

Cut the Wheat Acreage 20 to 25 Per Cent— This Is Necessary if Adequate Domestic Prices Are to Be Realized

With world production of wheat piling up an ever growing surplus, with the American surplus equal to nearly 140,000,000 bushels in 1923, if the American farmer is to put himself on a domestic basis, with domestic prices for his product, the American acreage must be cut between 20 and 25 per cent.

At the rate of five bushels per capita for food, which is slightly less than prewar average and a slight increase over last year, about 670,000,000 bushels of wheat would be required for seed, the usual feed and waste, and for food in the United States in 1924-25. With a 10-year average yield per acre of 14.4 bushels, nearly 47,000,000 acres would be required to produce it. Allowing for average losses in winter wheat area, about 52,000,000 should be sown. This is a reduction from the area seeded last year of 13,000,000 acres, or 20 per cent. This reduction properly distributed among growers of durum, hard winter, soft red and white winter wheat would take all classes off the export market basis except in years when yields were above the average. The area may be increased annually by about 1 per cent to meet the increase in demand by growth of population.

Safest on Import Basis.

Production of wheat should be gradually on a basis to supply this country only and then should keep pace with growth of population from year to year. Where wheat displaced other crops in response to the demand of wartime, its production should be reduced as rapidly as profitable alternative crops can be substituted.

Feed crops are the most natural

substitutes for wheat and any marked increase in food acreage must be accompanied by more livestock. Adjustment of crop acreages must take into account the relative price trends of farm products. At present cattle and hog prices are low while those of sheep and wool and of dairy and poultry products are higher.

Crop adjustments vary with different regions and with individual farms. What may apply to one may not apply to another. In some cases economical use of labor and equipment and rotation of crops may not make a radical reduction in wheat acreage immediately advisable. Many wheat farmers are restricted in choice of alternative crops. In such instances adjustment must be in the direction of economy and efficiency in production.

Economies of Production.

Wherever possible, lands which give relatively low returns in cultivated crops should be seeded to meadow or be allowed to revert to pasture. Cash outlays in the production of crops can often be reduced. A part of the hired labor on some farms may be eliminated and more of the supplies for the household as well as feed for livestock may be produced on the farm. In some sections it even may be possible to supplement the farm income from sources outside of the farm.

Farmers in the corn belt and other eastern states have made substantial progress in readjusting their crops. The wheat area, however, is still in excess of the pre-war average, while that of corn is con-

siderably lower. The value of corn per acre in the region is usually greater than that of small grains which are included in the cropping system to permit the fuller utilization of farm labor and equipment and serve as nurse crops for pasture and hay. The spread between the average value of corn per acre in Ohio and that of either wheat or oats was greater in 1922 than it had been since 1913, and an acre of corn this year promises to be worth nearly twice as much as either wheat or oats. At present prices, therefore, it appears that corn belt farmers will find it profitable to keep their corn acreage at the highest point consistent with a balanced labor program and the maintenance of soil fertility. It should not be overlooked, however, that the present relatively high prices for corn may not be maintained if the prices of cattle and hogs remain at present levels.

Situation in Nebraska.

Conditions in the eastern humid parts of Nebraska and Kansas are very similar to those in the corn states to the east. A subhumid belt in which the rainfall is lower than in the eastern humid region cuts across the central portion of the western winter wheat states. Wheat yields in this belt are more dependable than those of corn, and wheat has occupied, therefore, a more important place in the system of farming. The value of an acre of wheat in McPherson county, Kan., which is representative of the subhumid region, has been higher than that of corn since 1913, and in a majority of years has exceeded also that of oats, barley and rye.

The spread between the acre value of wheat and corn was less in 1922 than it had been since 1917, and on the basis of average yields, present prices place corn very nearly on an equality with wheat in value per acre. On the basis of average yields and present prices the value of an acre of wheat less the cash costs of producing it is about \$3 under the corresponding value of an acre of corn. Since the demand of wheat and corn for labor do not seriously conflict, it appears that in so far as corn can be profitably utilized as feed or can supply a local demand it deserves a more important place in the cropping system of the region. As grain sorghums are more dependable in dry years than corn, farmers will usually find it advantageous to grow some sorghums to assure themselves feed in dry years.

In the humid portions of Minnesota and South Dakota where dairying and hog production have become the leading enterprises on most of the farms, wheat has already been displaced to a large extent by other crops.

Wheat has been the principal crop in the subhumid portion of the spring wheat region largely because the acre value of wheat has usually been greater than that of other crops. With present prices, however, more attention should be given to the production of feed crops, especially corn, and likewise to the production of flax. The one-crop system of wheat farming, hitherto largely followed, has resulted in weed-infested land, reduced soil fertility and in heavy losses in years of crop failure.

Profit From Other Crops.

