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SOME REASONS FOR RECENT ADVANCES  
IN, AND PRESENT HIGH PRICES OF,  
HORTICULTURAL FOOD PRODUCTS

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THESIS FOR DEGREE OF M. HORT.

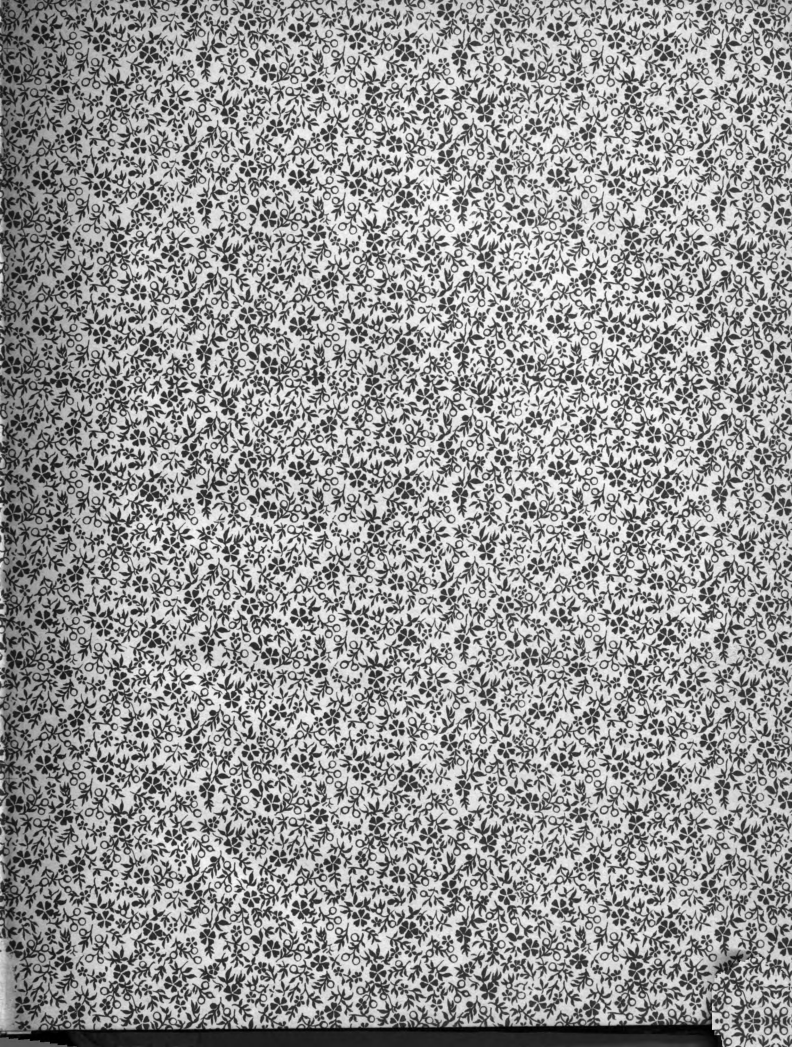
OTTO W. SCHLEUSSNER

1917

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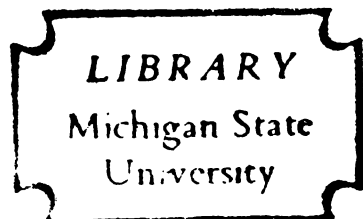


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SOME REASONS FOR RECENT ADVANCES IN, AND PRESENT  
HIGH PRICES OF, HORTICULTURAL FOOD PRODUCTS

(With a discussion of reasons popularly ascribed and of methods for lowering prices)

Thesis for Degrée of M. H.

O. W. Schleussner

1917

Note:- War conditions or war measures were not taken into consideration when this paper was prepared, as war had not been declared. It is recognized that under its war powers the government can and will do many things which are not possible under peace conditions. No attempt has been made to discuss "war measures".

THESE

During the past six months this nation has been in the throes of a food crisis, during which time the necessities of life have sold at prices which, generally speaking, have been without precedent since the Civil War. Maine potatoes have sold in New York City at \$10.00 per barrel, Northern cabbage at \$180.00 per ton, and Northern onions at \$15.00 per cwt. bag. Not only have these great necessities of the poor man's table risen to these hitherto unheard of prices, but other crops have moved at proportionate figures. Apples have sold up to \$7.00 per barrel for good stock, beans (which are quite often used as a substitute for potatoes) have been \$8.00 and \$9.00 per bushel wholesale, wheat has sold over the \$2.00 mark, and pork at as high as 16¢ live weight. This combination of advancing prices has been so serious that we have had actual food riots in the congested quarters of our great cities, the wrath of the consuming population being directly chiefly at the high prices of the great (and hitherto comparatively cheap) "stand-bys", -potatoes, onions, and cabbages.

The government generally, and the Department of Agriculture particularly, has been deluged with letters and resolutions concerning the food situation, and many reasons and remedies for the present conditions have been offered. Not only have hundreds of private individuals protested, but the public has been loudly clamoring for relief thru the press.

Acting without knowledge of the real causes contributing to the present crisis, the general public has looked about for some object on which to vent its wrath, and upon which to place the blame for conditions. And the speculator or middleman has, in large measure, been held responsible, altho the farmer has come in for censure as well.

The reason most universally ascribed for the high cost of living is that either a gigantic food trust or monopoly, or a series of slightly smaller trusts who possess a mutual understanding on prices, have cornered the total available food supply of the U. S. Usually these trusts are said to be composed of speculators, tho sometimes they are alleged to be farmer's associations.

