

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

JOHN H. RICH, FEDERAL RESERVE AGENT

TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

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ment to the 94th Report MINNEAPOLIS, MINN.

November 28, 1922

THE PROBLEM OF THE FARMER

This supplement contains some extracts from earlier reports on crop and business conditions, and the nature of the studies made by this Federal Reserve Bank regarding the farmer's problems in the district. These studies are here presented a second time for the use of those now interested in secured support for a plan to improve our agricultural conditions.

These extracts, charts, and maps have been arranged as follows:

Farm Debts, Tenancy, and Ownership	Pages 1-3
Grain Production and Seed Loans	Pages 4-6
Livestock Production	Pages 7-9
Marketing and Prices	Pages 10-11
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FARM TENANCY

Extract from the 78th Report dated July 29, 1921

There has been a substantial increase in the number of farms in the four important states of this district during the last ten years, but unfortunately the number of tenants has shown a much greater proportionate increase during the same period. According to figures recently published by the Federal Bureau of the Census for the states of Minnesota, North Dakota, South Dakota, and Montana, there were 39,500 farms in 1920, or an increase of more than 50 per cent over 1910. The number of farms in Montana doubled in the ten-year period while North Dakota had a 14 per cent increase, North Dakota a 14 per cent increase, and South Dakota a decrease of 1 per cent. In each of the four states there has been a decrease in the percentage of farms operated by owners; and for the total of the four states the percentage declined from 79.7 to 73.8 per cent. The number of farms operated by managers is 1.1 per cent in each state and the proportions of farms operated by tenants has risen from 19.5 per cent to 25.1 per cent of the total in 1920. In other words, the proportion of farms operated by tenants has increased 28 per cent from 1910 to 1920. This increase is largest in North Dakota (79 per cent) and smallest in Minnesota (18 per cent).

foregoing comment. For instance, the number of new farms added during the ten-year period totaled 55,000, whereas the increase in farms operated by their owners was 21,000 and the increase in farms operated by tenants was 33,000. This is merely another way of stating that there has been a significant increase in tenancy in these four states.

From a recent investigation made by this bank, it appears that the great majority of rented farms are rented on a grain-share basis. In North Dakota 94 per cent of the rented farms are on this basis; in Montana, 88 per cent; in South Dakota, 85 per cent; and in Minnesota, 71 per cent. The farmer who has been renting on a cash basis has experienced a reduction of rents between 1920 and 1921 in Minnesota, South Dakota and Montana, but in North Dakota the average rent paid increased this year over last. In the states where the average cash rent has decreased, the rentals charged are still about 40 per cent higher than in 1914. The experience of the farmers with declining values of farm products during the past year has caused a large proportion of farmers who had been renting on a cash basis to change, when permitted, to a grain-share basis, but few farmers have grown discouraged to the extent that they have given up their farms entirely.

Resulting Table A many interesting details may be discovered in addition to the

		Farms and Farm Tenancy in the Ninth Federal Reserve District.					
Table A		Total No. of Farms	% 1920 of 1910	Farms Operated by Owners	% of All Farms Operated by Owners	Farms Operated by Tenants	% of All Farms Operated by Tenants
Minnesota	1920	178,478	114.1	132,744	74.4	44,138	24.7
	1910	156,137		122,104	78.2	32,811	21.0
Montana	1920	57,677	219.8	50,271	87.1	6,507	11.3
	1910	26,214		23,365	89.2	2,344	8.9
North Dakota	1920	77,690	104.5	56,917	73.3	19,918	25.6
	1910	74,360		63,212	85.1	10,664	14.3
South Dakota	1920	75,655	97.4	47,831	63.3	27,042	35.7
	1910	77,644		57,984	74.5	19,231	24.8
Total	1920	389,500	116.4	287,763	73.8	97,605	25.1
	1910	334,355		266,665	79.7	65,050	19.5

FARM DEBT

The states in the Northwest excel all others in the United States in their ability and willingness to borrow upon the pledge of their lands as security. The recent release of statistics covering farm mortgage debts for the State of South Dakota, together with figures for other states, prepared by the Federal Bureau of the Census, yield some interesting results. The states in the United States having the highest percentage of farms mortgaged in 1920 were:

Per Cent	Per Cent
North Dakota 76	Wisconsin 62
Montana 65	Iowa 59
South Dakota over 63	Nebraska almost 57
Idaho nearly 63	Minnesota More than 56

There were in the four states of North Dakota, Montana, South Dakota and Minnesota in 1910 more than 150,000 farms operated by owners free

of mortgage and at the same time only about 116,000 operated by their owners under the burden of a mortgage debt. By 1920 this situation was completely reversed so that there were but 107,000 owners operating their own farms free from mortgages and more than 180,000 owners operating under the burden of a mortgage. This more recent preponderance of the debt-owing owners is very significant in connection with local political ideas and the financial situation. The detailed figures for the several states are shown in Table B which contains reports only for those farms which are run by their owners, and does not include figures for farms which are operated by tenants or managers, although it is reasonably safe to assume that the situation in the latter group would not be far different from the figures here stated.

Table B

Farms Mortgaged in the Northwest.

(These figures include a statistical distribution of farms for which mortgage status was not reported.)

Per Cent of Owned Farms Mortgaged	North Dakota	Montana	South Dakota	Minnesota	Total	All U.S.A.
1920	75.9	64.6	63.1	56.3	62.8	41.3
1910	50.9	21.1	38.2	46.3	43.4	33.6
No. of Owners Mortgaged						
No. in 1920	43,212	32,488	30,170	74,671	180,541	
No. in 1910	32,152	4,932	22,146	56,571	115,801	
No. of Owners Free from Mortgage						
No. in 1920	13,705	17,783	17,661	58,073	107,222	
No. in 1910	31,060	18,433	35,838	65,533	150,864	

The situation by states follows:

North Dakota, in the ten-year period, had an increase in the number of farms of 3,330 but at the same time there was an increase in the mortgaged farms of 11,070, showing that nearly 8,000 farms were mortgaged by their owners in addition to a number equal to the new farms added. In this state in 1910 the number of mortgaged farms was about equal to the number of farms free from mortgage, whereas in 1920 the number of mortgaged farms was more than three times as great as the number of unmortgaged farms operated by their owners.

South Dakota lost more than 2,000 farms while the number of mortgaged farms increased 8,000 in number.

In the State of Montana there was an increase in the number of farms of 31,463 and an increase simultaneously in the number of farms mortgaged and operated by their owners of but 27,556.

Minnesota gained 22,341 farms while the number of mortgaged farms operated by their owners increased but 18,100.

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This extension of farm mortgage borrowing has increased the total debt in these four states from \$169,000,000 in 1910, to \$531,000,000 in 1920 for owners operating their own farms. This is an increase of 314 per cent, whereas for the United States as a whole in the same period there was an increase of but 233 per cent.

