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Agriculture

1. A Graphic Summary of American ~~workers~~
By Middleton Smith, O.E. Baker and
R.G. Haineworth. 1915. *X9(U).73.N/S* pp. 1-40. *F5*
2. Agricultural Co-operation in Wisconsin.
By B.H. Hibbard. 1917. *XMI9(U).737A* pp. 41-63.
3. Farm Tenancy. By C.J. Galpin and Emily
F. Hoag. 1919. *X9(U):(273)* pp. 64-71. *E9*
4. Farm Leases in Kansas. 1919. *X9(U):(27333)* pp. 72-87. *E9*
5. The Intensity of Cultivation. by
B.H. Hibbard. 1922. *X9(U):593)* pp. 88-98. *F2*
6. The Farmers Influence over Prices.
1923. *X9(U):76.73* pp. 99-106. *F3*
7. The Relation of Government to Agricultural
Marketing. by B.H. Hibbard. pp.107-113. *F4*
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8. Legislative Interference with Agricultural
Prices. by Benjamin Hibbard.
1925. *X9(U):76.73* pp.115-123. *F5*
9. The Extent of Co-operative Marketing
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By Benjamin Hibbard. 1924. pp.127-131. *F4*
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11. Philosophy of the Uniform Small Loan
Law. by Walter S. Hilborn. 1923. pp.132-135.
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A GRAPHIC SUMMARY OF AMERICAN AGRICULTURE.

BY

MIDDLETON SMITH,

Bureau of Crop Estimates,

O. E. BAKER,

Agriculturist, Office of Farm Management,

AND

R. G. HAINSWORTH,

Head Draftsman, Office of Farm Management.

[FROM YEARBOOK OF DEPARTMENT OF AGRICULTURE FOR 1915.]

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A GRAPHIC SUMMARY OF AMERICAN AGRICULTURE.

(Graphs 1-4; maps 1-78.)

By MIDDLETON SMITH, *Bureau of Crop Estimates*, O. E. BAKER, *Agriculturist, Office of Farm Management*, and R. G. HAINSWORTH, *Head Draftsman, Office of Farm Management*.

THE maps and graphs on the following pages, which show the geographic distribution of farms, crops, and live stock in the United States, are based on data contained in reports of the Thirteenth Census or collected by the Bureau of Crop Estimates. The tables have been prepared by the Bureau of Crop Estimates, the maps and description of the agricultural provinces by the Office of Farm Management.

The chief value of a graphic presentation of statistical facts relating to crops and live stock is that it enables the reader to locate at a glance the regions of production without a detailed study of a mass of figures. A table is inserted on each map giving the statistics, by States, for 1909 or 1910, taken from the census, and, where available, also the estimates of the Department of Agriculture for 1915. These tables, in terms of exact figures, assist in interpreting the maps; by comparing the figures for 1909 with those of 1915 an indication is obtained of the changes in acreage, production, or numbers since the last census. At the end of the table, the separate totals for the States to the east and to the west of the Mississippi River are shown.

The map of agricultural provinces (map 1) is based primarily on the geographic distribution of the principal crops and types of farming, which is in turn dependent largely upon climatic conditions. The acreage of land in crops (map 5) includes not only crops for which the census secured acreage reports but also fruits and nuts for which the census reports only the number of trees. The acreage of these fruits has been estimated on the basis of the number of trees per acre by the use of factors for each State supplied by the Office of Horticultural Investigations, Bureau of Plant Industry. The map showing rural population (map 12) represents the population outside of all incorporated places, which differs from the rural population used by the census in that the latter excluded only places of 2,500 inhabitants or more. The statistics for the map "Improved land not in crops" (map 25) were secured by subtracting the acreage of all crops from the acreage of improved land and represent throughout most of the United States approximately the acreage of improved pasture. All of the above maps are based upon unpublished census data compiled by the Office of Farm Management.

The half-page maps of the different vegetables (maps 42 to 51) include only the acreage on farms reporting 1 acre or more of the vegetable specified, and are based upon unpublished county statistics courteously supplied by the Bureau of the Census, as are also the maps of fruit trees not of bearing age. The maps showing the location, 1914, of creameries (map 71) and of cheese factories (map 72) are adapted from maps prepared by the Bureau of Animal Industry. The map showing cotton production, 1914, is based upon the report of the Bureau of the Census. With these exceptions, the maps showing the distribution of the crops are based on statistics collected by the census for the year 1909, and those of farms, farm land, and the classes of live stock represent conditions on April 15, 1910; while the tables also give the estimates of the Department of Agriculture for January 1, 1915.

THE AGRICULTURAL PROVINCES.

(See map 1.)

The United States may be divided into an eastern and a western half, characterized, broadly speaking, one by a sufficient and the other by an insufficient amount of rainfall for the successful production of crops by ordinary farming methods. The North Pacific coast and several sections in California and in the northern Rocky Mountain region constitute exceptions to this statement. The dividing line which separates the East from the West follows more or less closely the one hundredth meridian, the annual precipitation increasing from 15 inches at the Canadian boundary to about 25 inches at the Mexican line, where the evaporation is much greater. The East is a region of ordinary farming based upon annual summer crops; the West, of grazing, dry farming, winter crops in certain localities, and irrigation, with only limited areas of ordinary farming under humid conditions such as characterizes the East.

The East and the West may each be divided into five agricultural provinces. In the East, precipitation being usually sufficient, the classification is based largely on temperature and the crops grown, while in the West rainfall is the important factor. In the East the agricultural provinces extend for the most part east and west, following parallels of latitude; while in the West the provinces are determined by the mountain ranges and extend north and south. Agriculture in the East varies primarily with latitude and soils, but in the West the principal factors are altitude and rainfall. The average elevation of the eastern half of the United States is less than 1,000 feet; that of the western half, over 4,000 feet.

In the East corn is the dominant crop, constituting over one-third of the acreage and nearly 30 per cent of the value of all crops. It is grown in all the five eastern provinces, but is most important in the corn and winter-wheat belt and in the cotton belt. Along the Gulf of Mexico and the southern Atlantic coast the type of agriculture varies greatly from section to section, so that the region is not named after any crop, but is called the "Southern coast," because the warm water exerts a controlling influence upon climate and crops. There is very little cotton grown outside the cotton belt; scarcely any winter wheat in the eastern half of the United States outside the corn and winter-wheat belt, and virtually no spring wheat outside the spring-wheat province. In the East grass is of greatest importance in the hay and pasture province, where in nearly every county hay and pasture occupy 50 per cent or more of the improved land.

In the West hay is the dominant crop, contributing 44 per cent of the acreage and 30 per cent of the value of all crops in 1909, and the forage obtained by grazing is probably of almost equal value. Alfalfa is the leading hay crop in the Rocky Mountain and arid interior provinces, prairie grasses in the Great Plains province, and grains cut green on the Pacific coast. Wheat contributed 19 per cent of the value of all crops, fruit and nuts 13 per cent, oats 8 per cent, barley 6 per cent, potatoes 4 per cent, and other vegetables 4 per cent in these five western provinces. The value of all crops in the western provinces, however, constituted in 1909 less than 10 per cent of the total for the United States.

The contrast between the East and the West is not as pronounced in live stock as in crops, except that swine are largely confined to the East, while sheep are much more important in the West. There is a marked distinction, however, in the manner of management, the live stock in the East being fed in the barnyards or fields with shelter at night, while in the West the stock is principally grazed on the open range. In the East the hay and pasture province is primarily a dairy region, while the corn and winter-wheat belt is the center of the beef-cattle and swine industry. In the West, the sheep are generally located in the more arid and the cattle in the less arid regions, while in the North Pacific province, with its cool, moist climate, similar to that of the hay and pasture province, dairying is again the dominant live-stock industry.

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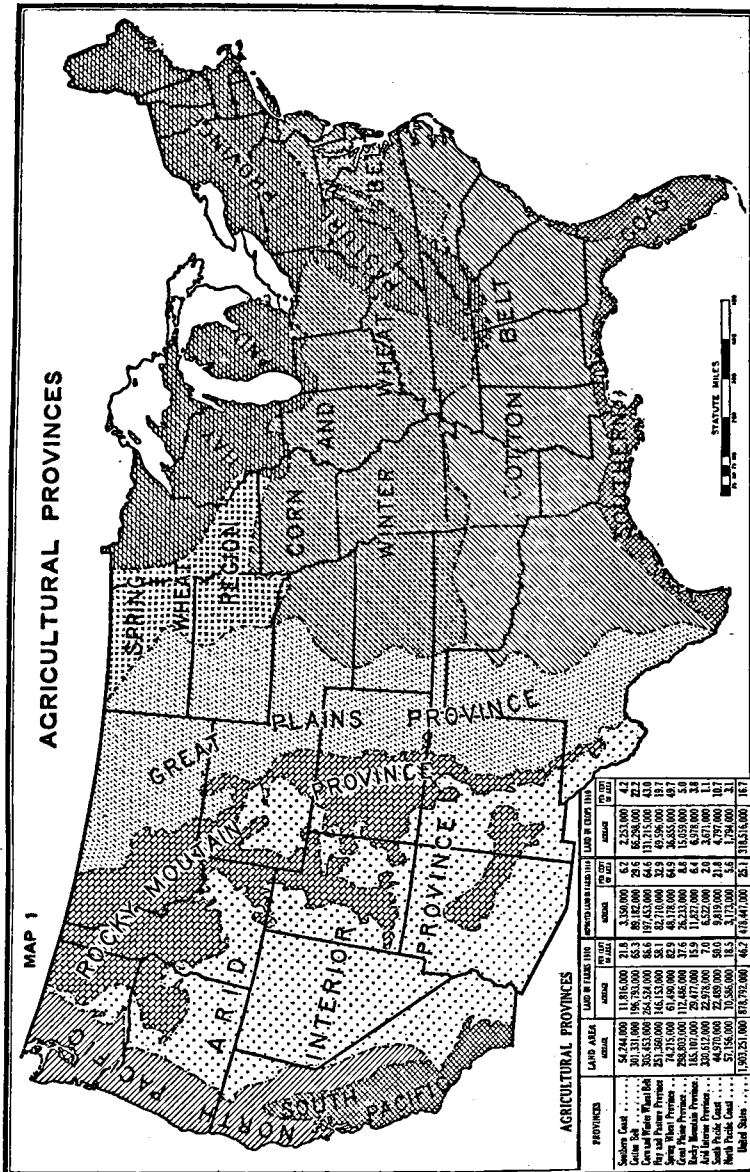
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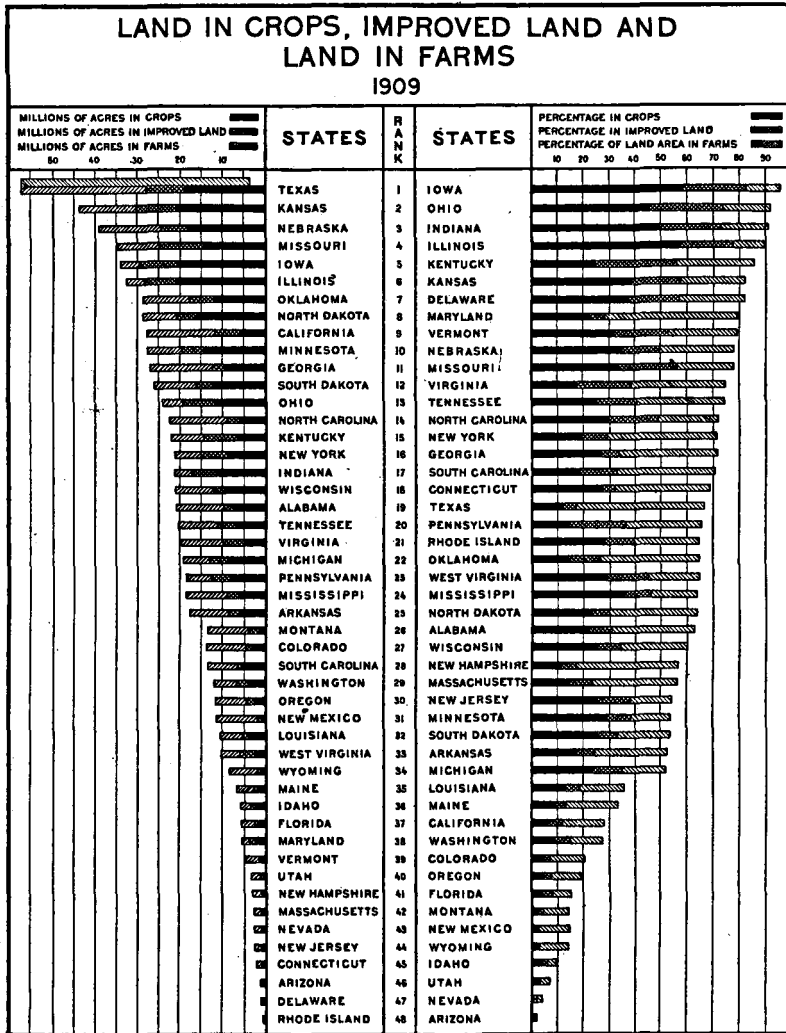
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LIVE STOCK AND DAIRYING.

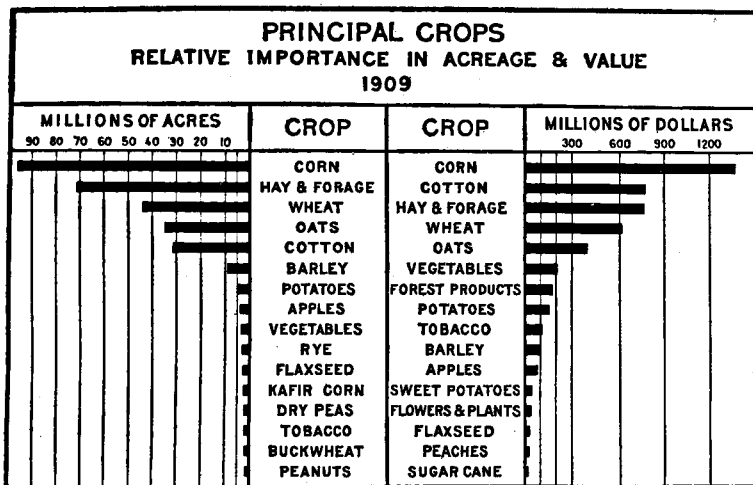
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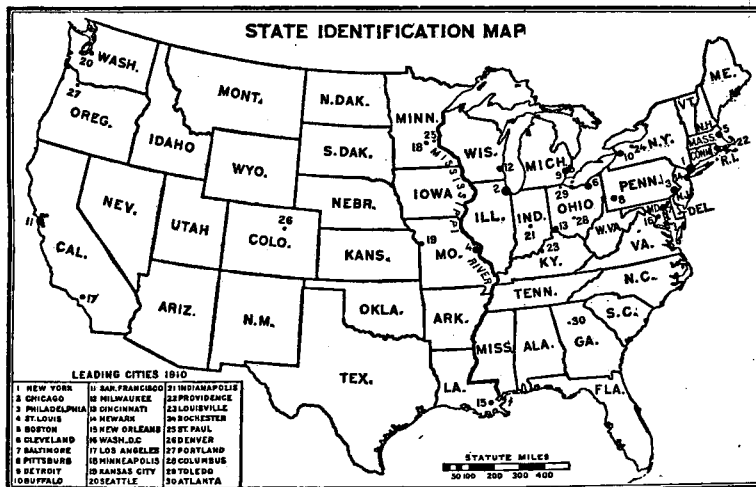
Compare with maps of cotton (map 15), winter wheat (map 17), spring wheat (map 18), and receipts from sale of dairy products (map 70).



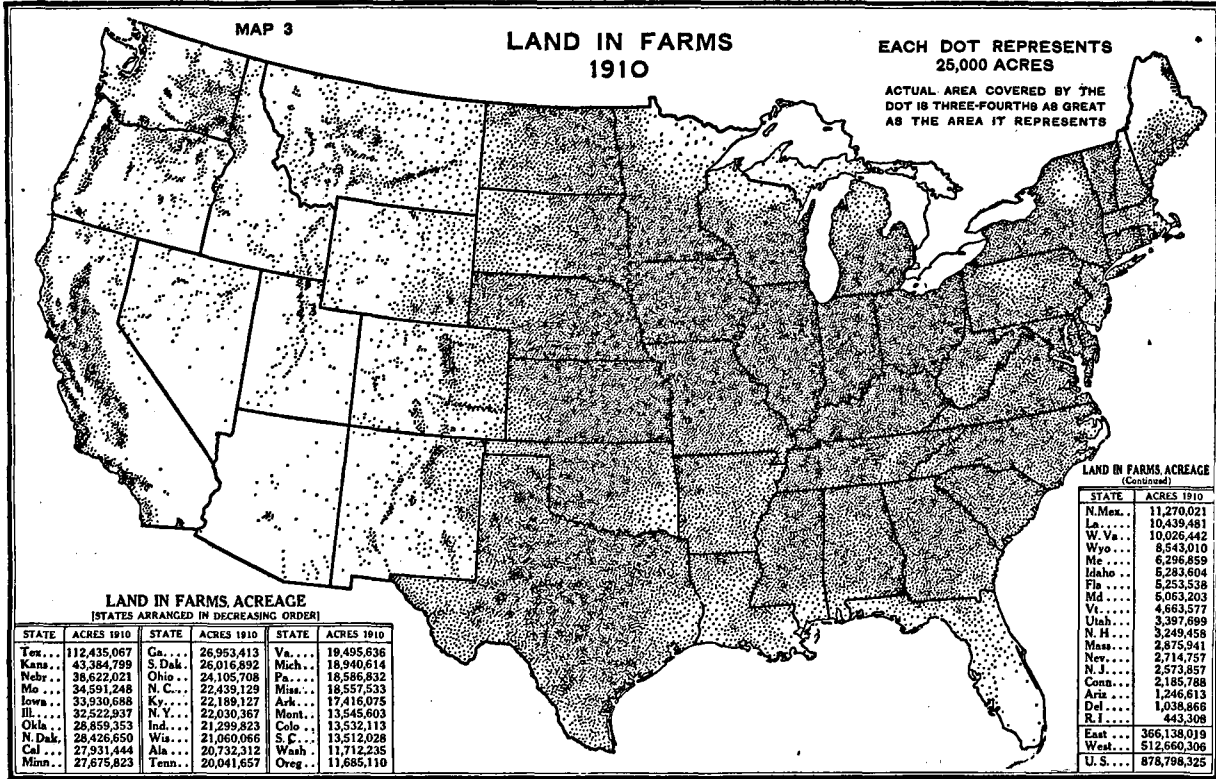
GRAPH 1.—The black section of the bar represents the area of the land in crops; the black section plus the cross lined section, the area of improved land; and the entire bar, the area of land in farms.



GRAPH 2.—Compare with maps of corn (map 13), cotton (map 15), wheat (maps 17 and 18), oats (map 21), hay (map 26), etc.

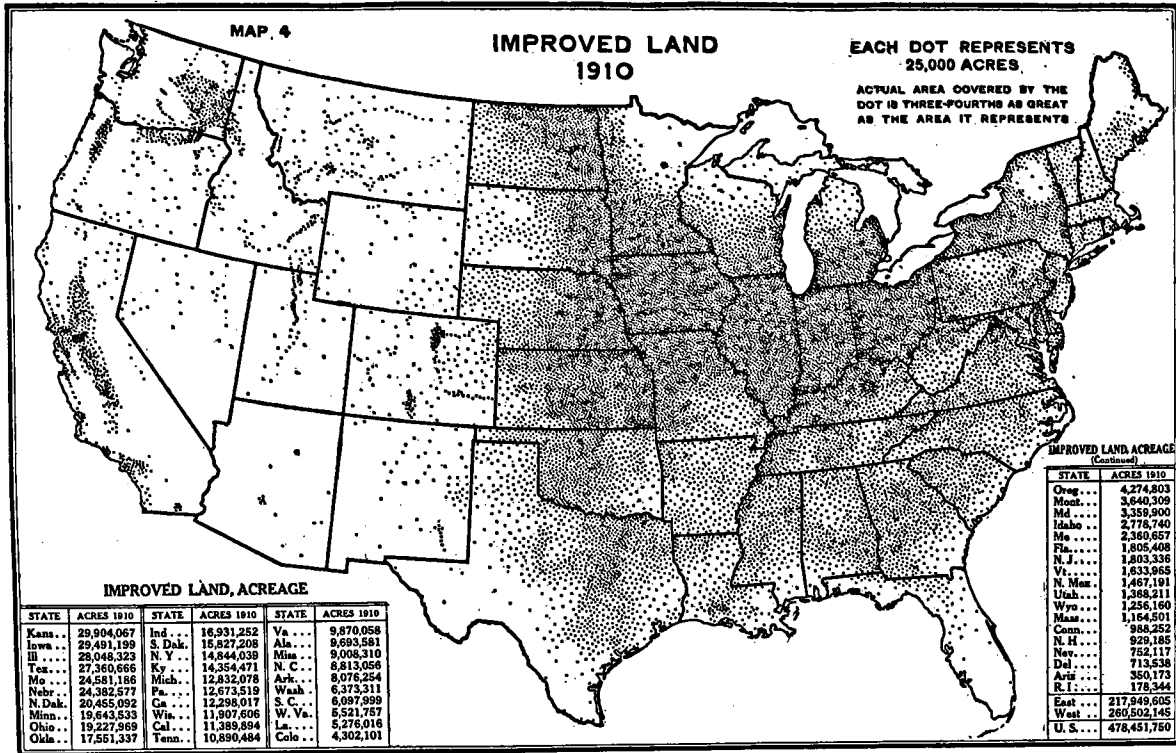


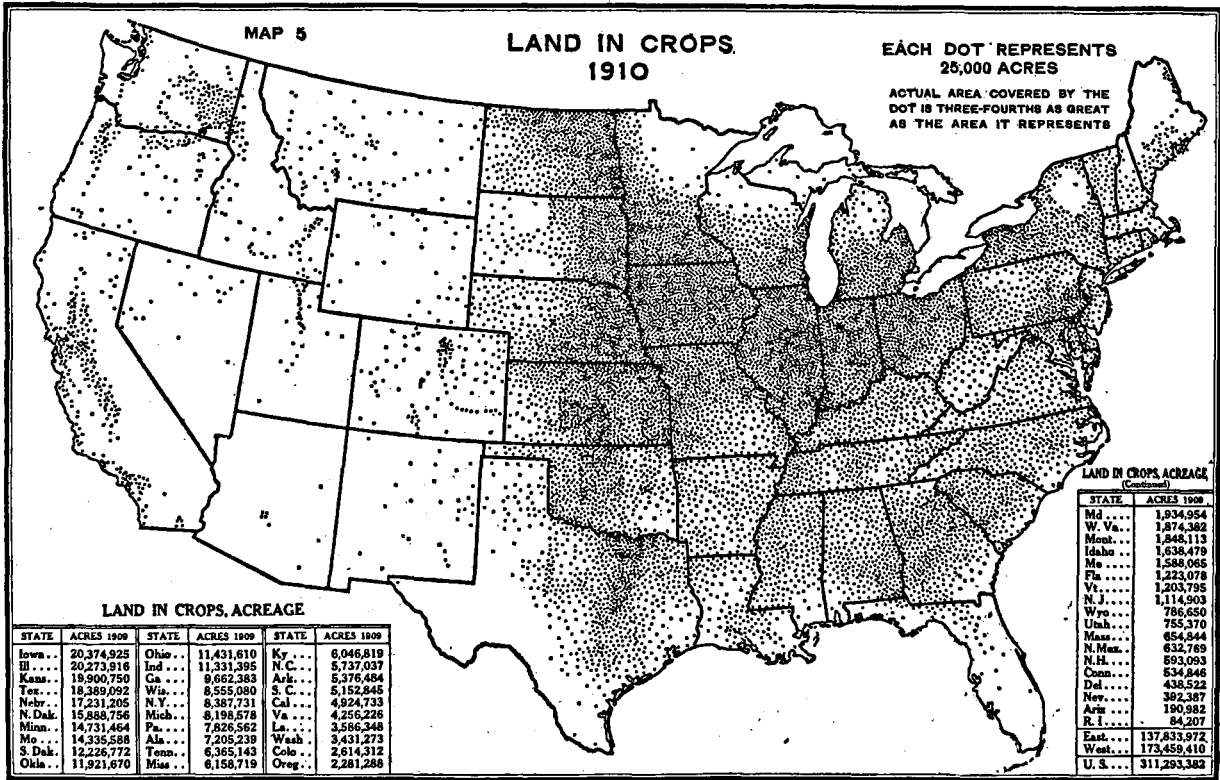
MAP 2.—Any of the maps may be compared with this map to ascertain the name of a State. The words "East" and "West" in the tables inserted on the maps refer to the States east and west of the Mississippi River, respectively.



Compare with maps of improved land (map 4) and land in crops (map 5).

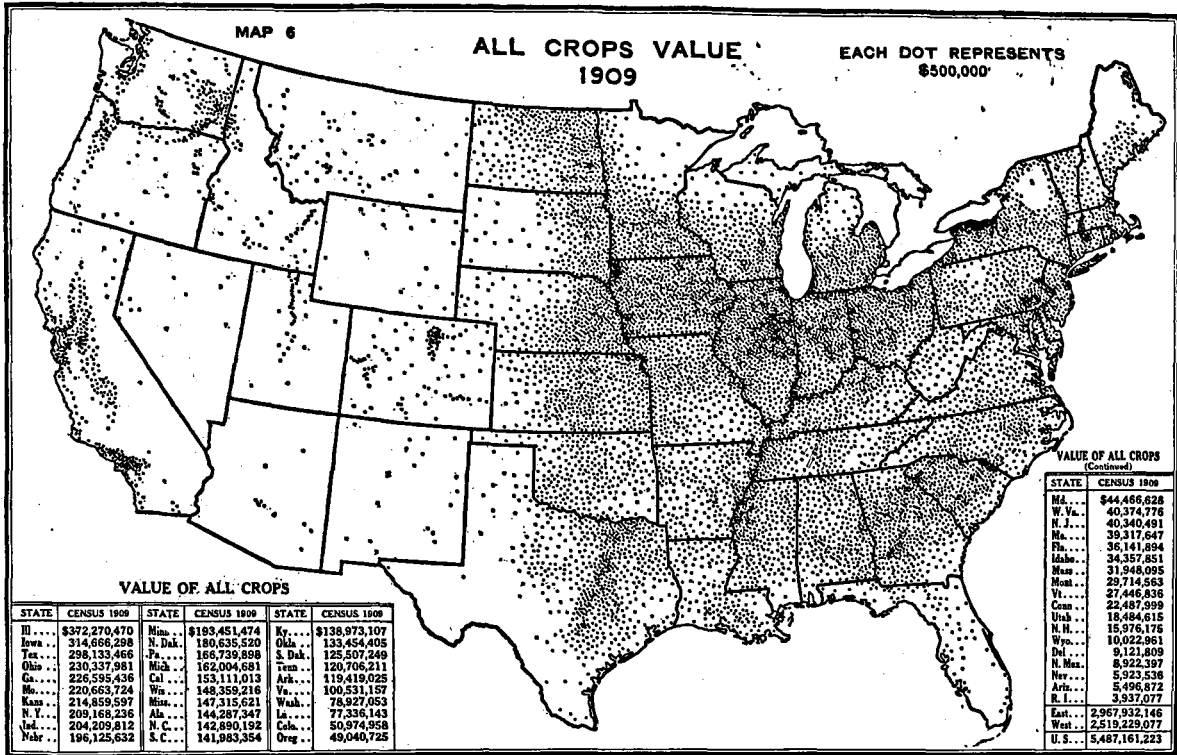
Compare with map of value of farm property (map 9).

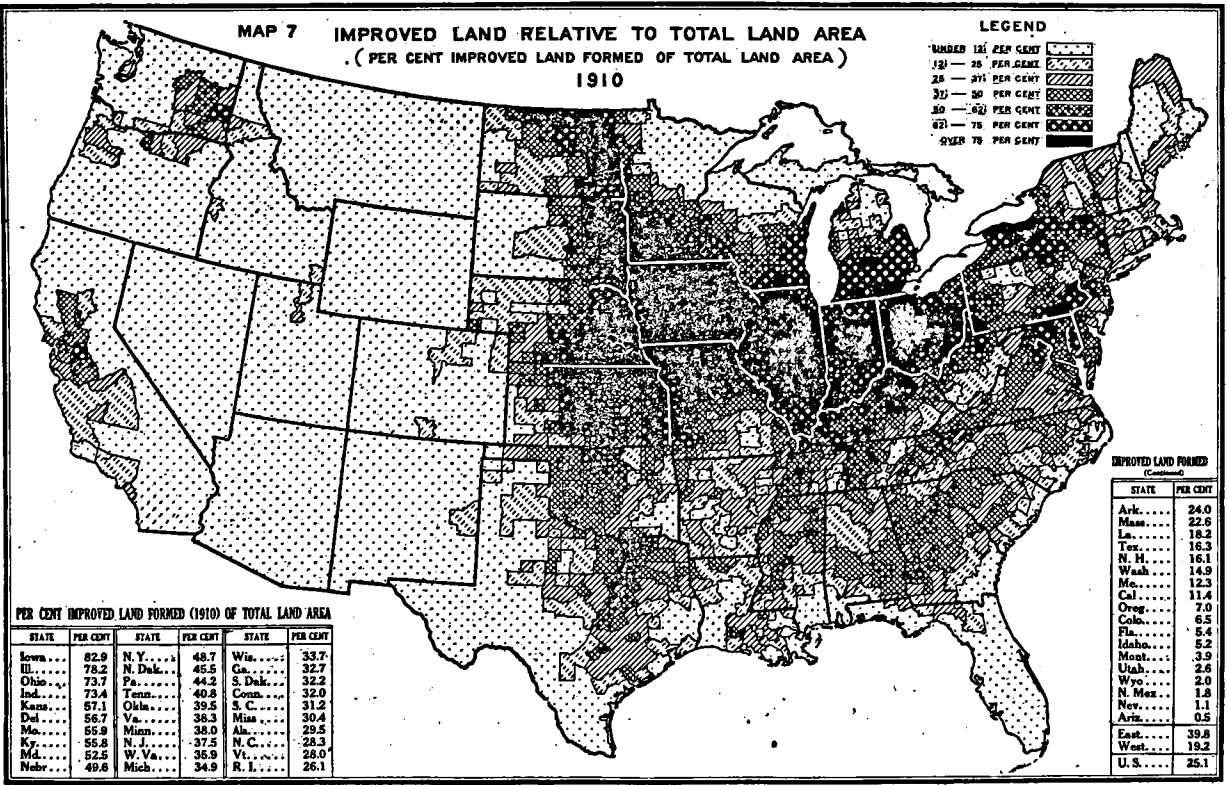




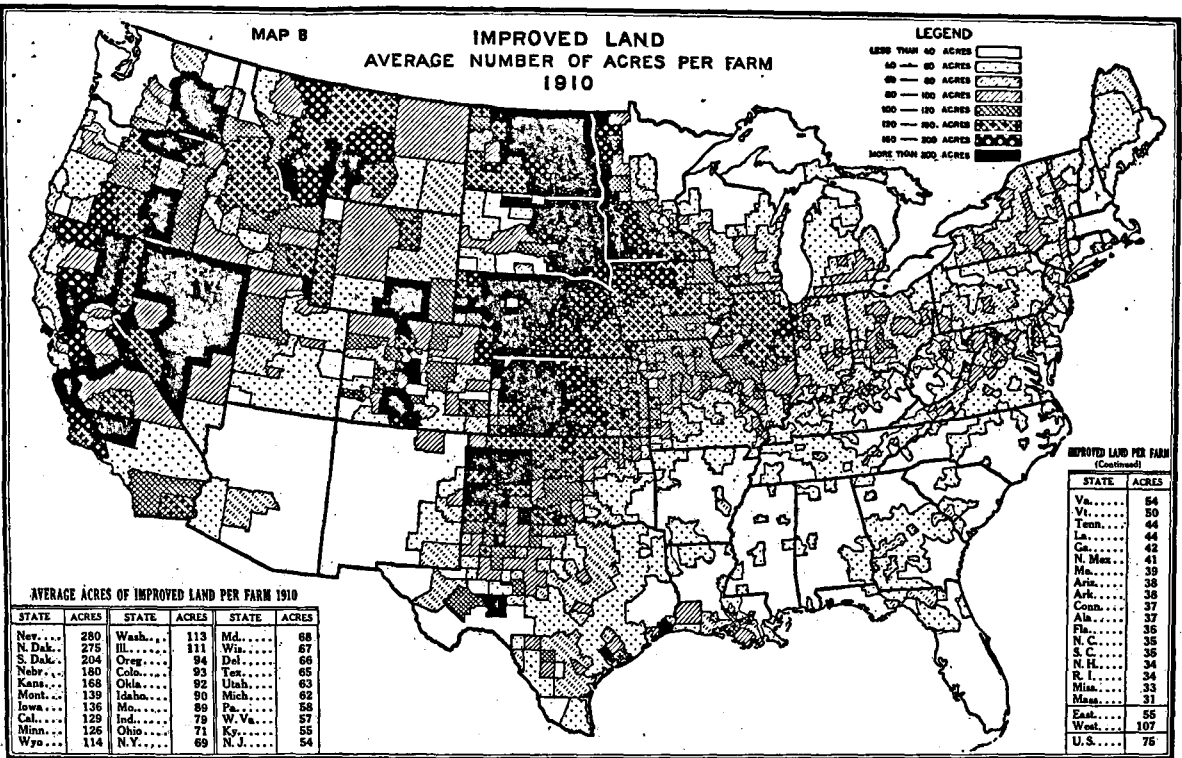
Compare with map of agricultural provinces (map 1).

Compare with map of land in crops (map 5) and value of farm property (map 5).
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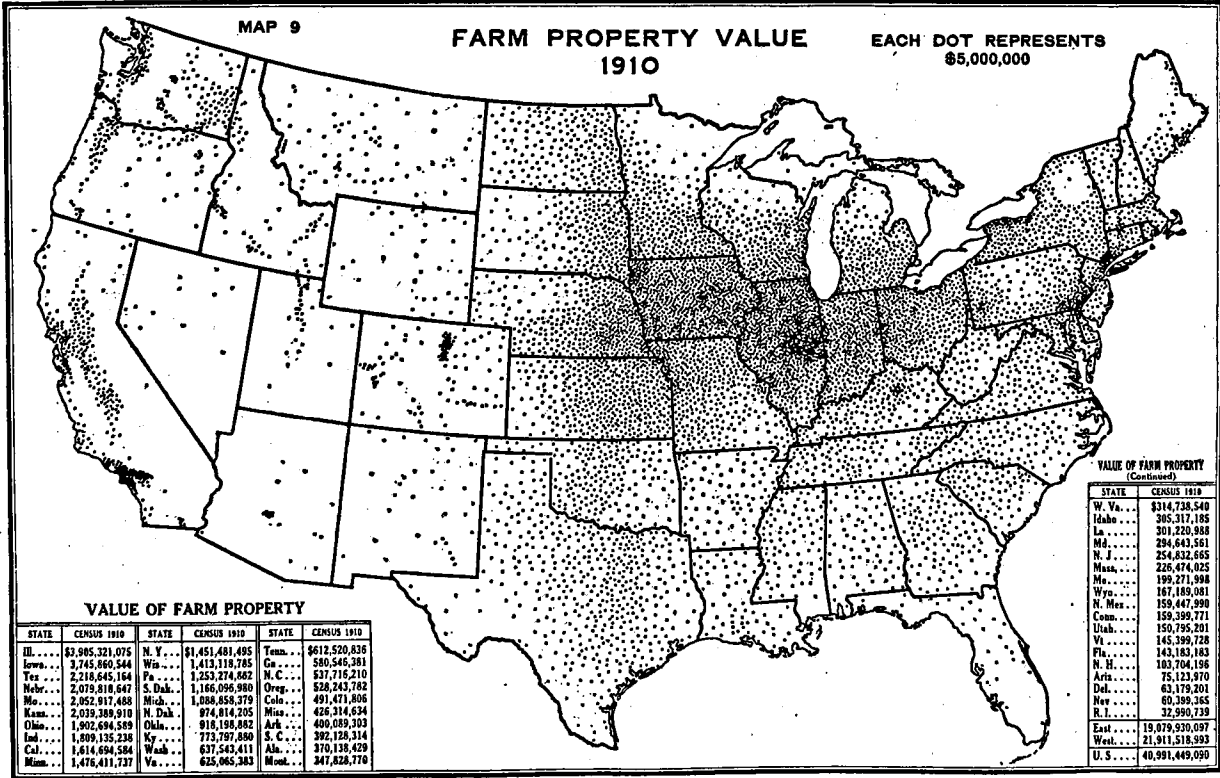




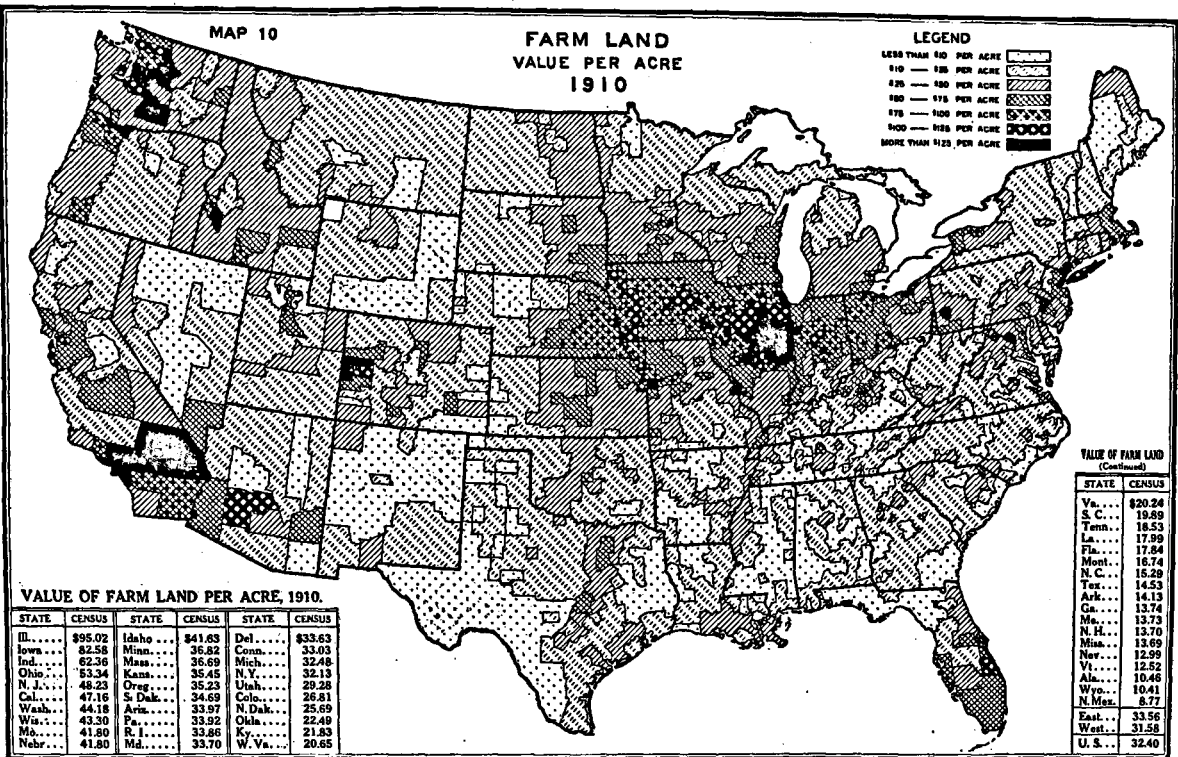
Compare with map of agricultural provinces (map 1).



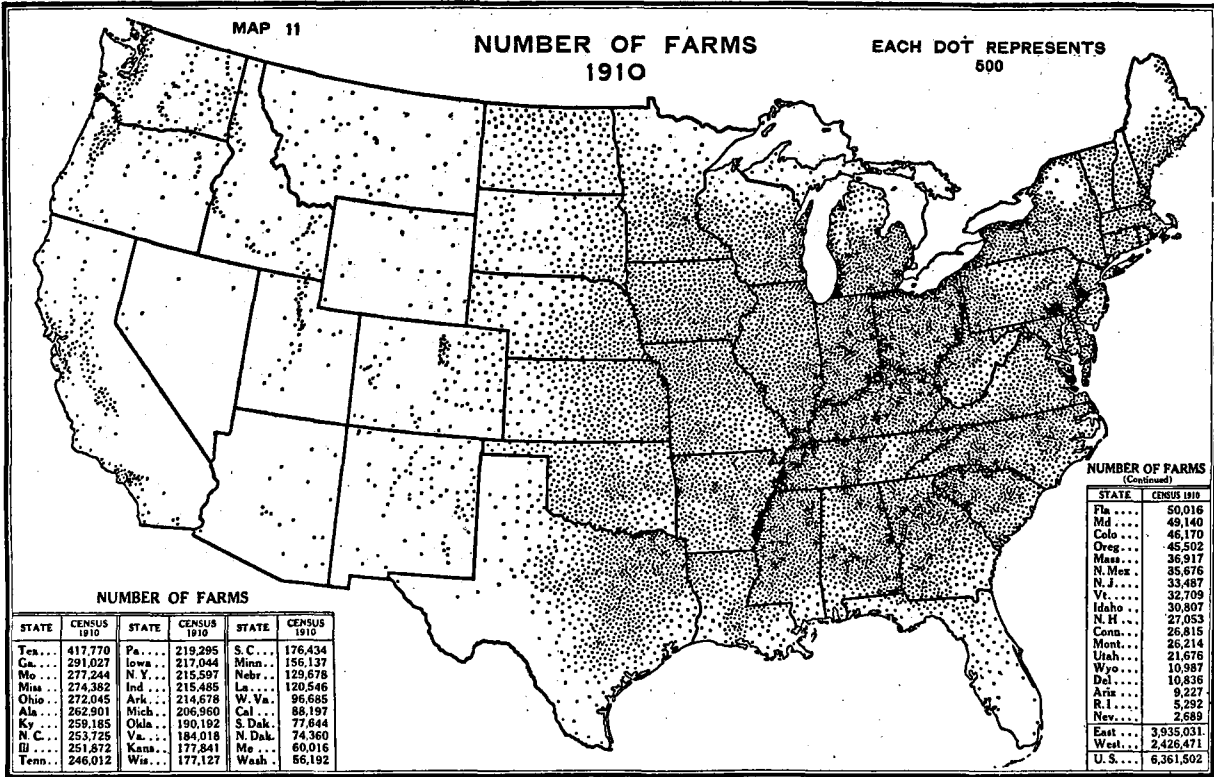
Compare with maps of spring wheat (map 18), winter wheat (map 17), hay and forage (map 20), corn (map 19), and cotton (map 15).



Compare with map of value of farm land per acre (map 10).

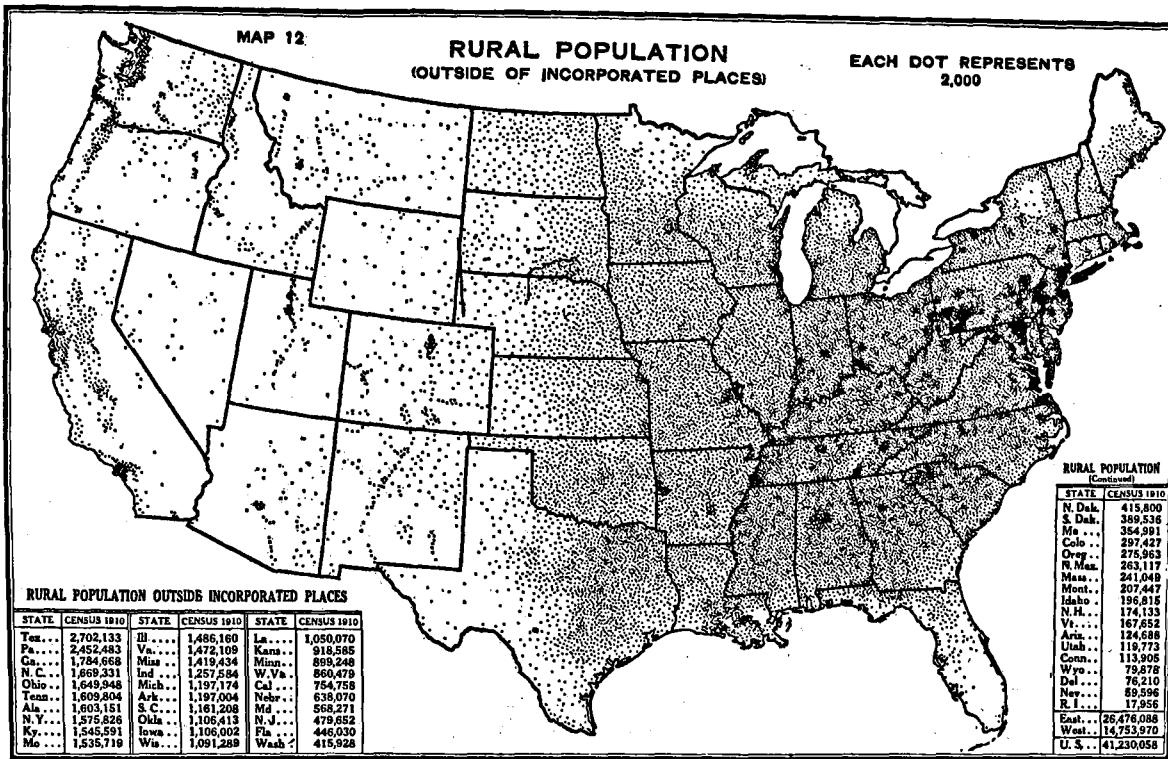


Compare with maps of agricultural provinces (map 1), corn (map 13), cotton (map 15), and fruits and nuts (map 52).

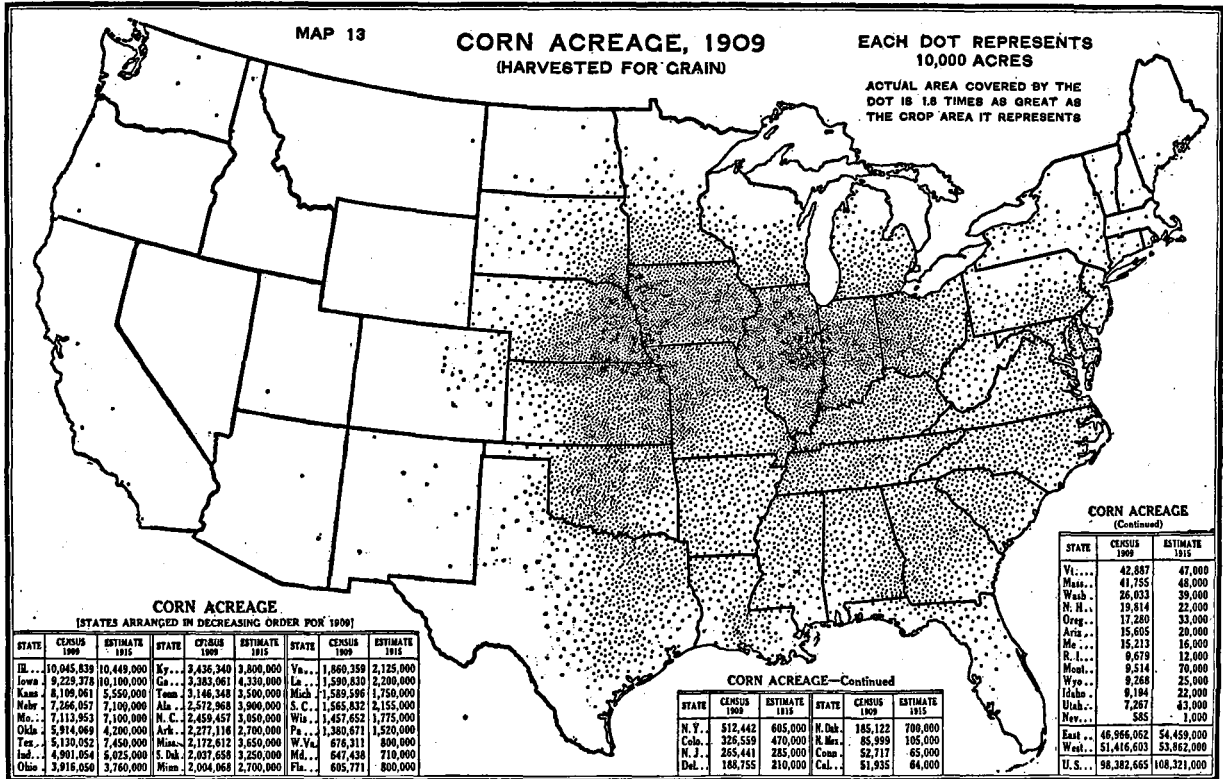


Compare with maps of rural population outside incorporated places (map 12), acres of improved land per farm (map 8), and land in crops (map 5).

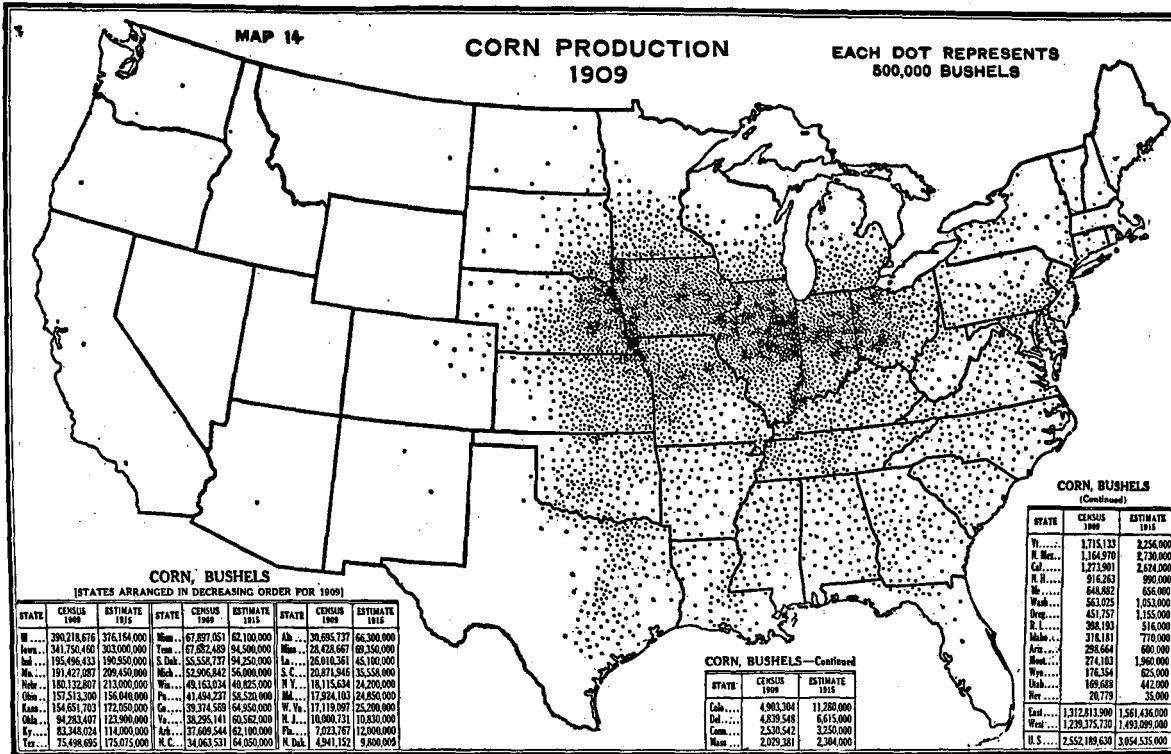
Compare with map of value of farm property (map 9).

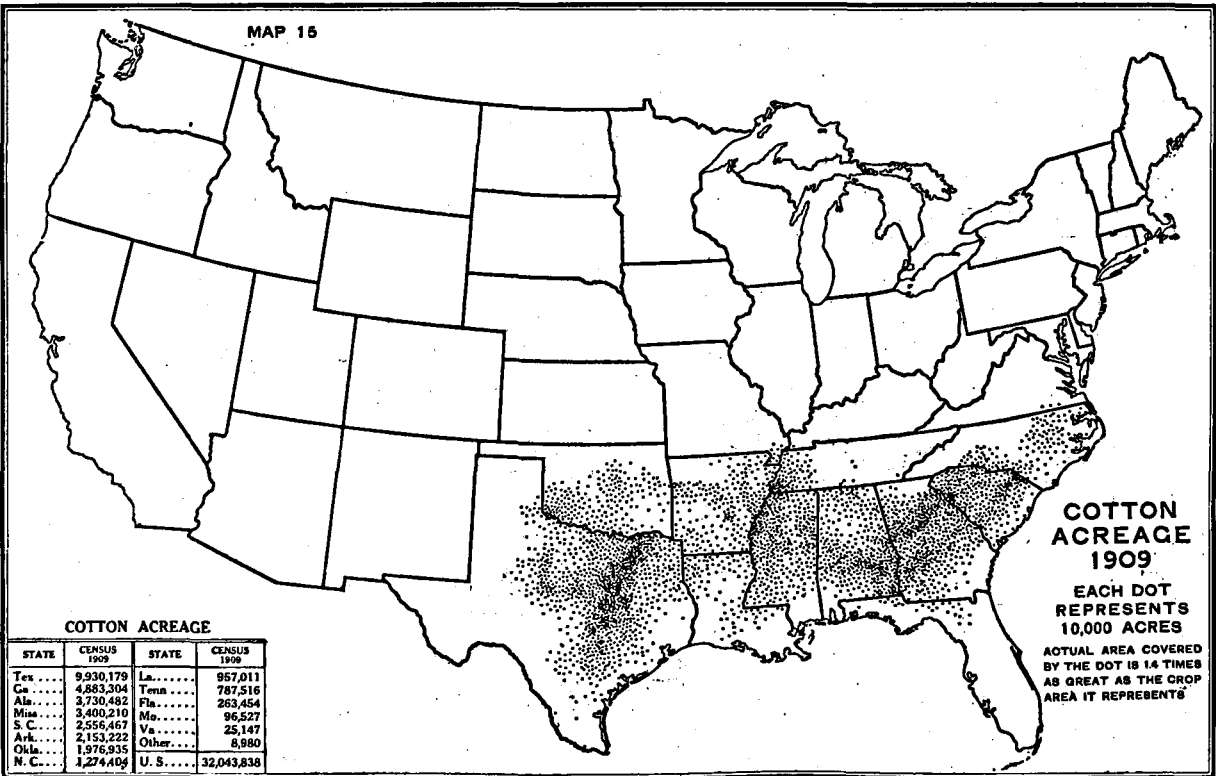


Compare with maps of swine (map 73), steers and bulls (map 66), and Kalb corn (map 37).

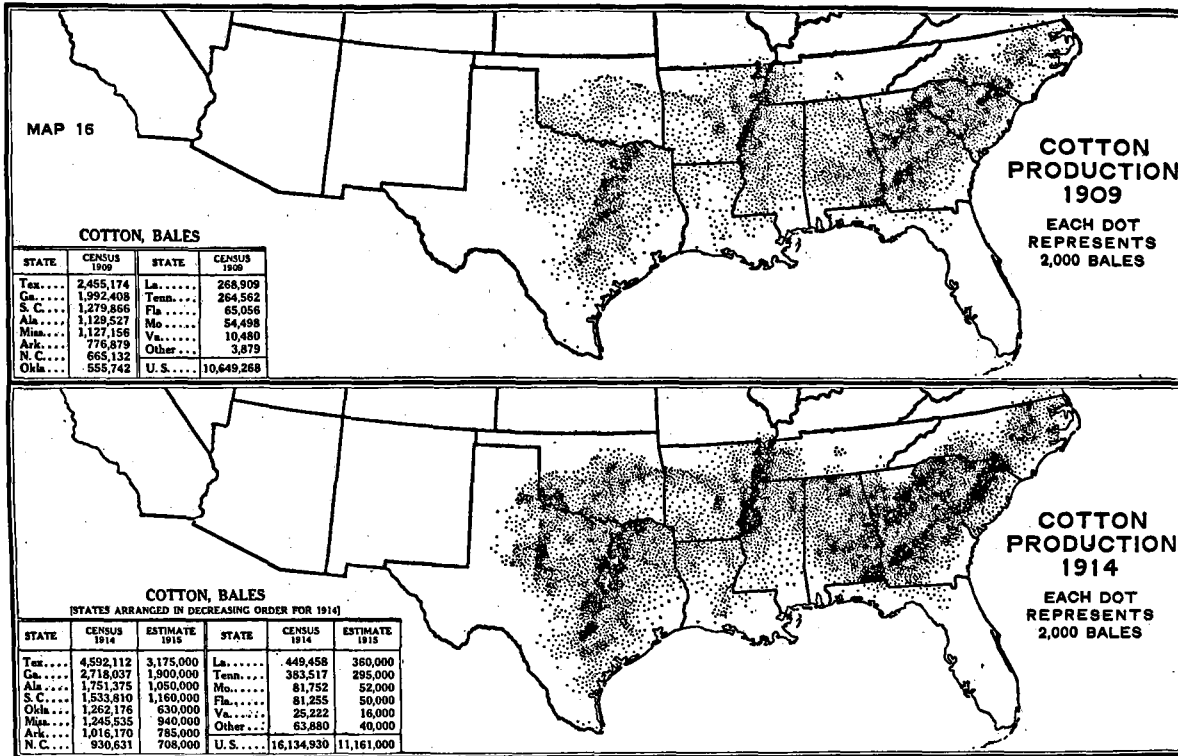


Compare with maps of corn (map 13) and value of farm property (map 9).

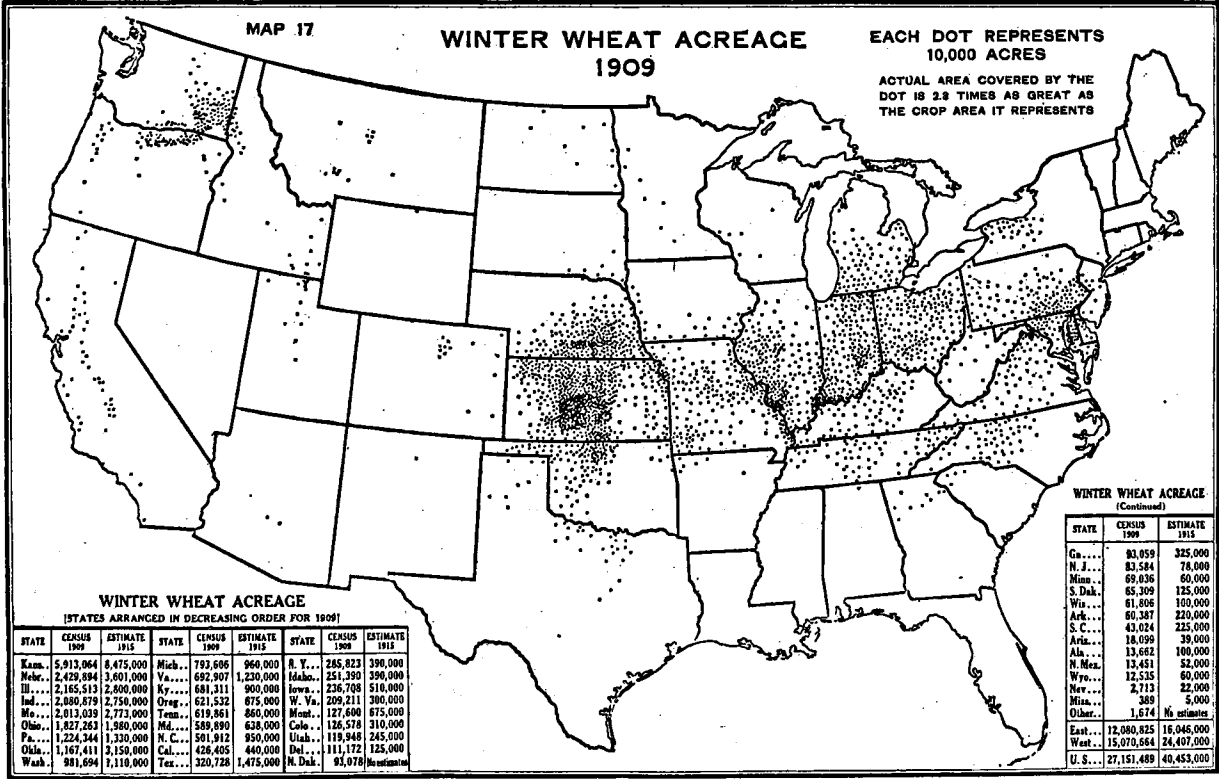




Compare with maps of rural population (map 12), hay and forage (map 26), and mules (map 66).

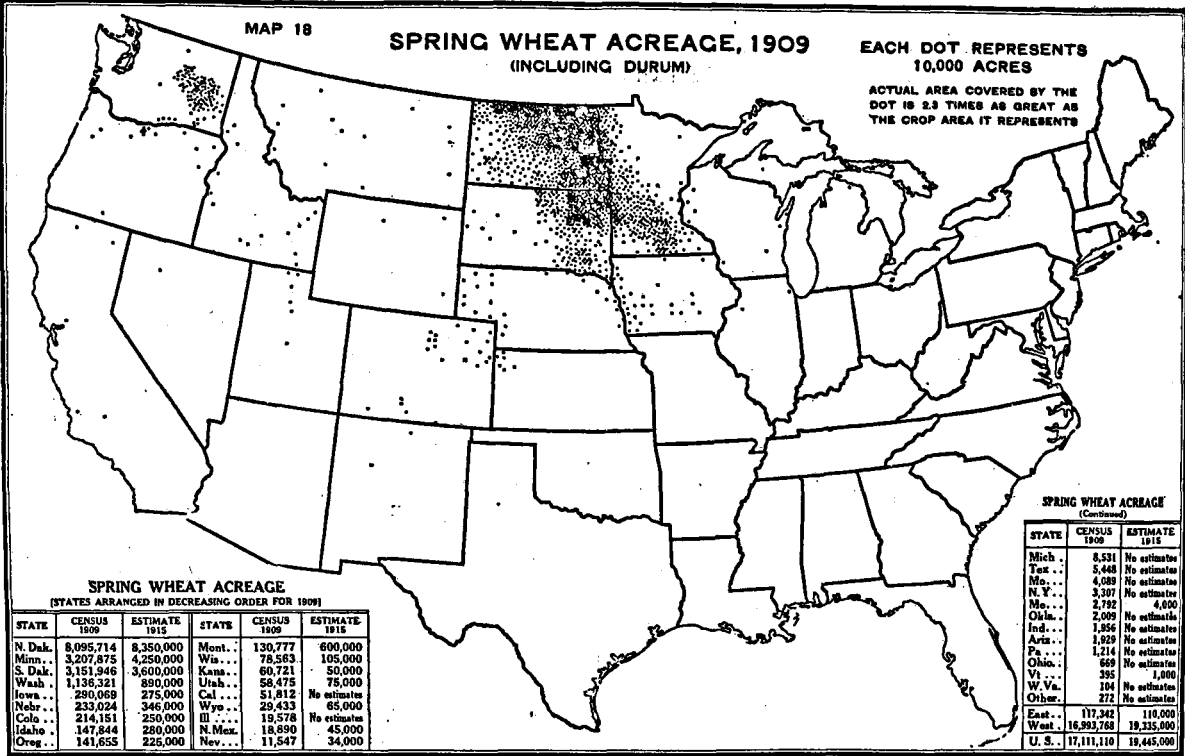


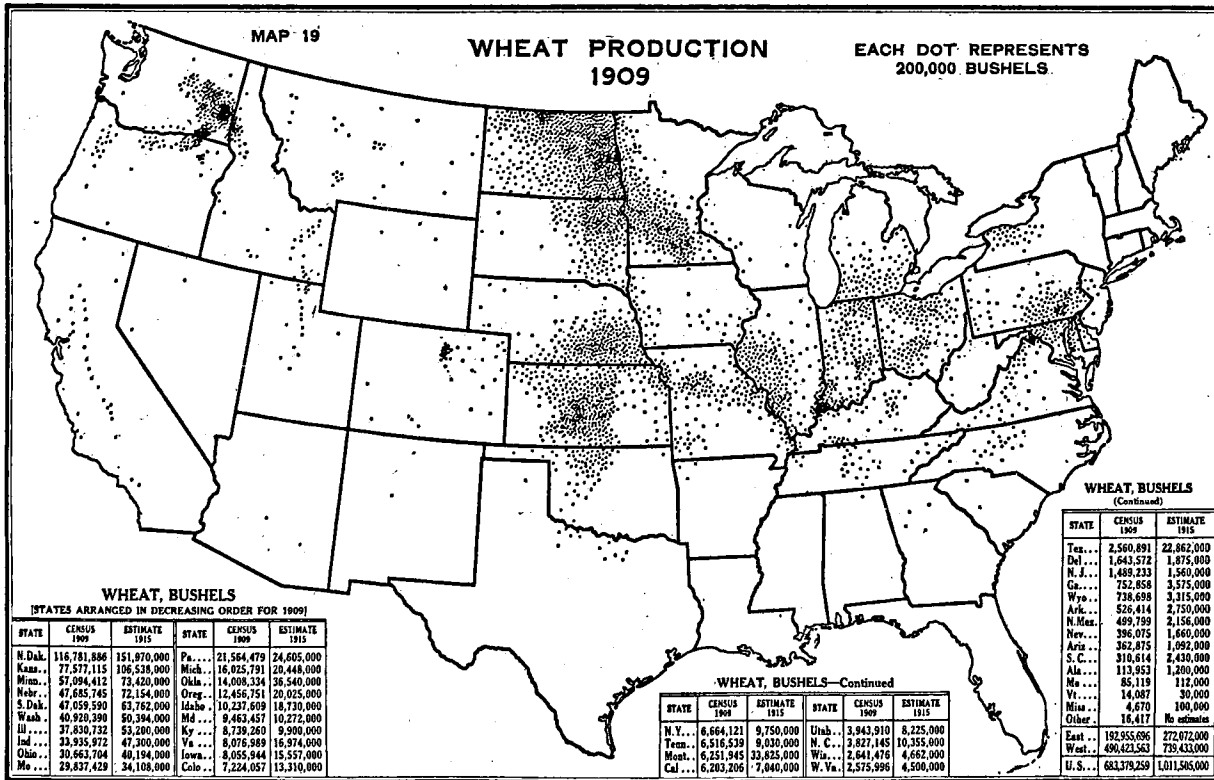
Compare with map of value of farm land per acre (map 10).



Compare with maps of oats (map 21), corn (map 13), and hay and forage (map 20).

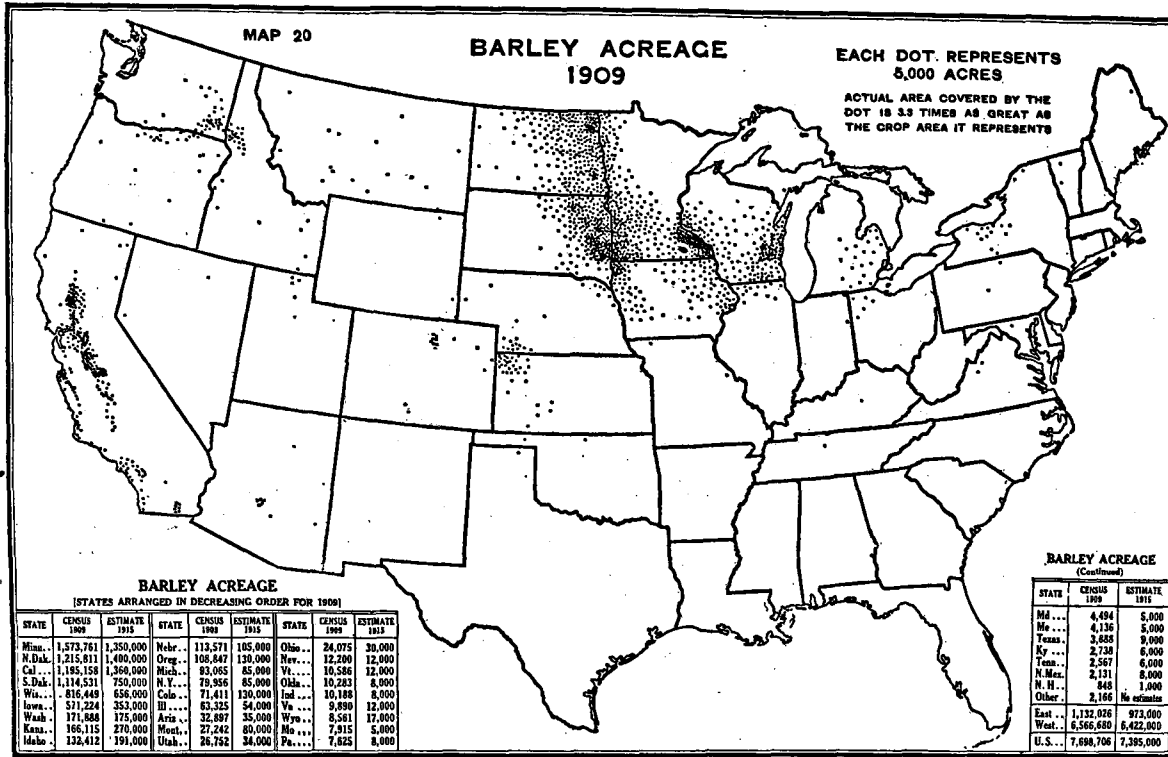
Compare with maps of winter wheat (map 17), corn (map 13), oats (map 21), barley (map 20), and flax (map 26).



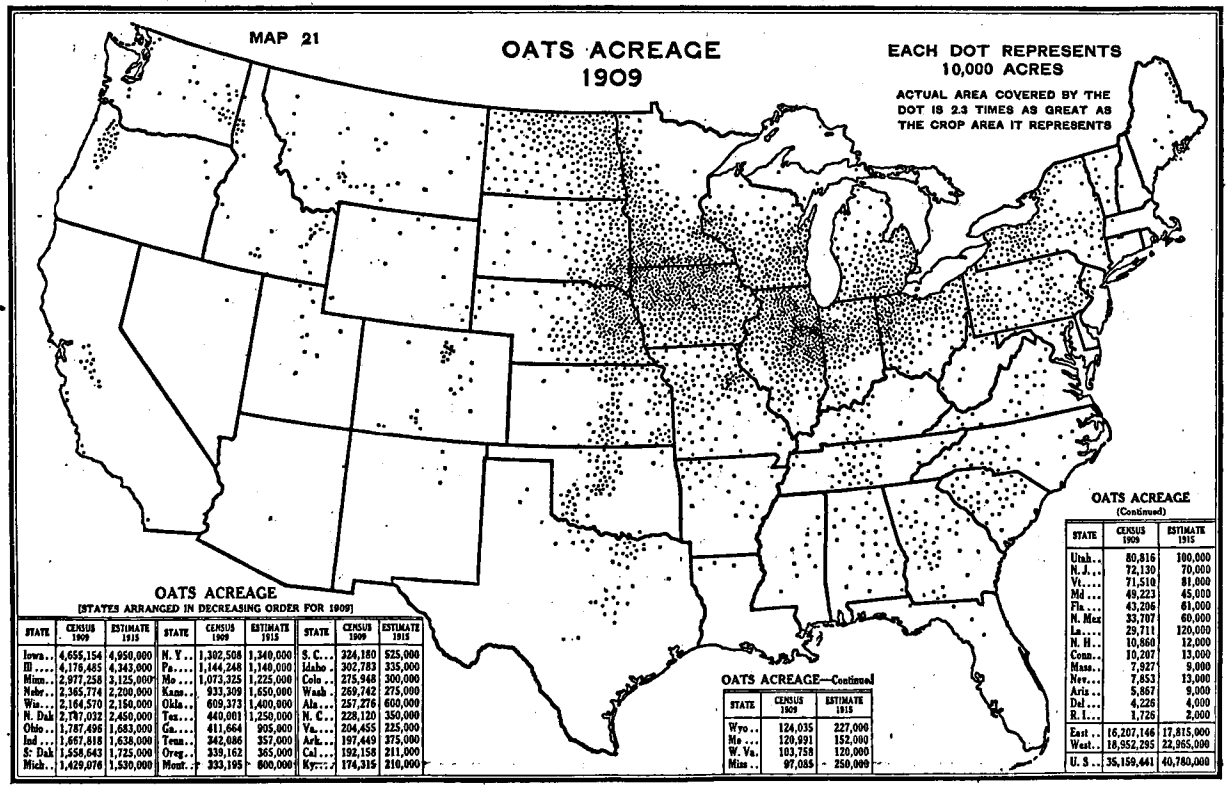


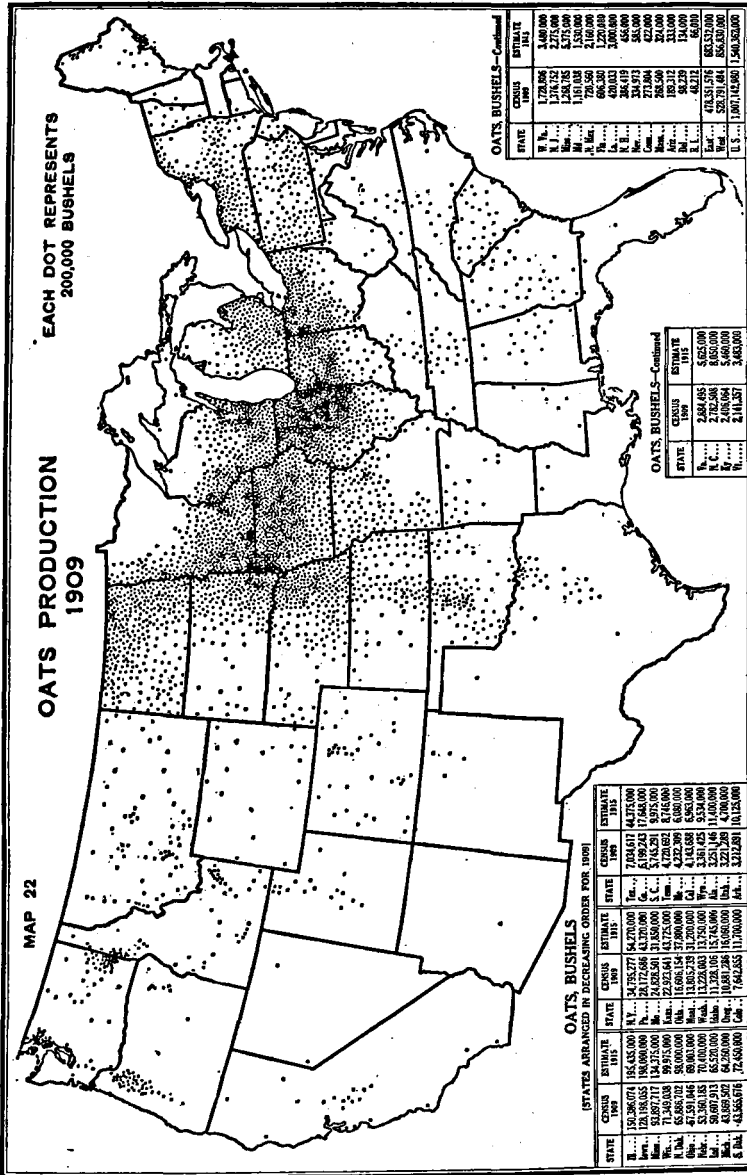
Compare with maps of spring wheat (map 18) and winter wheat (map 17).

Compare with maps of spring wheat (map 18) and flax (map 24).

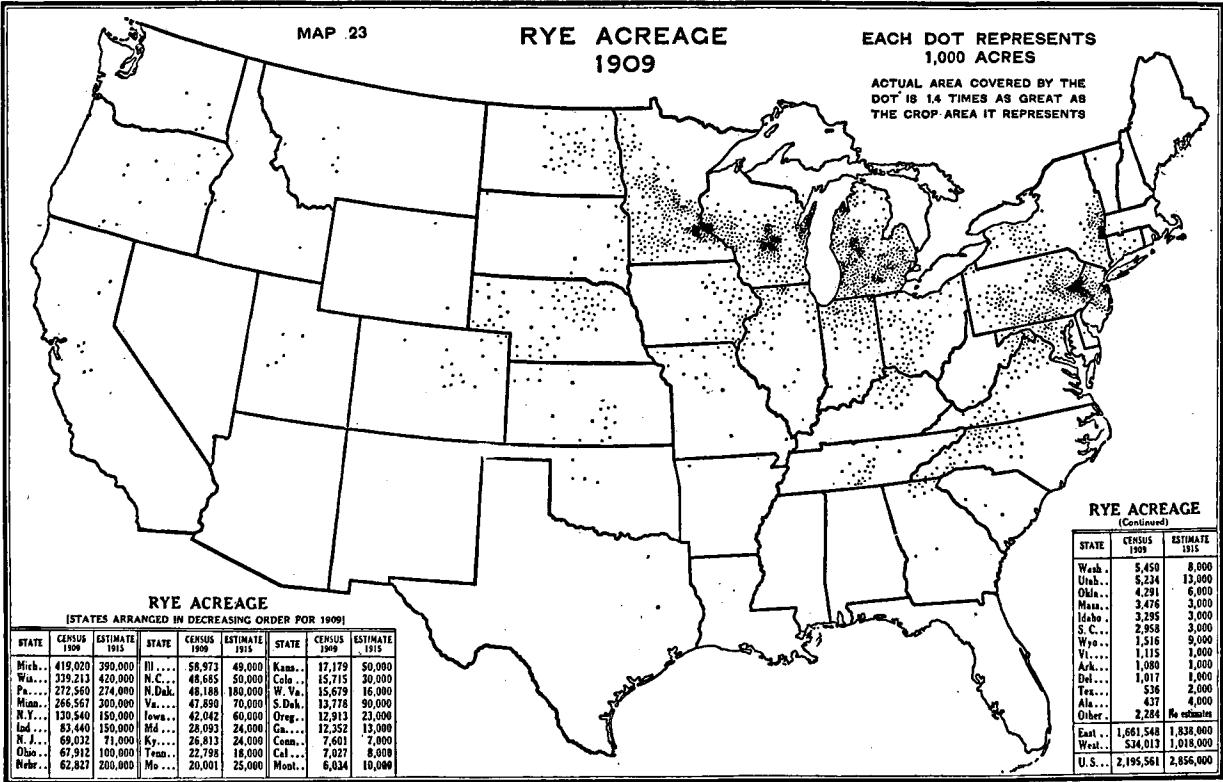


Compare with maps of corn (map 13) and hay and forage (map 25).



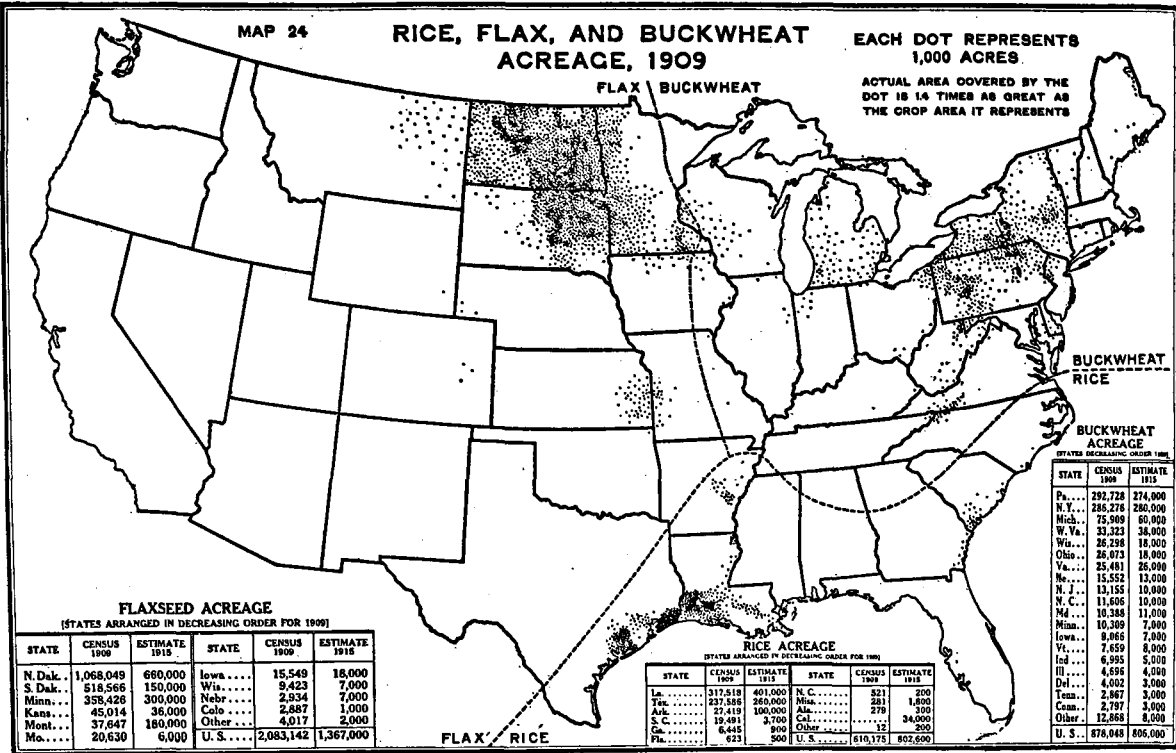


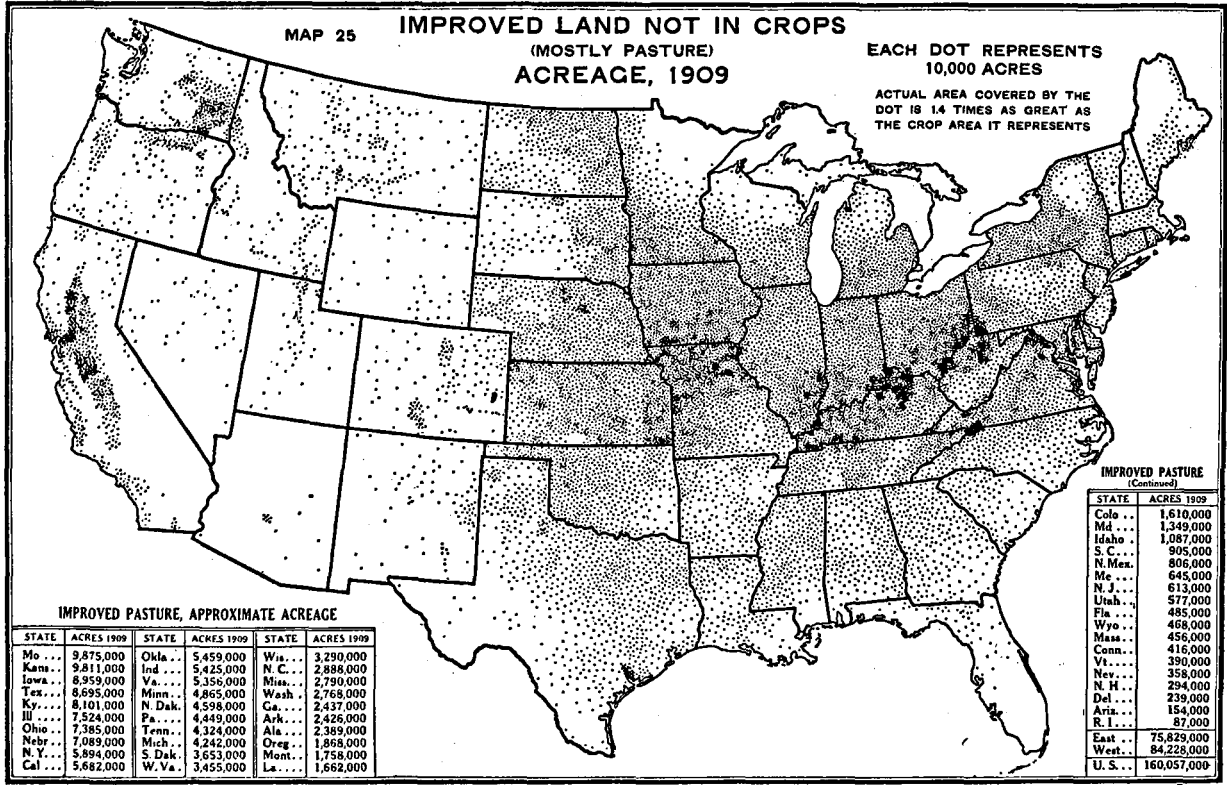
Compare with maps of horses (map 65) and mules (map 66).



Compare with maps of winter wheat (map 17) and potatoes (map 39).

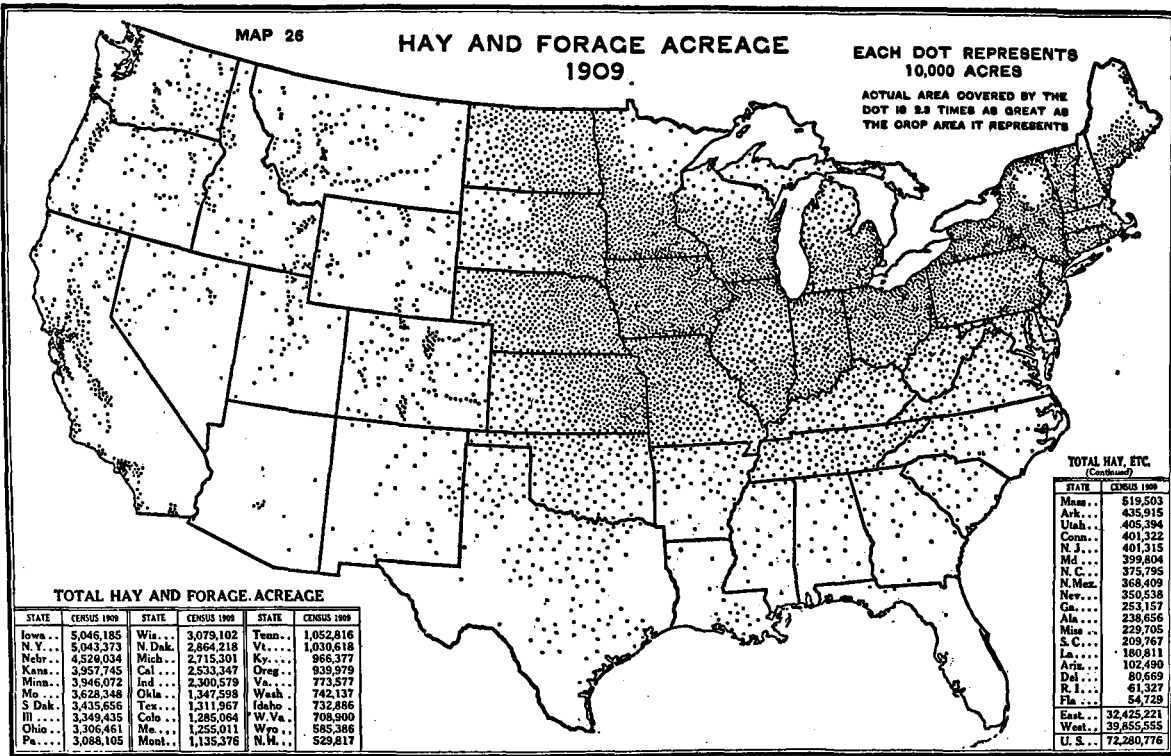
Compare flax with spring wheat (map 18), Rice with sugar cane (map 35), and buck wheat with timothy and clover (map 28).

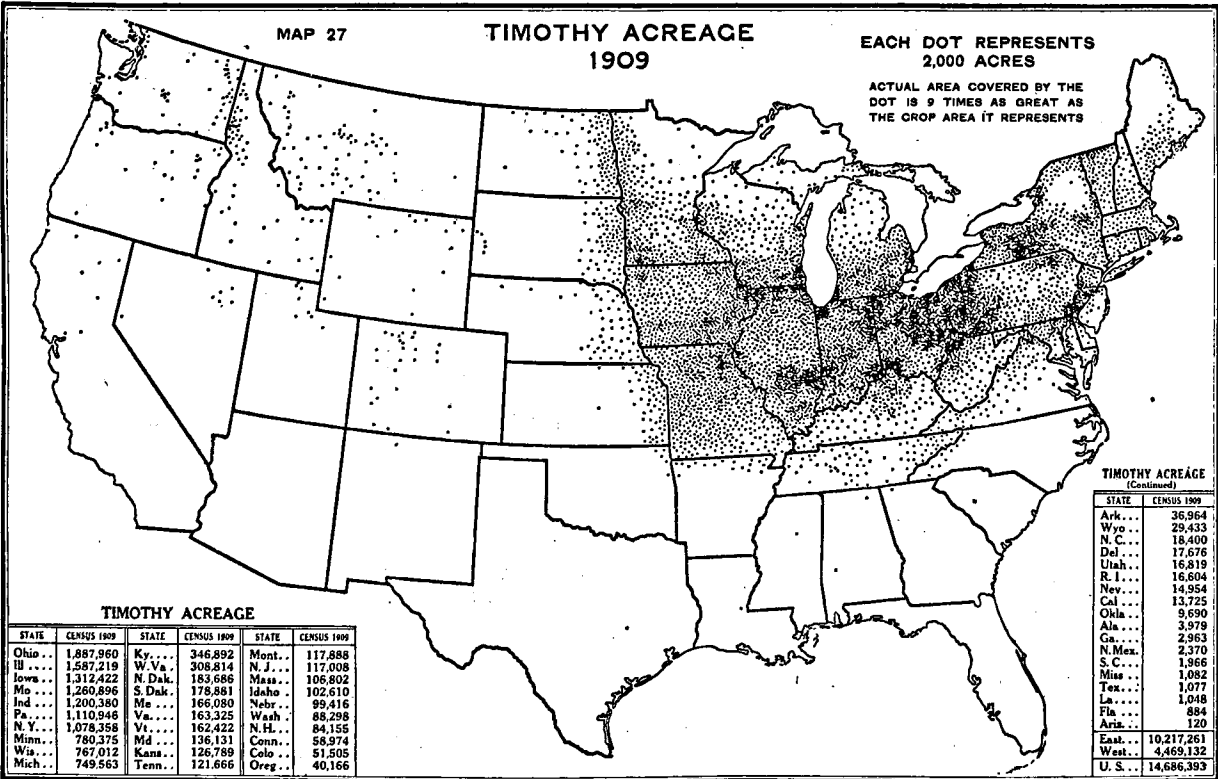




Compare with maps of cattle (map 67), steers and bulls (map 68), and dairy cows (map 69).

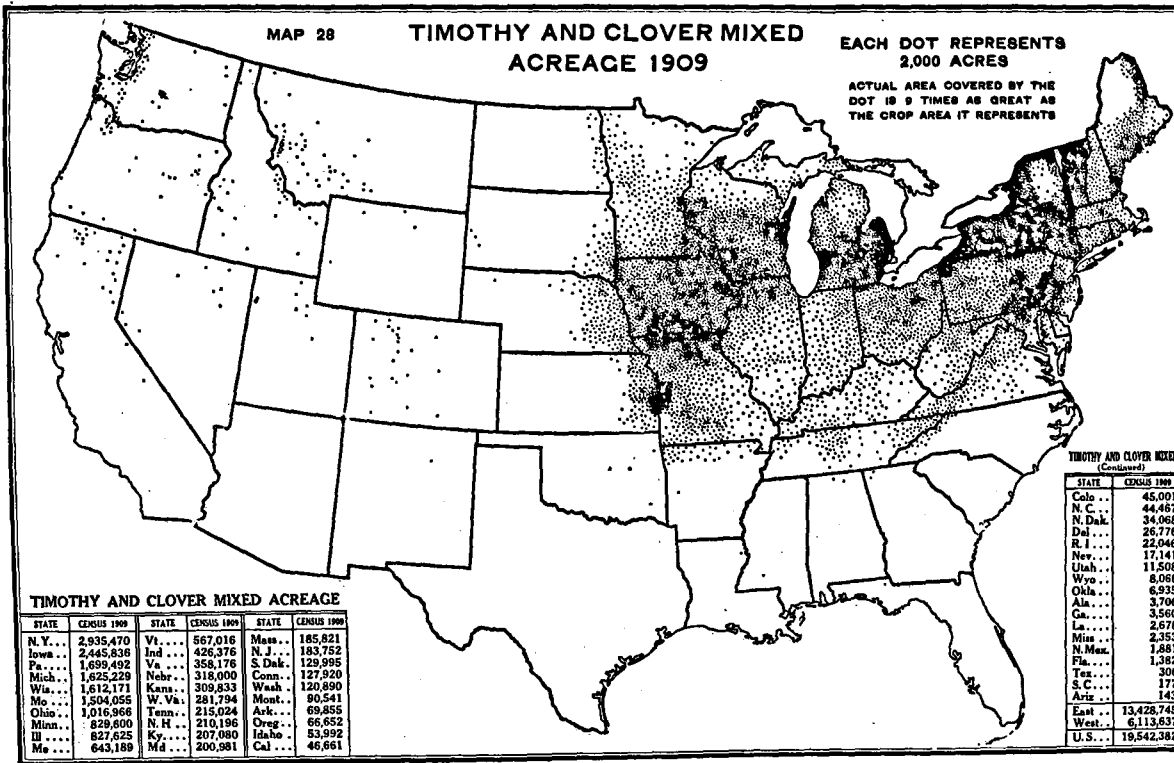
Compare with maps of cattle (map 67), steers and bulls (map 68), and dairy cows (map 69).

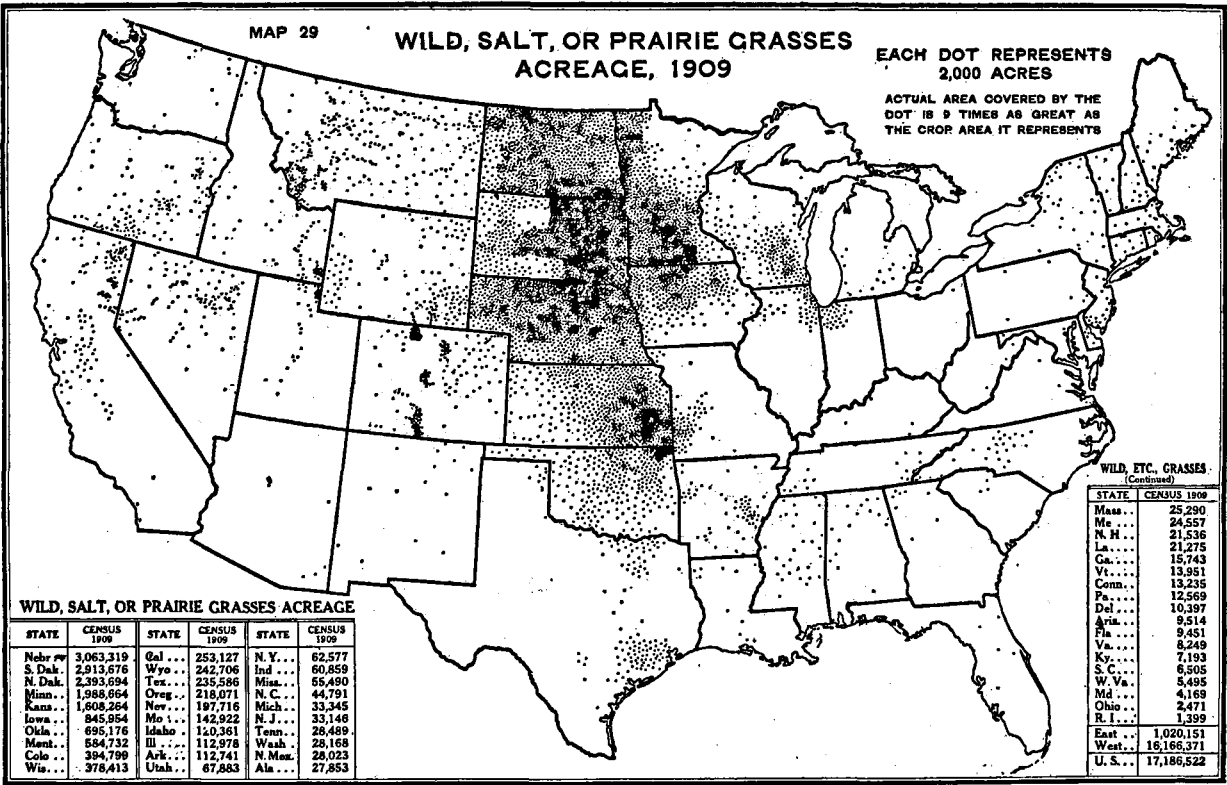




Compare with maps of corn (map 13) and cotton (map 15).

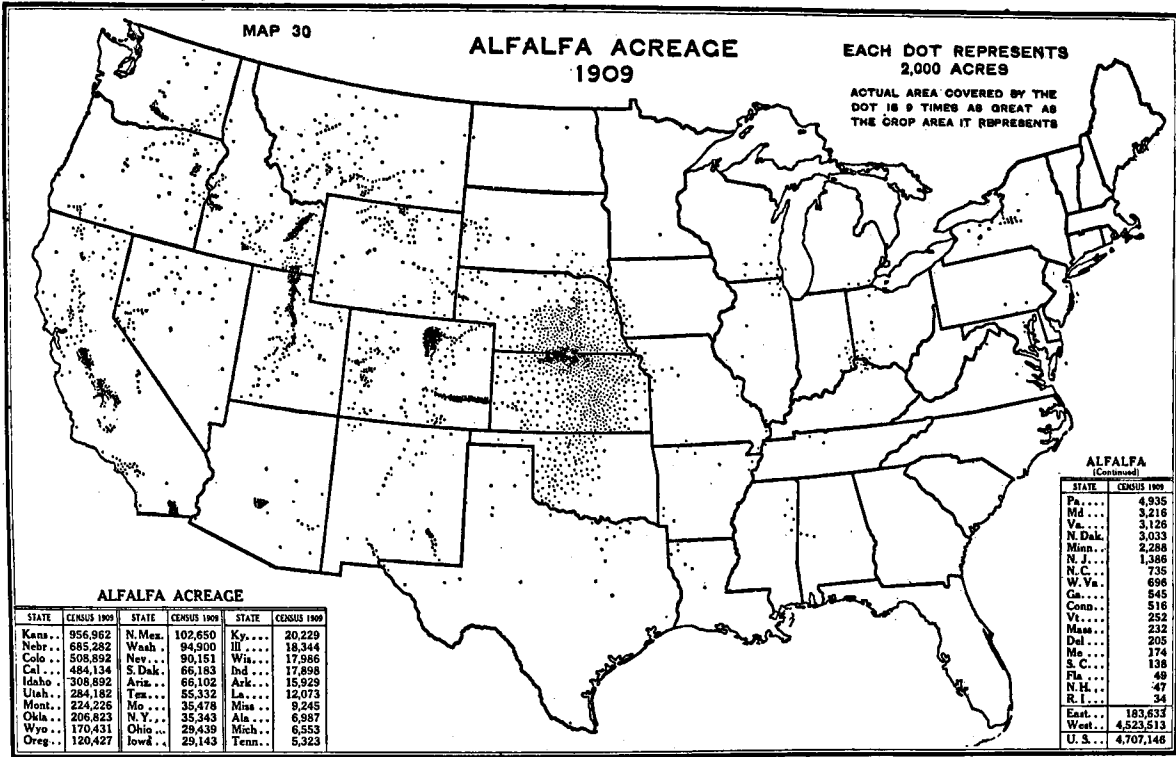
Compare with maps of receipts from sale of dairy products (map 70).

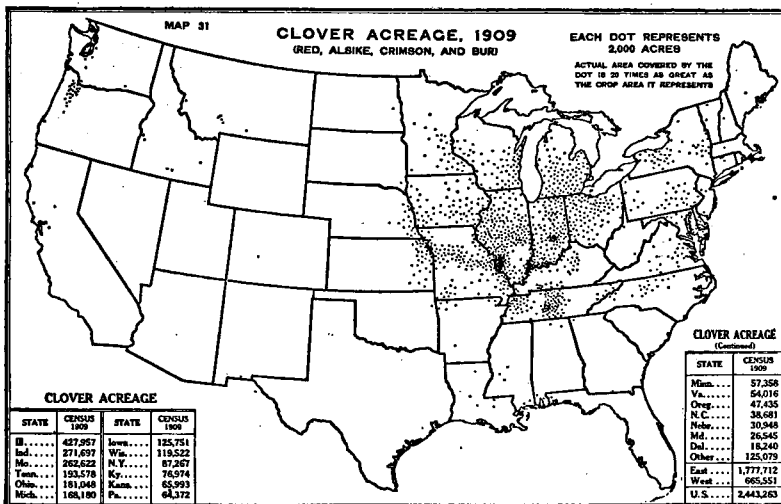




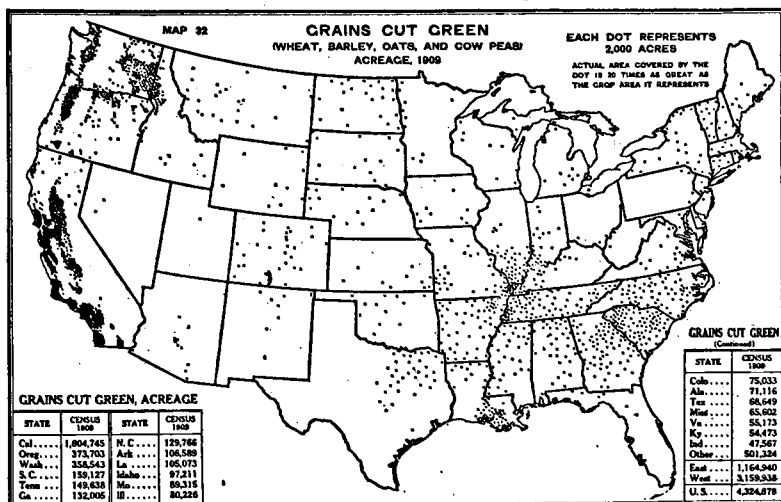
Compare with maps of timothy (map 27), timothy and clover mixed (map 28), and alfalfa (map 30).

Compare with maps of corn (map 13), wheat (map 19), and hard in crops (map 5).

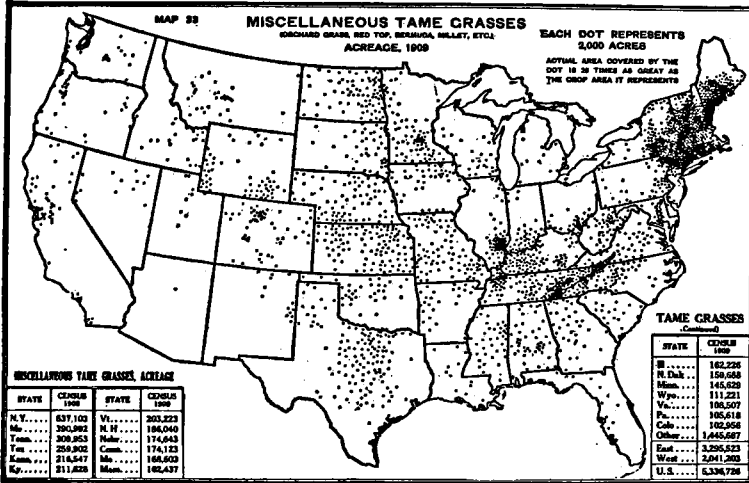




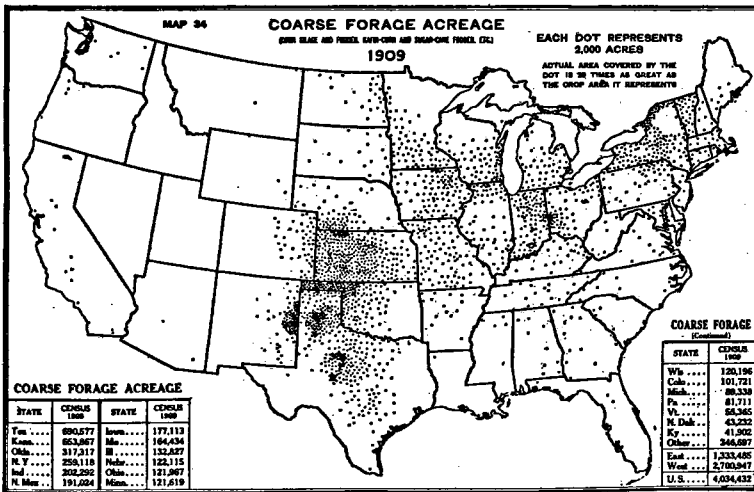
Compare with map of timothy and clover mixed (map 28).



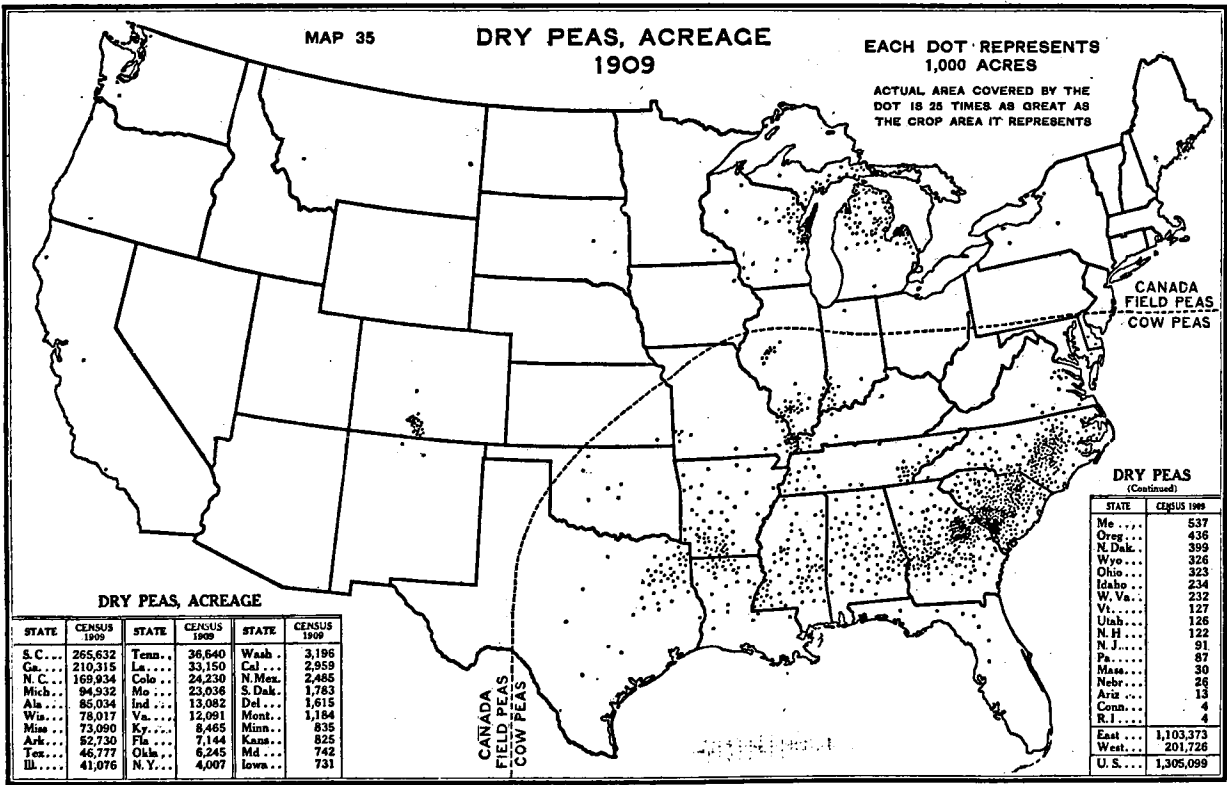
Compare with map of alfalfa (map 30).



Compare with maps of timothy and clover mixed (map 28) and coarse forage (map 34).

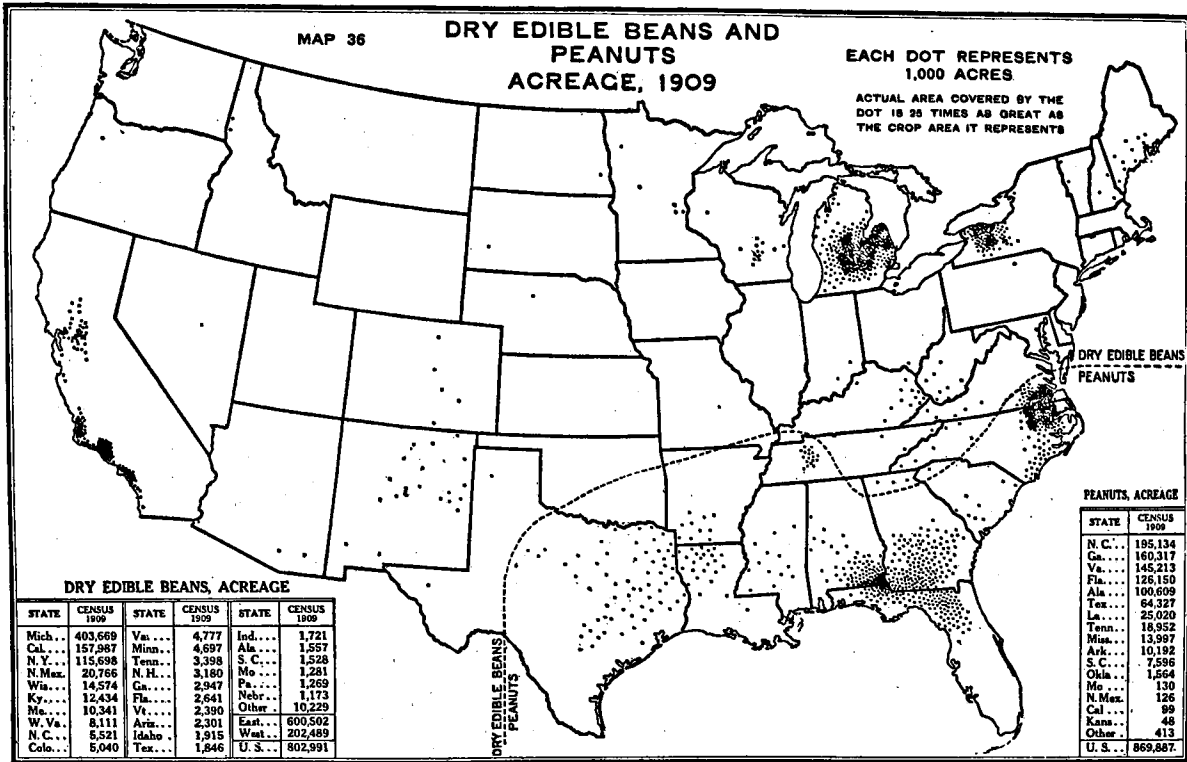


Compare with maps of wild, salt, or prairie grasses (map 29) and alfalfa (map 30).

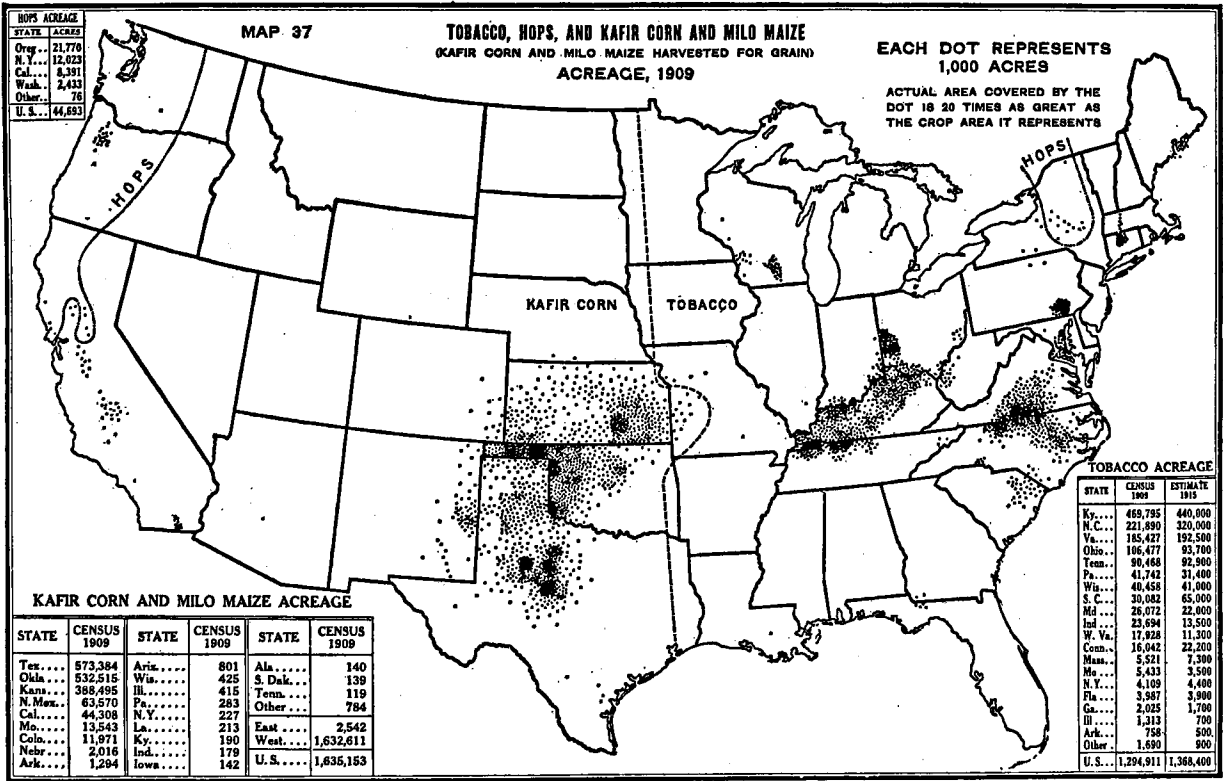


Compare Canada field peas with dry edible beans (map 36) and cow peas with peanuts (map 30).

Compare dry edible beans with sugar beets (map 35).

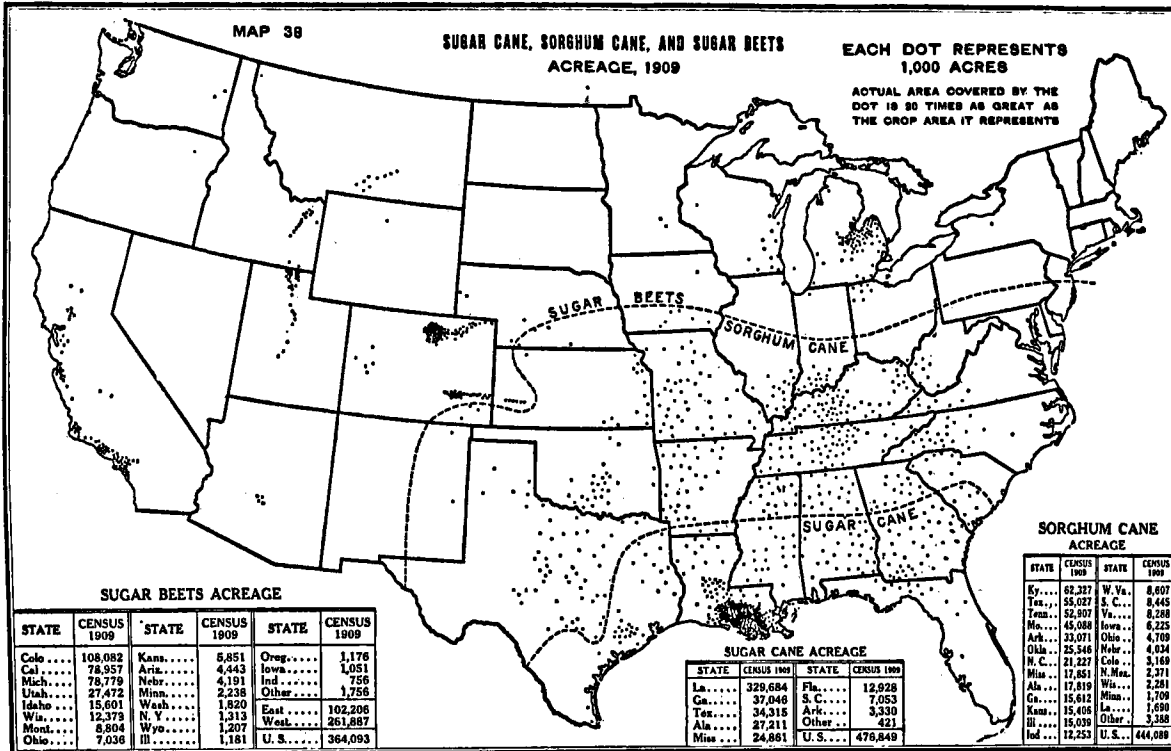


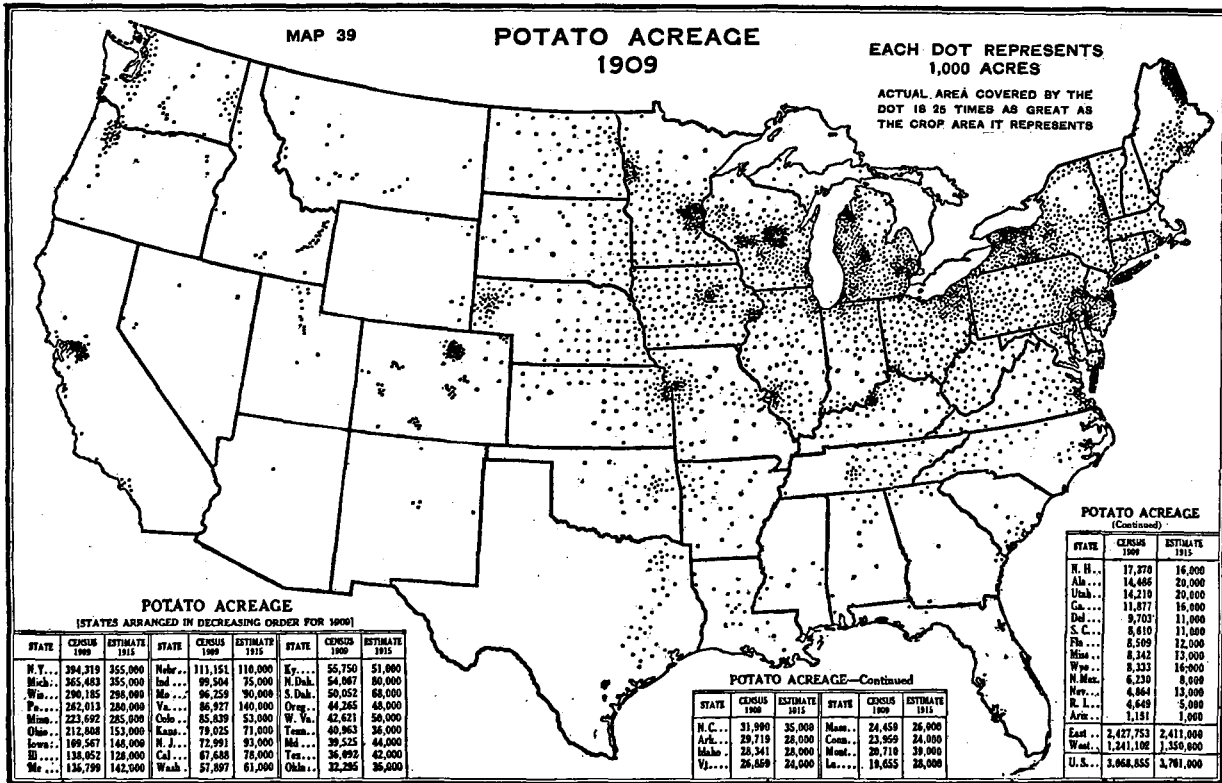
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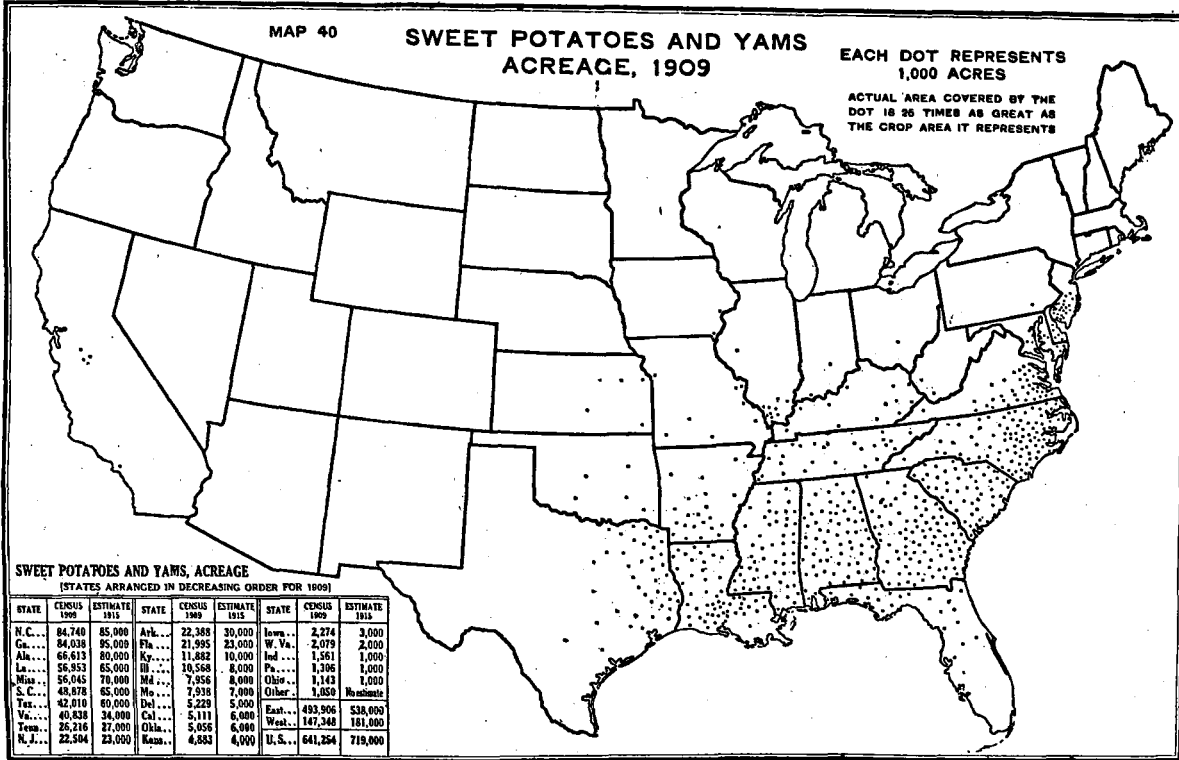
Compare with map of cotton (map 13).

