



The Farm Front

Credit Study

The Agricultural Commission of the American Bankers Association is now conducting a major study of intermediate-term credit for agriculture. The study is designed to throw light on the amount of this type of credit now being furnished to farmers. When completed, it should be a valuable tool to bankers in appraising their farm loan policies in order to be sure that they are successfully meeting farmers' intermediate credit needs.

Layers Busy

New England's laying flocks increased their egg production by 7.5 per cent in the first five months of 1956 over the comparable period of 1955. Meanwhile, United States production was almost exactly at year-ago levels.

Fertilizer Totals

Preliminary estimates from the National Plant Food Institute indicate that fertilizer consumption in New England in 1955 was 432,278 tons, up only slightly from the 1954 levels. Of this total, Maine used nearly 42 per cent and Connecticut and Massachusetts, about 20 per cent apiece. United States consumption for 1955 was 20.4 million tons, down slightly from 1954 levels.

Chicks

In 1955, there was a total of 104.8 million broiler chicks and 46.1 million non-broiler chicks hatched by New England hatcheries. This represented 8.7 per cent of all the broiler chicks and 7.1 per cent of all the non-broiler chicks hatched by commercial hatcheries in the United States. In addition, New England exports large quantities of hatching eggs to other states. Connecticut was the leading state in New England in both broiler and non-broiler chicks hatched in 1955, accounting for over one-third of the New England total.

. . . . and More, Too

Preliminary figures from the United States Department of Agriculture indicate that a total of 82.5 million chicks were hatched in New England

hatcheries for the period of January 1 to May 31, 1956. Of the total, 51.2 million were broiler chicks and 31.4 million were for replacement purposes. This was a 26.7 per cent increase in broiler chicks and a 6.6 per cent increase in chicks for replacement purposes over the comparable period for 1955. On June 1 of this year, New England incubators were filled with 27 per cent more broiler eggs and 17 per cent more potential replacement birds than on June 1, 1955.

Good News!

The late, cold spring, combined with heavier fluid milk sales, brought a sharp upturn in milk prices to producers. Richard Aplin, Boston milk market administrator, estimates that blended prices to producers in the 200-mile zone will be \$4.30 in July, \$4.80 in August, and \$4.85 in September. These new estimates for the third quarter run from 7 to 16 cents above the prices paid in the same period last year.

Soil Bank

The United States Department of Agriculture has announced that soil bank payments will be made to tobacco growers who take acreage out of production. The announced rates on which the payments will be based are 19 cents a pound on Broadleaf and 18 cents on Havana Seed. Authorities seem to feel that the rates are high enough so that many Connecticut Valley growers will participate because of the general belief that the introduction of manufactured binder has permanently reduced the market for the binder tobacco produced in the Valley.

Apple Prospects

Prospects for a large New England apple crop were dimmed noticeably by late spring frosts that did considerable damage to fruit buds in the Nashoba Valley of Massachusetts, southern New Hampshire, and parts of Vermont. Predictions are now that the crop will be substantially less than in 1955. Meanwhile, United States apple production is also expected to be below 1955 levels, primarily due to damaging freezes in the eastern half of the nation and poor pollination in the Far West.



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A powerful agent is the right word. Whenever we come upon one of those intensely right words in a book or a newspaper, the resulting effect is physical as well as spiritual, and electrically prompt.
— Samuel Clemens

Pro and Con

FARM LEADERS OFTEN DISAGREE OVER the effects of the large amount of grain-dealer credit that has been injected into the poultry business.

Proponents argue that the industry could not have developed to its present size and importance without this type of credit. They state, quite accurately, that institutional lenders would never have furnished the amount of credit that has been extended by dealers.

Opponents agree, but are quick to state that the industry would be much sounder today if the development had not been so rapid.

The argument becomes academic, however, because dealer credit for grain is an accepted part of the industry. Many poultrymen have used it and will continue to use it because it makes working capital available to them that otherwise might be unavailable.

Feed merchants generally endorse dealer credit because it has proved profitable to them from two standpoints: first, the "interest rate" charged has been high enough to make the "loans" profitable; secondly, and more important, dealer credit has been a means of increasing volume, and profits tend to be related to the volume handled.

Hence, the real questions are "how much" and "where" this type of credit should be used in the future. Many farm leaders, including some feed merchants, would like to see a much larger share of the feed financing done by conventional lenders. They point out that banks and production credit associations should be willing to assume the responsibility because feed merchants have found it profitable.

At first glance, the argument seems sound. On closer scrutiny, there is one serious weakness. Lenders could not afford to loan money for feed at the conventional six per cent rate for a production loan unless the loan were made to an excellent manager with ample equity. An example should illustrate this point.

Let's assume that a grower wanted credit for all of the grain for 10,000 broilers and that he intends to carry them to 12 weeks of age. Broiler mash we'll say would cost \$80 a ton, and he would need 65 tons of it. He might approach his banker and request a feed loan in three instalments: when the birds were started, and at the beginning of the fifth and ninth weeks. In all probability the farmer would feel that this was no different from any other farm production loan and that he should be able to get it at six per cent.

The chances are that the banker would decline. This is because, on the basis outlined above, the loan would earn only \$39 in interest. This amount simply would not cover the cost of making the loan and servicing it; especially so since the \$39 in interest earned carried with it a risk exposure of over \$5,000 before the birds were sold.

The Alternative

If unable to get conventional credit, the farmer's other alternative would be to use dealer credit. A fairly common charge for this type of credit is \$2.00 per ton. This same farmer using 65 tons of feed would pay \$130 for the use of an equal amount of credit. This charge is more nearly in line with the actual costs and risk exposure.

Suppose the grower, described above, raises four lots of 10,000 each, or a total of 40,000 birds a year. His cash outlay for "interest" will be about \$520 if he uses dealer credit as described, or \$146 if he uses bank credit.

Thus, the major role for grain dealer credit in the future should probably continue to be to furnish capital to inexperienced and undercapitalized growers. The higher cost of the credit may well be justified by the risk involved and by the excellent field supervision that usually accompanies these dealer loans.

The millions of dollars in operating loans made to farmers by New England banks testify to the service that banks can and do render to farmers. There are still many experienced growers who have an efficient operation and substantial equity in their business who undoubtedly would find bank financing a more economical source of credit.

The Countryman's Column

The wisdom of the wise and the experience of the ages are perpetuated by quotation.
— Benjamin Disraeli

Books, Libraries and Reading

If all printers were determined not to print anything till they were sure it would offend nobody, there would be very little printed. — Benjamin Franklin

* * *

Here are enshrined the longings of great hearts and noble things that tower above the tide, the magic word that winged wonder starts, the garnered wisdom that has never died.

— Roscoe C. E. Brown

(On Façade of Brooklyn Public Library)

* * *

Reading is like depositing money in a savings account. The benefits compound themselves like interest. But, unlike a savings account, you can draw on your interest without ever having less remaining.

— E. M. Maguire

* * *

Wonder is the beginning of wisdom in learning from books as well as from nature. If you never ask yourself any questions about the meaning of a passage, you cannot expect the book to give you any insight you do not already possess.

— Mortimer Adler

* * *

The books which help you most are those which make you think the most. The hardest way of learning is by easy reading. But a great book that comes from a great thinker — it is a ship of thought, deep-freighted with truth and with beauty.

— Theodore Parker

* * *

If minds are truly alive, they seek out books, for books are the human race recounting its memorable experience, confronting its problems, searching for solutions, drawing the blueprints of its futures. To read books is one way of growing along with one's fellows-in-growth.

— Harry A. Overstreet

* * *

Have you ever rightly considered what the mere ability to read means? That it is the key which admits us to the whole world of thought and fancy and imagination, to the company of saint and sage, of the wisest and wittiest moment? That it enables us to see with the keenest eyes, hear with the finest ears and listen to the sweetest voices of all time? More than that, it annihilates time and space for us.

— James Russell Lowell

Editor's Note: Ten years have elapsed since the Farmers Home Administration was set up in 1946. Currently, national legislation is pending which would expand considerably the types and sizes of loans available to farmers from this agency. With this in mind, a review of the functions of the agency and a summary of its present loaning policies are presented here along with the table below showing the extent to which New England farmers are using its services.

Tenth Anniversary of the

Farmers Home Administration

THE FARMERS HOME ADMINISTRATION was created to make loans of higher risk than are considered justifiable by other lending agencies, but only in situations where the borrower has good prospects of becoming eligible for credit of the quality acceptable to a commercial bank.

It was not designed to function as a charitable agency nor to compete with conventional credit sources such as commercial banks, Federal Land banks, life insurance companies, and production credit associations. When a Farmers Home Administration borrower becomes eligible for credit from a source such as a commercial bank, a land bank, a life insurance company, or a production credit association, he is expected to refinance his Farmers Home Administration loan.

In the short-term or operating-credit field, the Administration has authority to make "production and subsistence loans," emergency, and special livestock loans. Production and subsistence loans are made primarily to help farmers make improved use of land and labor resources by making needed changes in their farming systems and adopting improved practices. Funds are advanced for purchase of equipment, feed, seed, fertilizer, livestock, and for other farm-operating needs including family subsistence. Maximum initial loan is \$7,000 and the total production and subsistence indebtedness is limited to \$10,000 for one borrower. Loans are made at five per cent and are to be repaid over a period of from one to seven years. Nearly one-half of the present volume of Farmers Home Administration loans in New England are of this type.

Emergency loans are made to farmers who operate in areas designated by the

Secretary of Agriculture as areas where emergency loans may be made. Designations are made when natural calamities such as flood or drought result in widespread production losses and cause a need for agricultural credit not available from other sources, or when other agricultural credit is unavailable due to economic conditions. Loans are made to enable farmers to continue normal operations, but not to refinance existing indebtedness. Credit is extended for various periods as necessary with loans bearing three per cent interest. Over 90 per cent of the total of these emer-

gency loans in New England were in Maine at the first of this year.

Special livestock loans are made to help established producers and feeders (except commercial feed lot operators) of cattle, sheep, and goats maintain their normal livestock operations. Loans are made at five per cent interest for purchase and production of feed and other operating expenses and are repayable in one to three years. Loans are not made to pay existing debts. New England farmers are making very little use of this type of credit at present.

Farm ownership loans are made to

Agricultural Loans of Farmers Home Administration

By New England States, January 1, 1956

(in thousands of dollars)

State	Farm Ownership	Farm Housing	Production and Subsistence	Emergency	Other	Total
Maine	\$ 2,485	\$ 750	\$ 3,932	\$ 2,469	\$ 13	\$ 9,649
N. H.	340	52	1,152	21	2	1,567
Vermont	809	49	1,079	63	6	2,006
Mass.	479	81	418	138	23	1,139
R. I.	20	5	86	5	—	116
Conn.	298	91	370	30	5	794
N. E.	\$ 4,431	\$ 1,028	\$ 7,037	\$ 2,726	\$ 49	\$ 15,271
U. S.	\$296,361	\$68,937	\$319,443	\$61,448	\$61,618	\$807,807

Source: *Agricultural Credit and Related Data, 1956*, published by the American Bankers Association.

enable farm tenants, share croppers, and farm laborers to buy and operate family-type farms. Loans are made only to applicants who are unable to get the necessary credit at the rates (but not more than five per cent interest) and terms prevailing in their locality. Loans are repayable over a period of 40 years at 4½ per cent interest.

Private lenders may make farm ownership loans through Farmers Home Administration. Mortgages are insured, for not more than 90 per cent of the applicant's total investment, by the Government. Payments are amortized over 40 years at 3½ per cent interest plus one per cent mortgage insurance charge. Lenders have the option of selling the paper to the Government after five years. Several New England banks have some of these insured loans in their portfolios.

The table on page 3 gives the loans held by the Farmers Home Administration on January 1, 1956, by the New England states for their various lending programs.

Change!

(Excerpt from a speech by Governor C. N. Shepardson of the Federal Reserve System. This excerpt originally appeared in *Farm News* published by the Federal Reserve Bank of Minneapolis.)

CHANGES IN CREDIT REQUIREMENTS of agriculture are but a reflection of the changes in agriculture itself, which since the turn of the century have been accelerating.

A large part of this change has come through the substitution of capital for manhours in the more laborious jobs. This has resulted in a great increase in the use of credit.

Many people deplore this change and the attendant decrease in farm population. And yet it is a change that has been going on at varying rates throughout our history. Truly, the high standard of living that we enjoy in this country is a direct result of this increased productivity per manhour of labor, not only in agriculture but throughout all segments of our economy.

The average investment per worker in agriculture now exceeds the average per worker in industry. In 1955, the average investment per farm in productive resources was \$24,000, compared with \$6,000 in 1940. These figures not only illustrate the tremendous increase in capital and credit requirements on the average farm today, but they also reflect the increased complexity of farm operations and the increased emphasis on managerial ability.

Egg Production Spirals Upward in New England

Long-Term Outlook Indicates That Continued Orderly Expansion May Be Possible in Commercial Egg Production.

THE TABLE BELOW shows that Massachusetts led New England in the production of eggs in 1955, followed closely by Maine and Connecticut. Together these three states produced over 75 per cent of the total New England production.

The growth of egg production has been phenomenal in New England, increasing over tenfold from 1920 to 1955. Sparked by industry leaders and constantly improving efficiency through outstanding research discoveries at the Land-Grant colleges, the poultry industry has found ready acceptance of its product for table eggs as well as for hatching eggs and baby chicks.

Of the total production of 8.9 million cases in 1955, about 14.2 per cent were marketed in Boston and New York. Approximately six per cent were used for hatching purposes for broiler and replacement chicks by New England hatcherymen. Another small but unknown percentage was sold outside New England as hatching eggs.

But the great majority, perhaps 75 per cent, was sold directly to consumers or to buyers who, in turn, sold directly to retail customers. Herein lies one of the major strengths of the New England poultry industry. These eggs that move more or less directly to consumers bring a premium price to farmers over that paid for eggs that move through the

central markets such as Boston and New York City.

Undoubtedly, New England consumers have enjoyed an especially high-quality product as a result of this more direct marketing procedure.

While production of eggs has spiraled upward in New England, there may still be room for further orderly expansion. In the first place, the area consumed about 9.9 million cases in 1955, but produced only 8.9 million cases. And, as mentioned above, a portion of this production, probably over 10 per cent, was used for hatching purposes. The deficit in table eggs was made up largely by shipped-in eggs from Iowa and Minnesota to meet seasonal low points in local production. More even seasonal production might enable New England producers to supply a slightly larger share of the total area needs.

Secondly, local producers might well capture a larger share of the big New York City market which depends heavily on midwestern eggs. In 1955, New England producers supplied only 2.1 per cent of the total receipts at New York, while Iowa and Minnesota alone accounted for 42.7 per cent.

While New England's egg production has expanded tremendously, the long-time outlook seems to indicate that continued expansion may be possible. Thus, population growth in the area, the possibility of supplying a higher percentage of New England's needs, some chance of enlarging outlets in New York, and continued strong demand for hatching purposes, are all favorable factors in the long-time outlook for New England.

1955 Egg Production in New England
(thousands of cases)

State	Total Production	Per Cent of New England Total	Per Cent Marketed in Boston	Per Cent Marketed in New York City
Maine	2,261	25.5	14.3	.3
New Hampshire .	1,336	15.0	31.8	.9
Vermont	458	5.2	6.6	—
Massachusetts ...	2,461	27.7	12.8	1.5
Rhode Island	283	3.2	3.2	3.6
Connecticut	2,081	23.4	2.9	1.7
New England .	8,880	100.0	13.1	1.1

Sources: *Crop Production*, January 1956, and *Poultry and Egg Situation*, March 1956, both published by the U. S. Department of Agriculture.



The Farm Front

Breaking Even

The University of Rhode Island reports that one dozen large eggs bought 10.6 pounds of grain ration in early August. This compares with 10.4 a month previous and 14.6 pounds at the same time last year. A common rule of thumb is that the break-even point is when one dozen large eggs will buy 10 pounds of grain.

Credit Services Expanded

New legislation will enable the Farmers Home Administration to expand its credit services. The new law provides loans for refinancing existing debts, increases the maximum amount that can be advanced for operating loans, and makes available loans for operating and developing part-time farms. All new loans, like the loans already available from the Farmers Home Administration, will be made only to applicants who are unable to obtain adequate credit from other sources.

"High on the Hog"

At first glance a person might think that the more a family's income rises the more they would eat. Once basic hunger is satisfied, however, the food volume remains pretty much the same. Where the big change comes is in the kinds of food purchased as family income goes up. At lower incomes, an Iowa State College survey shows, people buy the lower-cost cuts of meat and pad out their diets with lots of starchy foods. But with more money to spend, the housewife turns to better cuts of meat and replaces the starchy foods with more fresh and frozen fruits and vegetables. The proportion of income spent for food remains about the same, year by year, but quality and variety take up the higher expenditure, rather than increased volume.

Chalk Up Another "A" for New England!

New England bankers cooperated wholeheartedly in the nationwide agricultural loan survey being conducted by the Federal Reserve Bank Board. Ninety-four New England banks were asked to supply information on their agricultural loan portfolio.

Without exception the bankers furnished the data requested. When completed, the summaries will make possible a comprehensive analysis of the amounts and types of agricultural credit being furnished to farmers by their bankers. The information will be analyzed for the nation as a whole and for each of the Reserve Districts. A letter recently received from Governor Charles N. Shepardson of the Federal Reserve System expresses congratulations and appreciation for the help received from the New England banks which participated in the survey.

We Eat Only Half Our Broilers!

Based on the latest available information, consumption of broiler meat in New England was over 130 million pounds in 1955, compared with production of about 275 million pounds of ready-to-eat broiler meat in the area. Clearly New England exports large quantities of its high-quality broiler production. The premium price usually associated with the reception of the broilers outside New England testifies to their high quality.

Production and Value of Broilers
New England - 1955

State	Number Produced	Value of Production
	(thousands)	(\$1,000)
Maine	33,438	\$ 29,372
New Hampshire	7,627	6,837
Vermont	966	821
Massachusetts	17,071	14,800
Rhode Island	1,375	1,241
Connecticut	25,852	23,978
New England	86,349	\$ 77,049
United States	1,078,264	\$834,210

Source: U. S. Department of Agriculture.

Farm Finance

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Sincerity

Sincerity is impossible, unless it pervade the whole being, and the pretense of it saps the very foundation of character.

—James Russell Lowell

Price vs. Income

HOW FREQUENTLY WE HEAR or read references to changes in the level of farm prices which carry the implication that prices are the measure of agricultural well-being. Are they, actually?

It doesn't follow. In fact, the best

that can be said is that prices are only one of several measurements. Thus net income = prices \times volume — expenses. Extremely high prices that arise from drought or crop failures may mean little or no increased net income; the effect of high prices is cancelled or softened by the reduced volume of the commodity to be sold.

Get the Whole Story

More frequently, however, the reference is made to falling prices as evidence that farmers are obviously under pressure and in distress. Sometimes such is the case, but not always. Before any conclusion can be drawn, the decline must be measured in terms of its degree and the volume of the commodity to be marketed; it must be related to the trend of production costs and to the general price level.

Take milk prices this year compared with last. The accompanying data point out that the average producer shipping to the Boston pool received a larger gross income this year than he did last, despite a price that averaged lower per hundredweight this spring than last.

Critics will be quick to point out that net income tells the story, not gross income. Granted. Net income data are not available, however, and at this stage we can only speculate on how net income for the two years compare. The index of the costs of dairy farming in Vermont, for instance, rose gradually during the first six months of 1956 and

by July was three per cent over a year ago. This compares with a seven per cent increase in average gross receipts from milk. Thus available information suggests that, for the average dairyman who shipped milk to the Boston milkshed, net income as well as gross income increased in the spring of 1956 over 1955.

Again, that term "average dairyman" needs qualification. The number of producers shipping milk declined. This had the effect of spreading the income over fewer producers and hence raised the average. Thus a dairyman fell below the average in 1956 whose production was identical for both 1956 and 1955. He had to increase his production in 1956 in order to remain "average." The dairymen who were unable to do this received smaller milk checks and are under continued pressure of expenses. In many cases, these are the men in financial difficulty today.

First Impulses Can Mislead

Nothing but a comprehensive analysis of income and expenses could reach a precise conclusion of exactly how 1956 actually does compare with 1955. Our point is that when we read of a rise or a decline in farm prices we must avoid the first impulse to conclude that this will increase or reduce farm income. It may or may not. Prices are a measure of well-being, but not necessarily *the* measure.

Milk Receipts, Number of Producers, and Value of Milk

Boston Milk Market, January - June, 1955 and 1956

Month	Total Receipts from Producers (000 pounds)		Value of Receipts from Producers at Zone Blended Prices for 3.7% Milk		Number of Producers		Value of Receipts per Producer	
	1955	1956	1955	1956	1955	1956	1955	1956
January	115,370	130,084	\$ 5,510,777	\$ 5,875,121	12,218	11,835	\$ 451	\$ 496
February	107,900	125,406	5,088,657	5,625,262	12,230	11,794	416	477
March	137,118	153,048	5,772,928	6,368,215	12,257	11,895	471	535
April	147,353	161,726	5,619,101	6,155,715	12,206	11,833	460	520
May	180,792	173,318	6,395,043	6,421,088	12,209	11,839	524	542
June	179,727	189,841	6,460,202	6,834,223	12,212	11,800	529	579
Total or Average	868,260	933,423	\$34,846,708	\$37,279,624	12,222	11,833	\$2,851	\$3,149

Source: Federal Milk Market Administrator, Boston, Massachusetts.

This article appeared before Congress passed the 1956 Farm Bill, but its analysis of the problem and the outlook it reflects still have validity.

Examining The Farm Price Problem

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(Reprinted from the March 27, 1956 issue of *Economic and Marketing Information* published by Purdue University.)

THE UNITED STATES agricultural plant is geared to produce between five and six per cent more agricultural products annually than the present market will take at generally acceptable prices. Herein lies the heart of the outlook for farm commodities and the heart of the farm problem. This unbalance is further aggravated by surpluses in storage.

The Heart of the Problem

This situation is true even though the general economy has been running near boom levels and gives promise of continuing near or above these levels for 1956.

If in 1956 we could lock up all the commodities in storage or dump them in the ocean so they would not affect the market and remove all supports, farm prices would likely fall to somewhere around 75 per cent of parity with a normal crop. From that point the price relationships would be expected to work more favorable for agriculture. This is mentioned, not because it is expected, but to clarify the magnitude of our problem.

Now, how did we get in this shape? In late 1952 foreign agricultural exports began to decline from the war and post-war highs. By 1953 they equaled the product from 9½ per cent of our crop acreage compared with 13 per cent for the six preceding years, 1946-51, a decline of three and one-half points. Prices had been favorable for a decade and farmers had been adopting new techniques of production slightly faster than was necessary to keep up with the growth in population. This brought us out with a five to six per cent greater production than the market would take at acceptable prices in 1952 and 1953. Normal increases in production have continued in 1954 and 1955 so that the same situation has continued.

This excessive production showed up

most sharply in the exported crops of cotton and wheat. During 1952 and 1953 prices were supported and these surpluses were diverted in large quantities into storage. During 1954 and 1955, acreage control programs diverted 29 million acres out of these crops. Most of these acres then went into feed crops and the surplus spread to feed and livestock.

Most studies indicate that when you vary total agricultural production one per cent, prices change two to four per cent in the opposite direction. Thus a small change in the aggregate or total output has a large influence on price and income. Of course some individual commodity prices change more than others with a given change in supply.

The problem is to get annual agricultural production and demand into a more satisfactory balance and then move them up together as population grows.

How Shall We Obtain Balance?

Some propose doing this by expanding markets, others by adjusting output. Expanding the market takes the form of increased exports or increased consumption at home. These are both worthy goals and should be pursued. However, they are long-run propositions. You cannot get quick short-run changes. The problem of disrupting established markets is encountered even in giving food away (either at home or abroad), except where there is a crop disaster in some country.

Reducing marketing margins falls into the same category. Opportunities are here but they are long-run gains when considered from the standpoint of total agricultural income.

Thus, the real drive now centers around adjusting production. Three alternatives take the spotlight: (1) let lower prices shrink production, (2) use production controls across the board or

(3) shift the excessive harvested crop acres into grass. Some might want to add a fourth of making some direct or transfer payments to agriculture to cushion the adjustment while prices are allowed to adjust the production. If such were done, the payments would have to be kept relatively low or they would defeat the purpose of allowing prices to bring about the adjustment.

Low prices will adjust agricultural production in the long run, but the process is slow. We know that when a supply of one commodity is large and the price is low relative to others, the farmer will adjust more quickly than when he has to adjust total production. This is the problem of shifting resources within agriculture.

However, where all commodities are in large supply and there is no commodity to shift to, there is a problem of shifting resources out of agriculture. This is a much more difficult shift and takes longer. Some marginal land and some farms must shift out of crops as a result of unprofitable returns. This requires several years. Whether agriculture and society want to go through the price and income hardships of this course of action compared to others is the question.

If the crop control route is taken and it is effective, then controls must limit production of all major harvested crops. We have had enough experience with controls to know the problems of setting up individual farm bases. Nevertheless, it is an alternative that some propose. Do agriculture and society want to take this route?

The Soil Bank Approach

The third alternative is to take certain crop acres out of production and shift them to grass through rental or grass incentive payments. The grass may or may not be used, depending on the plan.

A flat percentage taken out on each farm would adjust production, but (like a control program) would not correct the long-time production problem unless the acreage were held out of production indefinitely.

A voluntary incentive program would tend to take the marginal crop-land out as would happen under low prices. Once it was put into grass much of it would probably stay out of crops unless prices rose substantially. Under such plans agricultural production would be free except for the acres in grass. Prices would also be free except to the extent that support levels might be coupled with such programs.

Room for Honest Differences

Individuals honestly differ in which action they think we should take, and changes will continue to be made in the farm program regardless of the action taken by the present Congress.

As we tackle the immediate problem let us also consider the longer-run situation in order to put the current problem in its proper setting. In 1820 we had a little less than 10 million people in this country. Today we have a little over 165 million. Conservative estimates point to a population of somewhere between 200 and 225 million by 1975. This is an increase of about one and one-half per cent per year.

