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**REPORT OF THE
ADMINISTRATOR OF
THE FARM SECURITY
ADMINISTRATION
1940**

UNITED STATES GOVERNMENT PRINTING OFFICE, WASHINGTON : 1940

LETTER OF TRANSMITTAL

UNITED STATES DEPARTMENT OF AGRICULTURE,
FARM SECURITY ADMINISTRATION,
Washington, D. C., August 30, 1940.

HON. HENRY A. WALLACE,
Secretary of Agriculture.

DEAR MR. SECRETARY:

I transmit herewith a report of the work of the Farm Security Administration for the fiscal year ended June 30, 1940.

Sincerely yours,

C. B. BALDWIN, *Administrator.*

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REPORT OF THE ADMINISTRATOR OF THE FARM SECURITY ADMINISTRATION 1940

THE PROBLEMS OF AMERICA'S NEEDY FARMERS

To understand what the Farm Security Administration is doing, it is necessary to know something of the problems facing the small farmers of this Nation. The whole program of the Farm Security Administration is aimed at helping low-income farmers to get a greater degree of independence and security. The troubles of these small farmers can be simply outlined.

GROWING POPULATION

Our farm population is steadily growing. Though the rate of increase has slackened during the past generation, it is estimated that even 40 or 50 years from now, when the whole Nation's population probably will have ceased growing, the farm population will be not only replacing itself but also balancing the decline in the urban birth rate. At the present time the Nation's farms are adding about 445,000 youths, nearly half of the total, to the annual increase in the number of people of working age.

While every rural county is supplying more than enough children to maintain its present population, the rate of increase is highest in the poorest counties. Given 30 years with no outward migration, the population of these poorer counties—mostly in the Appalachians, the Cotton Belt, the Lake States Cut-Over, the Great Plains States, and the Southwest—would double in number.

In the past, the cities offered an outlet for the surplus farm population. This is no longer the case. Today, urban industry, even when it is operating at its 1928 level, cannot absorb all of the urban unemployed. As a result, the net farm-to-city migration, which had reached a peak of more than 1,000,000 a year in 1922, dropped to 258,000 in 1939. However, in the latter year the excess of births over deaths on farms amounted to 440,000. Thus, in spite of the migration from farm to city, the population on farms is still on the increase.

The increasing farm population would not be so great a problem if there were room for additional farmers on the land. Unfortunately, there is not. Today virtually all of the good land is settled, and farmers no longer can move west from an overcrowded country to carve new homesteads out of the frontier.

LOSS OF SOIL

In fact, the amount of farm land available has been shrinking rapidly, as a result of widespread soil erosion. There are about 414 million acres of cropland in the United States. Some 100 million of these acres already have been seriously impoverished by the washing away of topsoil; and about 100 million acres more are losing their fertility at a rapid rate. This means that many thousands of families have had to tighten their belts, or leave the land entirely, as their farms wore out. In the Southeastern States, there actually is less land under cultivation today than at the time of the Civil War; and yet the farm population has doubled since then. The result has often been lower living standards, as more and more people crowded onto farms too small or too poor to support them.

MECHANIZATION

Several other factors are making the matter even more serious, labor-saving machinery, for instance, is rapidly increasing on the farms of our country. There were 1,527,989 tractors on farms in the United States on April 1, 1938, more than a third of which have been purchased since 1935. Counting not only the improvements made in mechanization, but also in seed, breeding stock, and general farm practices, it is possible to meet all the normal demands for farm products—for both domestic and foreign consumption with 1,600,000 fewer farm workers today than in 1930. This means that many thousands of farm families either are unemployed or can find only a few weeks' work a year.

FARM TENANCY

Flaws in our farm-tenure system also add to the difficulties of the small farmer. Nearly half of the Nation's farmers are either tenants or sharecroppers, and their numbers have been increasing at the rate of 40,000 families a year. One-third, or nearly a million of these families, move every year to other farms, causing a constant drain on both the standards of living of the people and the value of the farms they occupy. At a still lower level in terms of security are the migrant-farm-labor families. Estimates of the numbers of these families, who do not even have a home, run as high as 500,000.

THE RESULTS

It requires only a glance at the Nation's farm population to discover the result of all these troubles. For instance, a recent study by the National Resources Committee indicated that in 1936 more than 1,690,000 farm families had average incomes of less than \$500 a year, and nearly half of these had incomes of less than \$250 a year, including all the products they raised for home use. In other words, about 4 million farm people were trying to eke out an existence on an average income of about \$1 a week.

A rural housing survey made in 1934 likewise showed a very low standard of living. It disclosed that more than 25 percent of all American farm homes lacked window screens; more than a third were unpainted; more than 70 percent lacked a kitchen sink with a drain, and only 1 out of every 10 had an indoor toilet.

Health surveys form another index to the present condition of a large number of our farm families. In 1939 a survey was made of 100 typical needy rural families in 2 counties in a Southeastern State. Among those 100 families were found more than 1,300 definite health handicaps, an average of 13 health troubles per family.

Overcrowded, lacking stable tenure, their land eroding, their income, housing, and health all at a low level, nearly 3 million of our Nation's farm families are barely holding on. Their troubles urgently concern the whole Nation—particularly at a time when every effort is being made to build up the national defense. Their damaged health is a threat to the Nation's manpower; and their damaged morale may be an even greater threat. These are exactly the kind of disheartened, hungry people to whom spreaders of discontent can appeal most effectively. Their interest in the defense of America would be much greater if they had more of a stake in the country.

REHABILITATION OF NEEDY FARM FAMILIES

For the last 5 years, the Farm Security Administration has been developing a program to help meet these problems. Its chief job has been to get needy farm families out of the shadow of the relief rolls and back on their own feet, through a program of rehabilitation. By this means it has helped more than a million handicapped families to get a new start toward permanent self-support.

The rehabilitation program is based upon three fundamental facts:

1. Many of these families had failed largely because they did not know how to be good farmers. Many of them were raising one cash crop—wheat, cotton, or tobacco—with the same tools and methods their grandfathers had used. They could make some kind of living this way, so long as farm prices were high, credit was plentiful, and

land was cheap and abundant. But when markets shrank, credit dried up, and the land got overcrowded, they were bound to fail—unless they changed over to a better system of farming.

