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THE ANNUAL REPORT
OF THE
FARM SECURITY ADMINISTRATION
1944-45

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More than 335,000 small farmers, including veterans of World War II, used the supervised credit services of the Farm Security Administration in the 1945 fiscal year. With the aid of loans made through the 2,000 county offices and with on-the-farm guidance and advice of local FSA workers and farmer-committeemen, they worked to increase their security on the land.

The agency made no major changes in program or purpose in 1945. Its whole effort was to assist low-income farmers to reach a secure position as operators or owners of family-type farms.

The three main phases of FSA activity--rural rehabilitation, farm ownership and water facilities--were directed equally towards this end.

As the war drew to a close, increasing numbers of farm-minded veterans applied for Farm Security assistance, and by June 30 more than 3,100 loans had been made to veterans. Some of these men grew up on small, inefficiently operated farms and had only a limited background of training and experience in modern agricultural methods. FSA sought in every way possible to help them become reestablished with reasonable chances for success.

The county FSA committees of local farmers were more active last year than ever before in assisting borrowers and in adapting the national program to the particular needs of their own communities.

COUNTY COMMITTEES

Much of the progress made during 1945 was possible because of the services rendered by the county FSA committees. Their duties were expanded two years ago to include approving applicants' eligibility for loans and reviewing borrowers' progress. Since that time they have been called upon for ever-increasing assistance in their communities.

The committeemen are active, resident farmers chosen from the most successful, progressive rural people in each county. At least one of the three members of each group is, or has been, a tenant-operator of a family-type farm. Appointed by the State FSA director under authority of the Secretary of Agriculture, each committeeman serves three years.

Low-income farmers who come to FSA for assistance in planning their work on a sound basis and providing their families with a better living, have assurance that their problems will receive sympathetic, common-sense consideration from fellow farmers as well as from the supervisor in the local Farm Security office. Committeemen decide whether an applicant is eligible for FSA services, keep in touch with his work after he becomes a borrower and give him neighborly counsel and encouragement to supplement the supervisor's guidance.

They review the progress of families who have been on the rehabilitation program three crop years or more, recommending in each case whether borrowers should remain on the program longer, be "graduated" to private credit, or receive no further aid because rehabilitation seems improbable. In the farm ownership program they make certain that each farm is an adequate family-type unit and that the price of the land is based on a sound evaluation of what it will earn over a period of years.

In December county FSA committees were given a new duty. Each committee, plus an additional member who is a veteran and preferably a businessman, was designated as the county veterans' agricultural loan committee. Their job was to certify veterans as eligible for Government-guaranteed "G.I. Loans" for the purchase of farms or farm equipment under the Servicemen's Readjustment Act. County supervisors acted as committee secretaries and FSA supplied clerical assistance.

ASSISTANCE TO WORLD WAR II VETERANS

The importance of the Farm Security program as an aid to farmer-veterans has gained widespread recognition and support. Veterans' organizations such as the American Legion and the Veterans of Foreign Wars passed resolutions pointing out the value of FSA services to veterans and supported appropriations and legislative measures to increase the activities of the FSA in this field. In a study of the past and present techniques for aiding veterans' return to farms, John D. Black and Charles D. Hyson of Harvard University found the FSA program to be of major importance in helping today's veterans reestablish themselves in agriculture.

The terms of the FSA loans and the services provided were in great part responsible for the attention given the programs. The farm ownership loans were favorably looked upon by veterans and veterans' organizations because of the 40-year repayment period, the system of variable payments, and the fact that the loans can cover the full cost of a family-type farm plus the cost of necessary repairs and construction. The rehabilitation loans received attention because they could be made for feed, seed, fertilizer, medical care, and family living needs, as well as for livestock and farm machinery. But many regarded the individual, on-farm guidance that FSA supplies along with credit as the most important single feature of the program.

Every veteran who obtains an FSA loan receives practical advice regarding the land and equipment he needs to start farming, and the prices he can afford to pay. The FSA supervisor helps him map out plans for his farm operations and brings him up to date on recent improvements in farming methods.

By the end of the year 8,849 veterans of World War II had applied to FSA for assistance and 3,128 loans had been made--66 of them for farm purchases and the remainder for operating essentials. The total amount of the loans was \$3,865,234.

With the passage of the Servicemen's Readjustment Act of 1944 shortly before the beginning of the 1945 fiscal year, World War II veterans were made eligible for the benefits of the Bankhead-Jones Farm Tenant Act to the same extent as though they were farm tenants, provided they are qualified by ability and experience to carry out the undertakings required under the loans.

Modifications in certain FSA administrative policies were made during the succeeding months, so as to improve services to veterans. The Administrator instructed all field offices that World War II veterans would be eligible for farm purchase loans if they showed a need for Farm Security's individual guidance in farm management. This supplemented the administrative requirement that, to be eligible, applicants for farm ownership loans must be unable to obtain adequate credit elsewhere on reasonable terms. Veterans may now qualify under either of these requirements.