Thus we have an expanding market at home of something like one and one-half per cent per year for the next several years assuming there is no change in food habits. If incomes are increased and diets are upgraded, food consumption will be increased even more.

Looking at the other side of the coin, during this entire period agricultural production increased at about the same rate as the population. Before 1920 the expansion in food production resulted from increased acres in production, increased workers in agriculture, increased capital investments and increased technical efficiency.

Output Exceeds Population Growth

Starting in 1920 the rate of increased efficiency per worker in agriculture began to exceed the rate of increase in the population. This meant for the first time that the rate of improvement in technology was fast enough to require fewer people in agriculture to feed the expanding population. Farm population and number of workers then started to decline even though output continued to rise at its normal rate.

Not only has the population in agriculture been declining since 1920 but also the acreage in crops has stopped in-

creasing. Farm units have been combined. The number of farms in the United States declined from 5.4 million in 1950 to 4.8 million in 1955—a reduction of 11 per cent in five years.

Some Difficult Adjustments

The decline in the number of farm people and number of farms along with other developments is forcing rapid changes in our farm organizations. It works hardships upon those who cannot make the change and because of this adjustment some people are hard hit financially. These are the farms hurt most seriously now by price declines. Part of their low incomes is due to low prices and part to the inability to adjust to modern technology.

Nevertheless, this is characteristic of a progressive, growing economy. The carriage makers, the blacksmiths and the candlestick makers were hurt by the same process. When a society grows and improves in efficiency, it does not require the same proportion of people in each occupation. Likewise, society wants more of some products and less of others and some it never wanted before. This is how our standard of living has been raised. It is an old story, but we need to keep it constantly before us as we think of the current period, because the problem that we face today is that we have a few too many resources in agriculture.

Since 1920 five million workers have moved out of agriculture, a reduction of one-third in the agricultural working force. These individuals have all found employment out of agriculture. In most cases they have moved because they felt they had greater opportunities in some other line of activity.

The next question you may raise is, "Can we continue to assimilate into the rest of our economy more and more workers from agriculture?" The answer is yes. As we have improved our efficiency we have constantly released workers from producing the bare essentials of life so they could start producing luxuries or the products of new inventions.

Yes, but you may argue "Won't we get too much of other things, industrial products and services?" Yes,

this might seem to happen, if we get the economy unbalanced. But this can happen with 40 million industrial and service workers just as well as with 60 million. Man's wants are insatiable.

Whenever we learn to produce anything more efficiently, there are two major outlets: either we all have more goods and services or we have more leisure. At given periods society is always arguing which we want more. If we are able to avoid war, we will probably see the 36-hour week and perhaps the four-day week in this generation. This gives us time to use and need more things. We may take it in the form of longer vacations or more coffee breaks, but we will take part of the advantage of greater efficiency in more free time.

Our Cherished Goals

In thinking of the solution for improving agricultural income we have to recognize some of these items and keep them in our minds. Growth and progress are two of the cherished goals in our society. One of the broader issues of the world today is the demonstration that Western civilization as exemplified by capitalism in the United States, has more to offer man than collective socialism. With this background let us come back to the agricultural price situation.

The longer-run outlook for agriculture is favorable if we have a growing, reasonably fully employed general economy.

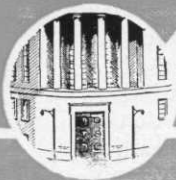
Agricultural resources will continue to move out of agriculture and production will be brought in line with demand at reasonable prices in the longer period. How much we cushion the present situation by farm programs is the immediate question. In the longer run, agricultural production will continue to expand with the growing population.

Agriculture in the United States is still an industry with an expanding market at home. If national

economic growth should slow, it will take longer to bring the adjustment in agriculture which would correct the price situation. However, the odds are strongly in favor of a growing, productive general economy with the normal variations in the levels of business activity.



The heart of the farm problem is that our production plant is geared to produce from five to six per cent more agricultural products annually than the present market will take at generally acceptable prices.



The Farm Front

Broiler Research That Pays . . .

On January 7, 1947, just 10 years ago, scientists studying broiler nutrition at the Storrs, Connecticut, Agricultural Experiment Station announced that they had discovered the key to increasing the growth rate of broilers and the efficiency of broiler rations. Since then the Connecticut High Efficiency Broiler Ration has become the standard broiler ration throughout the United States. More important, poultry economists estimate that a saving of half a billion dollars in broiler production costs has resulted over the past 5 years from this major discovery in poultry nutrition.

. . . and Pays and Pays

Poultry nutrition specialists estimate that the Connecticut High Efficiency Broiler Ration has cut in half the feed requirements per pound of gain. Since the 1947 discovery, national broiler production has skyrocketed from 293 million to a billion and a quarter in 1956. It is also interesting to know that consumers are estimated to have saved 125 million dollars on broiler meat during 1956 alone, largely due to the Storrs discovery.

The Powerful 3 Per Cent

The number of farms growing potatoes, according to Census figures, dropped from 2.1 millions in 1944 to 1.4 millions in 1954. The commercial nature of production is further attested by Census figures that show 88 per cent of the national production in 1954 was grown on about 25,000 farms having 10 acres or more of potatoes and 93 per cent was grown on about 40,000 farms having 3 acres or more of potatoes. In other words, 93 per cent of the crop is now being produced on less than 3 per cent of the farms in the nation that grow potatoes.

What Did It?

The phenomenal increase in potato yield per acre within the last 18 years (from 73 cwt. in 1939 to 174 cwt. in 1956) was a part of this trend toward commercial production. The reduction in marginal and non-commercial acreage resulted in the location of a larger part of the potato acreage on the more

fertile, higher-yielding soils. This change occurred both within the states and between states. Growers in the low-yielding states made more drastic acreage cuts than those in high-yielding states, thereby shifting a larger part of production into the high-yielding states.

Citations

Each year the American Bankers Association presents awards to those state bankers associations which did a notably fine job in furthering the agriculture of their respective state. Each New England State qualified for this award last year. Vermont received it for the 20th consecutive year; Rhode Island and Connecticut each for the 10th consecutive year; and Massachusetts, Maine and New Hampshire for the eighth, sixth and fifth consecutive times.



"RHODE ISLAND PROUDLY PRESENTS . . ."

Elliott P. Joslin, Jr., chairman of the agricultural committee of the Rhode Island State Bankers Association, holds the citation presented by the American Bankers Association to the state association for service to agriculture by the banks of the state. Left to right, J. Robert Abramson, President of the Centerville Savings Bank; Gardner Tibbetts, Northern Rhode Island County Agricultural Agent; Mr. Joslin, farm department, Industrial National Bank, Providence; Neils Rorholm, Head of the Department of Agricultural Economics of the University of Rhode Island; E. Clinton Nickerson, Vice President of the Citizens Trust Company; Donald Baker, Providence Institution for Savings; Anthony Judge, Jr., Assistant Cashier, Industrial National Bank of Providence.



There are two freedoms—the false where a man is free to do what he likes; the true, where a man is free to do what he ought.
 —Kingsley

FARM LOAN SURVEY

ON JUNE 30, 1956, the Federal Reserve System conducted a nationwide survey of the loans to farmers held by insured commercial banks. First District insured commercial banks had outstanding on that date a total of \$75.5 million of short-, intermediate-, and long-term loans to 28,664 borrowers. The material on pages 2, 3, and 4 answers some of the questions frequently raised by farmers and farm leaders about practices and policies of New England commercial bankers. Additional statements will appear in subsequent issues.

Collateral

GENERALLY SPEAKING, First District bankers have shown a willingness to make unsecured loans where the borrower is in a strong net worth position.

As revealed in the survey made last June 30 of New England's insured commercial banks, over 17 per cent of the total volume of agricultural loans outstanding, and over 21 per cent of the loans outstanding for other than real estate purchases were unsecured. About half of these unsecured loans were for production purposes and would ordinarily be repaid within one year.

The larger portion of the total volume, however, was secured by chattels on livestock and equipment and by real estate mortgages. Endorsements and government guarantees were relatively unimportant.

As capital needs have mounted and borrowing by farmers has become more common, the stigma associated with having to pledge collateral as security has lessened. Most farmers realize that the size of their loans and the hazards of their business frequently make the pledging of security a necessity. Some farm leaders remain critical, however. They believe that repayment ability is far more important than security.

Certainly repayment ability is essential, even a primary consideration. Nevertheless, collateral is important in many situations and frequently a loan cannot be made soundly without it. George Stebbins, president of The Sims-

bury Bank and Trust Company, Simsbury, Connecticut, prefers to make unsecured loans when he can justify it but lists the following situations where security is called for:

1. When the borrower has a number of sizable creditors, any one of whom, to effect collection of his account, might, through legal action, attach machinery, equipment, livestock, or inventory that was essential to the farm's operation.

2. Where there are insurable hazards that could be, but will not be minimized by insurance. Absence of automobile liability insurance is an illustration of an uninsured hazard.

3. Where the individual credit is "outsized," where the amount of the exposure is big from either the borrower's or the bank's point of view.

4. Where the borrower is young and unproved, or where he is new to the community and there has been no opportunity to observe his performance.

5. Where the borrower is the type that would hock his assets to the hilt if he were not "all tied up."

6. On distressed loans where past performance indicates a lender cannot rely on the borrower and his wife's "we promise to pay."

These conditions make plain that pledging security can be a protection both to borrower and lender. The very fact that \$12.9 million of unsecured farm loans was outstanding to New England farmers in 1956 indicates that many banks require collateral only when its use seems necessary.

Farm Loans by Purpose and Security

Outstanding June 30, 1956, in Insured Commercial Banks, First Federal Reserve District

Major Purpose of Loan	Unsecured	Endorsed	Chattel Mortgage	Farm Real Estate Mortgage	Government Guaranteed Or Insured	Other	Total
(Dollar amounts in thousands)							
Current Expenses (includes current operating and living expenses)	\$ 6,696.0	\$ 1,248.9	\$ 1,634.3	\$ 842.8	\$ —	\$ 3,273.5	\$13,794.5
Intermediate Term Investment (Total)	4,452.6	2,978.9	14,636.2	5,751.1	581.6	1,480.9	29,881.3
To buy livestock	1,757.7	1,341.8	4,176.8	977.3	16.3	638.0	8,907.9
To buy machinery, etc.	1,992.3	742.5	8,765.1	1,158.2	—	397.0	13,055.1
To buy consumer durables	145.4	221.4	1,351.4	23.7	—	19.8	1,761.7
To improve land and buildings	557.2	673.2	342.9	3,591.9	565.3	426.1	6,156.6
To buy farm real estate	403.9	78.5	301.4	13,863.8	1,952.8	440.1	17,040.5
Repayment of debt	369.7	600.6	2,852.2	5,439.3	—	990.7	10,252.5
Other	977.0	338.5	1,110.4	1,070.5	96.2	902.0	4,494.6
All purposes	\$12,899.2	\$ 5,245.4	\$20,534.5	\$26,967.5	\$ 2,630.6	\$ 7,186.2	\$75,463.4

Some Questions and Answers on

The Agricultural Loan Survey

What are the needs for intermediate-term credit and how are they being met?

Last June 30 the Federal Reserve System made a national survey of agricultural loans outstanding in insured commercial banks. The following data and comments refer to the New England portion of the survey.

Of the total of \$75.5 million in agricultural loans covered in this survey, nearly \$30 million was used for the purchase of such items as livestock, farm machinery, and building and land improvements. These items are normally thought of as requiring liquidation in, or as having an income-producing life of, from one to ten years under New England conditions.

About one-third of the loans for the purchase of these items were on demand notes, another one-third carried original maturities of less than one year, and the remaining third were for over one year. In fact, 21 per cent of the volume of loans for this purpose carried maturities of three years or longer.

The obvious question arises as to whether these repayment schedules give farmers adequate intermediate-term credit. The results of the survey do not

give a precise answer for these reasons:

First, it is obvious that many farmers are in sound enough position so that they would want to borrow only for a short time in order to pay for these intermediate-term investments. Second, the demand notes frequently carry repayment schedules of one to five years. This, in effect, gives the borrower a type of intermediate-term financing. Third, refinancing mutually agreed upon at the time of making the loan is common on the shorter-term notes. This survey did reveal specific information on this point. The returns show that over one-fourth of the total volume of loans outstanding for intermediate-term purposes with maturities of less than one year had planned renewal clauses and another 8 per cent were renewed, although not on a planned basis.

Another factor must be considered in evaluating this information. Depreciation on livestock and equipment is typically very heavy during the first year or two after purchase. Thus a substantial portion of these loans could not soundly be written on a three- to five- or seven-year basis unless the repayment schedule called for rapid repayment during the

period of heavy depreciation. Obviously, the borrowers with ample net worth, who are willing to pledge additional collateral, can obtain the longer-term money. But for the farmer heavily in debt, it is difficult to envision how intermediate-term credit of three to seven years can be granted unless the repayment schedule is geared to coincide with the rate of depreciation which is often very rapid during the first one to three years.

Thus, there can be no definite answer to the original question raised. These points are clear, however: Banks do furnish sizable amounts of intermediate-term credit to their farm borrowers. In mid-1956, \$6.2 million or 21 per cent of the loans for items like machinery, livestock, and building and land improvements were for periods of three years or longer. In addition, another \$8.2 million of credit was originally written on a short-term basis with definite plans for renewal made at the time the note was drawn. Still further, an undetermined portion of the demand loans carried repayment schedules that recognized the intermediate-term value for which the loan proceeds were used.

Farm Loans by Maturity and Major Purpose

Outstanding June 30, 1956, in Insured Commercial Banks, First Federal Reserve District

Original Maturity	Intermediate Purpose Loans	Current Expenses	Consolidate Debts	Buy Farm Real Estate	All Other	Total
Not Secured by Farm Real Estate						
Demand	\$ 5,583,516	\$ 4,727,038	\$ 1,166,800	\$ 470,937	\$ 648,027	\$12,596,318
1-12 months	9,906,886	7,527,020	2,190,198	738,165	2,318,667	22,680,936
15-36 months	4,737,831	620,488	324,801	14,840	135,981	5,833,941
3-5 years	3,268,781	71,482	1,131,360	—	225,124	4,696,747
Over 5 years	51,613	5,658	—	—	—	57,271
Total	\$23,548,627	\$12,951,686	\$ 4,813,159	\$ 1,223,942	\$ 3,327,799	\$45,865,213
Secured by Farm Real Estate						
Demand	\$ 2,597,764	\$ 161,257	\$ 940,004	\$ 6,584,543	\$ 203,068	\$10,486,636
1-12 months	474,325	202,701	870,374	1,455,487	141,008	3,143,895
15-36 months	394,931	30,801	105,419	65,264	181,020	777,435
3-5 years	476,470	231,507	297,726	935,156	273,718	2,214,577
6-10 years	1,133,154	79,900	1,938,091	2,864,074	284,796	6,300,015
10-20 years	788,345	136,666	1,249,900	2,701,327	—	4,876,238
Over 20 years	467,658	—	37,812	1,210,708	83,173	1,799,351
Total	\$ 6,332,647	\$ 842,832	\$ 5,439,326	\$15,816,559	\$ 1,166,783	\$29,598,147

What interest rates are New England farmers paying their banks for short-, intermediate-, and long-term loans?

The survey is particularly valuable in measuring the interest rate that farmers were paying in 1956 because it measures the effective annual rate rather than the stated rate of interest.

New England farmers paid an average of 5.5 per cent for loans secured by real estate and 6.5 per cent for loans secured with all other types of security.

The rate was influenced by the security offered and the size of the loan. Loans secured by farm real estate, for whatever purpose they were used, carried the lowest interest rates. For instance, loans to consolidate debt and loans for intermediate-type purchases carried interest rates of only 5.1 per cent when secured by farm real estate. These same types of loans carried interest rates of 6.2 and 7.5 per cent, respectively, when other types of security were offered. It is evident that farmers who have considerable equity in their farm real estate will find it advantageous to consider using their real estate for security in order to obtain lower rates, particularly on intermediate-term farm loans for such items as machinery or livestock.

Why are demand loans still frequently used in New England?

Demand loans make up 30 per cent of the total agricultural loan volume of these First District banks in mid-1956. This is a far higher percentage than the eight per cent for the nation as a whole.

New England bankers give several reasons for the use of demand notes. They point out that most of these demand notes have a side agreement carrying a definite repayment schedule, which reflects the repayment ability of the individual. They consider that the major advantage of a demand note over a fixed maturity note is in the ease of making adjustments in the repayment schedule without rewriting the note and the chattel mortgage. For instance, a farmer may need to defer one or more payments on his demand note for reasons that were not originally foreseen. He notifies his bank and, if he and the banker agree, the repayment schedule is extended. If his note had a fixed maturity or were of the installment type the note would be delinquent and there would be the administrative problem of providing satisfactory explanations and of rewriting the note and possibly the chattel mortgage as well.

The same thing is true when an additional loan is needed. Frequently, for

small amounts, the demand note can be used to accommodate the borrower in the way described above. The old demand note can be allowed to stand and its accompanying side agreement amended to provide for deferring any payments which it calls for until the additional note is liquidated under an agreed upon repayment schedule. On this basis the borrower would not have to pay on both notes concurrently.

It must be said that some bankers abhor demand notes and will not use them under any circumstances. Bank

Average Annual Interest Rates by Purpose of the Loans on Farm Loans Outstanding June 30, 1956; First District Insured Commercial Banks

Purpose	All Loans	Real Estate Security*	All Other Types of Security
Intermediate Term Investments	6.97%	5.13%	7.47%
Current Expenses	5.13	5.28	5.12
Repayment of Debts	5.62	5.12	6.18
To Buy Farm Real Estate	5.45	5.46	5.31
Other	5.45	5.13	5.56
All Loans	6.02	5.31	6.47

* Conventional mortgages, government guaranteed or government insured.

examiners look askance at them in the absence of a definite repayment schedule which insures orderly liquidation. Written side agreements can be drawn which in effect take precedence over the demand feature and result in making a term loan out of what seemingly is a demand loan. Thus before condemning demand loans outright it is necessary first of all to examine any accompanying side agreements and to determine the degree of protection which they give the borrowers.

Apparently farmers have not objected to the use of demand notes. They know that even a note with a fixed maturity becomes delinquent and subject to payment in full when it is one day overdue. Apparently farm borrowers place greater emphasis on their confidence in the lender and his understanding of their problem than on the maturity date which appears on the face of a note.

What portion of the credit needs of First District borrowers is furnished by insured commercial banks?

Insured commercial banks held \$75.5 million in farm loans in mid-1956. This is estimated to include 60 per cent of the total farm mortgage debt held by all operating banks in the First District (the remaining farm mortgage debt held by banks was largely held by savings banks) and about one-third of the total farm mortgage credit extended by all institutional lenders.

No satisfactory figures are available to determine the total use of short- and intermediate-term credit. The only comparison possible is with the Production Credit Associations. In mid-1956 these associations had slightly over \$18 million outstanding to New England farmers. At approximately the same time, New England insured commercial banks had somewhat less than \$46 million in loans to farmers that were not secured by real estate mortgages.

Traditionally, commercial banks are thought of primarily as lenders of intermediate- and short-term credit. The survey reveals that about \$13.8 million of this \$75.5 million total was for current expense purposes, \$29.9 for intermediate-term investments, such as machinery and livestock, \$17.0 million for the purchase of farm real estate, and the remaining \$14.8 million for all other purposes.

Many Real Estate Loans

New England banks have a larger portion of their agricultural loans in farm real estate than do the nation's banks. (About 22 per cent of the loans to agriculture made by New England commercial banks is for real estate purchases, while only 17 per cent of the total agricultural loans of the nation's commercial banks is invested in farm real estate.)

Bank services to agriculture have grown steadily since World War II. Comparisons with a similar study made in 1947 reveal that the volume of bank loans to agriculture has nearly doubled and the number of loans has increased by 50 per cent even though the number of farmers in the area has steadily declined.

In spite of this growth, agricultural loans are a relatively small portion of the combined loan portfolios of the banks in the area. For all member banks in the First District, agricultural loans were only about 1½ per cent of total loans on June 30, 1956. In many country banks, however, they are a substantial portion of the loan portfolio.



The Farm Front

Fewer Cows in '58?

Slaughter of calves in New England increased slightly in 1956 compared with 1955 (472,000 vs. 457,900), suggesting that dairymen may be a little less inclined to increase cow numbers.

You and Your Bank

County key bankers, FFA and VoAg teachers will be interested in a singularly attractive pamphlet prepared by the Agricultural Commission of the American Bankers Association entitled "You and Your Bank." Its objective is to tell rural youth how commercial banks help farmers. A teacher's guide will be furnished free of charge with bulk orders. Less than 10 copies cost 50¢ each and the cost grades down to 30¢ each for 100 or more copies. Key bankers can wisely promote distribution. Write E. T. Savidge, Deputy Manager, American Bankers Association, 12 East 36 Street, New York City.

Ready-To-Cook

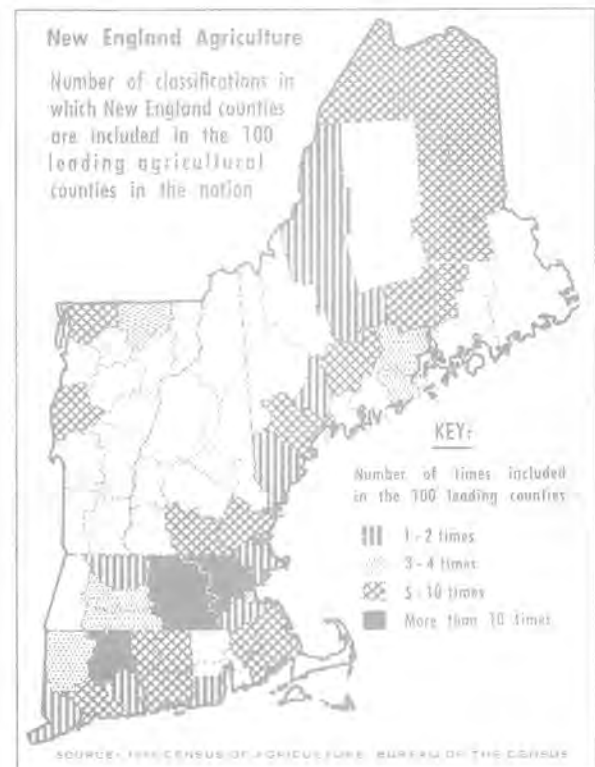
Of 4.3 billion lbs. of poultry slaughtered in 1955 in commercial plants, about 88% was turned out in ready-to-cook form, USDA study shows. Present trends suggest that this proportion will grow until it includes practically all commercially slaughtered poultry. Probably the mushrooming broiler industry and the resulting increased capacity of modern dressing plants made the trend possible.

Farmers, Lenders, and Credit Restraint

Concern is sometimes expressed that credit restraint was hurting agriculture by reducing the volume of credit available to farmers. The facts: in the 12 months of 1956 member banks of the Federal Reserve Bank of Boston increased their outstanding real estate loans to farmers by 14 per cent and their short term loans to farmers by 6.5 per cent. In the same interval the Federal Land Bank of Springfield increased its outstanding real estate loans to New England farmers by 11 per cent. Outstanding short term loans made by the production credit associations increased 6.8 per cent. Actually, tight money, at least during 1956, does not seem to have worked any hardship.

Ranking Agricultural Counties

After each national census, the Bureau of the Census publishes a list of the 100 leading counties in the nation in the production of various agricultural commodities. The report is available at 60 cents from the Government Printing Office, Washington, D. C. Ask for *Ranking Agricultural Counties*. On pages 3 and 4 of this issue of FARM FINANCE are data from the special report covering the 1955 census. The map below indicates the frequency with which New England counties are included in the leading 100 counties. In other areas, state and regional farm leaders and the editors of farm publications may well want to publish comparable data as being of interest to their readers.





Vol. 12 February, 1957 No. 2

We smile at the ignorance of the savage who cuts down the tree to reach the fruit; but the same blunder is made by every person who is impatient in the pursuit of pleasure.
—Channing

Perspective

ANY ANALYSIS of New England agriculture must start with the observation that 75 per cent of the land area is in woodland and that the total crop area in the six states is only about one-fifth of the crop area in either Iowa or Illinois.

Crop area, alone, however, offers an unsatisfactory basis for comparing the agriculture of different regions. Particularly, it does not measure intensity of production nor does it reflect the proximity to market and the advantages that go with it. Even within New England as a whole, wide variations in income per acre between the three northern and the three southern states reflect both differences in intensity and in proximity to urban markets. Thus, for 1955, New England's cash receipts per acre from marketings (for all land in farms) averaged \$67.61; in Massachusetts, Connecticut and Rhode Island the average was \$131.56, \$150.12, and \$160.99, respectively.

The really marked difference occurs when one compares New England's intensive, close-to-market type of agriculture with that of extensive distant-from-market states. Match New England's \$67.61 per acre with South Dakota's \$11.13, or with the \$12.91 per acre in Texas, or the \$16.70 in Kansas. Florida and California each have much intensive production, but distance from market whittled their income per acre to \$33.25 and \$68.49. New York and Pennsylvania follow a type of agriculture in many ways comparable with New England's. New York's income was \$53.48 and Pennsylvania's, \$58.80. Or take Iowa and Illinois, the states mentioned in the first paragraph. Iowa's income per acre was \$60.83 and Illinois' income per acre was \$56.36.

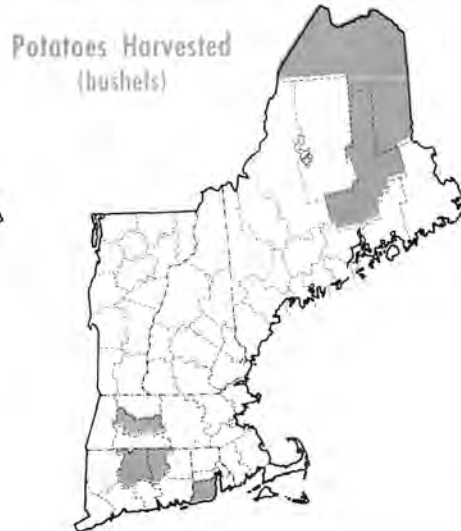
Thus, region for region, New England's showing is a creditable one and supports the thesis that her \$752 million income from 1955 marketings seems small only when compared with New England's huge industrial development.