2. This change had to be from one-crop commercial farming to diversified subsistence farming. The first aim of this new kind of farming is to feed the family with what it raises on its own land—not to produce a single cash crop for a dwindling and uncertain commercial market. For this reason many people call it “live-at-home” farming.

3. Most needy farm families could not make the change-over without help. They had no training in this new kind of farming; and they could not buy the tools, seed, and livestock needed to get a start.

In its rehabilitation program the Farm Security Administration has simply offered such families the help they needed to make the change. It has helped them plan their new system of farming; it has loaned them money to put the plan into effect; and it has given them some technical assistance, to make sure that the money is well used and the plan successfully carried out.

Of course this new system of farming is not really new. It has been followed for generations by our most successful farm families—those families which look on farming as a way of life, instead of a commercial enterprise. It is new, however, to hundreds of thousands of farmers who have come to the Farm Security Administration for help.

To many of them, the most novel thing about this new way of using the land is that it is permanent farming. In the past, they had mined the soil to get the largest possible immediate cash return. When the land was worn out, they simply moved on to another farm. They were living on their capital, not the normal income from their land.

That kind of farming worked—after a fashion—so long as we had plenty of free land. Today it simply is a form of national suicide. Consequently, the Farm Security Administration has tried to set a new goal for the families it is helping—not “How much cash can I squeeze out of the land this year?” but “How can I take care of this land so it will support my family for generations?”

This means careful planning for years in advance. It means crop rotation, terracing, cover crops—a steady, intelligent effort to build up the soil, instead of stripping away its fertility as fast as possible.

A PLAN FOR BETTER LIVING

Therefore, the key to the whole Farm Security Administration rehabilitation program is the farm and home plan worked out by every family which receives a standard rehabilitation loan. This is a type of planning designed especially for small farmers. It is based on the practical experience gained by successful small farmers, plus the technical knowledge developed at the agricultural colleges and experi-

ment stations. It is extremely flexible, of course, so that it can be adapted to varying farming conditions throughout the Nation.

There are three basic points in every farm plan. The plan calls for: (1) home production of most of the families' food supply and livestock feed; (2) the development of two or more farm enterprises that will produce goods for the market; (3) and the adoption of methods that will build up soil fertility.

In these three general ways the farm-and-home plan guards against the chief causes of failure. If the plan is carried out, the farmer has food for his family and feed for his livestock, regardless of whether he has any cash income or not. Through the development of several cash crops, he also cuts down the risk of a poor market. By rotating his crops, planting legumes and terracing, the farmer protects his principal asset, his land.

Trained farm specialists help Farm Security Administration borrowers work out these plans. Most of the small farmers of the country have never been able to go to any agricultural college. They need expert advice in order to raise a variety of crops, care for their livestock, and work the soil in accordance with a sound farm plan.

Often, in fact, the Farm Security Administration specialists give the small farmer technical help that he could not get anywhere else. Too much of the research in farming methods has concerned large-scale commercial agriculture. Knowledge of this type is of little use to the small farmer. The Farm Security Administration supervisors are agricultural technicians who are primarily trained in the science of small-scale farming operations.

The farm and home plan is extremely flexible. The basic plan calls for no particular crops, but rather a variety of crops. It demands no particular size of farm, except that it should be the family-type—that is, a farm large enough to produce a living for the family, and which requires little or no labor in addition to that supplied by the family. In a region of fertile muck land this could mean as little as 20 acres; in cattle country it might mean 500 acres or more. The most rigid requirements of a good farm plan are negative; it definitely rules out one-crop farming and too intensive cultivation of the soil.

The plan covers household as well as farm operations. Recognizing the importance of household operations in any family economy, and particularly among families who work on a very small margin, it includes canning, cooking, sewing, washing, and clothes making. To make the farm as self-sufficient as possible, the plan encourages the maximum home production for the family's daily needs. Like the farmer, the farm wife receives help in carrying out her part of the plan. A home economist shows her how to prepare balanced diets, sew, garden, and make mattresses, small pieces of furniture, and similar household necessities.

An important byproduct of the farm and home plan is the way it influences the thinking of the family. In order to follow the plan, the family must keep records of what it earns and spends, must analyze the cost of all the various farm enterprises, and must prepare a balance sheet at the end of each year. These accounts give the farm family a better insight into their own business than most small farmers ever get. Moreover, sound planning requires an analysis of past mistakes and an outline of future goals. Planning for 5 years in advance is common for most businessmen, but it is a new idea to thousands of small farmers.

This is the heart of rehabilitation—(1) to make the farm produce the best possible living through careful, frugal use of the resources at hand; (2) to develop the farsightedness and the determination which the farm family must develop to make good.

During the past year more than 400,000 families assisted by the Administration made out a farm and home plan. Not all of these plans were perfectly made, and not all of them were followed. The program is too big to reach anywhere near perfection in 5 years, or even in 10. Moreover, good planning is a slow business. Each farm must be carefully studied to determine the most productive use which can be made of the land on a long-term, soil-building basis.

Now most small farmers, and even some large-scale operators, have never gone into all this detailed work. It cannot be learned overnight. The help Farm Security Administration supervisors can offer is strictly limited because each one must work with approximately 190 families. This does not allow frequent visits. Recently, therefore, group planning has been used. About 10 families meet together with a farm supervisor and a home supervisor, and work out their plans together. This has been found most helpful with families which have had previous experience in making farm and home plans. No method of plan making, however, is as successful as that done with the farm family on its own farm. An average of 1 full day is required to make out a farm and home plan on this individual basis.

The progress made with the aid of the farm and home plans and small loans is indicated by a recent survey of 360,000 standard rehabilitation borrowers, which had been on the program from 1 to 5 years. This study disclosed that the 360,000 families had increased their average net income from \$375 in the year before they sought Farm Security Administration help, to \$538 during the 1939 crop year. This was an increase of 43 percent.