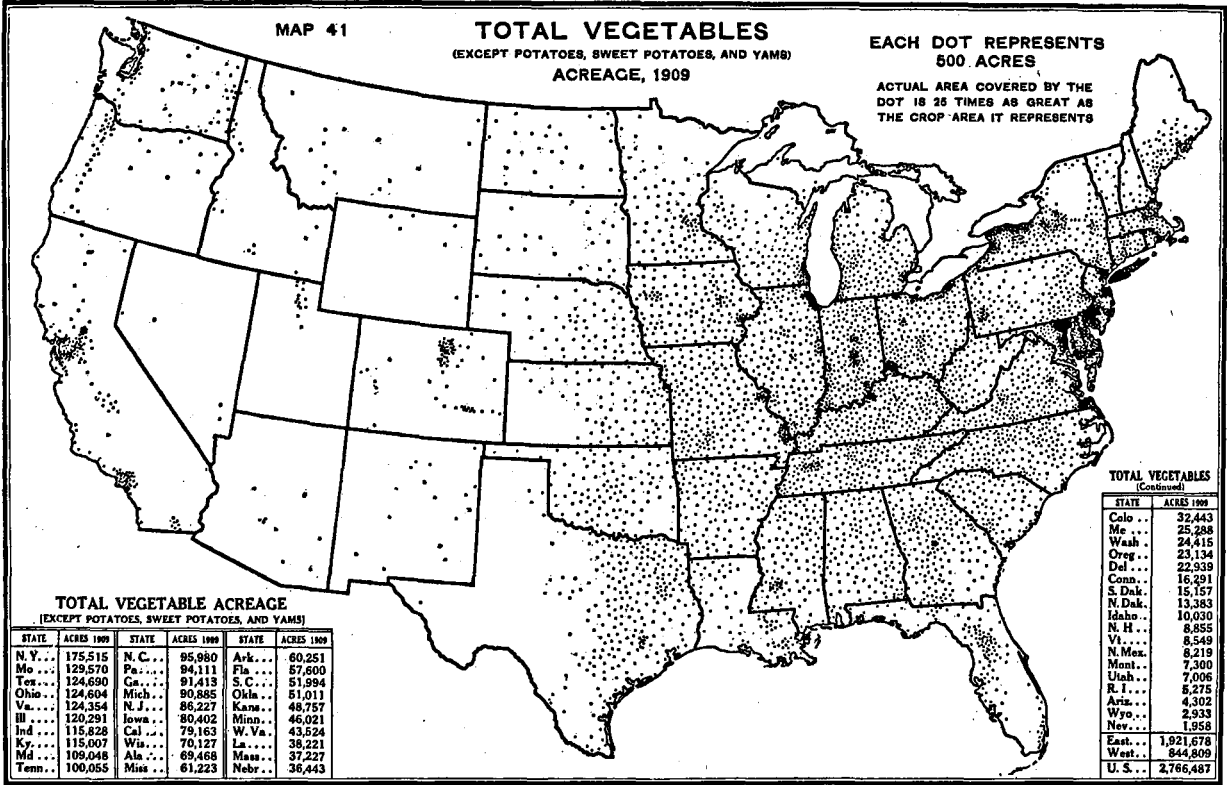
Compare with maps of corn (map 13) and alfalfa (map 30).



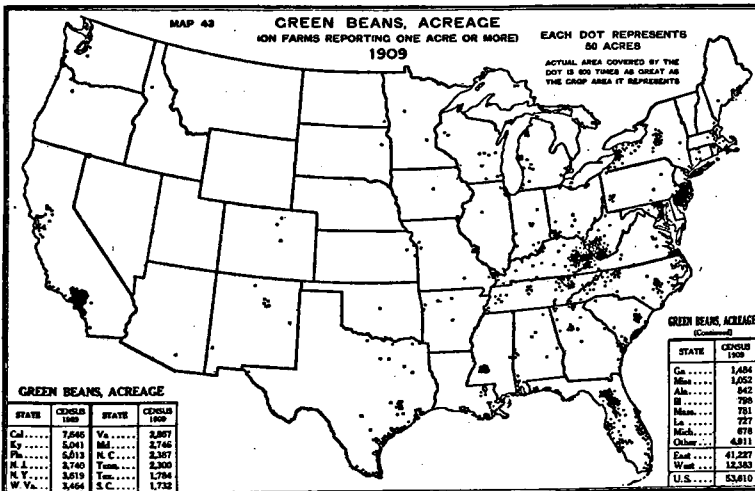
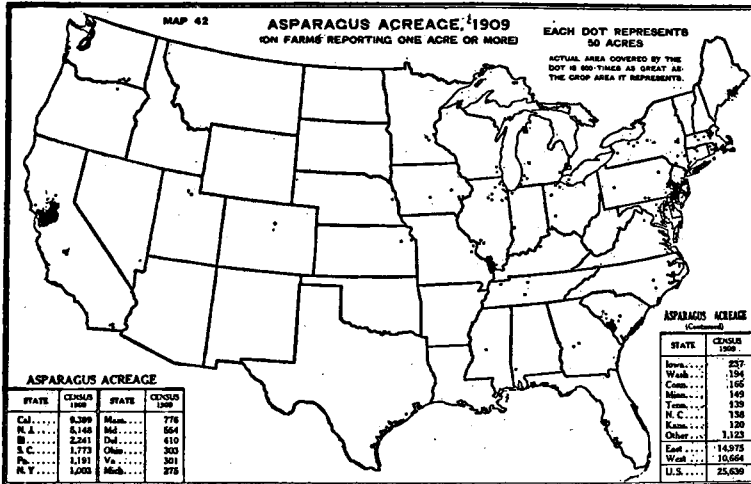


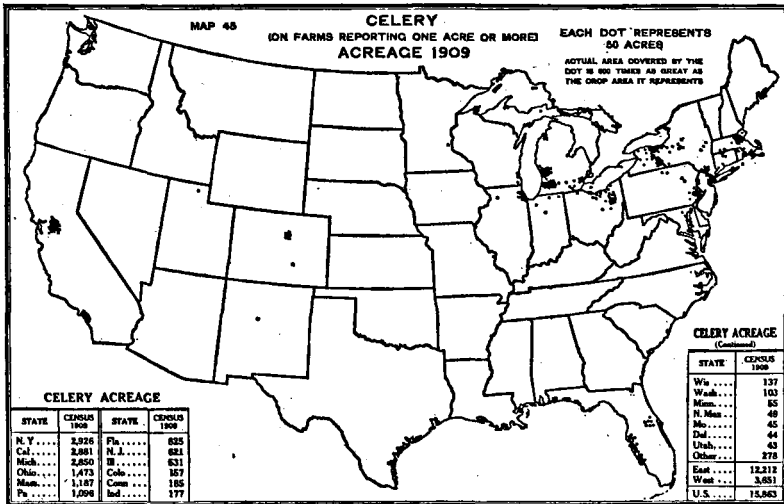
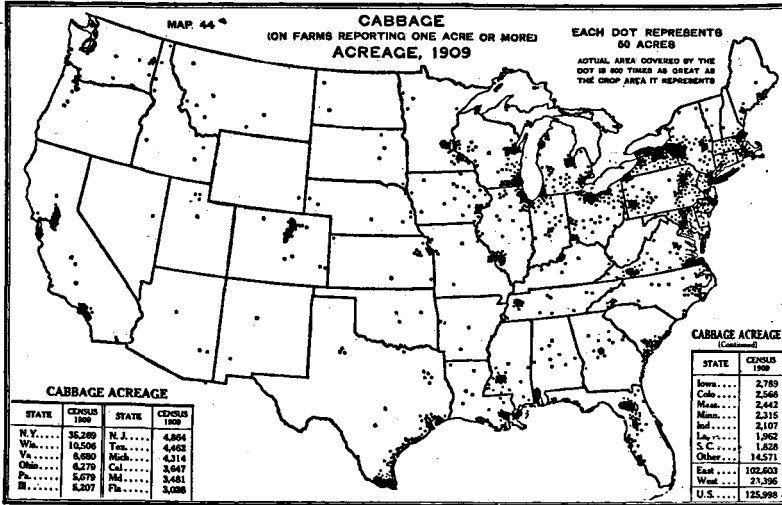
Compare with maps of potatoes (map 39) and cotton (map 15).

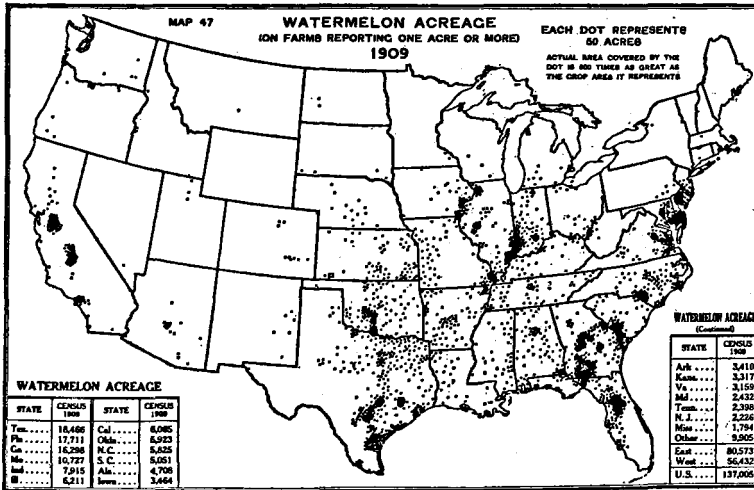
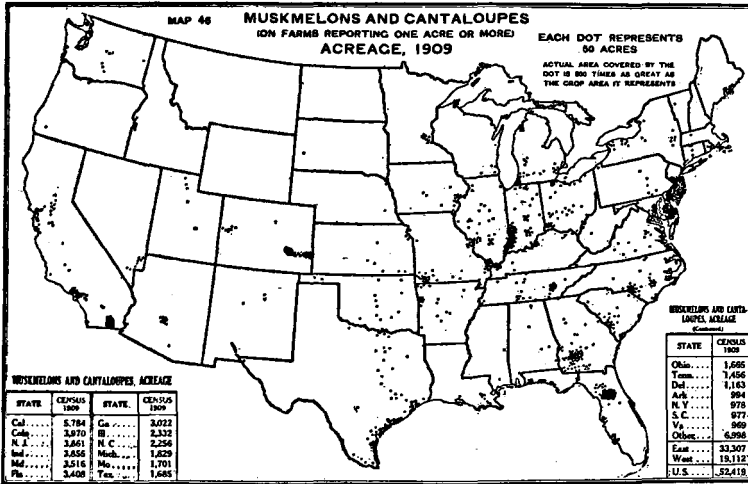


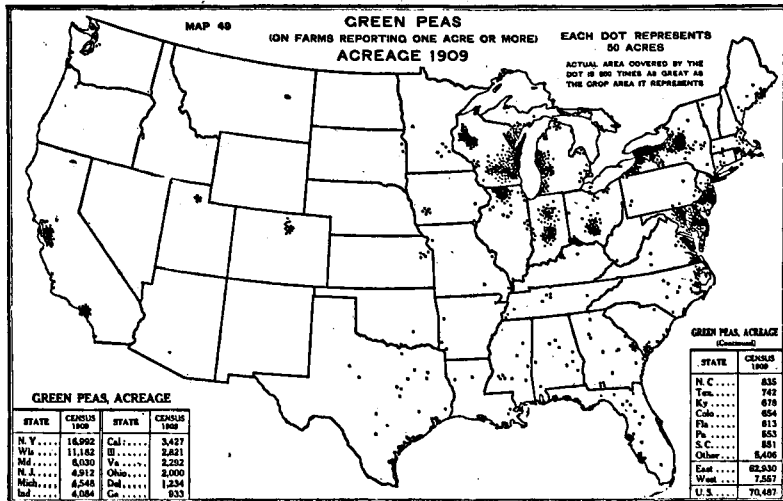
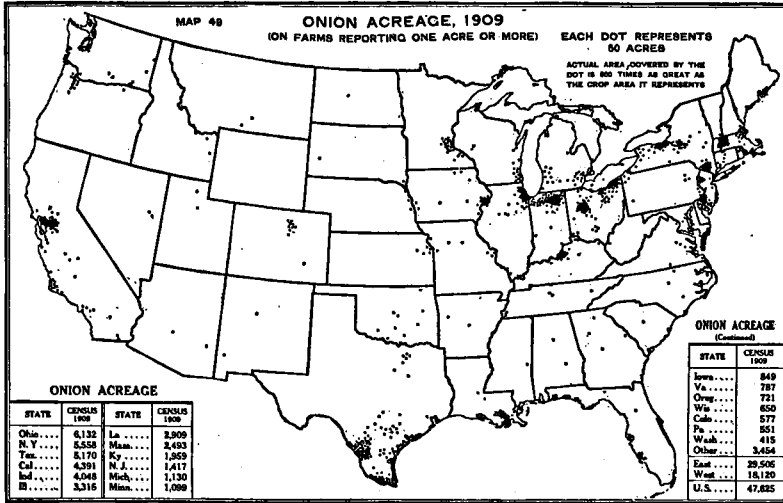


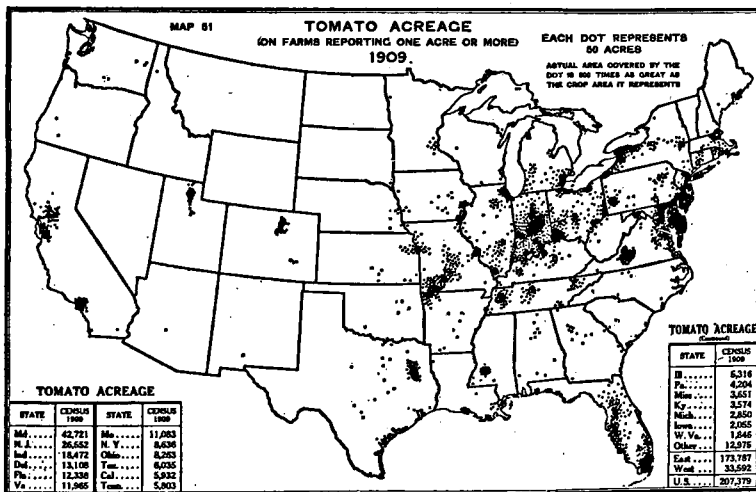
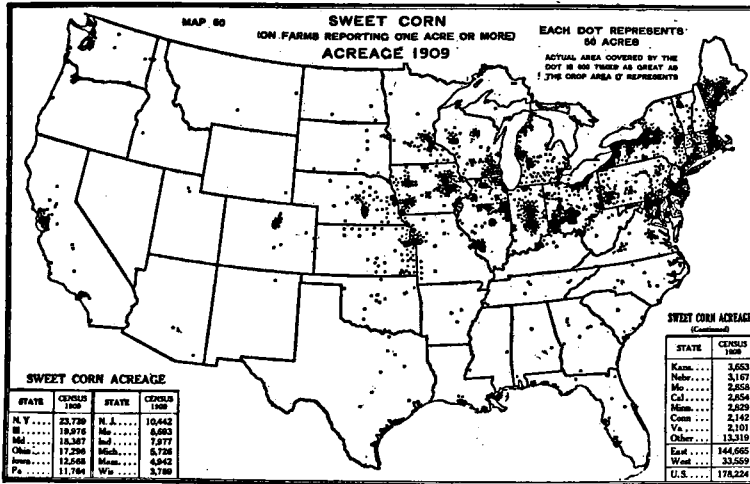
Compare with locations of large cities on State identification map (map 3).

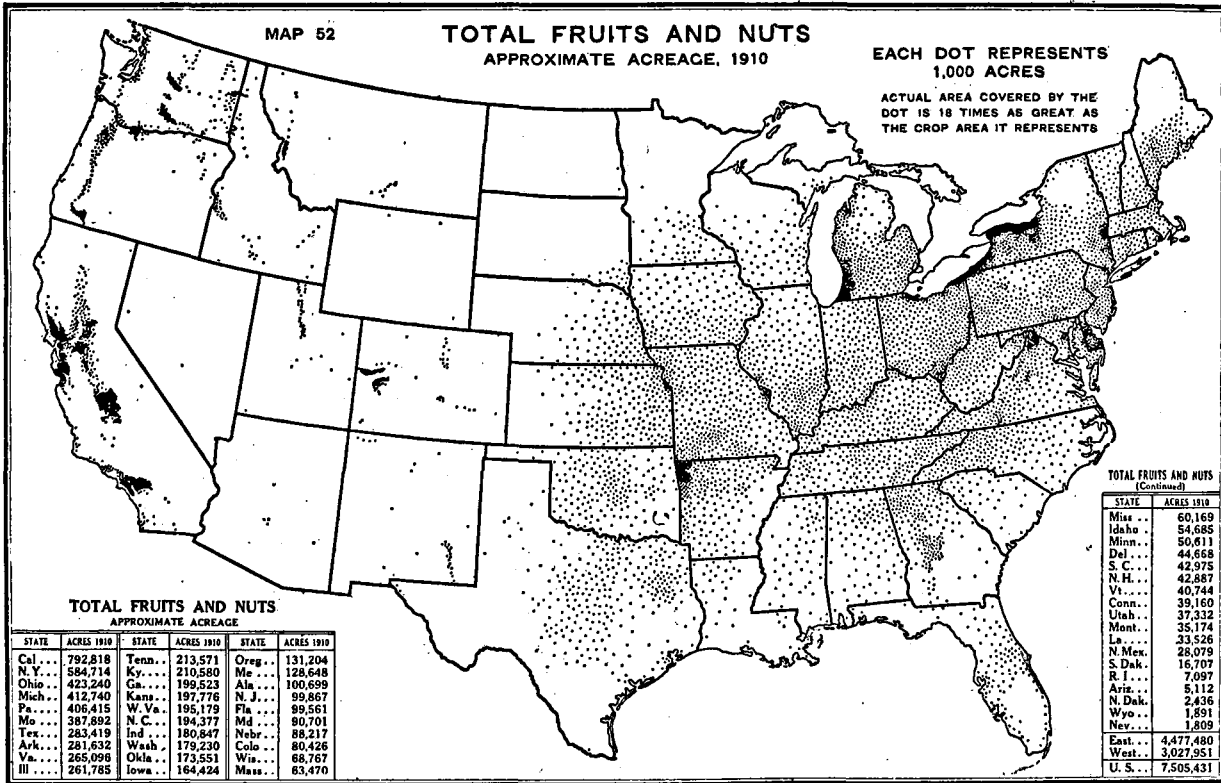




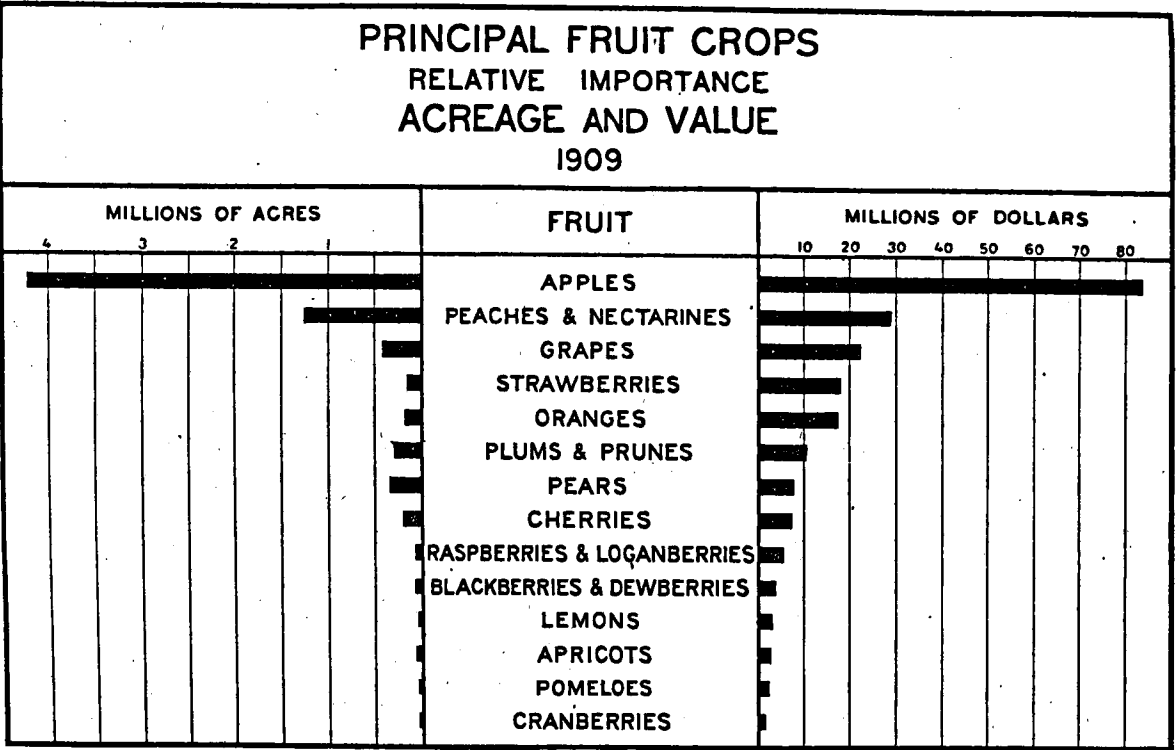




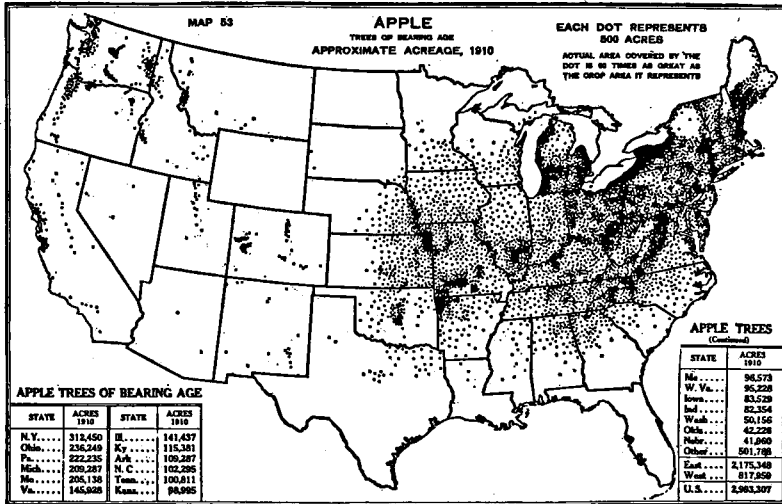




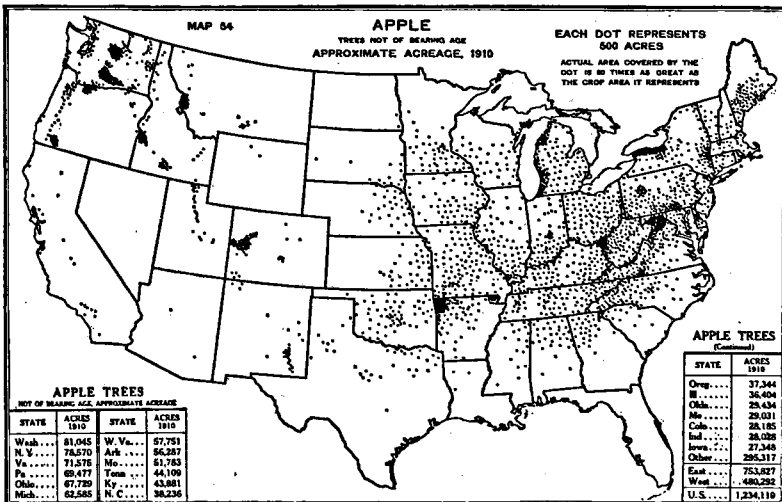
Compare with map of value of farm land per acre (map 10) and with the maps of the different fruits.



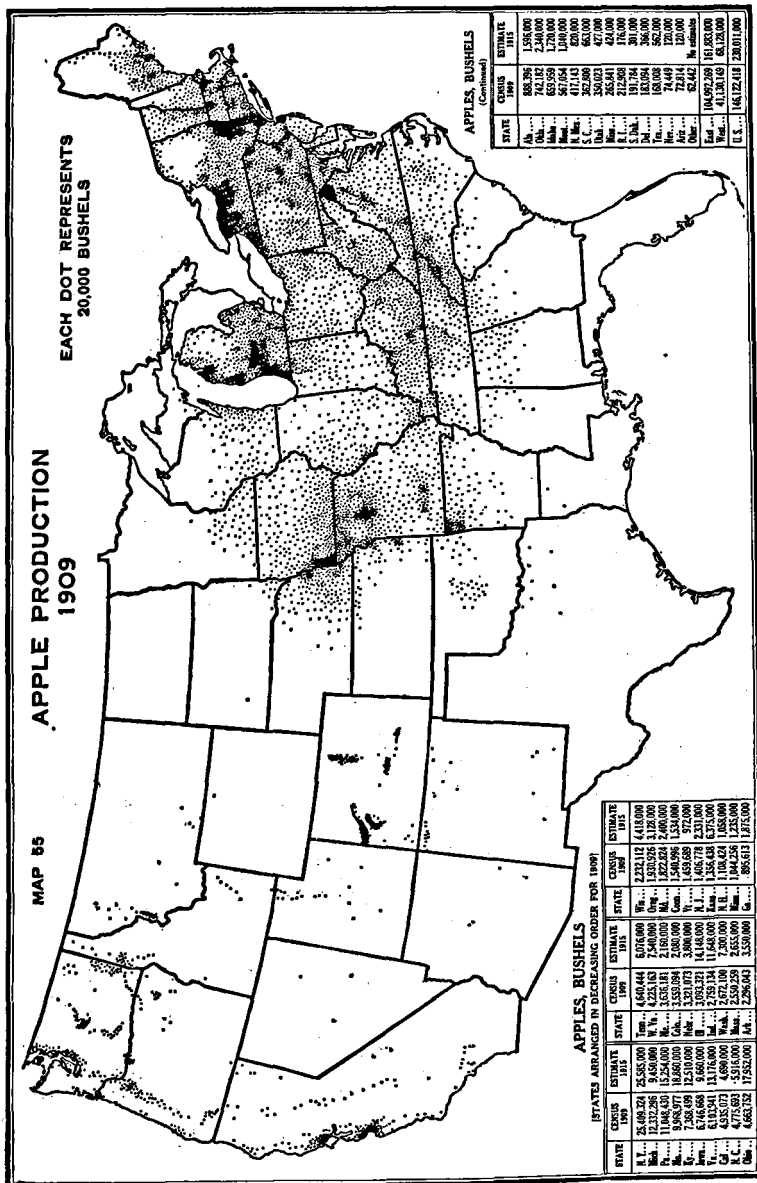
GRAPH 3.—Fruits and nuts occupy in the United States 2.4 per cent of the land in crops and constitute 4.5 per cent of the value of all crops.



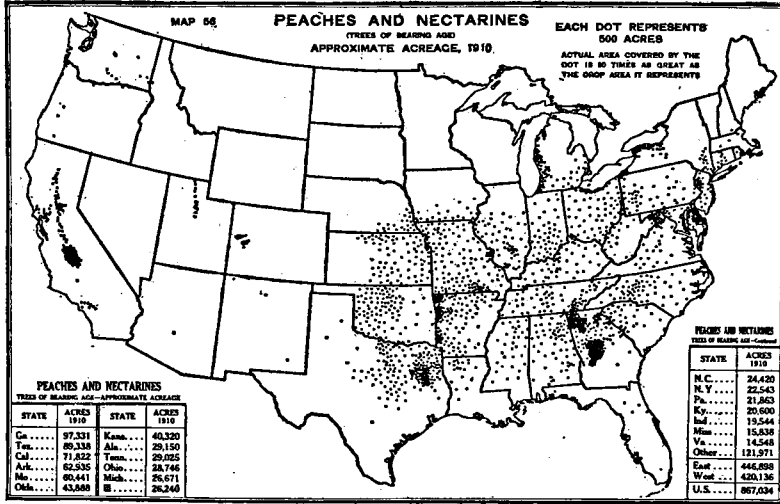
Compare eastern with western states.



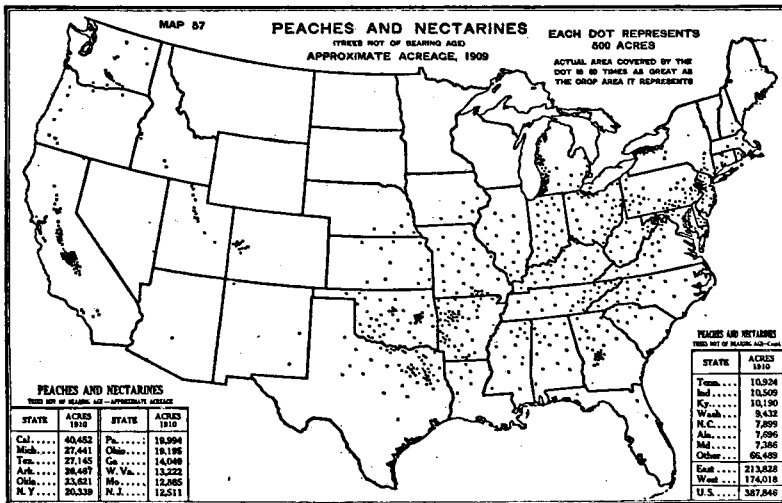
Compare Washington and Colorado with New York and Missouri.



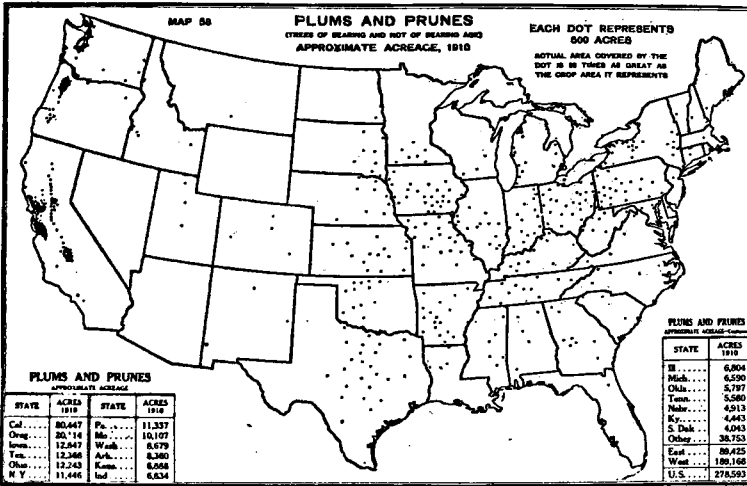
The apple crop varies greatly from year to year with seasonal and other conditions.



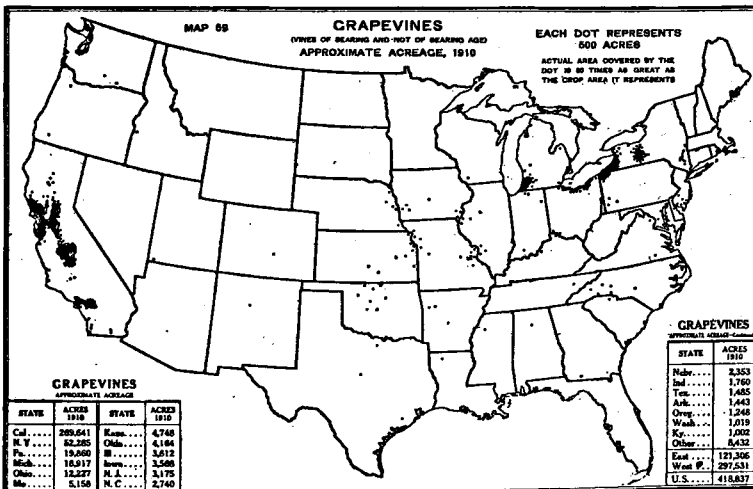
Compare with map of apple trees of bearing age (map 53).



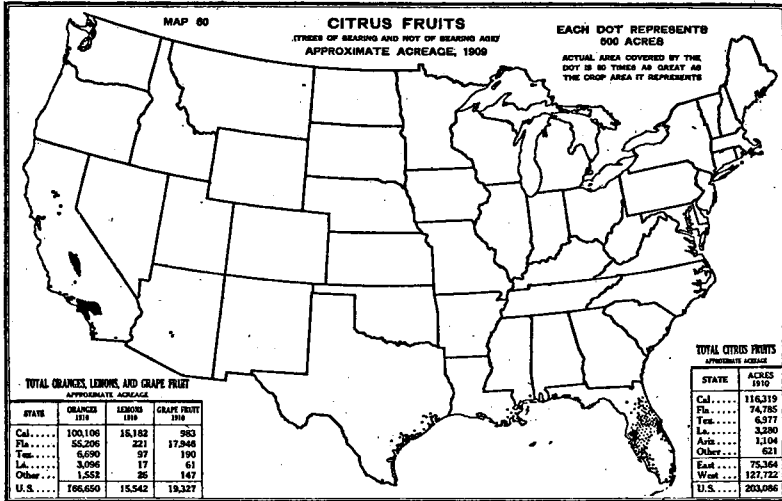
Compare with map of apple trees not of bearing age (map 54).



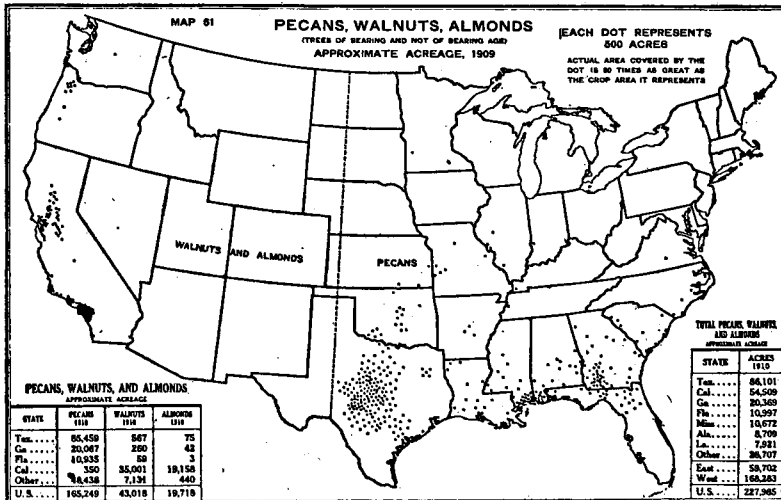
Compare with maps of peaches and nectarines (maps 56 and 57).



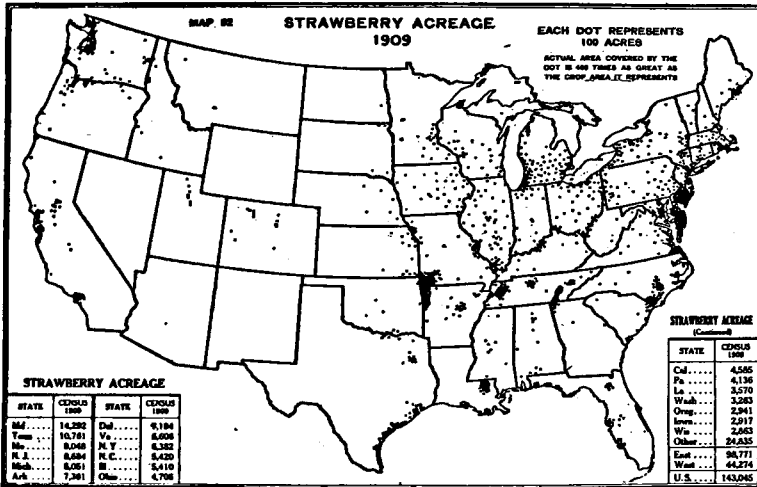
Compare with maps of apples (maps 53 and 54), peaches and nectarines (maps 56 and 57), and plums and prunes (map 58).



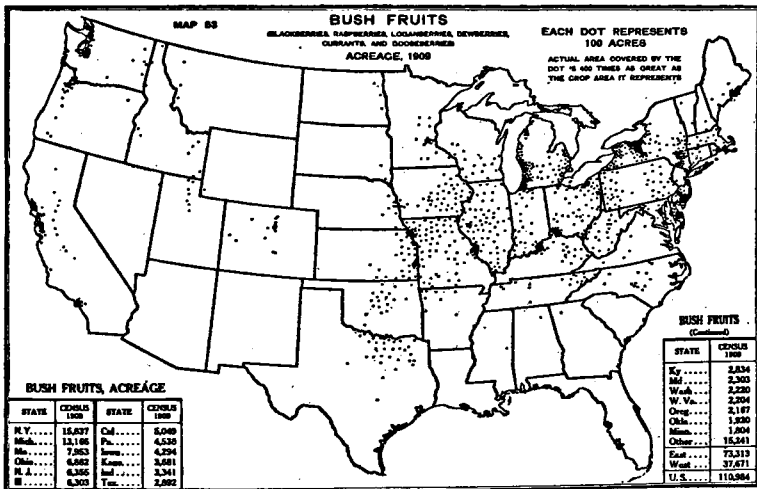
Compare with map of agricultural provinces (map 1).



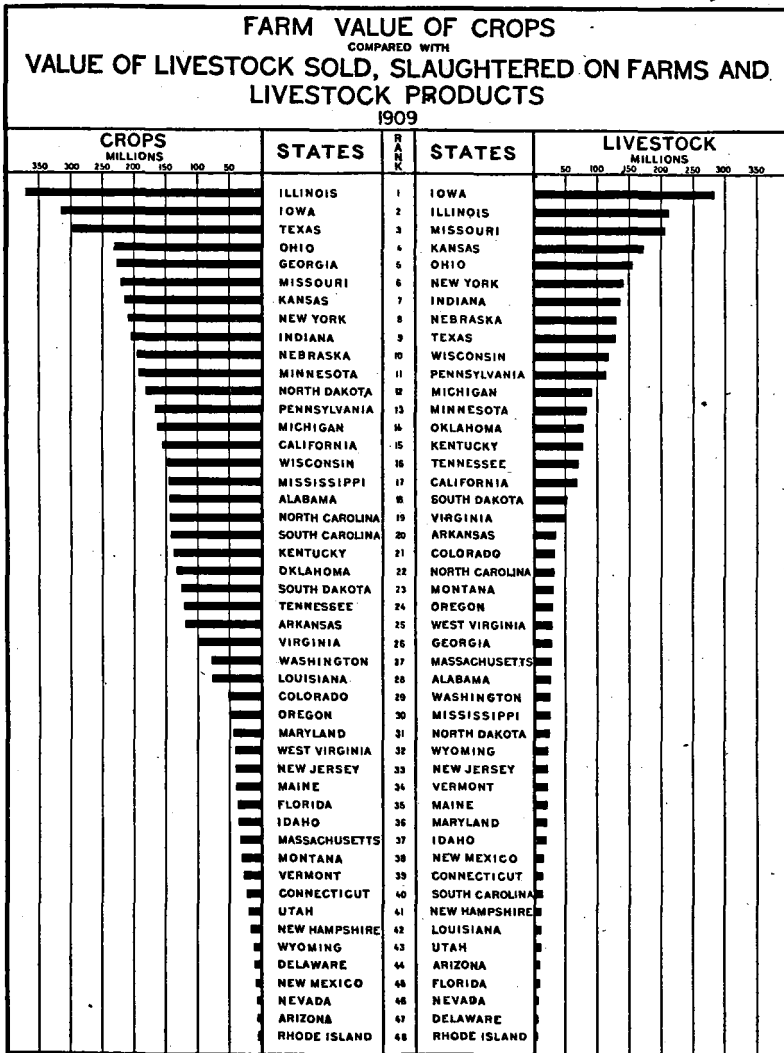
Compare with maps of citrus fruits (map 60) and grapes (map 59).



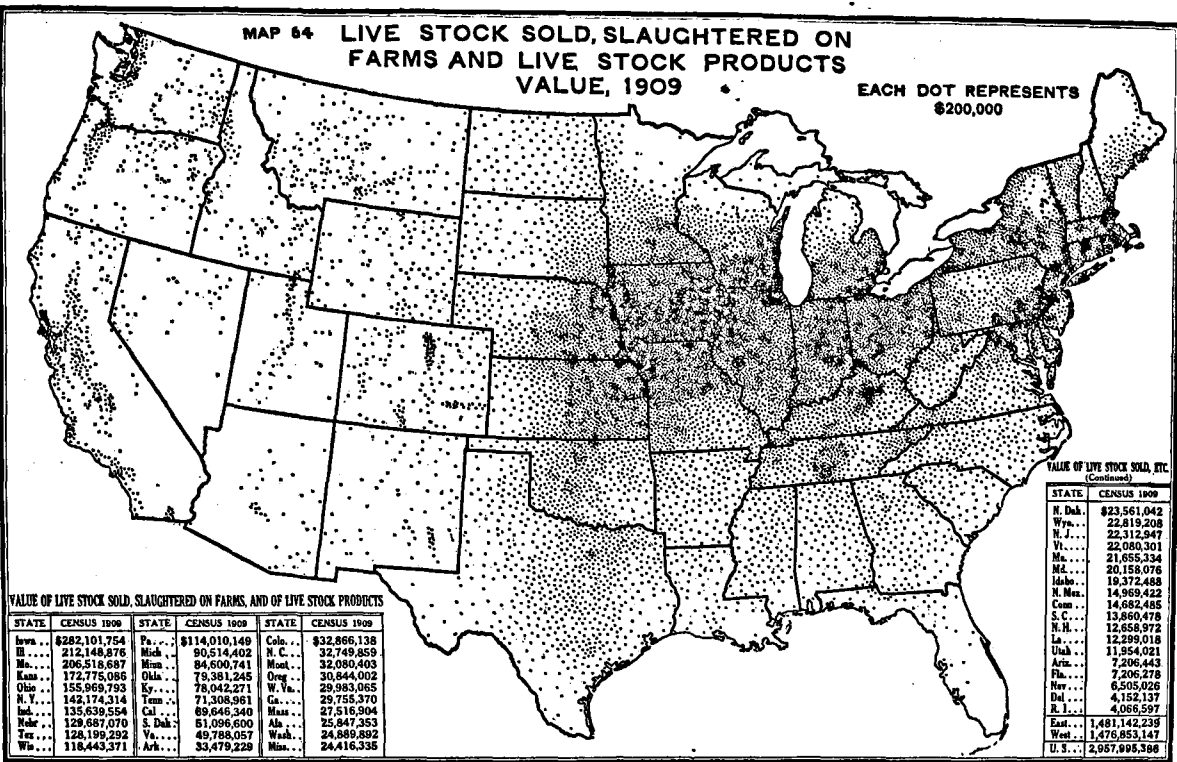
Compare with maps of apples (maps 53 and 54) and peaches and nectarines (maps 56 and 57).



Compare with map of strawberries (map 62).

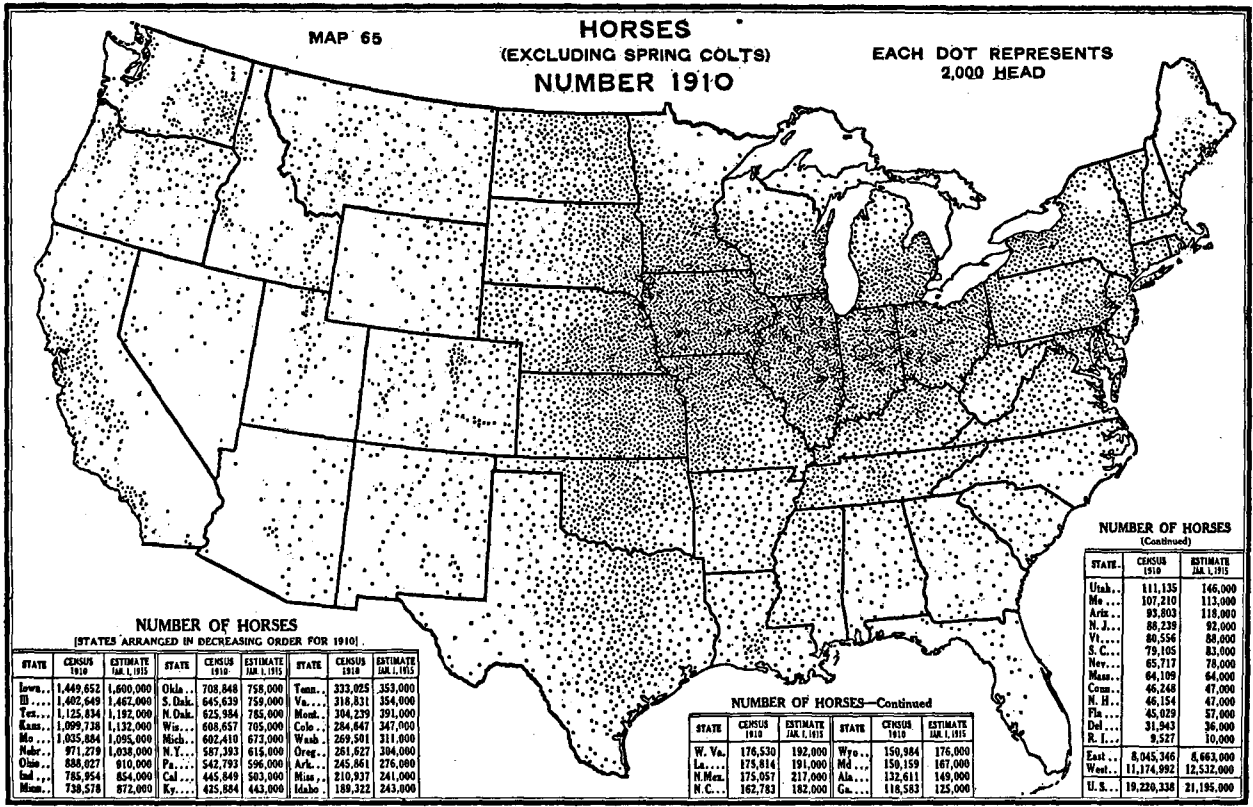


GRAPH 4.—A large proportion of the crops is fed to live stock.



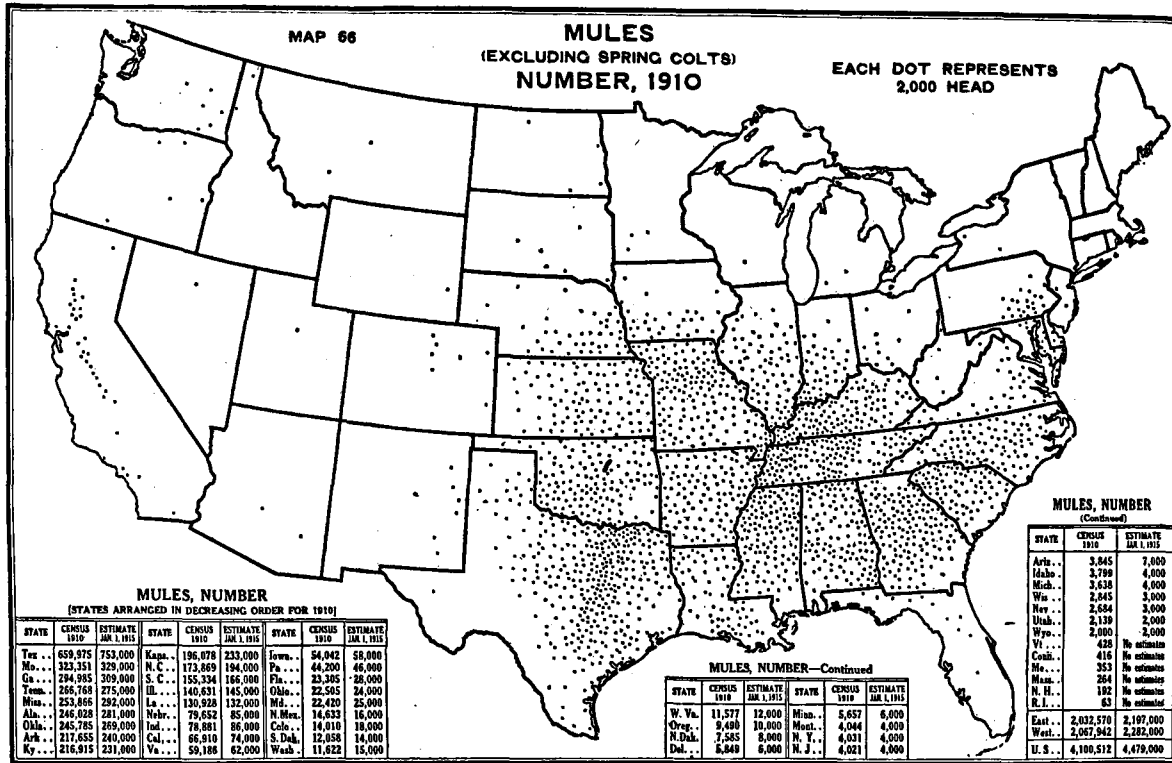
Compare with maps of value of all crops (map 6) and receipts from sale of dairy products (map 70).

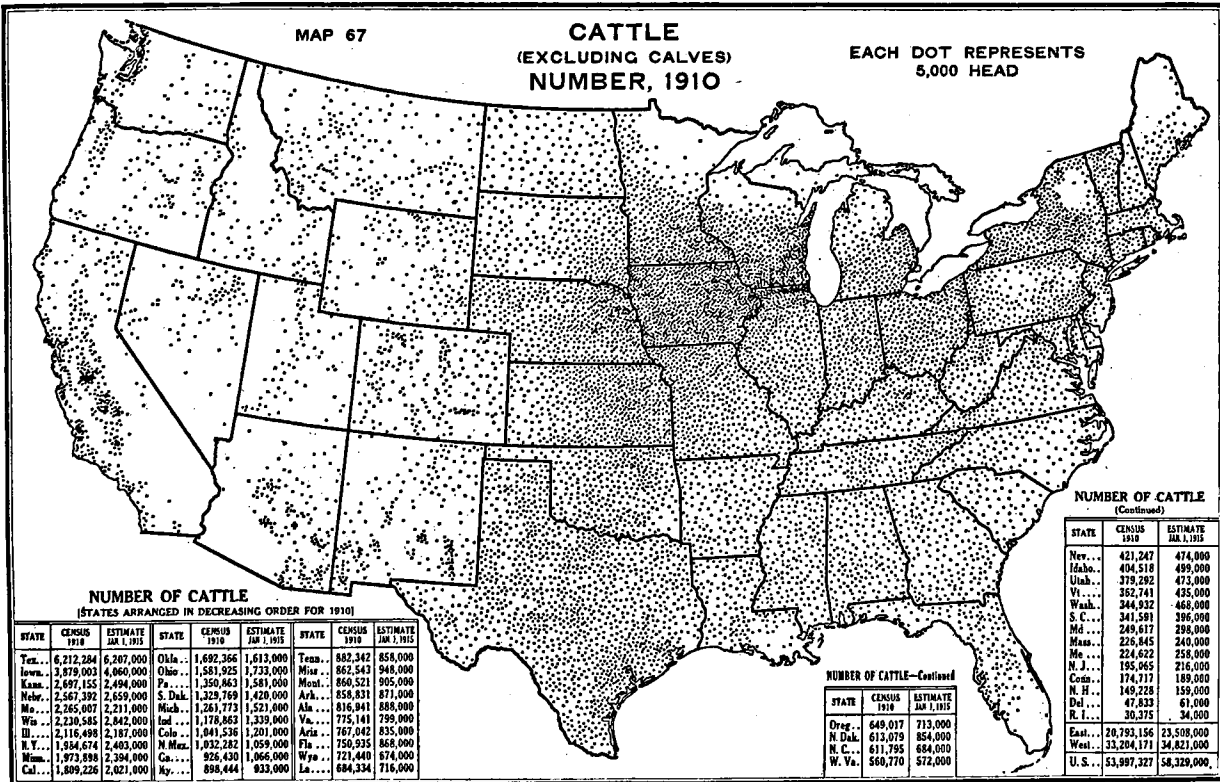
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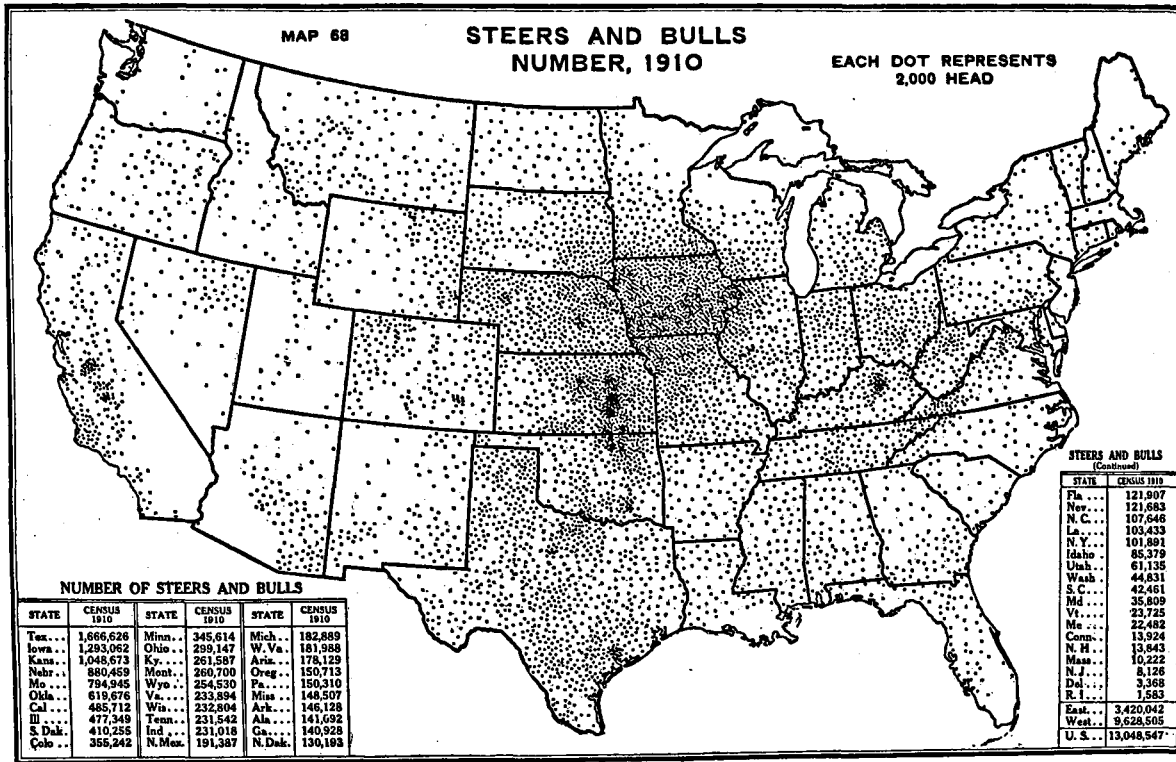
Compare with map of land in crops (map 5).

Compare with maps of horses (map 65) and cotton (map 15).

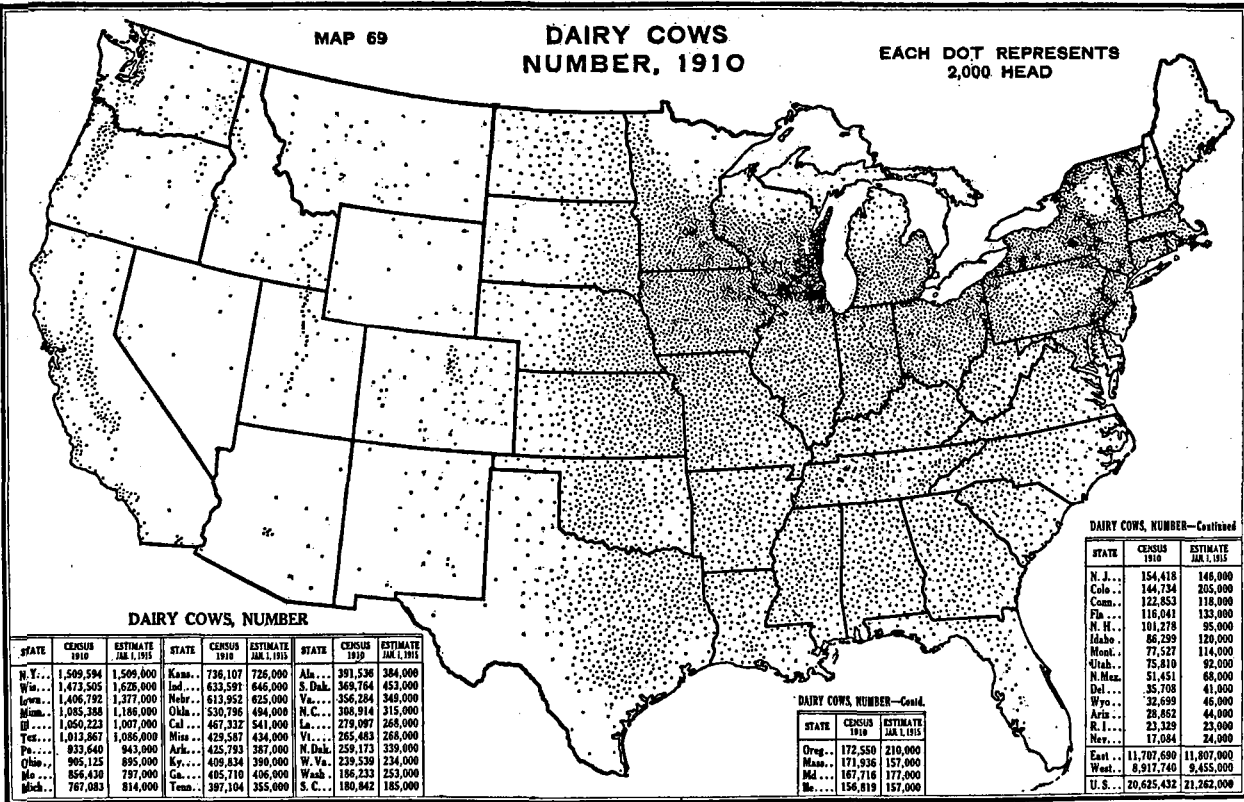




Compare with maps of corn (map 13), hay and forage (map 20), and improved land not in crops, mostly pasture (map 25).

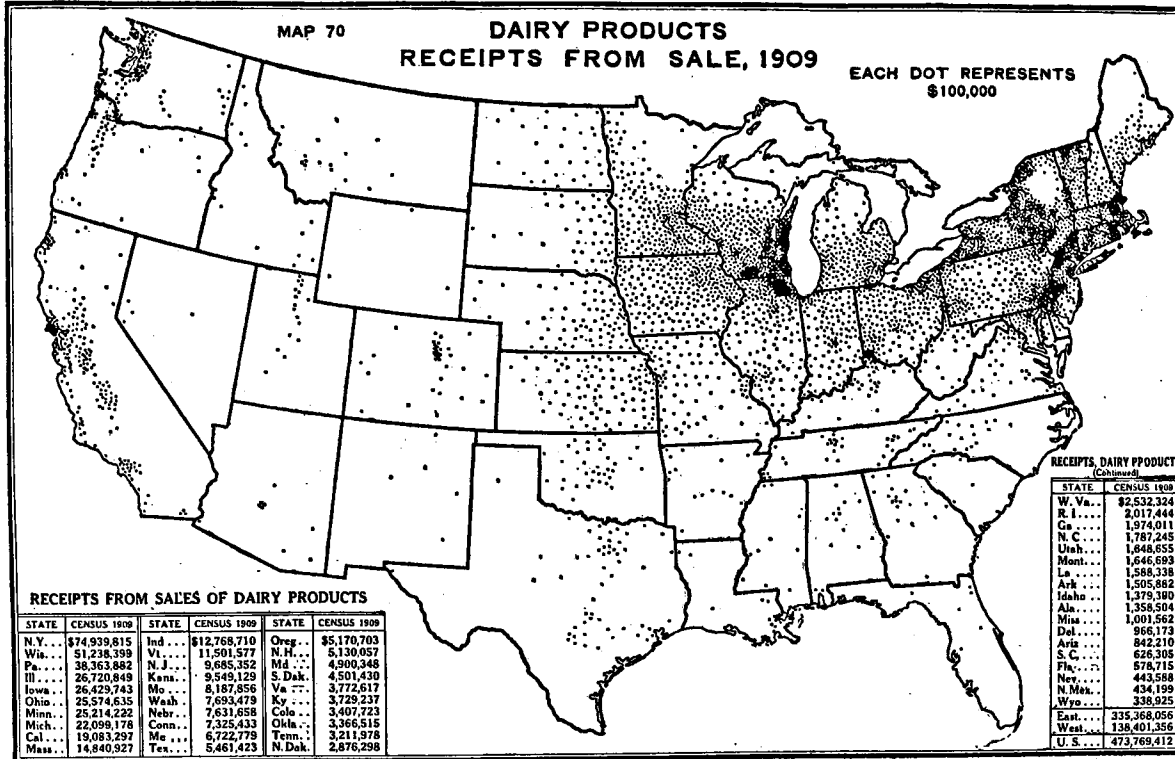


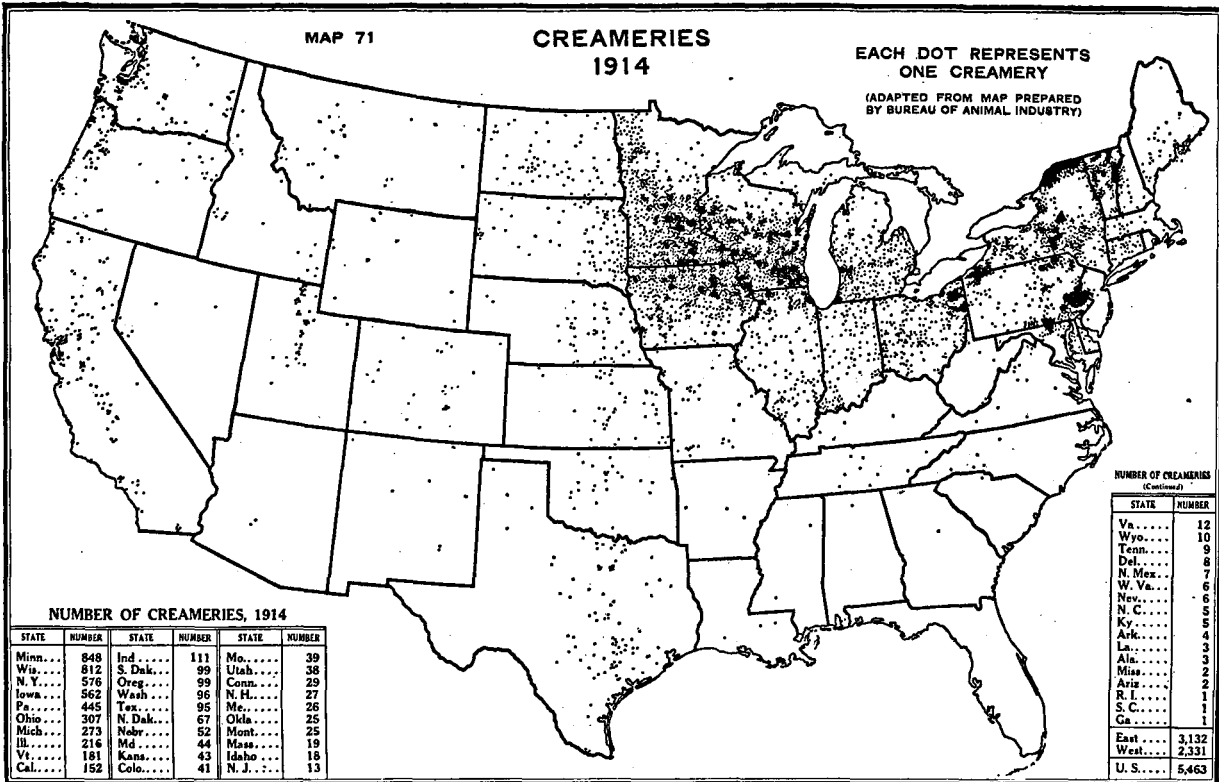
Compare with map of dairy cows (map 69).



Compare with map of hay and forage (map 26).

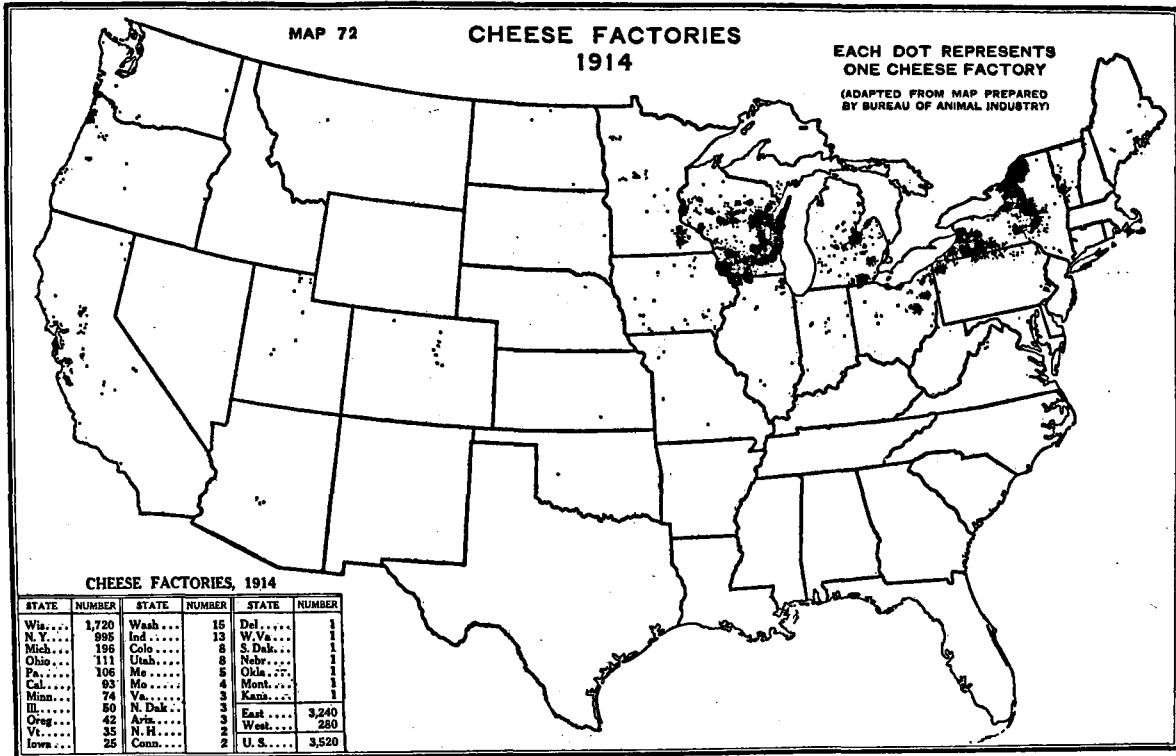
Compare with map of dairy cows (map 69).

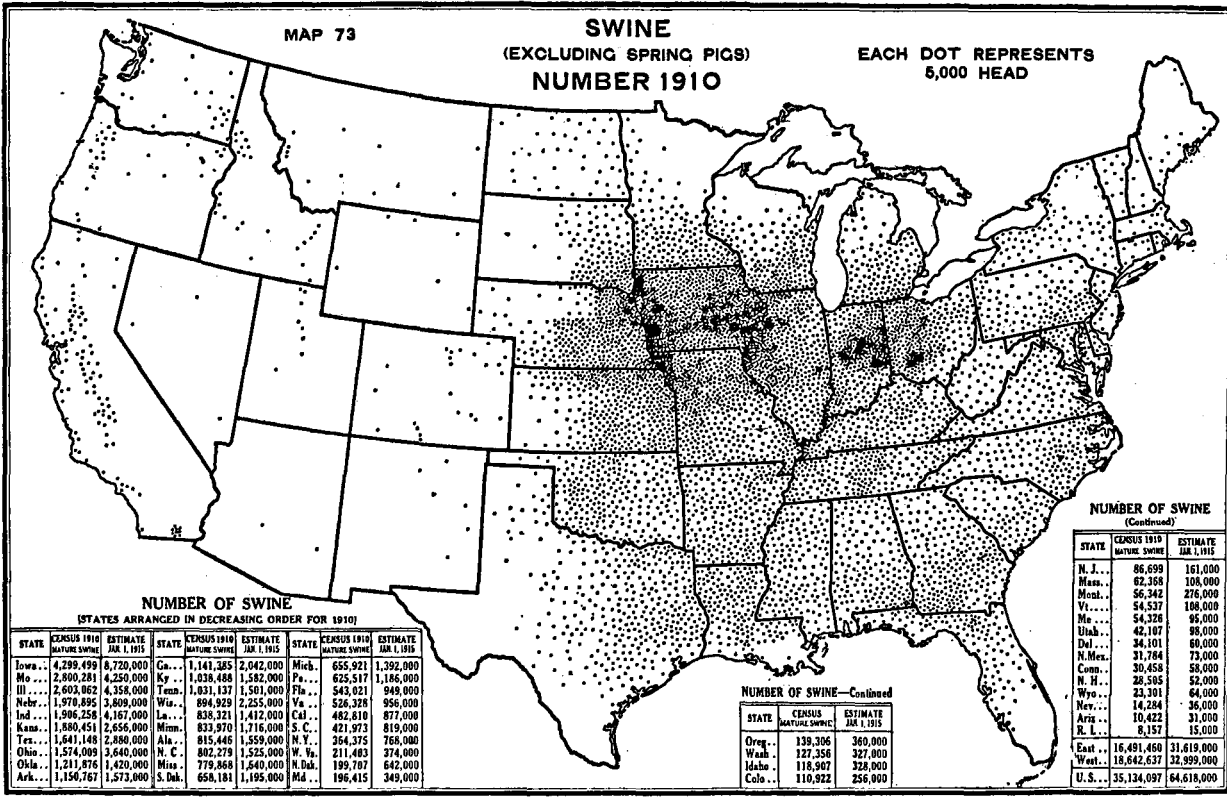




Compare with map of receipts from sale of dairy products (map 70).

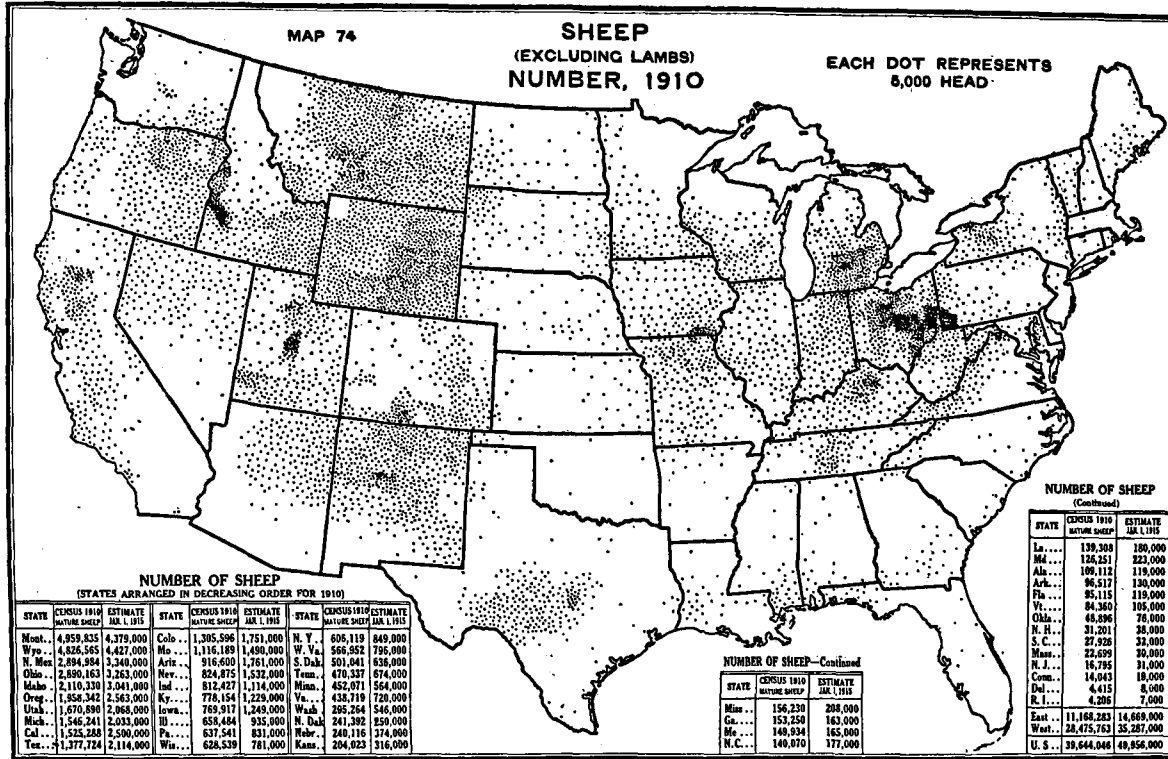
Compare with map of creameries (map 71).

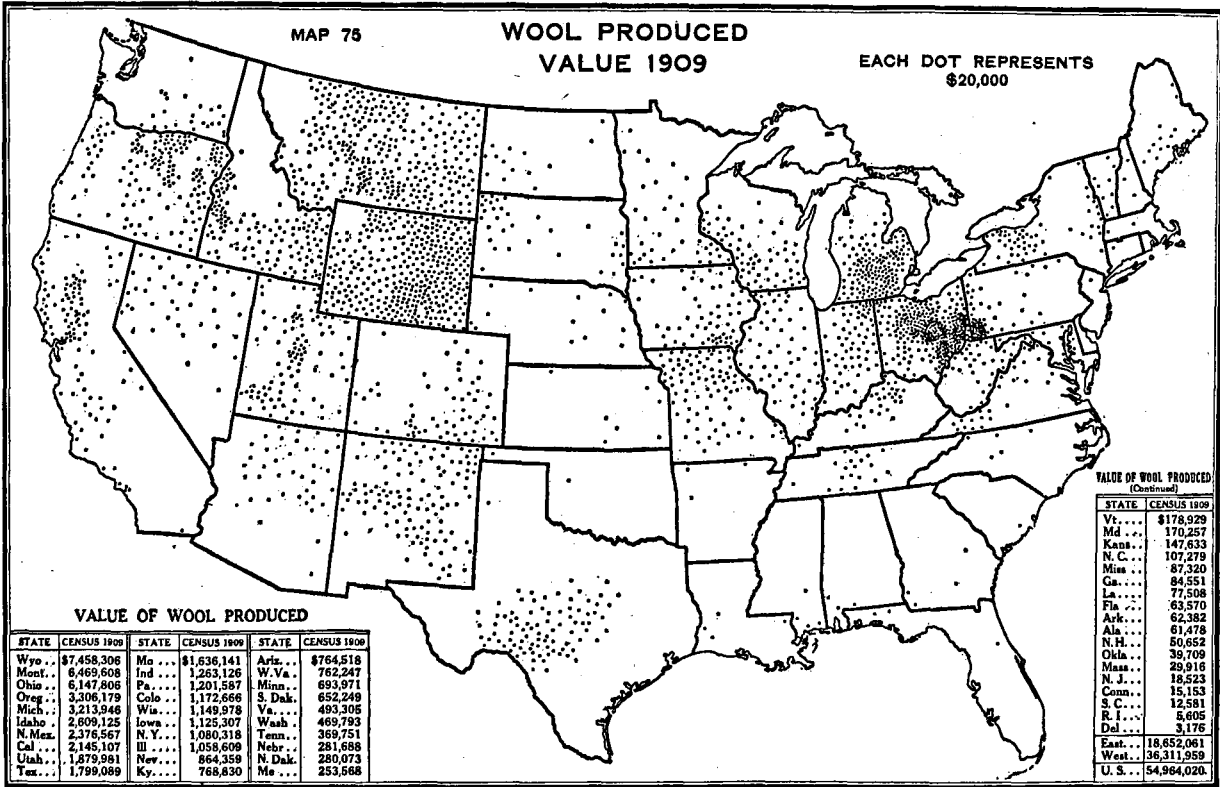




Compare with map of corn (map 14).

Compare with maps of swine (map 73) and total cattle (map 67).



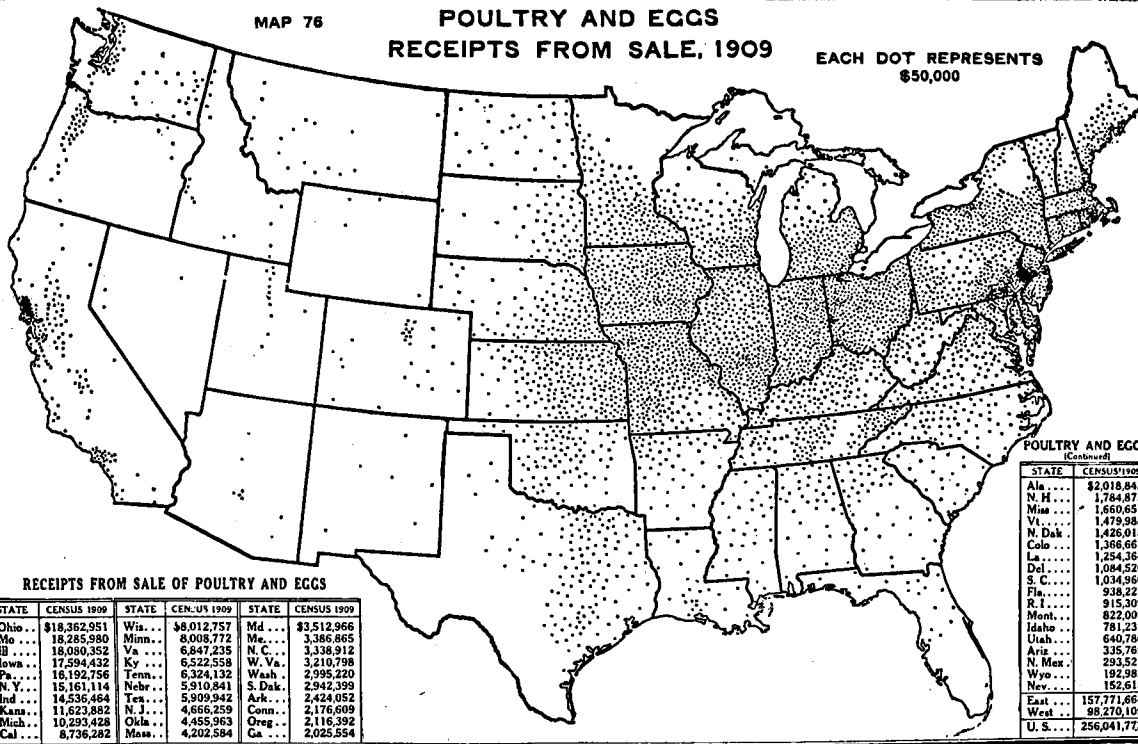


Compare with map of sheep (map 74).

MAP 76

POULTRY AND EGGS RECEIPTS FROM SALE, 1909

EACH DOT REPRESENTS
\$50,000



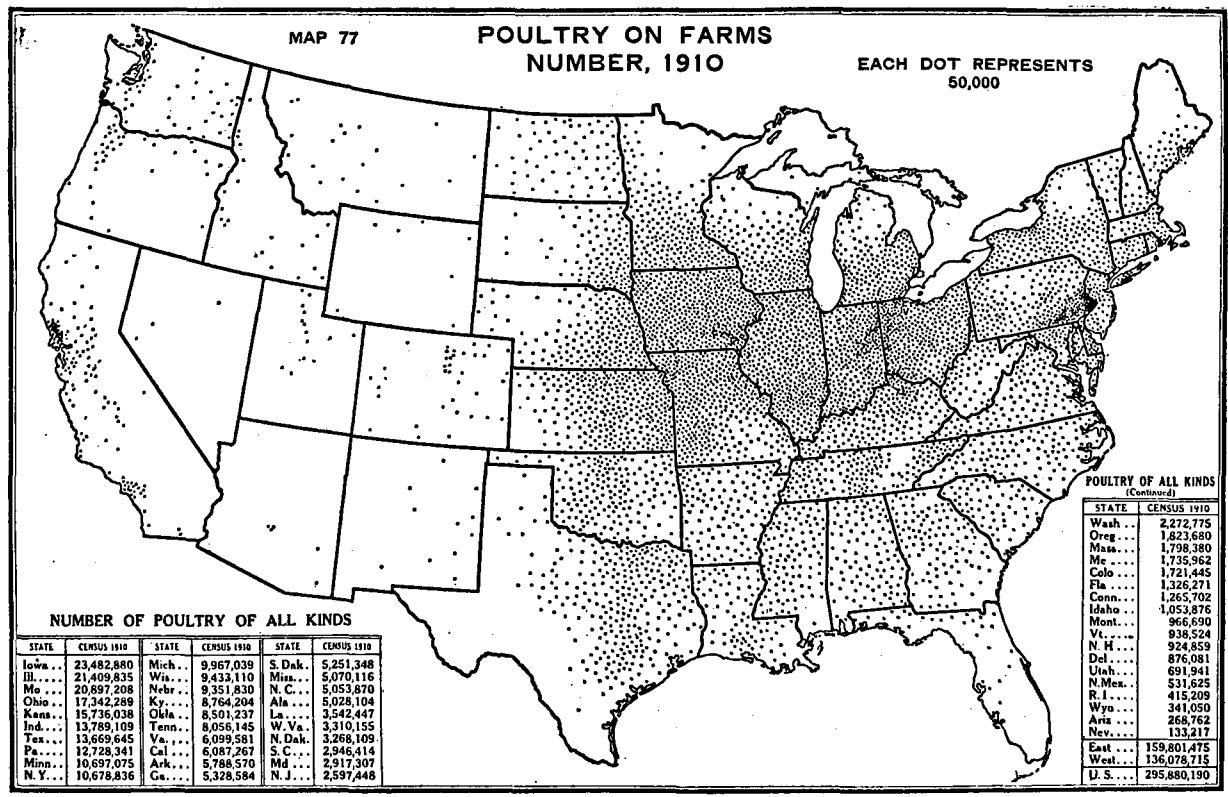
Compare with map of poultry (map 77).

RECEIPTS FROM SALE OF POULTRY AND EGGS

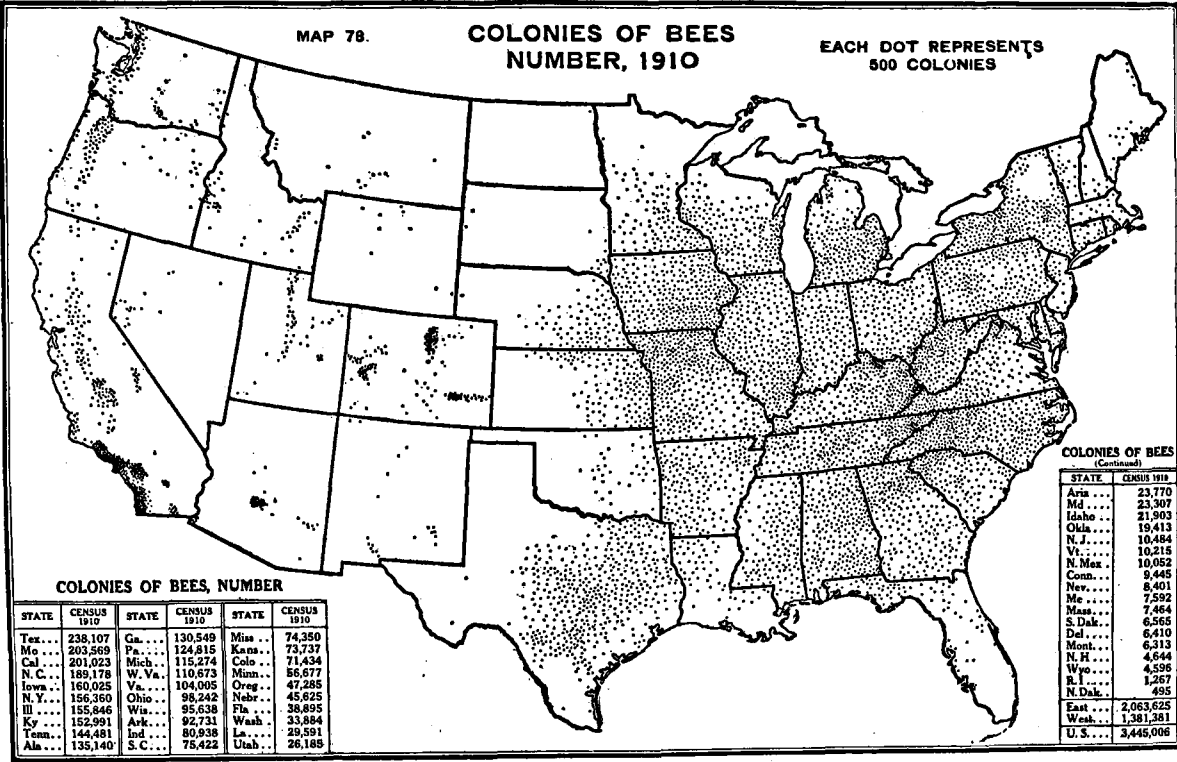
STATE	CENSUS 1909	STATE	CEN. US 1909	STATE	CENSUS 1909
Ohio	\$18,362,951	Wis.	\$8,012,757	Md.	\$3,512,966
Mo.	18,285,980	Minn.	8,008,772	Me.	3,386,865
Ill.	18,080,352	Va.	6,847,235	N. C.	3,338,912
Iowa	17,594,432	Ky.	6,522,558	W. Va.	3,210,798
Pa.	16,192,756	Tenn.	6,324,132	Wash.	2,995,220
N. Y.	15,161,114	Nebr.	5,910,841	S. Dak.	2,942,399
Ind.	14,536,464	Tex.	5,909,942	Ark.	2,424,052
Kans.	11,623,882	N. J.	4,665,259	Conn.	2,176,609
Mich.	10,293,428	Okla.	4,455,963	Oreg.	2,116,392
Cal.	8,736,282	Mass.	4,202,594	Ca.	2,025,554

POULTRY AND EGGS
(Continued)

STATE	CENSUS 1909
Ala.	\$2,018,842
N. H.	1,744,873
Miss.	1,660,651
Vt.	1,479,988
N. Dak.	1,425,015
Colo.	1,388,663
La.	1,254,364
Del.	1,064,520
S. C.	1,034,960
Fla.	938,227
R. I.	915,309
Mont.	822,003
Idaho	781,232
Utah	640,786
Ariz.	335,765
N. Mex.	293,527
Wyo.	192,982
Nev.	152,615
East	157,771,664
West	88,270,109
U. S.	256,041,773



Compare with map of improved land (map 4).



Compare with map of poultry (map 77).



No. To of 21-3-21

Item # 238

(Second Edition, Revised)

January, 1917

(2)

6908

Agricultural Cooperation

B. H. HIBBARD

XM9(U). 737A

E7



THERE ARE OVER 2000 FARMERS' COMPANIES IN WISCONSIN
in point of number and the amount of money handled, the dairy enterprises ex-
d all other cooperative agencies.

**AGRICULTURAL EXPERIMENT STATION
OF THE UNIVERSITY OF WISCONSIN**

MADISON, WISCONSIN

DIGEST

Cooperation is the working together of a number of persons for some common end. In agriculture, it means the organization of farmers for the transaction of business pertaining to farming. Its purpose is to do jointly what cannot be done as economically or as well by individuals.

Pages 3

Its success depends upon several factors. A sufficient amount of business is essential. The cooperators should live near enough together to have a community interest and personal acquaintance. The business transacted should be simple in nature, free from any great degree of speculation and of vital importance or convenience to the cooperator. Loyalty to the organization and an intelligent spirit of cooperation are fundamental. Leadership and harmony are essential and minor differences among cooperators must be subordinated to the common good.

Pages 6 to 13

The membership of the company should consist of active farmers; at least they should be in control. Outsiders, if admitted as they sometimes are to furnish capital, should not be allowed to influence the business policy toward large dividends on the investment. The one-man-one-vote principle will keep the organization democratic. Mischief-makers and "drones" should be kept out but in no wise should a cooperative society become a "closed shop." A trust among farmers is as undesirable among other people.

Pages 13 to

The management of the company should, in general, lie with the board of directors. They should provide for an adequate but simple system of accounts and the books should be audited. The records of the business should be open at all times to all members. Details of management, however, must rest with a manager who should be thoroughly competent and trustworthy.

Pages 15 to 22

A federation of cooperative societies is of great benefit to local units. The largest and best known instance of the kind is the California Fruit Exchange. Attempts at federation along other lines are being made and, in some instances, with success.

Pages 22 to 2

As a social and educational factor cooperation has developed to a remarkable extent in Europe, these mutual organizations taking the lead in community improvement, entertainment and recreation.

Pages 27 to 28

In Wisconsin the most extensive cooperative enterprises have been developed in the butter and cheesemaking industries. Some half-dozen fruit-selling organizations have been formed, 150 or more associations for the shipping of livestock and nearly 60 for the testing of cows. The largest number of cooperative societies in the state are the telephone and the insurance companies.

Pages 28 to 29

The organization of a company is a simple matter. The Wisconsin on request will furnish all material necessary for incorporation. Legal advice may be obtained from the National Agriculture Organization Society, Madison, at small cost, and specimen copies of constitutions and by-laws may be secured from the College of Agriculture. Articles of incorporation may be secured from the Secretary of State. A reprint of forms suitable for various steps of organization are given.

Pages 29 to 45.

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K. L. HAYES, Asst. Dir. Agr. Extension Service
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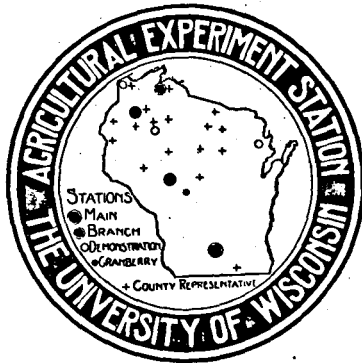
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6908

Agricultural Cooperation

Conditions of its Success

The feeling is widespread that something ought to be done, must be done, to introduce more system and order into the marketing of farm produce. On the one hand farmers complain that they get only half of what the consumer pays for food products. On the other hand the consumer complains because he has to pay double farm prices. The inference is strong that the middleman is making too much money. It is not the purpose of this bulletin to settle the controversy. Rather it is the purpose to set forth a few principles which fit the case of farmers interested in marketing more intelligently and more economically.

The high price of land, the high price of labor, the high price of farm equipment all point toward the necessity of careful business methods in the conduct of a farm. In the past the main emphasis has been laid on ways to increase production, but it is becoming self evident that there is no more occasion to attempt the increase of products than to effect a saving of energy required in getting returns from them. In the long run it is better to get good results from a moderate production than to increase the quantity produced and waste it in the process of delivery to the consumers. Organization characterizes every great business except agriculture. It is not possible so far as may be seen that agriculture be organized in a way similar to that of transportation, or mining, but it does seem altogether reasonable that farmers can get together in large enough groups to enable them to employ talent and skill such as is needed for intelligent action with respect to the market. This the average farmer alone and unaided cannot do.

Modern markets are vastly more complex than they were even one generation ago. The farmer produces very little for himself and carries very little of his produce directly to those who consume it. Standing alone at the end of a long line of agencies between the consumer and the raw product the farmer is at a disadvantage, and unless he looks out for himself it is not likely to be done in an unselfish manner for him.

This bulletin outlines the principal features of cooperative action which have proved successful. The number of farmers' companies is increasing rapidly and every effort should be made to see that they are not uselessly multiplied and that those which are organized be built on solid foundations.

Cooperation defined.—By cooperation is understood the working together of a number of persons for some common end. Literally, it may mean a working together in an unorganized way. For example, two farmers exchange work, or they unite their efforts in breaking the road after a snow storm. These are undoubted examples of cooperation. So also is it a kind of cooperation which brings men

Kinds of cooperation.—Cooperation may have for its object either the buying or selling of goods, and these are by far the most usual objects. In many countries the furnishing of credit is one of the most prominent objects of all agricultural cooperation. Less frequent, but quite as important, is cooperation practiced in some lines of production and manufacture.

PREREQUISITES TO SUCCESS IN COOPERATION

So often has cooperation proved a disappointment to those engaged in it that it would seem desirable to find out, ~~strength of the proprietors is ordinarily in proportion to~~ the capital stock owned by each.

In the cooperation with which we are here concerned the business is owned and run by the group among whom the rewards are apportioned whether on the basis of capital contributed, business transacted or labor performed. The distinguishing feature is the ownership of the business by the group engaged in its operation not as wage earners or as investors, but as buyers, sellers, producers, or consumers all on a par. In other words, the cooperators constitute a class, and are not representatives of several classes. For example: the group may consist of farmers who are either sellers or buyers, or both; or possibly as breeders of stock or grain; or yet again as manufacturers. In every case, however, they are banded together for the common purpose of doing for themselves jointly something which each separately could not do as economically, and which they do not choose

try were the only known means of averting bankruptcy. On the other hand cooperative creameries, even though a great improvement over the alternatives offered, cannot be said to make the whole difference between prosperity and ruin.

It is clear that cooperative companies must be formed where and when there is occasion for such enterprise and not because some one thinks favorably of the principle in the abstract. There must be some visible reason for undertaking the organization if it is to succeed. If prices of products sold are ruinously low in the face of high prices paid by consumers for the same product a little later there is room to suspect that savings may be effected rather easily. If the town dealers are asking unusually wide margins on the business done, the farmers have a right to investigate the possibilities of doing business for themselves. But there must be some gain over the old methods of each looking out for himself or the enthusiasm for cooperation is likely to suffer a collapse. In one case dire necessity may drive farmers to cooperate and so increase their sale price by 50 per cent; in another a moderate degree of necessity may result in a movement effecting a 10 per cent increase, and both may, and should, succeed. Cooperation has no magic by which it can feed and grow on nothing. Where prices are already as high, or as low, as the facts will warrant, cooperation cannot step in and change them.

Sufficient business an essential.—This might be taken for granted were it not for the fact that a great number of cooperative enterprises have failed because of a lack of sufficient business to make a profitable undertaking possible. A cooperative company is not unlike a private company in this regard though the situation may not be so apparent to the men engaged in the cooperative enterprise. For example, very many cooperative creameries have failed because of a lack of sufficient milk or cream out of which to make butter. A privately owned creamery under the same circumstances would experience the same difficulty. But a privately owned plant is not so likely to be established under such unfortunate circumstances. Some shrewd promoter is often able to persuade a group of people to do what none of them separately would undertake. The divided responsibility and the small value of the share are good talking points

in getting men into companies, and often their knowledge is limited as to the amount of business needed or available. Many creameries have been organized in communities having but a hundred cows when at least four times that number were needed for success. Not only is the investment disproportionately large where the amount of business transacted is small, but it precludes the possibility of providing for the employment of good managers. Any business venture involves the question of the probable amount of available business but a cooperative enterprise especially needs to be undertaken with caution in this regard for no one man is shouldering the whole burden and there is danger that too much dependence may be put upon the bare principle of association.

Confined to one community.—There are instances to the contrary, but in the main it is safe to say that the prospects of success are much greater where the cooperators live sufficiently near together to permit frequent gatherings, or in any event, acquaintanceship. The great majority of the cooperative enterprises of Europe center in the village where the members are near neighbors and are intimately acquainted. In this country the greater proportion of successful cooperation is decidedly local in character; while the more general and wide-spread efforts, such as those tried by the Grange, show the greater difficulties involved in getting cooperation to work at long range and among men not well acquainted with one another. A good example of the working of this principle is seen in connection with the creamery industry, where cream, or milk, is brought together from within a small radius within which neighbors are acquainted. In other sections, as in Nebraska, where farms are large and comparatively few cows per farm are kept, the conditions do not seem favorable for the successful operation of cooperative creameries. Although many more have been started there are now but four in the state. The area covered should not be too great to permit attendance at meetings and pretty close acquaintanceship.

Thus density of population and size of farms are a factor. Large farms with their attendant sparsity of population, and their larger bulk of business per farm, make cooperation at once more difficult and less necessary than the opposite condition of dense population and small farms.

These disadvantages are not, however, always conclusive against an undertaking. They may be overcome by good will and determination; they may be helped greatly by federating small units and so getting the advantage of a larger group even though at some cost.

Stability of population.—A prime essential is the character of the members, and nothing is more fatal than a rapid change of personnel. Illustrative of this point are the facts respecting cooperative movements and the question of tenancy and ownership. In almost no instance are tenants successful cooperators. They do not stay in one place long enough to become such. They do not feel disposed to put their energies and money into enterprises which must be abandoned on moving to a new neighborhood. In cooperative businesses there are always obstacles to be overcome, and in consequence there must be persistence in the group of men attempting the task. Persistence is not a trait found in people who, with respect to a given work, view themselves as transients. Hence tenants, who ordinarily remain on a given farm less than three years, seldom assist in solving marketing problems. On the contrary, being weak bargainers, they make the work of solution all the harder for others.

Character of population.—It has often been said that men of differing nationalities, or even of differing religions, are not likely to cooperate well in one organization. Without doubt it would be unwise to advise men who are so poorly assimilated into the community life as to lack a common language to attempt to get together as cooperators.

Likewise it is doubtful if farmers widely apart in financial standing will blend harmoniously into a company involving a great deal of business adjustment. They may do well enough in a telephone company, even in a creamery, but hardly in a fruit selling company. However, differences in nationality or religion seem to be of little consequence. Men who have almost nothing in common socially will cooperate readily if only the economic motive be present, and results forthcoming. Nothing short of race differences seems to act as a barrier. On the other hand similarity in wants, views, and habits are advantageous. The point is that disadvantages in these respects are overcome by economic forces where the latter are at all strong. Intelligence

and openmindedness are of more consequence than many of the more easily observed factors.

A business simple in character.—It is to be taken for granted that the board of directors is to be made up of *bona fide* farmers who will actually direct the affairs of the association. To do this the directors must have a full and clear view of what is to be done. Without doubt farmers are capable of becoming directors in the most intricate business undertakings, but to do so usually means that they must devote the greater part of their time to such business, and turn over to others the operations of their farms. In farmers' cooperative undertakings it is desirable for the farmers to prosper in their own affairs, not to be drawn away from them. The businesses which they are to direct should therefore be simple, like the manufacture and sale of butter, the sale of grain, or the purchase of feeds. The management of intricate manufacturing establishments, or complex transportation companies should not be undertaken. Neither should one company undertake several widely differing lines of work. One main purpose should dominate; subordinate things may be added, as shipping eggs through the creamery.

Vital interests involved.—It is evident from the facts of cooperation now in effect that farmers will cooperate in matters in which they are deeply interested, and will refuse, or fail, to cooperate in matters in which they have but a secondary interest. For example, the orange growers of California run a remarkably successful cooperative company. The dairy farmers of the upper Mississippi Valley have a great number of successful creameries and cheese factories. On the contrary, the farmers of the Middle West grow a great deal of fruit but they do not in many instances cooperate in its marketing. Likewise the farmers of southern Iowa, of Missouri, and of Kansas milk many cows, but in these sections cooperative dairy organizations do not flourish. To be a good member of a cooperative company each individual must feel that his interests are those of the company and its interests his. Otherwise the cooperative company will be given but little attention. He must think in terms of the association. An apple grower knows apples and gets his living by selling them. It is of vital concern to him whether he gets a dollar or a dollar and a quarter a box for his crop, while to the average Iowa or Illinois

farmer the price of apples is of little moment. However, a margin of five cents a bushel on grain to them often makes the difference between profit and loss.

There are abundant exceptions to this general proposition so far as mere numbers of associations go. For example, the cooperative telephones and the mutual insurance companies are numerous. These companies involve so little farm finance, however, that they can and are run without much attention from the average farmer. They are good things, but enter very little into the ups and downs of farming. Thus it might almost be said that the business which lends itself to cooperative action is either that in which the farmer has the greatest concern, or that in which his concern is constant but very slight, and which can be run with little or no attention from the majority of farmers involved.

The spirit of cooperation.—Some men are unwilling to yield a point of difference with respect to anything affecting their own affairs. These men may succeed eminently when left to themselves; their ways may indeed be excellent and worthy of imitation; but they are not good men for a cooperative movement, since everything must go as they say or they are out of the game. Without doubt the traditions and experiences of American farm life have been such as to develop independence and self-reliance. These are excellent traits when not over-developed, but there is danger that independence may breed conceit, and that self-reliance may grow into a self-sufficient obstinacy.

The spirit of cooperation is not a matter that can be dealt with statistically. It is even hard to identify it in a community until it is well developed and the need for its identification mainly past. Is there a spirit of cooperation, latent, in a neighborhood in which a cooperative organization is proposed? The answer is always vital, and often perplexing. Where race lines are rigidly drawn, cooperation has a difficulty to overcome. In fact, the history of farmers' organization shows little mingling of races, yet with good leadership men of different races may be held together. Nationality, religion, and politics, though much less likely to interfere, do at times cause lines of cleavage unfavorable to cooperation. It is a case of relative strength. Where the economic motive is a powerful one, as in some of the fruit-growing districts where marketing becomes almost a matter of life and death,

these obstacles are readily overcome but where the margin of advantage is small cooperation may easily be defeated by these counteracting influences.

It requires no argument to show that there must be an intelligent understanding of the object to be gained on the part of those making the effort. All too many agricultural cooperative movements have been launched by men who desired strongly to get somewhere, but who knew little or nothing of the proper route to follow. General intelligence is seldom lacking, but specific information often is. Where a cooperative company undertakes the marketing of a product there should be a clear understanding of the ins and outs of the market which it is proposed to enter, or perhaps to possess. It should have a clear picture of the marketing processes, should know what charges are made, and why. Unless there are wastes to be eliminated, or excessive profits to be cut down the probability of a happy outcome is small.

Leadership.—Leadership is of the utmost importance. Even though every man could do the work of a general, no army can act as a unit unless some one man actually be given the authority and put in charge. Likewise there may be a score of men capable of acting as leaders of a cooperative company, but some man, or some small group of men, must actually become leaders or nothing will be done. Leadership is a rather rare quality; at any rate it is not superabundant as found in connection with new movements, and the man who wishes to do things will find the cooperative field rich in opportunity for constructive action. For some reason hard to define leadership in the field of big business nearly always is handsomely rewarded. In connection with farmers' movements leadership is all but universally poorly paid, or unpaid. In almost all successful cooperative movements there will be found a faithful few, or perhaps a single individual who, in season and out, give unstinted time and energy to the enterprise with no hope or prospect of material reward. Without the inspiration of this kind of help few farm communities will arouse themselves. Without such unrewarded enthusiasts as F. W. Raiffeisen of the German credit unions, or Horace Plunkett of the Irish Agricultural Organization Society, or O. H. Kelly of the Grange, it is hardly possible that any of these movements would have materialized.

Loyalty to the Association.—As a manifestation of the spirit of cooperation loyalty to the organization should be conspicuous. No farmers' company can succeed without the loyal support of its members. Any partnership would be doomed at once were the members not loyal; a stock company needs the loyal support of its stockholders; but the cooperative company, hardly less than the former and decidedly more than the latter, is dependent upon the temper of its members. The great majority of cooperative companies are dependent upon their members for the amount of business requisite to efficient operation. Where some of this is withdrawn it means less prosperity per unit for what remains. It must be remembered that cooperation means working together, and as soon as it becomes known that there is friction, the undertaking is at once discredited in the public mind. Harmony means strength. Minor differences must be subordinated to the common good.

THE COOPERATIVE COMPANY ITSELF

Composed of farmers.—Many so-called farmers' associations are made up largely of non-farmers. This may be due to a desire on the part of the farmers to enlist the aid of anyone and everyone in raising the capital. It may be due to the desire on the part of men not farmers, to have a hand in the management of the business. Or the mere matter of investment in some cooperative enterprises as now organized furnishes an attraction, and where no rules bar the non-farmer he comes in to get dividends. In all cases it is a matter of grave doubt whether such outsiders should be allowed to connect themselves with the association. Where difficulty is experienced in raising the capital among the farmers the temptation to take it from any available source is great, and where the farmers' rights are properly safeguarded, this procedure may not prove dangerous. But safeguarded they must be or these outside investors having interests unlike those of the farmer will become a force in twisting the course of the association in the direction of stock-dividends instead of toward favorable results to each member on the basis of business furnished. Where outsiders want to get control there is but one thing to be done: they must be kept out.

Where, for example, a farmer member retires and perhaps moves to town the tendency is often to treat him still as a farmer and let him continue his membership. The danger in such a case may not be great, but the safest way is to keep the management, at least, and a great majority of the membership, within the active farmer class. If retired farmers can be of service to the association their assistance should be made available, but their authority should be restricted. Agricultural cooperation must be not only for farmers but by them.

Business-like in character.—No doubt any organization must be business-like if it undertakes to do business with hope of success, but in this respect a cooperative company is in greater need of caution than a private concern. The reason is that responsibility is unified in a private concern and diffused in a cooperative concern. A hundred farmers who belong to a cooperative company are not likely to spend more than two or three days a year attending its meetings and transacting its business. The directors are not likely to take quite the vital interest in the affairs of the company that is taken by railroad or bank directors in the affairs of their respective companies, since in the one case the investment is small, and in the other case large, and again the cooperative company usually makes but a modest return over what could be obtained otherwise. All these facts point to the necessity of a thorough-going business plan for the guidance of a cooperative company so that the members may at any time know how matters stand, and in order that those in charge may be held to a strict accounting for all they do.

Adequate system of accounting.—There should be an adequate, but simple, system of accounting, such that expenses and investments may be taken care of in a regular and equitable manner. For instance, it is unbusinesslike and unfair to deduct from the price of butter fat for a given month or two a sum sufficient to buy a new vat or separator. Suppose, for example, a given patron is furnishing almost no milk at that particular time, he escapes payment of his proportion of the charge. Or suppose a given patron to be furnishing the very maximum amount for the year, he pays more than his just proportion of the charge. Again, in case the equipment purchased is to be used over a considerable

period of years, the members of the company at the time the purchase is made stand the expense while those who succeed them get much of the value. It is clear that the only fair way to adjust these matters is to provide funds out of which the various expenditures may be made. Preferably closely related cooperative associations such as a group of creameries, or a group of fruit exchanges, should use the same system of accounting so that comparisons may easily be made, and that federations, if such be formed, may deal intelligently with individual associations with respect to audits or other authority which may be delegated to the central body.

The Office of Markets has several men devoting their whole time to the accounting problem. They have carefully worked out a system for each of a few lines. Particularly in the cooperative elevator business the government plan is being put into practice.

Careful audit and publicity.—Whether the audit should be by the board of directors, by a special committee, or by some outside authority may be an open question, but audit there should be so that the members of the company, and all doing business with them, may know the business standing of the association. Where federations of local companies exist it is usually well for them to assume the responsibility of the audit. Whether the state should conduct an audit in addition to that by the cooperators themselves depends on the thoroughness of the latter. The state cannot audit as economically nor as well as can the interested parties, yet there are good arguments in favor of at least a supplementary audit by the state. The main thing for farmers to learn is that a business will not run right simply because it is started right. Neither can all managers be trusted to keep records straight and intelligible without some occasional authoritative inspection from outside the office.

Publicity of accounts will work as good results in farmers' cooperative enterprises as it does in quasi-public corporations serving the community at a fixed charge. The books of the company should at all times be open to the inspection of the members. More than this a statement such as can be understood should be issued annually and sent to each member.

Truly cooperative enterprise democratic.—A truly cooperative company is essentially democratic. In this respect it is unlike the ordinary business organization in which one man, or a few men, have complete control. It is even unlike the most usual type of corporation where stockholders vote in proportion to the amount of stock held, and where, therefore, a few members may so out-vote the majority as to render the control extremely undemocratic. A cooperative company which is not democratic is not, in a real sense, cooperative, although it may be such in form. Cooperation means a working together of men for the accomplishment of some object to the advantage of all. Should the control fall into a few hands this mutual relationship is almost sure to suffer and the interest of those holding the power become the criterion by which all policies will be shaped.

This brings us to the "one-man-one-vote" principle, usually put forward as the one thing needful in cooperation. Under most circumstances the plan is to be commended, although not all states provide for such restrictions in the government of corporations, cooperative or otherwise. In any state, however, it is permissible to limit the number of shares which one stockholder may own, or at least the number which he may vote. In this way it may be made difficult if not impossible for a clique to get control of a company. For example, it is quite usual to provide that not over one-tenth of all outstanding stock may be owned by any one man, in which case no one man or small group of men, is likely to get control of a majority of the stock. Of course the limitation of the vote to one for each man is the greatest possible safeguard against concentration of power.

Under some circumstances the "one-man-one-vote" may prove to be too rigid a safeguard. Where the interests of the members are nearly identical, or equal, there would seem to be no good reason why each man should not have an equal voice in the control of policies. But where the members have widely varying interests at stake it is often hard to get those whose interests are greatest to agree to the "one-man-one-vote" plan. It may happen that one member has ten acres of strawberries and relies on strawberry sales almost exclusively for his income. Another man may have a tenth of an acre and get a trifling part of his income from the sale

of such fruit. It is not likely that the big grower will take kindly to the proposition of giving the small grower the same voice as himself in the marketing policies. And it hardly seems reasonable that the two should be put on an equal basis with respect to authority in control. In fact, the wisdom of a union of large and small producers in the same company is often questioned. Yet if the interests of the big producers are not jeopardized by the irresponsibility, stubbornness, or jealousy of the small producers, there is nothing to be said against such an arrangement. It is even possible for the small producer to profit by the better business methods of the large producer if only the two classes can get along smoothly together. In Europe where the "one-man-one-vote" predominates in nearly all cases there is a tendency toward segregation of large and small producers.

One way of bringing the large and the small producer together is to permit voting in proportion to business furnished. This may be accomplished by giving members of a cooperative creamery a vote for each cow, or members of a fruit exchange, where the fruit is similar in kind, a vote for each acre. This plan gives each member an influence corresponding to the interest he has at stake, and while a single small producer might seem to be swallowed up by his larger neighbors, a group of them would always be able to compel recognition. Moreover, the danger of a few men gaining full control as in the case of voting by shares of stock is, in most instances, obviated. This method is, as a rule, not held in high esteem by leaders in cooperation.

The association and its authority.—Many a farmers' organization has gone to pieces because of the disloyal, shortsighted actions of certain of its members. One of the most usual sources of trouble of this character is the tendency of many members to sell to competing companies for, perhaps, a trifle more than the farmers' company sees fit to offer. This difficulty has led many associations to put into their by-laws the so-called "penalty clause." This is a provision by which the members of the company are permitted to sell, or buy, where they please upon payment of a small amount, as a half cent a bushel on grain, to their own company to enable it to exist while the business which it might normally expect is being done by its competitor. The "penalty clause," or "sustaining clause" as it is sometimes

called, has been declared illegal by some of the courts and consequently in many instances, has become a dead letter. It is not a prominent, or even a usual, part of most cooperative regulations in Wisconsin. Where it is nominally a rule as in several kinds of cooperation in neighboring states its enforcement has largely ceased. However, the same end may be gained by requiring the members of an association to sign an agreement to deliver all of their produce of the kind in question to the company to which they belong. The penalty for failure to comply with this provision is usually loss of membership in the company. If the advantages of the company are of any consequence it follows that they will not be bartered away for a small mess of pottage, in the form of a bid slightly higher, offered by a competitor. Just as truly as there are rules of the game to be followed in almost every organized undertaking there must be such in connection with a farmers' organization and he who will not observe the rules does not deserve the privileges of the play.

One of the main advantages of a cooperative company is, or at least should be, an assured patronage. The company must be able to count on the patronage of its members or it may better quit.

Transfer of shares.—In an ordinary corporation shares are freely transferable. This is in fact one of the distinctive and desirable features of the corporation form of business organization. In a cooperative company, however, this freedom of transfer is frequently curtailed in order that no undesirable members may be taken into camp. The success of a farmers' company depends very largely on the stability and loyalty of its members, therefore the group should be allowed to control its own personnel. Were each member permitted to sell out to whomsoever he pleased this would obviously be impossible. While the law would not sustain any company in putting severe limits on the right of a member to sell his shares, it seems to be permissible to require that the company be given the opportunity to make the sale for a member, or to buy the shares and hold them for subsequent disposal. It is a very prevalent practice to require members wishing to dispose of stock to list it with the secretary for sale, allowing him perhaps 60 days in which to act. Should no sale be made during that time the owner

would then have the right to sell to any buyer whom he could find.

Sufficient capital.—Farmers' associations need capital much as any other business organization does, but in many instances farmers have gone into business cooperatively with inadequate capital. After making a start with too little capital it is especially hard to increase the amount since the situation under these circumstances, is a discouraging one. Hence the advisability of properly financing the project at the outset. This is all the more desirable since there is frequently a great amount of skepticism concerning the success of farmers' undertakings.

A farmers' company has no excuse for going into a business venture with too little capital. Ordinarily the amount required from each farmer who goes into a cooperative undertaking is only from ten to one hundred dollars. And in case he does not have the ready money, he can as a rule, give a note for it. A note of this kind may be paid in a lump sum, or it may be paid gradually by withholding a small part of the price of produce sold through the company. Another plan is to apply the trade dividend, where such is paid at all, to the discharge of the note. In this way the amount put into capital is scarcely felt since it is accumulated out of savings.

Another way to provide capital is for the association to borrow it. An organization of farmers should be, and usually is, able to borrow on fairly favorable terms and for as long a time as they wish. In some instances in Europe borrowing in this way is the means used to provide permanently a large share of the requisite capital. This is advantageous when the farmers are in debt anyway, and especially where there is a considerable variation in the amount of money needed at different times of the year. However, the moral effect of independence and business solidity is such that it will be the part of wisdom to have the sum needed as a permanent investment not only subscribed but, within a relatively short time, actually paid in, while a small surplus gives added confidence and dignity to the project. A farmers' company cannot afford to run without ample capital, and the members will be fortunate if they make their arrangements such that borrowing will be incidental and not the main foundation of the business. However, for sums

not needed continuously, a good plan is to have an arrangement at a bank so that drafts coming in against the company will be taken care of without being entered as overdrafts. This gives the minimum amount of expense in providing working capital.

Cash basis.—It has often been said that a cooperative company should do a cash business only. To begin with it may be noticed that the great majority of the important cooperative companies of this country are engaged primarily in selling farmers' produce. With these the question of cash or credit is not vital. In the case of companies doing a considerable business in selling to farmers it is quite different. Farmers like the privilege of credit whether they are dealing with a private company or a cooperative company. Many cooperative companies seem to get along well on the credit basis, but it is nevertheless a dangerous plaything. It is more dangerous for a group of farmers to get involved with credit accounts among themselves than to have such relations with a private company. There is less vigor on the part of a farmers' company in forcing payments when they really ought to be made than is the case with a private concern. Farmers need to be taught the economy of cash payments and it is poor policy to put themselves in the bad light of one another and their outside friends by running a cooperative company on a basis which they cannot well control.

Accumulation of a surplus.—Closely connected with the idea of sufficient capital is the question of a surplus. While it may be feasible to borrow money when needed such a policy should not be carried too far. A small surplus out of which to meet emergency demands is very desirable. A good example of the use of a surplus is found in connection with the shipping of live stock. Suppose several animals in a given shipment die, it is much pleasanter for all concerned to make up the loss out of a saving from former profits than to feel that the association is in debt and future profits, therefore, partially absorbed.

Membership not exclusive.—A genuine cooperative company is not for the purpose of making money out of other farmers who patronize it, nor for the purpose of limiting production in order to raise prices to an abnormal level. It is for the purpose of encouraging production and reducing

the costs of marketing. Hence there must be a disposition to admit to membership all who logically belong to the group. Of course the judgment of those already in must be exercised in the admission of others. It is always unfortunate to include mischief makers; it is similarly unfortunate to admit drones. But no fellow farmers should be excluded on the basis of the "closed shop" idea. Where such a policy is practiced the law forbidding combination in restraint of trade may very properly be invoked against it. Farmers have no more right than have other people to form a trust.

A competent manager necessary.—It may almost be said that the members of a cooperative company do not cooperate among themselves, but each one cooperates with the manager. Certain it is that the members meet, in a business way, the manager many times where in the same way they meet other members once. It is conceded that in successful cooperation the manager must actually manage. It is impossible for him to be merely the representative of the board of directors. General policies should be formulated by the directors, but all matters of detail, the grading of the product, the judgment as to the condition of the market, the amount of labor to be employed, the necessity for more equipment,—all of these must be left mainly to the judgment of the manager. If a given manager cannot be trusted with such responsibilities it means that it is time to look for his successor.

During the early period of cooperative efforts in America few farmers appreciated the value of good business management. They were unwilling to pay what a good manager was worth. Their complaint was that the share going to the middleman was exorbitant. Hence they did not propose to make the mistake of over-paying the man they themselves installed in the place of the middleman. The result was inevitable. They secured incompetent men to manage their business, and the business not being well managed failed. At the present time most of the farmers' companies are in the hands of well-paid managers, and are conducted in a business-like way. It is as necessary to pay the market price for managerial ability in connection with a farmers' company as with a private company. All the lines of cooperative force focus in the manager, and if this force is there dissipated all is lost. On the other hand, even though some

of these lines in themselves be weak, if centered in a strong manager they may be so reinforced as to present all the evidence of strength. A good manager is the indispensable requisite of success in cooperation.

One reason why farmers' companies are not more uniformly successful is because no one man is so likely, as in the case of a private business, to put his whole energy into it. The manager of a farmers' company has a difficult position to fill. He must please many people yet he usually has all too little authority over them in regard to the conditions under which it has a chance to succeed. All other desired conditions may be wanting but with a good manager success may be gained, while with a poor manager even the most favorable conditions will not save from failure.

Where shall the all important good manager be found? As a rule it is wise to take him from the ranks corresponding to the work he will have to perform. For an elevator manager take him from the trade of grain handlers; for a cheese manager take a cheese dealer; for a banker take a man familiar with banking from the inside. This means that if cooperative farming is to be tried take a farmer for manager, but if the work is quite unlike farming it is wise to find a man familiar with it whether he be a farmer or not.

The federation of cooperative companies.—One great weakness of the cooperative company is its limitation to one little spot when the economies of the business demand a wider scope of activity. For example, independent companies of many descriptions have found it advantageous to unite into unions or federations in very many instances. This as a rule has been done to eliminate unnecessary costs such as duplication of marketing expenses. Cooperative companies in this country have been slow to form such federations. There are however, a few notable examples of federations. The largest and best known one is the California Fruit Growers' Exchange which is made up of district and local companies. Beginnings have been made in uniting the local cooperative grain selling companies, and, while much remains to be done, a good deal has already been accomplished. Similar attempts have also been made in the butter and cheese business. In marketing butter no great progress has been made although some promising efforts are

now under way. In marketing cheese at least one federation is meeting with encouraging success.

Not only can a federation hope to improve further the marketing facilities of the local companies, but it can be of great service in furnishing information and inspiration to the locals. It probably could keep adequate and uniform accounts, and thus render one of the greatest of services. This would lead naturally to the question of audits, and no other authority is in as good a position to audit the accounts of the local companies as would be a federation of such companies. For putting life into the cooperative movement, a federation, or association, of local units is unquestionably of prime importance:

A group of unfederated companies is almost sure to compete within itself. This has been notably true in the creamery and cheese factory business. The local companies have invaded one another's territory for trade and have competed against one another in selling. Altogether they have, with all their good qualities, presented a weak front, if any front at all, to the serious problems of marketing. They have taken one step, and taken it well. It remains to take a few more steps, not with the prospect of going the whole way and eliminating all middlemen between farmer and consumer, but of getting into the wholesale market with intelligence, concerted action, and vigor, in such a manner as to secure for the producer a fair and reasonable share of the prices paid by consumers for his product. Unsystematic, free-for-all competition is not reasonable or profitable in the marketing of farm produce any more than in other lines of business where it has so often been shown to be illogical and wasteful.

The main purpose of a federation is by no means an attack on middlemen but rather the introduction of intelligent, business methods, into the work of buying and selling. This will frequently mean economy due to large purchases; to consolidated shipments; to lower overhead charges in such matters as office work and solicitation; in the handling of surplus commodities; in the finding of markets; in settling disputes. Above all a federation can be known, can have plans, and can command respect where local units are obscure and helpless. The federation of butter factories in Denmark, of purchasing societies in France, of the credit

companies of Germany, of the fruit companies of California, of the cheese factories in Wisconsin all show the value of working and standing together, while the weakness of the unconnected local is everywhere manifest.

THE ACTIVITIES OF THE COOPERATIVE COMPANY

It is intended here to notice a few of the activities such as will be common to nearly all cooperative companies. To begin with the principles laid down by the Rochdale Pioneers, while made primarily for distributing companies, are in point, These principles have stood the test of three-quarters of a century and are in use in every part of the world. They are:

1. Shares small in amount and held by members only, i. e. by cooperators and not investors.
2. Each member to have not to exceed a certain restricted number of shares.
3. Each shareholder to have one vote and one only.
4. Sales to be for cash, and at usual prevailing prices.
5. Stock to receive a nominal dividend corresponding to interest rates.
6. Profits to be apportioned in the form of trade dividends on the basis of the amount of business furnished by each member. Non-members to receive a trade dividend half as great as that paid to members, and this payment to be in the form of a share of stock, thus making all customers so far as they wish into members automatically.

It will be noticed that substantially all of these provisions are included in the Wisconsin Cooperative Law.

Payment of dividends.—There are two leading types of dividends paid on stock. One kind is limited to a prescribed percentage of the par value of the stock and under some circumstances is called a preferred dividend. The other, the common dividend, is the more usual, and may be of any size, depending on the earnings of the company. In many corporations there are two kinds of stock, preferred and common, and on these respectively are paid the two kinds of dividends. In many farmers' companies organized under the general corporation laws of the state it has been a common practice to pay high dividends, not infrequently 50, or even 100 per cent. It is evident that where earnings on

stock are high they come out of the business done, and where the business is substantially all contributed by stockholders the dividends are first contributed by the members. It follows that, unless by rare accident the business furnished by each member correspond exactly to the proportion of stock held, money is made out of one member's business with which to pay dividends on another member's stock. The way out of this is to pay a nominal dividend on stock, and either accumulate a surplus for distribution, as is often done by creameries, or to pay back to the members periodically a trade dividend. The nominal stock dividend and the trade dividend are the most essential features of the Rochdale plan of cooperation.

Quality of goods.—One of the main advantages of cooperation is its opportunity to improve the quality of goods offered for sale. Not that certain individuals will not always excel in this particular, doing better than the group can hope to do, yet the group can and does improve the whole neighborhood. This has happened numberless times in connection with the creamery business. The association has improved the quality of the cows kept, of the milk delivered, and of the butter and its selling price.

The difference between good and poor quality is often the difference between profit and loss. It takes very little figuring to show that a dairy producing butter fat at 33 cents a pound may be on a paying basis while one producing at 30 cents may lose. There is in many instances as big a margin as that between the cooperative and the unorganized plan due largely to the greater control exercised over the product by the organized group. The group not only has control, but it often arouses the neighborhood spirit, promotes team work.

Standards.—Not only should the quality be good, it should be uniform, and so designated as to be recognizable. Very few farmers are in a position to standardize their products. In the first place few farmers have enough product so that it seems to be worth while to standardize it. Not only is the quality small but it is usually irregular in amount, and the ups and downs of the supply make the marketing very difficult. Again almost all farmers are too much concerned with the immediate affairs of production to give a great deal of undivided attention to grading and packing.

It seems almost inevitable that the individual farmer, working alone, must sell his grain as it comes from the field, his milk as a creamery or cheese factory demands it, his live stock as accepted by the general trade. These sales are much below the possibilities open to a specialized product, and they often leave but a small margin of profit, too often none at all.

While it is asking too much of a farmer alone to put his product on the market in a way conforming to the best practices it is not at all beyond the power of a group of farmers to reach a high degree of perfection by working together. The group will ordinarily have a larger supply of product; a more constantly uniform supply and they can afford appliances and help which cannot be supplied by each man for himself. These facts are well illustrated in such instances as the marketing of fruit, vegetables, or dairy products.

State brands for butter have been established in several states, for example in Minnesota, Iowa, and Michigan, and the prospects of advantage from the plan are good. Official brands for butter and cheese have been in use in Europe and have been of great help in maintaining both quality and price.

Advertising.—The matter of advertising is one which is usually beyond the reach of a single farmer. He cannot afford to advertise ungraded products. He cannot afford to advertise products which he has on hand at one time but will be out of shortly. A group of farmers can overcome these troubles and by judicious advertising let it be known what they have for sale. The county experiment associations are good examples of the ability of a group putting seed on the market intelligently as compared to the blind way of selling alone and unaided.

Cooperative business and speculation.—That there is an element of speculation in almost any business is beyond question. It is also true that speculation is a prominent part of many businesses. If a given farmer wishes to try a speculative venture, such as holding his crop of corn till the succeeding year, or buying his neighbor's corn in the fall to hold till spring, his friends and neighbors can raise no objection. If, however, he and his neighbors are in a cooperative association and the association should undertake the same thing there is almost sure to be trouble. The decreases in

prices are almost as numerous as the advances. There are incidental losses. Some speculations are sure to be disastrous. If an association speculate and lose there will be severe criticism and in most cases trouble. The selling of grain is to a considerable extent speculative. As handled by cooperative companies the speculative features should be reduced to a minimum. The best authorities agree that were the speculative features developed it would mean disaster to this type of cooperation. Where risks are great the daring of the individual seems best able to cope with it, while a conservative undertaking may be carried on by the joint action of a large number. A group of men seldom lays a wager, individuals often do. Hence a group may conduct a regular business, but the less there is in it in the nature of a game of chance the more likely they are to agree among themselves as to the steps to be taken and the more likely they are to be satisfied with the results.

