeping them. In other words, about 85 or 90 per cent of our vote was in favor of abolishing the tax-free securities.

**Senator ROBINSON.** Well, if the Federal Government continues itself to issue tax-free securities in large quantities and continues to recognize as tax free the securities issued by municipalities and counties and States, the time will come when the big investors will have all of their money invested in tax-free securities. I am passing over, for the time being, the legal question involved in the power of the Federal Government to tax bonds on the States. Undoubtedly the Government can discontinue to issue tax-free securities. There would be another question involved in the question to make such a provision retroactive. It could not be done and ought not to be done as to the securities already issued.

**Mr. McKENZIE.** It could not be done in good faith. But here is what could be done: Those that are now issued, and as they become due and are renewed, they could be issued after abolishing the provision for tax-free securities.

**Senator ROBINSON.** Those will be taken up.

**Mr. McKENZIE.** Yes.

**Senator ROBINSON.** And pass out of existence.

**Mr. McKENZIE.** Yes, sir.

**Senator ROBINSON.** But if the Federal Government goes on issuing at the same rate itself, as it has for the past few years, tax-free securities, the question where we are going to get the money to run the Government with is going to become more difficult; and the only solution to the question is a consumption tax.

**Mr. McKENZIE.** Can you tell me any reason why the Federal Government should continue it to save possibly \$10,000,000, and then lose from \$600,000,000 to \$800,000,000 in taxes?

**Senator ROBINSON.** No; and nobody else can.

**Mr. McKENZIE.** And if they have any sense they can stop that.

**Senator ROBINSON.** Just one further statement. While I had attempted an exhaustive study of the subject, the reason I have not had an opportunity to do it is that I have had so many other problems to

consider, but my mind is advancing toward the conclusion that the issuance of tax-free securities is economically unsound.

Mr. McKENZIE. You are absolutely right.

Senator ROBINSON. From any standpoint whatever.

Mr. McKENZIE. Yes; England does not do it to any such extent as we do. They know better. Their wealthy men have to pay taxes on their investments.

Representative SUMNERS. This is a matter I have not given much thought to; I have not gotten hold of all its sides. If the policy of issuing tax-free securities for the purpose of carrying forward some public work and promoting some public interest were abandoned, do you think the amount of securities that would be put out and the amount of public work which would go forward would be approximately the same as if there were tax-free securities issued for this purpose?

Mr. McKENZIE. Here is what will naturally follow: The towns and villages and other institutions that are accustomed to issuing tax-free securities have got to balance their budget by taxation, and if the rate goes up by 1 per cent—which is approximately the difference—they have got to balance their budget so that the people will pay the difference. Whatever tendency it would have would be to cut down the amount of public work.

Representative SUMNERS. Now, when these tax-free securities are issued, and the money comes into the State, county, or municipal treasury, and that money goes out for the promotion of some public improvement and is, of course, distributed among the people, what is the economic loss by reason of that one passage of the money through that utilization, leaving in its wake these tax-free securities?

Mr. McKENZIE. I didn't catch the question.

Representative SUMNERS. When tax-free securities are issued to get the money—

Mr. McKENZIE (interposing). Yes.

Representative SUMNERS (continuing). With which a public improvement is made.

Mr. McKENZIE. The only advantage in that is that they get it with less expense.

Representative SUMNERS. Yes.

Mr. McKENZIE. Less burden on the people.

Representative SUMNERS. Now, the public improvement is made.

Mr. McKENZIE. Yes.

Representative SUMNERS. And the public gets whatever benefit there comes from the use of that improvement.

Mr. McKENZIE. Yes.

Representative SUMNERS. And that money goes on its journey, scattered among the people.

Mr. McKENZIE. Yes.

Representative SUMNERS. What is the economic loss by reason of that money having passed through that one particular point of utilization, namely, making the public improvement, and then gone on into distribution to be used as it would have been used if it had not gone through that utilization?

Mr. McKENZIE. I don't believe there is any difference, Mr. Sumners, between that transaction and any other one in which the money was

furnished by taxable securities. I think the economic result would be the same. But here is the point: You must remember that in the States we are coming to the place where we are going to have State income taxes, and where the State treasury will suffer. There are already some States that have income tax now; New York and Wisconsin have one; Massachusetts has one, and the time will come when they all will have it. And this will go on, and the result will be that the tax burden will fall on the person who has real property, and that is the farmer, and on consumption.