In the rehabilitation program, the general policy on supplemental loans was modified for veterans. Under the revised policy, a veteran who had a rehabilitation loan outstanding when he went into military service, and whose failure to repay at least 50 percent of his indebtedness within five crop years was directly related to his military service, may borrow additional operating funds from FSA if his farm and home plan shows such funds are needed. The veteran must also have a reasonable chance of success in his farming.

Recognizing the need to expand Farm Security aid to returned servicemen, Congress in the 1946 Agriculture Appropriation Act earmarked for World War II veterans half of the \$50,000,000

fund authorized for farm ownership loans. The Act provided that the \$25,000,000 so earmarked be distributed among the States on the basis of need. This will make it easier for veterans to "shop around" in their search for farms. (Loan funds made available for use in the regular farm ownership program must be distributed on the basis of farm population and prevalence of tenancy.) Further, the Act exempted veterans' loans from the provision governing loans to non-veterans that no loan may be larger than 15 percent above the 1940 census value of the average farm unit of 30 acres or more in the particular county or locality. Thus a veteran's loan is limited only by the long-time earning capacity value, up to the \$12,000 administrative limit, of the farm to be purchased.

As they came to the end of the fiscal year, FSA's committeemen and supervisors were prepared to give increased service to veterans. They had nearly six months of experience behind them in handling certifications on farm loan proposals under the Servicemen's Readjustment Act. (This is more fully described under the heading "County Committees":) They had years of experience in helping small farmers.

Several problems that would face returning veterans had not been solved, however. In some areas it was evident that there would be more servicemen seeking farms than there would be farms available. In many places too, the price of farm land was rising far beyond its long-time normal earning capacity. Until solutions could be found to broad problems of this kind, FSA workers realized that any undertakings for the reestablishment of veterans on farms would be handicapped. At the same time they continued to take positive action, within the scope of the FSA program, to open up all possible farm opportunities for veterans.

RURAL REHABILITATION

The rural rehabilitation program supplies small farmers, who cannot obtain adequate credit elsewhere with sound financial assistance and practical guidance in farm and home management, to aid them in removing the deficiencies or obstacles which retard their farming progress.

The experience of the past few years has proved that higher prices for agricultural products and expanding markets do not, by themselves, solve the problems of the small farmer. In 1945, for example, more than twice as many farmers applied for initial rehabilitation loans as could be provided from the \$67,500,000 loan authorization.

These farmers requested FSA services because they did not have enough equipment, livestock, land or the knowledge of efficient farm and home management methods to make a success of their farming operations, even in relatively prosperous agricultural years.

Rehabilitation loans can be made to eligible families for the purchase of livestock, equipment, seed, feed, fertilizer, for family living expenses, for medical care and for other necessary farm and home operating expenses. A maximum of \$2,500 can be loaned to an individual borrower during any fiscal year. Usually the loans are much smaller than this amount. Rehabilitation loans are repayable in from one to five years at 5 percent interest. Supervision or practical guidance, in sound farm and home management practices is offered each FSA borrower.

Since 1935, supervised credit services have been used by about 860,000 families. More than 374,000 borrowers had repaid in full by the close of 1945, and the repayments of principal, as a whole, amounted to about 90 percent of the amount due.

Last year new loans averaging \$1,068 were made to 24,996 families who had never before received FSA assistance. In addition, supplemental loans averaging \$387 were made to 102,890 families to enable them to continue their progress toward rehabilitation.

During ten years of experience in helping rural families, FSA has found that there cannot be a set pattern for the rehabilitation of all borrowers. No two families are faced with identical problems; thus, rehabilitation aids and methods must provide a wide range of assistance.

Farm and Home Planning: Increased emphasis was placed on the principle that a sound farm and home plan, developed by the borrower with the assistance of the FSA supervisor, is the foundation of rural rehabilitation. Such a plan shows the enterprises to be carried on by the family, the cost of the year's operations, the income to be expected, the improvements to be made in farm and home management practices, the amount of credit needed, and the amount that will be available for debt repayment at the end of the year. The plan serves as a practical chart for achieving those improvements within the family's resources and capabilities, and also provides FSA with a sound basis for its lending, supervisory and collecting activities.

To help the family carry on the work outlined in the farm and home plan, FSA supervisors provide on-farm guidance in new and improved farming practices.

Community-wide Planning: Committeemen, supervisors and borrowers worked together in hundreds of counties last year, in an effort to determine the chief problems hampering the progress of rural families in their counties or communities. Once the problems were determined, attention was given toward finding a solution. In some counties the poor quality of the dairy herds was a primary obstacle to progress. In others, families were too dependent on a one-crop system of farming. Elsewhere it was the lack of adequate marketing facilities. In many cases it was found that some form of FSA assistance could be used to remedy the situation.

