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THE AGRICULTURAL SITUATION IN U.S.A.

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REVIEWING conditions in many countries it may be observed that as a rule farmers in those countries farthest from their markets and most specialized suffered most from the depression. As prices fall, distance and fixed or slowly yielding handling charges raise barriers between producers and consumers even within national boundaries. Import duties and other restrictions upon international trade add greatly to the handicaps of surplus producers, while they protect producers in deficit countries. Thus farmers in England and Germany have not suffered so much as the surplus producers of Canada and the United States. I shall not undertake to explain the depression or to deal at length with its history and its effect in the United States, but wish to present some of the measures of improvement and call attention to some of the important factors contributing to the improvement in condition.

The position of the farmer in the United States has greatly improved in the past year. Income from farm production declined at a rapid rate from 1929 to 1932, intensifying the burdens—taxes, high interest charges, high freight rates, and costs—of which farmers were already complaining in 1929. In 1932 the decline seemed to be checked and some improvement appeared in the latter half of the year, but this was not sustained. Finally, the banking crisis and the change in administration in the spring of 1933 marked the bottom of the depression. Since then improvement in the prices of farm products and in farm income has been offset to some extent by increases in costs of commodities purchased; but with taxes and interest charges reduced, debts scaled down and refinanced, and a reconstructed farm credit system, the position of the farmer has been greatly improved.

Marked improvement followed the inauguration of the relief measures of the new administration. Income from marketings of farm products had declined from $10,479 million in 1929 to $4,328 million in 1932, but in 1933 exceeded that of 1932 by $540 million, an increase of about 12 per cent. Benefit and rental payments added $159 million, making the total gain in dollar income of $699 million, or 16 per cent. over that of 1932. Further gains are being registered in 1934. It now seems likely that income from marketings will reach about $5,400 million, and that other cash payments will bring the total close to $6,000 million in 1934, an increase of more than 40 per cent.

Price changes tell about the same story as income estimates, except that the exchange value of farm products has not improved as much as the gross dollar income. The prices of farm products in the United States reached their lowest level in February 1933, which was only 49 per cent. of the pre-War level; having dropped from an

Indexes of Net Agricultural Production, Prices, and Income, United States, 1919 to Date

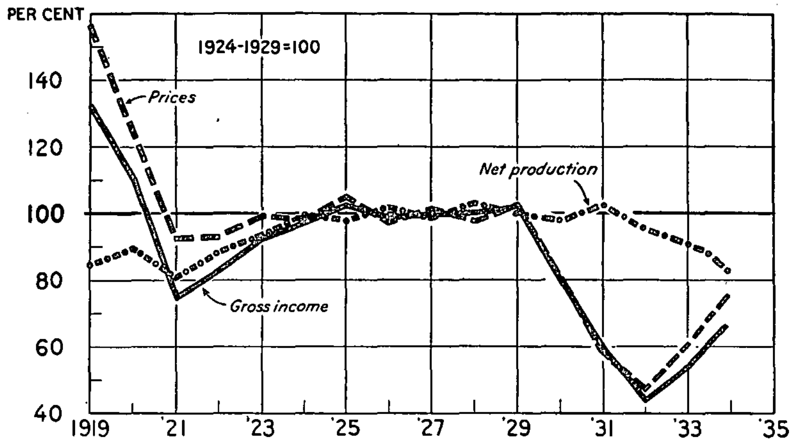

FIGURE 1

average of 138 per cent. in 1929. From this point prices recovered at a rapid rate to July 1932, then slumped, but in July 1934 had reached 80 per cent. of the pre-War average which is the highest level registered by farm prices since April 1931. The prices of commodities farmers buy also declined, but not so rapidly as the prices of farm products. At the low level in March 1933, these prices were at the pre-War level, having declined from 152 per cent. in 1929. Thus the exchange value of fixed quantities of commodities farmers sell, for what they buy, declined from 91 per cent. of pre-War in 1929 to 49 per cent. in February and 50 per cent. in March 1933. The sharp rise in the prices of farm products in the few months after March was followed, but slowly, by an increase in the prices of commodities farmers have to buy. However, these prices continued to advance in the latter part of the year, and in July of 1934 had reached 122 per cent. of the pre-War level. The greater advance in the prices of farm products had resulted in an increase in the exchange value of farm products from the low level of 49 to 66 per cent. of the pre-War level, an improvement of nearly 35 per cent. from the low level of February 1933.

The position of the farmer has also been improved by reductions in taxes and in interest burdens. The great reduction in income year after year following 1929 forced curtailment in expenditure and de-