The net worth of these same families—over and above all debts, including their obligations to the Government—had increased by an average of 26 percent. Thus, they had added a total of nearly \$83,000,000 to the wealth of their communities, and had increased their annual incomes by a total of more than \$58,000,000. In 1939,

these rehabilitation families also raised more than \$89,000,000 worth of foodstuffs for home use, as compared with \$54,000,000 in the year before they received Farm Security Administration assistance.

Since they first received help, the annual value of goods produced for home consumption by the average rehabilitation family has risen from \$150 to \$247. The annual amount of milk produced for home consumption has risen from 99 gallons to 448 gallons. Fruit and vegetables canned for home consumption have increased from 51 quarts per year to 242 quarts. The annual production of meat for family consumption has risen from 85 pounds to 447 pounds. This has, of course, meant a sharp improvement in health and general living standards.

FINANCING THE FARM AND HOME PLAN

The purpose of a rehabilitation loan is to get the family started on its new farm and home plan. Funds usually are needed both for equipment and operating capital. Once the plan is functioning and the family learns to farm on a permanent basis, most small farmers can provide their own financing. They can set aside reserves each fall to provide capital for the coming crop year. Until then, however, the small farmer urgently needs a small amount of both operating and investment capital on reasonable terms.

This credit is supplied by the Farm Security Administration only if the farmer cannot obtain credit anywhere else on reasonable terms, and if he either owns or is able to lease enough land for a family-type farm. The loan is just large enough to pay for the goods and services needed to put the farm and home plan in operation. A chattel mortgage is taken as security, but the farm and home plan and the character of the borrower really form the principal security for the loan.

Most Farm Security Administration loans go for the purchase of tools, livestock, equipment, fertilizer, and seed. The part of the loan advanced for things used up in 1 year, such as feed and fertilizer, falls due at the end of the harvest season. Amounts loaned for equipment, work stock, and other durable goods, however, can be paid back over a period of 5 to 10 years. These loans carry a 5-percent interest rate. They also may cover other needs. For instance, some of the money may be used to provide a form of health insurance, to pay for the services of a veterinarian, livestock-breeding services, membership in a marketing cooperative, or other services that will hasten the family's rehabilitation.

During the past year standard rehabilitation loans totalling \$93,000,000 were made to 286,000 families. Approximately 73,000 of these families received loans for the first time. The remainder were families which had been on the program in previous years.

The farmers in this latter group needed loans for 2 general reasons; most low-income farm families are not able to get their farms in good running order within 1 year's time, and they are used to a system of 1-year credit for operating capital. Ordinarily the most the farmer can do in the first year is make a fair living for his family and meet the payments due on his original loan. That leaves him with little or no capital to start his next year's farming operations, and another, though much smaller, loan is required.

Another reason for these loans is that farm families often have the ability to run their farm on a larger scale after a year or two on the rehabilitation program; they only have the capital, however, to continue on their present basis. A supplemental loan provides them with the additional livestock or equipment to expand their farming operations at a time when the need is clearly justified.

As the borrower families gradually get ahead, they are encouraged either to supply their own operating capital from their savings, or to obtain credit from some regular source, such as the local bank or production-credit association. Eventually therefore, supplemental Farm Security Administration loans become unnecessary—usually after the third or fourth year.

The Farm Security Administration also makes a limited number of "emergency" loans. These loans, which averaged less than \$70 each, are not accompanied by farm plans. Most of them are made to victims of floods, droughts, or other disasters, or to families which temporarily lack the facilities for carrying out a complete farm and home plan. A total of 12,952 emergency loans were made in the last fiscal year, amounting to \$863,481.

COLLECTIONS ON REHABILITATION LOANS

Rehabilitation loans of both types—standard and emergency—made during the 1939-40 fiscal year totalled \$93,500,000 to 299,000 families.

Since the beginning of the program in 1935, \$507,368,664 in rehabilitation loans of all types has been advanced to 856,024 needy families. Although much of this money has not yet fallen due, \$152,386,930 had been collected on principal due up to June 30, 1940; and of this sum \$45,352,537 was collected in the last fiscal year. Interest payments over the 5-year period totaled more than \$10,514,000 in addition.

It is conservatively estimated that at least 80 percent of all the money loaned eventually will be repaid, in spite of the fact that all rehabilitation borrowers are "bad credit risks" according to normal business standards. Losses will be concentrated largely in those Great Plains States which have suffered repeated and severe droughts over the past 10 years.

One of the most significant indications of progress was the fact that about 120,000 families already had repaid their loans in full by June 30, 1940.

In testifying before the Senate Appropriations Committee on May 27, 1940, Secretary Wallace said:

It is, of course, far cheaper for the Government to help these families get re-established in farming than it is to provide relief for them in the cities or on the highways. From a social standpoint there is no comparison between the two methods. Work relief in the cities costs about \$800 per family per year. Even rural work relief costs from \$350 per year upward. Rehabilitation—counting all losses on loans, the cost of supervision, and every other item of expense—costs only about \$72 a year per family.

Relief leaves the families in the end no better able to support themselves than in the beginning. Under the rehabilitation program, most families are able to work themselves into a self-supporting status within a few years.

WATER-FACILITY LOANS

Loans also are made by the Administration to enable low-income farmers to take part in the water-facilities program. Under direction of Congress, the Bureau of Agricultural Economics, the Soil Conservation Service, and the Farm Security Administration are cooperating in the development of a small program for the benefit of farm families in the arid and semiarid areas of 17 Western States.

The program provides Federal assistance to establish such water facilities as ponds, reservoirs, wells, pump installations, spring developments, water-storage tanks, and facilities for recharging underground reservoirs. The Administration's part in the program is to provide farm and home management plans and to make and collect loans. Often both a water-facilities loan and a standard rehabilitation loan are made to the same family, the water-facilities loan making possible the development of a sound farm and home plan.

During the past year 1,078 water-facilities loans, totaling \$457,043, were made to low-income farm families. June 30, 1940, marked the end of the second year this program has been in operation. During that period 1,406 loans totaling \$668,598 have been made.

