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AGRICULTURE IN TRANSITION  
FROM WAR TO PEACE

Papers and Proceedings

of the

*Seventeenth Annual Conference*

of the

WESTERN FARM ECONOMICS ASSOCIATION

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*Edited by the President of the Association*

## WESTERN FARM ECONOMICS ASSOCIATION

By GEOFFREY BAKER, *Assistant Director, Food Price Division  
Office of Price Administration*

When Miss Lucas talked to me about this address, she assured me that I would not have to sail under the false colors of an agricultural economist. My background is in the food processing industry, and my experience with the production of agricultural commodities, aside from a few summers on a fruit ranch in Yakima, Washington, is limited to the school of experience of the Office of Price Administration. A number of us have had to take on the job of price control without previous experience on the farm, but we have been ably assisted, not only by agricultural experts in our own Office, but by the entire facilities of the War Food Administration, through their National and Regional Offices. Those of you who are familiar with some of our earlier fresh fruit and vegetable regulations will be ready to testify that we learned about price control through trial and error. Of course, that is true of price control as a whole—we have had to create the rules for a controlled economy—rules which frequently run exactly counter to the good old law of supply and demand. Perhaps, therefore, we can be considered now to be experts in price control and therefore willing to make some comments on the relationship between OPA and Agriculture, not without fear of contradiction, but in the interest of stirring up some healthy discussion which may lead to improved policies or techniques.

One of the questions which Miss Lucas suggested to me as being of interest to your membership was, "Will OPA hold the line?"

The Far Western States are most interested, perhaps, in prices of fruits and vegetables for fresh use or for processing. Let us take that group of items, therefore, as illustrative of our answer to that question. The instructions in the Stabilization Act are to hold the line as far as possible at the level of September 15, 1942. The President's Directive No. 9328, of April 8, 1943, implemented this statutory injunction by the creation of the Office of Economic Stabilization as a checkrein on further increases. The Stabilization Act, however, still provided standards for certain legal minimum prices below which prices would not be set. These—as you probably know—are threefold, and we must take the highest:

- (a) The highest price obtained between January 1 and September 15, 1942
- (b) The present parity price
- (c) The January 1941 price adjusted for increased costs because of the gradual upward movement of the parity index, there is no end to the possibility of increase in the agricultural price ceiling standard as established by the Act.

While we do not complain, therefore, about the agricultural provisions in the Act, we must call attention to their inconsistency with an absolute hold-the-line policy. It just happens, fortunately for the American con-

sumer, that the total value of food subsidies just about equals the total amount by which agricultural prices were and are being permitted to rise from their September 1942 levels to the lowest price at which ceilings may be established.

The next limitation on our ability to hold the line is the actual time element involved in issuing regulations. Since September 1942, we have put under price control between 35 and 40 fresh fruits and vegetables, and we are constantly adding to this list. Nevertheless, there are still a large number of items which are not yet covered. We have only just now issued our regulation covering ceilings for cherries, apricots, fresh prunes, plums and pears for table use. We expect to have fresh peaches, apples and table grapes under ceilings before they begin to move in any volume. We are very short-handed in the Food Price Division, and particularly in the Fruit and Vegetable Branch, with the result that we have not moved as promptly as we would have liked in this field. These delays, coupled with some regulation techniques which permitted growers or shippers to share in distributor margins, have resulted in excessively higher returns to producers, with a resulting inflationary increase in the price of farm land.

In a recent trip through the fruit districts of California, I was told time and again about the concern felt by responsible growers, agricultural economists and bankers of the rapidly rising land prices. In many minds, the memory of 1921 and 1938 is still green. Prices for dried fruit have risen sharply because of the War Food Administration's urgent need for substantially increased production of these nutritive and easily-transported products. Some day these needs will no longer exist and the farmer who has extended his holdings and his heavy mortgages or who has planted orchards or vineyards on marginal land will find himself ruined. Those who have resisted the temptation to plant that 40 acres across the road, and those who have used their windfall profits to pay off mortgages and other debts, and to put in the bank a cash reserve against the lean years, will see it through. The remainder will lose their farms and have to start over.

These prices again have attracted high wages as a magnet. From my personal observation, I can say that the wages do not cause the prices. It is the other way around. I hope, therefore, that as the need for increased production diminishes, we will find among western producers an understanding of their own need to cooperate in a gradual reduction in ceiling prices, so as to secure deflation in as harmless a manner as possible.

The day has come when producers must abandon the expectation of still higher prices and must begin to think about the morning after. Those of you who are watching from a professional standpoint the movement of prices and supply in this great western country will, I am sure, be eager to add your note of warning and work hard to bring the producer to a prompt realization that he must begin to think about his long-time economic position.

Miss Lucas asked another question—"Will OPA continue after peace?"