Senator ROBINSON. The economic loss can only follow if for the small diminution and the advantage to be gained immediately and for the time being, there is a relinquishment of the large revenues which would be derived if there were not these large issues of tax-free securities.

Mr. McKENZIE. That is the whole story.

Senator ROBINSON. I would not like to state what a scientific investigation would show, but my guess would be it would be anywhere from 10 to 25 to one.

Mr. McKENZIE. It is a losing game, and nobody disputes it.

Representative SUMNERS. There is the weak spot in the whole thing.

Senator ROBINSON. Yes; it is absolutely indefensible that, in order to get an immediate and slight benefit in the form of a low rate of interest, say 1 per cent, you give what will amount to many times that, what that would yield in the form of returns in the shape of revenue.

Representative TEN EYCK (presiding). And shifts the burden on the lower incomes. That is the great objection.

Senator ROBINSON. Yes; and the further proposition that these securities are taken, as a rule, by people who have large incomes for the purpose of evading the payment of the higher rates on income.

Mr. McKENZIE. Yes; they have got two-thirds of their investments in them now, according to Senator Smoot.

Representative TEN EYCK (presiding). It is a question whether it would raise the interest on those bonds, provided there was not other tax-free bonds to invest in. The relativity in the safety of the security rather than the lower tax rate would govern the cost and interest. That would be the only difference from what the demand is now. I doubt whether it would cause much difference, because I believe the investors would provide the same money they do now if there were no tax-free bonds to invest their money in competition with these securities; and they would take them because of the greater security.

Senator ROBINSON. Yes; there is a question of relativity involved.

Representative SUMNERS. And another criticism, it seems to me that the fallacy probably makes it possible for vast fortunes to be built up that will be absolutely protected against any power of the Government to get at them.

Senator ROBINSON. Yes; I think that is true.

Mr. McKENZIE. There is just one exception to that, Mr. McKenzie, I think. And they raised the question before the Ways and Means Committee yesterday. They asked me what should be done about an inheritance tax, and I said if they do not take it from a man while he is living—his fair share of taxation—you should take it from him when he is dead. You can get it there.

Representative SUMNERS. Do you believe in an inheritance tax?

Mr. MCKENZIE. We have an inheritance tax now.

Senator ROBINSON. Have you found many cases where, in order to avoid a prospective payment of inheritance tax on a vast estate a man has distributed his money among his heirs while he was yet living?

Mr. MCKENZIE. Here is a common case: A man who has arteriosclerosis, and knows that he has but a few years to live, and who has \$300,000 in securities, when his daughter has a birthday, he gives her \$50,000 in securities, and he does that several times, and still has enough to live on in his fortune, but his fortune is largely gone by the time he dies. There is no question about that.

Representative TEN EYCK (presiding). And in addition to that he saved some income tax during his life.

Mr. MCKENZIE. Yes, sir.

Senator ROBINSON. And, of course, there is the certainty that he has distributed it now as he wanted it, and there is presumably some benefit.

Mr. MCKENZIE. Yes, sir. But the point is well taken. Now, if you are all through with these questions, I would like to say a word about economy. One of the things we hear most about is economy.

Senator ROBINSON. Everybody talks it, and nobody practices it.

Mr. MCKENZIE. You gentlemen here in Washington hear plenty of it, and I am not going to bore you much. But I heard an ex-governor of Pennsylvania say within a week that 93 per cent of all the money spent here in Washington was spent for the Army and Navy. That is not true. I know what that 93 per cent means and you gentlemen all do. There is a lot of money spent for the Army and Navy. As I understand, about one-third of your gross budget goes to those two sources. To be perfectly candid, my sympathies are with some of those gentlemen in Congress who are trying to preserve the security and insurance policy of the United States instead of canceling it. I think that the last thing that I economize in is my insurance policy. I do not believe that the people of the country want Congress or anybody else to take chances with our national security, and I believe that the cry is considerably overdone.

Now, I don't want to be understood as advocating unlimited expenditure of money for the Army and Navy, or anything of that sort, because I do not advocate it. But I want to say that there are some other ways in which you can economize, and I just call your attention to one other way, and that is that the statement is made that the Shipping Board lost last year \$380,000,000, and I think that there could be some way found to cut off that extravagance to most excellent advantage.

Representative TEN EYCK (presiding). Your idea along that line is that you want the insurance kept up until, through proper legislation—

Mr. MCKENZIE (interposing). Absolutely.

