Some Aspects of the Farmers' Problems

By BERNARD M. BARUCH

(Reprinted from Atlantic Monthly)

I

The whole rural world is in a ferment of unrest, and there is an unparalleled volume and intensity of determined, if not angry, protest, and an ominous swarming of occupational conferences, interest groupings, political movements and propaganda. Such a turmoil cannot but arrest our attention. Indeed, it demands our careful study and examination. It is not likely that six million aloof and ruggedly independent men have come together and banded themselves into active unions, societies, farm bureaus, and so forth, for no sufficient cause.

Investigation of the subject conclusively proves that, while there is much overstatement of grievances and misconception of remedies, the farmers are right in complaining of wrongs long endured, and right in holding that it is feasible to relieve their ills with benefit to the rest of the community. This being the case of an industry that contributes, in the raw material form alone, about one-third of the national annual wealth production and is the means of livelihood of about 49 per cent of the population, it is obvious that the subject is one of grave concern. Not only do the farmers make up one-half of the nation, but the well-being of the other half depends upon them.

So long as we have nations, a wise politcial economy will aim at a large degree of national self-sufficiency and self-containment. Rome fell when the food supply was too far removed from the belly. Like her, we shall destroy our own agriculture and extend our sources of food distantly and precariously, if we do not see to it that our farmers are well and fairly paid for their services. The farm gives the nation men as well as food. Cities derive their vitality and are forever renewed from the country, but an impoverished countryside exports intelligence and retains unintelligence. Only the lower grades of mentality and character will remain on, or seek, the farm, unless agriculture is capable of being pursued with contentment and adequate compensation. Hence, to embitter and impoverish the farmer is to dry up and contaminate the vital sources of the nation.

The war showed convincingly how dependent the nation is on the full productivity of the farms. Despite herculean efforts, agricultural production kept only a few weeks or months ahead of consumption, and that only by increasing the acreage of certain staple crops at the cost of reducing that of others. We ought not to forget that lesson when we ponder on the farmer's problems. They are truly common problems, and there should be no attempt to deal with them as if they were purely selfish demands of a clear-cut group, antagonistic to the rest of the community. Rather should we consider agriculture in the light of broad national policy, just as we consider oil, coal, steel, dyestuffs, and so forth, as sinews of national strength. Our growing population and a higher standard of living demand increasing food supplies, and more wool, cotton, hides, and the rest. With the disappearance of free or cheap fertile land, additional acreage and increased yields can come only from costly effort. This we need not expect from an impoverished or unhappy rural population.

It will not do to take a narrow view of the rural discontent, or to appraise it from the standpoint of yesterday. This is peculiarly an age of flux and change and new deals. Because a thing always has been so no longer means that it is righteous, or always shall be so. More, perhaps, than ever before, there is a widespread feeling that all human relations can be improved by taking thought, and that it is not becoming for the reasoning animal to leave his destiny largely to chance and natural incidence.

Prudent and orderly adjustment of production and distribution in accordance with consumption is recognized as wise management in every business but that of farming. Yet, I venture to say, there is no other industry in which it is so important to the public—to the city-dweller—that production should be sure, steady, and increasing, and that distribution should be in proportion to the need. The unorganized farmers naturally act blindly and impulsively and, in consequence, surfeit and dearth, accompanied by disconcerting price-variations, harass the consumer. One year potatoes rot in the fields because of excess production, and there is a scarcity of the things that have been displaced to make way for the expansion of the potato acreage; next year the punished farmers mass their fields on some other crop, and potatoes enter the class of luxuries; and so on.