Let no one imagine that proximity to markets is clear gain. It means high land values, high taxes and competitive factory wage rates compared with areas remote from markets. Nevertheless for good managers on good farms with a scale of operations large enough to permit a reasonable degree of mechanization, the advantages of a location close to markets far outweigh the disadvantages and account for the stability which characterizes much of New England's agriculture.

Currently, the farmer's share of the consumer's food dollar is approximately 40 per cent. This varies by regions and by types of commodities produced but the total cost of processing, transporting, and marketing the \$752 million of cash marketings exceeds the value which New England farmers receive. Thus the food production and marketing of just the portion of New England's food produced within the region is a \$1½ billion to \$2 billion industry.

The maps below indicate the New England counties ranking high in the nation in the production of milk, potatoes, and nursery and greenhouse products. In a subsequent issue we shall indicate the location of New England's ranking poultry counties.

Some of the Production Areas that Rank High in the Nation



Source: 1955 Census of Agriculture

New England Counties Ranking in Top 100 Counties of Nation According to 1954 Census of Agriculture

County	Value, Acreage or Yield	National Ranking		County	Value, Acreage or Yield	National Ranking	
		1954	1949			1954	1949
Connecticut							
Fairfield County				Chickens sold (value)			
Nursery and greenhouse products sold (value)	\$3,457,214	15	54	Chickens, 4 months old and over, on farms	\$2,773,065	38	33
Hartford County				Windham County			
Peach trees of all ages (no.)	58,120	100	*	Poultry and poultry products sold (value)	\$9,481,253	19	20
Peaches harvested (bu.)	71,563	89	*	Chicken eggs sold (doz.)	8,248,007	19	21
Tobacco harvested (acres)	13,291	29	18	Chicken eggs sold (value)	\$3,092,437	20	17
Tobacco harvested (lbs.)	19,417,469	20	13	Chickens sold (no.)	6,747,891	19	21
Nursery and greenhouse products sold (value)	\$3,378,751	16	36	Chickens sold (value)	\$6,274,610	14	14
Cabbage harvested for sale (acres)	394	81	*	Chickens, 4 months old and over, on farms	819,258	19	54
Apple trees of all ages (no.)	98,350	50	61	Maine			
Apples harvested (bu.)	444,239	44	48	Androscoggin County			
Irish potatoes harvested (acres)	3,144	69	59	Chickens sold (no.)	1,887,821	91	*
Irish potatoes harvested (bu.)	1,171,517	57	65	Chickens sold (value)	\$1,562,812	84	100
Poultry and poultry products sold (value)	\$4,501,769	54	68	Aroostook County			
Chicken eggs sold (doz.)	5,600,859	50	100	All farm products sold (value)	\$56,390,357	23	16
Chicken eggs sold (value)	\$2,621,124	27	55	Green peas harvested for sale (acres)	7,585	9	12
Chickens, 4 months old and over, on farms	570,448	56	59	Land from which hay was cut (acres)	84,330	100	81
All farm products sold (value)	\$40,152,646	39	26	Irish potatoes harvested (acres)	120,414	1	1
Pear trees of all ages (no.)	14,066	55	67	Irish potatoes harvested (bu.)	44,163,967	1	1
Pears harvested (bu.)	14,541	50	69	Cumberland County			
Litchfield County				Chicken eggs sold (doz.)	4,514,424	78	*
Whole milk sold (lbs.)	168,777,000	97	97	Chicken eggs sold (value)	\$2,190,425	41	64
Whole milk sold (value)	\$8,553,059	56	40	Turkey hens kept for breeding	7,527	54	n.a.
Dairy products sold (value)	\$8,556,126	56	40	Poultry and poultry products sold (value)	\$3,674,749	70	81
Middlesex County				Strawberries harvested for sale (acres)	136	100	*
Nursery and greenhouse products sold (value)	3,135,481	20	22	Strawberries harvested for sale (qts.)	238,221	91	*
New Haven County				Kennebec County			
Pear trees of all ages (no.)	14,490	54	56	Apple trees of all ages	62,244	84	89
Pears harvested (bu.)	15,198	49	62	Apples harvested (bushels)	141,968	*	*
Cabbage harvested for sale (acres)	487	59	92	Poultry and poultry products sold (value)	\$5,631,600	36	*
Nursery and greenhouse products sold (value)	\$1,772,670	62	49	Chicken eggs sold (doz.)	4,167,259	92	*
Apple trees of all ages (no.)	90,017	55	60	Chicken eggs sold (value)	\$1,691,135	64	*
Apples harvested (bu.)	339,045	53	37	Chickens sold (no.)	4,677,780	28	*
Poultry and poultry products sold (value)	\$3,530,682	74	66	Chickens sold (value)	\$3,871,724	25	84
Chicken eggs sold (doz.)	4,594,914	72	93	Knox County			
Chicken eggs sold (value)	\$2,016,183	49	53	Poultry and poultry products sold (value)	\$3,267,980	86	84
New London County				Chicken eggs sold (doz.)	4,348,293	84	*
Poultry and poultry products sold (value)	\$7,690,441	28	25	Chicken eggs sold (value)	\$1,638,021	70	97
Chicken eggs sold (doz.)	4,623,310	70	67	Penobscot County			
Chicken eggs sold (value)	\$1,857,418	54	45	Irish potatoes harvested (acres)	4,696	50	33
Chickens sold (no.)	5,403,613	25	19	Irish potatoes harvested (bu.)	1,554,135	42	20
Chickens sold (value)	\$5,572,996	17	15	Poultry and poultry products sold (value)	\$3,203,421	91	*
Chickens, 4 months old and over, on farms	513,780	72	*	Chickens sold (no.)	2,309,103	74	*
Tolland County				Chickens sold (value)	\$2,140,202	54	77
Irish potatoes harvested (acres)	1,898	100	*	Somerset County			
Irish potatoes harvested (bu.)	739,531	82	92	Chickens sold (no.)	1,790,024	95	*
Poultry and poultry products sold (value)	\$5,207,296	41	46	Chickens sold (value)	\$1,526,238	87	*
Chicken eggs sold (doz.)	5,091,076	59	77	Waldo County			
Chicken eggs sold (value)	\$2,163,923	45	41	Chickens sold (no.)	8,411,239	14	23
Chickens sold (no.)	2,740,863	62	47	Chickens sold (value)	\$7,798,075	9	18
				Poultry and poultry products sold (value)	\$9,469,312	20	39

* Not one of first 100 counties.

† Tie with Oneida County, N. Y. for 68th ranking.

n.a. Not available.

County	Value, Acreage or Yield	National Ranking	
		1954	1949
York County			
Apple trees of all ages	60,311	88	81
Apples harvested (bu.)	101,574	*	77
Massachusetts			
Bristol County			
Cabbage harvested for sale (acres)	310	99	*
Poultry and poultry products sold (value)	\$4,673,089	50	44
Turkeys raised	142,915	78	*
Turkey hens kept for breeding	9,259	41	n.a.
Chicken eggs sold (doz.)	5,819,159	46	41
Chicken eggs sold (value)	\$2,405,483	36	31
Chickens, 4 months old and over, on farms	566,193	59	48
Essex County			
Nursery and greenhouse products sold (value)	\$1,915,098	56	20
Franklin County			
Dry onions harvested for sale (acres)	225	70	93
Hampden County			
Poultry and poultry products sold (value)	\$3,940,678	64	*
Chickens sold (no.)	2,943,697	56	*
Chickens sold (value)	\$2,664,787	41	*
Hampshire County			
Dry onions harvested for sale (acres)	231	68†	55
Irish potatoes harvested (acres)	2,333	86	89
Irish potatoes harvested (bu.)	713,705	83	81
Middlesex County			
Apple trees of all ages (no.)	163,851	32	23
Apples harvested (bu.)	579,842	35	25
Cabbage harvested for sale (acres)	434	68	73
Sweet corn harvested for sale (acres)	1,819	85	81
Poultry and poultry products sold (value)	\$6,143,676	33	23
Turkey hens kept for breeding	5,593	78	n.a.
Chicken eggs sold (doz.)	7,723,428	23	16
Chicken eggs sold (value)	\$3,700,680	15	11
Chickens, 4 months old and over, on farms	687,527	31	15
Chickens sold (no.)	2,032,403	83	45
Chickens sold (value)	\$1,780,675	66	29
Pear trees of all ages (no.)	6,962	77	66
Pears harvested (bu.)	2,946	*	65
Nursery and greenhouse products sold (value)	\$6,011,421	8	5
Norfolk County			
Nursery and greenhouse products sold (value)	\$1,343,039	75	76
Poultry and poultry products sold (value)	\$3,115,280	96	52
Plymouth County			
Chickens, 4 months old and over, on farms	480,209	84	25
Chickens sold (no.)	1,721,558	100	34
Chickens sold (value)	\$1,641,220	75	27
Chicken eggs sold (doz.)	5,484,279	53	37
Chicken eggs sold (value)	\$2,402,984	37	28
Poultry and poultry products sold (value)	\$4,729,447	49	33
Fruit sales including small fruits and nuts (value)	\$5,074,058	46	51
Nursery and greenhouse products sold (value)	\$1,148,813	86	63

County	Value, Acreage or Yield	National Ranking	
		1954	1949
Worcester County			
Dairy products sold (value)	\$8,859,457	48	32
Whole milk sold (lbs.)	173,955,000	94	86
Whole milk sold (value)	\$8,836,798	50	32
Chickens, 4 months old and over, on farms	717,628	28	19
Chickens sold (no.)	2,821,872	59	29
Chickens sold (value)	\$2,364,549	48	26
Chicken eggs sold (doz.)	7,174,355	27	18
Chicken eggs sold (value)	\$2,943,340	22	16
Poultry and poultry products sold (value)	\$5,842,423	34	24
Apple trees of all ages (no.)	159,661	34	27
Apples harvested (bu.)	585,748	34	19
Nursery and greenhouse products sold (value)	\$1,230,041	80	56
New Hampshire			
Hillsborough County			
Poultry and poultry products sold (value)	\$4,927,713	45	31
Apple trees of all ages	115,343	46	45
Apples harvested (bu.)	421,943	45	31
Chickens sold (no.)	1,951,760	87	62
Chickens sold (value)	\$1,762,421	69	42
Chickens, 4 months old and over, on farms	726,166	27	24
Chicken eggs sold (doz.)	6,795,444	30	17
Chicken eggs sold (value)	\$2,844,186	23	13
Rockingham County			
Apple trees of all ages	67,367	75	78
Apples harvested (bu.)	229,956	75	59
Chicken eggs sold (doz.)	5,986,290	40	31
Chicken eggs sold (value)	\$2,830,444	24	18
Poultry and poultry products sold (value)	\$5,329,904	39	42
Chickens sold (no.)	2,308,312	75	70
Chickens sold (value)	\$2,326,101	50	52
Chickens, 4 months old and over, on farms	737,058	25	45
Rhode Island			
Washington County			
Irish potatoes harvested (acres)	2,658	74	94
Irish potatoes harvested (bu.)	943,296	66	80
Vermont			
Addison County			
Land from which hay was cut (acres)	98,856	60	52
Dairy products sold (value)	\$8,023,337	68	52
Milk cows on farms (no.)	32,217	74	81
Whole milk sold (lbs.)	194,782,000	78	70
Whole milk sold (value)	\$8,017,125	66	52
Franklin County			
Land from which hay was cut (acres)	93,947	73	62
Dairy products sold (value)	\$8,968,258	46	43
Whole milk sold (lbs.)	221,644,000	62	60
Whole milk sold (value)	\$8,966,490	46	43
Milk cows on farms (no.)	41,570	45	45
Orleans County			
Dairy products sold (value)	\$7,342,915	78	59
Milk cows on farms (no.)	32,567	70	68
Whole milk sold (lbs.)	177,407,000	93	71
Whole milk sold (value)	\$7,341,565	76	57

* Not one of first 100 counties.

† Tie with Oneida County, N. Y. for 68th ranking.

n.a. Not available.



The Farm Front

Congratulations, Frank Black!

National recognition came to a Vermont country banker when Frank W. Black, executive vice president of The Peoples National Bank of Barre, was elected to the Agricultural Commission of the American Bankers Association for a three-year term, effective last October. Mr. Black moves up to this spot following a long period of service in Vermont banking circles that culminated in his election to the presidency of the state association, a position from which he retired last June. Over



the years the commission has devoted its leadership to promoting the mutual interests of agriculture and banking, primarily by education.

Strength Through Unity

The 17,368 banks and banking offices that comprise the American Bankers Association collectively hold 99 per cent of the commercial, savings, and private bank reserves of the nation. The Agricultural Commission, to which Mr. Black has been elected, is one of its major committees, and in farmers' parlance would be thought of as the agricultural extension agency of the American Bankers Association. Thus, New England agriculture and New England banks can both congratulate each other at Mr. Black's designation.

"Water, Water"

In many areas of America, water is the greatest limiting factor for both agricultural and industrial development. A large paper mill uses 50 million gallons of water a day. It takes 18 barrels of water to produce a barrel of oil, 25 gallons to produce a gallon of aviation gas, 250 tons of water to make a ton of steel. It takes 42 gallons of water to produce a pound of rubber, and 1,000 gallons to produce a pound of rayon. And in agriculture it takes roughly 3,000 gallons of water to grow a

pound of cotton, about 40 gallons of water to grow the feed to produce one egg, 1,800 gallons of water to grow the grain to make a pound of beef. Because water has been so cheap, a nickel or a dime a ton, we forget how vital it is to us until we are taught by pain. — Ezra T. Benson

Dairy Young Stock Numbers Down

Cow numbers and numbers of young stock on New England farms were down 1 and 2.4 per cent, respectively, last January 1 compared with the year before. This is a continuation of the downward trend in young stock numbers. Heifer calves being raised constitute about 20 per cent of the number of milking cows which is just about replacement needs. Low beef prices have discouraged raising an excessive number of heifers.

Out of Proportion

A recent report of the National Dairy Herd Improvement Program shows that New England dairymen proved about one out of eight of all the sires proved during 1956 in the United States. This is especially noteworthy since the New England milk-cow population is only about 3.3 per cent of the national total.

"Seven Come Eleven"

The number of milk producers in New England having bulk milk tanks continues to grow. The four-market statistics for the Boston, Merrimack Valley, Springfield, and Worcester markets indicate that over 11 per cent of the producers in these major markets now have bulk tanks. This compares with nearly seven per cent a year ago.

One in Eight

New England bankers are furnishing a substantial volume of credit to the region's part-time farmers. The mid-1956 survey of bank loans to New England farmers indicated that 12 per cent of all the bank farm borrowers were part-time farmers. In this survey, part-time farmers were those who earned one-third or more of their incomes from off-farm sources.

Farm Finance

Published by the Federal Reserve Bank of Boston, Mass., in the interests of New England banks and New England agriculture.



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There is an honor in business that is the fine gold of it; that reckons with every man justly; that loves light; that regards kindness and fairness more highly than goods or prices or profits.

— Henry Wadsworth Longfellow

Twelfth Annual

VERMONT HAS LONG HAD one of the outstanding farm credit conferences in the Northeast.

Sponsored jointly by the Vermont Bankers Association and Cooperative Farm Credit in cooperation with the Department of Agricultural Economics at the University of Vermont, the event draws together agricultural leaders and lenders from all over the state.

The twelfth annual such conference

is being held on April 18 at the University of Vermont, Burlington. The morning session, with registration starting at 9:30, will be held in the Hills Agricultural Science Building; the afternoon session will be held in the Waterman Building.

No attempt is made here to report on the details of the meeting. The program is listed here, however, as an aid to similar groups in other states that are planning comparable meetings.

1957 Program

Welcome C. W. BORGMANN
President, University of Vermont

How Milk Is Priced Under a Federal Order
PROFESSOR T. M. ADAMS
University of Vermont

Vertical Integration in the Poultry Industry
PROFESSOR R. WARREN
University of New Hampshire

MIDDAY BANQUET

The Future of Agriculture in Vermont
DEAN J. E. CARRIGAN
University of Vermont

How Small Can a Family Farm Be?

Panel of Dairy Farmers:

E. E. TOWNE *Montpelier, Vt.*
R. P. KILBORN *Derby, Vt.*
R. McDANOLDS *No. Haverhill, N. H.*
E. M. MONTGOMERY *Randolph, Vt.*

The program committee included University of Vermont's Professors Adams, Eddy and Sinclair, Acting Director of

Extension Service, R. P. Davison, E. M. Root, director of short courses and educational conferences; R. S. Hosford, Farm Credit Administration; D. A. Leach, secretary-treasurer of the National Farm Loan Association and Farmers' Production Credit Association, Burlington; F. W. Thayer, vice president, Burlington Savings Bank; D. E. Stowell, farm loan supervisor, Burlington Savings Bank; C. E. Burns, executive secretary, Vermont Bankers Association, Burlington; and H. R. Mitiguy, agricultural economist, Federal Reserve Bank of Boston.

The Countryman's Column

There is no better ruler than wisdom, no safer guardian than justice.

— *The Koran*

* * *

Doing an injury puts you below your enemy; revenging one makes you even with him; forgiving him sets you above him.

— *Benjamin Franklin*

* * *

No lasting gain ever came from compulsion. If we seek to force, we but tear apart that which, united, is invincible.

— *Samuel Gompers*

* * *

A man would do nothing if he waited until he could do it so well that no one would find fault with what he has done.

— *Cardinal Newman*

New England's Estimated Total Net Farm Income

From Farm Operations; by States, 1949-1955

(million dollars)

State	1949	1950	1951	1952	1953	1954	1955	Average 1949-1955	High and Low
Maine	\$ 90.4	\$ 68.4	\$ 62.9	\$107.5	\$ 63.7	\$ 22.3	\$ 82.0	\$ 71.0	\$107.5 - \$ 22.3
New Hampshire	18.2	16.4	22.3	20.3	25.0	18.1	21.2	21.4	25.0 - 16.4
Vermont	26.5	30.0	40.4	38.3	31.7	28.8	30.8	32.4	40.4 - 26.5
Massachusetts	67.2	58.7	74.3	57.6	66.0	42.9	40.3	58.1	74.3 - 40.3
Rhode Island	9.3	8.4	10.7	11.2	11.2	7.7	7.2	9.4	11.2 - 7.2
Connecticut	57.4	54.7	60.4	60.8	65.4	57.0	52.4	58.3	65.4 - 52.4
New England	\$269.0	\$236.6	\$271.0	\$295.7	\$263.0	\$176.8	\$233.9	\$249.4	\$295.7 - \$176.8

Note: These estimates reflect revisions made back to 1952, largely on the basis of new information provided by the 1954 Census of Agriculture.

Source: *The Farm Income Situation*, September 17, 1956, U. S. Department of Agriculture.

Estimated Net Farm Income

NET FARM INCOME IN NEW ENGLAND rose about 15 per cent in 1955 to reverse the downward trend that had persisted in 1953 and 1954. During that two-year period net farm income had dropped one-third from its peak level of 1952. This information is revealed in recent estimates released by the USDA.

The net farm income estimates for the region show that of the total of \$234 million, \$87 million, or about 37 per cent, was in the form of non-cash income such as housing, milk, meat, eggs, vegetables, and fuel that were provided by the farm business. An additional \$12.6 million, or 5.4 per cent, of this total net income represented increased inventories of livestock and crops. Thus, of the \$234 million total net farm income in 1955, only about \$134 million was available in the form of cash for family living expenses and payments on debt principal.

There was a marked difference between northern and southern New England. In terms of total net farm income, the three northern states, Maine, New Hampshire and Vermont, showed substantial gains over 1954 levels, while Massachusetts, Rhode Island and Connecticut had a continuation of the downward trend. It appears that the drop in

total net income is largely influenced by a faster drop in the number of farms in southern New England. Evidence of this can be found in the fact that net income per farm held steady in southern New England even though total income continued its downward trend.

Maine showed by far the biggest jump from \$22.3 million in 1954 to \$82.0 million in 1955. This was undoubtedly due to the 100 per cent increase in income from potato marketings and the fact that 1955 was definitely one of the better poultry years in terms of net income. The combined influence of the short and violent swings in potato and poultry prices accounts for the big swings in net farm income.

In spite of the upward pressures in the prices of items used in farm production, New England farmers have done a remarkable job of holding down their production costs. Like farm income, farm expenses reached their peak in 1952. Since that time they have been very steady with some decline in 1953 and 1954, primarily due to lower grain prices. In 1955, production costs were essentially unchanged from 1954 levels.

Final net income estimates are not available for 1956 as yet. However, some of the evidence is already in. For instance, cash receipts from farming in

New England increased from \$724 million in 1955 to \$747 million in 1956.

The upward trend in milk production continued in 1956 and, coupled with a slight rise in prices, undoubtedly brought a larger gross income to the region's dairy farmers. To a large degree this was offset by the rise in production costs so it is probable that the region's dairy farmers enjoyed only a very small increase in net income.

Poultrymen experienced a rough year with prices of both eggs and broilers badly depressed, particularly in the last part of the year. Sharply increased production, however, tended to maintain the gross at something approaching year-ago levels. With production expenses drifting upward, however, it seems certain that poultry farmers' net incomes were reduced considerably in 1956.

Income from potato marketings increased, as did also production costs. The sharp cut in binder tobacco acreage reduced income from this source, but the soil bank payments eased the adjustments immensely.

In the aggregate, it would appear that total net income in 1956 may have been up slightly in Maine, about steady in Vermont, Massachusetts and Rhode Island, and down somewhat in Connecticut and New Hampshire.

New England's Estimated Net and Realized Gross Farm Incomes

From Farm Operations; by States, 1955

(million dollars)

Items	N. E.	Maine	N. H.	Vt.	Mass.	R. I.	Conn.
Realized Gross Farm Income:							
Cash Receipts from Farm Marketings	\$720.6	\$179.7	\$66.4	\$109.9	\$171.4	\$21.7	\$171.5
Government Payments	3.4	1.1	.5	1.0	.4	.1	.3
Value of Home Consumption	43.8	13.9	4.9	9.6	7.4	.7	7.3
Gross Rental Value of Farm Dwellings	43.2	7.4	5.6	7.6	9.4	1.9	11.3
Total	\$811.1	\$202.1	\$77.4	\$128.1	\$188.7	\$24.4	\$190.4
Farm Production Expenses	590.7	139.2	57.1	96.4	147.6	17.1	133.3
Realized Net Farm Income	\$220.3	\$ 62.9	\$20.3	\$ 31.6	\$ 41.1	\$ 7.3	\$ 57.1
Net Change in Farm Inventories	12.6	19.0	.9	—8	—8	*	—4.7
Total Net Farm Income	\$233.9	\$ 82.0	\$21.2	\$ 30.8	\$ 40.3	\$ 7.2	\$ 52.4

* Less than .05. Note: Details for individual states and items may not add to totals because of rounding.

Source: *The Farm Income Situation*, September 17, 1956, U. S. Department of Agriculture.

Ten Sources of Trouble For A Farmer's Estate

THESE ARE EXAMPLES of the unanticipated sort of problems that arise when plans are not made to avoid them:

1. Temporary management of your farm: When the management and operation of a farm are suspended, the values of farm assets can go down rapidly. Make sure that your executor has the power to carry on the operation of the farm during the crucial period when your estate is being settled. In one actual case, a man's will simply gave the trustee the power to "manage my dairy farm." The dairy herd needed replacements, but the trustee was uncertain as to whether the will gave him the power to purchase new livestock. By the time the court decided the question, a favorable opportunity to buy livestock had gone by and there had been a big drop in production.

2. Acreage acquired recently: If you have made a will, have you bought more land since the will was made? The purchase may require a revision of your will if your wishes are to be carried out the way you want them to be. One farmer had a will which left his farm to one of his sons and the rest of his property to other children. Later he purchased some acreage adjoining his farm, but the new land was never devoted to farming and wasn't actually suitable for farm use. It is doubtful if the farmer thought of this additional acreage as a part of his farm, but the court held that it was part of the bequest of the farm. And the result caused a family quarrel.

3. Bequests of farm equipment, tools and machinery: Items like these require careful attention and specific wording. A bequest of a farm or farm land refers only to real estate and will not pass the ownership of personal property.

4. Property insurance proceeds: If your will contains specific bequests of valuable items of personal property such as farm machinery, trucks, automobiles or jewelry, it's probably a good idea to also bequeath the insurance on these items. This will prevent distribution of property in a way that you didn't intend, such as the distribution which occurred in this case. A farmer's will left a new truck to one member of his family and the rest of his estate to another individual. The farmer was killed in an accident in which the truck was completely wrecked. He carried col-

lision insurance and the insurance company made a substantial payment to his executor. The court gave the insurance proceeds to the residuary legatee. That's a term that bankers and lawyers like to use to indicate the person who gets everything else after certain specific bequests have been made. In this case the court said that the person named to receive the truck could have it—in its

Editor's Note: This material was presented before a farmer audience in Franklin County, Vermont, at a meeting arranged for by the county agricultural agent. It is reprinted with the permission of Franklin County Savings Bank and Trust Company, St. Albans, Vermont and Kennedy Sinolaire, Inc., New York City, copyright owners. It illustrates the type of information country banks could present to farm audiences.

ruined condition, if he wanted to go to the junk yard and get it.

5. Loans on your property: If you have a mortgage on your farm or on a tractor, baler, or milking equipment, would you want your general estate to be used to pay off the indebtedness so that your beneficiaries could take the items free and clear? Or would you rather have the person named in your will to receive the items pay the indebtedness out of his own fund? Give clear directions.

6. Distribution in cash or in kind: Distribution in kind means in the actual estate assets themselves. It may save money and avoid disputes in your estate if you give your executor the right to choose whether to make distribution in cash or in the actual estate assets without selling them. Give him the authority and prevent trouble and perhaps loss where one beneficiary prefers cash and another one wants specific property.

7. Replaced property or equipment: Farm equipment is constantly being replaced, and it is important to make sure that bequests in your will properly describe the items you own now. When one farmer executed his will he owned a Ford truck, and the will contained a bequest of "my Ford truck." Later the farmer traded in the truck on a Dodge but never changed his will. The bequest of the Ford truck couldn't be carried out because the will wasn't revised.