This increase in farm mortgage-debt is doubtless due very largely to the high prices and low interest rates that prevailed during the war, and the fictitious prosperity based thereon. Such conditions always encourage the purchase of more land with credit, the renewal of old mortgages for larger sums based on the increased valuations, and the easy postponement of mortgage payments at maturity in order to purchase unessential things which may be popular in such times of general excitement and extravagance. This increase in mortgage debt therefore does not represent necessitous borrowings; but rather a suspension of good judgment as to what burdens can be carried easily in subsequent periods of necessary economy in a competitive market.

The total farm mortgage debt of owners operating their own farms for each of the four states, and for the United States as a whole follows:

	1920	1910
Minnesota	\$254,475,222	\$77,866,283
North Dakota	108,284,682	48,841,587
South Dakota	90,082,346	32,771,359
Montana	77,949,679	10,741,280
Total—four states	\$530,791,929	\$169,220,509
Total—all United States..	4,012,700,000	1,726,200,000

From the foregoing it is evident that successful farming is becoming more and more a problem of successful financial management. And as free land is no longer available for more extensive agriculture, the period of intensive agriculture has begun. This means that management is more important than heretofore. A competition between those who wish to farm is taking place. Farm ownership will therefore shift to those who are more capable in utilizing the land and planning the financing. That such competition is now present is doubtless the important reason for the increase shown in tenancy. Efficiency under competition will determine the ownership of land rather than the mere desire to farm coupled with a considerable quantity of free land as heretofore. All agencies which will develop and spread correct information concerning agricultural methods and farm finance should be encouraged so that every prospective farmer may have an equal opportunity in this competition.

Extract from 87th Report dated
April 28, 1922

The northwestern farmer is by no means "down and out." Reports received from important officials throughout the states of our district show that there

has been no spread of pessimism this spring, even though the farmer's volume of debts has not declined and he has not had much money to spend. The continued advance of prices in agricultural products and the turn of the season has renewed optimism and all parts of the district are looking forward to a good year.

Even a poor crop this year would not have as harmful an effect as previous crop failures, for farmers have shown a marked tendency to go into mixed farming in the district where crop failures have been frequent. Mixed farming prevents adverse prices or the failure of one crop from having an important effect on the welfare of the farmers. In Montana and western North Dakota in particular, farmers are shipping in dairy cows and are weeding out the "boarders" which pay for their feed in milk only during six weeks of the summer. Farmers are also increasing their holdings of poultry and hogs and are growing more forage with which to feed their increase of animals. There is also an increasing acreage being planted to potatoes.

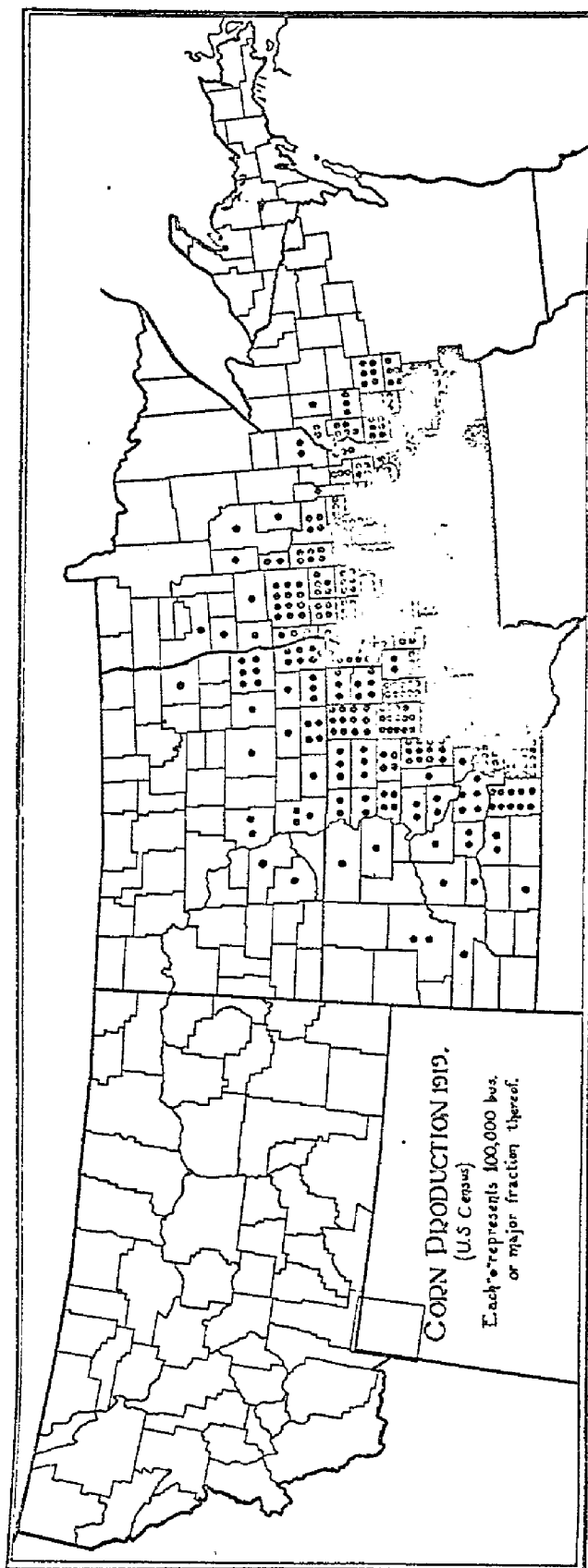
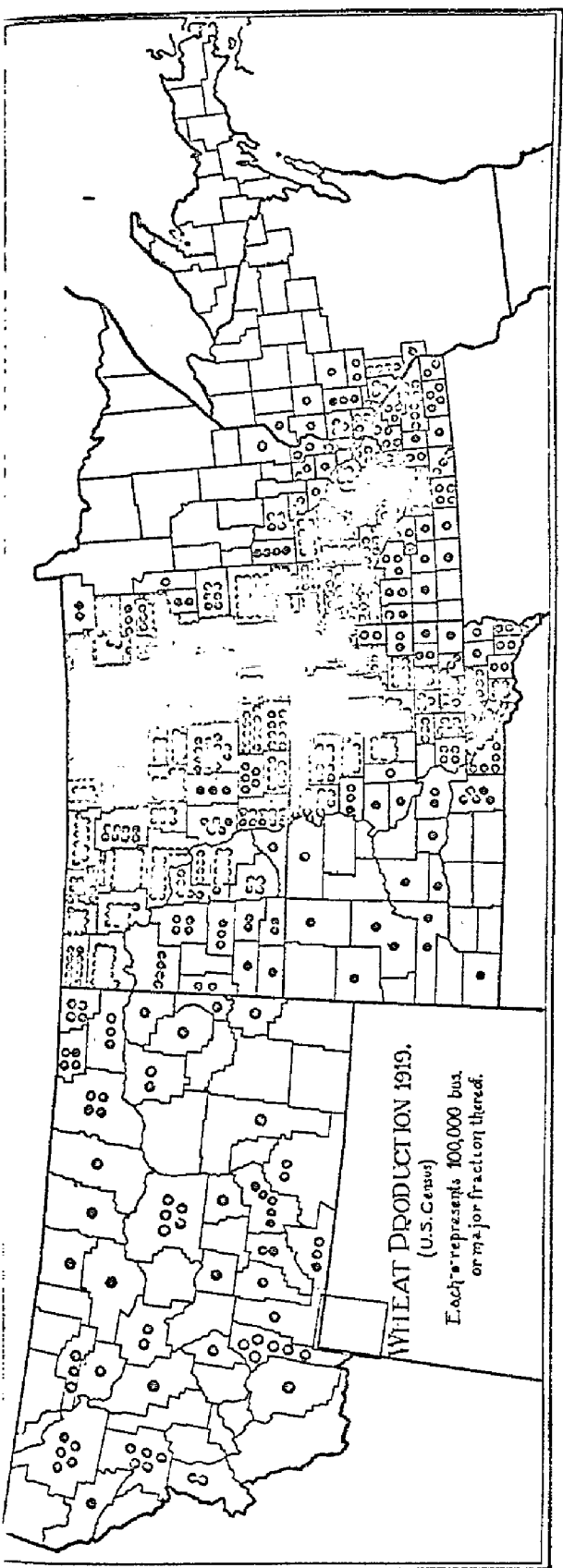
Financially the farmer's situation has not improved since 1921. Conditions are not as bad in Minnesota and North Dakota as they are in Montana and South Dakota. There has been an increase in the defaulted taxes in nearly every section of the district ranging from a small amount to a doubling of the 1921 defaults. More farms are in foreclosure now than a year ago, but there is not any great movement for tenant farmers to desert their farms in the present dull labor market.

