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UNDEREMPLOYMENT OF RURAL FAMILIES

MATERIALS PREPARED
FOR THE
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ECONOMIC REPORT
BY THE
COMMITTEE STAFF



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JOINT COMMITTEE ON THE ECONOMIC REPORT

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LETTERS OF TRANSMITTAL

FEBRUARY 2, 1951.

To Members of the Joint Committee on the Economic Report:

For the information of members of the committee and others interested, there is transmitted herewith, at the suggestion of Senator John Sparkman, chairman, Subcommittee on Low-Income Families, a staff report entitled "Underemployment of Rural Families." The study was prepared by Dr. Walter W. Wilcox, on loan from the Legislative Reference Service of the Library of Congress, and Dr. W. E. Hendrix, on leave from the Georgia Agricultural Experiment Station. Members of the committee staff have subjected it to close scrutiny.

It attempts to present a factual review of available materials on the problems of rural low-income families. It is now submitted to members of the committee for consideration and such suggestions as they may wish to make.

JOSEPH C. O'MAHONEY,
Chairman.

FEBRUARY 2, 1951.

The Honorable JOSEPH C. O'MAHONEY,
*Chairman, Joint Committee on the Economic Report,
United States Senate, Washington; D. C.*

DEAR SENATOR O'MAHONEY: Transmitted herewith is a staff report on underemployment of rural families. It is a continuation of our studies started last year which are published in Senate Documents 231 and 146, Eighty-first Congress, second session, Low-Income Families and Economic Stability, Materials on the Problem of Low-Income Families; and Low-Income Families and Economic Stability; Joint Committee Print, November 1949, Selected Government Programs Which Aid the Unemployed and Low-Income Families; and Hearings Before the Subcommittee on Low-Income Families, December 12-22, 1949.

Materials presented in this report and suggestions for consideration in the improvement of the situation do not necessarily represent the views of the subcommittee or its individual members. The subcommittee has not had an opportunity to meet and discuss this staff report.

However, I feel that the distribution of this report ought not further to be delayed. It points the way toward increasing our national labor force by 2,500,000 man-years. It concretely shows how a practical application can be made of point 4 know-how and show-how right here at home in many rural areas where output, productivity, and living standards are now distressingly low. In view of the critical

manpower shortages likely to limit our output for defense in this emergency I feel that practical suggestions for increasing the productivity of our rural underemployed ought to be given immediate consideration. I believe that the committee should give attention to this matter at the earliest possible moment. I suggest, therefore, that a committee print be made of this staff report, for distribution to members of this committee and others interested in the problem of underemployment of rural families.

Sincerely yours,

JOHN SPARKMAN,
Chairman, Subcommittee on Low-Income Families.

FEBRUARY 2, 1951.

The Honorable JOHN SPARKMAN,
*Chairman, Subcommittee on Low-Income Families,
United States Senate, Washington, D. C.*

DEAR SENATOR SPARKMAN: In accordance with your directions, the staff has brought together available materials on underemployment of rural families, a matter of enhanced importance in a period of maximum economic mobilization for defense.

In the months and years immediately ahead, manpower shortages will become a serious problem. There will be increasing need to add new workers to the labor force and to utilize our present workers more efficiently.

This happens likewise to be by far the most important requirement for improving the welfare of three to five million rural families with current incomes below the equivalent of \$2,000 for urban families. Effective employment for these low-income rural families would add the equivalent of 2.5 million workers to our labor force.

This report is divided into four parts. Part I states the problem both in concrete and in national statistical terms and gives a summary of the suggestions received for improving the lot of the underemployed farm family. Part II presents a detailed survey of the extent of such rural underemployment. Part III summarizes the replies that were received in answer to an inquiry by the subcommittee concerning extent, causes, and remedies for such underemployment, while part IV in brief compass describes what existing governmental programs are now doing in this regard.

For the preparation of this report special acknowledgment is due to Dr. Walter W. Wilcox, of the Legislative Reference Service, Library of Congress, and Dr. W. E. Hendrix, on leave from the Georgia Agricultural Experiment Station. Generous cooperation and assistance has likewise been received from other Government agencies, particularly the Department of Agriculture, the Department of Labor, and the Council of Economic Advisers. Many other helpful materials and suggestions were submitted by a number of educational institutions throughout the country.

Sincerely yours,

THEODORE J. KREPS,
Staff Director.

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UNDEREMPLOYMENT OF RURAL FAMILIES

PART I

PROBLEM AND SUMMARY

At the beginning of this inquiry the chairman of the Subcommittee on Low-Income Families wrote the heads of the departments of agricultural economics in each of the land-grant colleges and a few other colleges and universities that the subcommittee, as part of its general investigation of the problems of low-income families, would like to obtain such materials on low-income rural families as were available in agricultural colleges and universities. The three questions asked were:

1. If there are areas in your State where low-income, open-country rural families are underemployed, please indicate the underlying causes.
2. What steps can and should be taken to increase the contribution each type of low-income rural family can make to the national economy in the long period of defense mobilization ahead?
3. Who, if anyone, has been active in improving the employment opportunities and production of these low-income families?

The Nation-wide character of the problem of rural underemployment is clearly demonstrated by the fact that the subcommittee received replies to these questions from respondents in 37 States, together with copies of a number of valuable local studies. These replies, summarized in part III of this report, present not only the observations of individual agricultural experts but, in many cases, a consensus of the entire staff working on problems of agricultural economics and rural sociology. They naturally exhibit considerable regional variation in the nature of the problem as well as divergence of analysis. But all agree that there is a large amount of rural underemployment and low productivity that in essence constitutes our point 4 problem at home.