BY PRODUCTS OF COOPERATION

Cooperation begets cooperation.—Cooperation in America has usually been carried on for the economic gain to be made out of it. Probably this gain must be considered a desirable and a prominent feature. Business ventures are normally run for gain and it seems useless to insist that some other, though higher, motive be substituted. It does not, however, follow that the economic motive must be the sole end and aim of a group of farmers acting together in a cooperative capacity. Indeed, in Europe where cooperation is well past the experimental stage and where it controls a large portion of the business done by farmers, a vast amount of community work is carried on around the cooperative company as a center. This work often takes the form of village improvements, such as street and park beautification, or perhaps recreation and entertainment in the form of theatricals promoted and guaranteed by a credit society. In some instances nurses are provided for the sick through a common fund. In short, the cooperative company becomes the motive force in community enterprise. The particular cooperative company which usually becomes such a force is the credit society. This no doubt is due to the fact that many

enterprises need more or less financial backing and these societies from their very nature are able to act in this capacity. Community enterprise requires community action and where there is organization for one purpose it serves as a convenient starting point for other undertakings.

Cooperation educates.—One of the most unfortunate of all the facts of marketing is the lack of information of the producers concerning the costs of getting produce from the farms into the markets. Farmers are much inclined to think that the wide margins taken by middlemen are the result of greed and dishonesty, in some way representing a condition for which the middleman is to blame. A study of the market such as an enterprising cooperative company is bound sooner or later to make in nearly all cases shows that the margin of 50 per cent so often mentioned as the share of the middlemen is nearly all necessary expense under the circumstances and no one is guilty of stealing or cheating. The unfortunately wide margin is the fault of nobody in particular but the logical outcome of a lack of organization and the application of intelligence to the process of marketing. Farmers as a rule are not willing to pay the price of cutting down these margins, yet economy and efficiency demand that it be done.

The education that comes from cooperation means the careful production of products as near to a standard as the circumstances will warrant; preparation for the market, that is to say, collecting, grading, manufacturing, as the case may be, so that the trade will not have it to do at a later time and in a more expensive manner; a study of the market whereby the goods may be sold to the middleman as near to the consumer as possible, thereby reducing the number who handle them; a frank and friendly understanding with middlemen whereby their services may be available at reasonable rates and on fair terms. These business principles the farmers must learn. A few learn them by working alone; a much larger number may learn them by working together. An understanding of markets and business methods are among the best results of cooperation.

STEPS IN ORGANIZATION

Beware of promoters.—One of the worst phases of cooperation to develop in America is the promotion of companies by men who are interested in them only to the extent of getting easy money out of commissions for selling stock. In the creamery business the promoters have reaped a rich harvest over a long period of years. Twenty-five years ago they did their work mainly in the states of the Middle West. They are now exerting their efforts in the South and the Northwest. They usually sell to farmers who have little interest in cooperation and who probably do not have sufficient business to support a company. The great majority of the promoted companies fail, and even though they succeed it is against odds since they pay the promoters handsomely for their efforts, and therefore have a considerable deficit to make up before starting even in the business race. Millions of dollars were in this manner thrown away in the dairy enterprises.

The desire for a cooperative company should spring up with the group undertaking it. Otherwise, the cost of starting is high and the required interest for making a success likely to be wanting.

Study of the community.—When a farmer, or a small group of farmers, decides that a cooperative company would help in solving some of the problems of the neighborhood, it will be well if a study first be made of the kind of company best suited to the needs of the community. A purely cooperative company, where it will be accepted by the people interested, is undoubtedly the best; where, for some reason, this is impossible the stock company may, as the next best thing, serve fairly well.

Many so-called cooperative companies are organized as incorporated stock companies. Where this is done with the usual vote by shares, and with perhaps no restriction as to the number of shares which any one stockholder may own, there is great opportunity for one, or a few stockholders, to get control of the company. Such an outcome as this gives an opportunity for a small number of stockholders to run the business on the basis of profit on investment instead of profit to the producer. Moreover, unless care be taken to prevent

it, there is danger that much of the stock will be owned by men who are not farmers at all and whose interests are in the profit from investment only. A situation of this kind is sure to defeat the very purpose of the organization, and in many instances even the appearance of cooperation soon disappears.

To guard against these difficulties the state of Wisconsin, a few years ago, passed a law providing especially for the incorporation of cooperative companies. Under this law each member has one vote irrespective of the number of shares he holds. A nominal dividend, as 6 or 8 per cent, is paid on stock, provision is made for the accumulation of a suitable surplus beyond which the main portion of any further surplus is paid back to the patrons as a trade dividend. This arrangement prevents control by a small portion of the members, and the making of a profit by one member out of the business of another member.

Appointment of a committee.—Early in the procedure a meeting of the interested farmers should be called and an organization committee chosen. By correspondence this committee may then obtain from the Secretary of State at Madison, blank articles of incorporation. These forms permit the writing in of many provisions to suit each particular case. The Secretary of State will furnish also a copy of the law under which cooperative companies may be organized. The incorporation fee is ten dollars, except in certain cases of very low capitalization in which it is but one dollar.

Legal assistance.—It is not necessary to employ much legal assistance. The National Agricultural Organization Society, Madison, Wisconsin, has a lawyer who devotes his time to matters of this kind and his services are at the disposal of any group of farmers wishing to organize a cooperative company. In addition to legal advice it is well to call in for counsel and direction some man who has had actual experience in running a company similar to the one proposed.

Articles of incorporation and constitution.—The organization committee will fill out the articles of incorporation, together with such additions as may seem to them desirable. They will adopt, tentatively, a constitution and by-laws which at a subsequent meeting will be submitted to the members for approval. In this connection it is well to follow more or less closely some form that has been found to be

satisfactory. A constitution and by-laws under which a cheese federation is actually in operation is given on pages 42-44.

Others may be obtained from almost any cooperative company already organized. After the above steps are taken it will be in order to get the signatures to these documents of the prospective members.

Sale of shares.—In the meantime, shares of stock may be sold. After determining the value of a share, blanks should be obtained reading about as follows:

“We, the undersigned, hereby agree to take and we hereby subscribe for the number of shares set opposite our respective names and post office addresses, of the capital stock of the Company, a corporation, to be formed under and pursuant to the laws of the State of Wisconsin, with a capital stock of Two Thousand dollars (\$2,000),* divided into two thousand shares of one dollar (\$1.00) each, for the purpose of securing necessary lands in, and erecting and maintaining thereon a factory suitable and appropriate for the making of cheese and by-products.** We hereby agree to pay our several subscriptions to the treasurer of said corporation when organized, in such manner and on such terms as the stockholders or board of directors of said corporation may determine.”

After the requisite number of shares have been sold certificates of stock similar in form to the following should be issued:

Number of shares
 Issued to
 Date issued
 Date transferred
 To whom transferred
 Date transferred
 To whom transferred
 Date transferred
 To whom transferred
 Classified
 No. issued
 To

<small>Incorporated as a Cooperative Association Under the Laws of the State of Wisconsin</small>	
NUMBER	SHARES
CHEESE PRODUCERS' ASSOCIATION	
Of the Town of Wisconsin	
CAPITAL STOCK	
I do hereby certify that	
Share of ONE DOLLAR EACH of the Capital Stock of	
CHEESE PRODUCERS' ASSOCIATION of the town of County, Wisconsin, full paid and non-assessable, transferable only as the books of this corporation in the manner provided in its Articles of Incorporation, upon surrender of this certificate properly endorsed.	
In witness whereof, the said corporation has caused this certificate to be signed by its President and Secretary, at Wis., on this day of A. D. 191	
Secretary	President
<small>(SHARES ONE DOLLAR EACH)</small>	

* Other amounts may be substituted.
 ** Other purposes may be substituted.

Election of directors.—A later meeting will be held and directors elected. The directors elect the officers and choose a manager. As soon as the articles of incorporation are accepted by the Secretary of State, to whom they are to be sent promptly, the new company is ready to begin business.

Many excellent examples of successful cooperation among farmers are to be found in Wisconsin. It is true that the past furnishes many instances of failure but apparently the lessons taught by these failures have been well learned. Not many cooperative companies are recently being started without a fairly good prospect of success. There is found almost universally a fair amount of business in sight and a fair amount of working capital wherever a cooperative company is proposed. Moreover, there is a disposition to find a good manager at whatever price it may be necessary to pay. Not so much can be said for each of the other points mentioned above as needful, but the outlook is encouraging. Very few failures are recorded among undertakings of recent years, and the number of companies and the amount of business done by them is constantly increasing.

Most numerous of cooperative undertakings are the telephone and insurance companies. Not very much real business however, is done through these companies. The first rank, so far as effect on the income and outgo of the farm is concerned, must be given to creameries and cheese factories. Approximately a third of the three thousand within the state are cooperative. Of growing importance are the fruit associations, live-stock shipping companies, cow-testing associations, and potato warehouse companies. A small beginning has been made in marketing eggs cooperatively through the creamery. There are some half dozen fruit-selling associations, perhaps 150 live stock shipping associations, and 53 cow-testing associations. Not a great quantity of grain is grown in Wisconsin for shipment save for seed purposes, hence the number of cooperative elevators is small.

COOPERATIVE ASSOCIATIONS

Sections 1786e—1 to 1786e—17, inclusive, of the statutes, relating to the incorporation of cooperative associations, and the fees to be paid therefor.

Cooperative associations; who may organize; purposes. Section 1786e—1 (Ch. 368, 1911.) Any number of persons, not less than five, may associate themselves as a cooperative association, society, company or exchange; for the purpose of conducting any agricultural, dairy, mercantile, mining, manufacturing or mechanical business on the cooperative plan. For the purposes of sections 1786e—1 to 1786e—17, inclusive, the words "association," "company," "corporation," "exchange," "society" or "union," shall be construed to mean the same.

Articles; contents. Section 1786e—2. (Ch. 368, 1911.) They shall sign and acknowledge written articles which shall contain the name of said association and the names and residences of the persons forming the same. Such articles shall also contain a statement of the purposes of the association and shall designate the city, town or village where its principal place of business shall be located. Said articles shall also state the amount of capital stock, the number of shares and the par value of each.

Articles; verification; filing; charter. Section 1786e—3. (Ch. 368, 1911.) The original articles of incorporation of corporations organized under sections 1786e—1 to 1786e—17, inclusive, or a true copy thereof, verified as such by the affidavits of two of the signers thereof, shall be filed with the secretary of state. A like verified copy of such articles and certificates of the secretary of state, showing the date when such articles were filed with and accepted by the secretary of state, within thirty days of such filing and acceptance, shall be filed with and recorded by the register of deeds of the

county in which the principal place of business of the corporation is to be located, and no corporation shall, until such articles be left for record, have legal existence. The register of deeds shall forthwith transmit to the secretary of state a certificate stating the time when such copy was recorded. Upon receipt of such certificate the secretary of state shall issue a certificate of incorporation.

Filing fee. Section 1786e—4. (Ch. 260, 1913.) For filing the articles of incorporation of corporations organized under sections 1786e—1 to 1786e—17, inclusive, there shall be paid the secretary of state ten dollars, and for the filing of an amendment to such articles, five dollars; provided, that when the capital stock of such corporation shall be less than five hundred dollars such fee for filing either the articles of incorporation or amendments thereto shall be one dollar. For recording copy of such articles the register of deeds shall receive a fee of twenty-five cents to be paid by the person presenting such papers for record.

Directors; election; duties; election of officers. Section 1786e—5. (Ch. 368, 1911.) Every such association shall be managed by a board of not less than five directors. The directors shall be elected by and from the stockholders of the association at such time and for such term of office as the by-laws may prescribe, and shall hold office for time for which elected and until their successors are elected and shall enter upon the discharge of their duties; but a majority of the stockholders shall have the power at any regular or special stockholders' meeting, legally called, to remove any director or officer for cause, and fill the vacancy, and thereupon the director, or officer so removed, shall cease to be a director or officer of said association. The officers of every such association shall be a president, one or more vice presidents, a secretary and a treasurer, who shall be elected annually by the directors, and each of said officers must be a director of the association. The office of secretary and treasurer may be combined, and when so combined the person filling the office shall be secretary-treasurer.

Amendments; adoption and recording. Section 1786e—6. (Ch. 368, 1911.) The association may amend its articles

of incorporation by a majority vote of its stockholders at any regular stockholders' meeting, or at any special stockholders' meeting called for that purpose, on ten days' notice to the stockholders. Said power to amend shall include the power to increase or diminish the amount of capital stock and the number of shares. Provided, the amount of the capital stock shall not be diminished below the amount of paid-up capital at time amendment is adopted. Within thirty days after the adoption of an amendment to its articles of incorporation, an association shall cause a copy of such amendment adopted to be recorded in the office of the secretary of state and of the register of deeds of the county where the principal place of business is located.

Business authorized to be conducted. Section 1786e—7. (Ch. 368, 1911.) An association created under sections 1786e—1 to 1786e—17, inclusive, shall have power to conduct any agricultural, dairy, mercantile, mining, manufacturing or mechanical business, on the cooperative plan, and may buy, sell and deal in the products of any other cooperative company heretofore organized or hereafter organized under the provisions of sections 1786e—1 to 1786e—17, inclusive.

Stock; issue; limit; vote. Section 1786e—8. (Ch. 368, 1911.) No stockholder in any such association shall own shares of a greater aggregate par value than one thousand dollars, except as hereinafter provided, or be entitled to more than one vote.

Subscription to stock in other associations. Section 1786e—9. (Ch. 368, 1911.) At any regular meeting, or any regularly called special meeting, at which at least a majority of all its stockholders shall be present, or represented, an association organized under sections 1786e—1 to 1786e—17, inclusive, may, by a majority vote of the stockholders present or represented, subscribe for shares and invest its reserve fund, or not to exceed twenty-five per cent of its capital, in the capital stock of any other cooperative association.

Purchasing business of other associations; payment; stock issue. Section 1786e—10. (Ch. 368, 1911.) When-

ever an association, created under section 1786e—1 to 1786e—17, inclusive, shall purchase the business of another association, person or persons, it may pay for the same in whole or in part by issuing to the selling association or person shares of its capital stock to an amount, which at par value would equal the fair market value of the business so purchased, and in such case the transfer to the association of such business at such valuation shall be equivalent to payment in cash for the shares of stock so issued.

Stock held in trust; issue of certificates. Section 1786e—11. (Ch. 368, 1911.) In case the cash value of such purchased business exceeds one thousand dollars, the directors of the association are authorized to hold the shares in excess of one thousand dollars in trust for the vendor, and dispose of the same to such persons, and within such times, as may be mutually satisfactory to the parties in interest, and to pay the proceeds thereof as currently received to the former owner of said business. Certificates of stock shall not be issued to any subscriber until fully paid, but the by-laws of the association may allow subscribers to vote as stockholders; provided, part of the stock subscribed for has been paid in cash.

Stockholders may vote by mail. Section 1786e—12. (Ch. 368, 1911.) At any regularly called general or special meeting of the stockholders, a written vote received by mail from any absent stockholder, and signed by him, may be read in such meeting, and shall be equivalent to a vote of each of the stockholders so signing; provided, he has been previously notified in writing of the exact motion or resolution upon which such vote is taken, and a copy of same is forwarded with and attached to the vote so mailed by him.

Earnings; apportionment. Section 1786e—13. (Ch. 368, 1911, as amended by Ch. 405, 1915.) The directors, subject to revisions by the association at any general or special meeting, shall apportion the earnings by first paying dividends on the paid-up capital stock not exceeding eight per cent per annum, then setting aside not less than ten per cent of the net profits for a reserve fund, until an amount has accumulated in said reserve fund equal to thirty per

cent of the paid-up capital stock, and five per cent thereof for an educational fund to be used in teaching cooperation, and the remainder of said net profits by uniform dividend upon the amount of purchases of shareholders and upon the wages and salaries of employes, and one-half of such uniform dividend to nonshareholders on the amount of their purchases, which may be credited to the account of such nonshareholders on account of capital stock of the association; but in productive associations such as creameries, canneries, elevators, factories and the like, dividends shall be on raw material delivered instead of on goods purchased. In case the association is both a selling and a productive concern, the dividends may be on both raw material delivered and on goods purchased by patrons.

2. Whenever the board of directors of any association authorizes the payment of dividends on the paid-up capital stock in excess of eight per cent, such act shall operate as a vacation of the office of each director or officer voting for, authorizing or in any manner sanctioning such payment and as a disqualification of such director or officer from holding any office of the association for a period of three years thereafter. Whenever any such association for a second time authorizes the payment of dividends on the paid-up capital stock in excess of eight per cent, the secretary of state may institute the proper proceedings for the forfeiture of the charter of such association.

Distribution of dividends. Section 1786e—14. (Ch. 368, 1911.) The profits or net earnings of such association shall be distributed to those entitled thereto, at such times as the by-laws shall prescribe, which shall be as often as once in twelve months. If such association, for five consecutive years, shall fail to declare a dividend upon the shares of its paid-up capital, five or more stockholders, by petition, setting forth such fact, may apply to the circuit court of the county, wherein is situated its principal place of business in this state, for its dissolution. If, upon hearing, the allegations of the petition are found to be true, the court may adjudge a dissolution of the association.

Annual Report; contents; filing. Section 1786e—15. (Ch. 368, 1911, as amended by Ch. 405, 1915.) Every

association organized under the terms of sections 1786e—1 to 1786e—17, inclusive, shall annually, on or before the first day of March of each year, make a report to the secretary of state; such report shall contain the name of the company, its principal place of business in this state, and generally a statement as to its business, showing total amount of business transacted, amount of capital stock subscribed for and paid in, the authorized rate per cent of dividends on the paid-up capital stock, number of stockholders, total expenses of operation, amount of indebtedness or liabilities, and its profits and losses. Any association failing to comply with the provisions of this section shall be subject to and governed by the provisions of section 1774a of the statutes in so far as said section relates to the failure of corporations to file reports and the penalty therefor.

Cooperative associations heretofore organized may adopt these sections. Section 1786e—16. (Ch. 368, 1911.) All cooperative corporations, companies, or associations heretofore organized and doing business under prior statutes, or which have attempted to so organize and do business, shall have the benefit of all of the provisions of sections 1786e—1 to 1786e—17, inclusive, and be bound thereby on filing with the secretary of state a written declaration, signed and sworn to by the president and secretary, to the effect that said cooperative company or association has by a majority vote of its stockholders decided to accept the benefits of and to be bound by the provisions of sections 1786e—1 to 1786e—17, inclusive. No association organized under sections 1786e—1 to 1786e—17, inclusive, shall be required to do or perform anything not specifically required herein, in order to become a corporation or to continue its business as such.

Use of term "cooperative" limited to corporations under these sections. Section 1786e—17. (Ch. 368, 1911.) No corporation or association hereafter organized or doing business for profit in this state shall be entitled to use the term "cooperative" as part of its corporate or other business name or title, unless it has complied with the provisions of sections 1786e—1 to 1786e—17, inclusive; and any corpora-

tion or association violating the provisions of this section may be enjoined from doing business under such name at the instance of any stockholder of any association legally organized under sections 1786e—1 to 1786e—17, inclusive.

ARTICLES OF INCORPORATION

ARTICLE I.

The name of this association shall be..... "Cheese Producers' Association," and its principal place of business shall be at....., County of....., State of Wisconsin, P. O. address

ARTICLE II.

The business and objects of said association shall be the manufacture of cheese and by-products from the milk furnished for such purpose by the stockholders in said association and to cooperate for the purpose of standardizing, handling and selling such cheese and by-products.

ARTICLE III.

The capital stock of this association shall be Dollars, which shall be divided into..... shares of the par value of one dollar each. No stockholder shall own more than three shares of stock in this association.

ARTICLE IV.

The shares of the capital stock of this association are non-assessable, and the private property of stockholders shall be exempt from all debt of this association.

Stock in said association shall be sold only to persons who deliver milk to the cheese factory to be manufactured into cheese and by-products.

Any stockholder desiring to dispose of his stock in said association shall deposit the same with the secretary-treasurer thereof, and the same shall be sold, under the restrictions of this article, by the said secretary at not less than par for account of such stockholder within sixty days from date of such deposit. If the secretary shall not have sold such stock at the expiration of sixty days the same shall, upon request, be returned to such stockholder who may then dispose of the same without restriction or limitation by the association.

- ARTICLE V.

This association shall at no time have or subject itself to an indebtedness that shall exceed seventy-five per cent of the amount of its paid-up capital stock, as shown by the books of the corporation.

ARTICLE VI.

The affairs of this association shall be managed by a board of five directors. The directors shall be elected by and from the stockholders of the association at such time and for such term of office as the by-laws may prescribe.

ARTICLE VII.

The officers of this association shall be a president, a vice president, secretary and treasurer. They shall be elected annually by the board of directors, and each of said officers must be a director of the association. The by-laws may provide that the duties of secretary and of treasurer shall be performed by one and the same person, who, in such case, shall be known as secretary-treasurer.

The principal duties of the president shall be to preside at all meetings of the stockholders and of the board of directors. He shall sign all certificates of stock and all other contracts and other instruments which may have been ordered by the board of directors.

The principal duties of the vice-president shall be to discharge the duties of the president in the event of the absence or disability, for any cause whatever, of the latter.

The principal duties of the secretary-treasurer shall be to keep a true and correct record of the proceedings of the stockholders' meetings and of the meetings of the board of directors; to safely and systematically keep all books, papers, records and documents belonging to the association; to countersign and affix the seal of the association to such papers and documents as shall be directed to be countersigned or sealed; to keep safely and account for all moneys, credits and other property of the association which shall come into his hands; to keep an accurate account of all moneys received and disbursed by him and retain all vouchers for all disbursements, and to render such accounts, statements and inventories as shall be required by the board of directors.

The officers of the association, and each of them, shall perform such additional and other duties as shall from time to time be imposed or required by the board of directors, or as may from time to time be prescribed by the by-laws.

ARTICLE VIII.

At any regular meeting, or at any regularly called special meeting of the stockholders of this association, each stockholder, irrespective of

the number of shares of capital stock he may own, shall be entitled to one vote, and only one, on any question that shall come before such meeting; said vote may be delivered either in person or by mail; if the vote is delivered by mail the stockholders so voting must have been previously notified in writing of the exact motion or resolution upon which vote is taken, and a copy of the motion or resolution must be attached to and forwarded with said vote. All votes by mail must be sent to the secretary of the association, who shall deliver them to the meeting where they shall be read and recorded. Failure by any stockholder to receive notice of motions or resolutions, that, otherwise, may come legally before any meeting of stockholders, shall not prevent action on said motion or resolutions at said meeting. Voting by proxy shall not be allowed at meetings of stockholders or of the board of directors.

ARTICLE IX.

The earnings resulting from the business of this association and its net earnings shall be distributed by the board of directors as provided by law.

ARTICLE X.

Only persons holding stock according to the regulations of the association shall be members thereof.

ARTICLE XI.

On or before the first day of March of each year, this association shall make an annual report, as provided by law, to the secretary of state.

ARTICLE XII.

At any regular stockholders' meeting or at any special stockholders' meeting called for that purpose on ten days' notice to the stockholders, this association may amend these articles of incorporation by a majority of all its stockholders; provided, the amount of capital stock shall not be diminished below the amount of the paid-up capital stock at the time that the amendment shall be adopted.

ARTICLE XIII.

The names and residences of the persons forming this association are:

**CONSTITUTION AND BY-LAWS OF THE COOPERATIVE
CHEESE PRODUCERS' ASSOCIATION.**

ARTICLE I.

The name, place of business, capital stock, restrictions upon the sales of stock, and the purposes of and membership in this association are set forth in the articles of incorporation, which are referred to and made a part of this constitution and by-laws in the same manner as if the same were specifically repeated and written herein.

ARTICLE II.

The stock of said association shall be sold at not less than par, shall be non-assessable and no person shall hold more than three shares thereof. Each stockholder in this association shall be entitled to one vote.

ARTICLE III.

The board of directors, provided for in the articles of incorporation, shall be elected annually at the regular annual meeting of the stockholders, and shall hold their offices for one year and until their successors are elected and qualified. Said directors shall be stockholders in said association and shall be residents of..... county or vicinity, and shall have control, supervision and direction of the business of the association.

The board of directors shall have power to make and enforce such rules and regulations and by-laws as they may deem proper, not inconsistent with the constitution or by-laws of the state or with the articles of incorporation.

A majority of the board of directors shall constitute a quorum for the transaction of business, but a less number may adjourn from day to day upon giving notice of such adjournment to absent members of the said board.

Any vacancy occurring in the board of directors shall be filled by the remaining members thereof.

ARTICLE IV.

The members of the board of directors shall within ten days after their election, elect from their number a president, vice president and a secretary-treasurer. Any or all of such officers, who may be intrusted with funds or property of the association, may be required to furnish a bond in such sum as the board may deem ample.

The board shall engage and enter into contract with a cheese maker who shall receive for his services a certain specific sum per pound of cheese

manufactured, and a suitable compensation for by-products, to be fixed by the board of directors.

The members of the board of directors and the officers of the association shall receive no compensation for services rendered to the association.

ARTICLE V.

The term of office of all officers of said association shall be one year, unless the office be sooner declared vacant, but the tenure of any officer shall continue until his successor has been duly elected and qualified.

The board of directors may remove any officer for cause, and any agent or employe at any time, and shall fill any vacancy caused by any such removal.

ARTICLE VI.

The regular annual meeting of the stockholders shall be held on the day in A. D. 1913, and thereafter on the second Wednesday in January. The president of the board of directors may call special meetings of the stockholders upon ten days' previous notice either by personal service or by publication thereof to each stockholder.

A regular meeting of the board of directors shall be held within twenty days after the regular annual meeting of the stockholders. The secretary shall call special meetings upon order of the president or upon written order of any three directors, but notice of all special meetings shall be given to all directors not joining in the call therefor.

ARTICLE VII.

Each stockholder in the association shall deliver all his milk, to be used in the manufacture of cheese, to the cheese factory, and shall enter into contract with this association so to do.

Each stockholder shall agree and pledge himself to conform to rules and regulations adopted by the stockholders at their annual meeting relative to sanitary conditions of barns, milk houses and utensils, and relative to quality of milk and the standardizing of cheese and shall further agree to assist in every way in making county cheese a product of the highest quality.

If any stockholder shall violate the provisions of this article or of any pledge, contract or agreement made or entered into under this article, the board may call in his stock and cancel the same.

ARTICLE VIII.

The cheese maker engaged by the board of directors shall be held responsible for the poor quality of any cheese or by-products manufactured

by him, when such poor quality is due to the negligence or willful act of such cheese maker, and the question as to whether or not such cheese maker is at fault shall be determined by the inspector employed by the

.....
 The cheese maker shall refuse to accept any milk unfit for the grade of cheese required by the.....
 as entitled to bear its brand.

ARTICLE IX.

All cheese and by-products manufactured for stockholders in this association shall be managed and sold by and through the....., of which Federation this association is a member, and all such cheese and the manufacture, branding, boxing and handling of the same shall, for the purpose of standardization, be subject to the rules and regulations of said Federation.

ARTICLE X.

If this association shall hold stock in another corporation, such stock shall, at all meetings of the stockholders of such other corporation, be voted by the president of this association, unless the board of directors of this association shall, by resolution adopted at any regular or special meeting, designate some other person for that purpose.

ARTICLE XI.

This constitution or these by-laws may be amended by vote of the majority of the stock outstanding at any regular or special meeting, but if at a special meeting, notice to amend the constitution and by-laws shall have been given in the call for such special meeting.

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Farm Tenancy

AN ANALYSIS OF THE OCCUPANCY OF 500 FARMS

INTRODUCTION

The National Committee on Standardization of Research in Country Life, which was appointed at the annual meeting of the American Sociological Society in 1917, proposed that some re-

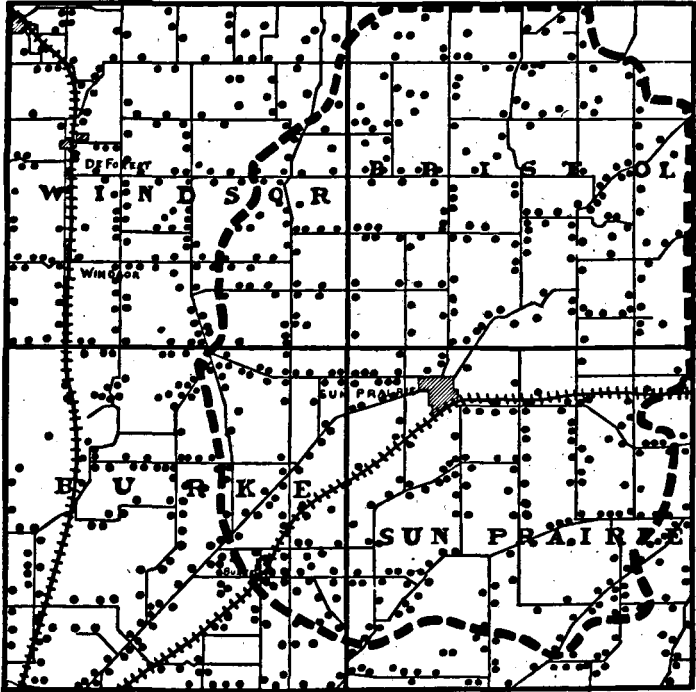


FIG. 1.—MAP OF THE SUN PRAIRIE COMMUNITY

That portion of the map enclosed within the broad dotted line contains the 500 farms visited. Each dot represents a farmstead. The whole map is made up of four townships. The Sun Prairie Community includes a part of each of these townships. Highways are indicated by unbroken lines. Railways are represented by crossed lines.

responsible agency in every state make a field study of farm tenancy in certain communities of the state. It was recommended by the committee that the social aspects of tenancy, and especially

the shifting of farm tenants, form the body of the investigation. In accord with this plan of cooperative national research, the Department of Agricultural Economics of the College of Agriculture selected a Wisconsin community and made an analysis of its farm tenancy.

During the month of September, 1918, Miss Emily F. Hoag, assistant in agricultural economics at the University of Wisconsin, made a farmstead to farmstead visit with a horse and buggy to 500 farm homes in Dane county, Wisconsin, obtaining a history of the occupancy of each farm during the ten-year period, 1909-18. The selection of this particular group of farms was made with the intent of including all the farms belonging in one business community,—and no other farms. Fortunately, there was available a recent map of the county showing all the farm homes grouped together, which regularly trade at any one business center.

Sun Prairie, a vigorous village of some 1200 inhabitants, is the business and institutional center of the particular community chosen to be studied. All told, a population of about 3500 persons is involved in this community; and village churches, library, newspaper, banks and high school serve both farmers and townsmen. From the social point of view, it will be important to bear in mind that the land-holding relations on these 500 farms are interwoven in one community fabric. The map shows the relative location of the farms studied in the trade area of Sun Prairie.

The method of field work was simple. Previous to the visit to the farms, an announcement was made in the local paper explaining the purpose of the visit to each farm. This prepared the way and made an approach to each home easy.

A map showing the location of every farm home on its own highway was indispensable. These farm homes were numbered serially up to 500 and each farm was given its number on the field sheets.

The sample field sheet shows exactly how the information was recorded. The general question put to each family was, "Who has occupied this farm in each of the last ten years?" Then, naturally, conversation would develop as to the facts of ownership, tenancy, relationship of tenants, etc. In cases where the present occupant did not know all the facts, neighbors were usually found who did know. A few odds and ends of unfin-

ished data were referred to bankers, merchants, retired farmers, and the encyclopedic old settler, with success.

A recent rural directory of the county was of considerable assistance in hunting down the present status of persons who had moved out of the Sun Prairie community. This directory was also the source of facts on sizes of farms, and on present residence and status of retired farmers.

SHIFTING OF FARM TENANTS

Community Farm Name No. of Farm	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
209. A. Reed	B	A ^{BY}	A	A	A	A	A	A	A	T. Reed
		see No. 17								
210. B. Lane	A	A ^{BY}	Vacant, Woodlot owned by T. Brown							
		see No. 35								
211. C. E. Brown	A	A	A	A	C. E. Brown	B. Hayes	P. Baker	A. Hall	O. Rich	
					see No. 107			see No. 160	see No. 213	see No. 215
212. X. Allen	B	B	B	B	X. Allen					
						O.N.				
213. A. Roy 1	A	A	A	A	A. Roy	A. Roy	A. Roy	A	A	A. Roy
					see No. 207	see No. 208	see No. 209	see No. 210	see No. 211	see No. 212
214. A. Roy 2	A	A	A	A	A	A	A	A	A	A. Roy
215. J. A. Clark (Tobacco)	A	A	A	A	A	A	A	A	A	A. Clark
216. A. Hayes	A	A	A	A	A	A	A	A	A	A. Hayes

- A, B, C, etc. represents owner on farm
- 1, 2, 3 " " " tenant " "
- X = Shift from same community
- * = " another " "
- O = Formerly owner of another farm
- ON = Present (on)
- = Shift to another community
- △ = " " same " "
- = = Related to family of owner
- * = Not related to family of owner
- ⊖ = Tenant was just previously an owner
- ⊙ = Owner " " " & tenant

FIG. 2.—SAMPLE SHEET OF THE FIELD RECORD

This record sheet gives the history of eight farms, as set down at the time of the visits to the farms.

The tables relating to "retired farmers" were an after-thought growing out of the field study. A list of the retired farmers living in Sun Prairie was furnished by the local business men's association as a possible source of information. The list, together with the constant reiteration of the fact that Mr. So-and-so is a retired farmer, suggested to the investigator that the retired farmer was closely connected with the problem of tenancy and merited consideration in the study. Thereupon, a supplementary study was made of the retired farmer. As soon as the problem of tenancy was actually connected with the problem of

the retired farmer, it became apparent that the gradual "advance" of youths into farming corresponded with the slow "retreat" of veterans from farming.

The main statistical facts of the study are presented in table form, without, however, any attempt at this time to interpret them. That analyses similar to this in many parts of Wisconsin and other states will enable students of agricultural tenantry to think more clearly on the subject, goes without saying.

It is hoped that rural social investigators in every state will begin a close examination of farm tenancy from the viewpoint of the human relations involved in each farmstead situation.

PART I.—OCCUPANCY OF FARMS

TABLE I.—FARMS OCCUPIED BY OWNERS AND TENANTS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Total number of farms...	493	491	485	479	476	475	472	466	465	463
Number of farms occupied by owners.....	347	344	336	343	352	349	354	362	356	368
Number of farms occupied by tenants.....	146	147	149	136	124	126	118	104	109	95
Owner per cent.....	71—	71—	70—	72—	74—	74—	75—	78—	77—	80—
Tenant per cent.....	29+	29+	30+	28+	26+	26+	25+	22+	23+	20+

Farms not leased during the ten years.....	246
Farms leased during ten-year period.....	42
Farms sometimes leased, sometimes not leased.....	212

While the total number of different farms in the Sun Prairie community during the ten-year period is 500, it is evident that, due to the occasional division of farms and the shifting of land from one farm to another, the number of farms will tend to vary from year to year. A few tenants occupy more than one farm at the same time.

It is a matter of some interest that 246 farms were constantly occupied by their owners; that 42 farms were constantly leased and may be classed as "tenant farms"; and that 212 farms were in a state of oscillation between owner occupants and tenant occupants.

TABLE II.—FARMS OCCUPIED BY TENANTS RELATED AND UNRELATED TO THE OWNERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
Number of farms occupied by tenants related to owners.....	70	70	72	61	56	50	51	46	45	36	125
Number of farms occupied by tenants unrelated to owners.....	76	77	77	75	63	76	67	58	64	59	154
Per cent of related tenants.....	47+	47+	48+	44+	45+	39+	43+	44+	40+	37+	.....
Per cent of unrelated tenants.....	53-	53-	52-	56-	55-	61-	57-	56-	60-	63-	.....

In estimating the advantages and disadvantages of the American system of tenancy, it has been urged of late that an analysis of all tenants in a community will show a certain rather constant proportion of the tenants to be related to the landlord. The above table, it is worth mentioning, confirms the contention that much tenancy is a *modus vivendi* of a near relative, and a procedure quite satisfactory to both parties, if not always in reality a step toward ownership wherein inheritance plays a distinct rôle.

The degree of relationship in this table is almost invariably that of son or son-in-law. One case each of a nephew, a brother, a father-in-law and a cousin is included.

Nine farms were occupied continuously during the ten-year period by tenants related to the owners; 33 farms, by tenants unrelated to the owners. The total number of farms occupied by tenants related to the owners turns out to be 125; by tenants unrelated, 154; by tenants both related and unrelated, 25.

PART II. PURCHASE OF FARMS

TABLE III.—STATUS OF FARM PURCHASERS

PURCHASERS NOT FORMERLY OWNERS OF FARMS						Form- erly owners	Un- known	Total
Tenants			Non-tenants					
Sons buying home farm after renting it	Unre- lated tenants buying farm after renting it	Unre- lated tenant buying other farm than one rented	Sons buying home farm	Sons buying other than home farm	Coming from other occupa- tions			
32	4	59	16	31	7	65	4	218

The total number of transfers of title to farms in the Sun Prairie community during the ten-year period, was made up of 218 instances where the purchaser actually lived on the farm purchased, and a few cases only (less than a dozen) where the purchaser simply made an investment and did not live on the farm.

It will appeal to many as a rather curious fact that so few of the class of unrelated tenants purchase, when buying farms, the same farm which they have rented. On the other hand it is quite as one would expect that sons should purchase the home farm after renting it.

The practice of a son's renting the home farm is evidently general; but it is offset by the more general practice of sons working at home for wages until able to buy a farm, whereupon, often with the father's help, they purchase either the home farm or a neighboring farm.

It is worth noticing as a piece of rural sagacity in the climb up the "agricultural ladder," that 79 sons who purchased farms kept close to the father as adviser or landlord, and presumably received the father's material backing when it came to purchase.

Two tenant farms owned by the same person have come to be known as "owner-producing farms": one of them, the landlord remaining the same, produced from its tenants four owners in the ten-year periods; the other, two owners, since 1913.

FARM TENANCY

TABLE IV.—PRESENT STATUS OF FARM TENANTS.

Tenants	Owners outside community	Owners inside community	Retired	Other occupations	Unknown	Total
148	16	89	7	14	58	327

TABLE V.—SIZES OF FARMS RENTED AND PURCHASED

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
1	O-120	O-120	O-120	O-120	T-105	T-105	T-105	T-105	T-105	.....
2	O-77	O-77	O-77	O-77	O-77	O-77	T-160	T-160	T-160	T-160
3	O-160	O-160	O-160	O-160	T-180	T-180	T-180	T-180	T-180	T-160
4	O-140	O-140	O-140	T-118	T-160	T-160	.....	.....	.....	.....
5	O-17½	O-17½	O-17½	O-17½	O-17½	T-118	T-118	.....	.....	.....
6	O-120	O-120	O-120	O-120	O-120	T-80	T-80	T-80	T-80	T-80
7	O-88	O-88	T-80	.....	O-80	O-80	O-80	T-97½	T-97½	T-97½
8	O-80	O-80	O-80	O-80	O-100	O-100	O-100	O-100	O-100	T-155
9	O-100	O-100	O-100	O-100	T-30	T-30	T-80	.....	.....	.....
10	O-80	O-80	O-80	T-30	(Tob)	(Tob)	.....	.....	.....	.....
11	O-77	T-20	T-20	T-185	T-185	.....	.....	.....	.....	.....
12	O-81½	(Tob) T-80	(T ob) T-80	T-80	T-80	T-80	T-80	T-18½ (Tob)	T-80	T-80
13	O-85	O-85	O-85	O-85	O-130	T-80	T-80	T-80	T-80	T-80
14	O-100	O-100	T-100	T-100	T-100	.....	.....	.....	.....	.....
15	10-384 T-120	T-160	T-160	T-160	T-160	T-160	T-160	T-160	T-160	T-160
16	O-80	O-80	O-80	O-80	O-80	T-100	.....	.....	.....	.....
17	O-80	O-80	O-80	O-80	O-80	O-80	O-80	T-120	T-120	T-203
18	O-80	O-80	T-40	T-40	T-40	T-40	T-40	T-40	T-40	T-40
19	O-80	O-80	O-80	O-80	T-60	(No R record)	T-60	T-60	T-60	T-60
20	O-40	O-40	O-40	O-40	O-40	O-40	O-40	O-40	T-120	T-107
21	O-96	O-96	O-96	O-96	O-96	O-96	O-96	O-96	T-200	T-200
22	O-80	O-80	O-80	O-80	O-80	O-80	O-80	O-80	O-80	T-105
23	O-20	O-20	O-20	(At home on father's farm)	.....	.....	T-60	T-60	T-180	.....
24	O-120	O-120	O-120	O-120	O-120	T-80	T-80	T-80	T-80	T-80
25	O-72	O-72	O-72	T-100	.....	.....	.....	.....	.....	.....
26	O-40	O-40	T-80	T-80	T-80	T-80	.....	.....	.....	.....

(Tob)=Tobacco farm.
 O-120=Owns 120 acres
 T-105=Leases 105 acres

The total number of different tenants who leased any one of the 500 farms during the ten-year period is 327,—not counting, however, the “neighbor tenants,” who, as a matter of fact, own adjoining farms in addition to leasing.

Of the 105 tenants who climbed the “agricultural ladder” during the ten-year period and became owners, 16 purchased farms outside the community of Sun Prairie (not included in Table III) and 89 purchased farms within the community. Seven persons who were tenants outside but purchased farms inside the community are not counted in the group of tenants who climbed the “agricultural ladder.”

The “retired” tenants are those who have ceased farming due to advanced age. Those tenants who entered “other occupa-

tions" are young men who left the farm for the town. Six of these, however, enlisted as soldiers. The tenants of "unknown" status include those who have moved out of the county, as well as those who have died.

It has been pointed out by economists that American tenancy affords an opportunity for the farmer to discover the size of farm best adapted to his capacity before actually making an investment in land. With this thought in mind it will prove of some interest to look over Table V of 26 young tenant-farmers, unrelated to the owners of their tenant farms, who, during the ten-year period, became owners of farms. In each case the farm purchased is a totally different farm from the one previously leased.

PART III.—RETREAT OF FARM OWNERS

TABLE VI.—GENERAL STATUS OF RETREATING FARMERS

Ownership.....	Still owning some farm.....	78	Total 124
	Not owning any farm now.....	46	
Residence.....	Living on some farm.....	1	124
	Living in town.....	46	
	Moved out of county.....	7	
Employment..	Still actively farming.....	20	124
	Overseeing or helping.....	41	
	Tenant or hired man.....	7	
	With other employment.....	23	
	With no employment.....	33	
Status of those living in town	Managing farm.....	4	46
	With other employment.....	14	
	With no employment.....	28	
Men.....		101	
Women.....		23	124

TABLE VII.—GENERAL STATUS OF THOSE STILL OWNING SOME FARM

Residence.....	Living on own farm.....	61	Total 78
	Living in town.....	16	
	Moved out of county.....	1	
Employment.....	Still actively farming.....	20	78
	Overseeing or helping.....	37	
	With other employment.....	7	
	With no employment.....	14	
Status of those living on own farm.....	Working own farm.....	20	61
	Living with son-tenant.....	23	
	Living with relative-tenant.....	2	
	Living with unrelated-tenant.....	5	
	Living with neighbor-tenant.....	11	

Table VIII.—General Status of Those Not Now Owning a Farm.

Residence.....	Living on some farm	10	Total
	Living in town.....	30	
	Moved out of county.....	6		46
Employment.....	Overseeing or helping.....	4	46
	With other employment.....	16	
	Tenant or hired man.....	7	
	With no employment.....	19	
Status of those living on farm.....	Living with son-owner.....	3	10
	Tenants.....	6	
	Hired man.....	1	

TABLE IX.—GENERAL STATUS OF RETREATING WOMEN FARMERS

Ownership.....	Still owning original farm	18	Total
	Sold original farm.....	5		23
Residence	Living on farm.....	17	23
	Living in town.....	6	
	Still owning; living on farm.....	16	
	Still owning; living in town.....	2	
	Sold farm; living on farm.....	1	
Status of those living on farms.....	Sold farm; living in town.....	4	23
	Still owning; living with son-tenant.....	8	
	Still owning; living with unrelated tenant.....	2	
	Still owning; living with neighbor-tenant.....	6	
	Sold farm; living with son-owner.....	1	

The number of farm-owners on the 500 farms who started their retreat (retirement) from farming during the ten-year period was 124. Old age came to some farmers unannounced and suddenly, and retirement was forced at once. In other cases the sag in strength was gradual and retreat took place inch by inch. The fighting spirit seems to cling to the land and to work as long as possible.

This constant social phenomenon of retreating old age seems to have a fixed relationship to the advance of youth upon the land and to the "climbing of the agricultural ladder." The foregoing tables are presented in the hope that analyses of other constant social phenomena, whose relation to tenancy is as yet unnoticed, may follow and may throw as much light on this important problem as the familiar instance of the retired farmer.

The table of women owners shows that, when farm land comes under the control of women, instead of leaving the country they

tend to stick to the farm in spite of many handicaps, keeping the family together, leasing farm to neighbors, until a son is old enough to assume the responsibility of management.

TABLE X.—OCCUPANCY OF FARMS OF RETREATING OWNERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Held by tenants:										
By son managing.....	38	34	31	29	27	24	18	14	12	3
By relative managing.....	3	3	3	2	1	1	1	0	0	0
By unrelated tenant managing.....	10	11	13	13	12	10	9	7	5	3
By neighbor managing.....	9	10	5	6	4	4	4	2	3	2
Held by purchasers:										
By son managing.....	14	12	12	9	6	5	5	2	1	0
By relative managing.....	0	1	0	0	0	1	1	1	1	0
By unrelated person managing, formerly tenant somewhere.....	13	15	13	10	12	12	9	4	2	1
By unrelated person managing, formerly owner somewhere.....	14	11	11	11	9	10	9	3	0	0
By unrelated person managing, from other employment.....	1	0	0	0	0	0	0	0	0	0
By unrelated person managing, formerly neighbor.....	1	0	0	0	0	0	0	0	0	0
By unrelated person managing, young man on first farm.....	9	9	4	5	5	1	0	0	0	0
Held by original owners:										
By owner returned.....	4	3	2	2	1	1	0	0	0	0
By owner.....	0	8	24	32	41	46	58	79	87	96

Evidently in any considerable community there will be found, in any one year, farmers just starting their retreat from farming, farmers well along in their retreat, and farmers whose retreat may be said to be completed. In the community of Sun Prairie are many farmers still living whose retreat was either complete or in process prior to 1909. These farmers do not appear, and are not considered, in the present study. Only those farmers are entered in the tables who started their retreat some time during the ten-year period. All of these are considered, whether they finish their retreat within the period or not.

The foregoing table tells the story, year by year, of how many of the original farms have been let slip out of the working grasp of the farm-owners under consideration into the hands of tenants or purchasers.

In 1909, only 8 farm-owners began their retreat. They started the retreat by letting their farms to tenants. In 1910, (including those farmers that began to retreat in 1909 whose farms are still held by tenants in 1910) 18 farm-owners are in full retreat by letting their farms to tenants, while 3 farm-owners

began their retreat by selling their original farms. In other words, each year has a record of the number of farms rented or sold, as the first step in retreat, combined with the number of farms still held by tenants and purchasers from the preceding years of the period. A particular farm may pass obviously from the "held by tenants" class to the "held by purchasers" class, or *vice versa*.

TABLE XI.—OCCUPANCY OF DIVIDED FARMS OF RETREATING OWNERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Held by										
1. Son tenant, original owner.....	3	2	1	1	1	0	0	1	1	3
2. Three unrelated tenants.....	1	1	1	0	0	0	0	0	0	0
3. Two son tenants.....	0	0	1	1	1	1	1	1	1	1
4. Unrelated tenant, neighbor purchaser	1	0	0	0	0	0	0	0	0	0
5. Unrelated tenant, son purchaser.....	0	0	0	1	0	0	0	0	0	0
6. Son purchaser, son tenant.....	1	1	1	0	0	0	0	0	0	0
7. Two son purchasers.....	1	1	0	0	0	0	0	0	0	0
8. Son purchaser, original owner.....	0	0	0	0	0	1	1	1	1	0
9. Neighbor purchaser, original owner..	0	1	1	1	1	1	1	0	0	0
10. Unrelated purchaser, son purchaser..	0	0	0	0	1	0	0	0	0	0
11. Neighbor purchaser, son purchaser..	1	1	1	0	0	0	0	0	0	0

Dividing the farm, the owner retaining a part, while quite evidently a form of retreat, is not a method which suggests itself readily to a retreating farmer, even when a son is the part-tenant or part-owner. The difficulties of such a situation are easily seen. However, it is interesting to notice in the few instances of this manner of retreat, that a son or a neighbor now and then fulfills the happy conditions.

In 1909, four sons held a part of the farms as tenants; but in 1910 they do not appear in the table. As a matter of fact, they changed in 1910 to the class of tenants holding the whole farm, while the fathers took one more step in the retreat. It is plain that the status of any particular divided farm may change in like manner to some form of tenancy or purchase of the whole farm.

Divided farms must not be confused with joint tenant farms or jointly owned farms. When a farm is divided it becomes two or more farms.

TABLE XII.—FARMS OTHER THAN ORIGINAL HELD BY
RETREATING FARMERS

	1913	1917	1916	1915	1914	1913	1912	1911	1910	1909
Held as owner:										
Second farm, selling original.....	11	12	10	10	5	5	6	3	0	0
Second farm, leasing original.....	4	5	6	5	4	2	2	2	1	0
Third farm, leasing other two.....	1	1	0	0	0	0	0	0	0	0
Held as tenant:										
Tenant on another farm.....	6	7	7	7	7	5	4	2	1	0

A distinct step in the retreat of some farmers is the purchase of a second farm, either much smaller than the original farm or else lying close to town, often even within the limits of town; most frequently the second or third farm combines both factors, smallness and nearness to town.

In cases where the second farm is in the open country and of good size, it is usually found that the retreating farmer has leased or sold the original farm to an older son while having in mind to provide a farm for a younger son, who later either leases or buys the second farm. A third farm for a third son is not unknown.

When a retreating farmer sells out and becomes a tenant on another farm of ordinary size in the open country, we find the cause usually in some form of break-up of the family, usually death of the wife. This circumstance is the beginning of a series of steps in retreat—as tenant, boarding with the owner's family, or as tobacco-farmer living in town, or in other employment.

TABLE XIII.—RESIDENCE OF RETREATING FARMERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Living on original farm.....	49	55	65	67	72	77	84	96	102	105
Living in town.....	46	38	32	30	30	27	18	11	8	3
Moved out of county.....	7	6	5	4	4	3	3	1	1	0
Living on second farm.....	15	17	16	15	9	7	8	5	1	0
Living on third farm.....	1	1	0	0	0	0	0	0	0	0
Living on another farm.....	6	7	6	7	7	4	4	2	1	0

That the town has truthfully been considered the goal of the retreating farmer, this study will more or less justify. The special light, however, thrown upon the "retired farmer" shows him as moving off his farm by degrees: giving over a part of his house to the newcomer; moving into a smaller house on the original farm; going to live with a son on another farm; moving on to a smaller farm near town; settling in a house in town surrounded by a large garden.

The tenant system appears to be a cog fitting into the notched edges of the veteran farmer's retreat.

TABLE XIV.—EMPLOYMENT OF RETREATING FARMERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Still owning original farm:										
Working original farm.....	4	12	26	34	42	44	58	79	87	96
Working part of original farm.....	3	3	2	2	2	2	2	2	1	3
Overseeing or helping on original farm...	35	34	31	29	27	27	23	17	14	8
With other employment.....	5	7	7	6	5	5	3	2	2	0
With no employment.....	13	8	7	7	8	5	3	3	3	0
Working second farm.....	3	4	5	4	3	1	1	0	0	0
Working third farm.....	1	1	0	0	0	0	0	0	0	0
Overseeing or helping on second farm ...	1	1	1	1	1	1	1	2	1	0
Having sold original farm:										
Overseeing or helping on original farm...	4	4	3	2	2	2	2	1	1	0
With other employment.....	17	12	11	10	11	10	8	1	1	1
Tenant on another farm.....	6	7	7	7	7	5	4	2	1	0
Hired man on another farm.....	1	1	0	0	0	0	0	0	0	0
With no employment.....	20	17	14	11	9	8	6	2	2	0
Tenant on original farm.....	0	1	0	0	0	0	0	0	0	0
Working second farm.....	10	11	9	8	5	4	6	3	0	0
Overseeing or helping on second farm ...	1	1	1	2	2	1	0	0	0	0
Totals.....	124	124	124	123	122	118	117	115	113	108

That the retiring farmer gives up the habit of work only upon compulsion of circumstances is evident from the foregoing table of his employment, especially from that part of the table dealing with no employment.

It cannot fail to interest the person who thinks upon the tenant problem in terms of human relationships to find that the veteran farmer, though sagging in his physical strength, is able to impart, in the opportune role of overseer or helper, a portion of the wisdom gained by his years of farm experience to young men in the natural role of tenants.

PART IV. SHIFTING OF TENANTS

TABLE XV.—NUMBER OF SHIFTS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
Of all tenants.....	30	51	59	56	47	48	47	39	38	14	429
Of all tenants shifting within the community.....	20	31	32	38	29	24	29	20	24	6	253
Of all tenants shifting to and from other communities.....	10	20	27	18	18	24	18	19	14	8	176
Of tenants related to owner.....	7	9	18	6	5	6	7	7	7	3	75
Of tenants unrelated to owner.....	23	42	41	50	42	42	40	32	31	11	354

Every change in the occupancy of a farm home involves a shifting of each of two families,—one moving off the farm and another moving on. To estimate the degree of influence a shifting tenantry has upon the stability of a community it will be necessary to count the coming of a family to a farm as one shift and the going of a family as distinctly another shift. For it is plain that, from the social point of view, pulling up the roots of a family established in the neighborhood affects every social relationship in the neighborhood in a peculiar manner; and the planting in of a new family is a new influence requiring new social adjustments at every point.

A few explanations must be made as to how the foregoing table of shifts is made up. A farm may change occupants several times in ten years and yet no family will be found to have shifted on or off the farm. This circumstance is illustrated best in the case of a son, brought up on the farm, who becomes a tenant on the home farm. It also is illustrated in the case of a neighbor who becomes a tenant on an adjoining or nearby farm. These cases are not counted as shifts in the table.

When a family moves on to a farm as tenant and while occupying this farm rents a second farm nearby, its coming is reckoned as a shift only on the first farm.

When, however, a son, after once leaving his father's farm, moving on to another farm or going to reside elsewhere, returns as a tenant on the home farm, his coming back is reckoned as a shift.

If a son while living on, but not renting, his father's homestead becomes a tenant on a nearby farm, whether the second farm is

owned by his father or by some other person, no shift is reckoned as taking place. However, if the son moves on to the second farm, a shift is counted.

Whenever a son-in-law comes to lease his father-in-law's farm, a shift occurs and is counted.

In the case of a joint tenancy on one farm by two families, one shift for each family is counted for each move.

The comparative stability of related tenants suggests that there may be methods as yet untried which would render the unrelated tenant a more stable part of the community.

TABLE XVI.—NUMBER OF FARMS ON WHICH SHIFTS OCCURRED

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
Number of different farms involved in the shifts:											
Of all tenants.....	30	42	43	42	40	39	38	31	32	14	142
Of tenants shifting within the community.....	20	28	24	31	27	22	27	17	20	6	120
Of tenants shifting to and from other communities.....	10	19	23	18	17	19	15	17	14	8	89
Of related tenants.....	7	9	13	6	5	6	7	6	7	3	51
Of unrelated tenants.....	23	33	30	36	35	33	31	25	25	11	119

Neighbors generally know the farms on which shifting of tenants occurs with frequency and regularity. If a community is going to exercise social control of its tenant shifting, so as to cut down the cases of preventable shifting, it will carefully examine the conditions of tenancy on the farms where shifting is chronic.

It will be recalled from Table I that 254 farms of the 500 were at some time occupied by tenants. The present table discloses the significant fact that only 142 of these farms had any shifts of tenants during the ten-year period. On the other hand, it turns out that 17 farms have had one or more shifts in each of five or more years of the ten-year period, and may well be considered as "chronic-shifting farms."

Table II shows that the total number of "related farms" is 125. This present table shows that only 51 of these farms have had shifts, while 119 of the 154 "unrelated farms" have had shifts.

TABLE XVII.—NUMBER OF SHIFTING TENANTS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
All tenants.....	30	41	46	42	40	39	38	31	32	14	231
Tenants shifting within the community.....	20	27	27	31	27	22	27	17	20	6	146
Tenants shifting to and from other communities.....	10	19	23	18	17	19	15	17	14	8	138
Both within and without.....	7	9	15	6	5	6	7	4	7	3	52
Related tenants.....	23	32	31	36	35	33	31	25	25	11	179
Unrelated tenants.....											7
Both related and unrelated.....											7

The total number of different tenants shifting is 231 out of the 327 tenants. Against the 5 "chronic shifters" may be set these 96 tenants who do not shift during the ten-year period. A tenant is considered a "chronic shifter" if he makes one shift or more in each of five or more years of the ten-year period. The chronic shifter may never, obviously, be a tenant on a "chronic-shifting farm."

TABLE XVIII.—INDEX NUMBERS OF TENANT SHIFTING

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Number of farms.....	493	491	480	479	476	475	472	466	465	463
Number of possible shifts	493	982	970	958	952	950	944	932	930	463
Index number of shifting tenancy										
Index of all tenant shifts	30/493 .0588	51/982 .0519	59/970 .0608	56/958 .0584	47/952 .0493	48/950 .0505	47/944 .0519	39/932 .0418	38/930 .0408	14/463 .0302
Index of intracommunity shifts.....	20/493 .0385	31/982 .0315	32/970 .0329	38/958 .0396	29/952 .0304	24/950 .0252	29/944 .0307	20/932 .0215	24/930 .0258	6/463 .0129
Index of intercommunity shifts.....	10/493 .0203	20/982 .0203	27/970 .0277	18/958 .0187	18/952 .0189	24/950 .0252	18/944 .0190	19/932 .0208	14/930 .0150	8/463 .0172

The number of possible shifts is reckoned as follows: In the years 1909 and 1918 only one shift to each farm is considered possible. In 1909, a family is assumed to be occupying each farm without a shift to the farm, so that only a shift off the farm is possible. In 1918 a family is assumed to be remaining on each farm without a shift off, so that only a shift on to the farm is possible. For each of the other years two shifts to each farm are considered possible,—viz., one off and one on.

The index number of tenant shifting for any particular year is obtained by dividing the number of actual shifts by the number of shifts possible in that year. For the purpose of comparing tenancy in different communities situated in various parts of the United States, the system of index numbers will be found useful.

No 12 of 21-3-26

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JUNE, 1919

BULLETIN No. 221

AGRICULTURAL EXPERIMENT STATION
KANSAS STATE AGRICULTURAL COLLEGE

FARM LEASES IN KANSAS

MANHATTAN, KANSAS

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(4)

SUMMARY

I. The more common methods of leasing farms in Kansas have resulted in the following undesirable conditions affecting many rented farms:

1. Soil fertility has been depleted with the consequent lower crop yields.
2. Cash crops are grown and sold to the exclusion of livestock.
3. Livestock and the facilities for keeping them are often inadequate.
4. Tenants usually lack sufficient working capital and are unable to procure it on satisfactory terms.
5. Shifting of tenants from farm to farm is frequent.
6. Tenants are hindered from accumulating property.
7. Because of instability of tenure many tenants cannot adopt desirable farm practices.
8. The tenants and their families are often isolated from the privileges and benefits of community life.
9. Landlords' returns are low excepting as they may be increased by rising land values.
10. The interests of landlords and of tenants are frequently antagonistic.
11. Communities often find tenants a hindrance since many of them do not enter into community activities.

II. Comparisons of the methods of renting in common use indicate the following advantages and disadvantages:

1. Cash renting is least profitable to both landlord and tenant. It probably produces objectionable conditions to a greater degree than any of the other methods in use.
2. Crop-share renting is the most common method. It is more profitable than cash renting to both landlord and tenant.
3. Share-cash renting is a combination of crop-share and cash renting. It resembles crop-share renting very closely.
4. Stock-share renting is less frequently used, but produces more desirable conditions than any of the other methods. It is adapted to those farms whose landlords

and tenants can agree on the details of the business and where landlords live near enough to look after their interests.

- III. Methods of leasing in Kansas may be improved, by—
1. A wider adoption of the stock-share lease.
 2. Elimination of absentee ownership of land.
 3. Providing better methods of maintaining soil fertility on farms rented for cash or for a share of the crops.
 4. Improved credit facilities and the provision of better opportunities for acquiring ownership.

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FARM LEASES IN KANSAS

W. E. GRIMES

STATEMENT OF CONDITIONS

The terms of farm leases determine to a great extent the kinds of farming possible on rented farms as well as the value of the tenant to the community. The leases more commonly used in Kansas have resulted in many undesirable conditions.

These conditions have been accentuated by the rapid increase in tenancy in recent years. The extent of tenancy in Kansas in 1910 is shown by figure 1. Of all farms in the state 36.8 percent were then operated by tenants, and eastern counties had many more tenants in proportion to the total number of farmers than western counties. Sumner County led with 53.5 percent of its farms operated by tenants. Brown County was second with practically one-half of its farms in the hands of tenants. It is believed that fully as many farms are operated by tenants at present as in 1910. The problem of farm leases is therefore of immediate interest to approximately four out of every ten farmers, and to all landlords.

Even though unsatisfactory conditions exist in the cases of many tenants, tenancy is not necessarily undesirable. As a stepping stone toward farm ownership it is to be encouraged, but should not be encouraged under leasing methods which produce undesirable conditions.

It is believed that a wider adoption of better leasing methods, together with the correction of the more objectionable features of other methods, will go far toward improving conditions. It must not be assumed, however, that this will solve all tenancy problems. The cooperation of society is needed for the complete correction of the evils of tenancy, and it is more than a problem of methods of leasing. However, much can be accomplished through the adoption of better methods of leasing. It is the purpose of this bulletin to point out the faults and advantages of various methods, and suggest ways of improving them.

The studies which furnished the data upon which this bulletin is based were made by the survey method. Each farmer

Farm Leases in Kansas

was visited and a record of his farm business transactions for the preceding year obtained. Very few of the farmers had any difficulty in giving the information readily, and apparently with a fair degree of accuracy. The accuracy of this method

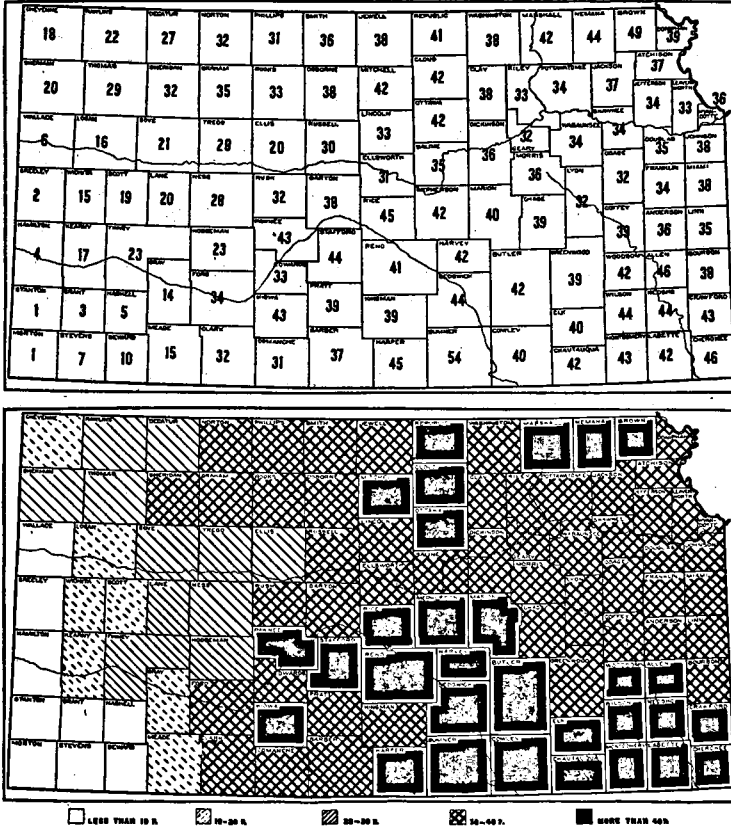


FIG. 1.—Maps of Kansas showing the percent of all farms operated by tenants in each county according to the 1910 census. The average for the state at that time was 36.8 percent

of study is dependent upon the following conditions: (1) Accurate knowledge of his business on the part of the farmer, either from records or from memory; (2) the asking of questions that the farmer can answer readily and fairly accurately; (3) the training and experience of the enumerator; and (4) a

sufficient number of records to give dependable averages. It is believed that these conditions have been met satisfactorily.

The data presented are from a number of farms in Allen, Cowley, Jewell, and Pottawatomie Counties in 1914; in Cowley, Graham, Jewell, Leavenworth, Miami, Montgomery, Norton, Pottawatomie, and Reno Counties in 1915; in Jackson and Cowley Counties in 1916. (Fig. 2.) General livestock and grain farming prevails in all of these counties.

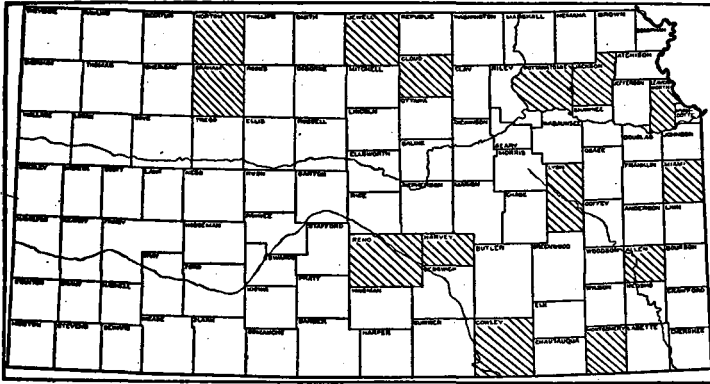


FIG. 2.—Map of Kansas showing counties in which data used in this bulletin were obtained

The season of 1914 was favorable for wheat and other small grains, but due to drouth was unfavorable for corn, sorghums, hay, and pasture. The season of 1915 was unusually wet, resulting in the loss of much small grain due to difficulty in harvesting. The season of 1916 was only moderately favorable for crop production.

To promote a better understanding of the data presented, a statement of certain terms is desirable. Therefore, the following definitions are given:

Total farm area is the total acreage of land operated by one farmer.

Crop area is the acreage of all crops but does not include land in pasture, timber, or waste, or that occupied by buildings, roads, or lots.

Total investment is the total farm investment, including that in real estate, livestock, machinery and tools, feeds, and supplies.

Working capital is the investment in all farm property excepting real estate.

Farm receipts include receipts from crops, livestock and its products less value of purchases, the use of equipment and labor off the farm, the rent or sale of property, and increase in inventory.

Farm expenses include all cash farm expenses, the value of unpaid labor except the labor of the operator, board furnished hired labor, decrease in inventory, and depreciation on buildings, machinery and tools.

Livestock receipts are the sum of sales of livestock and its products less the value of purchases, and any increase in the livestock inventory. If the inventory decreases, the amount of the decrease is deducted from the receipts.

Crop receipts include the receipts from all sales of crops.

Labor income is the amount remaining after farm expenses and interest on the investment are deducted from farm receipts. It is the farmer's pay for his labor. In addition to this, he has a house to live in and whatever products the farm furnishes toward his living.

A *livestock unit* is a unit for purposes of comparison. It is based on the amount of feed eaten and manure produced, and any of the following numbers of livestock are considered as one livestock unit: One mature horse, mule, cow, or steer; five mature hogs; seven mature sheep or goats; one hundred head of poultry. In any group, twice the respective numbers of young stock constitute one unit. In this bulletin all livestock on the farms, excepting the work stock, are enumerated in livestock units.

A *cattle unit* is a livestock unit composed entirely of cattle.

OWNERS AND TENANTS AS FARM OPERATORS

PROFITS

A comparison of the farm business and practices of owners and of tenants is given in Table I and in figure 3. In all cases, the tenants had less working capital, the difference being chiefly in the value of the livestock. The difference amounted to approximately 25 percent of the value of the owner's livestock. As a result the tenant was deprived of the employment during winter months which the additional livestock would have furnished, and of the profit which might have been derived from keeping them, as shown by a comparison of the receipts from livestock and from crops.

TABLE I.—COMPARISON OF CAPITAL, RECEIPTS, EXPENSE, AND PROFITS OF OWNERS AND OF TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Total investment.....	\$13,259	\$12,343	\$15,844	\$16,484	\$18,700	\$15,938	\$14,197	\$13,446
Operator's investment.....	13,259	1,478	15,844	2,027	18,700	1,874	14,197	1,685
Landlord's investment.....		10,865		14,457		14,065		11,761
Working capital.....	1,962	1,510	2,792	2,205	3,197	1,934	2,082	1,806
Value of livestock.....	1,448	1,135	2,034	1,570	2,357	1,390	1,600	1,378
Farm receipts.....	1,778	1,793	2,031	1,870	2,555	1,769	1,788	1,928
Farm expenses.....	740	588	955	737	1,085	632	769	804
Livestock receipts.....	893	561	1,150	760	2,002	953	900	742
Crop receipts.....	723	1,079	606	898	390	440	702	957
Operator's labor income.....	377	602	284	578	535	655	309	546
Landlord's percent on investment.....		4.3		3.2		2.8		4.2

There was very little difference in the total farm receipts, but tenants succeeded in operating with considerably less expense. Tenanted farms, as a rule, had less spent on them for maintenance and upkeep. The tenants were younger men and required and used less hired labor than the owners. Undoubtedly this was partly due to necessity since the tenants received only that portion of the total farm incomes remaining after the

rent was paid. They had less to live on than the owners and were forced to economize more in their expenses.

As shown in Table I, tenants' labor incomes were higher than owners'. Interest at 5 percent on the total investment was deducted from the farm income to get the owner's labor income, while landlords received less than 5 percent interest.

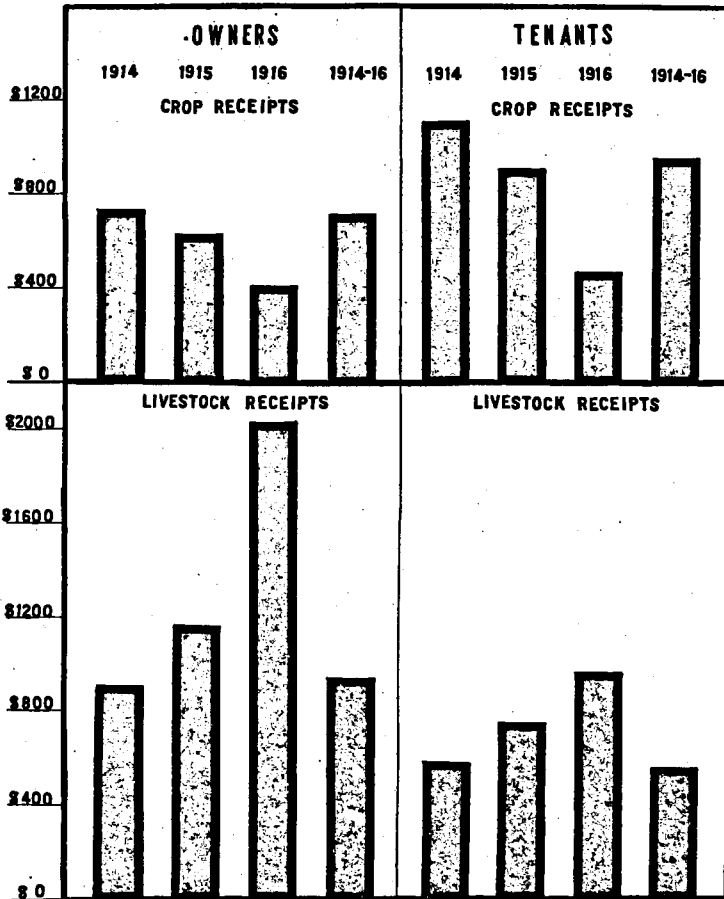


FIG. 3.—Comparison of sources of receipts of owners and of tenants given in Table I. Note that the receipts from crops usually exceed the receipts from livestock, on the tenant farms, while the reverse is true on farms operated by owners. The tenant's lack of livestock must ultimately result in depleted soil fertility on rented farms

This made the owner's interest on investment greater than the landlord's rent and left the owner a smaller labor income than the tenant.

The landlords' low average return on their investment was due to a number of causes. Conspicuous among them was their willingness to accept the lower return and depend on the increase in the value of their land, instead of on a profitable type of farming, to make their investment desirable. This type of landlord has done much to produce present undesirable conditions. The ownership of land for speculative purposes should be discouraged whenever and wherever possible.

TABLE II.—COMPARISON OF LIVESTOCK AND LIVESTOCK RECEIPTS OF OWNERS AND OF TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Number of livestock units.....	14.42	10.68	22.37	16.63	25.89	15.05	16.28	12.46
Livestock receipts.....	\$893	\$561	\$1,150	\$760	\$2,002	\$953	\$900	\$742
Receipts per livestock unit.....	\$62	\$52	\$51	\$46	\$77	\$63	\$55	\$60

LIVESTOCK

Table II shows the livestock kept by owners and by tenants. Owners kept at least one-third more livestock than tenants, and tenants' livestock returned relatively less than owners'. This, in part at least, was due to the feeling of instability which the tenant had. It prevented him from proceeding with a well-defined plan of development and production in his livestock business.

Some of the reasons for the lack of livestock on tenanted farms are shown in Table III. The most important one of these is that, under the usual methods of leasing, pasture and feed crops are not so profitable to the landlord as cash crops. Landlords receiving a share of the crops desire to have those grown which can be easily marketed. Pasture and feed crops are not in this class. Landlords, therefore, limit the area of these crops as much as possible. Without pasture and feed crops, the tenant is unable to keep livestock profitably. If the landlord is renting on a cash basis, he is more certain of his

Farm Leases in Kansas

TABLE III.—COMPARISON OF THE AREAS OF VARIOUS CROPS GROWN BY OWNERS AND BY TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Total farm area (acres).....	173.4	176.1	199.3	219.7	157.6	158.4	179.9	180.6
Acres in pasture.....	149.4	37.9	59.2	48.8	46.4	39.3	63.2	44.6
Acres in crops.....	109.8	125.8	127.4	157.5	105.1	112.6	103.2	117.9
Acres in corn.....	27.1	44.0	34.6	45.1	51.1	61.7	18.7	25.4
Acres in grain sorghum.....	8.0	13.0	3.0	3.2			6.4	13.3
Acres in forage sorghum.....	2.8	1.8	4.9	3.5			3.2	3.4
Acres in wheat.....	19.1	25.6	41.2	58.6	11.2	17.4	28.2	32.8
Acres in oats.....	9.3	10.1	10.1	12.1	10.8	12.3	9.9	13.5
Acres in alfalfa.....	14.8	13.2	15.0	15.8	8.8	5.7	20.7	14.2

rent if the tenant sells his crops, than if he feeds them to livestock. In the latter case there is more risk of the tenant's being unable to pay the rent because of livestock losses, and the time until he is able to pay the rent is lengthened. Landlords, therefore, like to limit the amount of livestock which tenants can keep. This situation often results in a feeling of antagonism between the two. It is to be expected that a business conducted under such conditions will produce unsatisfactory results.

LENGTH OF LEASE AND PROPERTY ACCUMULATION.

Another reason for the lack of livestock on tenanted farms is that most farms are leased for one year at a time. Tenants may, and often do, remain on the same farm more than one year, but without any definite assurance that they will be there for a longer period. As a consequence, they feel that they must be in readiness to move at the termination of their year. They are prevented from planning more than a few months ahead, and do not accumulate livestock because the next farm may not have accommodations for them. Some moving by tenants is desirable, as where a tenant moves from a smaller to a larger farm because he has accumulated sufficient farm property to permit the operation of a larger business, or when he moves to a farm where he can follow a type of farming more

to his liking. Too many tenants, however, change farms because of dissatisfaction and find conditions on the new farms very similar to those on the old ones.

TABLE IV.—COMPARISON OF CROP YIELDS ON FARMS OPERATED BY OWNERS AND BY TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Yield per acre corn (bushels).....	19.1	16.8	28.4	24.8	14.2	12.2	18.1	18.2
Grain sorghum (bushels).....	21.7	17.3	22.6	23.8	.....	.....	16.7	17.6
Forage sorghum (tons).....	3.7	3.6	4.2	2.8	.....	.....	2.1	1.9
Wheat (bushels).....	25.2	23.1	10.8	8.9	15.5	13.0	16.0	14.4
Oats (bushels).....	39.0	37.9	20.0	18.2	31.3	26.9	22.7	21.7
Alfalfa (tons).....	1.9	1.2	2.2	2.2	2.5	2.1	2.1	1.9

CROP YIELDS

The effect on crop yields of the type of farming usually followed on tenant farms is shown in Table IV and in figure 4. The tenants have less livestock and grow more cash crops. This encourages the exploiting of soil fertility and results in lower crop yields. Farms which have been rented for several years are almost invariably lower in fertility than adjoining farms operated by owners. If present methods of leasing continue, a further depression in crop yields may be expected. The higher yields on the farms operated by owners are obtained at very little additional expense. If the yields on tenant farms decrease further, the tenant's problem of making his farming operations profitable will be much more difficult.

WORKING CAPITAL AND CREDIT

Most tenants could use additional working capital to excellent advantage, were they given favorable conditions for its use. However, the tenant who is most in need of credit is required to pay the highest rate of interest and usually gets the money for so short a term that he cannot use it to the best advantage. This is well illustrated by Table V in which the average rates of interest and terms of loans to owners and to tenants are compared. The tenants paid from 1 to 2 percent

more interest than the owners, and they borrowed for much shorter terms. The agencies lending money to the tenants cannot be blamed for this, since the instability of the tenants often makes them undesirable risks. The conditions which determine the safety of tenants as borrowers are, to a large ex-

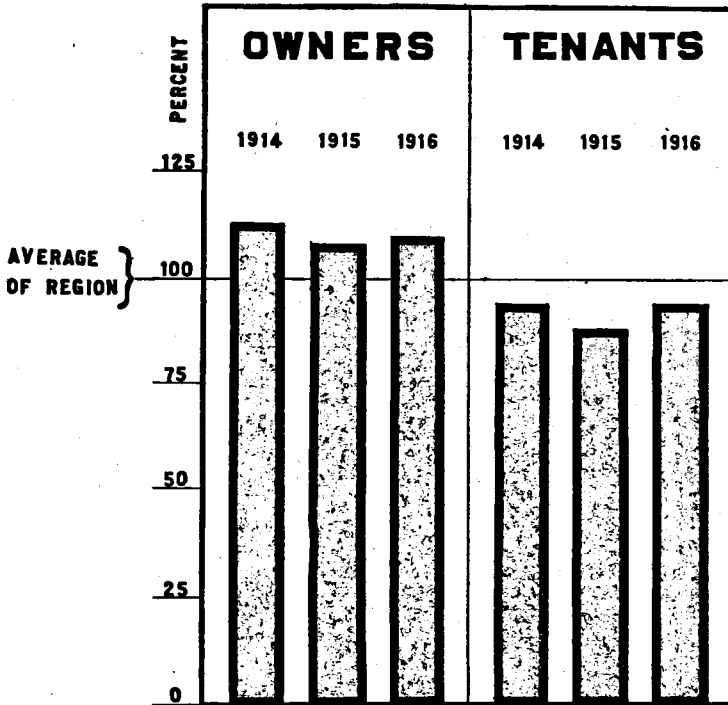


FIG. 4.—Comparison of crop yields on farms operated by owners and by tenants, in terms of percent of average yield. The owners' crop yields were 112 percent of the average in 1914, 107 percent in 1915, and 109 percent in 1916. The tenants' crop yields were 96 percent of the average in 1914, 86 percent in 1915, and 96 percent in 1916. These differences are largely due to the lack of livestock and the exploitive type of farming usually found on tenant farms

tent, a result of the terms of their leases. Improvements in the terms of leasing, therefore, may be expected to improve the credit of tenants. The tenants' difficulties along this line can be partially overcome through a wider adoption of the stock-share lease discussed later.

TABLE V.—COMPARISON OF SHORT-TIME CREDITS OF OWNERS AND OF TENANTS IN JACKSON AND COWLEY COUNTIES, 1916

	Jackson County		Cowley County	
	Owner	Tenant	Owner	Tenant
Number of farmers.....	112	79	38	26
Number borrowing on short-time loans.....	10	10	4	12
Average interest rate paid percent).....	7.7	8.2	7.25	9.00
Average term of loan (months).....	12.8	7.0	8.0	6.25

Table V also shows the use which all farmers make of short-time credit. Less than 15 percent of owners and of tenants borrowed money to increase their working capital although many more were in need of it. Some of the reasons for the farmers' lack of use of short-time credit are: Difficulty in obtaining such loans, inadequate terms, and lack of appreciation of the advantages of a greater use of credit in increasing the working capital. Improved rural credit facilities will aid in overcoming much of this, and benefit owners as well as tenants. The shorter-term and higher-interest rates of loans to tenants merely aggravate the rural credit problems in the case of the tenant.

INCENTIVES FOR BETTER FARMING

In the survey in Jackson County, it was found that 22 percent of the tenants did not receive a farm paper, while of the owners, only 8 percent were without one, and more than two-thirds received two or more farm papers. Only 30 percent of the tenants received any publications of the Agricultural Experiment Station and the United States Department of Agriculture, while 47 percent of the owners received some of these publications. The tenant is not entirely to be blamed for his lack of interest in improved methods which he has small opportunity to utilize. He often gains nothing by planning and starting crop rotations, applying barnyard manure, improving farm buildings, destroying noxious weeds, or pruning and caring for fruit trees. These improvements may make the farm more attractive to others, and may result in the tenant's giving a higher rent or moving. Further, he cannot obtain the full benefit of improving his livestock when he may be forced to sell them at a sacrifice when he moves to the next

farm. In fact, he is not free to follow many of the methods of improving his farm business advocated by the various organized agencies whose purpose is to aid the farmer. Such agencies are placed in the awkward position of being unable to serve adequately more than three-fifths of the farmers of the state, because the two-fifths who are tenants cannot take advantage of much of their work or adopt their recommendations. This is not necessarily the fault of either the tenants or the agencies, but is largely the result of undesirable methods of leasing which produce these conditions.

COMMUNITY WELFARE INTEREST

The effects of the methods of leasing are felt by the entire community as well as by the individual tenant. Table VI shows the membership of owners and of tenants in farmers' organizations.

TABLE VI—COMPARISON OF MEMBERSHIP OF OWNERS AND OF TENANTS IN FARMERS' ORGANIZATIONS IN JACKSON COUNTY, 1916

	Owner	Tenant
Number of farmers.....	112	79
Number members of Grange.....	57	25
Other farmers' organizations.....	5	2
Percent of farmers members.....	55.4	34.2

More than one-half of the owners were members of such organizations while only about one-third of the tenants were members. At least four out of every ten farmers are tenants, and many of them do not feel justified in taking an active part in community affairs because of their probable brief residence in the community. As a result farmers' organizations meet with many difficulties. They have none too large a membership for efficient operation when all farmers in the community are members, but with two-fifths of the farmers indifferent toward such organizations, their problems are greatly increased. A recent failure of an attempt by the farmers in one of the better counties in the state to organize was attributed to the high percentage of tenants and their indifference.

Undesirable tenancy conditions react upon the social life and institutions of the community, as well as upon its economic welfare. Table VII shows the church attendance and contributions of owners and tenants in Jackson and Cowley Counties.

TABLE VII.—COMPARISON OF CHURCH ATTENDANCE AND CONTRIBUTIONS OF OWNERS AND OF TENANTS IN JACKSON AND COWLEY COUNTIES, 1916

	Jackson County		Cowley County	
	Owner	Tenant	Owner	Tenant
Number of farmers.....	112	79	38	26
Number attending church:				
Regularly.....	60	29	15	8
Irregularly.....	42	37	16	9
Not at all.....	10	13	7	9
Percent not attending.....	8.9	16.5	18.4	34.6
Average contributions to church.....	\$25	\$10	\$31	\$13
Number not contributing to church.....	16	27	8	9
Percent not contributing.....	14.3	34.2	21.0	34.6

The owners attended church more regularly and contributed approximately two and one-half times as much to the financial support of the church as did the tenants. It is little wonder that country churches in communities having a high tenant population have difficulty in maintaining their membership and meeting their financial obligations. The tenant is not necessarily to blame because he does not contribute more liberally to the financial support of the church. The tenant who contributes is probably giving as much or more in proportion to his means, as the average owner, but fewer tenants contribute.

The same conditions hold true for other community institutions. In many communities tenants are looked upon as outsiders and are frequently excluded from community affairs. Betterment of these conditions can be expected only through methods of leasing which will make the tenant feel more secure in his residence in the community and increase the probability of his becoming a farm owner.

METHODS OF LEASING

Analysis and comparisons of the methods of leasing in use in the state throw additional light on the conditions which they have produced, the causes of these conditions, and possible means of eliminating or improving them. Four methods are in use; namely, cash, crop-share, share-cash, and stock-share. The two most common methods are the cash and the crop-share. On many farms the two are combined, the tenant pay-

ing part of his rent in cash, and giving the landlord a share of certain crops. This is known as the share-cash method. In 1910, more than two-thirds of the tenanted farms in Kansas were leased under the crop-share and share-cash methods, and at least 20 percent were leased for cash. Stock-share leasing, in which the landlord shares in the livestock kept, is used to a limited extent, particularly in those regions where livestock farming is generally followed.

TABLE VIII.—COMPARISON OF PROFITS OF TENANTS LEASING UNDER VARIOUS METHODS

FORM OF LEASE	1914			1915			1916—Jackson County		
	Number of farms	Tenants' average labor income	Landlord's average percent on investment	Number of farms	Tenants' average labor income	Landlord's average percent on investment	Number of farms	Tenants' average labor income	Landlord's average percent on investment
Cash.....	20	\$451	2.6	21	\$379	2.3	21	\$672	1.8
Share-cash.....	37	601	5.4	81	518	3.0	23	626	2.7
Crop-share.....	59	638	5.2	82	617	3.1	27	693	3.3
Stock-share.....	7	737	4.3	21	792	4.2	8	563	3.5

Table VIII compares the profits of landlords and of tenants under the various methods of leasing. (Fig. 5.) From the tenants' standpoint, cash renting was the least profitable in 1914 and 1915. In 1916 cash renting paid tenants in Jackson County better than either the share-cash or the stock-share methods. Jackson County presents more favorable conditions for cash renting than the counties farther west, because of the greater certainty of a crop. Other reasons for the tenants' higher labor income from cash renting will be considered later. Share-cash renting returned the tenant more than cash renting, and crop-share renting in every instance was more profitable than either of the other two methods. Stock-share renting gave the tenant the largest labor income in 1914 and 1915, but the lowest in 1916. The average of the three years favors stock-share leasing for the tenant.

The landlords received the highest return on their investment from stock-share leasing in 1915 and 1916, but the crop-

share and share-cash methods exceeded it in 1914. The higher returns received in 1914 by the landlords of crop-share and share-cash leased farms, can be partially accounted for by the exceptional acreage, yield, and price of wheat in that year.

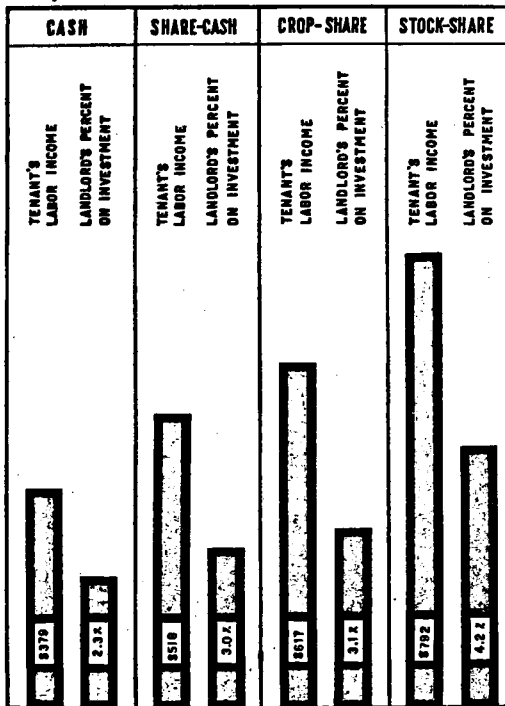


FIG. 5.—Comparison of landlords' and of tenants' incomes under various types of leases in 1915

Considering the results of the three years, stock-share leasing was the most profitable to the landlord, crop-share was second, share-cash, third. Cash renting was the least profitable.

CASH LEASING

The extent of cash renting is shown in figure 6. It is resorted to by landlords who do not wish the responsibility of looking after a share in the business, or who live too far from it to oversee their interests. Also, landlords wishing to be

certain of a fixed income from their farms, rent for cash, and thus avoid the risk of a low income in years of poor crops. The landlord's income is usually about in proportion to the risk that he assumes, and consequently he receives a relatively low in-

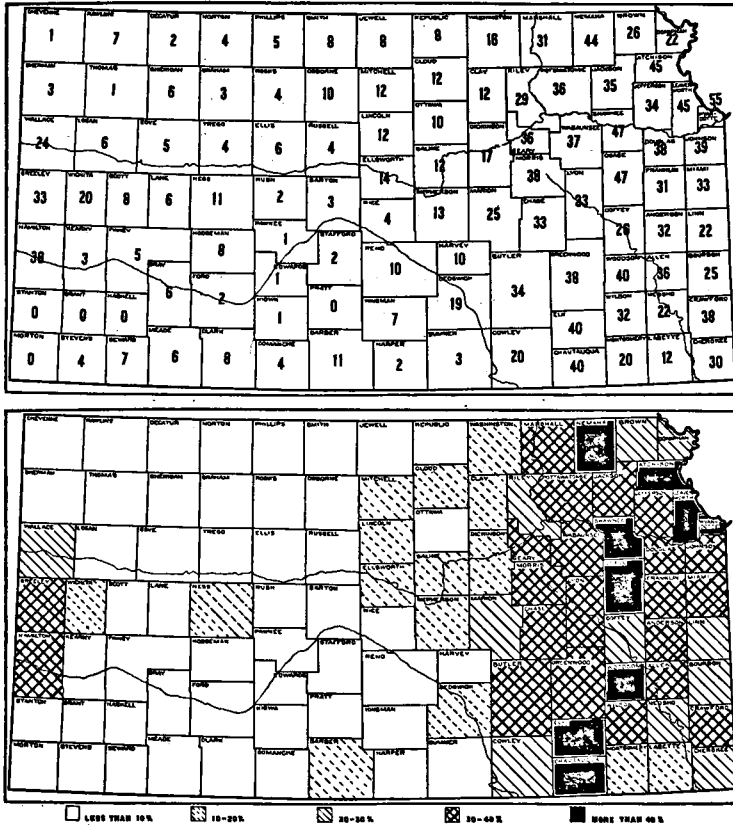


FIG. 6.—Maps of Kansas showing percent of all tenant farms rented on a cash basis in each county as given by the 1910 census. Cash renting in the eastern counties of the state is now more common than in the central and western counties, where the danger of a crop failure is greater.

come from cash renting, as shown in Table VIII. Many landlords are willing to accept low rates of interest and depend partially on the security of a farm as an investment and rising land values, to compensate them for the low returns. In considering land from this standpoint, most landlords make the

mistake of overlooking the loss in the value of the farm, due to the depleted soil fertility. Were this considered, the landlord's investment would be much less desirable and he would feel less secure in his investment, since a portion of the actual value of his farm is removed with every crop taken from it.

Another objection to cash renting frequently found among tenants is that the farms are usually rented to the highest bidder, regardless of the farming practices to be followed. Many tenants refrain from hauling out manure, improving the farm, or otherwise making it more productive or attractive, because they feel that by so doing they make the farm more attractive to others, and may be forced to either move or pay a higher rent. This attitude on the part of the tenant, which may be justified in many instances, merely aggravates the problem of depleted soil fertility, dilapidated buildings, and the isolation of the tenant in the community.

Cash renting too frequently discourages the feeding of livestock by tenants having little capital. Cash tenants usually have to pay their rent as soon as the crops are harvested, and consequently do not have an opportunity to feed and market livestock. As a result, enough of the crops to pay the rent are sold at the earliest opportunity. The tenant having considerable capital is not always forced to do this, but there are few tenants who have sufficient capital to operate with as much livestock as it would be profitable for them to keep.

Cash renting is more commonly used in eastern, than in western Kansas, because the danger of crop failures is not so great in the eastern part of the state. In cash renting the tenant assumes all the risk of crop failures. This risk is too great for the average tenant to assume alone in western Kansas, since one or two poor crop years might necessitate his selling part or all of his property to pay the rent. Where conditions are more favorable for a fair crop each year, it is to the tenant's advantage to assume the responsibility and risk.

In cash renting the tenant gets the full advantage of any better farming practices he may follow, in so far as he may profit from them during the period of his lease. Also he is free from interference or advice from the landlord, which is frequently resented by the tenant.

CROP-SHARE LEASING

Crop-share renting usually presents more favorable conditions for both tenant and landlord than does cash renting. Both parties share the risk of loss from crop failures, and the advantages of high soil fertility or better farming methods. As

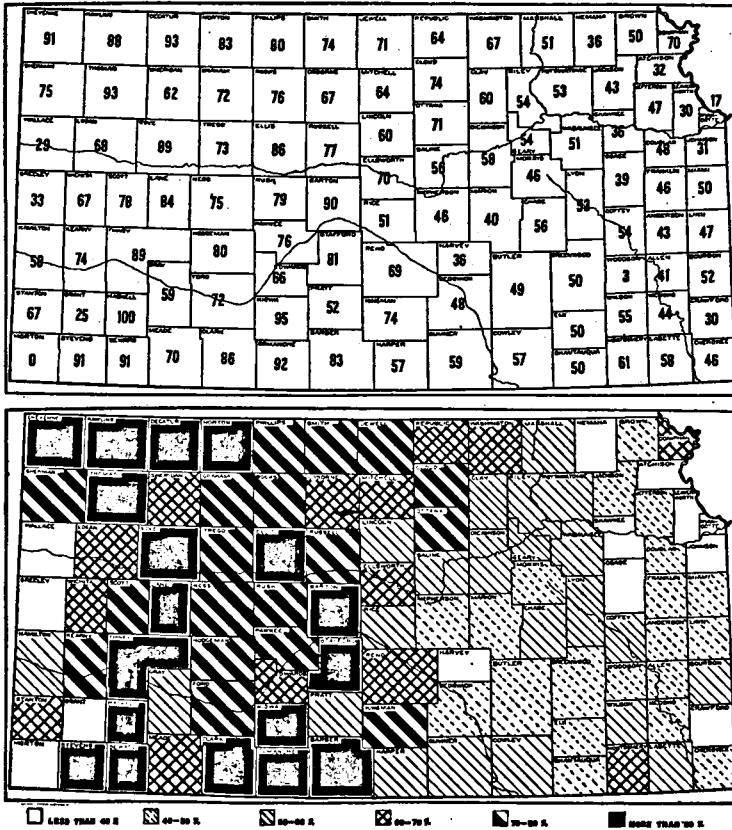


FIG. 7.—Maps of Kansas showing percent of all tenant farms rented on a crop-share basis in each county, as given by the 1910 census. Crop-share renting is most common in counties having a high percent of the land in crops (fig. 8), and where there is danger of frequent crop failures

a result, landlords whose farms are rented for a share of the crops usually take a more active interest in the farming practices than those who rent for cash.

Crop-share renting is associated with grain farming and is

the most common form of tenancy in Kansas. Reference to figures 7 and 8 shows that crop-share tenancy is most common in the wheat and corn producing sections of the state. It is

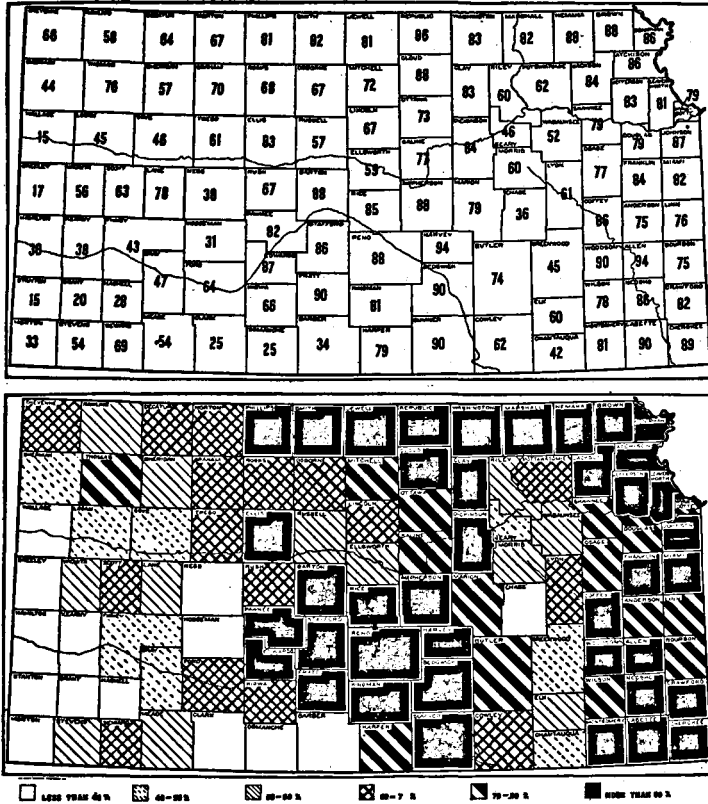


FIG. 8.—Maps of Kansas showing percent of land in farms improved in each county, as given by the 1910 census. Note the relationship of the percent of farms improved to the percent of all farms operated by tenants (fig. 1), and to the percents crop-share and share-cash rented (figs. 7 and 9)

resorted to by tenants having little capital, because comparatively little is needed, and the risk of loss is shared by the landlord. Also, crop-share leasing does not necessarily require capital for investment in livestock. The landlord usually removes his share of the crop from the farm and sells it. On a

very few farms the landlord's share of feed crops is purchased by the tenant and fed on the farm. Such instances are exceptional, however.

The removal of the landlord's share of the crops leaves less for feed, and decreases the tenant's opportunities for keeping livestock. As a result, crop-share tenants keep less livestock than either cash or stock-share tenants, as shown in Table IX. It will be seen that the average crop-share tenant has a smaller investment than any of the tenants under other methods of

TABLE IX.—COMPARISON OF LIVESTOCK UNITS KEPT BY TENANTS LEASING UNDER VARIOUS METHODS

FORM OF LEASE	1914			1915			1916—Jackson County		
	Number of farms.....	Average number of livestock units.....	Average number of livestock units for each 100 acres of crops.....	Number of farms.....	Average number of livestock units.....	Average number of livestock units for each 100 acres of crops.....	Number of farms.....	Average number of livestock units.....	Average number of livestock units for each 100 acres of crops.....
Cash.....	20	14.78	14	21	15.54	14	21	16.28	17
Share-cash.....	37	9.88	7	81	15.13	9	23	14.90	11
Crop-share.....	59	9.7	7	82	14.15	8	27	12.68	11
Stock-share.....	7	14.25	10	21	33.19	18	8	20.23	17

leasing, excepting the stock-share tenant. This is in part due to the lack of capital by the crop-share tenant as shown in Table X. This lack of livestock results in depleted soil fertility. Most landlords value soil fertility only as it will return them an immediate profit, and not as a portion of their land to be maintained so that they may be assured of a continuous profit over a period of years. If the landlords are not interested in maintaining soil fertility, such interest cannot be expected from tenants.

In crop-share renting the tenant receives only his proportionate share of the results of any better methods he may follow, and he does not have as great an inducement to farm better as he would have if he received the full benefit from such methods and practices. Better seed, which is usually higher priced and is paid for by the tenant, is not so desirable when

the tenant receives only one-half to two-thirds of any increase in crop yields or quality of product which may result from it. The same conditions hold true for other methods of improving the farm business, where the tenant must pay all added expense or furnish additional labor, and the landlord receives his share of the benefits without sharing the expense. The tenant's incentive for better farming is materially reduced under these conditions.

TABLE X.—COMPARISON OF INVESTMENT ON FARMS OPERATED BY TENANTS LEASING UNDER DIFFERENT METHODS

TYPE OF LEASE	1914			1915			1916—Jackson County		
	Number of farms.....	Tenant's average investment.....	Landlord's average investment.....	Number of farms.....	Tenant's average investment.....	Landlord's average investment.....	Number of farms.....	Tenant's average investment.....	Landlord's average investment.....
Cash.....	20	\$1,968	\$9,784	21	\$2,002	\$12,919	21	\$2,121	\$12,190
Share-cash.....	37	1,518	10,563	81	2,120	14,522	23	2,111	16,813
Crop-share.....	59	1,333	10,905	82	1,998	12,904	27	1,626	12,605
Stock-share.....	7	1,082	15,200	21	1,809	21,812	8	1,378	16,015

SHARE-CASH LEASING

Share-cash leasing is generally followed in the same regions as crop-share leasing, as is shown in figure 9. It is often crop-share leasing, in which the tenant pays cash for things which, in crop-share leasing, he ordinarily receives without extra charge. Sometimes, however, there is more pasture and hay-land and the cash rent is in payment for these. Share-cash leasing is a little more favorable for the keeping of livestock than crop-share leasing, and share-cash tenants usually have more capital than crop-share tenants, as shown in Table X. In most respects, share-cash leasing is intermediate between cash and crop-share leasing, although it more closely resembles the crop-share method. Its results, merits, and faults are so nearly identical with those of crop-share leasing that a further discussion of them is unnecessary.

STOCK-SHARE LEASING

Stock-share or partnership leasing, in which the landlord furnishes a part or all of the livestock and sometimes the equipment, is the least common method in use in Kansas. From the standpoint of permanency of agriculture, profit to both landlord and tenant, and the betterment of tenancy conditions, it is the most desirable of the methods in use. It enables the tenant with little capital to operate a business of considerable size and

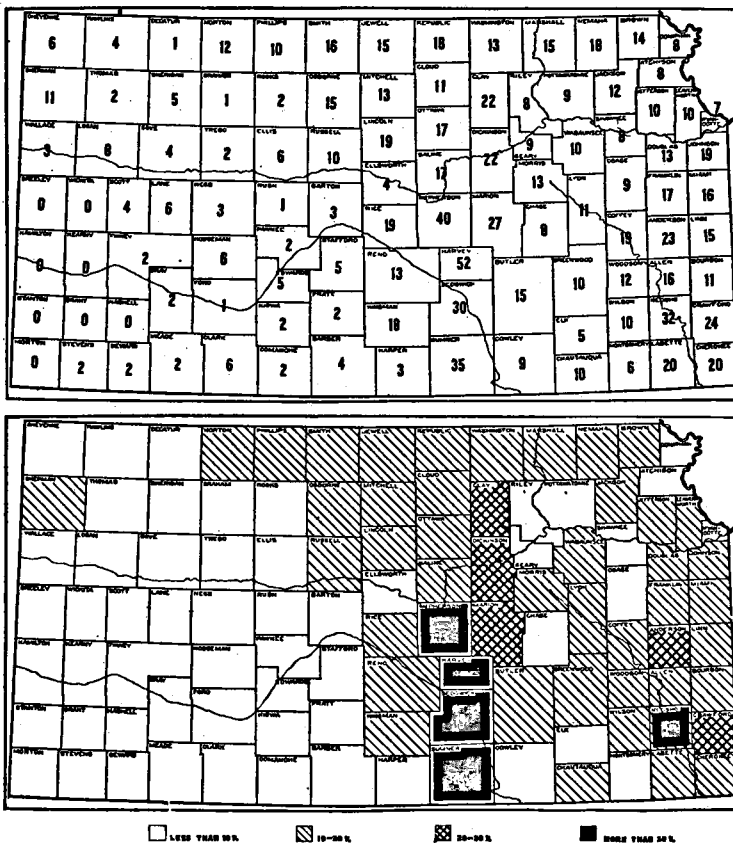


FIG. 9.—Maps of Kansas showing percent of all tenant farms rented on the share-cash basis in each county, as given by the 1910 census. This method of renting is most frequently found where it is believed that the rent should be more than one-third but less than two-fifths of the crop, or more than two-fifths but less than one-half. The cash paid serves to raise the rent above the fractional share in such cases

with a fair amount of livestock. This is illustrated in Tables IX and X in which farms leased on the stock-share basis are compared with farms leased under other methods. The stock-share tenants had the least capital and yet, because of the landlord's partnership in the livestock, they were enabled to operate a business having as much livestock as farms leased under the other methods.

Livestock farming is the intent and purpose of a farm business organized as it must be under a stock-share lease. Since several years are usually required for the production of livestock, the lease is for a period of three to five years, and is continued as long as satisfactory to both parties. This eliminates much of the shifting of tenants, and gives them a feeling of security in their residence in the community. Tenants can accumulate property by increasing the amount of livestock, as more livestock will be as much to the landlord's advantage as to the tenant's. One landlord, who has been leasing a number of farms under stock-share leases for several years, advanced the criticism that good tenants on his farms accumulated sufficient property to become farm owners in four or five years or longer, and obliged him to obtain new tenants. This may inconvenience the landlord, but it is noteworthy that this same landlord is still leasing his farms under the stock-share method. If the stock-share lease enables the tenant to be a better citizen, follow a more desirable type of farming, and sooner become a farm owner, it certainly is a decided improvement over other methods of leasing, and is worthy of wider adoption.

Landlords of stock-share leased farms are much more interested in the farm business than landlords under other methods of leasing since their risks are greater. They are more likely to improve the farm and aid in making it an attractive home for the tenant. Their interest in community improvements is increased. Retired farmers, country bankers, or others acquainted with farming conditions in the community, usually make more desirable landlords under stock-share leases than persons unacquainted with the region, or with farming conditions. Landlords living at a distance from their farms because they are too far away to look after their interests properly, frequently do not find stock-share leases satisfactory.

In stock-share leasing the interests of the landlord and tenant are mutual. This overcomes the objection of antagonistic

interests of landlord and tenant, so common in other methods of leasing.

The solution of the tenancy problem would be comparatively easy if the stock-share lease could be used on all rented farms. Stock-share leasing involves a closer relationship between landlord and tenant than other methods. As a consequence landlords and tenants cannot always agree on the details of the business. This is particularly true of landlords and tenants who have been leasing under other methods where their interests were antagonistic. They have difficulty in overcoming the feeling of antagonism when taking up stock-share leasing. Many landlords hesitate to enter into stock-share leasing because the risk which they assume is greater when they furnish part of the livestock than when they furnish only the land and buildings.

From the landlord's standpoint, the farm boy who is just starting to farm usually makes the most desirable tenant. He does not usually have an antagonistic feeling toward the landlord and will more readily cooperate in making a stock-share leased farm a success. It does not necessarily follow that the tenants who have been leasing under other methods will fail as stock-share tenants. They have more to overcome and more of them may be expected to fail to agree with their landlords. The success of such leases is very largely dependent upon the judgment and temperament of the parties concerned.

WAYS OF IMPROVING METHODS OF LEASING

STOCK-SHARE LEASES

The stock-share lease presents the greatest possibilities for betterment of present methods of leasing. However, it is not adapted to all farms. Some other means of improving conditions must, therefore, be devised for many farms. The following provisions, which are usually included in stock-share leases, should be of interest to all landlords and tenants whether they are so situated that they can adopt the stock-share lease or not. There may be many variations in the minor details, and anyone wishing to adopt such a lease must adapt it to his own conditions. In western Kansas, owing to the comparatively low value and productivity of land, the provisions should usually be more favorable for the tenant.

USUAL PROVISION OF STOCK-SHARE LEASES IN KANSAS

Term of Lease.—The term of lease is three to five years; longer if satisfactory.

Land and Buildings.—The landlord furnishes all land and buildings and pays all taxes and insurance. He furnishes all new materials needed for repairs of buildings and fences, and the tenant makes these repairs. Any improvements made are paid for by the landlord, excepting that the tenant usually hauls the materials, and may furnish all unskilled labor required.

Machinery and Tools.—The tenant furnishes all machinery and tools needed to operate the farm efficiently, and pays for all repairs on them. An exception to this, often found, is the furnishing of a manure spreader by the landlord. This spreader may be owned jointly by the landlord and tenant.

Livestock.—The livestock is owned equally by landlord and tenant, excepting that in some instances the tenant owns all work stock.

Labor.—The tenant furnishes all labor needed to operate and maintain the farm business.

Division of Expenses.—All expenditures not previously noted are shared equally by landlord and tenant.

Division of Returns.—All farm receipts are shared equally. The tenant usually receives sufficient garden products, fruit, potatoes, poultry, eggs, butter, and milk for his own use.

Crops.—The kind of crops to be grown and the areas of each may be stipulated in the contract. Also clauses are sometimes inserted regarding the crops which may be sold and the portion to be received by landlord and by tenant, in case they do not share them equally. The landlord often pays for alfalfa seed, or seed for permanent pasture.

Manure.—The tenant hauls out and scatters on the field where most needed, all manure produced on the farm during the term of the lease, excepting that produced during the two or three months prior to its termination.

Division of Property at Termination of Lease.—At the termination of the lease all property owned in common is divided equally between landlord and tenant in any manner satisfactory to both. In case they cannot agree, each may select a dis-

interested party, and these two select a third disinterested party. These three make such division of the property as seems fair to them, giving the landlord and the tenant each one-half.

DIVISION OF FEED AND MAINTENANCE OF SOIL FERTILITY

There are opportunities for improving conditions on crop-share leased farms if the landlords can be convinced of the necessity of maintaining soil fertility. Crop-share leases which encourage the tenant to maintain soil fertility have been used in other states. In some instances the tenant receives all of certain feed crops (usually hay and roughage) provided he feeds them to livestock and returns the manure to the fields. In case he fails to do this, the landlord either receives his share of these crops or is paid for them. This is to the tenant's advantage, as it gives more feed for livestock. The tenant is at no direct expense for the feed which would be the landlord's share if not fed, and consequently has better opportunities for the profitable keeping of livestock. The landlord's compensation comes through the maintenance of soil fertility and greater productivity of the fields in future years. Obviously, the areas of such crops to be grown on a farm should be given very careful consideration before such an agreement is made. Interested landlords and tenants would need to try such leases before definite assertion can be made as to the terms.

LENGTH OF LEASES

The long-term lease has been advocated as a method of improving tenancy and if combined with proper conditions, it would aid very materially. However, long-term leases are not always as desirable as they may appear. In cash, crop-share, and share-cash renting, changing prices and conditions often make the original terms of the lease unadapted to conditions several years later. If prices of farm products advance and the tenant is cash-renting, he has more opportunity for profit, while the landlord feels that he is not getting as much as he should. If prices decline, the cash tenant may have difficulty in paying the rent. In crop-share leasing, advancing prices of farm products, farm labor, and supplies, tend to increase the landlord's profits more rapidly than the tenant's. An excellent

illustration of this is found in wheat farming in 1914 and 1918. In the four years from 1914 to 1918 the price of wheat practically doubled. This doubled the income of both landlord and tenant under crop-share renting. The tenant's expenses for labor and supplies tended to increase in proportion to the advance in the price of wheat. The landlord's expenses, excepting the rental value of his land, increased about as much as the tenant's, but the rental value of the land, which is the major portion of what the landlord furnishes, did not advance nearly as much as other prices. As a result the landlord's profits from wheat growing were much more in 1918 than in 1914, while the tenant's tended to remain more nearly the same. This has caused dissatisfaction among many tenants who were giving the same share of the crop in 1918 as in 1914. It is usually assumed that long-term leases tend to prevent exhaustion of soil fertility by the tenant, but this is not entirely true. The tenant has the same inducements to deplete soil fertility near the termination of his lease that the short-term tenant has throughout his term. Long-term leases, to be satisfactory, must avoid these conditions. Stock-share leasing offers the best opportunities for the satisfactory use of the long-term lease, since its terms eliminate many of these objections.

The figures for the three-year survey in Cowley County, shown in Table I, indicate that the landlords who retain the same tenants for a number of years obtain a greater return on their investment than those who have shifting tenants. The Cowley County tenants' profits were as great as the profits of the tenants in other counties. These tenants had remained on the same farms at least three years and, unquestionably, tenants who remain on a farm for several years can follow a much more desirable type of farming than those who move each year. Very few of the Cowley County tenants had leases for more than one year at a time. It is not necessarily a long-term lease that is needed, but a guarantee to the tenant that he can remain under satisfactory conditions, as long as he farms diligently and well.

TENANTS BECOMING OWNERS

Landlords who are willing to sell their farms can aid in improving tenancy conditions. Many tenants have accumulated considerable property but have not acquired enough to make first payment on a farm. The Federal Land Bank and other institutions lending money on farms will take a first mortgage for approximately one-half the cost of the farm. If the landlord would assume a second mortgage for the difference between this and the amount which the tenant can pay, or a first mortgage for the whole amount, he will permit the tenant to become an owner. The landlord's income will probably be as much as he would receive as rent or more. The success of such a plan is dependent chiefly upon the confidence of the landlord in the tenant's trustworthiness and ability to farm profitably.

OTHER METHODS OF IMPROVEMENT

Landlords and tenants acting alone, however, cannot completely change conditions. There are measures which must be considered by the State and the Nation. Public opinion and legislation which would discourage absentee ownership of land would tend to eliminate many of those landlords who are too far away to enter into stock-share or other desirable methods of leasing, or who are uninterested in the future welfare of the tenant, agriculture, and the community, and who refuse to adopt conditions which will overcome the faults of existing methods.

Credit facilities which will aid the tenant of limited means to obtain needed funds at reasonable rates and for as long as he needs them, will aid many tenants. Such facilities are difficult to obtain as tenants usually do not have adequate security. There may be possibilities in state and national legislation, whereby tenants may be extended credit by the State or Nation and thus be enabled to purchase needed livestock and equipment, or to purchase land and become farm owners.

It must be clearly understood that permanent and lasting improvement in tenancy conditions can come only through the fullest cooperation of all agencies having its betterment within their power. The State and Nation must combine their efforts with those of landlords and tenants, to fully overcome present undesirable conditions and insure the tenant a reasonable certainty of becoming a farm owner.

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THE INTENSITY OF CULTIVATION

SUMMARY

Question of intensity of culture an old one; never purely objective, 646. — Ability of the entrepreneur the limiting factor, 647. — The problem of intensity of culture stated in one of three ways: entrepreneurship fixed, land fixed, capital fixed, 648. — An experiment may be made with something less than the whole amount of land or capital, 653. — An illustration of the difficulties of the trial method, 654. — Income will be alike for all at the margin, 657. — Intensity varied within a given year, 657. — Social aspect of intensity of culture, 658. — Effect of change of price of product or intensity of culture, 659. — Payment of rent induces intensity of culture, 661. — Effect of changes in wages or capital cost on intensity of culture, 662. — Intensity will vary inversely with these costs, 662.

The question of intensity of cultivation is as old as economics, yet it forever keeps coming up for more definite statement, or for a statement showing how the proper degree of intensity is visualized and approached. The most usual way out of the difficulty is to assume the most advantageous combination of land, labor and capital, and let it go at that. No doubt there always is a best combination, just as there is a best mixture of paints for the best effect, and this truism may easily recall the famous reply of Whistler that he always mixed his paints with brains. It is exactly this requirement that makes the formula so difficult for intensity of culture. The problem is never purely objective. It is not as simple as making the proper combination of air and gasoline in a mixture for power, since it makes no difference who adjusts the carburetor so long as it

is properly adjusted, the results are the best obtainable. On the contrary, in the combination of land labor and capital for producing the best results the personality of the man making the combination makes all the difference imaginable in the results. A gasoline engine in the hands of a novice may do substantially all it is capable of doing tho planned, adjusted, and repaired by parties not immediately concerned with its work. A farm can hardly be so standardized and managed. The work of the entrepreneur in agriculture is bound up in the operations almost as though he were a vital part of an organism; he must be the active, indeed, the indispensable agent.

Whether or not the return to the entrepreneur is viewed as a part of the larger category of wages, it must be recognized that the limiting factor *par excellence* is the ability of the entrepreneur. It makes no difference whether the limits are found in the unwillingness of the entrepreneur to undergo greater strain; whether he reaches the point of losing money; or whether he prefers a certain measure of enjoyment in place of further work. Any one of these conditions means that he is not in a position or attitude for further expansion. In other words, the point of diminishing returns has been reached and the income of each individual is thereby circumscribed; likewise social income is, because of this fact, held within certain positive bounds. The proper proportioning of the factors of production, which is the means of arriving at the proper degree of intensity of culture, involves four variables. Since no problem can be discussed with four variables it is necessary to assume metes and bounds for all but one at any given time. For convenience the ability of the entrepreneur, which no doubt is more or less elastic, may be taken as fixed. It is by all means the most

definitely fixed of any of the factors involved. There is a limit beyond which an entrepreneur does not care to go in the effort to increase his income. In many cases it is a limit beyond which his banker refuses to carry him. But whether it be the limit set by the banker; by his own courage, or lack of courage; by his desire for leisure, for avocations; or by sheer managing ability; it must in some manner reach the limit beyond which it will not for the time being go. Thus the entrepreneur himself is the most definitely limiting factor in production. His managing ability may be viewed as fixed.

For convenience it will be desirable to put capital and labor into one category. From the entrepreneur's standpoint they are both reducible to a money unit. This combined factor is subject to variations which affect intensity of culture, but they may be waived for later consideration.

The intensity of culture problem may be stated in three ways, or rather it must be viewed from three standpoints:

- (1) It may be assumed that entrepreneurship is fixed and that capital and land are applied to it in varying amounts.
- (2) Land may be viewed as fixed and capital varied, entrepreneurship being taken for granted.
- (3) Capital may be fixed and land varied, entrepreneurship still being assumed.

Added to these three points of view there may still be a fourth, which is however, hardly more than a corollary to the second and third. It may, at least in practice, be necessary for the entrepreneur to treat both land and capital as variables while working out his proportions. This is hardly more than a detail, though possibly a very difficult one to handle.

Concerning the first point of view, it may very safely be stated that entrepreneurship is the most definitely limited of any factor involved. At the same time it is the one which is without visible proportions or tangible measurement. Were it not, however, just as genuinely limited as land or capital we should have numerous bonanza farms. In fact, so far as a given individual is concerned the most important of the limiting factors is that of his own managing ability. Were it not for this he could manage the agriculture of a township, a county, or a state.

But it may be objected that this is not the issue. Entrepreneurship may set the bounds of size of business, but not enter into the question of proportions of factors used. This at once raises the question as to how such an assumption can be made in view of the necessity of working out, on the part of each entrepreneur, the proportions which for him are best. How this can be done without using both land and capital, varying each alternately, then simultaneously is, to put it mildly, not obvious. Could the farmer, for example, determine by any possibility that he could do best with any particular amount of capital before discovering the amount of land with which to combine it, the problem would be simple both theoretically and practically. Since there appears to be no means by which this measurement of entrepreneurship can be made in advance of an experiment involving all factors, it will be as well to consider the second and third points of view before undertaking to say the final word, or even to draw any conclusions respecting the first count.

Land may be viewed as fixed. Very properly it may be objected that in a theoretical case land is never fixed, but may be varied in either direction, more or less. Even so, land is fixed in quantity for the majority of

farmers over appreciable periods of time. Perhaps we are not dealing with the majority of farmers, but only with the few who are alert enough to attempt an intelligent solution of the problem of intensity of culture. Very well, these too will in both theory and practice deal with quantities of land which are fixed during a given experiment. We may have, then, a fixed amount of land, not fixed by inertia, by heredity, or passing circumstance, but by the judgment of the entrepreneur. This may be merely a trial judgment, but even so it means that for the time the amount of land is fixed. Upon this amount of land the entrepreneur expends capital. The question is: How much? and the answer is easy. He will continue to expend capital until the last dollar just pays for itself. By so doing, assuming that he can get capital at commercial rates up to the limit of his ability as an entrepreneur, he will increase his income, and it is income he is after, total income, not any given rate on a limited sum. We may next inquire how this hypothetical farmer is to know that he is using the right amount of land. He will use his judgment, his observation, and his experience; and make trials with different amounts. That the more vital limitation is in ability to handle capital rather than land should be recognized, but capital cannot be managed except in connection with land. Moreover, the optimum amount of capital for any entrepreneur cannot be discovered by using wrong proportions since he could not decide whether the failure to arrive at satisfactory results was, in a given trial, due to poor management or a wrong combination. He will find out as he approximates the correct combination, and in doing so he will of necessity find the proper amount of land to be used with an amount of capital, yielding, on the enterprise so constituted, favorable returns. For any

serious trial the land must be fixed for the time, no matter how many times it be varied for subsequent trials. Thus land may be viewed as fixed, and in every trial the capital applied until the last increment just pays its cost. For a vast number of farmers the land is very firmly fixed in amount for years or for life. For the adaptable man it is fixed at different amounts until the most favorable acreage is discovered.

Capital may be viewed as fixed. No doubt this is the most elastic, and possibly the most satisfactory, supposition. It is not forgotten that the real limitation is managing ability, but the best measure of this ability is the capital which can be advantageously handled. To assume that capital really is fixed by circumstances and not ability is as crude reasoning as to assume land fixed. The able entrepreneur uses capital which he happens to have, or which he can borrow, or disposes of a surplus, exactly as is done in the case of quantities of land. He finds the amount which will yield him the largest income by taxing his entrepreneurship to the limit, by which process he comes, like everyone else, to the margin of his powers. He may, as a supermarginal farmer, be able to make his capital earn something well above average commercial returns. For instance, his curve of returns on his thousand dollar units may at its highest point rise well above that of his competitors. There is no reason why he might not stop his investments at a point where he was making, say 20 per cent. No reason except that he could make a larger absolute, not percentage, income by increasing his investments until the last increment just paid its cost, whereas it was assumed that in order to get the highest average a lesser amount was invested, and a return above the commercial rate secured from the last dollar.

However, it was decided that capital should be viewed as fixed. With this Rubicon safely passed, the campaign is easy. All the entrepreneur needs to do in order to find his best proportions is to add, or subtract, land until the last acre just pays its own cost. When this point is discovered he has his best proportions. The reason why this is not satisfactory is because the major premise will not bear analysis. It must be taken on faith, and having accepted the faith, the logic no longer gives trouble.

Just as with land, capital must be for a given time fixed. A farmer decides on the number of men and teams, and the amount of other equipment to be used in farming for a given year without, of necessity, deciding in advance the exact acreage of land. He arrives at a decision as to land, and after the year is over does his best to decide whether he had too much or too little. Should it seem that he is wide of the mark he will, in most cases, vary the amount of capital as well as the amount of land in projecting a new trial. To decide that his capital is right in amount but that the land is wrong means either that he has approached very nearly to the correct proportion or that he decides the one question independently of the other. But to know how much capital is best without trying it out is to know the solution of the problem in advance of the trial. This could be done in but one of two ways, viz., either by arriving at a decision based on experiments which gave results short of the optimum, or by solving the proportion riddle on a trial plot and carrying the result over to the whole. Neither hypothesis stands scrutiny.