All existing financial institutions are now helping the farmer to finance his spring operations. The Federal Reserve Bank of Minneapolis has already experienced the customary spring expansion of rediscounts of farmers' notes for its member banks, which enables these member banks to grant short time loans to finance the seeding operations of farmers. For farmers who have no security to offer their local banks, the Department of Agriculture has been making some provision in the form of direct seed loans. Such loans had been made to the extent of about one quarter million dollars by the middle of April, of which three-fourths were made in the State of North Dakota. It was decided that these loans should be limited to central and western North Dakota, northern and eastern Montana, a few counties in northwestern South Dakota and a small area outside of this Federal Reserve District.

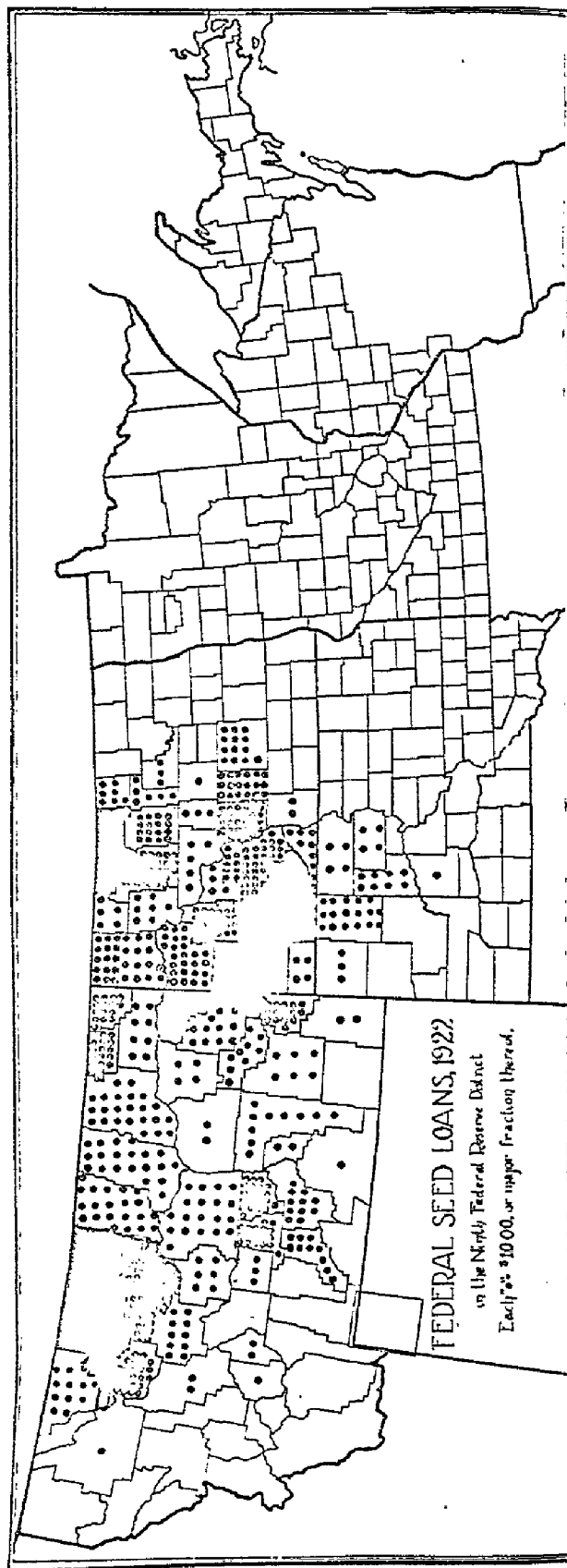
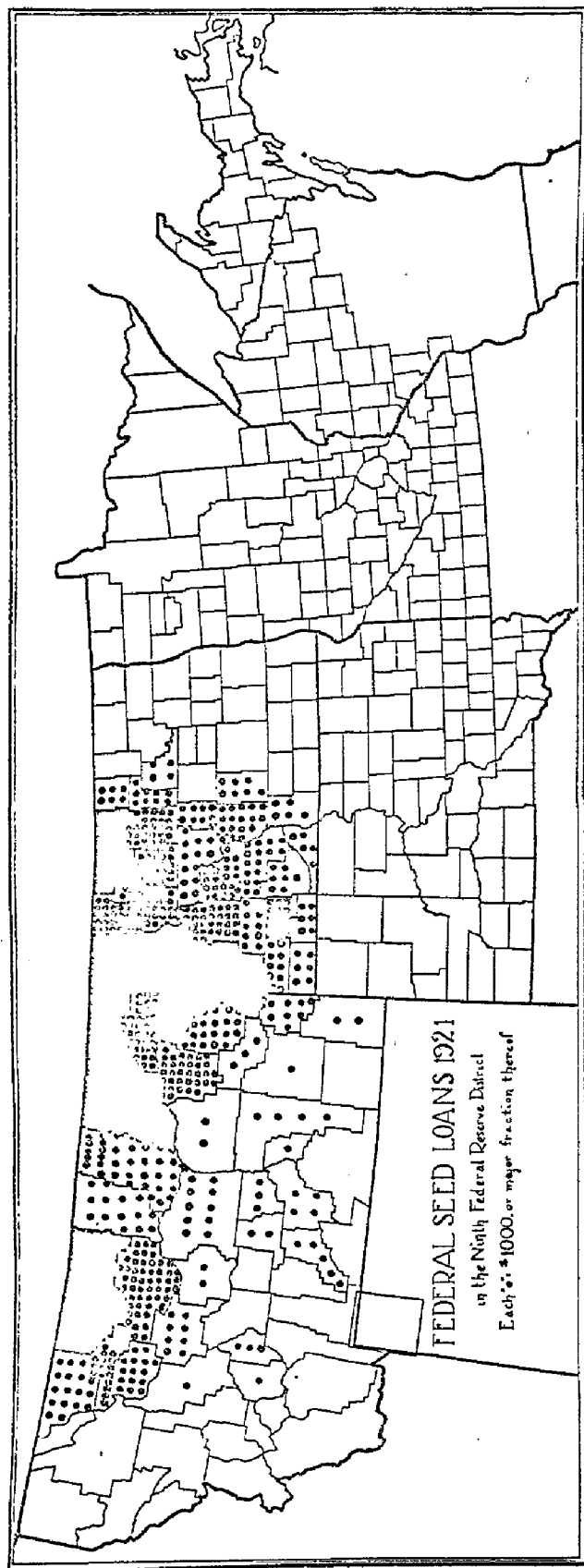
Loans of a longer maturity or of a capital nature, which are not legally eligible for rediscount by the Federal Reserve Banks, have been made freely by the Federal Land Banks and the War Finance Corporation. In this district the Federal Land Banks had outstanding about 80 millions of loans at the end of March; and new loans are being closed at the rate of about 2½ millions per month. This revival of mortgage credit is an important step for the final liquidation of the farmers' "frozen credits."



