Security FOR Farm Tenants

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FOR AT LEAST A DECADE it has been widely recognized that the American farmer had had no "Prosperous Twenties"—that ever since the uncontrolled war boom of 1914–18 the prices of agricultural products had been on the downgrade. Not until 1935, however, was there general recognition that increasing rural poverty had led to an appalling degree of insecurity. The fact that vast numbers of farmers had lost their foothold on the land was brought into clear relief by the 1935 census of agriculture.

These figures showed that there had been a continuous and rapid increase in the number of farmers who did not own their own land. In 1880, only 25 percent of all farmers were tenants. Fifty years later, this figure had risen to 42 percent. Between 1930 and 1935 the number of tenants increased at the rate of more than 40,000 a year.

Instead of moving up from tenancy to ownership, farmers were falling back from ownership into tenancy—and, even worse, from tenancy into the ranks of day laborers and hired hands. Not only were great numbers of tenants losing out and becoming wage workers, but those farmers who were able to find places as tenants were alarmingly unstable. The 1935 census showed that one out of every three tenant families was moving to another farm each year.

The statistics brought together in 1935 further indicated that three-quarters of the tenant farmers were renting their farms and operating them with livestock and equipment which they owned themselves. Of these, less than one-fourth paid cash rent, while more than three-fourths were share tenants paying, traditionally, a third of the feed crops and a fourth of the cash crops for the use of the land. The remaining 25 percent of all tenant farmers were sharecroppers who owned no land, seldom owned livestock or equipment, and received only half of the crops they raised.

About three-quarters of a million farms were transferred through foreclosure and bankruptcy sales during the 5 years from 1930 through 1934. Many of these passed into the hands of banks, insurance companies, mortgage companies, and similar credit agencies, and often the former owners stayed on the land as tenants. Many thousands of others were forced to move; and when they could find no other farm on which to settle, they joined the army of migrant families searching for work as day laborers on large mechanized farms.

The President's Committee. In November 1936 the President appointed a special committee to study the whole problem of farm tenancy, and to make recommendations for a long-term program of action. The President described the task of the committee in his letter to the Secretary of Agriculture, requesting him to act as chairman:

> I am anxious that we thoroughly examine and report on the most promising ways of developing a land tenure system which will bring an increased measure of security, opportunity, and well-being to the great group of present and prospective farm tenants. The rapid increase of tenant farmers during the past half century is significant evidence that we have fallen far short of achieving the traditional ideal of owner-operated farms. The growing insecurity of many classes of farm tenants, frequently associated with soil depletion and declining living standards, presents a challenge to national action which I hope we can meet in a thoroughly constructive manner.

The President's Committee on Farm Tenancy published its report in February 1937. Shortly afterwards Congress passed the Bankhead-Jones Farm Tenant Act; and in September, the Farm Security Administration was set up in the Department of Agriculture to administer, along with other programs, the aid-to-tenants provisions of the Bankhead-Jones law. The Farm Security Administration also took over most of the work

of the Resettlement Administration, which through small loans and grants had already aided more than half a million needy farm families—owners, tenants, and day laborers—who had been forced on or near relief in the depression years.

Why Tenancy Is Increasing

In its report, the President's Committee called public attention to a number of significant facts about farm tenancy in the United States:

Low farm income. For most of the past 50 years, the income of farmers has been out of balance with that of other major groups of our national economy. The farm population is about one-fourth of the total population; but farm income is only one-tenth of the national income.

Farm income, in turn, is distributed in a way that tends to squeeze out the small farmer. In 1930, about 90 percent of the marketed farm products came from the land of 50 percent of the farmers. The other 50 percent of the farmers were getting only one-tenth of the total cash income from agriculture. At the present time, it is probable that nine-tenths of the farm market is supplied by even less than 50 percent of the Nation's farms.

Census figures for 1929 showed that nearly 400,000 farm families in the United States produced less than $250 worth of goods a year, including the value of all the food raised for home use. About 1,700,000, or 27 percent of the Nation's farmers, produced an average of less than $600 each.

Farm loan policies. Farm loan terms have made it difficult for tenants without much money of their own to buy farms capable of producing a decent living. High interest rates and short periods of repayment have handicapped tenants who tried to buy land with borrowed money, because the annual payments often amounted to more than the income from the farm.