Representative TEN EYCK (presiding). You want it kept up until we can, through proper legislation, build up fireproof protection against invasion?

Mr. MCKENZIE. I had better say that in that I am expressing only my own personal views in stating that, because that is all I am doing.

I think that is all I have to say to you gentlemen along general lines.

There are just one or two other things. One thing is in regard to a detail of a tariff bill that affects us so vitally, and that is the amount of tariff carried in the new tariff bill on liquid milk, which is, as I recall, only 1 cent on the gallon. Liquid milk is not a great revenue producer. In normal times it is not imported. The only place it comes from is from Canada, and the only time it is imported from Canada is when the distributors get at loggerheads with the producers in the State, and then what they say to the farmers is, "You fellows go back to your farm; we can get it from Canada for less than we can get it from you." And the result is they use Canada to beat down the price of milk on the farmers. And an inquiry will show that since the war, from the time the war started, the farmers have been producing milk at less than the cost of production. What I would like to see is a tariff of 2 cents a quart on milk to stop that importation from Canada.

Senator ROBINSON. Have you gone into the figures to see what the milk was costing the farmer, and what it was costing the consumers, to see where the difference went?

Mr. MCKENZIE. I can give you that roughly. The farmer buys the farm and produces the feed, and feeds the cattle and produces the milk, and he gets one-third of the price paid by the consumer, and the other fellow who takes it and puts it on the doorstep gets two-thirds of the price. And then they say the farmer is not efficient.

Senator ROBINSON. Now, do you think that figure would hold good throughout the war period, or approximately so?

Mr. MCKENZIE. Yes; approximately so. There was a time when Mr. Hoover promised that the farmer should have a fair profit for his milk, but that time never came until after the war ended. They figured up month after month, and they never did get what the figures showed they ought to have.

That is all I have to say, gentlemen, unless you have some further questions.

Representative TEN Eyck (presiding). Is that all you have to say with reference to the dairy interests?

Mr. MCKENZIE. Yes; that is the only point, except to advocate the passage of the bill prohibiting the sale of filled milk and other dairy products. And also the question of the condensed milk, but that is not vital. That is all.

Representative TEN Eyck (presiding). If that is all, we thank you, Mr. McKenzie, for your statement.

If there is nothing further the commission wishes to take up at this time, we will adjourn until 10 o'clock to-morrow morning.

(And thereupon, at 11 o'clock and 30 minutes a. m., the commission adjourned, to meet to-morrow, Friday, July 29, 1921, at 10 o'clock a. m.)

## INDEX.

	Page.
<b>Agriculture:</b>	
Represented in control of economic conditions.....	201
Wages paid in.....	236, 239
<b>Agricultural conditions:</b>	
In Arkansas.....	272
In Delaware.....	288, 290, 291
In Iowa.....	186
In Michigan.....	272
In Nebraska.....	275, 278
In New York.....	283, 285, 286, 287
Suggestions for improvement of, by New England Milk Producers Association.....	325
<b>Agricultural credit and finance:</b>	
Agriculture furnishes credit.....	252
Conditions of.....	157, 165, 173
Credit needed.....	339
Situation of, in Iowa.....	195
Situation of, in Ohio.....	260
System of.....	181, 182
<b>Agricultural income:</b>	
Statistics of.....	408, 428
Per cent of national income.....	412
Distributed.....	412, 413
Compared with other incomes.....	413
Per cent to wages.....	415, 418
Method of arrival at.....	419
Value—	
Farm animals slaughtered.....	419
Dairy products.....	420
Poultry and eggs.....	420
Wool.....	420
Live stock.....	421
Crops.....	421
Expenses deducted—	
Machinery, value of.....	423
Fertilizer purchased.....	423
Automobiles, use and value.....	424
Insurance.....	427
Interest, item of expense.....	427
Land values.....	428
Wages of employees.....	429
Wages of other classes from.....	430
Value of products sold.....	431
Production per man.....	431
Compared with population.....	432
Percentage of national income.....	432
To owner of property.....	433, 436
<b>Agricultural products:</b>	
Needed abroad.....	439
Products insured.....	562
<b>Agricultural losses in Ohio.....</b>	<b>261, 267, 268</b>
<b>American Farm Bureau Federation, statement of representative of.....</b>	<b>256, 293</b>
<b>American Fruit Growers (Inc.), statement of representative of.....</b>	<b>464, 581</b>
<b>American Society of Equity of Wisconsin, statement of representative.....</b>	<b>177</b>
<b>Animals, farm, value of.....</b>	<b>419, 420, 421</b>