In a few instances groups of farmers formed cooperatives to carry on the development of water facilities in the most practical way.

Outstanding feature of the water-facilities program during the past year was its rapid expansion. More than two-thirds of the water-facilities loans to date were made in the fiscal year 1939-40.

ADJUSTING FARM DEBTS

While farm and home planning, plus loans, form the basic rehabilitation program of the Administration, several supplemental programs also have been found necessary. Some of these are simply

aids to standard rehabilitation. Others are attempts to find new methods of solving the complex problems of the small farmer.

One important aid to rehabilitation is farm-debt adjustment. Many farmers have so heavy a debt burden when they turn to Farm Security Administration for help, that no ordinary farming operations, however well managed, could ever get them in the clear. To help these families get a fresh start, Farm Security Administration has set up local farm-debt adjustment committees.

These committees, composed of local businessmen and farmers, arrange a meeting between the farmer and his creditors. At this meeting the farmer's problems are discussed, and an effort is made to scale down the debt to a point within the farmer's ability to pay, or to reduce interest, spread payments over a longer period, or make other necessary adjustments. Such voluntary agreements not only free the farmer from constant fear of foreclosure, but also often make it possible for his creditors to get substantial payments on frozen assets which might otherwise have been totally uncollectible.

Emphasis last year was placed on "group-debt adjustment," whereby whole drainage districts, irrigation districts, and similar large groups of farmers receive aid in adjusting their obligations. Further emphasis was placed on arranging debt adjustments without financial assistance from the Administration.

In the past, debt adjustment had been facilitated in many instances by Farm Security Administration loans to refinance much of the adjusted debt, so that the farmer might immediately repay his creditors. An increasing effort is now being made to have the adjusted debt amortized gradually out of the farmer's income.

During the past year 26,632 farmers had debts totaling \$75,501,128 reduced by \$13,405,201, or 17.8 percent. One of the results of this debt reduction was the payment of \$486,919 of back taxes to local governmental agencies. In addition, 19 group farm-debt adjustment cases, involving 3,520 farmers and an indebtedness of \$4,523,109, were adjusted by \$2,426,961, or 53.6 percent. 404,072,381

In the 5 years in which the farm-debt adjustment program has been carried on, 127,713 farm families have had debts totaling \$403,932,161 reduced by \$92,521,379, or 22.9 percent. As a direct result of the debt reduction, \$5,137,437 in back taxes has been paid. In addition, 99 group cases involving 14,516 farmers and an indebtedness of \$21,232,330 have been adjusted by \$13,917,233, or 65.5 percent.

GRANTS

Direct relief grants also supplement the rehabilitation program. During the past year, as always, the principal use of grants has been to prevent starvation and suffering in disaster areas. Families in urgent need because of flood, heavy frost, drought, or similar catastro-

phes, were able to turn to the Farm Security Administration for temporary relief, in the form of cash grants, averaging about \$21 each. Throughout the year, grant payments amounted to approximately \$20,000,000.

Usually, only one or two grant payments were made to a family, and such relief was discontinued as soon as the families were able to support themselves by some other means. A careful check was made to assure that the grant aid did not duplicate assistance from any relief agency. Many families which received one or two grants later got rehabilitation loans to put them permanently back on their feet, as soon as weather conditions would permit them to get back to farming.

A new development in the grant program involved securing a pledge of work from each grant family. In this pledge the family agreed to perform some improvement work around the farm or home in return for the grant money. In many cases, this improvement took the form of sanitation work, including the erection of sanitary privies, the safeguarding of the families' supply of drinking water, the screening of doors and windows, and insect and rodent eradication. This environmental sanitation work had been begun on a small scale in previous years, but under the "work-grant" program it was considerably expanded. Much soil conservation work, such as terracing and damming gullies, also has been done in return for grants.

In several sections of the country, notably in 25 "problem" counties in the Appalachian region and in southeast Missouri, the work grants were made a part of a broader program to aid farm families who had so little resources that they were unable to carry out a full-fledged farm and home plan. In all cases the idea inherent in the work grants was not only to provide necessities, but to also encourage progress toward eventual self-support.

TENURE IMPROVEMENT

One of the greatest obstacles to successful rehabilitation has been the instability of farm tenants. The typical tenant—particularly in the South—moves to another farm every year or two. He has no chance to carry out crop rotations; and he has no incentive to terrace the land, keep up fences, or make other permanent improvements.

Such constant shuffling from one farm to another has caused huge losses, both socially and economically. In addition to the incalculable cost in worn-out soil and depreciated property, the direct cost of such moving has been estimated at more than \$50,000,000 a year. The social costs are equally grave, since a tenant family which is constantly on the move has no chance to put down its roots in any community—to get proper schooling for its children, to find a place in the church, or to carry out the other duties of good citizenship.

Much of this useless moving is simply the result of the traditional system of loose, oral leases which prevails in many parts of the country. Such vague understandings give no security to either tenant or landlord, and they frequently result in misunderstandings and hard feeling between them.

In an effort to check this needless moving, the Administration has encouraged the use of long-term written leases by its borrowers.

These leases state clearly the terms under which the tenant is to operate the farm, make allowance for all improvements, and encourage the adoption of sound, soil-conserving farm practices. They have been found to be a great improvement over the oral agreements, under which neither tenant nor landlord could be held responsible for his part of the contract. Under the oral agreements the farm land and buildings often were so neglected that it was impossible for either landlord or tenant to make a profit.

Approximately 62 percent of all Farm Security Administration borrowers are tenants. About 30 percent of these have been helped to advance from sharecropper to tenant status under the rehabilitation program. More than 80 percent have obtained written leases.

MAKING LAND OWNERS OUT OF FARM TENANTS

In addition to the rehabilitation work, the Farm Security Administration is responsible for two other closely related programs—the Bankhead-Jones farm-tenant-loan program and the administration of homestead projects.

Under the tenant-loan program, authorized by the Bankhead-Jones Act of 1937, a limited number of capable tenant farmers are given an opportunity to buy farms of their own through tenant-purchase loans. These loans also are available to capable sharecropper or farm-laborer families. Like the standard rehabilitation loans, they must be based on farm and home plans.