No one in OPA wants to stay there any longer than he has to. No one in OPA wants to control prices for the fun of it. This means that as supply moves up to demand, we shall certainly be the first to recognize it and to withdraw controls. I think that our recent action in eliminating rationing on most meats and other foods items is a good illustration of what our approach will be with respect to price ceilings when the time comes.

In the field of agricultural commodities, I would guess that fruits and vegetables—and particularly vegetables—will be among the first to be exempted from price control. Because of the great need for canned fruits by the Government, it is possible that we may have to go through 1945 under price control on these items. It is quite possible, however, that if the German part of our War is over before planting time next year, we can eliminate control on canned vegetables. If so, we will certainly eliminate fresh vegetable control at the same time.

With respect to meat, manufactured dairy products and grains, the situation is more obscure. In the case of grain, a great deal depends on what kind of harvest we have this year. In addition, much depends upon whether the civilian population of Europe will be free of war in time for the Spring planting in 1945. The best that I can say is that on each problem we will constantly, in cooperation with the War Food Administration, review the intentions to plant and the crops as they are harvested, with a view to eliminating controls as far as they become unnecessary.

In the heavy industries—and particularly in consumer durable foods, such as automobiles, refrigerators, etc.—it should be obvious that peacetime demand will be enormously greater than supply for a substantial length of time after manufacturers discontinue war production.

Miss Lucas' last question is, "Are the functions of OPA set up on an arbitrary economic basis or are they really meant to help the people?"

I know that many intelligent people, being unable to work out in their own minds a logical explanation for OPA actions, have assumed that they are merely the capricious act of an irresponsible person. I would like to remind you, however, that all price ceilings on unprocessed agricultural commodities are by law issued only with the approval of the War Food Administration. Even if we wanted to name prices below costs of production, even if we wanted to protect the consumer at the expense of the producer, Agriculture has a watchdog in the person of the War Food Administration. I do not recall a case where we opposed a price ceiling recommended by the War Food Administration which was intended to increase production. Since many of our statistics are worked out from national figures supplied by the Bureau of Agricultural Economics and are then converted to regional or seasonal variations, it is natural that many of them will not be exactly tailored to local conditions. The job of controlling such an enormous economy can only be accomplished with broad strokes in the hope that hardship will be at a minimum, and with assurance that the regulations are generally fair and equitable.

I really believe that OPA has had a more sincere complaint about the technique of our regulations than about the level of prices. We have been new at the game and we might have written better regulations if we were only doing it for the second time. Finally, I can assure you that our current regulations, particularly in the fresh fruit and vegetable field, are sound and workable. These prices are fully approved by WFA, and by thoughtful producers.

May I once more urge those of you who will teach or advise producers to warn them against inflated land prices and to keep reminding them of the fundamental value of price control as such—the value of price control to them, as fathers or mothers of children who must not be left in hopeless debt. My experience with the West is that the producer has better economic guidance than does the producer in any other area. You have an opportunity now to warn him against the still-present danger of inflation.

## REPORT OF THE FOOD AND NUTRITION SECTION MEETING

*Prepared by HILDA FAUST, Agricultural Extension Service,  
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Leading off the discussion with comments upon "Food as a Factor in Public Morale and Military Strength," Lt. Commander Dwight L. Wilbur remarked:

Using Colonel Stanley's paper as a springboard of fact, let us speculate on the future of nutrition. As a physician, I wish to state that in my opinion, nutrition offers more for the attainment of health and the prevention of disease than does any other single factor. As a consequence of the war, there is more information on nutrition, more public knowledge about nutrition, and a greatly increased production of food. Rationing has been an important factor in increasing public knowledge. Ten million young men in the armed forces have learned to eat properly. The effects of these changes will carry over after the war. If each of these young men carries over even one good food habit, the total effect will be very important in the health of the nation.

How can we reach the goal of having a proper diet for everyone? In the first place, experts must establish standards of optimal nutrition. We do not as yet know what standard to use as the ideal one. Shall it be (1) rate of growth, (2) longevity, or (3) the state of health and happiness of the individual? Secondly, we must pay more attention to the food which we grow and the food which we produce. As Dr. Maynard has so well expressed it. "We have learned that if the nutritionist assesses food needs merely in terms of psychobiologic requirements for nutrients, while the agricultural economist plans our food supply merely on the basis of tons per acre and of production costs, a big gap is left, and neither adequate nutrition nor the effective use of food resources can be expected."

These proposals should be in part of a long-term program. What can we do quickly in a short-range program to improve nutrition?

1. Do a better job of feeding our industrial workers. Establishment of in-plant facilities to feed industrial workers at least one good, nutritious meal daily.
2. Do a better job of feeding nursing and pregnant mothers.
3. In the schools, we have an immediate, direct approach through the school lunch. If a child can get one good meal a day, he can learn what he should eat and the family usually benefits as well.
4. It is important to get together groups such as at this meeting—nutritionists, economists, agriculturists, farmers, physicians, and others interested in food and nutrition—to talk over common problems and thus advance our knowledge and improve the health of our people.