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"Harmony in
Diversity"

PORTLAND CITY CLUB BULLETIN

"Active
Citizenship"

VOLUME IV

PORTLAND, OREGON, APRIL 25, 1924

NUMBER 29

FRIDAY, APRIL 25

Hotel Benson, 12:10 Sharp

SPEAKER

W. F. HYPES

*Vice-President and Sales Manager
Marshall Field & Co., of Chicago*

SUBJECT

"The Human Element in Business"

SPECIAL MUSIC

HALFRED YOUNG

Tenor Soloist

MISS RUBY LLOYD *Accompanist*

Mr. Hypes is one of America's recognized merchandising experts and Marshall Field & Co., of Chicago, is the largest department store in the world. Seldom does the City Club have the opportunity of hearing so representative an executive in big business. That he has an interest in, and an understanding of, human relationships is shown by the fact that Mr. Hypes is the active president of the Chicago Y. M. C. A., the largest of its kind.

The Club is extending an invitation to a number of Portland business men to hear Mr. Hypes, and for this reason asks that members refrain from bringing guests on Friday. Early attendance is desirable.

Nominations of City Club Officers and Governors

SPECIAL—MAY 1, THURSDAY NOON—

Place: UNIVERSITY CLUB, Sixth and Jefferson.

The UNIVERSITY CLUB invites City Club members to hear:

DR. ALEXANDER MEIKLEJOHN, Nationally Known Educator

THE WHEAT EXPORT QUESTION

This report is the work of the Grain Committee of the Port Development Section of the City Club of Portland, Oregon, by E. N. Bates, chairman, R. L. Baldwin and W. W. Elmer.

It is the purpose of this report:

1. To bring together facts regarding the present alleged economic depression in the wheat producing industry.
2. To present these facts and statistics in a form that will make their significance apparent to and easily comprehended by the casual reader.
3. To summarize the strongest arguments given by the interested parties for and against the proposed solutions of the problem.
4. To bring out, so far as possible, the effect of certain proposed solutions upon: our international relations, the national economic organization, the development of the Pacific Northwest, and the probable effect on the development of the Port of Portland.

Approved by the Board of Governors and presented for the information of City Club members without recommendations.

Extra Copies May Be Obtained at \$4.00 per Hundred

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THE WHEAT EXPORT QUESTION

IT is generally admitted that a serious economic situation exists at present in the wheat producing areas of the United States. The price of wheat has for three successive years continued to fall while the price of labor and the various commodities used in the production of the wheat crop have not fallen materially. According to the most reliable statistics available, the purchasing power represented by wheat expressed in terms of non-agricultural commodities has for the last three years averaged slightly less than 70 per cent of the purchasing power of wheat in 1913.

Not only the farmer but the whole community life of the wheat producing section is depressed. Nothing indicates this more forcefully than the increasing bank failures in the wheat districts. Between July 1, 1923 and February, 1924, a total of 367 State Banks and 66 National Banks have failed. There were more bank failures in the wheat districts in the past 7 months than in any preceding 5 year period.

Wheat went to higher levels than other prices during the war and for two years after the war, but during the year of 1920 wheat dropped to a position much below the other price scales and has continued in this unfavorable relation for the past three years.

In Chart No. 1 are shown two lines with a shaded area between. The length of the vertical line between these two price lines at any time point indicates the approximate loss per bushel sustained by the farmer who sold wheat at that time.

From Chart No. 2 we have the following summaries:

The loss in purchasing power is

figured as—

In 1921.....	\$146,214,000
In 1922.....	330,095,000
In 1923.....	376,240,000

Total.....\$852,549,000

To give the significance of such amounts, it is interesting to note that the U. S. Department of Agriculture has estimated the total value of the wheat crop for 1923 to be \$726,000,000, and for 1922 as \$874,000,000. The loss in purchasing power in three years is more than equivalent to the average yearly value of the crop for 1922 and 1923. The loss in the last two years lacks but twenty million dollars of being equal to the total value of the 1923 crop of wheat.

