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Post-War Agriculture

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War always dislocates industry. It cannot be prevented. We can only base our future plans on what has happened at the end of every war in history. In this way we may cushion the shock by careful planning, always recognizing that war prosperity is a temporary and transient thing.

Probably at no single period in our agricultural history since land has been settled and definitely under the control of farm operators has farming been so prosperous as now. The total farm income has increased from 10.6 billion in 1939 to 18.7 billion in 1942 and will be higher in 1943. The *net farm income* during the same period has increased from 4.5 billion to 10.2 billion or more than doubled. All this has come about during the short period of four years. It is important to remember that this prosperity is due to the war emergency. It cannot from any rational point of view be expected to continue for long after the war.

It is true that Congress has attempted to insure a continuance of this prosperity for two years after the war by insuring a minimum loan rate on certain commodities on the basis of 90 per cent of parity on cotton, corn, wheat, rice, tobacco and peanuts. Congress has also provided that such perishable products as hogs, butter, poultry and eggs shall be subject to the same loan values of 90 per cent of parity for the duration and for two years thereafter.

Interest rates on farm mortgages have sharply decreased. Bank deposits in farm areas have increased rapidly. Most farmers have money in the bank. At the same time farmers have purchased war bonds, increased their investments in life insurance and to some extent have improved their buildings and household equipment.

With increased income, larger bank deposits and a general lack of consumer goods the farmer will have money to invest. He may invest in land, war bonds, better livestock or general improvement of the homestead if materials are available.

This increased farm income, together with high wages in industry and other conditions, means *inflation*. Prices are everywhere higher than normal and are still rising. There is grave danger to land hungry farmers of another disastrous land buying movement particularly among farmers in the corn belt.

Inflation is always followed by deflation. Inflation is said to be favorable to the man in debt. This can be true only if he uses his inflationary income to pay his debts. If on the other hand he contracts new debts during an inflationary period and is required to pay off during a deflationary period, he is facing disaster. The land boom following World War I is remembered by older farmers. A great many good farmers lost their all during the deflationary period following that war. There is real danger that a similar situation may develop again. In spite of the efforts of the government to avoid a sharp deflation after the present war, prudence suggests that everyone keep in mind the inevitable fact that *deflation always follows inflation*. We now have inflation. We shall have deflation. Deflation may be slower in coming after this war because of the efforts of Congress, but it will surely come.

Shall the farmer buy land during the inflation? If he does he may expect the land to be valued at a lower price when the inflation is past. But he has more money now and is faced with the problem of buying more land or investing in war bonds or using the money to buy better livestock, or to improve the living conditions of himself and family.

Plan Now for Post-War Shock

It would seem wise to pay the mortgage first. The mortgage indebtedness on farms increased from 5 billion in 1914 to 10 billion in 1920. Many farmers suffered from bankruptcy and foreclosure. It would not be good for post-war agriculture if the same conditions develop as a result of this war. It will be in all ways better if we can insure a permanent and prosperous agriculture. A condition which produces a flash in the pan prosperity is not insuring a permanent agriculture. Going in debt during inflation is a very risky procedure. So long as the farmer pays cash for land or any other commodity he may with safety emerge from the deflation following the war. We must plan now to meet the shock of a post-war economy. In general it would seem wise to buy those commodities which can be quickly turned into money. Long feeding periods involving high priced cattle and high priced feed are risky. Dairy and poultry farmers who sell their products daily are in a much safer position to meet the shock than are those farmers who invest in high priced feed or livestock and whose product will be for sale sometime in the future.

It is apparent again as in the first World War that credit for land buying will be easy. Money lenders lost less by advancing

money to buy land in the years 1914 to 1918 than farmers. It was the farmers who lost heavily. On the basis of this experience bankers and insurance companies are ready and willing to lend to farmers for land buying even to the extent in some cases of 80 per cent of the normal value of land. Such generous credit may later result in economic disaster to many farmers. A safer policy for the farmer would be to borrow on the basis of only 50 per cent of the normal value of the land during the period of high prices or postpone purchase entirely, investing meantime in government bonds to be used for land purchase when lower prices prevail.