Cash Farm Income and Prices Paid by Farmers, 1924 to Date

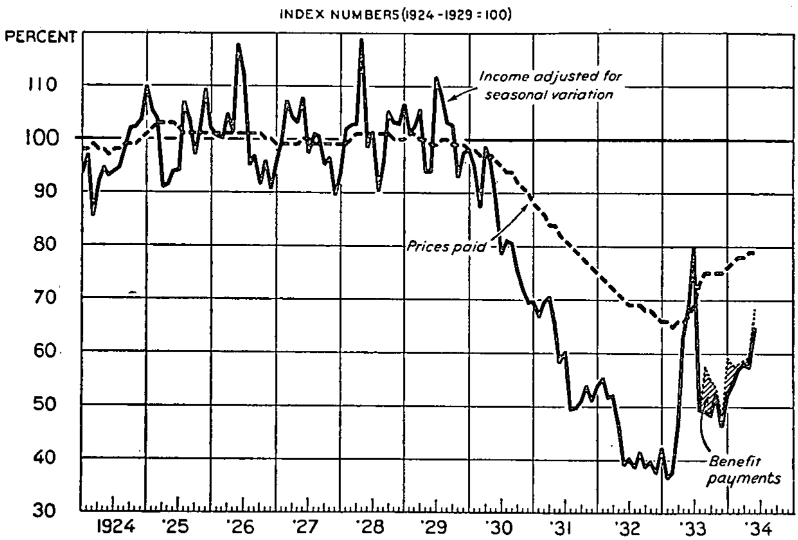

FIGURE 2

faults of taxes, interest payment, and in many cases the principal of debts. Wage payments to hired labour, rents, expenditure in the purchase of machinery, and other operating costs were cut more than 50 per cent., but taxes and interest charges remained high. The taxes on farm real estate were reduced from 243 to 191 per cent. of pre-War, or only 21 per cent., and the interest charges on farm mortgages from 231 to 207 or only about 10 per cent. between 1929 and 1932. In the past year these burdens have been further reduced. By March 1934 farm real estate taxes had been reduced to about 160 and interest charges to about 170 per cent. of pre-War, reductions of 16 per cent. and 18 per cent. respectively. Thus the position of the farmer in the past year has improved by a material reduction in fixed charges that had become very burdensome, as well as by increased income. Taxes and interest charges are preferred claimants on income. In 1929 they amounted to only 10 per cent., but in 1932 would have required about 20 per cent. of the gross income from agriculture. The reduction in these charges against the increased income will lighten the burden from 20 to about 15 per cent. of the gross income.

If labour were hired and other expenditures were made for the

Prices Received, and Prices, Wages, Interest, and Taxes Paid by Farmers, 1910 to Date

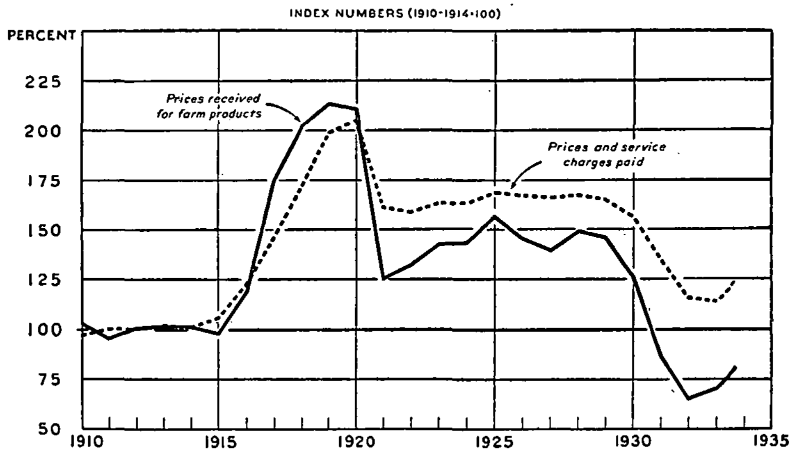

FIGURE 3

same volume of goods and services as before the depression, the gain from reductions in interest and tax charges would be more than offset by increases in wage rates to hired labour and in the prices of commodities purchased for use on the farm. Weighing all of these items, including real estate taxes and interest upon mortgages, approximately according to average outlays, they increased from 106 in March 1933 to 122 in March 1934, an increase of about 15 per cent., whereas the prices of farm products increased more than 40 per cent. Estimating actual expenditure and receipts, it is found that the income from the agricultural production of 1933 yielded the farmers of the United States a small net return for their management and investment, the first net balance since 1929.

The above estimates of improvement in income from agriculture in the United States as a whole may be checked by information from thousands of individual farms showing their individual accounts for the year's operation. The farmers reporting have farms larger than the average, but they represent a large share of the commercial agriculture of the country. The average cash receipts of these farmers declined from $2,669 in 1929 to $1,014 in 1932 and recovered to $1,222 per farm in 1933. Taxes per farm declined from $187 to $149 and then to $127. Interest paid declined from $199 to $173 and then to $160. The net result after deducting interest and other

Prices Paid by Farmers, Wages Paid to Hired Labour, Interest Payable on Mortgage Indebtedness, and Taxes Payable on Farm Real Estate, 1910 to Date

