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GOVERNMENT CONTROLS,  
FARM PRICES, COSTS AND PROFITS  
AND THE GENERAL PRICE LEVEL

by

G. P. Scoville

Assisted by Frances Pringle, Terry Griffing  
and Estelle Stanway

New York State College of Agriculture  
Department of Agricultural Economics  
Cornell University, Ithaca, New York

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Agricultural Booms and Depressions

When the general price level swings upward, farm products are among the first to rise in price. Farm costs rise later. In periods of rising prices, farming is unusually profitable.

Conversely, when the general price level declines, the prices of farm products are among the first to collapse. Farm costs decline later. In periods of falling prices, farm losses are very large.

How great these gains and losses have been is shown in the following tables.

The Financial History of a New York Farm Family

One farmer in cooperation with this department has kept accounts for more than thirty years.

In 1909 he and his bride started farming. At first they worked the farm on shares for his grandfather. After a few years the grandfather died and the farm was up for sale. The bride's father advised them to buy the farm. They were getting ahead and her father was able to help them financially. They set more orchard, modernized the house. Prices were rising. From 1915 to 1919, that is, during World War I, they reduced their indebtedness from \$21,276 to \$10,637 (table I). During these war years, the profits from their orchard and hay amounted to over \$20,000.

Then in 1920 prices collapsed. By 1924 they owed over \$21,000 or as much as they did in 1915.

During the next five years, from 1925 to 1929, the orchard paid better. But the gains from the orchard were exceeded by the losses on hay and grain. The cities had exchanged their horses and carriages for trucks and automobiles. Hay was no longer a profitable cash crop.

As the price structure was approaching balance, the second crash, the price collapse of the thirties, came. It was worse than that of the twenties. They would have lost the farm but for the notes inherited from the father. Extra cash was also obtained by selling a small parcel of land at an unusually high price. Their indebtedness was thereby reduced to about \$9,000.

Even after their children had finished college and were on their own, their income was not sufficient to meet their expenses. By 1940 their indebtedness had increased to \$15,000. Then came the upward swing in prices during World War II and by 1945 their debts were all paid.

That their experience was typical of many New York farm families is indicated by the financial statements obtained from farmers interviewed in the town of Newfane, Niagara County, New York (table II).

Table I -- Debts, Gains and Losses  
180 Acre New York Farm

Crop Year	Debts on March 23	Gains and losses from		
		Orchard	Hay	Grain
1915	\$21,276	\$2,261	\$1,399	\$ 53
1916	19,147	1,354	1,151	-88
1917	17,465	2,284	2,625	199
1918	14,114	4,341	2,724	-231
1919	10,637	1,199	2,774	-579
1920	11,596	-1,469	1,934	-549
1921	16,678	923	947	-1,011
1922	15,304	948	149	-853
1923	19,326	-117	-434	33
1924	21,539	-1,967	-242	-1,032
1925	22,621	419	-404	-1,027
1926	23,685	-1,787	461	-1,038
1927	25,396	3,483	-513	-515
1928	24,238	1,814	-43	-706
1929	22,499	1,993	-483	-1,358
1930	23,211	-404	427	-580
1931	23,677	-3,917	-1,126	-417
1932	13,592	-2,805	-931	-265
1933	9,393	3,668	-120	-146
1934	10,364	531	-35	-227
1935	9,580	-2,260	-820	-110
1936	9,041	-1,023	-188	-42
1937	8,912	-2,039	-77	-349
1938	11,495	-161	-276	-602
1939	13,358	-412	-40	-115
1940	15,434	458	-85	-560
1941	15,055	2,381	86	-73
1942	13,481	3,880	262	-12
1943	6,773	3,532	211	-378
1944	2,048	5,872	783	-275
1945	0	-759	354	-83
1946	600			

This farmer's debts were largely determined by the changes in the general price level.

Cash Wage Paid Year Man

In the Newfane community one farmer in six had one or more married men working by the year. The farmer usually furnished the married man a house, fuel and other perquisites. In 1944 the cash wage for these men varied from \$1,200 to \$2,000 averaging \$1,538 (table II). This was 162 per cent higher than the average of \$586 paid in 1939. This increase was over three times the increase during World War I. In 1919 the annual wage averaged \$629 or only 49 per cent more than the 1914 rate.

The price collapse of 1920 affected farm wages but slightly. Following World War I, wages remained at war levels or higher for twelve years. This period of high wages ended in 1931 when the wage averaged \$830. The next year, 1932, wages dropped a third and remained at the \$500 to \$600 level until 1941.

Following World War I, the farmers had twelve years of deflation before deflation hit the hired man. Hired men's wages are much more inflated in this than in the previous war. Farmers will pay "war wages" for several years to come.

The Farmer's Wage or Labor Income

Definition: Labor income is the difference between receipts and expenses less interest at 5 per cent on the farm capital. It is what the farmer receives for his year's work in addition to a house in which to live and farm products used in the household. Labor income is comparable to the year wage paid a married man when furnished a house and other perquisites.