Agriculture is the greatest and fundamentally the most important of our American industries. The cities are but the branches of the tree of national life, the roots of which go deeply into the land. We all flourish or decline with the farmer. So, when we of the cities read of the present universal distress of the farmers, of a slump of six billion dollars in the farm value of their crops in a single year, of their inability to meet mortgages or to pay current bills, and how, seeking relief from their ills, they are planning to form pools, inaugurate farmers' strikes, and demand legislation abolishing grain exchanges, private cattle markets, and the like, we ought not hastily to brand them as economic heretics and highwaymen, and hurl at them the charge of being seekers of special privilege. Rather, we should ask if their trouble is not ours, and see what can be done to improve the situation. Purely from self-interest, if for no higher motive, we should help them. All of us want to get back permanently to "normalcy;" but is it reasonable to hope for that condition unless our greatest and most basic industry can be put on a sound and solid permanent foundation? The farmers are not entitled to special privileges; but are they not right in demanding that they be placed on an equal footing with the buyers of their products and with other industries?

II

Let us, then, consider some of the farmer's grievances, and see how far they are real. In doing so, we should remember that, while there have been, and still are, instances of purposeful abuse, the subject should not be approached with any general imputation to existing distributive agencies of deliberately intentional oppression, but rather with the conception that the marketing of farm products has not been modernized.

An ancient evil, and a persistent one, is the undergrading of farm products, with the result that what the farmers sell as of one quality is resold as of a higher. That this sort of chicanery should persist on any important scale in these days of business integrity would seem almost incredible, but there is much evidence that it does so persist. Even as I write, the newspapers announce the suspension of several firms from the New York Produce Exchange for exporting to Germany as No. 2 wheat a whole shipload of grossly inferior wheat mixed with oats, chaff and the like.

Another evil is that of inaccurate weighing of farm products, which, it is charged, is sometimes a matter of dishonest intention and sometimes of protective policy on the part of the local buyer, who fears that he may "weigh out" more than he "weighs in."

A greater grievance is that at present the field farmer has little or no control over the time and conditions of marketing his products, with the result that he is often underpaid for his products and usually overcharged for marketing service. The difference between what the farmer receives and what the consumer pays often exceeds all possibility of justification. To cite a single illustration. Last year, according to figures attested by the railways and the growers, Georgia watermelon-raisers received on the average 7.5 cents for a melon, the railroads got 12.7 cents for carrying it to Baltimore and the consumer paid one dollar, leaving 79.8 cents for the service of marketing and its risks, as against 20.2 cents for growing and transporting. The hard annals of farm-life are replete with such commentaries on the crudeness of present practices.

Nature prescribes that the farmer's "goods" must be finished within two or three months of the year, while financial and storage limitations generally compel him to sell them at the same time. As a rule, other industries are in a continuous process of finishing goods for the markets; they distribute as they produce, and they can curtail production without too great injury to themselves or the community; but if the farmer restricts his output, it is with disastrous consequences, both to himself and to the community.

The average farmer is busy with production for the major part of the year, and has nothing to sell. The bulk of his output comes on the market at once. Because of lack of storage facilities and of financial support, the farmer cannot carry his goods through the year and dispose of them as they are currently needed. In the great majority of cases, farmers have to entrust storage—in warehouses and elevators—and the financial carrying of their products to others.

Farm products are generally marketed at a time when there is a congestion of both transportation and finance—when cars and money are scarce. The outcome, in many instances, is that the farmers not only sell under pressure, and therefore at a disadvantage, but are compelled to take further reductions in net returns, in order to meet the charges for the service of storing, transporting, financing, and ultimate marketing—which charges they claim, are often excessive, bear heavily on both consumer and producer, and are under the control of those performing the services. It is true that they are relieved of the risks of a changing market by selling at once; but they are quite willing to take the unfavorable chance, if the favorable one also is theirs and they can retain for themselves a part of the service charges that are uniform, in good years and bad, with high prices and low.

While, in the main, the farmer must sell, regardless of market conditions, at the time of the maturity of crops, he cannot suspend production in toto. He must go on producing if he is to go on living, and if the world is to exist. The most he can do is to curtail production a little or alter its form, and that—because he is in the dark as to the probable demand for his goods—may be only to jump from the frying pan into the fire, taking the consumer with him.

Even the dairy farmers, whose output is not seasonal, complain that they find themselves at a disadvantage in the marketing of their productions, especially raw milk, because of the high costs of distribution, which they must ultimately bear.