One difficulty is to determine what is a normal value for land. A safe rule is to determine the income value of land under normal conditions. Land purchase based on this method of evaluating land would almost certainly avoid the widespread disaster which followed the first World War. In the meantime, good agricultural land is increasing in value and some farmers are certain to increase their holdings even at some risk.

In recent years there has been a significant increase in the number of city buyers who for one reason or another have decided to invest their savings in land. This policy is probably based on the assumption that ownership of land is an insurance against wild inflation. It may be also to some extent an attempt to satisfy the hunger for land ownership which exists in the minds of most men.

In general such purchases are made by those who have no intention of living on the land. They do not contribute by their presence to the life of the community. They have little direct interest in the local school, church or other social institutions. Such owners may be a social liability in a community where their holdings are extensive. This movement is more active at the present time than before the war. It is another cause of rising land values.

Proposed Controls of Land Prices

Certain suggestions have been made recently by Murray of the Iowa State College and others as to methods of controlling runaway land prices. They fall into the following categories:

1. Credit control.
2. Special taxation.
3. Purchase permits.

Credit Control.—It has been suggested that control should include not only farm mortgages but all loans, even short time production loans. It would be necessary to control private loans as part of the sale price. All loans should be restricted to 50 per cent of a normal value as determined by competent appraisers. The lender should also be prevented from evading the restrictions by making unsecured loans to individuals.

These proposals are revolutionary in character and quite beyond anything ever attempted in the United States. The administrative machinery might fall of its own weight.

Taxation.—A second method proposed for preventing land booms is heavy taxation on land transfers. Immediately one thinks of those

farmers of limited means who desire to become landowners. We do not want to discourage these prospective landowners by taxation. However, taxation of land sales during the inflationary period might be so applied as to discourage any such wild orgy as occurred during and after World War I.

Permits to Buy Farms.—It has been said that in the interests of the *general welfare*, some owners are more desirable than others. A system of government permits is proposed which would in effect make a selection of the buyers. One result would probably be to encourage actual farm operators and discourage land ownership by absentees. Some such plan would be necessary even with price control and taxation. Otherwise absentee buyers with available funds might still be willing and able to pay the price and the high taxes proposed. If some government agency should be given the responsibility of choosing buyers and of limiting the holdings of absentee landlords the problem of absentee ownership could be solved.

It must be admitted that this and likewise the other proposals are revolutionary, quite contrary to the free and easy individualism which has characterized the way of life of the American farmer. They would revolutionize the methods of buying and selling land which have prevailed. The time may come when some such restrictions will be desirable or even necessary. However, these should be gradually imposed and an intelligent campaign of education prepare the rural mind as to the necessity for such regulations. Land is the most important of all the factors involved in the production of farm commodities. The government has undertaken to exercise a certain amount of control over the products grown on the land. Why not go then one step farther and control transactions by fixing ceiling prices on land? Obviously such a plan would be difficult to administer owing to the differences in the productive power of land in any community and even on the same farm.

The Family Size Farm

Our thinking and planning now is all about the war and the period of reconstruction immediately after the war. We must, however, in the interests of a permanent agriculture, remember that the cultivation of the soil is as old as human history. Farming is a long time enterprise. We must think about the future. What about peace time agriculture? What is the best system of land ownership in a democracy? Giving due weight to all the factors involved, is it possible to make any sort of a general statement which will guide us in the development of our land ownership policies?

There is substantial agreement among nearly all authorities that the ideal farm for the United States is a farm of such size and equipment as shall properly maintain the family and provide a program of well balanced employment throughout the year; in short the *Family Size Farm*.

The actual number of acres in a family farm will of course vary. The size will depend upon the type of farming, the productiveness and general character of the soil and the nearness to market. It should be large enough to justify the use of labor saving machinery. The government seems to have given its approval of the family farm in its plans of easy purchase through the Farm Security Administration. There is no doubt but that the family farm is more desirable from the standpoint of the upbuilding of the rural community and the successful operation of rural social institutions. A large preponderance of operator-owned, family size farms would be one of the most important safeguards of our democracy.

