# Financial Status of Farmer Is Outgrowth of Over-Supply

The financial situation confronting the farmer is a direct outcome of his efforts loyally to meet the demands of the war.

With the war over, the bottom dropped out of wheat prices and the wheat farmer in thousands of instances paid for his loyalty in failure. If at the time of the armistice a warning hand had been raised, as The Omaha Bee is now raising its hand and voicing its demand for an adequate tariff, and wheat production on a domestic basis, farmers would have been saved from ruin, and others would have avoided the present debt burden under which they are laboring.

**Menaced by Debt.**

The indebtedness of farmers in various parts of the United States, especially in the west, has grown to heavy proportions. There are a number of causes which account for this situation. Land values in the middle west rose sharply during the war and some land was purchased by farmers at inflated prices. The number of farmers, however, who bought land during these years is not as large as usually thought. Surveys that have been made indicate that from 10 to 15 per cent of the farms in the United States changed hands during the years 1916 to 1920. It should also be noted that a great many farmers who purchased at exhorbitant levels have already lost their land. Still other farmers who did not buy land marked up the value of their land and other property, placed too much reliance upon this new and fictitious wealth and incurred liabilities in excess of their normal earning capacity.

Frequently the scale of farm operations and expenditures was materially expanded to meet the demand for increased production as well as to reap the benefit of war prices. In many parts of the dry-land wheat regions an extraordinary series of crop failures was experienced during the years 1917 to 1921. Farm operations in these years were conducted at maximum costs, and instead of profiting by high prices farmers piled up additional debts. The financial situation in these dry-land wheat regions became, in fact, so serious that federal funds to the amount of $8,500,000 were provided in 1918, 1921, and 1922 for seed and feed loans to enable farmers to continue their operations.

The degree to which farm debt has been increased is shown to some extent by the census. The average mortgage debt per owner-operated farm, which in 1910 ranged from $1,960 to $2,348 for the principal wheat regions, about doubled by 1920. These census figures do not include the mortgage debt on farms operated by managers and tenants. In addition to the farm mortgage encumberance, a substantial part of farm indebtedness is represented by personal, bank and merchant credit, for which separate data are not available.

The evidence does not indicate that the total volume of farm indebtedness is in itself of alarming dimensions. Its significance lies more especially in its distribution. In some parts of the more specialized wheat regions the burden of farm debt is much heavier than in others. Within every community there are farmers who have very little or no debt, while others are very deeply involved. The situation on the average appears to be most serious in the specialized regions where wheat farming is conducted as a specialized industry and under conditions of high crop risk. On the other hand, many farmers in the better wheat regions purchased land at inflated prices or incurred other heavy liabilities during the war and are now carrying burdensome debts.

**Worst in Wheat Regions.**

When price deflation came in 1920, farmers who had accumulated large debts were seriously embarrassed. While the majority of them have been successful in tiding over their financial difficulties, a substantial number have not. This situation is brought out in a special inquiry made by the Department of Agriculture in the spring of 1923. Reports were secured from 15 states covering the period January, 1920, to March, 1923. Out of over 68,000 owner-farmers included in this this survey 4 per cent lost their farms through foreclosure or bankruptcy, 4.5 per cent lost their farms without legal proceedings and a little over 15 per cent had been spared because of the leniency of their creditors. Out of almost 26,000 tenant-farmers, 7.2 per cent lost property through foreclosure or bankruptcy, 7.8 per cent lost property without legal proceedings, and 21.8 per cent retained their property merely as a result of the leniency of creditors.

According to this survey, the losses of farms and farm property were relatively most numerous in the Great Plains region. Applying the results obtained from these reports to the 1920 census figures for owners and tenants, it was estimated that the percentage of farmers who since 1920 had lost farms or other property ranged from 8.9 per cent of all farmers in Kansas to 28.3 per cent in Montana.