It might be better to leave your personal property to one member of the family to dispose of as instructed in a letter. Then you can change that letter when changes are made in your property without making a codicil to the will.

8. Afterborn children: If your will doesn't provide for or refer to children that may be born after you have signed the will, distribution of your estate may be thrown out of balance. The law gives such children absolute right to a portion of your estate, and their rights may completely upset your plan. It's better to make a new will when there is a change in your family situation.

9. The problem of liquidity. Every estate needs cash for the payment of administration expenses and taxes and perhaps debts. We have just closed an estate which had to have \$25,000. of cash just to pay the Federal estate taxes. While most farm estates contain valuable assets, there may be little or no cash available for the payment of cash obligations. Your executor may have to sell some of this property to raise the money. These forced sales are often made at a sacrifice price and your family could lose a lot of money that way. Life insurance payable to your estate is one way of providing the necessary cash.

10. One final point: Is joint ownership of property the right thing for your family? A lot of farms, perhaps most farms, are held in joint ownership. That means that the property will pass automatically to the surviving joint owner. For example, Howard and Alice, husband and wife, own a farm jointly. Howard dies and the complete ownership of the farm passes to Alice. If Howard has a will it does not control or influence the disposition of the joint property. This automatic survivorship feature of joint ownership may lead to unwanted results. Suppose, for example, in the case mentioned, that Alice, who has no will, dies just a few days after her husband. Under joint ownership Alice's family will get all the property that was formerly owned jointly by Howard and Alice. Howard's family will get nothing. The possibility of such results as this has led many people to reconsider the so-called convenience of joint ownership and in some cases to draw wills and adopt different property arrangements.



The Farm Front

Numbers Down — Prices Up

Prospects for higher egg prices next fall seem to rest on the possibility of a substantial reduction in numbers of laying-bird replacements started this spring. Hatchery reports, as compiled by the United States Department of Agriculture, indicate that three per cent fewer egg-type birds were hatched in New England in April this year than in April of 1956. Reports for the first four months of 1957 indicate a drop of 16 per cent below year-ago levels in New England. In the same period, production of egg-type chicks in the United States was down 21 per cent.

Production-Consumption Contrasts

The northeastern section of the United States consumes nearly one-third of all dairy products of the nation, but produces only about one-fifth of total milk production. The southern and western regions of the United States are nearly self-sufficient, while the North Central Region is a major exporting area, primarily in the form of processed dairy products.

Greater Than You Realize

The importance of specialized poultry units is greater than is commonly realized. According to the 1954 Census of Agriculture, the 16,804 New England poultry units which had less than 400 hens per farm accounted for only 7.6 per cent of the total eggs produced. However, the 1,025 units that had 3,200 or more hens per farm accounted for 42.4 per cent of the total eggs produced!

Back to School

Cornell University and the New York State Bankers Association will jointly sponsor their twelfth Bankers School of Agriculture at Ithaca, New York, August 18-23, 1957. Object: to provide bankers with intensive grass-roots training in practical agriculture and in agricultural credit. The school consists of two annual sessions of one week each at Cornell University which, over the past 11 years, have been attended by nearly 500 bankers.

Farm management, agronomy, dairy husbandry, and a choice of poultry husbandry or vegetable growing make up the curriculum for the first year, with lectures in the forenoon and field trips in the afternoon.

Five from Federal

Best evidence of the high opinion the Federal Reserve Bank of Boston has for the Bankers School of Agriculture is that it is sending five members of its staff to the session. Theo G. Morss and John H. Howard, bank relations representatives, will attend their sophomore session, and Examiners H. Wendell Chittim, Daniel Aquilino and Lee J. Aubrey will attend the freshman session. New England bankers interested in attending should write Robert E. Watts, Secretary, New York State Bankers Association, 521 Federal Reserve Bank Building, New York 5, New York.

Modest Gains

Of the 1,467,200 cases of shell eggs sold in the Boston market in 1956, Maine and New Hampshire obtained a modestly larger share of the total at the expense of Massachusetts and Minnesota, compared with 1955, as the table below indicates. Because the Boston Market handles only a relatively small proportion of the total New England production, it would not be wise to draw firm conclusions about annual production shifts from state to state. It does seem in order to note, however, that New England-produced eggs constituted 84 per cent of the total shell eggs sold in Boston in 1956 versus 81 per cent for 1955.

State	1956	1955	1949
Maine	24%	22%	16%
New Hampshire	34	30	19
Vermont	2	2	5
Massachusetts	20	22	23
Rhode Island	*	1	1
Connecticut	4	4	4
Iowa	7	7	16
Minnesota	3	5	3

* Less than 1 per cent.

Farm Finance

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Every time we hold our tongues instead of returning the sharp retort, show patience with another's faults, show a little more love and kindness, we are helping to stockpile more of these peace-bringing qualities in the world instead of armaments for war.
— Constance Foster

Vermont's Program

FOR ITS SERVICE to Vermont agriculture, the Vermont Bankers Association has had the happy distinction of receiving its 20th consecutive annual citation from the American Bankers Association. Because only five state associations in the nation have received citations covering a longer interval, it seems worth-while to sketch Vermont's program for any interest it may have for other states.

The County Key Bankers

As is true generally, the county key bankers constitute the core of the program, and in Vermont they have functioned actively with particular emphasis on cooperating with 4-H work. Every county banker group, save one, sponsored a recognition dinner for the 4-H club leaders, and this project has become a well-established function. The state association made \$900 available to the Vermont 4-H Club Foundation. This money was used to provide recognition pins, to help defray expenses of outstanding 4-H youngsters to the National 4-H Foundation, sending the *National 4-H Club News* to club leaders, and in furthering generally the work which club leaders felt should be done. Aside from the \$900 contributed to the state 4-H foundation, individual banks contributed \$470 to the National 4-H Club Foundation.

A cornerstone in the Vermont program is the Agricultural Luncheon, staged as part of the annual mid-winter meeting. The featured speaker selects an agricultural topic, and the association invites as its guests not only all county agricultural agents in the state but many farm leaders at the state level. The session is the occasion when the association annually awards a plaque to the county agent in the state who has best served his county. The whole luncheon testifies to the interest of bankers in agriculture, but more important, it affords an opportunity for bankers, county agents, and farm leaders to renew old contacts and to establish new ones. These contacts act as a springboard for closer working relations and make each party more prone to solicit counsel and assistance when problems arise on which the other party can help. Particularly, the luncheon helps to dissolve, by proving to the contrary, the notion that bankers are "stuffy" and distant.

A Prime Project

Another prime project is the association's participation in Vermont's annual agricultural credit conference. This is jointly sponsored by the college of agriculture, the cooperative farm credit agencies, and the state bankers association. In continuity and in quality of programs, the 12 conferences which have made up the series have made a real contribution to agricultural credit in Vermont. Fortunately, banker attend-

ance has been high, and bankers have been "exposed" to the newer developments in agricultural credit and current aspects of agricultural problems. Equally fortunate, extension personnel and farm leaders are "exposed" to the thinking of bankers on credit policies and the interchange of opinions helps to develop a balance that might not otherwise be the case.

Of course, both the association and the county key bankers have carried on the conventional projects of distributing news releases, of acting as a spokesman for organized banking in Vermont, and in conducting county-wide tours. Vermont bankers have been stalwart supporters of the Green Pastures program throughout its history, with fieldmen acting as judges, with the state association making contributions to the state budget, and with individual banks supporting it locally.

Robert P. Davison, acting director of extension, serves as secretary of the association's agricultural committee. Mr. Davison prepared a *Manual for County Key Bankers* that was distributed by the association and which was very well received.

Relations between bankers and the extension staff have been the very best. Each has been able to do a better job because of that cooperation, and, better yet, Vermont agriculture has profited most of all.

The National Point of View

An added angle of interest is that the state association seeks to keep abreast of national developments in agricultural credit. One move to achieve this is through the policy of paying the expenses of the committee's chairman to the annual meeting of the National Agricultural Credit Conference sponsored by the American Bankers Association. The trip is not just a reward for faithful service. Rather it carries with it an obligation to report upon the things seen and heard at the conference that could be fitted into Vermont's program. The policy indicates an effort to broaden horizons and to keep in step with what other states are doing. It is that sort of thinking and imagination which has caused the program to move ahead. The rest of the answer is capable leadership at the top and cooperation in the counties.



TWO PROUD VERMONTERS

Dave Stowell (left), chairman of the Vermont Bankers Association's Agricultural Committee, accepting from Frank Black (right), member of the American Bankers Association's Agricultural Commission, the Commission's twentieth annual citation for distinguished service.

Will There Be

Integration in Egg Production?

VERTICAL INTEGRATION in broiler production is an established reality with an estimated 90 per cent of the broilers now being produced by contract growers. Integration of the egg business is just starting in the form of various integrated egg production and marketing plans now operating on a small scale in the Midwest.

. and Now Eggs?

Egg producers are naturally asking themselves about the likelihood of egg production becoming part of an integrated operation and the possible effects on their individual businesses, as well as the industry as a whole. With this in mind, it seems worthwhile to review the present broiler situation and to appraise the likelihood of similar developments in egg production.

Thomas C. Morrison, extension poultry economist at the University of Connecticut, has written a report on *Contract Growing of Broilers*. To set the stage for the latter part of this article, we first reprint these excerpts from his report.

"Contract broiler growing, as the name implies, is based on an agreement between two parties to grow broilers. The two parties to the contract are the person who finances the operation (usually feedman, hatcheryman, or processor, usually known in the trade as the 'dealer') and the farmer who grows the birds for this dealer. The terms of contract under which broilers are grown vary widely in the United States. However, the usual arrangement is that the dealer retains title to the birds and furnishes feed, fuel, and other cash costs to grow the birds, while the farmer supplies buildings, equipment, and labor.

"Under various contracts, the dealer accepts the risk of profit or loss on the broiler operation, and the farmer is paid a wage for his labor and the use of his buildings and equipment.

"When the farmer accepts a contract to grow birds for another party, his privilege and responsibility in making decisions is reduced. Under the usual contractual arrangement, the dealer who finances the operation, makes major management decisions, and determines when and where the birds are sold.

"A complete vertically integrated system for growing broilers has all seg-

ments of the broiler operation, from the egg to the finished product, under management of a single individual or organization.

"There are few areas where complete integration of all phases of the broiler system exist. Integration is usually of a partial type where two or more phases are combined. The most common examples cited are (1) the feed dealer and grower and (2) the feed dealer, hatcheryman, and grower.

"The industry in the United States has developed mainly in areas where surplus labor and few alternatives for employment existed. Since the broiler growers had few capital resources of their own, the industry would not have developed in these areas if feed dealers, hatcherymen, and processors had not been willing to finance the growers' operation. In order to reduce risk in growing and scheduling production, the people who financed broiler growing in these areas developed a system of retaining title to the birds and paying the farmer a wage for growing them. Contract growing exists in all major broiler-growing areas of the United States, and is the predominant method of growing in all areas except Connecticut.

"There are other advantages to an integrated system beyond the profits realized in the growing phase. These are some:

"A broiler processor, who is a part of an integrated system, is assured of a steady supply of birds for his plant. This enables him to keep equipment fully utilized from day to day, utilize labor to the optimum, and have an even flow of processed poultry for his customers. Many of the same advantages are available to the feedman or hatcheryman. The feed dealer who owns birds on a number of farms is thereby assured an outlet for feed. Hatcherymen who place birds on contract with growers are assured of finding a market for their baby chicks and can thereby utilize the capacity of the hatchery to better advantage.

"From the growers' point of view, contract growing removes the risk of losses due to price fluctuations, and provides him with a minimum weekly wage based on the number of birds he handles.

"In many of the major broiler-pro-

ducing areas the integrated operators mix their own feeds (often from locally grown grains) or buy feeds in large quantities where wholesale price discounts are substantial. Such operators frequently own hatcheries and produce their own chicks. In contrast, independent broiler growers buy feeds and chicks in relatively small quantities from local feedmen and hatcheries and, as a result, pay higher prices for these commodities.

"Other advantages claimed for the integrated system are (1) that short-run price fluctuations are unimportant to the integrated operator since these are quickly evened out by selling flocks week to week; (2) that the supervision of growers by servicemen may increase efficiency of the broiler operation; and (3) perhaps most important of all, that integration has played a major role by reducing retail poultry meat prices and increasing the consumption of high-quality broiler meat by consumers."

The foregoing statement by Mr. Morrison is a brief summary of integrated broiler production. While integration is an accepted part of the broiler business, it has only recently begun to become a factor in market egg production. With reason, egg producers are concerned about the effects integration may have on their business.

Grounds for Concern

As they view the present broiler picture, they are inclined to feel that integration automatically means lower potential profit margins and loss of the right to make many of the production decisions. They are naturally disturbed. Even so, thoughtful farmers and farm leaders recognize that integration of broilers has introduced certain efficiencies of production and marketing that have put broiler meat onto consumers' tables at considerably lower prices and in volumes more than double the 1945 levels. Most poultrymen recognize that any method of broiler production which has these achievements to its credit has a solid economic basis for existence, however little they like some of the side effects.

The problem for egg producers seems to be to appraise the potential economic savings that integration can bring. If there are such savings, producers and

their leaders then must decide whether integration is the only way of introducing these economies and, if there are other ways, whether they are more desirable from the poultryman's viewpoint.

Before discussing the subject further, it is necessary to see what form integration in the egg business is taking. The systems so far devised have these things in common: First, they are aimed at enforcing techniques that are already recognized as producing a superior quality egg. These include management practices that help to insure clean, fresh eggs coming out of the hen house.

Quality Maintenance Is Vital

Second, to insure the maintenance of this high-quality product, they require controlled-atmosphere egg rooms on the farms where both temperature and moisture are mechanically regulated. And they require that eggs be delivered to the receiving plant, not once a week as is customary, but twice a week.

For years educational and industry leaders have pointed to the need for quality control. The methods of achieving this were known, and strenuous educational efforts have been made to persuade poultrymen to use them. Many producers have but many others have not.

How, then, can the integrated operators expect to put these methods into effect almost overnight? Apparently the farmer is influenced to participate in the integrated plan by one or more of the following "incentives": He may get a guaranteed minimum price for his top-quality, large eggs; he may get the use of credit that would otherwise be unavailable to him (for the construction of a new poultry house, for instance); and, as part of the integrated operation, he may be able to buy chicks, grain, and other supplies at wholesale prices. It cannot be questioned that several of the integrated plans are "sold" to inexperienced producers on the basis of potential earnings that few will be able to achieve.

Further, since the contractors are often combinations of feed companies, hatcheries, and egg handlers, the farmer may also have to agree to take a certain strain of baby chicks, feed a certain brand of feed, and buy his supplies from a stated dealer.

In return the producer agrees to make the necessary investments and to follow the prescribed procedures.

Obviously, the advantage to the feed dealer and to the hatchery is a steady market for their products. The egg handler benefits from having a year-around supply of high-quality eggs to

offer to his potential buyers and from having a steady year-around supply of eggs to keep his receiving plant operating at top efficiency.

Undeniably, there are definite opportunities for a higher-quality product reaching the consumer at prices comparable to the less uniform quality that is now reaching the market. However, many experienced market men claim that this is the only major advantage enjoyed by the integrated operation. Observers who have this viewpoint seem to have few fears that a chronically saturated market and lower profit margins for producers will result from integration of egg production as it has in the broiler business.

Instead, they point to some striking differences between broiler and egg production. First, they say that the reason why integration is catching on in the Midwest is because the area has been gradually losing its traditional markets. Integration apparently appeals as a way to regain some of these markets. Certainly New England and nearby Northeast local producers have steadily supplied a larger share of their markets.

Less Efficiency, Poorer Quality

Also, it is well known that production tends to be less efficient and the quality poorer where the poultry flock is a side line as is true of much of the industry in the Midwest. This adds both to production costs and the costs of handlers.

Another major difference cited by many is that egg production is a far more complex operation than broiler raising and thus the factory-like methods employed in broiler growing are less practical for egg production.

This leads to the additional point that broiler integration has thrived mainly in low-income areas where there were few alternatives for well-paid jobs. Studies in some of these areas indicate that few of the growers are men with previous poultry experience. It seems doubtful whether, even with supervision, they could produce quite as efficiently as the more experienced independent growers.

Another basic difference between broilers and eggs is that the independent broiler producer has only three or four marketings during the year. Integration offered a way for the contractor to market birds every day in the year, thus minimizing the short swings in prices that might severely hurt the independent who was unlucky enough to hit two or three low markets in a row. Eggs, on the contrary, are nearly a year-around product of most commercial farms, and,

hence, the short down-swings in prices are less damaging to the individual producer and sharing the risks through integration less necessary.

Finally, egg production in New England is largely in the hands of experienced growers. They have been at the job long enough to have acquired good-sized commercial units capable of operating at top efficiency. Many do not need the liberal doses of credit that have built the broiler industry in the low-income areas.

Thus, the major pressure from integrated egg operations will most likely result from the production and marketing of a higher-quality product. This is a challenge to both egg producers and handlers in New England and all other major production areas. New England poultrymen unquestionably produce a high-quality egg. Too often that quality deteriorates between the time it leaves the hen house and the time that it reaches the consumer. In some cases, the deterioration comes from improper handling and prolonged storage on the farm. In other instances, it takes place in unrefrigerated egg trucks, at the packing plant, or in the store.

Whatever the reasons, producers may find that the competition from integrated operations will force them to deliver a higher-quality product. The handler, in turn, will have to maintain that quality until the eggs reach the retailer.

It is not unreasonable to expect that integrated operations will give egg handlers a leverage and a justifiable reason for demanding a higher-quality product; that the penalties for poor-quality output may be stiff enough so that producers will meet the requirements or go out of business.

Our Aces: Quality and Markets

In summary and in the light of present developments, it seems unlikely that integration will take over the egg industry as it has the broiler industry—at least in the areas close to the major markets. Nearness to market, the high degree of skill required, and the fact that most New England egg production comes from reasonably large commercial units, all these influences suggest that New England's egg industry can compete favorably with other sections of the country, whether the industry elsewhere is or is not integrated. This is not to argue, however, that integration will not affect New England's egg industry. It will, but the chances are the effects will be more upon quality than upon price.



The Farm Front

Invest and Improve

From 1946 to 1956, farmers in the United States spent about \$45 billion on major improvements and additions to plant and equipment. This was about \$14 billion more than the estimated \$31 billion required to cover depreciation. The investment of \$14 billion in excess of depreciation for the 10-year period compares with a deficit of about \$2 billion for the 15-year period, 1930-45. These facts seem to indicate that farmers, in general, have not been living off depreciation of their farms in the last 10 years. On the contrary, they have continued to invest in and improve their farms.

Sound Reasoning

The May 22, 1957, issue of *The Farm Cost Situation*, put out by the United States Department of Agriculture, throws some light on why farmers have substituted capital items for labor at such a rapid rate. From 1940 to the spring of 1957, national farm labor rates went up more than 300 per cent. Meanwhile, farm machinery went up about 100 per cent, fertilizer 64 per cent, and the cost of electricity declined by about 25 per cent.

Further Evidence

Prices paid for hired farm labor on northeastern dairy farms have risen about 45 per cent from 1947-49 to 1956, and are currently higher than in any region except the Far West. Rates in New England rose six per cent from April 1956 to April 1957.

Tri-State Workshop

The Connecticut, Massachusetts, and Rhode Island Bankers Associations, in cooperation with the Universities of Connecticut and Rhode Island, held a highly successful Farm Credit Workshop on May 9 in Storrs, Connecticut. The morning program was devoted to a visit to the Kaye Andrus dairy farm, located in Ashford, Connecticut. The group inspected the farm and then returned to the Storrs campus to hold a discussion, led by Mr. Andrus and the banker who has done his financing, of the organization and credit needs of the farm. The

afternoon program was devoted to talks on the future of dairy farming in southern New England and to the ability of small banks to handle today's farm loan problems. Following a dinner, the group heard Professor Harold Halcrowe of the University of Connecticut discuss "Public Policy and Taxation Affecting Farmers."

About Even

Broiler placements in the major broiler-producing areas of the United States are now running at about year-ago levels. Prices, meanwhile, have strengthened slightly as a result of greater demand during the summer season. Maine placements continue to run well ahead of a year ago with placements in Connecticut off about an equal amount.

No Longer Alone

The New England States used to stand alone at the top of the list in terms of high egg production per bird. This is no longer true. The table below shows egg production in 1956 for all states averaging 205 eggs or over per layer kept during the year. The West Coast states have made notable strides in raising production per bird to levels slightly above those which prevail in New England, but West Coast eggs are not likely to be marketed in direct competition with New England eggs. Minnesota and Iowa do ship eggs into Boston and New York, however, and their production per bird, the major influence on low-cost production, is now only slightly below the New England levels.

Egg Production Per Bird

By States - 1956 *

(Per layer kept during the year)

Maine	212	Iowa	208
N. H.	205	Florida	208
Vt.	215	Idaho	207
Mass.	212	Nevada	214
R. I.	218	Wash.	219
Conn.	212	Oregon	216
Minn.	205	Calif.	218

* Preliminary information.
Source: *The Poultry and Egg Situation*, May 1957, USDA.



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Integrity comes high. Few seem able to afford it. Stuart Chase said that it was a luxury. Nevertheless, a long time ago Socrates uttered a truth, "The shortest and surest way to live with honor in the world is to be in reality what we would appear to be, and if we observe, we shall find that all human virtues increase and strengthen themselves by the practice and experience of them."
—Marious Hansome

Dairy Economics

FROM THE TABLE on the facing page, it is apparent that from 1948 to 1956 the government had a net loss of about \$1.4 billion on its dairy price-support operations.

It is almost inevitable that with the current pressure for tax reductions the price-supporting operations of the United States Department of Agriculture will be re-examined. In fact, the USDA, itself, has recommended to Congress that authority be granted to the Secretary of Agriculture to lower support prices below their current legal minimums.

In this setting it is important for New England dairymen and their leaders to measure the effects of the present program, both here at home and for the nation as a whole, and to appraise any changes that may be proposed. In their appraisals they will need to remember that increased efficiency in production and marketing is basic to a sound New England dairy industry. By comparison, price supports are only temporary aids to be used while supply is being brought into line with demand.

The USDA in recent years has purchased annually about four per cent of the total production of dairy products in the United States. While the price effects cannot be measured precisely, the USDA feels that the removal of four per cent of the total annual supply has probably increased the actual prices to farmers for almost all dairy products by

considerably more than four per cent.

New England dairy farmers have, on the other hand, thought of themselves as being well insulated from the effects of the dairy price-support program. This is natural because all of the price-support purchases are made in the form of butter, cheese, skim-milk powder, and whey, while the great bulk of New England dairy production goes to the market in the form of fluid milk. None the less, farm milk prices in this region are strongly influenced by price-support operations. To what degree is a matter of speculation, but without attempting to be precise, we offer the following information as bearing on the case.

In 1956, New England consumers purchased about 4,023 million pounds of fluid milk in the form of both milk and cream. While New England imports most of its manufactured dairy products, it produces sufficient milk to meet its needs for fluid milk and cream purposes. That is not to say that milk and cream do not move into and out of New England. A small portion of the region's cream needs are imported, and in 1956 fairly sizable quantities of milk were imported from New York State into the Boston and Connecticut markets. In 1956, however, this was largely offset by milk shipments from Vermont to New York City. The net effect of these imports and exports is largely to cancel each other out.

Thus, the demand for 4,023 million pounds of fluid milk in the form of both milk and cream in New England was met by a production of 4,472 million pounds of milk by New England producers, or an excess of 449 million pounds over the annual needs of the area for fluid milk and cream.

Obviously this 10 per cent of the total production was converted into skim-milk powder and other manufactured dairy products, and it is a well-recognized fact that the prices for these commodities rest solidly on the price-support operations of the USDA.

This is not the whole story, however, because the cream price also is influenced by the price-support purchases. In fact, the only portion of New England milk production that is not influenced by the price-support operations is the amount sold for fluid milk consumption. In 1956, the amount sold for fluid milk use was about 3,235 million pounds.

From the facts above, it is evident that about 72 per cent of New England milk production is used for fluid purposes. The remaining 28 per cent, or

1,238 million pounds, is priced according to its value for manufacturing purposes which, in turn, is influenced by the price-support programs of the USDA.

As mentioned above, no one can measure accurately the effect of the price-support programs on the farm price of milk. Some economists have estimated, however, that a five per cent change in the supply of manufactured dairy products results in about a 10 per cent change in price. If we accept this thesis, the purchase of four per cent of the total national production might be expected to have raised prices for cream and manufactured dairy products by about eight per cent. If this is true, the net effect on New England farm milk prices might be about 28.8 cents per hundredweight on milk for manufacturing and about eight cents per hundredweight on the farm or blended price. In the aggregate, this would amount to about \$3.4 million, or about \$4.85 per milking cow, to New England farmers.

This is not quite the complete story, however, because in reality the Boston market carries a large share of the surplus in New England. Dealers in most other cities operate with a very small surplus because they know that they can always buy milk out of the Boston market to meet unexpected fluctuations in production or demand. The result is that producers who supply the Boston market receive most of the direct benefits of the additional income that dairy price supports bring into New England. Since Vermont supplies about 70 per cent of the Boston market needs, Vermont farmers would absorb a sizable portion of the effect of any change in support levels under present pricing systems.

We Would Feel It, Too

In summary then it can be said that New England is largely self-sufficient in milk production. In fact, production in 1956 was probably about 449 million pounds over the needs of the area for fluid milk and cream. But it is evident that only about 72 per cent of the production in the area is used for fluid milk purposes. Milk is priced according to use and the price for the remaining one-third is strongly influenced by the price-support operations of the USDA. Any lowering of support prices would have the greatest effect in mid-western areas where the majority of the production goes for manufacturing purposes, but the effect would most certainly be felt in New England, especially in the surplus-producing areas.