Tenure Improvement: Tenure improvement was stressed. Many farmers have failed because their farms were too small or because the land was too poor; but just as many have failed because they have never really had any security on the land they were operating. Before a rehabilitation loan is approved, the borrower must have made satisfactory tenure arrangements for an adequate farm unit. If he is not an owner, he must be able to obtain a satisfactory lease on the unit he intends to operate. The lease arrangements should be fair and equitable for both the landlord and the tenant. The Farm Security Administration encourages written leases as a protection to, and as a means of promoting better understanding between, the landlord and the tenant. FSA also encourages long-term leases wherever this arrangement appears desirable and advantageous to both the owner and the operator. Seventy-six percent of the tenant families on the rehabilitation program in the 1944 crop year had written leases, many of them covering periods of from two to five years.

Better Homemaking: Continued close attention was given to the home food supply and the other essentials of satisfactory living among the FSA borrowers last year. Trained FSA home economists not only assisted homemakers with canning, food storage, meal planning and gardening, but also with sewing, kitchen improvements, everyday health practices, home safety and sanitation.

Studies of progress under this phase of the program through the 1944 crop year show that after receiving FSA loans and supervision, borrowers doubled the amount of food they canned for home use.

In addition, 81 percent had screens on doors and windows compared with only 57 percent before acceptance; more than half had sealed water supplies compared with 36 percent before receiving assistance; and 40 percent had sanitary privies or indoor toilets whereas only 21 percent had such facilities before.

Group Services: Borrowers were encouraged to join with their neighbors in acquiring heavy machinery, better herd sires, and similar services too expensive for them to own individually. During 1945, FSA borrowers and their neighbors formed 1,200 small groups and bought such items as discs, combines and mowing machines as well as purebred sires, storage facilities, and food preservation equipment. Each group has an average of four to five members. Loans were made on an individual basis to members of about 700 of the new groups. More than 14,000 groups begun in earlier years continued to provide their members with services.

Borrowers' Progress: An indication of the value of the rehabilitation program is given in the progress report drawn up at the end of the 1944 crop year. This survey showed that

the average borrower-family cultivated more acres in the 1944 crop year than in 1943, and ended the season with more working capital, greater net worth and smaller debt to FSA. Borrowers' cash income from crops and livestock averaged \$1,395. Including the value of food and fuel they produced for home use, the gross farm income averaged \$1,836. Farm operating expenses averaged \$180, leaving net farm income of \$1,026. These families' net worth--the value of what they owned over what they owed--averaged \$2,554 at the end of the year. The comparable figure for 1943 was \$2,300.

Many phases of rehabilitation cannot be measured readily by statistics. Borrowers are raising their living standards, improving their health. Through better tenure arrangements, sound planning of enterprises, and improvements in farm and home management practices, these farmers and their wives and children are finding greater security on the land and a more productive place in agriculture. Their assets--and consequently the Nation's assets and real wealth--have increased through improvement of herds and poultry flocks, soil and buildings, household furnishings, and the managerial ability of the families themselves.

Most important of all, as borrowers improve their economic position, they become more active in civic and community affairs, assuming their obligations and exercising their privileges as citizens more completely.

WATER FACILITIES

The Water Facilities program is designed to promote conservation and wise use of the available water in the West, so that the land may be used properly and the economic resources may be developed, with resulting improvement in public health and living conditions. FSA provides needy farmers, individually or in groups, with loans and technical assistance to repair or install facilities for farmstead and irrigation water.

More than 1,000 individual loans and seven loans to water associations were made in 1945, and the borrowers received engineering aid in carrying out the construction or repairs. They have up to 20 years to repay, depending on the useful life of the facilities, at 3 percent interest.

Because of the war, loans last year were made only in cases where little strategic material would be used and where the repairs or new developments would result in immediate increase of essential food production or the furnishing of clean running water for home and farmstead. Even with so restricted a program, not all the eligible applicants could be aided with available funds.

More than 11,000 families have been served by this program since 1938. About 17,000 facilities are now completed or under construction. Experience indicates that in areas where they are needed, water facilities are one of the most successful aids to rehabilitation. With simple installations to furnish water for stock, gardens and field crops, labor is released for more productive work, and the farmer usually can make full use of all the resources on the land he owns or rents.

Water must be put to its full use in the arid and semiarid regions if the small farmer is to survive. The construction or restoration of small facilities--reservoirs, storage and diversion dams, ponds, wells, cisterns, storage tanks, stock water tanks, spring developments, pumping installations--can stretch the resource base of small farms by enough margin to mean the difference between chronic poverty and a good living standard. This was proved in a study made of the records of more than 2,000 water facilities borrowers. These families, after they received their loans, continued to operate the same farms with the same acreage. Their water facilities were completed in time to be of full benefit during the 1944 crop season. On the average, their earned net farm income was \$2,353 in 1944, compared with \$1,510 in the year before they had water facilities. Their crop sales increased 74 percent, although there was a slight decrease in the average number of acres in crops. Livestock sales rose 56 percent. On the average, these families had borrowed \$589 for water facilities.

