

The Grain Marketing Act and Its Relation to the Farmers Elevators

(Address by Dr. James E. Boyle)

[This was the subject of the address delivered at the 24th annual convention of the Farmers' Elevator Association of Minnesota by Dr. James E. Boyle, professor of rural economics of Cornell University, Ithaca, N. Y. Dr. Boyle is recognized as one of the foremost agricultural economists and marketing experts in the country. He was formerly an instructor at the University of North Dakota and thus is well acquainted with the production and marketing problems of the northwest.]

(Continued from Last Week)

Stabilizing Wheat and Cotton.—The Board's stabilization operations in grain and cotton need no extended comment here. One million, three hundred thousand bales of cotton were withheld from the 1922 crop and carried over into this year with the promise that they would be carried over into next crop year. Since the carrying charge on this cotton is at least \$8,000 a day, and since this cotton hangs over the market and keeps cotton prices depressed, it is easy to see that this speculation by the Board was and is not merely an expense but a tragedy for the cotton farmer. Cotton prices have declined 10 cents a pound under the Board's Cotton operations, and I find that 5 cents of this decline is due directly to the Board's own actions.

In a similar manner, I find that wheat prices have declined 50 cents a bushel under Board activities, and at least 20 cents of this drop is due directly to the Board's own actions. Banker.—I come now to the Farm Board as a banker. It seems strange that our government should create a Board to carry on banking and speculate at the same time. With private individuals this is frowned upon, both by the law and by public opinion. Indeed the banker who speculates with the public money finds himself facing a prison term. But the Agricultural Marketing Act deliberately constitutes the Farm Board a banker and a speculator. I have just picture some of the unsuccessful speculations of the Board in wheat and cotton. If it would close out its holdings in these commodities today, and pay its carrying charges its losses would run well over \$100,000,000. Yet this Board must under the Act, do a banking business, that is furnish credit to a certain small per cent of the farmers, and not to others. The distinction made between farmers who are and who are not to receive credit is an unfair and indefensible one, in my opinion. Not only must the Board loan large sums of money out of the United States Treasury, but it must loan these public funds to certain corporations at interest rates that are low market rates paid by competing businesses. The Board now has loaned close to \$3,000,000. Many of these loans are 10-year loans. On 43 per cent of these loans the interest rates are below 2 per cent. In fact the average interest rate on all its loans is less than 3 per cent.

The Farm Board would be better off if it were relieved of this banking function. Farmers and co-operative associations can now get all the credit they are entitled to, through banks and other existing credit institutions. Cheap credit in the way of special favors to a few co-operatives merely tends to overstimulate the formation of co-operatives to get this bargain-counter credit. Co-operatives in the past have had the highest death rate where they have had the most overstimulation. So this banking activity is harmful to the cause of sound co-operation. It is even more harmful to those against whom it discriminates unfairly—whether they be farmers, farmer companies, or private business interests. It is a plain case of unfair competition, even though it is put in by a governmental agency. The Farm Board as banker hurts the cause of sound co-operation; it hurts private business. By taking the cream of the credit business away from the banks; it has helped cause the failure of some of our banks.

Thus far we have discussed the question. What is the Agricultural Marketing Act? I have shown the meaning of the Act by the way it has worked out in practice—that is, how it has created a Farm Board which has functioned and still functions as a Merchant, as a Speculator, and as a Banker. This three-fold activity, backed with taxpayers' money, has been and still is, harmful to both business and agriculture. It has caused such longer the results will be tragedy and catastrophe for the farmers. The Board's policy of withholding crops from the market, that is, speculating on a bull market, is its chief activity thus far and is its real menace today to the wheat and cotton farmers. I have not gone into the Board's activities in wool and in livestock, but I consider these activities equally unfair to the business interests involved

and sure to be equally disastrous to the farmers in the end.

2. What is the Farmers' Elevator Movement?

We come now to my second question. What is the Farmers' Elevator Movement? This may sound like a strange question to ask you—you who are a very live and active part of this movement. But I merely want to remind you of a few things you already know and to emphasize some things which I deem important in your movement.