A Summary of 1948-56 Expenditures for

Price Supports of Dairy Products

Reprinted from the March 29, 1957, issue of *The Dairy Situation*

Published by the U. S. Department of Agriculture

PURCHASES OF DAIRY PRODUCTS to support prices and incomes of dairy farmers were begun in 1933. Prior to World War II, however, purchases exceeded one billion pounds, milk equivalent, only in 1938 when they reached 2.9 billion pounds. That was about three per cent of milk production that year.

From early 1941 through 1948, no dairy products were purchased for price support, except for a moderate amount of nonfat dry milk in 1947, which was sold back to commercial channels later that same year and early the following year. Of course, in the war years substantial quantities were bought for military uses and by some foreign countries.

Prior to World War II, laws authorizing such purchases did not specify exactly at what levels prices were to be supported. Early in the war, however, a law was enacted which required support at not less than 90 per cent of parity until the end of the second year following declaration of cessation of hostilities. Strong demand kept market prices above support levels during the war period. At the end of 1946, it was declared that hostilities had ceased so support at not less than 90 per cent was required through 1948.

The Agricultural Act of 1948 required that dairy products were to be supported at 90 per cent of parity, and purchases were begun in early 1949. The Agricultural Act of 1949 authorized and required the Secretary of Agriculture to support prices of milk and butterfat at such level between 75 and 90 per cent of parity as he deemed necessary to assure an adequate supply of milk. An announcement of support under this law was made in late 1949 for the 15-month period ending with March 1951.

The milk equivalent of quantities bought to support prices ranged from practically none in 1951-52, the period of Korean War, to over 11 billion

pounds in 1953-54. In the last few years the purchases have been equivalent to around five billion pounds each year, or about four per cent of production.

Currently, the support is provided by the Commodity Credit Corporation's standing ready to purchase all offerings of butter, Cheddar cheese and nonfat dry milk at previously announced prices. The surplus of manufacturing milk and butterfat, therefore, is channeled to these three items. Rather than take below-support prices in a commercial outlet, processors or assemblers normally will offer the product to the Commodity Credit Corporation. In this manner, enough product is removed from commercial channels to keep prices at the equivalent of support prices.

The price effects of this program cannot be precisely determined. But in view of the apparent relative inelasticity

of demand for manufactured milk and butterfat, it is reasonable to conclude that prices are increased by something greater than the percentage of supply which is removed in the purchase operation. In other words, in 1956, if four per cent of the supply had not been purchased by the Commodity Credit Corporation, actual prices to farmers for milk and butterfat for almost all uses would have been lower by considerably more than four per cent.

When there was a surplus, purchases of dairy products were made in sufficient amounts to maintain prices at support levels. At times, however, there has been a problem in disposing of products acquired. A considerable portion of the products bought in 1949 and 1950 was sold back to commercial channels in late 1950 and 1951 as demand expanded following opening of hostilities in

Dairy Price Supports: Cost and Volume

United States — Year Beginning July, 1948-56

Item	Quantity (million pounds)	Total Cost to Government and to CCC (million dollars)	Financial Outcome from Disposition of Product ¹			
			Commodity Credit Corporation		Total Government	
			Sales Proceeds (million dollars)	Net Expenditures (million dollars)	Sales Proceeds (million dollars)	Net Expenditures (million dollars)
Butter	1,304.0	\$ 832.6	\$302.4	\$ 530.2	\$160.7	\$ 671.9
Cheese	878.8	369.1	144.0	225.1	84.9	284.2
Nonfat Dry Milk	3,102.8	521.7	119.1	402.6	81.3	440.4
Dry Whey	71.1	4.6	1.0	3.6	1.0	3.6
All Dairy Products	—	\$1,728.0	\$566.5	\$1,161.5	\$327.9	\$1,400.1

¹ A substantial part of the products disposed of by the Commodity Credit Corporation actually are to other agencies of the United States Government which generally realized no recovery of the original cost. To present both phases of the transactions, the data in the table are set up to show the financial outcome for the Commodity Credit Corporation separately from the United States Government as a whole.

Source: *The Dairy Situation*, U. S. Department of Agriculture, March 29, 1957.

Korea. But heavy purchases in 1953 and 1954 exceeded available outlets for Commodity Credit Corporation stocks and prices were almost constantly at support levels so little could be sold back to private firms.

As a result, stocks of all items were increased to record high levels by mid-1954. A change in the law that year permitted a step-up in rate of disposition. But in many cases only a portion of the original cost of the dairy products was recovered.

The analysis of the financial outcome from disposition of dairy products acquired under the price-support program is presented in the table. The quantities and costs pertain only to those amounts distributed in each fiscal year.

A substantial part of the products disposed of by the Commodity Credit Corporation actually are to other agencies of the United States Government which generally realized no recovery of the original cost. To present both phases of the transactions, the data in the accompanying table are set up to show the financial outcome for the Commodity Credit Corporation separately

from the United States Government as a whole.

For all of the dairy products purchased from July 1948 through December 1956, the total value (based on cost of product, and including any transportation and storage) was \$1,728 million. Out of this, \$327.9 million was paid by non-Government recipients, making net expenditure by the Government of \$1,400.1 million.

These figures do not include outlays under the Special School Milk Program which were \$17.1 million in 1954-55; \$45.8 million in 1955-56; and \$25.4 million in July-December 1956. Also, they do not include value of direct purchases for distribution under Section 32 which totaled \$25 million for the period.

All the butter and cheese and most of the nonfat dry milk were used for human food. Of the totals distributed, butter and cheese were about equally divided between domestic and foreign recipients and in case of nonfat dry milk, about one-third went to domestic recipients and two-thirds to foreign outlets.

Farm Loan Volume Increased in 1956

OUTSTANDING LOANS to New England farmers held by banks and by regional units of the Farm Credit Administration were up 7.6 per cent for the year ending December 31, 1956.

Banks are by far the largest institutional lenders to New England farmers. At the end of 1956, these loans, both real estate and non-real estate, totaled \$102.4 million. During 1956, bank real estate loans to farmers increased by 3.3 per cent and non-real estate loans by 10.3 per cent. The Federal Land Bank and the production credit associations showed gains in volume of 11.5 per cent and 6.9 per cent, respectively.

The increase in volume of outstanding farm loans held both by banks and by the cooperative farm credit agencies suggests that necessary credit has been available to agriculture during 1956. Interest rates have been higher, and some individual farmers may not have been able to borrow all they would have wished, but apparently agriculture has not suffered from lack of credit, either in New England or in the nation.

Loans Outstanding to New England Farmers

As of December 31, 1956

(in thousands)

State	Held by All Operating Banks *					Held by Selected Units of Farm Credit Administration				
	Real Estate Loans		Personal and Collateral Loans		Total Farm Loans — All Banks	Federal Land Bank Loans		Production Credit Association Loans		Total FLB and PCA Loans
	Amount	% Change from 12/31/55	Amount	% Change from 12/31/55		Amount	% Change from 12/31/55	Amount	% Change from 12/31/55	
Maine	\$ 8,074	7.2%	\$ 11,851	25.8%	\$ 19,925	\$ 4,581	7.9%	\$ 5,838	9.9%	\$ 10,419
N. H.	4,030	—4.5	3,291	9.0	7,321	2,159	4.0	578	3.9	2,737
Vt.	17,701	2.8	13,762	3.4	31,463	9,032	6.0	5,690	12.0	14,722
Mass.	10,726	5.4	9,900	4.6	20,626	7,660	10.1	2,234	6.3	9,894
R. I.	2,942	9.3	2,193	14.3	5,135	1,150	17.8	721	11.1	1,871
Conn.	9,681	0.3	8,296	9.7	17,977	7,033	25.9	2,791	—7.2	9,824
N. E.	\$ 53,154	3.3%	\$ 49,293	10.3%	\$ 102,447	\$ 31,615	11.5%	\$ 17,852	6.9%	\$ 49,467
U. S.	\$1,386,270	2.8%	\$3,279,911	—0.9%	\$4,666,181	\$1,744,052	16.5%	\$706,586	8.1%	\$2,450,638

* Excludes CCC-endorsed loans.

Sources: Federal Deposit Insurance Corporation, Comptroller of the Currency, Board of Governors of the Federal Reserve System, and *Annual Report on Loans and Discounts of Farm Credit Administration*.



The Farm Front

In the Doldrums

Egg production in New England set a new record for May which was slightly above the record level of May 1956. The hot weather in June, however, had the effect of slowing down production, and prices started to work upward in early July from the very low levels that have prevailed since last year. With grain prices only slightly below year-ago levels, the egg-feed ratio was less favorable for the first half of 1957 than for a year earlier.

Price Support Activities

The U. S. Department of Agriculture spent \$16 million for the purchase of shell eggs from September 1, 1956, through June 1957 to bolster the badly sagging market. Most of the eggs were disposed of through the National School Lunch Program. About 475,000 cases, however, were purchased in dried form to be stored for use next fall in the school lunch program.

Improvements

With grain prices down slightly from May to June and milk prices averaging above year-ago levels, the milk-feed ratio in June for the Boston market was as favorable as it was in June of 1951 and 1952 during the Korean War, according to Market Administrator Richard Aplin. Cattle prices have also strengthened considerably during this period of relatively favorable dairy prices.

.and More Ahead?

Based on the assumption of normal weather conditions, Administrator Aplin has estimated the farm, or blended, prices for Boston producers for the last six months of 1957. They are as follows: July, \$4.45; August, \$4.90; September, \$5.00; October, \$5.40; November, \$5.45; and December, \$5.25. Based on these estimates, prices for the remainder of the year are likely to average 17 cents per hundredweight above prices in the last half of 1956.

Broiler Production

With broiler prices improved over the disastrously low levels of recent months, broiler placements in

June in the major-producing areas continued to run two to four per cent above year-ago levels. During the period of extremely low prices, New England production continued to grow in spite of cutbacks in Connecticut. Increases in Maine more than made up for the cutbacks in Connecticut. In recent weeks it appears that Maine production is leveling off at slightly above year-ago levels, while Connecticut growers show signs of increasing their output by mid-July to levels comparable with a year ago.

"The Farmer in a Business Suit"

John Davis, Director of the Program in Agriculture and Business, Harvard Business School, and Kenneth Hinshaw, Information Editor, Eastern States Farmers' Exchange, Springfield, Massachusetts, have collaborated in writing a book which traces the saga of a fictionalized farm family from Puritan days down to the present time. The book outlines the application of modern techniques in production, processing, and marketing of food and fiber that has widened markets for farm products and raised farm living standards. We recommend the book heartily as worthwhile reading for students and observers of agricultural economic trends.

Poultry Meat Consumption Grows

Per capita consumption of eggs seems to have leveled off from the very high peaks of the late 1940's and early 1950's. Per capita consumption of poultry meats, however, continues to increase from year to year and is now almost double the pre-World War II levels. Broilers, of course, have accounted for a large share of the increase.

Per Capita Consumption of Eggs and Poultry Meats *

Year(s)	UNITED STATES			
	Eggs (number)	Chickens	Broilers (pounds)	Turkeys
1935-39	298	12.2	1.0	2.2
1945-49	382	14.0	5.1	3.4
1950-54	380	10.3	11.2	4.6
1955	366	7.5	13.4	5.0
1956	365	7.3	16.1	5.4
1957#	363	7.3	17.3	5.2

* Ready-to-cook basis. # Estimates.
 Source: *Farm Business Notes*, University of Minnesota.



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The responsibility of tolerance lies with those who have the wider vision.
— George Eliot

Dairy Economics II

THE WELTER OF FRAGMENTARY facts about the price squeeze in agriculture has tended to obscure basic trends in our agricultural economy. The New England dairy industry presents a case in point.

It is true that there were six per cent fewer cows on New England farms in 1956 than in the 1941 - 45 period. Production expenses are also at record high

levels. But these facts in themselves prove little.

Of much more significance is the fact that milk production in New England is at the highest level in history in spite of fewer farms, fewer cows, fewer workers, and rising production costs. Milk production in 1956 was 11 per cent higher than the 1941 - 45 period and six per cent higher than the average for 1951 - 55. There is ample evidence that this trend is likely to continue.

This has been baffling to many, particularly during the early 1950's. During that period, all available data point to production costs that rose faster than milk prices and to a severe drop in cattle prices that wiped out much of the equity in many dairy farm businesses.

The table below indicates that production has continued to climb even during this period. Two possible answers can be given. In the first place, economic conditions may not have been as unfavorable as the statistics would indicate. Second, and probably more important, long-term confidence in the outlook for more favorable net incomes from dairy farming kept farmers producing and expanding even when their incomes turned temporarily downward.

Unquestionably the period worked real hardships on many who were heavily in debt or who had inadequate capital. In many cases they were forced out. Also

forced out were many who could not see better days ahead and hence refused to continue to invest capital and to make changes that allowed them to benefit from the newest technology that would have helped to lower production costs.

Nevertheless, the majority stayed in business and made the changes that required courage, capital, and vision based on economic facts. These men are now reaping some of the rewards.

Farm milk prices during this period averaged about 20 cents, or 4.5 per cent, above the previous 12-month period. Based on price estimates for the remainder of 1957, it appears that prices in the last six months will average about 17 cents above the same period in 1956. These price increases, coupled with improved beef prices and rapidly rising production per farm, should more than offset the slow but steady upward trend in production costs.

Parity with Small Businesses

It is true that income available for family living will continue to be small for many because they will have to continue to invest large amounts of capital in new technology. But if their incomes are measured both in terms of cash and increase in net worth, dairy farm incomes in 1957 in New England will probably be comparable to other small businesses.

Milk Cows, Production per Cow, and Production of Milk on Farms

Averages 1951 - 55 and 1956*, by New England States

State	Milk Cows on Farms			Milk Production per Cow			Total Milk Production on Farms		
	Average 1951-55	1956	1956 as percentage of 1951-55	Average 1951-55	1956	1956 as percentage of 1951-55	Average 1951-55	1956	1956 as percentage of 1951-55
	(thousands)			(pounds)			(million pounds)		
Maine	111	112	101	5,896	6,150	104	657	689	105
New Hampshire .	61	62	102	5,974	6,150	103	365	381	104
Vermont	269	286	106	6,006	6,160	103	1,613	1,762	109
Massachusetts . .	119	116	97	6,750	7,200	107	803	835	104
Rhode Island . . .	19	17	89	7,444	7,750	104	140	132	94
Connecticut	108	108	100	6,656	6,950	104	719	751	104
New England . . .	687	701	102	6,255	6,490	104	4,297	4,550	106
United States . . .	21,469	20,927	97	5,544	6,006	108	119,024	125,698	106

* Preliminary.

Source: *The Dairy Situation*, June 1957, published by the U. S. Department of Agriculture.



Credit Needs for a Changing Agriculture

BY CHAS. N. SHEPARDSON, GOVERNOR, FEDERAL RESERVE SYSTEM

Excerpts from a Speech before the Tennessee Bankers Association, Nashville, June 20, 1957

NEVER IN THE HISTORY of agriculture have we seen such an evolution — yes, almost a revolution — in agriculture technology as we have seen during and since World War II. New methods, new materials, and new machines have all combined to increase productivity per acre, per animal, and per man-hour of labor. This, in turn, has brought a series of important changes that are affecting both agriculture and the general economy.

First, let us consider the impact of increased productivity per acre and per animal unit. Since 1940, per acre production of major crops has gone up approximately 30 per cent for wheat, 55 per cent for corn and 65 per cent for cotton. Meat, milk and egg production have increased in proportion. Beef production per head of cattle on farms has gone up over 35 per cent, milk per cow 30 per cent, and eggs per layer 68 per cent. In the aggregate, production per acre is up about 20 per cent and per animal breeding unit 27 per cent.

The increase in human productivity is even more striking. While gross farm production for human use increased 37.5 per cent from 1940 to 1956, farm employment dropped 31.5 per cent, which means that production per man practically doubled in that period. This tremendous increase in productivity of farm labor has produced and is continu-

ing to produce social and economic changes which are of concern to all of us, but they are of special concern to bankers and other lenders.

Why is this of concern to lenders? The answer is that this increased productivity in agriculture, as in the rest of our economy, stems from the substitution of capital, both investment and operating capital, for human labor. For example, mechanization, including improved machinery and the substitution of mechanical power for human and horse power, increased the investment per worker in farm power and machinery from \$220 to \$1,748, or approximately eight times as much in 1956 as in 1940.

This increased productivity also enabled the farmer to handle more land and the size of farms increased. This resulted in an increase in average land investment per worker, excluding dwelling, from \$2,461 to \$10,793, approximately 4.5 times the 1940 figure.

The increased productivity was also a result of increased use of improved seeds, feeds, and breeding stock and more and better fertilizers, insecticides, herbicides, and other agricultural chemicals, together with increased use of purchased fuel. All of this increased cash operating costs and the necessity for additional capital. As a result, per capita investment in other production assets

rose from \$750 in 1940 to \$2,622 in 1956, an increase of almost 250 per cent.

In the aggregate, this amounts to an increase in total investment per worker from \$3,461 in 1940 to \$15,163 in 1956, or roughly four and one-third times as much as in 1940. Naturally, this investment per farm worker varies widely with different areas and different types of farm enterprise. It ranges from \$59,000 for the Corn Belt grain farm to \$35,000 for a North Plains cattle ranch, \$14,000 for a Northeast dairy farm, and \$8,000 for a Southern Piedmont cotton farm.

This tremendous increase in investment per worker presents a real problem to the farm operator and an equally real challenge to the lender. Farming has become more than a way of life.

The Root of the Farm Problem

Commercial farming, on which we depend for most of our agricultural production, has become big business and requires sound business methods both in managing and in financing the operation. Out of approximately 4.8 million farms in the country today, about one-third might be classed as commercial farms, producing about 85 per cent of our farm commodities. Another one-third might be classed as residential farms whose owners are largely or en-

tirely dependent upon off-farm income and the remaining third is made up of marginal or sub-marginal farms too small to provide even a minimal standard of living and the owners of which have little or no off-farm income. The cost of production per unit on these small, poorly equipped farms is so high as to be unprofitable at almost any conceivable price. In many respects such farms are the root of the farm problem.

One of Three

The farm borrower usually falls in one of three classes. He may be a capable and experienced operator who needs to enlarge or alter his farm program so as to provide a more efficient utilization of his labor and equipment and a greater gross and net income. This may require increased extension of credit and probably on longer terms. With the increased capital requirement in many types of farm operations, he may find it advisable to continue to operate indefinitely on a certain amount of borrowed capital. In no event should a farmer tie up so much capital in land or so much of his income in the payment of land debt that he lacks operating funds to enable him to operate efficiently.

In addition to his land, he may require considerable sums for investment in livestock or equipment. A man going into dairying, for example, must have a certain minimum herd to justify the equipment and production facilities essential to the production of Grade A milk. If he is burdened with unduly onerous payments on his cows and equipment, he may curtail feed and care expenditures only to find that he has cut production and hence his whole debt payment potential.

Likewise, some of the major farm equipment with productive life of several years may well merit longer credit terms than have commonly been extended. If there is justification for extensions of 30-month terms and 25 per cent down payments, which are becoming increasingly common on automobiles, perhaps longer terms than commonly prevail would be justified for such things as tractors, field choppers, and balers in the hands of good farm operators.

There must be more long-range business planning in our farm operations. This planning should include sound analysis of each enterprise, including projections of income and expense, provision for adequate reserves in fa-

vorable years to tide over the poor years, and a realistic appraisal of the adequacy and adaptability of the man and his plant to the operation contemplated.

Unfortunately, many farmers lack the training or business experience to make such an analysis. They seek credit as they need it on a piecemeal basis and frequently from several lenders, including banks, mortgage lenders, equipment dealers and suppliers. No one lender has a picture of the total operation in such a case. Each depends primarily on the integrity of the borrower and the adequacy of his collateral with little attention to the debt repayment prospects of the farm as a whole.

This presents a challenge to the commercial banks, and I am glad to say that a gradually increasing number of banks are establishing agricultural departments to handle this problem. So far, this activity has been limited mostly to the larger country banks. The smaller country banks feel, and frequently with justification, that they cannot afford a competent agricultural credit man. Many city banks, on the other hand, feel that they have little direct farm loan business and, hence, no need for such a man.

I would like to suggest that many city banks might find that the establishment of an agricultural department to serve their country correspondents would be a profitable investment in more ways than one. In fact, I know of one large city bank with a strong agriculture department that has picked up enough trust business involving farm estates, both of its own and its country correspondents' customers, to more than pay the cost of the department, in addition to the increase in its participation-loan business.

Both Counsel and Credit Needed

Second, what about the man lacking the opportunity or talent to enlarge his operation but who might advantageously reorganize his program so as to permit more off-farm employment. For example, he may not have the talent, land or resources to enlarge an inadequate ten-cow dairy to a potentially profitable 25- or 30-cow Grade A dairy. Possibly his land is unsuited to crop production but might well be put to trees or pasture. The need of such men may be not for more credit but for counseling on

the wise use of credit and in the planning of their operations. In many cases, however, they will need additional credit to convert their operations, especially in the case of the man converting from crops to livestock and needing to finance the establishment of pastures, construction of barns, and purchase of livestock. Here I suggest consideration of his off-farm earnings as well as his farm income in determining his repayment capacity.

The third alternative applies to the man who lacks the talent to manage his own business or whose land or land potential is totally inadequate to support a profitable farm enterprise. If his trouble is lack of land, he might be advised to dispose of his inadequate holding and find a larger unit elsewhere. If it is lack of talent, he might better be denied credit and advised to seek full-time, off-farm employment rather than encouraged to continue on a losing operation. A better plan might be to retain his home, sell or lease his land to a neighbor who wants to enlarge his operation and find work in the community.

The Role of the Banker

This latter alternative, together with that of the part-time farmer, presupposes employment opportunities in the area. Such employment opportunities may already exist or they may come by securing branches or even main plants of well-established industries. But not all of our rural communities are going to be able to secure such plants. Many of them are going to have to use their ingenuity and initiative in establishing small local industries geared to the potentials of the community. Here again the local banker has a part to play in providing leadership and merited financial backing to such a program. Here also there is a real place for the city correspondent banks to render a real service through the counsel and assistance of their industrial departments.

The objective of the Federal Reserve System, in its responsibility for monetary and credit policy, is that of providing a financial climate favorable to the sound development of all elements of our economy, including small business, small farms, and rural communities. We realize,

however, that the initiative in such development must always lie in the hands of local community leaders. Traditionally, we have looked to our local bankers for leadership in such programs.





The Farm Front

Applied Science

Upon retirement last June, Joseph E. Carrigan completed a 43-year period of service to the farmers of Vermont that began as county agricultural agent in 1915. For the last 15 years, Mr. Carrigan has held the triple responsibility at the University of Vermont of dean of the College of Agriculture, director of the Experiment Station, and director of the Extension Service. Since retiring, he has served as farm loan officer of the Burlington Savings Bank, Burlington, Vermont, where he has reveled in the greatly increased direct contact with farmers which he



had missed since his county agent days. It's good for bankers to renew and, where desirable, to refine their policies, and it's wise for the philosophical outlook to be tested by practical limitations. Out of Mr. Carrigan's connection with banking should come continued helpful service to Vermont farmers.

A New Publication

"Intermediate-Term Bank Credit for Farmers" is the title of a new publication recently released by the Agricultural Commission of the American Bankers Association. It describes the need for this type of credit and gives several case histories telling how banks are meeting these needs. All banks which belong to the association are entitled to one free copy upon request. Additional copies are available for \$1.00 each from the Department of Printing, American Bankers Association, 12 East 36th Street, New York 16, New York.

Some Dairy Statistics

About 739 million pounds of whole milk were used in New England in 1956 for the manufacture of various manufactured dairy products. By far the largest portion was used in ice cream and other frozen products, non-fat dry milk, and cottage cheese. Other less important uses included American cheese, creamery butter, and condensed milk.

Although some small part of this milk for manufacturing was imported, the major portion came from dairy production in the region. While precise information is not available, it appears that New England produced about 4,472 million pounds of milk in 1956. Eighty-eight to 90 per cent of this amount was used as fluid milk and cream—the remainder was available for manufacturing into the products mentioned above.

Quotable Quotes

Dean W. I. Myers of Cornell University says, "We are learning the hard way that government price support programs cannot make enduring farm prosperity. . . . Barring a severe depression, the price adjustment from war to peace is over. Both farmers and the nation would be better off if we lowered price supports and moved toward free markets."

Costly Credit

A study recently released by the Texas Agricultural Experiment Station showed that broiler growers who paid cash for chicks and feeds could produce broilers at an average cost of 1.36 cents per pound less than those who bought supplies on credit. The open account producers, who buy on credit and pay when the birds are sold, paid 31 cents more per hundredweight for feed and 1.29 cents more per chick than producers who paid cash. For a broiler grower with a 15,000-bird capacity, the difference would amount to about \$2,300 annually. The study was made in 1955 and early 1956 in eastern Texas.

Use of Lime Increases

Lime usage in New England in 1956 was nine per cent above the amount used in 1955, according to the National Agricultural Limestone Institute.

State	1955	1956
Maine	45,852	49,778
New Hampshire	21,466	24,365
Vermont	68,606	75,687
Massachusetts	47,465	56,283
Connecticut	36,142	35,700
Rhode Island	8,628	6,949
New England	228,159	248,762



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THANKSGIVING

Lord, for the erring thought

Not into evil wrought:

Lord, for the wicked will

Betrayed and baffled still:

For the heart from itself kept,

Our thanksgiving accept.

— William Dean Howells

Measuring Progress

ONE OF THE MOST VALUABLE and revealing types of analyses for the average farm family is the preparation of a financial statement.

Most farm families are well aware of their debts. Some are encouraged with their progress in debt reduction; many are discouraged because progress in reducing their total farm debts seems to proceed at a painfully slow rate.

Many of those same families might find real reason for optimism in a financial statement. For it would show clearly not only total debts but also total assets and net worth or equity. In a period when capital requirements are rising rapidly for the individual farm, it is not unusual to find that the equity of the owners in their businesses has risen steadily even though reduction in the total debt may be very slow.

Conversely, a financial statement can help to locate a farm business that is living off the equity built up in previous years. Thus the careful analysis of financial statements can be a major tool in helping farm families and their

lenders to appraise honestly the financial soundness of the farm business.