One of the chief arguments against absentee ownership is that it encourages tenant farming. A tenant may operate a family farm, but we are assuming here that the operator will own the farm he cultivates. There are, however, economic advantages in renting land. It is sometimes cheaper to rent land than to own it, but rarely is the renter as much interested in the local school, church, or farm organization as the owner of a farm. The government is expending large sums to encourage land ownership. A community of landowners is everywhere encouraged.

It is claimed that the family farm is too small. It is not economical to equip the farm of average size with the most desirable labor saving machinery. In order to justify the investment in a corn harvester, a combine or even a tractor, there must be more work than is usually available on the smaller farm. It certainly is not desirable to encourage any type of farming which practically prohibits the use of labor saving machinery. If advocacy of the family size farm means reducing the farmer and his family to the status of the small peasant farmer of Europe we should promptly abandon the idea, but such a development is not necessary.

During this war emergency there has been a marked scarcity of farm machinery. As a result, farmers have been cooperating in the use of certain more expensive kinds of implements. This raises the whole question of cooperation in production. This has often been advocated but little has been accomplished. This is a good time to develop much greater cooperation in the use of farm machinery for the production of farm commodities and much is being accomplished in this direction. At present the small farmer is at a disadvantage as compared with the farmer operating a sufficiently large farm unit to make it economical to employ all types of labor saving machinery. Through community cooperation, the small farmer could take full advantage of all labor saving equipment and thus be relieved of much of the drudgery of farm work.

There are many unsolved problems connected with this suggestion such as the payment for the machinery, priorities if any in its use and some just plan for assessing the cost of maintenance and charges for use. None of these are unsolvable and these difficulties are

minor ones as compared with the saving of hard manual labor required in the absence of such equipment.

There is another possibility regarding the matter of machinery for the smaller farms and that is the development of smaller machinery units. It seems probable that as the tendency has been toward the manufacture of smaller combines, this same development may take place with other implements. It is probable, too, that electrification will have a much greater place on farms of the future and this may be of assistance in developing the organization of small farm enterprises.

Soil Conservation

It seems unavoidable that farm lands should lose some of their fertility during the war. The continuous propaganda to produce more food will result in farmers plowing more tillable acres and planting a larger proportion of soil exhaustive crops. The losses will not alone be measured by the fertility taken from the soil by the crops, but there will be greater losses from soil erosion. The extent to which the increased production for war will be accomplished is dependent almost entirely on three factors—the price of farm products, the manpower and the farm machinery made available for the farmer's use. If these factors are favorable then we need have no fears that the farmer will not produce to the limit. If these factors are unfavorable, we shall certainly not have maximum production.

Our total production will also depend upon the extent to which farmers make use of commercial fertilizers. The use of fertilizers in normal times is limited. The corn belt farmer maintains that the prices for staple farm commodities are too low to justify large application of fertilizer. With war prices for farm produce this argument no longer has force. Even in normal times and on the basis of year by year prices for staple farm crops the Missouri Experiment Station on outlying experiment fields in widely separated districts and located on different types of soil has proven that the use of fertilizers is a very profitable practice. On these fields it has been demonstrated that one dollar invested in the right fertilizer applied to the right crop or crops in a proper rotation returned three dollars in increased crop values.

If there was ever a time when farmers could make large use of fertilizers that time is now. This use of fertilizer will not only be profitable in the increased yield of crops but it will have an important influence in maintaining the productiveness of the soil after the war. There need not necessarily be substantially greater losses of soil from erosion, if farmers on rolling lands will follow methods of protecting their soils. They should practice contour farming, construct terraces, in so far as possible, and they should not be tempted to plow up a good stand of grass on a hillside. After all, grass is a war crop and we need abundant animal products for our

own armies and the civilian population of our allies. However, farmers are normal human beings and it cannot be expected that they will all adopt conservation methods. As a result, considerable soil deterioration is almost certain to take place when maximum production is demanded. It is to be hoped, however, that we learned enough about soil losses during and following the last war that we shall not allow such losses to take place again.