You are part of the biggest and most successful co-operative selling movement in the world. Canadian Wheat Pool, Danish co-operative egg societies, creameries, and bacon factories—these all pale into insignificance in comparison with the volume of your business. There are 5,000 local farmers' elevators in the United States, with a volume of business of \$730,000,000 a year. You represent today 29 per cent of all the co-operative selling of farm products in the United States. Even cotton with its 13 big pools and its Farm Board blessing, represents only 4 per cent. Your farmers' elevator movement dates back to a day long before any of you were born. You are the largest, oldest, and most successful co-operative selling movement among farmers in the United States. Your movement derives its strength and its success from the fact that it is built on the small local unit, and is therefore built from the bottom up, not from the top down.

President Calvin Coolidge, six years ago, when addressing a gathering in Washington of representatives of large-scale, centralized co-operatives, built from the top down, showed them in very plain language the folly of their ways. He pointed out the better way, the way of the "modern unit" as he called it. Let me repeat to you now a paragraph from that memorable speech which refers so directly to your work:

Said Calvin Coolidge:—Co-operation must start from the soil. It must have its beginnings in small and modest units. It must train the people who are to use it to think co-operatively. This will be a process requiring time and attended with failures. If the people learn the lesson, their particular projects in co-operation will gain strength, will command increasing confidence, will expand their benefit to their members. Even our Federal Trade Commission, after studying co-operation abroad in some detail, came to the same conclusion as President Coolidge as to the virtues of strong locals and the dangers of big overhead organizations. Said the Trade Commission in its report on this subject:

In various foreign countries efforts are being made to bring about a greater degree of decentralization of powers and administration in co-operative organizations. A study of the possible drawbacks arising out of the overcentralization would, it is believed, open the way for more efficient methods in the field of co-operation.—Report of F. T. C. 1925, "Co-operation in Foreign Countries." The history of American co-operation shows that, in general, the large centralized, artificially stimulated, contract-using co-operative organization is contrary to farmer psychology, is automatically managed, is extravagantly operated, and finally fails of its purpose. Mere bigness and power do not signify successful co-operation. Conversely, the strong local co-operative, understood and conducted by farmers without outside stimulation, performing efficiently some definite service, is America's most successful type of co-operative marketing and has in the aggregate the largest volume of business. Now 56 per cent of all grain arriving at Chicago comes from farmers' elevators. The selling of the grain in terminal markets by old-line commission merchants of proved ability and honesty is as cheap a way to handle this grain as has ever been discovered. For this reason the farmer elevator movement, when left to itself, has kept out of the terminal markets and confined its efforts to improving its own services. The problems of better management, better bookkeeping, better auditing, are still the most important problems facing the farmers' elevator.

3. Relationship Between Farmers' Elevators and the Agricultural Marketing Act

Thus far we have been considering two questions: What is the Agricultural Marketing Act? What is the Farmers' Elevator movement? We now come to the point of showing the relationship between the farmers' elevator and the marketing act.

The first important question is that of control. The strength of the farmers' elevator movement is, as I have said, its purely local control. Under the Farm Board set-up, there are five distinct links of control, namely, the farmers' elevator at the bottom; the regional organization; the National Grain Corporation; the Farm Board; and fifth and last, Congress at the top. For Congress, controlling the purse strings, controls the Farm Board within certain definite limits. The Farm Board, with its large funds, then controls the agencies below it. Whom it finances it controls. Control follows federal financing. There is no escaping this rule. The Farm Board aims to build up a central sales agency through which they can consolidate the marketing of the grain. They feel that bigness and volume are essential to the program of grain marketing. To be sure of patronage of the co-operatives the Farm Board insist on contracts with all those using Farm Board funds. These contracts call for a 100 per cent delivery of grain to the Farm Board agency. A penalty is imposed for failure to deliver 100 per cent.

In theory this control is very limited where no funds are borrowed. But this is a theory rather than a fact. For once in the system, the elevator feels under moral if not legal obligation to deal with the overhead agencies set up by the Farm Board. Persuasion is used to secure 100 per cent patronage. Where persuasion fails compulsion and coercion are some times employed. A recent example of this which is doubly familiar to you all is that of Stanley, North Dakota, during the years 1929 and 1930 and described by a local editor there in a booklet entitled "How We Were Saved."

Past experience has proved over and over again that the local elevator managers can pick the time and place to sell the grain far better than can the large pools, the regionals, the Farmers' National Grain Corporation, the Stabilization Corporation, and the Farm Board itself. It is a good rule to beware of experts who come in from the outside to run your business for you; to beware of contracts which tie you up with these pseudo-experts.