Funds for the tenant-purchase loans are allocated among the States and Territories on the basis of farm population and the prevalence of tenancy. Counties in which the loans are to be made then are designated by the Secretary of Agriculture, on the recommendation of State farm security advisory committees. In all, funds were made available in approximately 1,300 counties during the fiscal year 1939-40.

To be eligible for a tenant-purchase loan, the applicant must be a citizen of the United States. Selection of the applicants who are to receive loans is made by a county committee, composed of three local farmers. Preference is given to families which can make a down payment, or which have sufficient livestock and equipment to carry on farming operations, as well as to families which have demonstrated initiative and managerial ability.

The county committee also passes upon the farm the borrower plans to buy, to make sure that its price is reasonable and that it is able to produce enough income both to support the family and to repay the loan. The Farm Security supervisor helps the farmer locate a suitable farm and work out the farm and home plan.

Tenant-purchase loans are repayable over a period of 40 years at 3-percent interest. The loan may be amortized in equal amounts each year, or, if the borrower chooses, he may use a variable-payment plan. Under this plan, payments are smaller in years of poor crops or low prices, and are proportionately larger in good years.

If necessary, the loans are made large enough not only to cover the purchase price of the farm land and buildings but also to improve the land and place the buildings in good repair.

Last year 6,172 tenant-purchase loans were made, averaging \$5,992 each. During the 3 years the program has been in operation 12,234 families have received loans averaging \$5,721.

This program constitutes a cautious, conservative effort to check the alarming increase in farm tenancy, and to preserve the traditional American ideal of the family-type farm. It was based upon the recommendations of the President's Committee on Farm Tenancy, prepared after a careful study of successful farm-ownership legislation in Ireland, and in Denmark and other Scandinavian countries.

While it is still too early to make a final judgment on the program, the progress so far has been most encouraging. The widespread support which the program has won among farm people is demonstrated by the fact that more than 20 applications have been filed for every loan which it has been possible to make with the present limited funds. Its economic soundness is indicated by the fact that delinquencies have been negligible, and that total repayments actually have exceeded maturities, because many borrowers have been able to make substantial payments in advance. There are two chief reasons for this excellent repayment record: (1) The conservative prices paid for land; (2) the fact that annual payments under the 40-year amortization schedule usually amount to less than the tenant formerly paid as rent.

HOMESTEAD PROJECTS

The Farm Security Administration is managing 164 homestead projects of widely varying types, which were started by the Resettlement Administration, the Subsistence Homesteads Division of the Department of Interior, and other prior agencies. Like the tenant-purchase program, these projects are closely related to the Administration's main function of rehabilitation. Their primary purpose is to give needy farm families a chance for greater security and stability.

The homestead projects, however, also serve another important purpose. Often they can be used as proving grounds for trying out new methods of farm management and new types of economic organization. They are filling much the same place in the economic and social field which the agricultural experiment stations have filled in technical fields. An experiment station, for example, produces better types of seed corn and new ways of terracing a steep hillside; in the same way, the Farm Security Administration projects are developing better types of cooperative marketing and processing, and new systems of farm tenure.

Some of the earliest projects, for instance, were simply groups of farms scattered over three or four counties. These farms were equipped with good homes, barns, and fences, and were sold to tenants under a variety of different arrangements, calling for small annual payments over a long period of years. The experience gained with these projects proved exceedingly valuable in working out the Bankhead-Jones loan program for helping tenants to become farm owners on a much larger scale.

Other projects consist of 50 or 60 farms grouped closely together in the same area. Each farm is separately operated by its individual family; but the families have banded together in a cooperative to buy and operate certain costly equipment, such as a cotton gin, tractors, and purebred sires for livestock breeding. In this way, many small farmers get the use of modern equipment, like that used on big corporation farms, which no one of them could afford to own by himself. They are demonstrating new ways in which the traditional family-type farm can compete on even terms with the big commercial farming enterprises; they are showing how it is possible to combine the advantages of small-scale individual ownership with large-scale operating methods.

Projects of still another type are the subsistence homesteads. Ordinarily these consist of 25 to 100 inexpensive homes clustered in a small community near the outskirts of a large industrial city, such as Birmingham, Ala. Each home has a small tract of land, ranging from $\frac{1}{2}$ acre to 10 acres. Residents are low-income workers who have industrial jobs in the nearby city. During slack industrial periods, these families are no longer idle; they can spend their time to good advantage on their own land, raising a large part of their own food supply.

These subsistence-homestead projects are demonstrating how seasonal industrial jobs can be combined with part-time farming, so as to provide a higher standard of living, and at the same time to take a periodic burden off the local relief rolls. They are proving a number of other points about the decentralization of industry, which recently has assumed such importance both for great business con-

cerns and for the Federal defense agencies. For example, they are indicating just how rapidly farm people with various kinds of background can be trained for industrial jobs; and how far a subsistence homestead can be located from an industrial center, without piling up prohibitive transportation costs for the workers.

The Bureau of Agricultural Economics now is completing a comprehensive study of the subsistence-homesteads projects, which will bring together information of considerable value, both to the Government and to private enterprises interested in similar developments.

Meanwhile, projects of other types are being observed closely by Farm Security Administration personnel, and developments of proven value are being rapidly adapted for use in the rehabilitation and tenant-purchase phases of the program. Low-cost-housing methods first worked out on the projects, for example, have resulted in great savings in the buildings now being put up on farms purchased under the Bankhead-Jones tenant-loan program. (These housing developments will be discussed later in the report.)

During the past year the Farm Security Administration has continued its policy of transferring the ownership of the homestead projects to the residents as rapidly as possible. At Mount Olive Homesteads and Greenwood Homesteads near Birmingham, Ala.; at Duluth Homesteads near Duluth, Minn.; and at Austin Homesteads near Austin, Minn., nonprofit associations were formed by the homesteaders and title to the project was transferred to these bodies. The families, in turn, contracted with the associations for the purchase of the individual homesteads over a period of 40 years. Altogether, 15 homestead projects have been conveyed to nonprofit associations.