Post-War Demands

What will be demanded of agriculture after the war? Will the principal responsibility for rehabilitating the agriculture of the occupied countries fall on the United States? Is one of our war aims to provide a square meal for all the submerged populations of Europe and perhaps Asia as well? The potential capacities of our agriculture are great. The production power of our farms will be utilized to supply the immediate needs of the conquered peoples in so far as possible, but the mere magnitude of the problem is beyond the ability of the United States alone. Every member of the United Nations must make its greatest possible contribution to the world's food needs.

The problem will be how much of the world's need can be supplied by the American farmer and under what conditions. There will be two activities immediately required which the farmers of the United States and the other producer countries of the United Nations will be called upon to undertake. These are first to relieve as far as possible the suffering peoples of Europe and Asia from the condition of semi-starvation imposed on them by the Axis powers and second to provide seed and breeding stock to farmers whose seed stocks and breeding herds have been confiscated or have been greatly reduced.

According to Governor Lehman, Director of Foreign Relief and Rehabilitation, "Europe has been aptly called the dark continent. . . It is a picture of men and women reduced to semi-starvation, the major portion on the brink of actual starvation. . . The fine herds of Europe have all but vanished".

This is a gloomy outlook and the end is not yet. Not only seed stocks and breeding herds are far below the needs of a normal agriculture but draft animals have been destroyed, fertilizers cannot be had, and of course farm machinery is not available.

According to the official report of United Nations agricultural experts, there were in the countries of Europe in 1939, 46 million cattle, 10 million horses, 28 million pigs and 35 million sheep. In 1942 after three years of war there were only 35 million cattle, 7 million horses, 16 million pigs and 23 million sheep. These numbers are far below the number needed for normal agricultural enterprise. Before the war is over all conditions regarding animals and supplies will be worse.

Not only are there fewer animals in the occupied countries of Europe, but by reason of confiscation of the best stock and by reason of a scarcity of feed and forage the animals remaining on farms are of a distinctly lower grade. One problem therefore will be the improvement of breeding stock by the importation of high class animals from the United States, Britain, and South America.

One result of the war should be a sharp acceleration of livestock improvement in this country. In these days of feed scarcity and great demand for animal products, it is important that animals be produced which will make the best use of the feed consumed. It is, therefore, in the interest of our farmers as well as those of post-war Europe that animal improvement be intensified. Unfortunately the high price of purebred animals is a deterrent, but where the farmer can see his way clear to provide good breeding stock it should be to his ultimate advantage.

It is evident that war time demands on our farmers are absorbing all their energies. All food surpluses are now going to our allies. Some of this distribution must continue after the war. If we add to this the supplies of seed and breeding stock needed in the devastated countries there is likely to be a good demand for American farm products for a period immediately following the war. If the price incentive is satisfactory to the farmer, he will do his full part. The price of many farm products is now pegged by the government and this can be continued during the period of rehabilitation. It then resolves itself into the question of whether the U. S. Government will aid the farmers of the devastated regions by fixing such a price for farm products as shall encourage our farmers to supply the essential products.

We may well give careful thought to the effects of this gigantic effort on our own agriculture. It is probable that the evil effects of soil erosion and the general interruption of established farm plans which characterize the war period itself will be continued after the war, but, we hope, in lesser degree.

The farmer remembers the "hard times" following World War I and may well ask the question: Do we face another agricultural collapse in this country? In answer to this we may call attention to the fact that this is a global war involving a degree of devastation previously unknown. A comparatively small area of the world suffered from injury during World War I. At the end of the present war, the farmers of all Europe and a part of Asia will need help to begin again a normal agricultural life. There is every probability that the United States will lend maximum aid during this period of rehabilitation.

There is in all this the suggestion of true cooperation and mutual gain characteristic of a free exchange of goods which will be of advantage to the suffering peoples of war torn countries and also to the advantage of American farmers.