The production of flax in the United States is now confined almost entirely to the spring wheat region. Flax production has been below domestic consumption in every year since 1909, and while the acreage this year is the highest since 1913, the indications are that the consumption during the present year (July 1, 1923 to July 1, 1924) will be at least double this year's domestic production. The present tariff of 40 cents per bushel has resulted in an increase in price to growers in the United States, and so long as production is below consumption and the tariff remains in effect flax prices will probably be attractive.

The average value per acre of the 1922 flax crop in North Dakota was \$9 more than the average value per acre of the wheat crop. This is a greater difference in favor of flax than had existed since 1916. Present indications are that the spread between the value per acre of the two crops this year will be nearly as great as it was last year.

Records from 150 farmers in northeastern Montana show that the average yield of wheat for the 10-year period 1913-1922 was 13 bushels and that of flax six bushels per acre. At these yields flax will be more profitable than wheat whenever the price per bushel of flax is more than twice as great as the price of wheat. Flax usually does best as the first crop on newly broken sod, but it probably is advisable to confine the growing of flax to those farms where it can compete successfully with wheat on old, but clean land.

Small Part of American Wheat Goes to Foreign Markets

The American wheat farmer has been exporting wheat for the reason that there was no other way to dispose of it. It is not essential that the American farmer produce for export. Of the other countries of the world that raise wheat, many of them do not have domestic populations large enough to consume anywhere near the production.

Sound conclusion is to let them have the world market. They produce plenty for world needs, why need the American farmer seek to compete with them.

There is a sufficient domestic consumption in America to absorb the production of a vast wheat acreage. It is enough. On the basis of domestic prices, protected by an adequate tariff, the American wheat farmer can be prosperous and happy.

Looking ahead beyond this season, prospects are not good for marketing a surplus of wheat at satisfactory prices. European agriculture is returning to pre-war productiveness. Last year Russia exported some rye and a little wheat. The area of all cereals this year is estimated to be 20 per cent greater than last, but yields are lower and the total crop probably will be

about the same as last year. Great efforts are being made to export both wheat and rye, and already this year's exports exceed the total for last year. The increase in the area of crops in Russia is a definite indication of a tendency to return to an export basis.

High prices during the war period greatly stimulated production in Canada. Since the war low prices for cattle in Australia and Argentina have encouraged the production of more wheat. In Canada, since the western provinces are better suited to produce wheat as a cash crop than to produce anything else for market, the area and production of wheat continue to expand. With small populations these countries must either find foreign markets for a large part of their crops or abandon a considerable area of wheat production. It is evident, therefore, that competition for the European markets will be increasingly keen and will tend to eliminate those countries in which the relative cost of production is highest.

Struggle for Markets.

Foreign competition is becoming increasingly keen, not only in quantity but also in quality of wheat and flour produced. The return of

Russia will bring back into the market a large supply of Durum wheat in competition with the United States and North Africa. The expansion of production in Canada increases the quantity of high-grade hard wheat available to European markets, and the flour made from this wheat is gaining in reputation in Europe.

The commercial, financial, and political relations of some European buyers make it more advantageous for them to purchase wheat from our competitors than from the United States. In so far as business interests follow the flag, the colonies and dependencies of the United Kingdom and France are in favorable positions for marketing their surplus wheat, and the war has strengthened their positions. The purpose of the recent negotiations between business men in Germany and in the United Kingdom with Russian organizations is to facilitate the exchange of manufactured goods for grain and other Russian raw materials.

High and fluctuating exchange rates also handicap the United States in trading with European countries. In the last year German grain dealers have had great difficulty in financing imports, not

only because of the fluctuations in exchange but also on account of restrictions upon the purchase of exchange. In some cases exporters of other countries are more liberal in terms of sale than are the exporters of the United States. For example, it is reported that whereas Canadian mills are quite satisfied to accept cash documents, Hamburg, American mills will sell only on New York sight draft, which handicaps the German importer who would buy from the United States.

Outlet in Germany.

American credit advances on favorable terms to German importers would facilitate the sale of American grain and flour in Germany. German importers need short-time credits at reasonable rates. A large grain importing company has expressed a keen interest in any possibility of securing American credit on easier terms for the handling of grain imports into Germany. This company reports that the restricted capital which they have available for extending credits limits sales of American wheat and flour, that they could sell much more if they had "gold capital" with which to work. Their further report that the company has been doing a good

and steady business in both wheat and flour with America and Canada, and that even in the first week in October, when German business seemed at a standstill, they had continued to do a steady business. They were able to carry on this business, however, only by taking up foreign documents and giving short-term credit to a selected list of mills and wholesalers. The losses on credit advances thus far have been almost negligible in relation to the volume of their business.