The fallacy of such reasoning is apparent when it becomes known that competition in the fruit and vegetable business is remarkably strong in all lines. This country is so vast, and the source of supplies of even a single crop (such as potatoes for instance) covers such a large area and traces back to such an immense number of individual producers that effective monopoly and control are a physical impossibility. Because of its very nature the business of handling horticultural food products is comparatively disorganized. The very largest firms in the produce business handle only a small fraction of one percent of the business of the nation. Under such conditions it is evident that no monopoly can exist on potatoes, for instance, especially as all authentic reports agree in saying that even at present the major portion of the nation's available supply of potatoes is still in the hands of its original scattered producers.

Many people have even gone so far in their accusations as to say that there has been widespread willful destruction of foodstuffs by middlemen so that prices might be enhanced. These reports are persistent, yet in spite of this, in all of the alleged cases brought to the attention of the Department of Agriculture investigation has yet to reveal a single instance of malicious dumping or destruction of merchantable food. Intelligent second thought should show everyone that economic laws would prevent such action. With no firm controlling more than one percent of the entire crop, the commensurate gain resulting to any one individual thru enhanced price due to the



destruction of a single car of potatoes for instance, would be negligible. Yet at present prices the destruction of one such carload would mean that the owner would suffer a direct financial loss of nearly \$2000.00.

In the same category is the popular belief that the abuse of storage facilities is the prime reason for high prices, and that holders are keeping fruits and vegetables off the market until famine prices prevail, when they will release them from storage. This reasoning utterly fails to take into account the fact that even under most favorable conditions the life of fruits or vegetables in storage is limited to a comparatively short period of time, and that the horticultural crops can not be held indefinitely but must be disposed of within this limited time or heavy losses will result. Speculators are well aware of this fact, and this alone tends to keep a fairly steady and constant movement out of storage.

The foregoing are popular beliefs which are based on prejudice rather than knowledge. But there are reasons, and very real reasons existing for the present high prices. These reasons are far too fundamental to be cured by boycotts, trust prosecutions, and the like.

It is an undisputed fact that in its broadest sense the food market is a world market. While the horticultural products are, as a rule, more subject to purely local influences than the staples, the price movement of even the horticultural products is strongly influenced by certain world forces that have been very active since the beginning of the war.

It is unquestionably true that the commercial value of the dollar has decreased materially since 1914 due to its loss of purchasing power. Statistics show that there has been an increase of about \$8,500,000,000<sup>.001</sup> in the quantity of money in circulation in the world between July 31, 1914 and December 31, 1916 as follows:

## In Millions

	July 31, 1914	Dec. 31, 1916
Gold	8,500	9,000
Silver	3,000	3,000
Unsecured paper	<u>4,000</u>	<u>12,000</u>
	15,500	24,000

The above figures\* are merely a rough estimate and do not include China and Japan.

As seen above, of the total increase almost \$8,000,000,000.00 is comprised of the increase in the circulation of paper money in the countries either engaged in or very greatly affected by the war. The specific increases in paper money circulation from July 31, 1914 to December 31, 1916 are as follows:-(#)

Great Britain	710,000,000.00
France	2,223,000,000.00
Germany	1,334,910,000.00
Italy	358,290,000.00
Russia	2,976,495,000.00
Norway	29,715,000.00
Sweden	44,425,000.00
Denmark	31,000,000.00
Holland	162,865,000.00
Switzerland	30,095,000.00
Spain	<u>78,860,000.00</u>
	\$7,988,655,000.00

The result of this situation and this inflation has been to inevitably cause a rise in the price of all of our commodities. This rise in the price of our commodities was caused not only by the increased circulation of money but in a large measure also by the world-wide shortage of labor, which affected all commodities equally. The labor shortage is of course largely due to the withdrawal of millions of laborers now serving in armies from the ranks of producers to the ranks of consumers. This condition is truly reflected by the enormous advance in the index numbers of all commodity prices as

\*Sources of information include "Reports of the Director of the Mint", Fisher "The Purchasing Power of Money" P237, Laughlin "The Principles of Money" P387

#From The Annalist Annual Review Jan. 8, 1917

published by the London Economist, which shows the following, taking the general average from 1901 to 1905 as the basis of 100 :-

Date	All articles	Cereals and Meats	Other Food Products
1901--1905	100	100	100
1913--Jan 1	124.1	120	121
April 1	123.4	119	119
July 1	121.3	116	115
Oct. 1	123.3	117	119
1914--Jan. 1	119.2	113	118
Apr. 1	118	112	116
July 1	115.9	113	115
Oct. 1	126.4	129	135
1915--Jan. 1	127.3	143	138
Apr. 1	150.2	168	142
July 1	147.7	164	142
Oct. 1	151.6	162	157
1916--Jan. 1	165.1	179	148
Apr. 1	162.4	190	167
July 1	191.5	198	173
Oct. 1	201	204	178

In the three reports prior to the opening of the war all commodity prices showed a steady decrease from their high points of January first 1914, reaching the low point shortly before the opening of hostilities. The advance which followed the declaration of war was immediate and marked, being especially great in the case of "Other Food Products"-- which classification consists very largely of the horticultural food products. However, on the date of the last available report (Oct. 1, 1916), the relative advances in "All Articles" and "Cereals and Meats" was considerably in excess of the advance in "Other Food Products".

We can thus see that the advance in prices of horticultural food products, in a broad general way, has been but a part of a general advance in prices, and up to October 1916 was really not as marked as the advance in the prices of other commodities.

No complete or comparable figures have been located that would apply to conditions in the U. S., but The Annalist of March 3rd carries a chart showing that the advance in all commodity prices from January first 1914 to January first 1916 was expressable by an index number



of 120 on the earlier date as compared to 180 on the later date, or an advance of practically 50%. During the same period the advance in the price of cereals was expressable in an index number of 22 as compared to an index number of about 40 on the last date mentioned.