Rising Prices and Labor Incomes

Nothing comparable to the labor incomes of 1943 and 1944 has ever been obtained. On some farms the labor incomes in these two war years were more than sufficient to buy the farm fully equipped. Because of a few unusually large labor incomes, the median average is lower than the mean. For example, in 1944 one-half of the labor incomes were higher and one-half lower than \$2,335. But the mean average, obtained by dividing the sum of the labor incomes by the number of farms, was \$4,705. In World War II, the median labor incomes were four times higher and the mean five times higher than in World War I. Five years of inflation during World War I were followed by twenty years of deflation.

Table II -- Hired Man's Wage and Farmer's Labor Income  
Newfane, Niagara County, New York

Crop year	Cash paid year man	Average labor income		Number of farms	Labor incomes below cash wage	
		Mean	Median		Number	Percent
1913	\$407	\$1,215	\$965	89	24	27
1914	427	-580	-300	98	92	94
1915	447	-177	-11	81	63	78
1916	439	285	244	87	53	61
1917	448	520	369	113	63	56
1918	508	823	531	159	79	50
1919	629	570	262	157	105	67
1920	750	267	152	178	132	74
1921	651	107	4	171	130	76
1922	656	250	182	178	129	72
1923	680	-271	-164	194	164	85
1924	718	401	224	202	140	69
1925	768	891	794	174	85	49
1926	768	-178	-75	187	167	89
1927	792	-341	-311	170	150	88
1928	819	-75	-130	149	125	84
1929	807	458	212	156	112	72
1930	809	515	79	140	99	71
1931	830	-588	-430	156	149	96
1932	544	-461	-348	140	128	91
1933	552	351	117	111	78	70
1934	489	458	194	124	80	65
1935	504	7	-118	123	97	79
1936	567	1,293	590	103	50	49
1937	580	-97	-89	109	86	79
1938	553	503	39	107	73	68
1939	586	37	-30	101	82	81
1940	587	-46	-98	100	76	76
1941	762	1,085	793	73	35	48
1942	934	2,476	1,598	78	28	36
1943	1,310	4,249	1,866	46	17	37
1944	1,538	4,705	2,335	45	17	38
Averages						
1917-19	528	638	387	143	82	58
1920-40	667	166	38	146	111	75
1941-44	1,136	3,129	1,648	60	24	40
1913-44	683	583	295	128	91	68

In Newfane, Niagara County, the wages paid year men and the labor incomes made by the farmers were much higher in World War II than ever before.

Falling Prices and Labor Incomes

During the twenty years between the two wars, the mean average labor income in the Newfane area was \$166 and the median \$38. Seventy-five per cent of the labor incomes were below the hired man's wage of \$667.

That these farmers received on the average as little as 50 cents per day was due to the unbalanced price structure that occurred when prices collapsed. This was probably the longest agricultural depression in history.

Cost Account Farms

The farmers keeping cost accounts in cooperation with this department are scattered about the state. These farms are better and better managed than the average. They are not, however, spectacular farms. Like the farmers in Newfane they made money when prices were rising. They also made much more in World War II than in World War I. Between the two wars, the labor incomes on these selected farms averaged less than the wages paid year help.

Value of Operator's Time

"When accounting work was first begun, the time of the operator was estimated at hired man's wages -- not at what the operator would get if hired, but at the rate per month that hired men get. This method is not correct. \* \* \* \* The basis now used for charging the operator's labor is, 'What it would cost to hire someone else to do what the operator does.' All results in this bulletin are on this basis." 1/

There is a tendency to make the same error now that was made when the cost account work was started. In 1944 the value of the time of the cost account farmers averaged about the same as the wages paid year help or a little more than \$1,500 a year. The farmers in Newfane valued their time at about \$2,000. It would have cost in 1944 more than \$2,000 to hire someone to do what the operator did on the average cost account farm.

1/ Cost Accounts for Six Years on Some Successful New York Farms by G. F. Warren and others, Cornell University Agricultural Experiment Station, Bulletin 414, 1923.

Table III -- Value of Farmer's Time and His Labor Income  
New York Cost Account Farms <sup>1/</sup>

Crop year	Value of farmer's time	Average labor income		Number of farms	Labor incomes lower than the average value of operator's time		Cost per hour of all labor
		Mean	Median		Number	Percent	
1914	\$ 826	\$ 453	\$ 354	18	13	72	25¢
1915	879	610	502	46	32	70	26
1916	1,044	1,176	522	31	19	61	30
1917	1,232	1,962	1,419	31	15	48	36
1918	1,278	1,942	1,290	32	15	47	40
1919	1,234	2,111	1,896	39	13	33	42
1920	1,200	433	535	33	23	70	44
1921	1,145	-32	-223	34	27	79	39
1922	1,115	668	78	30	19	63	38
1923	1,149	205	334	26	20	77	38
1924	1,020	90	-8	34	26	76	39
1925	1,020	2,000	1,223	32	14	44	40
1926	1,060	825	530	32	22	69	43
1927	1,030	925	939	35	20	57	41
1928	1,182	1,067	672	34	20	59	43
1929	1,152	1,130	906	34	20	59	43
1930	1,176	163	-30	68	49	72	43
1931	1,164	-1,695	-1,378	72	66	92	36
1932	960	-1,464	-1,672	64	59	92	30
1933	900	726	516	74	46	62	28
1934	816	310	374	93	61	66	28
1935	804	900	796	95	48	51	28
1936	876	2,114	1,320	82	32	39	30
1937	876	365	422	82	56	68	31
1938	852	1,107	794	75	38	51	31
1939	876	1,022	693	75	39	52	30
1940	864	937	836	79	40	51	32
1941	948	3,165	2,668	72	16	22	36
1942	1,092	5,796	4,664	70	9	13	43
1943	1,488	7,417	5,274	62	14	23	53
1944	1,563	7,050	5,527	53	5	9	63
Averages							
1917-19	1,248	2,005	1,535	34	14	43	39
1920-40	1,011	562	365	56	35	64	36
1941-44	1,273	5,857	4,533	64	11	17	49
1914-44	1,059	1,403	1,025	53	29	56	37