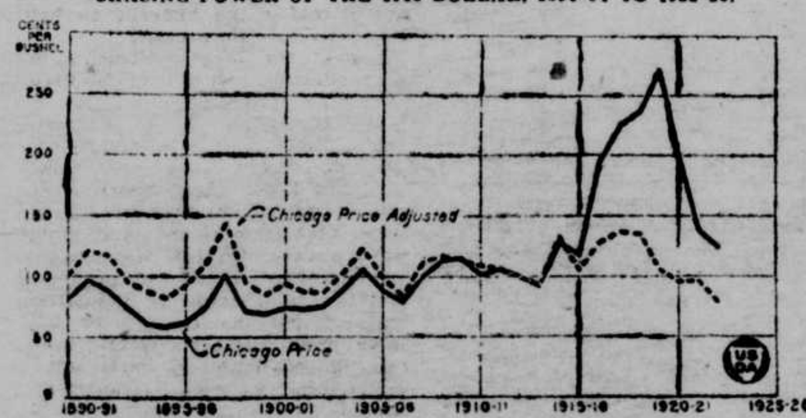
The seriousness of the situation is further reflected in the records of the bankruptcy courts. "While the total number of bankruptcy cases among farmers is not large, it must be remembered that farmers as a rule do not resort to the bankruptcy courts when forced to give up property to creditors. The significance of the record lies, therefore, in the increase and distribution of such cases rather than in their absolute number. The records of the Department of Justice show that during the three pre-war years, 1912-1914, an average of 5.5 per cent of all bankruptcy cases were farmers, while in 1922 the percentage was 14.4. The resort by farmers to bankruptcy courts was especially pronounced in the more specialized wheat regions. In the western winter wheat region farmer bankruptcy cases in the pre-war years averaged 8 per cent of all cases; in 1922 this percentage had increased to 25. In the spring wheat region the percentage increased from almost 22 per cent of all cases in the pre-war years to 48.9 per cent in 1922. The increase in bankruptcy among farmers in the Pacific northwest states is also marked, particularly in Idaho, where almost 47 per cent of all cases put through the bankruptcy courts in 1922 involved farmers. The percentage of bankruptcies among farmers in 1922 was especially high in Iowa, Kansas, Nebraska, Colorado, North Dakota, South Dakota, Montana and Idaho, ranging from 32.6 per cent of all cases in Nebraska to 78.5 per cent in North Dakota. Preliminary reports indicate that bankruptcies of farmers for the fiscal year ending June 30, 1923, materially exceeded those of 1922.

## Farmer's Dollar Is Much Below Fair Basis

The price which the farmer receives for his wheat is not the whole story. The farmer cannot count his income in the gross. It's the net income that shows failure or prosperity. Therefore there must be taken out of the price of wheat the price of what the farmer must buy.

This is an old story but The Omaha Bee presents in this review, figures and data on this and other subjects in order that the argument may be complete.

CHICAGO PRICE OF WHEAT AND THE PRICE ADJUSTED TO THE PURCHASING POWER OF THE 1913 DOLLAR, 1890-91 TO 1922-23.




Attention is called to the accompanying chart prepared by the U. S. Department of Agriculture, showing the low value of wheat farmer's dollar in terms of what he must buy.

The farm price of wheat is down nearly to pre-war level and the purchasing power of a bushel is far below. The farm price August 1, for the first time since the beginning of the war, fell below the average for the corresponding month in the period 1909-1913, being 84 cents, compared with 91 cents. Since August prices have risen and are now slightly above the pre-war level. The November 1 average farm price was 95 cents. If the seasonal price movements for this year, 1923-24, parallels that of last year, prices will continue to rise slightly, reaching the highest point of the season in the early spring.

The purchasing power of a bushel of wheat is more significant than the price of wheat. Although the average farm price of November 1 was above the 1909-1913 average for November, it is equivalent to only 60 cents per bushel in the pre-war period. A suit of clothes which cost the farmer in North Dakota 21 bushels of wheat in July, 1913, cost him 31 bushels in 1923, and a wagon which then cost him 103 bushels would now cost him 166. The cost of nearly everything the farmer buys is necessarily very high because of freight rates and industrial wages which enter not only into the cost of manufacturing but also the cost of transportation are far above their level before the war. With the November farm price of wheat only 107 per cent of the pre-war average price, the wholesale price of all commodities which is generally taken as a measure of the price level was 153 per cent in October. **On this basis of this price level the average farm price of wheat should have been about $1.35 per bushel for November to give wheat pre-war purchasing power at wholesale prices.**

The low price and purchasing power of wheat directly affects the income of about 2,000,000 farmers. In large areas of North Dakota, South Dakota, Kansas, Nebraska, Motana, Idaho, and Washington farmers depend almost entirely upon wheat for their cash income. According to the census of 1919, 80 per cent of the farmers in North Dakota, 76 per cent in Kansas, and 66 per cent in South Dakota grew wheat. A farm survey in the Palouse district of Idaho and Washington for the three years 1919-1921 showed that approximately 80 per cent of the cash income of the farmers in that district was derived from wheat; and in 1922, 78 per cent of the income of farms surveyed in Sheridan and Daniels counties in Montana was from wheat. As a direct source of cash income the wheat crop of the United States is more important than the corn crop, a large part of which is fed to livestock. In five years ending with 1922 farmers sold on the average 711,000,000 bushels of wheat and 544,000,000 bushels of corn. Moreover, a large part of the corn sold is from one farmer to another for livestock feed. Many wheat farmers produce other commodities than wheat, but the prices of many of these, such as oats, barley, and rye, are below pre-war prices. The specialized wheat farmer, as a rule, does not produce, or produces only for home use, the commodities such as corn, butter, eggs, cotton, and wool, which are now selling at relatively high prices.