	Page.
Apples, production, value, export and import of .....	373
Association, Cooperative Livestock Shipping.....	648
Automobiles, use and value of, on farms.....	424
Panking:	
Per cent of income produced by.....	413
Per cent of income to wages.....	417
Accommodations of, limited.....	573
Banks:	
Condition of.....	241, 242
Earnings of, 1870-1879.....	227
Profits of.....	230
Barger, D. H., statement of.....	384
Barley:	
Remedy for depressed industry.....	393
Production of.....	394
Petition in behalf of growth of.....	399
Used as rotation crop.....	402
Barrett, C. S., statement of.....	4
Batcheller, J. W., statement of.....	49
Beer:	
Manufacture of, process.....	393
Petition for manufacture of.....	399
Composition of.....	406
Manufacture of, remedy for barley industry.....	406
Beets, production costs in Michigan.....	334
Binder twine, spread in price of.....	184
Blair, M. S., statement of.....	386
Brand, Charles J., statement of.....	581
Brokers, advantage of having.....	588, 590
Brookhart, Smith W., statement of.....	9
Bureau of Markets, renders great service.....	623
Butter, production, value, export and import of.....	373
Buying, scientific, effective.....	668
Canadian railway.....	98
Cantaloupe, prices of.....	615
Capper-Volstead bill indorsed.....	204
Capital tax recommended.....	560
Cattle-feeding financial statements:	
In Illinois.....	374
In Indiana.....	375
In Missouri.....	376
In Iowa.....	377
In Nebraska.....	378
Celery, cost of marketing.....	594
Centralization:	
Advantages of.....	653
Of market desirable.....	650
Coal bill introduced by Newton relative to production and distribution.....	532
Collective bargaining:	
Should be allowed.....	204
Indorsed by political parties.....	206
Recommended.....	60
Competition in live stock production.....	652
Consumer's dollar divided on oranges.....	616
Consumer must pay expense of production.....	587
Cooperation between association and farmers.....	664
Cooperative associations:	
Operation of.....	183
Buying by.....	177
Marketing organization indorsed.....	207
Difficulties of.....	624
Cooperative bank, draft of bill for.....	31
Cooperative bank, Cleveland, Ohio.....	26
Cooperative canning associations.....	667
Cooperative commission concern desirable.....	654, 660
Cooperative live stock shipping association in Middle West.....	648

	Page.
Cooperative marketing:	
Organization needed.....	275, 390
Organization urged.....	575
Propaganda against.....	366
System in West Virginia.....	363
Cooperative shipping associations:	
Advantageous.....	653, 660
Organized.....	665
Corporations, profits of mining and manufacturing.....	232
Corn:	
Cost of production in Nebraska.....	276, 280, 281
Freight rates on, to New York.....	356
Production cost of.....	330
Sale of and prices for.....	357
Cost account:	
Corn and oats production on Hunt farm.....	330
Records on farms in Illinois.....	308, 313
Cost of farm products should be reduced to affect prices.....	572
Cost of production of grains in Iowa.....	294, 316, 320, 323, 324
Cotton:	
Data relative to credit conditions.....	346
Facts as to industry.....	273
Market for, in Europe.....	440, 445, 449
Production, value, export and import of.....	371
Credit:	
Agricultural, in Ohio.....	260
Allotment by Federal reserve bank.....	18, 24
Allotment by Federal reserve bank in Iowa.....	11
Conditions in Nebraska.....	281
Can be monopolized.....	565
Conditions as to cotton.....	346
Extended on wool supply.....	642
Furnished by agriculture approximately.....	252
Long and short time.....	20, 88, 277
Needed for agriculture.....	245, 339
Relief suggested.....	350, 509
Restriction of.....	627
Should be extended to European countries.....	462
Situation in Europe.....	253
Standing of Government in years past.....	565
To farmers.....	138, 143
Uses and abuses.....	514
Crisis in prices threatening.....	244
Crops, farm:	
Canning of.....	667
Value of.....	421
Crutchfield, J. S., statement of.....	464
Cunningham, E. H., statement of.....	293
Czechoslovakia, market for our products.....	439, 456
Dairy production.....	211, 325, 420
Dairymen's League, cooperative association.....	213
Debt and wealth of countries.....	102
Deflation:	
Possible causes for.....	241
Definition of.....	244
Where effective.....	243
Delaware, agricultural conditions in.....	288, 289, 290
Demand for fruit and produce relates to price adjustments.....	502
Demand for surplus needed.....	454, 456
Depression in business, cause for.....	241, 251
Depression in fruit and produce industry.....	464
Discounts and loans in New York banks.....	255
Discount rates applied by Federal Reserve Board.....	248
Distribution:	
Costs of.....	54, 64, 126, 162, 218, 266, 284, 485, 493
Faulty condition of system.....	218
Methods, need for change of.....	272