It is, however, beyond all doubt true that so long as the capital remains fixed, whether right or wrong in amount, the entrepreneur will, in following his own

interests, apply land to it until the last increment just pays for itself. If the land bears a rent it will mean that the returns cover the expense of operation and the rent charge. If the land is free it will mean that the returns just cover the outlay for operation. No matter how stated, it amounts to the addition of land so long as there is a margin above cost and no longer.

Managing ability may be looked upon as fixed and land and capital both as variables. This is nothing different from the above discussion, but it is the real situation confronting the real entrepreneur. Should he attempt to add increments of land and capital he may do so by assuming the solution of the question at issue — the proportions. If he add units of first one and then the other he will show himself very human and adaptable, and will stand some chance of approaching the goal eventually. Each factor will be fixed for a time, but it will not remain fixed until the proper proportions have been found.

As a means of arriving at the optimum apportionment it may be interesting to attempt the experiment with something less than the whole, or fixed, amounts of either capital or land. That is to say, a trial, or laboratory experiment may be run in order to arrive at the correct proportions, on the basis of which the size of the business will be determined.

The question may very properly be raised as to the logic of these standpoints. For example, does the limitation of the entrepreneur's ability enter as a consideration into the question of the proportions of land and capital which are found best? It may be contended that whatever the optimum proportion as between land and capital no changes will, in this relationship, be contingent upon the ability of the entrepreneur to handle more or fewer units. However, it is a matter

of common observation that as the size of the enterprise varies up or down there is a corresponding, tho not necessarily proportional, change in the degree of intensity of culture. For example, suppose a farmer to find the best degree of intensity on eighty acres, but feels able to manage three eighties. Can he carry the same intensity over the additional two eighties? He can, provided his degree of intensity on the one eighty is adapted to the operation of the full-sized unit. To assume that such is the case is merely, and clearly, to beg the question. Finding the proper degree of intensity on the three eighties is the problem; but to find on a part of the whole enterprise what seems to be the best proportion is possible on paper only. This is true because the manager has no way of knowing, while running the experiment, that he is giving to it any exact proportion of his managing ability. For this reason he cannot, after trying out a part of his farm, including a corresponding part of his entire equipment and management, assume his proportions and calculate the size of the enterprise for succeeding years. That a manager may get suggestions from an experiment involving part of his farm is beyond argument. He may, and should be able to do so. But after all possible suggestions have been gained, the business must be tried out as a whole before either proportions or size can be known.

If it is possible to determine proportions by the laboratory method such possibility should be at least theoretically demonstrable. One may construct tables and diagrams showing how the problem is solved, but suppose, instead, an attempt should be made to visualize the operations of a real operator. Surely such a demonstration is fully as real. If it be supposed that the trial, a laboratory experiment as it were, is conducted on a small scale the troubles suggest themselves

at once. It is hard to find the right combination on the small area as a gauge for use on the larger area, or for that matter, since the experimental operations might just as well be on a large scale, it would be hard to adjust the duties of the entrepreneur so as to know how much less to operate, or how to operate it.

The above generalizations can be illustrated. Suppose a farmer wishes to determine the optimum combination with respect to the cultivation of corn. He tries a ten-acre field and by the correct combination of check plots finds it more profitable to plow seven inches deep, harrow four times, plant in drills instead of hills, cultivate three times instead of four times, and do one day's hand weeding per acre. Can he apply this to the area he thinks it best to attempt? It may easily happen that he plans to grow eighty acres of corn. The number of operations of each kind performed may be done on the larger field the same as on the smaller one. The plowing and harrowing may occasion no difficulty, but the chances are that it will be relatively harder to plow at the rather unusual depth, and to harrow at advantageous times. Of course, it may be shown theoretically that the larger fields are logical multiples of the smaller and that the work could be done in the same manner. In all probability this cannot be carried out. For instance, the small corn field was drilled, cultivated three times, and one day's hand labor used per acre. The larger field should be handled in the same manner, but the chances are that it will not be so handled. The weather will be more of a factor when the experiment assumes larger proportions. So will such matters as hiring the requisite quality and number of laborers. Should the farmer find that a given amount of labor and equipment could be used advantageously on twenty acres, and in that connec-

tion determine his proportion, it might be easy to multiply the labor and capital by four in getting ready for the eighty acres. This is substantially never done. An attempt is made to economize on equipment as the unit is enlarged, and inevitably the ability of the entrepreneur is a constant, and therefore not subject to automatic expansion and contraction to fit the different units operated. It will be found that cultivating corn three times is not the same under one condition as under other conditions. Perhaps the three cultivations were made at the most advantageous times, promptly after the corn was big enough to cultivate for the first time, when it needed cultivation subsequently, not when other work permitted it to be done. The hand labor of a day per acre found profitable on ten acres will again and again not be feasible on a hundred acres. Very well, leave it out in both cases. That is the point. The laboratory trial must be made to fit the condition of the full area, but the full area carries its own conditions and thereby determines to a degree its own proper intensity of culture. The trial area will actually work when it is big enough to absorb the whole available capital, and at this point we have, if it be accepted, to abandon the idea of predetermining proportions between, or among, factors.

If the foregoing reasoning is correct it will follow that all managers, marginal and supermarginal, large and small, will find no stopping place in applying land to capital until the last dollar just balances its cost; until the last acre of land just pays for itself; and until the proportion is such that land and capital costs are alike in returns per value unit. The average returns per dollar will be high for some, low for others. How high they will go depends on the ability of the manager. The lower limit is commercial return so long as a

deficit is not made up out of wages. But all, from the best to the poorest, will not escape the necessity, and the privilege, of investing until the last increment brings in no added returns above the cost, and at these margins all men are equal. Of proportions there may be no two alike. Of average incomes no two alike. But for each there will be a best proportion and he will find it by using all of his ability as an entrepreneur, and alternately fixing capital and land, proceed until neither separately nor jointly can his income be augmented by further additions. Each has balanced at the margin where cost and income are equal.

The discussion thus far has assumed the point of view of a business projected for at least a year in advance. During each year the problem is bound to assume different aspects. After every plan has been made as carefully as possible and the season has advanced to the point where acreages cannot profitably be changed there will be constant opportunities to invest more, or less, capital on a given project than was contemplated. The aggregate amount of capital used may be rigidly limited to a sum previously known. It may be all that is obtainable, but the chances are that no such definite bounds are set. Capital is usually obtainable with greater or less ease depending on the amount wanted. A certain amount is in the possession of the entrepreneur. Another amount is to be had at commercial rates with no trouble involved. Still more can usually be had at greater cost in both trouble and interest rate. The law of increasing cost operates as truly in the work of getting the use of capital which one does not own as in the creation of more capital in the form of goods. Thus far shalt thou go and no farther in the possession of capital involves the cost of the successive acquisitions. Thus the amount required for a

given season depends on the exigencies of the occasions as they arise.

The question may very properly be asked whether society is best served by the economic forces which constantly put the ablest farmer in possession of land, largely the best land, and as constantly push the inefficient out. This question becomes especially pertinent when it develops, as well it may, that small farmers are giving place to larger farmers. To the extent that this happens there will be fewer farmers, tho perhaps not fewer persons engaged in agriculture, on a given area of land. From the standpoint of production the case is not open to argument. Society is best served by farmers who will get the most out of the land, capital and labor employed. The only question at issue becomes, then, the relative social advantage of land ownership as opposed to whatever may displace it should inefficient farmers give way to the more efficient. This brings up other considerations. The intensity of culture which gives the best results to farmers viewed individually will give the best results socially so far as the ownership and use of land is concerned, judged by the standards of a healthy society. If from the standpoint of social pathology it should become necessary to use land as a prophylactic, economic considerations will of necessity be subordinated in the process. Until that time comes the impersonal workings of the law of diminishing returns, of which intensity of culture is a leading manifestation, is in harmony with the social good.

EFFECT OF CHANGE OF PRICE OF PRODUCE ON
INTENSITY OF CULTIVATION

Every now and then a situation such as that occurring in the spring of 1917 confronts the farmer. The prices of what he had to sell rose rapidly while the costs of production remained relatively constant. Likewise, the rent of land remained about at the old level. What effect does such a situation have on the farmer who is always trying to adjust his land and capital in such a way as to get the most out of it for himself? Before attempting to answer the question it may be well to note the fact that the case is a temporary one, the inevitable tendency being always to return to the original proportions. However, the abnormal condition may last for a few years, and the tendency to return to the former balance may never be more than partially realized. That is to say, the abnormal situation may persist until it becomes a new normal. At all events, it is perfectly clear that disturbances such as the one noted above are constantly occurring in varying degrees. This one was extreme. The readjustments to meet such conditions may be so slight as to escape observation nine times out of ten; the tenth time they are likely to be conspicuous.

For convenience of presentation we will do a little violence to the facts as they confronted the farmer in 1917 and assume that prices of farm produce doubled while costs of labor and capital remained constant, rent also remaining constant. What was the best move for the farmer to make regarding the proportions of capital (including labor) and land used in his enterprise?

The following table will be useful in deciding the matter:

Expenses per acre	Value of crop per acre	Rent per acre	Returns per dollar of expense
\$6.00	\$11.00	\$5.00	\$1.00
10.00	15.10	5.00	1.01
15.00	20.30	5.00	1.02
17.50	22.67	5.00	1.01

Doubling the value of the produce the table becomes:

Expenses per acre	Value of crop per acre	Rent per acre	Returns per dollar of expense
\$6.00	\$22.00	\$5.00	\$2.83
10.00	30.20	5.00	2.52
15.00	40.60	5.00	2.38
17.50	45.34	5.00	2.31

Thus the optimum expenditure per acre has changed from \$15 to \$6. As a result a farmer with a capital of \$3000 to use will require 500 acres of land instead of 200, assuming the latter to be the most favorable amount before the change in price.

One more hypothesis may be of interest. Suppose the price of produce had fallen 50 per cent, other things remaining the same. The table would then appear:

Expenses per acre	Value of crop per acre	Rent per acre	Returns per dollar of expense
\$6.00	\$5.50	\$5.00	\$.083
10.00	7.55	5.00	.255
15.00	10.15	5.00	.344
17.50	11.335	5.00	.362

As was to be expected, the proportion most favorable is now \$17.50 per acre, a more intensive cultivation than the optimum in the first instance.

It may be objected that the above illustrations are based on a particular set of figures and that some other set might fail to show a similar result. This criticism is always in point when a generalization is attempted on the basis of an arbitrary instance. However, it is

not necessary to rely on any particular table. It may be assumed that the proposition has been proved, not here but by reasoning generally accepted, that free land will be farmed less intensively than land commanding a rent. From this accepted proposition it may be reasoned that the tables submitted above are of necessity correct — and that any change in figures while possibly concealing the truth cannot disprove the principle. The deductions would be somewhat as follows: the payment of rent compels greater intensity of culture. Hence, the intensity will increase though not necessarily in the same proportion as the increases in rent. Conversely if rent decreases, the intensity will decrease. Now an increase in the value of the product, with no other change occurring, is equivalent to a decrease in rent since a smaller portion of the gross yield is required to pay the rent than was required before the change in price. To decrease the quantity of produce needed for rent payment means a movement in the direction of free land and, therefore, a movement toward a more extensive culture. Should the price become extremely high the rent would become relatively reduced, even extremely low, and hence would lose most of its influence in the direction of intensive culture, the optimum degree of intensity decreasing with every rise in the price of produce, and conversely increasing with every fall in such prices.

The above discussion has been made as tho neither capital nor land were fixed in amount and the proportion only were the issue. The objection to this view has been discussed in the first part of this article, and hinges on the difficulty involved in apportioning the attention of the entrepreneur to a single acre, or to any group of acres short of the number included in the enterprise over which he is presiding.

EFFECT OF CHANGE IN WAGES OR CAPITAL COST
ON INTENSITY OF CULTURE

Another question is what will happen should wages rise or fall while prices of produce, interest and rent remain constant? It may be noted in passing that, where no rent is paid, should wages and interest rise or fall in unison that nothing will happen to the proportions in which capital, labor, and land will be combined. This is a contingency which will rarely occur. Thus while we united capital and labor into one term for convenient handling while discussing the degree of intensity in the first instance it is necessary to separate them when considering the changes that may follow a rise or fall in wages, or in capital costs, the two factors not acting the same in the matter of percentage changes. The occasion for such a discussion is abundantly illustrated in the recent experiences of farmers with the labor question. The following tables will bring the matter to light:

Labor	Expenses per acre		Total	Gross returns	Return per dollar
	Labor	Capital			
\$5.00	\$7.50	\$12.50	\$21.00	\$1.68	
7.50	8.50	16.00	27.20	1.70	
9.50	8.50	18.00	30.80	1.71	
10.50	9.50	20.00	33.00	1.65	

Increasing labor expenses by 100 per cent the table becomes:

\$10.00	\$7.50	\$17.50	\$21.00	\$1.20
15.00	8.50	23.50	27.20	1.12
19.00	8.50	27.50	30.80	1.12
21.00	9.50	30.50	33.00	1.08

As shown by the table the increase in wages results in a movement toward a more extensive culture. In actual practice the case would not be as simple as this, or at least the simplicity, if there should be such, would

take on a different aspect. The farmer confronted with the higher wages is bound to think of a way to escape other than the one indicated in the second part of the table which involves getting more land. He will try to escape by way of a substitution of capital for labor. He will buy a gang plow, a tractor, a milking machine, or more haying tools, with the hope of keeping up his intensity of culture without incurring the added expense resulting from the higher wages. In some cases he may succeed in maintaining his former intensity judged by results while moving toward more extensivity judged by the application of labor and capital to land in terms of dollars per acre.

The changes in prices of produce, wages, and capital cost will always, respectively, have an effect on the desire for the other factors, and hence change the price of these other factors. The result will be a new balance which is likely to be similar to, though not identical with, the previous balance before the disturbance came. The importance of the immediate effect may be appreciated when it is remembered that more or less occasion for a readjustment no doubt takes place yearly, or even at much more frequent intervals.

A change in the cost of capital goods, or in interest rates, where wages do not change correspondingly, will bring about changes in intensity of culture similar to those noted in the above discussion of changes due to variation in wages. If capital goods cost more, fewer, relatively, will be used; if they cost less, more will be used. Thus intensity of culture will vary conversely with these costs.

Whether or not rent is to be counted as a cost is a disputed point. No attempt will be made here to clear the matter up. In any case it is a cost to the individual who buys land as a part of his equipment for producing

farm crops. Under these circumstances, viewing rent as a charge against the farming business — a current cost comparable to interest and wages — the case of intensity of culture assumes a new aspect. Should the labor-capital cost rise, or fall, in some proportion, as by twenty-five, or fifty per cent, rent remaining constant, the point of optimum returns will be affected. This must obviously follow since the labor-capital cost plus the constant rent will bear a varying relation to the income obtained by the different degrees of intensity of culture after the former has been increased or diminished. Thus in the first part of the table following the best results were obtained with the intensity indicated in the fourth line, while after the rise in labor-capital costs the next less intensive application is the best.

Labor-capital cost	Gross returns	Rent per acre	Returns per dollar expended
\$14.00	\$35.00	\$10.00	\$1.46
15.00	37.00	10.00	1.48
16.00	39.00	10.00	1.50
17.00	40.90	10.00	1.515
18.00	41.50	10.00	1.48

Increasing the labor-capital cost by 50 per cent:

\$21.00	\$35.00	\$10.00	\$1.129
22.50	37.00	10.00	1.138
24.00	39.00	10.00	1.147
25.50	40.90	10.00	1.124
27.00	41.50	10.00	1.121

Not only does the rise in the cost of labor and capital result in less intensive farming as seen by the rise from the fourth to the third line of the above table, but the same influence is seen in the results of the first and second lines. The swing toward the less intensive is manifest in these as well as in the subsequent lines, there being a reduced advantage in each step toward the more intensive.

The results found by taking particular figures for the demonstration may be open to criticism. It is true the relations of the figures in the fourth column may be varied indefinitely by varying the relations of the numbers chosen for columns one and two. In some combinations the trend may be obscured, but in no case will it appear to lie positively in the opposite direction.

It is not forgotten that in these discussions concerning the results of changes in prices and costs on intensity of culture the solution of the intensity of culture riddle, as a practical problem, cannot be worked out as a mere arithmetical calculation. Even so, the influences of these supposed changes in costs would seem to be in the directions indicated.

B. H. HIBBARD.

UNIVERSITY OF WISCONSIN.

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THE FARMERS' INFLUENCE OVER PRICES*

By

B. H. HIBBARD

PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF WISCONSIN.

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The ability to exercise command over prices is the determining factor in the distribution of goods, whereby one class is enabled to rise to the higher levels of economic well-being; while the inability to command the price situation means eventual loss of such position, or failure ever to attain it. Probably no other class, or group, of people so great in numbers, with so high a level of intelligence, has during the past eventful century and a half remained so passive, and taken its share of the social dividend with such resignation, as have the farmers. Over a large part of this period it is almost as though the farmers' income were predetermined by the fates, and forecast by nothing more modern or reliable than the auguries. This extreme situation is more thoroughly characteristic of America than of some other countries, such for example as Germany, Denmark, and earlier, England.

The American farmer is undoubtedly the most individualistic citizen to be found in numbers in any modern country. His life and his contacts have contributed to the development of a spirit of independence which has long been his pride, and now constitutes his weakness. For more than a century following the Revolution the farmer was coaxed westward by free land, not appreciating that free land came near meaning free goods. The American farmer went through a long dreary period of ruinously low prices, after transportation facilities were ample; after cities had grown; after world markets had been brought within reach. Subsequently to the brief period of high prices following the Civil

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War the returns on farm-grown produce were unprecedentedly low. The explanation of this situation is obvious when seen in the perspective of a generation. It was simply and clearly competition. In proportion to the amount of food needed there was not merely abundance; there was superabundance.

The lure which the farmers followed during the last third of the nineteenth century was not so much that of farm products as it was the farm itself. Every pioneer hoped that the farm he acquired would soon be a valuable property, and the only reason these hopes were not realized was because they were shared by too many people. Farm products were kept at so low a figure that the farm itself had likewise to remain low, so low indeed that the average return to the farmer was hardly above that of the common laborer, and frequently below that.

By the time of the outbreak of the recent world war it was beginning to look as though a new era had begun. The Neo-Malthusians were pricking up their ears, and licking their chops in anticipation of a fresh portion of theoretical nourishment. Was it not indeed evident that even America had crossed the dead line dividing abundance from necessities, and that for the future food was to be dear. The farmers were praying for the fulfilment of the prophecy. Prices were in their favor as they had not been in a generation. It was believed that with a judicious use of the tariff the long-postponed period of agricultural prosperity might be ushered in, and might stay.

The war gave us a new view of the balance between food and the demand for it. No sooner had the price advanced than increased quantities were forthcoming. In some instances the increase was slight, in others great. The acreage of the leading crops, fifteen in number, increased 12½ per cent in two years. The increases in livestock were equally great. The farmer's purchasing power rose not only proportionally, but for a time even more. He needed no devices for influencing price levels. The price levels were taken care of by forces outside of and beyond his control. He began to think the millennium had come and undertook to make himself secure in the new era by bidding up the price of farm land. No sooner had deflation begun than the weakness of his position was painfully manifest. On the farms, or in close connection with them, about

one-third of the American people live. It is a matter of national concern that the buying power, never too large from the standpoint of the welfare of the nation, remains persistently below its pre-war level. For a time it was hardly above half that of 1913 to 1916. Now it is two-thirds. This means that in terms of groceries, clothing, implements, and whatever goes to make up the living of the farmer class, that the produce brought to market will exchange for two-thirds of what could have been had six or seven years ago. This is on the basis of wholesale prices. Retail prices are still further out of balance. The farmer comes to market with a basket full, and goes home with it a third empty. No longer is he complacent. He has worked as many hours as formerly; he has exploited his family in the traditional way; he has used his capital and his land as completely as in 1919. He receives pre-war prices, and pays prices still more than 75 per cent above the pre-war level.

Naturally and properly the farmer is asking in no uncertain terms, how this came about; how long it will last; and whether or not there is a remedy. The occasion for noticing the cause of the unbalanced condition is mainly in order to show the farmers' state of mind. The opinion is widespread that the slump in farmer prices was the result of concerted, malicious action on the part of bankers, packers and boards of trade. It has been explained by authorities great and small that the Federal Reserve Bank was guilty of too much liberality until 1919 and too much niggardliness since. It was free with loans while prices were buoyant, and discouraged borrowing when prices began to decline. Why retail prices broke first, why the farm products bought and sold on boards of trade held up for some months beyond those for which there is no future market, are left unexplained.

While the farmer is wrong in his explanation of why prices of his product fell first and farthest, he comprehends the fact that railway charges are about double what they were a few years ago. Labor in general, that is organized labor, has been deflated but little, and the great class of middlemen and professional men are getting their augmented portions, many with effort, others almost automatically. What deflation labor has experienced has been mainly in the form of unemployment, the rate of pay having de-

clined but little, and during recent months unemployment is decreasing, and the rates of pay creeping upward.

That labor is able to organize and maintain an effective monopoly is no longer an open question; it is a reality. Anyone who doubts this needs but to consider the wages received by the leading union labor groups. Approximately double the 1913 and 1914 wage rate is coming to be looked upon as the normal post-war pay of workers in the industries and in transportation. The pay received by the farmer for his efforts follows a different course, and apparently is governed by a different law. There is, however, no mystery about it. The labor groups, contrary to all the beliefs and predictions of a century ago, keep their wages close to the war level through limitation of output, effected by tangible means. The number of laborers in each trade is limited, and the work which a given laborer may perform in a day limited still more. Carpenters receive two and one-eighth times as much as eight years ago; miners twice as much per day; the whole railway employee list twice as much, and so following. The carpenters are not too numerous; the railway employees are not too numerous. The Federal Railway Board is able to approve of the status quo, and to agree from time to time that no reductions will be ordered until the following July. All of which means that the farmer, like the rest of us, pays double pre-war prices for houses, fuel, and transportation. The laborer sees red every time deflation of war wages is mentioned; the farmer sees red every time he looks at the balance in his account book.

The high price of labor enters into substantially every commodity and service. The leading item in the explanations offered in defense of high prices is the cost of labor. Lumber is dear. But at once it is shown that the lumberjack gets \$50 a month, board and lodging; the latter items costing not less than \$20. The freight rate is high because railroad costs, half of which are labor, are double those of a few years ago. The local lumber dealer meets all objections to complaints against the charges for his services by showing that he pays out \$100 for getting work done which a short time ago cost \$50. Coupling these costs with carpenter wages completes the cycle, and a dwelling house, or anything else made of lumber costs double the price of seven years ago.

The middleman passes the shock which he receives on the one hand to those with whom he deals on the other,

and is little the worse for having acted as a transmitter. The manufacturer, whether he makes what we must have because of hunger and cold, or what we must have in social self defense, is able to save himself in large measure because he is not compelled to produce at any given moment, or in any foreordained amount. The manufacturer of leather goods was able to stop buying leather two to three years ago; the manufacturer of leather promptly reduced his bids for hides from 10 cents a pound to 2 cents. The packer made a corresponding reduction in the price of cattle. Thus the shoe manufacturer had little stock on hand when prices fell; the leather manufacturer had little on hand; the packer had much on hand, for a great portion of which he had paid almost nothing; while the farmer received for his cattle hides nothing at all, the hide, as it were, going with the tail. The farmer is thrown out of line because there is nobody beyond him to whom he can transmit the shock. In physics the same principle is illustrated by hanging a number of balls, attached to strings, in a row. By striking one of the end balls it will be seen that it hardly moves from its position, nor do any of the others until the one at the end is reached. This one flies out into space a distance determined by the force of the blow. The farmer is the ball at the far end and does not show signs of returning to his former position as promptly as does the ball in the physical laboratory experiment. How to regain this position is the problem not only of the farmer himself, but a problem likely to concern many non-farmers more than has yet been the case. What has happened is a shifting of margins, costs and incomes, in which the farmer is the loser. What can be done about it is becoming a vital national question.

Prices, so far as any one social group is concerned, may be influenced in some half dozen different ways. (a) By accepting the central market price, fixed by impersonal economic forces, and getting the largest possible share of it through economies in methods of bridging the gaps between producer and consumer. (b) By changing the price level. (c) By changing the demand for the goods in question. (d) By eliminating some portion of the competition among producers, as by a tariff. (e) By establishing a private monopoly. To these may be added still another, opposite in the direction of effort, but the same in outcome so far as the

individual is concerned, that of lowering cost of production.

The first method, that of reducing costs and margins in marketing, has been tried from time immemorial, and will always remain but partially solved. On this stronghold the forces of the Grange, the Alliance, and several of their successors have broken. Even so the successes attained in influencing prices received by farmers have been achieved mainly through cooperative effort, the roads to market have been shortened, the number of hands through which goods pass have been reduced. The gain has been first to the farmers, and in many cases has later been shared by the consumer. More oranges have been marketed by the California Fruit Growers' Exchange, and undoubtedly the prices, one time with another, are less than would have been the case under the private management of the citrus fruit market. Cooperative elevators of the grain regions have for twenty years effected savings of several cents a bushel on grain but it has not made grain dearer. It has, however, put more money into farmers' pockets, partly by reducing the margins of grain buyers, but more by eliminating wasteful competition, substituting economic units for uneconomic units, to the ultimate advantage of all. So long as these cooperative companies do not control the major part of the product in which they deal they can not be indicted, much less convicted, on the charge of running a monopoly. The monopoly phase of farmer organizations will be noted later.

Through cooperative effort, the balance of accounts may be changed in the farmer's favor. As a means of adjusting the discrepancies such as now exist between farmers and the general industrial forces it is inadequate. Even were the farmer at the present time able to get all of the central wholesale market price for wheat, milk and potatoes, he would still earn less per hour than the man who, after seven months' apprenticeship, repairs his automobile.

This suggests the second remedy, that of changing the price level. The price level expedient has its advocates ranging from Professor Irving Fisher to the recrudescing Greenbackers of the present Congress. Within this wide range are to be found those who believe that the deflation of the farmers' prices was maliciously brought about by a change in the Federal Reserve discount rate, and those who, accepting the evidence of facts, recognize the failure of the

demand, the relative overproduction, and the weak position of the farmer in making readjustments. The scientific advocates of the stabilized dollar do not propose the plan as a remedy for an acute situation such as we now have. The purpose of the stabilized dollar is to avoid the ever-recurring cycles in which all classes of producers are involved. The difficulty now is the advantage and disadvantage respectively of the several leading groups of producers. The stabilized dollar would not, and could not, prevent the strongly organized class from getting an advantage over the weakly organized class.

Any plan, however successful, of changing the general level of prices would fail in the crucial test since it would raise, or lower, all prices simultaneously. What is needed is not primarily inflation or deflation. It is a restoration of an economic balance. Should our paper money philosophers of the Senate succeed in inducing Congress to print enough more money to raise the level of prices to any higher point they must remember that it will inflate retail prices and wages, just as surely, even though a little more tardily, as it will raise the prices of farm produce. It will create all manner of inequalities as disturbances of price levels always do, but the belief that it will act as a specific for the present ills is absurd. The faith which many of our agricultural writers have in a restoration of the price level to a higher point seems to ignore the patent fact that the farmer is not suffering from the decline of general prices primarily, but from the decline of his products below the general level. Of course the changes in the general level affect the size of outstanding obligations, and to the extent that the farmer is in debt, he is hurt by falling prices and helped by rising prices. To reflate for the purpose of this relief is however like exposing one's self to the small-pox in order to enjoy the chance of effective vaccination. The hazards are multiplied more rapidly than are the safety devices. For the complex ills attendant upon the present lack of balance among our producing classes the paper money medicine men will have to be classed with all other bootstrap uplifters.

Third in the list are the advocates of a change in the demand for goods. The cranberry growers use the suggestive name "Eatmor" as their leading brand. "Uneeda Biscuit" has been believed by a large enough number of people

to bring the desired revenue to the manufacturers. The "Sunkist" orange has undoubtedly helped in popularizing the product of the orange orchards, and the advertising of milk appears to be producing results in an increased demand at a somewhat better price. Who has the courage, however, to hope that any system of persuasion will increase the aggregate amount of food consumed? The demand for the great bulk of farm-grown product is inelastic.

Fourth in the list are the proposals to appeal to the State. Of these there are at least three. The plain fixing of prices comes first and is the most naïve. If the Government could fix the price of wheat for the years 1917 to 1920 why not always? The fixed price, though not satisfactory at the time, has looked good in perspective. But price fixing appeals to those only who imagine that what can be done during a war can also be done in time of peace. The price fixer believes in a fair price, a term which has served to cover chasms of ignorance. A fair price must of necessity be a price fixed by authority. As popularly used it is not such a price, though just what it is few have seemed to know. May I venture to suggest a definition: At any given time a fair price is about ten per cent more than you can get.

Another appeal to the State is made by those who have lost faith in the ability of farmers both individually and collectively and turn to society for a solution. It is proposed that the State take over and run packing plants, elevators, mills, warehouses, and, in part at least, the banks. These people have lost faith in private enterprise with the State acting merely as umpire; have forsaken voluntary cooperation as the way out; and call on the non-farmer to take a hand in the solution of the farmer problems. While the non-farmer would be in a small minority in some of the grain-growing States, in others, like Illinois or Minnesota, the non-farming population would be in control. To guard against this contingency it is proposed to unite with labor, and so present a solid front against big business. The laborer and the farmer are to settle the question of prices on the basis of what the farmer in fairness ought to receive, and what the consumer ought to pay,—another case of the lion and the lamb lying down together. The experience in State ownership and operation of industry may well give us pause in accepting the plan as a panacea. If, forsooth, we fear to take over the railroads in which manufacturer,

laborer and farmer are interested, whose interests in the main coincide, how can it be hoped that a business in which one-third of the people are to prosper by keeping prices up and two-thirds by keeping them down can be handled to the advantage of the one-third? While an insignificant portion of the business is done by the State it may not result in an issue, and incidentally economies may be effected. If the program becomes general the advantage will be absorbed by the operators, society, and the farmer will get the world price for his wheat—exactly as he can now.

Still another proposal, which has reached the stage of a bill in Congress, is that the Government should buy the surplus of leading crops such as wheat and cotton. A price would be set months in advance at which this surplus should be bought, and since any given quantity as well as any other might be a part of the surplus no purchases could be made below the price set for the surplus. The Government, it is proposed, should tax back its losses onto the growers in the final settlement with the net result that the consumer would have to pay a price fixed on the basis of the quantity needed, while the lower world price would obtain on the amount sold abroad, instead of on the whole crop. This is at least an ingenious plan, perhaps properly called a scheme, whereby we would compel the working of an all-around tariff, since of course a plan of this kind would fail utterly without a tariff. The price paid for produce under this scheme would be set by a board. Just how Congress would resist the importunities of other producers who would find their prices unsatisfactory is not revealed. Should Congress undertake to buy all surplus, and through a board, or boards, set all prices it would lead us to conclude that in comparison with the difficulties here involved the theoretical objections to socialism are as "dust in the balance."

The fifth hope is that of a nation-wide pool, operating much like a monopoly. Operating after the manner of a monopoly, so far as outward appearances are concerned, does not, however, identify an undertaking as a monopoly. For example, the raisin growers have for some years marketed the bulk of the raisins. A case was brought against them charging violation of the anti-trust act. The publicity afforded brings out the fact that the company has control of the bulk of the crop. It projects a price, or scale of prices, over the season of sales. This is what is superficially

seen. It looks much like monopoly, and possibly for the season it may technically be such. However, that which is not so clearly seen is that the growers' company has no appreciable control over the supply which it puts from year to year on the market. A given quantity of goods during a season will bring about what the demand for the same will stand whether offered by a group of producers or a group of dealers, each acting in its own interest. The real question is who gets the money. There is no evidence to show that the consumers are paying more for raisins, prunes, or apricots than would be paid were the cooperative companies to disband and independent dealers take charge of the produce. The good prices which they may receive stimulate a further production, and the larger quantity must bring a lower price per unit.

The charge of a farmer monopoly was perhaps loudest against the milk producers. In a few instances the officers of milk producers' companies were put in jail. In other cases Attorneys General camped on the trail of the farmers with the persistency of crusaders. The law was to be vindicated. One is tempted to suggest that these law enforcers had not met with much success in former efforts. In hunting big game they had met with discouragements only. The farmers appeared as smaller game easily bagged and the chance of bringing home at least something in the way of trophies was stimulating.

The real question that required an answer was whether or not the farmers were to enjoy the privilege of collective bargaining. A law was recently passed granting that privilege, and great legal authorities have been disturbed over the prospect of exorbitant prices of foodstuff exacted by farmer monopolies. Every farmer monopoly, so-called, carries within itself effective antidotes to its own poison. It is of trifling importance that here and there a farmer marketing company may be able to get all the traffic will bear out of burley tobacco, raisins, or eggs; but that these organizations can have price-making power inimical to the interests of the public, or even price-making power beyond what would obtain through the operations of market forces, has not yet been demonstrated. That the farmers will be able to create a monopoly control of wheat, pork, beef, milk, or potatoes, comparable with the control now existing in the labor market, or in the anthracite coal business, is about as probable as peace in the Balkans.

The improbability of a genuine farmer monopoly, outside of a very few unimportant fields, is based on the very nature of the business. There are too many farmers, and immediately the interest of one runs contrary to that of the group. If the majority agree to grow few potatoes it is a signal to the minority to plant more. Again the weather is a factor as important as acreage, since the rain makers are not fully established and accepted, and no one has even attempted to stop the rain when there is too much. All of which spells disaster to the closing of the farmer monopoly circle.

A favorite means of influencing price in a wholesale manner in which the farmer has put his trust, is the tariff. No economic question is more complex; no political question more simple. A candidate gets into Congress by advocating a tariff on agricultural products; gets the tariff by voting for duties on manufactured goods; and holds his position because no one can demonstrate its ineffectiveness. A tariff on agricultural products has about the same relation to a tariff on manufactured products that an LL.D has to a Ph.D. To the contention that within ten or twenty years we shall be importing food it may be replied that in view of this prospect an agricultural tariff ten or twenty years from now might be effective.

A half truth is always harder to down than an outright falsehood. In the case of the tariff on agricultural products one cannot say that it is ineffective since it does produce some effects. No one questions the operation of a tariff on sugar or on wool. But to reason by analogy that tariff on wheat is beneficial to the wheat grower, or on corn to the corn grower, is to beat the tom toms.

Mention may be made of the appeal for cheaper credit. This appeal takes two forms. The first is for credit for farmers so cheap as to constitute a subsidy and induce greater production in the interest, not of the farmer alone, but of society. The more reasonable proposal is for such changes in credit facilities as are needed in order to give the farmer as much and as favorable credit in proportion to his needs as other business men are getting. To the latter proposal there is no objection. It is imperative indeed that it be done. However, cheaper credit is no cure for the farmer's ills. It is like lending to a man who is being systematically robbed. It may please him at the time, but fails.

both to restore his goods or stop further loss. What the farmer needs now is not a loan to make up his deficit for the moment, which must be paid back later, both principal and interest. True enough the loan may be needed, and it may be of great help, but a solution of the malady it is not. It is much like giving a crutch to a man with a broken leg. No doubt a good thing, but of much less importance than surgical attention. The farmer has need of the crutch, but he should not be left a cripple for life, making the crutch a permanent necessity.

Having rejected one by one as inadequate the whole medicine cabinet of remedies and nostrums, must the conclusion be that the case is hopeless? So far as any quick and painless method is concerned it unquestionably is. The real trouble with the above prescriptions is that one and all they are written without any close attention to the troubles they are designed to cure. It is necessary first of all to see why the farmer is in economic distress. Moreover, the diagnosis is not a very difficult one. In the years 1916 to 1920 inclusive the customers crowded the farmers' counters for goods, paid any price, and paid cash. It was a sellers' market. The energy of the whole western world was centered on war, and its immediate after effects. The regular sources of food supplies were shut off. The future was mortgaged for purchasing power, old securities were sacrificed, bonds were issued, chattels were sold. The farmer was urged by prayers, patriotism, and profits to produce to the utmost, and produce he did. All of a sudden his customers left him, some because they could buy at lower prices elsewhere, others because they were cultivating once more their old fields, and still larger numbers because they were bankrupt. That they were, and still are, hungry and starving is of secondary consideration. The purchasing power is wanting.

Still the farmer continues to produce. Providence has afflicted him with crops of unusual magnitude. The results are inevitable and their explanation requires no occult power. During the war we ran short of houses, furniture, and machinery. The capitalists are playing a conservative rôle and holding much the same position as in former years. The laborers seeing that their contributions are indispensable are meeting the situation effectively by putting upon the market no more of their wares than will be taken at a

predetermined price. They are acting in a perfectly logical, perfectly selfish manner. The farmer having no means of limiting his output throws upon a glutted market a mass of goods not keenly wanted and wonders and complains at the ruinously low prices paid. The logical way to make farmers prosperous is to lessen farming, just as the coal operators are prosperous because there is too little, not too much coal above ground.

The prices of farm produce may be influenced fundamentally only by conformity to economic law. In spite of all advantages to be gained through improved marketing, and they are many; in spite of economies in production, and they will always be basic in farm prosperity; in spite of whatever merit there may be in improved credit, and the tariff; in spite of all these it will be necessary to balance agricultural production against the demand for it. No doubt this is a truism, but no doubt also it is not appreciated. A wider market offers relief, and a wider market is available, but not easily so. For years we have sent our surplus agricultural produce to Europe. Now Europe is in debt to us and we are saying to our debtors that the obligations must be paid, but not in goods, presumably then in cash. But Europe has goods, potentially enormous quantities of goods, but no money. Our drum-beating nationalists are determined that the goods shall be kept out, and the cash demanded. The advantage of the exchange of goods for goods is denied and mercantilism, thinly disguised, is paraded as the most modern doctrine.

The program that would bring the greatest relief to the farmers would be for a fifth of them to leave the farms, and break into the better paying professions, trades, and businesses. Those leaving might be no better off, but this would at once weaken the power of the groups holding prices up artificially, whether they be laborers or capitalists. If a dollar an hour is too much for the man who repairs automobiles, more farmers' sons going into that line of work would bring it down, and incidentally increase the rate of pay to those remaining on the farms. In reducing the number of farmers relatively, and it must take place before prosperity returns, it would be fortunate indeed were some plan devised whereby those on submarginal land might be removed first. The help of the State should be enlisted in this direction. It is actually being done in Michigan and in

Alberta. Many of our States are still begging for settlers, and recommending their untilled acres. It is unusual for the State to use its influence or its money in helping people to get off of sub-marginal land. Why it is not as well within the sphere of State activity as to assist settlers to get onto such land is not clear.

The counter-part of the same program is the rehabilitation of the buying power of Europe. Could this be accomplished and in some degree it is clearly feasible, the farmer would be the first and greatest gainer, since food is what Europe most needs.

The decrease of production and enlargement of the market are major considerations, and the plans for carrying them out are above and beyond all questions of petty politics and immediate advantage. They call for statesmanship in the formation of policies and likewise in their execution. In these considerations are involved such fundamentals as land utilization, land settlement; immigration, and trade relationships. All these matters are constructive. Not so clearly so are those relating to the unduly large share of the national dividend at present going into the payment of wages and monopoly profits. Monopolies must, eventually, be socially controlled, or the farmers and with them many others will be reduced to peasantry, or its equivalent. Unless intelligent direction or economic harmony, or both together, restore the farmer's buying power within a short time he must of necessity reduce his standards of life, a national calamity.

More immediately must we recognize a class struggle between farmer and laborer at the very time when they are courting each other? All sentiment aside, whenever the farmer rebels, as he properly should against freight rates, the price of lumber, the cost of a suit of clothes, a Wilton rug, or barn fixtures, all of which are double the prices of 1913, he will find that the cause of the high price is primarily labor. The philosophical question is whether labor can succeed in reducing the standard of living of the farmer class; the practical question is whether the farmer will come to see the cause of his financial distress, and act accordingly. Organized labor has successfully resisted deflation thus far. Unorganized labor has little power of resistance. Even so, farm labor is higher relatively than farm products, and will manifestly remain so during the coming year.

The farmer would be unwise to attack labor directly. Neither is it true that organized labor in general is paid too much. The serious question is whether from the national standpoint it is either possible or desirable for organized labor to hold the prices of goods and services at a point 77 per cent above the pre-war level. Is enough being produced to warrant such payment? Can the level be maintained with the purchasing power of the farmer so out of line? In all reason the present condition cannot last, or should it last, it means that farmers will accept a lower scale of income and become inured to it. An attack on railway rates and the prices of manufactured goods is in order.

Some amusing articles appeared a year or two ago entitled: "What If the Farmer Should Strike?" The sort of strike there considered is about as likely as snow in summer, and as pleasing as rain in harvest. However, another sort of strike he cannot stage too soon: a buyers' strike against goods and services relatively twice as high in price as his own. It is a painful method, but the sooner it is done, the less will the farmer class sink in the scale of living.

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THE RELATION OF GOVERNMENT TO
AGRICULTURAL MARKETING

BY

B. H. HIBBARD

PROFESSOR OF AGRICULTURAL ECONOMICS
UNIVERSITY OF WISCONSIN

AN ADDRESS
BEFORE THE
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THE RELATION OF GOVERNMENT TO AGRICULTURAL MARKETING

B. H. HIBBARD

Professor of Agricultural Economics, University of Wisconsin

IT may be taken for granted that the general facts concerning the relation of government to marketing are fairly well known. That is to say, there is a reasonably clear understanding on the part of all concerned respecting the important part which the government has come to play within the general field of marketing, such as that done through the Interstate Commerce Commission, under the Food and Drugs Act, and the further control over a multitude of marketing functions exercised by the Department of Agriculture. The standard package, the distinct labelling as to ingredients and quantity, and the exclusion from the market outright of many undesirable adulterations have given the purchaser of goods a protection which competition among buyers, and information among purchasers, with all due respect to Adam Smith, had failed dismally to accomplish.

Twenty years ago it was the firm conviction of substantially all interested parties that farm produce with the exception, possibly, of the cereals and cotton, could not be standardized to such an extent as to permit sales without inspection. At the present time so much has been accomplished in grades and standards that the question, outside of the highly perishable products, has come to be whether or not there are any important farm products which will not soon be known by definite, dependable, grade designations. For instance, the grades of potatoes, of apples, and even of hay, are assuming an importance deemed impossible only a decade ago. The counterpart of these improvements is control over the agencies handling the goods. Through the Warehouse Act by which better storing and financing is made possible, the Cotton Futures Act, the Packers and Stockyard Act, and the Future Trading Act, broad powers are given to the Department of Agriculture over some of the most vital of the marketing pro-

cesses. A mere catalog of the many developments of governmental influence and action in the field of marketing agricultural products would cover the major portion of the space allotted for this paper. Hence we will turn our attention to some of the more important policies, some of which have resulted in legislation, others not.

Direct Control

At the close of the war we had left over as a legacy the policy of government control of a few prices. The outstanding instance of the fixed price was that for wheat, yet for a year and a half following November, 1918, the price was above that set by authority. With the sudden deflation in 1920 a demand for the renewal of price-fixing became prevalent in the districts suffering the greatest hardships due to low prices. In both Australia and Canada the compulsory pool under a government board has been attempted. In neither case has a signal success followed. In fact the plan in Canada is meeting with so many difficulties in the initial stages as to make it doubtful that it will ever be given a real trial. Thus government price-fixing and likewise compulsory pooling under state direction seem to be in the one case unworkable, in the other politically infeasible, and probably also unworkable were this disability overcome. Price-fixing is not compatible with free economic development, and pooling must be left to cooperative groups.

The third, and most persistent, form of direct control is one which is highly theoretical and artificial, since there has been no instance in which it has been tried. It has, however, reached the stage of a bill in Congress, and is receiving consideration by the present administration in view of its political possibilities. Briefly it proposes the promulgation of a price at the beginning of a crop season, i. e. just before harvest, at which the government agrees to buy all the produce, some four kinds, ten or eleven months later. If, for example, the price of wheat be set July 1 at \$1.50 no one will sell wheat appreciably under that figure during the season. By the end of the year the government will have bought the exportable surplus at \$1.50, and the American public will have secured its needed supply at the same figure. The government must

sell its holdings abroad for whatever it can get, say at a loss of fifty cents a bushel on 250,000,000 bushels, amounting to \$125,000,000. The payments to the farmers have not been quite all in cash, certificates having been used for the last twenty-five cents or such a matter. After the loss of handling is known the value of these certificates will be computed, and found to be, perhaps, fifteen cents. Thus the farmer actually receives around \$1.35 instead of \$1.00 on the open world market. The bread eaters have paid the 35 cents additional, but since the basic \$1.50 was found by the use of an index number of prices of general commodities it will appear that there should be no complaint. The farmer is being paid in the same coin as are artisans and business men. The friends of this scheme claim that it is in harmony with the principles of the tariff, and should therefore be acceptable to Americans. They forget that the tariff is not voted in the form of an addition to price, and that its advocates have thus far been able to make the populace believe that no one really loses through its action. In this plan of raising the price of farm produce it will be unmistakably plain that the laborers' bread has been increased in price in the interest of the farmer, while the indirect effect in the form of a greater demand for goods sold to the farmer will serve poorly as an offset. Since this plan is not in effect, and not likely to be adopted, no further refutation of its bizarre claims need be given at present.

Although not initiated since the armistice, and not undertaken by the federal government, the spectacular effort at direct control of marketing in North Dakota should at least be mentioned as one of the possible, even actual, relations of government to marketing. Here the state owns a terminal elevator and two flour mills. The plan was, rather than is, to take over all the machinery of terminal marketing of grain and livestock, together with the manufacturing processes of making them respectively into flour and meat. Political dissensions have curbed the aspirations, and at present the plans for expansion are quiescent.

Indirect Control

In no fewer than five ways the government has, within a few years, undertaken to influence prices through the use of its

authority. These are: the regulation of important marketing agencies such as the packers; the specific limitation of certain practices such as the dealing in futures; the modification of freight rates in the interest of the producers; the limitation of certain middleman charges; and last but not least the enactment of a tariff.

In the summer of 1921 Congress passed the Packers' and Stockyard Act. It has been held constitutional and is in force. This act resembles the Decalogue in many particulars. In the first place there are some ten "thou shalt nots" directed in no small measure at trespasses which may indeed exist in the minds and hearts of the packers, like covetousness and desire in many unconverted citizens, but of which they have not been convicted. The packers are enjoined from unfair, unjustly discriminatory, or deceptive practices; from manipulating prices or creating monopolies. Commission men are commanded to establish, observe and enforce just and reasonable rates for their services. Popularly the packers are supposed to have broken all moral laws daily in their dealings with the farmer. They have been persistently accused of manipulating a monopoly which doles out a shamefully low price to the western farmer and exacts heavy tribute from the eastern consumer. The government spent a mint of money some twenty years ago in an investigation of the practices of the packers, published a shelf-full of hearings and findings, and acknowledged, perhaps not officially, that the charges, while probably true, were unproved. More recently the Federal Trade Commission brought out a severe indictment of the packers and their practices, though nothing came of it, except, perhaps, sentiment making the present act possible. The Packer Act is not to be despised or treated in a light vein. Manifestly it will fail in most of its counts against unprovable sins, such as price manipulation. On the other hand it does one thing never before accomplished. It provides for a representative of the government at each great market, giving him the right to know what is going on. Thus for the first time the government is enabled to get information at first hand concerning transactions which have been, presumably, carried on in the dark. A few points have been made: for example, farmers' cooperative companies have been given recognition, and boycotts against at least one of them stopped.

The companion piece to the Packer Act is the Grain Futures Act passed, likewise, in 1921. It has been in force for just about one year. No body of men outside of Wall Street and the Standard Oil Company have been more persistently accused of economic piracy than have the members of the grain exchanges. They are accused of a whole docket of sins but the unpardonable one is ever and always that of dealing in futures. Without exception every farmers' organization of the general type, such as the Grange or the Farmers' Union, has denounced dealing in futures in vigorous terms. The belief is widespread, even general, among farmers that the boards of trade have the power of life and death over the producers of cereals, through their power to put prices up and down at will. Especially is it believed that they depress the prices of cereals in the fall, and in the spring, after the farmer has sold his crops, raise them correspondingly. Were this half as true as it is believed to be all we should have to do in order to become independently rich would be to buy wheat in September and sell it in April. However, the Future Trading Act does not forbid futures. It does forbid the sale of "privileges", "bids", "puts and calls", and a few more practices of a similar nature. Like the Packer Act it allows the government to station an agent at the exchange. This will mean that eventually we shall have better testimony concerning the workings of the exchanges than has yet been available.

Incidentally it may be remarked that there have been no startling reports or even rumors, coming from the agents of the government stationed at these markets, and furthermore that both wheat and hogs are lower in price than a year ago. These facts do not in any sense condemn the laws. It may be that prices are even a shade higher to the farmer than they otherwise would have been, and this without a corresponding increase at the wholesale point.

The experience of the past few years emphasizes the power of the state over agriculture through control of freight rates. The whole agricultural map of the United States is being slowly remade on account of the increase in freight charges. Unless something is done about it before many years the East will produce more bulky crops, and the West and South more concentrated products than formerly. High rates mean a

short haul for the goods low in value per pound, and a long haul for the goods high in value. Here is a responsibility which has been met in a halting manner. It costs the farmer of the Middle West about twice as much to get his produce to market as it did before the war, yet the price paid him at the primary market is hardly more than in 1913, even less than at that time in some cases. All this means a redistribution of wealth among farmers. America has been developed on the basis of long hauls at low rates. To change this, as was done, suddenly, is a matter of gravest importance. The country should recognize the vital demand for a solution of the transportation question. In this sphere the relation of the government to marketing is close and unmistakable, but thus far unfortunate, without, however, any culpable blame on the part of the government. While modifications are possible, even imperative, there can be nothing signal accomplished while labor receives substantially the figure corresponding to that of the period of greatest inflation. On this score the government is necessarily weak, and the farmer meets the issue by lowering his standard of life.

During the war the government undertook in many instances to limit the margins charged by middlemen. With the close of the war this policy was dropped. In Canada, however, there has been in vogue for some years an important plan designed to help the farmer solve the marketing riddle. The margin permitted the local grain-elevator company for its services has been definitely limited to one and three-fourths cents a bushel. This was done in the interest of cooperative companies but it has been found to work against them in many instances, since under unfavorable circumstances, it is often impossible to run at that figure. The arbitrary limitation of a middleman charge is a two-edged sword. If set too high it becomes an excuse for an undue margin; if too low it cuts off part of the needed service by making it impossible to do business.

The last topic to be considered under indirect control of price is the tariff. No sooner had the war ended than the inevitable clamor for protection arose. We had been on a free-trade basis, respecting nearly all agricultural produce, but with the opening up of traffic with the ends of the earth it was

at once evident that the prices of 1918 to 1919 were bound to tumble. The farmer had come to believe that a tariff was efficacious in raising the prices of steel products, of textiles, and of boots and shoes. Why then would it not perform a like service if applied to wheat, corn, butter and pork? Of course it is effective in relation to wool and sugar. Just how an import tariff on an exported article is to raise the price has not been revealed to any careful student of the subject, but to the candidate for the Senate from a northwestern state it is as visible as the traditional band wagon, or as a drum-major in a parade. It does not occur to these gentlemen that it may well happen that wheat may, because of a tariff, be lower at some western Canadian village than across in North Dakota without contributing to the higher level in the latter market. In other words it does not seem evident to many of our politicians that so long as we are on a world-market basis the exact amount exported is of minor moment.

The alacrity with which the Congressmen of the manufacturing districts took off their coats and came to the farmer-tariff log-rolling furnished a scene to be remembered. Only one item of any importance was omitted. We have no tariff on upland cotton, yet it might have been had for the asking, and the present price of cotton has been cited to prove its value. The wool tariff is doing its duty in keeping the price of wool high. Sugar has shown its independence of the amount of protection proffered and risen superior to it. In the case of certain grades of our hard spring wheat there is normally a shortage, hence protection actually operates in keeping the differential between this and softer wheats wider than it otherwise would be. On such important products as the bulk of the wheat, corn, hogs, beef cattle and dairy products the tariff schedules are about as important as were the incantations used in the manufacture of the Damascus blade. Similarly the farmer believes in the tariff as the smith who tempered the steel in the ancient shop had faith in incantations. The relation of the government to marketing with respect to the tariff on agricultural products may be flimsy from the standpoint of economic reasoning, but viewed politically the relationship is a powerful one.

Financial Assistance

It is well known that during certain times of every year, and sometimes throughout the year, money for moving farm crops is hard to get. Congress came to the rescue in this particular, subsequent to the beginning of the present agricultural depression, by continuing the War Finance Corporation, and extending its powers. During the year 1921-1922 this corporation, with almost unlimited funds at its disposal, furnished over a third of a billion dollars mainly for agricultural purposes. There is no way of finding out exactly how much of this amount was used for marketing, but it is clear that a large part of it was so used. Much of it was lent to marketing companies direct, and any farmers' marketing company in good standing was able to get what it needed. With the organization of new credit facilities, provided for in the acts passed in March, 1923, the occasion for direct loans of government money are presumably past. While it lasted, as an emergency measure, it was one of the effective means of preventing greater disaster during the period when financial wrecks were frequent even in the conservative field of agriculture.

While it has never been the policy in this country to subsidize farmer marketing companies, it has been proposed, and in Canada it has been done. In Alberta and Saskatchewan government money was lent to local cooperatives with which to build elevators. In Manitoba the government built, and for some years owned, elevators. These have since, with few exceptions, been sold to a cooperative company. In the United States the raising of the funds for building the elevators has not been a determining factor in their success or failure.

Legal Relations

The passage of a law for the purpose of giving the farmers' marketing companies proper standing legally, and protecting them from the charge of conducting monopolies, was a real step in advance. For years there had been a question as to the right of the farmers to combine for selling their produce. It was held that the combinations were in restraint of trade. On several occasions farmers were thrown into jail, and subjected to long, tedious legal trials. In no case was the prosecution able to prove that the farmers were conducting a

monopoly, and for a very good reason, since they were not. The explanation of freedom from guilt with respect to monopoly does not lie in the good character of farmers as compared with anthracite coal producers, so much as in the fact that there are over six million of the former, and hardly over six of the latter. The government has merely recognized, not created, the situation. Since the laborers asked absolution from the action of the anti-trust act, they have proved their ability to form a monopoly so effective as to become the envy of most capitalistic undertakings. The farmers have on a few occasions created the shell of a monopoly, but always, and necessarily, with the kernel lacking. In spite of a very formidable-appearing article published in the *Atlantic Monthly*, February, 1921, under the title, "The Menace of New Privilege", there has thus far appeared no manifestation of it. The legal immunities and privileges granted the farmers may help them to make reasonable bargains in the sale of their produce. They can never provide them with the elements out of which monopolies are made. A series of legal decisions have given the farmers' companies a standing which they have never before enjoyed, mainly with respect to the right to enforce contracts with their own members.

An important point in the relation of government to marketing may be mentioned in passing—the enactment of a great number of state laws providing the legal machinery for cooperative marketing. While these are not revolutionary, they are convenient, and helpful.

Readjustment of Supply

The real trouble with the farmer, beyond all others combined, is his inability to reduce his output with the fall in demand. No matter in what terms it is put, the sum and substance of the farmers' lack of prosperity during the past three or four years is over-production. It may be that more food than ever before is needed in accordance with the number of people. The nightmare of Europe is people without food, with us it is inability to digest the food we have. There is too much of it.

The government is concerned over the surplus of agricultural produce, especially wheat. To urge a lowering of

production is hardly within its province, yet with good grace it can suggest turning from one product to another. Under strong political pressure the government has recently advised a radical reduction in the acreage of wheat. It is quoted as favorable to a cut of twelve million acres, presumably enough to take the wheat farmer off the world market. Since the government has no power of bringing such a radical result to pass it can perhaps afford to acquiesce, or play even a somewhat active rôle in a comedy of this sort. It can hardly do any harm; it will please many farmers; and it might even, temporarily, be of service in persuading farmers to take a second thought respecting the most conspicuous item in over-production.

Information Furnished

Undoubtedly the most important work of the government in the field of marketing is that of furnishing information. First in this field comes the crop reporting. With all their imperfections, the reports on crops are easily among the most fundamental undertakings of the government. On their findings the market levels depend more than on any other one influence. If proof of this is needed note the sudden rise or fall of cotton or wheat when the final estimates for the year are made public. Within recent months there have been both sudden up-turns and breaks due to a revision of the government estimates. If the somewhat radical revisions suggest imperfections, the effect of them merely emphasizes the importance of greater effort at reliability. A new phase of crop estimates promises to attract unusual interest. This is a report put out just before planting time of "intentions to plant". Should this develop into a widely accepted branch of the service it might result in many revisions of intentions. At least the wiser farmers could profit by it.

The work of the government in furnishing estimates of acreages and yields is not a new development. Since the armistice a comparatively new duty has been assumed in estimating as nearly as possible the demand and supply of products in the leading foreign countries. With the statistical service of these countries broken down, the only feasible means of gathering information has been to employ the scout method of survey.

During several years the scouts of the Department of Agriculture have been working in the leading countries of continental Europe undertaking to discover as definitely as the circumstances would permit the probable rate of recovery of agricultural production, the amounts likely to be for sale, and the probable demand. In the more restricted field of manufacture, as for example with self-binders or tractors, the interested parties are able to find out without government aid almost the exact number of machines made, the number sold at home and the number exported. With these data at hand an estimate sufficiently accurate, with perhaps the help of some of our foreign consuls, can be made. Concerning agricultural demand and supply the information available to the farmer through his own efforts is hardly worthy of the name. The collection of information at home and abroad, the daily touch with markets, and the broadcasting of reports but a few minutes old, are developments which will tend to put agriculture on a basis enabling it to compete successfully against other callings for the share in the national dividend to which it should be entitled.

Government Influence Necessarily Limited

The experience of the past few years emphasizes the limitation of the government in the field of marketing. At the same time it shows the great possibilities within certain well-defined spheres. Millions of dollars are being spent annually by the federal government and by the states and state colleges in promoting good marketing, but more and more it is becoming evident that the duty of the government is to regulate the practices of men and companies engaged in marketing work wherever and whenever it appears that competition alone cannot be trusted to insure a square deal; to furnish systems of weights, measures and standards; and to stand by and see to it that the marketing game is fairly played.

In an even more tangible way the government has assumed the duty of financial aid, both direct and indirect. Within the past six months the new agricultural intermediate credit banks have loaned thirty-two million dollars, three-fourths of which have gone to farmer marketing companies. Curiously enough, the demand has been much stronger for loans in the

cotton and tobacco districts where prices are high, than in the wheat and livestock districts where they are low.

A further step has been taken by the federal government in the form of reports showing the facts surrounding the marketing of produce of many kinds, and studying and describing the type of cooperative companies in the field and the success attained or failures made by them. Regulation, information and education are the great spheres of action for federal, state, and state college endeavor in marketing. Instead of bidding for certain trouble by undertaking to market goods for some of its citizens, or subsidizing groups aspiring to reform marketing methods, thereby becoming a party to a controversy with grave prospects of mistakes and disaster, for which it would never be forgiven, the government is wisely choosing the larger, more fundamental work of intelligent guidance through education and information, and such legal protection and opportunity as seems to be needed in order to allow farmers a fighting chance to win their battles. The government can be a good trainer or a good umpire; it can hardly become one of the main participants in the marketing game.

6908

LEGISLATIVE INTERFERENCE WITH
AGRICULTURAL PRICES



BY

BENJAMIN H. HIBBARD

PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF WISCONSIN

AN ADDRESS
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LEGISLATIVE INTERFERENCE WITH AGRICULTURAL PRICES

BENJAMIN H. HIBBARD

Professor of Agricultural Economics, University of Wisconsin

IT has been assumed by many that the power of the government over prices is almost unlimited. This view, which is held by the radicals, is based largely on analogies which may or may not fit the case. For instance it is pointed out that during the recent war prices were not merely influenced by government, they were fixed at the desired point and remained fixed until the control was withdrawn. This is looked upon by many as conclusive proof that the government has the power, if it will but exercise it, of bringing any price to a desired level. Not only did the government show its power in the control of certain agricultural prices, but in other fields as well. Prices were controlled absolutely in several instances, and relatively in others. That is to say, the selling price was fixed at a given point, or the margins added to costs were controlled, the latter device preventing the undue advance of price by merchants and other dealers.

The friends of the farmers are continually calling attention to the action of the government with respect to prices in several important fields. It is pointed out that many millions of dollars were paid to the railroads to make good the losses due to failure on the part of the government to keep the physical property in order during the war. Added to this there is much dissatisfaction, and more misunderstanding, concerning the action of the Esch-Cummins Act. There is a widespread belief that the government has for several years guaranteed an income of five and three-quarters per cent per annum to the railroads on their capitalization. While this is a gross exaggeration it must be admitted that there is more than a mere tendency to allow the railroads to make a living return on a reasonable capitalization. This is manifested through the work of the Interstate Commerce Commission, state railway commissions, and especially in the decisions of the courts. The general public, and this applies with particular emphasis to

the farmers, is impressed by the solicitude of the government toward the prosperity of the railroads, it being held that the government is unduly concerned that these companies shall have an adequate income, while it is all but universally forgotten that through the power of the government the rates are so regulated that no extraordinary income at a time of prosperity may be made as an offset against adverse times. Farmers, and for that matter, many others seem to forget that transportation corporations are called public service utilities because of the vital connection between their operations and the daily lives of the people concerned. It is a public calamity to have a sixth of our farmers bankrupt, many of them unable to go ahead with their farms, but even so the production of foodstuff does not cease; it hardly diminishes, even under these trying circumstances. To have the railroads bankrupt, or on the verge of bankruptcy, would mean the breakdown of the service in a much more complete sense than occurs in farming. Not alone prosperity, but the very life of the people of a nation, is dependent upon the constant functioning of the railroads and other common carriers. Hence the dissatisfaction and criticism directed toward the supposed favoritism of the government in its dealings with the common carriers will not stand analysis either on the basis of the earnings permitted, or the aid extended.

The recent action of the government in paying the railroads a sum roughly covering the losses due to the failure on the part of the government to keep the railroad property intact during the war is a recognition of the duty of the public to assume some responsibility respecting losses in cases involving a limitation of profits through public authority. If the public insists that no more than nominal returns shall be made in prosperous times, then clearly some source other than accumulated surplus must be found out of which to make good abnormal losses. This reasoning will apply so clearly to all quasi-public business as to need little argument in its support. If the government interferes with private income, and sets rates by authority it must make the rates adequate to keep the business going, during bad times as well as good. Thus the government is under obligation to keep the railroads up to a recognized minimum of prosperity.

Government Aid to Manufacturers

The decision was made something like a hundred years ago that manufacturing should be encouraged. It was not stated that this encouragement should be at the expense of other people or classes. No manufacturer would dare go before the public and ask that the hat be passed in order to make an unprosperous business pay. It is always necessary from the standpoint of tactics to convince the contributor that he will receive benefits in keeping with his contributions. In tariff arithmetic, in which two and two do not always, in fact not usually, make four, it has been easy during the past century to convince the public, a majority of it, that the government not only can, but should, come to their rescue respecting the prices of manufactured goods.

The distinction between price regulation in its application to quasi-public enterprises and the influencing of prices through tariffs is of course fundamental, but is well enough understood so that it need not here be elaborated. Railroads charge rates which are approved by Congress, perhaps more immediately by the Interstate Commerce Commission. The rates are known, and unless the railroads dominate the government, there is a well known public remedy for wrongs. In the case of manufactured goods there are no prices set by authority. Congress has no direct control over the charges made. Tariff acts may make a difference of ten dollars a ton on steel rails, but Congress does not presume to make suggestions as to what the price shall be. Manufacturers are obliged, no matter what the tariff may do for them, to organize their businesses, build up their trade, and through whatever measure of competition may obtain, to work out a price at which they will sell. The individual manufacturer may gain nothing from a tariff since he is subject to whatever competition other manufacturers may impose. The fact, however, remains that in a tariff-protected country the competition among those enjoying the protection is on a level of higher prices than it would be under free-trade conditions, and until competition at home becomes as fierce as in the world markets the tariff is hardly less than a guarantee of a larger rate of income. In any case the manufacturer, through a tariff, gets from the government, not merely a right to charge a higher price, but the means of

putting the right into effect. This right is not a shadow; it is real substance.

The Government and Labor

For many years economists had pointed out the futility of a hope on the part of labor for higher income through a tariff on the products of labor. It was suggested that labor should be protected, if at all, through a restriction on the importation of laborers. The validity of this contention was particularized in the struggle over the use of Oriental labor in the Pacific States. It needed no renowned economist to convince the laborers of the western states that people of a lower standard of life, working at the same trades as themselves, would drag wages down. In many instances the lower wages emerged from the theoretical into the real.

Our immigration laws may have been justified in their passage on any of half a dozen grounds, but in any event the result is the bolstering up of the highest wages ever paid to any class of labor in history. Other advantages granted by the government to labor make a long array. One needs but to mention the legislation respecting hours, sanitary conditions, safety devices and pensions to suggest the long road we have travelled from the *laissez-faire* of the eighteenth century to the government-protected labor of the twentieth. The proportion of the wage income due to government influence, while not easily measured, is a telling factor in modern life.

The Government and the Banks

It has been popularly believed for many years that the government has favored the bankers. Complaints of recent date are mainly to the effect that the government has been unduly considerate of the banks whenever their solvency was threatened. Specifically it is charged that the banks were helped through the War Finance Corporation while farmers suffered, and that the federal authorities bestirred themselves to stop the bank failures in the spring wheat region, raising \$10,000,000, although the bankruptcy of thousands of farmers had called forth nothing better than promises phrased in meaningless words. There is likewise the old belief that the privilege of bank-note issue is a boon granted only to favorites, and complaint that the bankers have been allowed to charge uncon-

scionably high rates of interest. Added to this comes the criticism of the use of government funds, and the manipulation of Federal Reserve Bank funds in the interest of powerful banks in need of help.

Thus it is held that the power of the state is invoked, and help obtained, by the most powerful classes and organizations including a large share of both capital and labor. In these favored groups are found, in fact, a large share of all important classes of manufacturers, bankers, many merchants and laborers, the farmer, almost alone, being compelled to accept the cold comfort of a *laissez faire* régime respecting his operations at home, and the shell without the kernel of protection in his foreign relationships. Thus the interference of the government with the natural law of price levels is held to be widespread and effective as applied to the non-agricultural classes, and the farmer has been asking in audible tones, why, since everybody else, as he views it, should eat at the public table, he, manifestly in sore need, must be satisfied with crumbs. The farmer, so far as he has been able to express himself, asks for help based on the precedents, above enumerated, of help to other classes. This view is supported and emphasized by the claim that the government is responsible in no small degree for the plight of the farmer in that it had encouraged him to produce more and more foodstuffs during the war; had assumed a measure of control over farm prices from 1917 to 1920; has continued its influence in holding prices up for other classes since that time; but has left him to his fate. The farmer is beginning to see that the agricultural tariff is a delusion and that other acts passed for his ostensible benefit, no matter how commendable, still leave him at a disadvantage, relatively, in the world's markets. This, then, brings the subject before us: The farmer wants the government to interfere with prices in his behalf because he needs help positively, and because, relatively, it is necessary to do so as an offset to the help it has given others.

What Interference Do Farmers Ask?

The first help for which farmers asked at the close of the war, or more specifically in 1920, was a tariff. The tariff has been discussed at length and needs but passing mention here. On the great bulk of American farm produce, of which we have

at present large quantities for export, the tariff has no discernible influence. Many of our leading farmers are disillusioned with respect to salvation by the tariff route, but our political affiliations are such that no election shows the real sentiment on the subject.

Turning from the tariff shrine at which he had knelt with closed eyes for forty years, the farmer of late has asked admission to the more tangible benefit society centered in the government. In this new demand there is lack of agreement as to the form of price influence desired. Leaving out of account the small minority asking for inflation of the currency, there are, or at least were last year, 1923, three groups with followings sufficient to attract attention. The first is the price-fixing group of which Senator Gooding and Congressman Little were the main sponsors. The second plan was for the government to buy the surplus and remove it permanently from the market. The surplus as interpreted in this connection is the amount which holds the price below the index-number price of some pre-war period taken as a base. This plan took form in the McNary-Haugen bill and came to a vote in the House. The third plan, with little support, was a proposal that the government assist in the pooling of products, the initiative to be taken by the interested parties.

The McNary-Haugen Bill

Of the three proposals the second received by far the most support. This plan, in brief, prescribes that the government organize a corporation, buy the surplus products, remove these surpluses from the domestic market, and sell them abroad at such prices as may be obtained. The loss involved, aside from the overhead expenses, is to be taxed back to the growers. Thus the increase in price on the produce handled will not be taken out of the public treasury. The latest version of the bill provides for the handling of some eight leading commodities whenever an emergency shall, under the definition of the term, exist. An emergency consists in the presence of an exportable surplus, in which it is assumed that the price is dependent on world prices, and with the price at the time lower in relation to the "all-commodity" index number than had been the case in the period 1905 to 1914. The intention is to maintain at all times a price for these designated farm pro-

ducts fixed at the same ratio to general commodities as obtained during the base period.

This plan is ingenious in several particulars. To begin with it proposes to restore agriculture to its former relative position respecting the purchasing power of its produce, and in view of the supposed fairness of such action has been called "equality for agriculture". The "equality" consists in restoring the former purchasing power, and giving agriculture the benefit of an import tariff comparable with the tariff on manufactured goods. Like the manufacturer with tariff aid the farmer would be punished for overdoing a good thing, since the loss on exports made by the government would come out of the price paid the farmer. This is to be accomplished by paying around eighty per cent of the domestic value of the surplus product at the time of purchase from the farmer, the balance to be carried in the form of scrip, the face value of which is to be discounted enough, at the time of final settlement, to take care of the loss on the exported surplus. Thus for a hundred bushels of wheat with an index price of \$1.50 the farmer would receive perhaps \$1.20 in cash and 30 cents in scrip. At the end of the season it might be found that the losses amounted to 15 cents per bushel on all the wheat sold, i. e. for both domestic use and for export. The scrip would then be redeemed at fifty per cent of face value. Thus the buyers of wheat would pay \$1.50 for the whole amount used; the farmers would receive \$1.35.

Technically the bill seems woefully inadequate to fit the complexities of the market. For example there are many grades of wheat, cotton, corn, hogs, cattle, sheep, wool and so on. There would have to be index relationships figured on all of these separately, and no provision is made, and hardly could be made, allowing for variations among grades. The relationships change in accordance with the available supplies of the several grades from time to time. The bill would make them inflexible. To provide the needed flexibility would be a hard thing to do, but there are much worse troubles in sight. The government, for example, is commanded to buy produce during the existence of an emergency, but to cease operations as soon as the emergency passes. In order to handle the produce purchased it will be necessary to have facilities for storing and processing. Otherwise the government must play the

rôle of a scalper or curb broker. Suppose hogs should fall below the fixed price. The government must at once begin to buy. Any private organization under such circumstances would feel the need of owning or controlling by lease, a packing plant. Should the government find it necessary to equip itself in like manner it would be under obligation to start operations whenever hogs were too low, continue until the price touched the prescribed level, and at once cease to do business. Just how this could be done, the proponents of the bill discreetly fail to disclose. Instead of facing the issue and giving a serious exposition of a plan for action they content themselves by saying that the mere prospect of purchase by the government, a gesture as it were, will result in the desired price with little or no actual purchasing, which recalls to one's mind that: "Faith is the substance of things hoped for."

There is, moreover, a curious situation to be faced in the hog and pork combination. Hogs cannot be exported alive successfully. They are poor sailors. At the same time we have a vast amount of pork and pork products for export. Now hogs are at present below the desired index level, while pork is above. Thus under the proposed act the government would be commanded to buy hogs but not allowed to buy bacon, hams, or lard. In order to buy hogs a packing plant would be necessary unless purchases could be made under an arrangement with the packers for the handling of the business. It would be hard to imagine anything more anomalous. It would mean the dependence of the greatest buyer of a product on his competitors for the privilege of handling the goods bought. In this case the opportunities for developing a real pork barrel would be unparalleled.

The McNary-Haugen bill undertakes also to deal with corn, but the price of corn can hardly be said to depend directly on a world price. Thus the emergency would rarely exist according to the interpretation implied in the bill. Even so the demand for purchase by the government would be irresistible. No doubt if the McNary-Haugen bill could be passed it would be possible to re-define emergency, but as it stands the corn growers would not be entitled to direct relief.

In adopting an index number price it is assumed that such gauges of price are accepted and acceptable. Those who deal with such numbers realize their fallibility, and report diver-

gent views as to methods of computation. Should the cost of living depend upon the interpretation of these computations there would most assuredly arise a heated controversy about their form and fairness such as has never yet clustered about them. Possibly it might be a good thing for the index numbers *per se*. The weighting of the commodities used in computing index numbers has always been more or less academic. Under the proposed régime it would assume a political and vital importance. On the weighting alone would depend to a considerable degree the prices maintained.

Should the McNary-Haugen bill be enacted there is every reason to believe that all farmers with their many products will demand the direct benefits of it. The tobacco growers will not stand by and see cotton raised in price while their product is allowed to drop to unprofitable levels. The growers of peanuts, potatoes and poultry are surely going to insist on receiving treatment similar to that granted the growers of the favored products. As a precedent for this demand destined to be included note the ease with which any manufacturer, or producer of goods, no matter what, is included in the tariff protected list. Our tariff schedules have outrun the ability of any congressman to comprehend. How, then, can it be imagined that agricultural producers of any importance in voting strength are to be left out exposed to the severity of competition while favored ones are nestling under the price-fixing wings of the government? Carried to its logical limit it means that the government shall extend protection to all, which in logic is paradoxical. To protect some at the expense of others is comprehensible. Manufacturers have been, and are being, protected at the expense of farmers.

In the minds of many the McNary-Haugen bill is a way of counteracting the effect of the tariff. This, superficially, may appear a good explanation, and suggest the desirability of the effort. On closer examination the analogy between the tariff on manufactured goods and the government disposal of surplus products appears far-fetched. If the government can handle surplus products for farmers, why not for others? The shoe manufacturers, the furniture manufacturers and all the rest are at times confronted with the problem of a surplus. True, they can reduce their outputs, but to do so means unemployment of labor. Why should not the government take

the excess products off their hands, dispose of them outside the country, and maintain prosperity at home? This could be shown, by the same reasoning applied to the McNary-Haugen bill, to work more certainly and advantageously than the way in which private enterprise is trying to do the same thing under tariff protection.

In all reason the passage of the McNary-Haugen bill would prove to be the insertion of the camel's nose under the tent. If by taking this kind of thought we can add a cubit to our financial stature we shall in the future be prolific of thoughts in order to add more cubits. The government of the United States would become the greatest dealer of the world, and for all time, in agricultural products. The sign to be hung over the place of business would read: "Uncle Sam, dealer in corn, cotton, wheat, hogs, pork, cattle, beef, sheep, mutton, butter, poultry, eggs, wool, tobacco, peanuts and other things too numerous to mention." The bureaucracy needed to operate a business of this kind would be greater and more powerful than any yet created or designed.

Politically a scheme of this kind is unthinkable. It would mean that no matter how much the cost of production should be lowered, the same relative price level as between agricultural products and all commodities must remain inflexible. The farmers might punish themselves, no matter how severely, by overproduction, still the public would pay the fixed price. The seven million people of New York City might come down to the wharves daily and see wheat at a dollar a bushel going out to feed Europe while every bushel kept at home must bring a dollar and a half. Similarly other products will be increased in price ten, twenty, or fifty per cent from time to time. The efficient cause of this increase will be clearly and unmistakably the government. Can it stand the onus attaching to it as a forestaller of the market? It stands all the abuse heaped upon it by opponents of the tariff. Yes, but the tariff is opaque; price-fixing is transparent. The tariff is indirect; price-fixing is direct. The tariff is complex in its effect on price, the McNary-Haugen bill is comprehended by everyone in that it raises prices by an amount known, even published. It is possible to make the majority of people believe that tariff benefits are diffused, and that we are in some more or less mysterious manner made more prosperous by paying a hundred

dollars for a coat which without the tariff could be had for fifty dollars. It will be a man-sized political job to convince the seventy per cent of non-farmers that they are better off by paying a bonus to keep the thirty per cent engaged in farming forever producing a surplus to be sold at a loss.

The government will become the greatest dumper of goods the world ever saw. We inveigh, even legislate, against dumping in our own markets. This bill proposes not only that goods shall be dumped systematically, annually, upon the markets of other countries, but the plan will result in a greatly increased quantity to be disposed of in this manner. A large quantity of produce will be sent out and sold at a figure, usually well below cost of production, in competition with farmers of the countries to which the shipments are made.

There is a difference of opinion as to the effect the McNary-Haugen bill would have, should it be enacted into law, on the cooperative marketing organizations. There is no reason to think it would do away with them summarily. They would still have the possibility of getting grain to the central markets more economically than it could be done by private enterprise, but the probability of making a good showing would seem to be, under the circumstances, reduced. The fact of a known price at a central market, set for a month at a time, would mean that the local markets would play a smaller part in the whole marketing function than at present. Margins would tend to become stabilized and the part played by the local cooperative elevator reduced. The occasion for federating the cooperative companies for dealing with the larger aspects of marketing at terminals, either in domestic or export trade, with the wholesale price already set, would seem to be wanting. Cooperation would no doubt continue, it might even grow, but within a restricted field, playing a minor, though possibly important rôle.

One of the most fundamental objections to the McNary-Haugen bill is the assured prospect that should it work—and it might work for a time—its friends will discover that there is no particular reason why the price ratio to be established should be based on the ratio of 1905-1914 rather than on any other period of years. The farmer was not too prosperous in 1905 to 1914. If the price can be fixed at one ratio to the all-commodity index it most assuredly can be fixed at

some other ratio, if only the proper authority can be invoked. In all reason success in fixing the price at one level will result in a demand that it be fixed at a higher level. In the case of the tariff a similar demand, that is, for more protection, is not so alarming, since higher duties beyond a given point will not help the manufacturer. Prohibition of imports is all he can attain, while there is no limit to the price level, short of the inability of consumers to buy, provided it be within legislative control.

The real import of the McNary-Haugen bill would appear to be an attempt to save the farmers from the ill effects of over-production without the necessity of lessening production. It is extremely difficult for farmers to readjust production downward in meeting lowered prices. They have their farms, a large part of their labor, and the equipment, all of such a character as to make curtailment of operations possible only at a sacrifice. A manufacturer may lose by decreasing his output, but his operations involve the hiring of much labor which he views more or less impersonally, and the buying of materials which he views almost wholly impersonally. If it does not pay to run at one hundred per cent of capacity he may run at seventy-five per cent or fifty per cent and still hold his business intact. Should farmers in general undertake to cut output twenty-five per cent they would find that their expenses would be reduced by a much smaller percentage. Hence, the farm is used, and run nearly at normal capacity, even in dull times. Farming is a business of few failures, and of fewer great successes, measured in terms of fortunes. At best farming is one of the most extremely competitive businesses in the world. The McNary-Haugen bill proposes to save the farmer from the effects, in large measure, of this severe competition. It proposes that the last ten per cent of output shall not be allowed to drag down, unhindered, the value of the nine-tenths. But all values are limited by the value of the final increments.

Shall we, then, be able to gain the advantage of the highest buying power of the Americans, and sell the residue to the weaker buyers of Europe at a lower level? Here we are asked to view the proposed bill as a counterpart of the tariff. Is not this exactly what the manufacturer, protected from world competition, does? In part, yes. But the analogy

which assumes the entrance of the government into the market as a dealer in all manner of goods, for the ostensible purpose of compelling the majority of the people to pay a higher price than would otherwise obtain to a minority group of producers, has an impossible political gauntlet to run.

Our government is a party government. What party can assume the responsibility of handling ten or twenty or forty per cent of the leading crops or animal products without furnishing a just cause for criticism? It is idle to undertake to condemn the scheme by calling it socialistic, but certainly very cogent arguments could be presented to the effect that it would be more feasible for the government to take over the task of handling all the agricultural product than merely the surplus. Were it likely that the proposed régime would result in a degree of satisfaction such as to lead to stability respecting either the commodities named, or the price ratio first agreed upon, the objections would not be half as great as actually they are. There is no probability whatever that either the list of commodities favored would remain fixed or that the ratio would be satisfactory. The objection to the plan is the objection to price-fixing. If we believe in price-fixing we should attack the problem along the entire front, and not imagine that we can carry a single outpost without becoming involved in a gigantic campaign. If the farmers do not like the tariff they should attack it and force modifications, not undertake, on the shaky foundations of price-fixing, to build an opposing edifice by means of which to rival the advantages of protection.

Along what line the greatest progress will be made in rehabilitating agriculture no one seems able to predict with any degree of certainty. However, after all that can be done in the way of governmental influence on prices has been put into practice, there will remain the greatest of all influences affecting farm prosperity, the ability of the farmers to adjust their businesses to the conditions of the market. The tendency, and the temptation, to produce too many manufactured goods is vastly less than the tendency to overproduce agricultural goods. It is too easy to get into farming. Land has been, and still is, abundant and easy of access. Farmers are numerous, and insist on farming. They have had very little control over their output. Sometime, in some manner, they must

adjust production to demand more intelligently than is at present done. That they can withdraw quickly from the world markets and produce only for domestic use is unthinkable. What the future has in store nobody knows, but at present there is lacking the means of carrying out such a program. It may be possible for small groups to limit their output, or even cease to produce a given commodity, but the cutting down of one crop will increase the quantity of something else. The Burley tobacco growers may raise no tobacco in 1925, but their land will not lie idle. To limit the output of American agriculture in general calls for an organization and a control over membership, such as has never been seen. It would require rules comparable to those of the bricklayers. While we are awaiting the consummation of a régime of this type, conditions may at least be ameliorated.

The government can influence farm prices to no small extent by furnishing information concerning foreign markets; by taking part in the rehabilitation of European peoples and governments; by furnishing information as the basis of readjustment of American agriculture to fit present conditions; by fostering farmer organizations to the extent of giving them a stable legal status and educational help; by policing and regulating the operations of marketing; by revising freight rates downward; by a readjustment of the burdens of taxation, a much needed reform; and by making credit facilities available. Many of these duties are already quite well done. Last, and perhaps most important of all, a service not being performed, the government should use its influence in taking out of the agricultural category great areas of marginal land, and putting them to some other use, and in furnishing a more intelligent basis by which land may be valued. With these conditions the farmers will have an opportunity of working out their own salvation.

The Extent of Co-operative Marketing Among Farmers Today and the Results Secured by Co-operative Associations

By BENJAMIN H. HIBBARD
University of Wisconsin

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THE growth of co-operative marketing in the United States during recent years is noteworthy. Beginning soon after the close of the Civil War co-operative marketing has had a rather checkered career. For about thirty years, ending in 1901, co-operation was strictly in the experimental stage. The greater part of the development, such as there was, came from the Grange or Farmer Alliance inspiration. So far as number of companies was concerned there was a considerable showing made during these years, and in not a few instances the results were gratifying. The real trouble was a lack of acquaintanceship with the working principles of co-operation. Almost anything embodying the sharing of profits among a group bent on effecting savings will work so long as the enthusiasm is at its height. All manner of gaps in the way of business weaknesses may be bridged temporarily by the combined efforts of the interested parties. In the early co-operative undertakings there was no uniformity as to the ownership of stock: no adequate provisions for paying dividends on any basis other than that of stock owned; no plan of voting except on the basis of stock. In short the co-operative companies were nothing other than corporations, the stock of which was mainly in the hands of farmers.

Furthermore, the co-operative companies of this early period in almost no instances had any business connection either adequate or safe from the standpoint of their aspirations and attain-

ments. Almost all of the companies established by farmers before 1901 were strictly local in their scope of operation. They were able when things went well to effect local savings in buying or selling, but they seldom or never developed any considerable amount of bargaining power, either by way of finding the best available market at the time, spreading sales over a season, or standardizing goods. It is, therefore, not surprising to learn that out of 5,800 farmers' companies reporting to the Bureau of Agricultural Economics the year of origin, but 8.6 per cent dated back of 1901. The greater share of all those which did report having had a beginning in this early period were dairy organizations, principally co-operative creameries and cheese factories. In both of these early types there was a minimum of co-operation present, yet it is altogether a mistake to suppose that the co-operation involved in these undertakings was not genuine or important. It was both.

During the second period, 1902 to 1911 inclusive, co-operation made a distinct growth, yet only a fifth of the 5,800 co-operatives date their beginnings during these years. The dairy organizations continued to increase, but the larger numbers added to the lists consisted of grain companies. These companies were substantially all local, held together by loose state organizations. The local companies did their own buying and selling as best they could. Hence, local evils were about all they were in a position to attack.

However, the circumstances were such that a great deal of coherence was developed by these companies. They learned, and part of them practised, rational methods of distributing the profits, better called savings, and the patronage dividend became prevalent.

In the third period, 1912 to 1921 inclusive, co-operation grew by leaps and bounds. There was a great increase in the isolated local companies, a great growth in companies with some form of federation, or at least of companies centering their trade in some common agency, as livestock shipping companies, mainly local, but with a co-operative commission firm to which shipments might be made. Highly centralized co-operatives also began to make their appearance. About a fifth (20.3 per cent) of the 5,800 companies began doing business during this period.

The time of most rapid development of co-operation, both in the number of companies organized and in the amount of business transacted, was from 1912 to 1921. Almost two-thirds of the 5,800 companies (65.3 per cent) concerning which the facts are available began during this period. The outstanding development in these ten years was in an expansion of the grain, fruit and vegetable, and especially the livestock marketing companies. In type there was a pronounced swing toward something more effective than the local group. The federation and the centralized plan both grew rapidly. The amount of business handled increased more rapidly than the numbers of the companies or the total membership. Such commodities as tobacco and cotton contributed greatly to the volume of business.

Since 1921, the growth of co-operative organization has been less rapid; only 5.8 per cent of the companies on which this analysis is based came into

existence during the two years 1922 and 1923. The year 1923 was the lowest in twenty years with respect to new companies. Possibly the time has come for a smaller increase in mere numbers of new co-operative companies, the field being occupied by those already established. However, this explanation hardly seems adequate in view of the vast amount of produce still marketed along old lines, and especially in view of the dissatisfaction felt respecting this method of marketing. Whatever the explanation there is apparently a halt in the movement toward more marketing companies established by farmers, though the amount of marketing co-operatively is still on the increase. This would indicate that the companies already in the field are holding their own.

SALES VALUES

The Census Bureau in 1920, for the first time, included in its schedule of questions an inquiry as to the number of farmers belonging to co-operative companies, and the amount of business, expressed in dollars, transacted. It was found that just about ten (9.7) per cent of all farmers belonged to marketing or purchasing companies. The business done by these members in 1919 amounted, according to the reports, to \$721,000,000 of sales and \$85,000,000 in purchases. Per member the sales equalled \$1,400, the purchases \$260. Thus the bulk of the co-operative work consists in selling farm produce, the sales being over five times as great as the purchases. There were, of course, many purchases and sales made co-operatively through informal associations and not here reported, since the inquiry pertained to membership in companies and the business done through them. Probably there is a considerable percentage of error in the reports, but they have

a real value, nevertheless, especially on the assumption that the inquiry will be repeated in future censuses, in which case, in spite of errors, trends will be discernible.

The Bureau of Agricultural Economics has estimated the amount of business done by farmers' companies in 1923 at more than two billion dollars. This is almost two and a half times the amount reported by the census for the year 1919. While the increase in business had been very great it is not probable that there actually was any such growth during the four years as these figures suggest. The Bureau of Agricultural Economics is without doubt the better authority.

The importance of the two billion dollar business may be appreciated best by comparing it with the totals involved in farmers' transactions. The aggregate value of crops and livestock products for 1923 was \$16,000,000,000, from which \$4,000,000,000, the value of crops fed, should be subtracted in order to give the net products, \$12,000,000,000. From this it will appear that the \$2,000,000,000 (the amount of the purchases, \$50,000,000, is negligible) co-operative business represents a sixth of the value of all products. In actual sales the co-operative business should be well over a sixth, since a considerable amount of the produce is sold at home without entering into the market at all. Thus the co-operative sales of nearly two billion dollars would represent not merely a sixth of the farmers' sales for the year but more likely a fifth.

It must be noted that in these co-operative sales there is involved every degree of co-operation from the least to the greatest. There is the small local creamery, cheese factory, potato warehouse, or "egg circle" doing perhaps nothing beyond assembling goods and performing some simple operation upon them in the way of

manufacture or grading, after which they are sent to the general market. Moreover there may be, and is, every sort of organization from the most informal to the most elaborate. Officers are paid all the way from nothing at all to high salaries. The goods handled may constitute an insignificant proportion of the whole supply up to three-quarters or four-fifths. In the case of the insignificant amounts such as are handled by a local elevator, creamery, or cheese factory, there is no effort at influencing the market itself, no such idea as "feeding" the market. On the contrary each unit sells when it sees fit, or when it can, just as does an isolated competitive unit of the usual type.

Large co-operative units controlling fifty, sixty or seventy-five per cent of the goods of a given kind take on some of the attributes of big business, study the market and decide when it is presumably best to make sales. The great majority of the co-operative companies are engaged in handling single commodities as the main consideration with others clustered about them as convenience suggests. Thus creameries occasionally handle eggs, elevator companies very frequently deal in seeds, twine, coal and salt. On the other hand, very few co-operative companies handle unrelated lines of produce simply because it is produced in the same general territory, or by a single group of farmers. It has been recognized for many years that one central line of interest is necessary in order to promote coherence.

PROGRESS

Judged by the amount of transactions in terms of dollars, over three-fourths of the co-operative business is done in the handling of grain, dairy products, livestock, fruits and vegetables. Following these come tobacco,

and cotton, all others being of minor importance. Grain marketing ranking first in value of produce handled, number of companies in existence, and membership, has made little progress beyond the local elevators established some twenty years ago for the primary purpose of correcting local evils. Certain other evils of a deeper nature were recognized but little or nothing done toward remedying them. A farmer-owned grain exchange was started in Minneapolis in 1908, and later moved to St. Paul. This company, not really an exchange, did a commission business involving some ten or fifteen million bushels of grain, but with indifferent and varied success. It is now in the hands of a receiver. A very ambitious program was recently launched by the American Farm Bureau Federation under the title, United States Grain Growers, Incorporated. The plan was designed to create a highly centralized organization with facilities for holding grain off the market and thereby influencing the price. It was a conspicuous example of organizing from the top down, the plan being made, not out of experience, but created as an ideal and imposed on the units below in finished form. It failed. In this connection may be mentioned the state-owned mill and elevator at Grand Forks, North Dakota. While not co-operative it is the result of a farmer uprising, the purpose being to do business in the interest of the farmer, outside of the regular trade.

While the amount of business in the grain trade done co-operatively is close to half a billion dollars, involving 332,000 farmers, the grain trade is still mainly in private hands. A recent attempt to carry the grain marketing a step farther has been made in the creation of pools, state-wide as a rule, handling some few million bushels of grain each. It has been, and still is,

the plan to increase the number and size of these pools and eventually unite them into a national pool of sufficient size to exercise price-making power. At present the prospect of such an outcome is not very flattering. The expenses of the pools have been higher than was expected and some of them are winding up their affairs.

Next on the list in the matter of sales comes dairy products. This is probably the oldest line of co-operation among American farmers. Instances of co-operation of this kind have been known for over half a century. As in grain marketing the main part of the dairy co-operation has been local. It was a feasible means of getting butter and cheese made, and so far as selling was concerned it was at least a good step ahead of the methods which it replaced. At present there are federations of co-operative creameries operating in at least three states, Minnesota, Wisconsin and Michigan. While these organizations are in their infancy they have excellent possibilities. That farmers can profitably carry their dairy products farther into the market is certain. An outstanding example of federation in the dairy field is found in the marketing of cheese. The Wisconsin Cheese Producers' Federation is handling 25,000,000 pounds of cheese per year; a similar though smaller federation is operating in Oregon; and another one is in process of organizing in the foreign cheese district of Wisconsin. These are important undertakings, yet the aggregate amount of cheese handled by the two federations now in operation is less than a tenth of the total amount for the country. The importance of the work of companies such as these is likely to outrun entirely the proportional share of the business to be done within the field. The steadying influence on the market; the feeling on the part of those concerned that they are getting all the circum-

stances will afford; the ease with which the co-operative business already under way may be expanded on occasion; all these give to the work of a co-operative company a significance beyond what it might seem to possess.

In the sale of milk co-operation has made much headway, and as a result there is some measure of co-operation at work in the bargaining of producers with distributors in and around most of the larger cities of the country. The total values mount rapidly in this line of business, not infrequently reaching \$5,000,000, or \$10,000,000 per city. While this is true, the degree of control attained by the farmers over the milk market is with few exceptions not great. The price is sensitive with respect to supply while the means of managing the supply are in most cases not adequate, and of controlling the output in the interest of price almost nothing. In this field co-operation is a means of getting what milk is worth in view of its alternative uses, whereas without co-operation there is a strong tendency toward inflexibility in prices with the farmer relatively at a disadvantage.

The most rapid rise of any type of co-operation is in connection with the marketing of livestock. Throughout the Middle West local livestock companies are found in great numbers, four, six or eight hundred per state. Livestock commission companies are operating at all the leading centers. This permits the co-operative handling of stock from the farm to the door of the packing house. The reports made by local companies indicate important savings. At the packing centers the co-operative commission organizations are able to return approximately half of the commission fees to the members. This aggregates millions of dollars but relatively is not very much, the total commission charges not amounting to any considerable share of the value of

the stock. Some ten years ago a widespread movement toward the ownership of packing plants by farmers was started. Almost without exception these ventures were failures. Hardly any of them are running as co-operative plants now and for the most part no important part of the capital subscribed was returned to the farmers at the time of winding up the business. While the co-operative packing plants have failed, the shipping of livestock co-operatively seems to have made a place for itself, and is likely to stay.

Fourth on the list in number of associations, but third in point of value of produce sold, come the fruit and vegetable companies. Here, more than in any other line, the success of co-operation grew out of dire necessity. The greatest of the fruit co-operatives are in the West. The distance from market; the perishable nature of the product; the tendency of markets to become glutted; all these conditions spelled disaster to the fruit grower under the conditions of twenty-five to thirty years ago. The most feasible way out of the difficulty seemed to be by way of co-operation. The success has been pronounced. Order and system have been introduced where before they were lacking and fruit has been made to pay where on the old haphazard method of operation it meant ruin. Almost a thousand fruit and vegetable companies report a business of over a quarter of a billion dollars a year.

Next in order of business done come tobacco and cotton. Both of these organizations are comparatively recent, and the amount of business done large. The claims concerning increase in price due to these companies are the most extravagant of any. No doubt there have been gains of genuine importance due to the co-operative handling of these crops. There was a wide gap between the prices received

by many tobacco and cotton growers and the wholesale price obtained soon after the first sale. Co-operation has resulted in giving to each a price corresponding to the quality of his product. A good observer of cotton marketing estimated in 1923 that the pooling resulted in an increase of two cents a pound over what would probably have been obtained without the pool. Less than a tenth of the cotton was sold through state pools. Whatever the facts may be as to the influence of the co-operatives on the price of cotton, it must not be forgotten that the crops for the years 1921, 1922 and 1923 were the shortest in a quarter century, not only in the United States, but for the world. The shrunken supply must have had something to do with the increase in price. Not far from half of the tobacco of the country has been sold during the past few years through co-operative companies. The claims of having doubled the price of tobacco is absurd. On the other hand, the marketing methods had been of the haphazard sort. Systematizing it meant bringing the unfortunately low figures up so as to make a reasonable, and a higher, average. There is no criterion by which to judge the increase in price of tobacco due to co-operation. It is, however, a significant amount.

BENEFITS

As noted above, incidentally there is a wide difference of opinion with respect to the benefits of co-operation. In most instances the measure of the advantage is difficult. Especially is this true where the co-operative company controls a large part of the commodity at any given market. In a case of this kind there is no definite comparison with what the goods would have brought without co-operation. On the other hand, a local co-operative, such as an elevator or creamery, can

show unmistakable evidence of gains and losses due to co-operation since the market in general has not been disturbed. This is no argument in favor of local co-operation as compared with a wider application of the principle. Still it is true that a local livestock shipping association may be able to compute its gains with accuracy, since the margins which would have been taken by private buyers are known, while the work of a co-operative commission company may show less definiteness as to advantage. The commission company may conceivably become a factor at the terminal market, in which case its gains or losses are problematical. At the same time the inferences may be convincing. No one doubts that the cranberry growers get more for the fruit through the co-operative sales than could otherwise be obtained. Neither is there doubt that the fruit growers of the West get more. How much more is a question admitting of no exact answer.

In general, it may be said that the marketing services may be performed more economically through co-operation than through private hands in all cases in which the produce is not well graded and standardized in a way comprehended by the sellers. Where grades are easily recognized local competitive buying is likely to result in a reasonably high price in relation to central market prices. This is true of choice fat stock. It is in connection with the stock not so easily classified that the savings through co-operation are oftenest made. Closely akin to the question of grades and standards is that of quantity. With few exceptions the seller with but a small amount of produce is at a disadvantage. This is the case with a large proportion of the midwestern wool growers. They have small clips of wool and therefore do not attract effective buyers capable of developing a satisfactory local market.

Hence the wool pools report, and show evidence of, important gains in price. Cotton and tobacco fall into the same class. The bulk of the sales are made by small growers who are in themselves weak bargainers. As a matter of fact the same situation obtains in most farm selling. Farming is a business of small units. Grain, cotton, livestock, butter, milk and fruit are each produced by millions of farmers. Merchants and manufacturers do business on large enough scales to permit the employment of expert purchasers and salesmen. The only method by which this situation may be matched by the farmers is through co-operation, the larger group thus developed having enough volume of business to warrant the employment of competent agencies for transacting business.

In view of the foregoing discussion it seems safe to say that the importance of the co-operative business done by farmers is quite beyond the proportional quantity of the transactions.

Co-operative companies have great possibilities in the way of education of members. The market ceases to be an unknown, unexplored, territory peopled by monsters, and becomes rather a route or highway, more or less direct, more or less perfect. Acquaintance with the route results in intelligent attempts at betterment, whereas ignorance concerning it is prolific of both criticisms and schemes mainly not pertinent. The organization of new companies while at a low ebb during the last year or two is by no means ended. The amount of business done co-operatively is on the increase and is not merely likely to continue to increase; it is sure to do so. The companies in existence are doing a larger business from year to year. The membership is increasing. The failures are growing fewer.

The following table gives the leading facts for 8,313 associations which reported to the Bureau of Agricultural Economics in 1923:

Type of Association	Associations		Estimated Business	
	Number	Per Cent	Amount	Per Cent
Selling:				
Grain.....	2,600	31.3	\$490,000,000	28.8
Dairy products.....	1,841	22.1	300,000,000	17.6
Livestock.....	1,182	14.2	220,000,000	12.9
Fruits and vegetables.....	956	11.5	230,000,000	16.5
Wool.....	93	1.1	3,000,000	.2
Cotton.....	78	.9	100,000,000	5.9
Nuts.....	46	.6	12,000,000	.7
Poultry.....	40	.5	18,000,000	1.1
Forage.....	18	.2	2,000,000	.1
Tobacco.....	14	.2	132,000,000	7.8
General selling *.....	530	6.4	92,000,000	5.4
Miscellaneous †.....	59	.7	4,000,000	.2
Buying:				
Merchandise (stores).....	479	5.8	32,000,000	1.9
Miscellaneous buying.....	377	4.5	15,000,000	.9
Total.....	8,313	100.0	\$1,700,000,000	100.0

* Selling small quantities of a large number of commodities.

† Broomcorn, maple products, honey, cane syrup, forest products, etc.

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THE TARIFF ON AMERICAN DAIRY PRODUCTS

THE TARIFF ON AMERICAN DAIRY PRODUCTS¹

B. H. HIBBARD
UNIVERSITY OF WISCONSIN

It was inevitable that the American manufacturer would ask for an increased tariff at the close of the World War. It was no less inevitable that the farmer would likewise ask for a tariff on his products at the same time. Furthermore, there was every probability that the demand on the part of the farmer would be granted by Congress with little hesitation. This was true in general because of the attitude of the dominant party toward protection, and specifically because of the necessity of keeping the Middle West satisfied with the policies of the party. Thus it was the manifest destiny of the farmer to get a tariff on anything and everything in so far as he cared to ask for it. Along with the sweeping demand for a general agricultural tariff, the tariff on dairy products was not only sure to be included, but much more, it was sure to occupy a prominent place.

It may be well to notice that dairy product prices had risen less, relatively, than several other of the leading farm products during and just following the War. Quite as striking is the fact that the prices of dairy products fell less during the time of declining prices than was the case with cereals and live stock. In other words, the prices of dairy products have fluctuated less since 1917 than have the prices of farm products in general.

Exports and Imports

The trade in dairy products between this country and the outside world has never been large relatively. In 1890, we were exporting 30,000,000 pounds of butter, or 2.5 per cent of the amount made. By 1900, the exports were under 20,000,000 pounds, and represented less than 1.5 per cent.

¹ This paper was read at the Fifteenth Annual Meeting of the American Farm Economic Association, held in Chicago, December 30, 1924.



In 1910 the exports were 3,000,000 pounds, or a fifth of one per cent. This situation changed little till after the war began, which is to say that we had just about reached a balance with respect to foreign trade in butter before the disturbance of both price and production due to war conditions. With the rise in prices of butter in Europe our exportations reached 25,000,000 pounds, or about 1.6 per cent, distinctly below the percentage of exportation thirty years earlier. At the close of the war we were exporting a tenth of our cheese, and in addition enough condensed milk to equal 50 million pounds of butter. Thus all told we were exporting not far from 2 per cent of all dairy products made.

With the falling of world prices in 1920 the American price for a time was the best obtainable, and butter in small amounts was imported. The imports exceeded the exports for about three and a half years, 1920 to 1924, even in spite of an eight cent tariff passed in 1921. The quantity imported was not large at any time, the greatest amount being 26,000,000 pounds in 1921, about one and a half per cent of the amount used in this country. The imports declined until within the past few months they have virtually ceased, and butter is again on the export list.

The most interesting phase of the butter tariff and the movement of butter into or out of the country is linked closely with domestic production and prices. During the war, and after, butter rose in price with other farm products, but relatively not so high. It rose in round numbers 140 per cent above the 1913 price, while corn, wheat, cotton, and wool reached nearly 200 per cent over the 1913 level. The rush into the dairy business was not so pronounced as in various other agricultural lines, due in part to the more moderate rise in price but no doubt much more on account of the difficulties involved in expanding greatly the dairy output. Almost at once increased dairy production, beyond say 10 per cent, calls for a proportional increase in the labor requirements, a difficult condition to meet.

With the drop in general farm prices dairy products fell less, relatively, than most other goods the farmer had to sell. The result was that the New York price of butter was high enough to permit the importation of a little butter in spite of the tariff. The production of dairy products during 1921, 1922, and 1923, was clearly more profitable than the production of hogs, beef cattle, corn, or wheat—the things which compete most against dairying for attention. The outcome of these price relationships was logical. Dairy products increased slowly and steadily throughout this three year period. Assuming the most favorable view of the action of the tariff by conceding that the price was higher because of the eight cent duty, the conclusion as to the ultimate result is inevitable. In 1921, the production of milk rose 10 per cent above that of 1920. The next year there was an added increase of 4 per cent, and in 1923, an increase over 1922 of 7 per cent. The increase has continued throughout most of 1924. The demand for dairy products is not able to stand an increase of such proportions, almost 20 per cent in three years, without a decided drop in price, and a return to the world market for an outlet for the surplus. Both of these results have happened. The price of butter for the present month, December, 1924, is 13 per cent lower than a year ago. The current receipts per month are, during the past few months, about 10 per cent higher, and the price about 10 per cent lower, than a year ago, while the amount in cold storage is almost double the normal.

The conclusion is inevitable. During some two or three years there was a favorable margin between the cost and the price of dairy products. The dairyman responded normally, and now an over-supply brings a reversal of the situation. A good case may be made to show that the tariff on butter, and likewise on cheese, was effective for some two or three years previous to 1924. How effective it was is a question not altogether easy of answer since there is no way of determining conclusively, at any given time, whether the price was held at a particular level by the influence of the tariff, or whether the home supply and

demand alone were mainly responsible. The difficulty lies in determining just when these products would have been imported had there been no tariff. Frequently the amounts received were incidental, not to say accidental, and too small to be conclusive. This is never admitted by those who believe firmly in a tariff on agricultural products. In case of any importation whatever, whether from Mexico or Denmark, whether a thousand pounds or a million, the proponents of agricultural tariffs invariably jump to the conclusion that we are on an import basis, and that the home price is greater by the amount of the tariff than it otherwise would be.

Total Exports Exceed Imports

A point usually overlooked by all who believe we have already profited greatly by the butter tariff, and appreciably by the tariff on cheese, is that in terms of total dairy products we have been on an export basis substantially all the time. The net imports of butter and cheese have been over-balanced by the exports of condensed milk. In 1922, and 1923, we were close to the point of equilibrium, with imports a little greater than exports during the latter year, but again in 1924, the total exports exceed the imports. This situation is full of meaning to anyone who knows the strong tendency of the various dairy products to bear each about the same relationship to milk in the matter of price. There may be discrepancies for a time, but it is inconceivable that milk, the primary product, should be worth greatly more for use in one line of manufacture than in another. For a time there may be a difference but the tendency for the difference to disappear is irresistible. Thus with milk, condensed, to be found on the export list means that butter as an import cannot assume major proportions, and before an import tariff can be of more than incidental importance we must produce not more, but less, than we need of the products made out of milk. The same old conundrum is asking for a solution: How shall an import tariff be made effective on an export product?

Even though little be exported, how shall a tariff be more than temporarily and incidentally useful in relation to a product which will respond as do butter, cheese, and milk to a price stimulus? We vote to get off the world market; we insist that we are off it, and independent of it to the extent say of an eight-cent tariff; and before we can get the good news to the parties concerned, behold we are again looking for customers for a surplus. When prices are high we ask for a tariff in order to keep the market to ourselves, and then immediately produce enough more to bring the price down.

Dairy products are about the best examples of goods which may be helped a little, or not at all, by a tariff, yet may be made to appear popularly as an excellent example of a product of the farms helped by restriction of imports. The difficulty arises in seeing how unlike these products are, from the farmer's standpoint, in contrast with such products as sugar, wool, steel rails, or cutlery. We do not, and will not, produce our own sugar. That is to say we will not until our minds become much weaker, or our backs much stronger. The American farmer was told twenty-five years ago that he could better his condition by growing sugar beets at \$100 an acre rather than corn at \$15. He was not told in these fairy tales that he could grow but one eighth as many acres of beets as of corn, and that he would be less than an eighth as happy in doing so. These latter corollaries were discovered in the demonstration of the main proposition. The American farmer will grow a few beets under certain circumstances, but an attempt to supply the market with beet sugar, home grown, changes the circumstances, and the expansion ceases. As to wool we are told by some enthusiast in almost every Department of Animal Husbandry that a small flock of sheep well tended is more profitable than cows, and not half as hard work. A group of super-patriots, incidentally interested in the woolen business, see in a wool tariff a means of making the army efficient, and hence unselfishly vote for more tariff on wool. But wool is thus far mainly a pioneer crop, and the lack of demand for mutton in large quantities

makes either the meat or the wool of the sheep low enough in price so that farmers cannot be induced to produce wool in abundance.

No elaborate argument is needed to show why a tariff on steel may be helpful to steel manufacturers. Only big companies can operate in this field, and they have a well developed habit of producing about the amount needed at a price satisfactory to themselves. Cutlery, and the thousands of wares made out of steel or other metals, are similar in this important respect. The small manufacturer is absorbed by the larger, or is content to remain a follower rather than to take the lead in price determination. Under these circumstances the tariff works.

In contrast with the above, dairymen are numerous. Seventy per cent of the farmers of the whole country are dairymen, to some extent. This means that about four and a half million farmers have at least one cow each. In addition to these, almost a million town people are keeping one or more cows each. Thus the equivalent of about five out of six farmers keep cows. With many of them, milk is a by-product and no account of its cost is seriously considered, yet the total amount of such products is important in the supply. While temporary variations in price cannot result in a sudden abandonment or development of dairying as a business such as takes place within a year or two in the growing of wheat or potatoes, or in the production of hogs, there is an opportunity to respond in a degree almost immediately to the demands of the market. This is illustrated in the fall in the total quantity of dairy products for the years 1919 and 1920, caused by the failure of the prices of these products to keep pace with other prices and the difficulty of keeping the necessary supply of labor on the farms. The higher prices, relatively, for dairy products following the collapse of 1920, which resulted in a prompt increase in production following that date, took place more promptly than changes in the numbers of dairy cows. The differences were due to methods of feeding and the care given the cows.

It seems reasonable to predict that the present low prices of dairy products will result in a diminished supply, mainly because of the unfavorable balance between these prices and the cost of mill feeds and labor. In this time of adversity the tariff offers no hope or, if any, it is merely that after the supply has once more been adjusted to the home market requirements, once more the protection will be effective; which in time would mean another prompt stimulation of production with the inevitable fall of prices back to the export level.

The action of the tariff on the price of products such as butter or cheese may be likened to an attempt to keep a pot just below the boiling point. Should a temperature of 211 degrees be looked upon as desirable, but boiling over undesirable, the technique of applying more heat would become a problem not easy of solution. In a laboratory where conditions are under control, the case would be simple. A thermometer and a Bunsen burner would provide the necessary equipment for maintaining the desired temperature. The case under consideration is more like that of a pot over a camp fire, the temperature at a given time being a matter of guess work. Should it be decided that more fuel is needed and all hands set to work to fetch and apply it, it may develop that a single stick is sufficient to bring the contents of the pot to the fatal point. Thus when a cargo of butter or cheese heads for an American port, there is consternation among all producers of dairy products. They feel that theirs is a vested right to the home market. A tariff is the added fuel, and within a short time the boiling point is reached with a spilling over in the form of exports.

The friends of tariffs in general will insist that the tariff on dairy products is worth while even though it was effective for two or three years only. This is a superficial view of the case which looks less favorable on close examination. The higher price, due in part to the tariff, during 1921 to 1923, resulted in efforts to increase production, efforts which cannot easily be abandoned. New equipment and larger herds, with their attendant expenses and investments are not readily reduced to proportions desirable

under present conditions. A modern poet has said: "The harder you fall, the higher you bounce,"—a very cheerful doctrine. On the other hand, it is painfully true in the prosaic world of hard knocks that the further and harder the fall, the longer must be the period of convalescence, or the more certain the funeral. No farmer would acknowledge it, yet without doubt many are now in worse straits financially than they would have been had the prices not been stimulated artificially right after the World War.

If it is really the case that a general tariff on agricultural produce will work, giving the American farmer an American price for his goods, then is it true that the doctrine of isolation is defensible, and we should teach and apply mercantilism in its entirety. Economists have generally believed that a tariff was a means of giving one class of workers an advantage over another class with which it had dealings. Many friends of the farmer are now accusing the economists of being a century and a half behind the times, these enthusiasts having discovered that all round protection is entirely feasible, and that a national prosperity can rise above and remain independent of world markets. This view is the result of a price economy concept. In the minds of these new era protectionists, all the farmer has to do in order to overcome the disadvantage now evident between himself and the industrial world is to imitate the methods by which the industrialists have gained the advantages now enjoyed. This would not be so far from the truth were they able to follow the program of the industrialists fully. To follow it in the matter of a tariff and fail to control production is to ask for a husk without a kernel. Analogies are misleading. Because the tariff operates on sugar is no reason why it must do so on butter. Sugar, American grown, is scarce. Butter, American made, is plentiful, painfully so. What the situation will be a generation hence we do not know, but at present a tariff on butter and cheese is about as effective as Wouter Van Twiller's campaigns against the Swedes carried on by proclamation.

The conclusions, mainly adverse, do not mean that the tariff on dairy products should be repealed. They merely mean that not much is to be hoped from the tariff on dairy products in the way of relief. In this the situation is not unlike that of agriculture in general. We are an exporting country, and will be for several decades yet to come.

Tariffs on Dairy Products

Commodity	1922*	Act of		
		1913	1909	1897
Butter and Substitutes, per lb.-----	\$.08	\$.025	\$.08	\$.08
Cheese and Substitutes, per lb.-----	.06	.01	.03	.06
Condensed and Evaporated milk, per lb.-----	.015	Free	.02	.02

*Most of the rates for 1922 went into effect upon the passage of the Emergency Tariff Act of 1921.

Production of Dairy Products, 1899, 1909, 1919-1923

Year	Butter 1,000 lbs.	Cheese 1,000 lbs.	Milk 1,000 lbs.	Per cent increase
1899	1,492,000	298,000	-----	---
1909	1,619,000	320,000	-----	---
1919	1,628,000	480,000	90,058,000	---
1920	-----	-----	89,857,000	---
1921	-----	-----	98,862,000	10.3
1922	-----	-----	102,562,000	3.7
1923	-----	-----	109,736,000	7.0

Imports and Exports of Dairy Products—U. S.—1899-1923

Year	Butter		Cheese		Condensed Milk	
	Exports 1,000 lbs.	Imports 1,000 lbs.	Exports 1,000 lbs.	Imports 1,000 lbs.	Exports 1,000 lbs.	Imports 1,000 lbs.
1899	19,374	52	36,777	10,720	-----	-----
1909	5,981	646	6,823	35,548	-----	-----
1919	84,556	9,519	14,159	11,932	852,865	16,509
1920	27,155	37,454	19,378	15,994	710,533	23,756
1921	7,829	34,344	10,825	16,585	266,506	19,273
1922	7,511	9,551	7,471	34,271	288,628	2,037
1923	9,410	15,772	8,446	54,555	159,956	7,276

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PHILOSOPHY OF THE UNIFORM
SMALL LOAN LAW

BY
WALTER S. HILBORN

ACTING DIRECTOR, DIVISION OF REMEDIAL LOANS, RUSSELL SAGE
FOUNDATION, NEW YORK CITY



DIVISION OF REMEDIAL LOANS
RUSSELL SAGE FOUNDATION
NEW YORK
1923

Price, 10 Cents

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Philosophy of the Uniform Small Loan Law¹

WALTER S. HILBORN

Acting Director, Division of Remedial Loans, Russell Sage
Foundation, New York City

THE Uniform Small Loan Law had its inception in the city of New York. In November, 1916, only six years ago, representatives of your organization, in conference with representatives of the Russell Sage Foundation, agreed upon the language of the first draft, and since that date, from time to time, we have, with representatives of other organizations, made slight changes in the draft. Today the Uniform Small Loan Law, either in its exact form or in statutes containing many of its important provisions, is in force in nineteen states having a population of 59,123,981, out of a total population of 105,710,620 in the United States. "Tall oaks from little acorns grow;" the small conference held in the city of New York has changed the small loan history of the United States.

To sum up the year's activities, the statute books remain today as they were a year ago, but in those states where the Uniform Law has been enacted it is operating successfully and efficiently, and has proved that its supporters builded wisely and builded well.

You, who have been among the active supporters of the Law in the states where it has been enacted and its most enthusiastic advocates in states in which it has been offered for enactment, know from practical experience the benefit to be derived from its operation. Some of you are masters of the philosophy of the small loan business, but nowhere is there available in brief space any statement of its underlying theory. The present seems to be an auspicious opportunity to make a permanent record of the principles on which it is founded.

¹ An address delivered before the Eighth Annual Convention of the American Industrial Lenders' Association, New York, September 20, 1922.

There are two theories upon which legislation affecting the rate of interest has been based:

1. That money is a commodity, and that the price to be paid for the use of money should be regulated by supply and demand and not by legislation. In other words, that there should be no legislation limiting the rate of interest which should be charged for the loan of money. England and Massachusetts offer the leading illustrations of the free contract rate.

2. The other principle is the one which has been carried down through the generations, that the rate to be charged for the loan of money should be restricted in all cases by legislative fiat. In most American states legislation has been governed by this principle, and the limit of interest which may be charged on any loan varies from 6 to 10 per cent per annum.

Thus the Uniform Small Loan Law runs counter to the theory underlying the legislation of the free contract rate states by limiting the rate of interest which may be charged upon small loans; and runs counter also to the legislative theory in other states by authorizing a much higher rate upon small loans than upon larger loans.

Upon what theory and upon what principle can the advocates of small loan legislation justify this exception to the principle regulating the interest charge upon small loans in both classes of states? Upon the principle that the borrower of small sums of money requires the protection of the state against the rapacity of the unbridled lender in the free contract rate states where no maximum rate is provided by the law, and upon the theory that both lender and borrower require the protection and authorization of the state where by hard and fast rule an unreasonably low maximum contract rate is in force.

There is implied in what I have said an assumption that the small loan business should be authorized and not prohibited, and, of course, this is implicit in the formal draft of any uniform small loan legislation.

A person might well conclude that it was wise:

1. To prohibit small loans by legislation where more than the normal contract rate is charged, or
2. To advocate the lending of small sums of money as a semi-philanthropic, non-commercial enterprise, or
3. To advocate commercial lending of small sums.

The Law was a definite commitment of its advocates to the

third principle, namely, that the commercial lending of small sums of money at present meets the demand for small loans more fully than any other method. This conclusion is based upon experience; for the first possible solution, the attempted prohibition of a rate of interest on small loans that is higher than the contract rate has resulted, in spite of sporadic campaigns against the loan shark, in clandestine extortion by the illegal lender and helplessness on the part of the borrower. As a second attempted solution, there were organized by men of philanthropic inclination remedial loan societies which charge less than the rate authorized on small loans by local law and limit the profit of the investor. There are in the United States about thirty companies, having a capital of \$14,000,000; but these semi-philanthropic agencies, while they have rendered an important service, have not been adequate to cover the needs of all small borrowers.

Accordingly, believing that small loans should not be prohibited, and that there was no reason for confining the small loan business to semi-philanthropic associations, those interested in the small loan field concluded that, in order to meet the needs of the small borrower more effectively, it was necessary to put the business upon a definite, legal, commercial basis, a basis upon which it would be commercially possible—hence the Uniform Small Loan Law.

The Law is simple in form and simple in theory. It authorizes any person to obtain a license from the state, and having obtained a license to make loans of \$300 or less, and to charge therefor not in excess of $3\frac{1}{2}$ per cent a month to be computed on unpaid balances; it regulates strictly the conduct of the business of the lender; it prohibits, and provides suitable punishment for, loans by unlicensed lenders in excess of the contract rate prescribed by law. The Law thus enables commercial lenders to engage in business, and provides suitable penalty for violations of its provisions by both licensed and unlicensed lenders.

Opposition to the Uniform Law comes from two groups of people: from the uninformed, who do not understand why more than 6 to 10 per cent per annum should be charged on small loans; and from the interested who do not want their illegitimate business, in which they charge from 10 per cent a month up, to be affected. The Law has constantly met the open opposition of the former class and the private and secret intrigue of the latter class.

But one question is often asked about the Law: "Why should small loans bear a rate of interest so much higher than that at which large loans are customarily made?" There are several valid grounds for the higher rate.

1. The risk on these loans is relatively greater, the duration of the loan being longer than in the case of ordinary bank loans, generally twelve months, and the security of a character not usually acceptable to a commercial bank.

2. Operating expense is high because the amount of each loan is small, it must be collected in monthly instalments, and investigation of the reliability of borrowers must be made with greater care than in the case of bank loans.

3. The lending capacity of a small loan agency is limited to its cash capital on which it must pay dividends; that of a commercial bank includes in addition to this resource, the deposits of its customers on which it does not have to pay dividends or interest. Consequently, an interest charge of 6 per cent on loans of a commercial bank will produce a profit much larger than 6 per cent on its capital.

These facts show why small loan agencies, in order to remain in business, must charge rates that will yield enough to meet inevitable losses and relatively high operating expenses as well as a fair return on invested capital. It follows that it is essential to the life of this business that a much higher rate be permitted for small loans than is prescribed for bank and ordinary commercial loans. We are dealing with a distinct kind of enterprise which requires special treatment.

There remains but one factor to be considered: Why $3\frac{1}{2}$ per cent a month instead of any other charge? The answer is not so simple but it is satisfactory. We are seeking a rate which will interest legitimate capital to satisfy the small loan requirements of every state requiring small loan service, and it has not yet been demonstrated that commercial capital will enter the small loan field if a lower rate is authorized. We know that wherever the Uniform Law has been enacted the small loan needs of the state have been more adequately met and the business placed upon a dignified plane. We know that in some states where less than $3\frac{1}{2}$ per cent is authorized, the small loan need is not adequately met.

It is perfectly clear that the small loan business is not satisfactorily conducted in a state like New York, where only 2 per cent a month and fees are authorized, although several corporations of a semi-philanthropic nature are there engaged in the pledge and chattel loan business, and a few commercial lenders have been authorized by the State Banking Department.

It is likewise true that in Massachusetts the small loan field throughout the state is not covered, and the commercial lenders do not seem to be receiving an adequate return.

Concerns which have large capital and efficient organization may make more than would strike the average man as proper. A small licensed lender in a medium-sized town may have to struggle to make a living under the Uniform Law. The example of the lender with small capital is no more an argument for increasing the rate carried by the Uniform Law than the success of the large and well-organized lender is an argument for reducing the rate. The fact is that the Uniform Law, carrying a maximum rate of $3\frac{1}{2}$ per cent a month on unpaid balances, is meeting a difficult problem in a practical and effective way.

The student of the small loan field has met the practical man of affairs in the small loan business, and together they have devised a law which admirably fits the situation. The commercial lenders operating under the Small Loan Law have made their business a recognized honorable commercial venture.

Your organization merits the commendation and approval of men of affairs, and I am proud of the fact that, hand in hand with representatives of the American Industrial Lenders' Association and with others, we are making efforts in state after state to bring to borrowers of small sums the advantages which accrue from the enactment of the Uniform Small Loan Law.

STATES HAVING UNIFORM LAW

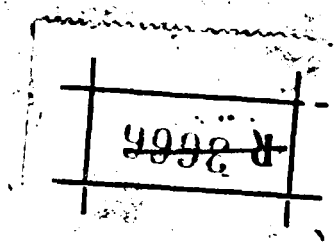
POPULATION

Arizona	334,162
Connecticut	1,380,631
Georgia	2,895,832
Illinois	6,485,280
Indiana	2,930,390
Iowa	2,404,021
Maine	768,014
Maryland	1,449,661
Pennsylvania	7,017,000
 Total	 27,368,008

STATES HAVING SIMILAR LAWS

POPULATION

Colorado	939,629
Massachusetts	3,852,356
Michigan	3,668,412
New Hampshire	443,083
New Jersey	3,155,900
New York	10,385,227
Ohio	759,394
Oregon	3,389
Utah	449,396
Virginia	2,399,187
 Total	 31,755,973
 States having Uniform Law	 27,368,008
States having similar laws	31,755,973
 Total	 59,123,981
Total population of the United States	105,710,620



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C O N T E N T S.

Agriculture

1. A Graphic Summary of American ~~workers~~
By Middleton Smith, O.E. Baker and
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2. Agricultural Co-operation in Wisconsin.
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3. Farm Tenancy. By C.J. Galpin and Emily
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5. The Intensity of Cultivation. by
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6. The Farmers Influence over Prices.
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7. The Relation of Government to Agricultural
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11. Philosophy of the Uniform Small Loan
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A GRAPHIC SUMMARY OF AMERICAN AGRICULTURE.

