

Will Agricultural Prices Fall

Farmers learning how to ascertain the production cost of their produce—The advance in cost factors—Farmers organizing to protect their price policies

By J. A. STEVENSON.

In the March number of the Journal of Political Economy, which is published under the auspices of the University of Chicago, Edwin G. Nourse, professor of agricultural economics in Iowa State College, is accorded the initial place, with an article entitled, Will Agricultural Prices Fall? Professor Nourse, who is a recognized authority on such matters and is the author of an excellent book, Agricultural Economics, deals with the question in an exhaustive and thorough manner. Some analysis of the arguments which he advances and the conclusions which he reaches in a long article of nearly 30 pages, cannot fail to be of interest to the farmers of Western Canada.

He begins by quoting the interesting analysis made by Professor Moulton, of the University of Chicago, of the run of forces in the advance of prices during and since the war, wherein this economist sets the prices of farm products in a class by themselves, outside the control of the cost of production forces, to which he accords so powerful an influence in the determination of prices of the manufacturer's and merchant's wares. "In agriculture," said Professor Moulton, "demand and supply fix the price of produced goods, but increasingly in manufacturing lines computations of probable cost not only fixed price quotations but govern as well the volume that will be produced."

Professor Nourse sees two possibilities which may cause a break in prices of farm produce. If the farmer decides, as he did in war time, to carry on production without any careful scrutiny of its costs, the equation of supplies to current demands may bring about a lowering of costs. Again, there might become available for the markets of the world large quantities of agricultural produce from other sources of supply at a range of prices far below the estimated cost of production for the farmers of North America, who might meet disaster by holding out for the present and advancing prices. Professor Nourse, however, thinks that the modern farmer will not easily be trapped in such a situation. In days gone by he might have landed in it through sheer economic stupidity. The old-time farmer, he says, accepted the ills which often came upon him through excess of production "with much the heavenly grace or peevish resignation with which the old-time mother accepted the hard lot entailed by a too large family. His modern successor no longer functions as 'a creator of crops with the instinctive and unregarding ardor of the dumb beasts.' On every side there is evidence of capable educative work and propaganda, whereby the business farmer of today posts himself concerning the applicability and benefit of prudential checks whose exercise would be calculated to maintain his standard of life. A number of examples are given of printed and spoken words directed to this end, and apparently in the United States there is a nation-wide movement, which, finding every support in colleges of agriculture and national and state departments of agriculture, seeks the accurate ascertainment of costs of producing many different products in the various farming regions, for the double purpose of protecting the level of productive effort and of fixing a holding price in dealing with buyers and consumers." Professor Nourse sums up the aim of intelligent farmers

in America to be expressed in these words: "We must learn what it costs to produce our stuff, and then organize associations powerful enough to see that we get this price."

The older generation of farmers showed, in the long period of low agricultural prices during the closing years of last century, a dogged resignation to their lot, but the bitter experiences have been implanted in their minds, either through personal contact or by hearsay, and there is a general determination, according to Professor Nourse, that such conditions shall not be repeated. "The farmer," he writes, "is now a dyed-in-the-wool cost theorist in his ideas of value; a stickler for 'just' price and 'fair value' so interpreted, and a firm believer that 'supply and demand is a device of the devil—either a lie or a crime, or perhaps both.'"

Advance in Cost Factors.

Then the essayist proceeds to examine the question of the advance in cost factors and gives a most interesting comparative table, taken from a list of 85 items, prepared by Bureau of Statistics of the American Department of Agriculture. The Canadian parallel figures would not show much variation from these:

	1918	1917	1914	1909
Barb wire.. . . .	124	199	206	
Fertilizer	124	170	178	
Gasoline	111	163	144	
Harness	133	166	187	
Harrows	136	226	234	
Lumber, 1 inch	123	167	159	
Mowers	127	172	159	
Paint, mixed	127	204	219	
Paris Green	122	223	231	
Plows	128	190	200	
Sacks	153	282	307	
Salt.. . . .	126	167	183	
Shingles	117	149	157	
Shovels	130	192	203	
Twine	127	250	272	
Tin pails	146	222	240	
Wagons	129	171	189	
Wire fence	124	192	196	
Average	128	192	196	