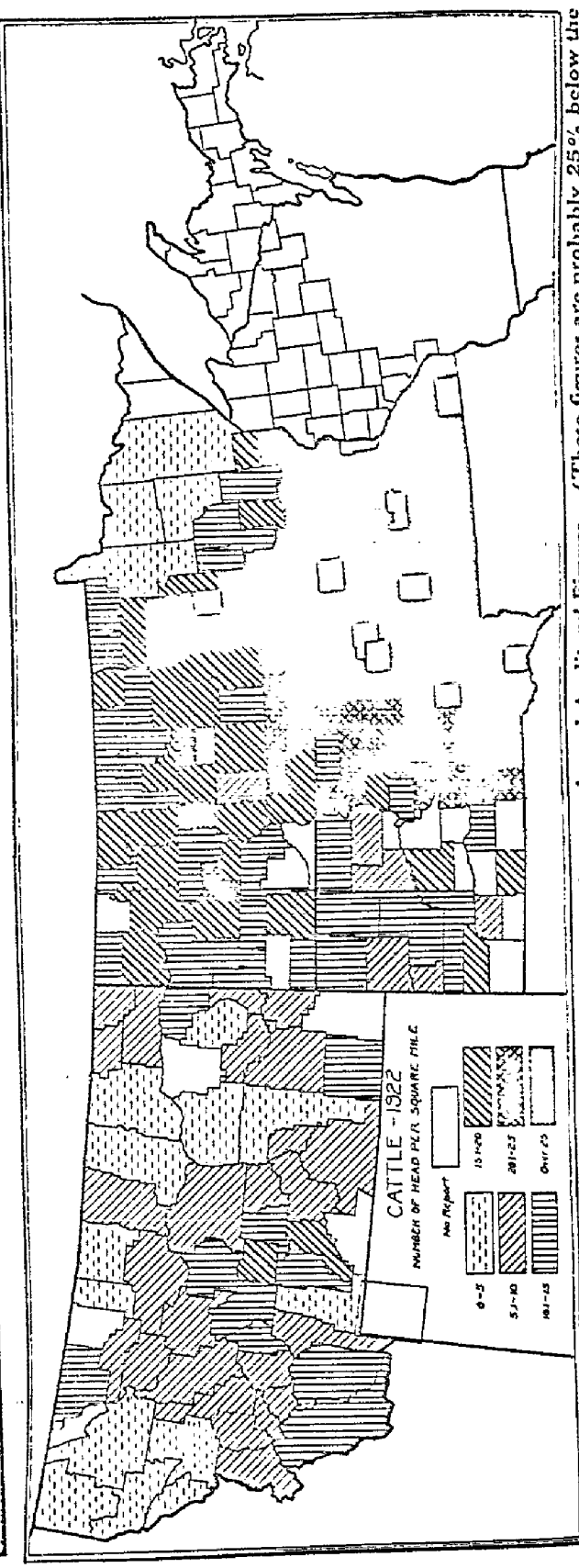
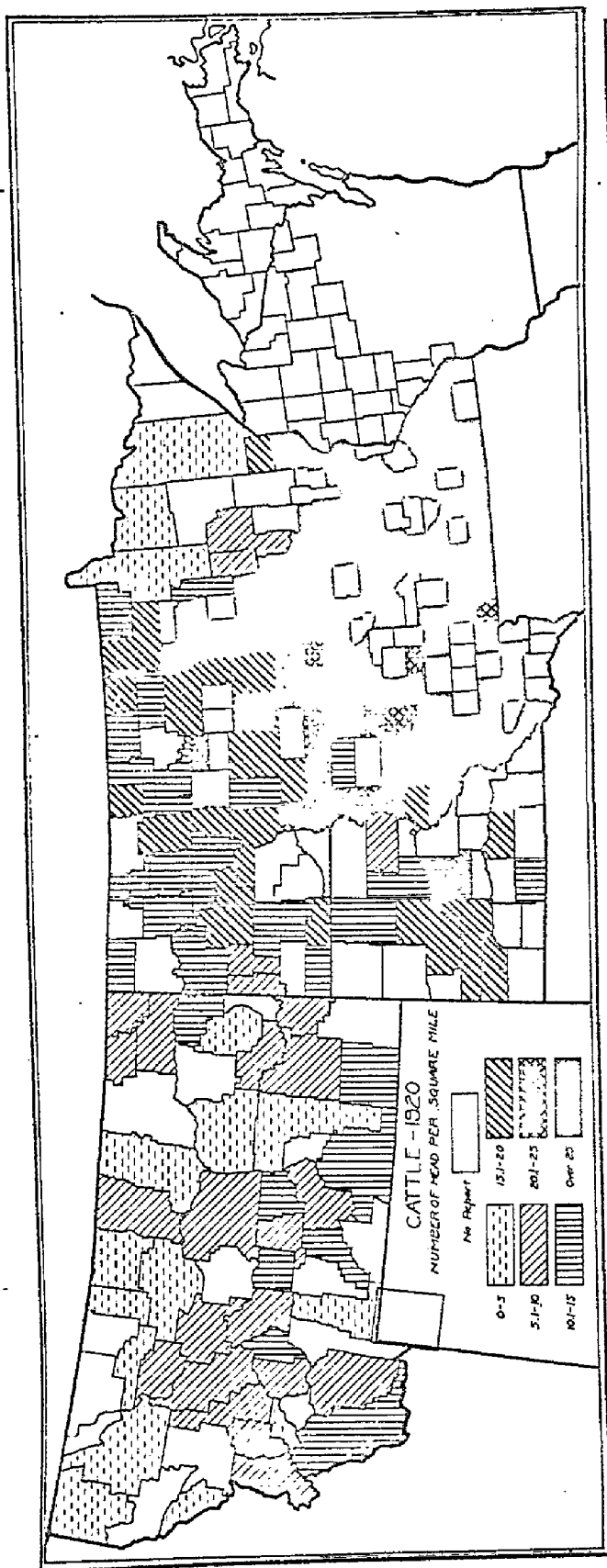
Wheat Yields Per Acre by Counties on August 10, 1921 and August 10, 1922 Estimated by our Member Banks.
Extract from the 91st Report dated August 20, 1922