Land speculation. Unsound credit financing, coupled with overevaluation of farm lands, have played havoc with farm ownership. Land prices often have been speculative prices, not prices based on earning power. Consequently, in hard times thousands of farmers, whose land was mortgaged for more than it was worth, fell behind in their payments and lost their property.

Mechanization also threatens the security of small farmers. Large-scale industrialized farms use expensive, efficient machinery, such as tractors, mechanical potato diggers and harvesting combines. The small farmer, who tries to raise cash crops for the commercial market with a mule and one-row cultivator, cannot compete on even terms with these big, mechanized "food factories."

In 1930, there were about 900,000 tractors on farms. By 1938 the number had jumped to 1,527,989. Use of tractors increased 24 percent in the United States from 1930 to 1937.

No figures are available for the Nation as a whole to show how many families have been pushed off the land by the increasing use of labor-saving farm equipment, and the consolidation of small homesteads into large, commercialized farms. An indication, however, is seen in many specific instances. For example, when one plantation began to use tractors and four-row cultivators, the management reduced the number of its tenant families from 40 to 24. Another plantation in the Mississippi Delta recently bought 22 tractors and 13 four-row cultivators, and turned off 130 of its 160 sharecropper families. Such cases are numerous and widespread.

In the changing pattern of agriculture, the preharvest operations are being handled more and more by mechanized equipment. This calls for day laborers during peak seasons and harvesting time only, rather than for small owner-operators or tenants permanently rooted on the land.

Drought. Disasters such as droughts or floods are frequently a knockout blow to small farmers. The droughts of 1934 and 1936 forced more than 25,000 farm families out of the Great Plains area alone during a 2-year period. Most of them either tried to settle on abandoned farms elsewhere, or wandered out to the Pacific Coast to join the endless procession of migrant

agricultural laborers, who seek part-time work on the big fruit and vegetable farms in that area.

Lack of city employment. In the past, many farmers forced off the land could find jobs in cities. For the last decade, however, the cities have been crowded with their own unemployed. Industry still is not expanding fast enough to absorb them.

In earlier times, if an uprooted farmer preferred pioneering to working in a city, he could open up new land farther west. Today there is no more free land. America no longer has new frontiers to help solve her farm problems.

Population pressure. Too many people trying to make a living out of the available farm land has resulted in the subdivision of many farms into tracts that are too small to support a family. In the South, for example, twice as many families were trying to make a living off farms in 1935 as in 1860. In that same period, the amount of land under cultivation had actually decreased, largely as the result of soil erosion which has ruined millions of acres.

The Results of Our System of Tenancy

Soil erosion. Worn-out soil and run-down property are natural results of our system of tenant farming. A tenant who knows he will be on a rented farm for only 1 year cannot afford to build up the soil, repair buildings, and mend fences. Why should he, when some other tenant will come along next year to get most of the benefits? His only interest is to mine the land as hard as he can—to plant soil-wasting cash crops, and squeeze out every last penny of immediate, cash profits. Even when they want to farm better, most tenants cannot do it; less than a third of them stay on the same farm long enough to carry out a simple 5-year crop rotation.

Consequently, our tenancy system has caused an appalling waste of the Nation's most important capital asset, its soil. More than 60 percent of America's crop land—250,000,000 acres—has been damaged by erosion, and much of it has been entirely ruined. Three billion tons of fertile top soil still are washing away every year. This means a loss of about $400,000,000 annually.

Millions of surplus rural workers, who ordinarily would have found jobs in the cities, were "dammed up" on the farms during the depression. By 1939, it was estimated that all of the Nation's domestic and foreign needs could be supplied by 1,500,000 fewer farm workers than in 1929. Yet in the same period total farm population actually increased by 1,830,000.

Unsound leasing customs. The 1935 census showed that only about one-fifth of all share tenants had written leases; and only about 2 percent had written leases running for more than 1 year.

More than 80 percent of all farm leases are nothing more than an oral agreement. Such verbal leases naturally are loosely worded, and are recorded only in the memory of the tenant and his landlord. Such slipshod, unbusinesslike arrangements often lead to disagreements, mutual distrust, and frequent shifting of tenants from one farm to another.