The farmers keeping cost accounts with this department made higher labor incomes in World War II than ever before.

<sup>1/</sup> Twenty-Five Years of Farm Cost Accounts by Paul Williamson, Cornell Extension Bulletin 439, 1940 and Annual Reports 1939 to 1944 by Herrell DeGraff and others.



Milk Controls

In World War I the Food Administration investigated the costs of milk production and distribution, but had no power to enforce its findings. Regional Federal Milk Commissions were established to set the price of raw milk each month. The New York Commission failed completely after June, 1918, due to the unwillingness of the industry to accept its decisions.

Deflation had so impoverished the condition of the dairy farmer that in 1933 a Milk Control Law was passed by the state. In that year prices were fixed by the Milk Control Board and from 1934 to 1937 by the Division of Milk Control of the New York State Department of Agriculture and Markets. Since 1938 a market administrator, carrying out orders from both state and federal agencies, has fixed prices paid to producers selling milk for Metropolitan New York. 1/

Dairying; When and After Prices Have Risen

In war years, when the general price level was rising, the cow accounts on the cost account farms showed a profit every year. However, the profit per cow was three times higher in World War II than in World War I. In World War II milk prices were higher and the cost to produce 100 pounds of milk lower. The costs were lower because of better cows and more efficient use of labor. In World War II the annual milk production per cow was 1700 pounds more than in World War I and these better cows were cared for with twenty-two hours less labor. All of the thirty-two farmers had milking machines in 1944, but only eight of the twenty-two in 1919. In improving the dairy and in the use of labor saving devices, greater progress has been made on cost account farms than for the state as a whole.

Dairying; When and After Prices Have Fallen

Between 1920 and 1940 the cow accounts usually showed a loss. This was true for sixteen of the twenty-one years. However, during this period cows paid all costs except labor and returned 25 cents per hour for labor. Labor was charged at 35 cents. Most New York farms have pasture and roughage and these are best utilized by the dairy cow.

1/ Annual Reports of the Department of Agriculture and Markets, Albany, N. Y.

Table IV - Cow Accounts  
New York State Cost Account Farms, 1914-44

Crop Year	No. of Cows	Production	Labor	Cost per	Price per	Net profit	Returns
		per cow	per cow	cwt. milk	cwt. milk	or loss	per hour
		cwt.	hrs.	\$	\$	\$	of labor
1914	17	69	153	1.72	1.56	-11	18
1915	17	55	161	1.97	1.55	-23	12
1916	20	68	143	1.87	1.80	-4	27
1917	23	63	129	2.40	2.70	19	50
1918	22	60	137	3.06	3.12	4	42
1919	20	69	157	2.90	3.27	24	55
1920	17	62	150	3.48	3.13	-21	27
1921	19	65	148	2.79	2.21	-38	10
1922	19	63	157	2.31	1.98	-21	21
1923	18	66	159	2.64	2.13	-34	14
1924	19	68	152	2.80	2.35	-30	15
1925	20	69	147	2.64	2.61	-2	35
1926	18	70	147	2.61	2.61	0	38
1927	19	74	143	2.57	2.76	18	54
1928	18	76	138	2.66	2.84	20	59
1929	16	78	141	2.88	2.84	-1	42
1930	18	73	136	2.87	2.53	-24	24
1931	22	76	135	2.72	2.09	-47	04
1932	24	77	129	2.11	1.41	-54	-11
1933	22	79	141	1.90	1.56	-27	09
1934	21	80	144	1.97	1.78	-15	16
1935	21	81	142	1.81	1.90	7	33
1936	21	84	146	2.00	1.94	-4	26
1937	22	82	140	2.15	2.03	-10	23
1938	21	86	140	1.86	1.82	-3	27
1939	23	83	138	1.96	1.89	-6	25
1940	24	84	135	1.98	2.07	7	35
1941	23	70	104	1.95	2.44	35	48
1942	22	86	125	2.19	2.82	55	82
1943	24	81	127	2.88	3.43	45	84
1944	23	87	119	3.20	4.02	71	117
<b>Averages</b>							
1917-19	22	64	141	2.79	3.03	16	49
1920-40	20	75	143	2.41	2.21	-14	25
1941-44	23	81	119	2.56	3.18	52	83
1914-44	20	74	141	2.41	2.36	-2	34

Subsidies

In World War II the government paid subsidies to the dairymen. In 1944 15 per cent of the income from the dairies on cost account farms came from subsidies. The subsidies amounted to \$1,184 per farm and for all used and sold milk, 59 cents per 100 pounds.