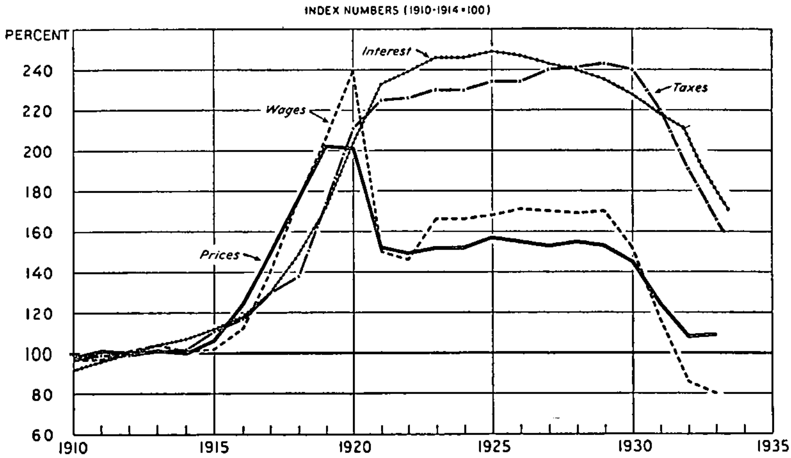

FIGURE 4

cash outlays from cash receipts, in 1929 was $898, in 1932 only $84, but in 1933 about $355 per farm. An additional gain per farm will be registered in 1934. These net figures represent the cash available per farmer for buying the necessaries of life not raised on the farm and for savings or investments. Obviously the average farmer had nothing for saving or investing in 1932. He pinched his cash expenditures to the minimum, and many deferred payments of debts, interest, and taxes. The additional income in 1933 made it possible for the average commercial farmer to recover partly his former manner of living and enabled many farmers to resume payments of debt principal, interest, and taxes. Furthermore, improvement in prices and income was reflected in an increase in the value of the farmer's property, and this in turn, of course, contributed further to an improvement in his credit status.

Having taken some measures of the recovery that has taken place in the agriculture of the United States, let us consider briefly how this recovery has been brought about. Many different factors have contributed to bringing an end to the depression and starting the revival. Individuals who have devoted special attention to specific factors and remedial proposals have over-emphasized the particular factor or factors with which they have dealt. Before beginning to particularize let me observe that time in itself is an important factor in bringing an end to a depression and starting revival. Borrowing an expression from Warren M. Persons, there is 'bed-rock' in our economic structure that eventually stops depressions. Extensive readjustments must follow great upheavals such as the late War. Much energy is spent in resisting necessary readjustments. The resistance, however, wears out, superficial structures fall down, individuals and institutions become bankrupt or readjust, and we prepare to operate on a new basis. This is a matter of time, and thus we have great cycles of booms and depressions.

The most dramatic incident marking the turn in the United States was the closing of banks throughout the country coincident with the inauguration of a new political administration. This set the stage for a new deal.

AGRICULTURAL RELIEF

The primary Act for the relief of agriculture was approved May 12, 1933, and the operations under each of the three titles of that Act have contributed materially to the improvement in the position of the farmers during the past year. The operations and results achieved under this Act will be considered under three separate titles: (1) Agricultural Adjustment; (2) Agricultural Credits; and (3) Financing and Emergency Power to Coin Money and Regulate the Value Thereof. These will be considered in the reverse order of the title numbers in the Act.

The revaluing of the dollar contributed to a sharp rise in the price of several important farm products, thus tending to revive confidence in prices generally, and to increase the flow of dollars to many producers in the country. The first Act in this direction antedated the signing of the Relief Act. The Government suspended gold payments on foreign account on April 19, and from that date the prices of farm products of the United States most directly affected by foreign market conditions rose at a rapid rate.[1] The farm price of cotton advanced 73 per cent. between April 15 and July 15. The average farm price of wheat advanced 92 per cent. in the same period of time. This rapid rise in the price of wheat was aided by the prospect of a short crop in the United States and the rise in the price of cotton by a revival of textile manufacturing activity. But the increase of 44 per cent. in the dollar price of the gold equivalent of the old gold dollar in exchange was an important factor in the price advances of these commodities.

Confidence that the great decline in prices generally had come to an end and speculation as to the rate of recovery and of devaluation boosted the prices of all commodities traded in extensively on futures exchanges. The prices of six speculative commodities in the markets of the United States rose 70 per cent. from the middle of April to the middle of July.

The extent to which short-time speculation entered into the rise is suggested by the decline in prices that followed from July to October 1933. Further devaluation of the dollar in September and October failed to do more than check the decline. The advance in prices from October through January was a reflection of the further devaluation of the dollar and general business recovery. It should be observed, however, that the influence of the devaluation of the dollar upon prices of farm products probably did not stop with stabilization at the point of official revaluation. As the prices of some commodities respond rather slowly to the forces which are pulling upon them, the full force of devaluation would not be registered in the general price level until some time after stabilization. As stabilization brought to an end the influence of speculation upon the commodities in international trade on exchanges which respond most promptly to price-making forces, the prices of other commodities continued for some time to adjust themselves to the revalued dollar. The great gain to agriculture in this revaluation came from the fact that the raw material products of agriculture responded most promptly, while the prices of many of the commodities that farmers buy remained unchanged or changed slowly, and interest charges and taxes were being readjusted downwards.

FARM CREDIT

Action under the title 'Farm Credit' has contributed materially to the great improvement in the position of the farmer. The inaugura-

[1] Following this action the value of the dollar declined at a rapid rate. This devaluation of the dollar anticipated the revaluation provided for in the Relief Act.

tion of the Farm Credit Administration by executive order, March 27, effective May 27, 1933, brought together several agencies that had been charged with providing credit to agriculture in various forms. The legislation approved May 12 as part of the Agricultural Relief Act may be cited as the Emergency Farm Mortgage Act, and its purpose was to bring relief to farmers by providing for the refinancing of indebtedness, reducing interest rates, and deferring payments on the principal of loans. This was followed shortly (June 16) by the Farm Credit Act of 1933, which added institutions and functions necessary to provide a complete federal credit service for agriculture.

