



9-7-1917

Herbert Hoover to Edwin Ladd on arrest of Powers Elevator Agent, 1917

Herbert Hoover

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Food Administration

State v. Kline

ATTORNEY GENERAL'S OFFICE
RECEIVED 9/12/1917
ANSWERED
referred to

FA--Washington, D. C. Sept. 7-1917.

Dr. Edwin F. Ladd.

Agricultural College, Fargo North Dakota.

Attorney General of North Dakota has ordered arrest of Powers Elevator Agent for complying with food administration regulations forbidding storage of wheat more than thirty days. In view of Attorney Generals telegram to representative Young here I think there may be some misapprehension. Could you see Governor and Attorney General and determine whether prosecution can be stopped without drastic procedure authorized by Food control. Our attorneys will be at Bismarck Monday but prefer to avoid open fight and to appeal to patriotism of state authorities. Following is my letter to Young. "I beg to acknowledge receipt of your letter of August thirtieth enclosing a telegram from Governor Frazier of North Dakota signed also by the president of The State Railroad commission the commissioner of agriculture the attorney general and the secretary of state.

The regulation on storage was formulated to prevent speculation which was I understand one of the principal objectives of the law for if wheat may be stored in public places without restriction there can be no control whatever upon speculation.

The assumption also contained in the telegram that the fair price recently fixed by the committee appointed by the President is a "maximum" price or even a "minimum" or a "fixed price" is also a mistaken one. The price determined by that committee is the price at which the food administration will buy and plus actual expenses sell wheat for the government and for export.

It is precisely for the purpose of preventing depression of price below the fair price determined through congestion at terminals

that the government has undertaken purchase operations for domestic account. The food administration is prepared to purchase all the wheat offered within the storage capacity of the country at the fair price stated and therefore the shipper is not the mercy of the warehouse owner at all.

It has always been contemplated and frequently pointed out by the food administration that owing to restricted export facilities the price of wheat might be unduly depressed to the harm of the farmer during a period of acute congestion in wheat offerings and it is with view to protecting the producer in this event that the Government is entering upon the purchases and it was with a view to determining a fair price for such purpose that the president assembled the committee mentioned above you are of course aware that North Dakota was represented on that committee and that the North Dakota representatives agreed to the fair price determined by the committee.

I think it is worth while pointing out that according to the department of agriculture reports the farmers received for their nineteen sixteen harvest less than a dollar fifty per bushel for wheat. Whereas under the plan now in operation they should receive somewhere from two dollars to two dollars and ten cents per bushel depending on grade and locality. Or in other words from fifty cents to sixty cents per bushel larger than last year and that on the other hand the average price of retail flour from the nineteen sixteen harvest in New York City for the last four months has averaged fifteen dollars and thirty six cents per barrel whereas under the present plan the retail price of the same flour in New York City should average about twelve dollars thirty five cents per barrel. Or to state the matter in another way; whereas the producer is getting sixty cents per bushel for his wheat the consumer

will obtain his flour at a saving of about three dollars per barrel therefore it seems to me that the saving from elimination of speculation is fairly divided between the producer and consumer and the whole plan revolves around the rigidity of control of storage which will absolutely prevent speculation and thereby secure these benefits to both sides.

There is another phase of this whole matter that I do not believe is clearly understood. That is that the maintenance of the "fair" "price" is not a guarantee over the whole of the nineteen seventeen harvest year. It is solely dependent upon the export demand. There will be a demand so long as the submarine is not overcome or until peace which ever shall come the earlier. There will be in the argentine australia and india a sufficient supply of wheat by January thirtieth for the whole of Europe including Germany but this supply is only partially available to the allies so long as the submarine not put under owing to the necessity of confining shipping to the Atlantic route. January wheat is selling in the countries mentioned for from ninety cents to a dollar and fifteen cents per bushel therefore the "fair" "price" can only be assured just so long as we can be assured a foreign market at this price and no longer and our contracts for export cannot be maintained beyond the amounts the food administration may have in hand at a given time.

I believe if the above mentioned gentlemen will carefully consider the whole situation and the plan projected they will agree with it as have all the numerous bodies who have been consulted. If they are able to present a more constructive plan which will do justice to all sides, we shall be glad to receive same.

Herbert Hoover.