The Farm Board is putting too much faith in contracts, thinking that contracts are a guarantee of large volume of business. We know by our past experience with contracts that where the service was well performed no contracts were needed, and where the service was not well performed the contracts failed to secure the ample take the three big tobacco pools. They practiced "ordrly marketing," that is, they withheld to get higher prices. The farmers lost money. The more contracts these three associations signed up with members, the less tobacco they got. Finally in spite of their good legal contracts, they got no tobacco at all, and they ceased to operate. Private grain dealers, for the most part, have no contracts with either farmers or farmers' elevators. Yet they get their share of the patronage, based on service only. I am very skeptical about the use of contracts to compel a farmer or farmers' elevator to handle grain in a way which may or may not be to his best interest. In other words, the more contracts or the more control the Farm Board has, then the worse it will be for the farmers' elevator movement. Let the men in the farmers' elevator movement use their own brains and trust to their own ability. In this way more genuine progress will be made.

Community relationships are being seriously disturbed and poisoned by Farm Board Agencies. In those communities in the United States where the most progress is being made today we find the most co-operation, industry co-operation—that is, farmer, banker, dealer and others in the whole broad industry pulling together. They are all in the same boat anyhow. It is to their own enlightened self in-

terest to pull together, to co-operate as an industry and as a community. But in cases like that at Stanley, North Dakota, and hundreds of others similar to it, seeds of discord and strife and animosity have been sown. This is a terrible calamity for any community. Yet this is one feature of the policy and program of the Farm Board and its agencies. The net result is an economic and spiritual loss to any community whose relationships are so poisoned.

Farmers' elevators are vitally interested in future trading and all that goes with it—a wide market with good hedging facilities, and which serves as a reliable barometer of market values. Since the Farm Board has entered the cash and futures market they have driven other buyers out; made the market narrow; and destroyed its usefulness either for hedging purposes or as a price barometer. They have created no substitute in place of it. At a public meeting at the University of Illinois in January, the Chairman of the Farm Board stated that he thought short selling should be prohibited. You all know the futures market well enough to know that this market without short selling would be like an automobile without gasoline. It would not go. A hedging market is a wide market and a wide market is made up largely of short selling. Short selling performs an important economic service in giving greater width and greater stability to the market it puts on the brake against too high a bulge or too low a drop in price. The farmers' elevators should vigorously oppose the Farm Board's views in this matter. Grain is handled on a low margin only when it is hedged; it is hedged only in those markets which are made wide by the large volume of short selling. We know by our Federal Trade Commission Report on the subject that short selling does not depress prices.

The attitude of the Farm Board towards the farmers' elevator may be summed up by saying that the goal in mind by the Board is one great central selling agency or wheat pool, national in scope and representing in its memberships every farmers' elevator. This attitude may be reduced to its simplest economic term by saying it presents to you the issue of a pool versus a local elevator. You cannot serve two masters, which do you choose? Experience teaches that you should choose the local elevator and continue to use and develop your own brains. In my opinion the Farm Board's big central grain pool idea is all wrong and is certain to prove a costly failure.