Farm credit had collapsed under the long, drawn-out depression. Hardly a shred of a basis for credit remained in agriculture. Many institutions were bankrupt or nearly bankrupt because of a shrinkage in the value of agricultural paper. Many banks failed to reopen after the national bank holiday, largely because they held large volumes of farm mortgages upon which they could not realize cash. Action by the administration was prompt and effective. The federal farm-land bank system was quickly reorganized and the refinancing of loans got under way at a rapid rate. The introduction of a valuation policy recognizing that the extremity of the depression was a temporary matter, did much towards restoring confidence in land values. The refinancing of mortgage debts provided relief for the lending institutions that had become overburdened with mortgage holdings. Business in rural communities generally responded promptly to the thawing-out of credits and a revival of confidence.

The farm debt burden in the United States in 1932 is estimated to have been about $12,000 million. Of this amount the farm mortgage debt amounted to $8,500 million. The bulk of all this debt was carried by private institutions or individual persons. Insurance companies carried a large share of the farm mortgage debt. Banks carried large volumes of both farm mortgages and short-term loans upon collateral or personal security. The total farm debt in 1932 was about equal to the gross farm income in 1929, but in 1932 it was nearly three times the total of the gross income for the year. Thus the burden of which there was some complaint before the depression could hardly be carried at the bottom of the depression. It was wrecking both the farmer and those persons and institutions carrying his debts. The Farm Credit Administration came to the relief of both.

The primary objectives of the Farm Credit Administration are to afford relief by refinancing debts and to open and keep open credit channels for the farmer. In the first year of operation the Administration loaned on farm mortgages over $1,000 million to about 400,000 farmers throughout the country. About 90 per cent. of these loans has been used to refinance existing indebtedness. The federal land banks and the Land Bank Commissioner now hold more than $2,000 million in farm mortgages. This refinancing has made it possible for many farmers to save their homes and farms from foreclosure.

In order to enable many heavily indebted farmers to refinance their indebtedness through the Farm Credit Administration, it has been necessary for creditors to scale down their loans so that the indebtedness of the farmer would not exceed 75 per cent. of the value of the farm, the limit upon the amount which may be loaned by the Land Bank Commissioner on either first or second mortgages. The extent to which these farmers have refinanced their debts through the Farm Credit Administration and have been given a new chance to carry on is indicated by the fact that during the period June 1, 1933, to July 25, 1934, borrowers receiving 66,825 loans obtained a scaling-down in their indebtedness amounting to $51,607,374. Measured in another way, 16 per cent. of the loans made were to borrowers who obtained scaling-down, and the amount scaled-down constituted 26 per cent. of these borrowers' prior indebtedness. These borrowers have also benefited from interest reductions, as the rate of interest charged by the federal land banks and the Land Bank Commissioner is lower than that previously paid by the borrowers on the indebtedness refinanced. The savings in interest on interest-bearing indebtedness refinanced during the above stated period is estimated to be $15,375,873 a year, or nearly one-fourth of the interest formerly paid on that indebtedness.

All farmers having loans from federal land banks received a reduction in their interest burden under the Emergency Farm Mortgage Act. The interest rates on federal land bank loans in force as of May 12, 1933, ranged from 5 to 6 per cent. and averaged 5·4 per cent., while loans made since May 12, 1933, are made at 5 per cent. if the borrowers obtain them through national farm loan associations and 5½ per cent. if they obtain them direct from the banks. The Act provides, however, that during the five-year period ending July 1938, the rate of interest on loans through national farm loan associations be reduced to 4½ per cent. Thus, on more than $1,000 million in unpaid principal of loans in force as of May 12, 1933, this interest reduction averages nine-tenths of 1 per cent. a year, and on the loans made since that date, one-half of 1 per cent. a year. The reduction in the interest rate on direct loans made since May 12, 1933, is also one-half of 1 per cent. a year.

In addition to providing for these reductions in interest charges, the Emergency Farm Mortgage Act also made it possible for the federal land banks to extend delinquent unpaid instalments of loans at the request of borrowers during the five-year period ending July 1938. To June 30, 1934, nearly $50 million of unpaid balances of matured items, consisting mostly of interest and principal of instalments and cash advances for taxes, has been extended. The Emergency Farm Mortgage Act also authorized the federal land banks to defer until July 1938 the principal portion of maturing instalments on loans in good standing. To relieve the federal land banks of any burden from extensions and deferments granted, Congress authorized that extensions and deferments in force may be used by the banks as a basis for paid-in surplus claims from the United States Treasury.