German banking and credit organizations also have made proposals for the financing of American grain in Germany. By their suggestion banks would arrange to provide securities for an American exporter, or they would take over the documents as trustee and cover these documents by special contract or acceptance against the mills receiving the grain, which would remain the property of the seller until payment was made.

To summarize briefly, changes in international commercial, financial and political relations as well as the increase in quantity and improvement in quality of wheat produced by competing countries have increased the difficulty of selling our surplus wheat.

Vast Canadian Wheat Production Is An Eye Opener

The one single factor, which probably more than any other, has brought home to the American wheat farmer the necessity for putting himself on a domestic basis, secure behind an adequate tariff, is the tremendous increase in Canadian production.

The Canadian wheat crop this season is almost 470,000,000 bushels, as compared with an annual average production of 197,000,000 bushels in the period 1909-1913. This represents an increase of 273,000,000 bushels, or 138 per cent. The population of Canada in 1921 numbered a little less than 9,000,000. Canada's wheat production is hence greatly in excess of domestic requirements. It must, therefore, find and hold foreign markets for its wheat or materially reduce its acreage. As a competitor in the world markets, the position of Canada is measured by its exports of wheat and flour, which in the year 1922-23 amounted to 274,000,000 bushels net, as compared with a prewar average of 94,000,000. The United States exported in 1922-23 less than 202,000,000 bushels net, as compared with 108,000,000 before the war.

The prairie provinces of Manitoba, Saskatchewan, and Alberta account for most of the expansion in Canadian wheat production. These three provinces contain 97 per cent of the 1923 wheat acreage and have produced about 95 per cent of the crop. The average wheat area of these provinces before the war was about 9,000,000 acres; in 1923 it is reported at over 21,500,000.

Although rapid progress has been made during recent years in the settlement of western Canada, large bodies of virgin land suited to wheat production are still undeveloped. Various estimates place the arable land in these provinces at figures ranging from 170,000,000 to 270,000,000 acres. At present less than 40,000,000 acres are in cultivation, of which 55 per cent is in wheat. A network of railroads covers the southern half of the region and extensive tracts of virgin land lie within reach of transportation.

The further development of these lands hinges in no small measure upon the increase in population. Immigration to Canada, which was relatively heavy preceding the war, declined materially during the years

1916 to 1919, but has since revived considerably. During the fiscal years 1920 and 1921 the immigrant arrivals in Canada numbered over 265,000. One-third of these immigrants went to the prairie provinces and a large number of them no doubt engaged in farming. Shortly after the war, the Western Canada Colonization association was formed with the purpose of promoting the settlement of large numbers of immigrants on the vacant lands of western Canada. In developing this program, that association, according to an official statement, has secured the co-operation of the imperial government as well as the dominion and provincial authorities and the transcontinental railway companies.

Canada Has Advantage.

The Canadian wheat farmer enjoys substantial advantages over the American producer in the matter of yields, land values, the quality of wheat he produces, and lower freight rates from points equally distant from markets.

The yield of wheat, which is a very important factor in the cost of production, is materially higher

in western Canada than in many of our wheat-producing states. The average yields of spring wheat in the prairie provinces during the 10-year period 1913-1922 varied from 15 to 16 bushels per acre. In Minnesota, North Dakota, South Dakota, and Montana for the corresponding period they ranged from 10.5 to 14.3 bushels. Winter wheat yields on harvested acreage in Nebraska, Kansas, Colorado, Oklahoma, and Texas averaged, for the same period, from 12.6 to 16.2 bushels. These figures do not reflect the losses resulting from abandoned acreage. In the Pacific northwest yields have been somewhat higher than in Canada, but this advantage has been offset to a considerable extent by higher land values. The significance of Canada's higher yields is apparent. A recent study of wheat costs in the United States brings out the fact that the cost per bushel for farmers who had yields ranging from 19 to 25 bushels per acre was 31 per cent less than for those who had yields varying from 7 to 13 bushels.

Land Prices Lower.

The capital invested in land is also materially lower in Canada

than in the United States. The average value of farm lands in 1922 for Canada as a whole was \$40 per acre as compared with \$79 for the United States. In the prairie provinces average land values ranged from \$24 to \$32; in 11 of the western wheat states the range was from \$46 to \$110. Montana is the only important wheat state in which the average value of land is not materially higher than in the prairie provinces. It is significant also that land values in Canada during the war were marked up to a relatively slight degree. Between 1914 and 1920 the average value of land in the United States increased \$35 per acre; in Canada the average increase was only \$11. In the same period lands in the prairie provinces advanced on the average from \$7 to \$11 per acre; in 11 western wheat states the increase ranged from \$10 per acre in Colorado to \$61 in Nebraska. It is evident, therefore, that the American wheat farmer has a much heavier per acre investment in land than his Canadian competitor and a correspondingly larger interest burden.

Canadian farmers have another
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