However, it was during the winter of 1916-1917 that the advance in the price of horticultural food products was most marked. Bearing in mind the fact that there has been a tremendous rise in the price of all commodities for reasons more or less attributable to the war, we can now look for the especial contributing causes to the broad general upward trend of all prices which caused the prices of all food stuffs but especially of horticultural food stuffs, to soar like a sky-rocket during the winter season of 1916-1917.

Strange as it may seem, the great majority of our consuming public either does not know, or refuses to believe, that an actual and very great crop shortage occurred in all our principal food crops in 1916. Every one of our grain crops showed a tremendous decrease in yield as compared to 1915, as shown by the following estimates of production(1):-

Wheat	1916	639,886,000 Bu
	1915	1,025,801,000
	1914	891,017,000
Oats	1916	1,251,992,000
	1915	1,549,030,000
Rye	1916	47,383,000
	1915	54,050,000
Barley	1916	180,927,000
	1915	228,851,000
Buck-wheat	1916	11,840,000
	1915	15,056,000
	1914	16,881,000
Beans	1916	8,846,000
	1915	10,321,000
	1914	11,585,000

(1) From the U. S. Dept. of Agr. Monthly Crop Reporter Pages 128,129, & 131 December 1916



As compared with the previous year, therefore, we have a shortage of 38% on wheat, 12% on oats, 13% on rye, 21% on barley, 22% on buckwheat, and 15% on beans. While it may seem at first glance that the shortage on these great cereals should not necessarily affect the prices of the horticultural foods, a marked shortage of any one crop always affects all others because of the substitution (which always occurs) of lower priced foods for those which happen to be temporarily higher priced. A universal shortage of the staple cereals, such as occurred in 1916, would therefore affect the horticultural food crops even tho there were normal crops of the latter. The relation between the cereals and the semi-staple horticultural crops such as potatoes, cabbages and onions, is quite important, for when bread or flour is high priced the demand for potatoes is likely to increase proportionately. This has been demonstrated particularly in Germany which, prior to the war, always had an enormous surplus of potatoes. But when grain imports were shut off and flour became high priced, the demand for potatoes increased so greatly that the demand was far in excess of the supply.

Added to the shortage of the cereals in 1916 however, there was an even greater shortage in the yield of the principal horticultural food products. The final estimates of yields by the Bureau of Crop Estimates in December 1916 showed the following (1):-

Apples	1916--	67,415,000 Bbls.
	1915--	76,670,000
Peaches	1916--	36,939,000 Bu.
	1915--	64,097,000
Pears	1916--	10,337,000 Bu
	1915--	11,216,000
Cranberries	1916--	415,000 Bbls.
	1915--	441,000
	1914--	697,000

(1) From the Monthly Crop Reporter Dec. 1916, Pages 128, 130, 131, & 133



Potatoes	1916--	285,437,000 Bu.
	1915--	359,721,000
	1914--	409,921,000
Onions	1916--	6,417,183 Bu
	1915--	7,663,712
Cabbage	1916--	246,988 Tons
	1915--	670,631

In the fruits, therefore, we have a shortage as compared to 1915 of 13% on apples, 45% on peaches, 10% on pears, and 9% on cranberries. Equally important is the fact that not only were the crops short, but they were deficient in commercial quality showing a decrease (see note #1) of 9.4% on apples, 7.4% on peaches, and 2.8% on pears, thus causing a larger amount of fruit not fit for consumption and withdrawn from commercial channels, all of which factors tended to increase price.

Of the great semi-staple horticultural products which appear on the tables of the masses almost daily, the shortage of potatoe production was 20% as compared to 1915 which was already a short crop, the cabbage shortage reached the appalling figure of 64%, and the onion shortage amounted to almost 17%.

It is therefore evident that even had financial and labor conditions been normal, the crop shortages alone would have justified a very material advance. Quite a serious advance would have been inevitable on <sup>this</sup> account in the horticultural crops themselves, even if the grain crops had yielded normally.

Added to these shortages, during 1916 there has been the most tremendous exportation of food-stuffs this country has ever seen. Few people realize that in 1916 we exported almost twice as much wheat as in 1913 (the last year before the war), almost twenty times as much oats, and that the value of all breadstuffs exported in 1916 was many millions of dollars in excess of twice the value of breadstuff exports in 1913. This naturally made the shortage of breadstuffs

Note #1-- See page 133 Monthly Crop Reporter for Dec 1916

in the United States more pronounced, and increased the demand for vegetables and fruits.

In even greater measure have these great increases prevailed in the exportation of dairy products. Our 1916 exports of eggs exceeded those of 1913 by almost ten million dozens, our butter exports in the same period increased eight times over, our condensed milk exports over thirteen times, and cheese exports twenty five times. During the same period our exports of meat products increased at the rate of over \$120,000,000.00 per annum.

The same condition also holds true of our strictly horticultural foods. In spite of the crop shortage in 1916 we exported almost as many apples in that year as in 1913, while the value of all fruits exported last year considerably exceeds the 1913 values. We do not ordinarily consider ourselves a potatoe exporting country, yet our 1916 exports exceeded those of 1913 by almost one and a half million bushels. The value of all vegetables (including canned goods) exported last year was three times that of the 1913 figures.

