Increased Tariff Must Come Promptly if It Is to Be Most Effective---It Is Up to Congress to Act

Today the American wheat market is approximately on a domestic basis. This is due chiefly to the tariff onw heat imports, which keeps out the great bulk of wheat from Canada. As a result, the American wheat farmer is receiving in the domestic markets from 13 cents to 15 cents per bushel more than he would receive were he compelled to face the competition of the world surplus.

The tariff on wheat is now 30 cents a bushel. It has saved the American farmer from starvation prices, but it is not yet adequate.

Bill Now Before Congress.

Congressman William Williamson of the Third South Dakota district has introduced a bill providing for a tariff of 50 cents a bushel. This bill should be passed at once. There are those in congress who argue that to open the tariff bill for the benefit of the farmer will precipitate a general discussion of all tariff schedules and bring forth a flood of amendments to other sections.

Surely the senators and congressmen from the middlewest, the great wheat growing section of the country, are strong enough to control the situation.

Farmer Hardest Hit.

The rest of the country is prosperous, only the farmer suffers from inadequate tariff protection. Is not the interest of the millions of farmers worthy of courageous conduct? The tariff can be increased on wheat, if the spirit of congress is willing. It is for the purpose of upholding the hands of middlewestern congressmen and senators that The Omaha Bee is publishing this special edition. The Bee is published at the center of the great wheat producing section of the country and the publishers of this newspaper feel it a duty, first to outline an adequate and proper remedy for the problems of the farmer, and, second put our best efforts behind those measures necessary to put it into effect.

President Coolidge, upon the advice of Secretary Wallace of the Department of Agriculture, has called upon the tariff commission to investigate the wheat tariff and to report to him the increase necessary to meet the situation. He will then act under the flexible section of the tariff law and direct a modification accordingly.

This will take time. The inquiry by the commission will consume weeks, and even when the report is ready, 30 days must elapse before the president's proclamation can be put into effect.

In the meantime millions of bushels of Canadian wheat are stored in the elevators at Fort William, ready to take advantage of lower water freight rates to reach the American market. And millions of bushels of American wheat must sell at depressed prices because of this competition.

Chief Hope Is Congress.

It is up to congress to act. The increase in the tariff can be put into effect in two weeks if congress will get busy. The president will sign it.

In 1920-21 importations of Canadian wheat amounted to 50,000,000 bushels. There was no tariff on wheat at that time and prices at Winnipeg were on a level with and sometimes above prices at Minneapolis. After the adoption of the 30-cent tariff in the emergency bill in May, 1921, Minneapolis prices were 25 to 30 cents above Winnipeg. This tariff differential in favor of the American wheat farmer fell in 1922 to around 6 cents.

While the tariff was effective to a considerable degree there were still about 20,000,000 bushels imported from Canada in 1923.

Differentials to Be Met.

Attention is called to the map on another page, illustrating the advantage the Canadian farmer has over the American in reaching the milling centers on the Great Lakes and at Minneapolis. This advantage can only be overcome by the adoption of the 50-cent tariff.

It will be of interest to read the findings of Secretary Wallace on the effects of the tariff on wheat:

"The tariff has been effective in protecting the spring wheat farmer. In Liverpool, Canadian spring wheat ordinarily sells at a small premium over American spring wheat. On the other hand a comparison of prices for comparable grades of spring wheat in American and Canadian markets which have practically the same transportation rates to Liverpool shows a margin in favor of American prices which can only be explained as an influence of the tariff.

"The Minneapolis price of No. 1 northern spring in the period from 1909 to 1913, when a 25-cent tariff was in force, ranged in general from 5 to 10 cents above Winnipeg No. 1 northern. Under a reduced tariff of 10 cents per bushel, prices at the two markets from 1913 to 1916 were practically on a level. From 1916 to 1920, controlled prices and other conditions incident to the war destroyed normal price relationships.

When Tariff Was Off.

"With the release of government control, Winnipeg prices in the latter part of 1920, when no tariff was in effect, rose to a level with, and at times somewhat above, Minneapolis. After the emergency tariff went into effect, in May, 1921, however, Winnipeg fell to around 25 to 30 cents below Minneapolis, remaining near that level for the balance of the year. The difference narrowed early in 1922, and the Canadian market since that time has fluctuated from 6 cents above to 22 cents below Minneapolis.

"Winter wheat prices appear to be less affected by the tariff. American winter wheat at Kansas City is usually above Canadian spring wheat from October to May or June, and below during the summer months, when the bulk of the American crop is moving to market. Under the 25-cent tariff existing before the war the average monthly margins in the two periods practically offset one another in amount, but under the 10-cent duty in force from 1913-1917 Winnipeg prices averaged from 5 to 7 cents above Kansas City. Under our postwar tariffs Winnipeg prices from June, 1921, to September, 1923, averaged 5 cents above Kansas City, but this average in favor of Canadian wheat has been due to the high margins that obtained during the summers of 1921 and 1922. Kansas City hard winter wheat prices have averaged 3 cents above Winnipeg during the last 12 months, and in the month of October averaged 14 cents above Winnipeg.