BY

MIDDLETON SMITH,

Bureau of Crop Estimates,

O. E. BAKER,

Agriculturist, Office of Farm Management,

AND

R. G. HAINSWORTH,

Head Draftsman, Office of Farm Management.

[FROM YEARBOOK OF DEPARTMENT OF AGRICULTURE FOR 1915.]

X9(U).73-N/s



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A GRAPHIC SUMMARY OF AMERICAN AGRICULTURE.

(Graphs 1-4; maps 1-78.)

By MIDDLETON SMITH, *Bureau of Crop Estimates*, O. E. BAKER, *Agriculturist, Office of Farm Management*, and R. G. HAINSWORTH, *Head Draftsman, Office of Farm Management*.

THE maps and graphs on the following pages, which show the geographic distribution of farms, crops, and live stock in the United States, are based on data contained in reports of the Thirteenth Census or collected by the Bureau of Crop Estimates. The tables have been prepared by the Bureau of Crop Estimates, the maps and description of the agricultural provinces by the Office of Farm Management.

The chief value of a graphic presentation of statistical facts relating to crops and live stock is that it enables the reader to locate at a glance the regions of production without a detailed study of a mass of figures. A table is inserted on each map giving the statistics, by States, for 1909 or 1910, taken from the census, and, where available, also the estimates of the Department of Agriculture for 1915. These tables, in terms of exact figures, assist in interpreting the maps; by comparing the figures for 1909 with those of 1915 an indication is obtained of the changes in acreage, production, or numbers since the last census. At the end of the table, the separate totals for the States to the east and to the west of the Mississippi River are shown.

The map of agricultural provinces (map 1) is based primarily on the geographic distribution of the principal crops and types of farming, which is in turn dependent largely upon climatic conditions. The acreage of land in crops (map 5) includes not only crops for which the census secured acreage reports but also fruits and nuts for which the census reports only the number of trees. The acreage of these fruits has been estimated on the basis of the number of trees per acre by the use of factors for each State supplied by the Office of Horticultural Investigations, Bureau of Plant Industry. The map showing rural population (map 12) represents the population outside of all incorporated places, which differs from the rural population used by the census in that the latter excluded only places of 2,500 inhabitants or more. The statistics for the map "Improved land not in crops" (map 25) were secured by subtracting the acreage of all crops from the acreage of improved land and represent throughout most of the United States approximately the acreage of improved pasture. All of the above maps are based upon unpublished census data compiled by the Office of Farm Management.

The half-page maps of the different vegetables (maps 42 to 51) include only the acreage on farms reporting 1 acre or more of the vegetable specified, and are based upon unpublished county statistics courteously supplied by the Bureau of the Census, as are also the maps of fruit trees not of bearing age. The maps showing the location, 1914, of creameries (map 71) and of cheese factories (map 72) are adapted from maps prepared by the Bureau of Animal Industry. The map showing cotton production, 1914, is based upon the report of the Bureau of the Census. With these exceptions, the maps showing the distribution of the crops are based on statistics collected by the census for the year 1909, and those of farms, farm land, and the classes of live stock represent conditions on April 15, 1910; while the tables also give the estimates of the Department of Agriculture for January 1, 1915.

THE AGRICULTURAL PROVINCES.

(See map 1.)

The United States may be divided into an eastern and a western half, characterized, broadly speaking, one by a sufficient and the other by an insufficient amount of rainfall for the successful production of crops by ordinary farming methods. The North Pacific coast and several sections in California and in the northern Rocky Mountain region constitute exceptions to this statement. The dividing line which separates the East from the West follows more or less closely the one hundredth meridian, the annual precipitation increasing from 15 inches at the Canadian boundary to about 25 inches at the Mexican line, where the evaporation is much greater. The East is a region of ordinary farming based upon annual summer crops; the West, of grazing, dry farming, winter crops in certain localities, and irrigation, with only limited areas of ordinary farming under humid conditions such as characterizes the East.

The East and the West may each be divided into five agricultural provinces. In the East, precipitation being usually sufficient, the classification is based largely on temperature and the crops grown, while in the West rainfall is the important factor. In the East the agricultural provinces extend for the most part east and west, following parallels of latitude; while in the West the provinces are determined by the mountain ranges and extend north and south. Agriculture in the East varies primarily with latitude and soils, but in the West the principal factors are altitude and rainfall. The average elevation of the eastern half of the United States is less than 1,000 feet; that of the western half, over 4,000 feet.

In the East corn is the dominant crop, constituting over one-third of the acreage and nearly 30 per cent of the value of all crops. It is grown in all the five eastern provinces, but is most important in the corn and winter-wheat belt and in the cotton belt. Along the Gulf of Mexico and the southern Atlantic coast the type of agriculture varies greatly from section to section, so that the region is not named after any crop, but is called the "Southern coast," because the warm water exerts a controlling influence upon climate and crops. There is very little cotton grown outside the cotton belt; scarcely any winter wheat in the eastern half of the United States outside the corn and winter-wheat belt, and virtually no spring wheat outside the spring-wheat province. In the East grass is of greatest importance in the hay and pasture province, where in nearly every county hay and pasture occupy 50 per cent or more of the improved land.

In the West hay is the dominant crop, contributing 44 per cent of the acreage and 30 per cent of the value of all crops in 1909, and the forage obtained by grazing is probably of almost equal value. Alfalfa is the leading hay crop in the Rocky Mountain and arid interior provinces, prairie grasses in the Great Plains province, and grains cut green on the Pacific coast. Wheat contributed 19 per cent of the value of all crops, fruit and nuts 13 per cent, oats 8 per cent, barley 6 per cent, potatoes 4 per cent, and other vegetables 4 per cent in these five western provinces. The value of all crops in the western provinces, however, constituted in 1909 less than 10 per cent of the total for the United States.

The contrast between the East and the West is not as pronounced in live stock as in crops, except that swine are largely confined to the East, while sheep are much more important in the West. There is a marked distinction, however, in the manner of management, the live stock in the East being fed in the barnyards or fields with shelter at night, while in the West the stock is principally grazed on the open range. In the East the hay and pasture province is primarily a dairy region, while the corn and winter-wheat belt is the center of the beef-cattle and swine industry. In the West, the sheep are generally located in the more arid and the cattle in the less arid regions, while in the North Pacific province, with its cool, moist climate, similar to that of the hay and pasture province, dairying is again the dominant live-stock industry.

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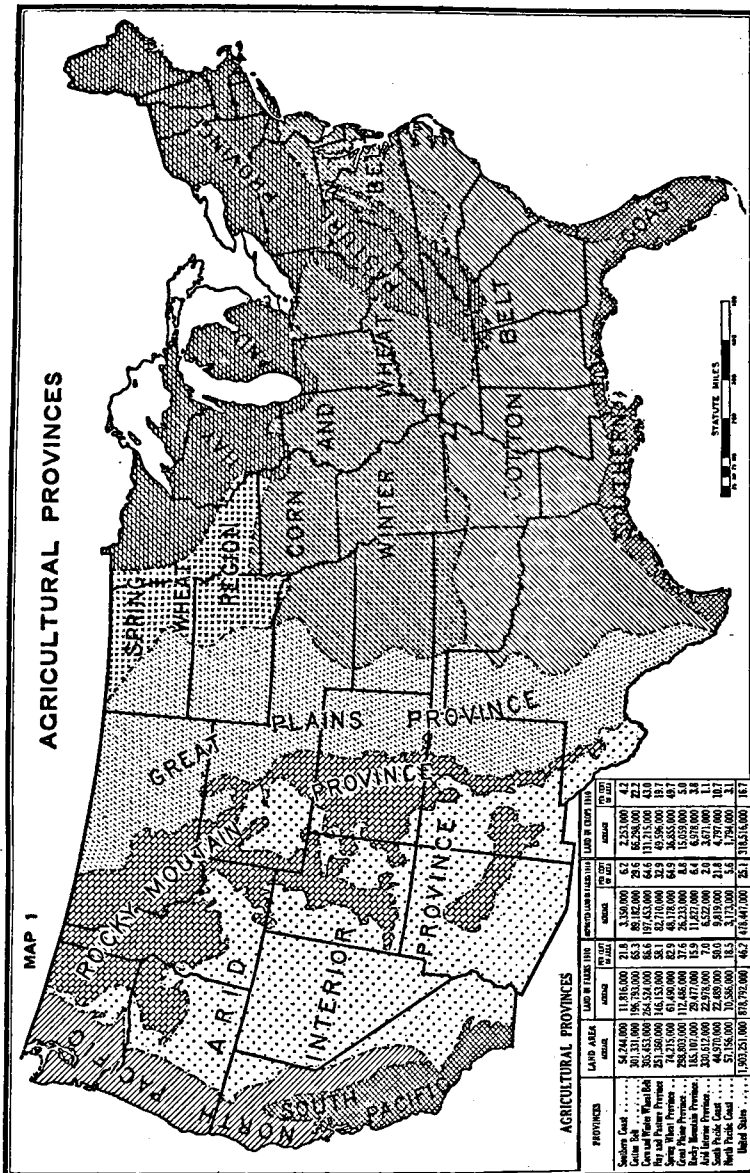
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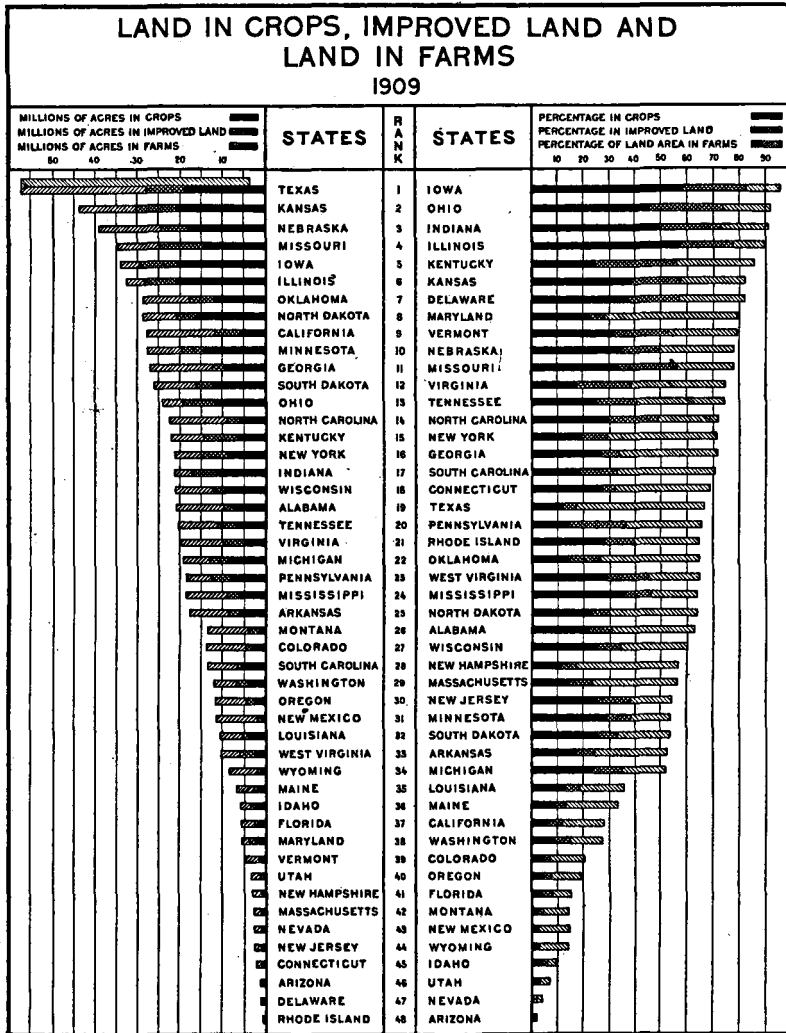
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LIVE STOCK AND DAIRYING.

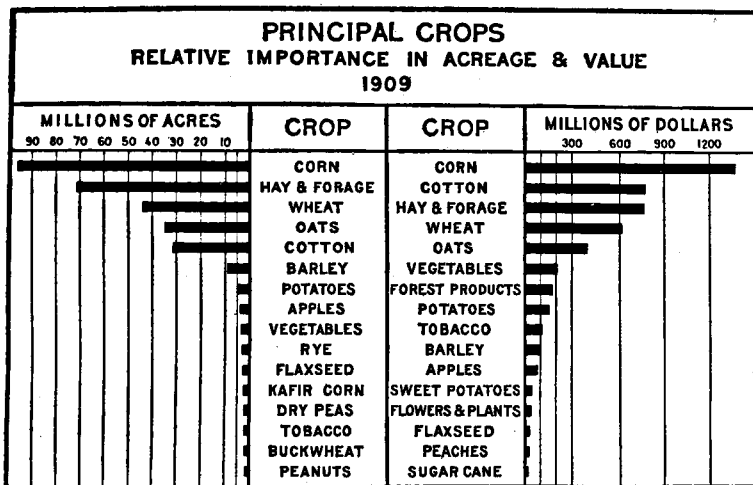
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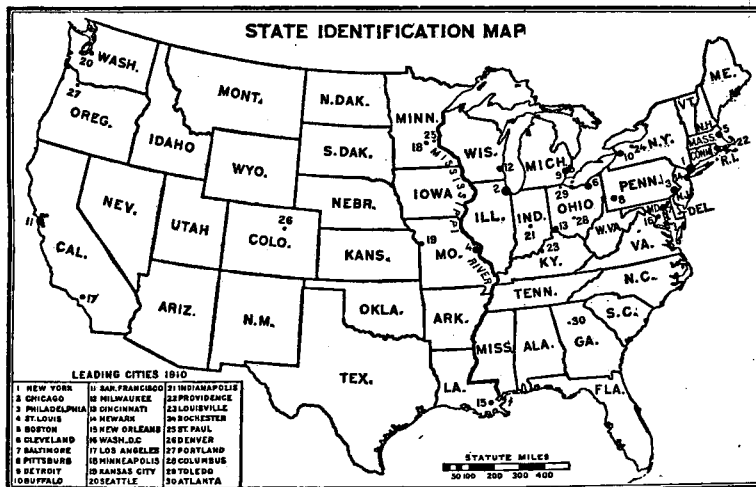
Compare with maps of cotton (map 15), winter wheat (map 17), spring wheat (map 18), and receipts from sale of dairy products (map 70).



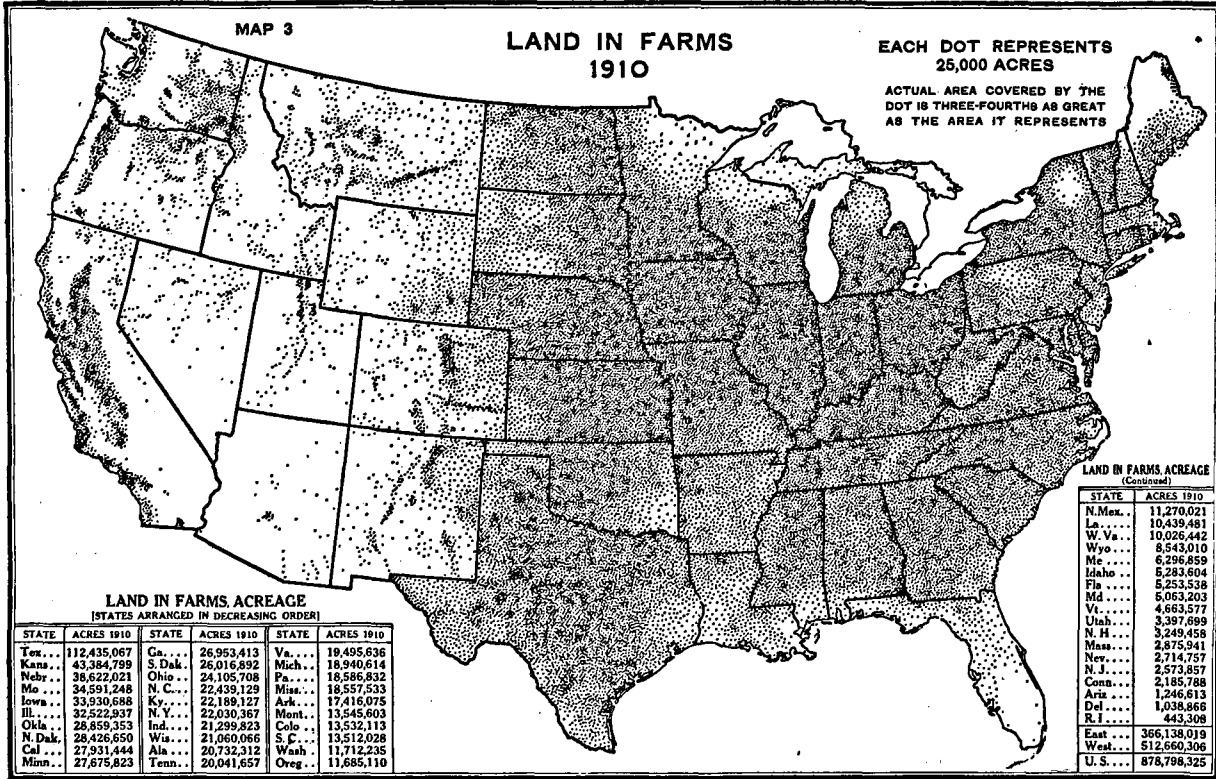
GRAPH 1.—The black section of the bar represents the area of the land in crops; the black section plus the cross lined section, the area of improved land; and the entire bar, the area of land in farms.



GRAPH 2.—Compare with maps of corn (map 13), cotton (map 15), wheat (maps 17 and 18), oats (map 21), hay (map 26), etc.

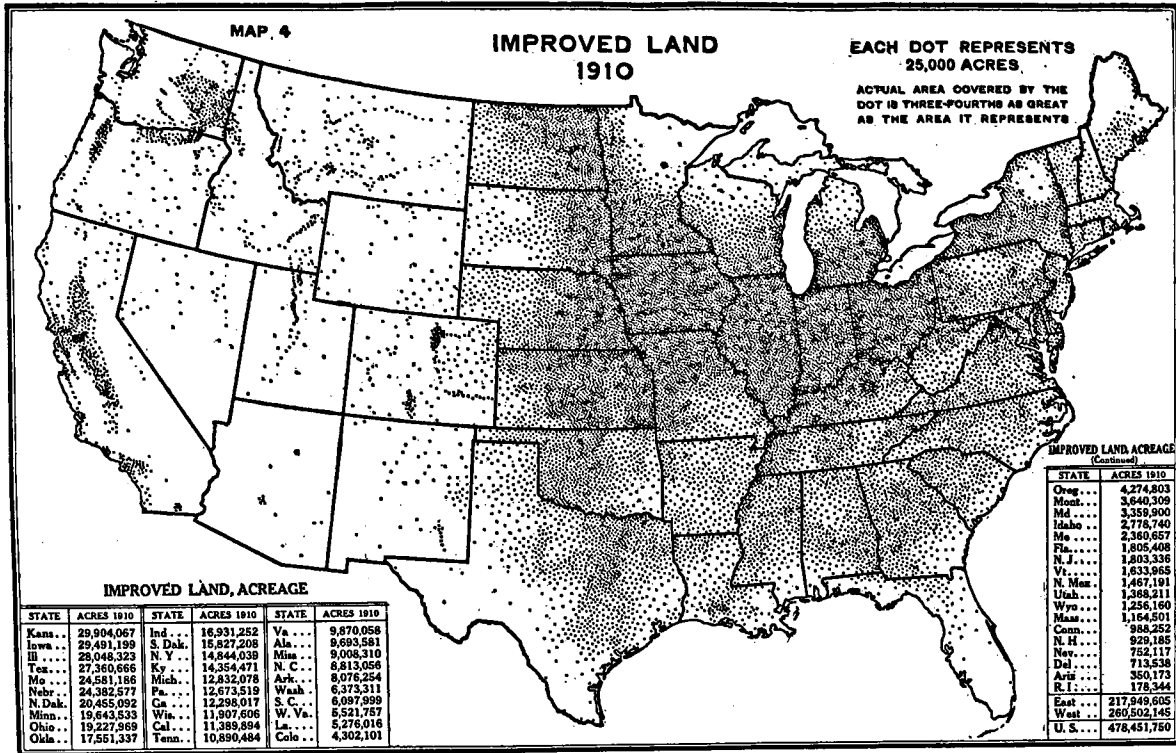


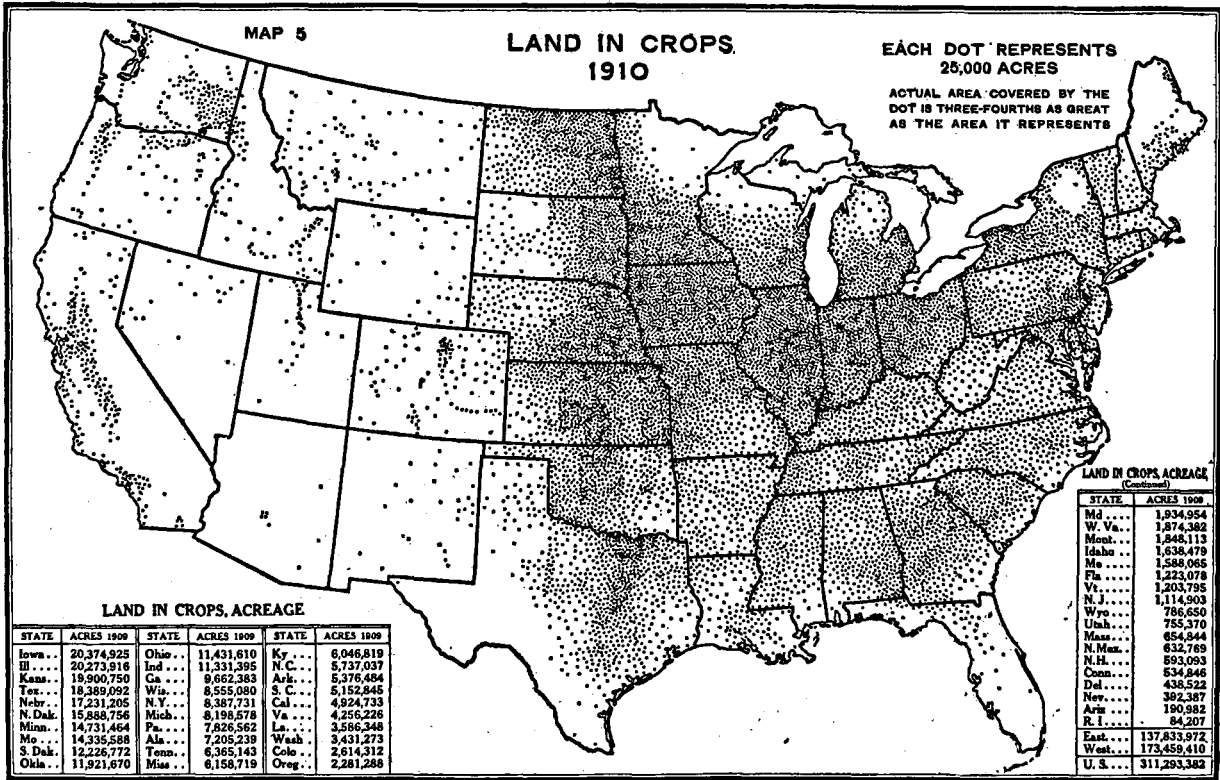
MAP 2.—Any of the maps may be compared with this map to ascertain the name of a State. The words "East" and "West" in the tables inserted on the maps refer to the States east and west of the Mississippi River, respectively.



Compare with maps of improved land (map 4) and land in crops (map 5).

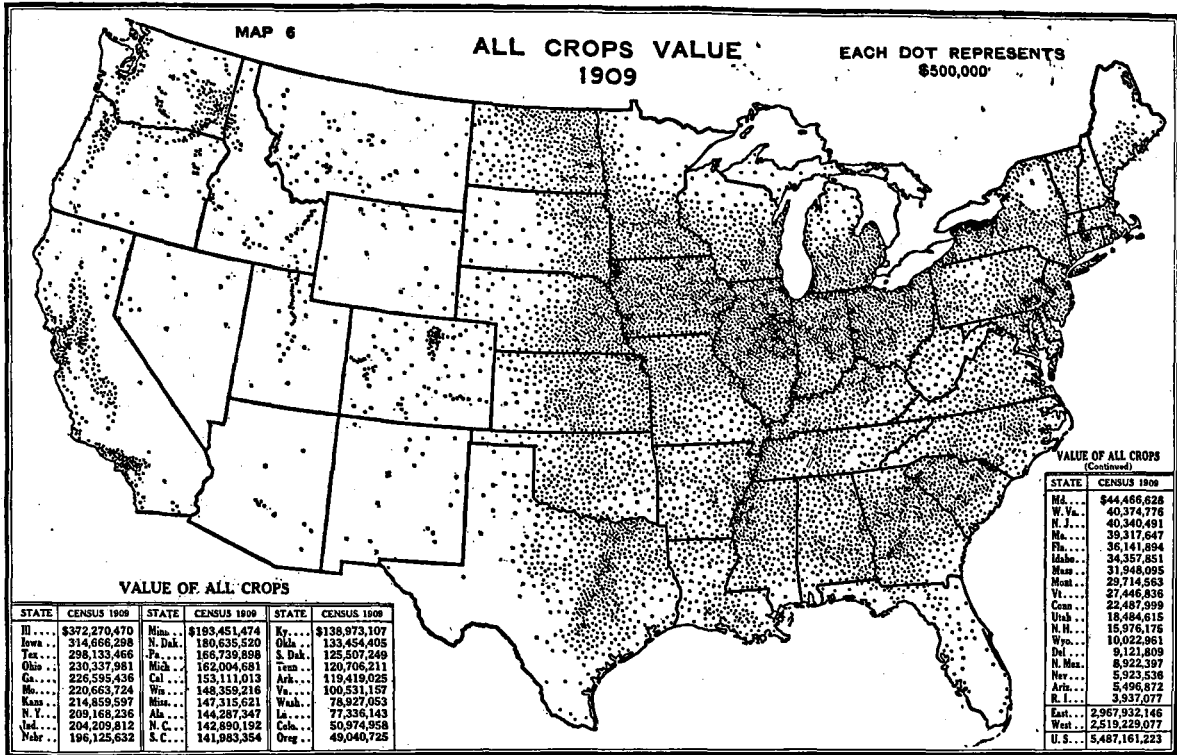
Compare with map of value of farm property (map 9).

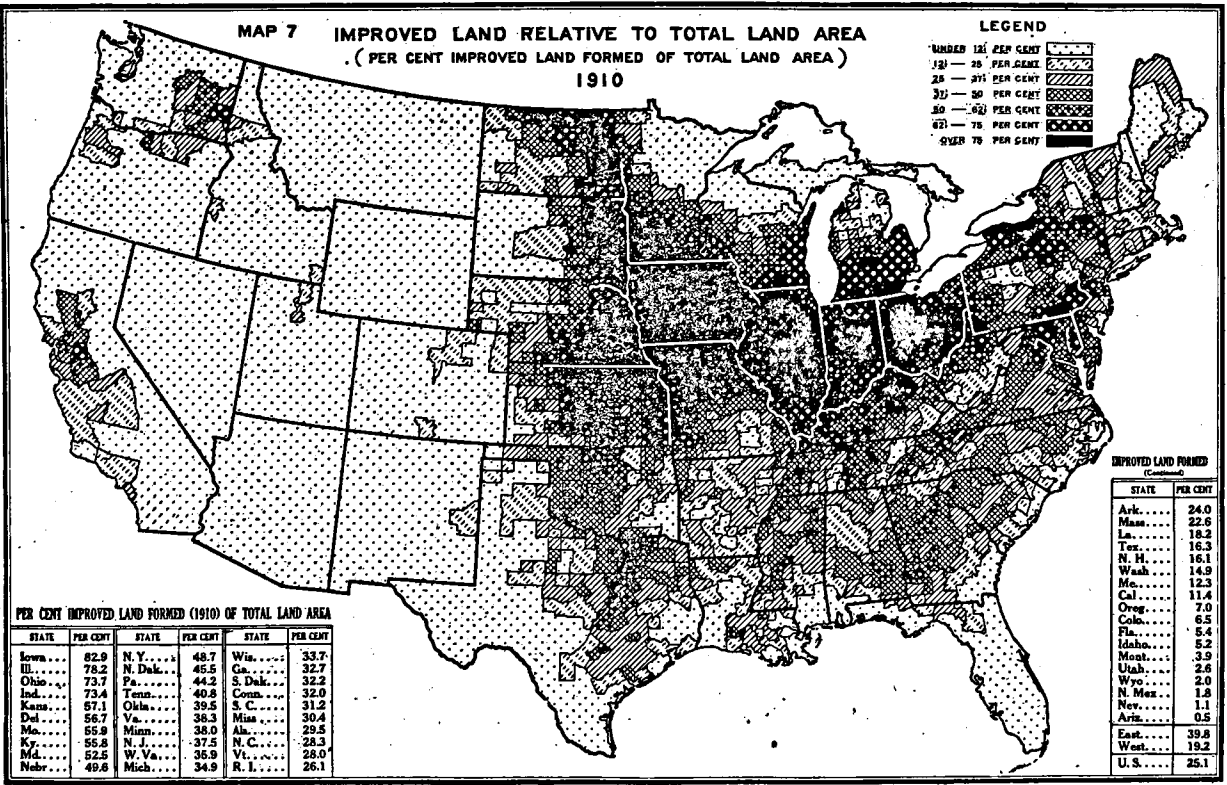




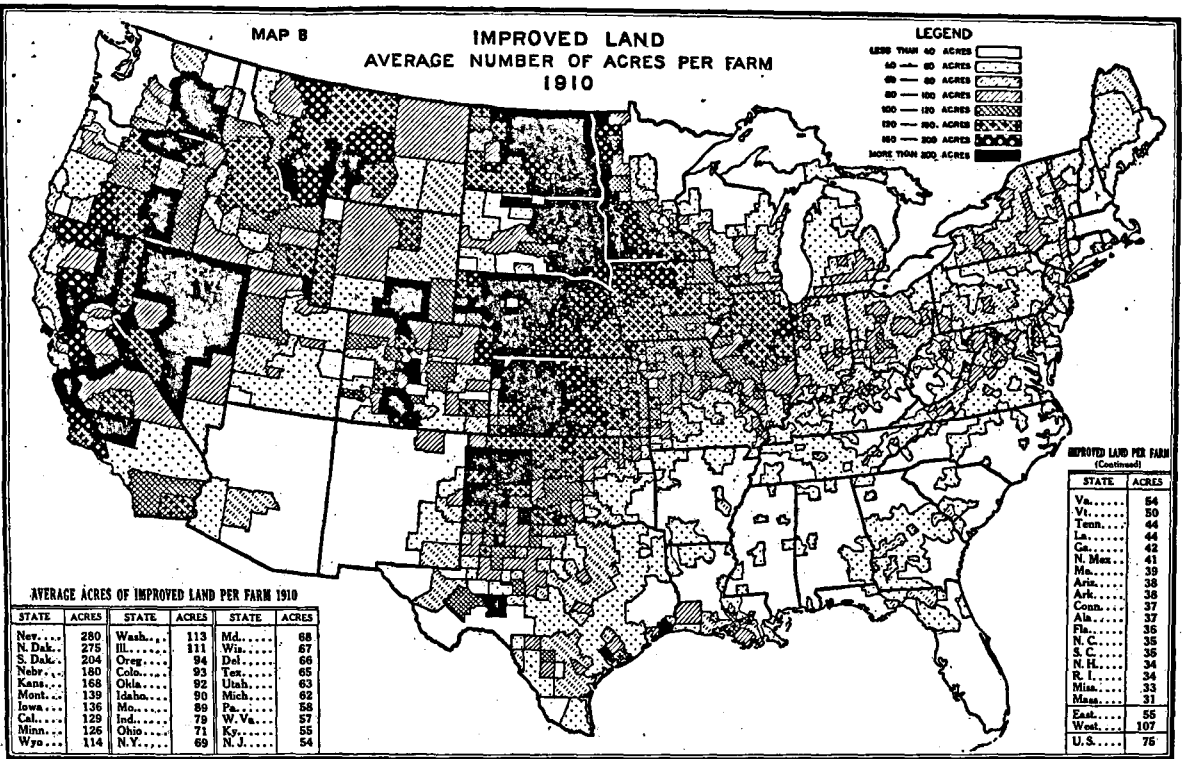
Compare with map of agricultural provinces (map 1).

Compare with map of land in crops (map 5) and value of farm property (map 5).
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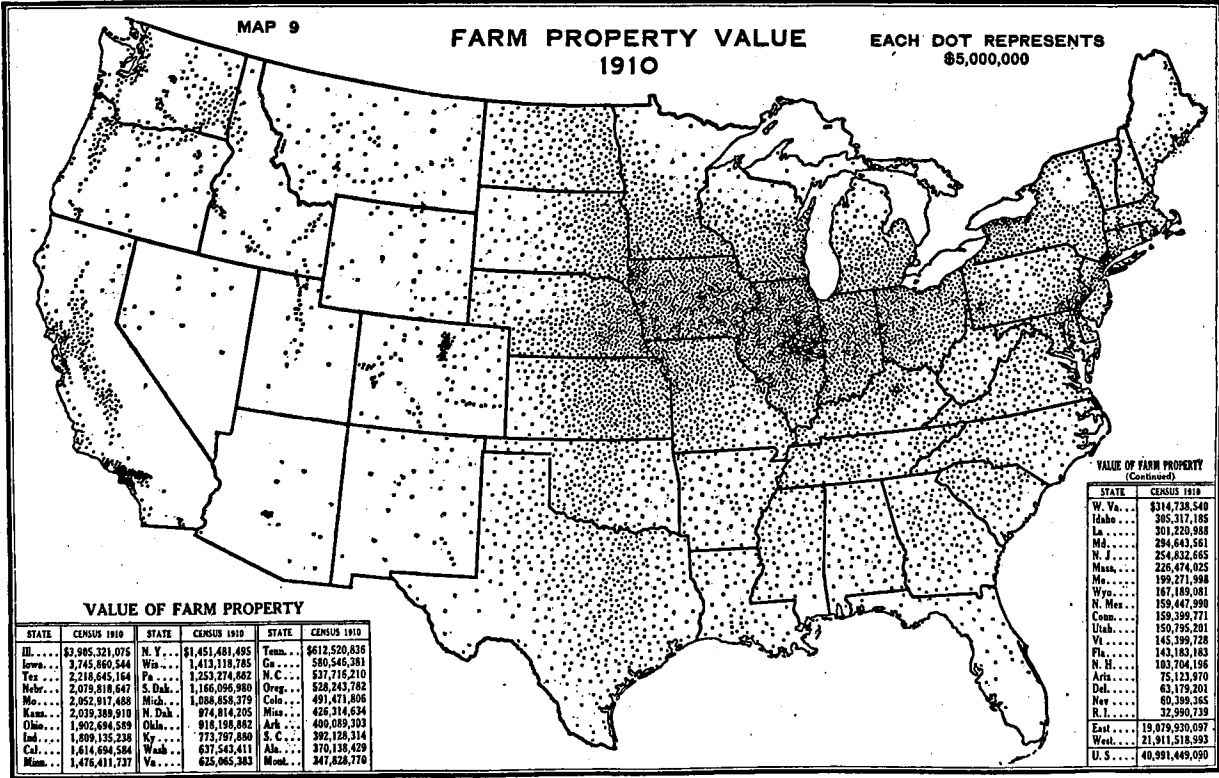




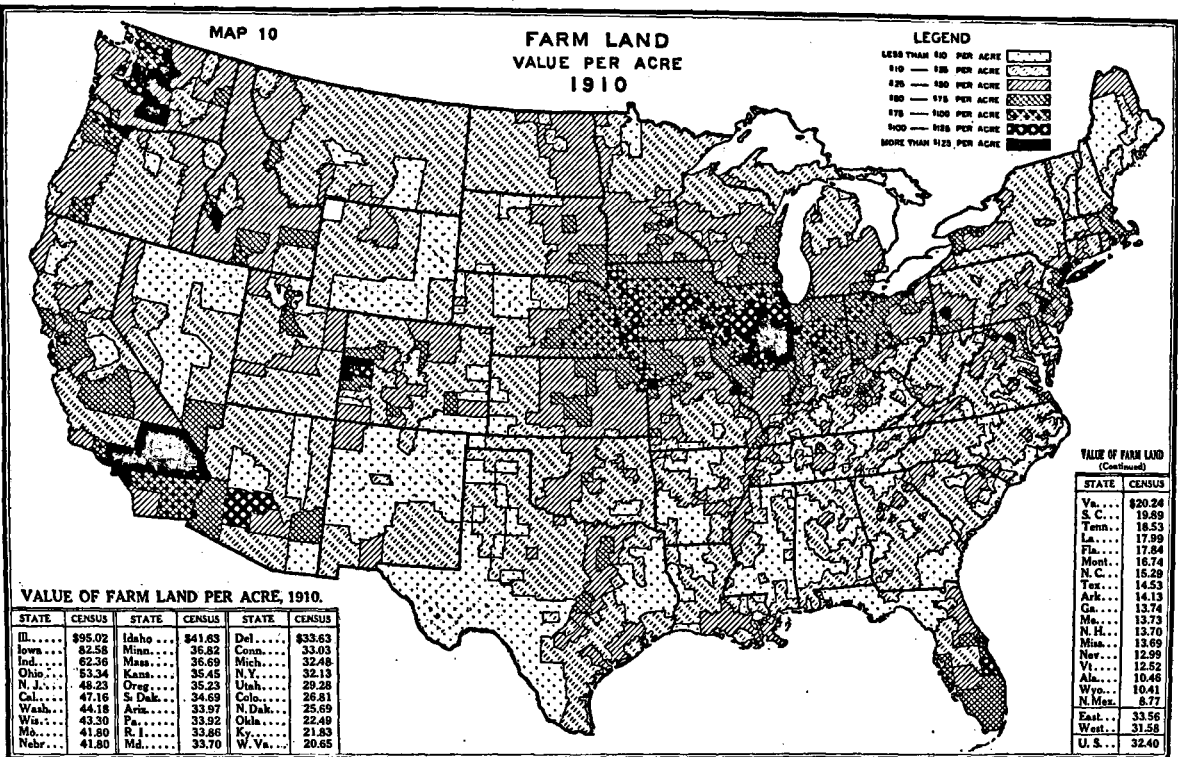
Compare with map of agricultural provinces (map 1).



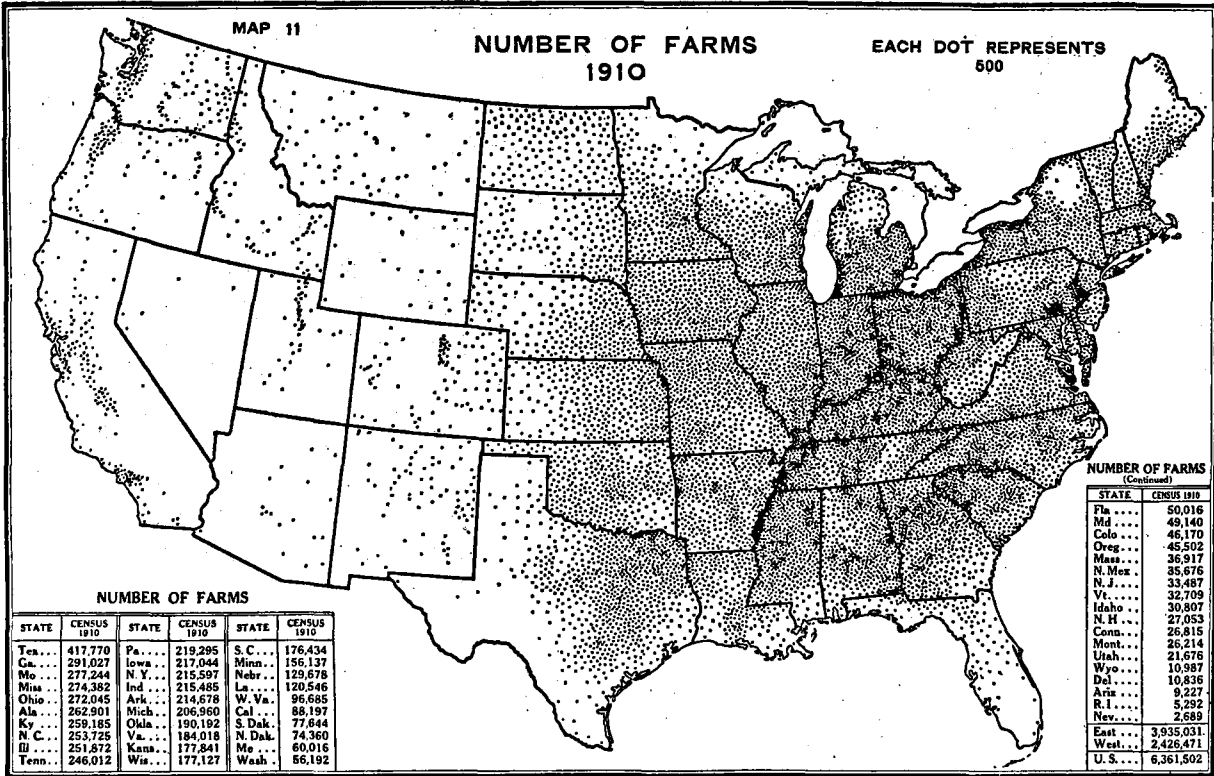
Compare with maps of spring wheat (map 18), winter wheat (map 17), hay and forage (map 20), corn (map 19), and cotton (map 15).



Compare with map of value of farm land per acre (map 10).

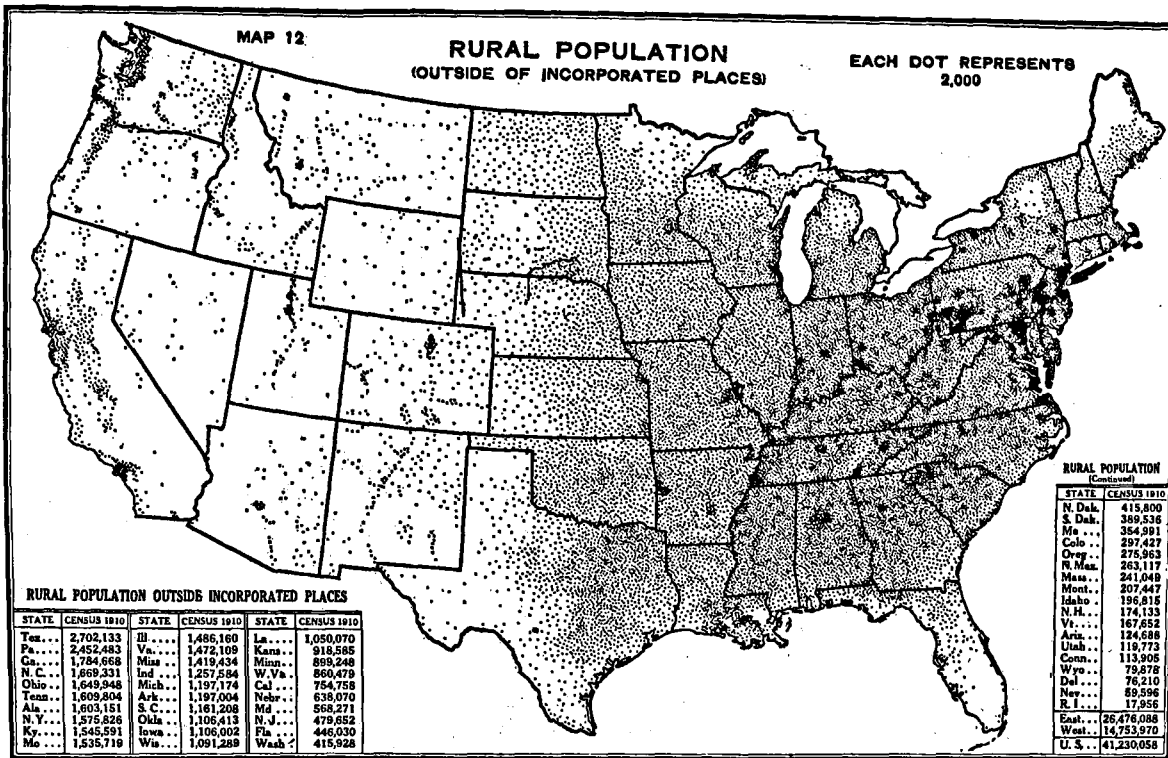


Compare with maps of agricultural provinces (map 1), corn (map 13), cotton (map 15), and fruits and nuts (map 52).

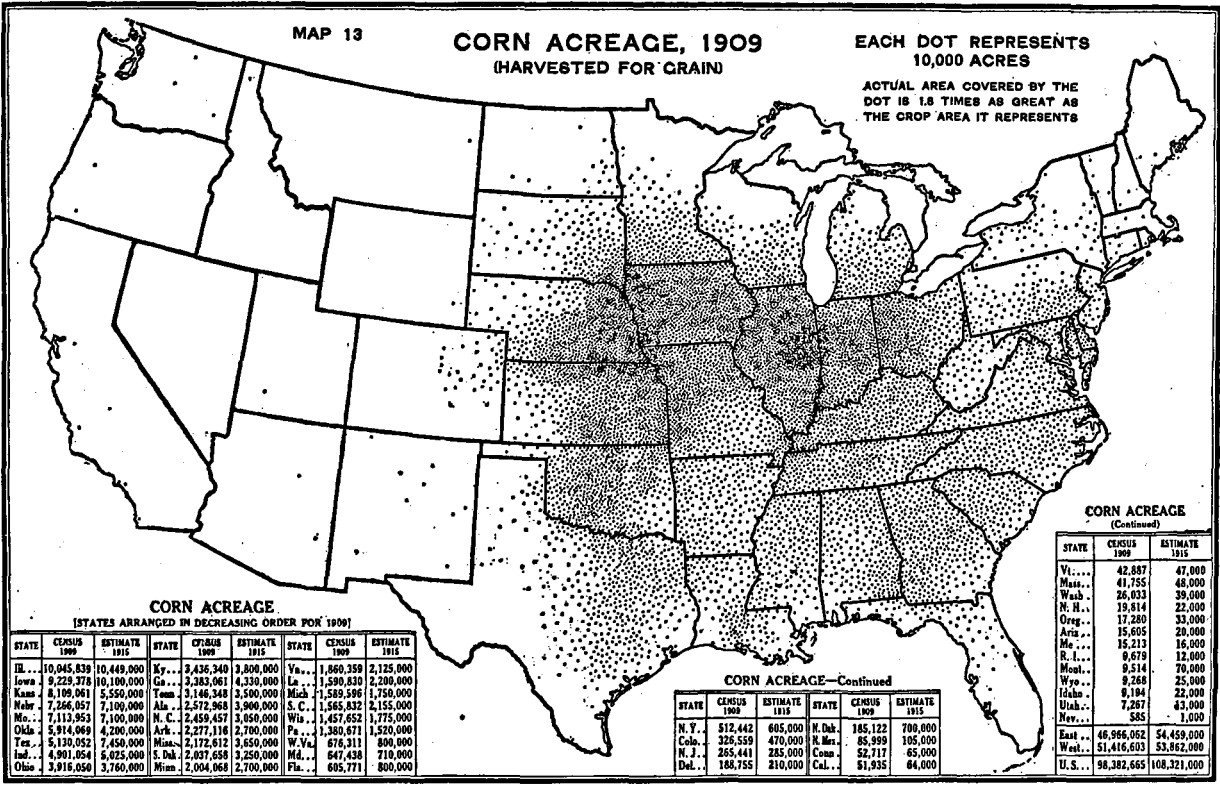


Compare with maps of rural population outside incorporated places (map 12), acres of improved land per farm (map 8), and land in crops (map 5).

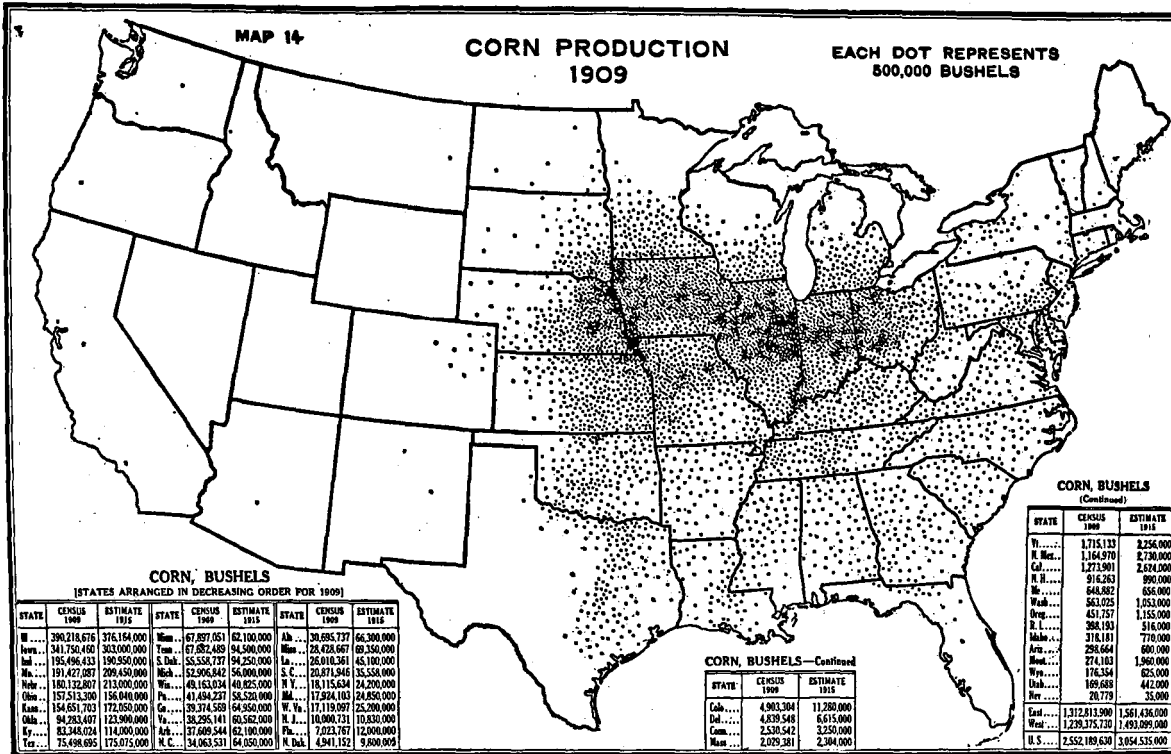
Compare with map of value of farm property (map 9).

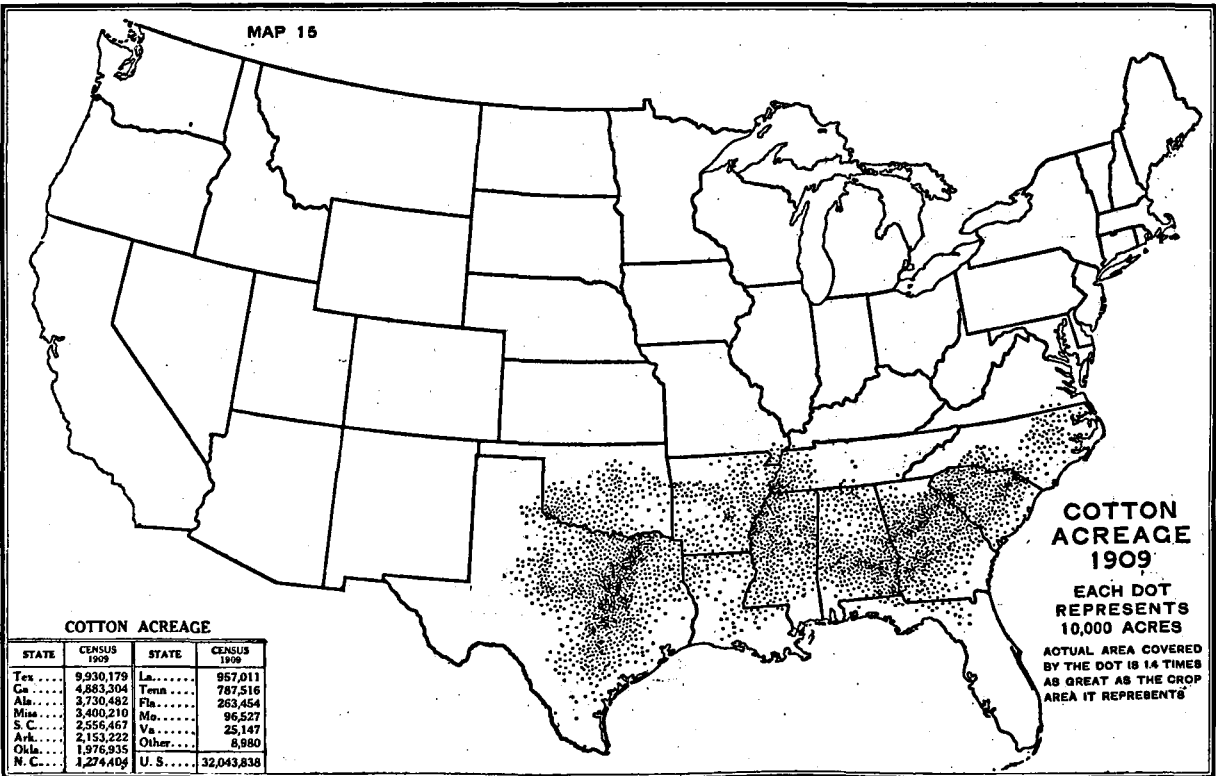


Compare with maps of swine (map 73), steers and bulls (map 66), and Kalb corn (map 37).

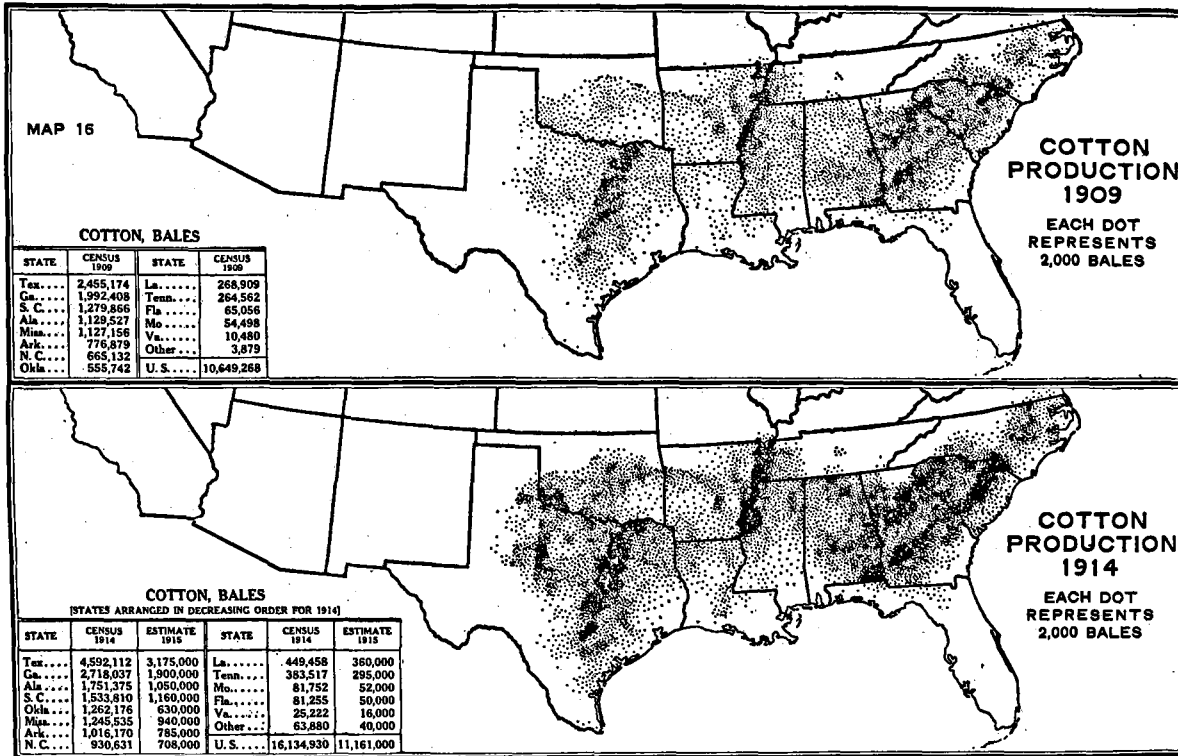


Compare with maps of corn (map 13) and value of farm property (map 9).

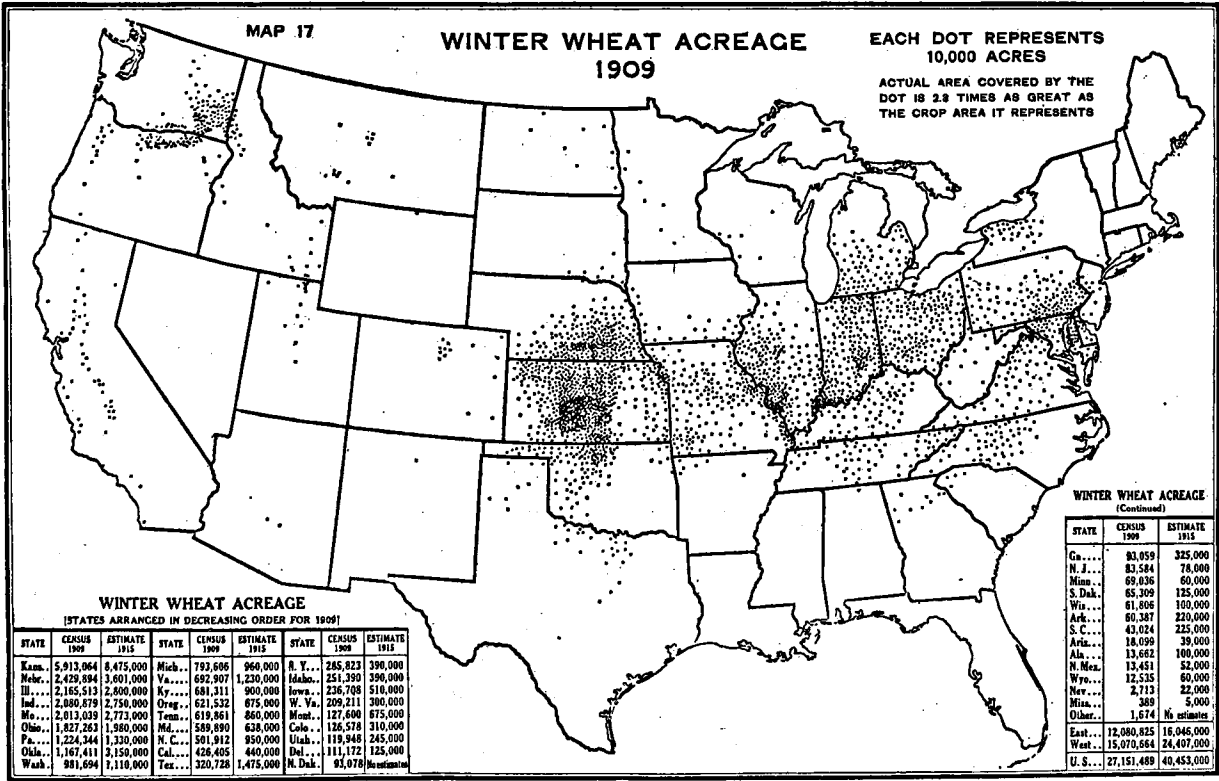




Compare with maps of rural population (map 12), hay and forage (map 26), and mules (map 66).

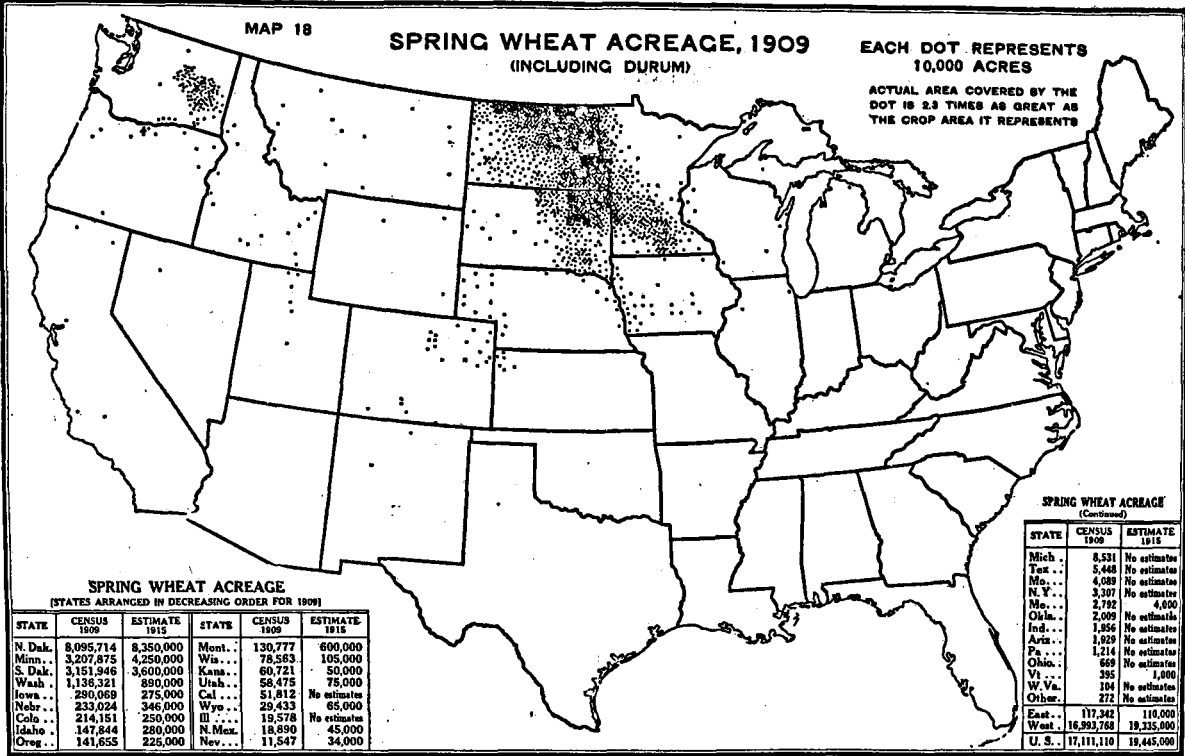


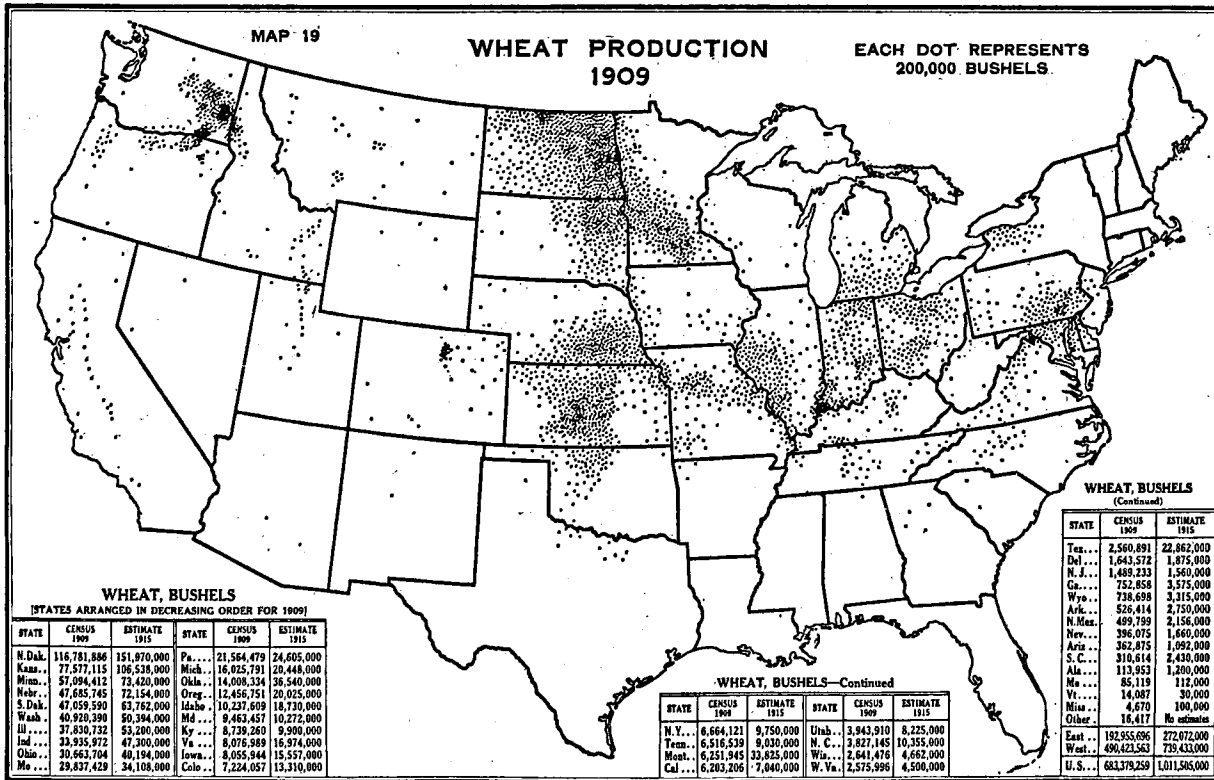
Compare with map of value of farm land per acre (map 10).



Compare with maps of oats (map 21), corn (map 13), and hay and forage (map 20).

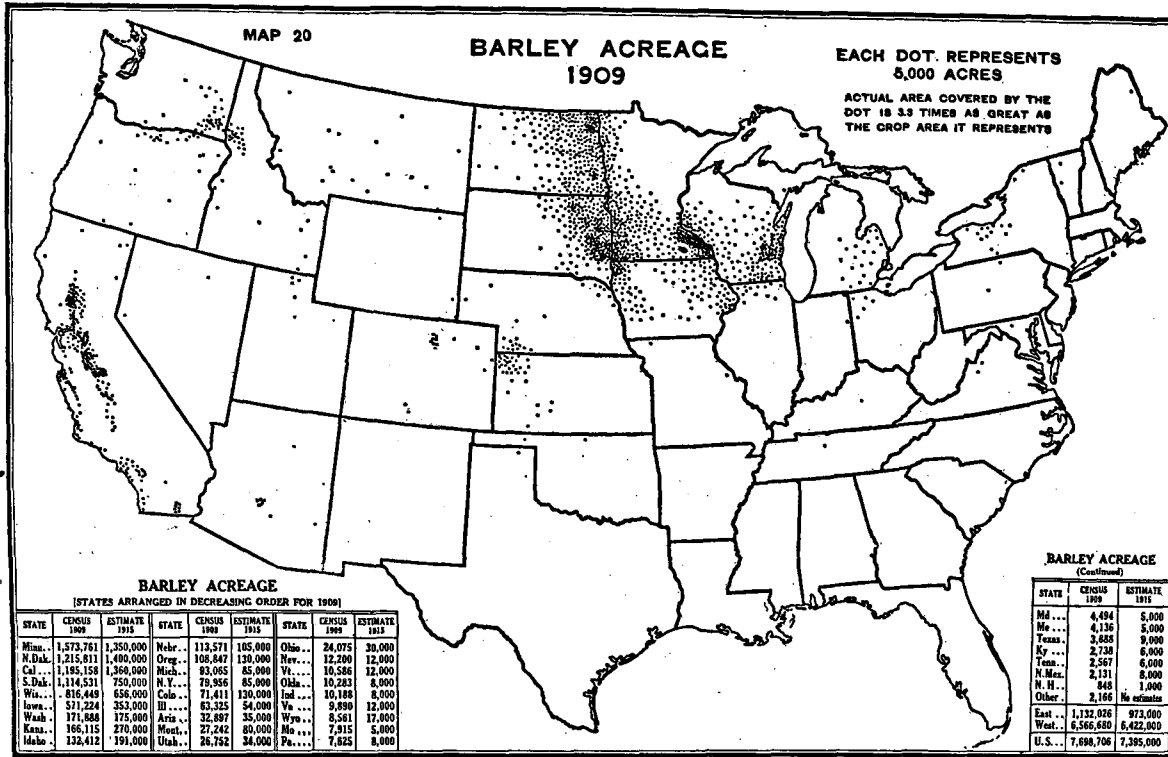
Compare with maps of winter wheat (map 17), corn (map 13), oats (map 21), barley (map 20), and flax (map 26).

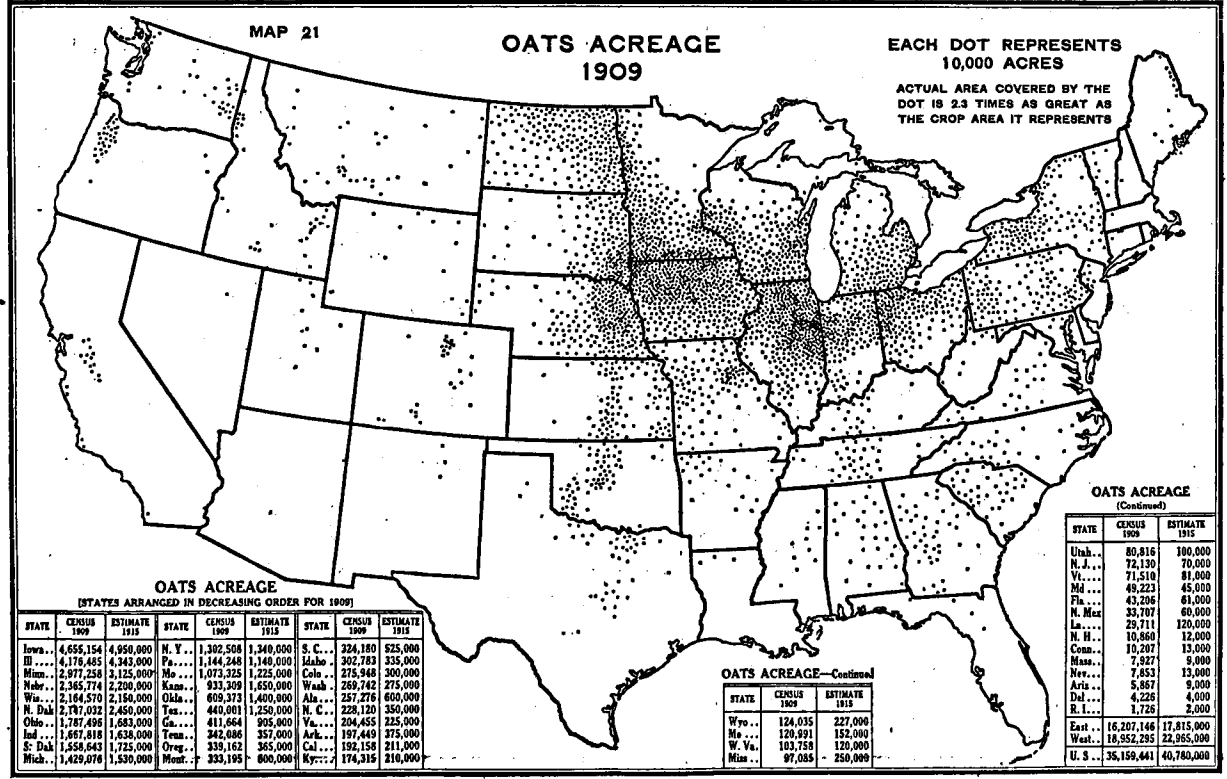




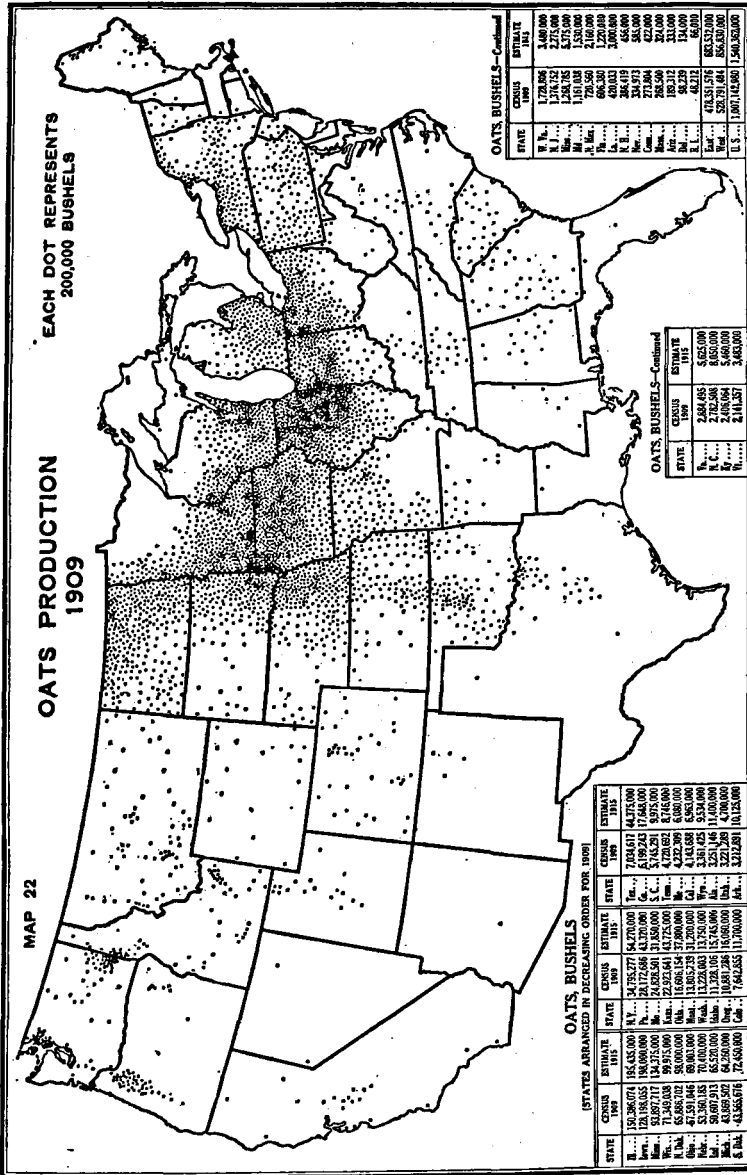
Compare with maps of spring wheat (map 18) and winter wheat (map 17).

Compare with maps of spring wheat (map 18) and flax (map 24).

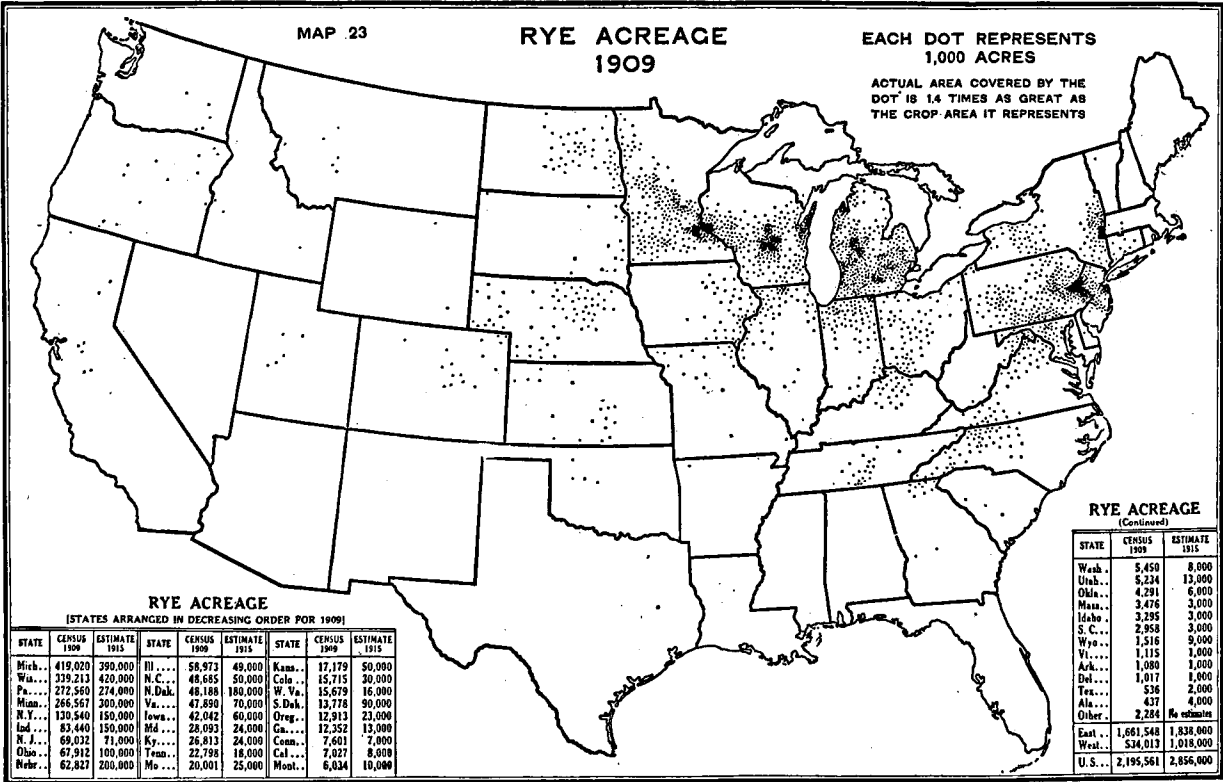




Compare with maps of corn (map 13) and hay and forage (map 25).

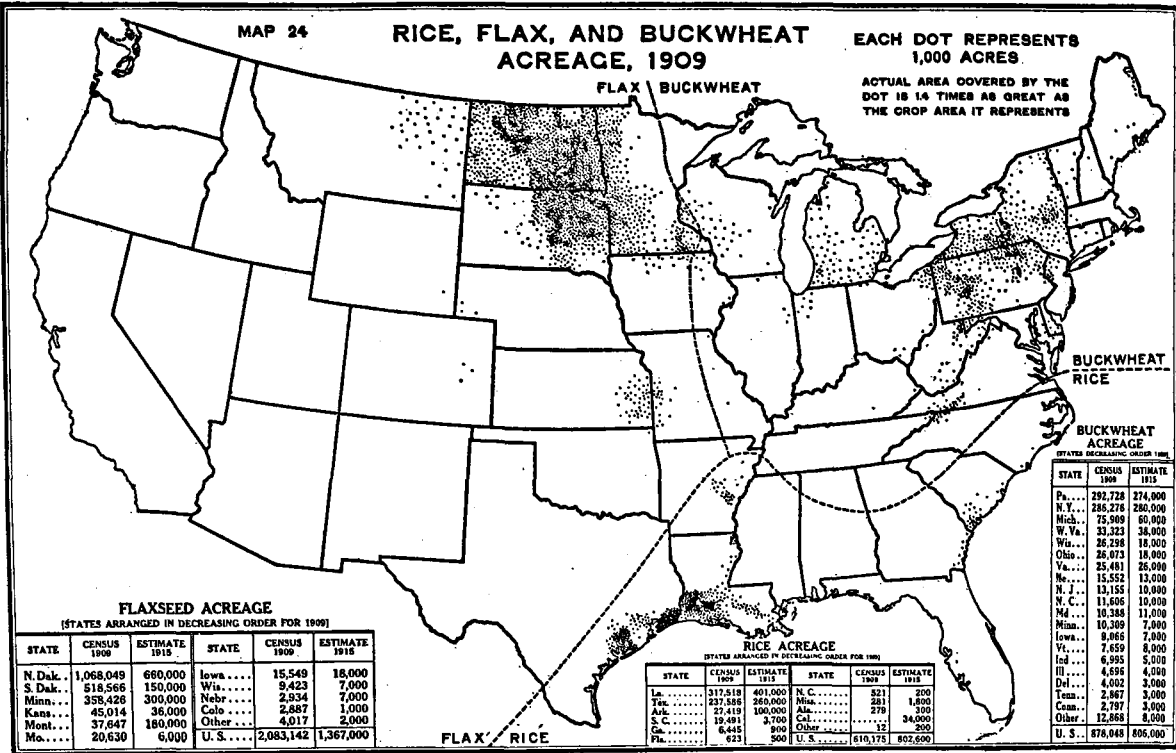


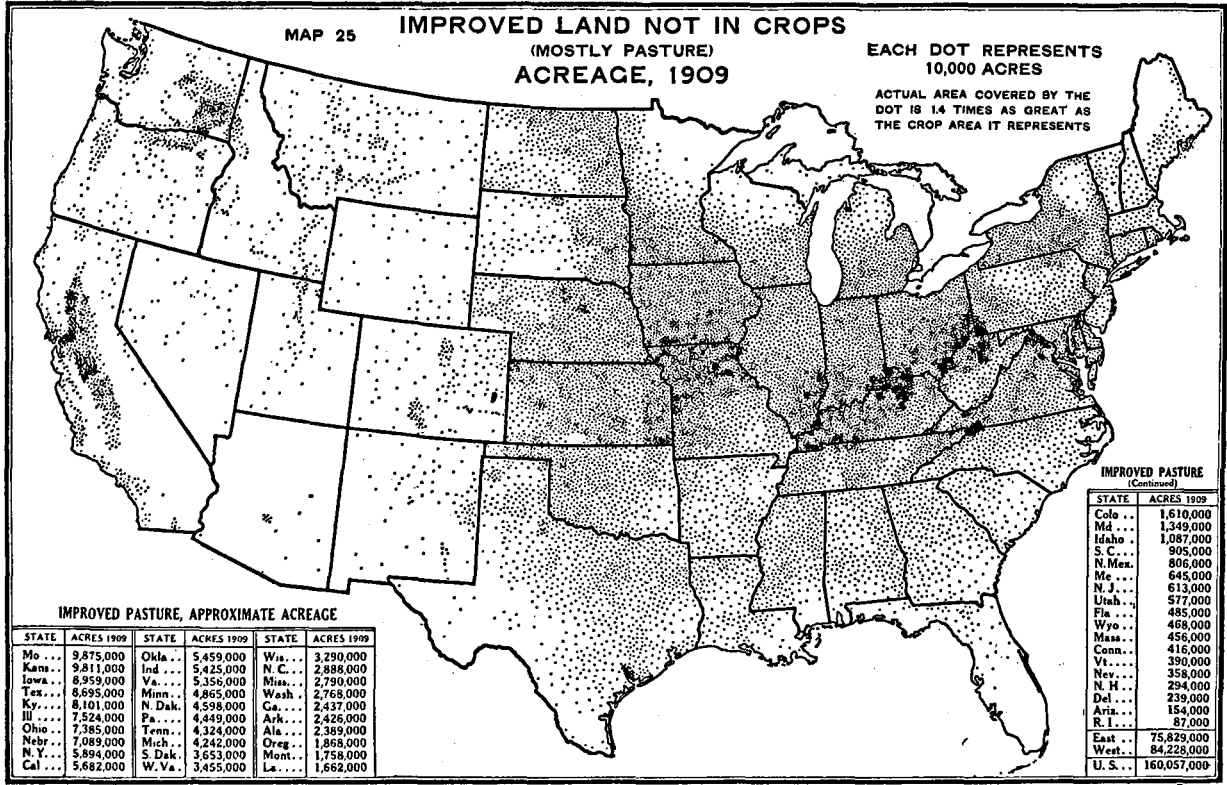
Compare with maps of horses (map 65) and mules (map 66).



Compare with maps of winter wheat (map 17) and potatoes (map 39).

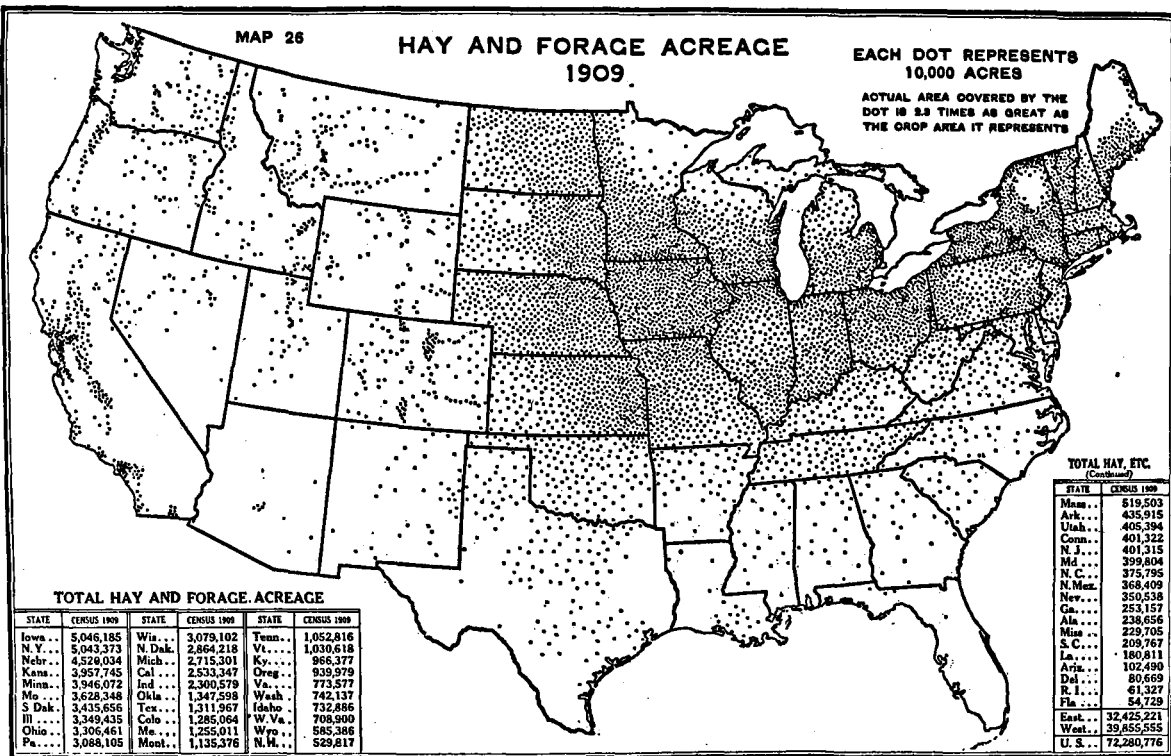
Compare flax with spring wheat (map 18), Rice with sugar cane (map 35), and buck wheat with timothy and clover (map 28).

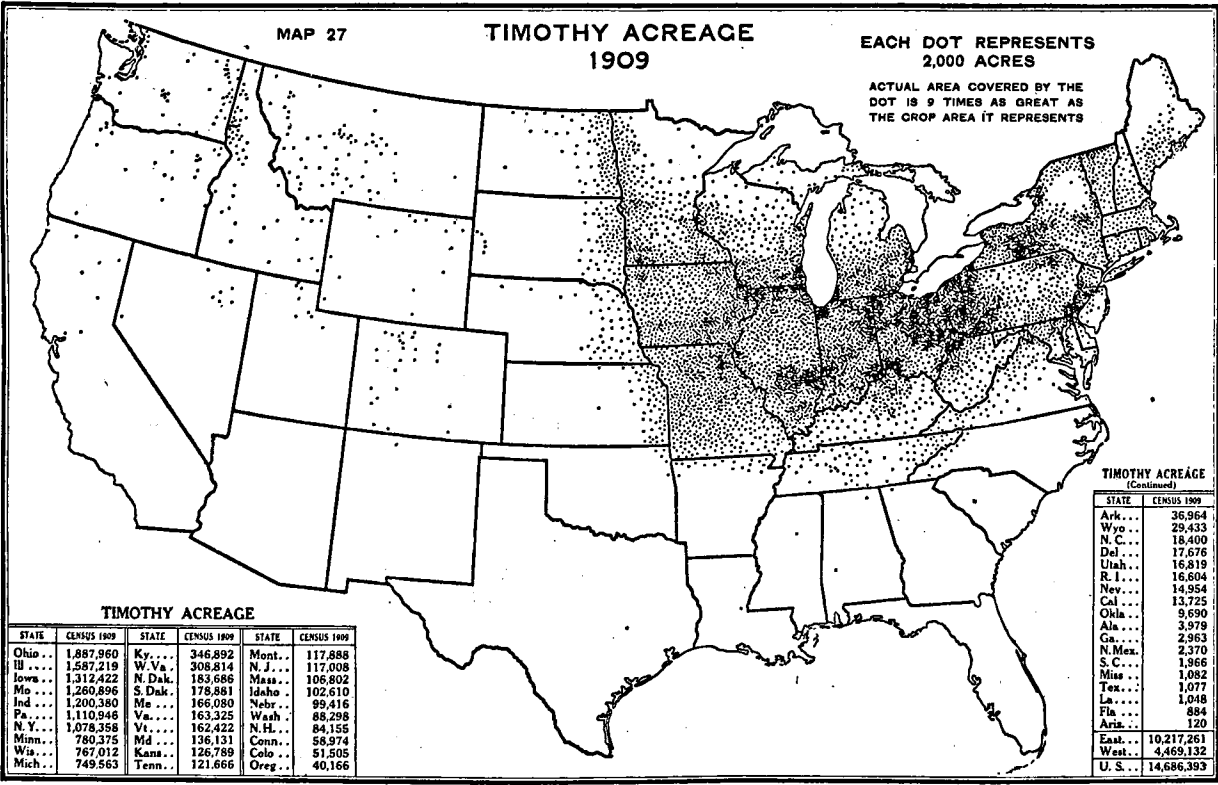




Compare with maps of cattle (map 67), steers and bulls (map 68), and dairy cows (map 69).

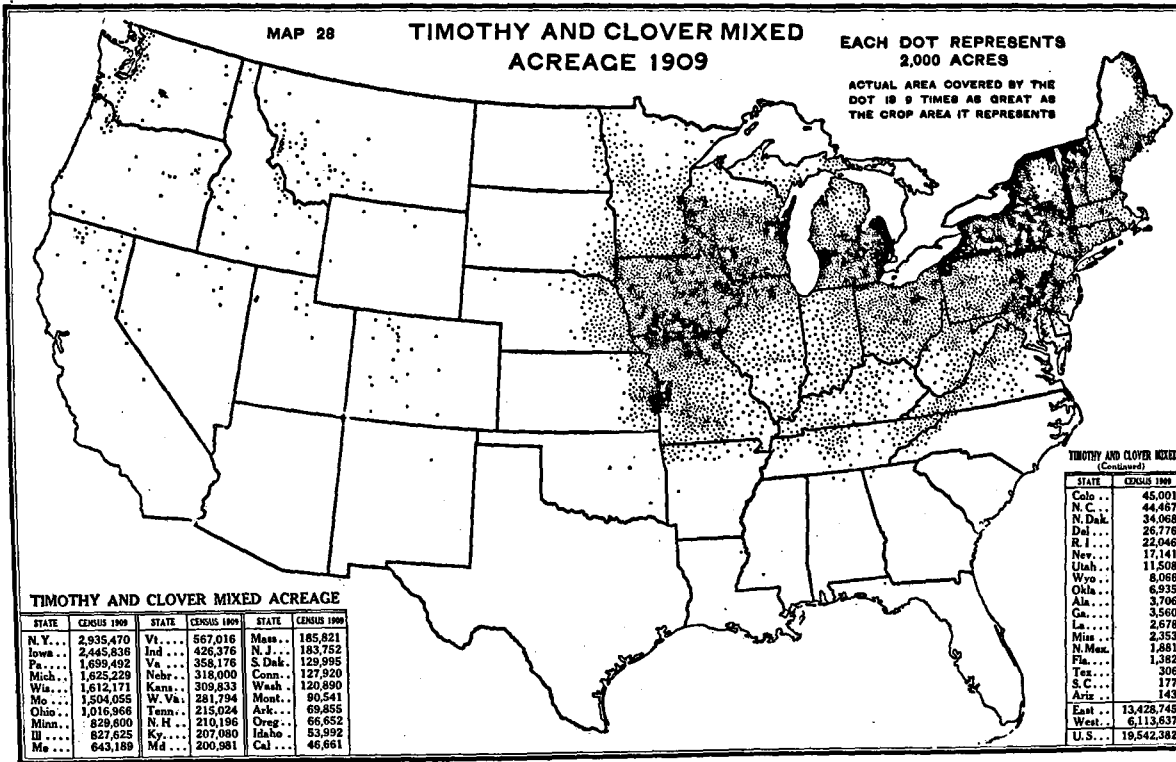
Compare with maps of cattle (map 67), steers and bulls (map 68), and dairy cows (map 69).

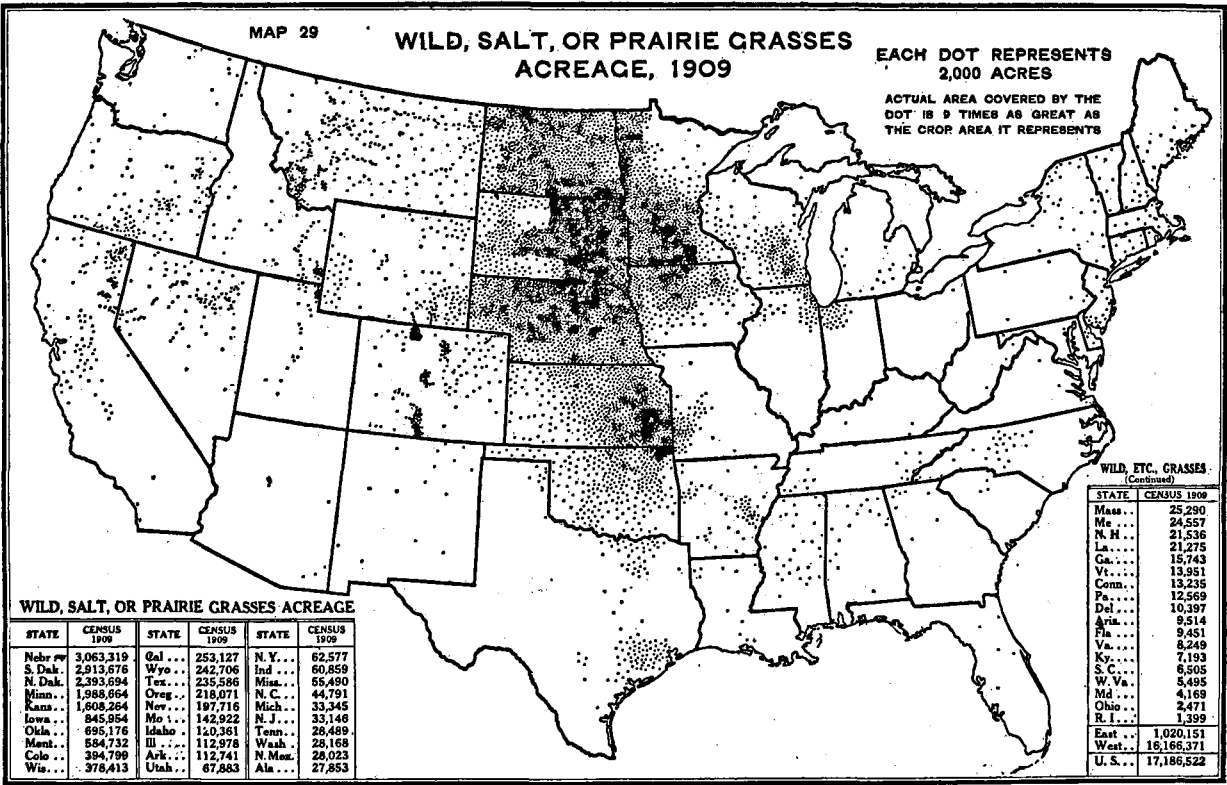




Compare with maps of corn (map 13) and cotton (map 15).

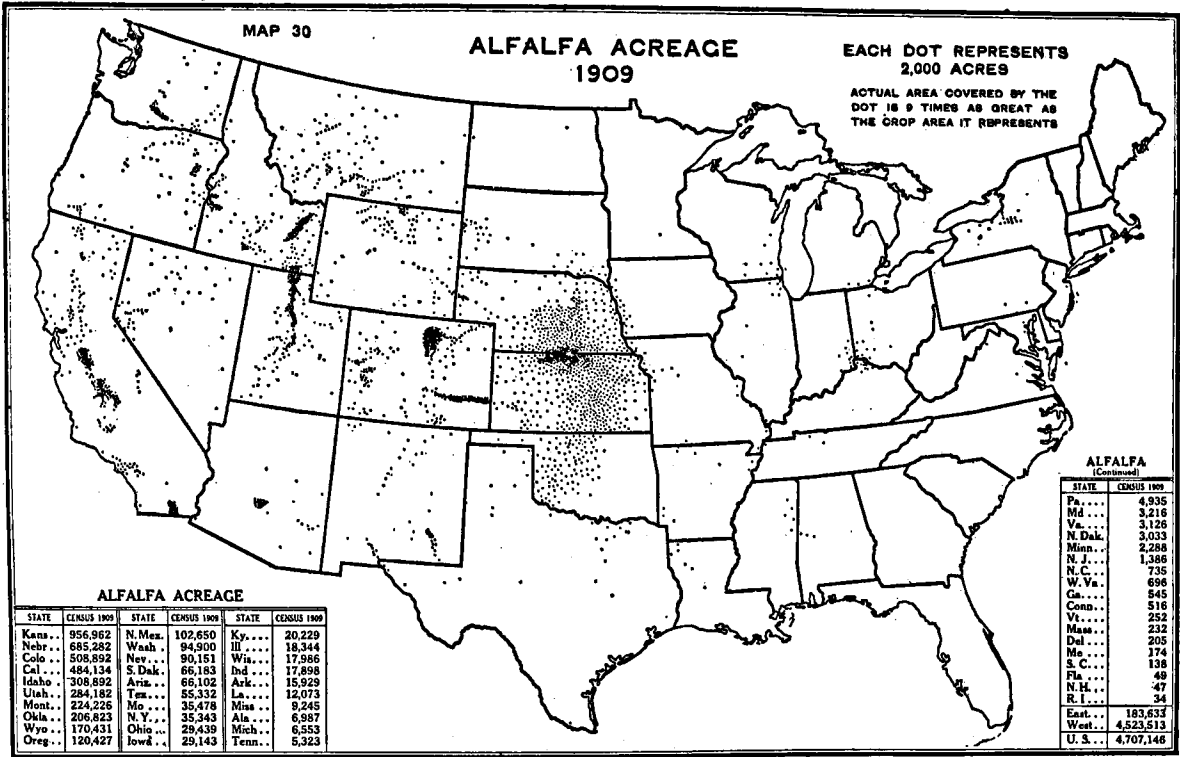
Compare with maps of receipts from sale of dairy products (map 70).

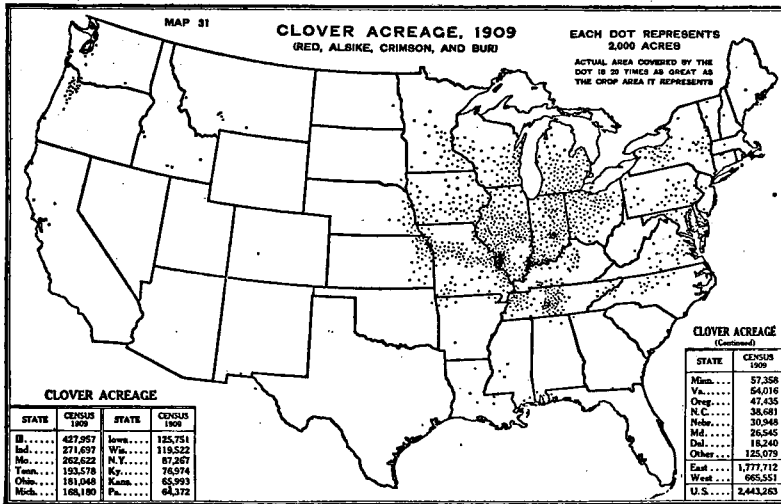




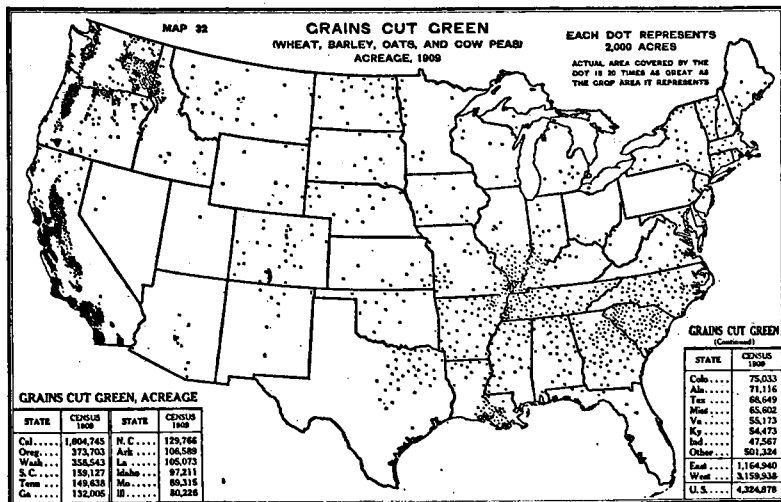
Compare with maps of timothy (map 27), timothy and clover mixed (map 28), and alfalfa (map 30).

Compare with maps of corn (map 13), wheat (map 19), and hard in crops (map 5).

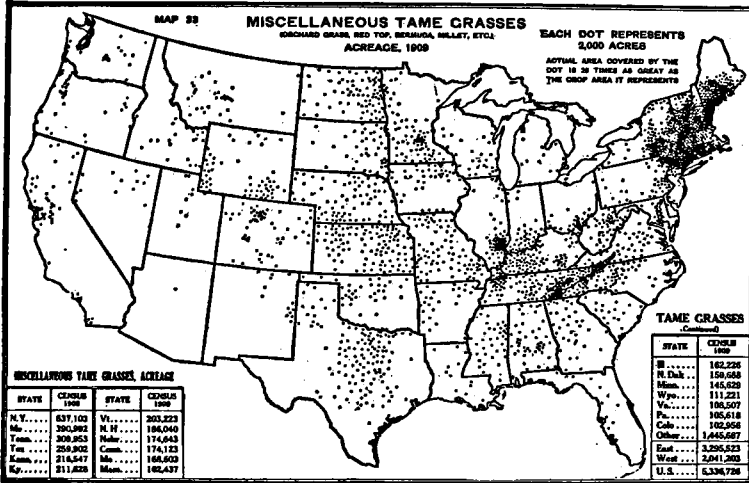




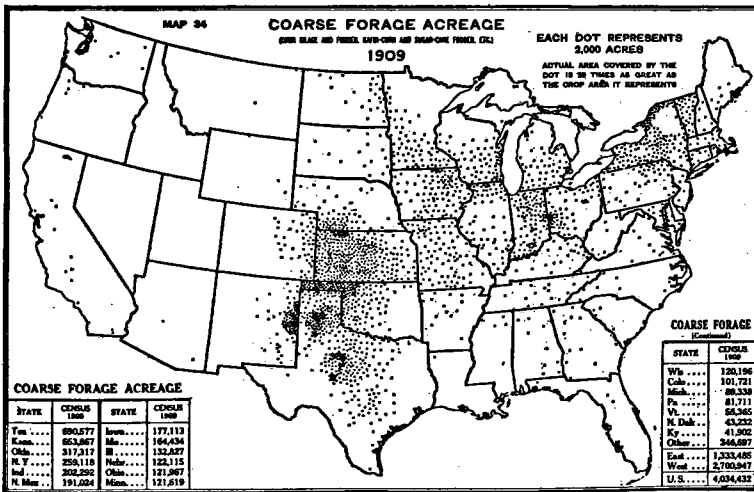
Compare with map of timothy and clover mixed (map 28).



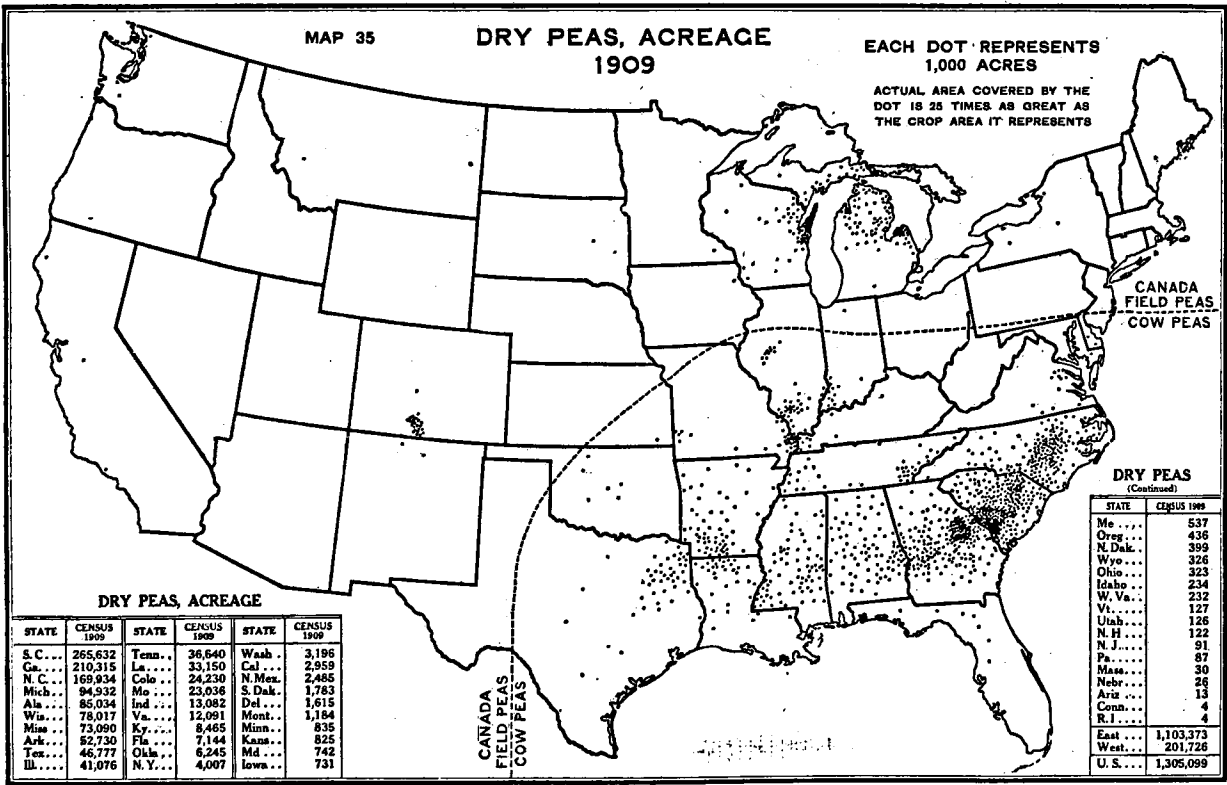
Compare with map of alfalfa (map 30).



Compare with maps of timothy and clover mixed (map 28) and coarse forage (map 34).

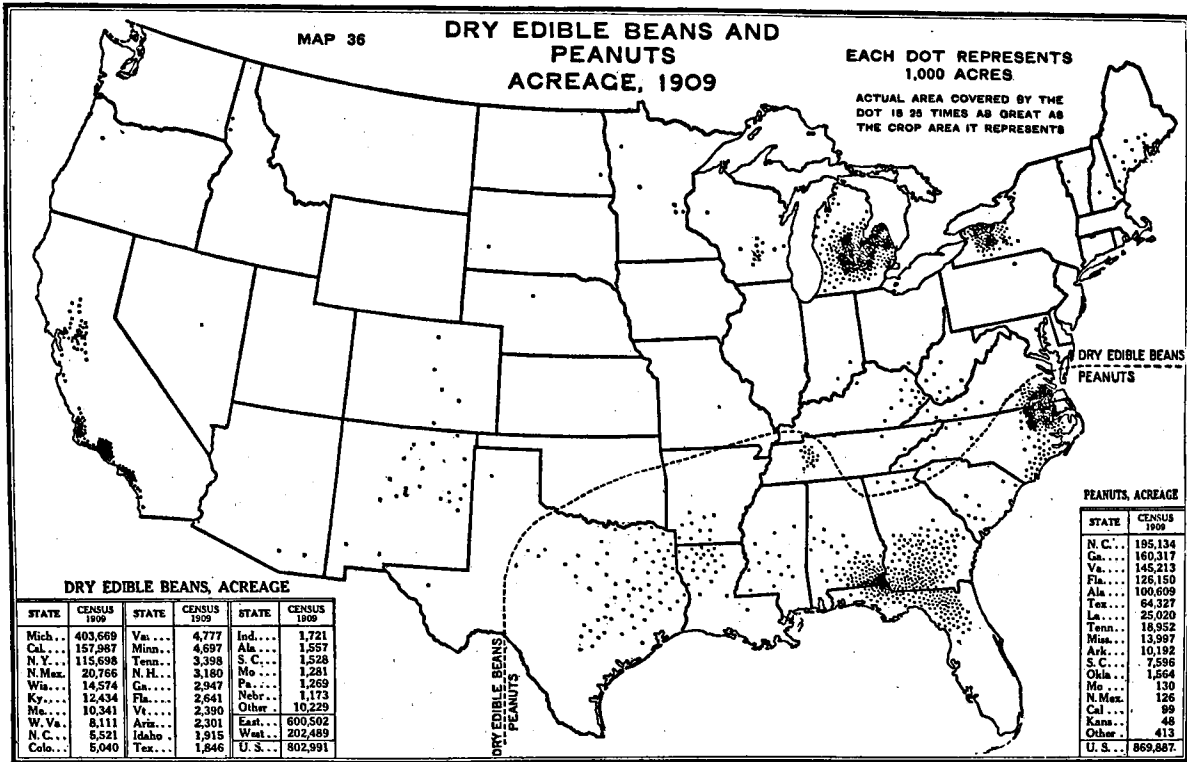


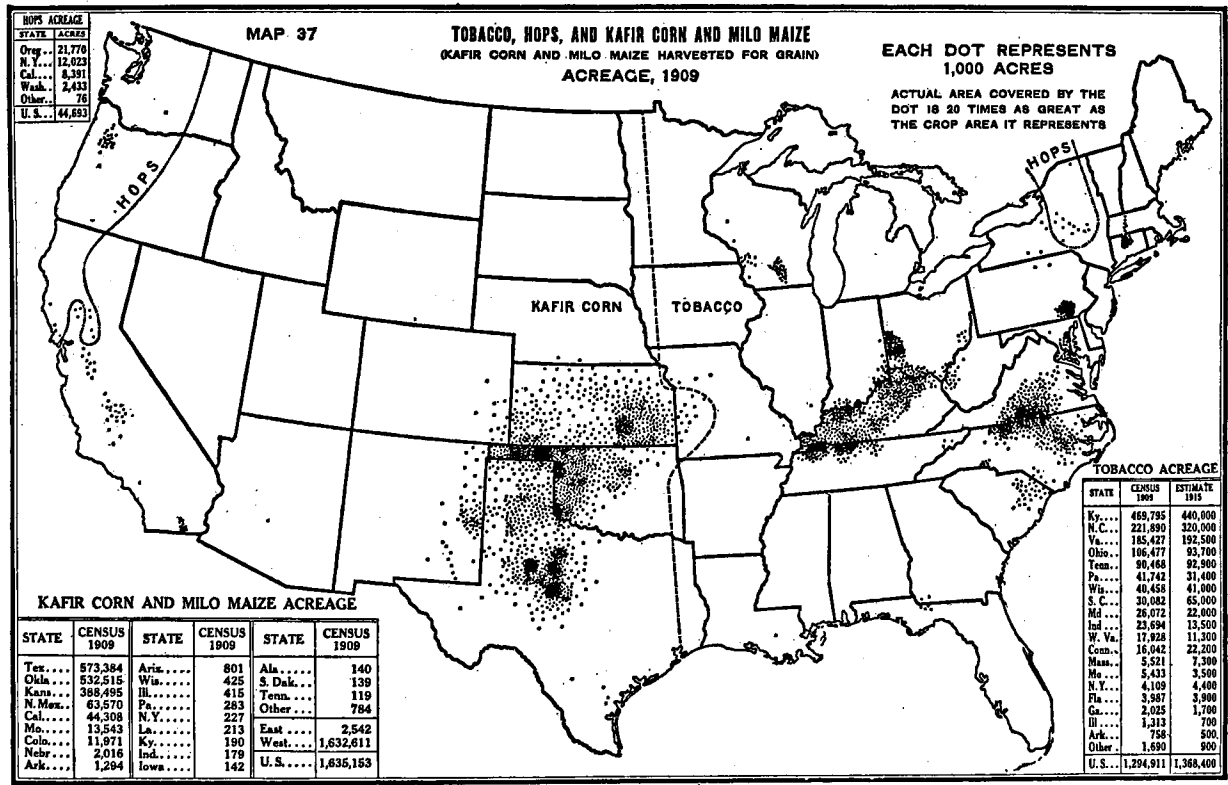
Compare with maps of wild, salt, or prairie grasses (map 29) and alfalfa (map 30).



Compare Canada field peas with dry edible beans (map 36) and cow peas with peanuts (map 30).

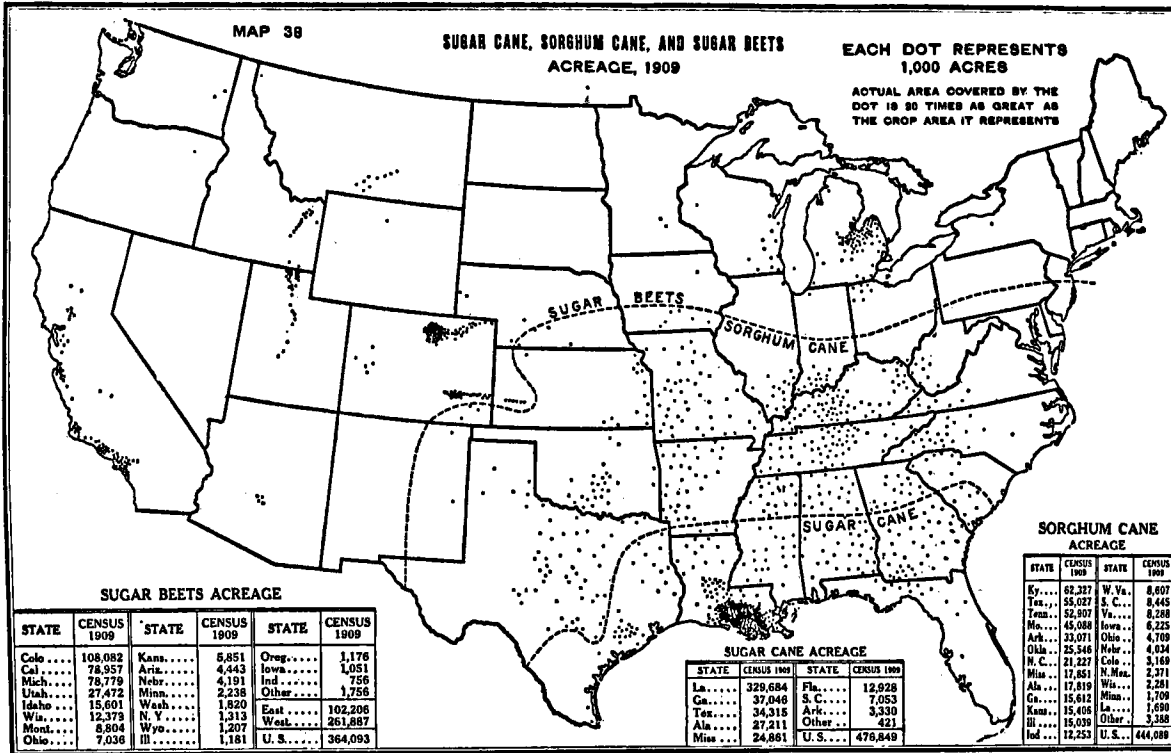
Compare dry edible beans with sugar beets (map 35).

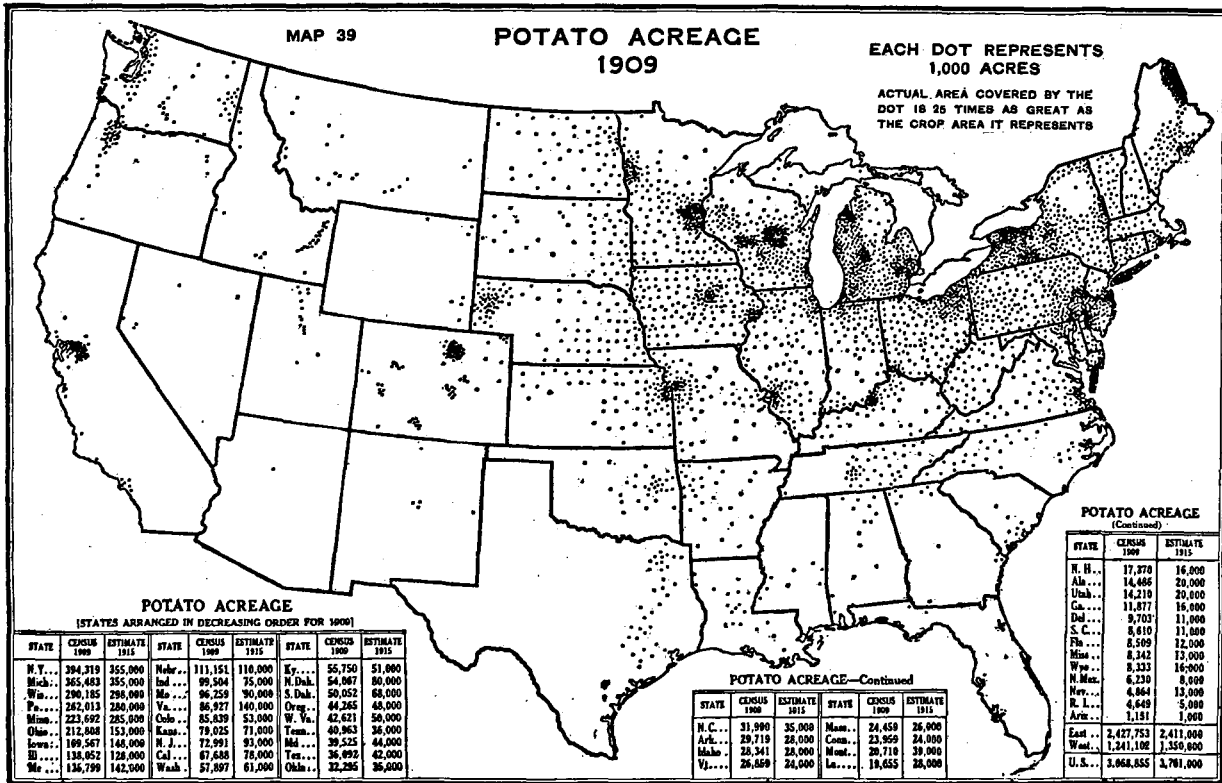




Compare with map of cotton (map 13).

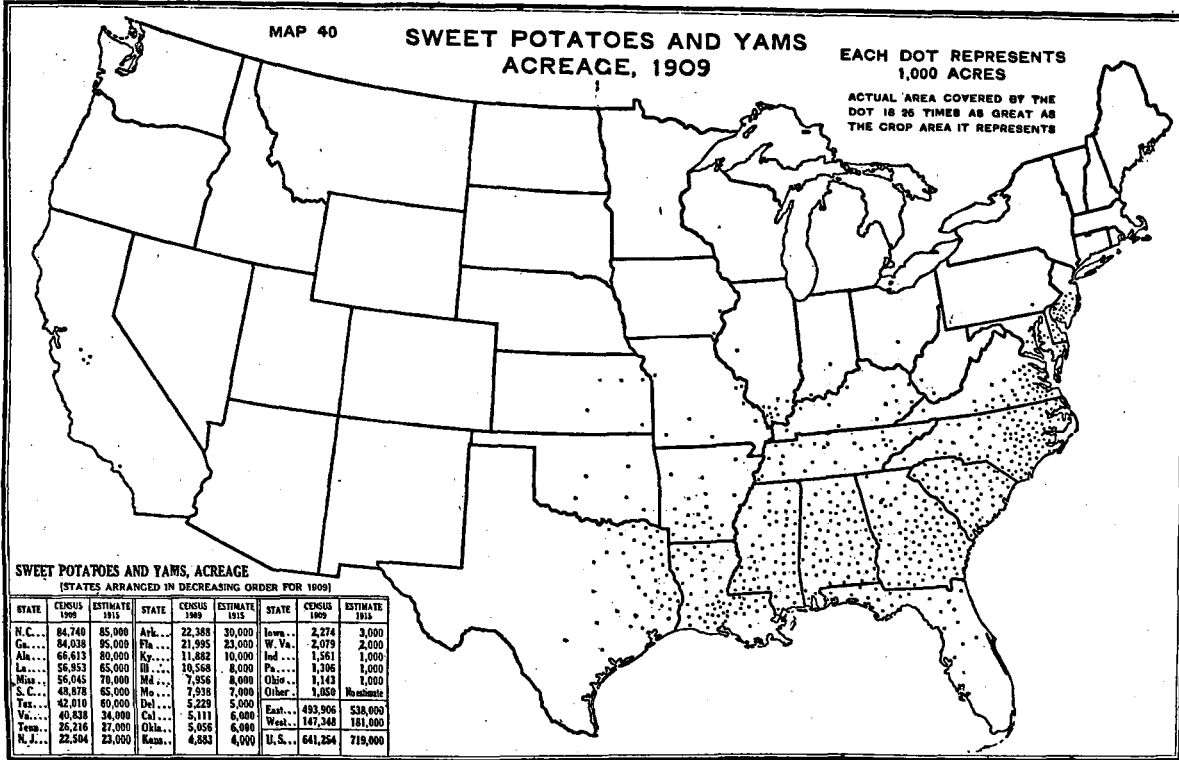
Compare with maps of corn (map 13) and alfalfa (map 30).