III

Now that the farmers are stirring, thinking, and uniting as never before to eradicate these inequalities, they are subjected to stern economic lectures, and are met with the accusation that they are demanding, and are the recipients of, special privileges. Let us see what privileges the government has conferred on the farmers. Much has been made of Section 6 of the Clayton Anti-Trust Act, which purported to permit them to combine with immunity, under certain conditions. Admitting that, nominally, this exemption was in the nature of a special privilege,—though I think it was so in appearance rather than in fact,—we find that the courts have nullified it by judicial interpretation. Why should not the farmers be permitted to accomplish by co-operative methods what other businesses are already doing by co-operation in the form of incorporation? If it be proper for men to form, by fusion of existing corporations or otherwise, a corporation that controls the entire production of a commodity, or a large part of it, why is it not proper for a group of farmers to unite for the marketing of their common products, either in one or in several selling agencies? Why should it be right for a hundred thousand corporate shareholders to direct 25 or 30 or 40 per cent of an industry, and wrong for a hundred thousand co-operative farmers to control a no larger proportion of the wheat crop, or cotton, or any other product?

The Department of Agriculture is often spoken of as a special concession to the farmers, but in its commercial results, it is of as much benefit to the buyers and consumers of agricultural products as to the producers, or even more. I do not suppose that anyone opposes the benefits that the farmers derive from the educational and research work of the department, or the help that it gives them in working out improved cultural methods and practices, in developing better yielding varieties through breeding and selection, in introducing new varieties from remote parts of the world and adapting them to our climate and economic condition, and in devising practical measures for the elimination or control of dangerous and destructive animal and plant diseases, insect pests, and the like. All these things manifestly tend to stimulate and enlarge production, and their general beneficial effects are obvious.

It is complained that, whereas the law restricts Federal Reserve banks to three months' time for commercial paper, the farmer is allowed six months on his notes. This is not a special privilege, but merely such a recognition of business conditions as makes it possible for country banks to do business with country people. The crop farmer has only one turnover a year, while the merchant and manufacturer have many. Incidentally, I note that the Federal Reserve Board has just authorized the Federal Reserve banks to discount export paper for a period of six months, to conform to the nature of the business.

The Farm Loan banks are pointed to as an instance of special government favor for farmers. Are they not rather the outcome of laudable efforts to equalize rural and urban conditions? And about all the government does there is to help set up an administrative organization and lend a little credit at the start. Eventually the farmers will provide all the capital and carry all the liabilities themselves. It is true that Farm Loan bonds are tax exempt; but so are bonds of municipal light and traction plants, and new housing is to be exempt from taxation, in New York, for ten years.

On the other hand, the farmer reads of plans for municipal housing projects that run into the billions, of hundreds of millions annually spent on the merchant marine; he reads that the railways are being favored with increased rates and virtual guaranties of earnings by the government, with the result to him of an 'ncreased toll on all that he sells and all that he buys. He hears of many manifestations of governmental concern for particular industries and interests. Rescuing the railways from insolvency is undoubtedly for the benefit of the country as a whole, but what can be of more general benefit than encouragement of ample production of the principal necessaries of life and their even flow from contented producers to satisfied consumers?

While it may be conceded that special governmental aid may be necessary in the general interest, we must all agree that it is difficult to see why agriculture and the production and distribution of farm products are not accorded the same opportunities that are provided for other businesses; especially as the enjoyment by the farmer of such opportunities would appear to be even more contributory to the general good than in the case of other industries. The spirit of American democracy is unalterably opposed, alike to enacted special privilege and to the special privilege of unequal opportunity that arises automatically from the failure to correct glaring economic inequalities. I am opposed to the injection of government into business, but I do believe that it is an essential function of democratic government to equalize opportunity so far as it is within its power to do so, whether by the repeal of archaic statutes or the enactment of modern ones. If the anti-trust laws keep the farmers from endeavoring scientifically to integrate their industry while other industries find a way to meet modern conditions without violating such statutes, then it would seem reasonable to find a way for the farmers to meet them under the same conditions. The law should operate equally in fact. Repairing the economic structure on one side is no injustice to the other side, which is in good repair.