"The beneficial influence of the tariff is also illustrated by comparing prices of wheat in Liverpool with prices in producing countries plus cost of transportation to Liverpool. Prices of Canadian wheat in Liverpool averaged for the year 1922, 10 cents, and for nine months of 1923, 6¾ cents above Winnpeg prices plus freight on the basis of an all-rail rate to seaboard.

Tariff Raised Prices.

"During the month of October, 1922, they averaged as high as 30 cents per bushel above Winnipeg plus freight. Liverpool prices of American hard winter wheat, on the other hand, averaged during 1922 only 2 cents more than Kansas City plus freight, and during the early months of the year were considerably below. In January, 1923, Liverpool again dropped below Kansas City plus freight, and has averaged from 1 cent to 2 cents under during the first nine months of the year. American hard spring wheat, on the other hand, as shown by the limited data obtainable, has sold in Liverpool during the first half of 1923 at prices ranging from 3 to 15 cents below Minneapolis plus freight (all-rail). The average for the first four months, in fact, was about 13 cents below. Even No. 1 Manitoba which usually sells above No. 1 northern in Liverpool was below No. 1 northern hard spring at Minneapolis plus freight. These figures show that, on a Liverpool basis, hard red spring wheat prices have been high throughout 1923, and indicate roughly the extent to which the tariff has raised prices of this wheat above world levels. It also appears that prices of hard winter wheat in the Kansas City market at times are favorably influenced by the tariff.

"The present tariff has not prevented the importation of Canadian wheat for domestic consumption. Our total imports of Canadian wheat from May, 1921, when the emergency tariff went into effect, to June 30, 1923, amounted to 32,567,664 bushels, of which 22,642,059 bushels were imported in 1922. Forty-seven per cent of this was milled in bond and exported as flour. Drawback was paid on only 4,638 bushels. The balance was consumed in the United States."

Average Cost of Wheat, $1.23 Bushel

In 1922 the average cost of producing wheat as reported on 2,417 farms in the United States was $1.23 per bushel. The cost of production showed considerable variation as between geographical divisions. The net cost, including land rent, varied from an average of $0.98 per bushel in the spring wheat states of Minnesota, North and South Dakota, and Montana to an average of $1.38 for the states of New York, Pennsylvania, Maryland, Virginia, and West Virginia.

In all of these regions many farmers produced wheat at a loss. It should be remembered, however, that this does not represent an actual cash loss, since a substantial part of the total cost of production does not involve a cash outlay. In cost accounting, costs include charges for the labor of the farmer and his family and for the use of land, and if the price received for wheat is sufficient to cover these costs the farmer receives going wages for his time and interest on capital invested.

The cost of producing wheat varies widely between individuals as between regions. The average cost for the total production, as shown by some investigations, covers the cost of a little more than half of the crop, and a wheat price which only equals this cost will not permanently maintain the industry. To place wheat growing on a stable basis, the price for wheat must be sufficiently high to yield satisfactory returns on the bulk of the production. This price wheat farmers have not received during the last several years.

Omaha Bakers Urge Higher Wheat Prices

The bread bakers of Omaha favor a substantial increase in the price of wheat. At a recent meeting of bakers at the Omaha Chamber of Commerce, Mr. P. F. Petersen of Petersen & Pegau Baking company, said:

"I do not believe that a material increase in the price paid to the farmer for wheat would increase the cost of bread to the consuming public."

Mr. Fred Plate of the Jay Burns Baking company joined Mr. Petersen in calling attention to the decreased consumption of wheat bread and other wheat products and a statement was issued by the bakers urging a larger use of the "staff of life." The statement in part follows:

"A greatly increased home consumption of wheat through prepared wheat products such as bread would be of tremendous advantage to the American farmer and to all of the American people.

"An increased price for wheat will increase the purchasing power of the farmer in direct proportion to that increase. The farmers will then be able to buy bread from the bakers.

"Today the farmers are buying only one-third as much bread baked by Omaha bakers as they bought in 1920 and 1921.

"It is safe to predict that the farmer will be paid a higher price for his wheat and that with this increase in his revenue he will furnish a better market for bread baked from wheat flour. This increased volume of bakery business will probably lower the overhead and operating costs of baking bread so that the price of bread may remain stable even though flour prices increase."

Overhead Costs Bear Heavily on Farmers

Practically all costs which enter into the production of wheat are considerably higher than before the war. Average monthly farm wages for the United States on July 1, 1923, were 50 per cent above the 1913 level. Day wages at harvest time had increased even more. In Kansas the day wage in harvest was 82 per cent above 1913. This fact is of special importance in commercial wheat-producing regions where the bulk of the harvest labor is supplied by day hands. Interest charges which farmers must pay have increased with the accumulation of debts. Wholesale prices of the more common farm implements were this season from 45 to 59 per cent higher than in 1913, and retail prices were considerably higher. Threshing rates in various sections of the wheat territory ranged this fall from 7 to 15 cents per bushel, or 50 per cent more than in 1913.

The burden of taxes in many regions has become excessive. Taxes on farm lands in Kansas increased 171 per cent between 1913 and 1921, in South Dakota, 129, and in the eastern 20 counties of Washington, 237 per cent. With the exception of South Dakota, taxes in these states have continued upward since the war.