Repayments on loans have been excellent. As of June 30, 1945, principal repayments were 101.6 percent of the amount that had come due.

Loans to water associations benefit many more families than can be reached with individual loans totaling the same amount. In the past year, in one Arizona community a \$35,000 loan and engineering assistance brought water from a mountain spring six miles distant to the homes of 133 farm families who urgently needed it. Since the settlement of this community in 1879 the people had depended on shallow wells which frequently went dry or became flooded with contaminated ground water. The future of numerous small farming communities like this one is limited until adequate water can be obtained. Public health will remain in danger in some communities until clean water is provided.

Postwar planning committees have pointed to the serious need for more such community undertakings. A Nevada working committee listed 12 rural communities needing improvements in domestic water supplies, through development of new sources, treatment of present supplies, or installation of adequate storage and distribution facilities. County supervisors and county FSA committees have seen needs for similar sanitation safeguards in seven Arizona trading centers and 18 neighborhoods in Utah.

FARM OWNERSHIP

Seeking to place more family-type farms in the hands of rural owner-operators, Congress enacted the Bankhead-Jones Farm Tenant Act in 1937. Under the provisions of the Act, 40-year loans bearing 3 percent interest are made to approved farm tenants, farm laborers, and sharecroppers.

More than 38,000 farm ownership loans have been made in the last eight years. Many of them were to families who first came to Farm Security for rehabilitation services. After building up their resources for a few years, acquiring enough livestock and operating equipment and gaining more experience in efficient methods, they qualified for ownership credit. All farm ownership borrowers receive the same technical and advisory help from county supervisors and committees supplied to rehabilitation borrowers.

New loans were approved for 1,870 families last year, including the loans made to veterans. The average amount of the loans was \$5,942, compared with \$6,023 in 1944 and \$5,721 for the five-year period 1938-43. While an average of 30 applications was received for each loan, of the \$15,000,000 available for loans during the year, only \$11,699,846 was obligated. There were three reasons why the entire loan authorization could not be used:

- (1) In some areas land values were too high. Loans were approved only for applicants who were able to find adequate farms for sale at prices in line with long-time earning capacity values.
- (2) A restriction in the 1945 Agriculture Appropriation Act limited the price paid for farm ownership farms to the average value of the farms of 30 acres or more in size in the county. In many counties farms capable of providing an income sufficient to support a family and repay the purchase loan could not be bought within the price limitations.
- (3) Since the law specified allocation of funds according to farm population and prevalence of tenancy, money unused in some States could not be transferred to other States where farms were available at approvable prices.

With World War II veterans' needs in mind, Congress increased the loan authorization for 1946 to a total of \$50,000,000. Half of this amount was earmarked for veterans. A special effort is being made by all personnel to assist veterans in finding farms and getting located for successful operation.

Success Factors: One of the studies made during the year that should be helpful in the future development of the farm ownership program showed that the borrower's ability to repay his farm purchase loan is nearly always related to the size of the loan.

For example, the repayment status of 3,471 variable-payment borrowers in the region comprising the eastern part of Texas and most of Oklahoma as of March 1945, shows that those who paid the smallest amounts for their farms were less successful than others in making repayments. The figures for the region are summarized as follows:

Number of borrowers	Size of loans	Percent of families ahead of schedule	Percent on schedule	Percent behind schedule
493	Under \$4,000	26.6	54	19.4
981	\$4,000 to \$5,999	38.8	44.2	17
986	\$6,000 to \$7,999	44.9	40.2	14.9
667	\$8,000 to \$9,999	63.4	26.4	10.2
344	\$10,000 and over	59.6	33.4	7

The experience of the past eight years also points to the conclusion that, on the average, an efficient family-type farm should be capable of affording productive employment throughout most of the year.

Operators' success on such units depends on their ability to obtain the best use of land, labor and equipment. When this is accomplished, members of an energetic family can produce enough income from their own labor -- with the exception of some additional hired labor at peak-load periods -- to support a modest but adequate standard of living and to make a reasonable return on the investment.

Repayment Record: The repayment record was the best in 1944-45 since the beginning of the program. More than 1,100 families paid out their loans in full from income, many years before final payments were due. The active borrowers, as a whole, had paid 57 percent more on their loans, as of March 31, 1945, than the amounts required to keep them current on the basis of 40 equal annual installments.

Most of the families are making repayments under the variable-payment plan. Under this plan they agree to pay more in years of high income in order that they may pay less in poor years. Unique in credit operations, this method gives protection against possible foreclosure in periods of economic stress. To measure these families' progress in building a margin of safety on their loans, Farm Security compared the amounts they had actually paid, through March 31, 1945, with the amounts for which they would have been billed under a fixed plan of 40 equal payments. Sixty-six percent of the variable-payment borrowers were ahead of schedule by an average of \$912, which represents about three average annual installments of principal and interest. Sixteen percent were exactly on schedule; 18 percent were behind, by an average \$232. Compared with the previous year, this was an increase of 9 percent in the number of borrowers who were ahead of schedule and a decrease of 7 percent in the borrowers behind schedule.