The rapid changes in agriculture in the last two decades have brought many management problems in integrating the new practices and techniques into the operation of the individual farm. Most farmers have made the necessary technical adjustments with amazing speed and success, considering the complexity of the changes required.

But the very fact that farmers have been working so hard to develop the new production techniques has often meant that some of the business aspects have been neglected.

Farm record-keeping is one of those areas which many farmers have not found time to master. Spurred on by the demands of the farm income tax, most farmers have developed an adequate set of farm cash accounts. Some are also keeping a good inventory record. But relatively few have found time to really study these records for the information that they can furnish.

Bankers in agricultural communities might well give consideration to actively encouraging farm record-keeping and the preparation of financial statements. Some New England bankers furnish copies of the state university's farm account books during December and January to their farm customers; others offer them for sale in their lobbies. Banks with farm loan representatives often counsel with farmers in the preparation of yearly financial statements.

These services have the advantage of encouraging farmers to keep badly needed records and, at the same time, keep the banker in close contact with his customers.

The Countryman's Column

I have gathered a posie from other men's flowers and naught but the thread that binds it is mine own.

— Flyleaf, Familiar Quotations, John Bartlett

Our chief want in life is somebody who shall make us do what we can.

— Ralph Waldo Emerson

* * *

Lives are made of chapters. After one is written it cannot be revised, but we can write a new chapter with each new day.

— Phillips Brooks

* * *

Leadership alone does not make a nation great. The level of intelligence, moral fiber, cultural development and civic responsibility of the people as a whole is the determining factor.

— Edward M. Tuttle

* * *

Whatever may be the means, or whatever the more immediate end of any kind of art, all of it that is good agrees in this, that it is the expression of one soul talking to another and is precious according to the greatness of the soul that utters it.

— John Ruskin

* * *

Besides the practical knowledge which defeat offers, there are important personality profits to be taken. Defeat strips away false values and makes you realize what you really want. It stops you from chasing butterflies and puts you to work digging gold.

— William M. Marston

Milk Prices and Costs in Dairy Farming

NEW ENGLAND, 1947-57

Year	Milk Price ¹	Grain Price	Milk-Feed Ratio	Vermont Cost of Dairy Farming
1947	\$4.47	\$4.38	102	290
1948	5.32	4.64	115	310
1949	4.30	3.85	112	297
1950	4.12	3.99	103	292
1951	4.71	4.49	105	332
1952	4.93	4.61	107	350
1953	4.31	4.16	104	337
1954	4.19	4.28	98	332
1955	4.38	4.02	109	330
1956	4.41	4.04	109	341
1957*	4.64	4.10	113	355

¹ Blended price, Boston producers, 201-210 mile zone.

* Estimated.

Source: Office of the Federal Milk Market Administrator, Boston, Massachusetts.

A Word of Caution When

Milk Prices Are More Favorable

AS SHOWN BELOW, farm milk prices in New England are the most favorable since 1948 in relation to the price of grain. Coupled with this, northern New England, where the largest share of New England's milk is produced, has had a very favorable crop year. These factors could lead to undue optimism and overexpansion in the region's dairy industry.

We're Apt to Forget

It would be a mistake for dairymen or their lenders to think that the "pressure is off" because milk prices are more favorable than they have been in relation to grain. Farm production costs generally are still high as indicated below by the index of costs in Vermont dairy farming. It may well be that production costs have risen even further in southern New England. Furthermore, even in the last couple of years, when thousands of dairymen have gone out of farming, production has continued to rise. When prices are a little more favorable, it's easy to forget that New England is producing about 10 to 12 per cent more milk than its annual needs for fluid purposes.

Opinions differ as to whether this is about what we are economically justified in producing or whether we should be aiming to barely meet our fluid needs. However, it is pretty generally agreed that New England can hardly justify turning much more than its seasonal excess and necessary reserve for fluid milk into manufactured uses. Few economists would be willing to argue

that New England milk producers generally can successfully compete with midwestern farmers as producers of milk for making cheese, butter, and the like.

What then is a sane and sensible course for individual farmers, their lenders, and their leaders during this period of improved prices? There is no simple answer, but these comments bear on the issue:

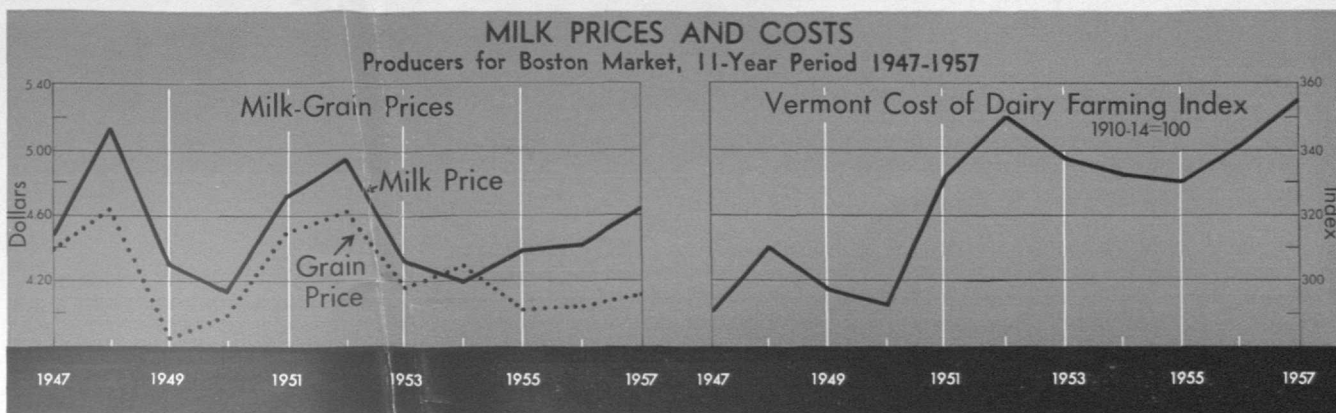
First, we have to recognize that there are several factors at work to temper any undue optimism. The very poor crop year in southern New England will serve to hold back that region from any very large expansion. Secondly, farm operating costs in general remain at a high level although since early summer the upward climb seems to have leveled off. Third, a sizable number of dairymen have shown a tendency to "live off depreciation" in the last couple of years — holding off on painting the barn or replacing the old tractor, or buying a new kitchen stove until they could see where the New England dairy industry was headed. Just catching up on these items will use the additional income of many.

There are many farms in New England which need more capital items such as cows, or new machinery, or new buildings in order to operate efficiently. Certainly nobody could argue that these changes should not be made. A farmer has such little choice — either he adopts the new technology which increases his efficiency of production or else competition from other farmers forces him out of business.

Better prices, however, frequently lead to overoptimism as to how rapidly the changes can be made. Or the improved outlook encourages a producer to make a change which, in the end, requires several more before additional income results. In these situations farmers, particularly those who are already carrying moderate to heavy debt loads, often spread their capital position pretty thin. And since these changes usually are made by many individuals nearly simultaneously, they result in more milk and the eventual effect is a downturn in prices and net income. The man who has allowed himself to get spread thin may find that reduced income leaves him in an embarrassing position with his creditors. He may resort to more expensive types of credit, and almost inevitably he will pay more for what he buys than he would if he could pay cash or use credit from an institutional lender.

Production Continues to Grow

Furthermore, research is constantly developing new production and marketing methods which quickly become necessities for efficient farms. Bulk tanks are an example. Many dairymen were so short of available capital or credit that the addition of a \$1,500-\$3,000 bulk tank was more than they could swing. This led many to try to fight off the inevitable. The results are all too evident. These men who couldn't or wouldn't make the investment have frequently wound up with a



Source: Office of the Federal Milk Market Administrator, Boston.

lower paying market for their milk and consequently lower income.

All this is to turn on the yellow light of caution at a time when the milk-grain ratio is more favorable than it has been for some time. Certainly it is not always unwise to invest increased income in the farm business. But with equal certainty there is virtue in leaving some head room for making further capital investments in new technology which might be just over the horizon or for meeting emergencies like the drought in southern New England this year. After all, it is the man who is in a position to put new knowledge to work and does it before it becomes widely adopted who is likely to enjoy higher than average income.

Consumer Demand

AT MIDYEAR, outstanding consumer debt, both personal and mortgage, totaled over \$145 billion, or an amount equivalent to about 48 per cent of the estimated disposable income of all consumers in 1957. In 1948, the comparable ratio of debt to income was 23 per cent. Roughly two-thirds of the consumer debt outstanding at midyear represented mortgages on one- to four-family houses while the rest was unpaid balances on auto loans and other installment purchases, personal loans, charge accounts, and the like.

Of the consumers reporting debt outstanding early this year, about 46 per cent had some mortgage debt outstanding and over 85 per cent had some personal debt outstanding. A little over one-half of those in debt reported having both mortgage debt and personal debt outstanding early in 1957.

Actually, the average consumer's income has not been pledged to repay debt to the extent that might be inferred from the foregoing debt figures. Easy financing terms, as typified by low downpayments and extended repayment periods, have stretched out the debt burden into the future. The consumer still has to repay the unpaid balances, but the claim against his current income is lower. Early this year, for example, it appeared that regularly monthly claims against consumers' income averaged less than one-fourth of the after-tax income. The regular claims included rent, payments into social security and retirement funds, and life insurance premiums in addition to payments on mortgage and personal debt.

(Excerpts from an article in the October 13, 1957, issue of *Business Trends*, published by the Federal Reserve Bank of Cleveland.)

Agriculture's Financial Standing

THE BALANCE SHEET OF AGRICULTURE is a consolidated statement which views agriculture as though it were one large enterprise.

The recently released Balance Sheet shows that total farm debts on January 1, 1957, were \$19.5 billion, up 3.2 per cent from a year earlier. They stood at \$10.0 billion in 1940, declined to a low point of \$7.8 billion in 1946, and have increased steadily since that time to the present levels.

Farm assets also rose during 1956 to a new record of nearly \$177 billion. This compared to total farm assets valued at nearly \$49 billion in 1940.

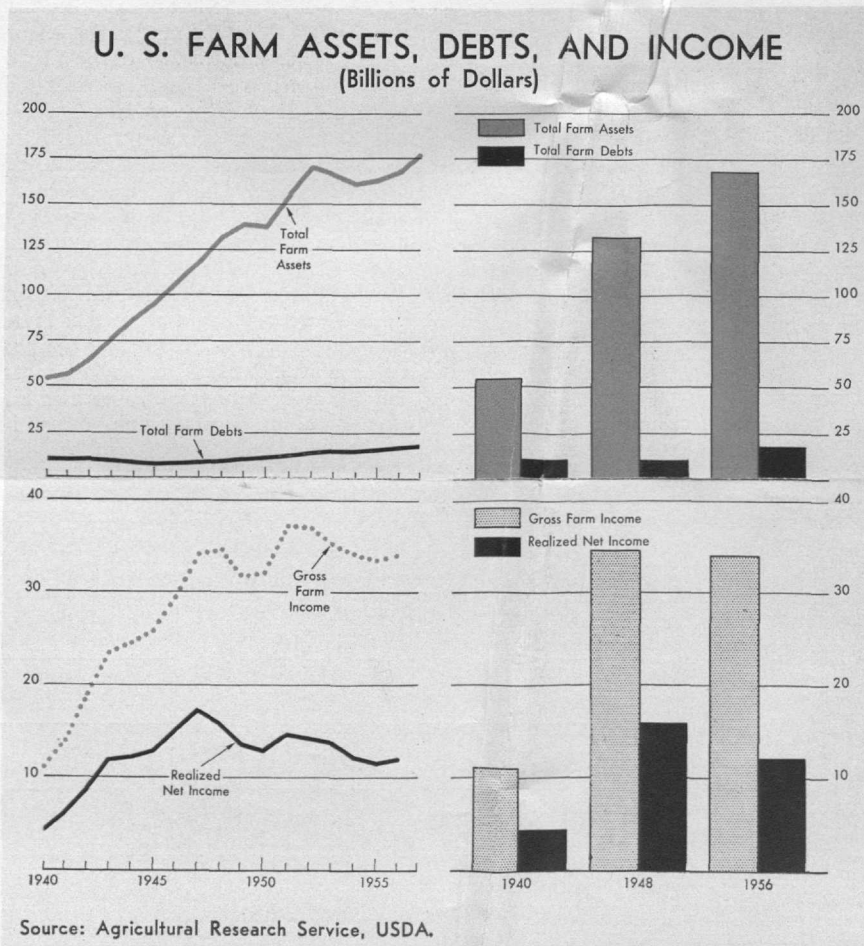
Farm debts are currently about 11 per cent of total farm assets. This relationship has remained fairly constant for the last five years, but compares with 19 per cent in 1940 and 8 per cent in 1947. This means that farmers had about 81 per cent equity in their business in 1940, about 92 per cent at the end of World War II, and about 89

per cent in the mid-1950's.

Total gross farm income in 1956 amounted to nearly \$34 billion, an increase of one per cent over 1955. This is the first increase since 1951. Total production costs also continued their steady upward climb in 1956. All classes of expenditures rose from 1955 levels except seed and fertilizer.

The realized net income of farm operators in 1956 was \$12.1 billion, about four per cent above 1955. This was a two per cent increase in purchasing power, the first since 1951.

At the beginning of 1957, farmers' liquid assets (bank deposits, currency, and U. S. savings bonds) were estimated at \$15.2 billion as compared to \$3.4 billion in 1940. During the war years farmers added to their liquid assets and, at the same time, were making substantial debt reductions. Since the war years debts have risen fairly rapidly, while liquid assets have made only very small gains.





The Farm Front

12,000 Miles Away!

Mr. L. A. Zehner of this bank has been granted a four months' leave of absence to accept an assignment in The Philippines with Arthur D. Little, Inc. (management and engineering consultants) of Cambridge, Massachusetts. Mr. Zehner will serve as an adviser to an Arthur D. Little team which is working for the Republic of The Philippines under International Cooperation Administration sponsorship on a program designed to help its Agricultural Credit and Cooperative Financing Administration. This organization was set up five years ago primarily to help provide low-cost credit for the Philippine farmers. Mr. Zehner's tour of duty started on November 30, when he flew to Manila, and he expects to be back in the bank on April 1.

Still Growing

Contrary to popular belief, apple growing in Massachusetts is still on the increase. A study, sponsored by the Massachusetts Fruit Growers Association and conducted by the University of Massachusetts, indicates that Massachusetts apple growers are now producing, on the average, almost 2.6 million bushels annually as compared to 2.1 million bushels 25 years ago. As dramatic evidence of the strides that agriculture has made in that period, the study reveals that there are only one-fifth as many orchards with one-third as many trees now as was true a quarter century ago. Yet total production has increased by about 24 per cent in that period. The study also points out that New England is the only major-producing region in the United States where production is increasing.

What Happened to Pulpwood?

Many farmers in northern New England supplement their incomes each year by cutting pulpwood from the farm woodlot. In recent months the demand for pulpwood has been very slow, and in some areas it is difficult to find a market. Lewis Bissell, forestry specialist at the University of Maine, lists some of the reasons: (1) A general slowdown in business activity has had a similar

effect on the demand for paper products; (2) temporary overproduction of paper products caused by many new mills coming into production fairly recently; (3) excellent cutting and hauling conditions for many months which has resulted in heavy shipments of pulpwood to the mills; and (4) low water for power and paper-making. He cautions woodlot owners to be sure of their markets before cutting pulp or other timber products this winter.

Optimism in New York

Producers for the big New York milk markets are enjoying milk prices considerably above the levels that prevailed a year ago. At least a part of the reason for this is the expansion of the New York federal milk order. Whatever the reasons for the higher prices, one of the results has apparently been an increase in the number of heifer calves raised and another, a lowering of the culling rate of older cows. Both of these are likely to mean an increase in cow numbers and milk production on New York dairy farms, according to Robert P. Story, extension economist at Cornell.

. vs. Yankee Conservatism

New England milk prices have averaged higher than those prevailing in the New York milkshed for several years until the recent revision in the New York milk order. Since that time, prices in the two markets have been roughly comparable. In contrast to their New York neighbors, the slaughter reports indicate that New England dairymen are continuing to cull their herds heavily and to raise fewer dairy replacements. For the first nine months of 1957, the slaughter of calves increased by two per cent and the slaughter of cattle by seven per cent in New England from the same period in 1956. With milk production tending to outpace demand in New England, production per cow continuing to grow, and a likelihood of low beef prices in the next few years, it seems that New England dairymen are following a wise course in keeping their young-stock numbers down and continuing to cull heavily the poorer producing cows.

Farm Finance

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The scene changes, but the aspirations of men of good will persist.—Vannevar Bush

“The New Look”

THE NEW ENGLAND GREEN PASTURES Committee has launched the Green Pastures-in-Winter program. Major emphasis is to be aimed at better harvesting, storage, and feeding practices in order to further increase production efficiency and net farm incomes.

Based on Experience

The new program was developed under the leadership of a Long-Range Planning Committee, chairmanned by Robert P. Davison, director of Extension Service at the University of Vermont. The need for the new approach was based on the experiences of the judges in the last few years in county, state, and New England judging. These men have consistently pointed out that the improvements in forage production have not been carried through the harvesting, storing, and ensiling practices on many farms. The result has frequently been that hay and silage quality in the mows and silos was not what it should have been, considering the quality of forage that was being grown in the fields.

Related to this was the observation that the weakest link in economical milk production was frequently the actual feeding practices. Items such as feeding adequate amounts of forage; selection of forage supplements; balancing the protein content of grain rations to forage quality; amounts of concen-

trates fed in relation to available markets, forage quality and quantity; and a host of related problems were frequently given far less attention than they deserved.

The new approach will continue to emphasize a balanced program of economical milk production throughout the year. Such items as milk produced per man and per cow and the economical use of land, buildings and equipment will be among the items on the score card. In addition, the keeping and use of milk production, crop, and financial records will be stressed.

The Green Pastures program has had a unique place in New England agriculture. It started in 1947 in New Hampshire as an educational effort to help farmers raise better pastures as a means of lowering production costs and to promote conservation practices. At that time it was generally believed that farmers faced a severe price recession, and improvements in pasture production seemed a logical first step toward reducing costs. The idea quickly spread to the other New England states in 1948 when the program was organized on a region-wide basis. Rapidly the scope grew to include, first, the whole forage production program and, then in later years, the economical use of all farm resources including land, labor, and capital.

The degree of success is not an easy thing to measure in this type of activity. This much can be said, however. New England has taken the lead in the Northeast in intensive forage production as a solid base for the region's

OUR CHRISTMAS MESSAGE

Christmas is a thousand things.

It's a winter's night, and an angel song . . . a giant star, and a tiny stable . . . a manger, and straw, and swaddling clothes.

Christmas is a chime . . . a boy soprano, and *Silent Night* . . . carolers, and *The First Noel* . . . the tinkle of a bell on a sleigh, of a coin in a cup.

Christmas is Dickens, and Scrooge, and Tiny Tim. It's holly on the door, and a candle in the window . . . the scent of pine, and the sparkle of tinsel.

Christmas is red and green, and blue and silver. Christmas is white.

Christmas is cards, and ribbon, and tissue paper. It's a trip home, an open latch, and a handclasp. It's gilets, and biscuits . . . cranberries, and mincemeat pie.

Christmas is cold, and warmth . . . forgiveness, and a smile.

Christmas is a prayer . . . a renewed plea for an ancient hope . . . for *Peace on Earth, Good Will Toward Men*.

(Reprinted from *The Furrow*; copyright, Deere & Company, Moline, Illinois; used by permission.)

dairy industry. Known technology has been taken off the shelf and put to work. The result has unquestionably been a lower-priced product for consumers and higher net incomes for farmers than could have possibly been true without the program.

The various state and county extension services have largely been responsible for organizing the program. It could not have succeeded without them. Equally important, however, has been the wholehearted support of leading farmers, farm-service industries, farm organizations, and the agricultural press. All have pooled their resources and abilities to make the effort effective.

The framework of the new winter program was set up for the New England Green Pastures Committee by agricultural leaders from all over New England, working as members of the Long-Range Planning Committee and the Winter Score Card Committee. In turn, each of the states and counties has taken the new program and adapted it to its own particular area and problems.

The educational phases of the program will continue to receive major emphasis, with the contest used as a means of recognizing achievement, publicizing sound farm practices, and highlighting the opportunities for future improvement.

New England Green Pastures judging in the contest phase of the program will be conducted as before except that it will be carried on during January and February. County and state judging, done largely by farmers and farm leaders, will take place in January and early February; New England judging is scheduled to start on February 16. The judges will make suggestions for the consideration of the entrants on ways that their forage production and feeding programs might be improved.

Meeting Competition

In the long run, New England dairymen can retain their markets only if their production costs allow them to sell fluid milk and cream here in local markets at prices competitive with other dairy areas. That they have been able to do this is evident from the fact that, since World War II, New England has supplied more and more of its growing needs for these dairy products, until the area is now largely self-sufficient.

Continued improvements in production and feeding efficiency will be necessary, however. The Green Pastures-in-Winter program is one constructive, region-wide effort to keep New England dairymen out ahead.

Milk Prices Down; Eggs Higher

Economists feel that New England milk production will continue to grow in spite of lower prices in 1958. Egg production will be down, but prices will average higher.

THE UNITED STATES DEPARTMENT of Agriculture has once again pooled its extensive resources for the purpose of examining the economic outlook for the nation's farmers in 1958.

National Outlook

Nationally, the agricultural outlook for 1958 is summed up by the USDA at the recent Outlook Conference as follows:

(1) Farmers will get about the same average prices in 1958.

(2) Agricultural output will remain high and could well set a new record.

(3) Further increases in production expenses may largely offset any rise in gross farm income.

(4) Retail food prices may rise further because of increases in marketing costs.

(5) Farm debt will probably continue to rise, but the value of farm assets will increase, too.

(6) Level of living of farm families will probably continue to improve, due in part to increased off-farm income.

Obviously, the agricultural outlook depends to a large extent on the outlook for the whole economy. The USDA based its agricultural outlook on two main assumptions about general business conditions in 1958:

(1) That the domestic business situation will continue strong, with no substantial letdown in production, prices, nor employment.

(2) That the uncertain international situation will not touch off another burst of inflation.

Against the backdrop of this national business and agricultural outlook, New England farmers and the businesses which serve them are busy making their plans for 1958 and beyond.

Dairying is the largest single segment

of the New England farm economy in terms of number employed and capital investment. Well over one-half of New England's commercial farms are dairy units. Gross income to New England dairy farmers was about \$257,799,000 in 1956, about one-third of the total gross farm income for the region.

Milk prices in 1957 for Boston Milk Market producers averaged 21 cents per hundredweight above the 1956 levels. Richard D. Aplin, Boston milk market administrator, has issued his annual price forecasts for 1958. They indicate that he expects prices to Boston producers to average about 30 cents below 1957 levels.

BLENDING PRICE
Greater Boston Milk Marketing Area
(Plants in Zone 21)

Month	1956	1957	1958*
January	\$4.50	\$4.98	\$4.85
February	4.47	4.78	4.80
March	4.15	4.46	4.40
April	3.80	4.07	3.85
May	3.70	3.84	3.50
June	3.60	3.89	3.50
July	4.26	4.54	4.05
August	4.80	4.83	4.30
September	4.79	5.03	4.55
October	5.12	5.28	4.85
November	5.39	5.36	5.05
December	5.11	5.12*	4.90
Average	4.47	4.68*	4.38

* Estimates.

Farm milk prices showed a steady upward trend from 1954 through 1957, but production costs have also increased substantially for all major production items with the exception of purchased grain and fertilizer. The result is that, while net incomes are up slightly, they have not increased as markedly as the increase in milk prices might indicate.

Nonetheless, milk production in the region continues to grow even though

it comes from fewer cows, fewer farms, and fewer dairy farmers. New England producers are interested primarily in supplying the region's needs for fluid milk and cream. Currently they are meeting this goal and, in 1956, produced an additional 739.2 million pounds which were marketed mainly as cheese, skim-milk powder, and ice cream — all products which bring a lower return than milk used for fluid purposes.

As is true locally, milk production nationally shows a tendency to stay well ahead of market needs at anything resembling favorable prices. In order to maintain farm milk prices at slightly over 80 per cent of parity, the USDA bought about four to five per cent of total United States production in each of the last two years. It is expected that about the same amount will have to be purchased in 1958 if prices are maintained at these levels.

Northern New England enjoyed a particularly favorable crop year in 1957, while southern New England suffered from one of its worst due to the drought. The forage shortage in southern New England is acute, and many dairymen will have to buy a large portion of their winter feeding needs.

Dairy Dilemma

In recent years, northern New England, particularly Vermont, has been increasing production more rapidly than southern New England. The combination of better milk prices in the fall of 1957, more favorable grain prices, and excellent winter forage may have encouraged northern New England dairymen to take steps to further increase production in 1958. A glance at the lower prices projected by Mr. Aplin may dampen their enthusiasm. The shortage of feed in southern New Eng-

land, coupled with the prospect of lower prices, is likely to deter that area from expanding its production in 1958.

Egg prices were extremely low during most of 1956 and the first half of 1957 when they dipped to the lowest levels since the early 1940's. Production dropped off in the last half of 1957, and prices rallied to a level about five cents above a year earlier. In spite of the price gain in the last half of the year, 1957 farm egg prices averaged out at only about 73 to 74 per cent of parity.

Egg Prices Improve

The USDA feels that, nationally, egg prices in the first six to eight months of 1958 will average five cents above 1957 prices, while New England poultry economists are predicting a range of five to ten cents over year-ago levels for local producers of market eggs. Prices in the fall of 1958 will be determined largely by the number of birds started next spring, but most economists seem to feel that it is reasonable to expect prices at about 1957 levels.

Optimism for the first half of 1958 is based largely on the fact that there will be about five per cent fewer laying birds on hand at the beginning of 1958.

In addition to better egg prices, it is expected that grain prices will be slightly lower. On balance then, it seems that New England market egg producers can expect higher net incomes in 1958, especially during the first six to eight months of the year.

New England continues to be a deficit area in the production of market eggs, with local producers supplying only about 60 per cent of the region's table egg needs. All available evidence indicates that local producers can compete favorably with more distant producers for New England markets. This fact, coupled with the fact that the market for eggs in New England is growing, seems to indicate that there is room for a continued gradual expansion of market egg production in the area.