4. Conclusions

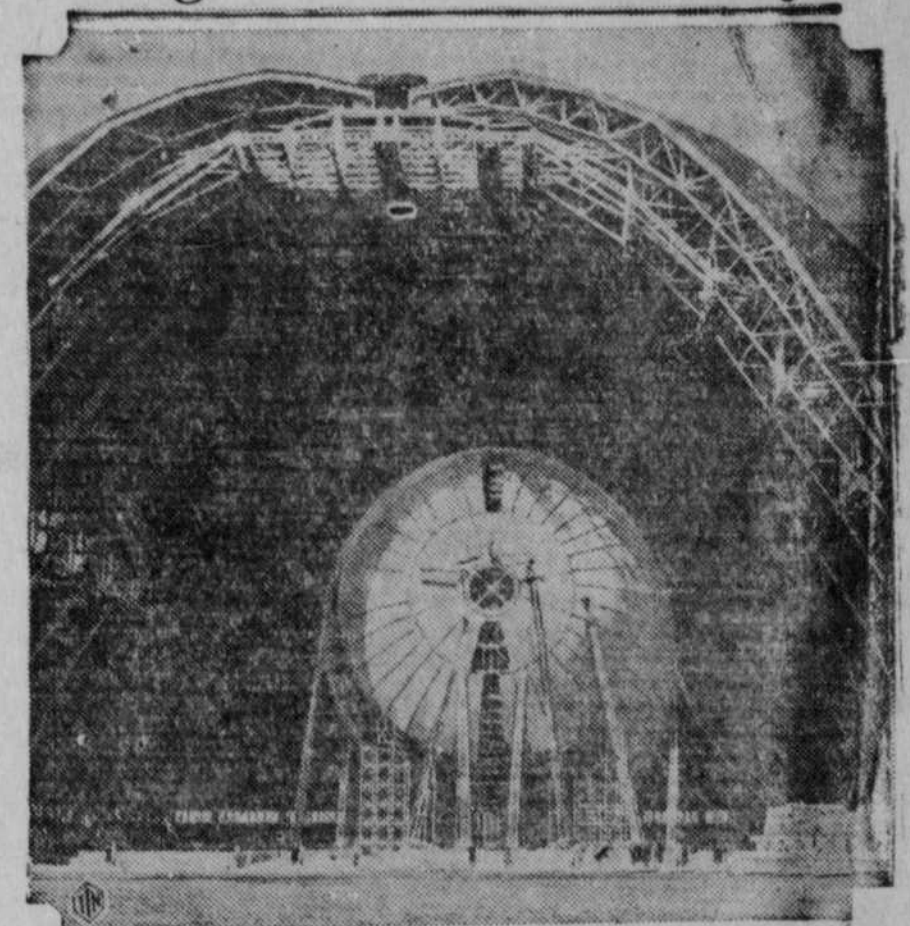
This brings us to the end of our discussion. It remains merely to sum up and draw certain conclusions. The Farm Board's idea of grain marketing through great centralized agencies or pools is economically unsound. Grain marketing through local farmers' elevators has stood the acid test of time, and now is our largest example of successful co-operative marketing! This grain also is handled at the lowest margin of cost of any agricultural commodity.

The farmers' elevators are built on the sound principle of self help. They do not need any state aid in the form of subsidies, grants, or cheap credit. They are sound business institutions, not objects of charity. State aid plus state interference (its necessary concomitant) will prove in the end a serious menace to the farmer elevator movement.

Farmers' elevators and other farmer co-operatives need to fight for more industry co-operation—that is, the co-operation among all the different interests in one industry. You are all in the same boat.

The next practical step is to have the Agricultural Marketing Act either repealed or amended. I suggest farm boards but deprive it entirely of its present functions of merchant, speculator, and banker. Such a farm board could render valuable service in the way of information and in helping to promote industry co-operation. Your farmers' elevator movement has had a large share in the past in this wider form of co-operation. I hope you continue it in the future. I close my address as I began it by saying, there is no substitute for the farmers' elevator.

Dirigible Gets "Made Up"



This is an interesting picture, which you probably recognize as the hangar at Akron, Ohio, with the tiny road spot in the center, which is the world's largest dirigible, the U. S. S. Akron. It is expected to be ready for test flights early this Summer.

Noted Flier's Widow Weds



Four years ago, Lloyd Bertaud kissed his wife goodbye, jumped into the pilot's seat of Old Glory and flew out over the ocean to disaster. Now his widow is wed to Henry M. Messinger, wealthy New York broker. L. to r.: Judge Modarallo, the couple, and Doris James, witness.

Slain Officer



Sergeant John E. Frey, of the New York State police, who was shot to death by two prisoners he was taking from Schodack Center, N. Y., to Troy, for questioning regarding a quantity of goods believed to have been stolen, which was found in their automobile. The prisoners escaped into the woods.

Danced With Wales



Miss Yvonne De Little, of London (upper), and Miss Marion O'Neill (lower), of Toronto and New York, pictured on their arrival in Toronto from a southern tour in which they danced with the Prince of Wales and Prince George during the official reception to the royal visitors at Kingston, Jamaica.

Forgive and Forget



Because his wife refused to drop her divorce action, Ray Pagano, 29, turned revolver on himself in Judge Graham's court, San Francisco. Suicide attempt failed. But wife dropped suit. They kissed and "made up" as Judge Graham announced.

STUDENT DATES MAY DECREASE

Pittsburg — (UP) — Some of the "red letter" days are to be eliminated from the University of Pittsburg social calendar upon completion of an extensive survey of college activities, student leaders indicate.

Dances will be the subject of the initial study of the Student Relations committee. It will issue a questionnaire to determine the cost of the average dance, the time required to arrange it, the number held in a school year and the reaction of play hours on study.