Wheat and Corn Production in 1919 by Counties in this District as Shown by United States Census Reports.

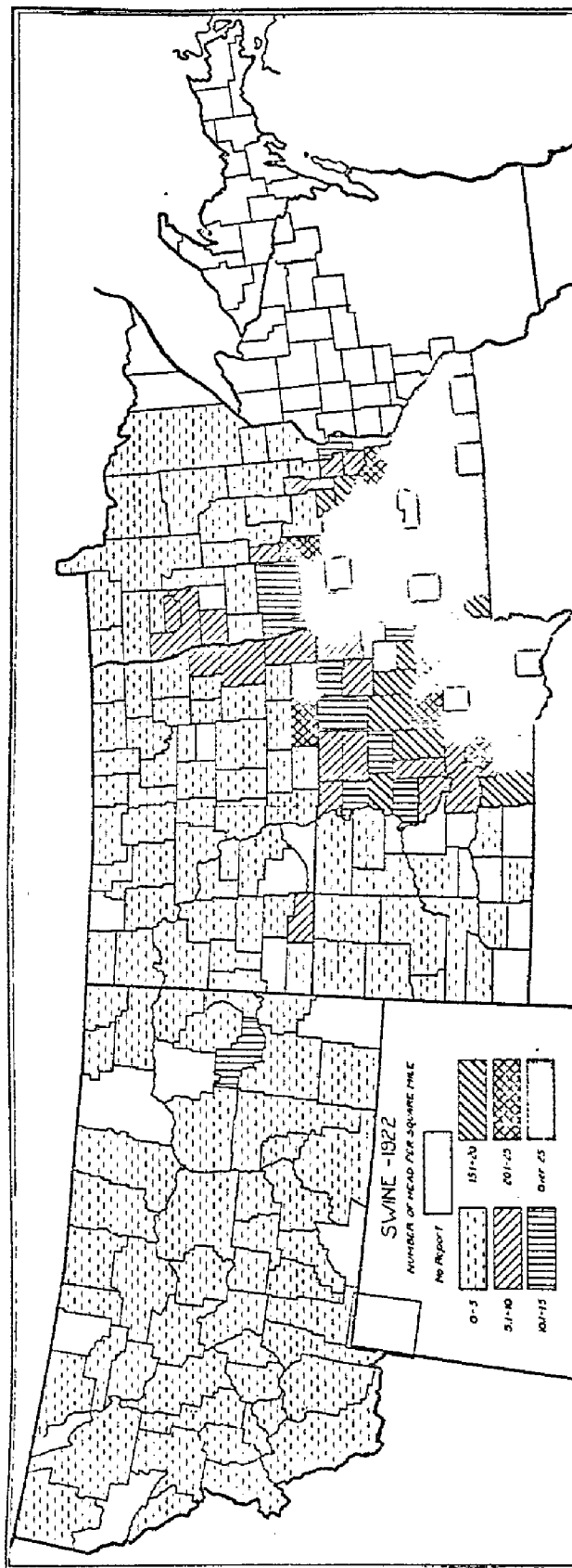
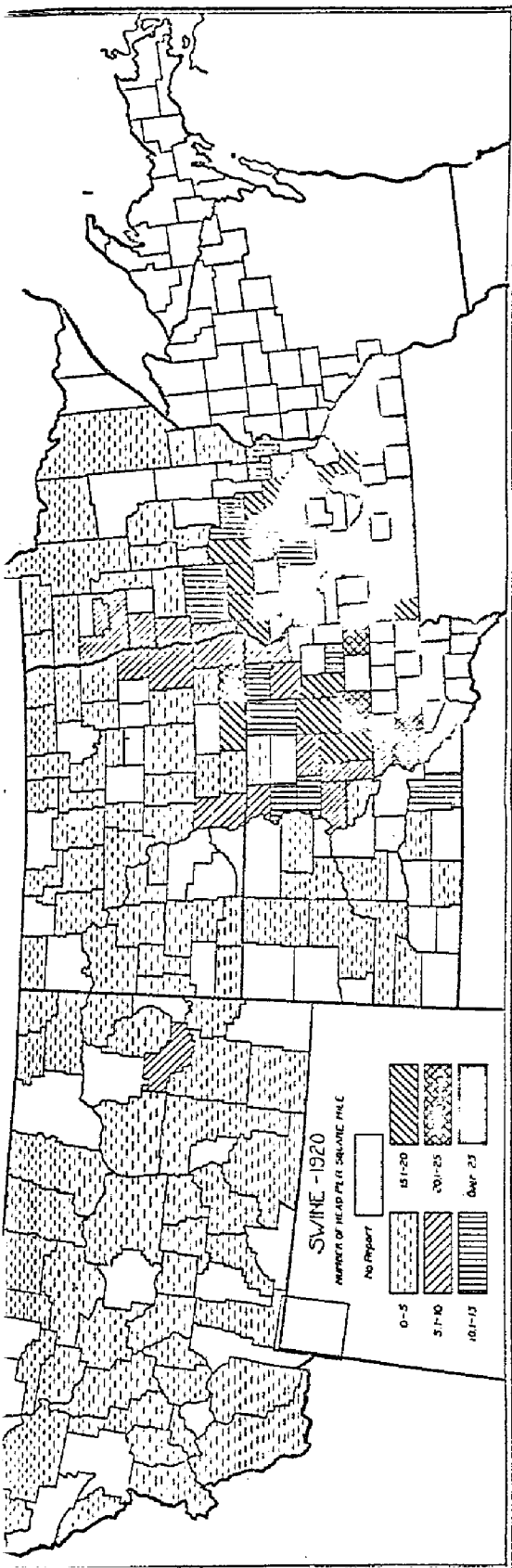


These maps were prepared by the Federal Reserve Agent at Minneapolis, Minnesota, from the data furnished by the Federal Reserve Bank at Minneapolis, Minnesota.