	Page.
<b>Distribution—Continued.</b>	
Milk distribution through association.....	213
Of products.....	9, 609, 619
Processes used in industry.....	468, 477, 480, 493
Should be centralized.....	653
Spread between producer and consumer.....	167, 592, 601
Distributive conditions as to milk of New York.....	209
Doak, W. B., statement of.....	380
Dollar, purchasing power of, base for computation of share of income.....	430, 434
Drift of population from country to city.....	237
Economic conditions in country.....	567
Economic Research Bureau, National:	
Statement of representative of.....	407
Organization of.....	408
Economy talked about but not practiced.....	689
Eggs:	
Production, value, export and import of.....	371
Cost of producing in New York.....	331
Employees:	
Wages of.....	414, 415, 416, 417, 428, 429
Welfare of.....	429
European credit situation.....	47, 137, 253
European market not most important.....	123
Exchanges, live stock, not open to cooperative concerns.....	655
Expense of marketing.....	594
Export of farm products provided for in Norris bill.....	547
Export situation.....	104, 247
Exports:	
Of corn and other products.....	438
Of cotton.....	371
Of wheat.....	372
Of eggs.....	372
Of apples.....	373
Of butter.....	373
Factories:	
Per cent of income produced by.....	413
Per cent of income to wages.....	416
Average income in.....	434
Farm Bureau Federation:	
Statement of representative of.....	256, 293
Cost account records of farms 361 and 384 in Illinois.....	308, 313
Farm Bureau Federation fees.....	551
Farmer:	
His income.....	682
His share of taxes.....	682
Farmer Labor Party:	
Statement of representative of.....	564
Principles of.....	576
Farm machinery, cost of.....	135
Farm products:	
Statement of prices of.....	370
Per capita value of.....	234
Prices of, in Ohio.....	259
Farmers' National Council:	
Statement of representative of.....	505
Statement of, as to land values.....	531
Farmers' Union, statement of representative of.....	39, 75, 183, 220
Federal farm loan bank, assistance of.....	42, 52, 166
Federal reserve bank system:	
Banks in.....	343
Credits.....	27
Financial conditions.....	351
Method of distribution of loans.....	261
Reserve rates.....	239
Federation of Farmers' Associations in Indiana, statement of representative... ..	661
Fertilizer, value of.....	423
Financial conditions.....	42, 50, 111, 193

	Page.
Financial statement, feeding cattle.....	374, 375, 376, 377
Financing, system of.....	181
Financing of live stock should be controlled by producers.....	653
Foreign credit.....	13, 23, 29, 437, 441, 444, 452, 557
Farm income in Indiana.....	662
Farm markets.....	102, 437, 439
Foreign trade political risk bureau.....	73
Freight rates:	
Comparison of, table.....	608
Destructive in effect.....	538
Effect of, generally.....	585, 589, 591
Effect on potatoes.....	598
Increased, affecting movement of agricultural crops.....	355
In Ohio.....	263
Must be adjusted.....	604, 650
On corn to New York.....	356
On fruits and vegetables.....	358, 482, 487, 490, 497
On oranges.....	616
Reduction of, needed.....	499
Friday, Dr. David, statement of.....	227
Fruit, cost of marketing.....	596, 603, 616
Germany, a market for our products.....	456
Government of United States:	
Per cent of income produced by.....	413
Per cent of income to wages.....	417
Average income.....	435
Government operation of railroads favored.....	540
Grading of live stock desirable or not.....	649
Grange, statement of representative of Pennsylvania State.....	89
Hand trades:	
Per cent of income produced by.....	413
Per cent of income to wages.....	416
Harris, B., statement of.....	143
Harrison, E. L., statement of.....	133
Herron, L. S., statement of.....	143
Hougas, T. A., statement of.....	183
House resolution 102.....	506
Howe, Frederick C., article by, on credit.....	514
Hunt, C. A., farm of, cost of producing oats and corn.....	330
Identity of wool lost in storage.....	645
Illinois Agricultural Association, statement of representative of.....	635
Imports of cotton, wheat, eggs, apples, butter.....	371, 373
Income, national:	
Statistics regarding.....	408
Estimate of.....	409
Amount of, for 1918.....	410
Divided to different industries.....	411, 413
Wages, per cent of.....	414
Agriculture, percentage of.....	432
In various fields, average.....	435
Income, percentage of, to invested capital for 1917.....	233
Incomes of labor in Ohio.....	258
Index, agricultural, as published by United States Department of Agriculture, comparison with all-commodities index.....	329
Indiana Farmers' Association, statement of representative of.....	661
Indiana cattle-feeding financial statement.....	375
Industrial profits.....	227, 229
Insurance:	
Companies writing insurance on agriculture.....	562
Part of farm expense.....	429
Interest:	
Discussion of rates.....	239
Future of rates.....	253
Item of expense of agriculture.....	427
Prospect of change of rates in 1920.....	242
Rates in Arkansas.....	181