Supervision: FSA supervisors during 1945 gave borrowers more help than ever before in improving their farming operations. The first step in this on-farm guidance is taken at the time the loan application is made. Working together the farmer, his wife and the supervisor draw up a farm and home plan based on such sound practices as the provision of two or more sources of cash income, the production of a large part of the family's food supply, and soil conservation measures. At frequent intervals after the loan is made FSA field workers visit the farm and help with any farming or homemaking problems that may be facing the family.

The actual measures taken as a result of the combined planning efforts of the supervisors and family vary according to the needs and problems presented. Sometimes the emphasis is on herd improvement, sometimes on soil treatment, irrigation measures, planting schedules, money management, food preservation, or on such personal matters as preventive medical care.

Improved Housing: Good housing has always been a basic principle of the program. If the farm lacks an adequate house, in good repair, when the family buys it, the loan includes funds to put the house in suitable condition or to build a new one. Minimum standards include screens on windows and doors, a safe chimney, watertight roof, good foundation and floors, safe steps and railed stairways, adequate sleeping rooms, kitchen equipped with sink, cupboards, drawers and work space, and storage places for food, clothing and tools.

Farm Security offers standard building plans, or the farmer may furnish his own. The FSA supervisor and engineer consult with him and advise him on the building or repairs to be done. Sometimes the borrower has sufficient skill and time to do all or part of the construction work himself.

Ordinarily work is started immediately, but for the last few years most construction jobs have been delayed because of wartime restrictions on the use of skilled labor and critical building materials. In some areas satisfactory farm homes have been built of non-critical materials such as concrete block, brick, or hollow tile. Because of war conditions, however, many borrowers have not yet used the funds which were included in their loans for building purposes. Unused funds amounted to \$13,777,000 as of April 30, 1945. New construction or the repair of existing farm houses represents \$8,000,000 of the total. The remainder will be used for other buildings, utilities, and land development. As soon as scarce materials are again available, families will go ahead with improvements they have planned. The money earmarked for building and repair will provide jobs for skilled construction workers in the postwar period and a new market for construction materials.

COOPERATIVE ASSOCIATIONS

Farm Security last year continued to give advisory and technical help to farmers' cooperatives which had FSA loans outstanding. As directed by Congress, no loans have been made to cooperative associations since June 30, 1943, except in the water facilities program; and no loans have been made to individuals to become members of cooperative associations except for medical, dental or hospital services or for water facilities.

Through June 30, 1943, FSA had made loans to 446 cooperative associations set up for such purposes as purchasing and marketing, processing of farm products, and machinery rental. By the end of the 1945 fiscal year 113 of these had paid their loans in full. Those co-ops which have not shown reasonable chances for success are being liquidated.

The majority of the active associations indebted to the Government have favorable prospects and are offering services which their members urgently need. Reports from 264 associations in the Spring of 1945, covering their operations for their most recent fiscal year, showed that 183 of them had carried on their activities profitably and had accumulated savings amounting to \$1,107,232. The other 81 had a combined loss of only \$94,344.

The active groups which had not completed payments were aided by FSA workers last year in their efforts to get their business operations on a sound basis so that any needed future financing might be obtained from other sources. Members were encouraged to assume and discharge their full responsibilities for ownership and efficient management.

Co-ops engaged in marketing or processing agricultural products reported larger savings than other groups during their latest fiscal years. In view of farm production records during the war and the great volume of commodities to be handled, this was to be expected.

A number of purchasing associations, especially those distributing fertilizer, gasoline and oil, made substantial savings on supplies they furnished their patrons. On the other hand, some of those dealing in other commodities found that their services and opportunities for

savings were cut down because of such wartime conditions as limited quantities of supplies and higher operating costs. Some of them suspended operations but plan to begin again when supplies are more plentiful. Others have liquidated their assets and gone out of business.

One of the successful marketing groups last year was the Putnam County Livestock Marketing Service in Missouri, which was started in 1941 by a number of Farm Security borrower families. Most of the farmers in the county now participate. Members held a two-day sale of feeder calves last October which was attended by practically all the stock raisers in the county as well as buyers from as far away as Ohio. More than 1,500 calves, graded according to age, size, color, breed and type, were sold for a total of \$70,248. Top sales of individual calves reached \$17 per hundredweight and pens reached \$14.75. The buyers estimated that their bids averaged \$1 per hundredweight more than they would have paid for "on the farm" purchases, but agreed that the convenience of a central market, where they could select the kind of feeders they wanted, justified the higher prices paid.

Services provided by the Union-Towns Purchasing and Marketing Association in Georgia include the purchase and distribution of seed and fertilizer and the marketing of farm products. This association has paid its loan of \$11,500 in full. It provided services essential to the development of two new cash crops in the trade area: Irish potatoes and green beans.