We have traveled a long way from the old conception of government as merely a defensive and policing agency; and regulative, corrective, or equalizing legislation, which apparently is of a special nature, is often of the most general beneficial consequences. Even the First Congress passed a tariff act that was avowedly for the protection of manufacturers; but a protective tariff always has been defended as a means of promoting the general good through a particular approach; and the statute books are filled with acts for the benefit of shipping, commerce, and labor.

IV

Now, what is the farmer asking? Without trying to catalogue the remedial measures that have been suggested in his behalf, the principal proposals that bear directly on the improvement of his distributing and marketing relations may be summarized as follows:—

First: storage warehouses for cotton, wool, and tobacco, and elevators for grain, of sufficient capacity to meet the maximum demand on them at the peak of the marketing period. The farmer thinks that either private capital must furnish these facilities, or the state must erect and own the elevators and warehouses.

Second: weighing and grading of agricultural products, and certification thereof, to be done by impartial and disinterested public inspectors (this is already accomplished to some extent by the federal licensing of weighers and graders), to eliminate underpaying, overcharging, and unfair grading, and to facilitate the utilization of the stored products as the basis of credit.

Third: a certainty of credit sufficient to enable the marketing of products in an orderly manner.

Fourth: the Department of Agriculture should collect, tabulate, summarize, and regularly and frequently publish and distribute to the farmers, full information from all the markets of the world, so that they shall be as well informed of their selling position as buyers now are of their buying position.

Fifth: freedom to integrate the business of agriculture by means of consolidated selling agencies, co-ordinating and co-operating in such way as to put the farmer on an equal footing with the large buyers of his products, and with commercial relations in other industries.

When a business requires specialized talent, it has to buy it. So will the farmers; and perhaps the best way for them to get it would be to utilize some of the present machinery of the largest established agencies dealing in farm products. Of course, if he wishes, the farmer may go further and engage in flour-milling and other manufactures of food products. In my opinion, however, he would be wise to stop short of that. Public interest may be opposed to all great integrations; but, in justice, should they be forbidden to the farmer and permitted to others? The corporate form of association cannot now be wholly adapted to his objects and conditions. The looser co-operative form seems more generally suitable. Therefore, he wishes to be free, if he finds it desirable and feasible, to resort to co-operation with his fellows and neighbors, without running afoul of the law. To urge that the farmers should have the same liberty to consolidate and co-ordinate their peculiar economic functions, which other industries in their fields enjoy, is not, however, to concede that any business integration should have legislative sanction to exercise monopolistic power. The American people are as firmly opposed to industrial as to political autocracy, whether attempted by rural or by urban industry.

For lack of united effort the farmers as a whole are still marketing their crops by antiquated methods, or by no methods at all, but they are surrounded by a business world that has been modernized to the last minute and is tirelessly striving for efficiency. This efficiency is due in large measure to big business, to united business, to integrated business. The farmers now seek the benefits of such largeness, union and integration.

The American farmer is a modern of the moderns in the use of labor saving machinery, and he has made vast strides in recent years in scientific tillage and efficient farm management, but as a business in contact with other businesses agirculture is a "one horse shay" in competition with high power automobiles. The American farmer is the greatest and most intractable of individualists. While industrial production and all phases of the huge commercial mechanism and its myriad accessories have articulated and co-ordinated themselves all the way from natural raw materials to retail sales, the business of agriculture has gone on in much the one man fashion of the backwoods of the first part of the nineteenth century, when the farmer was self sufficient and did not depend upon, or care very much, what the great world was doing. The result is that the agricultural group is almost as much at a disadvantage in dealing with other economic groups as the jay farmer of the funny pages in the hands of sleek urban confidence men, who sell him acreage in Central Park or the Chicago city hall. The leaders of the farmers thoroughly understand this, and they are intelligently striving to integrate their industry so that it will be on an equal footing with other businesses.