The following figures show the remarkable expansion of exports in food stuffs: (See note one)

#### Wheat

1913--	99,508,968 bu,
1914--	173,861,944
1915--	205,829,820
1916--	154,049,686

#### Oats

1913--	5,274,623 bu.
1914--	35,086,867
1915--	104,549,204.
1916--	101,411,239

#### All breadstuffs

1913--	\$203,391,856.00
1914--	\$310,380,873.00
1915--	\$527,882,389.00
1916--	\$471,932,210.00

#### Eggs

1913--	17,668,775 Doz
1914--	21,019,166

Note 1--From monthly summary of Foreign Commerce of U S Dec 1916



## Eggs (contd)

1915--22,323,145 Doz.  
1916--28,266,443

## Butter

1913-- 2,654,315 lbs.  
1914-- 3,687,657  
1915-- 63,227,375  
1916-- 54,092,585

## Condensed Milk

1913-- 16,473,782 lbs.  
1914-- 22,831,904  
1915-- 75,691,206  
1916-- 219,444,018

## Cheese

1913-- 2,654,315 lbs.  
1914-- 3,797,450  
1915-- 63,227,375  
1916-- 54,092,585

## Meat Products (value)

1913-- \$157,486,409.00  
1914-- \$137,737,493.00  
1915-- \$259,039,556.00  
1916-- \$279,198,960.00

## Green apples

1913-- 1,920,221 bbls.  
1914-- 1,541,361  
1915-- 2,176,918  
1916-- 1,670,543

## All Fruits (value)

1913-- \$32,913,445.00  
1914-- \$28,868,839.00  
1915-- \$36,926,567.00  
1916-- \$36,001,814.00

## Potatoes

1913-- 1,816,580 bu.  
1914-- 2,714,835  
1915-- 3,900,149  
1916-- 3,229,646

## All vegetables, including canned goods (value)

1913-- \$6,837,445.00  
1914-- 8,755,755.00  
1915-- 12,815,644.00  
1916-- 18,555,044.00

In general, it can be said that the increase in tonnage of all kinds of foods exported has shown a remarkably steady and almost geometrical growth, all of which has profoundly affected the entire food market in its broadest sense.



In the case of some particular crops, the export business has had a very powerful effect on price advances. Tomatoes are one of the few crops which yielded abundantly in 1916, showing an increased yield of almost 50% as compared to 1915, or 1,369, 170 tons as compared to 984,886 tons. <sup>Note #1</sup> A large percentage of this crop is canned, but the export demand for tomatoes has been so great that prices have advanced by leaps and bounds, and supplies are now very low. The situation is aggravated to some extent by the great shortage in cans at the present time, caused thru the enormous demand for steel caused by the war. Mills are finding it almost impossible to secure the steel plates which form the basis of cans. Consequently there is danger that part of the tomatoe crop may be wasted in 1917 because of lack of cans in which to place it.

Another and very generally unconsidered factor in price advances has been the increased buying power of the entire country, which has in many cases resulted in greatly increased per capita consumption, and in every case has resulted in higher prices. This is most forcibly illustrated in the case of cantaloupes, a highly persihable horticultural crop which is but little affected by shortages in the staples, for it is not used as a substitute to any great extent. The early crop is produced almost entirely in a restricted area in the Imperial Valley of California, which allows ideal opportunity for a study of the marketing conditions prevailing with respect to this crop.

In 1915 a crop of over 4800 cars was marketed with the greatest difficulty, and at the end of the season had returned the growers only about seventy cents per crate, on the average (See Note 2), or barely the cost of production. The demand was hardly equal to the  
 Note #1--See page 136, Monthly Crop Reporter, Dec 1916  
 Note #2--See Dept of Agr. Bull. #401, Chart #1

supply. But in 1916, on the other hand, the country had reached such a state of prosperity, and the buying power was so greatly increased that an almost equally large crop, amounting to slightly over 4500 cars, was harvested and marketed with no difficulty whatever, and returned the grower \$1.15 per crate. The demand was actually in excess of the supply almost all of the season, for it seemed that every one had money with which to buy cantaloupes and wanted them. As cantaloupes from this section are rather a semi-luxury because of high prices, this condition is a very good index of buying power.

This abnormally high buying power which thus expressed itself in increased demand for cantaloupes has been continuous throughout the winter. While no accurate data are available, it is believed that the actual per capita consumption of food-stuffs was higher during the winter of 1916 ( in spite of high prices) than ever before. This is borne out to some extent at least by the fact that while the potatoe crop was only 20% short in 1916 as compared to 1915, figures published by the U. S. Department of Agriculture in a special report of potatoe holdings as of January 1st 1917 show a 40% shortage as compared with the same date in 1916. When it is remembered that the supply on hand at this date includes many millions of bushels of seed stock which can not be used for the table in any season, we see that the actual shortage of potatoes for use as food is even greater than 40%, and indicates an actual greater per capita consumption than in the previous year. Altho our exports of potatoes doubled in 1916, the total number of bushels exported was, after all, a small item as compared to the total crop, and the shortage in the holdings can not be attributed to this cause to any great extent. The actual difference in bushels consumed per capita can not be determined with any great degree of accuracy, and may not be very great,





but when the tremendous increase in the price of this commodity is considered, the increased buying power is brought home even more forcibly.

All reports which are available regarding the holdings of commodities in cold storage indicate much the same thing, I.E. , shortages of actual supply which are far in excess of the actual crop shortages which occurred in 1916. A report as of April first 1917, issued by the Office of Markets and Rural Organization, and which is the latest report available at the present time, shows the following conditions obtaining on that date:-

Apples--	42.5%	short	as	compared	to	April	1	1916
Eggs--	36.8%	"	"	"	"	"	"	"
Cheese--	18.3%	"	"	"	"	"	"	"

Butter, on the other hand, shows a large increase in holdings, amounting to about 80%, but this is a commodity which is almost in a class by itself in that the price of butter has little relationship to the more important staple or semi-staple food commodities. Butter can hardly be used as a substitute for any of the other more important articles of diet. However, it is understood that a large portion of the holdings are under contract to foreign purchasers, and will be exported later.

The figures on apples show such a large decrease (42.5) in stocks on hand as compared to the previous year, that the shortage in production as compared to 1915 (13%) is overshadowed. When the high prices are considered this demonstrates again the increased consuming power of the country, while the shortage is in itself an abundant reason for the present high price of apples, leaving out of consideration entirely all other contributing causes.

