

LOOKING AHEAD WITH AGRICULTURE

Address
by
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Tonight the St. Joseph business community pays tribute to the surrounding agriculture to which it owes its existence, and on which its future prosperity depends. I am glad to have a small part in the occasion. This coming together, this touching of shoulders, is a symbol of our complete, mutual interdependence--the great central fact of our present growth and future development.

Some economists argue stoutly that high level employment and prosperity in city occupations must have their roots in high farm income and rural purchasing power. They make a good case. Others contend just as firmly that you cannot have healthy agriculture unless non-farm consumers' are made prosperous by full employment at high wages. I can't quarrel with that view either. The argument between these points of view is like the quarrel of the two knights who approached the Crusader's statue, one from the front, the other from the rear. One claimed that the shield was gold, while the other contended it was silver. They drew their swords to settle the matter, and no telling how it would have ended if they hadn't switched sides in the heat of battle, so that each one saw that the other was right.

It is a good deal like arguing whether your right leg or your left leg is responsible for getting you there when you walk.

We need both legs to go anywhere, and we need them healthy. Business management and labor must gear their efforts toward expanding production and maximum employment to match the full production of American farms. Conversely, industry and labor are largely dependent on a healthy agriculture for the purchasing power required to maintain expanding production and full employment.

Let us take a moment to survey the field. We have reached the time to translate postwar plans into action. It is a time of acute unrest and adjustment, of jockeying for advantage between great economic groups while our industrial plant withdraws from war and goes back to the production of peacetime goods. The coming days are packed with the most explosive elements with which this country's economy has ever been confronted. To look ahead with agriculture in the light of farm experience between the two world wars is a sobering exercise even for the most optimistic, the most confident.

Farm production has expanded during the war. For the last three years we have been producing annually about a third more food than in the immediate prewar years. The smallest farm labor force in recent history turned out this greatly expanded farm production, and they had less than the normal supply of new machines and replacement parts to work with.

The nation's agriculture has demonstrated its capacity to produce more than we have ever, in peacetime, consumed at home and sold abroad. To be sure, the farmers did it by working long hours and by drawing on stored-up soil fertility and other reserves; they had the help of old people who would normally have retired, and of women and children in the fields.

We may expect the intensity of effort to abate somewhat now that the war has ended. But on the whole the tendency will be to maintain the new high levels of production. This has generally been true in the past, and forces are at work today that will enable one pair of hands on the farm to operate more land, and produce more goods than ever before. We are about to see the greatest advance in the mechanization of agriculture in history, and the rate of technological improvement will continue.

During the war many farmers suffered from a shortage of farm labor, but as more new and improved machinery becomes available relatively fewer workers will be needed in agriculture. A steady expansion in non-agricultural occupations and industry will be necessary to provide job opportunities for those workers who leave the farms. Bear in mind, too, that the population of our cities does not renew itself; it is refreshed and maintained by the higher birth rate out in the country.

Such an expanding economy would provide better houses and better living for all. If reasonable balance can be attained, those who remain on the farm--and I hope they will be the best of each generation--will constantly increase their efficiency, the output per farm worker will rise, and they should be able to enjoy incomes per farm worker comparable to average incomes in the nonfarm pursuits.

As a member of the financial community, I am interested in the prospect that improvement in the efficiency of farm workers will require the use of much new capital in agriculture. I am not thinking of capital that goes to purchase land in inflated prices, but rather capital that will enable farmers to balance their systems of farming, to conserve the soil and maintain its productivity, and to have adapted new power machinery and equipment to work with. This means capital for soil-saving improvements such as terraces and waterways, for fences to adjust the layout of the farm to the topography of the land, for new or modernized buildings to bring convenience and comfort into farm living and livestock production, capital for farm ponds and water systems, for electrification, and for many other things that make for better living and more efficient production. Capital for these purposes is productive; it will continue to pay high returns. On the other hand, capital that is spent to bid up prices on farm real estate and other capital goods above the level that can be sustained by normal income is not productive.