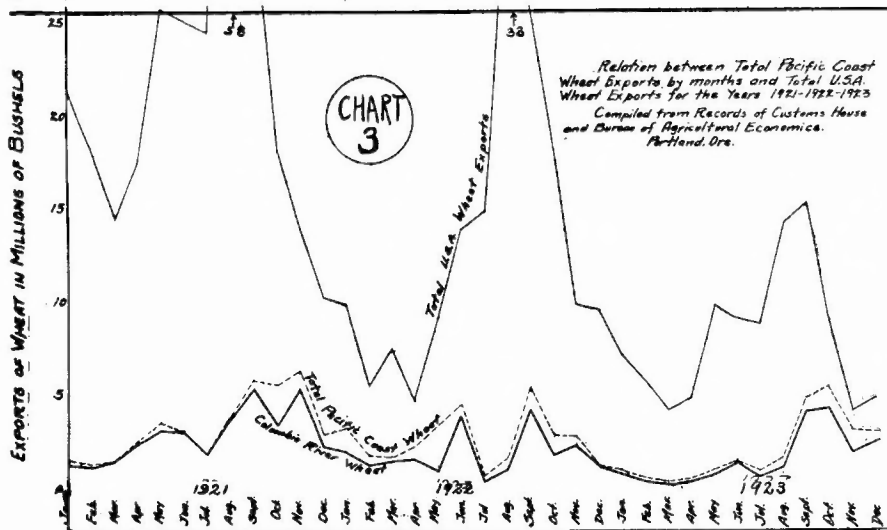
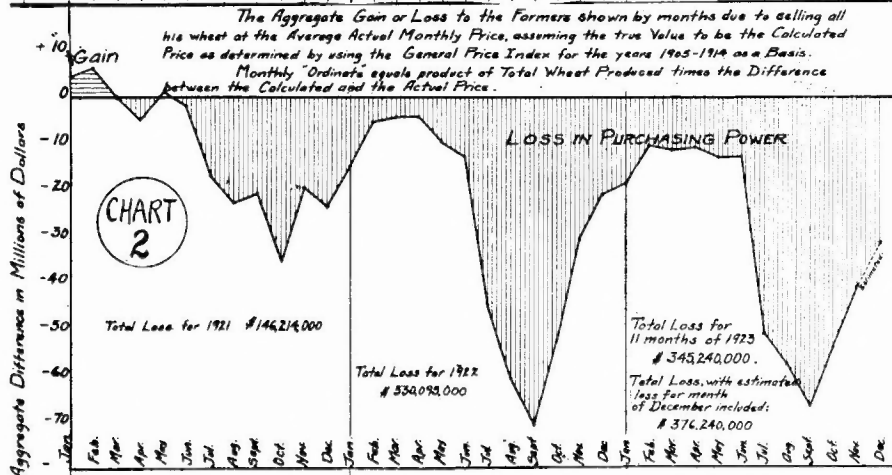
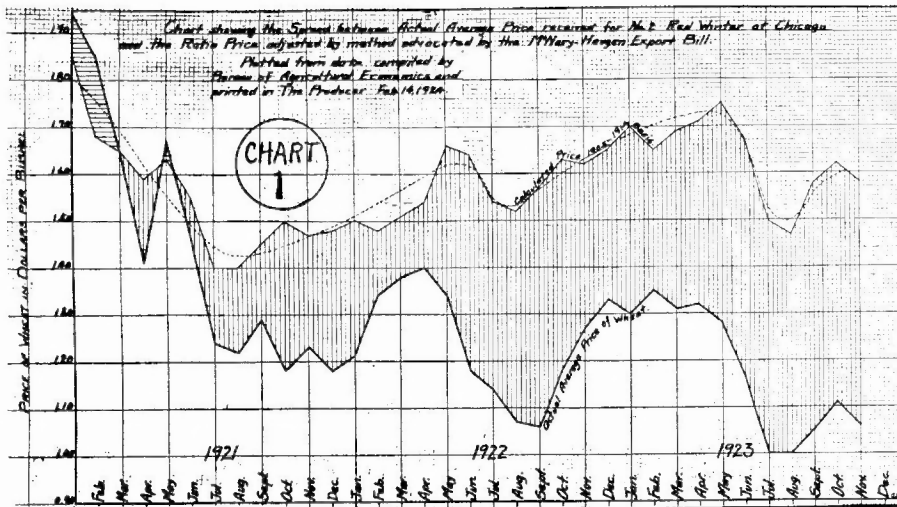
For our discussion in this report we shall consider the two methods most generally favored at this time of making this much needed adjustment in the price of wheat and the probable effect of each method on our present economic life. Each method would require an import tariff sufficiently high to keep foreign wheat from entering the United States at a price less than our average cost of production.