Outstanding among the processing organizations originally financed with FSA loans is the Northwestern Potato Cooperative Association, Inc., at Girard, Pennsylvania. The plant in 1944 dehydrated about 3,000 tons of raw potatoes into 300 tons of the finished product, and sold the entire output to the Government for war needs. The FSA borrowers who held membership received good prices for their potatoes, avoided the time-consuming task of looking for markets, and had more time for their farm work. The association is now financed by the Bank for Cooperatives at Baltimore which advanced funds for expansion and for repayment of the FSA loan.

Statewide associations for livestock replacement insurance are active in Arkansas, Mississippi and Louisiana. They were organized to enable Farm Security borrowers to insure their work animals and breeding sires at the lowest possible rates. More than 30,000 policies were in effect at the end of 1944. Cost of the insurance per animal ordinarily ranged from \$3 to \$6.50, while death claims for some 2,100 animals averaged \$105. Net savings of the three associations in 1944 were more than \$48,000.

HEALTH SERVICES

The great need for health services for low-income farmers was recognized some years ago. To be successful, the farmer must safeguard his own health and strength and be assured his family's health is protected. Illness or disability in the home or unexpected bills to doctors and hospitals can hinder progress or even cause complete failure. Action to promote good health among Farm Security borrowers thus is an essential part of rural rehabilitation.

The first step was to help borrowers organize local associations through which they could obtain medical care at a cost they could afford, prepaying annual fees into a pooled fund. With the cooperation of State and local medical societies, the first groups of this kind were begun in 1936 in eight counties. Membership was voluntary, and the members had free choice of participating physicians. By the time of Pearl Harbor more than 1,000 counties had such associations, many offering dental care and hospitalization as well as physicians' service.

Most of these groups have been able to continue during the war, although the serious shortage of doctors in rural areas and other wartime conditions created perplexing problems. Farm Security has continued an active program to promote and protect borrowers' health, but with policies readjusted to the emergency situation. The main objectives of the work since 1943 have been: (1) to develop groups providing essential medical care

and hospitalization for emergency cases, particularly in areas where few physicians were available for office and home care; (2) to consolidate single-county health plans into multi-county and statewide plans; (3) to expand, where necessary to assure their continuance, existing FSA health service plans to include other rural families; (4) to make full use of all health resources in the community; and (5) to develop a better understanding of good health practices by individual families.

Trend in 1945: This kind of program has brought good results. More borrowers than ever before were members of hospitalization plans. The number of units providing hospitalization and surgical care increased, although the shortage of professional men in rural towns caused a drop in the number of local units offering general practitioner care and dental services.

Consolidation of single-county medical care plans into multi-county units has gone forward in many places. Such multi-county groups, covering wider areas and with larger membership, have better financial support and receive a wider variety of services. Before the war Vermont and New Jersey had the only state-wide health associations for Farm Security borrowers. In the last two years three additional state plans have been developed--in North Carolina, Virginia and West Virginia. These have been offering surgical and hospital care, but recently the North Carolina association arranged to provide general practitioner care along with the other benefits.

In both Virginia and West Virginia, the type of organization encourages active participation by members themselves. Farmers' health associations were set up with FSA borrowers as board members, and the associations made agreements with professional groups and hospitals on behalf of the families. The North Carolina program, operating under an agreement between FSA and three non-profit corporations, offers family contracts to borrowers through the FSA county offices; but there are no provisions for members to participate actively in the management.

In addition FSA continued two special programs for families of extremely low-income-- one in Taos County, New Mexico, with an enrollment of 1,145 families, and the other in Southeast Missouri with 727 families. Farm Security has given these groups financial aid to supplement what the members can pay.

When the fiscal year ended 55,525 families were receiving one or more types of prepaid health service through 743 units including 1,048 counties. Groups providing medical care were active in 633 counties with membership of 33,962 families. Dental care plans in 213 counties served 11,122 families, and hospitalization plans in 544 counties served 25,772 families. Ninety-two counties had surgical care plans.

Use of Existing Health Facilities: State and local public health departments in several regions developed close working relationships last year with Farm Security's state, district and county workers, so that borrowers may benefit from programs for the control of tuberculosis, hookworm disease and malaria, immunizations for preventable diseases, maternal and child health clinic, school health programs and similar services. Plans were worked out in several States by which borrowers are having physical handicaps corrected without cost.

County FSA workers, with the cooperation of local public health officials, assisted families in building or repairing privies, in screening their houses, and in protecting their sources of drinking water. Good health practices have been encouraged through instruction in safety, nutrition and home nursing, as a regular activity in connection with family supervision.

USDA Experimental Health Programs: Along with its regular activities, Farm Security continued to give supervision and advice in the "experimental health programs" carried on by the U. S. Department of Agriculture in five selected rural counties in Texas, Arkansas, Mississippi and Georgia. These associations were started late in 1942 by the Department, acting through its Interbureau Committee on Postwar Programs, to help local rural groups solve their own health problems. Farm Security was asked to assist. Each association was incorporated with a board of directors drawn from the members, in active charge, and

membership was opened to all county residents earning most of their income from agricultural pursuits.