In spite of the fact that all of the facts presented hereto-

fore are readily ascertainable, a large proportion of the consuming public still continues to harbor the suspicion that trust manipulation is at the root of the entire rise in prices. This impression seems to linger in the minds of many even when all of the facts have been drawn to their attention. The statement is constantly made that while it may be true that all of these combined causes do justify higher prices, the producer has received none of the increase, but that it has all gone to middleman. The falsity of this assumption is shown by the following table of farm prices paid to producers at harvest time:

	Aug.15 1914	AUG,15 1915	Aug.15 1916	Sept.1 1914	Sept.1 1915	Sept.1 1916
Apples per bu	68.6¢	61.8¢	80.7¢			
Peaches per bu	105.0	85.4	114.9			
Pears per bu	98.8	88.8	109.0			
Cabbage per cwt	174.0	161.0	226.0			
Onions per bu.	137.9	86.3	133.5			
Tomatoes per bu	92.5	66.4	88.4			
Beans per bu.	254.0	266.0	459.0			
Potatoes per bu.				74.9	50.3	109.3
Sweet Potatoes bu				92.8	84.6	89.9

Figures taken from Monthly Crop Reporter of U. S. Dept. Ag.

It will be seen from the above that prices to the farmer have been on a relatively high level from the very beginning of the consuming period of the most important of last years horticultural crops. The price of apples was approximately 30% higher than either of the two previous years, cabbage was about 30% higher in price paid to the farmer as well, beans were nearly double, potatoes were more than double the 1915 harvest price, while all other horticultural crops

reported have shown a marked increase in price over 1915, and a moderate increase over 1914, which was also a high priced year for many articles.

It is an accepted fact that the price of an article (be it food or manufactured) increases almost in geometrical proportion rather than in actual ratio to a shortage existing in that article. Therefore as the winter season progressed with consumption maintained at its old levels or increased, the shortage grew more acute, and prices went correspondingly higher. However, the farmers were benefited by this even more than the middlemen, for a large proportion of the horticultural products available in this country was held in the farmer's hands while stored. The year 1915 was also a fairly prosperous one, and farmers generally were largely in a sufficiently good financial condition to be able to hold their stored goods for a rise in price.

Altho it is not generally understood, advancing prices are usually a cause for further advances, in and of themselves. This may sound paradoxical, but it is unquestionably true. The psychological effect of an advance in price on the public mind (especially a rapid advance), is to make all people believe the price is going still higher. The tendency, therefore, is to increase purchases on a rising market, and this increased demand has the further tendency to increase prices still more. In other words, there is a certain momentum in advancing prices which usually carries them to levels for which there is no real economic justification. We see this tendency constantly in the stock market, where the general public seldom buys when prices are low, but refrains from plunging until prices are at or near the top. The very rapid advance in the prices of all food-stuffs has caused many house-wives to become afflicted with a species of hysteria, and many of them have become hoarders of food, making

purchases far in excess of their normal or reasonable requirements.

This tendency for the momentum of advancing prices to carry such advances beyond reasonable levels seems to be particularly noticeable in the horticultural food products. The public seems to become panic-stricken when supplies are short, and prices high; and the demand increases rather than diminishes.

A striking example of this fact (tho it did not occur in connection with a horticultural food) was observed in Washington this past winter. A rumor spread about that the supply of sugar was about to be cut off, and in a short time it seemed that every housewife in town had the news. Because of this rumor a "run" was made on sugar, and became so serious that the next day the price was raised a cent in an effort to reduce the demand temporarily. When this news of the advance of a cent a pound taking effect in most stores was further spread about, there was a veritable rush for sugar. The price rose from seven and one half cents per pound to as high as fifteen cents per pound, and the higher the local grocers put the price, the greater was the demand. Many usually shrewd housewives purchased lots of one hundred pounds or more at five cents above the usual market price. In the course of a few days, when the housewives were "loaded up", and the stocks depleted by the "run" were replenished by new shipments, the price quickly dropped to normal again. This same tendency to become panic stricken and rush prices to extremes is apparent time and time again on the fruit and vegetable market. It also works in the opposite way, for in times of threatened over-supply the demand often seems absolutely killed, as every one holds off for lower prices.

Some complaint, which may seem reasonable unless carefully studied, has been made because the prices of some of the various horticultural crops have not risen even in geometrical proportion to the



shortages existing in those crops. Some people have seen in this an evidence on manipulation. However, the vital cause of money inflation affects all crops equally regardless of crop shortages, and also the great factor of substitution enters in and cannot be ignored.

Onions, for instance, are a crop in which the production was more nearly normal than in either the cabbage or potatoe crops, for instance. Yet the rise in the price of onions in the latter part of the winter was quite as astounding as the rise in the price of these other commodities.

This can be partially explained by the fact that the prices of all food-stuffs, especially those belonging in a same general class (such as cabbages, onions and potatoes), are interdependant to a certain extent. All three of these vegetables compete for a place on the daily table of the masses. When the price of one is high, and that of another is low, the low priced article is very widely substituted for the high priced one. The increased consumption of the low priced article will soon cause a great enough shortage in it to justify an advance in price. While this principle acts only in a limited field, and is not always effective, it has the tendency to cause all the semi-staples to remain on a comparative level as to prices.

The orange growers of California recognize the importance of this factor of substitution, as increased competition and heavy shipments of strawberries, peaches, cantaloupes, etc. always have a depressing influence on the orange market; while unseasonably light shipments of these commodities always make a more active orange market.

Though (as explained) the real reasons for price advances in horticultural products are far different from those ordinarily ascribed by the general public, the public has a large number of "sure remedies" for the conditions now existing, which remedies are, of course, practically all based on false premises.