### Corn Controls

After the collapse of agricultural prices in 1920, there started a long controversy over measures for farm relief. In 1933 Congress passed the Agricultural Adjustment Act for the purpose of restoring the purchasing power of farmers. The Commodity Credit Corporation was organized to raise prices through loans and at once made loans on corn. The AAA program attempted to reduce the corn crop, but stocks accumulated.

If war had not broken out in 1939 and spread to the United States in 1941, the corn acreage adjustment and loan program would have completely broken down.

During World War II in order to freeze prices, the Office of Price Administration established price ceilings on corn at the highest prices at which corn sales were made on January 11, 1943. From time to time ceiling prices were raised as it was illegal for ceiling prices to be below parity.

#### Corn; When and After Prices Have Risen

The cost accounts kept on Illinois farms show that during the war years, when prices were rising, corn was worth about twice what it cost to produce. After all other costs were paid except labor, the returns to labor averaged \$1.58 per hour during World War I and \$5.42 per hour during World War II.

From World War I to World War II the cost of producing a bushel of corn had decreased by nearly one-half. The yields per acre had increased 50 per cent and the hours of labor per acre had decreased 64 per cent. The introduction of hybrid seed corn and labor saving machinery have, of course, been more rapid on these farms than for the state as a whole.

Because of the large stock of corn on hand at the outbreak of World War II and because of ceiling prices, corn prices were lower in World War II than in World War I.

#### Corn; When and After Prices Have Fallen

From 1920 to 1933 corn was produced at a loss in eight years and at a profit in four. In each of the years since 1934, corn has been produced at a profit.

Table V -- Corn Accounts  
Illinois Cost Account Farms, 1913-44 <sup>1/</sup>

Crop year	No. of farms	Corn	Yield	Cost per	Price per	Labor per	Returns
		per farm acres	per acre bushels	bushel cents	bushel cents	acre hours	per hour of labor cents
1913	10	79	35	52	60	19	30
1914	10	74	22	85	59	16	-18
1915	10	76	48	40	52	20	47
1916	11	76	36	52	64	19	39
1917	12	89	44	47	94	18	132
1918	14	87	34	64	112	19	109
1919	13	72	49	49	128	19	234
1920	10	87	51	58	50	14	12
1921	13	98	50	59	30	15	-68
1922	14	87	48	58	56	14	21
1923	14	100	48	61	61	14	37
1924	13	113	43	68	98	13	134
1925	15	106	52	57	53	14	24
1926	14	104	54	52	50	14	08
1927	14	101	44	60	69	13	49
1928	13	101	50	53	65	14	62
1929	21	107	50	50	68	12	92
1930	19	114	40	60	60	13	16
1931	19	111	50	43	25	12	-61
1932	20	137	57	28	11	12	-76
1933	33	112	36	41	34	10	-15
1934	43	84	26	60	72	11	41
1935	36	80	58	30	45	11	87
1936	32	101	32	53	95	9	165
1937	30	103	61	30	50	9	157
1938	27	84	61	28	40	8	118
1939	29	81	62	29	45	8	152
1940	30	81	56	34	53	7	176
1941	27	81	72	27	67	8	409
1942	25	80	71	29	72	8	437
1943	25	82	67	31	98	7	719
1944	24	93	56	38	100	6	605
Averages							
1917-19	13	83	42	53	111	19	158
1920-40	22	100	49	48	54	12	54
1941-44	25	84	66	31	84	7	542
1913-44	20	93	49	48	64	13	121

<sup>1/</sup> Twenty-Five Years of Illinois Crop Costs, 1913-1937 by R. H. Wilcox and H. C. M. Case, Bulletin 467, University of Illinois Agricultural Experiment Station and Annual Reports from 1938-1944.

Wheat Controls

Wheat prices were fixed at \$2.20 per bushel by President Wilson on advice of his Fair Price Committee on August 30, 1917. Later this price was guaranteed for the 1918 and for the 1919 wheat crops. During most of the time the market price was higher than the guaranteed price.

In 1929 Congress passed the Agricultural Marketing Act and created the Federal Farm Board. Through loans and purchases the Board accumulated wheat and gave some support to wheat prices for the first few months. But after January, 1930 in spite of continued loans and purchases by the Board, wheat prices declined to 50 cents per bushel. The Federal Farm Board was taken over by the Commodity Credit Corporation. The Commodity Credit Corporation did not make loans on wheat until 1938. Wheat prices were probably raised by the loan program during the years 1938, 1939 and 1940 when wheat supplies were being accumulated. However, prices would have been lowered by an equal amount if the accumulated stocks had been reduced to normal. Fortunately for the Commodity Credit Corporation, the large stocks turned out to be a valuable food reserve when the United States entered the war in 1941.

Wheat; When and After Prices Have Risen

In 1918 and 1919 on New York cost account farms, wheat prices about covered the cost of production. The only years that the cost account farmers received more than \$1.00 per hour for labor on wheat was in World War II. In World War II compared with World War I, wheat prices were lower by 73 cents per bushel, but costs were lower by \$1.05. The hours of labor per acre of wheat were reduced 58 per cent or from twenty-six to eleven hours. In 1919 all of the wheat was threshed, but in 1944 the wheat was combined on twenty of the thirty-two farms. An increased yield of five bushels per acre also decreased the cost per bushel.

