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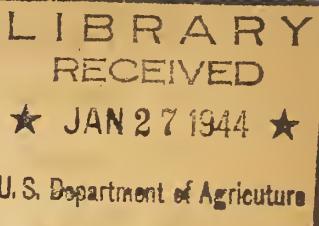
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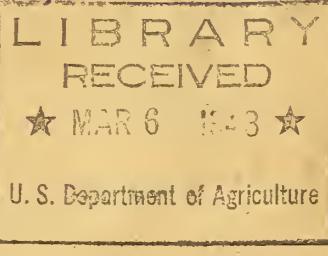


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Addresses
delivered at the 20th
Annual Outlook
Conference
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Washington, D. C.
November, 1942

1. The Demand, Income and Price Outlook for Agriculture - O. C. Stine
2. How Well Fed Can We Be In 1943? - Hazel K. Stiebeling
3. Marketing Situations as they Affect the Outlook - Frederick V. Waugh
4. Will We Be Able to Control Inflation? - R. V. Gilbert
5. Farm Price Control: What's Ahead? - A. C. Hoffman
6. Food Rationing and Agriculture - Harold B. Rowe
7. Brakes on Spending - Ruth W. Ayers
8. Farm Family Spending and Saving in Wartime - Helen R. Jeter
9. How Farm Families Can Help Finance the War - W. I. Myers
- *10. What "Parity" Is - O. V. Wells *not available*
11. What is Wrong With "Parity" - W. I. Meyers
12. What Ought to be Done to Parity - John D. Black
13. The Farm Labor Situation - Raymond C. Smith
14. The Farm Labor Program of the Department - David Meeker
15. Machinery and Other Production Materials Problems - Sherman E. Johnson
16. Adjusting Marketing and Transportation to War Needs - F. L. Thomsen
17. Agriculture - When the War Ends - F. F. Elliott
18. Remarks of Hector Jose Santaella
19. The National War Labor Board's Contributions to Economic Stabilization - Wayne L. Morse

* In press. Will be sent later.

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HOW FARM FAMILIES CAN HELP FINANCE THE WAR

Address by Professor W. I. Myers, Cornell University, at the
20th Annual Agricultural Outlook Conference, Washington, D. C.
October 20, 1942

Farm families, like all other citizens, are anxious to do their full share in the nation's war effort, including assistance in financing the war through the purchase of War Bonds. However, the farmer's problem is more difficult because, unlike the factory worker, he has to finance his own job as well as his home. The average investment per worker in United States farms is approximately the same as in industry. However, the investment in plant and equipment used by the industrial worker is provided by investors, while the investment in farm, livestock, and equipment is usually financed by the farm operator.

As compared with industry, American agriculture is characterized by relatively uniform production but by violent fluctuations in prices and incomes. When the price level goes up or down, farm prices usually rise or fall faster and farther than farm costs, retail prices, wages, and the cost of living. For this reason, the agricultural depression of the thirties was longer and more severe than the city depression. Similarly, the recovery in farm prices and incomes since 1939 has been very rapid.

In spite of their unfortunate effects on farm welfare, no way has yet been found to minimize the fluctuations in farm prices and incomes. In this situation it is up to farm families to attain financial security by their own efforts. The gross cash income of United States farms in 1942 is estimated at 15.6 billion dollars, an all-time high. Regardless of government action on price ceilings, farm incomes will continue on a relatively favorable level, at least as long as the war lasts.

1. Maximum Production of Essential Foods and Fibers.

The first and most important job of farm families is the maximum production of essential foods and fibers for our armed forces, our allies and ourselves. Food production is of equal importance with the production of planes, guns, and ships. The requirements of our allies are increasing steadily. There is a critical need for all that we can possibly produce as long as the war lasts and at least a year or two thereafter. With increasing shortages of labor, machinery, and farm supplies, the maximum efforts of farmers and their families will be required to meet these expanded requirements.

In order to fulfill his obligation for maximum production of food, it is necessary for every farmer to develop an efficient farm business. As a result of the war, there has been a substantial increase in the requirements of working capital for efficient farm operations. This is partly due to higher prices and partly to the fact that adequate inventories of feed, fertilizer, spray materials and machine parts must be maintained in order to avoid delay at critical periods. It is good business to use the credit necessary for intensive operation but debts should be kept at the lowest point that will permit an efficient business. Conditions are favorable for enlarging a small farm business to efficient size if labor is available.

and it can be financed safely. However, it is unwise to use to enlarge farms beyond the size necessary for reasonable efficiency.

2. Get Debts in Shape.

The second job of farm families is to get their debts in shape by reducing excessive debts to a safe basis. There is no conflict between the reduction of debts and the War Bond program. Income paid on debts does not compete with the war effort and hence does not contribute to inflation. Then, too, such payments are available for use by creditors or credit agencies for the purchase of War Bonds or other government securities.