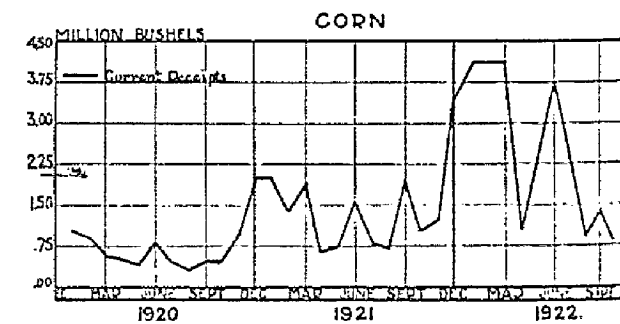
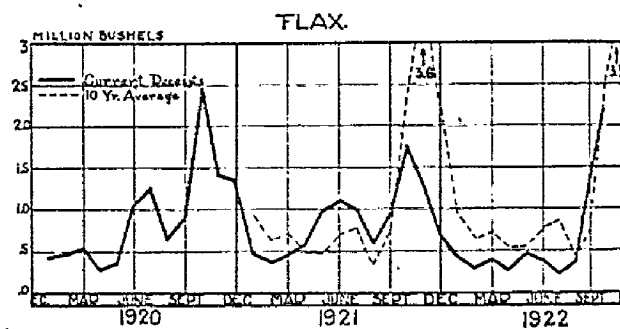
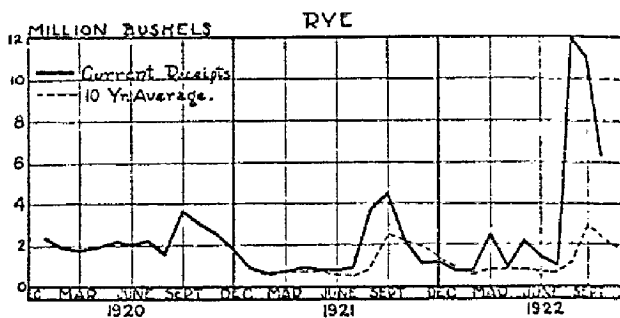
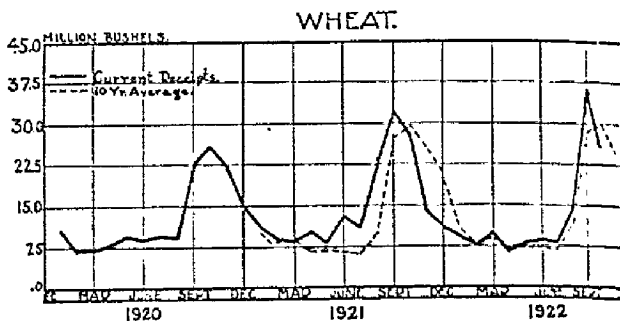
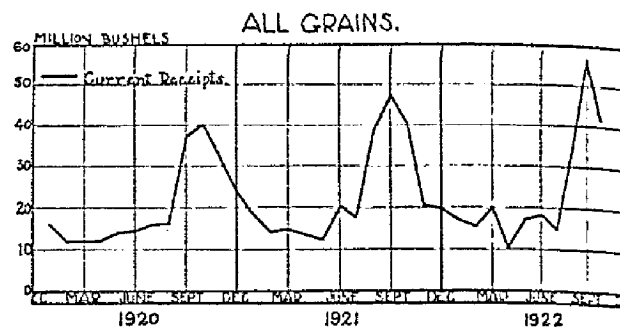
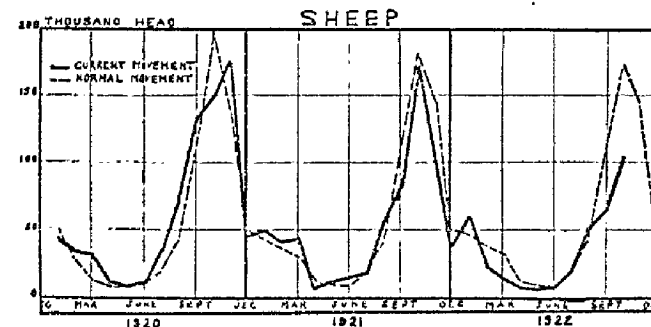
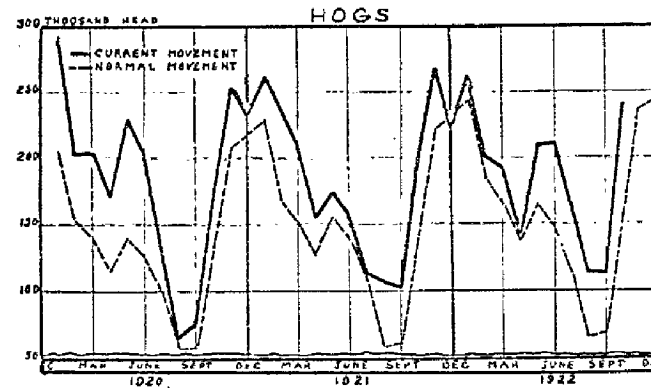
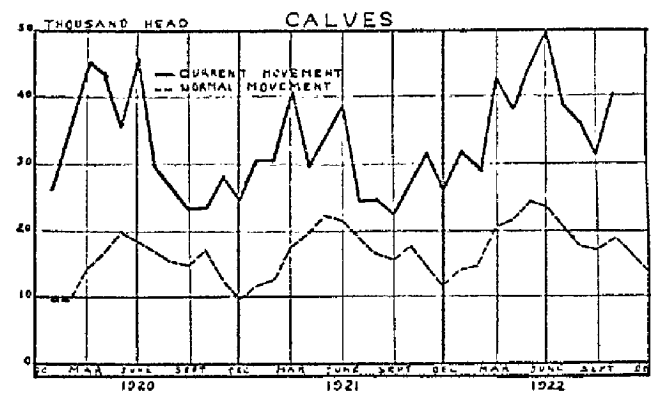
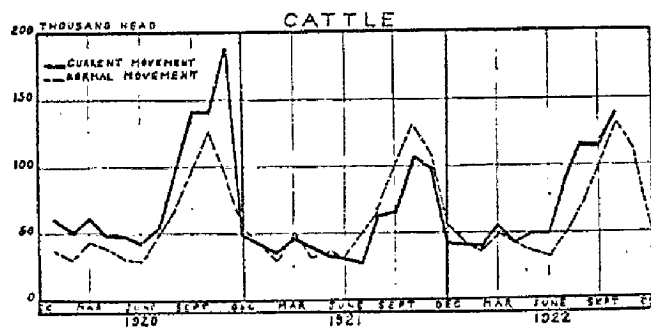
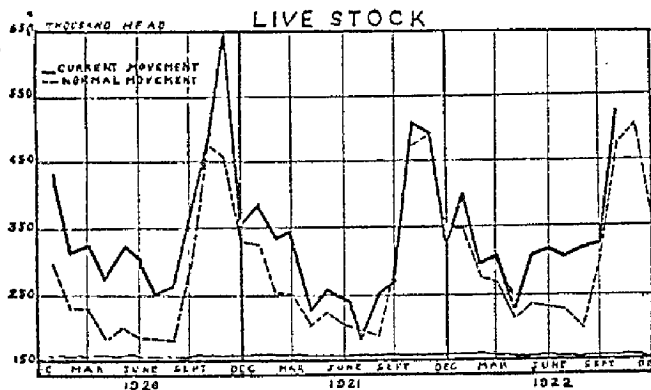
Cattle Per Square Mile, 1920 and 1922, Based on County Assessors' and Auditors' Figures. (These figures are probably 25% below the actual number of head held.)