Economic Adjustment Wanted

METHOD I.—This method favors allowing the natural forces which are now operating to continue to depress the price of wheat until a sufficient number of the least profitable wheat farms have been either abandoned or devoted to some other line of agriculture so that our supply of wheat is reduced to the point where it will command a price equal to its cost of production. The spread between the present price of wheat and cost of production of wheat is so great that it is generally recognized that to make the wheat price adjustment by this method would necessitate a reduction in production to the point where we would retire from the export wheat markets of the world. By thus withdrawing from the export wheat markets of the world and by establishing sufficiently high import tariff it would be entirely possible to raise the price of wheat to the cost of production. This method is seriously advocated by many economists and students of the agricultural situation.

The McNary-Haugen Bill Framed

METHOD II.—The other method proposed for adjusting the wheat price to its pre-war purchasing value during the present emergency has taken the form of a bill in Congress known



THE NATIONAL ASPECT OF THE PROBLEM

It would appear that the large question involved in this problem for the American people to decide is the question of whether the United States shall continue as a wheat exporting country or whether we shall be forced to withdraw from this phase of our relation with other countries because of the fact that at this time our economic organization will not permit the production of wheat at the price fixed in the export markets of the world.

Quoting from an editorial in the January 2, 1924 number of the "Price Current Grain Exporter" in which (after discussing our export situation) the editor says:

"In the face of these conditions and repeated warnings of agricultural leaders to reduce acreage, the Government estimate of 1924 winter wheat crops show only a reduction of 12.6% in acreage as compared with 1923. *If spring wheat acreage is not drastically reduced this country will continue as an exporter of wheat.*"

The sense of this article is that the editor recognizes that the only possible existing means of adjusting the wheat price to meet the present situation is by this country withdrawing from the export market.

Agriculturally the United States is and always has been a surplus producing country. The selecting of suitable product by which to dispose of our exportable surplus has been a natural development extending over many years. The most desirable products, naturally, are those which would not encounter serious competition from other countries; such a product in this country is cotton. However, another product, wheat, although highly competitive has been exported from the United States for over 100 years and has through this long period proved a most satisfactory commodity through which the United States has been able to dispose of the surplus of production. Wheat has many qualities which make it highly desirable as an export product. Wheat is one of the most generally produced and used agricultural products in the world and occupies a large place in the trade of the world. Wheat is naturally an ideal export product because of the ease and economy with which it can be handled in bulk and because it is not perishable, not easily injured in handling and can, under proper conditions, be stored indefinitely without deterioration.

Wheat Great Export Product

Wheat and flour at the present time rank second only to cotton as an American agricul-

tural export product. Since 1866, America has exported on an average slightly over 25% of its wheat production varying from 7.4% in 1904 to 43% in 1920. The average export of wheat and flour from the United States for the fiscal years since 1896 has been the equivalent of 180,000,000 bushels of wheat per year.

To suddenly discontinue the exporting of wheat and reduce our production to the point where supply and demand would force a price for wheat comparable to its cost of production, would mean either the discarding of some 10 to 20 million acres of land or the throwing of this tremendous acreage into the production of commodities which are at the present time fairly well balanced as to supply, demand and reasonable price. The sudden discommoding of the present economic balance would produce conditions of over production and low prices, the effect of which would be hard to predict at this time.

Those who advocate diversification of farm crops on the present wheat farms for the purpose of reducing wheat production may have in mind a method of disposing of the surplus diversified products in a manner that will not further reduce the price of such products. Or it may be that some export product superior to wheat or not subject to the same competition may be raised and a new export business developed. However, such solutions for our surplus export problems could be but vague speculations as compared to our wheat export business which is an established fact.