Wheat; When and After Prices Have Fallen

From 1921 to 1932 wheat was produced at a loss in ten of the twelve years. In nine of these years there was nothing left for labor, for the costs other than labor exceeded the returns. Since 1933 with the exception of one year, wheat has always shown a profit.

Table VI -- Wheat Accounts  
New York Cost Account Farms, 1914-44

Crop year	No. of farms	Wheat	Yield	Cost per	Price per	Labor per	Returns
		per farm acres	per acre bushels	bushel dollars	bushel dollars	acre hours	per hour of labor cents
1914	10	12.4	22	1.13	1.18	22	30
1915	30	14.2	29	0.81	1.01	26	49
1916	20	11.6	24	1.15	1.61	23	79
1917	18	15.2	23	1.43	2.03	26	91
1918	16	15.6	20	2.08	2.14	26	42
1919	24	14.9	19	2.30	2.16	25	30
1920	19	14.9	26	1.74	2.05	23	80
1921	21	13.3	21	2.25	1.20	20	-69
1922	12	18.0	20	1.98	1.21	22	-34
1923	14	16.2	25	1.53	1.01	23	-20
1924	15	18.7	18	2.05	1.55	20	-04
1925	15	16.8	24	1.53	1.67	18	59
1926	14	14.5	27	1.40	1.41	19	49
1927	18	12.2	26	1.42	1.30	19	29
1928	50	19.4	16	2.10	1.34	15	-33
1929	14	24.2	18	1.73	1.31	14	-08
1930	41	19.8	26	1.14	0.87	13	-11
1931	33	18.6	35	0.84	0.52	16	-33
1932	20	18.3	28	0.77	0.55	12	-13
1933	26	17.4	25	0.80	0.90	14	48
1934	39	15.8	21	0.91	0.98	13	40
1935	35	16.6	28	0.76	0.82	15	39
1936	29	17.3	24	0.90	1.16	15	74
1937	28	19.9	29	0.85	1.02	16	62
1938	27	20.4	33	0.76	0.71	16	21
1939	32	17.6	31	0.67	0.85	13	73
1940	39	19.6	33	0.63	0.82	12	82
1941	32	19.4	27	0.80	1.08	10	103
1942	34	16.5	30	0.75	1.21	12	158
1943	27	17.2	20	0.98	1.59	10	169
1944	32	19.8	27	1.04	1.64	13	188
Averages							
1917-19	19	15.2	21	1.94	2.11	26	54
1920-40	27	17.6	25	1.27	1.11	17	21
1941-44	31	18.2	26	0.89	1.38	11	154
1914-44	26	17.0	25	1.27	1.25	17	44

Apple Controls

During the latter years of the depression, the Federal Surplus Commodity Corporation bought apples for relief distribution. In the Newfane area in Niagara County such purchases varied from 6 per cent of the 1935 crop to 29 per cent of the 1937 crop. The apple crop tends to be large one year and small the next. The government bought most of their apples in the odd or large crop years. They also bought hurricane apples in 1941.

In the fall of 1943 when the Office of Price Administration set a maximum or ceiling price on apples, apples were selling at new high levels. The ceiling was set at or near these market prices. The ceiling varied as to location, month and type of sale, but not as to variety, grade or size of fruit. The War Food Administration also issued an order that the lower grades of apples could not be sold except to authorized processors. Prices for processed apples were fixed by the Director of Food Administration.

The next fall, that is, from August 20 to October 31, 1944, the ceiling set by OPA was higher than the year before. Early in the season, apples sold at about ceiling prices. But too few apples were sold in the fall and by winter and spring many of the smaller sizes and lower grades were dumped. The consumers did not take 40 per cent more apples than they bought in 1943 at 1943 prices.

Apples; When and After Prices Have Risen

The cost account results show that apples are one of the best paying enterprises. In spite of the low yields of 1917 and 1919, apples paid well during World War I. In World War II yields were better, prices higher and profits much larger. In 1943 and again in 1944, apples brought from two to three times their usual price and made the unusual return to labor of \$2.00 per hour.

Apples; When and After Prices Have Fallen

Between the two wars, apples have shown a profit for two-thirds of the years. Home orchards or abandoned orchards were not included in the accounts.