During the first year of the Farm Credit Administration farmers were assisted in building a system of 650 local production credit associations designed to make loans on crop and chattel security and serve as permanent sources of short-term credit. These associations constitute a nation-wide system of low-cost credit available to every farming community at a time when loans from private agencies have been difficult, if not impossible, to obtain. In lending short-term money to farmers on a business basis through their own associations, the Farm Credit Administration opened the services of the federal intermediate credit banks to thousands of farmers and live-stock men, and made production money available on a nation-wide scale at the lowest rates ever paid by farmers for this type of credit. Under this new line of credit, the production credit associations are making production loans to farmers at 5 per cent. interest, which is from 2 to 3 per cent. lower than the rate charged by many private lending agencies. This saving to American farmers undoubtedly will amount to more than $1 million during the year 1934. In addition to the direct saving, the reduction in interest rates effected by the production credit associations has caused some private lending agencies to lower their rates to farmers in order to place their rates more nearly in line with those of the new credit system. Farmers have sometimes had to pay from 10 to 15 per cent. and sometimes even more for short-term credit from store-keepers and dealers, but the establishment of production credit associations throughout the country gave them an opportunity to pay cash for their farm operation requirements and thus make a liberal reduction in their overhead expenses.[2]

Thus the activities of the Farm Credit Administration have contributed materially towards reducing the debt burden of the farmer in terms of capital payments to be made, in the time in which to make the payments, and in interest charges. They have placed the farmer in a more comfortable position with reference to his creditors, enabling him to retain his farm and continue to operate about as usual. They have contributed towards the reopening of country banks, to the revival of business generally in rural communities, and to improving the demand for the industrial products made in the city for farmers.

AGRICULTURAL ADJUSTMENT

The Agricultural Adjustment provisions of the Emergency Agricultural Relief Act, administered by the Department of Agriculture, have contributed towards curtailing production, eliminating burdensome surpluses of farm products, and increasing the income to farmers both directly through benefit payments, and indirectly through increases in the prices of farm products. In this Act agriculture is declared to be a basic industry and the transactions in agricultural commodities affected with a national public interest. It is declared to be the policy of Congress 'to establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefore, as will re-establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period'. This goal was to be approached gradually and with due regard to the consumer's interest.

The primary purpose of the Act was to readjust farm production to the demand for farm products of the United States, both at home and abroad. Industry had curtailed production and maintained prices. Agriculture had not done and could not do so. Agricultural production in 1932 was only 5 per cent. less than in 1929, whereas industrial production had declined nearly 50 per cent. The decline in industry would have been greater still had it not been that agriculture continued to furnish grist for the mills and animals for the packing establishments, despite the great decline in prices. The farmer con-

[2] Mr. George C. Haas, Deputy Governor of the Farm Credit Administration, generously supplied data and contributed part of this summary of the accomplishments of the Farm Credit Administration.

tinued to produce nearly as much as before the depression began, and had to take prices 50 per cent. lower, whereas the industrialist cut down his plant, sent his labour to the country to live off the farmer, and in many cases continued to charge the farmer about the same as before, for whatever the farmer could buy. Under the administration of the Adjustment Act, the Government is attempting to help the farmer to do what, unorganized, he could not do, and thus put him on a more nearly equal footing with the industrialist.

The depression abroad weakened foreign demand as well as the domestic demand for farm products, and barriers imposed by foreign countries against the import takings of our products caused surpluses to pile up at home and further depressed prices. Recognizing that recovery from war conditions lessened the dependence of many European countries upon the products of the United States, and that international trade barriers were becoming serious obstacles to the sale of farm products in foreign countries, it seemed necessary to lessen our dependence on foreign markets.

Great surpluses of wheat and cotton had accumulated, and the first move was to undertake to reduce the acreages of these crops. Cotton was being planted when the Adjustment Act was passed, and the administration moved promptly towards eliminating part of the acreage planted in the spring of 1933. Most of the farmers in the Cotton Belt signed contracts to reduce acreage. In fact, the total area contracted out amounted to 10,400,000 acres, about one-fourth of the area planted. If the acreage contracted out had been harvested, with yields about the same as realized for the season on the remaining acreage, production would have been increased 4,400,000 bales, making a total production of more than 17 million bales of new-crop cotton in the face of a large carry-over. And this would have resulted in very low prices for cotton. After eliminating about one-fourth of the acreage planted, the crop turned out to be equal to that of the previous year. In other words, the accomplishment of the first year in adjusting cotton acreage was to prevent an increase in production and an increase in the surplus stocks of cotton.

Considering prices and income, the significance of cotton acreage reduction in 1933 was mainly to prevent losses from harvesting a larger crop. The farm price of cotton in 1932 had averaged 6·5 cents per pound. The devaluation of the dollar itself probably would have raised that to more than 9 cents per pound. Had a crop of more than 17 million bales been harvested, however, the price probably would have been reduced to 6 cents per pound or less, in spite of devaluation. The total crop probably would have sold for fewer dollars than were realized from the crop actually harvested, and the additional cost of production and marketing would have greatly reduced the net income to the farmer. The average farm price for the 1933 crop was 9·8 cents per pound.

The income from the lint of the cotton crop of 1933 was estimated at about $640 million, compared with $420 million realized from the crop of 1932. This is an increase of $220 million, and to this is to be added the $163 million realized from benefit payments, making a total increase in the income of cotton farmers in 1933 over 1932 of about $380 million, or about 75 per cent., of which about half may properly be attributed to the activities of the Adjustment Administration.

In the second year of operations upon cotton, the weather has co-operated with the Adjustment Administration in reducing production. The area in cultivation on July 1 was estimated to be 27,371,000 acres, after allowing for average abandonment, compared with 36,542,000 acres in cultivation on July 1, 1932. Conditions as of August 1 indicated a crop of only 9,195,000 bales, compared with 13 million bales harvested in 1932 and in 1933. Should the crop turn out to be as now indicated, this will bring the supply down to the lowest level for some years, and the world carry-over of American cotton at the end of the present season will be reduced fairly closely to a normal basis. Since the demand for cotton is sufficiently inelastic to cause small crops to be sold at higher prices than large crops, the reduction of the supply to this level probably will result in relatively high prices for American cotton in the coming season.