In addition, during the 1939-40 fiscal year the individual units at the Lake County Homesteads project near Waukegan, Ill., were sold directly to the residents. This made a total of four projects which have been sold on an individual basis. Other projects sold on an individual basis were Hattiesburg Homesteads near Hattiesburg, Magnolia Homesteads near Meridian, and McComb Homesteads near McComb, Miss.

As of June 30, 1940, the total number of projects conveyed to homestead associations or sold directly to individual clients was 19. It is expected that a large number of additional projects will be sold during the coming year.

MIGRANT CAMPS

The migratory-labor camps are an effort to solve some of the problems of a particular group of low-income farm families—the migrant agricultural workers.

Designed to provide a minimum of shelter and sanitary facilities for migrant farm families, these camps are located in Idaho, Oregon,

Washington, California, Arizona, Texas, Florida—the States which have the most serious migrant problems. At the present time, 56 camps either have been completed or are under construction. When completed, these camps will accommodate a total of 13,205 families at any one time. Both temporary shelters and a small number of permanent homes are provided at the camps. Shelters and tent platforms number 11,476. The platforms are wooden or concrete bases, on which the migrant families can pitch their own tents; and the shelters usually are one-room metal or wooden structures. The 1,729 permanent labor homes are inexpensive houses with small garden plots.

A typical camp consists of a group of community buildings which house washrooms, laundries, showers, toilets, isolation wards, first-aid stations and a meeting place. Grouped around the community center are the shelters, and located nearby are the labor homes. A manager, employed by the Government, is in charge of each camp; but a council elected by the residents handles most matters of camp government.

Mobile camps mark the newest development in this field. Designed for use in areas where camps are needed for only a few weeks at a time, these camps can be hauled from place to place by truck. Both families and community facilities are housed in tents, and large trailers house the power plant and first-aid station. Tent platforms are erected at each mobile camp site. Of the 56 camps, 16 are mobile, all of which operate in the Far Western States.

The migratory-labor camps are in no way intended to be a complete solution of the problems of the migrant laborer. The shelters merely relieve some of the worst suffering and provide protection against epidemics. The labor homes offer a chance for a part-time, and in a few cases, full-time employment. Both indicate an approach, but nothing like a full answer to the difficulties of some 350,000 families which follow the harvests from State to State.

The major attack of the administration on the migrant problem lies in checking migration at its source, through its rehabilitation and tenancy program. For example, for every dollar spent to aid migrants in California during the past 5 years, \$20 was spent in the chief States of origin of migration—Kansas, Oklahoma, Arkansas, Texas, and Missouri—to keep potential migrants in their own communities on their own land.

HOUSING, COOPERATIVES, AND MEDICAL CARE

The Administration is carrying on several activities which are not limited to any one program, but which cover every phase of its work. Chief among these are the development of better rural housing; the

encouragement of cooperatives; and the development of plans for medical care for low-income farm people.

HOUSING

Only a minor part of the Administration's efforts have been devoted to housing. Because the Farm Security Administration was a pioneer in the field of rural housing, however, its work has attracted considerable attention.

The Administration's first housing experience grew out of the homestead projects which had been started by earlier agencies. In completing some 14,000 homes on these projects, the Farm Security Administration experimented with a number of new materials and construction methods, in an effort to develop durable, comfortable, low-cost houses for small farmers. The great majority of these houses, of course, were conventional frame buildings; but a few were built of steel, rammed earth, adobe, concrete blocks, or even of cotton. All of these experimental homes are being lived in, and many of them are pointing the way toward highly valuable new techniques. No final appraisal will be possible, however, until their upkeep costs and "livability" have been studied over a period of years.

The Administration has been most successful in developing low-cost frame farmhouses.

This has been accomplished through careful design and the use of native materials. All designs provide for the use of lumber in standard stock dimensions, thus reducing to a minimum job cutting and waste. Certain basic simple designs have been adopted as standard for each geographic area. Construction details have been standardized to fit all of the standard plans. In this way workmen soon became acquainted with the operations through repetition, with a resultant savings in cost.

Where volume warranted, both precutting and prefabrication have been adopted to secure greater economy. Precutting was done at a central plant where supervision was economical and easy, and where the selection of material was simplified, so that odds and ends of lumber which would ordinarily go into the scrap heap could be put to good use.

The precut material then was put together in panel sections in a shop yard located near the building site. Prefabricated panels and structural members for an entire house could then be delivered to the building site in a single truck load. At the house site the building could be assembled in a short time on precast concrete foundation pillars. On one project in southeast Missouri, 100 homes were completed in 100 days.

Precutting and prefabrication are practical whenever the number of structures built at any one time permits the purchase of main dimension stocks in carload lots, and when the operations are confined within an economical trucking radius. Prefabrication with the resultant larger, heavier, and more unwieldy sections greatly reduces the radius of economical haul.

These building methods were first employed when the Government itself, through the Construction Division of the Farm Security Administration, was building houses. Since July 1938, all Farm Security Administration construction has been turned over to private contractors. Moreover, since the homestead projects have been practically completed, most of the farm homes now being erected with Farm Security Administration help are those located on farms bought by tenant purchase borrowers, and a small number in the migrant camps.

When the policy of performing the construction by private contract was first instituted, some difficulty was experienced in interesting reputable firms in rural work. This has been successfully overcome and today a large group of responsible contractors are interested in our program. They have become familiar with the standard plans and competition is keen at all lettings. The success of the system is attested by the fact that one-story frame farmhouses are being built throughout the South by contract at an average cost of \$1.25 per square foot. All standard houses include three bedrooms, a living room, kitchen and dining space, front porch, and screened work porch. Including porches they average approximately 1,000 square feet of floor area and are costing about \$1,250.

Tenant-purchase loans include funds for providing adequate farm buildings. In many cases this has meant the construction of a new farmhouse. The construction work under the tenant-purchase program is being carried on by private contractors who use Farm Security Administration house designs and construction methods that have proved most economical.

