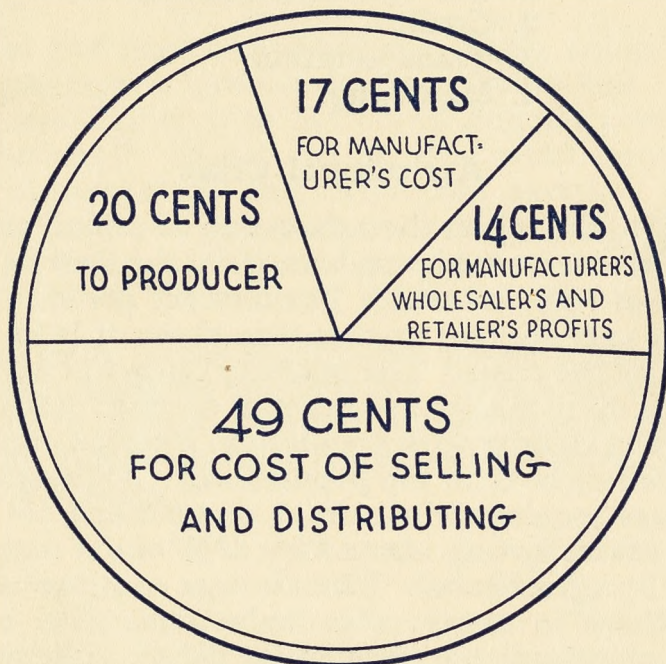


Pamphlet

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# Living Costs and Agriculture

Summary of Report of the Joint Commission  
of Agricultural Inquiry



## The Consumer's Dollar

(As pictured by the Chairman of the Joint Commission)

Committee on Living Costs  
National League of Women Voters

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## Summary of Report of the Joint Commission of Agricultural Inquiry

**W**IDESPREAD agricultural depression and distress in 1920 and 1921 in the United States caused Congress in June, 1921,<sup>1</sup> to order an investigation of the industry and all factors relating to it. Although some of the Commission's conclusions may be modified on further inquiry, rarely has so comprehensive an investigation been made of any basic industry in this country. The report devotes a separate volume to each of the following subjects:

1. The agricultural crisis.
2. Credit.
3. Transportation.
4. Marketing.

### Agricultural Crisis

According to the report the exhaustion of capital and credit, together with the decrease in exports, gave the first impetus to the price decline of 1920 and 1921.<sup>2</sup> The farmers' profits which during the war were only slightly greater than those of 1913, were finally swept away by the crisis.<sup>3</sup> The quantity output of agriculture has not measured up to the quantity output of other industries. It has advanced about equally with population, whereas other industries have increased more than the population.<sup>4</sup> Although about 30% of the persons employed in gainful occupations are engaged in agriculture, normally only about 17 or 18% of our national income is produced by agriculture.<sup>5</sup> The average earnings of the farmer are below those in many other industries. The report says: "The average reward per farmer for labor, risk, and management, after allowing 5% return on the value of the investment in 1920, was \$219."<sup>6</sup> "The prices received for farm products have not been such as to induce an increase in farm production on the whole."<sup>7</sup> As one result of such conditions, "In the last 10 years the total number of mortgages on farm lands and buildings owned by their operators has more than doubled and has increased proportionately more than the value of lands and buildings."<sup>8</sup>

<sup>1</sup> Part I, p. 9.

<sup>2</sup> Part I, pp. 12, 17.

<sup>3</sup> Part I, pp. 13-14, 33, 36.

<sup>4</sup> Part I, pp. 14, 42-47.

<sup>5</sup> Part I, pp. 14, 51.

<sup>6</sup> Part I, pp. 14, 55.

<sup>7</sup> Part I, p. 19.

<sup>8</sup> Part I, p. 20.

To correct the conditions which led to the crisis in 1920 and 1921 the committee recommends among other things legalization by the Federal government of cooperative combinations of farmers; improvement of credit, warehousing, terminal, and transportation facilities; reduction of agricultural freight rates, standardization of products and containers; provision for the promotion of better farm accounting systems and for practical and scientific investigation of farm problems.<sup>9</sup>

### Credits

The financial crisis of 1920 and 1921 affected agriculture more than any other industry. The heavy production costs of the crops which were higher than at any other time in the history of our country, peculiar marketing conditions of the time, and a banking system inadequate for the demands of the farmer were the principal causes which led to this disaster.<sup>10</sup>

National and State banks are the principal sources of funds for the farmer. However, they extend short-time credit only, usually covering a period of six months or less for the reason that paper of longer maturity than six months is not eligible for rediscount with Federal reserve banks. Longer-time credit can only be secured on the basis of farm mortgages.<sup>11</sup> In order to make payment out of the proceeds of the farm, credit covering a period from six months to three years is needed, the length of time depending on the commodity raised.<sup>12</sup> To meet these requirements the Commission drafted a farm loan bill authorizing Federal land banks and Federal reserve banks to rediscount paper on which loans for agricultural purposes have been made having a maturity of not less than six months or more than three years. Furthermore the bill permits Federal land banks to make loans to farmers' cooperative associations organized under state laws for the purpose of marketing their crops provided the loans are secured by warehouse receipts. Federal land banks are to convert these notes into short-time debentures, and together with Federal reserve banks sell them to the public in the same way as farm loan bonds are now sold.<sup>13</sup>

### Transportation

Transportation costs do not affect the prices of commodities equally. Compared with certain other goods the freight rates on basic commodities are too high. In the case of perishables, for instance, freight rates take about one-third and frequently

<sup>9</sup> Part I, pp. 10-11, 224.