Table VII -- Apple Accounts  
New York State Cost Account Farms, 1914-44

Crop year	No. of farms	All apples including ciders					
		Apples of bearing age per farm	Yield per acre	Cost per bushel	Price per bushel excluding package	Labor per acre	Returns per hour of labor
		acres	bushels	cents	cents	hours	cents
1914	6	8.9	393	21	24	218	25
1915	18	6.7	138	29	49	100	45
1916	10	10.0	131	35	41	88	27
1917	8	11.6	96	43	80	100	86
1918	7	13.0	242	26	67	147	140
1919	11	15.8	79	84	137	62	111
1920	11	16.5	278	41	47	115	69
1921	9	19.3	111	77	98	75	79
1922	10	20.3	241	36	58	93	106
1923	4	37.8	151	64	48	107	25
1924	7	27.6	108	63	86	71	82
1925	5	17.4	138	50	65	77	73
1926	8	22.2	213	45	40	119	37
1927	13	22.0	97	58	95	70	95
1928	11	26.0	176	45	81	96	109
1929	16	24.0	120	62	88	73	88
1930	19	28.7	169	46	57	90	64
1931	21	28.2	172	49	32	95	11
1932	18	33.1	174	46	34	114	12
1933	23	31.8	244	42	54	150	49
1934	23	37.3	144	54	70	92	52
1935	24	36.5	207	43	45	121	34
1936	21	38.7	173	48	79	107	79
1937	20	37.5	198	56	41	142	16
1938	22	36.4	195	51	58	125	14
1939	20	36.9	187	55	36	132	09
1940	23	40.9	143	58	57	89	35
1941	23	37.7	173	47	62	99	63
1942	18	46.4	239	45	78	121	107
1943	19	44.5	186	63	154	104	212
1944	17	40.4	213	76	145	115	199
Averages							
1917-19	9	13.6	139	51	95	103	112
1920-40	16	29.5	173	52	60	103	56
1941-44	19	42.2	203	58	110	110	145
1914-44	15	27.6	178	50	68	107	70



Prices and CostsWorld War I and the Depression

For most of the farm products shown on the next page, the lowest prices during the depression occurred in 1932. This was fourteen years after the close of World War I. For each product the low price of the depression was less than half of the peak price in World War I. Milk and egg prices declined the least, a decrease of about 60 per cent. Cabbage prices declined 90 per cent. The decreases in the price of hay and grain were more than for milk, but less than for cash crops. If the prices are weighted according to the proportion of time spent on the different enterprises in the state, then one dollar's worth of products in World War I brought 37 cents in the low of the depression.

For each farm product, the reduction in price was much more than the reduction in cost. For example, the price of hay decreased \$16 per ton, the cost decreased \$3. Milk decreased \$1.86 per 100 pounds, but the cost decreased only 79 cents. The weighted indices for New York State indicate that prices decreased 63 per cent, while costs decreased only 32 per cent. It was this unbalanced price structure that bankrupted farmers.

World Wars I and II

Farm prices have gone up in World War II as they did in World War I. Milk, apples, cabbage and oats were higher in World War II, while eggs, wheat and hay were lower than in World War I. The weighted indices show that prices were 7 per cent higher and costs 3 per cent lower in World War II than in World War I.

Corn in Illinois

The drop in price from the high of World War I to the depression low was greater for corn in Illinois than for corn in New York State, or for any other New York farm product. Corn in Illinois dropped from \$1.28 to 11 cents per bushel. If in World War II corn and wheat prices had been permitted to rise to their true market value, less of these grains would have been fed to livestock, leaving more for human consumption.

Table VIII -- Prices and Costs During Wars and Depressions  
Cost Account Farms

	Highest price in World War I 1919 *	Lowest price in the depres- sion 1932 **	Highest price in World War II 1944 ***	Relatives when World War I=100 1932 ** 1944 ***	
<b>New York</b>					
Milk per 100 lbs.					
Price	\$3.27	\$1.41	\$4.02	43	123
Cost	2.90	2.11	3.20	73	110
Eggs per dozen					
Price	0.59	0.23	0.44	39	75
Cost	0.43	0.27	0.34	63	79
Oats per bushel					
Price	0.90	0.34	0.98	38	109
Cost	1.45	0.69	1.50	48	103
Corn per bushel					
Price	1.51	0.58	1.41	38	93
Cost	1.79	1.28	1.01	72	56
Barley per bushel					
Price	1.48	0.43	1.37	29	93
Cost	1.40	0.80	1.46	57	104
Wheat per bushel					
Price	2.16	0.52	1.64	24	76
Cost	2.30	0.84	1.04	37	45
Alfalfa per ton					
Price	25.91	7.08	22.00	27	85
Cost	13.34	11.26	13.00	84	97
Other hay per ton					
Price	22.90	6.89	17.00	30	74
Cost	13.94	11.09	11.00	80	79
Apples per bushel					
Price	1.37	0.32	1.54	23	112
Cost	0.84	0.49	0.63	58	75
Potatoes per bushel					
Price	1.67	0.28	1.35	17	81
Cost	1.14	0.42	0.73	37	64
Beans per bushel					
Price	4.50	0.71	3.97	16	88
Cost	5.04	1.86	4.03	37	80
Cabbage per ton					
Price	27.43	2.74	34.57	10	126
Cost	14.85	7.72	24.57	52	165
Index numbers ****					
Price				37	107
Cost				68	97
<b>Illinois</b>					
Corn per bushel					
Price	1.28	0.11	1.00	9	78
Cost	0.49	0.28	0.38	57	78

\* Highest annual price occurred in 1919 except for corn and barley which were higher in 1917.

\*\* Lowest price occurred in 1932 except wheat and apples were lower in 1931; eggs and corn lower in 1933 and potatoes lower in 1934.

\*\*\* Highest price occurred in 1944 except that eggs, oats and apples were higher in 1943.

