

The High Cost of Farming.

The Literary Digest.

One thing that helps to make the cost of living about 10 per cent higher in the United States than in Europe is "an undue interest tax of \$210,000,000 a year on the American farmer." This phase of the "greatest problem at present confronting us" is discussed in *The World's Work* for September by President B. F. Yoakum of the St. Louis and San Francisco Railroad. Food and clothing, the fundamentals of life, cost more and more each year, and according to Mr. Yoakum "it is this simple fact that underlies nearly all the disturbing phenomena of an era full of disturbances." Dismissing those factors which are international in their effect, he names four "paramount causes" of soaring prices in this country, the first of these being "the excessive burden of interest charges laid upon the agricultural producers of the country because of inadequate money-lending facilities." The other three may be grouped as "the excessive cost of distribution." Cheap money for the small farmer is "the first of our agricultural problems." As things stand, this class of citizen, "the fundamental wealth producer of the country," is given poorer service by our banks than almost any other man in American industry. And when we compare the financial accommodation given him with that accorded his brother agriculturist in Europe the discrepancy is still greater. The story is told concisely in the diagram at the top of this page.

Mr. Yoakum estimates the aggregate indebtedness of American farmers, including mortgages and current loans on crops, at \$6,046,000,000. On this they pay interest at an average rate of 8 1-2 per cent per annum, whereas were they farming in France or Germany they could get the same accommodation at a rate never higher than 5 per cent. The reason is that France and Germany have systems of agricultural co-operative banking. Italy, Switzerland, Denmark, England, Ireland, and India have to some extent followed the example set by Germany and France, with the result that "the German, the French, the Italian, the Irish, the Danish, and even the Egyptian and Hindustanee farmer borrows on current account against his crop, his equipment, and even his chattels at an interest rate a little more than half what the American farmer has to pay."

Mr. Yoakum finds that the indebtedness of the American farmer is about half on account of fixed capital—mostly mortgage loans—and half on account of current loans. The total for all our farmers, as already stated, amounts to about \$6,046,000,000, and the number of farms in the United States is about 6,000,000. Therefore the average farm has a mortgage debt of \$500 and a current debt of about the same amount outstanding against it. We read further:

"The rate of interest paid on this tremendous volume of borrowed capital is, according to the best estimates I can find, between 8 and 9 per cent per annum. The actual rate of interest itself is only a part of the burden of borrowing. To it must be added the constant drain of renewals for mortgages on farms, of loans, fees for recording mortgages, and other loans to farmers, most of which are made on short term, and commission fees and compulsory insurance on renewals. From all I have been able to gather from the best available sources, I estimate that an average rate paid by our farmers is 8 1-2 per cent per annum, which is a conservative estimate of the full cost paid on

farm oney used in the financing and capitalization of the farms of the United States.

"The annual interest bill, therefore, paid by the farmers is about \$510,000,000. The total value of the wheat crop of the United States as of December 1, 1911, farm value, was \$543,000,000. Practically the interest account of the farmers ate up the total wheat crop of the entire country."

No thinking man, looking the facts fairly in the face, believes that the rate to the farmer is a just and reasonable rate, declares Mr. Yoakum. Comparing the rate the farmer pays for loans with that paid by American merchants and manufacturers, Mr. Yoakum finds it double. Although "he has the finest security for current loans there is in the world, namely, products that go into immediate consumption and that sell, in all the markets of the world, every hour of the day," yet "he pays double the rate paid by manufacturers of industrial products that have to be marketed with great skill, often on a treacherous and delicate market." The only reason, we are told, is that the farmer stands alone while the manufacturer is a member of an organized trade. So, too, in the case of the European farmer, the advantages are due to organization and co-operation. Turning to the object-lessons supplied by those two countries, we learn that the German farmers in given territories form co-operative societies, "syndicating their farm lands under negotiable bonds which are offered jointly as security for the credit they need," and that the individual then borrows from this co-operative society. "It is just as if all the small farms in a Texas county, no one of which is more than 160 acres, were pooled into one great society which borrowed on a single bond against all this property, and then lent to any individual farmers forming this pool as they needed money on mortgage." In France the Credit Foncier, in Paris, lends money to farmers for periods of from ten to seventy-five years, these loans being retired in very small installments year by year.

What these systems do for the farmer who wants money on a mortgage the co-operative rural banks do for the farmer who wants to borrow money against current needs. In Germany at the present time there is a Federation of German Agricultural Societies, numbering more than 19,000 farmers' banks and including in its membership more than 1,750,000 farmers. This is "an agricultural money trust, the object of which is to see to it that the farmer gets his money when he needs it and at rates that are commensurate with his security." Applying the lesson at home, Mr. Yoakum goes on to say:

"The work of re-organizing the farm finance of the United States is sure to come. The rapidity of its realization depends upon the farmers of the United States. They are the first to receive the benefits. If they do not rouse themselves to wipe out this terrific annual tax upon their industry no other man can accomplish the purpose for them. If, on the contrary, they through their organizations and through their representatives in Congress, demand legislation to accomplish this purpose, I have no hesitation in saying that the annual interest saved ten years from now will be enough to pay the ruling rate at that time on more than \$4,000,000,000 of additional money—enough to open and cultivate every section of the country to its full capacity.

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Judge Walter Clark when shown the article laughed and said it reminded him of old times. **He recalled in 1902 when the Charlotte Observer was supporting the nominee of the Republican party against him for Chief Justice, that just before the election the Observer tried to fool people by saying that Judge Walter Clark would lose by 25,000 majority. The day after the election in 1902 the Charlotte Observer stated that Judge Walter Clark had been elected by 63,000 majority. The error in their prediction was only 88,000.**

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