At present the social calendar is overcrowded. There is an overlapping of dancing dates and the affairs consume too much time and money on the average student, according to student leaders.

The average co-ed attends one dance and two bridge parties a month and one ten a week, according to Miss Jean Teats, member of the Pan-Hellenic council.

Miss Drumm estimated the average cost to the co-ed at about \$110.

Young Religious Workers Plan for Edson Meeting

Books containing reports and recommendations prepared by the Christian Youth Council of America were distributed at the second meeting of the Interchurch Young Peoples' conference Monday evening in the Y. W. C. A.

The young peoples' societies represented in the council will prepare for a conference with Newell W. Edson, social hygiene expert, by devoting one meeting to two chapters in

which included \$75 for three evening gowns, \$25 for shoes, hosiery and other clothing; and \$10 for incidentals.

Men students spend a great deal more than coeds for social affairs, Charles Seidle, chairman of the student relations committee, said.

Time Table Merely An Obsolete Horror

From the Scientific American. That most tantalizing of modern mysteries, the time table, will be banished with the electrification of steam railroads, according to J. A. Droegge, vice president of the New Haven railroad.

Addressing a meeting of the electrical engineers of the American Railway association recently, Mr. Droegge saw in electrification the hope of providing passengers the constant service similar to that now received from the street car.

Although a railroad official for more than 25 years, Mr. Droegge said he could not read a time table and make connections. However, with shorter faster and more frequent trains which will come with electrification, passengers will be able to wait for the next train without instructions from a time table.

the book, "Christian Conduct in the Home" and "Christian Conduct in Boy and Girl Relationships."

The local group was organized to sponsor a lecture by Mr. Edson here Sunday evening, April 26, in the First Methodist Episcopal church. It is composed of delegates from 12 young peoples' societies.

Great Iowa Artist. From Kansas City Star. Grant Wood, the Iowa painter who has attracted national attention through his "American Gothic," believes the country is watching artistic developments in the Middle West

CHICAGO PLANS HOSPITAL CHAIN

Chicago — (UP) — Operations and treatment on the installment plan through application of chain store principles to a group of 10 small-unit hospitals in the Chicago area has been proposed.

Sponsors of the plan declare that it is the first instance of application of chain management and buying to hospitals.

Owners of the hospitals plan to form a holding corporation which would manage and operate the institutions. Through centralized financing, patients would be treated and pay for their care in small monthly installments in the same manner as merchandise and automobiles are sold.

Annual deficits which heretofore have been met by endowments would be avoided through quantity purchase of medical materials and supplies, the sponsors believe.

Technical facilities would be pooled and a general reorganization with a new respect. Not so long ago, he reminded members of the American Federation of Arts at their convention here last week, it was a grave handicap for a writer or an artist to come from this region. He cited Ed Howe's difficulty in finding a publisher for "The Story of a Country Town" as showing the lack of interest in the East concerning things middle western, and the author's disadvantage from not living in New York. Today, Mr. Wood thinks, it is a positive advantage for a writer or artist to live in this part of the country.

Mr. Wood's own personal experience probably accounts for the viv-

of laboratory facilities undertaken to eliminate duplication.

Dr. Henry L. O'Connor, executive officer of the Rogers Park community hospital and sponsor of the plan, said that the group hoped to start operations within a few months.

Little Red Hen Disgraces

Seattle.—(UP)—Completely disgracing her companions and master, Lady of Wellington, a little Rhode Island red hen, changed her appearance and habits so completely that she was considered an outcast on the J. W. McQuire chicken farm.

Lady of Wellington was a well-behaved little hen until recently when she began to develop a deep-throated cackle and a comb and strutted among the other ladies of the coop with ruffled feathers and outstretched neck. Then she commenced to crow.

To make matters worse, all the other hens followed her around, apparently admiring her independence and transmigration.

Q. What is the theme song in East Lynne? G. D.

A. It is "Then You'll Remember Me" from The Bohemian Girl.

idness of his impression of such a change, but there is evidence to support it. Mr. Howe's brilliant study of small-town life in the Middle West was neglected, but Sinclair Lewis' "Main Street"—less substantial, if more spectacular—had an instant success. There now is a magnificent opportunity here for creative artistic work. The Middle West is practically virgin territory. It has strongly marked characteristics that differentiate it from all other parts of the country. The time has come for more of our writers and artists to realize upon these assets, as Mr. Wood is.