Statistics furnished by the United States Census Bureau, based on the 1920 and 1922 Census of Agriculture.



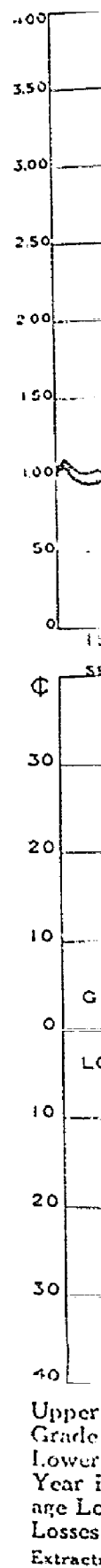
Hogs Per Square Mile, 1920 and 1922, Based on County Assessors' and Auditors' Figures. (These figures are probably 25% below the actual number of head held.)

Extracts from the 92nd Report dated September 28, 1922, and the 93rd Report dated October 28, 1922.

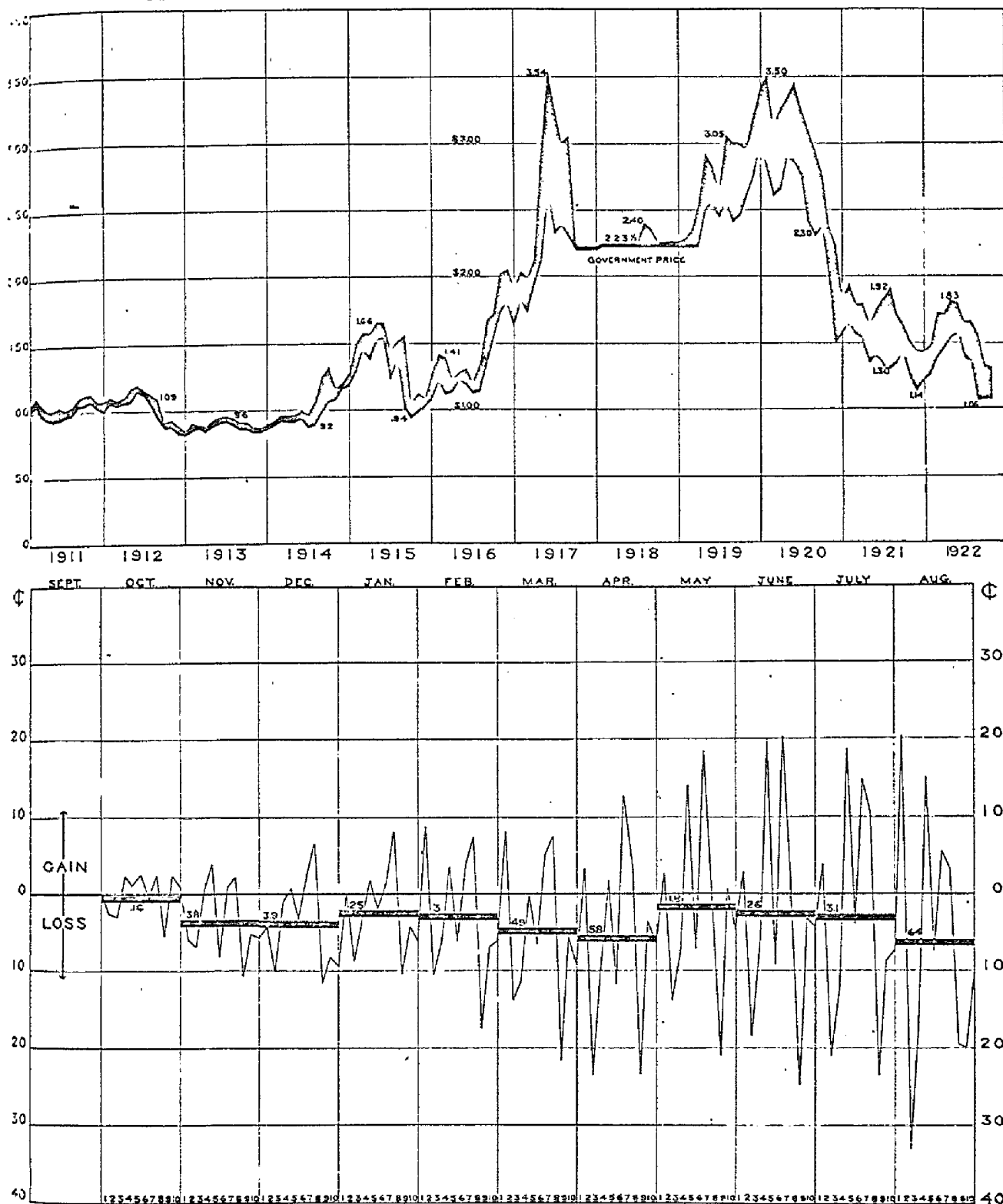


Live Stock and Grain Marketing from the Northwest Compared with the Ten-Year Average of Marketing by Months. Measured by Live Stock Receipts at South St. Paul and Grain Receipts at Minneapolis and the Head of the Lakes.

Extracts from the 94th Report dated November 28, 1922.