Costly moving. The frequent moving of tenant farmers contributes to the impoverishment of the families, of the farms, and of society. The moves themselves are costly. It is estimated that the loss to that third of the tenants who move each year is more than $50,000,000—and this expense falls directly on that group which can least afford to bear it.

Poor health. A poor tenure system leads to bad health. A farmer with poor leasing arrangements is likely to neglect not only the land, but also the house in which he lives, and the barn, and the well. Disrepair, lack of screening in the house, unsanitary toilet and water facilities all contribute to ill health.

One-crop cash farming also means that the family must buy food which otherwise could be grown on the farm. The result is frequently an inadequate diet, leading to nutritional disorders such as pellagra. All of this means more expense for medical care, lowered efficiency, and less resistance to disease.

Even in 1929 about 1,500,000 tenant families were living in houses valued at less than $475; and in the South, half of all farm *owners* were living in homes worth less than $560. In

1934 more than 25 percent of all American farm homes lacked window screens; more than a third were unpainted; and an additional 30 percent needed repairing. More than 70 percent of our farm homes lacked a kitchen sink with a drain, and only 1 out of every 10 had an indoor toilet.

Lack of education and social life. Used to year-end moves, many tenant families take little part in the educational, religious, and social life of their communities. Children moving about from one place to another—often in the middle of the school year—do not attend classes regularly, and are not promoted from year to year as they would be under normal circumstances. As a result, their interest lags and many fail even to get through grade school. The fact that our farm population is raising 31 percent of the country's future citizens emphasizes the importance of education for this group

The President's Committee on Farm Tenancy summed up the social dangers of an uneconomic system of tenancy in these words:

> Sturdy rural institutions beget self-reliance and independence of judgment. Sickly rural institutions beget dependency and incapacity to bear the responsibilities of citizenship. Over wide areas the vitality of American rural life is daily being sapped by systems of land tenure that waste human and natural resources alike. Security of tenure is essential to the development of better farm homes and better rural communities.

Government Help for Farm Tenants

To HELP CHECK the alarming increase in farm tenancy, Congress passed the Bankhead-Jones Farm Tenant Act in 1937. This law authorized the Farm Security Administration to make loans to capable, worthy tenant, sharecropper, and farm laborer families to enable them to buy land of their own.

These loans are made only to families which cannot get money to buy a homestead anywhere else. They are just large enough to cover the cost of a family-type farm and the expense of repairing old farm buildings or putting up new ones. Loans are made only to American citizens, and preference is given to those who can make a down payment, or who own the livestock and equipment needed to operate a farm.

Borrowers are selected by committees of three local farmers in each county where the program is in operation. These committeemen certify to the Secretary of Agriculture the applicants whom they consider most deserving and best qualified to make a success of a family-type farm.

The loans may be repaid over a period of 40 years, although the borrower may of course pay off the entire loan more rapidly if he wishes. They carry 3 percent interest. If he chooses, the borrower may use a "variable payment system," under which he pays more in years of good crops and high prices and less in years of crop failure and low prices.

Often the annual payments, plus taxes and insurance, amount to no more than the tenant formerly paid in rent.

Allocation of Funds

CONGRESS decided to make a cautious, experimental start in this tenant loan program. Consequently, it appropriated $10,000,000 for loans during the first fiscal year, ending June 30, 1938. It provided $25,000,000 for the next year and $40,000,000 for the third.

For the fourth year, ending June 30, 1941, Congress provided $50,000,000 in loan funds, to be advanced by the Reconstruction Finance Corporation, instead of coming from direct appropriations as in the past. In addition it appropriated $2,500,000 for administrative expenses, which are limited by law to 5 percent of the sums loaned.

Congress also provided that the money should be divided among the States and Territories on the basis of their farm population and the prevalence of tenancy. Consequently, most of the loans are made in the South, where both farm population and tenancy are high.

Because of the limited funds available, and the necessity of keeping administrative costs as low as possible, loans are made only in certain designated counties. These counties are recommended to the Secretary of Agriculture by State Farm Security Advisory Committees, which base their choice on the degree of need in each locality and the availability of good land at

reasonable prices. The advisory committees are composed of farm leaders in each State, usually including the Extension Director, editors of farm magazines, and members of major farm organizations.

During the first year of operation, only 332 counties were designated throughout the country. This number was increased to 732 the second year, 1,300 the third, and more than 1,600 the fourth.