As an example of integration, take the steel industry, in which the model is the United States Steel Corporation, with its iron mines, its coal mines, its lake and rail transportation, its ocean vessels, its by-product coke ovens, its blast furnaces, its open hearth and Bessemer furnaces, its rolling mills, its tube mills and other manufacturing processes that are carried to the highest degree of finished production compatible with the large trade it has built up. All this is generally conceded to be to the advantage of the consumer. Nor does the steel corporation inconsiderately dump its products on the market. On the contrary, it so acts that it is frequently a stabilizing influence, as is often the case with other large organizations. It is master of its distribution as well as of its production. If prices are not satisfactory the products are held back or production is reduced or suspended. It is not compelled to send a year's work to the market at one time and take whatever it can get under such circumstances. It has one selling policy and its own export department. Neither are the grades and qualities of steel determined at the caprice of the buyer, nor does the latter hold the scales. In this single integration of the steel corporation is represented about 40 per cent of the steel production of America. The rest is mostly in the hands of a few large companies. In ordinary times the steel corporation, by example, stabilizes all steel prices. If this is permissible (it is even desirable, because stable and fair prices are essential to solid and continued prosperity) why would it be wrong for the farmers to utilize central agencies that would have similar effects on agricultural products? Something like that is what they are aiming at.

Some farmers favored by regional compactness and contiguity, such as the citrus-fruit-raisers of California, already have found a way legally to merge and sell their products integrally and in accordance with seasonal and local demand, thus improving their position and rendering the consumer a reliable service of ensured quality, certain supply, and reasonable and relatively steady prices. They have not found it necessary to resort to any special privilege, or to claim any exemption under the anti-trust legislation of the state or nation. Without removing local control, they have built up a very efficient marketing agency. The grain, cotton, and tobacco farmers, and the producers of hides and wool, because of their numbers and the vastness of their regions, and for other reasons, have found integration a more difficult task; though there are now some thousands of farmer's co-operative elevators, warehouses, creameries, and other enterprises of one sort and another, with a turn-over of a billion dollers a year. They are giving the farmers business experience and training, and, so far as they go, they meet the need of honest weighing and fair grading; but they do not meet the requirements of rationally adjusted marketing in any large and fundamental way.

The next step, which will be a pattern for other groups, is now being prepared by the grain-raisers through the establishment of sales media which shall handle grain separately or collectively, as the individual farmer may elect. It is this step—the plan of the Committee of Seventeen—which has created so much opposition and is thought by some to be in conflict with the anti-trust laws. Though there is now before congress a measure designed to clear up doubt on this point, the grain-producers are not relying on any immunity from anti-trust legislation. They desire, and they are entitled, to co-ordinate their efforts just as effectively as the large business interests of the country have done. In connection with the selling organizations the United States Grain Growers Incorporated is drafting a scheme of financing instrumentalities and auxiliary agencies which are indispensable to the successful utilization of modern business methods.

It is essential that the farmers should proceed gradually with these plans, and aim to avoid the error of scrapping the existing marketing machinery, which has been so laboriously built up by long experience, before they have a tried and proved substitute or supplementary mechanism. They must be careful not to become enmeshed in their own reforms and lose the perspective of their place in the national system. They must guard against fanatical devotion to new doctrines, and should seek articulation with the general economic system rather than its reckless destruction as it relates to them.

V

To take a tolerant and sympathetic view of the farmers' strivings for better things is not to give a blanket endorsement to any specific plan, and still less to applaud the vagaries of some of their leaders and groups. Neither should we, on the other hand, allow the froth of bitter agitation, false economics, and mistaken radicalism to conceal the facts of the farmers' disadvantages, and the practicability of eliminating them by well-considered measures. It may be that the farmers will not show the business sagacity and develop the wise leadership to carry through sound plans; but that possibility does not justify the obstruction of their upward efforts. We, as city people, see in high and speculatively manipulated prices, spoilage, waste, scarcity, the results of defective distribution of farm products. Should it not occur to us that we have a common interest with the farmer in his attempts to attain a degree of efficiency in distribution corresponding to his efficiency in production? Do not the recent fluctuations in the May wheat option, apparently unrelated to normal interaction of supply and demand, offer a timely proof of the need of some such stabilizing agency as the grain growers have in contemplation?

