

EFFICIENT COOPERATION BETWEEN  
THE BUSINESS MAN AND THE FARMER

- - - - -

Remarks by J. R. Mitchell, Member of the Federal Reserve Board, at meetings of the Civic and Commerce Association, of Minneapolis, and the St. Paul Association, of St. Paul, November 14th and 15th, called to consider the future of agriculture in the Ninth Federal Reserve District.

These remarks followed an address by Dr. W. J. Spillman, Consulting Specialist of the Department of Agriculture, who spoke on "A Permanent Policy for Agriculture in the Northwest".

Since I have been a member of the Federal Reserve Board, now some eighteen months, I have often been asked just what the Board does, and my reply has been that no inconsiderable part of its time has been spent in answering criticisms of its policy, and in explaining the scope of its activities, what it can do and what it cannot do. But, in addition to that, notwithstanding the fact that the Federal Reserve Act was not created as a panacea for all financial and economic ills, since its work reaches to every part of the country, it is, nevertheless, the recipient of tales of trouble coming from every part of the United States.

If the boll weevil has gotten in his deadly work in the cotton belt, we are about the first to be advised of the fact - and the boll weevil has been active, with the result that there is a short crop of cotton, by reason of which the growers of the ten million bales are obtaining a good price. But the ravages of the boll weevil have not been altogether without profit, for it is that scourge which has made diversification necessary in the South and made possible a greater prosperity.

If there is a drought in the Panhandle section of Texas, or in New Mexico, we know of it, and are asked how cattle covered by chattel mortgages can be moved across the border to Mexico where there is feed. My answer has been

that if I were the banker holding those mortgages, I would be tempted to waive some of the legal technicalities, preferring to have mortgages on live cattle anywhere, even in Mexico, than mortgages on dead ones in Texas.

Again, if the prune and raisin crop in California is not in as good a condition as it should be, we know it, and if there has been an overproduction of potatoes in Aroostook County, Maine, we are told of that.

When one considers the present business situation as it affects the business men and farmers of the Northwest, the outstanding fact is that the business recovery which for several months has been under way in the industrial East has not been felt to the same extent in the agricultural West. That there has been a substantial improvement in the general trend of business can not be questioned. The recovery began over a year ago in the textile industry of New England and has extended to include building, automobiles, iron and steel, railroad equipment, and related industries. Those industries furnishing building materials have benefitted by the construction of residences throughout the country

Thus far the revival has been chiefly industrial in character, but its continuance depends upon its extension to all sections of the country, and particularly the more complete inclusion of the agricultural communities. There can be no complete national prosperity unless the buying power of the

farmer is restored. In the long run, factories can sell their output at profitable prices only when the farmers in turn are selling their crops at a profit.

How far the prices he receives are out of line with the prices he is compelled to pay is shown by the fact that, taking the purchasing power of the farmer's dollar in 1913 as 100%, at the present time it is approximately 65 ¢, only 3¢ more than in December, 1921, when it was worth but 62¢, the lowest since 1913; and a reduction in the present cost of life necessities to the farmer is at this time far from being in sight. This can only be brought about by a reduction in wages, and the tendency today is towards higher rather than towards lower wages.

There is a scarcity of labor today in the cities, and that at a time when industry is operating at considerably under normal conditions. What will be the result when the requirements of the country restore industry to its full capacity? It is

possible that the familiar slogan, "Back to the farm", will be supplanted with "Back to the city." Such a movement would have the effect of greatly reducing farm production and thereby creating higher prices.

Were this meeting in some cities, it might be necessary to dwell on the importance of agriculture; to call attention to the fact that 48.6% of the population is classed by the last census as rural population; that the value of all farm property in 1920 was almost \$78,000,000,000.; that the farmer provides a large portion of all freight traffic; that the farmer and his family purchase about one-third of all manufactures; that the value of the farm production is estimated to be in each year almost exactly equal to the value created in the factories, i.e., to the value that the factories have added to the raw materials in the process of conversion into finished articles. But in the Twin Cities it is unnecessary to argue the point. We know what the importance of agriculture is. We know that when the farmer prospers the cities prosper, that the welfare of each is closely interwoven with that of the other.

With the exception of the iron regions in the northern part of the State, and the copper districts in the upper peninsula of Michigan, and in Montana, the entire Ninth Federal Reserve District is dependent for its prosperity wholly upon the products of the farm, the dairy, and the raising of live stock.

That a condition can long continue where the farmer sells his crops for less than it costs to produce is patently impossible. Either he must receive a larger return for products, must learn new and improved methods enabling him to reduce his costs of production, or he must give way to someone who can farm more intelligently. Eventually, however, he is bound to get his proportionate share, for the world must be fed and will have to pay the price. But we, I take it, are not so much interested in that millenium when each will get his share apportioned with scientific accuracy. The problems facing us are present ones, and some measure of relief is immediately necessary.

Many have been the solutions advanced. Some would find the answer through political action. But political laws can never repeal economic laws. Politicians may place obstacles to the free play of economic forces and statesmen, remove them, but those who seek to reach the root of the farmer's difficulty through legislative action are, I fear, doomed to disappointment.

Others see in cooperative marketing associations the salvation of the farmer. The history of cooperative movements in the United States is full of the story of their failures. On the other hand, where there has been good management and sound policy there have been brilliant successes. It seems probable that the development of the cooperative movement will continue with increasing success. But, even the complete success of the cooperative marketing associations will not, I venture, be the

complete remedy.

The Capper-Tincher Bill is evidence of the fact that the farmers are not satisfied with the present marketing processes, and if there be any injustices or inefficiencies in our present system, I hope that they may be rapidly eliminated. But men in the Department of Agriculture, men who understand the plight of the farmer, and whose sympathies are with him, tell me that the farmer can gain more by diversifying his farming and standardizing his grades than he can by controlling the marketing of his product.