Farm improvements built with this type of loan are planned in consultation with a Farm Security Administration engineer who advises the borrower on plans for necessary repairs and improvements. The cost of such improvements is, of course, limited by the earning capacity of the farm.

During the first 2 years in which the tenant-purchase loans were made, 2,056 new homes were built at an average cost of \$1,313.

A report on the entire Farm Security Administration housing program issued December 31, 1939, showed that at that date the Administration had completed 2,133 suburban homes in three "greenbelt" community projects; 12,315 new farm homes and 4,543 repaired farm homes at the homestead projects and on the tenant-purchase farms; and 353 labor homes at the migrant camps. This makes a total

of 19,344 new and repaired homes erected with the aid of the Administration.

COOPERATIVE ACTIVITY

In order to run his farm in the most businesslike way, to carry out modern farming methods, and to compete with large-scale mechanized farms on a nearly equal basis, the low-income farmer needs equipment and services that he usually cannot afford individually. Heavy plows and tractors are needed to turn under cover crops. Purebred breeding stock is required to improve herd strains, and cold-storage lockers are needed to preserve food.

To enable small farmers to obtain such equipment the Farm Security Administration has developed its community and cooperative services program. Under this program small farmers are encouraged to band together for the purchase of expensive farming equipment and services which they can all use together. In many cases Farm Security loans each farmer his share of the funds needed to get such small co-ops started.

Two different types of organization are used. In one instance, a single farmer called a "master borrower" receives a loan from the Administration for the purchase of the needed facility. The farmer's neighbors agree to share in its use, and help defray its cost and operating expenses by paying service fees. Under the second method, the farmers form an association to buy and handle the new service, borrowing individually to contribute to the purchase price.

In past years, most of the community and cooperative services have been set up under the master borrower type of loan, which requires less organization work and centralizes responsibility. More recently, the emphasis has been put on joint loans, which give greater opportunity for the development of cooperative action. Efforts are being made to convert many of the present master borrower loans into this type.

More than 16,000 of these small cooperatives have already been formed. With Farm Security Administration loans they have bought purebred sires, tractors, veterinary services, combine harvesters, cotton gins, fertilizer and lime spreaders, spraying tools, sawmills, feed grinders, hay balers, mowers, and many other kinds of equipment.

In some instances, too, the co-ops have spread their activities to include group purchases of many basic needs. In Gem County, Idaho, for instance, 67 low-income farm families organized the Gem County Purchasing Association. Loans of \$48 were made to each family for participation in group purchases, and these funds were pooled in the association's treasury. During 3 months last spring the association members saved over \$1,000 in orders of coal, sugar, fence posts, baby chicks, soap, and other necessities. Association

members estimate that a family spending \$250 a year in retail purchase of essential commodities can save more than the \$48 initial loan in 1 year.

Today the association has more than 100 members and is growing steadily. Regular monthly business and educational meetings are held and social functions are sponsored by the group. All business affairs are brought up before the meetings of the membership and thoroughly discussed so that every member has a voice in association activities.

Merchants in the county have been very cooperative with the group. Group purchases allow local merchants to increase volume of sales, sell for cash with no credit losses, and do away with a great deal of packaging and handling.

In Illinois during the past year 850 rehabilitation clients in 34 counties organized groups for the purchase of hybrid seed corn. The farmers bought a total of 2,980 bushels of certified hybrid seed corn at an average price of about \$4.90 a bushel. Since the average retail price was about \$6.75, the farmers saved a total of \$5,513, or a little better than 27 percent of the amount they would ordinarily have paid.

The typical county-purchasing group met and selected a committee of three to obtain information as to the strains best suited to their area and to interview producers and contract for delivery. While the farmers placed a high value on the dollars they saved, the greatest satisfaction came from finding that they could successfully work together on a definite community project.

These small cooperatives are typical of those developed among the rehabilitation borrowers of the Administration. In addition, there has been considerable cooperative development on the homestead projects. Like other phases of project development, the project cooperatives represent an intensification of the rehabilitation program.

In Arkansas, Louisiana, and Mississippi, cooperatives for the insurance of farm work stock have operated successfully for a number of years, and continue to expand.

The Administration has also aided low-income farmers in the development of 30 land-leasing cooperative associations, which lease large plantations from private owners for a period of from 3 to 10 years. Nearly all of the land leased in this way is subleased to the members of the cooperative and farmed on an individual basis. Usually the cooperative association also is used for marketing and purchasing and as a means of handling heavy farm equipment. The large number of farmers grouped closely together on a leased plantation makes supervision of farm work easy. For this reason many of the plantations serve as a sort of training school for the more backward farmers.

The cooperatives developed by the Farm Security Administration represent one of the first major attempts to develop cooperative activity among low-income farm families. Their immediate purpose is to help the families make a better living, and to carry out provisions of their farm and home plans that call for equipment the individual families ordinarily could not afford. The long-time effect of the cooperatives may be much greater. We have, for instance, always viewed the family-size farm as the ideal American farm. We have also believed that our national resources should be widely distributed among the largest number of people. The trend, however, has been in the opposite direction. An increasingly large number of small farmers helping each other to gain security through cooperative action may serve to turn the tide.

Cooperatives, too, stand as a bulwark of democracy. Cooperative organizations, in which everyone is called upon to take his part, in which the success of each depends upon the effort of the whole, are the best possible training schools for the type of citizenry this country needs today.

HEALTH

Poor health is one of the major handicaps of many low-income farm families. The failure or slow progress of many farmers is the result of physical inability to do a good day's work, and the failure to meet loans on schedule has often been due to illness, or the expenditure of farm funds to meet urgent medical bills. In many cases the family's livestock or farm tools have had to be sold at a sacrifice to pay for a serious operation or prolonged hospital care. Other farmers limped along for years with malaria, pellagra, hookworm disease, hernias, abscessed teeth, or other chronic conditions, which reduce their working ability.

Consequently, the Administration developed a medical-care program for its borrowers, on the theory that a family in good health was a better credit risk than a family in bad health. So far as the Government was concerned, this program was simply a matter of good business—if the family's health handicaps were cleared up, it could get back on its feet and become self-supporting; if they were not, the family might remain dependent on relief for years.