<sup>10</sup> Part II, pp. 7, 12, 14, 85-90.

<sup>11</sup> Part II, pp. 8, 17.

<sup>12</sup> Part II, p. 8.

<sup>13</sup> Part II, pp. 8-11.

two-thirds of the selling price.<sup>14</sup> The sales price of wearing apparel, on the other hand, is only slightly, and in some instances not at all, affected by the cost of transportation.<sup>15</sup>

Within the last 30 years efficiency of operation has increased 110% in freight and 50% in passenger traffic for each \$100 of railway property investment.<sup>16</sup> But this alone is not sufficient to reduce rates. One important element, the significance of which is not generally understood by railroad officials and the public, is the large number of nonproductive ton-miles, the result of which is either higher freight rates or reduced income to the railroads. For each 100 ton-miles producing revenue the railroads had 147.6 nonrevenue ton-miles in 1921.<sup>17</sup> That is, of the revenue producing ton-miles, 40.3 per cent of the total support nonproductive ton-miles equalling 59.7 per cent of the total. This proportion must be reduced and at the same time railroads must be allowed sufficient revenue to improve the property put to public use and to attract the capital required for improvements. The latter would involve the issuance of more stock or property security than bonds or indebtedness to secure railroad property, as well as the reduction by Federal, State, and municipal governments of tax-free securities, so that taxation can be reduced and capital be applied at fair interest rates to industry, agriculture, and the railroads.<sup>18</sup>

Waste also adds to the cost of transportation. Waste is charged to delay in transportation; to slowness in the rehandling necessary because markets are not concentrated; and to the fact that although 2 inches of thickness in the sides of the cars for insulation is the minimum approved by the Department of Agriculture and the Railroad Administration, 7 per cent of the 85,173 cars investigated by the commission had less than 1/2 inch insulation, 35 per cent had 1/2 to 1 inch insulation, 18 per cent had from 1 to 1 1/2 inch insulation.

The commission states: "Carriers report loss or damage claims amounting to \$14,500,000 paid in 1921 on fruits and vegetables alone."<sup>19</sup>

Finally, as all industries are dependent on the coal industry, the commission believes a reduction in mine prices, freight rates, and sales margins on coal, especially bituminous coal, would be promptly reflected in improved business conditions.<sup>20</sup>

<sup>14</sup> Part III, p. 6.

<sup>15</sup> Part III, pp. 6, 204-206.

<sup>16</sup> Part III, pp. 226, 307.

<sup>17</sup> Part III, pp. 257-259, 272-277.

<sup>18</sup> Part III, pp. 312, 315-320.

<sup>19</sup> Part III, pp. 27-28.

<sup>20</sup> Part III, p. 8.



## Marketing

In its study of the causes underlying the difference between the price the farmer gets for his products and the price the ultimate consumer pays, the commission found it advisable to study marketing conversion, and distribution.

The American farmer is concerned only with individual production and until recently has known little about the more important problem of distribution. His products are usually brought to the market in small lots of ungraded, unstandardized raw material. These are later sent to large centers where the converter selects, grades, standardizes, and assumes the risk of marketing them. Until the farmer considers production in its relation to the requirements of the market there is small chance for him to improve his position.<sup>21</sup>

As a first and most important step in the solution of the agricultural producer's problems, the commission advocates cooperative association with State and Federal protection against unfair practices.<sup>22</sup> Waste can be eliminated through the establishment of competent and authorized agencies to handle disagreements between shippers and receivers.<sup>23</sup> Because of inadequate terminal markets and unsystematic utilization of warehouses, additional unnecessary waste and expense are incurred.<sup>24</sup>

The converter, on the other hand, causes waste by overproduction. This is done for the purpose of reducing production costs but results in forced distribution and leaves the distributing agents with stocks on their hands which cannot be turned with economic frequency.<sup>25</sup>

The report says: "The warehouse system of the United States is a decentralized and disintegrated system. \* \* \* There should be a national warehouse system which would provide uniform liability on the part of the warehouseman and in which the moral and financial hazards are fully insured. \* \* \* The farmer cannot hope to adequately control the marketing of his product or to have influence in proportion to his number and importance in the absence of a warehouse system which will enable him to hold or sell his crops as his own judgment, or the judgment of the co-operative association of which he may be a member, declares."<sup>26</sup>

The distribution problem must be solved by the producer and the distributor conjointly, and calls for a higher standard of

<sup>21</sup> Part IV, pp. 4-6, 10.

<sup>22</sup> Part IV, pp. 9, 226-231.

<sup>23</sup> Part IV, p. 10.

<sup>24</sup> Part IV, pp. 5, 10, 113.

<sup>25</sup> Part IV, pp. 116, 162, 214-215.

<sup>26</sup> Part I, p. 24.

knowledge and ability, and enlightened recognition of their obligations to the public.<sup>27</sup>

The importance of adequate statistical data of governmental agencies is stressed,<sup>28</sup> and consumers are urged to reduce the cost of distribution by assuming more responsibility in securing the commodities they require<sup>29</sup> and by advocating the teaching in all schools of courses showing in a practical way the principles of marketing and distribution.<sup>30</sup>

<sup>27</sup> Part IV, pp. 4, 215-216, 254.

<sup>28</sup> Part IV, pp. 12, 236-237.

<sup>29</sup> Part IV, pp. 5, 12.

<sup>30</sup> Part IV, p. 13.