Every farm family, no matter how heavy their debts, will want to buy some War Bonds for the satisfaction of feeling that they are giving some direct financial aid to their country in this great emergency. However, in order to insure their continuing operations as food producers, heavily indebted families should use the major part of their increased incomes to reduce their debts to a conservative level so they can withstand bad years which may come later. After paying up delinquencies and extensions, if any, the next step is the reduction of excessive mortgage debts to a safe basis. Land Bank Commissioner loans and other emergency second mortgages should be paid off as rapidly as possible. Production loans should also be reduced to a conservative level.

It is equally important to get the debts of farm cooperatives in shape. Efficient cooperatives are of vital importance in enabling farmers to meet the demands of the victory food program with wartime shortages and restrictions. Cooperatives perform necessary services in marketing farm products and purchasing essential farm supplies that can be done most effectively by group action. The financial requirements of cooperatives have also increased substantially because of higher prices and the necessity of maintaining adequate inventories to meet transportation emergencies. In this period of higher farm incomes it is highly important to strengthen the financial position of essential farm cooperatives to withstand bad years. This can be done by reducing debts, by increasing their net worth through increased investment by members, and by building financial reserves through investment in War Bonds or other government securities.

3. Invest in War Bonds to Help the Nation and to Build Financial Reserves.

The third job of farm families is to invest in War Bonds to help the nation and to build financial reserves. Those who are out of debt can begin at once by investing all of their available income above necessary business and living expenses in War Bonds. The experience of the last war period indicates that such farmers will find greater security and satisfaction in the long run in building financial reserves to protect their farms and their standard of living than in enlarging their holdings beyond the size necessary for efficient operation. The possible profit from the speculative purchase of farm land in periods of favorable prices and incomes is seldom worth the worry and the risk of losing all if a severe depression should follow. In addition, speculation in farm land is harmful to agriculture and to the nation.

For farm families with moderate debts or who have reduced their financial obligations to a safe basis, patriotism and self-interest are served by investing in War Bonds to the limit of their available net incomes, postponing unnecessary expenses until after the war has been won.

The savings invested in War Bonds provide our government with an important part of the funds required to meet the costs of this world-wide total war. Enormous expenditures are called for to provide men, planes, ships, guns, munitions and food for our armed forces and our allies. Taxes cannot be increased enough to meet these costs in full. It is imperative that farmers as well as other citizens should eliminate unnecessary expenditures and transfer these savings to their government through investment in War Bonds.

During this war period the production of automobiles, farm tractors, combines and other machinery will be greatly reduced because of the need of steel and other critical materials for war purposes. A part of the money received by farmers for their products is pay for the wearing out of all types of farm equipment. It is not income but is a return of working capital which is being worn out. The money that would ordinarily be used to replace automobiles and farm equipment should be invested in War Bonds as a depreciation reserve which will be available for replacement after the war.

Many farm families will now have money available for the purchase of electric refrigerators or water systems, or other home equipment, or for the improvement of farm homes, but these facilities for comfortable living are not available. By investing the cost of the desired improvements in War Bonds it will be possible to insure their purchase when factories have changed back from the production of war goods to those of peace.

After debts have been reduced to a safe basis, it is safer and better for most farmers to build an adequate financial reserve through investment in War Bonds than to apply all available income on debts. If all income is applied on debts, it will probably be necessary to borrow again in order to replace tractors or automobiles or other farm machinery when they become available. At some times in the past it has been difficult to borrow, especially when money was needed most, and these conditions may recur. A financial reserve in War Bonds is available at any time for any purpose -- for the purchase of machinery, for the improvement of homes, for education of children, for unexpected hospital bills, or for the payment of taxes and debts. The slight loss in interest between the rate paid on debts and that received on War Bonds is a small price to pay for the insurance which such a financial reserve will provide.

Bonds Are the Best Form of Financial Reserve Ever Offered to United States Farmers.

War Bonds are the promises to pay of the strongest government in the world. They are not transferable but the investment will be repaid to the owner if needed at any time after sixty days from issue. If left for one year or more, interest will be received in addition and if left to maturity, in ten years, the investor gets back \$4.00 for every \$3.00 put in.

Patriotism and self-interest combine to make an investment in War Bonds the best possible form of financial reserve for farm people. Unnecessary expenditure in wartime is unpatriotic and wasteful. By postponing the spending of the increased farm incomes of the war period until after the war has been won, farm families will help their country and themselves. At that time the gradual expenditure of these financial reserves will help to stabilize business conditions and employment in the period of readjustment from war to peace. It will also provide productive employment for the returning men of our armed forces after victory has been won. By using the peak incomes of prosperous years to fill the valleys of depression years, farmers can protect their farms and their standard of living in unfavorable periods that may follow.

The financial welfare of farm people in the next two decades depends to a great extent on the wise utilization of the higher farm incomes of the present war period. For the first time since the last World War, the incomes of farmers generally will provide a margin for reserves above necessary expenses. The overexpansion and speculation in agriculture between 1914 and 1920 resulted in suffering and loss in later years to thousands of farmers who expanded their business on credit at the inflated values of that period. The only effective way of avoiding the disastrous results of inflation and deflation is through using the increased incomes of this period to get debts in shape and to build financial reserves in War Bonds.