The entire program has been worked out in close cooperation with the State medical associations and local medical societies. Before a medical-care plan is set up in any State, a memorandum of understanding is drawn up by Farm Security Administration representatives and the State medical association.

County agreements, based on this understanding, then are reached with local medical societies.

Although county medical plans vary in detail, according to local conditions and preferences, they follow a general pattern. They all provide for the use of existing local facilities, and fees are based upon the ability of the families to pay—a principle long recognized by the medical associations. Every plan is founded upon three basic principles: (1) Each family has a free choice of its physician from among the participating doctors; (2) fees are paid by every participating family at the beginning of the operating period, and are held by a bonded trustee; (3) fees are based upon the families' ability to pay, as indicated by their farm-management plans and records.

Under a typical medical-care plan, all of the Farm Security Administration borrowers in the county who wish to participate pay a fixed sum each year for medical care. For the first year, this sum usually is included in the rehabilitation loan. These payments are pooled, in the hands of the county trustee, to serve as a kind of voluntary health insurance. If a member of the family becomes ill, he may go for treatment to any doctor in the county who is taking part in the plan. All of the doctors submit their bills at the end of each month to the trustee for payment.

Benefits covered in the plan usually include: (1) Ordinary medical care, including examination, diagnosis, and treatment in the home or in the office of the physician; (2) obstetrical care; (3) ordinary drugs; (4) emergency surgery; (5) emergency hospitalization.

Some counties have added dental services either as a part of the regular medical care program or under a separate plan. In Arkansas 40 counties have separate dental plans under which a family obtains emergency dental treatment, simple fillings, extractions, prophylaxis, and cleaning at a cost of \$4 a year for the man and wife and \$0.50 for each child.

The amount paid for medical care varies according to extent of benefits, size of average farm incomes in the locality, and size of family. A typical payment schedule for medical care in a low-income county is \$18 annually for man and wife plus \$1 for each child, the maximum payment being \$26 per family.

All medical-care funds are pooled; a proper amount is allocated for hospitalization and emergency needs, including surgical care; and the balance is divided into equal monthly installments.

Physicians' bills are paid from the amount on hand for a particular month, after the bills have been received by the trustee and reviewed by a committee of the local medical society. If possible, all bills are paid in full. If the total bills for a given month exceed the amount available, all bills are proportionately reduced and each physician is paid his pro rata share. If there is some money left over for a particular month, it is carried forward to the next month or to the end of the period, and used to complete payment of old bills.

During the past fiscal year counties in which medical-care plans had been organized increased by 245. To date, more than 80,000 families have joined such plans in 634 counties in 31 States. Medical-care programs also have been organized on 56 resettlement projects, and similar arrangements are now being set up on several others. In 23 of these programs, both project families and families of rehabilitation borrowers in the county have combined to use the same medical-care plan.

Separate from the general program of medical care is the specialized program in California and Arizona. This program gradually is being extended to the Pacific Northwest, Texas, and Florida. These States have experienced an overwhelming migration of needy farm families, which made necessary a completely different type of plan to meet the needs of migratory agricultural workers who required medical attention, but rarely could afford to pay for such aid.

The influx of migrants into California and Arizona since 1935 created a serious public health problem in these two States. Migrant families have a low and uncertain income, live in roadside "jungles," tents, or hastily improvised shelters. Their "squatter camps" usually have no sanitary facilities.

The constant movement of migrants in search of part-time work from one farming area to another, sometimes more than 300 miles away, contributed to the rapid spread of communicable diseases. Despite the vigilance of the California State Department of Health, outbreaks of smallpox or typhoid in widely separated counties remained a threat.

In May 1938 the Administration, with the cooperation of the California Medical Association, the State Department of Health and the State Relief Administration, formed the Agricultural Workers' Health and Medical Association, incorporated under State laws. Each of the agencies is represented on the board of directors of this nonprofit association.

Migrants make applications for medical treatment at the association's district offices or camp treatment centers. A certificate of membership in the health association, which serves as an identification card, is issued to the applicant, who selects his physician from a list of participating doctors. The Agricultural Workers' Health and Medical Association is billed for the medical or hospital services rendered. In many treatment centers local physicians work in the clinics at designated hours on alternate days. The personnel of the typical treatment centers consists of a part-time physician, a nurse, and a clerk. Services include ordinary medical care, surgery, laboratory, X-ray, dentistry, prescriptions, and diagnostic treatment.

Although the migrant workers are obligated to repay the cost of services "if so requested," their low income makes repayment impos-

sible in most cases. Some workers, however, have been able to repay a few dollars. In view of the health protection provided for the two States under this program, it seems probable that public financial support will continue. Similar conditions prevail in parts of Texas, Florida, and the Northwest, and similar measures are being undertaken there. There are at present 13 medical-care centers in California, 7 in Arizona, 4 in Texas, and 2 in Florida.

Appraisal of the medical-care program is difficult. There are bound to be difficulties with a program that affects so many people in widely diverse areas. Most of these troubles have been overcome as they have arisen, however. A strong reviewing committee, drawn from the physicians' ranks, limits any possible abuses by the doctors. The Farm Security Administration county supervisor acts in a like capacity for the families, checking up on any unusual demands for service to make sure that no unnecessary burden is imposed on the physicians.

The attitude of both the doctors and families toward the medical care program is, on the whole, favorable. Payments to physicians the country over, average approximately 65 percent of total bills presented. Many doctors have reported that this is a higher percentage of payment than they receive from their ordinary practice in these areas.

Like the rest of the Farm Security Administration program, these efforts to protect the health of our most handicapped people assume a particular significance in a period when the Nation is in urgent need of manpower. Figures recently released by the War Department indicated that Army enlistments from rural areas are nearly twice as heavy, in proportion to population, as enlistments from cities. They also revealed that nearly one-third of all men who tried to enlist had to be rejected because of poor health.

In view of these facts, it is apparent that a program which is successfully rebuilding and reestablishing the Nation's neediest citizens constitutes a first line of internal defense.



