APAC Agricultural Policy Analysis Center
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PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Farmers banded together to tackle early price and income problems

Two weeks ago in this column we looked at the earliest agricultural policies that were put in place by the European settlers and their descendants in what is now the US. For the most part, though not exclusively, the policies can best be described as developmental policies because they 1) increase the supply of inputs, 2) decrease the cost of inputs, or 3) improve the quality of inputs.

The result of these policies was the tendency for crop prices to fall as supply steadily expanded, often faster than demand. In this column, we take a look at the various ways that farmers tried to tackle the problem of chronic low prices.

In his book "The Farmers' Movement 1620-1920," Carl C. Taylor explains that farmers in the pre-Civil War days had begun to form agricultural clubs to wrestle with the questions of production, markets, and the low prices they received while they saw the railroad magnates getting wealthy off the transportation of their production. In 1858, Illinois farmers held a meeting at Centralia and developed the Farmers Platform of 1858, a Declaration of Principles, and a Plan of Operations.

In the platform—quoted from Taylor—they said, "We believe that good prices are as necessary to the prosperity of farmers as good crops." They then went on in the Declaration of Principles to say that "labor and capital employed in agriculture should receive as much reward as labor and capital employed in other pursuit; [and] that as the exchanger is merely an agent between the producer and consumer, he should not have a chief voice in the establishment of prices."

The second item in the Plan of Operations foreshadowed the development of the cooperative movement: "The formation of wholesale purchasing and selling agencies in the great centers of commerce so that producers may, in a great measure, have it in their power to save the profits of the retailers."

The fourth item identified what would become part of the mission of the United States Department of Agriculture (USDA) when it was formed by Abraham Lincoln on May 15, 1862: "The organization of such a power as to insure the creation of a national agricultural bureau, the main object of which shall be an annual or semiannual census of all our national products, and the collection and dissemination of valuable seeds, plants, and facts."

While things were tough for farmers in the Pre-Civil War era, they were worse in the years that followed. As Taylor writes, "The price of cotton, which had reached $1.01 per pound in the New York Market in 1864, fell almost steadily to 8.16 cents per pound in 1878; the price of corn fell from 78.1 cents in 1867 to 31.3 cents per bushel in 1878, and wheat fell from $2.06 per bushel in 1866 to 77.2 cents in 1878."

The low crop prices, high machinery costs, high freight rates, heavy mortgage debt and the perception that the fruits of their labor was being lost to middlemen led farmers to look beyond agricultural clubs to organizations that would help them address the challenges they were facing. In 1877 in Goodlettsville, Tennessee, farmers formed the Goodlettsville Lamb and Wool Club so they could pool their animals at auction in order to secure a better price from the bidders.

Started in 1867 as fraternal order for farmers—similar to the Masons—and as a means of overcoming the sectional divide between the North and the South, the Grange's focus soon changed as farm prices began to fall and, from the farmer's perspective, freight rates ate up most of the declining price. As the Grange grew into a national organization, it focused its energy on railroads, monopolies, and the banking sector, all of which it saw as the cause of the woes faced by farmers—low prices for the products they sold and high prices for the products and services they had to purchase.

To tackle these problems the Grange developed supply and marketing cooperatives, though they failed because they expanded too quickly and were not sufficiently based on sound business principles. They lobbied for the establishment of railroad commissions that could set "fair" rates for the things that farmers bought and sold. The Grange also influenced the passage of the Federal Farm Loan Act of 1916 and the development of the farm credit system.

The next general farm organization to come onto the US scene was the National Farmers Union which was established in Point, Texas in 1902. In its charter the Farmers Union set as its purpose "to assist [local and state units] in marketing and obtaining better prices for their products." To do this, local organizations made contracts with local cotton gins where members brought their cotton to be ginned at a more favorable rate than they paid in the past.

They built warehouses at the behest of the national organization and called for voluntary holding actions to manage the supply of cotton so that farmers could receive a higher price for their crop. Over the years, the Farmers Union expanded beyond the South and established grain elevators and farmers' cooperatives in areas where they were strong.

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The American Farm Bureau Federation began in 1911 as an outreach effort of a local Chamber of Commerce in New York State to help teach farmers better farming methods. The idea caught on and soon other farm bureaus were established throughout the country with the formation of its first state organization in 1915 in Missouri. The national organization was not established until 1919. The Farm Bureau has historically worked closely with the Cooperative Extension Service, which was established by the Smith-Lever Act of 1914. Like the Grange and the Farmers Union, the Farm Bureau supported the establishment of supply and marketing cooperatives.

To summarize, between the end of the Civil War and the early 1900s, several general farm organizations were formed that initiated self-help attempts to ease the effects of low price periods. Their approaches included the use of cooperatives, teaching the latest farming methods and pushing for the state and federal regulation of input and service providers. Those activities helped farmers cope with low price sieges but they did not, nor could not, address the macro causes of chronically low prices and incomes.

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