\*\*\*\* Weighted by proportion of time spent on different enterprises in New York State. Types of Farming in New York by R. S. Beck, Cornell Bulletin 704, page 65.

Rates of Production

Rates of production on cost account farms have generally increased. This has been true for eight of the twelve enterprises listed on the next page. The large increases shown in this table are primarily due to the better farms and farmers that have been included in the cost accounts. For example, a comparison of potato yields per acre for identical farms for two consecutive years showed an increase for eighteen years and a decrease for twelve. The net increase per acre for the thirty years amounted to only 13 bushels. The difference between the average yield per acre for 1914 and 1944 was 102 bushels. Nearly all of this large increase was due to the selection of farms. No one of the farmers having potato accounts for 1914 was in the accounts for 1944.

A similar comparison of the cow accounts on identical farms showed an increase in the production of milk per cow for fourteen years, a decrease for eleven and no change for five. The net increase for the thirty years was 500 pounds. The difference between the average production for 1914 and 1944 was 1500 pounds. Thus about a third of this increase was due to better cows and management and two-thirds to the selection of farms. None of the cow accounts for 1914 and 1944 was for the same farms.

The hen accounts on identical farms showed an increase in egg production per hen for nine years, a decrease for six and no change for one. The net increase for the sixteen years was 29 eggs per hen. The difference between the average production for 1928 and 1944 was 47 eggs per hen. About three-fifths of this increase may have been due to better birds and better care and two-fifths to the selection of farms. Of the thirty-three farmers having hen accounts for 1944, four were included in the accounts for 1928.

Labor Requirements

While production rates have increased during the past thirty years, the amount of labor spent on an acre or an animal has decreased. Since World War I, motors have rapidly replaced horses. This shift has been accelerated by the acute shortage

Table IX -- Rates of Production and Labor Requirements  
Cost Account Farms

Enterprise	1914 to 1918	1919 to 1939	1940 to 1944	Relatives when 1914-18 = 100	
				1919 to 1939	1940 to 1944
<u>Rates of Production</u>					
New York					
Cows, cwt. milk per cow	63	74	84	117	133
Hens, eggs per hen	87	127	163	146	187
Oats, bushels per acre	36	35	34	97	94
Corn " " "	28	34	36	121	129
Barley " " "	26	25	21	96	81
Wheat " " "	24	25	27	104	112
Alfalfa, tons per acre	2.6	2.2	2.2	85	85
Other hay " " "	1.5	1.6	1.8	107	120
Apples, bushels per acre	200	170	191	85	96
Potatoes " " "	111	167	244	150	220
Beans " " "	10	14	14	140	140
Cabbage, tons per acre	6.3	8.1	9.5	129	151
Index of production <sup>1/</sup>				117	136
Illinois					
Corn, bushels per acre	37	49	64	132	173
<u>Labor Requirements Per Animal or Acre</u>					
New York					
Hours per cow	145	143	126	99	87
Hours per hen	1.6	1.8	1.7	114	106
Hours per acre					
Oats	23	17	13	74	57
Corn	66	58	27	88	41
Barley	23	16	9	70	39
Wheat	25	17	11	68	44
Alfalfa	26	17	11	65	42
Other hay	10	9	8	90	80
Apples	131	101	106	77	81
Potatoes	91	84	84	92	92
Beans	37	31	28	84	76
Cabbage	93	95	97	102	104
Index of labor requirements <sup>1/</sup>				95	84
Illinois					
Corn, hours per acre	18	12	7	67	39

<sup>1/</sup> See \*\*\*\*, table VIII. The weights used were cows 45, hens 6, hay other than alfalfa 9, potatoes and apples 5 each, oats and corn for grain 2 each and barley, wheat, alfalfa, beans and cabbage 1 each.

of farm labor and high wages caused by the war. The greatest reduction in labor has occurred in the production of the grains. During the forties, compared with 1914 to 1918, the hours of labor per acre were reduced by more than 60 per cent for corn and by more than 50 per cent for the small grains. The corn picker and the combine have greatly reduced the labor required at harvest time.

Hens and cabbage are the only enterprises listed in table IX that did not show a decrease in the use of labor. The indices weighted according to the proportion of time spent on the different enterprises show that an increase of 36 per cent in the rates of production was accompanied by a 16 per cent decrease in the hours of labor. This is not a net gain, for labor in the city is required to make and sell the machinery used on the farm.

#### Value of Real Estate

In Newfane, Niagara County, New York, land values were high at the outbreak of World War I. In that community values had risen from \$50 per acre in 1896 to more than \$200 per acre in 1914. Values remained at about the \$200 level until the early thirties. Then values declined and reached a low of \$113 in 1940. Since then values have increased to \$162 per acre or to the 1931 level.

Changes in land values have been less on the cost account farms. During World War I land values increased from \$84 to over \$100 per acre. During the twenties the values varied from \$96 to \$120 with no definite trend. During the thirties values declined moderately to a low of \$92 per acre in 1941. Since then values have increased to \$108 in 1944.

Changes in the farm real estate market are better shown by the estimates of the United States Department of Agriculture. For the United States, land prices in 1946 are about as high as they were in 1919. Compared with New York, Illinois land prices went higher in the boom years and lower in the depression.