A few other observations should be made with respect to the cotton programme. One of the problems confronting the administration was the liquidating of Farm Board holdings of cotton. This was done by the Government taking over those holdings. At the beginning of the harvest season, with a fairly large cotton crop in prospect and a large carry-over, prices were being depressed. The administration strengthened the market by announcing a loan on cotton, valuing it at 10 cents per pound, which was above the current market price. This tended to strengthen the market, and the rise in prices subsequently justified this loan value. Undoubtedly the programme of curtailment in itself had a strengthening influence upon the market. Continuing the large acreage and production of recent years would have maintained large stocks and low prices, but the acreage curtailment indicated that sooner or later these large stocks would be used up and prices would rise materially. This led to an inclination to buy cotton in anticipation of a later reduction in supply.

One may ask about the effect of processing taxes upon the price of cotton. It appears from analysis that the consumer demand for cotton is sufficiently inelastic to prevent the tax of 4·2 cents from being taken wholly out of the price to the farmer. The manufacturers of cotton goods have marked up their goods to cover the processing tax, and apparently this has but very little effect upon the consumption of goods. While it has not been definitely determined to what extent there was a reduction in price to the farmer, it is reasonably certain that the reduction was but little if any. Possibly the influence of improved business conditions upon the demand for cotton was offset to some extent by the increase in the cost of cotton to manufacturers on account of the processing tax.

The Adjustment Administration also undertook to clear the wheat surplus in the United States by reducing production of that crop. A large percentage (77 per cent.) of farmers contracted to take out of production 15 per cent. of their average acreage of the period 1930–2. The handling of the wheat crop is much more complicated than that of the cotton crop. Much of the production is for home use and is scattered among a great many farmers throughout most of the United States. Commercial producers generally considered the offered benefit payments a sufficient inducement to curtail acreage. Many small producers were either not in a position to enter into such a contract or considered it inadvisable to do so. Some producers not entering into contracts increased their acreage in expectation of higher prices because of reduced production, and in part to guarantee their own needs against the possibility of having to buy higher priced wheat. Nevertheless, a considerable acreage was contracted out of production for the 1934 season.

The acreage of winter wheat seeded in the fall of 1933 was reduced 7·4 per cent. from the 1930–2 average, and 4 per cent. from the acreage seeded for 1933. Since the contracts had not been completed in advance of seeding, it was expected that some of the acreage seeded would be eliminated from harvest under contract. Nature cooperated with the administration in reducing acreage. Winter killing was very heavy; also drought in the spring wheat territory prevented seeding, even to the extent intended by farmers under contract. The winter wheat acreage for harvest was greater than in 1933 when the abandonment was very great, but about 18 per cent. less than harvested annually in the three years 1930–2. Spring wheat acreage was reduced to 60 per cent. of the acreage harvested the previous year. Furthermore, the drought reduced yields so that the production is considerably less than would have been expected under normal conditions on the acreage that would normally have been seeded and harvested.

The most significant effect upon the prices of and income from wheat has been in moving an export surplus from the Pacific coast without permitting it to depress prices in the east, where the production of the past season was not sufficient for domestic requirements, and in the insurance to the market that there would not be a large surplus production in 1934. These two measures probably added 20 cents per bushel to the price of wheat sold by farmers in the past season, and now leave a supply situation for 1934 that will provide only for domestic requirements and for about a normal carry-over into the 1935 season.

In the case of wheat, as in the case of cotton, devaluation of the dollar contributed to a material increase in dollar income, but the activities of the Adjustment Administration made a considerable addition to the income of the wheat farmer.

The income from wheat marketings in the 1933–4 season is estimated at $286 million, compared with $203 million in 1932, an increase of $83 million from the sale of wheat. This was realized in spite of the fact that the quantity of wheat marketed amounted to only 368 million bushels, as compared with 524 million sold in the previous season. Thus the price advance was sufficient to do much more than offset the reduction in marketings. Benefit payments added $98,600,000, making a total income from wheat for the 1933 season of $385 million, a gain of about $182 million. The activities of the Adjustment Administration probably contributed about $170 million to the increase in the income from wheat, this being added to the contribution of the devaluation of the dollar, which would have only a little more than offset the effect upon income of the great reduction in the quantity marketed. In the forthcoming season farmers will market some of the old wheat carried over from other seasons and the new crop, at prices which will probably return an income about the same as, or perhaps a little larger than, that received from wheat in the past season.

The great Corn Belt of the United States was greatly depressed by the low prices of hogs and other live-stock products. The fact that grain prices fell more rapidly than live-stock prices in the early part of the depression led farmers in all parts of the country into the production of live stock, thus reducing the demand of deficit areas for the products of commercial production. Hog production had reached a high peak in 1932 and was increasing, and the price of hogs had fallen to a very low level.