There are others who assert that the answer to the whole question is greater and more liberal credits. Perhaps the need is not for more credits, but for credits better adapted to the needs of the farmer. Through the local banks and the Federal Reserve Banks, his short-term credits up to six months maturity are taken care of. Through the Federal Land Banks, Joint Stock Land Banks, Farm Mortgage Banks and Bankers, and Life Insurance Companies, his long-term credits are provided; but, there is, in the opinion of some, a lack of intermediate credits adapted to his needs, a lack which the Joint Commission of Agricultural Inquiry points out in its report.

The War Finance Corporation, which has done such splendid service in this field is an emergency creation, and Mr. Meyer, its Managing Director, predicts that there will be no need to extend its activities, which by law will end this coming spring.

Hon. Sidney Anderson, Chairman of the Joint Commission of Agricultural Inquiry, has introduced a Bill/which would provide this intermediate credit by amending the Federal Farm Loan Act. Incidentally, the Federal Reserve Board has endorsed this Bill. But more credit is not the final answer to the situation. Many of the farmers themselves recognize that they have had not insufficient, but too much credit.

Undoubtedly, improvements can be effected all along these lines, and no efforts to effect these improvements should be abated, but even were the wishes of the most ardent advocates of these reforms met, still the root of the problem would remain untouched.

In the final analysis, the farmers' problem is as much of a business problem as is that of the manufacturer. To be successful each must produce articles for which there is a demand, and sell them for more than it costs to produce. Each must survey his resources and produce that for which he is best equipped, and each must plan ahead to use his plant most efficiently at all times.

As I see it, there are only three ways by which the farmer can attempt to obtain a larger income. He can try to secure for himself a larger share of the value of his crop, and as the processes of distribution become more efficient it is altogether likely that the farmer will receive more for what he sells, and the consumer pay less for what he buys.



The farmer can attempt to reap a larger harvest, but he has sometimes done so only to receive less in return than he had for a smaller crop.

Or, he can analyze his situation, survey his resources, produce that for which his farm is best suited, abandon his efforts along lines which have proved unprofitable, and so diversify his crops and activities that he may reduce his chances of failure and increase his chances of success.

To some, this proposal that the farmer adjust his production to his market may not seem revolutionary enough. We have become so accustomed to the burdens of agriculture that sometimes we think only some complete revolution can remedy matters.

This solution, to be sure, is not new or startling. The Department of Agriculture and the Agricultural Colleges have been urging it. Only recently some of your leading newspapers have been conducting a campaign for diversification. Last month your Dairy Show was a great success in demonstrating the advantages of farm dairying. Dr. Spillman has just shown you what can be done, what has been done in certain localities, to increase the farmers' return.

What is necessary is that the farmer be able to see clearly just what he ought to do in the way of diversification and to understand the limits beyond which he must not go in this direction, and when he understands these things I have

sufficient confidence in his intelligence to believe that he will act wisely.

Something must be done, as to that we are all agreed. But what to do and how to do it is the question.

Can we not consider this gathering a meeting of stockholders, all interested in making a success out of agriculture, upon which our success is solely dependent? I feel that I am a large stockholder in this basic industry, and I am just as much interested in getting the farmer back on a profitable basis as anyone.

Now, the best experts in the country point out the remedy - diversification, and proper planning of crops and efforts - a scientific survey of each farmer's resources, and the determination of what his farm is best fitted for.

How to translate that knowledge into actuality is the problem. We have the county agents, cooperatively employed by the Department of Agriculture, the Agricultural Colleges and the counties, who are doing a remarkable work; we have the agricultural colleges, which have contributed greatly to the upbuilding of our section; there is the United States Department of Agriculture, studying the problems and ever ready to help; there are the bankers and merchants in the smaller towns, whose prosperity is dependent upon that of the farmer, no less and no more than is that of the bankers and merchants in the larger cities, and the railroads which traverse the territory.

All these, with their diverse interests, have one interest in common. Is it not possible that all of them should cooperate, pooling their facilities and their abilities for the common good? It seems to me that there is only one answer, and that is that it is possible. It has occurred to me that what the Ninth Federal Reserve District needs, or what we, as stockholders need, is a Department of Agriculture of our own, which not only will be informed on what is necessary to be done in this district, but which will be in a position to see that what should be done is done, and in a position to cooperate with these other agencies - a department which could serve as a clearing house for all the information, which could coordinate all activities; which could interpret agricultural needs and conditions to the city interests, and make effective their interest in and the aid they are ready to extend the farmer; which could bring together the farmers and the business men of all classes in the study of their common interests, which would lead to a better understanding.

In the working out of such a program, you will find the country banker not only a most willing worker, but a most effective one. In touch with the whole of his community he can aid here, help there, make a suggestion to this farmer and above all, finance in an understanding manner the change into diversification.

Such a program is not theoretical - it is practical. It has been proved. In certain sections of the South, for example, the cooperation of the bankers and business men, with these agencies, and with the farmer, has been largely instrumental in bringing about the greater prosperity due to diversification and the proper balancing of efforts and activities.

What has been done elsewhere, can be done here. The various agencies are eager to cooperate. All that is lacking is leadership and I am sure that is here. Whether that leadership can be supplied or not, determines the difference, in my opinion, between a discontented rural population with its attendant disastrous results and a prosperous agriculture. It is a question which only you can answer. What shall it be?

Let me assure you, in conclusion, that the Federal Reserve Bank of Minneapolis, and the Federal Reserve Board as well, will gladly cooperate, in every way possible, in any sound constructive program decided upon to relieve the situation now confronting you. The initiative must come from you.