The low price and purchasing power of wheat is far-reaching in its effects, for not only the wheat farmer but practically all classes of business men whose income depends to any extent upon the prosperity of the wheat farmer are adversely affected.

## Better Grades of Wheat Promise Higher Prices

The importance of producing and putting on the market the best possible grade of wheat can not be over-emphasized. In foreign markets our lower grades of wheat meet in competition the best wheats of other lands and sell at a discount. On the other hand, the demand in our domestic markets is for the wheats which have the highest milling value. The poorer grades usually sell, therefore, at substantial discounts, particularly when the precentage of such grades is relatively large.

## Domestic Rates in Canada Are Higher

The question of freight rates on wheat is an important one, though only relatively so. If the price of wheat can be brought to a domestic basis through the protection afforded by an adequate tariff, that will hold back the surplus from other countries, and a reduced production following a curtailment of acreage, fair freight rates can be absorbed.

In this connection The Omaha Bee calls attention to the conclusion of Secretary Wallace of the Department of Agriculture, in the recent report to President Coolidge, to which attention has already been called.

"A reduction of freight rates to prewar levels," said the secretary, "would not raise the price of wheat sufficiently to give the wheat grower prewar purchasing power."

**Need Lower Rates.**

It is also the opinion of the secretary, however, that rates should be reduced and that they should remain in effect until the prices of wheat are more nearly on a par with the prices of other products.

The Omaha Bee believes that the difficulty in connection with any such general rate reduction, however, puts this remedy in a secondary position, especially if they are to be increased again when prices of wheat are brought up. The chief stress therefore comes back to adequate tariff and reduced acreage in order that wheat prices may be as speedily as possible put upon a domestic basis.

Attention is called to a statement on wheat freight rates made in a recent report to the Federal Reserve board by Mr. John H. Rich, chairman of the board and federal reserve agent of the Federal Reserve bank at Minneapolis.

**Costs of Hauling Heavy.**

"Official investigations into the cost of wagon haul," said Mr. Rich, "indicate that in two of the representative Montana wheat areas, the cost to the farmer to haul wheat to the local station is in one area 2 cents per bushel per mile, and in the other 1 7-10 cents per bushel per mile. These figures, while very accurately computed, seem somewhat high. A better basis of cost is probably presented in the rates charged in a number of areas where it is necessary to haul wheat varying distances, and where the trucking rates are usually 1 1-2 cents per bushel for the first three miles and 1 cent per bushel per mile for the remaining distance.

"Records of a leading grain carrying railroad, which moved more than 2,000,000 tons of wheat of the 1922 crop, show that the railroad moved a ton of wheat one mile for the trucking cost to the farmer of moving one bushel one mile. The average wheat haul by rail was 340.6 miles, and the average rate per ton per mile was 1.091 cents. Converted to a bushel basis, the railroad charged for hauling one mile less than 3-100 of a cent."

It is interesting to note in this connection a comparison of the rates on wheat on American and Canadian railroads for approximately the same mileage hauls. For this purpose a comparison is shown in the following table:

**Expansion Due.**

The American rate is that charged from shipping points named in the first column to Omaha. The Canadian rates are for approximately equal distances.

| Shipping point. | Mileage. | per cwt. Am. Rte. | per cwt. Can. Rte. |
|---|---|---|---|
| Billings, Mont. | 854 | .39½ | 42 |
| Amer. Falls, Ida. | 1084 | .58 | 46 |
| Cheyenne, Wyo. | 507 | .33 | 33 |
| Sheridan, Wyo. | 749 | .36 | 39½ |
| Denver Colo | 560 | .33 | 35 |
| Grand Island, Neb. | 145 | .19½ | 18 |
| Culbertson, Neb. | 295 | .21½ | 24½ |
| Belleville, Kan. | 150 | .17½ | 18 |
| Julesburg, Colo | 363 | .23½ | 27½ |
| Mitchell, S. D. | 341 | .20½ | 27 |
| Winner, S. D. | 289 | .24½ | 24 |