A good example of a way increased capital can be used to step up the efficiency of farm production has been developed right here in this community. As a part of the St. Joseph long term farm program, the Buchanan County extension agent, the St. Joseph Chamber of Commerce and its agricultural division, and the St. Joseph banks all working together have developed a realistic and interesting plan that is attracting wide attention. This is a plan for advancing credit to dependable and competent farmers for a complete soil conservation program--to stop erosion, to re-fence fields so they can be farmed on the contour, and to rebuild the productivity of the soil through extensive application of lime and fertilizer. It is an excellent illustration of how the increased use of capital on farms can contribute to greater production, lower costs, and higher incomes on the farm.

The program for saving the soil, for balanced farming, of which this plan is a part, can mean much to the St. Joseph trade area. As it moves forward, living standards of farmers will be advanced, and the higher incomes on local farms will be reflected in greater business activity and better living in the city of St. Joseph--and the farms you are safeguarding will be here to produce wealth for your children, your children's children, and the generations that follows them.

I want to congratulate Webb Emorey, Henry Baker, Russell Wales, Bob Maxwell and the many others who have worked so hard to make an old dream a practical reality. The credit feature of your plan is new and in some respects revolutionary. Some folks may consider it radical and even question its merits, but its principles are sound, it is constructive, and I think it will help set the pattern for much farm mortgage credit in the years ahead. One thing is certain--a community like this, with rolling, sloping land, will not always be prosperous and secure unless we take better care of the soil in the future than we have done in the past.

I must not leave the impression that the farm improvements ahead of us can only be paid for by the use of credit. American farmers have come out of the war in the strongest financial position of their history. Total farm assets rose from \$54 billion on January 1, 1940 to \$91 billion on January 1, 1945, and its net worth increased from \$44 billion to \$82 billion. During that period farmers' debts decreased from \$10 billion to \$9 billion. Thus a \$1 billion decrease in debt has been accompanied by an increase of \$37 billion in total assets and \$38 billion in net worth. Much of the dollar gain in agriculture has been due to higher inventory prices for real estate and personal property, but on the other hand a considerable amount has been due to an actual increase in asset volume.

Pulling upon these enormous financial reserves is the pent up demand for many goods that have been scarce during the war. The situation presents a tremendous force for inflation. The most effective brake on price inflation would be an abundant and increasing supply of goods and services people want to buy. But we cannot suddenly increase the number of good farms. For that reason, from the viewpoint of inflation dangers, farm real estate is probably the number one problem in agriculture. To date the over-all increase in land prices has not been alarming. In most areas the number of transfers has not been unusually high, and in general the use of credit in connection with farm sales has been reasonable. But many factors are at work which tend to push up the price of land. Lower interest rates, longer-term farm mortgages, the desire to hedge against inflation, price support programs, veterans who wish to become farmers, and the enormous volume of money are all forces in a market in which the supply of desirable farms is limited. These inflationary forces are not peculiar to real estate. They can exert a disastrous influence on the price of such items as farm machinery and household appliances if everyone tries to buy at once, before the manufacturers hit their stride.

Farmers can use their financial power for investment in better living on the farm, for increasing net returns and cutting production costs through better farming practices and the use of new labor-saving farm machinery.

On the other hand, the liquid assets in agriculture can be used to bid up the price of land, and of articles which are still in short supply. If agricultural resources are used in the latter direction, the result will be hardship on farms for at least a generation to come. The decision rests with the farmers, themselves, and the choice they make during the next several months will influence their standard of living and their security for a good many years.

There are other problems incident to the over-all picture of what's ahead in agriculture. Time prevents their full discussion here, but price policies, production patterns, the export outlook, and many other aspects will challenge attention. The note I particularly want to sound in closing my talk on the air is the interdependence of town and country. It is futile for city people and farmers to attempt to achieve domestic peace and prosperity by pulling in opposite directions. The welfare of both groups is inextricably bound together. For better living in the years ahead each will need far-sighted leadership, and a lot of understanding and tolerance where the welfare of the other is concerned.

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