THE INTERNATIONAL ASPECT OF THE PROBLEM

The wheat market of the world is remarkably uniform in its demand for wheat. "On the average for ten years before the war 1904-5 to 1913-14 inclusive, world shipments in the three months period, September to November constituted 28.4% of the total 12 months shipments. In the December-February period 23.4%, in the March-May period 25.4%, and in the June-August period 22.7%. As an absolute mathematical division would give each period 25%, it is seen how comparatively slight in practice is the variation from the ideal regularity. But each country producing a surplus of wheat has its particular season for heavy marketing."

**Quoted from the supplement to commerce reports, "The Method of Merchandising American wheat in the Export Trade." Part 2.*

It is an interesting fact that the principal wheat export producing areas of the world are so situated geographically that their harvest

as the McNary-Haugen Export Commission Bill.

This bill is designed to raise the prices of agricultural products to a level which will give them pre-war purchasing power. The commodities included in the bill are: Wheat, flour, raw cotton, wool, cattle, sheep, swine, any food product of cattle, sheep and swine.

A current price for each commodity will be determined which will give it the same purchasing power in terms of all commodities as it had for the corresponding month before the war. The pre-war period to be used for comparative purposes is 1905-1914. The prices to be set will be computed monthly. Prices which have been collected monthly by the United States bureau of labor statistics will be used as the basis.

The government is empowered to set up the machinery to administer the law, making such purchases as may be necessary to support the determined price, the producers are taxed on their sales to cover the expense of administration and any losses which may develop.

President May Declare Emergency

A commodity is not brought under the operation of the law unless the domestic price is less than the computed or determined price. In such case the president may declare an emergency and the commission in charge orders the purchase of the surplus. The surplus is exported and sold at the world price.

With respect to any export commodity, the probable cost of operation of the law together with the loss sustained by the corporation from selling the export portion is pre-determined. This total expense is borne by the producers of that commodity through a system of partial payment to the producer in scrip. The amount of the scrip per bushel is designed to safely cover the total loss and expense and whatever remains as profit at the end of each year is to be returned as a dividend to the holders of the scrip.

The bill is an emergency measure and proposes to use the methods practiced by large manufacturing interests so organized that they have monopolistic control of their particular industry. With a high protective tariff a manufacturing concern can fix the price of domestically consumed products at a figure which will warrant selling a considerable quantity of its product in foreign markets at a figure competitive with the same commodity produced under free trade and unprotected laboring conditions.

ARGUMENTS ADVANCED FOR THE McNARY-HAUGEN BILL

1. It promises immediate relief.
2. The relief is applied at the heart of the trouble, the price of the product.
3. The remedy does not disturb the economic balance in present agricultural systems, as would result in a sudden change by a large number of farmers from wheat to diversified farming where such a change would be possible.
4. Wheat is one of the most desirable agricultural products in which to export our agricultural surplus.
5. The proposed solution does not entail an extension of credit to farmers beyond the limits of good business practice.
6. The proposed solution of the problem does not impose a direct tax on the people, as the producer of exportable surplus pays cost of export corporation activities.
7. The wheat and flour export trade with the Orient is developing rapidly and is of special value to the Pacific Northwest and should be fostered.
8. The law will preserve intact during the emergency the exporting facilities of the country, including grain handling equipment, transportation facilities, marketing connections abroad and the present organization of exporting firms.