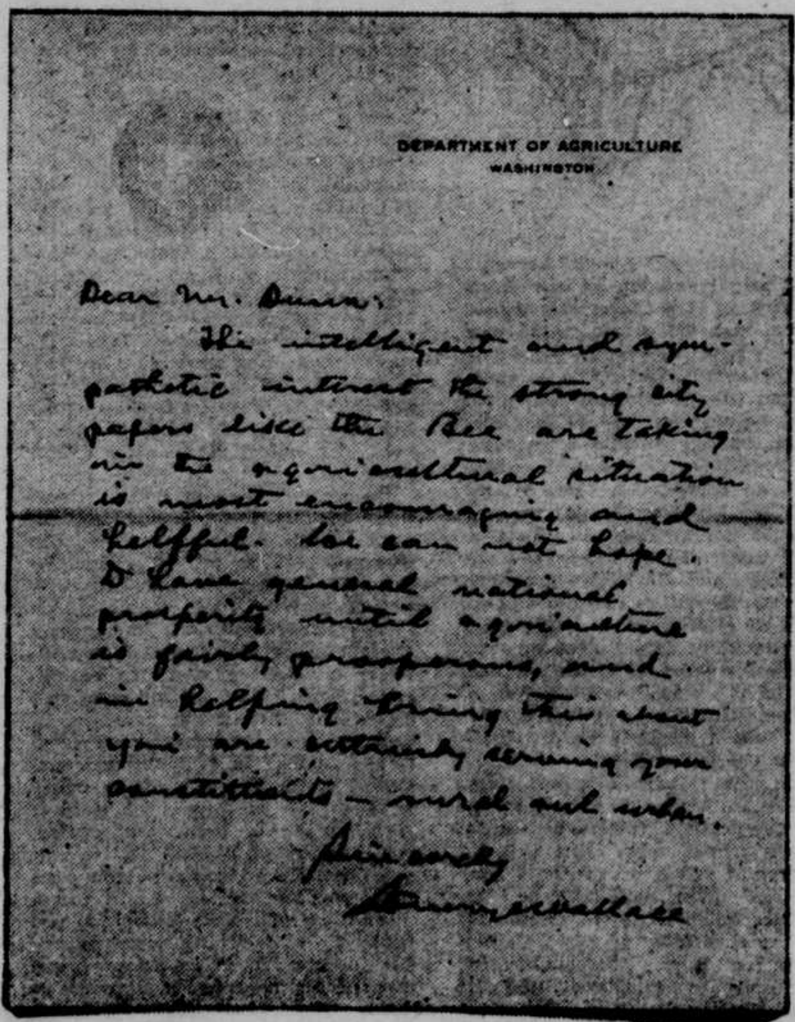
Some of the Canadian rates are puzzling, but it is evident that the domestic rates in Canada are on the whole higher than in the United States. This is not so serious a matter to the Canadian wheat growers, because with only 9,000,000 population to feed, the domestic freight rates affect only a small portion of their entire production.

**Canada's Export Rates Less.**

It is the export rate given by Canadian railroads that is the important matter, and in that the Canadian wheat grower has a marked advantage over the American wheat grower.

**Put the American wheat growers' prices on a domestic basis and he can absorb domestic freight rates that are fair to the railroads.**

## Message to The Bee From Secretary Wallace



DEPARTMENT OF AGRICULTURE
WASHINGTON

Dear Mr. Dunn:

The intelligent and sympathetic interest the strong city papers like the Bee are taking in the agricultural situation is most encouraging and helpful. We can not hope to have general national prosperity until agriculture is fairly prosperous, and in helping bring this about you are certainly serving your constituents—rural and urban.

Sincerely,
HenryCWallace

## Production in Canada Growing Year by Year

(Continued From Page Three.)

advantage in the superior quality of their wheat. It is high in protein and much valued by foreign millers for mixing with softer wheats. The hard spring wheat of Canada for many years has sold at small premiums over both American hard spring and hard winter wheats in Liverpool, although at times the price has fallen slightly below. During the past two years the premiums paid for No. 1 northern Manitoba over American No. 2 hard winter wheat in Liverpool when prices on both grades were reported have averaged 9 cents. Sales of American hard spring wheat in Liverpool have been limited and quotations are scattered. When quoted during 1923 the premium on No. 1 northern Manitoba has been about 5 cents over No. 2 dark northern spring wheat in Liverpool. The excellent quality of the Canadian wheat is attested also by the fact that American millers purchase and import it in considerable quantities, even though subject to a duty of 30 cents. Canada's more advantageous position in the production of hard spring wheat is apparent. The present Canadian spring wheat crop is placed at 450,000,000 bushels. The volume of superior hard spring wheat competes with the spring wheat crop of Minnesota, North Dakota, South Dakota and Montana, which is estimated this season at 143,000,000 bushels.

As indicated in greater detail elsewhere, more favorable freight rates give the Canadian wheat farmer substantial advantages over a great many American producers. Most of the wheat exported from Canada moves from the head of Lake Superior to Montreal and the Atlantic seaboard of the United States by way the Great Lakes. This affords cheap water rates for a good portion of the haul to the seaboard. Canadian wheat also enjoys the advantages of a relatively lower freight rate from the western provinces to the head of the lakes, compared with the rates to Duluth from corresponding distances in the northwest.