The Adjustment Administration signed up a million and a half farmers under contract to reduce both the farrowings of pigs and the planting of corn. An effort was made to reduce hog production about 25 per cent. The actual reduction cannot be determined definitely until the end of another year. A survey recently made indicates that the spring pig crop of 1934 was 28 per cent. less than that of the previous season, and that farmers intend to decrease the number of sows bred in the fall of 1934 by 38 per cent. Such reductions will result in materially higher prices for hogs in the near future. In fact, prices are already reflecting this prospect.

In the case of hogs, as in the case of wheat, other measures have contributed to improving the situation. In the fall of 1933, prices had fallen to a very low level under the pressure of heavy marketings. In order to strengthen the market and also to prepare for the imposition of processing taxes, the Government purchased a large number of pigs and slaughtered them, thus reducing the number of hogs to be fed. These pigs were purchased at prices fixed by the Government—prices high enough to induce farmers to sell them, that is, higher than the current market prices for such pigs. The offer for sows failed to bring forth any considerable number of them. Later in the season the Government made large purchases of meat or purchased hogs for slaughter, to provide meat for relief. This was done from time to time, because of the need of the supplies and timed for the purpose of strengthening the market as the processing taxes were increased or as market supplies seemed to be running temporarily excessive. Thus the market for hogs was stabilized through the winter season.

The policy pursued with reference to corn has contributed towards readjusting the live-stock situation for next year. Conditions at the beginning of the 1933–4 corn-marketing season were such as to depress unduly the market price for corn. The Government decided to offer a loan on corn, similar to that on cotton, at a price higher than current market prices in the surplus-producing areas. This had the effect not only of raising the price of corn to some extent, but also of discouraging the feeding of corn to live stock which were selling at very low prices. The slaughter of pigs and the placing of a large quantity of corn under seal for loans tended to conserve the supply for the latter part of the season. This policy has probably saved about 50 to 100 million bushels of corn, to make up in part the deficit on account of the great drought. Not only did this policy conserve corn, but it has tended to slow up and curtail live-stock production.

The financial benefits to farmers from the corn-hog adjustment programme cannot be measured in terms of prices in 1933 compared with 1932. The prices and income from hogs in the past twelve months have not been improved to any significant extent. The benefits to be derived will be realized mostly within the next twelve months. The demand for pork is so elastic that raising the price to the consumer on account of the processing tax tends to curtail consumption. The amount of money that the consumer will expend for meats is determined primarily by the amount of money he receives. As the price to him is increased, he consumes fewer pounds of meat. Since live-stock products are perishable and must be consumed as brought to market, the price the consumer will pay, minus charges for handling, determines the price the producer receives. In the forthcoming season, the reduced supply may bring the farmer a greater net return, as the consumer will continue to pay about the same amount of money for supplies, making higher prices per pound, but the cost of handling the smaller quantities will be less, and consequently the deduction per pound less. Furthermore, the farmer will receive large benefit payments. Taking the two years, together with the benefit payments, there will undoubtedly be some net gain in income; and at the end of the two years the production situation will be readjusted to a profitable basis.

CONCLUSION

Time-limits will not permit a review of the production adjustment operations with reference to tobacco and rice, nor a review of operations under marketing agreements. While the objectives in all cases have been essentially the same, the methods of operation have varied greatly on account of the peculiarities of production, methods of marketing, or of the demand for the product. In all cases many of the actions taken in the past year and planned for the present season are considered to be only emergency measures to be followed by a more permanent programme for maintaining a better balance between industry and agriculture and for keeping production more in line with the demand for the several products at home and abroad.

Any comprehensive national programme for agriculture must also take into account industrial conditions as the domestic demand for many farm products depends largely upon urban purchasing power (Figure 5). The National Recovery Act of June 16, 1933, had as one of its objectives the increase in the consumption of agricultural products. In so far as P.W.A. and N.R.A. have contributed to increasing pay-rolls, they have also contributed something to improvement in farm incomes (see Figure 6).

It was expected that increased farm income would aid industry, and

Indexes of Income of Industrial Workers and Farmers' Cash Income from Crops and Live Stock, 1924 to Date