The price and demand outlook for hatching eggs also has a bearing on egg prices since New England is a major production area for hatching eggs, with about one out of five eggs produced going for hatching purposes.

Hatching eggs may well be in short supply next spring in view of the expected heavier demand for layer replacements and broiler-type chicks.

The rapid emergence of a large hatching-egg industry in the South and statements by poultry leaders that hatching eggs can be produced more eco-

nomically in that area has led to a feeling of uncertainty about markets for locally produced hatching eggs. Generally speaking, however, the feeling seems to be that New England will continue to supply most of its own hatching-egg needs for laying-bird replacements. And while it seems evident that the production of broiler-type chicks in the South will continue to grow, most poultry leaders seem to feel that New England will continue to supply its own needs and a sizable portion of the needs of the big Delmarva broiler area for broiler-type chicks.

It appears, then, that hatching-egg production will continue as a major factor in the New England poultry picture, but that it will probably not grow as rapidly as it has in recent years.

The broiler feed-price ratio (pounds of feed that could be bought with a pound of broiler) has been steadily narrowing in the last few years. In 1956, it stood at 4.0, while in 1957 it slipped to 3.8-3.9. This compares with a ratio of 5.0 for the 1951-55 period.

It is doubtful whether the tremendous strides made in efficiency of production have been sufficient to maintain profits at pre-1956 levels.

Broilers . . . More of the Same

Nevertheless, production continues to grow. Nationally, broiler production was up six per cent in 1957 over 1956, and the USDA feels that another six per cent increase may be in the cards for 1958 in spite of the fact that it expects prices to average about 19 cents per pound, the same as last year.

The Poultry Survey Committee, composed of five outstanding college economists along with economists from the feed industry and the USDA, serving in an advisory capacity, is slightly more pessimistic. It feels that prices during the first half of the year may average one to two cents below the same period in 1957. And it points out that the strong 1957 summer market may not be duplicated in 1958 because of larger supplies of young farm chickens and a tendency toward continued expansion in the broiler industry. This group points out, however, that net returns may be about equal to 1957 because of lower feed costs and continued increases in efficiency of growing broilers.

New England is both an exporting and importing area for poultry meat. Production locally is about twice the amount consumed. The exported birds go largely to New York City, with New England producers supplying about one-third of the total needs of that market.

Meanwhile, however, broiler meat moves into this area in somewhat smaller quantities, largely from the Delmarva area and North Carolina. With broilers moving freely to and from New England, local prices are held closely in line with national prices.

Maine and Connecticut are the major broiler-producing areas in New England. During the severe price squeeze of 1956 and early 1957, Maine continued to expand its production, while production dropped in Connecticut. More recently, both states have shown a tendency to level off their production at about year-ago levels.

The USDA feels that the farm price outlook for potatoes during the next several months is considerably more favorable than the low levels of the last few years. Production of fall crop potatoes is estimated at 156 million hundredweight compared with almost 167 million in 1956. Since potatoes in Maine and elsewhere have moved at a fairly normal rate this fall, stocks on hand on January 1, 1958, will probably be smaller than the large stock of January 1, 1957.

Federal marketing agreements and orders are again in effect in states or areas, including Maine, which account for about 70 per cent of fall production. The purpose of such orders is to restrict the marketing of table-stock potatoes to the better grades and to increase returns to growers.

Production of cigar binder-types of tobacco in the Connecticut Valley has dropped off sharply in the last two years due primarily to wide participation in the Soil Bank Program.

Production of shade grown, cigar wrapper-type tobacco increased slightly in the Connecticut Valley in 1957 as it did in the Georgia-Florida area. The result was a further five per cent build-up in national supplies to levels nearly equal to the record 1952-53 figure.

The 1957 commercial apple crop was up 13 per cent over 1956 due primarily to a large crop in the northeastern states and the State of Washington. Prices so far have been extremely low.

Trimming the Sails

Generally speaking, farmers and the industries which serve them are in sound financial positions. While they face a continued squeeze on net incomes, most have already demonstrated an ability to increase their efficiency and to live within their means. Thus, it seems likely that well made farm loans will continue to prove profitable for both the lender and the borrower.



Farm Finance NEWS

The Farm Front

Maine Again

The production of hatching eggs and baby chicks continues to be an important segment of the region's poultry industry. Nearly 155 million chicks were hatched by commercial hatcheries in 1957. This, however, is 10 per cent lower than the 165 million that were hatched in 1956. A large share of the cut-back was in laying-flock replacement chicks. About three-fourths of the chicks hatched in 1957 were for broilers, and the remaining one-fourth were for layer replacements. Maine continues to expand its hatchery production of both broiler chicks and layer-replacement stock. Hatcheries in all the other New England states cut back their chick output in 1957.

Stocks Down

Total storage stocks of potatoes held by growers and local dealers in New England on January 1, 1958, totaled 30.8 million hundredweight, six per cent less than the 32.6 million hundredweight on hand on January 1, 1957. Total storage stocks for the 26 late states were 11 per cent smaller on January 1, 1958, than for the same date in 1957. In Maine, where over 90 per cent of New England's fall potatoes are produced, the 1957 crop was 7.4 per cent smaller than 1956 production, and stocks on hand on January 1, 1958, were 5.6 per cent less than a year earlier.

Production Up

Milk production per cow on January 1 in New England was at the highest level on record, according to the Crop Reporting Service of the United States Department of Agriculture. Production per cow at the beginning of the year was nine per cent above year-ago levels and 31 per cent above the 1947-56 average for the date. The unusually mild weather during December and the more favorable grain-milk ratio were given as possible reasons. Other factors may be the ample supply of top-quality hay and silage in northern New England coupled with the tendency for southern New England farmers to feed out early their home-grown forage which was short on quantity. Last sum-

mer's severe drought conditions greatly reduced the amount of home-grown forage in southern New England.

. Consumption Down

Total milk receipts in the big Boston market were up one per cent in December over year-ago levels. Meanwhile, consumption of milk in Boston has dropped, with December the third consecutive month that it has been one-half to one per cent below year-ago levels. These decreases are significant, according to Richard D. Aplin, Federal milk market administrator, for they would have been twice as much if it were not for the uptrend in population. Mr. Aplin feels that record high milk prices and reduced employment have been the major factors in curtailing consumption.

Major Suppliers

New England producers supplied 85 per cent of the shell eggs received in the Boston market in 1957. This was slightly higher than in 1956 and four per cent over 1955 levels. Maine and Massachusetts increased their share in the marketings, while New Hampshire dropped from being the largest supplier in 1956 to second in 1957. Because the Boston market handles only a small proportion of the total New England production, firm conclusions about geographical production shifts should not be drawn from these data. It is significant to note, however, that New England producers are apparently able to more than hold their own against midwestern competition for local markets.

State	1957	1956	1955
Maine	29%	24%	22%
New Hampshire	26	34	30
Vermont	2	2	2
Massachusetts	24	20	22
Rhode Island	*	*	1
Connecticut	4	4	4
Iowa	4	7	7
Minnesota	3	3	5
New York	5	5	5

* Less than one per cent.



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Nothing is settled forever unless it is settled just.
— Abraham Lincoln

More Pullets, More Problems?

Seventy-five per cent of the replacement chicks for laying flocks are typically hatched during the February to May period. With egg prices and profits for next fall hinging largely on the number of replacement birds started this spring, poultrymen will do well to weigh carefully the observations of Frank Reed, University of Maine's poultry marketing specialist. His remarks are reprinted below.

"With a more favorable year in prospect for poultrymen in 1958, the question arises as to our reaction to the situation. The usual reaction is to expand production. New individuals go into the business, and those already in build new hen houses and raise more pullets.

"Already several industry groups are on record as believing this will happen, and warnings have been issued urging that the hatch of replacement chicks be kept down to only a moderate increase of under five per cent. There are factors present which appear favorable toward keeping expansion within reasonable bounds. Namely, the fact that egg prices have not, and apparently will not, reach really high levels; and also the effects of two consecutive poor years have so reduced most poultrymen's financial reserves as to rule out expansion even though the desire is there.

"As individuals in the poultry business, our success is determined not so much by the size of our operation as it is by whether or not we have an efficient operation, and how soundly financed we are. Many poultrymen are carrying debt loads that they cannot live with in the poor years that occur once out of every three years or oftener. For such individuals, the sound recommendation for 1958 is to use profits to reduce the debt load.

"Our second objective for 1958 should be to improve the efficiency of our operation. A well-organized efficient setup for a 2,500 to 3,000 bird-laying flock will yield a better living, year in and year out, than a larger business with mediocre organization and efficiency.

"The above is not to be interpreted as a flat injunction against expansion. As with any business, success should result in sound growth if such is the desire of the individual. The point is that, unless the first two conditions are met, growth is neither sound nor rewarding in the long run to the individual concerned."

More for Research

DURING THE WORLD WAR II PERIOD, emphasis was primarily on applying the available knowledge already discovered by agricultural research in order to meet the food and fiber needs of a wartime economy. Since that time, expenditures on agricultural research have been stepped up markedly, particularly for basic research.

Research funds used by the United States Department of Agriculture in 1947 totaled \$33 million. In 1957, the figure had increased to nearly \$73 million with over \$12 million, or 17 per cent, going for basic research.

The state agricultural experiment stations will spend about \$120 million in fiscal 1958—\$90 million of this amount supplied by the states and \$30 million coming from Federal grants. No current estimates are available, but in 1954, the state experiment stations devoted about 23 per cent of their funds to basic research.

The United States Department of Agriculture feels that applied research has drawn heavily upon scientific principles established by past basic work and that our present fund of such basic knowledge is low. The increased funds and added emphasis on basic research should be one long step toward correcting this situation.

The Countryman's Column

I have gathered a posie from other men's flowers and naught but the thread that binds it is mine own.

— Flyleaf, Familiar Quotations, John Bartlett

Truth never perishes. — Seneca

* * *

Would you realize what Progress is, call it Tomorrow — Victor Hugo

* * *

Freedom is not worth having if it does not connote freedom to err.

— Mahatma Gandhi

* * *

Though we travel the world over to find the beautiful, we must have it in us or find it not.

— Ralph Waldo Emerson

* * *

When a man's knowledge is not in order, the more of it he has the greater will be his confusion.

— Herbert Spencer

* * *

Man's capacity for justice makes democracy possible, but man's inclination to injustice makes democracy necessary.

— Reinhold Niebuhr

* * *

When a book raises your spirit and inspires you with noble and manly thoughts, seek for no other tests of its excellence. It is good and made by a good workman.

— La Bruyère

* * *

If we are to achieve a victorious standard of living today, we must look for the opportunity in every difficulty instead of being paralyzed at the thought of the difficulty in every opportunity.

— Walter E. Cole

* * *

Nonconformity is the basic pre-condition of art, as it is the pre-condition of good thinking and therefore of growth and greatness in a people. The degree of nonconformity present — and tolerated — in a society might be looked upon as a symptom of its state of health.

— Ben Shahn

* * *

Humility is the beginning of discipline, and although there are many examples of this, these three especially are important to the reader: first, that he should hold no knowledge and no writing cheap; second, that he should not be ashamed to learn from anyone; third, that when he himself will have attained knowledge, he should not scorn others.

— Hugh of St. Victor

The Future for Potato Growers

Editor's Note

New England has a sizable stake in the outlook for the potato industry. In the last two years, gross income to the region's potato growers has been well over \$60 million annually. Net incomes have been small, however, and growers have been plagued by the knowledge that consumption of potatoes has shown a steady downward trend. The article below, reprinted from a recent issue of *The Agricultural Situation* report of the United States Department of Agriculture, indicates that production will probably continue to concentrate in the higher-producing areas such as Maine and that marketing agreements will play an increasingly important part in promoting more orderly marketing. The article on page 4 of this issue describes the Federal Marketing Order under which the 1956-57 Maine crop was marketed.

PER CAPITA CONSUMPTION of potatoes has been declining for several years. That makes it important for the potato grower to get an idea what the long-range production prospects are likely to be.

The most conclusive way to find out might be to study the production pattern for the late summer and fall crops.

It's true that potatoes are produced and marketed somewhere in the United States every month in the year. But the late summer and fall crops are grown in 31 states. They account for about 75 per cent of the annual production.

These two crops are the principal source of supply for over three-fourths of the year. Much of the fall crop is stored and marketed several months after harvest. Fall crop storage supplies overshadow production of the early crops.

Yields per acre for the late summer and fall crops during the past five years have averaged more than two and a half times the average yields in the 1920's. This phenomenal increase in yields has offset the decline in acreage during the past 15 to 20 years.

States in the Central Region — Indiana, Ohio, Michigan, Wisconsin, Minnesota, Iowa, North Dakota, South Dakota, and Nebraska — produced slightly under one-half of the late summer and fall crops in 1920-25. In 1950-54, these states accounted for only 24 per cent of the late summer and fall crop.

However, such Western States as Montana, Idaho, Wyoming, Colorado, Utah, Nevada, Washington, Oregon, and California increased their share of the production total from 20 to 38 per cent during the past 30 to 35 years.

There has been a moderate increase in states in the Eastern Region — Maine, New Hampshire, Vermont, Rhode Island, Massachusetts, Connecticut, New York, and Pennsylvania. From 33 per cent of the production total in the earlier years, these states have risen to 38 per cent in the past five years.

These shifts in production accompanied rather marked changes in acreage. In 1920-24, the Central States had 55 per cent of the acreage, the Eastern States 28 per cent, and the Western States 17 per cent. Today, the Central States have 34 per cent, the Eastern States 33 per cent and the Western States 33 per cent.

One of the reasons for the large decline in the Central States is that the average yield for this region has been from 30 to 55 per cent below the yields recorded in the Eastern and Western States.

Now what practical use can potato growers make of these statistics?

For one thing, they seem to indicate that Maine, New York, and Pennsylvania will continue to be the large producers in the East; North Dakota, Minnesota, Michigan, and Wisconsin in the Central Region; and Idaho, California, Colorado, Washington, and Oregon in the West.

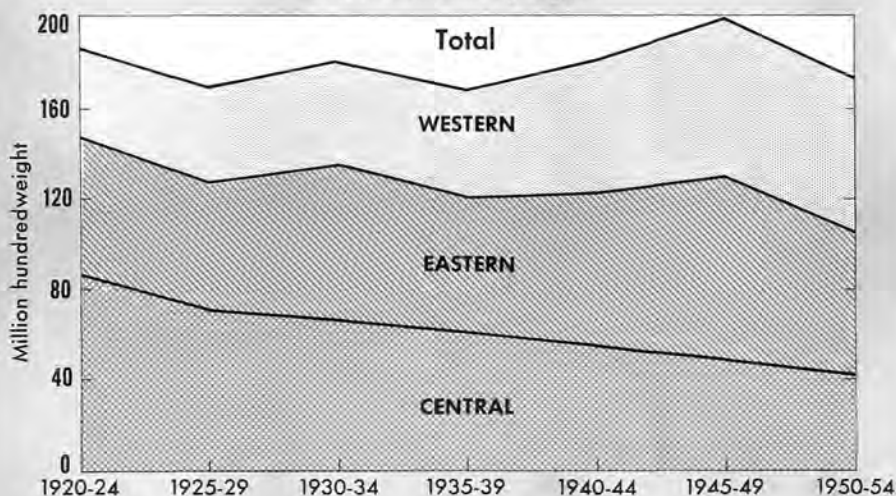
Currently, these 12 states furnish about 90 per cent of the total late summer and fall crop. The shift of acreage to these higher-producing areas is expected to continue and the number of producers to decline.

This trend will be partly offset by a larger average acreage per grower. High transportation costs for the raw commodity probably will favor increasing diversion into processing. However, considerable work remains in encouraging consumers to accept the processed product.

Finally, with so large a portion of the production centered in so few states, marketing agreements are expected to become very important in orderly marketing.

LATE CROP POTATOES

Trend in Production by Regions



SOURCE: U.S. DEPARTMENT OF AGRICULTURE

Maine Potatoes

BY E. E. GALLAHUE, Marketing Specialist
 Fruit and Vegetable Division of Agricultural Marketing Service
 United States Department of Agriculture

IN THE FALL OF 1956 the Maine potato industry faced a crisis caused by overproduction. Teamwork and planned marketing through a Federal marketing order helped to solve the problem.

The 1956 crop of 40,000,000 hundredweight was the largest crop since 1949. Competing areas had big crops, too. Maine's marketing problem was further aggravated by considerable frost damage.

Industry members realized that they had to make maximum use of their marketing programs in order to stave off price disaster which both surplus and questionable quality threatened.

After the crop was dug, the 20-man Federal marketing agreement committee met, took stock, and started planning the Maine marketing pattern. Experience indicated that 42,000 cars — about 17,700,000 hundredweight — of Maine potatoes was all the fresh table stock the market would take at prices acceptable to farmers. Certified seed shipments to out-of-state farmers would probably take an additional 6,500 cars, or about 2,800,000 hundredweight. This left about 20,000,000 hundredweight to be disposed of in local outlets, such as frozen French fries, canning, dehydration, starch, livestock feed, seed, and farm use.

The table on this page shows the marketing program laid out by the industry compared with the disposition actually accomplished. The figures speak for themselves.

How was this accomplished? One of the first steps was to arrange a grade and size survey at harvest time. This was essential for planning the type of marketing regulations needed to tailor supplies to available outlets.

Next, the extension economist from the University of Maine helped the committee to develop estimates of the volume of table stock potatoes that could be shipped at prices acceptable to Maine growers. He took account of supplies in Maine and in competing areas, general economic conditions, and other factors to give the committee a balanced view.

The committee then developed recommended grade and size regulations to limit supplies moving as fresh table stock to the 42,000-car target, restricting its table stock shipments on round white potatoes — the bulk of the crop — to U. S. No. 1 grade or better, 2 1/4-

thinking on how the industry could help itself. Following several years of heavy crops and low prices, a number of Maine farmers got together in the spring of 1954 and decided that, in addition to other marketing aids, a Federal marketing order could help them. Under an order they could do as an industry what many knew they should, but could not do as individuals — that is, keep culls and other poor quality potatoes off the table stock market. The Federal marketing order, issued in August 1954, authorized Maine potato farmers to nominate a marketing committee with authority to recommend the quality and size of potatoes to be shipped to the fresh market.

Faced with substantially more potatoes than could be marketed profitably in table stock outlets, the marketing committee in both the 1954 and 1955 seasons established tight grade and size regulations and recommended that growers "ship only the best." This experience proved most valuable in marketing the even larger 1956 crop.

Although the Maine potato industry cannot be complimented for having produced a 40,000,000 hundredweight crop in 1956, much credit is due for the manner in which it worked itself out of this critical situation. It was tough to have grade and size restrictions strip out 30 to 35 per cent of the normal quality storage lot. But it was, at that time, a very necessary measure if even modest returns were to be realized. Indeed, it demonstrated that Maine, as well as other states, can manage its marketing under surplus conditions.

However, having the tools and ability for wrestling with a crop that is much too big is no excuse for consistent overplanting. Instead, the need for industry-wide planning at planting time becomes even more apparent.

Last winter and spring, state and local agencies in Maine carried on a well-organized campaign urging that plantings be kept in line with the USDA's acreage-marketing guides. Their efforts helped to hold 1957 potato acreage in Maine to six per cent less than 1956.

Marketing Maine Potatoes
 1956-57

	Planned (million cwt.)	Actual (million cwt.)
PRODUCTION	40.6*	41.7**
DISPOSITION		
Farm use	5.0	4.9
Local sales		
Starch	10.0	12.5
Livestock feed	0.5	0.2
Seed	2.8	1.7
Food processing	1.8	1.8
Shipments		
Seed	2.8	2.6
Food	17.7	18.0

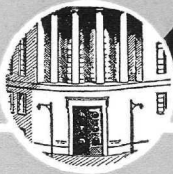
* November 1956 estimate.
 ** Revised year-end estimate.

inch minimum and 4-inch maximum size. This type of regulation, which was the same as for the two previous seasons, meant that Maine's customers got only good quality, choice size potatoes, and the Maine market was protected from price depressing sizes and grades.

Maine and the rest of the potato industry next sought and obtained a Federal diversion program to help shunt grades and sizes withheld under the marketing order to starch plants and to livestock feed.

The committee issued disposition reports giving timely information on the movement of potatoes out of storage. Also, the industry developed monthly shipping goals for each town. Credit agencies cooperated in urging farmers to keep potatoes moving. The Federal diversion program helped to obtain acceptance of the restrictive quality and size program by making payments on merchantable grades and sizes of potatoes held off the market and diverted to starch or livestock feed.

How did this marketing program come about? Briefly, it was the outgrowth of some hard times and clear



The Farm Front

Higher Farm Share

The United States Department of Agriculture reports that retail prices of farm-produced food products averaged seven per cent higher in the first quarter of this year than in the same period of 1957. Advances in farm prices accounted for about 70 per cent of this increase and marketing charges for 30 per cent. Higher prices for meat animals and sharp price increases for fresh fruits and vegetables were the major factors in the rise in farm prices. Because of the greater increase in farm prices than in marketing charges, the farmer's share of the consumer's dollar increased to 41 cents in the first quarter of 1958.

Egg Outlook Favorable

Indications are that the total hatch of egg-type chicks during the first four months of 1958 exceeded last year's by five to six per cent. Barring an exceedingly large May hatch, this represents a continuing favorable outlook for commercial egg producers. Egg production has been well below year-ago levels so far in 1958 due to a smaller laying flock and the fact that there is a larger proportion of second-year hens. Economists feel that the five to six per cent increase in hatchings will not provide an excessively large laying flock next fall.

The Big Ten!

The United States Department of Agriculture recently released information indicating that 10 states produced 70 per cent of the broilers in the United States. In the order of their importance, these states are Georgia, Arkansas, North Carolina, Alabama, Texas, Delaware, Maryland, Mississippi, Virginia, and Maine. Production last year ranged from 261 million birds in Georgia to 50 million in Maine.

Raising Heifers on Contract

Interest in raising dairy herd replacements on contract has increased in recent years. Some milk producers, particularly in southern New England, find it advisable to keep their barns filled with producing cows. In order to do this, these men need a ready supply of healthy, well-grown heifers for

herd replacements. Meanwhile, some older dairymen and rural residents with idle farm resources are searching for a source of income that will give moderate returns, help to keep their farm land productive, and provide a useful outlet for their labor. A recent publication of the University of New Hampshire, entitled "Sample Contracts for Raising Dairy Herd Replacements," details the advantages of such arrangements and suggests possible contract forms. Copies are available from the Co-operative Extension Service, University of New Hampshire, Durham.

Still Booming

United States production of broilers in 1957 totaled slightly more than 1.4 billion birds, an increase of 126 per cent since 1950. The United States Department of Agriculture says that this tremendous growth has made the broiler industry one of the most spectacularly productive segments of American agriculture. A recent survey by the Department indicates that not more than three to five per cent of all broilers are produced independently; that is, with the grower assuming all financial risks. Per capita consumption of broiler meat reached 16.7 pounds in 1956.

Lower Milk Prices

The Boston blended price for March milk was \$4.38 a hundredweight in mileage Zone 21, down 40 cents from February and down 8 cents from March a year ago. Shown below are the most recent blended price estimates of the Boston Federal Milk Market Administrator for the next few months along with the comparable prices for last year.

Month	1957	1958
April	\$4.07	\$3.87
May	3.84	3.60
June	3.89	3.60
July	4.54	4.15

The price declines are due largely to lower fluid milk consumption apparently resulting from a decline in consumer incomes, continued production increases, and the reduction in support prices for milk used for manufactured dairy products.



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A good teacher leads a man to the threshold of his own mind. — Kahlil Gibran

Pay for Quality?

FRANK D. REED, extension poultry marketing specialist, at the University of Maine, Orono, has the following to say, in a recent issue of *Maine's Timely Topics*, on the likelihood of New England eggs being bought from farmers by grade:

News on the egg-marketing front is about quality control, new automatic egg-handling equipment, central grading, and grade buying.

These things are closer here in New England than many poultrymen realize. Several egg handlers in Maine are seriously considering installing equipment

which will candle, size, and carton eggs automatically. Central plant grading appears destined to take over the egg-weighting chore from the farm.

Grade buying is being urged by many as the only effective method of attaining quality control. A system of grade buying means simply that eggs will be paid for on the basis of their quality or yield in the various grades. This is in contrast to the present system here in the Northeast which is largely one of paying all producers a flat price based on average quality.

Forward-looking egg packers and producers in New England are urging grade buying and quality control programs as necessary to meeting the competition of integrated egg deals which do have effective quality control and to compete with the improved quality of eggs shipped into our markets.

Grade buying, of course, means that producers with the best quality will get more for their eggs; those of poorer quality will get less. It is my belief that when grade buying becomes a reality, the average price received by all producers will be somewhat higher due to the reduction in marketing losses which have always been passed back to the producer. Grade buying is a fairer system from the producer's standpoint and, in any case, appears to be a competitive necessity if New England producers are to protect their position.

The Countryman's Column

I have gathered a posse from other men's flowers and naught but the thread that binds it is mine own.

— Flyleaf, Familiar Quotations, John Bartlett

Exaggeration is the lie of honest people. — Victor Andres Belaunde

* * *

No person ever was honored by what he received. Honor has been the reward for what he gave.

— Calvin Coolidge

* * *

Persecution is the first law of society because it is always easier to suppress criticism than to meet it.

— Howard Mumford Jones

* * *

The highest happiness of man as a thinking being is to have probed what is knowable and quietly revere what is unknowable.

— Johann Wolfgang Von Goethe

* * *

The English-speaking world may be divided into (1) those who neither know nor care what a split infinitive is; (2) those who do not know, but care very much; (3) those who know and condemn; (4) those who know and approve; and (5) those who know and distinguish.