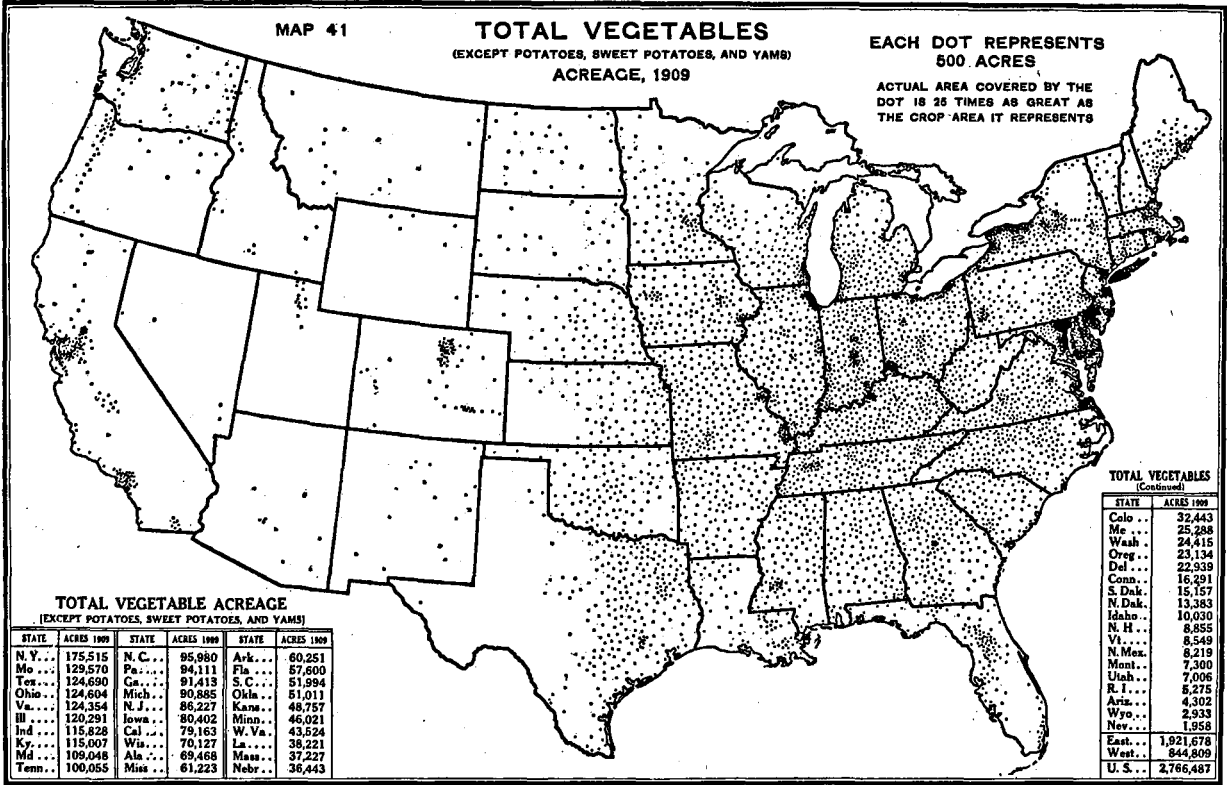




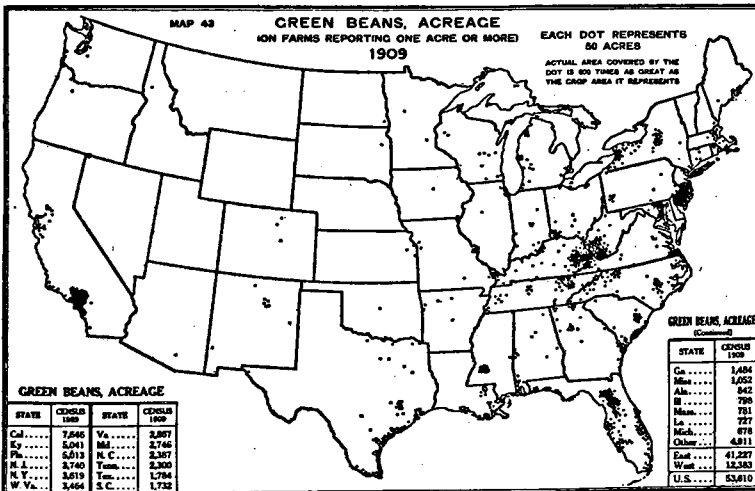
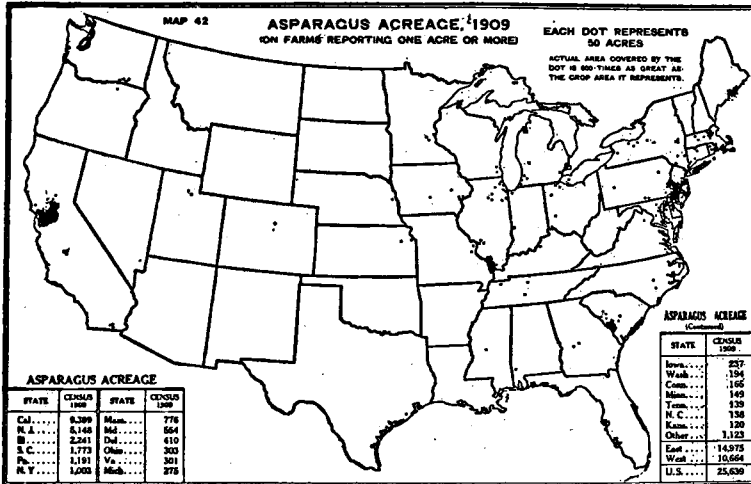
Compare with maps of total vegetables (map 41) and timothy and clover mixed (map 38).

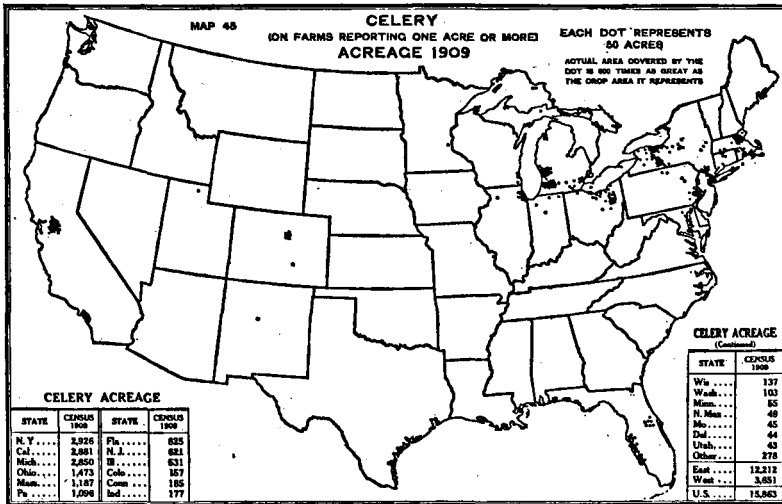
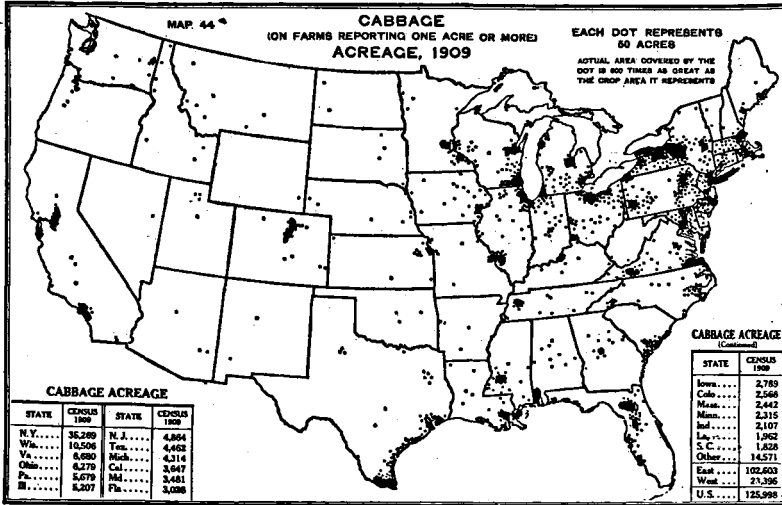
Compare with maps of potatoes (map 39) and cotton (map 15).

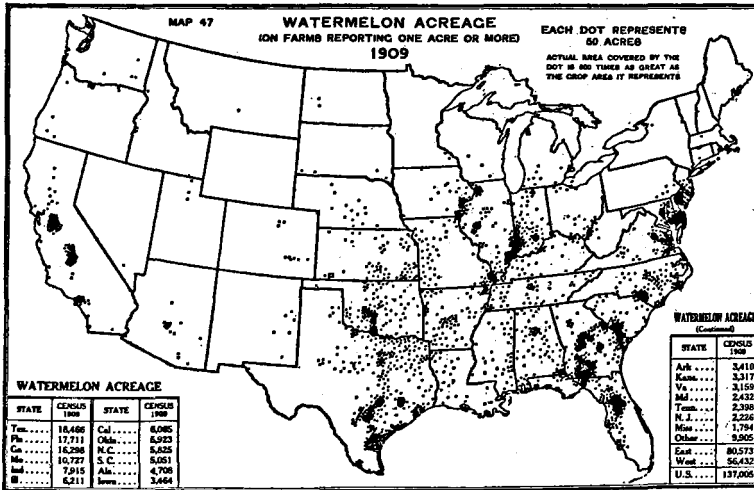
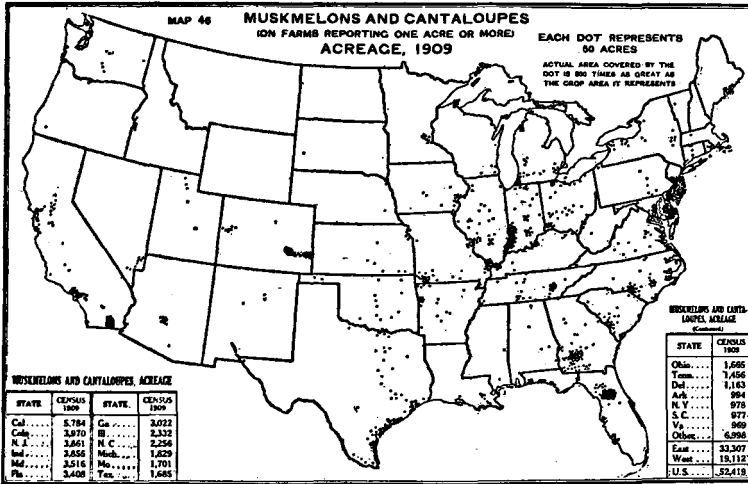


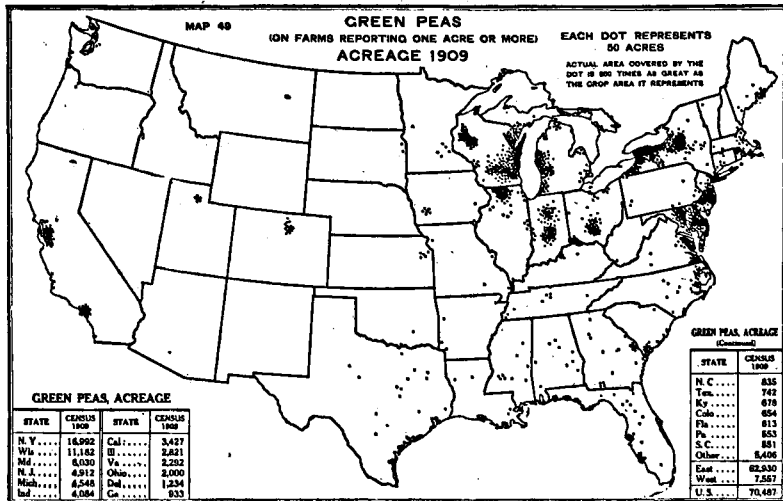
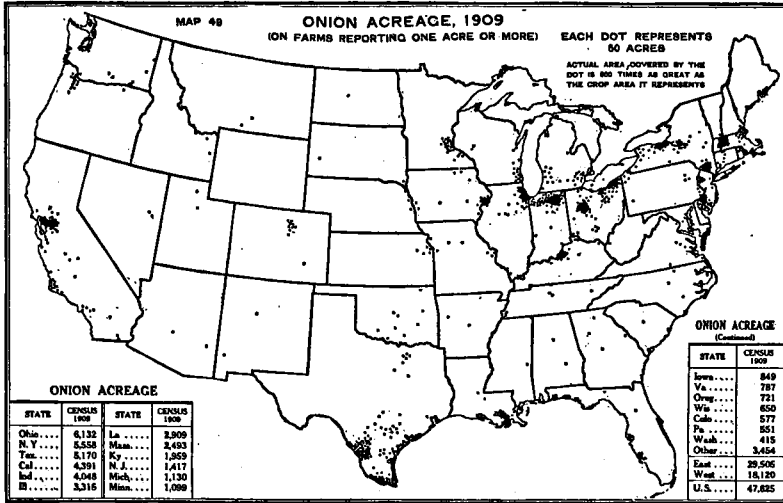


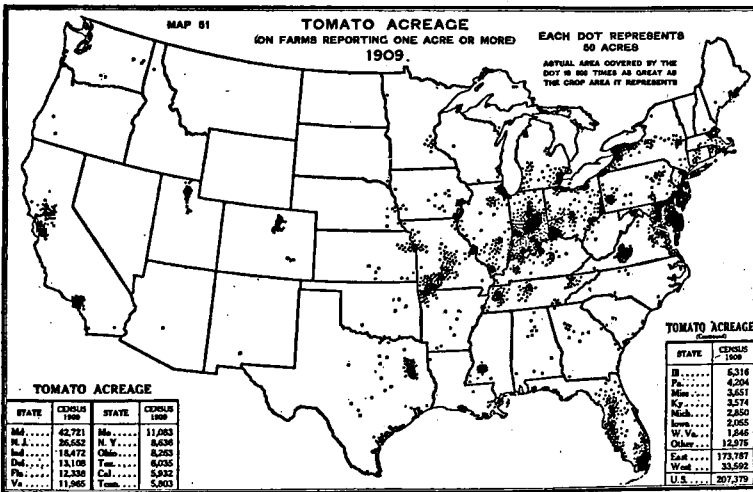
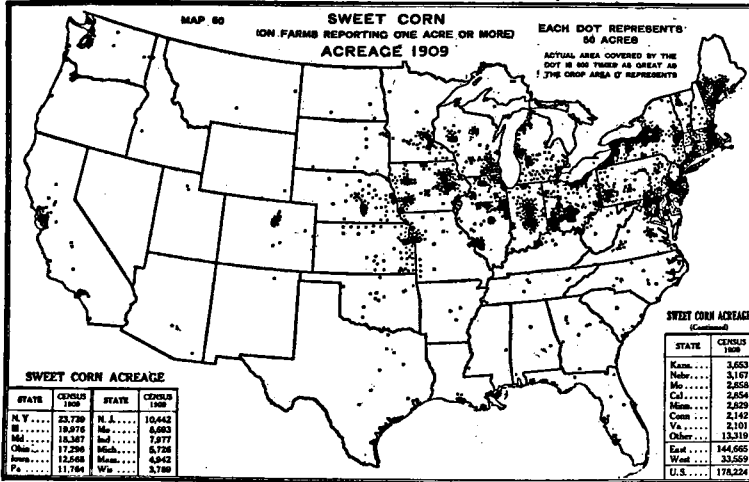
Compare with locations of large cities on State identification map (map 3).

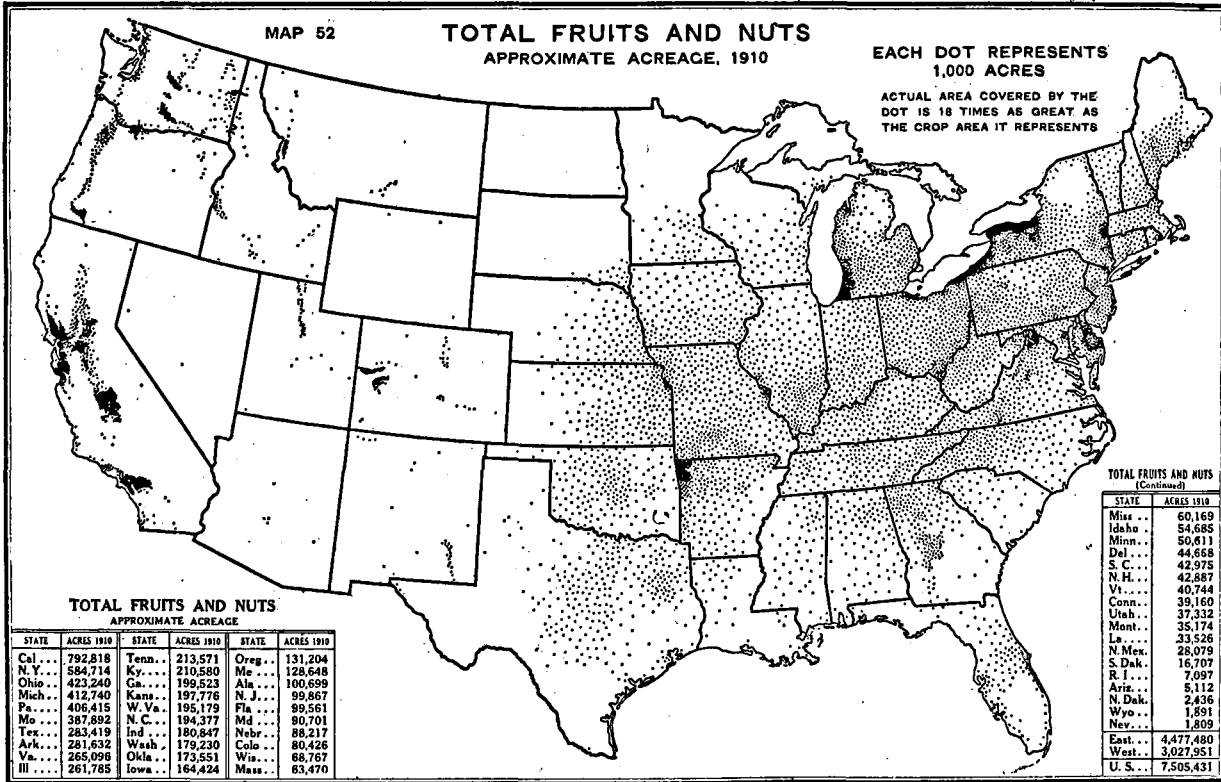




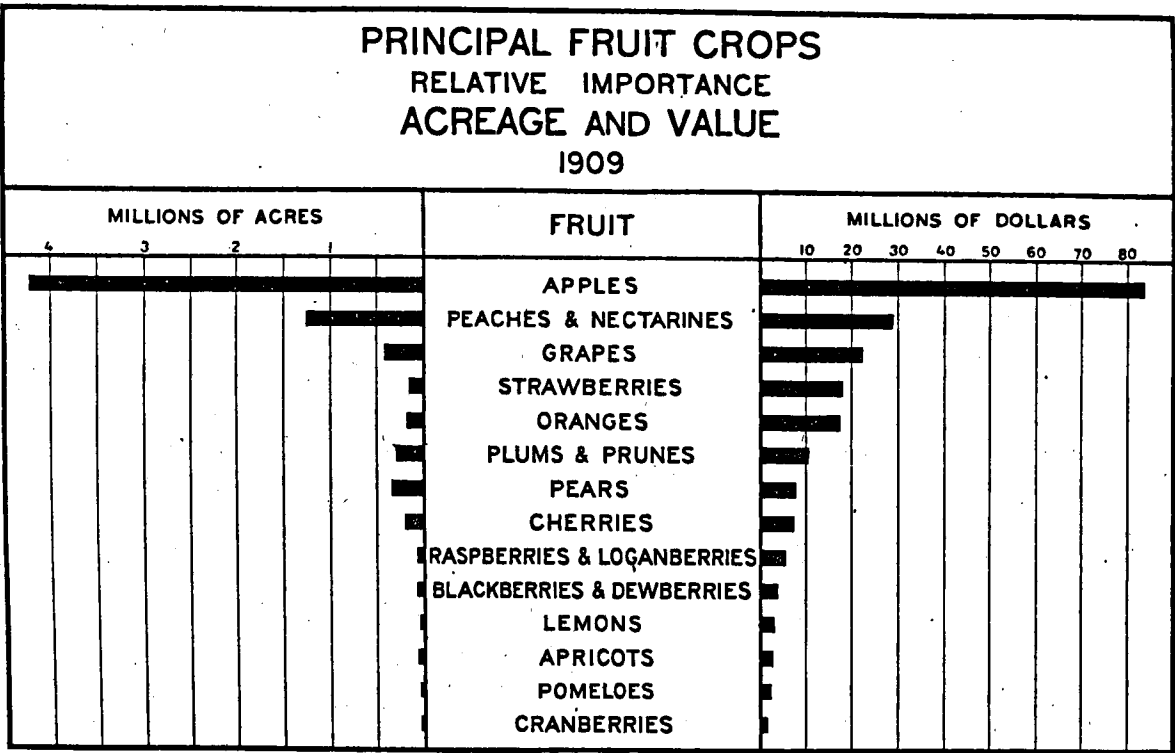




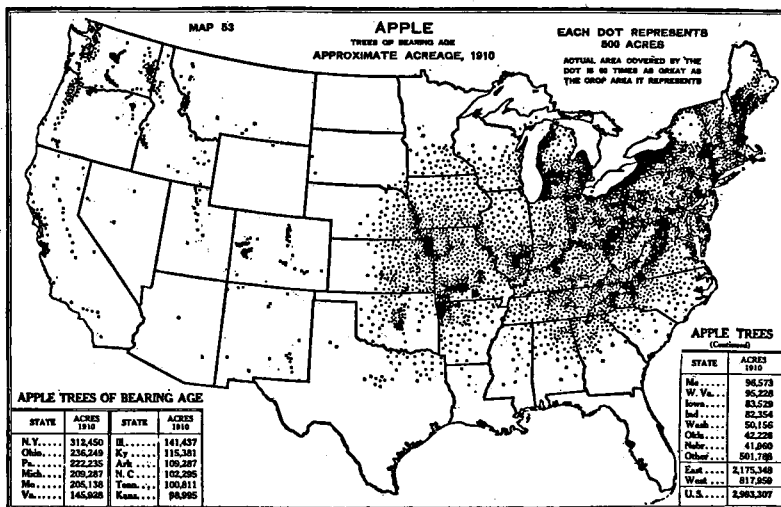




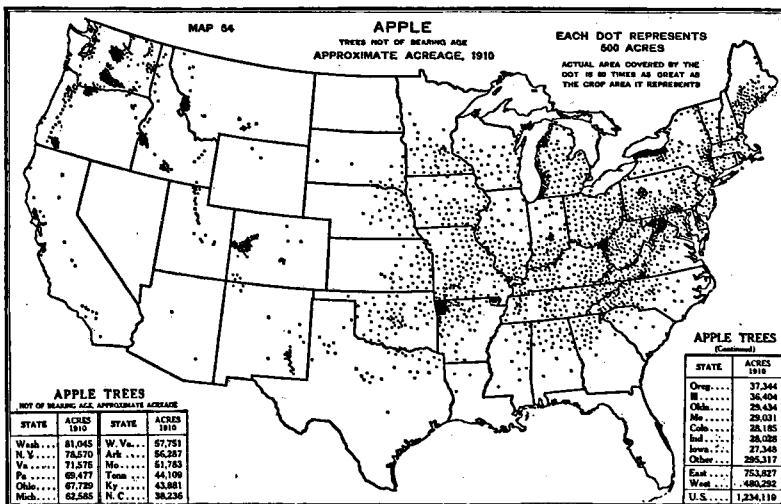
Compare with map of value of farm land per acre (map 10) and with the maps of the different fruits.



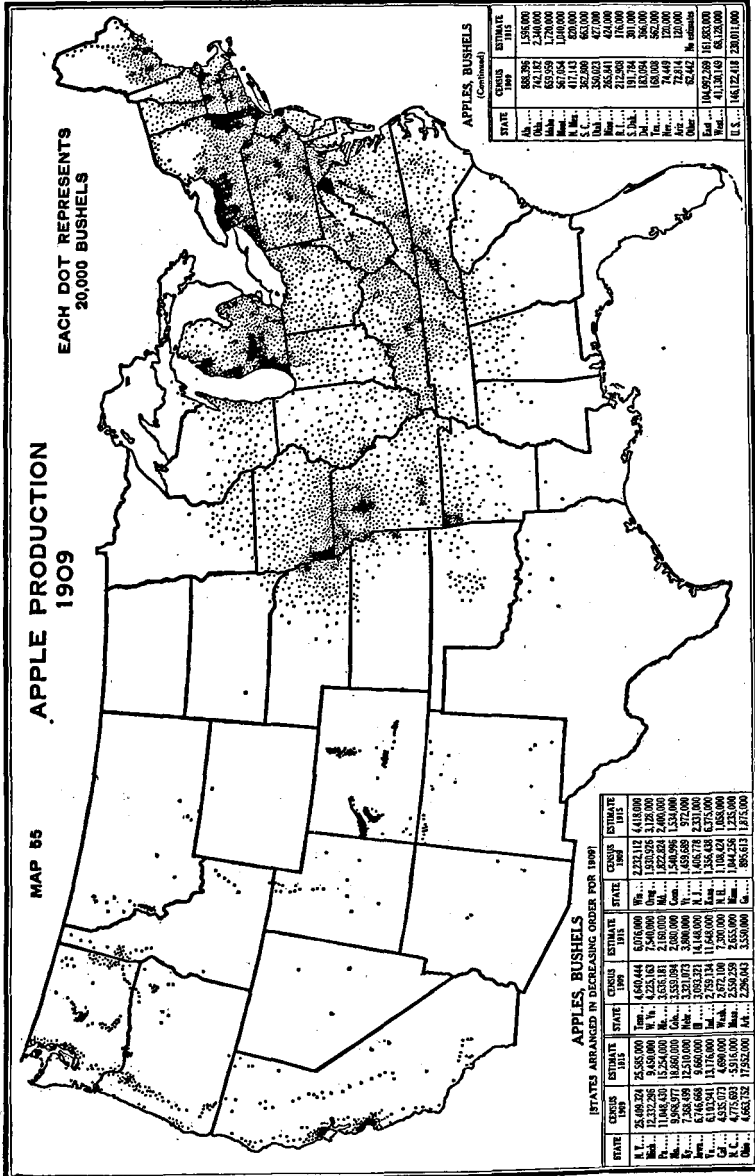
GRAPH 3.—Fruits and nuts occupy in the United States 2.4 per cent of the land in crops and constitute 4.5 per cent of the value of all crops.



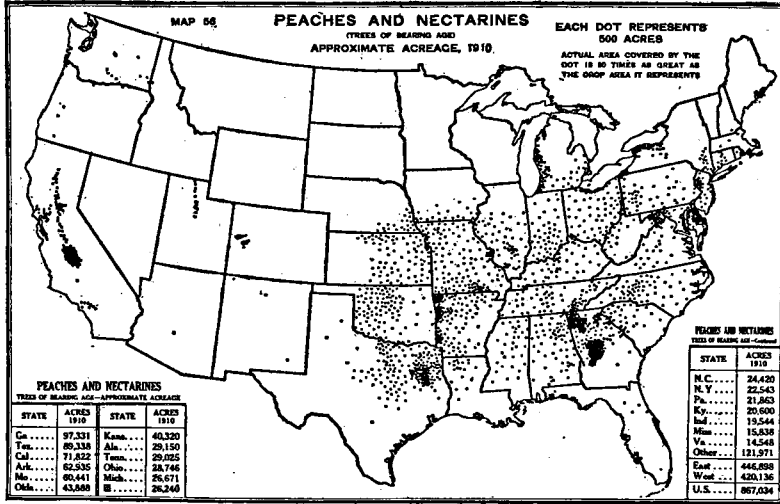
Compare eastern with western states.



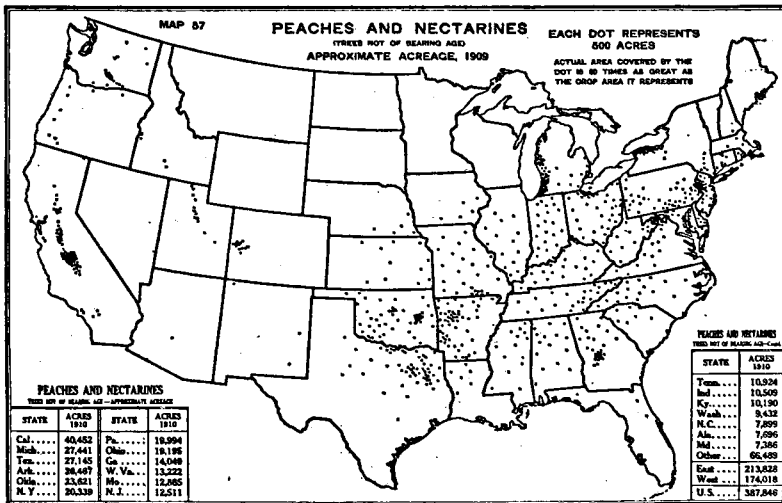
Compare Washington and Colorado with New York and Missouri.



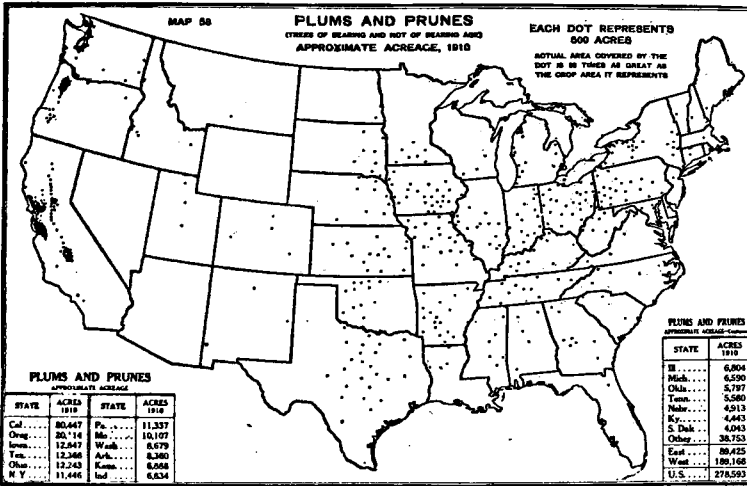
The apple crop varies greatly from year to year with seasonal and other conditions.



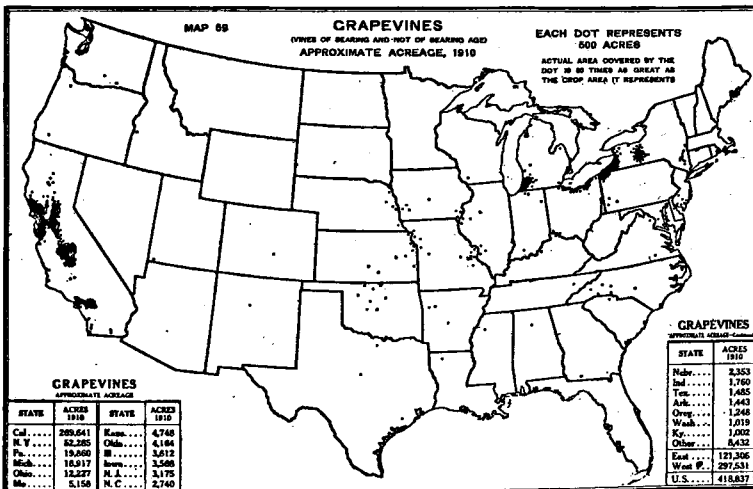
Compare with map of apple trees of bearing age (map 53).



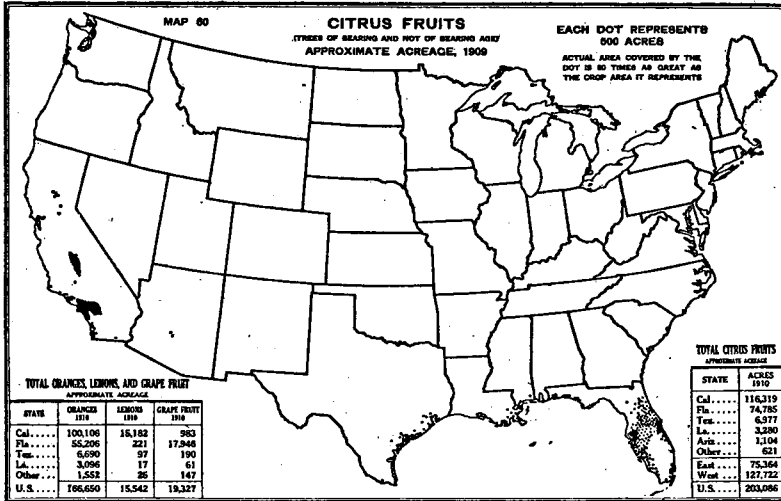
Compare with map of apple trees not of bearing age (map 54).



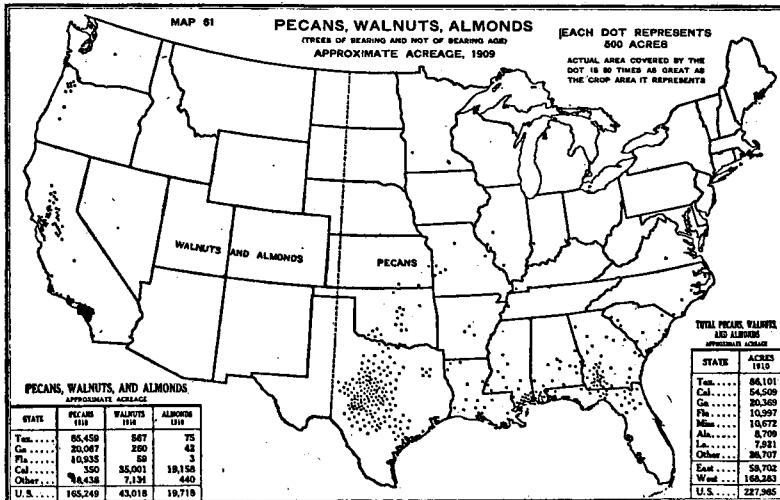
Compare with maps of peaches and nectarines (maps 56 and 57).



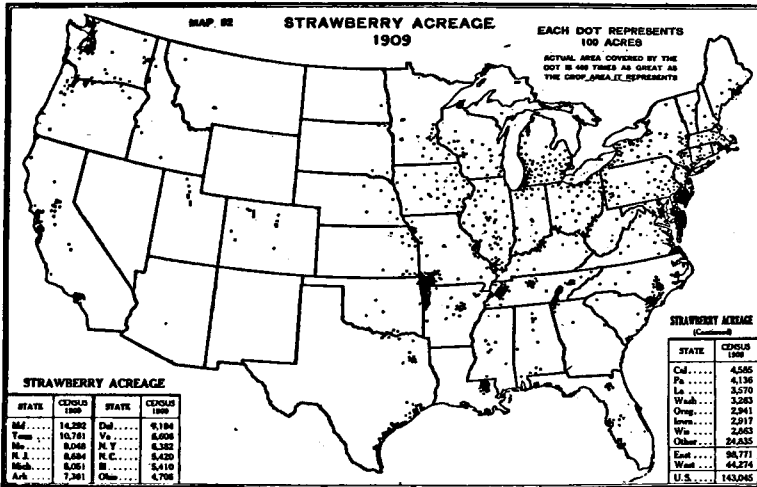
Compare with maps of apples (maps 53 and 54), peaches and nectarines (maps 56 and 57), and plums and prunes (map 58).



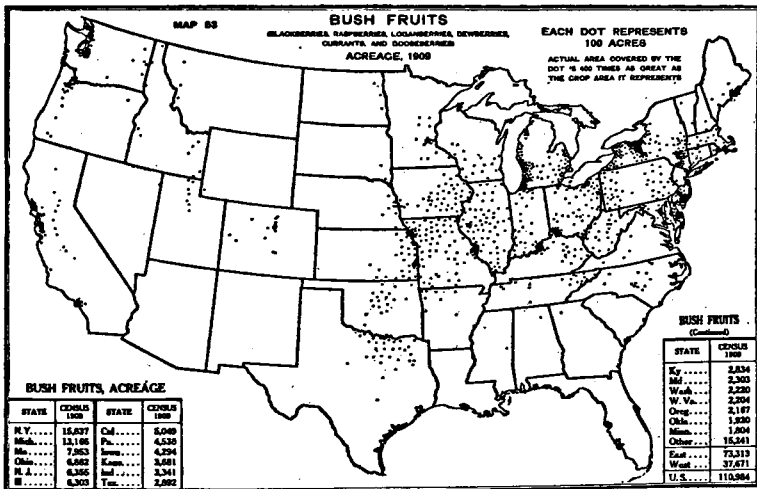
Compare with map of agricultural provinces (map 1).



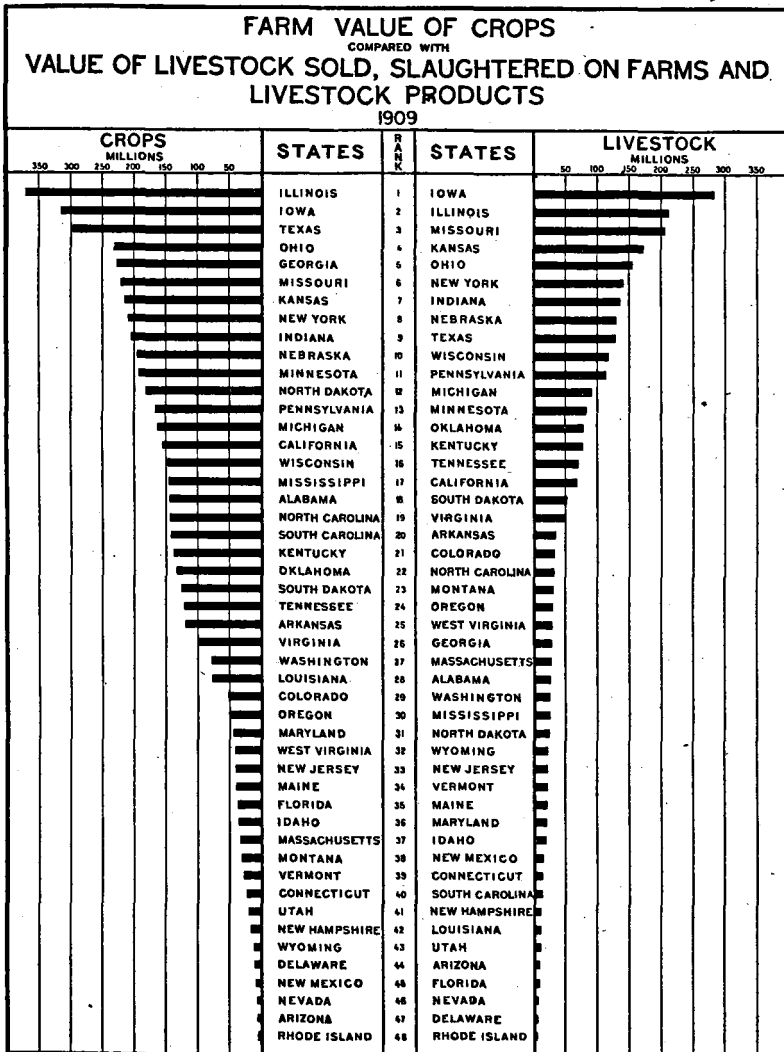
Compare with maps of citrus fruits (map 60) and grapes (map 59).



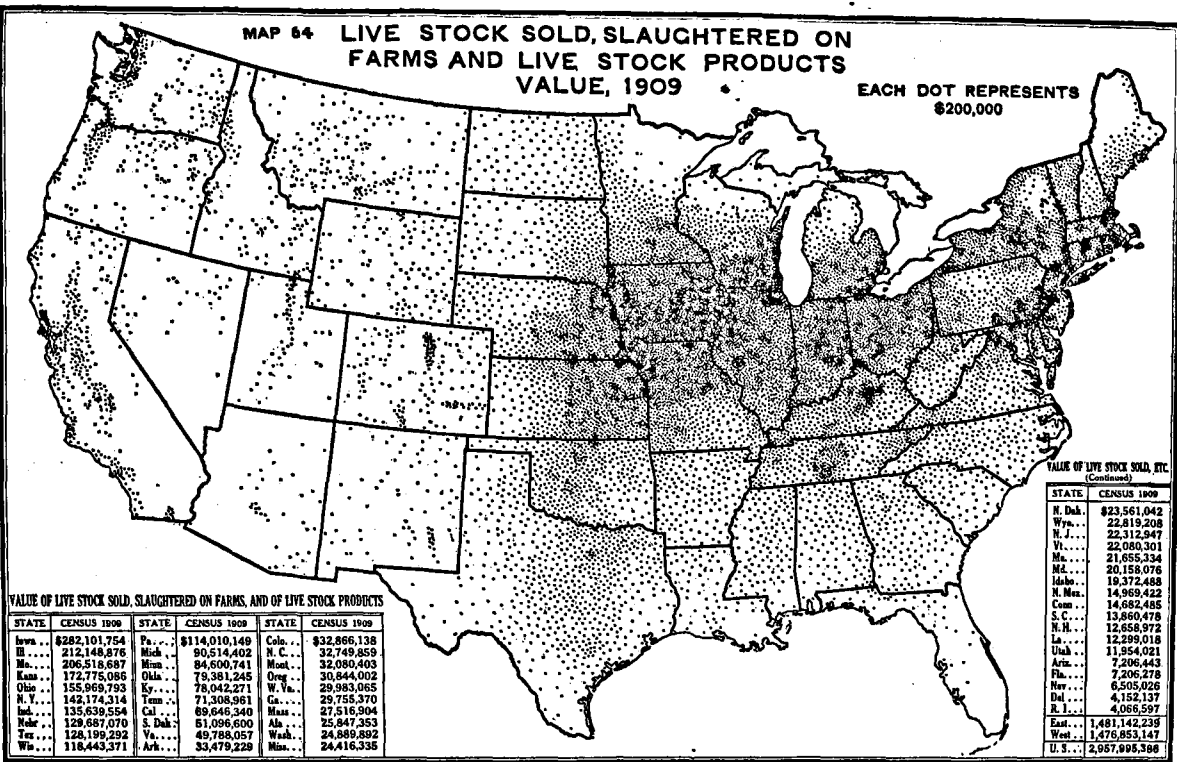
Compare with maps of apples (maps 53 and 54) and peaches and nectarines (maps 56 and 57).



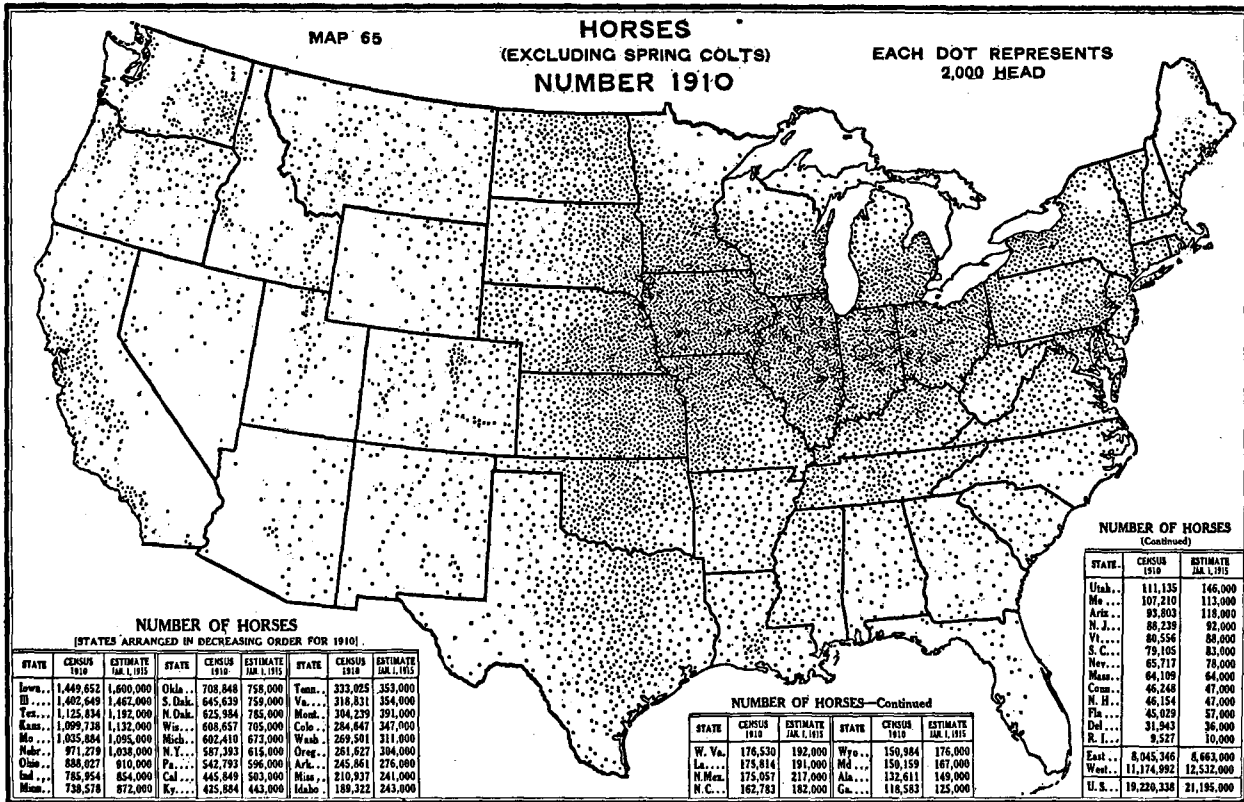
Compare with map of strawberries (map 62).



GRAPH 4.—A large proportion of the crops is fed to live stock.

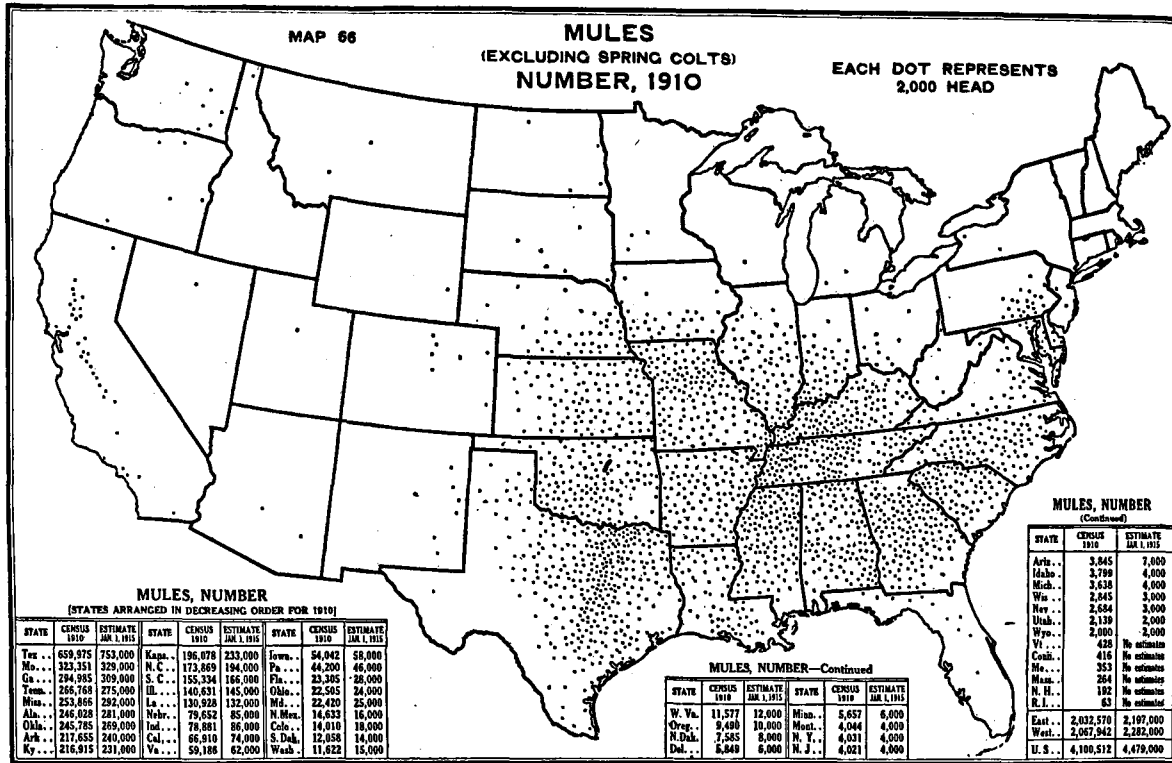


Compare with maps of value of all crops (map 6) and receipts from sale of dairy products (map 70).
42467°—16—5

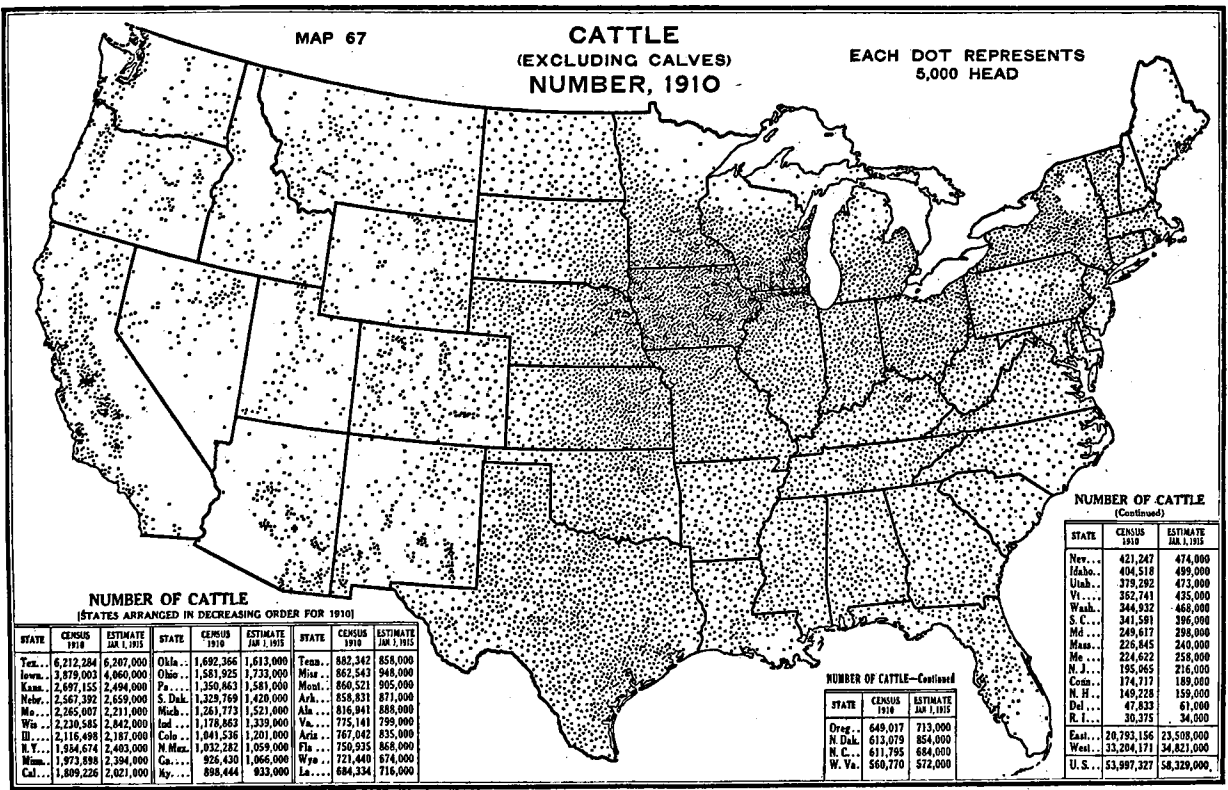


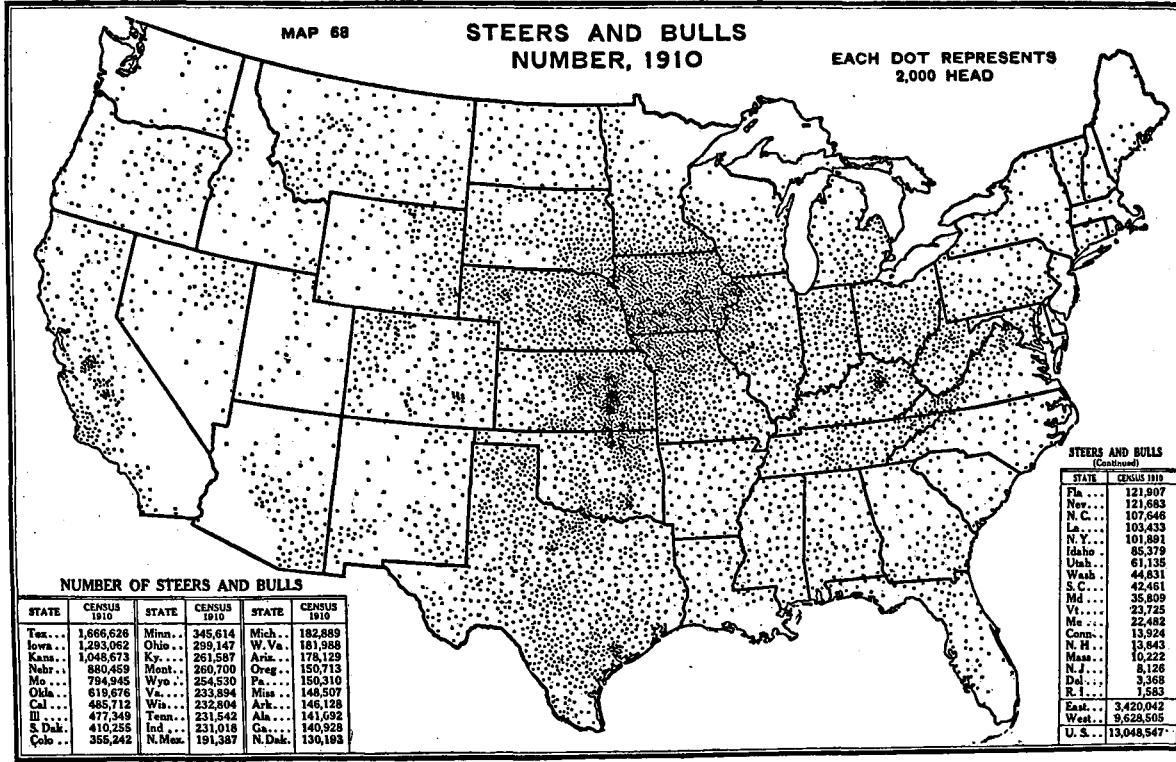
Compare with map of land in crops (map 5).

Compare with maps of horses (map 65) and cotton (map 15).

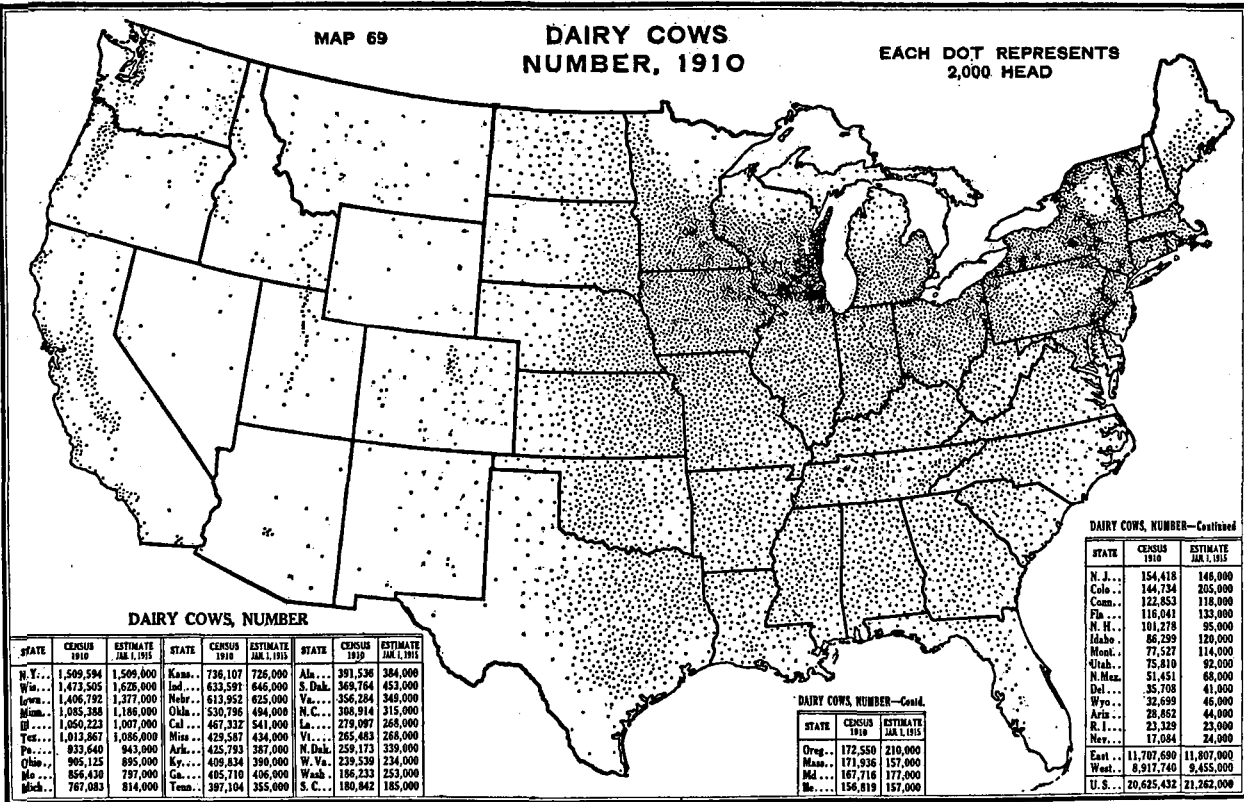


Compare with maps of corn (map 13), hay and forage (map 20), and improved land not in crops, mostly pasture (map 25).





Compare with map of dairy cows (map 69).



Compare with map of hay and forage (map 26).

DAIRY COWS, NUMBER

STATE	CENSUS 1910	ESTIMATE JAN. 1, 1915	STATE	CENSUS 1910	ESTIMATE JAN. 1, 1915	STATE	CENSUS 1910	ESTIMATE JAN. 1, 1915
N. Y.	1,509,584	1,509,000	Kans.	736,107	726,000	Ala.	331,536	384,000
W. Va.	1,473,505	1,628,000	Ind.	633,591	646,000	S. Dak.	369,764	453,000
Iowa	1,406,792	1,377,000	Nebr.	613,952	625,000	Va.	356,284	349,000
Miss.	1,065,388	1,186,000	Okla.	530,796	494,000	N. C.	308,914	315,000
Ill.	1,050,223	1,007,000	Cal.	467,332	541,000	La.	279,097	268,000
Tenn.	1,013,567	1,086,000	Miss.	429,547	434,000	W. Va.	255,483	268,000
Pa.	833,640	943,000	Ark.	425,793	387,000	N. Dak.	259,173	339,000
Ohio	905,125	895,000	Ky.	409,834	390,000	W. Va.	239,539	234,000
Mo.	856,430	797,000	Ga.	405,710	406,000	Wash.	186,233	253,000
Mich.	787,683	814,000	Tenn.	397,104	355,000	S. C.	180,842	185,000

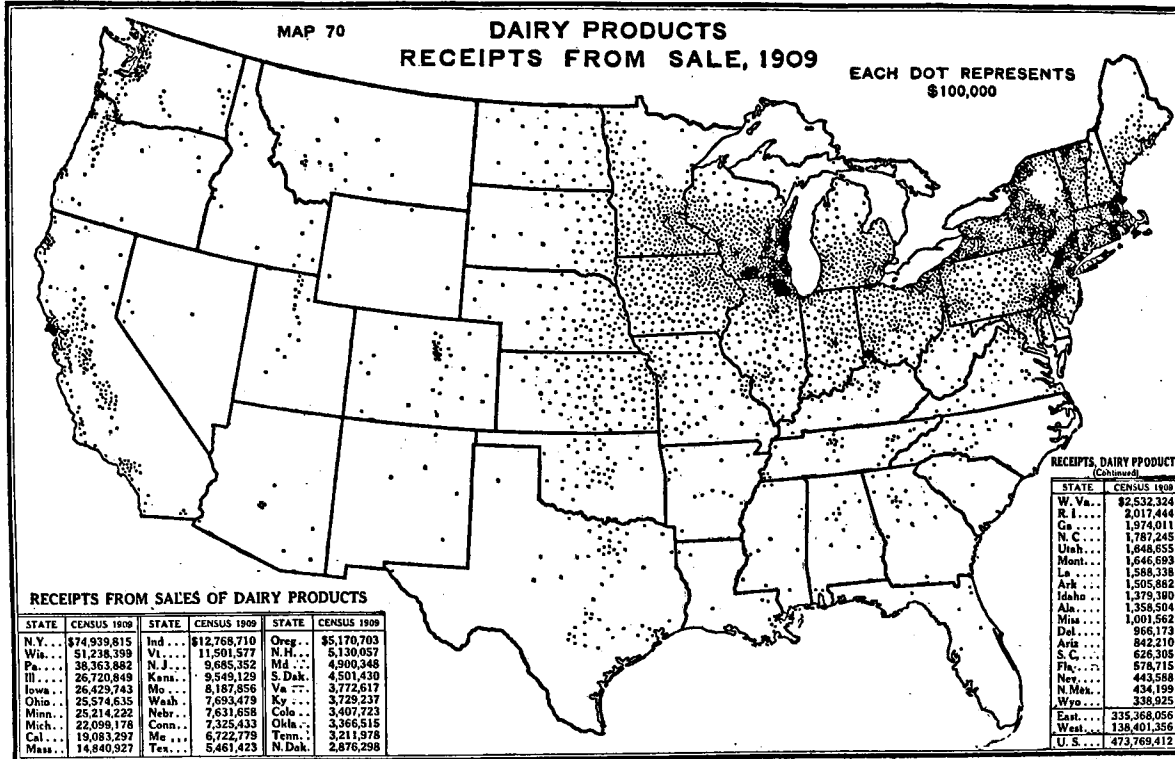
DAIRY COWS, NUMBER—Contd.

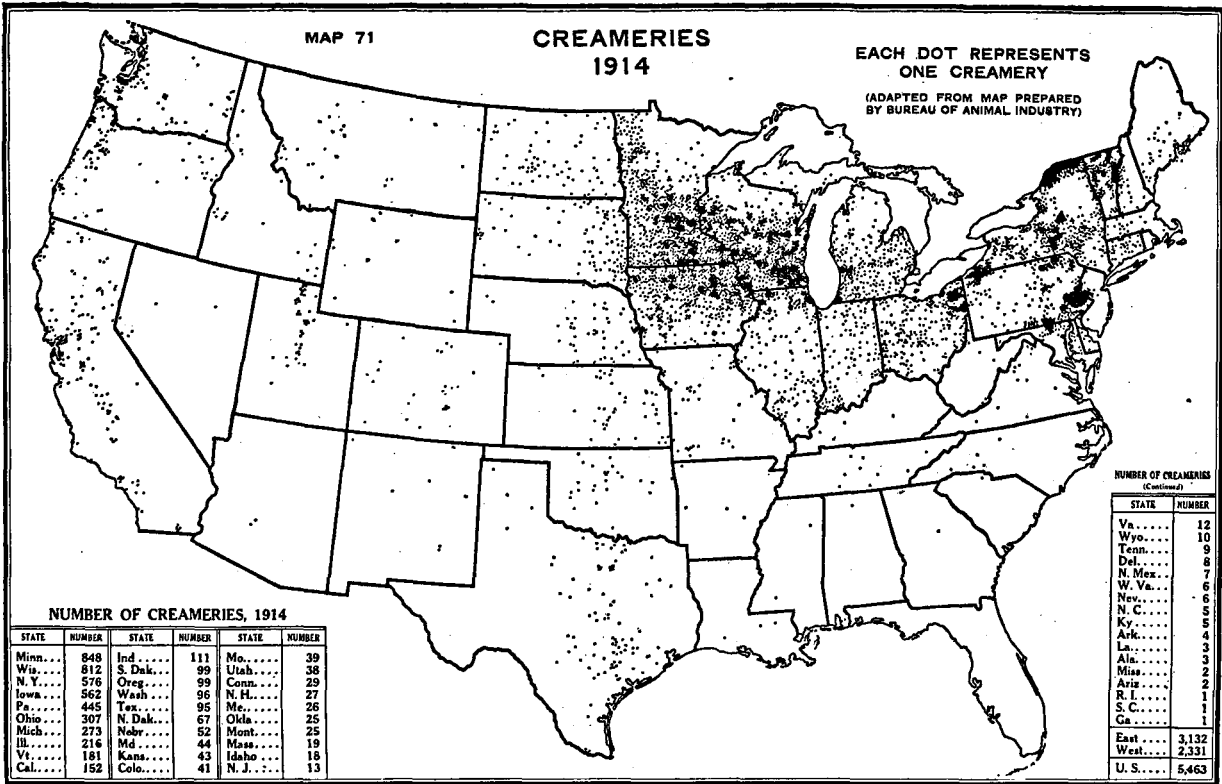
STATE	CENSUS 1910	ESTIMATE JAN. 1, 1915
Oreg.	172,550	210,000
Mass.	171,936	157,000
Md.	167,716	177,000
Me.	156,819	157,000

DAIRY COWS, NUMBER—Continued

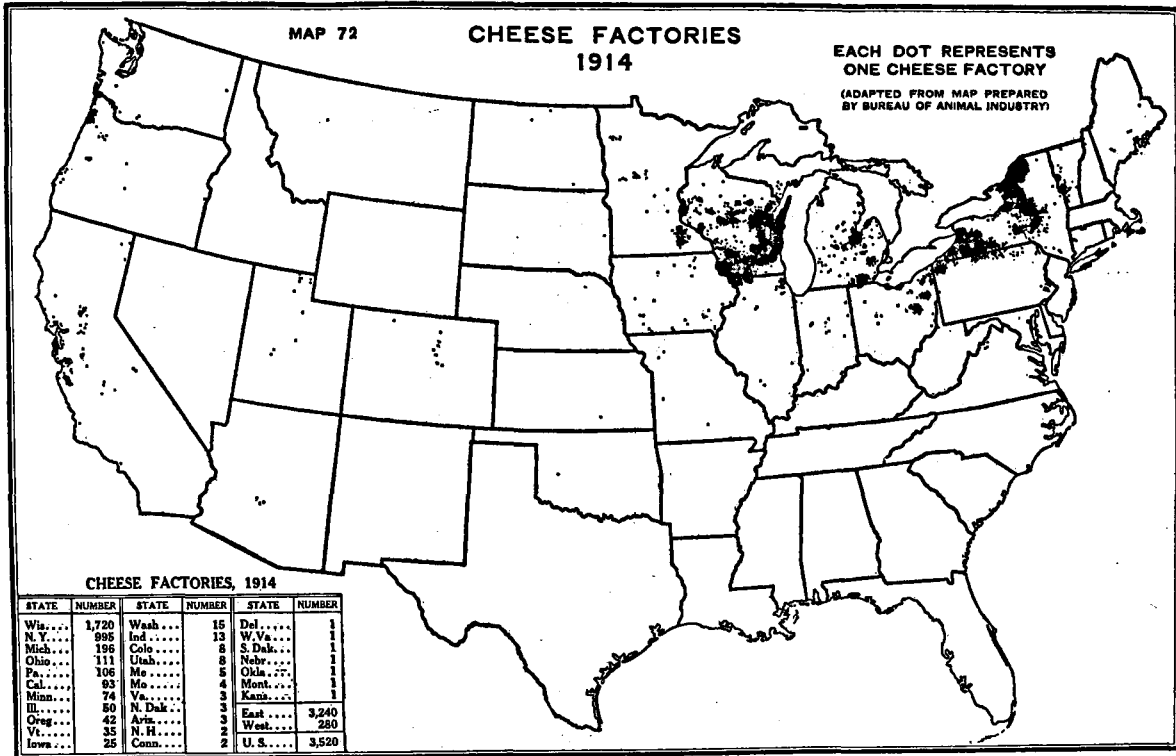
STATE	CENSUS 1910	ESTIMATE JAN. 1, 1915
N. J.	154,418	146,000
Colo.	144,734	205,000
Conn.	122,853	118,000
Fla.	116,041	133,000
N. H.	101,278	95,000
Idaho	86,299	120,000
Mont.	77,527	114,000
N. Mex.	75,810	92,000
N. Mex.	51,451	68,000
Del.	35,708	41,000
Wyo.	32,699	46,000
Ariz.	28,652	44,000
R. I.	23,329	23,000
Nev.	17,084	21,000
East.	11,707,690	11,807,000
West.	8,917,740	9,455,000
U. S.	20,625,432	21,262,000

Compare with map of dairy cows (map 69).

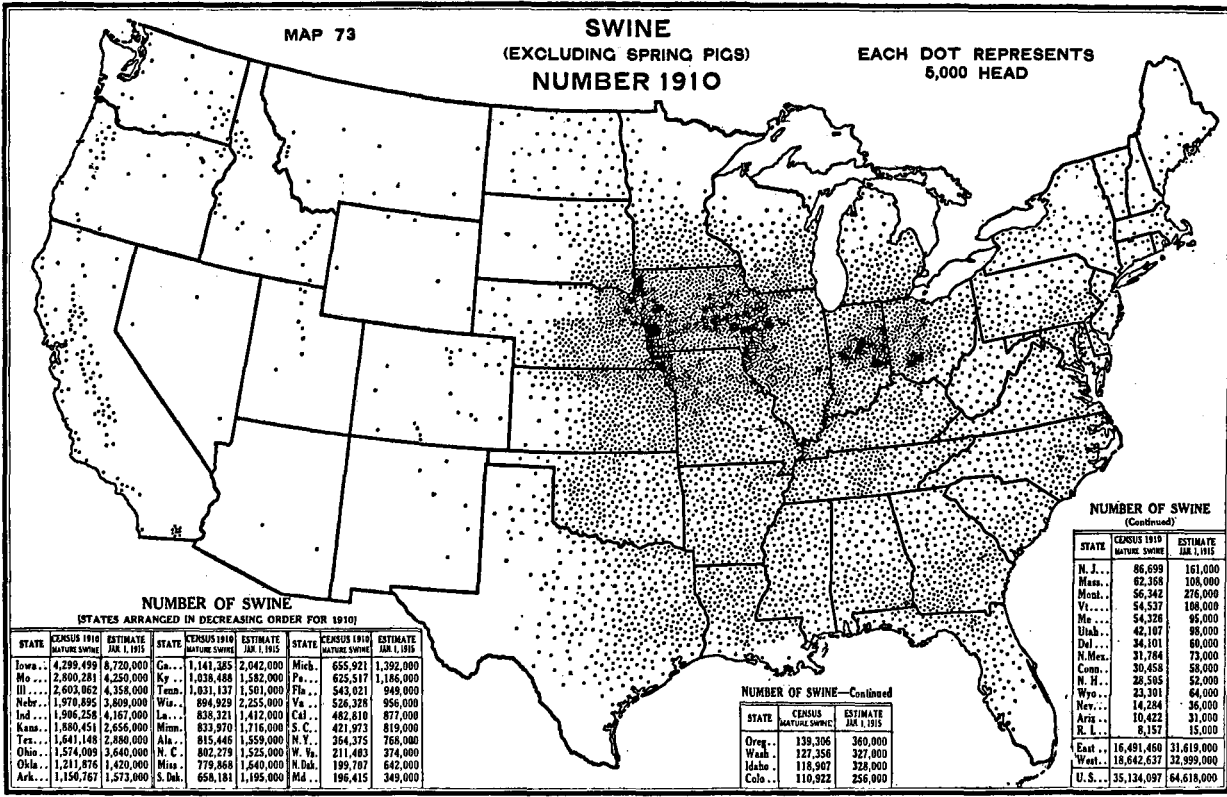




Compare with map of receipts from sale of dairy products (map 70).

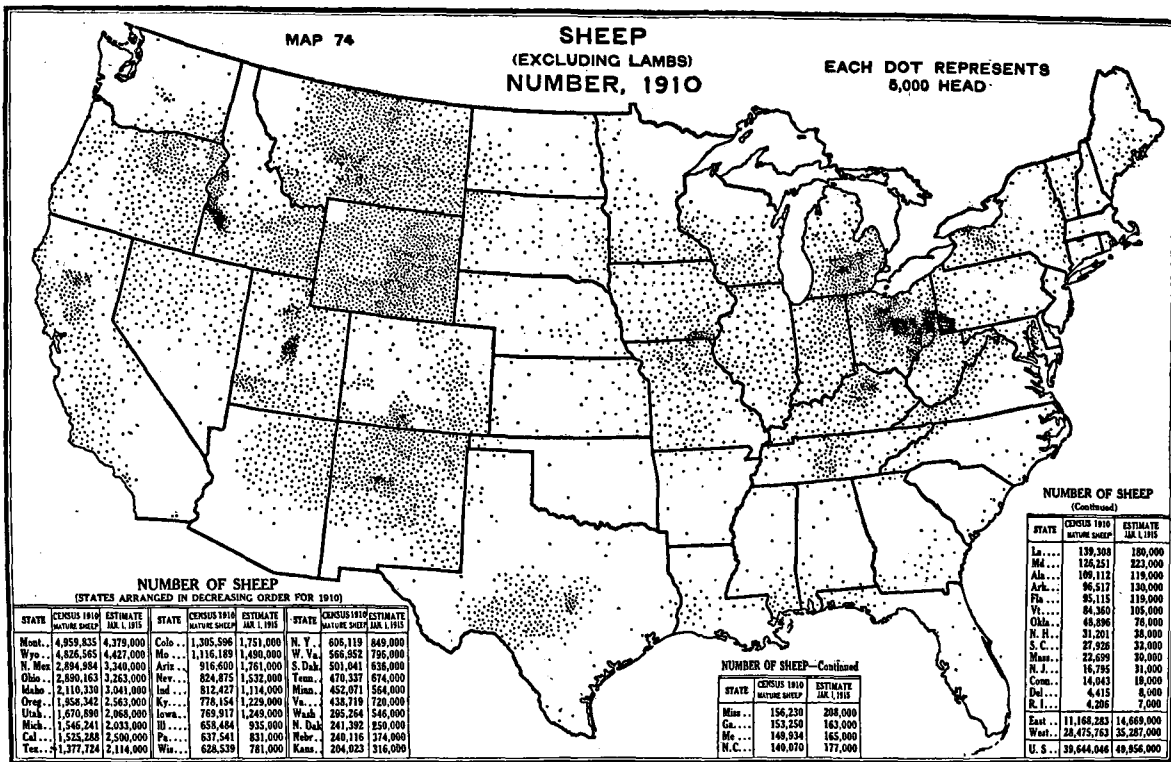


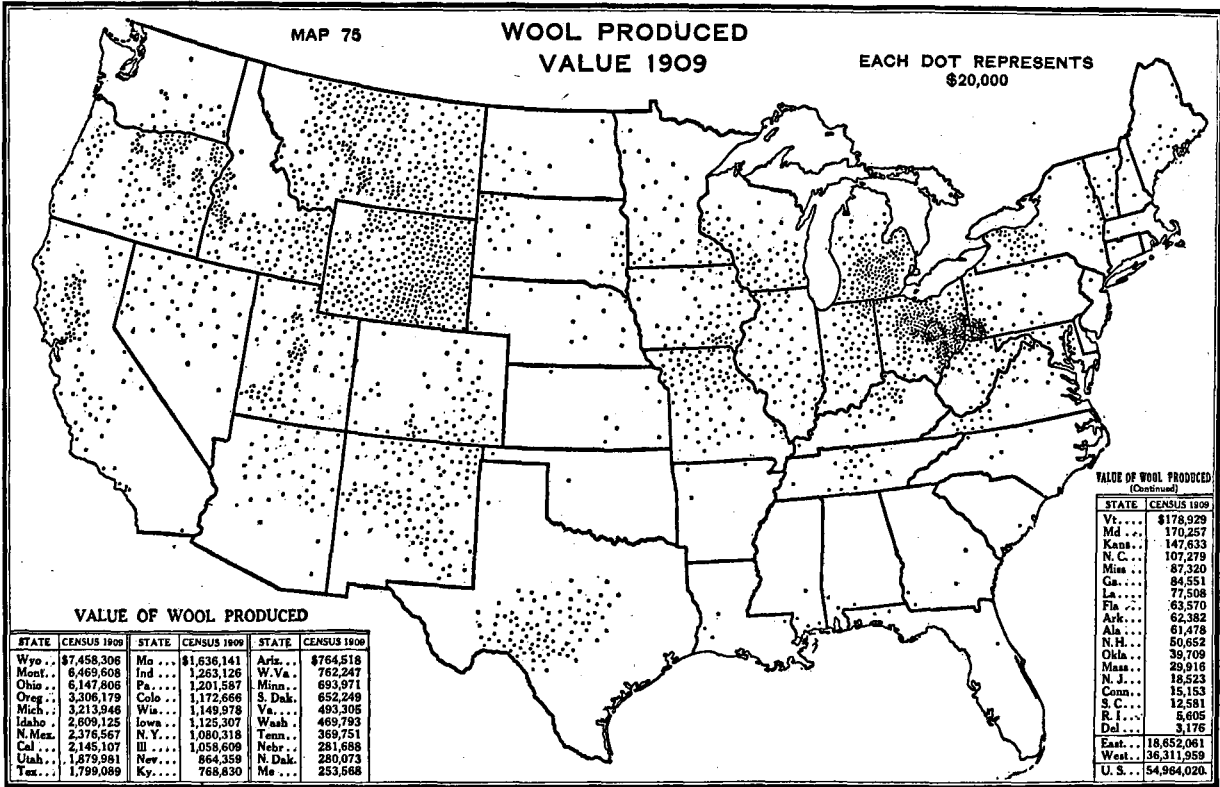
Compare with map of creameries (map 71).



Compare with map of corn (map 14).

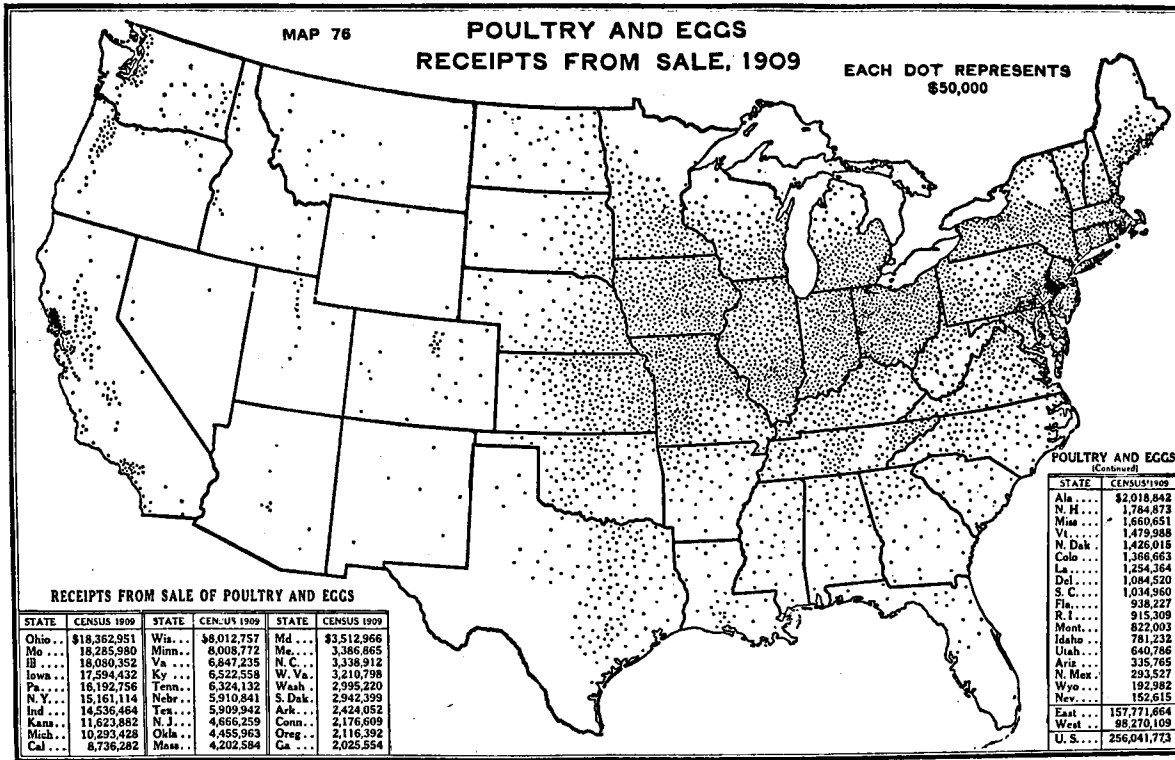
Compare with maps of swine (map 73) and total cattle (map 67).

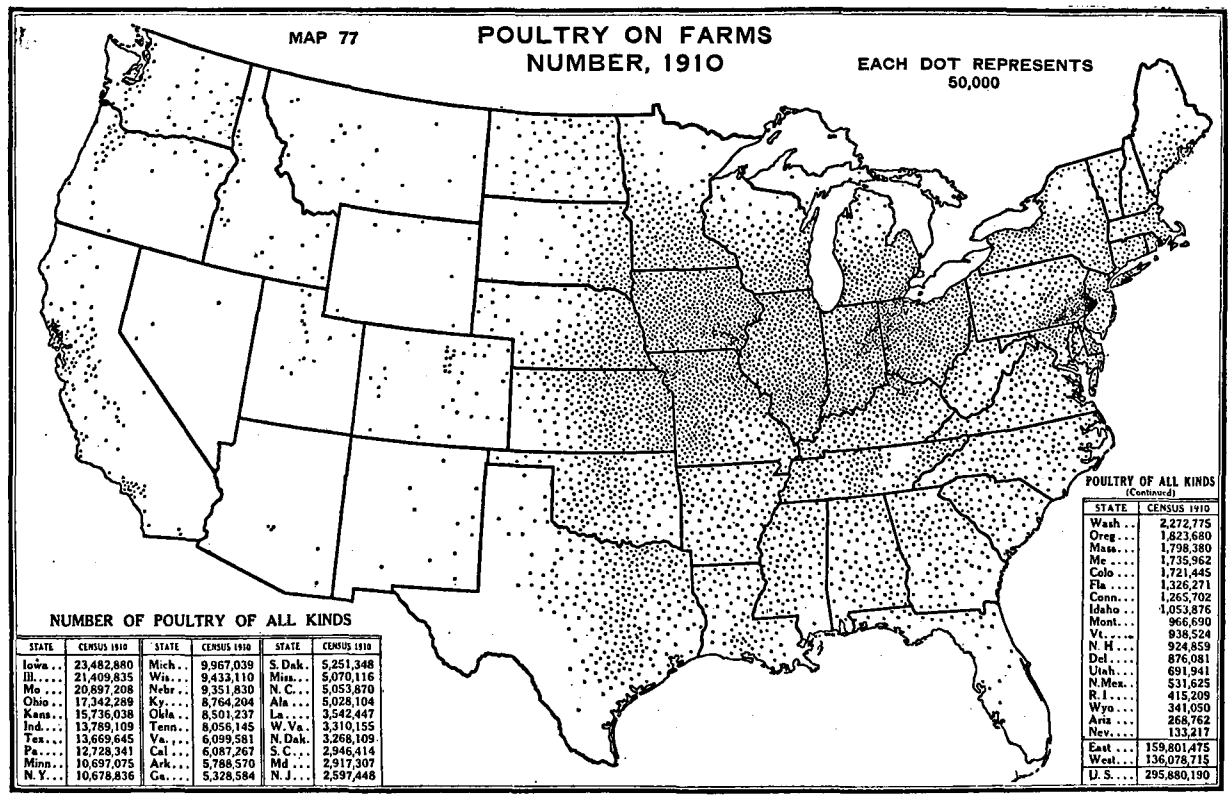




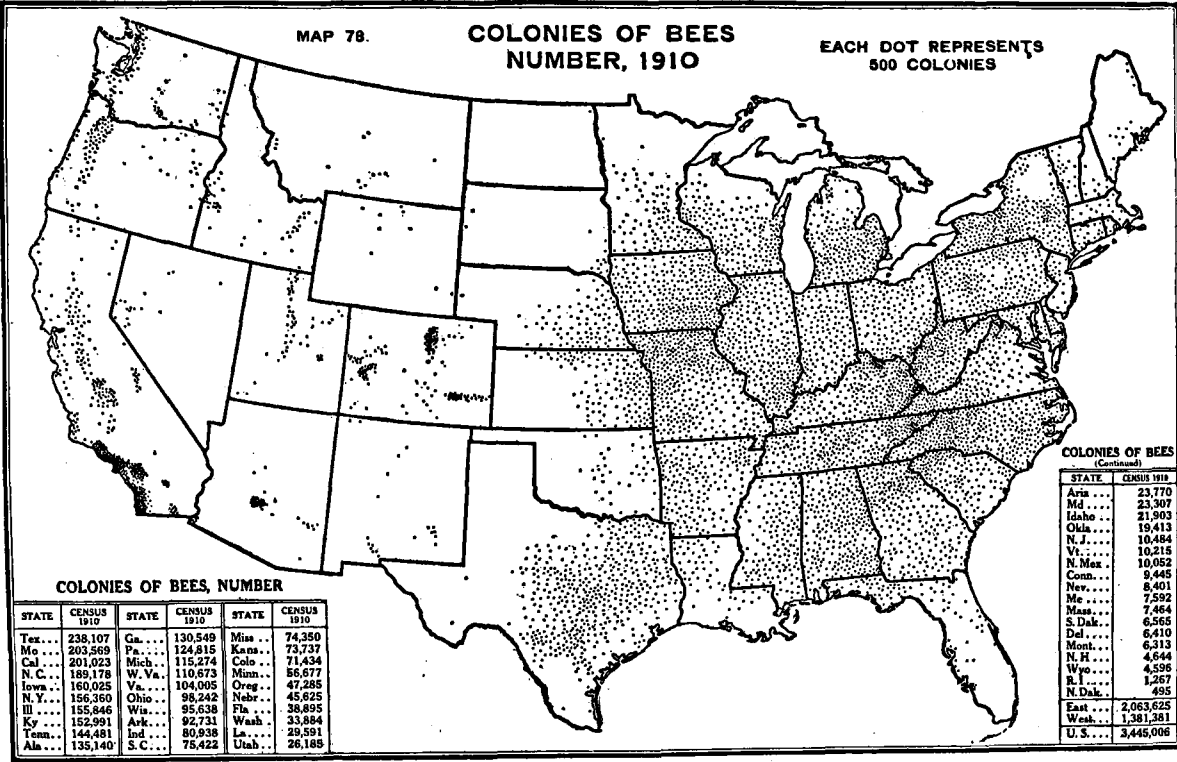
Compare with map of sheep (map 74).

Compare with map of poultry (map 77).





Compare with map of improved land (map 4).



Compare with map of poultry (map 77).



No. To of 21-3-21

Item # 238

(Second Edition, Revised)

January, 1917

(2)

6908

Agricultural Cooperation

B. H. HIBBARD

X.M.9(U). 737A

E7



THERE ARE OVER 2000 FARMERS' COMPANIES IN WISCONSIN

On point of number and the amount of money handled, the dairy enterprises exceed all other cooperative agencies.

AGRICULTURAL EXPERIMENT STATION

OF THE UNIVERSITY OF WISCONSIN

MADISON, WISCONSIN

DIGEST

Cooperation is the working together of a number of persons for some common end. In agriculture, it means the organization of farmers for the transaction of business pertaining to farming. Its purpose is to do jointly what cannot be done as economically or as well by individuals.

Pages 3

Its success depends upon several factors. A sufficient amount of business is essential. The cooperators should live near enough together to have a community interest and personal acquaintance. The business transacted should be simple in nature, free from any great degree of speculation and of vital importance or convenience to the cooperator. Loyalty to the organization and an intelligent spirit of cooperation are fundamental. Leadership and harmony are essential and minor differences among cooperators must be subordinated to the common good.

Pages 6 to 13

The membership of the company should consist of active farmers; at least they should be in control. Outsiders, if admitted as they sometimes are to furnish capital, should not be allowed to influence the business policy toward large dividends on the investment. The one-man-one-vote principle will keep the organization democratic. Mischief-makers and "drones" should be kept out but in no wise should a cooperative society become a "closed shop." A trust among farmers is as undesirable among other people.

Pages 13 to

The management of the company should, in general, lie with the board of directors. They should provide for an adequate but simple system of accounts and the books should be audited. The records of the business should be open at all times to all members. Details of management, however, must rest with a manager who should be thoroughly competent and trustworthy.

Pages 15 to 22

A federation of cooperative societies is of great benefit to local units. The largest and best known instance of the kind is the California Fruit Exchange. Attempts at federation along other lines are being made and, in some instances, with success.

Pages 22 to 2

As a social and educational factor cooperation has developed to a remarkable extent in Europe, these mutual organizations taking the lead in community improvement, entertainment and recreation.

Pages 27 to 28

In Wisconsin the most extensive cooperative enterprises have been developed in the butter and cheesemaking industries. Some half-dozen fruit-selling organizations have been formed, 150 or more associations for the shipping of livestock and nearly 60 for the testing of cows. The largest number of cooperative societies in the state are the telephone and the insurance companies.

Pages 28 to 29

The organization of a company is a simple matter. The Wisconsin on request will furnish all material necessary for incorporation. Legal advice may be obtained from the National Agriculture Organization Society, Madison, at small cost, and specimen copies of constitutions and by-laws may be secured from the College of Agriculture. Articles of incorporation may be secured from the Secretary of State. A reprint of forms suitable for various steps of organization are given.

Pages 29 to 45.

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K. L. HAYES, Asst. Dir. Agr. Extension Service
C. W. VAUGHN, Executive Secretary

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S. M. BARCOCK, Emeritus Agr. Chemistry
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B. A. BRACE, Veterinary Science
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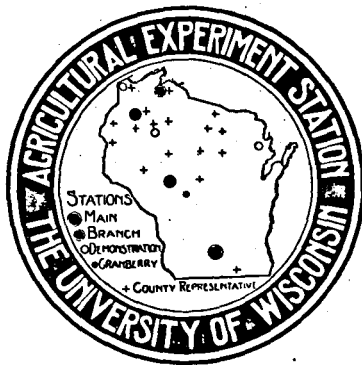
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Agricultural Cooperation

Conditions of its Success

The feeling is widespread that something ought to be done, must be done, to introduce more system and order into the marketing of farm produce. On the one hand farmers complain that they get only half of what the consumer pays for food products. On the other hand the consumer complains because he has to pay double farm prices. The inference is strong that the middleman is making too much money. It is not the purpose of this bulletin to settle the controversy. Rather it is the purpose to set forth a few principles which fit the case of farmers interested in marketing more intelligently and more economically.

The high price of land, the high price of labor, the high price of farm equipment all point toward the necessity of careful business methods in the conduct of a farm. In the past the main emphasis has been laid on ways to increase production, but it is becoming self evident that there is no more occasion to attempt the increase of products than to effect a saving of energy required in getting returns from them. In the long run it is better to get good results from a moderate production than to increase the quantity produced and waste it in the process of delivery to the consumers. Organization characterizes every great business except agriculture. It is not possible so far as may be seen that agriculture be organized in a way similar to that of transportation, or mining, but it does seem altogether reasonable that farmers can get together in large enough groups to enable them to employ talent and skill such as is needed for intelligent action with respect to the market. This the average farmer alone and unaided cannot do.

Modern markets are vastly more complex than they were even one generation ago. The farmer produces very little for himself and carries very little of his produce directly to those who consume it. Standing alone at the end of a long line of agencies between the consumer and the raw product the farmer is at a disadvantage, and unless he looks out for himself it is not likely to be done in an unselfish manner for him.

This bulletin outlines the principal features of cooperative action which have proved successful. The number of farmers' companies is increasing rapidly and every effort should be made to see that they are not uselessly multiplied and that those which are organized be built on solid foundations.

Cooperation defined.—By cooperation is understood the working together of a number of persons for some common end. Literally, it may mean a working together in an unorganized way. For example, two farmers exchange work, or they unite their efforts in breaking the road after a snow storm. These are undoubted examples of cooperation. So also is it a kind of cooperation which brings men

Kinds of cooperation.—Cooperation may have for its object either the buying or selling of goods, and these are by far the most usual objects. In many countries the furnishing of credit is one of the most prominent objects of all agricultural cooperation. Less frequent, but quite as important, is cooperation practiced in some lines of production and manufacture.

PREREQUISITES TO SUCCESS IN COOPERATION

So often has cooperation proved a disappointment to those engaged in it that it would seem desirable to find out, ~~strength of the proprietors is ordinarily in proportion to~~ the capital stock owned by each.

In the cooperation with which we are here concerned the business is owned and run by the group among whom the rewards are apportioned whether on the basis of capital contributed, business transacted or labor performed. The distinguishing feature is the ownership of the business by the group engaged in its operation not as wage earners or as investors, but as buyers, sellers, producers, or consumers all on a par. In other words, the cooperators constitute a class, and are not representatives of several classes. For example: the group may consist of farmers who are either sellers or buyers, or both; or possibly as breeders of stock or grain; or yet again as manufacturers. In every case, however, they are banded together for the common purpose of doing for themselves jointly something which each separately could not do as economically, and which they do not choose

try were the only known means of averting bankruptcy. On the other hand cooperative creameries, even though a great improvement over the alternatives offered, cannot be said to make the whole difference between prosperity and ruin.

It is clear that cooperative companies must be formed where and when there is occasion for such enterprise and not because some one thinks favorably of the principle in the abstract. There must be some visible reason for undertaking the organization if it is to succeed. If prices of products sold are ruinously low in the face of high prices paid by consumers for the same product a little later there is room to suspect that savings may be effected rather easily. If the town dealers are asking unusually wide margins on the business done, the farmers have a right to investigate the possibilities of doing business for themselves. But there must be some gain over the old methods of each looking out for himself or the enthusiasm for cooperation is likely to suffer a collapse. In one case dire necessity may drive farmers to cooperate and so increase their sale price by 50 per cent; in another a moderate degree of necessity may result in a movement effecting a 10 per cent increase, and both may, and should, succeed. Cooperation has no magic by which it can feed and grow on nothing. Where prices are already as high, or as low, as the facts will warrant, cooperation cannot step in and change them.

Sufficient business an essential.—This might be taken for granted were it not for the fact that a great number of cooperative enterprises have failed because of a lack of sufficient business to make a profitable undertaking possible. A cooperative company is not unlike a private company in this regard though the situation may not be so apparent to the men engaged in the cooperative enterprise. For example, very many cooperative creameries have failed because of a lack of sufficient milk or cream out of which to make butter. A privately owned creamery under the same circumstances would experience the same difficulty. But a privately owned plant is not so likely to be established under such unfortunate circumstances. Some shrewd promoter is often able to persuade a group of people to do what none of them separately would undertake. The divided responsibility and the small value of the share are good talking points

in getting men into companies, and often their knowledge is limited as to the amount of business needed or available. Many creameries have been organized in communities having but a hundred cows when at least four times that number were needed for success. Not only is the investment disproportionately large where the amount of business transacted is small, but it precludes the possibility of providing for the employment of good managers. Any business venture involves the question of the probable amount of available business but a cooperative enterprise especially needs to be undertaken with caution in this regard for no one man is shouldering the whole burden and there is danger that too much dependence may be put upon the bare principle of association.

Confined to one community.—There are instances to the contrary, but in the main it is safe to say that the prospects of success are much greater where the cooperators live sufficiently near together to permit frequent gatherings, or in any event, acquaintanceship. The great majority of the cooperative enterprises of Europe center in the village where the members are near neighbors and are intimately acquainted. In this country the greater proportion of successful cooperation is decidedly local in character; while the more general and wide-spread efforts, such as those tried by the Grange, show the greater difficulties involved in getting cooperation to work at long range and among men not well acquainted with one another. A good example of the working of this principle is seen in connection with the creamery industry, where cream, or milk, is brought together from within a small radius within which neighbors are acquainted. In other sections, as in Nebraska, where farms are large and comparatively few cows per farm are kept, the conditions do not seem favorable for the successful operation of cooperative creameries. Although many more have been started there are now but four in the state. The area covered should not be too great to permit attendance at meetings and pretty close acquaintanceship.

Thus density of population and size of farms are a factor. Large farms with their attendant sparsity of population, and their larger bulk of business per farm, make cooperation at once more difficult and less necessary than the opposite condition of dense population and small farms.

These disadvantages are not, however, always conclusive against an undertaking. They may be overcome by good will and determination; they may be helped greatly by federating small units and so getting the advantage of a larger group even though at some cost.

Stability of population.—A prime essential is the character of the members, and nothing is more fatal than a rapid change of personnel. Illustrative of this point are the facts respecting cooperative movements and the question of tenancy and ownership. In almost no instance are tenants successful cooperators. They do not stay in one place long enough to become such. They do not feel disposed to put their energies and money into enterprises which must be abandoned on moving to a new neighborhood. In cooperative businesses there are always obstacles to be overcome, and in consequence there must be persistence in the group of men attempting the task. Persistence is not a trait found in people who, with respect to a given work, view themselves as transients. Hence tenants, who ordinarily remain on a given farm less than three years, seldom assist in solving marketing problems. On the contrary, being weak bargainers, they make the work of solution all the harder for others.

Character of population.—It has often been said that men of differing nationalities, or even of differing religions, are not likely to cooperate well in one organization. Without doubt it would be unwise to advise men who are so poorly assimilated into the community life as to lack a common language to attempt to get together as cooperators.

Likewise it is doubtful if farmers widely apart in financial standing will blend harmoniously into a company involving a great deal of business adjustment. They may do well enough in a telephone company, even in a creamery, but hardly in a fruit selling company. However, differences in nationality or religion seem to be of little consequence. Men who have almost nothing in common socially will cooperate readily if only the economic motive be present, and results forthcoming. Nothing short of race differences seems to act as a barrier. On the other hand similarity in wants, views, and habits are advantageous. The point is that disadvantages in these respects are overcome by economic forces where the latter are at all strong. Intelligence

and openmindedness are of more consequence than many of the more easily observed factors.

A business simple in character.—It is to be taken for granted that the board of directors is to be made up of *bona fide* farmers who will actually direct the affairs of the association. To do this the directors must have a full and clear view of what is to be done. Without doubt farmers are capable of becoming directors in the most intricate business undertakings, but to do so usually means that they must devote the greater part of their time to such business, and turn over to others the operations of their farms. In farmers' cooperative undertakings it is desirable for the farmers to prosper in their own affairs, not to be drawn away from them. The businesses which they are to direct should therefore be simple, like the manufacture and sale of butter, the sale of grain, or the purchase of feeds. The management of intricate manufacturing establishments, or complex transportation companies should not be undertaken. Neither should one company undertake several widely differing lines of work. One main purpose should dominate; subordinate things may be added, as shipping eggs through the creamery.

Vital interests involved.—It is evident from the facts of cooperation now in effect that farmers will cooperate in matters in which they are deeply interested, and will refuse, or fail, to cooperate in matters in which they have but a secondary interest. For example, the orange growers of California run a remarkably successful cooperative company. The dairy farmers of the upper Mississippi Valley have a great number of successful creameries and cheese factories. On the contrary, the farmers of the Middle West grow a great deal of fruit but they do not in many instances cooperate in its marketing. Likewise the farmers of southern Iowa, of Missouri, and of Kansas milk many cows, but in these sections cooperative dairy organizations do not flourish. To be a good member of a cooperative company each individual must feel that his interests are those of the company and its interests his. Otherwise the cooperative company will be given but little attention. He must think in terms of the association. An apple grower knows apples and gets his living by selling them. It is of vital concern to him whether he gets a dollar or a dollar and a quarter a box for his crop, while to the average Iowa or Illinois

farmer the price of apples is of little moment. However, a margin of five cents a bushel on grain to them often makes the difference between profit and loss.

There are abundant exceptions to this general proposition so far as mere numbers of associations go. For example, the cooperative telephones and the mutual insurance companies are numerous. These companies involve so little farm finance, however, that they can and are run without much attention from the average farmer. They are good things, but enter very little into the ups and downs of farming. Thus it might almost be said that the business which lends itself to cooperative action is either that in which the farmer has the greatest concern, or that in which his concern is constant but very slight, and which can be run with little or no attention from the majority of farmers involved.

The spirit of cooperation.—Some men are unwilling to yield a point of difference with respect to anything affecting their own affairs. These men may succeed eminently when left to themselves; their ways may indeed be excellent and worthy of imitation; but they are not good men for a cooperative movement, since everything must go as they say or they are out of the game. Without doubt the traditions and experiences of American farm life have been such as to develop independence and self-reliance. These are excellent traits when not over-developed, but there is danger that independence may breed conceit, and that self-reliance may grow into a self-sufficient obstinacy.

The spirit of cooperation is not a matter that can be dealt with statistically. It is even hard to identify it in a community until it is well developed and the need for its identification mainly past. Is there a spirit of cooperation, latent, in a neighborhood in which a cooperative organization is proposed? The answer is always vital, and often perplexing. Where race lines are rigidly drawn, cooperation has a difficulty to overcome. In fact, the history of farmers' organization shows little mingling of races, yet with good leadership men of different races may be held together. Nationality, religion, and politics, though much less likely to interfere, do at times cause lines of cleavage unfavorable to cooperation. It is a case of relative strength. Where the economic motive is a powerful one, as in some of the fruit-growing districts where marketing becomes almost a matter of life and death,

these obstacles are readily overcome but where the margin of advantage is small cooperation may easily be defeated by these counteracting influences.

It requires no argument to show that there must be an intelligent understanding of the object to be gained on the part of those making the effort. All too many agricultural cooperative movements have been launched by men who desired strongly to get somewhere, but who knew little or nothing of the proper route to follow. General intelligence is seldom lacking, but specific information often is. Where a cooperative company undertakes the marketing of a product there should be a clear understanding of the ins and outs of the market which it is proposed to enter, or perhaps to possess. It should have a clear picture of the marketing processes, should know what charges are made, and why. Unless there are wastes to be eliminated, or excessive profits to be cut down the probability of a happy outcome is small.

Leadership.—Leadership is of the utmost importance. Even though every man could do the work of a general, no army can act as a unit unless some one man actually be given the authority and put in charge. Likewise there may be a score of men capable of acting as leaders of a cooperative company, but some man, or some small group of men, must actually become leaders or nothing will be done. Leadership is a rather rare quality; at any rate it is not superabundant as found in connection with new movements, and the man who wishes to do things will find the cooperative field rich in opportunity for constructive action. For some reason hard to define leadership in the field of big business nearly always is handsomely rewarded. In connection with farmers' movements leadership is all but universally poorly paid, or unpaid. In almost all successful cooperative movements there will be found a faithful few, or perhaps a single individual who, in season and out, give unstinted time and energy to the enterprise with no hope or prospect of material reward. Without the inspiration of this kind of help few farm communities will arouse themselves. Without such unrewarded enthusiasts as F. W. Raiffeisen of the German credit unions, or Horace Plunkett of the Irish Agricultural Organization Society, or O. H. Kelly of the Grange, it is hardly possible that any of these movements would have materialized.

Loyalty to the Association.—As a manifestation of the spirit of cooperation loyalty to the organization should be conspicuous. No farmers' company can succeed without the loyal support of its members. Any partnership would be doomed at once were the members not loyal; a stock company needs the loyal support of its stockholders; but the cooperative company, hardly less than the former and decidedly more than the latter, is dependent upon the temper of its members. The great majority of cooperative companies are dependent upon their members for the amount of business requisite to efficient operation. Where some of this is withdrawn it means less prosperity per unit for what remains. It must be remembered that cooperation means working together, and as soon as it becomes known that there is friction, the undertaking is at once discredited in the public mind. Harmony means strength. Minor differences must be subordinated to the common good.

THE COOPERATIVE COMPANY ITSELF

Composed of farmers.—Many so-called farmers' associations are made up largely of non-farmers. This may be due to a desire on the part of the farmers to enlist the aid of anyone and everyone in raising the capital. It may be due to the desire on the part of men not farmers, to have a hand in the management of the business. Or the mere matter of investment in some cooperative enterprises as now organized furnishes an attraction, and where no rules bar the non-farmer he comes in to get dividends. In all cases it is a matter of grave doubt whether such outsiders should be allowed to connect themselves with the association. Where difficulty is experienced in raising the capital among the farmers the temptation to take it from any available source is great, and where the farmers' rights are properly safeguarded, this procedure may not prove dangerous. But safeguarded they must be or these outside investors having interests unlike those of the farmer will become a force in twisting the course of the association in the direction of stock-dividends instead of toward favorable results to each member on the basis of business furnished. Where outsiders want to get control there is but one thing to be done: they must be kept out.

Where, for example, a farmer member retires and perhaps moves to town the tendency is often to treat him still as a farmer and let him continue his membership. The danger in such a case may not be great, but the safest way is to keep the management, at least, and a great majority of the membership, within the active farmer class. If retired farmers can be of service to the association their assistance should be made available, but their authority should be restricted. Agricultural cooperation must be not only for farmers but by them.

Business-like in character.—No doubt any organization must be business-like if it undertakes to do business with hope of success, but in this respect a cooperative company is in greater need of caution than a private concern. The reason is that responsibility is unified in a private concern and diffused in a cooperative concern. A hundred farmers who belong to a cooperative company are not likely to spend more than two or three days a year attending its meetings and transacting its business. The directors are not likely to take quite the vital interest in the affairs of the company that is taken by railroad or bank directors in the affairs of their respective companies, since in the one case the investment is small, and in the other case large, and again the cooperative company usually makes but a modest return over what could be obtained otherwise. All these facts point to the necessity of a thorough-going business plan for the guidance of a cooperative company so that the members may at any time know how matters stand, and in order that those in charge may be held to a strict accounting for all they do.

Adequate system of accounting.—There should be an adequate, but simple, system of accounting, such that expenses and investments may be taken care of in a regular and equitable manner. For instance, it is unbusinesslike and unfair to deduct from the price of butter fat for a given month or two a sum sufficient to buy a new vat or separator. Suppose, for example, a given patron is furnishing almost no milk at that particular time, he escapes payment of his proportion of the charge. Or suppose a given patron to be furnishing the very maximum amount for the year, he pays more than his just proportion of the charge. Again, in case the equipment purchased is to be used over a considerable

period of years, the members of the company at the time the purchase is made stand the expense while those who succeed them get much of the value. It is clear that the only fair way to adjust these matters is to provide funds out of which the various expenditures may be made. Preferably closely related cooperative associations such as a group of creameries, or a group of fruit exchanges, should use the same system of accounting so that comparisons may easily be made, and that federations, if such be formed, may deal intelligently with individual associations with respect to audits or other authority which may be delegated to the central body.

The Office of Markets has several men devoting their whole time to the accounting problem. They have carefully worked out a system for each of a few lines. Particularly in the cooperative elevator business the government plan is being put into practice.

Careful audit and publicity.—Whether the audit should be by the board of directors, by a special committee, or by some outside authority may be an open question, but audit there should be so that the members of the company, and all doing business with them, may know the business standing of the association. Where federations of local companies exist it is usually well for them to assume the responsibility of the audit. Whether the state should conduct an audit in addition to that by the cooperators themselves depends on the thoroughness of the latter. The state cannot audit as economically nor as well as can the interested parties, yet there are good arguments in favor of at least a supplementary audit by the state. The main thing for farmers to learn is that a business will not run right simply because it is started right. Neither can all managers be trusted to keep records straight and intelligible without some occasional authoritative inspection from outside the office.

Publicity of accounts will work as good results in farmers' cooperative enterprises as it does in quasi-public corporations serving the community at a fixed charge. The books of the company should at all times be open to the inspection of the members. More than this a statement such as can be understood should be issued annually and sent to each member.

Truly cooperative enterprise democratic.—A truly cooperative company is essentially democratic. In this respect it is unlike the ordinary business organization in which one man, or a few men, have complete control. It is even unlike the most usual type of corporation where stockholders vote in proportion to the amount of stock held, and where, therefore, a few members may so out-vote the majority as to render the control extremely undemocratic. A cooperative company which is not democratic is not, in a real sense, cooperative, although it may be such in form. Cooperation means a working together of men for the accomplishment of some object to the advantage of all. Should the control fall into a few hands this mutual relationship is almost sure to suffer and the interest of those holding the power become the criterion by which all policies will be shaped.

This brings us to the "one-man-one-vote" principle, usually put forward as the one thing needful in cooperation. Under most circumstances the plan is to be commended, although not all states provide for such restrictions in the government of corporations, cooperative or otherwise. In any state, however, it is permissible to limit the number of shares which one stockholder may own, or at least the number which he may vote. In this way it may be made difficult if not impossible for a clique to get control of a company. For example, it is quite usual to provide that not over one-tenth of all outstanding stock may be owned by any one man, in which case no one man or small group of men, is likely to get control of a majority of the stock. Of course the limitation of the vote to one for each man is the greatest possible safeguard against concentration of power.

Under some circumstances the "one-man-one-vote" may prove to be too rigid a safeguard. Where the interests of the members are nearly identical, or equal, there would seem to be no good reason why each man should not have an equal voice in the control of policies. But where the members have widely varying interests at stake it is often hard to get those whose interests are greatest to agree to the "one-man-one-vote" plan. It may happen that one member has ten acres of strawberries and relies on strawberry sales almost exclusively for his income. Another man may have a tenth of an acre and get a trifling part of his income from the sale

of such fruit. It is not likely that the big grower will take kindly to the proposition of giving the small grower the same voice as himself in the marketing policies. And it hardly seems reasonable that the two should be put on an equal basis with respect to authority in control. In fact, the wisdom of a union of large and small producers in the same company is often questioned. Yet if the interests of the big producers are not jeopardized by the irresponsibility, stubbornness, or jealousy of the small producers, there is nothing to be said against such an arrangement. It is even possible for the small producer to profit by the better business methods of the large producer if only the two classes can get along smoothly together. In Europe where the "one-man-one-vote" predominates in nearly all cases there is a tendency toward segregation of large and small producers.

One way of bringing the large and the small producer together is to permit voting in proportion to business furnished. This may be accomplished by giving members of a cooperative creamery a vote for each cow, or members of a fruit exchange, where the fruit is similar in kind, a vote for each acre. This plan gives each member an influence corresponding to the interest he has at stake, and while a single small producer might seem to be swallowed up by his larger neighbors, a group of them would always be able to compel recognition. Moreover, the danger of a few men gaining full control as in the case of voting by shares of stock is, in most instances, obviated. This method is, as a rule, not held in high esteem by leaders in cooperation.

The association and its authority.—Many a farmers' organization has gone to pieces because of the disloyal, shortsighted actions of certain of its members. One of the most usual sources of trouble of this character is the tendency of many members to sell to competing companies for, perhaps, a trifle more than the farmers' company sees fit to offer. This difficulty has led many associations to put into their by-laws the so-called "penalty clause." This is a provision by which the members of the company are permitted to sell, or buy, where they please upon payment of a small amount, as a half cent a bushel on grain, to their own company to enable it to exist while the business which it might normally expect is being done by its competitor. The "penalty clause," or "sustaining clause" as it is sometimes

called, has been declared illegal by some of the courts and consequently in many instances, has become a dead letter. It is not a prominent, or even a usual, part of most cooperative regulations in Wisconsin. Where it is nominally a rule as in several kinds of cooperation in neighboring states its enforcement has largely ceased. However, the same end may be gained by requiring the members of an association to sign an agreement to deliver all of their produce of the kind in question to the company to which they belong. The penalty for failure to comply with this provision is usually loss of membership in the company. If the advantages of the company are of any consequence it follows that they will not be bartered away for a small mess of pottage, in the form of a bid slightly higher, offered by a competitor. Just as truly as there are rules of the game to be followed in almost every organized undertaking there must be such in connection with a farmers' organization and he who will not observe the rules does not deserve the privileges of the play.

One of the main advantages of a cooperative company is, or at least should be, an assured patronage. The company must be able to count on the patronage of its members or it may better quit.

Transfer of shares.—In an ordinary corporation shares are freely transferable. This is in fact one of the distinctive and desirable features of the corporation form of business organization. In a cooperative company, however, this freedom of transfer is frequently curtailed in order that no undesirable members may be taken into camp. The success of a farmers' company depends very largely on the stability and loyalty of its members, therefore the group should be allowed to control its own personnel. Were each member permitted to sell out to whomsoever he pleased this would obviously be impossible. While the law would not sustain any company in putting severe limits on the right of a member to sell his shares, it seems to be permissible to require that the company be given the opportunity to make the sale for a member, or to buy the shares and hold them for subsequent disposal. It is a very prevalent practice to require members wishing to dispose of stock to list it with the secretary for sale, allowing him perhaps 60 days in which to act. Should no sale be made during that time the owner

would then have the right to sell to any buyer whom he could find.

Sufficient capital.—Farmers' associations need capital much as any other business organization does, but in many instances farmers have gone into business cooperatively with inadequate capital. After making a start with too little capital it is especially hard to increase the amount since the situation under these circumstances, is a discouraging one. Hence the advisability of properly financing the project at the outset. This is all the more desirable since there is frequently a great amount of skepticism concerning the success of farmers' undertakings.

A farmers' company has no excuse for going into a business venture with too little capital. Ordinarily the amount required from each farmer who goes into a cooperative undertaking is only from ten to one hundred dollars. And in case he does not have the ready money, he can as a rule, give a note for it. A note of this kind may be paid in a lump sum, or it may be paid gradually by withholding a small part of the price of produce sold through the company. Another plan is to apply the trade dividend, where such is paid at all, to the discharge of the note. In this way the amount put into capital is scarcely felt since it is accumulated out of savings.

Another way to provide capital is for the association to borrow it. An organization of farmers should be, and usually is, able to borrow on fairly favorable terms and for as long a time as they wish. In some instances in Europe borrowing in this way is the means used to provide permanently a large share of the requisite capital. This is advantageous when the farmers are in debt anyway, and especially where there is a considerable variation in the amount of money needed at different times of the year. However, the moral effect of independence and business solidity is such that it will be the part of wisdom to have the sum needed as a permanent investment not only subscribed but, within a relatively short time, actually paid in, while a small surplus gives added confidence and dignity to the project. A farmers' company cannot afford to run without ample capital, and the members will be fortunate if they make their arrangements such that borrowing will be incidental and not the main foundation of the business. However, for sums

not needed continuously, a good plan is to have an arrangement at a bank so that drafts coming in against the company will be taken care of without being entered as overdrafts. This gives the minimum amount of expense in providing working capital.

Cash basis.—It has often been said that a cooperative company should do a cash business only. To begin with it may be noticed that the great majority of the important cooperative companies of this country are engaged primarily in selling farmers' produce. With these the question of cash or credit is not vital. In the case of companies doing a considerable business in selling to farmers it is quite different. Farmers like the privilege of credit whether they are dealing with a private company or a cooperative company. Many cooperative companies seem to get along well on the credit basis, but it is nevertheless a dangerous plaything. It is more dangerous for a group of farmers to get involved with credit accounts among themselves than to have such relations with a private company. There is less vigor on the part of a farmers' company in forcing payments when they really ought to be made than is the case with a private concern. Farmers need to be taught the economy of cash payments and it is poor policy to put themselves in the bad light of one another and their outside friends by running a cooperative company on a basis which they cannot well control.

Accumulation of a surplus.—Closely connected with the idea of sufficient capital is the question of a surplus. While it may be feasible to borrow money when needed such a policy should not be carried too far. A small surplus out of which to meet emergency demands is very desirable. A good example of the use of a surplus is found in connection with the shipping of live stock. Suppose several animals in a given shipment die, it is much pleasanter for all concerned to make up the loss out of a saving from former profits than to feel that the association is in debt and future profits, therefore, partially absorbed.

Membership not exclusive.—A genuine cooperative company is not for the purpose of making money out of other farmers who patronize it, nor for the purpose of limiting production in order to raise prices to an abnormal level. It is for the purpose of encouraging production and reducing

the costs of marketing. Hence there must be a disposition to admit to membership all who logically belong to the group. Of course the judgment of those already in must be exercised in the admission of others. It is always unfortunate to include mischief makers; it is similarly unfortunate to admit drones. But no fellow farmers should be excluded on the basis of the "closed shop" idea. Where such a policy is practiced the law forbidding combination in restraint of trade may very properly be invoked against it. Farmers have no more right than have other people to form a trust.

A competent manager necessary.—It may almost be said that the members of a cooperative company do not cooperate among themselves, but each one cooperates with the manager. Certain it is that the members meet, in a business way, the manager many times where in the same way they meet other members once. It is conceded that in successful cooperation the manager must actually manage. It is impossible for him to be merely the representative of the board of directors. General policies should be formulated by the directors, but all matters of detail, the grading of the product, the judgment as to the condition of the market, the amount of labor to be employed, the necessity for more equipment,—all of these must be left mainly to the judgment of the manager. If a given manager cannot be trusted with such responsibilities it means that it is time to look for his successor.

During the early period of cooperative efforts in America few farmers appreciated the value of good business management. They were unwilling to pay what a good manager was worth. Their complaint was that the share going to the middleman was exorbitant. Hence they did not propose to make the mistake of over-paying the man they themselves installed in the place of the middleman. The result was inevitable. They secured incompetent men to manage their business, and the business not being well managed failed. At the present time most of the farmers' companies are in the hands of well-paid managers, and are conducted in a business-like way. It is as necessary to pay the market price for managerial ability in connection with a farmers' company as with a private company. All the lines of cooperative force focus in the manager, and if this force is there dissipated all is lost. On the other hand, even though some

of these lines in themselves be weak, if centered in a strong manager they may be so reinforced as to present all the evidence of strength. A good manager is the indispensable requisite of success in cooperation.

One reason why farmers' companies are not more uniformly successful is because no one man is so likely, as in the case of a private business, to put his whole energy into it. The manager of a farmers' company has a difficult position to fill. He must please many people yet he usually has all too little authority over them in regard to the conditions under which it has a chance to succeed. All other desired conditions may be wanting but with a good manager success may be gained, while with a poor manager even the most favorable conditions will not save from failure.

Where shall the all important good manager be found? As a rule it is wise to take him from the ranks corresponding to the work he will have to perform. For an elevator manager take him from the trade of grain handlers; for a cheese manager take a cheese dealer; for a banker take a man familiar with banking from the inside. This means that if cooperative farming is to be tried take a farmer for manager, but if the work is quite unlike farming it is wise to find a man familiar with it whether he be a farmer or not.

The federation of cooperative companies.—One great weakness of the cooperative company is its limitation to one little spot when the economies of the business demand a wider scope of activity. For example, independent companies of many descriptions have found it advantageous to unite into unions or federations in very many instances. This as a rule has been done to eliminate unnecessary costs such as duplication of marketing expenses. Cooperative companies in this country have been slow to form such federations. There are however, a few notable examples of federations. The largest and best known one is the California Fruit Growers' Exchange which is made up of district and local companies. Beginnings have been made in uniting the local cooperative grain selling companies, and, while much remains to be done, a good deal has already been accomplished. Similar attempts have also been made in the butter and cheese business. In marketing butter no great progress has been made although some promising efforts are

now under way. In marketing cheese at least one federation is meeting with encouraging success.

Not only can a federation hope to improve further the marketing facilities of the local companies, but it can be of great service in furnishing information and inspiration to the locals. It probably could keep adequate and uniform accounts, and thus render one of the greatest of services. This would lead naturally to the question of audits, and no other authority is in as good a position to audit the accounts of the local companies as would be a federation of such companies. For putting life into the cooperative movement, a federation, or association, of local units is unquestionably of prime importance:

A group of unfederated companies is almost sure to compete within itself. This has been notably true in the creamery and cheese factory business. The local companies have invaded one another's territory for trade and have competed against one another in selling. Altogether they have, with all their good qualities, presented a weak front, if any front at all, to the serious problems of marketing. They have taken one step, and taken it well. It remains to take a few more steps, not with the prospect of going the whole way and eliminating all middlemen between farmer and consumer, but of getting into the wholesale market with intelligence, concerted action, and vigor, in such a manner as to secure for the producer a fair and reasonable share of the prices paid by consumers for his product. Unsystematic, free-for-all competition is not reasonable or profitable in the marketing of farm produce any more than in other lines of business where it has so often been shown to be illogical and wasteful.

The main purpose of a federation is by no means an attack on middlemen but rather the introduction of intelligent, business methods, into the work of buying and selling. This will frequently mean economy due to large purchases; to consolidated shipments; to lower overhead charges in such matters as office work and solicitation; in the handling of surplus commodities; in the finding of markets; in settling disputes. Above all a federation can be known, can have plans, and can command respect where local units are obscure and helpless. The federation of butter factories in Denmark, of purchasing societies in France, of the credit

companies of Germany, of the fruit companies of California, of the cheese factories in Wisconsin all show the value of working and standing together, while the weakness of the unconnected local is everywhere manifest.

THE ACTIVITIES OF THE COOPERATIVE COMPANY

It is intended here to notice a few of the activities such as will be common to nearly all cooperative companies. To begin with the principles laid down by the Rochdale Pioneers, while made primarily for distributing companies, are in point. These principles have stood the test of three-quarters of a century and are in use in every part of the world. They are:

1. Shares small in amount and held by members only, i. e. by cooperators and not investors.
2. Each member to have not to exceed a certain restricted number of shares.
3. Each shareholder to have one vote and one only.
4. Sales to be for cash, and at usual prevailing prices.
5. Stock to receive a nominal dividend corresponding to interest rates.
6. Profits to be apportioned in the form of trade dividends on the basis of the amount of business furnished by each member. Non-members to receive a trade dividend half as great as that paid to members, and this payment to be in the form of a share of stock, thus making all customers so far as they wish into members automatically.

It will be noticed that substantially all of these provisions are included in the Wisconsin Cooperative Law.

Payment of dividends.—There are two leading types of dividends paid on stock. One kind is limited to a prescribed percentage of the par value of the stock and under some circumstances is called a preferred dividend. The other, the common dividend, is the more usual, and may be of any size, depending on the earnings of the company. In many corporations there are two kinds of stock, preferred and common, and on these respectively are paid the two kinds of dividends. In many farmers' companies organized under the general corporation laws of the state it has been a common practice to pay high dividends, not infrequently 50, or even 100 per cent. It is evident that where earnings on

stock are high they come out of the business done, and where the business is substantially all contributed by stockholders the dividends are first contributed by the members. It follows that, unless by rare accident the business furnished by each member correspond exactly to the proportion of stock held, money is made out of one member's business with which to pay dividends on another member's stock. The way out of this is to pay a nominal dividend on stock, and either accumulate a surplus for distribution, as is often done by creameries, or to pay back to the members periodically a trade dividend. The nominal stock dividend and the trade dividend are the most essential features of the Rochdale plan of cooperation.

Quality of goods.—One of the main advantages of cooperation is its opportunity to improve the quality of goods offered for sale. Not that certain individuals will not always excel in this particular, doing better than the group can hope to do, yet the group can and does improve the whole neighborhood. This has happened numberless times in connection with the creamery business. The association has improved the quality of the cows kept, of the milk delivered, and of the butter and its selling price.

The difference between good and poor quality is often the difference between profit and loss. It takes very little figuring to show that a dairy producing butter fat at 33 cents a pound may be on a paying basis while one producing at 30 cents may lose. There is in many instances as big a margin as that between the cooperative and the unorganized plan due largely to the greater control exercised over the product by the organized group. The group not only has control, but it often arouses the neighborhood spirit, promotes team work.

Standards.—Not only should the quality be good, it should be uniform, and so designated as to be recognizable. Very few farmers are in a position to standardize their products. In the first place few farmers have enough product so that it seems to be worth while to standardize it. Not only is the quality small but it is usually irregular in amount, and the ups and downs of the supply make the marketing very difficult. Again almost all farmers are too much concerned with the immediate affairs of production to give a great deal of undivided attention to grading and packing.

It seems almost inevitable that the individual farmer, working alone, must sell his grain as it comes from the field, his milk as a creamery or cheese factory demands it, his live stock as accepted by the general trade. These sales are much below the possibilities open to a specialized product, and they often leave but a small margin of profit, too often none at all.

While it is asking too much of a farmer alone to put his product on the market in a way conforming to the best practices it is not at all beyond the power of a group of farmers to reach a high degree of perfection by working together. The group will ordinarily have a larger supply of product; a more constantly uniform supply and they can afford appliances and help which cannot be supplied by each man for himself. These facts are well illustrated in such instances as the marketing of fruit, vegetables, or dairy products.

State brands for butter have been established in several states, for example in Minnesota, Iowa, and Michigan, and the prospects of advantage from the plan are good. Official brands for butter and cheese have been in use in Europe and have been of great help in maintaining both quality and price.

Advertising.—The matter of advertising is one which is usually beyond the reach of a single farmer. He cannot afford to advertise ungraded products. He cannot afford to advertise products which he has on hand at one time but will be out of shortly. A group of farmers can overcome these troubles and by judicious advertising let it be known what they have for sale. The county experiment associations are good examples of the ability of a group putting seed on the market intelligently as compared to the blind way of selling alone and unaided.

Cooperative business and speculation.—That there is an element of speculation in almost any business is beyond question. It is also true that speculation is a prominent part of many businesses. If a given farmer wishes to try a speculative venture, such as holding his crop of corn till the succeeding year, or buying his neighbor's corn in the fall to hold till spring, his friends and neighbors can raise no objection. If, however, he and his neighbors are in a cooperative association and the association should undertake the same thing there is almost sure to be trouble. The decreases in

prices are almost as numerous as the advances. There are incidental losses. Some speculations are sure to be disastrous. If an association speculate and lose there will be severe criticism and in most cases trouble. The selling of grain is to a considerable extent speculative. As handled by cooperative companies the speculative features should be reduced to a minimum. The best authorities agree that were the speculative features developed it would mean disaster to this type of cooperation. Where risks are great the daring of the individual seems best able to cope with it, while a conservative undertaking may be carried on by the joint action of a large number. A group of men seldom lays a wager, individuals often do. Hence a group may conduct a regular business, but the less there is in it in the nature of a game of chance the more likely they are to agree among themselves as to the steps to be taken and the more likely they are to be satisfied with the results.