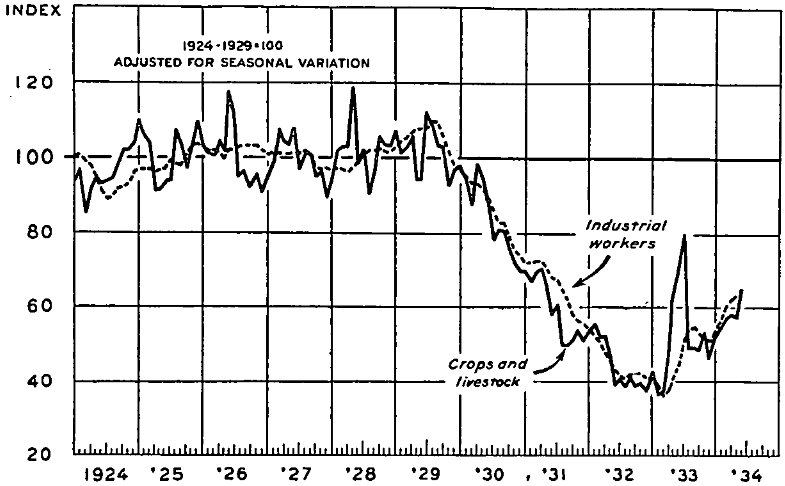

FIGURE 5

Indexes of Factory Employment and Pay-rolls

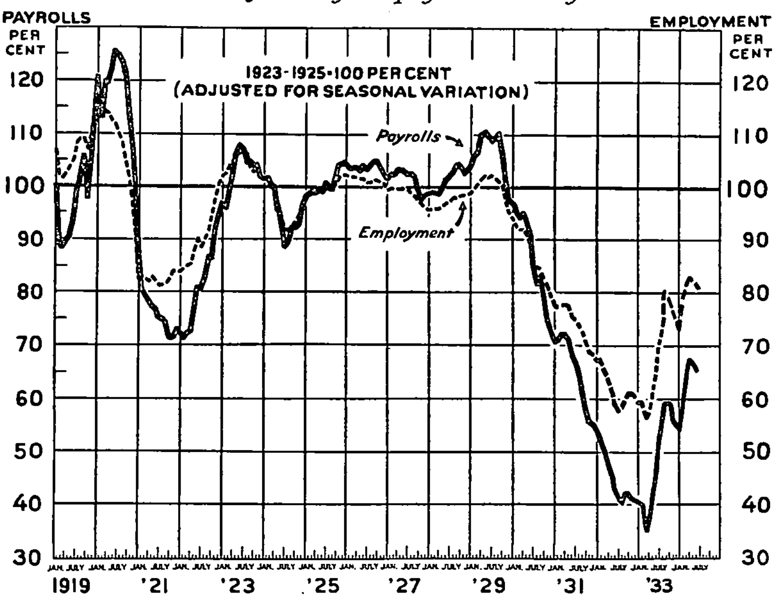

FIGURE 6

Indexes of Income of Industrial Workers and Cash Income from Crops, by Groups, 1924 to Date

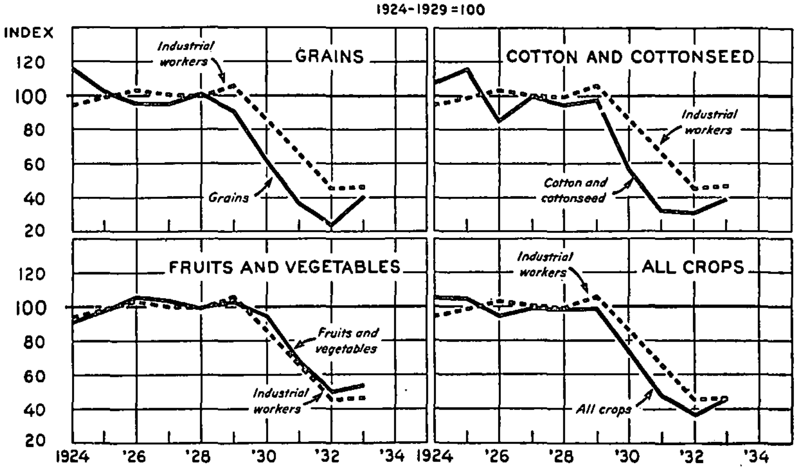

FIGURE 7

Indexes of Income of Industrial Workers and Cash Income from Live Stock and Live-stock Products, by Groups, 1924 to Date

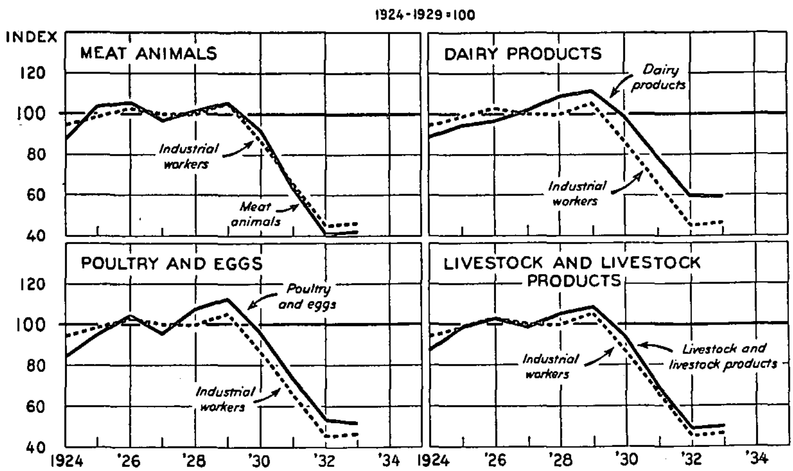

FIGURE 8

that has been realized. It is impossible to trace in each case the effects to their initiating force, but it appears obvious that benefit payments to agriculture, restored credit, the turn in prices, and the industrial relief programmes have all contributed to a material improvement in the purchasing power of urban consumers. This in turn has been an important factor in maintaining the incomes to producers of fruits, vegetables, and live-stock products in recent months far above the level to which they had fallen at the beginning of 1933 (see Figures 7 and 8).

Looking abroad we see several other countries apparently making some progress on the road towards the recovery of 'normal' conditions for agriculture and industry. But many important national readjustments are still to be made. It is our hope that the internal readjustments will prepare the way for the recovery towards 'normal' international trade in agricultural products. Of some products we still have capacity to produce much more than we consume, and we know that many people in foreign countries need and want them. Perhaps we can contribute something towards increasing their purchasing power, and it is our purpose to try to adjust our production to their demands and not to sell them what they do not want.