— H. W. Fowler

Milk Cows, Production per Cow, and Production of Milk on Farms

Averages 1951-55 and 1957*, by New England States

State	Milk Cows on Farms			Milk Production per Cow			Total Milk Production on Farms		
	Average 1951-55	1957	1957 as percentage of 1951-55	Average 1951-55	1957	1957 as percentage of 1951-55	Average 1951-55	1957	1957 as percentage of 1951-55
	(thousands)			(pounds)			(million pounds)		
Maine	111	108	97	5,896	6,410	109	657	692	105
New Hampshire	61	58	95	5,974	6,380	107	365	370	101
Vermont	269	276	103	6,006	6,400	107	1,613	1,766	109
Massachusetts .	119	107	90	6,750	7,400	110	803	792	99
Rhode Island ..	19	16	84	7,444	7,970	107	140	128	91
Connecticut ...	108	102	94	6,656	7,250	109	719	740	103
New England	687	667	97	6,255	6,726	108	4,297	4,488	104
United States	21,469	20,510	96	5,544	6,162	111	119,024	126,381	106

* Preliminary.

Sources: *Milk — Farm Production, Disposition, and Income, 1956-57*, and *The Dairy Situation, June 1957*, both published by the U. S. Department of Agriculture.

American Agriculture in 1965

BY JAMES T. BONNEN, Professor

Michigan State University, East Lansing, Michigan

Editor's Note: What is the probable balance between agricultural production and consumption in the next decade? Farmers making long-range business decisions, industries serving farmers, and agricultural policy makers are deeply concerned with this question. In the paper reprinted below, James T. Bonnen, one of the nation's leading agricultural economists states his views on the problem. The paper was presented before the Joint Economic Committee of the United States 85th Congress.

CHRONIC, NOT TEMPORARY, over-production plagues American farming today. Since 1949, with the exception of the Korean war period, farm production annually has exceeded commercial domestic and export needs by an average of eight per cent.

The Largest Imbalances

The largest annual surpluses have occurred in the food grains (primarily wheat) where production has exceeded domestic and export needs by 50 per cent. Next largest is cotton with a 20 per cent imbalance; feed grains and oil seeds have exhibited an annual imbalance of 10 and 9 per cent, respectively. Tobacco has averaged six per cent and dairy products four per cent per year.

What are the possibilities of eliminating this imbalance between consumption and production by 1965? If there is no war or major depression, consumption per capita can be expected to grow about four per cent, while population should reach 190 million persons by 1965. These factors combine to lift total food consumption about 20 per cent between 1955 and 1965.

Crop yields and the efficiency of feed utilization are expected to increase from 25 to 30 per cent over the decade. Increases twice as large as this are physically possible. However, if consumption grows only 20 per cent, while yields and feed utilization efficiency expand 25 to 30 per cent, it is obvious that agricultural resources will have to be shifted toward more extensive uses and some inputs reduced or the nation will face even greater overproduction. This is all the more obvious when one takes into consideration the large surplus stocks and the excess production capacity of eight per cent per annum already in existence at the beginning of the decade 1955-65.

If there are no adjustments in resource inputs, an eight per cent excess of capacity combined with an increase of 25 to 30 per cent in yields and efficiency of feed utilization will result in an output of farm products 15 to 20 per cent in excess of 1965 consumption levels. This is a clear indication that the pressure of the surplus problem is growing and is likely to continue growing through 1965.

Before an equilibrium can be obtained, important inputs will have to be reduced and the mixture of inputs reorganized. Cropland will have to be shifted to pasture uses, reducing harvested acreage by about 11 per cent or to below 300 million acres. In general, far more extensive use of land inputs is necessary. Farm labor force will very likely have to be reduced from the 1955 level of 6.7 million persons to slightly below 5 million by 1965.

It Doesn't Work

Attempts to balance farm production and consumption simply by moving large amounts of one resource, such as land, out of agricultural production are doomed to failure. Other resources are simply substituted for land, and identical or even higher levels of production result. The same may be said for proposals that see a solution in moving only labor out of agriculture. The substitution of capital for labor and land has been a characteristic feature of agriculture's technological and organizational revolution. Indeed, it appears that restrictions on land inputs have, in some cases, accelerated this agricultural revolution.

Due to these pressures on agriculture and the resulting changes, the number of farms in the United States will probably decline from 4.7 million in 1955 to slightly fewer than 4 million

by 1965. The average size of farm will increase 20 to 25 per cent. The family farm will still characterize American agriculture.

Examine some of the pressures being placed on the future balance between production and the consumption of particular farm products. Crop yields and the efficiencies of feed utilization are expected to increase 25 to 30 per cent over the decade 1955-65. This involves an increase of 32 per cent in the yield of cotton, 11 per cent in the yield of wheat, 24 per cent for corn, 43 per cent for grain sorghums, and 24 per cent for soybeans. Efficiency of feed utilization can be expected to increase about 12 per cent in feeder cattle production, 8 per cent in hogs, 5 per cent for egg production, and 10 per cent for poultry meat.

These increases are due only in part to the technologies of genetic improvement, more complete use of improved pesticides and fertilizers, and other technical innovations. Of equal or greater importance are the organizational changes such as a continued shift toward the more efficient areas of production, further specialization of farm enterprise, more complete adoption of continuous materials handling as the size of the farm enterprise increases, and also changes in both the management function and in the capital and credit structure due to vertical integration.

Supply Still Ahead of Demand

It is easy to see that the supplies of farm products are still likely to be excessive in 1965 unless very significant changes are made in the organization and intensity of use of the resources going into agricultural production.

Total consumption is expected to expand by 20 per cent between 1955 and 1965. This is the result primarily of having 15 per cent more mouths to feed.

In addition, per capita consumption will expand. With no war and no depression, a 25 per cent growth in income per person can be anticipated. This greater income, combined with expected changes in tastes, will bring about a net increase of four per cent in the per capita consumption of food. However, consumption per person varies widely by commodity.

Lamb and Pork Fall Behind

The significant per capita increases are expected in livestock and poultry consumption. The per capita consumption of chickens can be expected to increase 32 per cent and turkeys 24 per cent, eggs will increase 6 per cent, beef and veal consumption per capita will expand 7 per cent, while pork expands only one per cent. No expansion can be expected in lamb and mutton consumption per person, and the per capita consumption of all dairy products will likely decline about five per cent. Major declines will occur in wheat, potatoes, and tobacco consumed per person.

There are many potential technological and organizational innovations, the rapidity of development and ultimate impact of which we have no way of evaluating. These include such possibilities as (1) applications of atomic energy which may or may not come to fruition by 1965, (2) the use of solar energy, (3) artificial photosynthesis, (4) economic production of fresh water from sea water, (5) applications of growth regulators such as gibberellic acid to crop and pasture production, and (6) microwave and radiation techniques of food preservation.

At present it also is not possible to know the extent and impact upon agriculture of vertical integration. Partial allowance has been made in the estimates of livestock feed utilization efficiencies, but a rapid pace of vertical integration, such as occurred in the broiler industry, would result in much higher estimates, particularly for hogs.

Chronic, Not Temporary

A continued imbalance between production and consumption appears to be the most likely occurrence for 1965. The major imponderables in the situation are war, depression, and explosive organizational and technological innovations that are impossible to anticipate accurately today. Whatever are the uncertainties, it is clear that for five- to 10-year policy planning purposes, the present surplus of production must be considered a chronic not temporary problem.

Contract Purchases of Farms

BY R. V. ELEFSON AND PHILIP M. RAUP

University of Minnesota, St. Paul, Minnesota

Editor's Note: There is evidence of a growing interest in the contract purchasing of farms. The following article is reprinted from the March 31, 1958, issue of *Minnesota Farm Business Notes*. It indicates that 38 per cent of all Minnesota farm sales in 1957 were financed by means of a purchase contract. The article should be of interest to New England farm leaders.

THE CONTRACT FOR DEED, or land contract, has grown in popularity with Minnesota farmers in recent years. In 1946, contracts were used to finance about 20 per cent of all farm sales. In 1957, this had increased to 38 per cent.

A contract differs from a mortgage primarily in the fact that legal title to the property remains with the seller until payments on the contract have been completed. Under a mortgage, title passes at the time of sale. If the buyer defaults on the mortgage, a foreclosure is required for the lender to get title.

This usually requires a year or more to carry through. With a contract, Minnesota law permits the seller to repossess his property by a simple eviction procedure which can be set in motion 30 days after a buyer has defaulted on a payment. (Editor's Note: Interested parties should inquire as to the situation in their particular state.)

The contract for deed is a method of low equity financing, with down-payments averaging about 20 per cent of the purchase price. This means that the seller should have confidence in the character and integrity of the buyer.

On these grounds, it would not have been surprising to find many contract sales taking place between relatives. This was, in fact, not the case. The proportion of contract sales involving father-son transfers (or other relatives) was not significantly different from cash or mortgage sales. In all types of financing, the proportion of total sales involving related buyers and sellers is low, averaging five to six per cent.

This study makes it clear that buying farms on contract in Minnesota has gained a wide acceptance among farmers, especially among those who buy complete farm units for owner operation. It is also clear that the contracts are not being used to finance the

sale of the poorer farms or those with run-down buildings. On the contrary, the over-all quality of the farms bought with contracts is equal to or above the average of those farms bought for cash or financed with mortgages.

Studies made in 11 Minnesota counties during 1954, 1955 and 1956 show that, in general, farmers' experiences with land contracts have been good.

Repeated attempts were made during this study to find people who had lost farms through the involuntary termination of a contract. No such cases were found.

One practice that minimizes the disadvantage of the 30-day cancellation period to the buyer is to include a provision in the contract allowing the buyer to exchange the contract for a mortgage with a different lender. These provisions usually state that after a specified period of time, or after a certain part of the principal has been paid, the buyer can receive the deed to the farm in return for a purchase money mortgage.

A question concerning this provision was answered by 225 of the respondents. Twenty-seven per cent stated that their contracts contained a clause that explicitly allowed them to exchange the contract for a mortgage. Sixty-eight per cent did not have this provision. Five per cent did not know.

While only about one out of four had an explicit right to exchange his contract for a mortgage, a much higher proportion implicitly had this same privilege. Seventy-four per cent of all the buyers interviewed had the privilege of paying in advance on the principal in any amount they desired. Thus, when a farmer had built up sufficient equity to permit mortgage financing, he would be free to borrow from any lender and pay off the remainder of the principal on the contract without penalty.

Only 16 per cent of the respondents were not permitted by their contracts to make any payments in advance. Eight per cent could pay in advance, but only specified amounts, and two per cent did not know whether or not they had a privilege of prepayment.

The contract for deed provides a method which has been used to buy farm units that in quality compare favorably with other farms. Contract purchasing of farms in Minnesota seems to have served well.



The Farm Front

Leading the Nation

Nearly 40 per cent of New England's 708,000 dairy cow population was bred artificially in 1957. This compares with 27 per cent for the United States, according to the Agricultural Research Service of the United States Department of Agriculture. Vermont, with nearly 43 per cent of the region's cows, bred 30 per cent of her dairy animals artificially. Maine leads the nation in the percentage of cows bred artificially with 48.6 per cent. Massachusetts, Connecticut, and New Hampshire each artificially bred over 45 per cent.

Off to School

The New York State Bankers Association has announced that the Bankers School of Agriculture will be held on the Cornell University campus at Ithaca from August 17 to 22. The course consists of two annual one-week sessions and offers a basic training in agricultural production and marketing methods with special emphasis on appraisals and farm management. The New England bankers who have attended the course, since its innovation in 1946, have found both the subject matter and the opportunity to discuss common problems with other agriculturally minded bankers to be extremely worthwhile. A new subject, "Economics of Farm Machinery," will be introduced in the curriculum this year. Further information is available from The Registrar, Bankers School of Agriculture, New York State Bankers Association, 33 Liberty Street, New York 5, New York.

A First for Rhode Island

A recent program which presented subjects concerning banking and bank services met the whole-hearted favor of rural people in South County, Rhode Island. Arranged by John T. Hannah, county agent, and Miss Eleanor Dearborn, home demonstration agent, the all-day program was attended by over 100 men and women. The program featured such topics as "The Housewife Goes a Shoppin'," "Savings and Why Johnny's a Good Risk," "Your Bank Is Much More than Your Checking Account," and "To Own or Not to Own."

Professor and Mrs. Arthur Bratton of Cornell led off the morning program with a discussion on "What Makes Any Family Click." The banking subjects were all handled by local bankers. The final item on the program was a question panel with the speakers answering written questions from the audience. County Agent Hannah, who is a member of the Agricultural Committee of the Rhode Island Bankers Association, served as chairman of the meeting.

One-Third of the Total

Dairy farms in 68 marketing areas throughout the country now market their milk under federal milk market orders, according to H. L. Forest of the United States Department of Agriculture. He says that more than a third of all milk sold by farmers to plants and dealers now comes under these federal orders. More than two-thirds of the milk sold in the North Atlantic region is priced under federal milk orders; in the North Central region, it is 30 per cent; and in the South Central region, 40 per cent. Proposed federal order regulation for the sale of milk in Connecticut and for southeastern Massachusetts and Rhode Island is now under study by the United States Department of Agriculture.

Big Business

Secretary of Agriculture, Ezra T. Benson, recently made the following statements regarding the importance of agriculture in this country's economy:

"Agriculture buys more petroleum than any other industry."

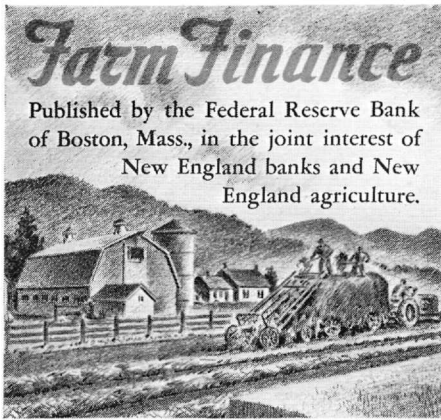
"Farmers take 6½ million tons of finished steel and enough raw rubber to put tires on nearly 6 million cars a year."

"Sixteen per cent of the gross freight revenue is from agricultural products."

"Agriculture uses 50 million tons of chemicals annually and more electric power than Chicago, Detroit, Houston, Baltimore, and Boston combined."

"About 20 per cent of U. S. exports consists of farm products."

"In 1957, agriculture was a \$14 billion customer for industry."



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June 14 is Flag Day. This recalls these words: "I am not the flag; not at all. I am but its shadow. I am whatever you make me, nothing more. I am your belief in yourself, your dream of what a People may become. I am the day's work of the weakest man, and the largest dream of the most daring. I am no more than you believe me to be and I am all that you believe I can do. I am whatever you make me, nothing more." — Franklin K. Lane

Vertical Integration in New England

THE ACCOMPANYING ARTICLE on page 3 describes vertical integration and its impact on the nation's farmers.

It is natural to wonder about the extent of vertical integration in New England agriculture. Is this a developing trend here as well as in other sections of the country?

Professor John Davis at Harvard has described vertical integration as including any type of formal or informal arrangement that has the effect of more closely relating successive steps in the production and processing of farm products. If we accept this comprehensive definition, there are many examples to demonstrate that vertical integration is a reality in important segments of this region's agricultural economy.

Broilers: Broiler production in New England is largely integrated with feed companies, dressing plants, and hatcheries contracting with growers for the production of poultry meat. It is estimated that well over 90 per cent of the 191.6 million pounds of broilers produced in Maine in 1957 were grown under some form of integrated plan.

Hatching eggs: About one-fifth of New England's egg production is used for hatching-egg purposes. A large share of these hatching eggs are pro-

duced under some sort of integrated plan. Large hatcheries or hatching-egg buyers are frequently the integrators, contracting with farmers who supply their needs. These plans take many forms, but frequently the hatchery man or hatching-egg buyer furnishes the chicks and arranges for the necessary credit to grow the birds to producing age. He may also prescribe a feeding program and offer varying degrees of supervision. In return, he agrees to market all eggs produced and pay a stated premium for that portion that is actually used for hatching purposes.

Canning crops: Sweet corn and other vegetable crops have been raised under contract for many years with a food processor serving as contractor.

Potatoes: The Marketing Order that has been developed in Aroostook County may be thought of as a type of integration. Growers, through their marketing agreement committee, decide how the crop should be marketed, how much should go for table stock, and how much should go into the various manufactured potato products. Under the order they can do as an industry what would be impractical to do as individuals — namely, keep culls and the lower grades off the table-stock market. In addition, the federal government has assisted with a subsidized diversion program to channel grades and sizes which are withheld from the market into starch and livestock feed.

Turkeys: A sizable number of turkeys are raised under one or more integrated plans with the feed company serving as integrator. Typically the feed company furnishes credit, exercises some supervision over management, and assists with marketing the birds.

Cooperatives: As pointed out in the accompanying article, cooperatives are a type of integration. New England farmers buy a substantial portion of their production supplies through their own cooperatives. In addition, many farm products, notably milk, poultry and eggs, and cranberries, are marketed through cooperatives. Bargaining cooperatives are also active in New England, especially in the milk-marketing field.

Milk: As with potatoes, the federal marketing orders and the price supports on dairy commodities place the government somewhat in the position of an integrator.

Recently there have been a few cases where large milk producers have contracted to deliver a stated quantity of milk each day to their marketing agency.

Promotion and advertising: New England farmers, along with other farmers

across the nation, have formed organizations to carry on the advertising and promotion of certain farm products.

Producer-retailers: Retailing of farm products by producers is another common form of integration. This is particularly prevalent with milk, poultry products, vegetables, and fruits.

There is some evidence that the interest in the so-called "quality-egg programs" and the development of "milk factories" may signal further integration in New England agriculture.

Thus, a large share of New England's farmers are already influenced by some form of integration between themselves and either the concerns furnishing them with their production supplies or the marketing organizations that advertise or sell their produce.

Many of the examples of integration mentioned above have been initiated by farmers themselves and have been operating successfully for many years. Some of the recent developments, such as broiler integration by feed companies and dressing plants, have been initiated by the industries associated with farming.

It is perhaps futile to argue whether the swing toward integration is good or bad for farmers. There is fairly definite evidence that, at least with some agricultural commodities, integration means larger quantities of higher-quality farm products reaching consumers at lower prices. Where this is true, it is almost inevitable that some type of integrated production and marketing plan will develop.

It may well be that the most important thing is for farmers and their research organizations to ferret out these possible efficiencies and to play a part in developing the integration plans to effect them.

Tri-State Workshop

THIRTY-FIVE BANK OFFICERS and fieldmen attended a workshop held at Amherst, Massachusetts, June 10 and 11, under the joint sponsorship of the agricultural extension services and the state banking associations of Massachusetts, Rhode Island and Connecticut.

The meeting opened with dinner, followed next morning by a visit to two dairy farms — one a conventional 30-cow operation; the other a 90-cow pen-stabling setup. Both were excellent operations but of contrasting types. The field trip furnished a valuable backdrop for panel discussions and a talk on government programs which completed the program.

Some Developments in

Vertical Integration in Agriculture

BY DARRELL F. FIENUP

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(Reprinted from the April 28, 1958, issue of *Minnesota Farm Business Notes* published by the University of Minnesota)

IN THIS PROCESS of change farmers, in general, have remained independent businessmen. Farmers have supplied their own capital or borrowed it on the basis of their equity position; they have provided their own management and decision making; and they have supplied most of their own labor. This describes the typical family farm as we have always known it.

What Is Integration?

New developments are appearing which may change these generally accepted characteristics of family farms. One of these is the trend in some farm enterprises toward vertical integration or contract farming.

Briefly, vertical integration means bringing together under central management two or more of the processes involved in the production, processing, and marketing of farm products. Integration is accomplished either through contracting or by outright ownership.

Integration can be effected by any one of the groups involved in the grower to grocer chain. If the grower or farmer is the integrator, he does it through the farm cooperative. All cooperatives represent a form of integration. Here farmers retain control of the process, but it must be remembered that farmers must also provide the capital through their cooperative business. Those who contribute most of the capital in a business also control major decision making.

Contract farming is a limited type of integration. For example, the farmer who raises turkeys contracts with a feed company to use the company's feed and supervised management in return for the financing or capital the company provides. In this case the farmer supplies all other facilities and assumes all risks. There may be a further agreement to sell to a particular processor.

In this case the farmer has given up his selling decision but in return usually receives some premium over regular market price.

In some cases the farmer may not own the turkeys but contracts to raise them for the integrator at a guaranteed price for his labor and use of buildings. This agreement completely eliminates price and capital risk; it also leaves the farmer with very limited management decisions. Such an arrangement is an advanced form of integration which typifies much of the broiler industry throughout the nation.

Contracting with producers and integration have advanced farthest in the

is extensively developed in California and some western states but is relatively undeveloped in the Middle West. Canning crops and sugar beets have been grown under contracts for a long time.

Forces Inducing Integration

Integration has developed mainly because of two separate yet interrelated forces. One force results from the retail food chains and the product requirements of mass retailing; the other is the technological advance in agriculture which makes possible large specialized units with low unit costs.

Chain stores have become "big businesses" which owe much of their success to high sales volume per store, uniform quality, and a large selection of products. These stores need large, dependable sources of supply. Processors who do business with these large buyers must meet the chain stores' demands of large volume, more constant supply throughout the year, and uniform quality standards.

In many cases processors have found they can best meet these demands by contracting for their supply from farm producers, rather than depending on the open market. In order to assure their supply and achieve lower procurement costs processors sometimes pay the producer a guaranteed price or a premium over market price at the time the products are sold.

Large producers can meet the standards of quality, large volume, and more uniform production throughout the year better than small producers. In the broiler and turkey industry, large scale production usually means lower cost per unit of production. This is also the case in cattle feeding operations and may be in hog production. Large producers of turkeys and broilers require more intermediate credit than can be supplied

Extent of Integration

The extent of integration in the livestock segment of American agriculture is progressing more rapidly than many realize. Professor R. C. Kramer of Michigan State University recently estimated that the following percentages of important livestock products are now being produced under integrated plans:

Broilers: Approximately 90 per cent.
Turkeys: Approximately 50 per cent.
Hogs: Less than 10 per cent.
Cattle Feeding: Ten to 20 per cent.
Lamb Feeding: Twenty-five per cent.

broiler industry where it is estimated that 90 percent of all broilers are produced under some form of contract. Contracting is becoming increasingly important in the turkey industry.

Preliminary findings indicate that most turkey growers in Minnesota contract with a feed company to supply them their feed. Contracting of hog feeding operations is not widespread in Minnesota at present but seems to be increasing. Some eggs are produced on a contract basis. Contract cattle feeding

by the individual operator. In some cases they need \$100,000 of credit at one time.

Typically feed companies have stepped in to finance the operation in order to sell their feed. Only by providing management along with the capital is the feed company willing to finance the major portion of the operation. In this way the loan is secured with a smaller producer equity. They have extended credit farther than the usual lending institutions have been willing to go.

Capital needs have increased rapidly in farming. Lack of capital causes many farmers to operate on too small a scale. Contract farming provides a source of needed capital and takes away some of the risk usually involved in borrowing money. If there is some form of guaranteed price, the price risk is also reduced. It permits more efficient, higher volume farm units. Expert management is also provided. Specialists in feeding, housing, sanitation, and disease control are on the job. This tends to further increase efficiency of production.

For agriculture, integration will un-

doubtedly lead to greater specialization on the farm with increased capital requirements. Integration also means larger units which produce efficiently at low cost. Past experience shows that total production also is very likely to increase.

The broiler industry is an example: 143 million birds were produced in 1940, 631 million in 1950, and one and one-third billion in 1956. This has been mainly due to greater efficiency of production. The rapid technological advance in this industry has been accelerated by integration.

Greater production efficiency and larger total volume will mean lower margins and will put increased pressure on the more inefficient producers. Greater geographical concentration of production by commodities is also likely.

One of the dangers of integration is the matter of competition. As long as the producers in a given area have a choice of several integrators to contract with, competition may remain strong. However, if a few integrators become dominant, the danger of unfair contracts to the producers exists. This

seems an ever present danger because of the unequal bargaining position of the individual farmer.

Vertical integration will not envelop us overnight but it is a continuing trend. It presents both problems and opportunities. For those who need capital to operate efficiently, it can be an opportunity. Those who want to operate independently in an integrated industry will probably find it increasingly difficult to do so.

An independent farmer is three things: a laborer, a manager and decision maker, and finally an owner of capital who furnishes land, equipment, and money for the operation of the farm. The owner of capital in the business also controls decision making. Vertical integration means more outside capital in the farm business.

In summary, vertical integration on the farm means the farmer gives up some and perhaps all the important decision making for the benefit of reduced risk and the capital supplied by the integrator. This is the basis on which the farmer must make his choice about integration.

Loans Outstanding to New England Farmers

As of December 31, 1957
(in thousands)

State	Held by All Operating Banks *					Held by Selected Units of Farm Credit Administration				
	Real Estate Loans		Personal and Collateral Loans		Total Farm Loans — All Banks	Federal Land Bank Loans		Production Credit Association Loans		Total FLB and PCA Loans
	Amount	% Change from 12/31/56	Amount	% Change from 12/31/56		Amount	% Change from 12/31/56	Amount	% Change from 12/31/56	
Maine	\$ 7,792	-3.5%	\$ 11,001	-7.2%	\$ 18,793	\$ 4,018	-12.3%	\$ 6,433	10.2%	\$ 10,451
N. H.	4,068	0.9	3,442	4.6	7,510	2,218	2.7	844	46.0	3,062
Vt.	16,970	-4.1	13,759	0.0	30,729	9,326	3.3	6,509	14.4	15,835
Mass.	10,368	-3.3	9,857	-0.4	20,225	8,354	9.1	2,086	-6.6	10,440
R. I.	2,855	-3.0	2,133	-2.7	4,988	1,232	7.1	665	-7.8	1,897
Conn.	9,180	-5.2	8,313	0.2	17,493	8,270	17.6	3,028	8.5	11,298
N. E.	\$ 51,233	-3.6%	\$ 48,505	-1.6%	\$ 99,738	\$ 33,418	5.7%	\$ 19,565	9.6%	\$ 52,983
U. S.	\$1,414,320	2.0%	\$3,605,189	9.9%	\$5,019,509	\$1,919,281	10.0%	\$894,877	26.6%	\$2,814,158

* Excludes CCC-endorsed loans.

Sources: Federal Deposit Insurance Corporation, Comptroller of the Currency, Board of Governors of the Federal Reserve System, and *Annual Report on Loans and Discounts of Farm Credit Administration.*