The most popular one advocated by the public for the "high price evil" is to "put the trusts out of business and put some one in jail". As there is no real trust existing in horticultural foods, it is obviously impossible to "put the trusts out of business", and the mere fact that a man is engaged in the wholesale fruit and vegetable business is not yet considered sufficient cause for a jail sentence.

Almost equally popular is the demand that the government confiscate all foodstuffs and distribute them. However, if there is an actual shortage of supplies this will do little good, tho it has its value as a war measure in rationing an army or even a whole nation if necessary. However, many of the complainants under the present system would find that rationing presented more unsatisfactory situations than even the present conditions.

In the same category is the demand that the government regulate all prices, and set maximum prices at which foodstuffs are to be sold. If such a step were taken, minimum guaranteed returns should naturally be established as well, in order to compensate the grower for his limited profits, and protect him against loss. For if the consumer is to be protected from too high prices, the farmer should be protected from too low prices.

One of the silliest of all remedies for high prices of fruits and vegetables, and yet one advanced as often as any other, is the proposal to abolish all cold storage houses. Twin brother to this proposal is the suggestion that there be a prohibition by law against holding any goods in cold storage over thirty days, and that violators of this law be deemed guilty of a felony.

The authors of these proposals apparently do not realize that cold storage is one of the most potent factors in existence to-day for lowering the cost of living-- and making living more pleasant. While it

is true that if there were no storages apples would be very much cheaper in the fall, this would simply mean that apples would be available for only a comparatively short period, after which the supply would be extremely light and prices so high that only the wealthy could afford them. The result of the serious gluts of each fall would be to quickly drive many apple growers out of business, so that the supplies would soon be diminished and in the course of a few years prices would be at their old levels in the fall. Cold storage is a necessary factor in the economic life of the nation. While it may be abused and put to undesirable uses occasionally, on the whole its benefits far outweigh its burdens on the public.

Altho the causes of price advances on foodstuffs are far too fundamental for any reduction in price to be obtained thru such actions as trust prosecutions, boycotts, abolition of cold storages or other popular so-called "remedies", nevertheless some improvement can be secured thru intelligent government action tending to eliminate waste and lost motion in our methods of distribution. Only thru a reduction of the unsecured paper money supply and a great increase in crop production can prices reach their old low levels; but a certain small tho very definite and decided saving can be secured thru other means. However, we much not expect too much from government assistance, for nothing can really change the workings of the law of supply and demand.

For some time past, distribution of food products which are marketed nationally has been generally carried on in an unscientific, unintelligent, and lax manner. Various shippers in different parts of the country have worked in complete ignorance of each other's movements, and often with disastrous results. Gluts in one market and comparative famines in another have been not uncommon.

The U. S. Office of Markets and Rural Organization has made a

beginning in rendering assistance to avoid such conditions by means of its market news service on fruits and vegetables. Daily unbiased market telegraphic/information is furnished to growers, shippers, dealers and consumers of perishables. This information covers such points as a complete daily report on the number of cars of certain fruits and vegetables which move throughout the entire United States every twenty four hours, together with a record of their various destinations. Also the number of cars being held on track at important markets or diversion centers, the diversions made on rolling cars, the prices that growers and shippers of these products are securing F.O.B. their station, and the prices at which these same commodities are selling in jobbing lots in the large consuming markets.

This service has been in operation but two years, but has demonstrated its usefulness beyond all dispute. Literally hundreds of thousands of dollars have been saved to producers, and due to better distribution consumers have been supplied with thousands of cars that would not have been shipped had the service not been in operation.

One concrete example of its value will suffice. Prior to 1916 no crop of Texas onions in excess of 4000 cars had ever been harvested profitably. When 4000 cars were shipped the balance of the crop was usually allowed to rot in the fields for lack of a market. In 1916 the news service was in operation and a crop of almost 5000 cars was consumed at better average prices than many crops much smaller than that had returned in the past. A Congressman from Texas stated on the floor of the house that this work had saved the growers of his district one million dollars, while the consumers of the country were better supplied with onions than ever before.

Such assistance as this means direct saving and the elimination of waste, and does far more to reduce the cost of living (especially as applied to fruits and vegetables) than any amount of boycotts. To



date the work has been carried on on much too small a scale to be as truly effective as it should be.

It should be supplemented by weekly or semi-weekly news letters addressed to consumers advising them regarding the articles which are in most plentiful supply and therefore cheapest, thus stimulating consumption <sup>and</sup> assisting the average citizen to secure the greatest value for his expenditures.

Coupled with this work there should be careful studies of price spreads existing between producer and consumer. Where these spreads seem to be unreasonably large in proportion to the services rendered, the producer should be informed and steps should be taken to assist in avoiding such unreasonable charges.

Considerable loss also occurs at present because of the tendency of some producers to make little investigation regarding parties they are doing business with and many cars are shipped on consignment yearly to careless, inefficient or even actually dishonest commission men. Houses of this class sometimes publish more attractive advertisements than do reliable houses. The grower has little time and less opportunity to ascertain which house will treat him best, and often ships to the houses with the biggest advertisements-- and regrets later.

A government liscence system for commission merchants would overcome this difficulty. The government could exercise strict supervision over liscenced commission houses, prescribe standard forms of accounting for them to use, standard business practices to make them efficient, and examine their books regularly to guarantee their honesty.

In this connection standard rates of commission, and standard auction charges should be prescribed for liscenced concerns in order to prevent the overcharging and rebating which is now only too common.

Such action would do as much toward eliminating waste, inefficiency and dishonesty in the handling of perishables as would actual government

participation in the business and would do it at much less expense.

It is probably fair to say that any part of our present system which breeds suspicion, distrust, delayed handling of horticultural foodstuffs, and often-times unfairness if not actually dishonesty, is a factor which breeds waste. Such a factor is our present method of selling perishables on vague specifications and subject to inspection at destination.