BY PRODUCTS OF COOPERATION

Cooperation begets cooperation.—Cooperation in America has usually been carried on for the economic gain to be made out of it. Probably this gain must be considered a desirable and a prominent feature. Business ventures are normally run for gain and it seems useless to insist that some other, though higher, motive be substituted. It does not, however, follow that the economic motive must be the sole end and aim of a group of farmers acting together in a cooperative capacity. Indeed, in Europe where cooperation is well past the experimental stage and where it controls a large portion of the business done by farmers, a vast amount of community work is carried on around the cooperative company as a center. This work often takes the form of village improvements, such as street and park beautification, or perhaps recreation and entertainment in the form of theatricals promoted and guaranteed by a credit society. In some instances nurses are provided for the sick through a common fund. In short, the cooperative company becomes the motive force in community enterprise. The particular cooperative company which usually becomes such a force is the credit society. This no doubt is due to the fact that many

enterprises need more or less financial backing and these societies from their very nature are able to act in this capacity. Community enterprise requires community action and where there is organization for one purpose it serves as a convenient starting point for other undertakings.

Cooperation educates.—One of the most unfortunate of all the facts of marketing is the lack of information of the producers concerning the costs of getting produce from the farms into the markets. Farmers are much inclined to think that the wide margins taken by middlemen are the result of greed and dishonesty, in some way representing a condition for which the middleman is to blame. A study of the market such as an enterprising cooperative company is bound sooner or later to make in nearly all cases shows that the margin of 50 per cent so often mentioned as the share of the middlemen is nearly all necessary expense under the circumstances and no one is guilty of stealing or cheating. The unfortunately wide margin is the fault of nobody in particular but the logical outcome of a lack of organization and the application of intelligence to the process of marketing. Farmers as a rule are not willing to pay the price of cutting down these margins, yet economy and efficiency demand that it be done.

The education that comes from cooperation means the careful production of products as near to a standard as the circumstances will warrant; preparation for the market, that is to say, collecting, grading, manufacturing, as the case may be, so that the trade will not have it to do at a later time and in a more expensive manner; a study of the market whereby the goods may be sold to the middleman as near to the consumer as possible, thereby reducing the number who handle them; a frank and friendly understanding with middlemen whereby their services may be available at reasonable rates and on fair terms. These business principles the farmers must learn. A few learn them by working alone; a much larger number may learn them by working together. An understanding of markets and business methods are among the best results of cooperation.

STEPS IN ORGANIZATION

Beware of promoters.—One of the worst phases of cooperation to develop in America is the promotion of companies by men who are interested in them only to the extent of getting easy money out of commissions for selling stock. In the creamery business the promoters have reaped a rich harvest over a long period of years. Twenty-five years ago they did their work mainly in the states of the Middle West. They are now exerting their efforts in the South and the Northwest. They usually sell to farmers who have little interest in cooperation and who probably do not have sufficient business to support a company. The great majority of the promoted companies fail, and even though they succeed it is against odds since they pay the promoters handsomely for their efforts, and therefore have a considerable deficit to make up before starting even in the business race. Millions of dollars were in this manner thrown away in the dairy enterprises.

The desire for a cooperative company should spring up with the group undertaking it. Otherwise, the cost of starting is high and the required interest for making a success likely to be wanting.

Study of the community.—When a farmer, or a small group of farmers, decides that a cooperative company would help in solving some of the problems of the neighborhood, it will be well if a study first be made of the kind of company best suited to the needs of the community. A purely cooperative company, where it will be accepted by the people interested, is undoubtedly the best; where, for some reason, this is impossible the stock company may, as the next best thing, serve fairly well.

Many so-called cooperative companies are organized as incorporated stock companies. Where this is done with the usual vote by shares, and with perhaps no restriction as to the number of shares which any one stockholder may own, there is great opportunity for one, or a few stockholders, to get control of the company. Such an outcome as this gives an opportunity for a small number of stockholders to run the business on the basis of profit on investment instead of profit to the producer. Moreover, unless care be taken to prevent

it, there is danger that much of the stock will be owned by men who are not farmers at all and whose interests are in the profit from investment only. A situation of this kind is sure to defeat the very purpose of the organization, and in many instances even the appearance of cooperation soon disappears.

To guard against these difficulties the state of Wisconsin, a few years ago, passed a law providing especially for the incorporation of cooperative companies. Under this law each member has one vote irrespective of the number of shares he holds. A nominal dividend, as 6 or 8 per cent, is paid on stock, provision is made for the accumulation of a suitable surplus beyond which the main portion of any further surplus is paid back to the patrons as a trade dividend. This arrangement prevents control by a small portion of the members, and the making of a profit by one member out of the business of another member.

Appointment of a committee.—Early in the procedure a meeting of the interested farmers should be called and an organization committee chosen. By correspondence this committee may then obtain from the Secretary of State at Madison, blank articles of incorporation. These forms permit the writing in of many provisions to suit each particular case. The Secretary of State will furnish also a copy of the law under which cooperative companies may be organized. The incorporation fee is ten dollars, except in certain cases of very low capitalization in which it is but one dollar.

Legal assistance.—It is not necessary to employ much legal assistance. The National Agricultural Organization Society, Madison, Wisconsin, has a lawyer who devotes his time to matters of this kind and his services are at the disposal of any group of farmers wishing to organize a cooperative company. In addition to legal advice it is well to call in for counsel and direction some man who has had actual experience in running a company similar to the one proposed.

Articles of incorporation and constitution.—The organization committee will fill out the articles of incorporation, together with such additions as may seem to them desirable. They will adopt, tentatively, a constitution and by-laws which at a subsequent meeting will be submitted to the members for approval. In this connection it is well to follow more or less closely some form that has been found to be

satisfactory. A constitution and by-laws under which a cheese federation is actually in operation is given on pages 42-44.

Others may be obtained from almost any cooperative company already organized. After the above steps are taken it will be in order to get the signatures to these documents of the prospective members.

Sale of shares.—In the meantime, shares of stock may be sold. After determining the value of a share, blanks should be obtained reading about as follows:

“We, the undersigned, hereby agree to take and we hereby subscribe for the number of shares set opposite our respective names and post office addresses, of the capital stock of the Company, a corporation, to be formed under and pursuant to the laws of the State of Wisconsin, with a capital stock of Two Thousand dollars (\$2,000),* divided into two thousand shares of one dollar (\$1.00) each, for the purpose of securing necessary lands in, and erecting and maintaining thereon a factory suitable and appropriate for the making of cheese and by-products.** We hereby agree to pay our several subscriptions to the treasurer of said corporation when organized, in such manner and on such terms as the stockholders or board of directors of said corporation may determine.”

After the requisite number of shares have been sold certificates of stock similar in form to the following should be issued:

<p>Number of shares.....</p> <p>Issued to.....</p> <p>Date issued.....</p> <p>Date transferred.....</p> <p>To whom transferred.....</p> <p>Date transferred.....</p> <p>To whom transferred.....</p> <p>Date transferred.....</p> <p>To whom transferred.....</p> <p>Classified.....</p> <p>By issued.....</p> <p>To.....</p>	<p style="text-align: center; font-size: small;">Incorporated as a Cooperative Association Under the Laws of the State of Wisconsin</p> <p style="text-align: center;">NUMBER.....SHARES.....</p> <p style="text-align: center;">CHEESE PRODUCERS' ASSOCIATION</p> <p style="text-align: center;">Of the Town of....., Wisconsin.</p> <p style="text-align: center;">CAPITAL STOCK.....</p> <p>I do hereby certify that..... is the owner of.....</p> <p style="text-align: center;">Shares of ONE DOLLAR EACH of the Capital Stock of.....</p> <p>CHEESE PRODUCERS' ASSOCIATION of the town of..... County, Wisconsin, full paid and non-assessable, transferable only as the books of this corporation in the manner provided in its Articles of Incorporation, upon surrender of this certificate properly endorsed.</p> <p>In witness whereof, the said corporation has caused this certificate to be signed by its President and Secretary, at..... Wis., on this..... day of..... A. D. 191.....</p> <p style="text-align: center;">Secretary..... President.....</p> <p style="text-align: center; font-size: x-small;">(SHARES ONE DOLLAR EACH)</p>
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* Other amounts may be substituted.

** Other purposes may be substituted.

Election of directors.—A later meeting will be held and directors elected. The directors elect the officers and choose a manager. As soon as the articles of incorporation are accepted by the Secretary of State, to whom they are to be sent promptly, the new company is ready to begin business.

Many excellent examples of successful cooperation among farmers are to be found in Wisconsin. It is true that the past furnishes many instances of failure but apparently the lessons taught by these failures have been well learned. Not many cooperative companies are recently being started without a fairly good prospect of success. There is found almost universally a fair amount of business in sight and a fair amount of working capital wherever a cooperative company is proposed. Moreover, there is a disposition to find a good manager at whatever price it may be necessary to pay. Not so much can be said for each of the other points mentioned above as needful, but the outlook is encouraging. Very few failures are recorded among undertakings of recent years, and the number of companies and the amount of business done by them is constantly increasing.

Most numerous of cooperative undertakings are the telephone and insurance companies. Not very much real business however, is done through these companies. The first rank, so far as effect on the income and outgo of the farm is concerned, must be given to creameries and cheese factories. Approximately a third of the three thousand within the state are cooperative. Of growing importance are the fruit associations, live-stock shipping companies, cow-testing associations, and potato warehouse companies. A small beginning has been made in marketing eggs cooperatively through the creamery. There are some half dozen fruit-selling associations, perhaps 150 live stock shipping associations, and 53 cow-testing associations. Not a great quantity of grain is grown in Wisconsin for shipment save for seed purposes, hence the number of cooperative elevators is small.

COOPERATIVE ASSOCIATIONS

Sections 1786e—1 to 1786e—17, inclusive, of the statutes, relating to the incorporation of cooperative associations, and the fees to be paid therefor.

Cooperative associations; who may organize; purposes. Section 1786e—1 (Ch. 368, 1911.) Any number of persons, not less than five, may associate themselves as a cooperative association, society, company or exchange; for the purpose of conducting any agricultural, dairy, mercantile, mining, manufacturing or mechanical business on the cooperative plan. For the purposes of sections 1786e—1 to 1786e—17, inclusive, the words "association," "company," "corporation," "exchange," "society" or "union," shall be construed to mean the same.

Articles; contents. Section 1786e—2. (Ch. 368, 1911.) They shall sign and acknowledge written articles which shall contain the name of said association and the names and residences of the persons forming the same. Such articles shall also contain a statement of the purposes of the association and shall designate the city, town or village where its principal place of business shall be located. Said articles shall also state the amount of capital stock, the number of shares and the par value of each.

Articles; verification; filing; charter. Section 1786e—3. (Ch. 368, 1911.) The original articles of incorporation of corporations organized under sections 1786e—1 to 1786e—17, inclusive, or a true copy thereof, verified as such by the affidavits of two of the signers thereof, shall be filed with the secretary of state. A like verified copy of such articles and certificates of the secretary of state, showing the date when such articles were filed with and accepted by the secretary of state, within thirty days of such filing and acceptance, shall be filed with and recorded by the register of deeds of the

county in which the principal place of business of the corporation is to be located, and no corporation shall, until such articles be left for record, have legal existence. The register of deeds shall forthwith transmit to the secretary of state a certificate stating the time when such copy was recorded. Upon receipt of such certificate the secretary of state shall issue a certificate of incorporation.

Filing fee. Section 1786e—4. (Ch. 260, 1913.) For filing the articles of incorporation of corporations organized under sections 1786e—1 to 1786e—17, inclusive, there shall be paid the secretary of state ten dollars, and for the filing of an amendment to such articles, five dollars; provided, that when the capital stock of such corporation shall be less than five hundred dollars such fee for filing either the articles of incorporation or amendments thereto shall be one dollar. For recording copy of such articles the register of deeds shall receive a fee of twenty-five cents to be paid by the person presenting such papers for record.

Directors; election; duties; election of officers. Section 1786e—5. (Ch. 368, 1911.) Every such association shall be managed by a board of not less than five directors. The directors shall be elected by and from the stockholders of the association at such time and for such term of office as the by-laws may prescribe, and shall hold office for time for which elected and until their successors are elected and shall enter upon the discharge of their duties; but a majority of the stockholders shall have the power at any regular or special stockholders' meeting, legally called, to remove any director or officer for cause, and fill the vacancy, and thereupon the director, or officer so removed, shall cease to be a director or officer of said association. The officers of every such association shall be a president, one or more vice presidents, a secretary and a treasurer, who shall be elected annually by the directors, and each of said officers must be a director of the association. The office of secretary and treasurer may be combined, and when so combined the person filling the office shall be secretary-treasurer.

Amendments; adoption and recording. Section 1786e—6. (Ch. 368, 1911.) The association may amend its articles

of incorporation by a majority vote of its stockholders at any regular stockholders' meeting, or at any special stockholders' meeting called for that purpose, on ten days' notice to the stockholders. Said power to amend shall include the power to increase or diminish the amount of capital stock and the number of shares. Provided, the amount of the capital stock shall not be diminished below the amount of paid-up capital at time amendment is adopted. Within thirty days after the adoption of an amendment to its articles of incorporation, an association shall cause a copy of such amendment adopted to be recorded in the office of the secretary of state and of the register of deeds of the county where the principal place of business is located.

Business authorized to be conducted. Section 1786e—7. (Ch. 368, 1911.) An association created under sections 1786e—1 to 1786e—17, inclusive, shall have power to conduct any agricultural, dairy, mercantile, mining, manufacturing or mechanical business, on the cooperative plan, and may buy, sell and deal in the products of any other cooperative company heretofore organized or hereafter organized under the provisions of sections 1786e—1 to 1786e—17, inclusive.

Stock; issue; limit; vote. Section 1786e—8. (Ch. 368, 1911.) No stockholder in any such association shall own shares of a greater aggregate par value than one thousand dollars, except as hereinafter provided, or be entitled to more than one vote.

Subscription to stock in other associations. Section 1786e—9. (Ch. 368, 1911.) At any regular meeting, or any regularly called special meeting, at which at least a majority of all its stockholders shall be present, or represented, an association organized under sections 1786e—1 to 1786e—17, inclusive, may, by a majority vote of the stockholders present or represented, subscribe for shares and invest its reserve fund, or not to exceed twenty-five per cent of its capital, in the capital stock of any other cooperative association.

Purchasing business of other associations; payment; stock issue. Section 1786e—10. (Ch. 368, 1911.) When-

ever an association, created under section 1786e—1 to 1786e—17, inclusive, shall purchase the business of another association, person or persons, it may pay for the same in whole or in part by issuing to the selling association or person shares of its capital stock to an amount, which at par value would equal the fair market value of the business so purchased, and in such case the transfer to the association of such business at such valuation shall be equivalent to payment in cash for the shares of stock so issued.

Stock held in trust; issue of certificates. Section 1786e—11. (Ch. 368, 1911.) In case the cash value of such purchased business exceeds one thousand dollars, the directors of the association are authorized to hold the shares in excess of one thousand dollars in trust for the vendor, and dispose of the same to such persons, and within such times, as may be mutually satisfactory to the parties in interest, and to pay the proceeds thereof as currently received to the former owner of said business. Certificates of stock shall not be issued to any subscriber until fully paid, but the by-laws of the association may allow subscribers to vote as stockholders; provided, part of the stock subscribed for has been paid in cash.

Stockholders may vote by mail. Section 1786e—12. (Ch. 368, 1911.) At any regularly called general or special meeting of the stockholders, a written vote received by mail from any absent stockholder, and signed by him, may be read in such meeting, and shall be equivalent to a vote of each of the stockholders so signing; provided, he has been previously notified in writing of the exact motion or resolution upon which such vote is taken, and a copy of same is forwarded with and attached to the vote so mailed by him.

Earnings; apportionment. Section 1786e—13. (Ch. 368, 1911, as amended by Ch. 405, 1915.) The directors, subject to revisions by the association at any general or special meeting, shall apportion the earnings by first paying dividends on the paid-up capital stock not exceeding eight per cent per annum, then setting aside not less than ten per cent of the net profits for a reserve fund, until an amount has accumulated in said reserve fund equal to thirty per

cent of the paid-up capital stock, and five per cent thereof for an educational fund to be used in teaching cooperation, and the remainder of said net profits by uniform dividend upon the amount of purchases of shareholders and upon the wages and salaries of employes, and one-half of such uniform dividend to nonshareholders on the amount of their purchases, which may be credited to the account of such nonshareholders on account of capital stock of the association; but in productive associations such as creameries, canneries, elevators, factories and the like, dividends shall be on raw material delivered instead of on goods purchased. In case the association is both a selling and a productive concern, the dividends may be on both raw material delivered and on goods purchased by patrons.

2. Whenever the board of directors of any association authorizes the payment of dividends on the paid-up capital stock in excess of eight per cent, such act shall operate as a vacation of the office of each director or officer voting for, authorizing or in any manner sanctioning such payment and as a disqualification of such director or officer from holding any office of the association for a period of three years thereafter. Whenever any such association for a second time authorizes the payment of dividends on the paid-up capital stock in excess of eight per cent, the secretary of state may institute the proper proceedings for the forfeiture of the charter of such association.

Distribution of dividends. Section 1786e—14. (Ch. 368, 1911.) The profits or net earnings of such association shall be distributed to those entitled thereto, at such times as the by-laws shall prescribe, which shall be as often as once in twelve months. If such association, for five consecutive years, shall fail to declare a dividend upon the shares of its paid-up capital, five or more stockholders, by petition, setting forth such fact, may apply to the circuit court of the county, wherein is situated its principal place of business in this state, for its dissolution. If, upon hearing, the allegations of the petition are found to be true, the court may adjudge a dissolution of the association.

Annual Report; contents; filing. Section 1786e—15. (Ch. 368, 1911, as amended by Ch. 405, 1915.) Every

association organized under the terms of sections 1786e—1 to 1786e—17, inclusive, shall annually, on or before the first day of March of each year, make a report to the secretary of state; such report shall contain the name of the company, its principal place of business in this state, and generally a statement as to its business, showing total amount of business transacted, amount of capital stock subscribed for and paid in, the authorized rate per cent of dividends on the paid-up capital stock, number of stockholders, total expenses of operation, amount of indebtedness or liabilities, and its profits and losses. Any association failing to comply with the provisions of this section shall be subject to and governed by the provisions of section 1774a of the statutes in so far as said section relates to the failure of corporations to file reports and the penalty therefor.

Cooperative associations heretofore organized may adopt these sections. Section 1786e—16. (Ch. 368, 1911.) All cooperative corporations, companies, or associations heretofore organized and doing business under prior statutes, or which have attempted to so organize and do business, shall have the benefit of all of the provisions of sections 1786e—1 to 1786e—17, inclusive, and be bound thereby on filing with the secretary of state a written declaration, signed and sworn to by the president and secretary, to the effect that said cooperative company or association has by a majority vote of its stockholders decided to accept the benefits of and to be bound by the provisions of sections 1786e—1 to 1786e—17, inclusive. No association organized under sections 1786e—1 to 1786e—17, inclusive, shall be required to do or perform anything not specifically required herein, in order to become a corporation or to continue its business as such.

Use of term "cooperative" limited to corporations under these sections. Section 1786e—17. (Ch. 368, 1911.) No corporation or association hereafter organized or doing business for profit in this state shall be entitled to use the term "cooperative" as part of its corporate or other business name or title, unless it has complied with the provisions of sections 1786e—1 to 1786e—17, inclusive; and any corpora-

tion or association violating the provisions of this section may be enjoined from doing business under such name at the instance of any stockholder of any association legally organized under sections 1786e—1 to 1786e—17, inclusive.

ARTICLES OF INCORPORATION

ARTICLE I.

The name of this association shall be..... "Cheese Producers' Association," and its principal place of business shall be at....., County of....., State of Wisconsin, P. O. address

ARTICLE II.

The business and objects of said association shall be the manufacture of cheese and by-products from the milk furnished for such purpose by the stockholders in said association and to cooperate for the purpose of standardizing, handling and selling such cheese and by-products.

ARTICLE III.

The capital stock of this association shall be Dollars, which shall be divided into..... shares of the par value of one dollar each. No stockholder shall own more than three shares of stock in this association.

ARTICLE IV.

The shares of the capital stock of this association are non-assessable, and the private property of stockholders shall be exempt from all debt of this association.

Stock in said association shall be sold only to persons who deliver milk to the cheese factory to be manufactured into cheese and by-products.

Any stockholder desiring to dispose of his stock in said association shall deposit the same with the secretary-treasurer thereof, and the same shall be sold, under the restrictions of this article, by the said secretary at not less than par for account of such stockholder within sixty days from date of such deposit. If the secretary shall not have sold such stock at the expiration of sixty days the same shall, upon request, be returned to such stockholder who may then dispose of the same without restriction or limitation by the association.

- ARTICLE V.

This association shall at no time have or subject itself to an indebtedness that shall exceed seventy-five per cent of the amount of its paid-up capital stock, as shown by the books of the corporation.

ARTICLE VI.

The affairs of this association shall be managed by a board of five directors. The directors shall be elected by and from the stockholders of the association at such time and for such term of office as the by-laws may prescribe.

ARTICLE VII.

The officers of this association shall be a president, a vice president, secretary and treasurer. They shall be elected annually by the board of directors, and each of said officers must be a director of the association. The by-laws may provide that the duties of secretary and of treasurer shall be performed by one and the same person, who, in such case, shall be known as secretary-treasurer.

The principal duties of the president shall be to preside at all meetings of the stockholders and of the board of directors. He shall sign all certificates of stock and all other contracts and other instruments which may have been ordered by the board of directors.

The principal duties of the vice-president shall be to discharge the duties of the president in the event of the absence or disability, for any cause whatever, of the latter.

The principal duties of the secretary-treasurer shall be to keep a true and correct record of the proceedings of the stockholders' meetings and of the meetings of the board of directors; to safely and systematically keep all books, papers, records and documents belonging to the association; to countersign and affix the seal of the association to such papers and documents as shall be directed to be countersigned or sealed; to keep safely and account for all moneys, credits and other property of the association which shall come into his hands; to keep an accurate account of all moneys received and disbursed by him and retain all vouchers for all disbursements, and to render such accounts, statements and inventories as shall be required by the board of directors.

The officers of the association, and each of them, shall perform such additional and other duties as shall from time to time be imposed or required by the board of directors, or as may from time to time be prescribed by the by-laws.

ARTICLE VIII.

At any regular meeting, or at any regularly called special meeting of the stockholders of this association, each stockholder, irrespective of

the number of shares of capital stock he may own, shall be entitled to one vote, and only one, on any question that shall come before such meeting; said vote may be delivered either in person or by mail; if the vote is delivered by mail the stockholders so voting must have been previously notified in writing of the exact motion or resolution upon which vote is taken, and a copy of the motion or resolution must be attached to and forwarded with said vote. All votes by mail must be sent to the secretary of the association, who shall deliver them to the meeting where they shall be read and recorded. Failure by any stockholder to receive notice of motions or resolutions, that, otherwise, may come legally before any meeting of stockholders, shall not prevent action on said motion or resolutions at said meeting. Voting by proxy shall not be allowed at meetings of stockholders or of the board of directors.

ARTICLE IX.

The earnings resulting from the business of this association and its net earnings shall be distributed by the board of directors as provided by law.

ARTICLE X.

Only persons holding stock according to the regulations of the association shall be members thereof.

ARTICLE XI.

On or before the first day of March of each year, this association shall make an annual report, as provided by law, to the secretary of state.

ARTICLE XII.

At any regular stockholders' meeting or at any special stockholders' meeting called for that purpose on ten days' notice to the stockholders, this association may amend these articles of incorporation by a majority of all its stockholders; provided, the amount of capital stock shall not be diminished below the amount of the paid-up capital stock at the time that the amendment shall be adopted.

ARTICLE XIII.

The names and residences of the persons forming this association are:

**CONSTITUTION AND BY-LAWS OF THE COOPERATIVE
CHEESE PRODUCERS' ASSOCIATION.**

ARTICLE I.

The name, place of business, capital stock, restrictions upon the sales of stock, and the purposes of and membership in this association are set forth in the articles of incorporation, which are referred to and made a part of this constitution and by-laws in the same manner as if the same were specifically repeated and written herein.

ARTICLE II.

The stock of said association shall be sold at not less than par, shall be non-assessable and no person shall hold more than three shares thereof. Each stockholder in this association shall be entitled to one vote.

ARTICLE III.

The board of directors, provided for in the articles of incorporation, shall be elected annually at the regular annual meeting of the stockholders, and shall hold their offices for one year and until their successors are elected and qualified. Said directors shall be stockholders in said association and shall be residents of..... county or vicinity, and shall have control, supervision and direction of the business of the association.

The board of directors shall have power to make and enforce such rules and regulations and by-laws as they may deem proper, not inconsistent with the constitution or by-laws of the state or with the articles of incorporation.

A majority of the board of directors shall constitute a quorum for the transaction of business, but a less number may adjourn from day to day upon giving notice of such adjournment to absent members of the said board.

Any vacancy occurring in the board of directors shall be filled by the remaining members thereof.

ARTICLE IV.

The members of the board of directors shall within ten days after their election, elect from their number a president, vice president and a secretary-treasurer. Any or all of such officers, who may be intrusted with funds or property of the association, may be required to furnish a bond in such sum as the board may deem ample.

The board shall engage and enter into contract with a cheese maker who shall receive for his services a certain specific sum per pound of cheese

manufactured, and a suitable compensation for by-products, to be fixed by the board of directors.

The members of the board of directors and the officers of the association shall receive no compensation for services rendered to the association.

ARTICLE V.

The term of office of all officers of said association shall be one year, unless the office be sooner declared vacant, but the tenure of any officer shall continue until his successor has been duly elected and qualified.

The board of directors may remove any officer for cause, and any agent or employe at any time, and shall fill any vacancy caused by any such removal.

ARTICLE VI.

The regular annual meeting of the stockholders shall be held on the day in A. D. 1913, and thereafter on the second Wednesday in January. The president of the board of directors may call special meetings of the stockholders upon ten days' previous notice either by personal service or by publication thereof to each stockholder.

A regular meeting of the board of directors shall be held within twenty days after the regular annual meeting of the stockholders. The secretary shall call special meetings upon order of the president or upon written order of any three directors, but notice of all special meetings shall be given to all directors not joining in the call therefor.

ARTICLE VII.

Each stockholder in the association shall deliver all his milk, to be used in the manufacture of cheese, to the cheese factory, and shall enter into contract with this association so to do.

Each stockholder shall agree and pledge himself to conform to rules and regulations adopted by the stockholders at their annual meeting relative to sanitary conditions of barns, milk houses and utensils, and relative to quality of milk and the standardizing of cheese and shall further agree to assist in every way in making county cheese a product of the highest quality.

If any stockholder shall violate the provisions of this article or of any pledge, contract or agreement made or entered into under this article, the board may call in his stock and cancel the same.

ARTICLE VIII.

The cheese maker engaged by the board of directors shall be held responsible for the poor quality of any cheese or by-products manufactured

by him, when such poor quality is due to the negligence or willful act of such cheese maker, and the question as to whether or not such cheese maker is at fault shall be determined by the inspector employed by the

.....
 The cheese maker shall refuse to accept any milk unfit for the grade of cheese required by the.....
 as entitled to bear its brand.

ARTICLE IX.

All cheese and by-products manufactured for stockholders in this association shall be managed and sold by and through the....., of which Federation this association is a member, and all such cheese and the manufacture, branding, boxing and handling of the same shall, for the purpose of standardization, be subject to the rules and regulations of said Federation.

ARTICLE X.

If this association shall hold stock in another corporation, such stock shall, at all meetings of the stockholders of such other corporation, be voted by the president of this association, unless the board of directors of this association shall, by resolution adopted at any regular or special meeting, designate some other person for that purpose.

ARTICLE XI.

This constitution or these by-laws may be amended by vote of the majority of the stock outstanding at any regular or special meeting, but if at a special meeting, notice to amend the constitution and by-laws shall have been given in the call for such special meeting.

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Farm Tenancy

AN ANALYSIS OF THE OCCUPANCY OF 500 FARMS

INTRODUCTION

The National Committee on Standardization of Research in Country Life, which was appointed at the annual meeting of the American Sociological Society in 1917, proposed that some re-

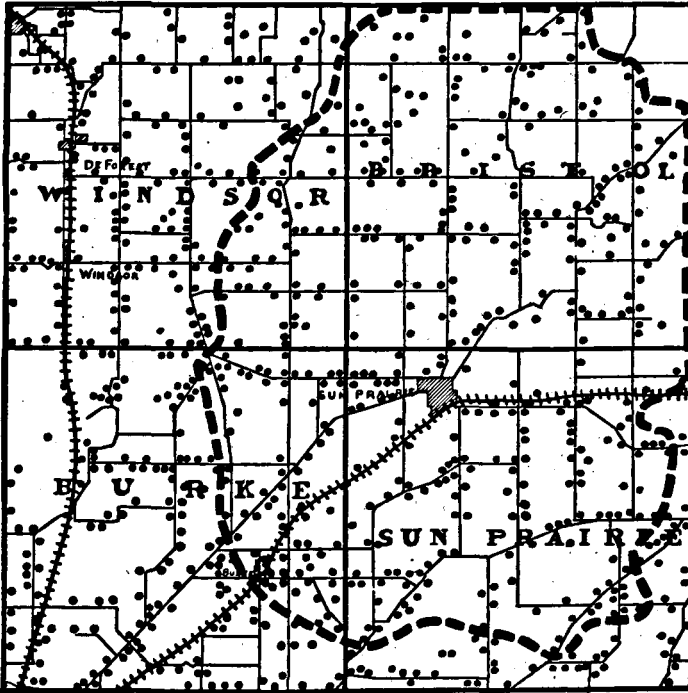


FIG. 1.—MAP OF THE SUN PRAIRIE COMMUNITY

That portion of the map enclosed within the broad dotted line contains the 500 farms visited. Each dot represents a farmstead. The whole map is made up of four townships. The Sun Prairie Community includes a part of each of these townships. Highways are indicated by unbroken lines. Railways are represented by crossed lines.

responsible agency in every state make a field study of farm tenancy in certain communities of the state. It was recommended by the committee that the social aspects of tenancy, and especially

the shifting of farm tenants, form the body of the investigation. In accord with this plan of cooperative national research, the Department of Agricultural Economics of the College of Agriculture selected a Wisconsin community and made an analysis of its farm tenancy.

During the month of September, 1918, Miss Emily F. Hoag, assistant in agricultural economics at the University of Wisconsin, made a farmstead to farmstead visit with a horse and buggy to 500 farm homes in Dane county, Wisconsin, obtaining a history of the occupancy of each farm during the ten-year period, 1909-18. The selection of this particular group of farms was made with the intent of including all the farms belonging in one business community,—and no other farms. Fortunately, there was available a recent map of the county showing all the farm homes grouped together, which regularly trade at any one business center.

Sun Prairie, a vigorous village of some 1200 inhabitants, is the business and institutional center of the particular community chosen to be studied. All told, a population of about 3500 persons is involved in this community; and village churches, library, newspaper, banks and high school serve both farmers and townsmen. From the social point of view, it will be important to bear in mind that the land-holding relations on these 500 farms are interwoven in one community fabric. The map shows the relative location of the farms studied in the trade area of Sun Prairie.

The method of field work was simple. Previous to the visit to the farms, an announcement was made in the local paper explaining the purpose of the visit to each farm. This prepared the way and made an approach to each home easy.

A map showing the location of every farm home on its own highway was indispensable. These farm homes were numbered serially up to 500 and each farm was given its number on the field sheets.

The sample field sheet shows exactly how the information was recorded. The general question put to each family was, "Who has occupied this farm in each of the last ten years?" Then, naturally, conversation would develop as to the facts of ownership, tenancy, relationship of tenants, etc. In cases where the present occupant did not know all the facts, neighbors were usually found who did know. A few odds and ends of unfin-

ished data were referred to bankers, merchants, retired farmers, and the encyclopedic old settler, with success.

A recent rural directory of the county was of considerable assistance in hunting down the present status of persons who had moved out of the Sun Prairie community. This directory was also the source of facts on sizes of farms, and on present residence and status of retired farmers.

SHIFTING OF FARM TENANTS

Community Farm Name No. of Farm	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
209. A. Reed	B	A ^{BY}	A	A	A	A	A	A	A	T. Reed
		see No. 17								
210. B. Lane	A	A ^{BY}	Vacant, Woodlot owned by T. Brown							
		see No. 35								
211. C. E. Brown	A	A	A	A	C. E. Brown	B. Hayes	P. Baker	A. Hall	O. Rich	
					see No. 107			see No. 160	see No. 215	see No. 215
212. X. Allen	B	B	B	B	X. Allen					
213. A. Roy 1	A	A	A	A	A	A	A	A	A	A. Roy
214. A. Roy 2	A	A	A	A	A	A	A	A	A	A. Roy
215. J. A. Clark (Tobacco)	A	A	A	A	A	A	A	A	A	A. Clark
216. A. Hayes	A	A	A	A	A	A	A	A	A	A. Hayes

A, B, C, etc. represents owner on farm
 1, 2, 3 " " " tenant " "
 X = Shift from same community
 * = " another " "
 O = Formerly owner of another farm
 O.N. = Present (no)
 □ = Shift to another community
 Δ = " " same " "
 = = Related to family of owner
 ≠ = Not related to family of owner
 ⊖ = Tenant was just previously an owner
 ⊕ = Owner " " " & tenant

FIG. 2.—SAMPLE SHEET OF THE FIELD RECORD

This record sheet gives the history of eight farms, as set down at the time of the visits to the farms.

The tables relating to "retired farmers" were an after-thought growing out of the field study. A list of the retired farmers living in Sun Prairie was furnished by the local business men's association as a possible source of information. The list, together with the constant reiteration of the fact that Mr. So-and-so is a retired farmer, suggested to the investigator that the retired farmer was closely connected with the problem of tenancy and merited consideration in the study. Thereupon, a supplementary study was made of the retired farmer. As soon as the problem of tenancy was actually connected with the problem of

the retired farmer, it became apparent that the gradual "advance" of youths into farming corresponded with the slow "retreat" of veterans from farming.

The main statistical facts of the study are presented in table form, without, however, any attempt at this time to interpret them. That analyses similar to this in many parts of Wisconsin and other states will enable students of agricultural tenantry to think more clearly on the subject, goes without saying.

It is hoped that rural social investigators in every state will begin a close examination of farm tenancy from the viewpoint of the human relations involved in each farmstead situation.

PART I.—OCCUPANCY OF FARMS

TABLE I.—FARMS OCCUPIED BY OWNERS AND TENANTS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Total number of farms...	493	491	485	479	476	475	472	466	465	463
Number of farms occupied by owners.....	347	344	336	343	352	349	354	362	356	368
Number of farms occupied by tenants.....	146	147	149	136	124	126	118	104	109	95
Owner per cent.....	71—	71—	70—	72—	74—	74—	75—	78—	77—	80—
Tenant per cent.....	29+	29+	30+	28+	26+	26+	25+	22+	23+	20+

Farms not leased during the ten years.....	246
Farms leased during ten-year period.....	42
Farms sometimes leased, sometimes not leased.....	212

While the total number of different farms in the Sun Prairie community during the ten-year period is 500, it is evident that, due to the occasional division of farms and the shifting of land from one farm to another, the number of farms will tend to vary from year to year. A few tenants occupy more than one farm at the same time.

It is a matter of some interest that 246 farms were constantly occupied by their owners; that 42 farms were constantly leased and may be classed as "tenant farms"; and that 212 farms were in a state of oscillation between owner occupants and tenant occupants.

TABLE II.—FARMS OCCUPIED BY TENANTS RELATED AND UNRELATED TO THE OWNERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
Number of farms occupied by tenants related to owners.....	70	70	72	61	56	50	51	46	45	36	125
Number of farms occupied by tenants unrelated to owners.....	76	77	77	75	68	76	67	58	64	59	154
Per cent of related tenants.....	47+	47+	48+	44+	45+	39+	43+	44+	40+	37+	.....
Per cent of unrelated tenants.....	53-	53-	52-	56-	55-	61-	57-	56-	60-	63-	.....

In estimating the advantages and disadvantages of the American system of tenancy, it has been urged of late that an analysis of all tenants in a community will show a certain rather constant proportion of the tenants to be related to the landlord. The above table, it is worth mentioning, confirms the contention that much tenancy is a *modus vivendi* of a near relative, and a procedure quite satisfactory to both parties, if not always in reality a step toward ownership wherein inheritance plays a distinct rôle.

The degree of relationship in this table is almost invariably that of son or son-in-law. One case each of a nephew, a brother, a father-in-law and a cousin is included.

Nine farms were occupied continuously during the ten-year period by tenants related to the owners; 33 farms, by tenants unrelated to the owners. The total number of farms occupied by tenants related to the owners turns out to be 125; by tenants unrelated, 154; by tenants both related and unrelated, 25.

PART II. PURCHASE OF FARMS

TABLE III.—STATUS OF FARM PURCHASERS

PURCHASERS NOT FORMERLY OWNERS OF FARMS						Form- erly owners	Un- known	Total
Tenants			Non-tenants					
Sons buying home farm after renting it	Unre- lated tenants buying farm after renting it	Unre- lated tenant buying other farm than one rented	Sons buying home farm	Sons buying other than home farm	Coming from other occupa- tions			
32	4	59	16	31	7	65	4	218

The total number of transfers of title to farms in the Sun Prairie community during the ten-year period, was made up of 218 instances where the purchaser actually lived on the farm purchased, and a few cases only (less than a dozen) where the purchaser simply made an investment and did not live on the farm.

It will appeal to many as a rather curious fact that so few of the class of unrelated tenants purchase, when buying farms, the same farm which they have rented. On the other hand it is quite as one would expect that sons should purchase the home farm after renting it.

The practice of a son's renting the home farm is evidently general; but it is offset by the more general practice of sons working at home for wages until able to buy a farm, whereupon, often with the father's help, they purchase either the home farm or a neighboring farm.

It is worth noticing as a piece of rural sagacity in the climb up the "agricultural ladder," that 79 sons who purchased farms kept close to the father as adviser or landlord, and presumably received the father's material backing when it came to purchase.

Two tenant farms owned by the same person have come to be known as "owner-producing farms": one of them, the landlord remaining the same, produced from its tenants four owners in the ten-year periods; the other, two owners, since 1913.

FARM TENANCY

TABLE IV.—PRESENT STATUS OF FARM TENANTS.

Tenants	Owners outside community	Owners inside community	Retired	Other occupations	Unknown	Total
148	16	89	7	14	58	327

TABLE V.—SIZES OF FARMS RENTED AND PURCHASED

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
1	O-120	O-120	O-120	O-120	T-105	T-105	T-105	T-105	T-105	.....
2	O-77	O-77	O-77	O-77	O-77	O-77	T-160	T-160	T-160	T-160
3	O-160	O-160	O-160	O-160	T-180	T-180	T-180	T-180	T-180	T-160
4	O-140	O-140	O-140	T-118	T-160	T-160	T-160	T-160	T-160	T-160
5	O-17½	O-17½	O-17½	O-17½	O-17½	T-118	T-118	T-118	T-118	T-118
6	O-120	O-120	O-120	O-120	O-120	T-80	T-80	T-80	T-80	T-80
7	O-88	O-88	T-80	T-80	O-80	O-80	O-80	T-97½	T-97½	T-97½
8	O-80	O-80	O-80	O-80	O-80	O-100	O-100	O-100	O-100	O-100
9	O-100	O-100	O-100	O-100	O-100	O-100	O-100	O-100	O-100	T-155
10	O-80	O-80	O-80	T-30	T-30	T-80	T-80	T-80	T-80	T-80
11	O-77	T-20	T-20	T-185	T-185	T-185	T-185	T-185	T-185	T-185
12	O-81½	T-80	T-80	T-80	T-80	T-80	T-80	T-80	T-80	T-80
13	O-85	O-85	O-85	O-85	O-130	T-80	T-80	T-80	T-80	T-80
14	O-100	O-100	O-100	O-100	T-100	T-100	T-100	T-100	T-100	T-100
15	T-120	T-160	T-160	T-160	T-160	T-160	T-160	T-160	T-160	T-160
16	O-80	O-80	O-80	O-80	O-80	O-80	T-100	T-100	T-100	T-100
17	O-80	O-80	O-80	O-80	O-80	O-80	O-80	T-120	T-120	T-203
18	O-80	O-80	O-80	O-80	T-40	T-40	T-40	T-40	T-40	T-40
19	O-80	O-80	O-80	O-80	T-60	(No R record)	T-60	T-60	T-60	T-60
20	O-40	O-40	O-40	O-40	O-40	O-40	O-40	O-40	O-40	T-107
21	O-96	O-96	O-96	O-96	O-96	O-96	O-96	O-96	O-96	T-200
22	O-80	O-80	O-80	O-80	O-80	O-80	O-80	O-80	O-80	T-105
23	O-20	O-20	O-20	(At home on father's farm)	T-80	T-80	T-80	T-80	T-80	T-80
24	O-120	O-120	O-120	O-120	O-120	T-80	T-80	T-80	T-80	T-80
25	O-72	O-72	O-72	T-100	T-100	T-100	T-100	T-100	T-100	T-100
26	O-40	O-40	T-80	T-80	T-80	T-80	T-80	T-80	T-80	T-80

(Tob)=Tobacco farm.
 O-120=Owns 120 acres
 T-105=Leases 105 acres

The total number of different tenants who leased any one of the 500 farms during the ten-year period is 327,—not counting, however, the “neighbor tenants,” who, as a matter of fact, own adjoining farms in addition to leasing.

Of the 105 tenants who climbed the “agricultural ladder” during the ten-year period and became owners, 16 purchased farms outside the community of Sun Prairie (not included in Table III) and 89 purchased farms within the community. Seven persons who were tenants outside but purchased farms inside the community are not counted in the group of tenants who climbed the “agricultural ladder.”

The “retired” tenants are those who have ceased farming due to advanced age. Those tenants who entered “other occupa-

tions" are young men who left the farm for the town. Six of these, however, enlisted as soldiers. The tenants of "unknown" status include those who have moved out of the county, as well as those who have died.

It has been pointed out by economists that American tenancy affords an opportunity for the farmer to discover the size of farm best adapted to his capacity before actually making an investment in land. With this thought in mind it will prove of some interest to look over Table V of 26 young tenant-farmers, unrelated to the owners of their tenant farms, who, during the ten-year period, became owners of farms. In each case the farm purchased is a totally different farm from the one previously leased.

PART III.—RETREAT OF FARM OWNERS

TABLE VI.—GENERAL STATUS OF RETREATING FARMERS

Ownership.....	Still owning some farm.....	78	Total 124
	Not owning any farm now.....	46	
Residence.....	Living on some farm.....	1	124
	Living in town.....	46	
	Moved out of county.....	7	
Employment..	Still actively farming.....	20	124
	Overseeing or helping.....	41	
	Tenant or hired man.....	7	
	With other employment.....	23	
	With no employment.....	33	
Status of those living in town	Managing farm.....	4	46
	With other employment.....	14	
	With no employment.....	28	
Men.....		101	
Women.....		23	124

TABLE VII.—GENERAL STATUS OF THOSE STILL OWNING SOME FARM

Residence.....	Living on own farm.....	61	Total 78
	Living in town.....	16	
	Moved out of county.....	1	
Employment.....	Still actively farming.....	20	78
	Overseeing or helping.....	37	
	With other employment.....	7	
	With no employment.....	14	
Status of those living on own farm.....	Working own farm.....	20	61
	Living with son-tenant.....	23	
	Living with relative-tenant.....	2	
	Living with unrelated-tenant.....	5	
	Living with neighbor-tenant.....	11	

Table VIII.—General Status of Those Not Now Owning a Farm.

Residence.....	Living on some farm	10	Total 46
	Living in town.....	30	
	Moved out of county.....	6	
Employment.....	Overseeing or helping.....	4	46
	With other employment.....	16	
	Tenant or hired man.....	7	
	With no employment.....	19	
Status of those living on farm.....	Living with son-owner.....	3	10
	Tenants.....	6	
	Hired man.....	1	

TABLE IX.—GENERAL STATUS OF RETREATING WOMEN FARMERS

Ownership.....	Still owning original farm	18	Total 23
	Sold original farm.....	5	
Residence	Living on farm.....	17	23
	Living in town.....	6	
	Still owning; living on farm.....	16	
	Still owning; living in town.....	2	
	Sold farm; living on farm.....	1	
Status of those living on farms.....	Sold farm; living in town.....	4	23
	Still owning; living with son-tenant.....	8	
	Still owning; living with unrelated tenant.....	2	
	Still owning; living with neighbor-tenant.....	6	
	Sold farm; living with son-owner.....	1	

The number of farm-owners on the 500 farms who started their retreat (retirement) from farming during the ten-year period was 124. Old age came to some farmers unannounced and suddenly, and retirement was forced at once. In other cases the sag in strength was gradual and retreat took place inch by inch. The fighting spirit seems to cling to the land and to work as long as possible.

This constant social phenomenon of retreating old age seems to have a fixed relationship to the advance of youth upon the land and to the "climbing of the agricultural ladder." The foregoing tables are presented in the hope that analyses of other constant social phenomena, whose relation to tenancy is as yet unnoticed, may follow and may throw as much light on this important problem as the familiar instance of the retired farmer.

The table of women owners shows that, when farm land comes under the control of women, instead of leaving the country they

tend to stick to the farm in spite of many handicaps, keeping the family together, leasing farm to neighbors, until a son is old enough to assume the responsibility of management.

TABLE X.—OCCUPANCY OF FARMS OF RETREATING OWNERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Held by tenants:										
By son managing.....	38	34	31	29	27	24	18	14	12	3
By relative managing.....	3	3	3	2	1	1	1	0	0	0
By unrelated tenant managing.....	10	11	13	13	12	10	9	7	5	3
By neighbor managing.....	9	10	5	6	4	4	4	2	3	2
Held by purchasers:										
By son managing.....	14	12	12	9	6	5	5	2	1	0
By relative managing.....	0	1	0	0	0	1	1	1	1	0
By unrelated person managing, formerly tenant somewhere.....	13	15	13	10	12	12	9	4	2	1
By unrelated person managing, formerly owner somewhere.....	14	11	11	11	9	10	9	3	0	0
By unrelated person managing, from other employment.....	1	0	0	0	0	0	0	0	0	0
By unrelated person managing, formerly neighbor.....	1	0	0	0	0	0	0	0	0	0
By unrelated person managing, young man on first farm.....	9	9	4	5	5	1	0	0	0	0
Held by original owners:										
By owner returned.....	4	3	2	2	1	1	0	0	0	0
By owner.....	0	8	24	32	41	46	58	79	87	96

Evidently in any considerable community there will be found, in any one year, farmers just starting their retreat from farming, farmers well along in their retreat, and farmers whose retreat may be said to be completed. In the community of Sun Prairie are many farmers still living whose retreat was either complete or in process prior to 1909. These farmers do not appear, and are not considered, in the present study. Only those farmers are entered in the tables who started their retreat some time during the ten-year period. All of these are considered, whether they finish their retreat within the period or not.

The foregoing table tells the story, year by year, of how many of the original farms have been let slip out of the working grasp of the farm-owners under consideration into the hands of tenants or purchasers.

In 1909, only 8 farm-owners began their retreat. They started the retreat by letting their farms to tenants. In 1910, (including those farmers that began to retreat in 1909 whose farms are still held by tenants in 1910) 18 farm-owners are in full retreat by letting their farms to tenants, while 3 farm-owners

began their retreat by selling their original farms. In other words, each year has a record of the number of farms rented or sold, as the first step in retreat, combined with the number of farms still held by tenants and purchasers from the preceding years of the period. A particular farm may pass obviously from the "held by tenants" class to the "held by purchasers" class, or *vice versa*.

TABLE XI.—OCCUPANCY OF DIVIDED FARMS OF RETREATING OWNERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Held by										
1. Son tenant, original owner.....	3	2	1	1	1	0	0	1	1	3
2. Three unrelated tenants.....	1	1	1	0	0	0	0	0	0	0
3. Two son tenants.....	0	0	1	1	1	1	1	1	1	1
4. Unrelated tenant, neighbor purchaser	1	0	0	0	0	0	0	0	0	0
5. Unrelated tenant, son purchaser.....	0	0	0	1	0	0	0	0	0	0
6. Son purchaser, son tenant.....	1	1	1	0	0	0	0	0	0	0
7. Two son purchasers.....	1	1	0	0	0	0	0	0	0	0
8. Son purchaser, original owner.....	0	0	0	0	0	1	1	1	1	0
9. Neighbor purchaser, original owner..	0	1	1	1	1	1	1	0	0	0
10. Unrelated purchaser, son purchaser..	0	0	0	0	1	0	0	0	0	0
11. Neighbor purchaser, son purchaser..	1	1	1	0	0	0	0	0	0	0

Dividing the farm, the owner retaining a part, while quite evidently a form of retreat, is not a method which suggests itself readily to a retreating farmer, even when a son is the part-tenant or part-owner. The difficulties of such a situation are easily seen. However, it is interesting to notice in the few instances of this manner of retreat, that a son or a neighbor now and then fulfills the happy conditions.

In 1909, four sons held a part of the farms as tenants; but in 1910 they do not appear in the table. As a matter of fact, they changed in 1910 to the class of tenants holding the whole farm, while the fathers took one more step in the retreat. It is plain that the status of any particular divided farm may change in like manner to some form of tenancy or purchase of the whole farm.

Divided farms must not be confused with joint tenant farms or jointly owned farms. When a farm is divided it becomes two or more farms.

TABLE XII.—FARMS OTHER THAN ORIGINAL HELD BY
RETREATING FARMERS

	1913	1917	1916	1915	1914	1913	1912	1911	1910	1909
Held as owner:										
Second farm, selling original.....	11	12	10	10	5	5	6	3	0	0
Second farm, leasing original.....	4	5	6	5	4	2	2	2	1	0
Third farm, leasing other two.....	1	1	0	0	0	0	0	0	0	0
Held as tenant:										
Tenant on another farm.....	6	7	7	7	7	5	4	2	1	0

A distinct step in the retreat of some farmers is the purchase of a second farm, either much smaller than the original farm or else lying close to town, often even within the limits of town; most frequently the second or third farm combines both factors, smallness and nearness to town.

In cases where the second farm is in the open country and of good size, it is usually found that the retreating farmer has leased or sold the original farm to an older son while having in mind to provide a farm for a younger son, who later either leases or buys the second farm. A third farm for a third son is not unknown.

When a retreating farmer sells out and becomes a tenant on another farm of ordinary size in the open country, we find the cause usually in some form of break-up of the family, usually death of the wife. This circumstance is the beginning of a series of steps in retreat—as tenant, boarding with the owner's family, or as tobacco-farmer living in town, or in other employment.

TABLE XIII.—RESIDENCE OF RETREATING FARMERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Living on original farm.....	49	55	65	67	72	77	84	96	102	105
Living in town.....	46	38	32	30	30	27	18	11	8	3
Moved out of county.....	7	6	5	4	4	3	3	1	1	0
Living on second farm.....	15	17	16	15	9	7	8	5	1	0
Living on third farm.....	1	1	0	0	0	0	0	0	0	0
Living on another farm.....	6	7	6	7	7	4	4	2	1	0

That the town has truthfully been considered the goal of the retreating farmer, this study will more or less justify. The special light, however, thrown upon the "retired farmer" shows him as moving off his farm by degrees: giving over a part of his house to the newcomer; moving into a smaller house on the original farm; going to live with a son on another farm; moving on to a smaller farm near town; settling in a house in town surrounded by a large garden.

The tenant system appears to be a cog fitting into the notched edges of the veteran farmer's retreat.

TABLE XIV.—EMPLOYMENT OF RETREATING FARMERS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Still owning original farm:										
Working original farm.....	4	12	26	34	42	44	58	79	87	96
Working part of original farm.....	3	3	2	2	2	2	2	2	1	3
Overseeing or helping on original farm...	35	34	31	29	27	27	23	17	14	8
With other employment.....	5	7	7	6	5	5	3	2	2	0
With no employment.....	13	8	7	7	8	5	3	3	3	0
Working second farm.....	3	4	5	4	3	1	1	0	0	0
Working third farm.....	1	1	0	0	0	0	0	0	0	0
Overseeing or helping on second farm ...	1	1	1	1	1	1	1	2	1	0
Having sold original farm:										
Overseeing or helping on original farm...	4	4	3	2	2	2	2	1	1	0
With other employment.....	17	12	11	10	11	10	8	1	1	1
Tenant on another farm.....	6	7	7	7	7	5	4	2	1	0
Hired man on another farm.....	1	1	0	0	0	0	0	0	0	0
With no employment.....	20	17	14	11	9	8	6	2	2	0
Tenant on original farm.....	0	1	0	0	0	0	0	0	0	0
Working second farm.....	10	11	9	8	5	4	6	3	0	0
Overseeing or helping on second farm ...	1	1	1	2	2	1	0	0	0	0
Totals.....	124	124	124	123	122	118	117	115	113	108

That the retiring farmer gives up the habit of work only upon compulsion of circumstances is evident from the foregoing table of his employment, especially from that part of the table dealing with no employment.

It cannot fail to interest the person who thinks upon the tenant problem in terms of human relationships to find that the veteran farmer, though sagging in his physical strength, is able to impart, in the opportune role of overseer or helper, a portion of the wisdom gained by his years of farm experience to young men in the natural role of tenants.

PART IV. SHIFTING OF TENANTS

TABLE XV.—NUMBER OF SHIFTS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
Of all tenants.....	30	51	59	56	47	48	47	39	38	14	429
Of all tenants shifting within the community.....	20	31	32	38	29	24	29	20	24	6	253
Of all tenants shifting to and from other communities.....	10	20	27	18	18	24	18	19	14	8	176
Of tenants related to owner.....	7	9	18	6	5	6	7	7	7	3	75
Of tenants unrelated to owner.....	23	42	41	50	42	42	40	32	31	11	354

Every change in the occupancy of a farm home involves a shifting of each of two families,—one moving off the farm and another moving on. To estimate the degree of influence a shifting tenantry has upon the stability of a community it will be necessary to count the coming of a family to a farm as one shift and the going of a family as distinctly another shift. For it is plain that, from the social point of view, pulling up the roots of a family established in the neighborhood affects every social relationship in the neighborhood in a peculiar manner; and the planting in of a new family is a new influence requiring new social adjustments at every point.

A few explanations must be made as to how the foregoing table of shifts is made up. A farm may change occupants several times in ten years and yet no family will be found to have shifted on or off the farm. This circumstance is illustrated best in the case of a son, brought up on the farm, who becomes a tenant on the home farm. It also is illustrated in the case of a neighbor who becomes a tenant on an adjoining or nearby farm. These cases are not counted as shifts in the table.

When a family moves on to a farm as tenant and while occupying this farm rents a second farm nearby, its coming is reckoned as a shift only on the first farm.

When, however, a son, after once leaving his father's farm, moving on to another farm or going to reside elsewhere, returns as a tenant on the home farm, his coming back is reckoned as a shift.

If a son while living on, but not renting, his father's homestead becomes a tenant on a nearby farm, whether the second farm is

owned by his father or by some other person, no shift is reckoned as taking place. However, if the son moves on to the second farm, a shift is counted.

Whenever a son-in-law comes to lease his father-in-law's farm, a shift occurs and is counted.

In the case of a joint tenancy on one farm by two families, one shift for each family is counted for each move.

The comparative stability of related tenants suggests that there may be methods as yet untried which would render the unrelated tenant a more stable part of the community.

TABLE XVI.—NUMBER OF FARMS ON WHICH SHIFTS OCCURRED

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
Number of different farms involved in the shifts:											
Of all tenants.....	30	42	43	42	40	39	38	31	32	14	142
Of tenants shifting within the community.....	20	28	24	31	27	22	27	17	20	6	120
Of tenants shifting to and from other communities.....	10	19	23	18	17	19	15	17	14	8	89
Of related tenants.....	7	9	13	6	5	6	7	6	7	3	51
Of unrelated tenants.....	23	33	30	36	35	33	31	25	25	11	119

Neighbors generally know the farms on which shifting of tenants occurs with frequency and regularity. If a community is going to exercise social control of its tenant shifting, so as to cut down the cases of preventable shifting, it will carefully examine the conditions of tenancy on the farms where shifting is chronic.

It will be recalled from Table I that 254 farms of the 500 were at some time occupied by tenants. The present table discloses the significant fact that only 142 of these farms had any shifts of tenants during the ten-year period. On the other hand, it turns out that 17 farms have had one or more shifts in each of five or more years of the ten-year period, and may well be considered as "chronic-shifting farms."

Table II shows that the total number of "related farms" is 125. This present table shows that only 51 of these farms have had shifts, while 119 of the 154 "unrelated farms" have had shifts.

TABLE XVII.—NUMBER OF SHIFTING TENANTS

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	Total
All tenants.....	30	41	46	42	40	39	38	31	32	14	231
Tenants shifting within the community.....	20	27	27	31	27	22	27	17	20	6	146
Tenants shifting to and from other communities.....	10	19	23	18	17	19	15	17	14	8	138
Both within and without.....	7	9	15	6	5	6	7	4	7	3	52
Related tenants.....	23	32	31	36	35	33	31	25	25	11	179
Unrelated tenants.....											7
Both related and unrelated.....											7

The total number of different tenants shifting is 231 out of the 327 tenants. Against the 5 "chronic shifters" may be set these 96 tenants who do not shift during the ten-year period. A tenant is considered a "chronic shifter" if he makes one shift or more in each of five or more years of the ten-year period. The chronic shifter may never, obviously, be a tenant on a "chronic-shifting farm."

TABLE XVIII.—INDEX NUMBERS OF TENANT SHIFTING

	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909
Number of farms.....	493	491	480	479	476	475	472	466	465	463
Number of possible shifts	493	982	970	958	952	950	944	932	930	463
Index number of shifting tenancy										
Index of all tenant shifts	30/493 .0588	51/982 .0519	59/970 .0608	56/958 .0584	47/952 .0493	48/950 .0505	47/944 .0519	39/932 .0418	38/930 .0408	14/463 .0302
Index of intracommunity shifts.....	20/493 .0385	31/982 .0315	32/970 .0329	38/958 .0396	29/952 .0304	24/950 .0252	29/944 .0307	20/932 .0215	24/930 .0258	6/463 .0129
Index of intercommunity shifts.....	10/493 .0203	20/982 .0203	27/970 .0277	18/958 .0187	18/952 .0189	24/950 .0252	18/944 .0190	19/932 .0208	14/930 .0150	8/463 .0172

The number of possible shifts is reckoned as follows: In the years 1909 and 1918 only one shift to each farm is considered possible. In 1909, a family is assumed to be occupying each farm without a shift to the farm, so that only a shift off the farm is possible. In 1918 a family is assumed to be remaining on each farm without a shift off, so that only a shift on to the farm is possible. For each of the other years two shifts to each farm are considered possible,—viz., one off and one on.

The index number of tenant shifting for any particular year is obtained by dividing the number of actual shifts by the number of shifts possible in that year. For the purpose of comparing tenancy in different communities situated in various parts of the United States, the system of index numbers will be found useful.

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KANSAS STATE AGRICULTURAL COLLEGE

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JOHN J. BAYLES, *Superintendent*
*J. B. KUSKA, *Dry-land Agriculture*

TRIBUNE

IVAR MATTSO, *Superintendent*

* In cooperation with the United States Department of Agriculture

† On leave

(4)

SUMMARY

I. The more common methods of leasing farms in Kansas have resulted in the following undesirable conditions affecting many rented farms:

1. Soil fertility has been depleted with the consequent lower crop yields.
2. Cash crops are grown and sold to the exclusion of livestock.
3. Livestock and the facilities for keeping them are often inadequate.
4. Tenants usually lack sufficient working capital and are unable to procure it on satisfactory terms.
5. Shifting of tenants from farm to farm is frequent.
6. Tenants are hindered from accumulating property.
7. Because of instability of tenure many tenants cannot adopt desirable farm practices.
8. The tenants and their families are often isolated from the privileges and benefits of community life.
9. Landlords' returns are low excepting as they may be increased by rising land values.
10. The interests of landlords and of tenants are frequently antagonistic.
11. Communities often find tenants a hindrance since many of them do not enter into community activities.

II. Comparisons of the methods of renting in common use indicate the following advantages and disadvantages:

1. Cash renting is least profitable to both landlord and tenant. It probably produces objectionable conditions to a greater degree than any of the other methods in use.
2. Crop-share renting is the most common method. It is more profitable than cash renting to both landlord and tenant.
3. Share-cash renting is a combination of crop-share and cash renting. It resembles crop-share renting very closely.
4. Stock-share renting is less frequently used, but produces more desirable conditions than any of the other methods. It is adapted to those farms whose landlords

and tenants can agree on the details of the business and where landlords live near enough to look after their interests.

- III. Methods of leasing in Kansas may be improved, by—
1. A wider adoption of the stock-share lease.
 2. Elimination of absentee ownership of land.
 3. Providing better methods of maintaining soil fertility on farms rented for cash or for a share of the crops.
 4. Improved credit facilities and the provision of better opportunities for acquiring ownership.

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FARM LEASES IN KANSAS

W. E. GRIMES

STATEMENT OF CONDITIONS

The terms of farm leases determine to a great extent the kinds of farming possible on rented farms as well as the value of the tenant to the community. The leases more commonly used in Kansas have resulted in many undesirable conditions.

These conditions have been accentuated by the rapid increase in tenancy in recent years. The extent of tenancy in Kansas in 1910 is shown by figure 1. Of all farms in the state 36.8 percent were then operated by tenants, and eastern counties had many more tenants in proportion to the total number of farmers than western counties. Sumner County led with 53.5 percent of its farms operated by tenants. Brown County was second with practically one-half of its farms in the hands of tenants. It is believed that fully as many farms are operated by tenants at present as in 1910. The problem of farm leases is therefore of immediate interest to approximately four out of every ten farmers, and to all landlords.

Even though unsatisfactory conditions exist in the cases of many tenants, tenancy is not necessarily undesirable. As a stepping stone toward farm ownership it is to be encouraged, but should not be encouraged under leasing methods which produce undesirable conditions.

It is believed that a wider adoption of better leasing methods, together with the correction of the more objectionable features of other methods, will go far toward improving conditions. It must not be assumed, however, that this will solve all tenancy problems. The cooperation of society is needed for the complete correction of the evils of tenancy, and it is more than a problem of methods of leasing. However, much can be accomplished through the adoption of better methods of leasing. It is the purpose of this bulletin to point out the faults and advantages of various methods, and suggest ways of improving them.

The studies which furnished the data upon which this bulletin is based were made by the survey method. Each farmer

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was visited and a record of his farm business transactions for the preceding year obtained. Very few of the farmers had any difficulty in giving the information readily, and apparently with a fair degree of accuracy. The accuracy of this method

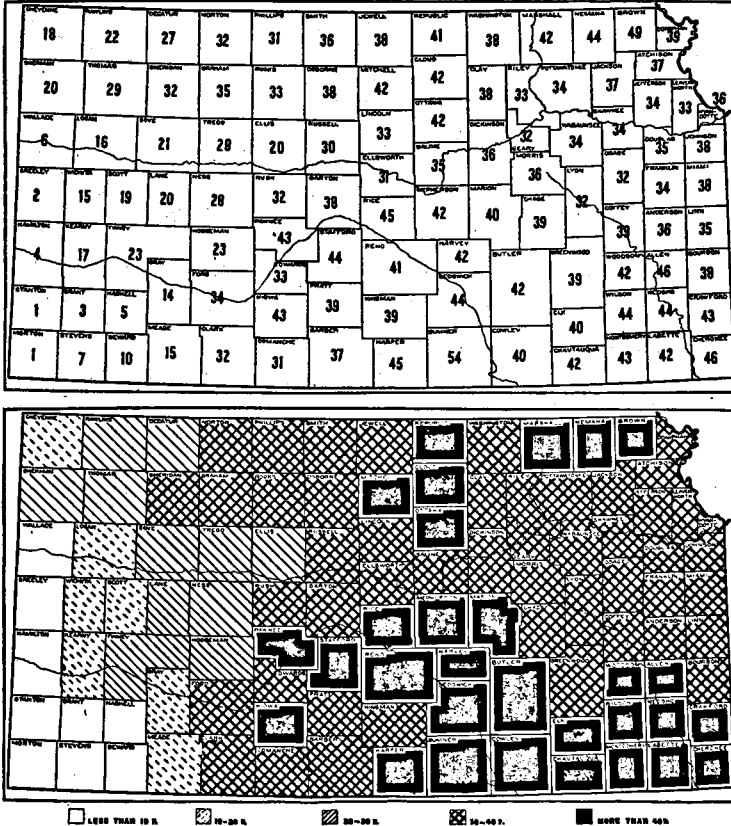


FIG. 1.—Maps of Kansas showing the percent of all farms operated by tenants in each county according to the 1910 census. The average for the state at that time was 36.8 percent

of study is dependent upon the following conditions: (1) Accurate knowledge of his business on the part of the farmer, either from records or from memory; (2) the asking of questions that the farmer can answer readily and fairly accurately; (3) the training and experience of the enumerator; and (4) a

sufficient number of records to give dependable averages. It is believed that these conditions have been met satisfactorily.

The data presented are from a number of farms in Allen, Cowley, Jewell, and Pottawatomie Counties in 1914; in Cowley, Graham, Jewell, Leavenworth, Miami, Montgomery, Norton, Pottawatomie, and Reno Counties in 1915; in Jackson and Cowley Counties in 1916. (Fig. 2.) General livestock and grain farming prevails in all of these counties.

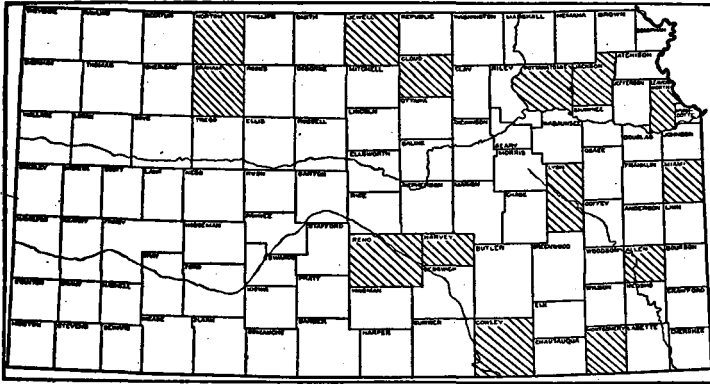


FIG. 2.—Map of Kansas showing counties in which data used in this bulletin were obtained

The season of 1914 was favorable for wheat and other small grains, but due to drouth was unfavorable for corn, sorghums, hay, and pasture. The season of 1915 was unusually wet, resulting in the loss of much small grain due to difficulty in harvesting. The season of 1916 was only moderately favorable for crop production.

To promote a better understanding of the data presented, a statement of certain terms is desirable. Therefore, the following definitions are given:

Total farm area is the total acreage of land operated by one farmer.

Crop area is the acreage of all crops but does not include land in pasture, timber, or waste, or that occupied by buildings, roads, or lots.

Total investment is the total farm investment, including that in real estate, livestock, machinery and tools, feeds, and supplies.

Working capital is the investment in all farm property excepting real estate.

Farm receipts include receipts from crops, livestock and its products less value of purchases, the use of equipment and labor off the farm, the rent or sale of property, and increase in inventory.

Farm expenses include all cash farm expenses, the value of unpaid labor except the labor of the operator, board furnished hired labor, decrease in inventory, and depreciation on buildings, machinery and tools.

Livestock receipts are the sum of sales of livestock and its products less the value of purchases, and any increase in the livestock inventory. If the inventory decreases, the amount of the decrease is deducted from the receipts.

Crop receipts include the receipts from all sales of crops.

Labor income is the amount remaining after farm expenses and interest on the investment are deducted from farm receipts. It is the farmer's pay for his labor. In addition to this, he has a house to live in and whatever products the farm furnishes toward his living.

A *livestock unit* is a unit for purposes of comparison. It is based on the amount of feed eaten and manure produced, and any of the following numbers of livestock are considered as one livestock unit: One mature horse, mule, cow, or steer; five mature hogs; seven mature sheep or goats; one hundred head of poultry. In any group, twice the respective numbers of young stock constitute one unit. In this bulletin all livestock on the farms, excepting the work stock, are enumerated in livestock units.

A *cattle unit* is a livestock unit composed entirely of cattle.

OWNERS AND TENANTS AS FARM OPERATORS

PROFITS

A comparison of the farm business and practices of owners and of tenants is given in Table I and in figure 3. In all cases, the tenants had less working capital, the difference being chiefly in the value of the livestock. The difference amounted to approximately 25 percent of the value of the owner's livestock. As a result the tenant was deprived of the employment during winter months which the additional livestock would have furnished, and of the profit which might have been derived from keeping them, as shown by a comparison of the receipts from livestock and from crops.

TABLE I.—COMPARISON OF CAPITAL, RECEIPTS, EXPENSE, AND PROFITS OF OWNERS AND OF TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Total investment.....	\$13,259	\$12,343	\$15,844	\$16,484	\$18,700	\$15,938	\$14,197	\$13,446
Operator's investment.....	13,259	1,478	15,844	2,027	18,700	1,874	14,197	1,685
Landlord's investment.....		10,865		14,457		14,065		11,761
Working capital.....	1,962	1,510	2,792	2,205	3,197	1,934	2,082	1,806
Value of livestock.....	1,448	1,135	2,034	1,570	2,357	1,390	1,600	1,378
Farm receipts.....	1,778	1,793	2,031	1,870	2,555	1,769	1,788	1,928
Farm expenses.....	740	588	955	737	1,085	632	769	804
Livestock receipts.....	893	561	1,150	760	2,002	953	900	742
Crop receipts.....	723	1,079	606	898	390	440	702	957
Operator's labor income.....	377	602	284	578	535	655	309	546
Landlord's percent on investment.....		4.3		3.2		2.8		4.2

There was very little difference in the total farm receipts, but tenants succeeded in operating with considerably less expense. Tenanted farms, as a rule, had less spent on them for maintenance and upkeep. The tenants were younger men and required and used less hired labor than the owners. Undoubtedly this was partly due to necessity since the tenants received only that portion of the total farm incomes remaining after the

rent was paid. They had less to live on than the owners and were forced to economize more in their expenses.

As shown in Table I, tenants' labor incomes were higher than owners'. Interest at 5 percent on the total investment was deducted from the farm income to get the owner's labor income, while landlords received less than 5 percent interest.

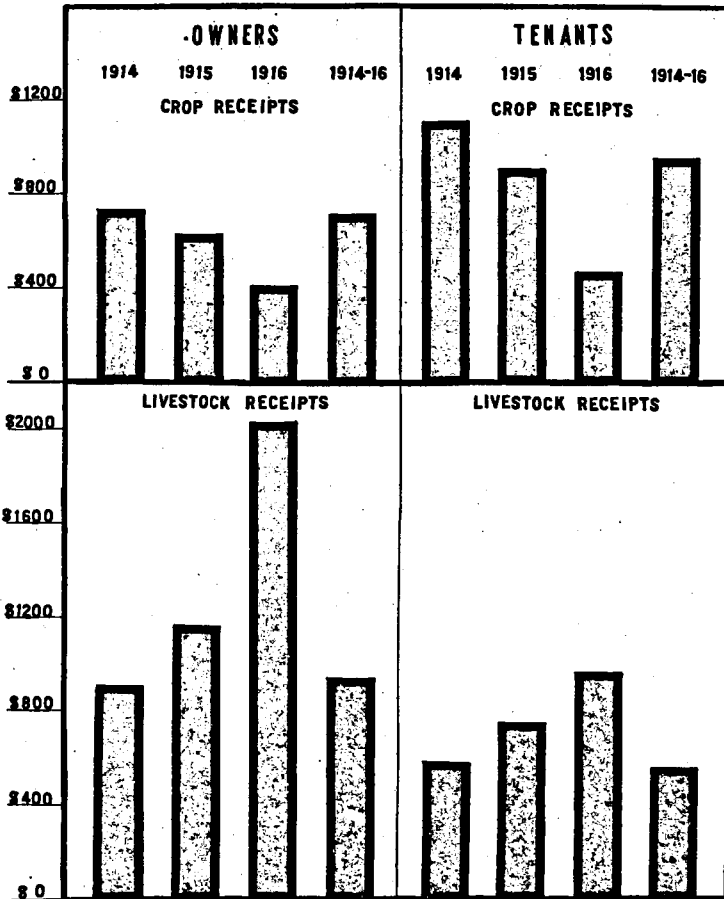


FIG. 3.—Comparison of sources of receipts of owners and of tenants given in Table I. Note that the receipts from crops usually exceed the receipts from livestock, on the tenant farms, while the reverse is true on farms operated by owners. The tenant's lack of livestock must ultimately result in depleted soil fertility on rented farms

This made the owner's interest on investment greater than the landlord's rent and left the owner a smaller labor income than the tenant.

The landlords' low average return on their investment was due to a number of causes. Conspicuous among them was their willingness to accept the lower return and depend on the increase in the value of their land, instead of on a profitable type of farming, to make their investment desirable. This type of landlord has done much to produce present undesirable conditions. The ownership of land for speculative purposes should be discouraged whenever and wherever possible.

TABLE II.—COMPARISON OF LIVESTOCK AND LIVESTOCK RECEIPTS OF OWNERS AND OF TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Number of livestock units.....	14.42	10.68	22.37	16.63	25.89	15.05	16.28	12.46
Livestock receipts.....	\$893	\$561	\$1,150	\$760	\$2,002	\$953	\$900	\$742
Receipts per livestock unit.....	\$62	\$52	\$51	\$46	\$77	\$63	\$55	\$60

LIVESTOCK

Table II shows the livestock kept by owners and by tenants. Owners kept at least one-third more livestock than tenants, and tenants' livestock returned relatively less than owners'. This, in part at least, was due to the feeling of instability which the tenant had. It prevented him from proceeding with a well-defined plan of development and production in his livestock business.

Some of the reasons for the lack of livestock on tenanted farms are shown in Table III. The most important one of these is that, under the usual methods of leasing, pasture and feed crops are not so profitable to the landlord as cash crops. Landlords receiving a share of the crops desire to have those grown which can be easily marketed. Pasture and feed crops are not in this class. Landlords, therefore, limit the area of these crops as much as possible. Without pasture and feed crops, the tenant is unable to keep livestock profitably. If the landlord is renting on a cash basis, he is more certain of his

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TABLE III.—COMPARISON OF THE AREAS OF VARIOUS CROPS GROWN BY OWNERS AND BY TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Total farm area (acres).....	173.4	176.1	199.3	219.7	157.6	158.4	179.9	180.6
Acres in pasture.....	149.4	37.9	59.2	48.8	46.4	39.3	63.2	44.6
Acres in crops.....	109.8	125.8	127.4	157.5	105.1	112.6	103.2	117.9
Acres in corn.....	27.1	44.0	34.6	45.1	51.1	61.7	18.7	25.4
Acres in grain sorghum.....	8.0	13.0	3.0	3.2			6.4	13.3
Acres in forage sorghum.....	2.8	1.8	4.9	3.5			3.2	3.4
Acres in wheat.....	19.1	25.6	41.2	58.6	11.2	17.4	28.2	32.8
Acres in oats.....	9.3	10.1	10.1	12.1	10.8	12.3	9.9	13.5
Acres in alfalfa.....	14.8	13.2	15.0	15.8	8.8	5.7	20.7	14.2

rent if the tenant sells his crops, than if he feeds them to livestock. In the latter case there is more risk of the tenant's being unable to pay the rent because of livestock losses, and the time until he is able to pay the rent is lengthened. Landlords, therefore, like to limit the amount of livestock which tenants can keep. This situation often results in a feeling of antagonism between the two. It is to be expected that a business conducted under such conditions will produce unsatisfactory results.

LENGTH OF LEASE AND PROPERTY ACCUMULATION.

Another reason for the lack of livestock on tenanted farms is that most farms are leased for one year at a time. Tenants may, and often do, remain on the same farm more than one year, but without any definite assurance that they will be there for a longer period. As a consequence, they feel that they must be in readiness to move at the termination of their year. They are prevented from planning more than a few months ahead, and do not accumulate livestock because the next farm may not have accommodations for them. Some moving by tenants is desirable, as where a tenant moves from a smaller to a larger farm because he has accumulated sufficient farm property to permit the operation of a larger business, or when he moves to a farm where he can follow a type of farming more

to his liking. Too many tenants, however, change farms because of dissatisfaction and find conditions on the new farms very similar to those on the old ones.

TABLE IV.—COMPARISON OF CROP YIELDS ON FARMS OPERATED BY OWNERS AND BY TENANTS

YEAR	1914		1915		1916 Jackson County		1914-1916 Cowley County	
	Owner	Tenant	Owner	Tenant	Owner	Tenant	Owner	Tenant
Number of farms.....	119	123	260	205	112	79	38	26
Yield per acre corn (bushels).....	19.1	16.8	28.4	24.8	14.2	12.2	18.1	18.2
Grain sorghum (bushels).....	21.7	17.3	22.6	23.8	.....	.....	16.7	17.6
Forage sorghum (tons).....	3.7	3.6	4.2	2.8	.....	.....	2.1	1.9
Wheat (bushels).....	25.2	23.1	10.8	8.9	15.5	13.0	16.0	14.4
Oats (bushels).....	39.0	37.9	20.0	18.2	31.3	26.9	22.7	21.7
Alfalfa (tons).....	1.9	1.2	2.2	2.2	2.5	2.1	2.1	1.9

CROP YIELDS

The effect on crop yields of the type of farming usually followed on tenant farms is shown in Table IV and in figure 4. The tenants have less livestock and grow more cash crops. This encourages the exploiting of soil fertility and results in lower crop yields. Farms which have been rented for several years are almost invariably lower in fertility than adjoining farms operated by owners. If present methods of leasing continue, a further depression in crop yields may be expected. The higher yields on the farms operated by owners are obtained at very little additional expense. If the yields on tenant farms decrease further, the tenant's problem of making his farming operations profitable will be much more difficult.

WORKING CAPITAL AND CREDIT

Most tenants could use additional working capital to excellent advantage, were they given favorable conditions for its use. However, the tenant who is most in need of credit is required to pay the highest rate of interest and usually gets the money for so short a term that he cannot use it to the best advantage. This is well illustrated by Table V in which the average rates of interest and terms of loans to owners and to tenants are compared. The tenants paid from 1 to 2 percent

more interest than the owners, and they borrowed for much shorter terms. The agencies lending money to the tenants cannot be blamed for this, since the instability of the tenants often makes them undesirable risks. The conditions which determine the safety of tenants as borrowers are, to a large ex-

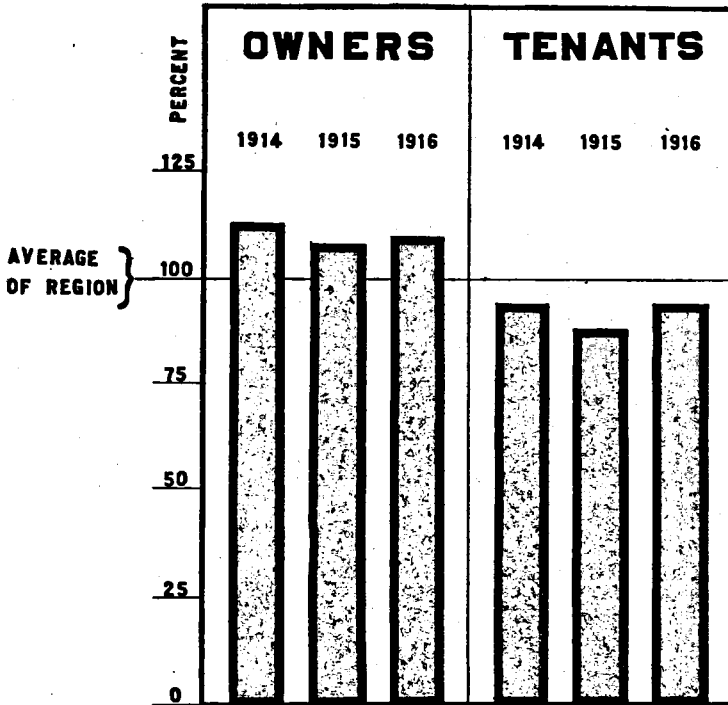


FIG. 4.—Comparison of crop yields on farms operated by owners and by tenants, in terms of percent of average yield. The owners' crop yields were 112 percent of the average in 1914, 107 percent in 1915, and 109 percent in 1916. The tenants' crop yields were 96 percent of the average in 1914, 86 percent in 1915, and 96 percent in 1916. These differences are largely due to the lack of livestock and the exploitive type of farming usually found on tenant farms

tent, a result of the terms of their leases. Improvements in the terms of leasing, therefore, may be expected to improve the credit of tenants. The tenants' difficulties along this line can be partially overcome through a wider adoption of the stock-share lease discussed later.

TABLE V.—COMPARISON OF SHORT-TIME CREDITS OF OWNERS AND OF TENANTS IN JACKSON AND COWLEY COUNTIES, 1916

	Jackson County		Cowley County	
	Owner	Tenant	Owner	Tenant
Number of farmers.....	113	79	38	26
Number borrowing on short-time loans.....	10	10	4	12
Average interest rate paid percent).....	7.7	8.2	7.25	9.00
Average term of loan (months).....	12.8	7.0	8.0	6.25

Table V also shows the use which all farmers make of short-time credit. Less than 15 percent of owners and of tenants borrowed money to increase their working capital although many more were in need of it. Some of the reasons for the farmers' lack of use of short-time credit are: Difficulty in obtaining such loans, inadequate terms, and lack of appreciation of the advantages of a greater use of credit in increasing the working capital. Improved rural credit facilities will aid in overcoming much of this, and benefit owners as well as tenants. The shorter-term and higher-interest rates of loans to tenants merely aggravate the rural credit problems in the case of the tenant.

INCENTIVES FOR BETTER FARMING

In the survey in Jackson County, it was found that 22 percent of the tenants did not receive a farm paper, while of the owners, only 8 percent were without one, and more than two-thirds received two or more farm papers. Only 30 percent of the tenants received any publications of the Agricultural Experiment Station and the United States Department of Agriculture, while 47 percent of the owners received some of these publications. The tenant is not entirely to be blamed for his lack of interest in improved methods which he has small opportunity to utilize. He often gains nothing by planning and starting crop rotations, applying barnyard manure, improving farm buildings, destroying noxious weeds, or pruning and caring for fruit trees. These improvements may make the farm more attractive to others, and may result in the tenant's giving a higher rent or moving. Further, he cannot obtain the full benefit of improving his livestock when he may be forced to sell them at a sacrifice when he moves to the next

farm. In fact, he is not free to follow many of the methods of improving his farm business advocated by the various organized agencies whose purpose is to aid the farmer. Such agencies are placed in the awkward position of being unable to serve adequately more than three-fifths of the farmers of the state, because the two-fifths who are tenants cannot take advantage of much of their work or adopt their recommendations. This is not necessarily the fault of either the tenants or the agencies, but is largely the result of undesirable methods of leasing which produce these conditions.

COMMUNITY WELFARE INTEREST

The effects of the methods of leasing are felt by the entire community as well as by the individual tenant. Table VI shows the membership of owners and of tenants in farmers' organizations.

TABLE VI—COMPARISON OF MEMBERSHIP OF OWNERS AND OF TENANTS IN FARMERS' ORGANIZATIONS IN JACKSON COUNTY, 1916

	Owner	Tenant
Number of farmers.....	112	79
Number members of Grange.....	57	25
Other farmers' organizations.....	5	2
Percent of farmers members.....	55.4	34.2

More than one-half of the owners were members of such organizations while only about one-third of the tenants were members. At least four out of every ten farmers are tenants, and many of them do not feel justified in taking an active part in community affairs because of their probable brief residence in the community. As a result farmers' organizations meet with many difficulties. They have none too large a membership for efficient operation when all farmers in the community are members, but with two-fifths of the farmers indifferent toward such organizations, their problems are greatly increased. A recent failure of an attempt by the farmers in one of the better counties in the state to organize was attributed to the high percentage of tenants and their indifference.

Undesirable tenancy conditions react upon the social life and institutions of the community, as well as upon its economic welfare. Table VII shows the church attendance and contributions of owners and tenants in Jackson and Cowley Counties.

TABLE VII.—COMPARISON OF CHURCH ATTENDANCE AND CONTRIBUTIONS OF OWNERS AND OF TENANTS IN JACKSON AND COWLEY COUNTIES, 1916

	Jackson County		Cowley County	
	Owner	Tenant	Owner	Tenant
Number of farmers.....	112	79	38	26
Number attending church:				
Regularly.....	60	29	15	8
Irregularly.....	42	37	16	9
Not at all.....	10	13	7	9
Percent not attending.....	8.9	16.5	18.4	34.6
Average contributions to church.....	\$25	\$10	\$31	\$13
Number not contributing to church.....	16	27	8	9
Percent not contributing.....	14.3	34.2	21.0	34.6

The owners attended church more regularly and contributed approximately two and one-half times as much to the financial support of the church as did the tenants. It is little wonder that country churches in communities having a high tenant population have difficulty in maintaining their membership and meeting their financial obligations. The tenant is not necessarily to blame because he does not contribute more liberally to the financial support of the church. The tenant who contributes is probably giving as much or more in proportion to his means, as the average owner, but fewer tenants contribute.

The same conditions hold true for other community institutions. In many communities tenants are looked upon as outsiders and are frequently excluded from community affairs. Betterment of these conditions can be expected only through methods of leasing which will make the tenant feel more secure in his residence in the community and increase the probability of his becoming a farm owner.

METHODS OF LEASING

Analysis and comparisons of the methods of leasing in use in the state throw additional light on the conditions which they have produced, the causes of these conditions, and possible means of eliminating or improving them. Four methods are in use; namely, cash, crop-share, share-cash, and stock-share. The two most common methods are the cash and the crop-share. On many farms the two are combined, the tenant pay-

ing part of his rent in cash, and giving the landlord a share of certain crops. This is known as the share-cash method. In 1910, more than two-thirds of the tenanted farms in Kansas were leased under the crop-share and share-cash methods, and at least 20 percent were leased for cash. Stock-share leasing, in which the landlord shares in the livestock kept, is used to a limited extent, particularly in those regions where livestock farming is generally followed.

TABLE VIII.—COMPARISON OF PROFITS OF TENANTS LEASING UNDER VARIOUS METHODS

FORM OF LEASE	1914			1915			1916—Jackson County		
	Number of farms	Tenants' average labor income	Landlord's average percent on investment	Number of farms	Tenants' average labor income	Landlord's average percent on investment	Number of farms	Tenants' average labor income	Landlord's average percent on investment
Cash.....	20	\$451	2.6	21	\$379	2.3	21	\$672	1.8
Share-cash.....	37	601	5.4	81	518	3.0	23	626	2.7
Crop-share.....	59	638	5.2	82	617	3.1	27	693	3.3
Stock-share.....	7	737	4.3	21	792	4.2	8	563	3.5

Table VIII compares the profits of landlords and of tenants under the various methods of leasing. (Fig. 5.) From the tenants' standpoint, cash renting was the least profitable in 1914 and 1915. In 1916 cash renting paid tenants in Jackson County better than either the share-cash or the stock-share methods. Jackson County presents more favorable conditions for cash renting than the counties farther west, because of the greater certainty of a crop. Other reasons for the tenants' higher labor income from cash renting will be considered later. Share-cash renting returned the tenant more than cash renting, and crop-share renting in every instance was more profitable than either of the other two methods. Stock-share renting gave the tenant the largest labor income in 1914 and 1915, but the lowest in 1916. The average of the three years favors stock-share leasing for the tenant.

The landlords received the highest return on their investment from stock-share leasing in 1915 and 1916, but the crop-

share and share-cash methods exceeded it in 1914. The higher returns received in 1914 by the landlords of crop-share and share-cash leased farms, can be partially accounted for by the exceptional acreage, yield, and price of wheat in that year.

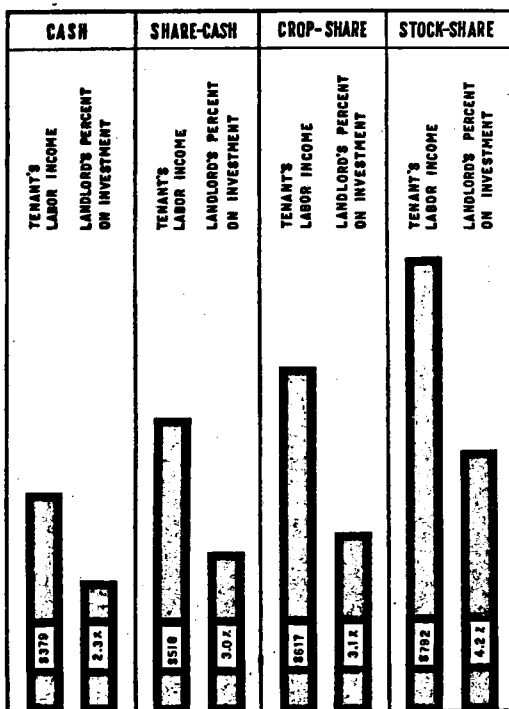


FIG. 5.—Comparison of landlords' and of tenants' incomes under various types of leases in 1915

Considering the results of the three years, stock-share leasing was the most profitable to the landlord, crop-share was second, share-cash, third. Cash renting was the least profitable.

CASH LEASING

The extent of cash renting is shown in figure 6. It is resorted to by landlords who do not wish the responsibility of looking after a share in the business, or who live too far from it to oversee their interests. Also, landlords wishing to be

certain of a fixed income from their farms, rent for cash, and thus avoid the risk of a low income in years of poor crops. The landlord's income is usually about in proportion to the risk that he assumes, and consequently he receives a relatively low in-

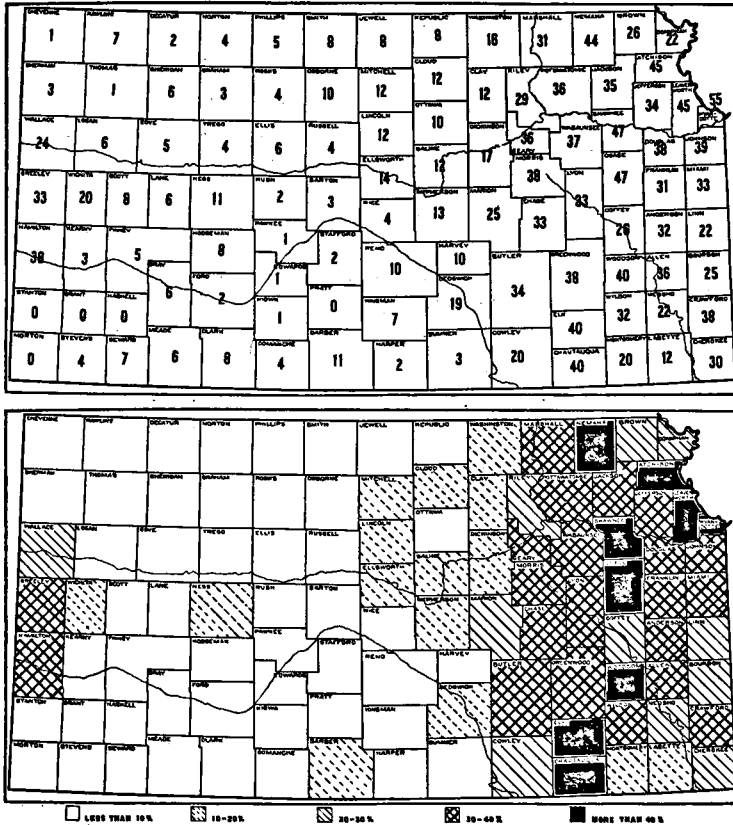


FIG. 6.—Maps of Kansas showing percent of all tenant farms rented on a cash basis in each county as given by the 1910 census. Cash renting in the eastern counties of the state is now more common than in the central and western counties, where the danger of a crop failure is greater.

come from cash renting, as shown in Table VIII. Many landlords are willing to accept low rates of interest and depend partially on the security of a farm as an investment and rising land values, to compensate them for the low returns. In considering land from this standpoint, most landlords make the

mistake of overlooking the loss in the value of the farm, due to the depleted soil fertility. Were this considered, the landlord's investment would be much less desirable and he would feel less secure in his investment, since a portion of the actual value of his farm is removed with every crop taken from it.

Another objection to cash renting frequently found among tenants is that the farms are usually rented to the highest bidder, regardless of the farming practices to be followed. Many tenants refrain from hauling out manure, improving the farm, or otherwise making it more productive or attractive, because they feel that by so doing they make the farm more attractive to others, and may be forced to either move or pay a higher rent. This attitude on the part of the tenant, which may be justified in many instances, merely aggravates the problem of depleted soil fertility, dilapidated buildings, and the isolation of the tenant in the community.

Cash renting too frequently discourages the feeding of livestock by tenants having little capital. Cash tenants usually have to pay their rent as soon as the crops are harvested, and consequently do not have an opportunity to feed and market livestock. As a result, enough of the crops to pay the rent are sold at the earliest opportunity. The tenant having considerable capital is not always forced to do this, but there are few tenants who have sufficient capital to operate with as much livestock as it would be profitable for them to keep.

Cash renting is more commonly used in eastern, than in western Kansas, because the danger of crop failures is not so great in the eastern part of the state. In cash renting the tenant assumes all the risk of crop failures. This risk is too great for the average tenant to assume alone in western Kansas, since one or two poor crop years might necessitate his selling part or all of his property to pay the rent. Where conditions are more favorable for a fair crop each year, it is to the tenant's advantage to assume the responsibility and risk.

In cash renting the tenant gets the full advantage of any better farming practices he may follow, in so far as he may profit from them during the period of his lease. Also he is free from interference or advice from the landlord, which is frequently resented by the tenant.

CROP-SHARE LEASING

Crop-share renting usually presents more favorable conditions for both tenant and landlord than does cash renting. Both parties share the risk of loss from crop failures, and the advantages of high soil fertility or better farming methods. As

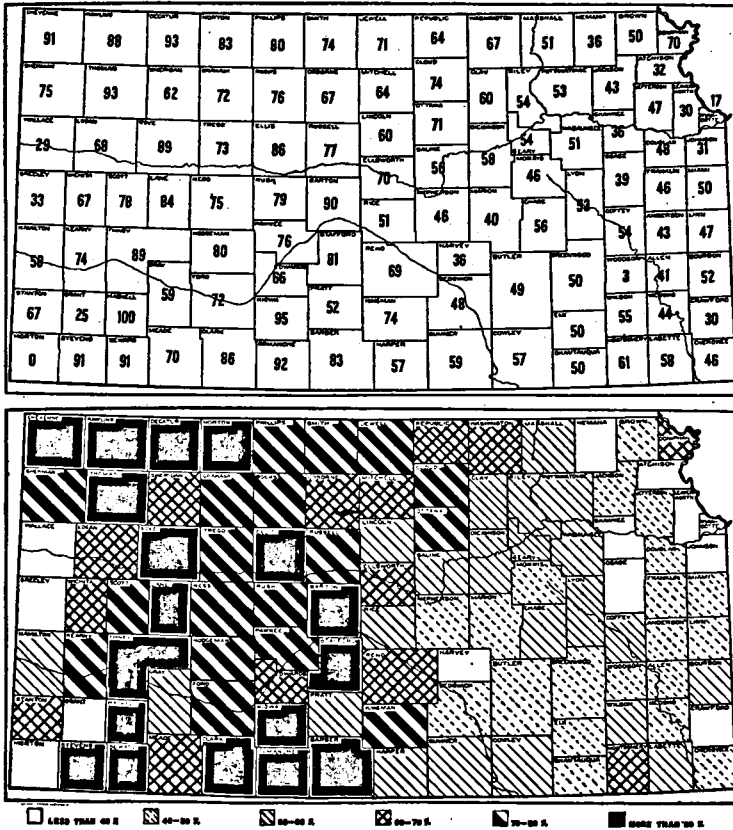


FIG. 7.—Maps of Kansas showing percent of all tenant farms rented on a crop-share basis in each county, as given by the 1910 census. Crop-share renting is most common in counties having a high percent of the land in crops (fig. 8), and where there is danger of frequent crop failures

a result, landlords whose farms are rented for a share of the crops usually take a more active interest in the farming practices than those who rent for cash.

Crop-share renting is associated with grain farming and is

the most common form of tenancy in Kansas. Reference to figures 7 and 8 shows that crop-share tenancy is most common in the wheat and corn producing sections of the state. It is

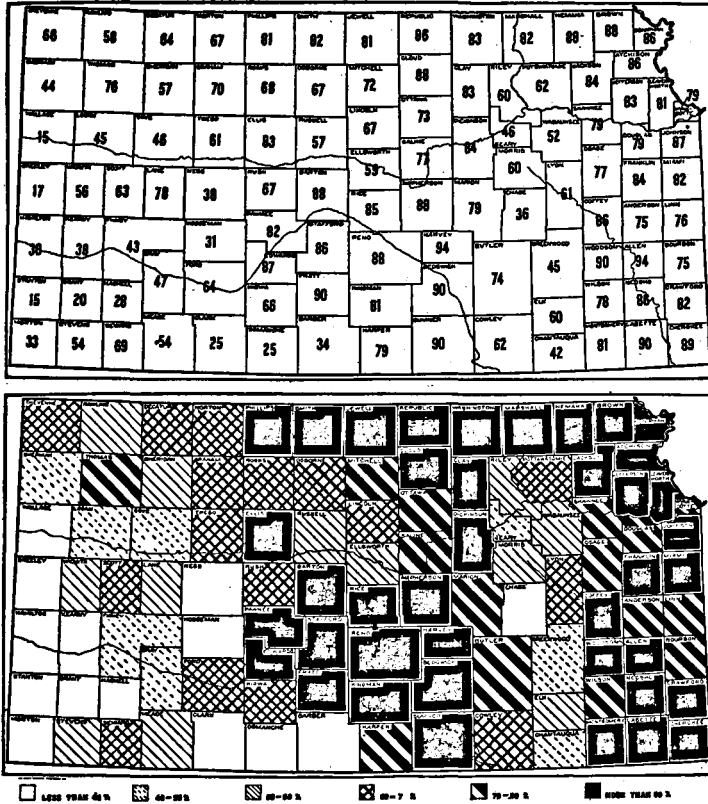


FIG. 8.—Maps of Kansas showing percent of land in farms improved in each county, as given by the 1910 census. Note the relationship of the percent of farms improved to the percent of all farms operated by tenants (fig. 1), and to the percents crop-share and share-cash rented (figs. 7 and 9)

resorted to by tenants having little capital, because comparatively little is needed, and the risk of loss is shared by the landlord. Also, crop-share leasing does not necessarily require capital for investment in livestock. The landlord usually removes his share of the crop from the farm and sells it. On a

very few farms the landlord's share of feed crops is purchased by the tenant and fed on the farm. Such instances are exceptional, however.

The removal of the landlord's share of the crops leaves less for feed, and decreases the tenant's opportunities for keeping livestock. As a result, crop-share tenants keep less livestock than either cash or stock-share tenants, as shown in Table IX. It will be seen that the average crop-share tenant has a smaller investment than any of the tenants under other methods of

TABLE IX.—COMPARISON OF LIVESTOCK UNITS KEPT BY TENANTS LEASING UNDER VARIOUS METHODS

FORM OF LEASE	1914			1915			1916—Jackson County		
	Number of farms.....	Average number of livestock units.....	Average number of livestock units for each 100 acres of crops.....	Number of farms.....	Average number of livestock units.....	Average number of livestock units for each 100 acres of crops.....	Number of farms.....	Average number of livestock units.....	Average number of livestock units for each 100 acres of crops.....
Cash.....	20	14.78	14	21	15.54	14	21	16.28	17
Share-cash.....	37	9.88	7	81	15.13	9	23	14.90	11
Crop-share.....	59	9.7	7	82	14.15	8	27	12.68	11
Stock-share.....	7	14.25	10	21	33.19	18	8	20.23	17

leasing, excepting the stock-share tenant. This is in part due to the lack of capital by the crop-share tenant as shown in Table X. This lack of livestock results in depleted soil fertility. Most landlords value soil fertility only as it will return them an immediate profit, and not as a portion of their land to be maintained so that they may be assured of a continuous profit over a period of years. If the landlords are not interested in maintaining soil fertility, such interest cannot be expected from tenants.

In crop-share renting the tenant receives only his proportionate share of the results of any better methods he may follow, and he does not have as great an inducement to farm better as he would have if he received the full benefit from such methods and practices. Better seed, which is usually higher priced and is paid for by the tenant, is not so desirable when

the tenant receives only one-half to two-thirds of any increase in crop yields or quality of product which may result from it. The same conditions hold true for other methods of improving the farm business, where the tenant must pay all added expense or furnish additional labor, and the landlord receives his share of the benefits without sharing the expense. The tenant's incentive for better farming is materially reduced under these conditions.

TABLE X.—COMPARISON OF INVESTMENT ON FARMS OPERATED BY TENANTS LEASING UNDER DIFFERENT METHODS

TYPE OF LEASE	1914			1915			1916—Jackson County		
	Number of farms.....	Tenant's average investment.....	Landlord's average investment.....	Number of farms.....	Tenant's average investment.....	Landlord's average investment.....	Number of farms.....	Tenant's average investment.....	Landlord's average investment.....
Cash.....	20	\$1,968	\$9,784	21	\$2,002	\$12,919	21	\$2,121	\$12,190
Share-cash.....	37	1,518	10,563	81	2,120	14,522	23	2,111	16,813
Crop-share.....	59	1,333	10,905	82	1,998	12,904	27	1,626	12,605
Stock-share.....	7	1,082	15,200	21	1,809	21,812	8	1,378	16,015

SHARE-CASH LEASING

Share-cash leasing is generally followed in the same regions as crop-share leasing, as is shown in figure 9. It is often crop-share leasing, in which the tenant pays cash for things which, in crop-share leasing, he ordinarily receives without extra charge. Sometimes, however, there is more pasture and hay-land and the cash rent is in payment for these. Share-cash leasing is a little more favorable for the keeping of livestock than crop-share leasing, and share-cash tenants usually have more capital than crop-share tenants, as shown in Table X. In most respects, share-cash leasing is intermediate between cash and crop-share leasing, although it more closely resembles the crop-share method. Its results, merits, and faults are so nearly identical with those of crop-share leasing that a further discussion of them is unnecessary.

STOCK-SHARE LEASING

Stock-share or partnership leasing, in which the landlord furnishes a part or all of the livestock and sometimes the equipment, is the least common method in use in Kansas. From the standpoint of permanency of agriculture, profit to both landlord and tenant, and the betterment of tenancy conditions, it is the most desirable of the methods in use. It enables the tenant with little capital to operate a business of considerable size and

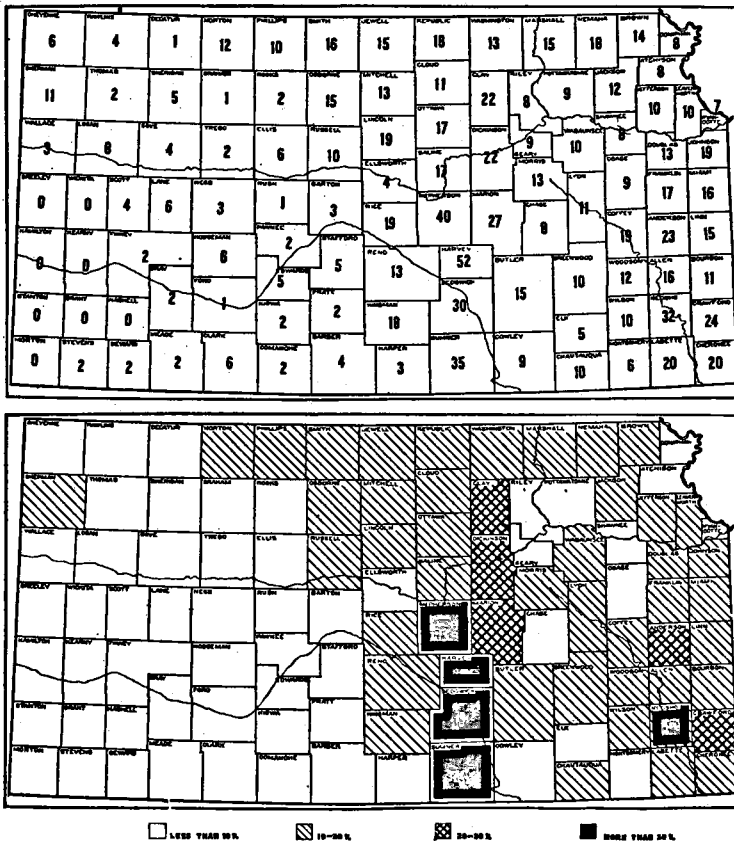


FIG. 9.—Maps of Kansas showing percent of all tenant farms rented on the share-cash basis in each county, as given by the 1910 census. This method of renting is most frequently found where it is believed that the rent should be more than one-third but less than two-fifths of the crop, or more than two-fifths but less than one-half. The cash paid serves to raise the rent above the fractional share in such cases

with a fair amount of livestock. This is illustrated in Tables IX and X in which farms leased on the stock-share basis are compared with farms leased under other methods. The stock-share tenants had the least capital and yet, because of the landlord's partnership in the livestock, they were enabled to operate a business having as much livestock as farms leased under the other methods.

Livestock farming is the intent and purpose of a farm business organized as it must be under a stock-share lease. Since several years are usually required for the production of livestock, the lease is for a period of three to five years, and is continued as long as satisfactory to both parties. This eliminates much of the shifting of tenants, and gives them a feeling of security in their residence in the community. Tenants can accumulate property by increasing the amount of livestock, as more livestock will be as much to the landlord's advantage as to the tenant's. One landlord, who has been leasing a number of farms under stock-share leases for several years, advanced the criticism that good tenants on his farms accumulated sufficient property to become farm owners in four or five years or longer, and obliged him to obtain new tenants. This may inconvenience the landlord, but it is noteworthy that this same landlord is still leasing his farms under the stock-share method. If the stock-share lease enables the tenant to be a better citizen, follow a more desirable type of farming, and sooner become a farm owner, it certainly is a decided improvement over other methods of leasing, and is worthy of wider adoption.

Landlords of stock-share leased farms are much more interested in the farm business than landlords under other methods of leasing since their risks are greater. They are more likely to improve the farm and aid in making it an attractive home for the tenant. Their interest in community improvements is increased. Retired farmers, country bankers, or others acquainted with farming conditions in the community, usually make more desirable landlords under stock-share leases than persons unacquainted with the region, or with farming conditions. Landlords living at a distance from their farms because they are too far away to look after their interests properly, frequently do not find stock-share leases satisfactory.

In stock-share leasing the interests of the landlord and tenant are mutual. This overcomes the objection of antagonistic

interests of landlord and tenant, so common in other methods of leasing.

The solution of the tenancy problem would be comparatively easy if the stock-share lease could be used on all rented farms. Stock-share leasing involves a closer relationship between landlord and tenant than other methods. As a consequence landlords and tenants cannot always agree on the details of the business. This is particularly true of landlords and tenants who have been leasing under other methods where their interests were antagonistic. They have difficulty in overcoming the feeling of antagonism when taking up stock-share leasing. Many landlords hesitate to enter into stock-share leasing because the risk which they assume is greater when they furnish part of the livestock than when they furnish only the land and buildings.

From the landlord's standpoint, the farm boy who is just starting to farm usually makes the most desirable tenant. He does not usually have an antagonistic feeling toward the landlord and will more readily cooperate in making a stock-share leased farm a success. It does not necessarily follow that the tenants who have been leasing under other methods will fail as stock-share tenants. They have more to overcome and more of them may be expected to fail to agree with their landlords. The success of such leases is very largely dependent upon the judgment and temperament of the parties concerned.

WAYS OF IMPROVING METHODS OF LEASING

STOCK-SHARE LEASES

The stock-share lease presents the greatest possibilities for betterment of present methods of leasing. However, it is not adapted to all farms. Some other means of improving conditions must, therefore, be devised for many farms. The following provisions, which are usually included in stock-share leases, should be of interest to all landlords and tenants whether they are so situated that they can adopt the stock-share lease or not. There may be many variations in the minor details, and anyone wishing to adopt such a lease must adapt it to his own conditions. In western Kansas, owing to the comparatively low value and productivity of land, the provisions should usually be more favorable for the tenant.

USUAL PROVISION OF STOCK-SHARE LEASES IN KANSAS

Term of Lease.—The term of lease is three to five years; longer if satisfactory.

Land and Buildings.—The landlord furnishes all land and buildings and pays all taxes and insurance. He furnishes all new materials needed for repairs of buildings and fences, and the tenant makes these repairs. Any improvements made are paid for by the landlord, excepting that the tenant usually hauls the materials, and may furnish all unskilled labor required.

Machinery and Tools.—The tenant furnishes all machinery and tools needed to operate the farm efficiently, and pays for all repairs on them. An exception to this, often found, is the furnishing of a manure spreader by the landlord. This spreader may be owned jointly by the landlord and tenant.

Livestock.—The livestock is owned equally by landlord and tenant, excepting that in some instances the tenant owns all work stock.

Labor.—The tenant furnishes all labor needed to operate and maintain the farm business.

Division of Expenses.—All expenditures not previously noted are shared equally by landlord and tenant.

Division of Returns.—All farm receipts are shared equally. The tenant usually receives sufficient garden products, fruit, potatoes, poultry, eggs, butter, and milk for his own use.

Crops.—The kind of crops to be grown and the areas of each may be stipulated in the contract. Also clauses are sometimes inserted regarding the crops which may be sold and the portion to be received by landlord and by tenant, in case they do not share them equally. The landlord often pays for alfalfa seed, or seed for permanent pasture.

Manure.—The tenant hauls out and scatters on the field where most needed, all manure produced on the farm during the term of the lease, excepting that produced during the two or three months prior to its termination.

Division of Property at Termination of Lease.—At the termination of the lease all property owned in common is divided equally between landlord and tenant in any manner satisfactory to both. In case they cannot agree, each may select a dis-

interested party, and these two select a third disinterested party. These three make such division of the property as seems fair to them, giving the landlord and the tenant each one-half.

DIVISION OF FEED AND MAINTENANCE OF SOIL FERTILITY

There are opportunities for improving conditions on crop-share leased farms if the landlords can be convinced of the necessity of maintaining soil fertility. Crop-share leases which encourage the tenant to maintain soil fertility have been used in other states. In some instances the tenant receives all of certain feed crops (usually hay and roughage) provided he feeds them to livestock and returns the manure to the fields. In case he fails to do this, the landlord either receives his share of these crops or is paid for them. This is to the tenant's advantage, as it gives more feed for livestock. The tenant is at no direct expense for the feed which would be the landlord's share if not fed, and consequently has better opportunities for the profitable keeping of livestock. The landlord's compensation comes through the maintenance of soil fertility and greater productivity of the fields in future years. Obviously, the areas of such crops to be grown on a farm should be given very careful consideration before such an agreement is made. Interested landlords and tenants would need to try such leases before definite assertion can be made as to the terms.

LENGTH OF LEASES

The long-term lease has been advocated as a method of improving tenancy and if combined with proper conditions, it would aid very materially. However, long-term leases are not always as desirable as they may appear. In cash, crop-share, and share-cash renting, changing prices and conditions often make the original terms of the lease unadapted to conditions several years later. If prices of farm products advance and the tenant is cash-renting, he has more opportunity for profit, while the landlord feels that he is not getting as much as he should. If prices decline, the cash tenant may have difficulty in paying the rent. In crop-share leasing, advancing prices of farm products, farm labor, and supplies, tend to increase the landlord's profits more rapidly than the tenant's. An excellent

illustration of this is found in wheat farming in 1914 and 1918. In the four years from 1914 to 1918 the price of wheat practically doubled. This doubled the income of both landlord and tenant under crop-share renting. The tenant's expenses for labor and supplies tended to increase in proportion to the advance in the price of wheat. The landlord's expenses, excepting the rental value of his land, increased about as much as the tenant's, but the rental value of the land, which is the major portion of what the landlord furnishes, did not advance nearly as much as other prices. As a result the landlord's profits from wheat growing were much more in 1918 than in 1914, while the tenant's tended to remain more nearly the same. This has caused dissatisfaction among many tenants who were giving the same share of the crop in 1918 as in 1914. It is usually assumed that long-term leases tend to prevent exhaustion of soil fertility by the tenant, but this is not entirely true. The tenant has the same inducements to deplete soil fertility near the termination of his lease that the short-term tenant has throughout his term. Long-term leases, to be satisfactory, must avoid these conditions. Stock-share leasing offers the best opportunities for the satisfactory use of the long-term lease, since its terms eliminate many of these objections.

The figures for the three-year survey in Cowley County, shown in Table I, indicate that the landlords who retain the same tenants for a number of years obtain a greater return on their investment than those who have shifting tenants. The Cowley County tenants' profits were as great as the profits of the tenants in other counties. These tenants had remained on the same farms at least three years and, unquestionably, tenants who remain on a farm for several years can follow a much more desirable type of farming than those who move each year. Very few of the Cowley County tenants had leases for more than one year at a time. It is not necessarily a long-term lease that is needed, but a guarantee to the tenant that he can remain under satisfactory conditions, as long as he farms diligently and well.

TENANTS BECOMING OWNERS

Landlords who are willing to sell their farms can aid in improving tenancy conditions. Many tenants have accumulated considerable property but have not acquired enough to make first payment on a farm. The Federal Land Bank and other institutions lending money on farms will take a first mortgage for approximately one-half the cost of the farm. If the landlord would assume a second mortgage for the difference between this and the amount which the tenant can pay, or a first mortgage for the whole amount, he will permit the tenant to become an owner. The landlord's income will probably be as much as he would receive as rent or more. The success of such a plan is dependent chiefly upon the confidence of the landlord in the tenant's trustworthiness and ability to farm profitably.

OTHER METHODS OF IMPROVEMENT

Landlords and tenants acting alone, however, cannot completely change conditions. There are measures which must be considered by the State and the Nation. Public opinion and legislation which would discourage absentee ownership of land would tend to eliminate many of those landlords who are too far away to enter into stock-share or other desirable methods of leasing, or who are uninterested in the future welfare of the tenant, agriculture, and the community, and who refuse to adopt conditions which will overcome the faults of existing methods.

Credit facilities which will aid the tenant of limited means to obtain needed funds at reasonable rates and for as long as he needs them, will aid many tenants. Such facilities are difficult to obtain as tenants usually do not have adequate security. There may be possibilities in state and national legislation, whereby tenants may be extended credit by the State or Nation and thus be enabled to purchase needed livestock and equipment, or to purchase land and become farm owners.

It must be clearly understood that permanent and lasting improvement in tenancy conditions can come only through the fullest cooperation of all agencies having its betterment within their power. The State and Nation must combine their efforts with those of landlords and tenants, to fully overcome present undesirable conditions and insure the tenant a reasonable certainty of becoming a farm owner.

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THE INTENSITY OF CULTIVATION

SUMMARY

Question of intensity of culture an old one; never purely objective, 646. — Ability of the entrepreneur the limiting factor, 647. — The problem of intensity of culture stated in one of three ways: entrepreneurship fixed, land fixed, capital fixed, 648. — An experiment may be made with something less than the whole amount of land or capital, 653. — An illustration of the difficulties of the trial method, 654. — Income will be alike for all at the margin, 657. — Intensity varied within a given year, 657. — Social aspect of intensity of culture, 658. — Effect of change of price of product or intensity of culture, 659. — Payment of rent induces intensity of culture, 661. — Effect of changes in wages or capital cost on intensity of culture, 662. — Intensity will vary inversely with these costs, 662.

The question of intensity of cultivation is as old as economics, yet it forever keeps coming up for more definite statement, or for a statement showing how the proper degree of intensity is visualized and approached. The most usual way out of the difficulty is to assume the most advantageous combination of land, labor and capital, and let it go at that. No doubt there always is a best combination, just as there is a best mixture of paints for the best effect, and this truism may easily recall the famous reply of Whistler that he always mixed his paints with brains. It is exactly this requirement that makes the formula so difficult for intensity of culture. The problem is never purely objective. It is not as simple as making the proper combination of air and gasoline in a mixture for power, since it makes no difference who adjusts the carburetor so long as it

is properly adjusted, the results are the best obtainable. On the contrary, in the combination of land labor and capital for producing the best results the personality of the man making the combination makes all the difference imaginable in the results. A gasoline engine in the hands of a novice may do substantially all it is capable of doing tho planned, adjusted, and repaired by parties not immediately concerned with its work. A farm can hardly be so standardized and managed. The work of the entrepreneur in agriculture is bound up in the operations almost as though he were a vital part of an organism; he must be the active, indeed, the indispensable agent.

Whether or not the return to the entrepreneur is viewed as a part of the larger category of wages, it must be recognized that the limiting factor *par excellence* is the ability of the entrepreneur. It makes no difference whether the limits are found in the unwillingness of the entrepreneur to undergo greater strain; whether he reaches the point of losing money; or whether he prefers a certain measure of enjoyment in place of further work. Any one of these conditions means that he is not in a position or attitude for further expansion. In other words, the point of diminishing returns has been reached and the income of each individual is thereby circumscribed; likewise social income is, because of this fact, held within certain positive bounds. The proper proportioning of the factors of production, which is the means of arriving at the proper degree of intensity of culture, involves four variables. Since no problem can be discussed with four variables it is necessary to assume metes and bounds for all but one at any given time. For convenience the ability of the entrepreneur, which no doubt is more or less elastic, may be taken as fixed. It is by all means the most

definitely fixed of any of the factors involved. There is a limit beyond which an entrepreneur does not care to go in the effort to increase his income. In many cases it is a limit beyond which his banker refuses to carry him. But whether it be the limit set by the banker; by his own courage, or lack of courage; by his desire for leisure, for avocations; or by sheer managing ability; it must in some manner reach the limit beyond which it will not for the time being go. Thus the entrepreneur himself is the most definitely limiting factor in production. His managing ability may be viewed as fixed.

For convenience it will be desirable to put capital and labor into one category. From the entrepreneur's standpoint they are both reducible to a money unit. This combined factor is subject to variations which affect intensity of culture, but they may be waived for later consideration.

The intensity of culture problem may be stated in three ways, or rather it must be viewed from three standpoints:

- (1) It may be assumed that entrepreneurship is fixed and that capital and land are applied to it in varying amounts.
- (2) Land may be viewed as fixed and capital varied, entrepreneurship being taken for granted.
- (3) Capital may be fixed and land varied, entrepreneurship still being assumed.

Added to these three points of view there may still be a fourth, which is however, hardly more than a corollary to the second and third. It may, at least in practice, be necessary for the entrepreneur to treat both land and capital as variables while working out his proportions. This is hardly more than a detail, though possibly a very difficult one to handle.

Concerning the first point of view, it may very safely be stated that entrepreneurship is the most definitely limited of any factor involved. At the same time it is the one which is without visible proportions or tangible measurement. Were it not, however, just as genuinely limited as land or capital we should have numerous bonanza farms. In fact, so far as a given individual is concerned the most important of the limiting factors is that of his own managing ability. Were it not for this he could manage the agriculture of a township, a county, or a state.

But it may be objected that this is not the issue. Entrepreneurship may set the bounds of size of business, but not enter into the question of proportions of factors used. This at once raises the question as to how such an assumption can be made in view of the necessity of working out, on the part of each entrepreneur, the proportions which for him are best. How this can be done without using both land and capital, varying each alternately, then simultaneously is, to put it mildly, not obvious. Could the farmer, for example, determine by any possibility that he could do best with any particular amount of capital before discovering the amount of land with which to combine it, the problem would be simple both theoretically and practically. Since there appears to be no means by which this measurement of entrepreneurship can be made in advance of an experiment involving all factors, it will be as well to consider the second and third points of view before undertaking to say the final word, or even to draw any conclusions respecting the first count.

Land may be viewed as fixed. Very properly it may be objected that in a theoretical case land is never fixed, but may be varied in either direction, more or less. Even so, land is fixed in quantity for the majority of

farmers over appreciable periods of time. Perhaps we are not dealing with the majority of farmers, but only with the few who are alert enough to attempt an intelligent solution of the problem of intensity of culture. Very well, these too will in both theory and practice deal with quantities of land which are fixed during a given experiment. We may have, then, a fixed amount of land, not fixed by inertia, by heredity, or passing circumstance, but by the judgment of the entrepreneur. This may be merely a trial judgment, but even so it means that for the time the amount of land is fixed. Upon this amount of land the entrepreneur expends capital. The question is: How much? and the answer is easy. He will continue to expend capital until the last dollar just pays for itself. By so doing, assuming that he can get capital at commercial rates up to the limit of his ability as an entrepreneur, he will increase his income, and it is income he is after, total income, not any given rate on a limited sum. We may next inquire how this hypothetical farmer is to know that he is using the right amount of land. He will use his judgment, his observation, and his experience; and make trials with different amounts. That the more vital limitation is in ability to handle capital rather than land should be recognized, but capital cannot be managed except in connection with land. Moreover, the optimum amount of capital for any entrepreneur cannot be discovered by using wrong proportions since he could not decide whether the failure to arrive at satisfactory results was, in a given trial, due to poor management or a wrong combination. He will find out as he approximates the correct combination, and in doing so he will of necessity find the proper amount of land to be used with an amount of capital, yielding, on the enterprise so constituted, favorable returns. For any

serious trial the land must be fixed for the time, no matter how many times it be varied for subsequent trials. Thus land may be viewed as fixed, and in every trial the capital applied until the last increment just pays its cost. For a vast number of farmers the land is very firmly fixed in amount for years or for life. For the adaptable man it is fixed at different amounts until the most favorable acreage is discovered.

Capital may be viewed as fixed. No doubt this is the most elastic, and possibly the most satisfactory, supposition. It is not forgotten that the real limitation is managing ability, but the best measure of this ability is the capital which can be advantageously handled. To assume that capital really is fixed by circumstances and not ability is as crude reasoning as to assume land fixed. The able entrepreneur uses capital which he happens to have, or which he can borrow, or disposes of a surplus, exactly as is done in the case of quantities of land. He finds the amount which will yield him the largest income by taxing his entrepreneurship to the limit, by which process he comes, like everyone else, to the margin of his powers. He may, as a supermarginal farmer, be able to make his capital earn something well above average commercial returns. For instance, his curve of returns on his thousand dollar units may at its highest point rise well above that of his competitors. There is no reason why he might not stop his investments at a point where he was making, say 20 per cent. No reason except that he could make a larger absolute, not percentage, income by increasing his investments until the last increment just paid its cost, whereas it was assumed that in order to get the highest average a lesser amount was invested, and a return above the commercial rate secured from the last dollar.

However, it was decided that capital should be viewed as fixed. With this Rubicon safely passed, the campaign is easy. All the entrepreneur needs to do in order to find his best proportions is to add, or subtract, land until the last acre just pays its own cost. When this point is discovered he has his best proportions. The reason why this is not satisfactory is because the major premise will not bear analysis. It must be taken on faith, and having accepted the faith, the logic no longer gives trouble.