The experimental associations differ from FSA-sponsored health groups in that all farm families may join, and higher fees are charged to cover the more complete services offered. Members pay 6 or 7 percent of their net cash income toward an annual amount of \$40 to \$65, and Federal funds are used to make up the difference between their contributions and the total cost.

The five associations were in their third year by June 30, and had a total membership of 5,576 families. Members were receiving a greater volume of health services than ordinarily available to rural people, and reports indicated that the majority of both families and professional groups believed the plans were working out satisfactorily. The Newton County, Mississippi, group opened its membership to non-farm families with the proviso that they pay the full cost of participation.

Postwar Planning: FSA health workers were called upon throughout the year to advise and assist farm groups and rural leaders in developing plans for continuous improvement of the general rural health situation after the war. Realization is growing that nearly all rural families constitute a disadvantaged group in the matter of medical care. There are many farm people who do not have ready access to doctors and hospitals. Many professional and lay observers believe that any health association should include all persons in a rural area, regardless of income, and should make available adequate services and equipment. In a number of States, particularly in the South and West, farmers who are not borrowers have shown increasing interest in joining FSA-sponsored medical care plans. The agency's experience with health groups for low-income farmers has furnished a foundation for broader programs in the postwar period.

FARM SECURITY IN PUERTO RICO

FSA continued an intensive attack on the problems of low-income Puerto Rican farmers. New rehabilitation loans for 2,149 families and farm ownership loans for 50 were approved; 10,700 families were active on the rehabilitation program and 588 on the farm ownership program.

Rural rehabilitation, begun in Puerto Rico in 1941, is predominantly a program of guidance, for as a rule the low-income farm families on the island have less knowledge of modern farm and homemaking methods than similar groups on the continent. While credit is also essential, loans are small compared with national averages.

On the island health and sanitation problems must be solved, in most cases, as the first step in rehabilitation. Development of 22 projects supplying sources of pure water to several hundred families was a major accomplishment in this direction during recent months. Arrangements were made in one area for visiting nurses. Health groups at Juncos and Humacao showed definite progress in teaching borrowers to utilize available services.

Since 1938 farm ownership loans have been establishing a precedent for a new pattern of agriculture, demonstrating a way of rural life that did not previously exist in Puerto Rico. Most farms were well below the minimum for an economic unit, and the few large farms were far above the family-type enterprise. The program so far has been most successful. In the long run it will tend to intensify the present pressure on the land--a separate problem which has no ultimate solution in land tenure policy. The eventual solution will be a combination of education, industrialization and emigration. The Farm purchase program does not create this problem--it merely makes it more evident. The tenant purchase farm is widely accepted on the island as the ideal arrangement for the small farmer.

LIQUIDATION OF PROJECTS

Two-thirds of the land that once formed the 152 rural resettlement projects administered by FSA had been sold to private owners by the end of the fiscal year, and nearly half the remaining land was under contract of sale.

Most of these projects, constituting various types of resettlement efforts, were set up a number of years ago by the Resettlement Administration as a way of making good land and adequate housing available to low-income farm families. The land was generally bought in large tracts and subdivided into family-size farms, with necessary buildings constructed on each unit. A few projects were made up of small subsistence units for part-time industrial workers.

When FSA was created in 1937 all the resettlement property was turned over to the new agency for completion, management and ultimate sale to the occupants. First sales were made as early as 1937 to a few families who had demonstrated their ability to assume responsibilities of ownership. In 1942 the subsistence projects were transferred to the Federal Public Housing Authority for operation. Congress directed, in the Agriculture Appropriation Act of 1944, that the farm projects be liquidated as expeditiously as possible. This provision was included again in the 1945 appropriation legislation.

The report of June 30, 1945, showed that about 632,500 acres of the resettlement project land had been sold, with only 308,400 acres remaining. Of the unsold property, 125,000 acres were under contract of sale.

Low-income farm families, and World War II veterans who qualify under the farm tenant act, have been buying most of these farm units. About two-thirds of the land has been, or will be, sold to such buyers, who thus have opportunity for permanent rehabilitation on adequate land. The county FSA committees appraise the farms on the basis of long-time earning capacity, just as they do in the regular farm ownership program, and decide on the eligibility of the applicants. The families have 40 years to complete payments at 3 percent interest, and use the variable-payment plan. The purchaser receives a deed to the property, and the Government holds a note secured by a mortgage for the unpaid balance.

Considerable progress also was made during the year in disposing of other property included in the liquidation program. The mandate of Congress provided for disposal of the Government's interest in the defense relocation corporations set up during the national defense period to assist farmers displaced by the building of military camps and defense plants in rural areas, and the land-leasing and land-purchasing associations established to help low-income farmers attain a greater degree of security on the land.

FLOOD AND WINDSTORM RESTORATION PROGRAM

For the second year FSA administered the special program of loans and grants to farmers who suffered flood losses. The program was broadened to include windstorm cases also.