Table XI -- Farm Real Estate Values Per Acre

	New York cost account farms			Newfane Niagara County, N. Y.			Estimates by U. S. Dept. of Agr. <sup>1/</sup>		
	Acres per farm	Value per acre		Acres per farm	Value per acre		1912-14=100		
		dollars	1914=100		dollars	1914=100	N. Y.	Ill.	U. S.
1913	--	--	--	73	216	95	100	100	100
1914	166	84	100	72	227	100	102	103	103
1915	151	81	96	74	215	95	100	102	103
1916	176	85	101	66	206	91	103	105	108
1917	168	86	102	69	193	85	109	111	117
1918	165	92	110	70	186	82	115	119	129
1919	165	92	110	64	199	88	118	130	140
1920	167	103	123	72	209	92	133	160	170
1921	175	107	127	68	217	96	123	153	157
1922	177	110	131	67	236	104	116	126	139
1923	186	110	131	64	227	100	115	123	135
1924	193	107	127	65	235	104	112	116	130
1925	198	99	118	70	236	104	111	115	127
1926	200	96	114	67	240	106	109	109	124
1927	176	110	131	69	237	104	108	99	119
1928	186	107	127	72	207	91	106	96	117
1929	185	120	143	73	206	91	105	95	116
1930	187	112	133	77	193	85	103	91	115
1931	203	105	125	70	155	68	96	80	106
1932	190	107	127	75	140	62	92	66	89
1933	185	109	130	71	134	59	82	54	73
1934	185	99	118	72	127	56	82	59	76
1935	187	94	112	72	126	56	84	61	79
1936	191	95	113	76	125	55	85	65	82
1937	193	97	115	76	124	55	86	70	85
1938	192	100	119	79	123	54	87	73	85
1939	210	95	113	84	119	52	86	72	84
1940	217	93	111	87	113	50	86	75	84
1941	219	92	110	89	117	52	86	76	85
1942	222	97	115	89	117	52	87	86	91
1943	222	98	117	105	137	60	97	91	99
1944	213	108	129	89	162	71	101	105	114
1945							109	112	126
1946							120	124	142
	<u>Per cent change in values per acre</u>								
1914-1920		+23			- 8		+30	+60	+70
1920-1933		+ 6			-36		-36	-66	-57
1933-1944		- 1			+20		+20	+94	+56
1944-1946		--			--		+19	+18	+25

<sup>1/</sup> The Farm Real Estate Situation 1943-44, United States Department of Agriculture Circular No. 721 and Current Developments in the Farm Real Estate Market, March 1946.

Table X -- U. S. Federal Finances <sup>1/</sup>

Fiscal year	Expenditures per capita	Revenues per capita	Debts per capita
World War I			
1916	\$ 6.88	\$ 7.34	\$ 12
1917	18.75	10.49	29
1918	121.64	34.80	118
1919	176.12	48.68	243
1920	59.67	62.52	230
World War II			
1938	53.94	43.36	325
1939	64.11	38.26	352
1940	67.12	39.37	369
1941	104.51	53.32	417
1942	253.68	93.77	575
1943	587.05	162.11	1,038
1944	692.50	317.45	1,475
1945	707.83	319.69	1,865
1946 estimated	463.30	255.37	1,981

<sup>1/</sup> Economic Record, National Industrial Conference Board Inc., 247 Park Avenue, New York. March 1943, Vol. V, No. 3, page 62 and February 1946, Vol. III, No. 2, page 80.

Higher Prices Primarily Due to Increased Supply of Money

In war time the government spent more than it received in taxes. The difference was borrowed. The government bonds bought by commercial banks were paid for by creating new deposits -- in other words, new money. Since the outbreak of World War II, money in circulation has increased from \$50 to \$200 per capita. Such an increase in the supply of money caused prices to go up. Goods went up in price not only because of a superabundance of money, but because of a shortage of goods. Further price rises can be stopped by producing more goods. The government can stop the increase in the supply of money by spending only what it receives in taxes.

A Stable Price Level

Regulating the value of money is a governmental function. Certain devices to maintain stable price level such as Fisher's Commodity Dollar and Warren's Dollar with a varying quantity of gold have been proposed for this purpose.

With a stable price level, the government would be freed from most of its troubles. Whenever prices rise, we have outcries over the high cost of living and ask the government for ceiling prices and subsidies -- "OPA". Rising prices cause an epidemic of strikes and we look to the government to settle them -- "Fact Finding Boards". Whenever we have deflation, the unbalanced price structure bankrupts the farmer. We ask the government to restore farm prices to parity -- "AAA". Deflation causes unemployment. We ask the government to see that everyone has a job -- "WPA".

For fifteen years the government has not been able to collect taxes enough to pay for the things that we have asked the government to do. But the financial cost is secondary. The primary cost is the loss of freedom; freedom to work or not to work, freedom to buy and sell in a free market, freedom to run one's own business. To keep this the land of freedom, everything possible should be done to stabilize the price level.

Summary

There is a widespread belief that the government through rationing and price ceilings is successfully countering inflation. A comparison of the prices that cost account farmers received in each war period does not justify such complacency. Inflation is here. Farm prices have gone as high and farm profits have gone much higher in this war than in World War I.



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