Any farm tenant, sharecropper, or farm laborer may apply for a loan, even though he does not live in one of the designated counties. In general, nearly 25 applications have been received for every loan that can be made with available funds.

During the first year, loans averaging $4,999 each, were made to 1,840 tenant families. During the second year, 4,340 loans were made, and in the third year, ending June 30, 1940, about 6,200 loans were made. Thus more than 12,300 tenant families received loans for the purchase of their own land during the first three years of the program. About 8,000 loans can be made in the fourth year.

How the Loans Are Used

THE 6,180 borrowers during the first 2 years obtained farms averaging 134 acres. The average size ranged from 43 acres in California, where irrigation makes small farms profitable, to 520 acres in South Dakota, where cattle raising prevails. Often borrowers find it cheaper to buy unimproved land and put up the necessary buildings, than to get fully equipped, ready-to-operate farms.

During the first 2 years of the law's operation, 22 percent, or $1,198, of the average loan went for improvements to land or buildings. Most of the prospective owners found farms with buildings that could be repaired. More than half of them, or 3,726, repaired existing homes at an average cost of $378.

However, 2,056 of the purchasers needed to build new homes. By using simple plans and construction methods worked out by Farm Security engineers, they were able to get them for an average cost of $1,313, including profits for contractors and suppliers of materials.

Nearly all borrowers found some construction or repair work necessary on the outbuildings and barns. These costs averaged $439 for 5,725 of them. More than two-thirds of the new owners also made improvements to their land—such as terracing to prevent soil erosion—at costs averaging $181 for 4,334 farms.

Helping New Owners Succeed

THE FARM SECURITY ADMINISTRATION does not take the farmer's mortgage and then forget about him until collection time. After the local FSA supervisor and the county committee help the new owner find an adequate farm at a reasonable price, they do all they can to assist him in getting his farm operations under way. Trained supervisors advise the new owners on proper crop rotations, care of livestock, and the many other factors involved in sound farm management.

The farmer agrees ahead of time to a basic plan for operating the farm, which stresses home production of food and livestock feed, diversified cash crops, and conservation of the soil. As he puts the plan into operation, he can call on the FSA supervisor for technical help at any time.

Results

THE TENANT PURCHASE program is too new for a final appraisal. Preliminary figures indicate, however, that the new owners are not only living better and contributing to the wealth of the Nation instead of wasting it, but also are repaying their loans. During the first 2 years of the program, although there were a few delinquencies, total repayments were slightly in excess of maturities.

It was recognized from the beginning that the tenant purchase program in its early stages would affect only a small portion of the tenant farmers who needed help. However, the primary objective of the program was to help as many farmers as possible to climb out of the tenant class into ownership; while the problem of helping the great mass of remaining

tenants was left to other phases of the Farm Security Administration's program. Tenant loans were recognized as only one of several necessary methods of attacking the problems of tenancy.

Other Roads to Farm Security

IN FACT, the Bankhead-Jones Tenant Loan Program forms a relatively small part of the work of the Farm Security Administration. This agency's biggest job is to carry on a large-scale rehabilitation program, to help needy farm families who are on, or near, relief to get back on their feet and become self-supporting, taxpaying citizens.

Since 1935, this rehabilitation program has helped more than one million low-income farm families, the great majority of them tenants. Most of them have received small loans for the purchase of seed, tools, livestock, and other equipment which they needed to make a living from the land. Some of them, in drought and flood areas, have received direct relief grants, to tide them over until they could make a crop.

Every loan or grant is accompanied with technical guidance by trained FSA supervisors, to make sure that the money is put to the best possible use and that the family eventually becomes self-supporting. The supervisor also helps each rehabilitation borrower to solve many problems which may be even more serious than lack of credit. For example, if the farmer is overburdened with old debts, the supervisor may help him work out a voluntary adjustment with his creditors. More important still, FSA helps its rehabilitation borrowers get written, long-term leases, which will give them greater security on the land. Many of the most successful rehabilitation borrowers later have applied for tenant purchase loans, to help them up the last step to farm ownership.

The evils of our tenancy system have been growing for more than a century; and it will take many years to cure them. A sound start has been made, however, and there is hope that eventually most of America's tenants either may become landowners, or will obtain greater security based on long-term written leases.

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