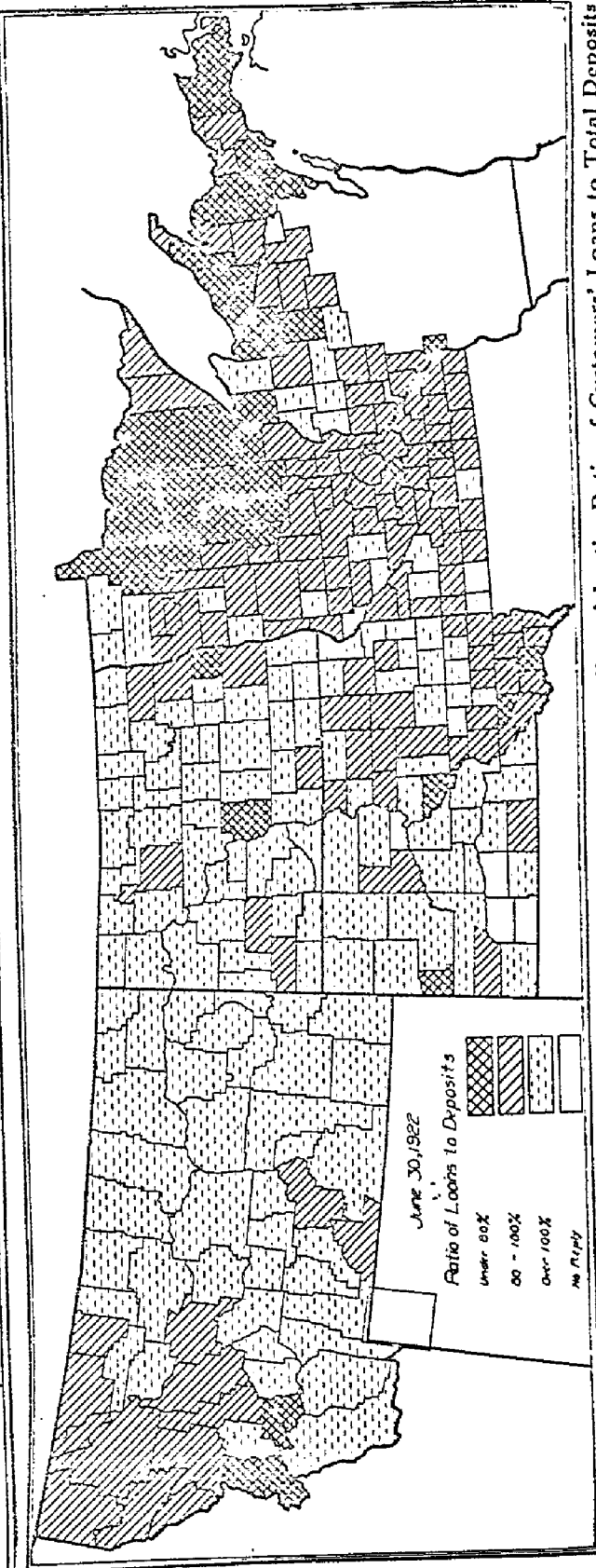
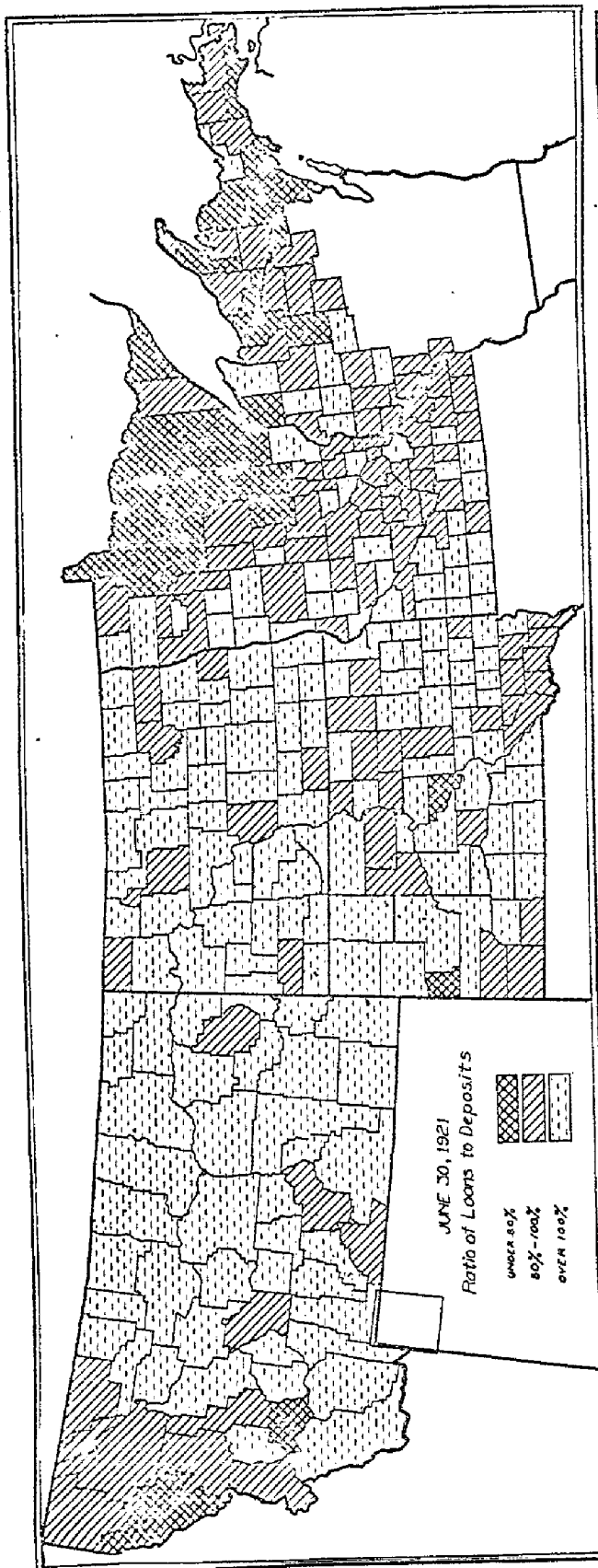
Supplement to the 94th Report of the Federal Reserve Agent at Minneapolis Nov. 28, 1922



Upper: Cash Wheat Prices at Minneapolis. High and Low Prices by Months, 1911-22, for the Highest Grade Quoted.

Lower: Loss to the Northwestern Farmer in Cents Per Bushel by Holding Wheat After September of the Year in which it was Harvested, during the Last 10 Pre-War Years. (Black Horizontal Bars show Average Loss Over 10 Years by Holding to the Months Indicated. Points on the Light Line Show Gains or Losses in Individual Years.)

Extracts from the Special Report dated September 26, 1921. The Upper Chart has been extended through October, 1922.



Bank Credit Conditions on June 30, 1921 and June 30, 1922 by Counties Indicated by the Ratio of Customers' Loans to Total Deposits in Commercial Banks. (Showing the Best Condition by the Darkest Shade.)
Data from the 94th Report dated August 24, 1922

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