It is not saying too much to state that under our present conditions almost half of the fruits and vegetables which are sold subject to inspection at destination (and by far the majority of all cars are sold in this way) are rejected on arrival and adjustment in price must be made.

This state of affairs has its basis in the fact that the grade terms now in use in reference to fruits and vegetables have little or no real meaning. A shipper may quote fancy apples, packing them according to his idea of what the word "fancy" should mean, while the buyer of these apples may have an entirely different conception of what such a term should mean. Both may be acting in all honesty, but the result of the divergence of opinion is that cars are too often rejected on arrival, confidence is lost, and free distribution hindered.

In a great many cases deliberate advantage is taken of the loose manner in which grade terms are used. On a falling market a buyer can easily find fault with some feature of the pack of a car of almost any horticultural product, and in many markets it is the almost universal practice to reject on technicalities when the market is "off". On the other hand, many shippers undoubtedly grade and pack in a manner intended to deceive, and do so deliberately, mulcting the buyer at every opportunity.

All difficulties of this nature could be obviated by the estab-





lishment ~~of~~ of official government grades and standards which would give a universal and stable basis for trading in horticultural food products throughout the entire country. Certain states already have laws of this kind established, prescribing standards, but as these apply only on intra-state business, and the standards of the various states differ, these state laws do not meet the requirements. Only a Federal standard will give satisfaction, for the fruit and produce business is never bounded by state lines.

Standards for containers should be adopted in the same manner as standard grades.

Even when standards have been adopted, however, a method must be found for enforcing them, for the dishonest shipper or buyer will still endeavor to take advantage of them. For this reason a Federal Inspection Service with representatives in all large markets, should be established as a supplement to the standardization act. Disputes as to grades should be submitted to the local inspectors, and their findings should be accepted in a court of law as *prima facie* evidence of the true grade of the article in dispute.

With such a service, a stable basis for trading in fruits and vegetables would be established, and shippers and buyers could proceed with confidence that square dealing would prevail. The margin of gross profit could be reduced by dealers, for allowances would no longer need to be made either by shipper or dealer for fraud, deception or misunderstanding at the other end. There would be less speculation if opportunities to "crawl out" of a contract were reduced, and the public would ultimately benefit by reason of the reduced cost of doing business.

In many of our large cities present terminal facilities for handling perishables are antiquated and inadequate. Much unnecessary cartage is indulged in, and much undesirable rehandling of goods. Plans

are now under way in several markets to relieve these conditions.

Organization and co-operation, both on the part of the growers and consumers should not be overlooked as a means of reducing excessive overhead expenses. However, before entering into co-operative schemes, those co-operating should be prepared to make some sacrifices, and must not expect that co-operation will be a cure-all which will automatically solve all difficulties for them with no further effort on their part. The opposite is only too often the attitude, and it should be borne in mind that co-operation consists not merely of receiving benefits, but also in serving for the common good.

Municipal markets, which are in the final analysis merely a form of consumers co-operation, have been potent in many instances in reducing the cost of the overhead in retail marketing. Patrons of municipal markets, however, must be prepared to dispense certain services which they now demand almost as a matter of course. They must be prepared to look ahead and plan to make their purchases for an entire day at one time. They can not expect several deliveries of various small items at different times thru the day, they must get out of the habit of telephoning for a loaf of bread or a cake of soap or an onion at any time with the expectation of having their needs supplied by special messenger. They can not expect to be granted liberal credit, they must be willing to travel further than just to the corner for their wants, and they must be willing to make purchases in larger quantities and less frequently than is now customary. In other words, they must co-operate in rendering excessive service unnecessary. If they will do this, the municipal market will save them much, as has already been demonstrated in many places.

All of these various reforms in distribution methods will accomplish something toward reducing the High Cost of Living by means of the elimination of waste and inefficiency. No one reform will do much



by itself, but in the aggregate they would constitute an appreciable saving by lessening the spread between the producer and consumer. Improvement of marketing conditions as regards fruits and vegetables will come thru the bettering of the present system of distribution in many comparatively small ways, rather than by a revolution in method which will entirely overthrow our present system and substitute a new one.

Even when all of these things are accomplished prices will still be fairly high. The great fundamental causes of inflated currency, short crops, shortage of labor, and huge exports due to the European conditions will exert their influence for some time to come; and for some time we must expect an era of fairly high prices on all foodstuffs. We can only modify, and not radically change the present existing conditions, until such time as the end of war in Europe will put us back on our old basis.

SUMMARY

Unusually high prices are now in effect on all foodstuffs, especially horticultural foodstuffs.

The public generally, mistakenly believes these high prices are due to the following causes:

1. A food trust which is manipulating prices.
2. Wilful destruction of foods by middlemen to cause shortage.
3. Widespread abuse of cold storage facilities.

The above reasons are not correct, but are based on prejudice.

Actual reasons for high prices include the following:

1. Increase in the gold supply.
2. Inflation of paper money (the most potent cause of all)
3. General and worldwide rise of all commodity prices (caused by 1 & 2) as shown by commodity index numbers.
4. Shortage in world supply of all foodstuffs.
5. Particularly great shortage in horticultural crops in the U. S. during the past year.
6. Great increase in the exportation of foods.
7. Increasing buying power and consuming capacity of the public.

High prices of perishables in the latter part of the winter were especially due to

1. Shortage in storage holdings.
2. Relatively high prices at harvest.
3. Psychological factor of increasing prices causing a panicky condition and consequently still higher prices.
4. Inter-relation of crops causing the substitution of certain crops for others in consumption in the early part of the season.