ARGUMENTS ADVANCED AGAINST THE McNARY-HAUGEN BILL

1. The proposed law would be a new use of governmental agency.
2. It is unsound procedure from an economic standpoint, since it interferes with the free working of the law of supply and demand.
3. The method proposed by the bill is too complicated to be efficient.
4. If the law is effective it will stimulate wheat production instead of reducing it.
5. The expense of execution will be so large that the farmer will not profit by the operation of the law.
6. The value of the scrip would not be known until the end of the year. This would present an ideal subject for gambling and speculation.
7. The world wheat price will be depressed by forcing wheat into the export market.
8. Other countries would consider this a dumping law and would retaliate.
9. A better solution of the price problem would be to retire from the export trade in wheat and produce only for domestic use at an equitable price.

seasons and their distance from the world importing countries is such that their wheat naturally comes into the world market in a cycle of order which is almost ideal from a marketing standpoint. It should be noted that from a world point of view orderly marketing does not consist of each exporting country feeding a uniform amount of wheat into the world market each month of the year. The orderly marketing which is attended with the least price fluctuation and economic loss consists in each country contributing its exportable surplus to the world soon after the harvest. Attention should be drawn to the fact that to withdraw American wheat from the export market of the world would seriously interfere with the orderly marketing of the world system which has gradually developed during the past 50 or 60 years.

The withdrawal of America from the wheat export trade of the world would mean that during the period of the year when the normal demand for wheat has been supplied largely from the United States there would be a serious lack of wheat which would undoubtedly cause an increase in the price of wheat at that period of the year. The high price would stimulate increased production in all countries, whose crop season corresponds to that of the United States. There would be a tendency for other countries to retain a quantity of their wheat to feed on the market at this favorable period when the price was higher. Canada, Australia and Argentina with the proper price stimulus, would quickly supply the deficiency resulting from our withdrawal.

The Orient is becoming a large buyer of American wheat, especially the kind of wheat that is produced in the Pacific Northwest, and it is apparent that she is preparing and expecting to enlarge her purchases of wheat from this country. From July 1, 1923, to December 31, 1923, the Orient purchased over 8,000,000 bushels of wheat exported from the Columbia River, while Europe purchased about 6,000,000 bushels.

THE EXPORTATION OF WHEAT OF VITAL INTEREST TO PORTLAND

Portland in 1921 held the second place in the United States in the exportation of wheat. According to the 1922 report of the Commission of Public Docks of Portland, Oregon, on a tonnage basis for the last ten years wheat alone has made upon an average 45% of the foreign exports from Portland. In 1922 wheat amounted to 54.5% of the total tonnage exported from Portland.

During the past year frequently as high as

twelve ocean-going boats have been loading grain and flour at one time in Portland.

The Port of Portland is authority for the statement that a sum of \$12,000,000 is left in Portland each year by shipmasters who re-provision and who use Oregon labor to load their vessels. Seventy-five per cent of twelve million dollars or \$9,000,000 per year is a reasonable estimate of the portion of this amount attributable to Portland's yearly export wheat and flour business.

Port Growth Is Noted

Chart No. 3 shows that part of the total wheat exports of the United States which is exported through the Pacific Coast Ports and the Port of Portland. It is noted that during certain months of the year the Pacific Coast Ports have contributed very largely to the total wheat export of the country.

Manifestly a 75 per cent reduction in the exports from Portland would have a depressing effect on all phases of our business. For example, the \$1,000,000 municipally owned elevator at St. Johns would be idle; most of the warehouses along the waterfront of Portland would be unused. One could elaborate at length upon the effect on city rents and the follies of building bridges in a seaport city that was expecting to lose 75% of its world business.

THE PROBABLE COST OF RETAINING OUR WHEAT EXPORT BUSINESS

The question naturally arises as to what the cost would be to us, the consumers of wheat products, of preserving the grain export business through the agency of the McNary-Haugen Export Bill. Whatever the solution of the wheat price problem may be, it is undisputable that the farmers to produce wheat must receive the cost of such product. Therefore it follows that regardless of whether the price of wheat is brought to the cost of production by sacrificing our export grain business or by the application of the proposed legislation, we, the people, must pay the producer the cost of raising the wheat. If the proposed legislation is enacted, in addition to the cost of producing wheat, we, who consume wheat products, will, in addition, have to pay the export tax on the wheat produced, which will be assessed against the farmers at the time they sell their wheat. On the basis of our present production and export business this tax has been estimated at from 7 to 10 cents per bushel. The wheat consumed per person per year in the United States ranges in the neighborhood of 5 bushels, making a total additional cost to each person of approximately 50 cents a year, to preserve our grain export business, by means of the McNary-Haugen Export Law.