It is contended that, if their proposed organizations be perfected and operated, the farmers will have in their hands an instrument that will be capable of dangerous abuse. We are told that it will be possible to pervert it to arbitrary and oppressive price-fixing from its legitimate use of ordering and stabilizing the flow of farm products to the market, to the mutual benefit of producer and consumer. I have no apprehensions on this point.

In the first place, a loose organization, such as any union of farmers must be at best, cannot be so arbitrarily and promptly controlled as a great corporation. The one is a lumbering democracy and the other an agile autocracy. In the second place, with all possible power of organization, the farmers cannot succeed to any great extent, or for any considerable length of time, in fixing prices. The great law of supply and demand works in various and surprising ways, to the undoing of the best laid plans that attempt to foil it. In the third place, their power will avail the farmers nothing if it be abused. In our time and country power is of value to its possessor only so long as it is not abused. It is fair to say that I have seen no signs in responsible quarters of a disposition to dictate prices. There seems, on the contrary, to be a commonly beneficial purpose to realize a stability that will give an orderly and abundant flow of farm products to the consumer and ensure reasonable and dependable returns to the producer.

In view of the supreme importance to the national well-being of a prosperous and contented agricultural population, we should be prepared to go a long way in assisting the farmers to get an equitable share of the wealth they produce, through the inauguration of reforms that will procure a continuous and increasing stream of farm products. They are far from getting a fair share now. Considering his capital and the long hours of labor put in by the average farmer and his family, he is remunerated less than any other occupational class, with the possible exception of teachers, religious and lay. Though we know that the present general distress of the farmers is exceptional and is linked with the inevitable economic readjustment following the war, it must be remembered that, although representing one-third of the industrial product and half the total population of the nation, the rural communities ordinarily enjoy but a fifth to a quarter of the net annual national gain. Notwithstanding the taste of prosperity that the farmers had during the war, there is today a lower standard of living among the cotton farmers of the South than in any other pursuit in the country.

In conclusion, it seems to me that the farmers are chiefly striving for a generally beneficial integration of their business, of the same kind and character that other business enjoys. If it should be found on examination that the attainment of this end requires methods different from those which other activities have followed for the same purpose should we not sympathetically consider the plea for the right to co-operate, if only from our own enlightened self interest, in obtaining an abundant and steady flow of farm products?

In examining the agricultural situation with a view to its improvement, we shall be most helpful if we maintain a detached and judicial viewpoint, remembering that existing wrongs may be chiefly an accident of unsymmetrical economic growth instead of a creation of malevolent design and conspiracy. We Americans are prone, as Professor David Friday well says in his admirable book, "Profits, Wages and Prices," to seek a "criminal intent behind every difficult and undesirable economic situation." I can positively assert from my contact with men of large affairs, including bankers, that, as a whole, they are endeavoring to fulfill as they see them the obligations that go with their power. Preoccupied with the grave problems and heavy tasks of their own immediate affairs, they have not turned their thoughtful personal attention or their constructive abilities to the deficiencies of agricultural business organization. Agriculture, it may be said, suffers from their preoccupation and neglect rather than from any purposeful exploitation by them. They ought now to begin to respond to the farmers' difficulties, which they must realize are their own.

On the other hand, my contacts with the farmers have filled me with respect for them—for their sanity, their patience, their balance. Within the last year, and particularly at a meeting called by the Kansas State Board of Agriculture and at another called by the Committee of Seventeen, I have met many of the leaders of the new farm movement, and I testify in all sincerity that they are endeavoring to deal with their problems, not as promoters of a narrow class interest, not as exploiters of the hapless consumer, not as merciless monopolists but as honest men bent on the improvement of the common weal.

We can and must meet these men and such a cause half way. Their business is our business—the nation's business.

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