This assistance was begun in the summer of 1943 when Congress appropriated \$15,000,000 for flood restoration loans and grants to farmers whose property was destroyed or damaged by the 1943 floods, and the Secretary of Agriculture named FSA as the agency to administer the program. A year later Congress authorized similar aid for farmers who suffered losses from flood or windstorm during the 1944 calendar year and provided for the use of the unexpended balance of the original funds--about \$9,060,000--to carry on this work through June 30, 1945. FSA again was given responsibility for the program.

Nearly 300 counties were included in the areas designated as eligible for the loans and grants last year. Demand for assistance was light, however, largely because the most serious Spring floods of 1944 occurred earlier in the season than in 1943--in many places before the crops were planted. Moreover, most farmers in the flooded areas were able to arrange with regular credit sources to finance their operations.

Original loans for production purposes were made during the past 12 months to 269 farmers in the amount of \$248,357, and supplemental production loans were made to 157 borrowers in the amount of \$90,726. Six real estate loans were made, totaling \$13,275, for the repair or improvement of damaged property. Only two loans were made in cases of windstorm damage. Grants amounting to \$18,562 were made to 94 farmers.

Collections during the fiscal year were \$840,275 in principal and \$56,125 in interest, most of which represents payments on loans advanced the previous year.

STATISTICAL SUMMARY

Rural Rehabilitation

Fiscal year ended June 30, 1945:

Number of original loans	24,996
Number of supplemental loans	<u>102,890</u>
Total	127,886
Amount loaned	\$ 78,657,602*
Amount of principal repaid	\$106,483,680
Amount of interest paid	<u>15,531,127</u>
Total collections	\$122,014,807

Cumulative from 1935 through June 30, 1945:

Number of individual borrowers	About 860,000
Number of associations which received loans prior to June 30, 1943	584
Amount loaned to individuals and associations	\$921,418,558*
Amount of principal matured	\$658,751,952
Amount of principal repaid	\$591,440,873
Amount of interest paid	<u>83,193,062</u>
Total collections	\$674,633,935
Ratio of principal collections to matured principal	89.8%
Ratio of total collections to total loans	73.2%
Number of paid-up borrowers	374,756

(*Includes \$10,943,280 non-cash advances covering sale of project units)

Farm Ownership

Fiscal year ended June 30, 1945:

Number of loans	1,870
Number of applications on hand	63,146
Amount loaned	\$ 17,546,213*
Amount of principal repaid	\$ 20,662,425
Amount of interest paid	5,365,695
Unapplied collections	<u>326,132</u>
Total collections	\$ 26,354,252

Cumulative from 1938 through June 30, 1945:

Number of Loans	38,089
Amount loaned	\$228,336,146*
Amount of principal repaid	\$ 50,938,595
Amount of interest paid	18,238,573
Unapplied collections	* <u>326,132</u>
Total collections	\$ 69,503,300
Number of paid-up borrowers	
From income; living on farm	1,640
From sale of farm	659
By transfer or repossession	<u>1,476</u>
Total	3,775

Active borrowers' repayment record through March 31, 1945:

Total number of borrowers with payments due	33,096
Amount they would have owed on the basis of fixed annual payments for 40 years	\$ 26,268,225
Amount they had actually paid	\$ 41,360,948
Percentage they were ahead of schedule	57%
Extra payments not included above (refunds, income from sale of mortgaged property, etc.)	\$ 13,771,995
Number of borrowers using variable-payment plan	
who had payments due	26,865
Amount they would have owed on the basis of fixed annual payments for 40 years	\$ 19,747,831
Amount they had actually paid	\$ 34,823,049
Percentage they were ahead of schedule	76%
Number of borrowers using fixed-payment plan	
who had payments due	6,231
Number current with payments	4,660
Number current and making prepayments	753
Average amount prepaid	\$ 245
Number delinquent	818
Average amount delinquent	\$ 204

(*Includes \$5,846,367 non-cash advances covering sale of project units)

Water Facilities

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Fiscal year ended June 30, 1945:

Number of original loans to individuals	999
Number of supplemental loans to individuals	89
Number of loans to groups	<u>7</u>
Total	1,095
Amount loaned to individuals and groups	\$ 803,168*
Amount of principal repaid	\$ 680,810*
Amount of interest paid	<u>88,022*</u>
Total collections	\$ 768,832*

Cumulative from 1938 through June 30, 1945:

Number of loans to individuals	7,908
Number of loans to groups	65
Amount loaned	\$4,899,928*
Amount of principal matured	\$1,961,512*
Amount of principal repaid	\$1,992,331*
Amount of interest paid	<u>236,970*</u>
Total collections	\$2,229,301*
Ratio of principal collections to matured principal	101.6%
Ratio of total collections to total loans	45.5%
Number of water facilities completed or under construction	17,098

(*Included in the figures on rural rehabilitation loans and collections)

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