Further illustration of the financial distress of farmers in various parts of the west is found in the accumulation of delinquent farm taxes. Tax payments in some sections are in arrears from one to four years. In some of the wheat-growing areas of Kansas, for example, delinquent taxes since 1917 have increased in volume several hundred per cent.

It should be observed that a substantial part of public funds is expended for local improvement purposes, such as roads, and that from 80 to 90 per cent of such taxes in Kansas and South Dakota, for example, are levied by local government units. The remedy for high taxes in some regions, therefore, rests in large measure with farmers themselves. No doubt the ready market for tax-exempt securities also accounts in part for some of the ill-advised expenditures in local improvements.

Selling Price of Bread Can Absorb Higher Wheat Prices

"The retail price of bread in cities has not fallen with the price of wheat and flour," Secretary Wallace reports to the president. "A pound loaf of bread in Minneapolis which cost 5.3 cents in 1913-14, cost 9 cents in 1922-23, whereas a barrel of flour which cost $4.43 in 1913-14 cost $6.89 in 1922-23. Allowing 280 loaves of bread to the barrel of flour, the margin between the price of the flour and that of the bread produced from it increased from $10.40 to $18.30.

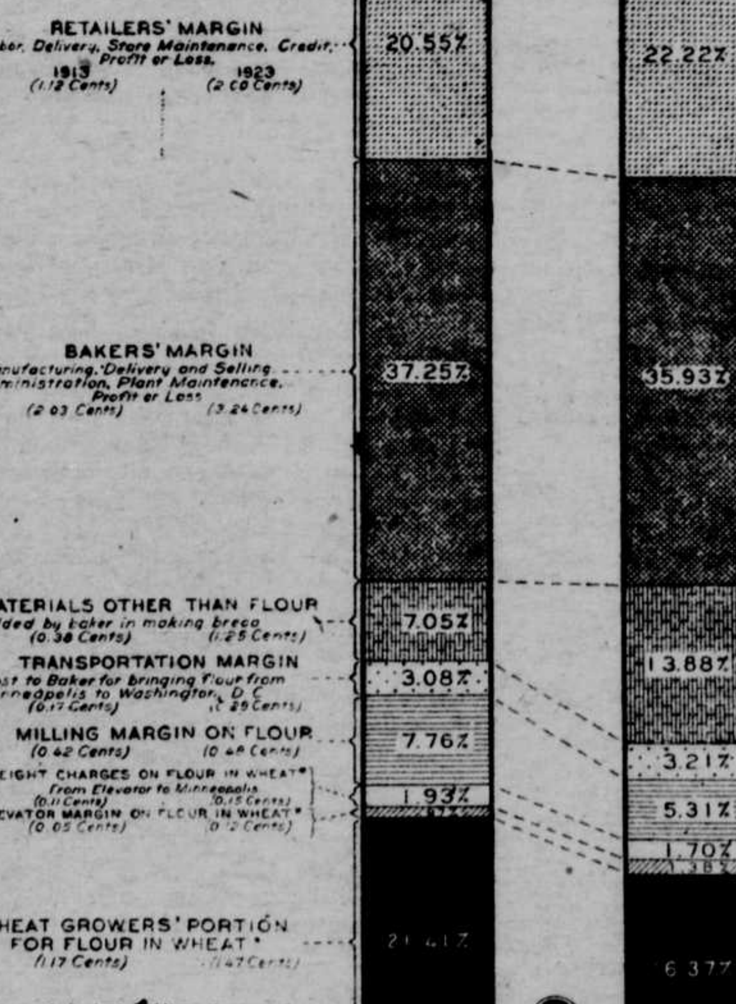
"The retail price of a 16-ounce loaf of bread in Washington, D. C., increased from 5.45 cents in September, 1913, to 9 cents in September, 1923. This advance in bread prices has not benefited the farmer. The portion received in 1913 by the wheat grower for the wheat equivalent of flour used in baking the Washington loaf was about one-fifth of the retail price of bread; in 1923 it amounts to less than one-sixth. While the wheat grower's portion of the retail price of bread has increased during this period, less than one-third of a cent, the margins above have increased a total of 3 1-4 cents."

The ratio of the price of wheat to the selling price of bread and the costs of intermediate steps is shown in the accompanying chart, prepared by the Department of Agriculture. It proves conclusively that adequate prices for wheat can be paid to the farmer without increasing the price of bread to the consumer.

Drift to Cities.

The movement of population from the country to the city is significant. In 1922 there was a net shift of 1,120,000 persons from farms to city, or about 3.6 per cent of the rural agricultural population at the beginning of the year. This cityward movement is a result of attractive urban wages, on the one hand, and inadequate returns in agriculture on the other. From a survey of vacant farmhouses it appears that the percentage of all inhabitable farmhouses not occupied in the United States increased from 4.7 per cent in 1920 to 7.3 per cent in 1922.

DISTRIBUTION OF THE RETAIL PRICE OF A 1-POUND LOAF OF BREAD IN WASHINGTON, D. C.



-Based on bread formulas for the years 1913 and 1923.