	Page-
Interest—Continued.	
Rates in Nebraska.....	276, 278
Rates in various States.....	337
Rates paid by farmer.....	433
Invested capital, compared with income for 1917.....	233
Investment returns on credit extension to Europe.....	459
Iowa:	
Production costs in.....	294
Computation of production costs in.....	300
Cost of production of corn in.....	316
Cost of production of wheat and oats in.....	320
Cattle-feeding financial statement.....	377
Iowa Farm Bureau Federation, statement of secretary of.....	293
Jones, R. E., statement of.....	393
Kenning, Charles, statement of.....	400
Kentucky, agricultural conditions in.....	268
King, Willford I., statement of.....	407
Knauth, Dr., estimate of income.....	408
Kyle, James F., statement of.....	107
Labor costs.....	162
Labor incomes in Ohio.....	258
Land values:	
In Iowa.....	189
Of farm lands in United States.....	428
Statement regarding, by Farmers' National Council.....	532
Lazaro, Congressman, interrogations as to wool marketing.....	641
Legislation:	
In behalf of agriculture needed.....	550
Status of, in which farmers are interested.....	379
Lettuce, cost of marketing.....	594
Light and power companies:	
Including telephone and telegraph companies, per cent of income produced by.....	413
Per cent of income to wages.....	416
Live stock:	
Marketing of, discussed.....	635
Competition in production.....	652
Exchange at Chicago, seat on.....	180, 184
Industry conditions.....	646
Number handled at market.....	666
Value of.....	419, 421, 422
Loans:	
To growers to enable marketing.....	616
Of banks, condition of.....	241, 243, 244
By Federal reserve banks in United States in 1918.....	248
Long-time, in Nebraska.....	276
Losses in agricultural production in Ohio.....	261
Loans and discounts in New York banks.....	255
Lyman, Charles A., statement of.....	6
McAuliffe, Maurice, statement of.....	147
McKenzie, H. C., statement of.....	671
McSparran, John A., statement of.....	89
Machinery:	
Cost of farm.....	135
Value of farm.....	423
Manufacturing:	
Corporation, profits of.....	232
Number of people engaged in industry.....	238
Wages paid in industry.....	236
Manufactured products, per capita value of.....	234, 235
Marketing:	
Assisted by loans.....	616
Conditions of.....	76, 136, 437, 445
Cooperative.....	583, 653
Cost of.....	582, 594, 605, 618
Costs of, must be reduced.....	505, 538, 658
Facilities in Ohio.....	261