Just as with land, capital must be for a given time fixed. A farmer decides on the number of men and teams, and the amount of other equipment to be used in farming for a given year without, of necessity, deciding in advance the exact acreage of land. He arrives at a decision as to land, and after the year is over does his best to decide whether he had too much or too little. Should it seem that he is wide of the mark he will, in most cases, vary the amount of capital as well as the amount of land in projecting a new trial. To decide that his capital is right in amount but that the land is wrong means either that he has approached very nearly to the correct proportion or that he decides the one question independently of the other. But to know how much capital is best without trying it out is to know the solution of the problem in advance of the trial. This could be done in but one of two ways, viz., either by arriving at a decision based on experiments which gave results short of the optimum, or by solving the proportion riddle on a trial plot and carrying the result over to the whole. Neither hypothesis stands scrutiny.

It is, however, beyond all doubt true that so long as the capital remains fixed, whether right or wrong in amount, the entrepreneur will, in following his own

interests, apply land to it until the last increment just pays for itself. If the land bears a rent it will mean that the returns cover the expense of operation and the rent charge. If the land is free it will mean that the returns just cover the outlay for operation. No matter how stated, it amounts to the addition of land so long as there is a margin above cost and no longer.

Managing ability may be looked upon as fixed and land and capital both as variables. This is nothing different from the above discussion, but it is the real situation confronting the real entrepreneur. Should he attempt to add increments of land and capital he may do so by assuming the solution of the question at issue — the proportions. If he add units of first one and then the other he will show himself very human and adaptable, and will stand some chance of approaching the goal eventually. Each factor will be fixed for a time, but it will not remain fixed until the proper proportions have been found.

As a means of arriving at the optimum apportionment it may be interesting to attempt the experiment with something less than the whole, or fixed, amounts of either capital or land. That is to say, a trial, or laboratory experiment may be run in order to arrive at the correct proportions, on the basis of which the size of the business will be determined.

The question may very properly be raised as to the logic of these standpoints. For example, does the limitation of the entrepreneur's ability enter as a consideration into the question of the proportions of land and capital which are found best? It may be contended that whatever the optimum proportion as between land and capital no changes will, in this relationship, be contingent upon the ability of the entrepreneur to handle more or fewer units. However, it is a matter

of common observation that as the size of the enterprise varies up or down there is a corresponding, tho not necessarily proportional, change in the degree of intensity of culture. For example, suppose a farmer to find the best degree of intensity on eighty acres, but feels able to manage three eighties. Can he carry the same intensity over the additional two eighties? He can, provided his degree of intensity on the one eighty is adapted to the operation of the full-sized unit. To assume that such is the case is merely, and clearly, to beg the question. Finding the proper degree of intensity on the three eighties is the problem; but to find on a part of the whole enterprise what seems to be the best proportion is possible on paper only. This is true because the manager has no way of knowing, while running the experiment, that he is giving to it any exact proportion of his managing ability. For this reason he cannot, after trying out a part of his farm, including a corresponding part of his entire equipment and management, assume his proportions and calculate the size of the enterprise for succeeding years. That a manager may get suggestions from an experiment involving part of his farm is beyond argument. He may, and should be able to do so. But after all possible suggestions have been gained, the business must be tried out as a whole before either proportions or size can be known.

If it is possible to determine proportions by the laboratory method such possibility should be at least theoretically demonstrable. One may construct tables and diagrams showing how the problem is solved, but suppose, instead, an attempt should be made to visualize the operations of a real operator. Surely such a demonstration is fully as real. If it be supposed that the trial, a laboratory experiment as it were, is conducted on a small scale the troubles suggest themselves

at once. It is hard to find the right combination on the small area as a gauge for use on the larger area, or for that matter, since the experimental operations might just as well be on a large scale, it would be hard to adjust the duties of the entrepreneur so as to know how much less to operate, or how to operate it.

The above generalizations can be illustrated. Suppose a farmer wishes to determine the optimum combination with respect to the cultivation of corn. He tries a ten-acre field and by the correct combination of check plots finds it more profitable to plow seven inches deep, harrow four times, plant in drills instead of hills, cultivate three times instead of four times, and do one day's hand weeding per acre. Can he apply this to the area he thinks it best to attempt? It may easily happen that he plans to grow eighty acres of corn. The number of operations of each kind performed may be done on the larger field the same as on the smaller one. The plowing and harrowing may occasion no difficulty, but the chances are that it will be relatively harder to plow at the rather unusual depth, and to harrow at advantageous times. Of course, it may be shown theoretically that the larger fields are logical multiples of the smaller and that the work could be done in the same manner. In all probability this cannot be carried out. For instance, the small corn field was drilled, cultivated three times, and one day's hand labor used per acre. The larger field should be handled in the same manner, but the chances are that it will not be so handled. The weather will be more of a factor when the experiment assumes larger proportions. So will such matters as hiring the requisite quality and number of laborers. Should the farmer find that a given amount of labor and equipment could be used advantageously on twenty acres, and in that connec-

tion determine his proportion, it might be easy to multiply the labor and capital by four in getting ready for the eighty acres. This is substantially never done. An attempt is made to economize on equipment as the unit is enlarged, and inevitably the ability of the entrepreneur is a constant, and therefore not subject to automatic expansion and contraction to fit the different units operated. It will be found that cultivating corn three times is not the same under one condition as under other conditions. Perhaps the three cultivations were made at the most advantageous times, promptly after the corn was big enough to cultivate for the first time, when it needed cultivation subsequently, not when other work permitted it to be done. The hand labor of a day per acre found profitable on ten acres will again and again not be feasible on a hundred acres. Very well, leave it out in both cases. That is the point. The laboratory trial must be made to fit the condition of the full area, but the full area carries its own conditions and thereby determines to a degree its own proper intensity of culture. The trial area will actually work when it is big enough to absorb the whole available capital, and at this point we have, if it be accepted, to abandon the idea of predetermining proportions between, or among, factors.

If the foregoing reasoning is correct it will follow that all managers, marginal and supermarginal, large and small, will find no stopping place in applying land to capital until the last dollar just balances its cost; until the last acre of land just pays for itself; and until the proportion is such that land and capital costs are alike in returns per value unit. The average returns per dollar will be high for some, low for others. How high they will go depends on the ability of the manager. The lower limit is commercial return so long as a

deficit is not made up out of wages. But all, from the best to the poorest, will not escape the necessity, and the privilege, of investing until the last increment brings in no added returns above the cost, and at these margins all men are equal. Of proportions there may be no two alike. Of average incomes no two alike. But for each there will be a best proportion and he will find it by using all of his ability as an entrepreneur, and alternately fixing capital and land, proceed until neither separately nor jointly can his income be augmented by further additions. Each has balanced at the margin where cost and income are equal.

The discussion thus far has assumed the point of view of a business projected for at least a year in advance. During each year the problem is bound to assume different aspects. After every plan has been made as carefully as possible and the season has advanced to the point where acreages cannot profitably be changed there will be constant opportunities to invest more, or less, capital on a given project than was contemplated. The aggregate amount of capital used may be rigidly limited to a sum previously known. It may be all that is obtainable, but the chances are that no such definite bounds are set. Capital is usually obtainable with greater or less ease depending on the amount wanted. A certain amount is in the possession of the entrepreneur. Another amount is to be had at commercial rates with no trouble involved. Still more can usually be had at greater cost in both trouble and interest rate. The law of increasing cost operates as truly in the work of getting the use of capital which one does not own as in the creation of more capital in the form of goods. Thus far shalt thou go and no farther in the possession of capital involves the cost of the successive acquisitions. Thus the amount required for a

given season depends on the exigencies of the occasions as they arise.

The question may very properly be asked whether society is best served by the economic forces which constantly put the ablest farmer in possession of land, largely the best land, and as constantly push the inefficient out. This question becomes especially pertinent when it develops, as well it may, that small farmers are giving place to larger farmers. To the extent that this happens there will be fewer farmers, tho perhaps not fewer persons engaged in agriculture, on a given area of land. From the standpoint of production the case is not open to argument. Society is best served by farmers who will get the most out of the land, capital and labor employed. The only question at issue becomes, then, the relative social advantage of land ownership as opposed to whatever may displace it should inefficient farmers give way to the more efficient. This brings up other considerations. The intensity of culture which gives the best results to farmers viewed individually will give the best results socially so far as the ownership and use of land is concerned, judged by the standards of a healthy society. If from the standpoint of social pathology it should become necessary to use land as a prophylactic, economic considerations will of necessity be subordinated in the process. Until that time comes the impersonal workings of the law of diminishing returns, of which intensity of culture is a leading manifestation, is in harmony with the social good.

EFFECT OF CHANGE OF PRICE OF PRODUCE ON
INTENSITY OF CULTIVATION

Every now and then a situation such as that occurring in the spring of 1917 confronts the farmer. The prices of what he had to sell rose rapidly while the costs of production remained relatively constant. Likewise, the rent of land remained about at the old level. What effect does such a situation have on the farmer who is always trying to adjust his land and capital in such a way as to get the most out of it for himself? Before attempting to answer the question it may be well to note the fact that the case is a temporary one, the inevitable tendency being always to return to the original proportions. However, the abnormal condition may last for a few years, and the tendency to return to the former balance may never be more than partially realized. That is to say, the abnormal situation may persist until it becomes a new normal. At all events, it is perfectly clear that disturbances such as the one noted above are constantly occurring in varying degrees. This one was extreme. The readjustments to meet such conditions may be so slight as to escape observation nine times out of ten; the tenth time they are likely to be conspicuous.

For convenience of presentation we will do a little violence to the facts as they confronted the farmer in 1917 and assume that prices of farm produce doubled while costs of labor and capital remained constant, rent also remaining constant. What was the best move for the farmer to make regarding the proportions of capital (including labor) and land used in his enterprise?

The following table will be useful in deciding the matter:

Expenses per acre	Value of crop per acre	Rent per acre	Returns per dollar of expense
\$6.00	\$11.00	\$5.00	\$1.00
10.00	15.10	5.00	1.01
15.00	20.30	5.00	1.02
17.50	22.67	5.00	1.01

Doubling the value of the produce the table becomes:

Expenses per acre	Value of crop per acre	Rent per acre	Returns per dollar of expense
\$6.00	\$22.00	\$5.00	\$2.83
10.00	30.20	5.00	2.52
15.00	40.60	5.00	2.38
17.50	45.34	5.00	2.31

Thus the optimum expenditure per acre has changed from \$15 to \$6. As a result a farmer with a capital of \$3000 to use will require 500 acres of land instead of 200, assuming the latter to be the most favorable amount before the change in price.

One more hypothesis may be of interest. Suppose the price of produce had fallen 50 per cent, other things remaining the same. The table would then appear:

Expenses per acre	Value of crop per acre	Rent per acre	Returns per dollar of expense
\$6.00	\$5.50	\$5.00	\$.083
10.00	7.55	5.00	.255
15.00	10.15	5.00	.344
17.50	11.335	5.00	.362

As was to be expected, the proportion most favorable is now \$17.50 per acre, a more intensive cultivation than the optimum in the first instance.

It may be objected that the above illustrations are based on a particular set of figures and that some other set might fail to show a similar result. This criticism is always in point when a generalization is attempted on the basis of an arbitrary instance. However, it is

not necessary to rely on any particular table. It may be assumed that the proposition has been proved, not here but by reasoning generally accepted, that free land will be farmed less intensively than land commanding a rent. From this accepted proposition it may be reasoned that the tables submitted above are of necessity correct — and that any change in figures while possibly concealing the truth cannot disprove the principle. The deductions would be somewhat as follows: the payment of rent compels greater intensity of culture. Hence, the intensity will increase though not necessarily in the same proportion as the increases in rent. Conversely if rent decreases, the intensity will decrease. Now an increase in the value of the product, with no other change occurring, is equivalent to a decrease in rent since a smaller portion of the gross yield is required to pay the rent than was required before the change in price. To decrease the quantity of produce needed for rent payment means a movement in the direction of free land and, therefore, a movement toward a more extensive culture. Should the price become extremely high the rent would become relatively reduced, even extremely low, and hence would lose most of its influence in the direction of intensive culture, the optimum degree of intensity decreasing with every rise in the price of produce, and conversely increasing with every fall in such prices.

The above discussion has been made as tho neither capital nor land were fixed in amount and the proportion only were the issue. The objection to this view has been discussed in the first part of this article, and hinges on the difficulty involved in apportioning the attention of the entrepreneur to a single acre, or to any group of acres short of the number included in the enterprise over which he is presiding.

EFFECT OF CHANGE IN WAGES OR CAPITAL COST
ON INTENSITY OF CULTURE

Another question is what will happen should wages rise or fall while prices of produce, interest and rent remain constant? It may be noted in passing that, where no rent is paid, should wages and interest rise or fall in unison that nothing will happen to the proportions in which capital, labor, and land will be combined. This is a contingency which will rarely occur. Thus while we united capital and labor into one term for convenient handling while discussing the degree of intensity in the first instance it is necessary to separate them when considering the changes that may follow a rise or fall in wages, or in capital costs, the two factors not acting the same in the matter of percentage changes. The occasion for such a discussion is abundantly illustrated in the recent experiences of farmers with the labor question. The following tables will bring the matter to light:

Labor	Expenses per acre		Total	Gross returns	Return per dollar
	Labor	Capital			
\$5.00	\$7.50	\$12.50	\$21.00	\$1.68	
7.50	8.50	16.00	27.20	1.70	
9.50	8.50	18.00	30.80	1.71	
10.50	9.50	20.00	33.00	1.65	

Increasing labor expenses by 100 per cent the table becomes:

\$10.00	\$7.50	\$17.50	\$21.00	\$1.20
15.00	8.50	23.50	27.20	1.12
19.00	8.50	27.50	30.80	1.12
21.00	9.50	30.50	33.00	1.08

As shown by the table the increase in wages results in a movement toward a more extensive culture. In actual practice the case would not be as simple as this, or at least the simplicity, if there should be such, would

take on a different aspect. The farmer confronted with the higher wages is bound to think of a way to escape other than the one indicated in the second part of the table which involves getting more land. He will try to escape by way of a substitution of capital for labor. He will buy a gang plow, a tractor, a milking machine, or more haying tools, with the hope of keeping up his intensity of culture without incurring the added expense resulting from the higher wages. In some cases he may succeed in maintaining his former intensity judged by results while moving toward more extensivity judged by the application of labor and capital to land in terms of dollars per acre.

The changes in prices of produce, wages, and capital cost will always, respectively, have an effect on the desire for the other factors, and hence change the price of these other factors. The result will be a new balance which is likely to be similar to, though not identical with, the previous balance before the disturbance came. The importance of the immediate effect may be appreciated when it is remembered that more or less occasion for a readjustment no doubt takes place yearly, or even at much more frequent intervals.

A change in the cost of capital goods, or in interest rates, where wages do not change correspondingly, will bring about changes in intensity of culture similar to those noted in the above discussion of changes due to variation in wages. If capital goods cost more, fewer, relatively, will be used; if they cost less, more will be used. Thus intensity of culture will vary conversely with these costs.

Whether or not rent is to be counted as a cost is a disputed point. No attempt will be made here to clear the matter up. In any case it is a cost to the individual who buys land as a part of his equipment for producing

farm crops. Under these circumstances, viewing rent as a charge against the farming business — a current cost comparable to interest and wages — the case of intensity of culture assumes a new aspect. Should the labor-capital cost rise, or fall, in some proportion, as by twenty-five, or fifty per cent, rent remaining constant, the point of optimum returns will be affected. This must obviously follow since the labor-capital cost plus the constant rent will bear a varying relation to the income obtained by the different degrees of intensity of culture after the former has been increased or diminished. Thus in the first part of the table following the best results were obtained with the intensity indicated in the fourth line, while after the rise in labor-capital costs the next less intensive application is the best.

Labor-capital cost	Gross returns	Rent per acre	Returns per dollar expended
\$14.00	\$35.00	\$10.00	\$1.46
15.00	37.00	10.00	1.48
16.00	39.00	10.00	1.50
17.00	40.90	10.00	1.515
18.00	41.50	10.00	1.48

Increasing the labor-capital cost by 50 per cent:

\$21.00	\$35.00	\$10.00	\$1.129
22.50	37.00	10.00	1.138
24.00	39.00	10.00	1.147
25.50	40.90	10.00	1.124
27.00	41.50	10.00	1.121

Not only does the rise in the cost of labor and capital result in less intensive farming as seen by the rise from the fourth to the third line of the above table, but the same influence is seen in the results of the first and second lines. The swing toward the less intensive is manifest in these as well as in the subsequent lines, there being a reduced advantage in each step toward the more intensive.

The results found by taking particular figures for the demonstration may be open to criticism. It is true the relations of the figures in the fourth column may be varied indefinitely by varying the relations of the numbers chosen for columns one and two. In some combinations the trend may be obscured, but in no case will it appear to lie positively in the opposite direction.

It is not forgotten that in these discussions concerning the results of changes in prices and costs on intensity of culture the solution of the intensity of culture riddle, as a practical problem, cannot be worked out as a mere arithmetical calculation. Even so, the influences of these supposed changes in costs would seem to be in the directions indicated.

B. H. HIBBARD.

UNIVERSITY OF WISCONSIN.

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THE FARMERS' INFLUENCE OVER PRICES*

By

B. H. HIBBARD

PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF WISCONSIN.

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The ability to exercise command over prices is the determining factor in the distribution of goods, whereby one class is enabled to rise to the higher levels of economic well-being; while the inability to command the price situation means eventual loss of such position, or failure ever to attain it. Probably no other class, or group, of people so great in numbers, with so high a level of intelligence, has during the past eventful century and a half remained so passive, and taken its share of the social dividend with such resignation, as have the farmers. Over a large part of this period it is almost as though the farmers' income were predetermined by the fates, and forecast by nothing more modern or reliable than the auguries. This extreme situation is more thoroughly characteristic of America than of some other countries, such for example as Germany, Denmark, and earlier, England.

The American farmer is undoubtedly the most individualistic citizen to be found in numbers in any modern country. His life and his contacts have contributed to the development of a spirit of independence which has long been his pride, and now constitutes his weakness. For more than a century following the Revolution the farmer was coaxed westward by free land, not appreciating that free land came near meaning free goods. The American farmer went through a long dreary period of ruinously low prices, after transportation facilities were ample; after cities had grown; after world markets had been brought within reach. Subsequently to the brief period of high prices following the Civil

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War the returns on farm-grown produce were unprecedentedly low. The explanation of this situation is obvious when seen in the perspective of a generation. It was simply and clearly competition. In proportion to the amount of food needed there was not merely abundance; there was superabundance.

The lure which the farmers followed during the last third of the nineteenth century was not so much that of farm products as it was the farm itself. Every pioneer hoped that the farm he acquired would soon be a valuable property, and the only reason these hopes were not realized was because they were shared by too many people. Farm products were kept at so low a figure that the farm itself had likewise to remain low, so low indeed that the average return to the farmer was hardly above that of the common laborer, and frequently below that.

By the time of the outbreak of the recent world war it was beginning to look as though a new era had begun. The Neo-Malthusians were pricking up their ears, and licking their chops in anticipation of a fresh portion of theoretical nourishment. Was it not indeed evident that even America had crossed the dead line dividing abundance from necessities, and that for the future food was to be dear. The farmers were praying for the fulfilment of the prophecy. Prices were in their favor as they had not been in a generation. It was believed that with a judicious use of the tariff the long-postponed period of agricultural prosperity might be ushered in, and might stay.

The war gave us a new view of the balance between food and the demand for it. No sooner had the price advanced than increased quantities were forthcoming. In some instances the increase was slight, in others great. The acreage of the leading crops, fifteen in number, increased 12½ per cent in two years. The increases in livestock were equally great. The farmer's purchasing power rose not only proportionally, but for a time even more. He needed no devices for influencing price levels. The price levels were taken care of by forces outside of and beyond his control. He began to think the millennium had come and undertook to make himself secure in the new era by bidding up the price of farm land. No sooner had deflation begun than the weakness of his position was painfully manifest. On the farms, or in close connection with them, about

one-third of the American people live. It is a matter of national concern that the buying power, never too large from the standpoint of the welfare of the nation, remains persistently below its pre-war level. For a time it was hardly above half that of 1913 to 1916. Now it is two-thirds. This means that in terms of groceries, clothing, implements, and whatever goes to make up the living of the farmer class, that the produce brought to market will exchange for two-thirds of what could have been had six or seven years ago. This is on the basis of wholesale prices. Retail prices are still further out of balance. The farmer comes to market with a basket full, and goes home with it a third empty. No longer is he complacent. He has worked as many hours as formerly; he has exploited his family in the traditional way; he has used his capital and his land as completely as in 1919. He receives pre-war prices, and pays prices still more than 75 per cent above the pre-war level.

Naturally and properly the farmer is asking in no uncertain terms, how this came about; how long it will last; and whether or not there is a remedy. The occasion for noticing the cause of the unbalanced condition is mainly in order to show the farmers' state of mind. The opinion is widespread that the slump in farmer prices was the result of concerted, malicious action on the part of bankers, packers and boards of trade. It has been explained by authorities great and small that the Federal Reserve Bank was guilty of too much liberality until 1919 and too much niggardliness since. It was free with loans while prices were buoyant, and discouraged borrowing when prices began to decline. Why retail prices broke first, why the farm products bought and sold on boards of trade held up for some months beyond those for which there is no future market, are left unexplained.

While the farmer is wrong in his explanation of why prices of his product fell first and farthest, he comprehends the fact that railway charges are about double what they were a few years ago. Labor in general, that is organized labor, has been deflated but little, and the great class of middlemen and professional men are getting their augmented portions, many with effort, others almost automatically. What deflation labor has experienced has been mainly in the form of unemployment, the rate of pay having de-

clined but little, and during recent months unemployment is decreasing, and the rates of pay creeping upward.

That labor is able to organize and maintain an effective monopoly is no longer an open question; it is a reality. Anyone who doubts this needs but to consider the wages received by the leading union labor groups. Approximately double the 1913 and 1914 wage rate is coming to be looked upon as the normal post-war pay of workers in the industries and in transportation. The pay received by the farmer for his efforts follows a different course, and apparently is governed by a different law. There is, however, no mystery about it. The labor groups, contrary to all the beliefs and predictions of a century ago, keep their wages close to the war level through limitation of output, effected by tangible means. The number of laborers in each trade is limited, and the work which a given laborer may perform in a day limited still more. Carpenters receive two and one-eighth times as much as eight years ago; miners twice as much per day; the whole railway employee list twice as much, and so following. The carpenters are not too numerous; the railway employees are not too numerous. The Federal Railway Board is able to approve of the status quo, and to agree from time to time that no reductions will be ordered until the following July. All of which means that the farmer, like the rest of us, pays double pre-war prices for houses, fuel, and transportation. The laborer sees red every time deflation of war wages is mentioned; the farmer sees red every time he looks at the balance in his account book.

The high price of labor enters into substantially every commodity and service. The leading item in the explanations offered in defense of high prices is the cost of labor. Lumber is dear. But at once it is shown that the lumberjack gets \$50 a month, board and lodging; the latter items costing not less than \$20. The freight rate is high because railroad costs, half of which are labor, are double those of a few years ago. The local lumber dealer meets all objections to complaints against the charges for his services by showing that he pays out \$100 for getting work done which a short time ago cost \$50. Coupling these costs with carpenter wages completes the cycle, and a dwelling house, or anything else made of lumber costs double the price of seven years ago.

The middleman passes the shock which he receives on the one hand to those with whom he deals on the other,

and is little the worse for having acted as a transmitter. The manufacturer, whether he makes what we must have because of hunger and cold, or what we must have in social self defense, is able to save himself in large measure because he is not compelled to produce at any given moment, or in any foreordained amount. The manufacturer of leather goods was able to stop buying leather two to three years ago; the manufacturer of leather promptly reduced his bids for hides from 10 cents a pound to 2 cents. The packer made a corresponding reduction in the price of cattle. Thus the shoe manufacturer had little stock on hand when prices fell; the leather manufacturer had little on hand; the packer had much on hand, for a great portion of which he had paid almost nothing; while the farmer received for his cattle hides nothing at all, the hide, as it were, going with the tail. The farmer is thrown out of line because there is nobody beyond him to whom he can transmit the shock. In physics the same principle is illustrated by hanging a number of balls, attached to strings, in a row. By striking one of the end balls it will be seen that it hardly moves from its position, nor do any of the others until the one at the end is reached. This one flies out into space a distance determined by the force of the blow. The farmer is the ball at the far end and does not show signs of returning to his former position as promptly as does the ball in the physical laboratory experiment. How to regain this position is the problem not only of the farmer himself, but a problem likely to concern many non-farmers more than has yet been the case. What has happened is a shifting of margins, costs and incomes, in which the farmer is the loser. What can be done about it is becoming a vital national question.

Prices, so far as any one social group is concerned, may be influenced in some half dozen different ways. (a) By accepting the central market price, fixed by impersonal economic forces, and getting the largest possible share of it through economies in methods of bridging the gaps between producer and consumer. (b) By changing the price level. (c) By changing the demand for the goods in question. (d) By eliminating some portion of the competition among producers, as by a tariff. (e) By establishing a private monopoly. To these may be added still another, opposite in the direction of effort, but the same in outcome so far as the

individual is concerned, that of lowering cost of production.

The first method, that of reducing costs and margins in marketing, has been tried from time immemorial, and will always remain but partially solved. On this stronghold the forces of the Grange, the Alliance, and several of their successors have broken. Even so the successes attained in influencing prices received by farmers have been achieved mainly through cooperative effort, the roads to market have been shortened, the number of hands through which goods pass have been reduced. The gain has been first to the farmers, and in many cases has later been shared by the consumer. More oranges have been marketed by the California Fruit Growers' Exchange, and undoubtedly the prices, one time with another, are less than would have been the case under the private management of the citrus fruit market. Cooperative elevators of the grain regions have for twenty years effected savings of several cents a bushel on grain but it has not made grain dearer. It has, however, put more money into farmers' pockets, partly by reducing the margins of grain buyers, but more by eliminating wasteful competition, substituting economic units for uneconomic units, to the ultimate advantage of all. So long as these cooperative companies do not control the major part of the product in which they deal they can not be indicted, much less convicted, on the charge of running a monopoly. The monopoly phase of farmer organizations will be noted later.

Through cooperative effort, the balance of accounts may be changed in the farmer's favor. As a means of adjusting the discrepancies such as now exist between farmers and the general industrial forces it is inadequate. Even were the farmer at the present time able to get all of the central wholesale market price for wheat, milk and potatoes, he would still earn less per hour than the man who, after seven months' apprenticeship, repairs his automobile.

This suggests the second remedy, that of changing the price level. The price level expedient has its advocates ranging from Professor Irving Fisher to the recrudescing Greenbackers of the present Congress. Within this wide range are to be found those who believe that the deflation of the farmers' prices was maliciously brought about by a change in the Federal Reserve discount rate, and those who, accepting the evidence of facts, recognize the failure of the

demand, the relative overproduction, and the weak position of the farmer in making readjustments. The scientific advocates of the stabilized dollar do not propose the plan as a remedy for an acute situation such as we now have. The purpose of the stabilized dollar is to avoid the ever-recurring cycles in which all classes of producers are involved. The difficulty now is the advantage and disadvantage respectively of the several leading groups of producers. The stabilized dollar would not, and could not, prevent the strongly organized class from getting an advantage over the weakly organized class.

Any plan, however successful, of changing the general level of prices would fail in the crucial test since it would raise, or lower, all prices simultaneously. What is needed is not primarily inflation or deflation. It is a restoration of an economic balance. Should our paper money philosophers of the Senate succeed in inducing Congress to print enough more money to raise the level of prices to any higher point they must remember that it will inflate retail prices and wages, just as surely, even though a little more tardily, as it will raise the prices of farm produce. It will create all manner of inequalities as disturbances of price levels always do, but the belief that it will act as a specific for the present ills is absurd. The faith which many of our agricultural writers have in a restoration of the price level to a higher point seems to ignore the patent fact that the farmer is not suffering from the decline of general prices primarily, but from the decline of his products below the general level. Of course the changes in the general level affect the size of outstanding obligations, and to the extent that the farmer is in debt, he is hurt by falling prices and helped by rising prices. To reflate for the purpose of this relief is however like exposing one's self to the small-pox in order to enjoy the chance of effective vaccination. The hazards are multiplied more rapidly than are the safety devices. For the complex ills attendant upon the present lack of balance among our producing classes the paper money medicine men will have to be classed with all other bootstrap uplifters.

Third in the list are the advocates of a change in the demand for goods. The cranberry growers use the suggestive name "Eatmor" as their leading brand. "Uneeda Biscuit" has been believed by a large enough number of people

to bring the desired revenue to the manufacturers. The "Sunkist" orange has undoubtedly helped in popularizing the product of the orange orchards, and the advertising of milk appears to be producing results in an increased demand at a somewhat better price. Who has the courage, however, to hope that any system of persuasion will increase the aggregate amount of food consumed? The demand for the great bulk of farm-grown product is inelastic.

Fourth in the list are the proposals to appeal to the State. Of these there are at least three. The plain fixing of prices comes first and is the most naïve. If the Government could fix the price of wheat for the years 1917 to 1920 why not always? The fixed price, though not satisfactory at the time, has looked good in perspective. But price fixing appeals to those only who imagine that what can be done during a war can also be done in time of peace. The price fixer believes in a fair price, a term which has served to cover chasms of ignorance. A fair price must of necessity be a price fixed by authority. As popularly used it is not such a price, though just what it is few have seemed to know. May I venture to suggest a definition: At any given time a fair price is about ten per cent more than you can get.

Another appeal to the State is made by those who have lost faith in the ability of farmers both individually and collectively and turn to society for a solution. It is proposed that the State take over and run packing plants, elevators, mills, warehouses, and, in part at least, the banks. These people have lost faith in private enterprise with the State acting merely as umpire; have forsaken voluntary cooperation as the way out; and call on the non-farmer to take a hand in the solution of the farmer problems. While the non-farmer would be in a small minority in some of the grain-growing States, in others, like Illinois or Minnesota, the non-farming population would be in control. To guard against this contingency it is proposed to unite with labor, and so present a solid front against big business. The laborer and the farmer are to settle the question of prices on the basis of what the farmer in fairness ought to receive, and what the consumer ought to pay,—another case of the lion and the lamb lying down together. The experience in State ownership and operation of industry may well give us pause in accepting the plan as a panacea. If, forsooth, we fear to take over the railroads in which manufacturer,

laborer and farmer are interested, whose interests in the main coincide, how can it be hoped that a business in which one-third of the people are to prosper by keeping prices up and two-thirds by keeping them down can be handled to the advantage of the one-third? While an insignificant portion of the business is done by the State it may not result in an issue, and incidentally economies may be effected. If the program becomes general the advantage will be absorbed by the operators, society, and the farmer will get the world price for his wheat—exactly as he can now.

Still another proposal, which has reached the stage of a bill in Congress, is that the Government should buy the surplus of leading crops such as wheat and cotton. A price would be set months in advance at which this surplus should be bought, and since any given quantity as well as any other might be a part of the surplus no purchases could be made below the price set for the surplus. The Government, it is proposed, should tax back its losses onto the growers in the final settlement with the net result that the consumer would have to pay a price fixed on the basis of the quantity needed, while the lower world price would obtain on the amount sold abroad, instead of on the whole crop. This is at least an ingenious plan, perhaps properly called a scheme, whereby we would compel the working of an all-around tariff, since of course a plan of this kind would fail utterly without a tariff. The price paid for produce under this scheme would be set by a board. Just how Congress would resist the importunities of other producers who would find their prices unsatisfactory is not revealed. Should Congress undertake to buy all surplus, and through a board, or boards, set all prices it would lead us to conclude that in comparison with the difficulties here involved the theoretical objections to socialism are as "dust in the balance."

The fifth hope is that of a nation-wide pool, operating much like a monopoly. Operating after the manner of a monopoly, so far as outward appearances are concerned, does not, however, identify an undertaking as a monopoly. For example, the raisin growers have for some years marketed the bulk of the raisins. A case was brought against them charging violation of the anti-trust act. The publicity afforded brings out the fact that the company has control of the bulk of the crop. It projects a price, or scale of prices, over the season of sales. This is what is superficially

seen. It looks much like monopoly, and possibly for the season it may technically be such. However, that which is not so clearly seen is that the growers' company has no appreciable control over the supply which it puts from year to year on the market. A given quantity of goods during a season will bring about what the demand for the same will stand whether offered by a group of producers or a group of dealers, each acting in its own interest. The real question is who gets the money. There is no evidence to show that the consumers are paying more for raisins, prunes, or apricots than would be paid were the cooperative companies to disband and independent dealers take charge of the produce. The good prices which they may receive stimulate a further production, and the larger quantity must bring a lower price per unit.

The charge of a farmer monopoly was perhaps loudest against the milk producers. In a few instances the officers of milk producers' companies were put in jail. In other cases Attorneys General camped on the trail of the farmers with the persistency of crusaders. The law was to be vindicated. One is tempted to suggest that these law enforcers had not met with much success in former efforts. In hunting big game they had met with discouragements only. The farmers appeared as smaller game easily bagged and the chance of bringing home at least something in the way of trophies was stimulating.

The real question that required an answer was whether or not the farmers were to enjoy the privilege of collective bargaining. A law was recently passed granting that privilege, and great legal authorities have been disturbed over the prospect of exorbitant prices of foodstuff exacted by farmer monopolies. Every farmer monopoly, so-called, carries within itself effective antidotes to its own poison. It is of trifling importance that here and there a farmer marketing company may be able to get all the traffic will bear out of burley tobacco, raisins, or eggs; but that these organizations can have price-making power inimical to the interests of the public, or even price-making power beyond what would obtain through the operations of market forces, has not yet been demonstrated. That the farmers will be able to create a monopoly control of wheat, pork, beef, milk, or potatoes, comparable with the control now existing in the labor market, or in the anthracite coal business, is about as probable as peace in the Balkans.

The improbability of a genuine farmer monopoly, outside of a very few unimportant fields, is based on the very nature of the business. There are too many farmers, and immediately the interest of one runs contrary to that of the group. If the majority agree to grow few potatoes it is a signal to the minority to plant more. Again the weather is a factor as important as acreage, since the rain makers are not fully established and accepted, and no one has even attempted to stop the rain when there is too much. All of which spells disaster to the closing of the farmer monopoly circle.

A favorite means of influencing price in a wholesale manner in which the farmer has put his trust, is the tariff. No economic question is more complex; no political question more simple. A candidate gets into Congress by advocating a tariff on agricultural products; gets the tariff by voting for duties on manufactured goods; and holds his position because no one can demonstrate its ineffectiveness. A tariff on agricultural products has about the same relation to a tariff on manufactured products that an LL.D has to a Ph.D. To the contention that within ten or twenty years we shall be importing food it may be replied that in view of this prospect an agricultural tariff ten or twenty years from now might be effective.

A half truth is always harder to down than an outright falsehood. In the case of the tariff on agricultural products one cannot say that it is ineffective since it does produce some effects. No one questions the operation of a tariff on sugar or on wool. But to reason by analogy that tariff on wheat is beneficial to the wheat grower, or on corn to the corn grower, is to beat the tom toms.

Mention may be made of the appeal for cheaper credit. This appeal takes two forms. The first is for credit for farmers so cheap as to constitute a subsidy and induce greater production in the interest, not of the farmer alone, but of society. The more reasonable proposal is for such changes in credit facilities as are needed in order to give the farmer as much and as favorable credit in proportion to his needs as other business men are getting. To the latter proposal there is no objection. It is imperative indeed that it be done. However, cheaper credit is no cure for the farmer's ills. It is like lending to a man who is being systematically robbed. It may please him at the time, but fails.

both to restore his goods or stop further loss. What the farmer needs now is not a loan to make up his deficit for the moment, which must be paid back later, both principal and interest. True enough the loan may be needed, and it may be of great help, but a solution of the malady it is not. It is much like giving a crutch to a man with a broken leg. No doubt a good thing, but of much less importance than surgical attention. The farmer has need of the crutch, but he should not be left a cripple for life, making the crutch a permanent necessity.

Having rejected one by one as inadequate the whole medicine cabinet of remedies and nostrums, must the conclusion be that the case is hopeless? So far as any quick and painless method is concerned it unquestionably is. The real trouble with the above prescriptions is that one and all they are written without any close attention to the troubles they are designed to cure. It is necessary first of all to see why the farmer is in economic distress. Moreover, the diagnosis is not a very difficult one. In the years 1916 to 1920 inclusive the customers crowded the farmers' counters for goods, paid any price, and paid cash. It was a sellers' market. The energy of the whole western world was centered on war, and its immediate after effects. The regular sources of food supplies were shut off. The future was mortgaged for purchasing power, old securities were sacrificed, bonds were issued, chattels were sold. The farmer was urged by prayers, patriotism, and profits to produce to the utmost, and produce he did. All of a sudden his customers left him, some because they could buy at lower prices elsewhere, others because they were cultivating once more their old fields, and still larger numbers because they were bankrupt. That they were, and still are, hungry and starving is of secondary consideration. The purchasing power is wanting.

Still the farmer continues to produce. Providence has afflicted him with crops of unusual magnitude. The results are inevitable and their explanation requires no occult power. During the war we ran short of houses, furniture, and machinery. The capitalists are playing a conservative rôle and holding much the same position as in former years. The laborers seeing that their contributions are indispensable are meeting the situation effectively by putting upon the market no more of their wares than will be taken at a

predetermined price. They are acting in a perfectly logical, perfectly selfish manner. The farmer having no means of limiting his output throws upon a glutted market a mass of goods not keenly wanted and wonders and complains at the ruinously low prices paid. The logical way to make farmers prosperous is to lessen farming, just as the coal operators are prosperous because there is too little, not too much coal above ground.

The prices of farm produce may be influenced fundamentally only by conformity to economic law. In spite of all advantages to be gained through improved marketing, and they are many; in spite of economies in production, and they will always be basic in farm prosperity; in spite of whatever merit there may be in improved credit, and the tariff; in spite of all these it will be necessary to balance agricultural production against the demand for it. No doubt this is a truism, but no doubt also it is not appreciated. A wider market offers relief, and a wider market is available, but not easily so. For years we have sent our surplus agricultural produce to Europe. Now Europe is in debt to us and we are saying to our debtors that the obligations must be paid, but not in goods, presumably then in cash. But Europe has goods, potentially enormous quantities of goods, but no money. Our drum-beating nationalists are determined that the goods shall be kept out, and the cash demanded. The advantage of the exchange of goods for goods is denied and mercantilism, thinly disguised, is paraded as the most modern doctrine.

The program that would bring the greatest relief to the farmers would be for a fifth of them to leave the farms, and break into the better paying professions, trades, and businesses. Those leaving might be no better off, but this would at once weaken the power of the groups holding prices up artificially, whether they be laborers or capitalists. If a dollar an hour is too much for the man who repairs automobiles, more farmers' sons going into that line of work would bring it down, and incidentally increase the rate of pay to those remaining on the farms. In reducing the number of farmers relatively, and it must take place before prosperity returns, it would be fortunate indeed were some plan devised whereby those on submarginal land might be removed first. The help of the State should be enlisted in this direction. It is actually being done in Michigan and in

Alberta. Many of our States are still begging for settlers, and recommending their untilled acres. It is unusual for the State to use its influence or its money in helping people to get off of sub-marginal land. Why it is not as well within the sphere of State activity as to assist settlers to get onto such land is not clear.

The counter-part of the same program is the rehabilitation of the buying power of Europe. Could this be accomplished and in some degree it is clearly feasible, the farmer would be the first and greatest gainer, since food is what Europe most needs.

The decrease of production and enlargement of the market are major considerations, and the plans for carrying them out are above and beyond all questions of petty politics and immediate advantage. They call for statesmanship in the formation of policies and likewise in their execution. In these considerations are involved such fundamentals as land utilization, land settlement; immigration, and trade relationships. All these matters are constructive. Not so clearly so are those relating to the unduly large share of the national dividend at present going into the payment of wages and monopoly profits. Monopolies must, eventually, be socially controlled, or the farmers and with them many others will be reduced to peasantry, or its equivalent. Unless intelligent direction or economic harmony, or both together, restore the farmer's buying power within a short time he must of necessity reduce his standards of life, a national calamity.

More immediately must we recognize a class struggle between farmer and laborer at the very time when they are courting each other? All sentiment aside, whenever the farmer rebels, as he properly should against freight rates, the price of lumber, the cost of a suit of clothes, a Wilton rug, or barn fixtures, all of which are double the prices of 1913, he will find that the cause of the high price is primarily labor. The philosophical question is whether labor can succeed in reducing the standard of living of the farmer class; the practical question is whether the farmer will come to see the cause of his financial distress, and act accordingly. Organized labor has successfully resisted deflation thus far. Unorganized labor has little power of resistance. Even so, farm labor is higher relatively than farm products, and will manifestly remain so during the coming year.

The farmer would be unwise to attack labor directly. Neither is it true that organized labor in general is paid too much. The serious question is whether from the national standpoint it is either possible or desirable for organized labor to hold the prices of goods and services at a point 77 per cent above the pre-war level. Is enough being produced to warrant such payment? Can the level be maintained with the purchasing power of the farmer so out of line? In all reason the present condition cannot last, or should it last, it means that farmers will accept a lower scale of income and become inured to it. An attack on railway rates and the prices of manufactured goods is in order.

Some amusing articles appeared a year or two ago entitled: "What If the Farmer Should Strike?" The sort of strike there considered is about as likely as snow in summer, and as pleasing as rain in harvest. However, another sort of strike he cannot stage too soon: a buyers' strike against goods and services relatively twice as high in price as his own. It is a painful method, but the sooner it is done, the less will the farmer class sink in the scale of living.

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THE RELATION OF GOVERNMENT TO
AGRICULTURAL MARKETING

BY

B. H. HIBBARD

PROFESSOR OF AGRICULTURAL ECONOMICS
UNIVERSITY OF WISCONSIN

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THE RELATION OF GOVERNMENT TO AGRICULTURAL MARKETING

B. H. HIBBARD

Professor of Agricultural Economics, University of Wisconsin

IT may be taken for granted that the general facts concerning the relation of government to marketing are fairly well known. That is to say, there is a reasonably clear understanding on the part of all concerned respecting the important part which the government has come to play within the general field of marketing, such as that done through the Interstate Commerce Commission, under the Food and Drugs Act, and the further control over a multitude of marketing functions exercised by the Department of Agriculture. The standard package, the distinct labelling as to ingredients and quantity, and the exclusion from the market outright of many undesirable adulterations have given the purchaser of goods a protection which competition among buyers, and information among purchasers, with all due respect to Adam Smith, had failed dismally to accomplish.

Twenty years ago it was the firm conviction of substantially all interested parties that farm produce with the exception, possibly, of the cereals and cotton, could not be standardized to such an extent as to permit sales without inspection. At the present time so much has been accomplished in grades and standards that the question, outside of the highly perishable products, has come to be whether or not there are any important farm products which will not soon be known by definite, dependable, grade designations. For instance, the grades of potatoes, of apples, and even of hay, are assuming an importance deemed impossible only a decade ago. The counterpart of these improvements is control over the agencies handling the goods. Through the Warehouse Act by which better storing and financing is made possible, the Cotton Futures Act, the Packers and Stockyard Act, and the Future Trading Act, broad powers are given to the Department of Agriculture over some of the most vital of the marketing pro-

cesses. A mere catalog of the many developments of governmental influence and action in the field of marketing agricultural products would cover the major portion of the space allotted for this paper. Hence we will turn our attention to some of the more important policies, some of which have resulted in legislation, others not.

Direct Control

At the close of the war we had left over as a legacy the policy of government control of a few prices. The outstanding instance of the fixed price was that for wheat, yet for a year and a half following November, 1918, the price was above that set by authority. With the sudden deflation in 1920 a demand for the renewal of price-fixing became prevalent in the districts suffering the greatest hardships due to low prices. In both Australia and Canada the compulsory pool under a government board has been attempted. In neither case has a signal success followed. In fact the plan in Canada is meeting with so many difficulties in the initial stages as to make it doubtful that it will ever be given a real trial. Thus government price-fixing and likewise compulsory pooling under state direction seem to be in the one case unworkable, in the other politically infeasible, and probably also unworkable were this disability overcome. Price-fixing is not compatible with free economic development, and pooling must be left to cooperative groups.

The third, and most persistent, form of direct control is one which is highly theoretical and artificial, since there has been no instance in which it has been tried. It has, however, reached the stage of a bill in Congress, and is receiving consideration by the present administration in view of its political possibilities. Briefly it proposes the promulgation of a price at the beginning of a crop season, i. e. just before harvest, at which the government agrees to buy all the produce, some four kinds, ten or eleven months later. If, for example, the price of wheat be set July 1 at \$1.50 no one will sell wheat appreciably under that figure during the season. By the end of the year the government will have bought the exportable surplus at \$1.50, and the American public will have secured its needed supply at the same figure. The government must

sell its holdings abroad for whatever it can get, say at a loss of fifty cents a bushel on 250,000,000 bushels, amounting to \$125,000,000. The payments to the farmers have not been quite all in cash, certificates having been used for the last twenty-five cents or such a matter. After the loss of handling is known the value of these certificates will be computed, and found to be, perhaps, fifteen cents. Thus the farmer actually receives around \$1.35 instead of \$1.00 on the open world market. The bread eaters have paid the 35 cents additional, but since the basic \$1.50 was found by the use of an index number of prices of general commodities it will appear that there should be no complaint. The farmer is being paid in the same coin as are artisans and business men. The friends of this scheme claim that it is in harmony with the principles of the tariff, and should therefore be acceptable to Americans. They forget that the tariff is not voted in the form of an addition to price, and that its advocates have thus far been able to make the populace believe that no one really loses through its action. In this plan of raising the price of farm produce it will be unmistakably plain that the laborers' bread has been increased in price in the interest of the farmer, while the indirect effect in the form of a greater demand for goods sold to the farmer will serve poorly as an offset. Since this plan is not in effect, and not likely to be adopted, no further refutation of its bizarre claims need be given at present.

Although not initiated since the armistice, and not undertaken by the federal government, the spectacular effort at direct control of marketing in North Dakota should at least be mentioned as one of the possible, even actual, relations of government to marketing. Here the state owns a terminal elevator and two flour mills. The plan was, rather than is, to take over all the machinery of terminal marketing of grain and livestock, together with the manufacturing processes of making them respectively into flour and meat. Political dissensions have curbed the aspirations, and at present the plans for expansion are quiescent.

Indirect Control

In no fewer than five ways the government has, within a few years, undertaken to influence prices through the use of its

authority. These are: the regulation of important marketing agencies such as the packers; the specific limitation of certain practices such as the dealing in futures; the modification of freight rates in the interest of the producers; the limitation of certain middleman charges; and last but not least the enactment of a tariff.

In the summer of 1921 Congress passed the Packers' and Stockyard Act. It has been held constitutional and is in force. This act resembles the Decalogue in many particulars. In the first place there are some ten "thou shalt nots" directed in no small measure at trespasses which may indeed exist in the minds and hearts of the packers, like covetousness and desire in many unconverted citizens, but of which they have not been convicted. The packers are enjoined from unfair, unjustly discriminatory, or deceptive practices; from manipulating prices or creating monopolies. Commission men are commanded to establish, observe and enforce just and reasonable rates for their services. Popularly the packers are supposed to have broken all moral laws daily in their dealings with the farmer. They have been persistently accused of manipulating a monopoly which doles out a shamefully low price to the western farmer and exacts heavy tribute from the eastern consumer. The government spent a mint of money some twenty years ago in an investigation of the practices of the packers, published a shelf-full of hearings and findings, and acknowledged, perhaps not officially, that the charges, while probably true, were unproved. More recently the Federal Trade Commission brought out a severe indictment of the packers and their practices, though nothing came of it, except, perhaps, sentiment making the present act possible. The Packer Act is not to be despised or treated in a light vein. Manifestly it will fail in most of its counts against unprovable sins, such as price manipulation. On the other hand it does one thing never before accomplished. It provides for a representative of the government at each great market, giving him the right to know what is going on. Thus for the first time the government is enabled to get information at first hand concerning transactions which have been, presumably, carried on in the dark. A few points have been made: for example, farmers' cooperative companies have been given recognition, and boycotts against at least one of them stopped.

The companion piece to the Packer Act is the Grain Futures Act passed, likewise, in 1921. It has been in force for just about one year. No body of men outside of Wall Street and the Standard Oil Company have been more persistently accused of economic piracy than have the members of the grain exchanges. They are accused of a whole docket of sins but the unpardonable one is ever and always that of dealing in futures. Without exception every farmers' organization of the general type, such as the Grange or the Farmers' Union, has denounced dealing in futures in vigorous terms. The belief is widespread, even general, among farmers that the boards of trade have the power of life and death over the producers of cereals, through their power to put prices up and down at will. Especially is it believed that they depress the prices of cereals in the fall, and in the spring, after the farmer has sold his crops, raise them correspondingly. Were this half as true as it is believed to be all we should have to do in order to become independently rich would be to buy wheat in September and sell it in April. However, the Future Trading Act does not forbid futures. It does forbid the sale of "privileges", "bids", "puts and calls", and a few more practices of a similar nature. Like the Packer Act it allows the government to station an agent at the exchange. This will mean that eventually we shall have better testimony concerning the workings of the exchanges than has yet been available.

Incidentally it may be remarked that there have been no startling reports or even rumors, coming from the agents of the government stationed at these markets, and furthermore that both wheat and hogs are lower in price than a year ago. These facts do not in any sense condemn the laws. It may be that prices are even a shade higher to the farmer than they otherwise would have been, and this without a corresponding increase at the wholesale point.

The experience of the past few years emphasizes the power of the state over agriculture through control of freight rates. The whole agricultural map of the United States is being slowly remade on account of the increase in freight charges. Unless something is done about it before many years the East will produce more bulky crops, and the West and South more concentrated products than formerly. High rates mean a

short haul for the goods low in value per pound, and a long haul for the goods high in value. Here is a responsibility which has been met in a halting manner. It costs the farmer of the Middle West about twice as much to get his produce to market as it did before the war, yet the price paid him at the primary market is hardly more than in 1913, even less than at that time in some cases. All this means a redistribution of wealth among farmers. America has been developed on the basis of long hauls at low rates. To change this, as was done, suddenly, is a matter of gravest importance. The country should recognize the vital demand for a solution of the transportation question. In this sphere the relation of the government to marketing is close and unmistakable, but thus far unfortunate, without, however, any culpable blame on the part of the government. While modifications are possible, even imperative, there can be nothing signal accomplished while labor receives substantially the figure corresponding to that of the period of greatest inflation. On this score the government is necessarily weak, and the farmer meets the issue by lowering his standard of life.

During the war the government undertook in many instances to limit the margins charged by middlemen. With the close of the war this policy was dropped. In Canada, however, there has been in vogue for some years an important plan designed to help the farmer solve the marketing riddle. The margin permitted the local grain-elevator company for its services has been definitely limited to one and three-fourths cents a bushel. This was done in the interest of cooperative companies but it has been found to work against them in many instances, since under unfavorable circumstances, it is often impossible to run at that figure. The arbitrary limitation of a middleman charge is a two-edged sword. If set too high it becomes an excuse for an undue margin; if too low it cuts off part of the needed service by making it impossible to do business.

The last topic to be considered under indirect control of price is the tariff. No sooner had the war ended than the inevitable clamor for protection arose. We had been on a free-trade basis, respecting nearly all agricultural produce, but with the opening up of traffic with the ends of the earth it was

at once evident that the prices of 1918 to 1919 were bound to tumble. The farmer had come to believe that a tariff was efficacious in raising the prices of steel products, of textiles, and of boots and shoes. Why then would it not perform a like service if applied to wheat, corn, butter and pork? Of course it is effective in relation to wool and sugar. Just how an import tariff on an exported article is to raise the price has not been revealed to any careful student of the subject, but to the candidate for the Senate from a northwestern state it is as visible as the traditional band wagon, or as a drum-major in a parade. It does not occur to these gentlemen that it may well happen that wheat may, because of a tariff, be lower at some western Canadian village than across in North Dakota without contributing to the higher level in the latter market. In other words it does not seem evident to many of our politicians that so long as we are on a world-market basis the exact amount exported is of minor moment.

The alacrity with which the Congressmen of the manufacturing districts took off their coats and came to the farmer-tariff log-rolling furnished a scene to be remembered. Only one item of any importance was omitted. We have no tariff on upland cotton, yet it might have been had for the asking, and the present price of cotton has been cited to prove its value. The wool tariff is doing its duty in keeping the price of wool high. Sugar has shown its independence of the amount of protection proffered and risen superior to it. In the case of certain grades of our hard spring wheat there is normally a shortage, hence protection actually operates in keeping the differential between this and softer wheats wider than it otherwise would be. On such important products as the bulk of the wheat, corn, hogs, beef cattle and dairy products the tariff schedules are about as important as were the incantations used in the manufacture of the Damascus blade. Similarly the farmer believes in the tariff as the smith who tempered the steel in the ancient shop had faith in incantations. The relation of the government to marketing with respect to the tariff on agricultural products may be flimsy from the standpoint of economic reasoning, but viewed politically the relationship is a powerful one.

Financial Assistance

It is well known that during certain times of every year, and sometimes throughout the year, money for moving farm crops is hard to get. Congress came to the rescue in this particular, subsequent to the beginning of the present agricultural depression, by continuing the War Finance Corporation, and extending its powers. During the year 1921-1922 this corporation, with almost unlimited funds at its disposal, furnished over a third of a billion dollars mainly for agricultural purposes. There is no way of finding out exactly how much of this amount was used for marketing, but it is clear that a large part of it was so used. Much of it was lent to marketing companies direct, and any farmers' marketing company in good standing was able to get what it needed. With the organization of new credit facilities, provided for in the acts passed in March, 1923, the occasion for direct loans of government money are presumably past. While it lasted, as an emergency measure, it was one of the effective means of preventing greater disaster during the period when financial wrecks were frequent even in the conservative field of agriculture.

While it has never been the policy in this country to subsidize farmer marketing companies, it has been proposed, and in Canada it has been done. In Alberta and Saskatchewan government money was lent to local cooperatives with which to build elevators. In Manitoba the government built, and for some years owned, elevators. These have since, with few exceptions, been sold to a cooperative company. In the United States the raising of the funds for building the elevators has not been a determining factor in their success or failure.

Legal Relations

The passage of a law for the purpose of giving the farmers' marketing companies proper standing legally, and protecting them from the charge of conducting monopolies, was a real step in advance. For years there had been a question as to the right of the farmers to combine for selling their produce. It was held that the combinations were in restraint of trade. On several occasions farmers were thrown into jail, and subjected to long, tedious legal trials. In no case was the prosecution able to prove that the farmers were conducting a

monopoly, and for a very good reason, since they were not. The explanation of freedom from guilt with respect to monopoly does not lie in the good character of farmers as compared with anthracite coal producers, so much as in the fact that there are over six million of the former, and hardly over six of the latter. The government has merely recognized, not created, the situation. Since the laborers asked absolution from the action of the anti-trust act, they have proved their ability to form a monopoly so effective as to become the envy of most capitalistic undertakings. The farmers have on a few occasions created the shell of a monopoly, but always, and necessarily, with the kernel lacking. In spite of a very formidable-appearing article published in the *Atlantic Monthly*, February, 1921, under the title, "The Menace of New Privilege", there has thus far appeared no manifestation of it. The legal immunities and privileges granted the farmers may help them to make reasonable bargains in the sale of their produce. They can never provide them with the elements out of which monopolies are made. A series of legal decisions have given the farmers' companies a standing which they have never before enjoyed, mainly with respect to the right to enforce contracts with their own members.

An important point in the relation of government to marketing may be mentioned in passing—the enactment of a great number of state laws providing the legal machinery for cooperative marketing. While these are not revolutionary, they are convenient, and helpful.

Readjustment of Supply

The real trouble with the farmer, beyond all others combined, is his inability to reduce his output with the fall in demand. No matter in what terms it is put, the sum and substance of the farmers' lack of prosperity during the past three or four years is over-production. It may be that more food than ever before is needed in accordance with the number of people. The nightmare of Europe is people without food, with us it is inability to digest the food we have. There is too much of it.

The government is concerned over the surplus of agricultural produce, especially wheat. To urge a lowering of

production is hardly within its province, yet with good grace it can suggest turning from one product to another. Under strong political pressure the government has recently advised a radical reduction in the acreage of wheat. It is quoted as favorable to a cut of twelve million acres, presumably enough to take the wheat farmer off the world market. Since the government has no power of bringing such a radical result to pass it can perhaps afford to acquiesce, or play even a somewhat active rôle in a comedy of this sort. It can hardly do any harm; it will please many farmers; and it might even, temporarily, be of service in persuading farmers to take a second thought respecting the most conspicuous item in over-production.

Information Furnished

Undoubtedly the most important work of the government in the field of marketing is that of furnishing information. First in this field comes the crop reporting. With all their imperfections, the reports on crops are easily among the most fundamental undertakings of the government. On their findings the market levels depend more than on any other one influence. If proof of this is needed note the sudden rise or fall of cotton or wheat when the final estimates for the year are made public. Within recent months there have been both sudden up-turns and breaks due to a revision of the government estimates. If the somewhat radical revisions suggest imperfections, the effect of them merely emphasizes the importance of greater effort at reliability. A new phase of crop estimates promises to attract unusual interest. This is a report put out just before planting time of "intentions to plant". Should this develop into a widely accepted branch of the service it might result in many revisions of intentions. At least the wiser farmers could profit by it.

The work of the government in furnishing estimates of acreages and yields is not a new development. Since the armistice a comparatively new duty has been assumed in estimating as nearly as possible the demand and supply of products in the leading foreign countries. With the statistical service of these countries broken down, the only feasible means of gathering information has been to employ the scout method of survey.

During several years the scouts of the Department of Agriculture have been working in the leading countries of continental Europe undertaking to discover as definitely as the circumstances would permit the probable rate of recovery of agricultural production, the amounts likely to be for sale, and the probable demand. In the more restricted field of manufacture, as for example with self-binders or tractors, the interested parties are able to find out without government aid almost the exact number of machines made, the number sold at home and the number exported. With these data at hand an estimate sufficiently accurate, with perhaps the help of some of our foreign consuls, can be made. Concerning agricultural demand and supply the information available to the farmer through his own efforts is hardly worthy of the name. The collection of information at home and abroad, the daily touch with markets, and the broadcasting of reports but a few minutes old, are developments which will tend to put agriculture on a basis enabling it to compete successfully against other callings for the share in the national dividend to which it should be entitled.

Government Influence Necessarily Limited

The experience of the past few years emphasizes the limitation of the government in the field of marketing. At the same time it shows the great possibilities within certain well-defined spheres. Millions of dollars are being spent annually by the federal government and by the states and state colleges in promoting good marketing, but more and more it is becoming evident that the duty of the government is to regulate the practices of men and companies engaged in marketing work wherever and whenever it appears that competition alone cannot be trusted to insure a square deal; to furnish systems of weights, measures and standards; and to stand by and see to it that the marketing game is fairly played.

In an even more tangible way the government has assumed the duty of financial aid, both direct and indirect. Within the past six months the new agricultural intermediate credit banks have loaned thirty-two million dollars, three-fourths of which have gone to farmer marketing companies. Curiously enough, the demand has been much stronger for loans in the

cotton and tobacco districts where prices are high, than in the wheat and livestock districts where they are low.

A further step has been taken by the federal government in the form of reports showing the facts surrounding the marketing of produce of many kinds, and studying and describing the type of cooperative companies in the field and the success attained or failures made by them. Regulation, information and education are the great spheres of action for federal, state, and state college endeavor in marketing. Instead of bidding for certain trouble by undertaking to market goods for some of its citizens, or subsidizing groups aspiring to reform marketing methods, thereby becoming a party to a controversy with grave prospects of mistakes and disaster, for which it would never be forgiven, the government is wisely choosing the larger, more fundamental work of intelligent guidance through education and information, and such legal protection and opportunity as seems to be needed in order to allow farmers a fighting chance to win their battles. The government can be a good trainer or a good umpire; it can hardly become one of the main participants in the marketing game.

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LEGISLATIVE INTERFERENCE WITH
AGRICULTURAL PRICES



BY

BENJAMIN H. HIBBARD

PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF WISCONSIN

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LEGISLATIVE INTERFERENCE WITH AGRICULTURAL PRICES

BENJAMIN H. HIBBARD

Professor of Agricultural Economics, University of Wisconsin

IT has been assumed by many that the power of the government over prices is almost unlimited. This view, which is held by the radicals, is based largely on analogies which may or may not fit the case. For instance it is pointed out that during the recent war prices were not merely influenced by government, they were fixed at the desired point and remained fixed until the control was withdrawn. This is looked upon by many as conclusive proof that the government has the power, if it will but exercise it, of bringing any price to a desired level. Not only did the government show its power in the control of certain agricultural prices, but in other fields as well. Prices were controlled absolutely in several instances, and relatively in others. That is to say, the selling price was fixed at a given point, or the margins added to costs were controlled, the latter device preventing the undue advance of price by merchants and other dealers.

The friends of the farmers are continually calling attention to the action of the government with respect to prices in several important fields. It is pointed out that many millions of dollars were paid to the railroads to make good the losses due to failure on the part of the government to keep the physical property in order during the war. Added to this there is much dissatisfaction, and more misunderstanding, concerning the action of the Esch-Cummins Act. There is a widespread belief that the government has for several years guaranteed an income of five and three-quarters per cent per annum to the railroads on their capitalization. While this is a gross exaggeration it must be admitted that there is more than a mere tendency to allow the railroads to make a living return on a reasonable capitalization. This is manifested through the work of the Interstate Commerce Commission, state railway commissions, and especially in the decisions of the courts. The general public, and this applies with particular emphasis to

the farmers, is impressed by the solicitude of the government toward the prosperity of the railroads, it being held that the government is unduly concerned that these companies shall have an adequate income, while it is all but universally forgotten that through the power of the government the rates are so regulated that no extraordinary income at a time of prosperity may be made as an offset against adverse times. Farmers, and for that matter, many others seem to forget that transportation corporations are called public service utilities because of the vital connection between their operations and the daily lives of the people concerned. It is a public calamity to have a sixth of our farmers bankrupt, many of them unable to go ahead with their farms, but even so the production of foodstuff does not cease; it hardly diminishes, even under these trying circumstances. To have the railroads bankrupt, or on the verge of bankruptcy, would mean the breakdown of the service in a much more complete sense than occurs in farming. Not alone prosperity, but the very life of the people of a nation, is dependent upon the constant functioning of the railroads and other common carriers. Hence the dissatisfaction and criticism directed toward the supposed favoritism of the government in its dealings with the common carriers will not stand analysis either on the basis of the earnings permitted, or the aid extended.

The recent action of the government in paying the railroads a sum roughly covering the losses due to the failure on the part of the government to keep the railroad property intact during the war is a recognition of the duty of the public to assume some responsibility respecting losses in cases involving a limitation of profits through public authority. If the public insists that no more than nominal returns shall be made in prosperous times, then clearly some source other than accumulated surplus must be found out of which to make good abnormal losses. This reasoning will apply so clearly to all quasi-public business as to need little argument in its support. If the government interferes with private income, and sets rates by authority it must make the rates adequate to keep the business going, during bad times as well as good. Thus the government is under obligation to keep the railroads up to a recognized minimum of prosperity.

Government Aid to Manufacturers

The decision was made something like a hundred years ago that manufacturing should be encouraged. It was not stated that this encouragement should be at the expense of other people or classes. No manufacturer would dare go before the public and ask that the hat be passed in order to make an unprosperous business pay. It is always necessary from the standpoint of tactics to convince the contributor that he will receive benefits in keeping with his contributions. In tariff arithmetic, in which two and two do not always, in fact not usually, make four, it has been easy during the past century to convince the public, a majority of it, that the government not only can, but should, come to their rescue respecting the prices of manufactured goods.

The distinction between price regulation in its application to quasi-public enterprises and the influencing of prices through tariffs is of course fundamental, but is well enough understood so that it need not here be elaborated. Railroads charge rates which are approved by Congress, perhaps more immediately by the Interstate Commerce Commission. The rates are known, and unless the railroads dominate the government, there is a well known public remedy for wrongs. In the case of manufactured goods there are no prices set by authority. Congress has no direct control over the charges made. Tariff acts may make a difference of ten dollars a ton on steel rails, but Congress does not presume to make suggestions as to what the price shall be. Manufacturers are obliged, no matter what the tariff may do for them, to organize their businesses, build up their trade, and through whatever measure of competition may obtain, to work out a price at which they will sell. The individual manufacturer may gain nothing from a tariff since he is subject to whatever competition other manufacturers may impose. The fact, however, remains that in a tariff-protected country the competition among those enjoying the protection is on a level of higher prices than it would be under free-trade conditions, and until competition at home becomes as fierce as in the world markets the tariff is hardly less than a guarantee of a larger rate of income. In any case the manufacturer, through a tariff, gets from the government, not merely a right to charge a higher price, but the means of

putting the right into effect. This right is not a shadow; it is real substance.

The Government and Labor

For many years economists had pointed out the futility of a hope on the part of labor for higher income through a tariff on the products of labor. It was suggested that labor should be protected, if at all, through a restriction on the importation of laborers. The validity of this contention was particularized in the struggle over the use of Oriental labor in the Pacific States. It needed no renowned economist to convince the laborers of the western states that people of a lower standard of life, working at the same trades as themselves, would drag wages down. In many instances the lower wages emerged from the theoretical into the real.

Our immigration laws may have been justified in their passage on any of half a dozen grounds, but in any event the result is the bolstering up of the highest wages ever paid to any class of labor in history. Other advantages granted by the government to labor make a long array. One needs but to mention the legislation respecting hours, sanitary conditions, safety devices and pensions to suggest the long road we have travelled from the *laissez-faire* of the eighteenth century to the government-protected labor of the twentieth. The proportion of the wage income due to government influence, while not easily measured, is a telling factor in modern life.

The Government and the Banks

It has been popularly believed for many years that the government has favored the bankers. Complaints of recent date are mainly to the effect that the government has been unduly considerate of the banks whenever their solvency was threatened. Specifically it is charged that the banks were helped through the War Finance Corporation while farmers suffered, and that the federal authorities bestirred themselves to stop the bank failures in the spring wheat region, raising \$10,000,000, although the bankruptcy of thousands of farmers had called forth nothing better than promises phrased in meaningless words. There is likewise the old belief that the privilege of bank-note issue is a boon granted only to favorites, and complaint that the bankers have been allowed to charge uncon-

scionably high rates of interest. Added to this comes the criticism of the use of government funds, and the manipulation of Federal Reserve Bank funds in the interest of powerful banks in need of help.

Thus it is held that the power of the state is invoked, and help obtained, by the most powerful classes and organizations including a large share of both capital and labor. In these favored groups are found, in fact, a large share of all important classes of manufacturers, bankers, many merchants and laborers, the farmer, almost alone, being compelled to accept the cold comfort of a *laissez faire* régime respecting his operations at home, and the shell without the kernel of protection in his foreign relationships. Thus the interference of the government with the natural law of price levels is held to be widespread and effective as applied to the non-agricultural classes, and the farmer has been asking in audible tones, why, since everybody else, as he views it, should eat at the public table, he, manifestly in sore need, must be satisfied with crumbs. The farmer, so far as he has been able to express himself, asks for help based on the precedents, above enumerated, of help to other classes. This view is supported and emphasized by the claim that the government is responsible in no small degree for the plight of the farmer in that it had encouraged him to produce more and more foodstuffs during the war; had assumed a measure of control over farm prices from 1917 to 1920; has continued its influence in holding prices up for other classes since that time; but has left him to his fate. The farmer is beginning to see that the agricultural tariff is a delusion and that other acts passed for his ostensible benefit, no matter how commendable, still leave him at a disadvantage, relatively, in the world's markets. This, then, brings the subject before us: The farmer wants the government to interfere with prices in his behalf because he needs help positively, and because, relatively, it is necessary to do so as an offset to the help it has given others.

What Interference Do Farmers Ask?

The first help for which farmers asked at the close of the war, or more specifically in 1920, was a tariff. The tariff has been discussed at length and needs but passing mention here. On the great bulk of American farm produce, of which we have

at present large quantities for export, the tariff has no discernible influence. Many of our leading farmers are disillusioned with respect to salvation by the tariff route, but our political affiliations are such that no election shows the real sentiment on the subject.

Turning from the tariff shrine at which he had knelt with closed eyes for forty years, the farmer of late has asked admission to the more tangible benefit society centered in the government. In this new demand there is lack of agreement as to the form of price influence desired. Leaving out of account the small minority asking for inflation of the currency, there are, or at least were last year, 1923, three groups with followings sufficient to attract attention. The first is the price-fixing group of which Senator Gooding and Congressman Little were the main sponsors. The second plan was for the government to buy the surplus and remove it permanently from the market. The surplus as interpreted in this connection is the amount which holds the price below the index-number price of some pre-war period taken as a base. This plan took form in the McNary-Haugen bill and came to a vote in the House. The third plan, with little support, was a proposal that the government assist in the pooling of products, the initiative to be taken by the interested parties.

The McNary-Haugen Bill

Of the three proposals the second received by far the most support. This plan, in brief, prescribes that the government organize a corporation, buy the surplus products, remove these surpluses from the domestic market, and sell them abroad at such prices as may be obtained. The loss involved, aside from the overhead expenses, is to be taxed back to the growers. Thus the increase in price on the produce handled will not be taken out of the public treasury. The latest version of the bill provides for the handling of some eight leading commodities whenever an emergency shall, under the definition of the term, exist. An emergency consists in the presence of an exportable surplus, in which it is assumed that the price is dependent on world prices, and with the price at the time lower in relation to the "all-commodity" index number than had been the case in the period 1905 to 1914. The intention is to maintain at all times a price for these designated farm pro-

ducts fixed at the same ratio to general commodities as obtained during the base period.

This plan is ingenious in several particulars. To begin with it proposes to restore agriculture to its former relative position respecting the purchasing power of its produce, and in view of the supposed fairness of such action has been called "equality for agriculture". The "equality" consists in restoring the former purchasing power, and giving agriculture the benefit of an import tariff comparable with the tariff on manufactured goods. Like the manufacturer with tariff aid the farmer would be punished for overdoing a good thing, since the loss on exports made by the government would come out of the price paid the farmer. This is to be accomplished by paying around eighty per cent of the domestic value of the surplus product at the time of purchase from the farmer, the balance to be carried in the form of scrip, the face value of which is to be discounted enough, at the time of final settlement, to take care of the loss on the exported surplus. Thus for a hundred bushels of wheat with an index price of \$1.50 the farmer would receive perhaps \$1.20 in cash and 30 cents in scrip. At the end of the season it might be found that the losses amounted to 15 cents per bushel on all the wheat sold, i. e. for both domestic use and for export. The scrip would then be redeemed at fifty per cent of face value. Thus the buyers of wheat would pay \$1.50 for the whole amount used; the farmers would receive \$1.35.

Technically the bill seems woefully inadequate to fit the complexities of the market. For example there are many grades of wheat, cotton, corn, hogs, cattle, sheep, wool and so on. There would have to be index relationships figured on all of these separately, and no provision is made, and hardly could be made, allowing for variations among grades. The relationships change in accordance with the available supplies of the several grades from time to time. The bill would make them inflexible. To provide the needed flexibility would be a hard thing to do, but there are much worse troubles in sight. The government, for example, is commanded to buy produce during the existence of an emergency, but to cease operations as soon as the emergency passes. In order to handle the produce purchased it will be necessary to have facilities for storing and processing. Otherwise the government must play the

rôle of a scalper or curb broker. Suppose hogs should fall below the fixed price. The government must at once begin to buy. Any private organization under such circumstances would feel the need of owning or controlling by lease, a packing plant. Should the government find it necessary to equip itself in like manner it would be under obligation to start operations whenever hogs were too low, continue until the price touched the prescribed level, and at once cease to do business. Just how this could be done, the proponents of the bill discreetly fail to disclose. Instead of facing the issue and giving a serious exposition of a plan for action they content themselves by saying that the mere prospect of purchase by the government, a gesture as it were, will result in the desired price with little or no actual purchasing, which recalls to one's mind that: "Faith is the substance of things hoped for."

There is, moreover, a curious situation to be faced in the hog and pork combination. Hogs cannot be exported alive successfully. They are poor sailors. At the same time we have a vast amount of pork and pork products for export. Now hogs are at present below the desired index level, while pork is above. Thus under the proposed act the government would be commanded to buy hogs but not allowed to buy bacon, hams, or lard. In order to buy hogs a packing plant would be necessary unless purchases could be made under an arrangement with the packers for the handling of the business. It would be hard to imagine anything more anomalous. It would mean the dependence of the greatest buyer of a product on his competitors for the privilege of handling the goods bought. In this case the opportunities for developing a real pork barrel would be unparalleled.

The McNary-Haugen bill undertakes also to deal with corn, but the price of corn can hardly be said to depend directly on a world price. Thus the emergency would rarely exist according to the interpretation implied in the bill. Even so the demand for purchase by the government would be irresistible. No doubt if the McNary-Haugen bill could be passed it would be possible to re-define emergency, but as it stands the corn growers would not be entitled to direct relief.

In adopting an index number price it is assumed that such gauges of price are accepted and acceptable. Those who deal with such numbers realize their fallibility, and report diver-

gent views as to methods of computation. Should the cost of living depend upon the interpretation of these computations there would most assuredly arise a heated controversy about their form and fairness such as has never yet clustered about them. Possibly it might be a good thing for the index numbers *per se*. The weighting of the commodities used in computing index numbers has always been more or less academic. Under the proposed régime it would assume a political and vital importance. On the weighting alone would depend to a considerable degree the prices maintained.

Should the McNary-Haugen bill be enacted there is every reason to believe that all farmers with their many products will demand the direct benefits of it. The tobacco growers will not stand by and see cotton raised in price while their product is allowed to drop to unprofitable levels. The growers of peanuts, potatoes and poultry are surely going to insist on receiving treatment similar to that granted the growers of the favored products. As a precedent for this demand destined to be included note the ease with which any manufacturer, or producer of goods, no matter what, is included in the tariff protected list. Our tariff schedules have outrun the ability of any congressman to comprehend. How, then, can it be imagined that agricultural producers of any importance in voting strength are to be left out exposed to the severity of competition while favored ones are nestling under the price-fixing wings of the government? Carried to its logical limit it means that the government shall extend protection to all, which in logic is paradoxical. To protect some at the expense of others is comprehensible. Manufacturers have been, and are being, protected at the expense of farmers.

In the minds of many the McNary-Haugen bill is a way of counteracting the effect of the tariff. This, superficially, may appear a good explanation, and suggest the desirability of the effort. On closer examination the analogy between the tariff on manufactured goods and the government disposal of surplus products appears far-fetched. If the government can handle surplus products for farmers, why not for others? The shoe manufacturers, the furniture manufacturers and all the rest are at times confronted with the problem of a surplus. True, they can reduce their outputs, but to do so means unemployment of labor. Why should not the government take

the excess products off their hands, dispose of them outside the country, and maintain prosperity at home? This could be shown, by the same reasoning applied to the McNary-Haugen bill, to work more certainly and advantageously than the way in which private enterprise is trying to do the same thing under tariff protection.

In all reason the passage of the McNary-Haugen bill would prove to be the insertion of the camel's nose under the tent. If by taking this kind of thought we can add a cubit to our financial stature we shall in the future be prolific of thoughts in order to add more cubits. The government of the United States would become the greatest dealer of the world, and for all time, in agricultural products. The sign to be hung over the place of business would read: "Uncle Sam, dealer in corn, cotton, wheat, hogs, pork, cattle, beef, sheep, mutton, butter, poultry, eggs, wool, tobacco, peanuts and other things too numerous to mention." The bureaucracy needed to operate a business of this kind would be greater and more powerful than any yet created or designed.

Politically a scheme of this kind is unthinkable. It would mean that no matter how much the cost of production should be lowered, the same relative price level as between agricultural products and all commodities must remain inflexible. The farmers might punish themselves, no matter how severely, by overproduction, still the public would pay the fixed price. The seven million people of New York City might come down to the wharves daily and see wheat at a dollar a bushel going out to feed Europe while every bushel kept at home must bring a dollar and a half. Similarly other products will be increased in price ten, twenty, or fifty per cent from time to time. The efficient cause of this increase will be clearly and unmistakably the government. Can it stand the onus attaching to it as a forestaller of the market? It stands all the abuse heaped upon it by opponents of the tariff. Yes, but the tariff is opaque; price-fixing is transparent. The tariff is indirect; price-fixing is direct. The tariff is complex in its effect on price, the McNary-Haugen bill is comprehended by everyone in that it raises prices by an amount known, even published. It is possible to make the majority of people believe that tariff benefits are diffused, and that we are in some more or less mysterious manner made more prosperous by paying a hundred

dollars for a coat which without the tariff could be had for fifty dollars. It will be a man-sized political job to convince the seventy per cent of non-farmers that they are better off by paying a bonus to keep the thirty per cent engaged in farming forever producing a surplus to be sold at a loss.

The government will become the greatest dumper of goods the world ever saw. We inveigh, even legislate, against dumping in our own markets. This bill proposes not only that goods shall be dumped systematically, annually, upon the markets of other countries, but the plan will result in a greatly increased quantity to be disposed of in this manner. A large quantity of produce will be sent out and sold at a figure, usually well below cost of production, in competition with farmers of the countries to which the shipments are made.

There is a difference of opinion as to the effect the McNary-Haugen bill would have, should it be enacted into law, on the cooperative marketing organizations. There is no reason to think it would do away with them summarily. They would still have the possibility of getting grain to the central markets more economically than it could be done by private enterprise, but the probability of making a good showing would seem to be, under the circumstances, reduced. The fact of a known price at a central market, set for a month at a time, would mean that the local markets would play a smaller part in the whole marketing function than at present. Margins would tend to become stabilized and the part played by the local cooperative elevator reduced. The occasion for federating the cooperative companies for dealing with the larger aspects of marketing at terminals, either in domestic or export trade, with the wholesale price already set, would seem to be wanting. Cooperation would no doubt continue, it might even grow, but within a restricted field, playing a minor, though possibly important rôle.

One of the most fundamental objections to the McNary-Haugen bill is the assured prospect that should it work—and it might work for a time—its friends will discover that there is no particular reason why the price ratio to be established should be based on the ratio of 1905-1914 rather than on any other period of years. The farmer was not too prosperous in 1905 to 1914. If the price can be fixed at one ratio to the all-commodity index it most assuredly can be fixed at

some other ratio, if only the proper authority can be invoked. In all reason success in fixing the price at one level will result in a demand that it be fixed at a higher level. In the case of the tariff a similar demand, that is, for more protection, is not so alarming, since higher duties beyond a given point will not help the manufacturer. Prohibition of imports is all he can attain, while there is no limit to the price level, short of the inability of consumers to buy, provided it be within legislative control.

The real import of the McNary-Haugen bill would appear to be an attempt to save the farmers from the ill effects of over-production without the necessity of lessening production. It is extremely difficult for farmers to readjust production downward in meeting lowered prices. They have their farms, a large part of their labor, and the equipment, all of such a character as to make curtailment of operations possible only at a sacrifice. A manufacturer may lose by decreasing his output, but his operations involve the hiring of much labor which he views more or less impersonally, and the buying of materials which he views almost wholly impersonally. If it does not pay to run at one hundred per cent of capacity he may run at seventy-five per cent or fifty per cent and still hold his business intact. Should farmers in general undertake to cut output twenty-five per cent they would find that their expenses would be reduced by a much smaller percentage. Hence, the farm is used, and run nearly at normal capacity, even in dull times. Farming is a business of few failures, and of fewer great successes, measured in terms of fortunes. At best farming is one of the most extremely competitive businesses in the world. The McNary-Haugen bill proposes to save the farmer from the effects, in large measure, of this severe competition. It proposes that the last ten per cent of output shall not be allowed to drag down, unhindered, the value of the nine-tenths. But all values are limited by the value of the final increments.

Shall we, then, be able to gain the advantage of the highest buying power of the Americans, and sell the residue to the weaker buyers of Europe at a lower level? Here we are asked to view the proposed bill as a counterpart of the tariff. Is not this exactly what the manufacturer, protected from world competition, does? In part, yes. But the analogy

which assumes the entrance of the government into the market as a dealer in all manner of goods, for the ostensible purpose of compelling the majority of the people to pay a higher price than would otherwise obtain to a minority group of producers, has an impossible political gauntlet to run.

Our government is a party government. What party can assume the responsibility of handling ten or twenty or forty per cent of the leading crops or animal products without furnishing a just cause for criticism? It is idle to undertake to condemn the scheme by calling it socialistic, but certainly very cogent arguments could be presented to the effect that it would be more feasible for the government to take over the task of handling all the agricultural product than merely the surplus. Were it likely that the proposed régime would result in a degree of satisfaction such as to lead to stability respecting either the commodities named, or the price ratio first agreed upon, the objections would not be half as great as actually they are. There is no probability whatever that either the list of commodities favored would remain fixed or that the ratio would be satisfactory. The objection to the plan is the objection to price-fixing. If we believe in price-fixing we should attack the problem along the entire front, and not imagine that we can carry a single outpost without becoming involved in a gigantic campaign. If the farmers do not like the tariff they should attack it and force modifications, not undertake, on the shaky foundations of price-fixing, to build an opposing edifice by means of which to rival the advantages of protection.

Along what line the greatest progress will be made in rehabilitating agriculture no one seems able to predict with any degree of certainty. However, after all that can be done in the way of governmental influence on prices has been put into practice, there will remain the greatest of all influences affecting farm prosperity, the ability of the farmers to adjust their businesses to the conditions of the market. The tendency, and the temptation, to produce too many manufactured goods is vastly less than the tendency to overproduce agricultural goods. It is too easy to get into farming. Land has been, and still is, abundant and easy of access. Farmers are numerous, and insist on farming. They have had very little control over their output. Sometime, in some manner, they must

adjust production to demand more intelligently than is at present done. That they can withdraw quickly from the world markets and produce only for domestic use is unthinkable. What the future has in store nobody knows, but at present there is lacking the means of carrying out such a program. It may be possible for small groups to limit their output, or even cease to produce a given commodity, but the cutting down of one crop will increase the quantity of something else. The Burley tobacco growers may raise no tobacco in 1925, but their land will not lie idle. To limit the output of American agriculture in general calls for an organization and a control over membership, such as has never been seen. It would require rules comparable to those of the bricklayers. While we are awaiting the consummation of a régime of this type, conditions may at least be ameliorated.

The government can influence farm prices to no small extent by furnishing information concerning foreign markets; by taking part in the rehabilitation of European peoples and governments; by furnishing information as the basis of readjustment of American agriculture to fit present conditions; by fostering farmer organizations to the extent of giving them a stable legal status and educational help; by policing and regulating the operations of marketing; by revising freight rates downward; by a readjustment of the burdens of taxation, a much needed reform; and by making credit facilities available. Many of these duties are already quite well done. Last, and perhaps most important of all, a service not being performed, the government should use its influence in taking out of the agricultural category great areas of marginal land, and putting them to some other use, and in furnishing a more intelligent basis by which land may be valued. With these conditions the farmers will have an opportunity of working out their own salvation.

The Extent of Co-operative Marketing Among Farmers Today and the Results Secured by Co-operative Associations

By BENJAMIN H. HIBBARD
University of Wisconsin

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THE growth of co-operative marketing in the United States during recent years is noteworthy. Beginning soon after the close of the Civil War co-operative marketing has had a rather checkered career. For about thirty years, ending in 1901, co-operation was strictly in the experimental stage. The greater part of the development, such as there was, came from the Grange or Farmer Alliance inspiration. So far as number of companies was concerned there was a considerable showing made during these years, and in not a few instances the results were gratifying. The real trouble was a lack of acquaintanceship with the working principles of co-operation. Almost anything embodying the sharing of profits among a group bent on effecting savings will work so long as the enthusiasm is at its height. All manner of gaps in the way of business weaknesses may be bridged temporarily by the combined efforts of the interested parties. In the early co-operative undertakings there was no uniformity as to the ownership of stock: no adequate provisions for paying dividends on any basis other than that of stock owned; no plan of voting except on the basis of stock. In short the co-operative companies were nothing other than corporations, the stock of which was mainly in the hands of farmers.

Furthermore, the co-operative companies of this early period in almost no instances had any business connection either adequate or safe from the standpoint of their aspirations and attain-

ments. Almost all of the companies established by farmers before 1901 were strictly local in their scope of operation. They were able when things went well to effect local savings in buying or selling, but they seldom or never developed any considerable amount of bargaining power, either by way of finding the best available market at the time, spreading sales over a season, or standardizing goods. It is, therefore, not surprising to learn that out of 5,800 farmers' companies reporting to the Bureau of Agricultural Economics the year of origin, but 8.6 per cent dated back of 1901. The greater share of all those which did report having had a beginning in this early period were dairy organizations, principally co-operative creameries and cheese factories. In both of these early types there was a minimum of co-operation present, yet it is altogether a mistake to suppose that the co-operation involved in these undertakings was not genuine or important. It was both.

During the second period, 1902 to 1911 inclusive, co-operation made a distinct growth, yet only a fifth of the 5,800 co-operatives date their beginnings during these years. The dairy organizations continued to increase, but the larger numbers added to the lists consisted of grain companies. These companies were substantially all local, held together by loose state organizations. The local companies did their own buying and selling as best they could. Hence, local evils were about all they were in a position to attack.

However, the circumstances were such that a great deal of coherence was developed by these companies. They learned, and part of them practised, rational methods of distributing the profits, better called savings, and the patronage dividend became prevalent.

In the third period, 1912 to 1921 inclusive, co-operation grew by leaps and bounds. There was a great increase in the isolated local companies, a great growth in companies with some form of federation, or at least of companies centering their trade in some common agency, as livestock shipping companies, mainly local, but with a co-operative commission firm to which shipments might be made. Highly centralized co-operatives also began to make their appearance. About a fifth (20.3 per cent) of the 5,800 companies began doing business during this period.

The time of most rapid development of co-operation, both in the number of companies organized and in the amount of business transacted, was from 1912 to 1921. Almost two-thirds of the 5,800 companies (65.3 per cent) concerning which the facts are available began during this period. The outstanding development in these ten years was in an expansion of the grain, fruit and vegetable, and especially the livestock marketing companies. In type there was a pronounced swing toward something more effective than the local group. The federation and the centralized plan both grew rapidly. The amount of business handled increased more rapidly than the numbers of the companies or the total membership. Such commodities as tobacco and cotton contributed greatly to the volume of business.

Since 1921, the growth of co-operative organization has been less rapid; only 5.8 per cent of the companies on which this analysis is based came into

existence during the two years 1922 and 1923. The year 1923 was the lowest in twenty years with respect to new companies. Possibly the time has come for a smaller increase in mere numbers of new co-operative companies, the field being occupied by those already established. However, this explanation hardly seems adequate in view of the vast amount of produce still marketed along old lines, and especially in view of the dissatisfaction felt respecting this method of marketing. Whatever the explanation there is apparently a halt in the movement toward more marketing companies established by farmers, though the amount of marketing co-operatively is still on the increase. This would indicate that the companies already in the field are holding their own.

SALES VALUES

The Census Bureau in 1920, for the first time, included in its schedule of questions an inquiry as to the number of farmers belonging to co-operative companies, and the amount of business, expressed in dollars, transacted. It was found that just about ten (9.7) per cent of all farmers belonged to marketing or purchasing companies. The business done by these members in 1919 amounted, according to the reports, to \$721,000,000 of sales and \$85,000,000 in purchases. Per member the sales equalled \$1,400, the purchases \$260. Thus the bulk of the co-operative work consists in selling farm produce, the sales being over five times as great as the purchases. There were, of course, many purchases and sales made co-operatively through informal associations and not here reported, since the inquiry pertained to membership in companies and the business done through them. Probably there is a considerable percentage of error in the reports, but they have

a real value, nevertheless, especially on the assumption that the inquiry will be repeated in future censuses, in which case, in spite of errors, trends will be discernible.

The Bureau of Agricultural Economics has estimated the amount of business done by farmers' companies in 1923 at more than two billion dollars. This is almost two and a half times the amount reported by the census for the year 1919. While the increase in business had been very great it is not probable that there actually was any such growth during the four years as these figures suggest. The Bureau of Agricultural Economics is without doubt the better authority.

The importance of the two billion dollar business may be appreciated best by comparing it with the totals involved in farmers' transactions. The aggregate value of crops and livestock products for 1923 was \$16,000,000,000, from which \$4,000,000,000, the value of crops fed, should be subtracted in order to give the net products, \$12,000,000,000. From this it will appear that the \$2,000,000,000 (the amount of the purchases, \$50,000,000, is negligible) co-operative business represents a sixth of the value of all products. In actual sales the co-operative business should be well over a sixth, since a considerable amount of the produce is sold at home without entering into the market at all. Thus the co-operative sales of nearly two billion dollars would represent not merely a sixth of the farmers' sales for the year but more likely a fifth.

It must be noted that in these co-operative sales there is involved every degree of co-operation from the least to the greatest. There is the small local creamery, cheese factory, potato warehouse, or "egg circle" doing perhaps nothing beyond assembling goods and performing some simple operation upon them in the way of

manufacture or grading, after which they are sent to the general market. Moreover there may be, and is, every sort of organization from the most informal to the most elaborate. Officers are paid all the way from nothing at all to high salaries. The goods handled may constitute an insignificant proportion of the whole supply up to three-quarters or four-fifths. In the case of the insignificant amounts such as are handled by a local elevator, creamery, or cheese factory, there is no effort at influencing the market itself, no such idea as "feeding" the market. On the contrary each unit sells when it sees fit, or when it can, just as does an isolated competitive unit of the usual type.

Large co-operative units controlling fifty, sixty or seventy-five per cent of the goods of a given kind take on some of the attributes of big business, study the market and decide when it is presumably best to make sales. The great majority of the co-operative companies are engaged in handling single commodities as the main consideration with others clustered about them as convenience suggests. Thus creameries occasionally handle eggs, elevator companies very frequently deal in seeds, twine, coal and salt. On the other hand, very few co-operative companies handle unrelated lines of produce simply because it is produced in the same general territory, or by a single group of farmers. It has been recognized for many years that one central line of interest is necessary in order to promote coherence.

PROGRESS

Judged by the amount of transactions in terms of dollars, over three-fourths of the co-operative business is done in the handling of grain, dairy products, livestock, fruits and vegetables. Following these come tobacco,

and cotton, all others being of minor importance. Grain marketing ranking first in value of produce handled, number of companies in existence, and membership, has made little progress beyond the local elevators established some twenty years ago for the primary purpose of correcting local evils. Certain other evils of a deeper nature were recognized but little or nothing done toward remedying them. A farmer-owned grain exchange was started in Minneapolis in 1908, and later moved to St. Paul. This company, not really an exchange, did a commission business involving some ten or fifteen million bushels of grain, but with indifferent and varied success. It is now in the hands of a receiver. A very ambitious program was recently launched by the American Farm Bureau Federation under the title, United States Grain Growers, Incorporated. The plan was designed to create a highly centralized organization with facilities for holding grain off the market and thereby influencing the price. It was a conspicuous example of organizing from the top down, the plan being made, not out of experience, but created as an ideal and imposed on the units below in finished form. It failed. In this connection may be mentioned the state-owned mill and elevator at Grand Forks, North Dakota. While not co-operative it is the result of a farmer uprising, the purpose being to do business in the interest of the farmer, outside of the regular trade.

While the amount of business in the grain trade done co-operatively is close to half a billion dollars, involving 332,000 farmers, the grain trade is still mainly in private hands. A recent attempt to carry the grain marketing a step farther has been made in the creation of pools, state-wide as a rule, handling some few million bushels of grain each. It has been, and still is,

the plan to increase the number and size of these pools and eventually unite them into a national pool of sufficient size to exercise price-making power. At present the prospect of such an outcome is not very flattering. The expenses of the pools have been higher than was expected and some of them are winding up their affairs.

Next on the list in the matter of sales comes dairy products. This is probably the oldest line of co-operation among American farmers. Instances of co-operation of this kind have been known for over half a century. As in grain marketing the main part of the dairy co-operation has been local. It was a feasible means of getting butter and cheese made, and so far as selling was concerned it was at least a good step ahead of the methods which it replaced. At present there are federations of co-operative creameries operating in at least three states, Minnesota, Wisconsin and Michigan. While these organizations are in their infancy they have excellent possibilities. That farmers can profitably carry their dairy products farther into the market is certain. An outstanding example of federation in the dairy field is found in the marketing of cheese. The Wisconsin Cheese Producers' Federation is handling 25,000,000 pounds of cheese per year; a similar though smaller federation is operating in Oregon; and another one is in process of organizing in the foreign cheese district of Wisconsin. These are important undertakings, yet the aggregate amount of cheese handled by the two federations now in operation is less than a tenth of the total amount for the country. The importance of the work of companies such as these is likely to outrun entirely the proportional share of the business to be done within the field. The steadying influence on the market; the feeling on the part of those concerned that they are getting all the circum-

stances will afford; the ease with which the co-operative business already under way may be expanded on occasion; all these give to the work of a co-operative company a significance beyond what it might seem to possess.

In the sale of milk co-operation has made much headway, and as a result there is some measure of co-operation at work in the bargaining of producers with distributors in and around most of the larger cities of the country. The total values mount rapidly in this line of business, not infrequently reaching \$5,000,000, or \$10,000,000 per city. While this is true, the degree of control attained by the farmers over the milk market is with few exceptions not great. The price is sensitive with respect to supply while the means of managing the supply are in most cases not adequate, and of controlling the output in the interest of price almost nothing. In this field co-operation is a means of getting what milk is worth in view of its alternative uses, whereas without co-operation there is a strong tendency toward inflexibility in prices with the farmer relatively at a disadvantage.

The most rapid rise of any type of co-operation is in connection with the marketing of livestock. Throughout the Middle West local livestock companies are found in great numbers, four, six or eight hundred per state. Livestock commission companies are operating at all the leading centers. This permits the co-operative handling of stock from the farm to the door of the packing house. The reports made by local companies indicate important savings. At the packing centers the co-operative commission organizations are able to return approximately half of the commission fees to the members. This aggregates millions of dollars but relatively is not very much, the total commission charges not amounting to any considerable share of the value of

the stock. Some ten years ago a widespread movement toward the ownership of packing plants by farmers was started. Almost without exception these ventures were failures. Hardly any of them are running as co-operative plants now and for the most part no important part of the capital subscribed was returned to the farmers at the time of winding up the business. While the co-operative packing plants have failed, the shipping of livestock co-operatively seems to have made a place for itself, and is likely to stay.

Fourth on the list in number of associations, but third in point of value of produce sold, come the fruit and vegetable companies. Here, more than in any other line, the success of co-operation grew out of dire necessity. The greatest of the fruit co-operatives are in the West. The distance from market; the perishable nature of the product; the tendency of markets to become glutted; all these conditions spelled disaster to the fruit grower under the conditions of twenty-five to thirty years ago. The most feasible way out of the difficulty seemed to be by way of co-operation. The success has been pronounced. Order and system have been introduced where before they were lacking and fruit has been made to pay where on the old haphazard method of operation it meant ruin. Almost a thousand fruit and vegetable companies report a business of over a quarter of a billion dollars a year.

Next in order of business done come tobacco and cotton. Both of these organizations are comparatively recent, and the amount of business done large. The claims concerning increase in price due to these companies are the most extravagant of any. No doubt there have been gains of genuine importance due to the co-operative handling of these crops. There was a wide gap between the prices received

by many tobacco and cotton growers and the wholesale price obtained soon after the first sale. Co-operation has resulted in giving to each a price corresponding to the quality of his product. A good observer of cotton marketing estimated in 1923 that the pooling resulted in an increase of two cents a pound over what would probably have been obtained without the pool. Less than a tenth of the cotton was sold through state pools. Whatever the facts may be as to the influence of the co-operatives on the price of cotton, it must not be forgotten that the crops for the years 1921, 1922 and 1923 were the shortest in a quarter century, not only in the United States, but for the world. The shrunken supply must have had something to do with the increase in price. Not far from half of the tobacco of the country has been sold during the past few years through co-operative companies. The claims of having doubled the price of tobacco is absurd. On the other hand, the marketing methods had been of the haphazard sort. Systematizing it meant bringing the unfortunately low figures up so as to make a reasonable, and a higher, average. There is no criterion by which to judge the increase in price of tobacco due to co-operation. It is, however, a significant amount.

BENEFITS

As noted above, incidentally there is a wide difference of opinion with respect to the benefits of co-operation. In most instances the measure of the advantage is difficult. Especially is this true where the co-operative company controls a large part of the commodity at any given market. In a case of this kind there is no definite comparison with what the goods would have brought without co-operation. On the other hand, a local co-operative, such as an elevator or creamery, can

show unmistakable evidence of gains and losses due to co-operation since the market in general has not been disturbed. This is no argument in favor of local co-operation as compared with a wider application of the principle. Still it is true that a local livestock shipping association may be able to compute its gains with accuracy, since the margins which would have been taken by private buyers are known, while the work of a co-operative commission company may show less definiteness as to advantage. The commission company may conceivably become a factor at the terminal market, in which case its gains or losses are problematical. At the same time the inferences may be convincing. No one doubts that the cranberry growers get more for the fruit through the co-operative sales than could otherwise be obtained. Neither is there doubt that the fruit growers of the West get more. How much more is a question admitting of no exact answer.

In general, it may be said that the marketing services may be performed more economically through co-operation than through private hands in all cases in which the produce is not well graded and standardized in a way comprehended by the sellers. Where grades are easily recognized local competitive buying is likely to result in a reasonably high price in relation to central market prices. This is true of choice fat stock. It is in connection with the stock not so easily classified that the savings through co-operation are oftenest made. Closely akin to the question of grades and standards is that of quantity. With few exceptions the seller with but a small amount of produce is at a disadvantage. This is the case with a large proportion of the midwestern wool growers. They have small clips of wool and therefore do not attract effective buyers capable of developing a satisfactory local market.

Hence the wool pools report, and show evidence of, important gains in price. Cotton and tobacco fall into the same class. The bulk of the sales are made by small growers who are in themselves weak bargainers. As a matter of fact the same situation obtains in most farm selling. Farming is a business of small units. Grain, cotton, livestock, butter, milk and fruit are each produced by millions of farmers. Merchants and manufacturers do business on large enough scales to permit the employment of expert purchasers and salesmen. The only method by which this situation may be matched by the farmers is through co-operation, the larger group thus developed having enough volume of business to warrant the employment of competent agencies for transacting business.

In view of the foregoing discussion it seems safe to say that the importance of the co-operative business done by farmers is quite beyond the proportional quantity of the transactions.

Co-operative companies have great possibilities in the way of education of members. The market ceases to be an unknown, unexplored, territory peopled by monsters, and becomes rather a route or highway, more or less direct, more or less perfect. Acquaintance with the route results in intelligent attempts at betterment, whereas ignorance concerning it is prolific of both criticisms and schemes mainly not pertinent. The organization of new companies while at a low ebb during the last year or two is by no means ended. The amount of business done co-operatively is on the increase and is not merely likely to continue to increase; it is sure to do so. The companies in existence are doing a larger business from year to year. The membership is increasing. The failures are growing fewer.

The following table gives the leading facts for 8,313 associations which reported to the Bureau of Agricultural Economics in 1923:

Type of Association	Associations		Estimated Business	
	Number	Per Cent	Amount	Per Cent
Selling:				
Grain.....	2,600	31.3	\$490,000,000	28.8
Dairy products.....	1,841	22.1	300,000,000	17.6
Livestock.....	1,182	14.2	220,000,000	12.9
Fruits and vegetables.....	956	11.5	230,000,000	16.5
Wool.....	93	1.1	3,000,000	.2
Cotton.....	78	.9	100,000,000	5.9
Nuts.....	46	.6	12,000,000	.7
Poultry.....	40	.5	18,000,000	1.1
Forage.....	18	.2	2,000,000	.1
Tobacco.....	14	.2	132,000,000	7.8
General selling *.....	530	6.4	92,000,000	5.4
Miscellaneous †.....	59	.7	4,000,000	.2
Buying:				
Merchandise (stores).....	479	5.8	32,000,000	1.9
Miscellaneous buying.....	377	4.5	15,000,000	.9
Total.....	8,313	100.0	\$1,700,000,000	100.0

* Selling small quantities of a large number of commodities.

† Broomcorn, maple products, honey, cane syrup, forest products, etc.

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THE TARIFF ON AMERICAN DAIRY PRODUCTS

THE TARIFF ON AMERICAN DAIRY PRODUCTS¹

B. H. HIBBARD
UNIVERSITY OF WISCONSIN

It was inevitable that the American manufacturer would ask for an increased tariff at the close of the World War. It was no less inevitable that the farmer would likewise ask for a tariff on his products at the same time. Furthermore, there was every probability that the demand on the part of the farmer would be granted by Congress with little hesitation. This was true in general because of the attitude of the dominant party toward protection, and specifically because of the necessity of keeping the Middle West satisfied with the policies of the party. Thus it was the manifest destiny of the farmer to get a tariff on anything and everything in so far as he cared to ask for it. Along with the sweeping demand for a general agricultural tariff, the tariff on dairy products was not only sure to be included, but much more, it was sure to occupy a prominent place.

It may be well to notice that dairy product prices had risen less, relatively, than several other of the leading farm products during and just following the War. Quite as striking is the fact that the prices of dairy products fell less during the time of declining prices than was the case with cereals and live stock. In other words, the prices of dairy products have fluctuated less since 1917 than have the prices of farm products in general.

Exports and Imports

The trade in dairy products between this country and the outside world has never been large relatively. In 1890, we were exporting 30,000,000 pounds of butter, or 2.5 per cent of the amount made. By 1900, the exports were under 20,000,000 pounds, and represented less than 1.5 per cent.

¹ This paper was read at the Fifteenth Annual Meeting of the American Farm Economic Association, held in Chicago, December 30, 1924.



In 1910 the exports were 3,000,000 pounds, or a fifth of one per cent. This situation changed little till after the war began, which is to say that we had just about reached a balance with respect to foreign trade in butter before the disturbance of both price and production due to war conditions. With the rise in prices of butter in Europe our exportations reached 25,000,000 pounds, or about 1.6 per cent, distinctly below the percentage of exportation thirty years earlier. At the close of the war we were exporting a tenth of our cheese, and in addition enough condensed milk to equal 50 million pounds of butter. Thus all told we were exporting not far from 2 per cent of all dairy products made.

With the falling of world prices in 1920 the American price for a time was the best obtainable, and butter in small amounts was imported. The imports exceeded the exports for about three and a half years, 1920 to 1924, even in spite of an eight cent tariff passed in 1921. The quantity imported was not large at any time, the greatest amount being 26,000,000 pounds in 1921, about one and a half per cent of the amount used in this country. The imports declined until within the past few months they have virtually ceased, and butter is again on the export list.

The most interesting phase of the butter tariff and the movement of butter into or out of the country is linked closely with domestic production and prices. During the war, and after, butter rose in price with other farm products, but relatively not so high. It rose in round numbers 140 per cent above the 1913 price, while corn, wheat, cotton, and wool reached nearly 200 per cent over the 1913 level. The rush into the dairy business was not so pronounced as in various other agricultural lines, due in part to the more moderate rise in price but no doubt much more on account of the difficulties involved in expanding greatly the dairy output. Almost at once increased dairy production, beyond say 10 per cent, calls for a proportional increase in the labor requirements, a difficult condition to meet.

With the drop in general farm prices dairy products fell less, relatively, than most other goods the farmer had to sell. The result was that the New York price of butter was high enough to permit the importation of a little butter in spite of the tariff. The production of dairy products during 1921, 1922, and 1923, was clearly more profitable than the production of hogs, beef cattle, corn, or wheat—the things which compete most against dairying for attention. The outcome of these price relationships was logical. Dairy products increased slowly and steadily throughout this three year period. Assuming the most favorable view of the action of the tariff by conceding that the price was higher because of the eight cent duty, the conclusion as to the ultimate result is inevitable. In 1921, the production of milk rose 10 per cent above that of 1920. The next year there was an added increase of 4 per cent, and in 1923, an increase over 1922 of 7 per cent. The increase has continued throughout most of 1924. The demand for dairy products is not able to stand an increase of such proportions, almost 20 per cent in three years, without a decided drop in price, and a return to the world market for an outlet for the surplus. Both of these results have happened. The price of butter for the present month, December, 1924, is 13 per cent lower than a year ago. The current receipts per month are, during the past few months, about 10 per cent higher, and the price about 10 per cent lower, than a year ago, while the amount in cold storage is almost double the normal.

The conclusion is inevitable. During some two or three years there was a favorable margin between the cost and the price of dairy products. The dairyman responded normally, and now an over-supply brings a reversal of the situation. A good case may be made to show that the tariff on butter, and likewise on cheese, was effective for some two or three years previous to 1924. How effective it was is a question not altogether easy of answer since there is no way of determining conclusively, at any given time, whether the price was held at a particular level by the influence of the tariff, or whether the home supply and

demand alone were mainly responsible. The difficulty lies in determining just when these products would have been imported had there been no tariff. Frequently the amounts received were incidental, not to say accidental, and too small to be conclusive. This is never admitted by those who believe firmly in a tariff on agricultural products. In case of any importation whatever, whether from Mexico or Denmark, whether a thousand pounds or a million, the proponents of agricultural tariffs invariably jump to the conclusion that we are on an import basis, and that the home price is greater by the amount of the tariff than it otherwise would be.

Total Exports Exceed Imports

A point usually overlooked by all who believe we have already profited greatly by the butter tariff, and appreciably by the tariff on cheese, is that in terms of total dairy products we have been on an export basis substantially all the time. The net imports of butter and cheese have been over-balanced by the exports of condensed milk. In 1922, and 1923, we were close to the point of equilibrium, with imports a little greater than exports during the latter year, but again in 1924, the total exports exceed the imports. This situation is full of meaning to anyone who knows the strong tendency of the various dairy products to bear each about the same relationship to milk in the matter of price. There may be discrepancies for a time, but it is inconceivable that milk, the primary product, should be worth greatly more for use in one line of manufacture than in another. For a time there may be a difference but the tendency for the difference to disappear is irresistible. Thus with milk, condensed, to be found on the export list means that butter as an import cannot assume major proportions, and before an import tariff can be of more than incidental importance we must produce not more, but less, than we need of the products made out of milk. The same old conundrum is asking for a solution: How shall an import tariff be made effective on an export product?

Even though little be exported, how shall a tariff be more than temporarily and incidentally useful in relation to a product which will respond as do butter, cheese, and milk to a price stimulus? We vote to get off the world market; we insist that we are off it, and independent of it to the extent say of an eight-cent tariff; and before we can get the good news to the parties concerned, behold we are again looking for customers for a surplus. When prices are high we ask for a tariff in order to keep the market to ourselves, and then immediately produce enough more to bring the price down.

Dairy products are about the best examples of goods which may be helped a little, or not at all, by a tariff, yet may be made to appear popularly as an excellent example of a product of the farms helped by restriction of imports. The difficulty arises in seeing how unlike these products are, from the farmer's standpoint, in contrast with such products as sugar, wool, steel rails, or cutlery. We do not, and will not, produce our own sugar. That is to say we will not until our minds become much weaker, or our backs much stronger. The American farmer was told twenty-five years ago that he could better his condition by growing sugar beets at \$100 an acre rather than corn at \$15. He was not told in these fairy tales that he could grow but one eighth as many acres of beets as of corn, and that he would be less than an eighth as happy in doing so. These latter corollaries were discovered in the demonstration of the main proposition. The American farmer will grow a few beets under certain circumstances, but an attempt to supply the market with beet sugar, home grown, changes the circumstances, and the expansion ceases. As to wool we are told by some enthusiast in almost every Department of Animal Husbandry that a small flock of sheep well tended is more profitable than cows, and not half as hard work. A group of super-patriots, incidentally interested in the woolen business, see in a wool tariff a means of making the army efficient, and hence unselfishly vote for more tariff on wool. But wool is thus far mainly a pioneer crop, and the lack of demand for mutton in large quantities

makes either the meat or the wool of the sheep low enough in price so that farmers cannot be induced to produce wool in abundance.

No elaborate argument is needed to show why a tariff on steel may be helpful to steel manufacturers. Only big companies can operate in this field, and they have a well developed habit of producing about the amount needed at a price satisfactory to themselves. Cutlery, and the thousands of wares made out of steel or other metals, are similar in this important respect. The small manufacturer is absorbed by the larger, or is content to remain a follower rather than to take the lead in price determination. Under these circumstances the tariff works.

In contrast with the above, dairymen are numerous. Seventy per cent of the farmers of the whole country are dairymen, to some extent. This means that about four and a half million farmers have at least one cow each. In addition to these, almost a million town people are keeping one or more cows each. Thus the equivalent of about five out of six farmers keep cows. With many of them, milk is a by-product and no account of its cost is seriously considered, yet the total amount of such products is important in the supply. While temporary variations in price cannot result in a sudden abandonment or development of dairying as a business such as takes place within a year or two in the growing of wheat or potatoes, or in the production of hogs, there is an opportunity to respond in a degree almost immediately to the demands of the market. This is illustrated in the fall in the total quantity of dairy products for the years 1919 and 1920, caused by the failure of the prices of these products to keep pace with other prices and the difficulty of keeping the necessary supply of labor on the farms. The higher prices, relatively, for dairy products following the collapse of 1920, which resulted in a prompt increase in production following that date, took place more promptly than changes in the numbers of dairy cows. The differences were due to methods of feeding and the care given the cows.

It seems reasonable to predict that the present low prices of dairy products will result in a diminished supply, mainly because of the unfavorable balance between these prices and the cost of mill feeds and labor. In this time of adversity the tariff offers no hope or, if any, it is merely that after the supply has once more been adjusted to the home market requirements, once more the protection will be effective; which in time would mean another prompt stimulation of production with the inevitable fall of prices back to the export level.

The action of the tariff on the price of products such as butter or cheese may be likened to an attempt to keep a pot just below the boiling point. Should a temperature of 211 degrees be looked upon as desirable, but boiling over undesirable, the technique of applying more heat would become a problem not easy of solution. In a laboratory where conditions are under control, the case would be simple. A thermometer and a Bunsen burner would provide the necessary equipment for maintaining the desired temperature. The case under consideration is more like that of a pot over a camp fire, the temperature at a given time being a matter of guess work. Should it be decided that more fuel is needed and all hands set to work to fetch and apply it, it may develop that a single stick is sufficient to bring the contents of the pot to the fatal point. Thus when a cargo of butter or cheese heads for an American port, there is consternation among all producers of dairy products. They feel that theirs is a vested right to the home market. A tariff is the added fuel, and within a short time the boiling point is reached with a spilling over in the form of exports.

The friends of tariffs in general will insist that the tariff on dairy products is worth while even though it was effective for two or three years only. This is a superficial view of the case which looks less favorable on close examination. The higher price, due in part to the tariff, during 1921 to 1923, resulted in efforts to increase production, efforts which cannot easily be abandoned. New equipment and larger herds, with their attendant expenses and investments are not readily reduced to proportions desirable

under present conditions. A modern poet has said: "The harder you fall, the higher you bounce,"—a very cheerful doctrine. On the other hand, it is painfully true in the prosaic world of hard knocks that the further and harder the fall, the longer must be the period of convalescence, or the more certain the funeral. No farmer would acknowledge it, yet without doubt many are now in worse straits financially than they would have been had the prices not been stimulated artificially right after the World War.

If it is really the case that a general tariff on agricultural produce will work, giving the American farmer an American price for his goods, then is it true that the doctrine of isolation is defensible, and we should teach and apply mercantilism in its entirety. Economists have generally believed that a tariff was a means of giving one class of workers an advantage over another class with which it had dealings. Many friends of the farmer are now accusing the economists of being a century and a half behind the times, these enthusiasts having discovered that all round protection is entirely feasible, and that a national prosperity can rise above and remain independent of world markets. This view is the result of a price economy concept. In the minds of these new era protectionists, all the farmer has to do in order to overcome the disadvantage now evident between himself and the industrial world is to imitate the methods by which the industrialists have gained the advantages now enjoyed. This would not be so far from the truth were they able to follow the program of the industrialists fully. To follow it in the matter of a tariff and fail to control production is to ask for a husk without a kernel. Analogies are misleading. Because the tariff operates on sugar is no reason why it must do so on butter. Sugar, American grown, is scarce. Butter, American made, is plentiful, painfully so. What the situation will be a generation hence we do not know, but at present a tariff on butter and cheese is about as effective as Wouter Van Twiller's campaigns against the Swedes carried on by proclamation.

The conclusions, mainly adverse, do not mean that the tariff on dairy products should be repealed. They merely mean that not much is to be hoped from the tariff on dairy products in the way of relief. In this the situation is not unlike that of agriculture in general. We are an exporting country, and will be for several decades yet to come.

Tariffs on Dairy Products

Commodity	1922*	Act of		
		1913	1909	1897
Butter and Substitutes, per lb.-----	\$.08	\$.025	\$.08	\$.08
Cheese and Substitutes, per lb.-----	.06	.01	.03	.06
Condensed and Evaporated milk, per lb.-----	.015	Free	.02	.02

*Most of the rates for 1922 went into effect upon the passage of the Emergency Tariff Act of 1921.

Production of Dairy Products, 1899, 1909, 1919-1923

Year	Butter 1,000 lbs.	Cheese 1,000 lbs.	Milk 1,000 lbs.	Per cent increase
1899	1,492,000	298,000	-----	---
1909	1,619,000	320,000	-----	---
1919	1,628,000	480,000	90,058,000	---
1920	-----	-----	89,857,000	---
1921	-----	-----	98,862,000	10.3
1922	-----	-----	102,562,000	3.7
1923	-----	-----	109,736,000	7.0

Imports and Exports of Dairy Products—U. S.—1899-1923

Year	Butter		Cheese		Condensed Milk	
	Exports 1,000 lbs.	Imports 1,000 lbs.	Exports 1,000 lbs.	Imports 1,000 lbs.	Exports 1,000 lbs.	Imports 1,000 lbs.
1899	19,374	52	36,777	10,720	-----	-----
1909	5,981	646	6,823	35,548	-----	-----
1919	84,556	9,519	14,159	11,932	852,865	16,509
1920	27,155	37,454	19,378	15,994	710,533	23,756
1921	7,829	34,344	10,825	16,585	266,506	19,273
1922	7,511	9,551	7,471	34,271	288,628	2,037
1923	9,410	15,772	8,446	54,555	159,956	7,276

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PHILOSOPHY OF THE UNIFORM
SMALL LOAN LAW

BY
WALTER S. HILBORN

ACTING DIRECTOR, DIVISION OF REMEDIAL LOANS, RUSSELL SAGE
FOUNDATION, NEW YORK CITY



DIVISION OF REMEDIAL LOANS
RUSSELL SAGE FOUNDATION
NEW YORK
1923

Price, 10 Cents

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Philosophy of the Uniform Small Loan Law¹

WALTER S. HILBORN

Acting Director, Division of Remedial Loans, Russell Sage
Foundation, New York City

THE Uniform Small Loan Law had its inception in the city of New York. In November, 1916, only six years ago, representatives of your organization, in conference with representatives of the Russell Sage Foundation, agreed upon the language of the first draft, and since that date, from time to time, we have, with representatives of other organizations, made slight changes in the draft. Today the Uniform Small Loan Law, either in its exact form or in statutes containing many of its important provisions, is in force in nineteen states having a population of 59,123,981, out of a total population of 105,710,620 in the United States. "Tall oaks from little acorns grow;" the small conference held in the city of New York has changed the small loan history of the United States.

To sum up the year's activities, the statute books remain today as they were a year ago, but in those states where the Uniform Law has been enacted it is operating successfully and efficiently, and has proved that its supporters builded wisely and builded well.

You, who have been among the active supporters of the Law in the states where it has been enacted and its most enthusiastic advocates in states in which it has been offered for enactment, know from practical experience the benefit to be derived from its operation. Some of you are masters of the philosophy of the small loan business, but nowhere is there available in brief space any statement of its underlying theory. The present seems to be an auspicious opportunity to make a permanent record of the principles on which it is founded.

¹ An address delivered before the Eighth Annual Convention of the American Industrial Lenders' Association, New York, September 20, 1922.

There are two theories upon which legislation affecting the rate of interest has been based:

1. That money is a commodity, and that the price to be paid for the use of money should be regulated by supply and demand and not by legislation. In other words, that there should be no legislation limiting the rate of interest which should be charged for the loan of money. England and Massachusetts offer the leading illustrations of the free contract rate.

2. The other principle is the one which has been carried down through the generations, that the rate to be charged for the loan of money should be restricted in all cases by legislative fiat. In most American states legislation has been governed by this principle, and the limit of interest which may be charged on any loan varies from 6 to 10 per cent per annum.

Thus the Uniform Small Loan Law runs counter to the theory underlying the legislation of the free contract rate states by limiting the rate of interest which may be charged upon small loans; and runs counter also to the legislative theory in other states by authorizing a much higher rate upon small loans than upon larger loans.

Upon what theory and upon what principle can the advocates of small loan legislation justify this exception to the principle regulating the interest charge upon small loans in both classes of states? Upon the principle that the borrower of small sums of money requires the protection of the state against the rapacity of the unbridled lender in the free contract rate states where no maximum rate is provided by the law, and upon the theory that both lender and borrower require the protection and authorization of the state where by hard and fast rule an unreasonably low maximum contract rate is in force.

There is implied in what I have said an assumption that the small loan business should be authorized and not prohibited, and, of course, this is implicit in the formal draft of any uniform small loan legislation.

A person might well conclude that it was wise:

1. To prohibit small loans by legislation where more than the normal contract rate is charged, or
2. To advocate the lending of small sums of money as a semi-philanthropic, non-commercial enterprise, or
3. To advocate commercial lending of small sums.

The Law was a definite commitment of its advocates to the

third principle, namely, that the commercial lending of small sums of money at present meets the demand for small loans more fully than any other method. This conclusion is based upon experience; for the first possible solution, the attempted prohibition of a rate of interest on small loans that is higher than the contract rate has resulted, in spite of sporadic campaigns against the loan shark, in clandestine extortion by the illegal lender and helplessness on the part of the borrower. As a second attempted solution, there were organized by men of philanthropic inclination remedial loan societies which charge less than the rate authorized on small loans by local law and limit the profit of the investor. There are in the United States about thirty companies, having a capital of \$14,000,000; but these semi-philanthropic agencies, while they have rendered an important service, have not been adequate to cover the needs of all small borrowers.

Accordingly, believing that small loans should not be prohibited, and that there was no reason for confining the small loan business to semi-philanthropic associations, those interested in the small loan field concluded that, in order to meet the needs of the small borrower more effectively, it was necessary to put the business upon a definite, legal, commercial basis, a basis upon which it would be commercially possible—hence the Uniform Small Loan Law.

The Law is simple in form and simple in theory. It authorizes any person to obtain a license from the state, and having obtained a license to make loans of \$300 or less, and to charge therefor not in excess of $3\frac{1}{2}$ per cent a month to be computed on unpaid balances; it regulates strictly the conduct of the business of the lender; it prohibits, and provides suitable punishment for, loans by unlicensed lenders in excess of the contract rate prescribed by law. The Law thus enables commercial lenders to engage in business, and provides suitable penalty for violations of its provisions by both licensed and unlicensed lenders.

Opposition to the Uniform Law comes from two groups of people: from the uninformed, who do not understand why more than 6 to 10 per cent per annum should be charged on small loans; and from the interested who do not want their illegitimate business, in which they charge from 10 per cent a month up, to be affected. The Law has constantly met the open opposition of the former class and the private and secret intrigue of the latter class.

But one question is often asked about the Law: "Why should small loans bear a rate of interest so much higher than that at which large loans are customarily made?" There are several valid grounds for the higher rate.

1. The risk on these loans is relatively greater, the duration of the loan being longer than in the case of ordinary bank loans, generally twelve months, and the security of a character not usually acceptable to a commercial bank.

2. Operating expense is high because the amount of each loan is small, it must be collected in monthly instalments, and investigation of the reliability of borrowers must be made with greater care than in the case of bank loans.

3. The lending capacity of a small loan agency is limited to its cash capital on which it must pay dividends; that of a commercial bank includes in addition to this resource, the deposits of its customers on which it does not have to pay dividends or interest. Consequently, an interest charge of 6 per cent on loans of a commercial bank will produce a profit much larger than 6 per cent on its capital.

These facts show why small loan agencies, in order to remain in business, must charge rates that will yield enough to meet inevitable losses and relatively high operating expenses as well as a fair return on invested capital. It follows that it is essential to the life of this business that a much higher rate be permitted for small loans than is prescribed for bank and ordinary commercial loans. We are dealing with a distinct kind of enterprise which requires special treatment.

There remains but one factor to be considered: Why $3\frac{1}{2}$ per cent a month instead of any other charge? The answer is not so simple but it is satisfactory. We are seeking a rate which will interest legitimate capital to satisfy the small loan requirements of every state requiring small loan service, and it has not yet been demonstrated that commercial capital will enter the small loan field if a lower rate is authorized. We know that wherever the Uniform Law has been enacted the small loan needs of the state have been more adequately met and the business placed upon a dignified plane. We know that in some states where less than $3\frac{1}{2}$ per cent is authorized, the small loan need is not adequately met.

It is perfectly clear that the small loan business is not satisfactorily conducted in a state like New York, where only 2 per cent a month and fees are authorized, although several corporations of a semi-philanthropic nature are there engaged in the pledge and chattel loan business, and a few commercial lenders have been authorized by the State Banking Department.

It is likewise true that in Massachusetts the small loan field throughout the state is not covered, and the commercial lenders do not seem to be receiving an adequate return.

Concerns which have large capital and efficient organization may make more than would strike the average man as proper. A small licensed lender in a medium-sized town may have to struggle to make a living under the Uniform Law. The example of the lender with small capital is no more an argument for increasing the rate carried by the Uniform Law than the success of the large and well-organized lender is an argument for reducing the rate. The fact is that the Uniform Law, carrying a maximum rate of $3\frac{1}{2}$ per cent a month on unpaid balances, is meeting a difficult problem in a practical and effective way.

The student of the small loan field has met the practical man of affairs in the small loan business, and together they have devised a law which admirably fits the situation. The commercial lenders operating under the Small Loan Law have made their business a recognized honorable commercial venture.

Your organization merits the commendation and approval of men of affairs, and I am proud of the fact that, hand in hand with representatives of the American Industrial Lenders' Association and with others, we are making efforts in state after state to bring to borrowers of small sums the advantages which accrue from the enactment of the Uniform Small Loan Law.

STATES HAVING UNIFORM LAW

POPULATION

Arizona	334,162
Connecticut	1,380,631
Georgia	2,895,832
Illinois	6,485,280
Indiana	2,930,390
Iowa	2,404,021
Maine	768,014
Maryland	1,449,661
Pennsylvania	7,017,000
Total	27,368,008

STATES HAVING SIMILAR LAWS

POPULATION

Colorado	939,629
Massachusetts	3,852,356
Michigan	3,668,412
New Hampshire	443,083
New Jersey	3,155,900
New York	10,385,227
Ohio	759,394
Oregon	3,389
Utah	449,396
Virginia	2,399,187
Total	31,755,973

States having Uniform Law	27,368,008
States having similar laws	31,755,973
Total	59,123,981
Total population of the United States	105,710,620