Popular and erroneous remedies advanced for securing lower prices are

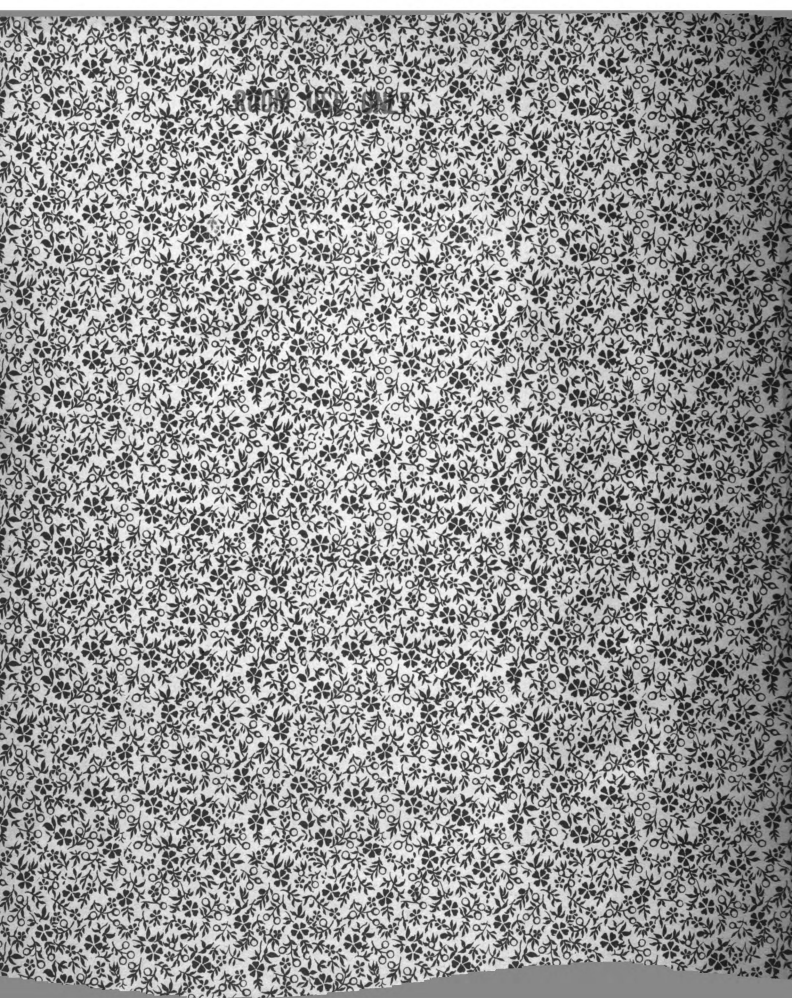
1. Trust prosecutions.
2. Regulation of prices.
3. Abolition of cold storages.

Remedies which will actually assist in lowering prices are

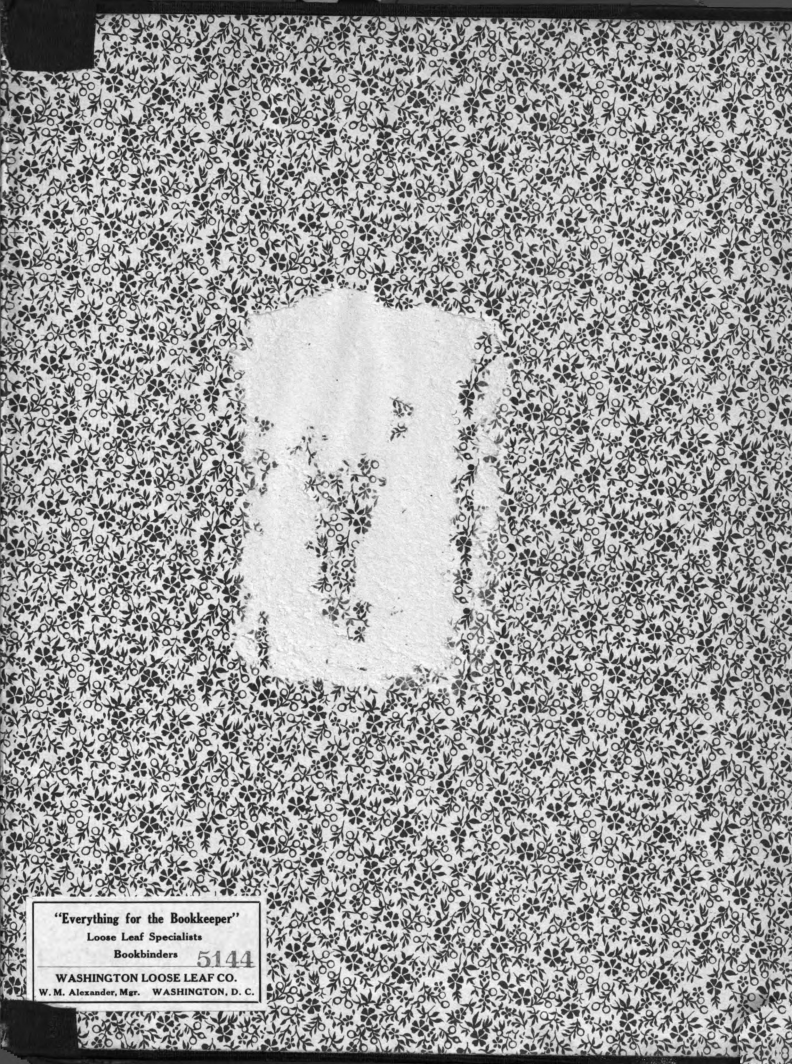
1. More complete and general publication of crop movements and market prices to aid in distribution.
2. Liscencing and supervision of commission men.
3. Establishment of official grades and standards.
4. Government inspection service.
5. Better terminal facilities.
6. The expansion of co-operation.
7. Municipal markets.

Conclusion: The reasons for the present price advances are so fundamental that no measures short of stopping the war, reforming the currency, and increasing production tremendously can bring prices back to their former pre-war levels.

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