	Page.
<b>Marketing—(Continued.)</b>	
Live stock . . . . .	635
Methods of organization . . . . .	582, 588
Perfecting of methods . . . . .	621
Potatoes . . . . .	583
Processes should be centralized . . . . .	650
Supervised by agent . . . . .	664
System used by American fruit growers . . . . .	466, 471
Wool . . . . .	637
<b>Marsh, Benjamin C., statement of . . . . .</b>	<b>505</b>
<b>Michigan:</b>	
Cost of production of beets in . . . . .	44
Conditions in . . . . .	272
<b>Mileage, Shanghai to New York . . . . .</b>	<b>355</b>
<b>Milk:</b>	
Prices in New York . . . . .	216
Conditions as to prices . . . . .	206
<b>Milk Producers' Association, New England, statement of . . . . .</b>	<b>325</b>
<b>Milk Producers' Federation, National, statement by representative of . . . . .</b>	<b>203</b>
<b>Miller, J. D., statement of . . . . .</b>	<b>203</b>
<b>Mines:</b>	
Per cent of income produced by . . . . .	413
Per cent of income to wages . . . . .	415
<b>Mining corporations, profits of . . . . .</b>	<b>232</b>
<b>Miscellaneous industries:</b>	
Per cent of income produced by . . . . .	413
Per cent of income to wages . . . . .	417
Average income . . . . .	435
<b>Missouri, cattle-feeding financial statement . . . . .</b>	<b>376</b>
<b>Money situation, cause for . . . . .</b>	<b>240</b>
<b>Mumford, Herbert W., statement of . . . . .</b>	<b>635</b>
<b>National Board of Farm Organizations:</b>	
Statements of officers of . . . . .	4
Statements of representative of . . . . .	124
<b>National Bureau of Economic Research:</b>	
Statement of representative of . . . . .	407
Organization of . . . . .	408
<b>Nebraska, cattle-feeding financial statement . . . . .</b>	<b>378</b>
<b>National debt and wealth of countries . . . . .</b>	<b>102</b>
<b>National sales agency, aid to maintenance of price level . . . . .</b>	<b>657</b>
<b>National Wool Warehouse &amp; Storage Co., storage of wool . . . . .</b>	<b>637</b>
<b>New Hampshire, production, cost of potatoes in . . . . .</b>	<b>331</b>
<b>Newton bill, relative to coal . . . . .</b>	<b>533</b>
<b>New York:</b>	
Agricultural conditions in . . . . .	283, 285, 286, 287
Loans and discounts in banks of . . . . .	255
Mileage from Shanghai to . . . . .	355
Production cost of eggs and potatoes . . . . .	331, 333
<b>Norris bill, export of farm products . . . . .</b>	<b>547</b>
<b>Oats, production of . . . . .</b>	<b>330</b>
<b>Ocean freight rates . . . . .</b>	<b>544</b>
<b>Ohio:</b>	
Condition of roads in . . . . .	261
Farm Bureau report from . . . . .	257
Freight rates in . . . . .	263
Price of farm products and supplies . . . . .	260
Transportation conditions in . . . . .	263
<b>Onions:</b>	
Prices of . . . . .	591
Cost of marketing . . . . .	595
<b>Oranges, prices of . . . . .</b>	<b>616</b>
<b>Organization of federation . . . . .</b>	<b>661</b>
<b>Outline for guidance of gathering material by Farm Bureau Federation . . . . .</b>	<b>256</b>
<b>People's Reconstruction League, investigation of . . . . .</b>	<b>521</b>
<b>Pinchot, Gifford, statement of . . . . .</b>	<b>217</b>
<b>Poland, market for cotton and corn . . . . .</b>	<b>446, 448, 457</b>
<b>Political parties indorsed collective marketing . . . . .</b>	<b>206</b>

	Page.
Pollard, Ernest M., statement of .....	39
Pommerining, E. C., statement of .....	177
Potatoes:	
Production cost of, in New York .....	333
Production cost of, in New Hampshire .....	331
Marketing of .....	583, 589
Freight rates on .....	598
Cost of production .....	611
Prices:	
Average received by Ohio farmers .....	258
Cause of difference in cotton .....	273
Combination as to farm products .....	209
Commodities, decrease in .....	250
Conditions of, in agriculture .....	447
Conditions in Iowa .....	191
Controlled by organizations .....	522
Effect of credit on .....	566
Farm products .....	370
Maintained by national sales agency .....	657
Not normal .....	553
Of barley .....	393
Of cantaloupes .....	615
Of corn .....	357
Of onions .....	591
Of vegetables .....	600
On milk in New York .....	216
On tobacco .....	133
On wheat .....	82
Relation of agricultural .....	384
Retail prices in Washington .....	361
Rise and fall of .....	434
Spread between manufacturer and consumer on binder twine .....	184
Spread between producer and consumer .....	54, 273, 391
Production:	
Agriculture, per man .....	431
Conditions of .....	125
From our farms by American fruit growers .....	470
High freight rates in stimulation to .....	486
Of cotton, wheat, eggs, apples, and butter .....	371, 372, 373
Of tobacco .....	133, 223
Outlet for surplus .....	46
Scientific buying effective .....	668
Stabilization of, in live-stock industry .....	659
Trend toward smaller, in live stock .....	647
Urged by Secretary of the Treasury .....	512
Production costs:	
For fruit and produce .....	476, 479, 486, 492
In Iowa .....	294
In Ohio .....	259
Must be reduced .....	505
Of beets in Michigan .....	334
Of corn, wheat, and oats in Iowa .....	316, 320
Of potatoes in New Hampshire .....	331
Of wheat and corn in Nebraska .....	276, 280, 281
To consumer .....	587
Will be increased by tariff .....	525
Profits:	
In industrial establishments .....	229
In national banks .....	228
Propaganda against cooperative marketing .....	366
Public utilities earnings .....	230
Quisenberry, James H., statement of .....	220
Railways:	
Average income .....	413
Conditions of .....	90
Including relative industries, per cent of income produced by .....	413
Valuation of .....	358