The average of the whole list of the 85 items shows an advance of 108 per cent over prices in 1909, 97 per cent over prices in 1914, and 32 per cent over prices in 1917. There is also a parallel advance in the farmers' labor cost of operation. The traditional hired man's wages of \$25 to \$30 per month have now disappeared in favor of rates of \$60, \$75, and \$80 per month. Day wages have risen from the \$1.25 to \$3.00 level to \$5.00, \$6.00 and even in cases of special shortage or special classes of labor, \$8.00 per day. The investigations undertaken by the U.S. Department of Agriculture indicate that taking 1910 as a base year and \$100 as the standard, monthly wages with board had risen to 109.3 per cent in 1914, 150.3 per cent in 1917, 181.7 per cent in 1918 and 207.3 per cent in 1919, taking the United States as a whole. The advance in day wages is even greater, having risen to 227.6 per cent in 1919.

The third factor which must be taken into account is the marked advance in the price of land, which has given rise to a dangerous speculative boom in many states. In Iowa advances

of \$75 to \$125 per acre in a year have taken place, and sales at \$500 per acre have not been uncommon. There are a large number of "renters" in the middle western states, and they have felt the effect of this rise. Cash rents in Iowa have advanced from \$5.00 and \$8.00 per acre to \$12, \$20 and in some cases \$30 per acre. The U.S. Department of Agriculture calculates that the average value of all arable land in the United States has advanced not less than 27 per cent since 1917. Professor Nourse, therefore, thinks that farmers will have the strongest possible motive to hold the selling prices of their products up to a level that will enable them to pay the rents contracted for, and the owners who have rented their farms will be influenced by the same feeling. A community of interest has developed between all classes of farm capitalists and workers and likewise all those who look to them as the purchasers of their goods.

Ability to Protect Returns.

Professor Nourse visualizes a great movement for the organization of all branches of agricultural industry, and interprets it as meaning that the farmer proposes to use the methods pursued by other economic groups to protect his own position. In the past the farmers were weak as a class, on account of the poor strategic position of agriculture at a time when there was an abundance of cheap, fertile land and a vast multitude of hardy and energetic settlers, who had come from other countries to better themselves and were willing to work continually and endure great hardships. The farmers were also weak because they stood single-handed amongst the great economic forces which controlled transportation, manufacturing and finance. The first steps towards the organization of American farmers was made after the close of the American Civil War, and between that date and the end of the 19th century there was a series of efforts at organization. Professor Nourse characterizes them as overblown ventures, whose aims were too diffuse. Of these the Grange is practically the sole survivor. But since the 20th century began, effective business organizations have been making solid growth in all the chief lines of agriculture. A great body of growers' marketing associations have become well established during the last 15 or 20 years, and have been able to wield a considerable influence in enforcing price policies. Mobilization has been proceeding quietly but effectively, and there has been secured the passage of laws to help co-operative organization and collective bargaining. The farmers' elevator movement has given rise to some 12 farmers' grain dealing associations, and Professor Nourse states that they are planning "a more aggressive type of centralized action, after the general pattern of the United Grain Growers of Canada." The wool and live-stock shippers are moving in the same direction, and the conclusion is that the American farm producers have now attained a degree of solidarity which can exercise an appreciable influence in preventing the decline of farm prices.

The political side of the movement has not been neglected, and there is now established in Washington a National Board of Farm Organizations, with a permanent secretary and a settled abode. On November 12, 1919, there came into existence the National Federation of Farm Bureaus, which will try to represent the agricultural industry of the States in a comprehensive manner. It proposes to spend money on research into questions of agricultural production at home and abroad, world demand, costs of production, tariff and trade policies and similar matters. The conclusion of the writer is that the farmers, by these policies, are raising up effective defences against any arbitrary decline of farm prices as long as wages.