Rates:	Page.
Of discount and interest.....	18
Discount applied by Federal Reserve Board.....	248
Raw materials in connection with tariff.....	101
Receipt of live stock on markets should be regulated.....	646, 649
Remedy to be suggested for conditions.....	251
Reynolds, E. E., statement of.....	661
Rice, facts as to industry and crop.....	275
Robinson, Hon. J. T., statement of.....	71
Rochedale system, foreign consumers' plan of operation.....	477
Rural credits legislation recommended.....	380
Sands, Geo. L., statement of.....	136
Selling costs.....	600
Senate Concurrent Resolution 4.....	3
Shepard, J. L., statement of.....	64
Short-time loans.....	276
Shroyer, J. O., statement of.....	75
Silver, Gray, statement of.....	256
Sinclair resolution.....	506
Speculation, grain exchanges.....	10
Spillman, W. J., statement of.....	124
Starr, Western, statement of.....	564
State banks, earnings of.....	228
Strong, Hon. James G., statement of.....	165
Surplus of products on hand.....	460
Surplus of production, outlet for.....	46
Swift, A. V., statement of.....	135
Tariff protection is wrong.....	525
Taxation question:	
Vitally interesting.....	671
Must be adjusted.....	505
Taxes:	
Sales muddle the mind.....	671
Objection to shifting the burden.....	672
Single tax advocated.....	673
Who pays?.....	673
Inheritance tax not passed on.....	674
Income tax not passed on.....	674
Distributed in more equal proportion.....	675
Nothing to be said in favor of sales tax.....	676
Tariff taxes.....	678
Should not be reduced on manufactured products imported.....	681
Increase of local taxes.....	682
Proportioned to farmer.....	682
On tax-free securities.....	683
Not in favor of sales tax.....	684
Amount of excess profits.....	685
Details of legislation.....	690
Tenancy:	
Conditions in Iowa in 1921.....	187
Conditions in New York State.....	207
Texas cabbage and tomatoes.....	595
Thomas, O. A., statement of.....	54
Tobacco:	
Distribution and sale of.....	218
Sale by auction in Virginia.....	224
System of marketing.....	222
Status of crop.....	268
Storage facilities for.....	269
Trade restrictions to agriculture.....	202
Transportation:	
By water.....	227, 233, 262
Costs of.....	12, 64, 151, 158
Charges of on produce.....	595, 605
Conditions affecting.....	354
Facilities should be coordinated.....	546

	Page:
<b>United States:</b>	
A creditor nation .....	458
Debt and wealth of .....	102
<b>Value:</b>	
Definition of .....	496
Of manufactured products, per capita.....	234, 235
Of cotton, wheat, eggs, apples, butter, and farm products.....	371, 372, 373, 374
Of farm products, per capita.....	234, 374
Of land in Iowa .....	189
<b>Vegetables, cost of marketing.....</b>	<b>595, 605</b>
<b>Vrooman, Carl, statement of .....</b>	<b>437</b>
<b>Wages:</b>	
Effect of increase.....	570
In agriculture .....	236, 239
In manufacturing.....	277
<b>War Finance Corporation, power to extend credit abroad .....</b>	<b>551</b>
<b>Water transportation:</b>	
Development of.....	277
Per cent of income produced by .....	413
Per cent of income to wages .....	417
<b>West Virginia, marketing system in.....</b>	<b>363</b>
<b>Wheat:</b>	
Cost of production in Nebraska of .....	275, 280, 281
Production, value, export and import of.....	372
<b>Wool:</b>	
Credit extended on supply .....	642
Financing of handling.....	641
Graders' method of handling.....	638
Pool for marketing of.....	637
Value of production .....	420