While the replies will be summarized later, many give such vivid local color and concreteness to the problem as to warrant sampling three of them at this time. Thus a respondent from the State of New York states the problem there in the following terms:

There is no doubt that underemployment exists among open-country residents in some parts of New York State. Underemployment is most evident in agriculturally submarginal areas located beyond reasonable commuting distance to nonfarm employment. These areas are widely scattered. They are not large individually, but include in the aggregate a group of people worthy of consideration.

Many of the open-country unemployed are of the agriculturally disinherited—they and the land they are on have been technologically displaced. Land and people move slowly out of agriculture. A man seldom leaves farming once he has become established, even though his income may be very low, unless, of course, he actually loses his farm by foreclosure. Most of the movement out of agriculture comes between generations. Even then it is slowed by the difficulty

many young people meet in trying to get adequate training for reasonably remunerative nonfarm employment; slowed, also, by lack of information about non-farm job opportunities and by a failure to understand the forces that have and will continue to push rather large numbers of farms in this State below the margin at which they can support a reasonable level of living. There seems always the possibility that if the old farm were farmed as it should be it would be as good as any. They lack a grasp of the nature of the technological-limited-market squeeze that is slowly but very persistently shifting competitive advantages in favor of the farms that have the strongest physical resources.

The problem in other areas looks much different. This is interestingly shown by an excerpt from the reply made by a group of agricultural economists and rural sociologists on the staff of one of the educational institutions in the State of Virginia. They state:

* * * we have low-income, open-country rural families which are underemployed in most regions of the State * * * such conditions are more pronounced in the Piedmont section and in some of the mountain areas. The underlying causes seem to be:

(a) The lack of educational opportunity to acquire sufficient training to become a skilled worker or satisfactorily operate modern machinery and equipment in industrial plants.

(b) The lack of employment openings in industrial and service work.

(c) The agricultural policy programs which ration the right to produce certain commodities, such as tobacco, cotton, peanuts, etc., have apparently encouraged people to remain on small marginal to submarginal farms and accept underemployment in an effort to eke out a living from the land, rather than seek alternative opportunities elsewhere.

(d) Undoubtedly many of the underemployed have a rather limited native ability and would, therefore, constitute a problem in most any case.

(e) It has been our observation that people are, to a great extent, creatures of habit and are, therefore, reluctant to break the ties of local environment and take the necessary risk to launch out for other employment. There is also an element of inability in many cases to get together the necessary money to tide over such a transition.

Alternative solutions for rural underemployment in particular areas are concretely and graphically described in this excerpt from a study of a community in the hardwood region of the southern Appalachian highlands—the quicksand area of eastern Kentucky:¹

For two decades and more the economy of the quicksand area has failed to support itself. Many local people expect this situation not only to continue but to become even more pronounced. There are, indeed, numerous factors operating to this end. Population has a strong tendency to increase. The excessive periodic labor demands of the subsistence-farming units bind the people to the area at the critical seasons. Workers are inclined to leave their families at home, where there is security and a sure, though small, livelihood, while they go out alone to work. These and the other powerful roots that the people have sunk into their home soil deter their migrating from the area more than temporarily.

* * * * *
A symptom of the subsistence economy is underemployment. Working members of the farm families are employed in part outside the land economy and in part in harvesting and processing timber products. Farm work fails to occupy the other, major, part of their time. In 1940, the average worker was unemployed about 100 working days on which the weather was suitable for outdoor labor. This large underemployment on farms results from the very unequal spread of farm-labor requirements over the year and from the fact that the worker continues to apply his labor to the land only up to that point where his marginal product has a value to him at least as great as the value of leisure. On land of such poor quality, this point is reached long before the worker has used all his available time. As a consequence, much time is spent in leisure. Front porches are frequently occupied at hours of the day when in other regions they would be deserted for the fields. This does not mean that the people of the area are lazy or uncommonly leisure-loving. On the contrary, they continue their work upon resources far

¹ Kentucky Agricultural Experiment Station Bulletin 507, pp. 53-55.

beyond the point which most workers would regard as too unrewarding for the effort.

* * * * *

Failure to use improved resource-management practices is a fundamental part of the subsistence organization. In farming, units are limited to small size by the existence of high peaks of labor demand, so that the family is able to produce only a small acreage of crops and a few livestock, principally for home needs. Labor peaks are heightened by the necessity for using poor land and by the high labor-intensity of the practices followed; nor is it usually economical to hire additional labor, even at the low wage rates that prevail locally, to lighten the family's work burden at the peaks, so poor is the quality of the additional land that would be brought into use under such a system. Furthermore, failure to hire labor, as well as initial failure to use improved farm-management practices, stems in large measure from the smallness of the family's cash income, which tends to perpetuate practices requiring a minimum cash outlay.

* * * * *

Out of the analysis of four alternative economies in the quicksand area, one conclusion, above all, appears: that, barring the emergence of entirely new resources, there are primarily two courses of development open to the area, courses that are approximately opposite in their causes and in their effects upon the living of the people. One course is toward denser population, lower incomes, greater subsidy, the use of more cleared land for farming, and less forest: a subsistence economy. The other course is toward sparser population, higher incomes, less subsidy, less farm use of land, and more forest: an exchange economy (table 1).

This Kentucky study is of major interest, furthermore, because it is one of the few to show in concrete measurable statistical goals what it is that needs to be done to remedy the problem of rural underemployment. In the table below, note that by moving over half of the population off the farm and increasing the percentage devoted to forest land, cash net income per family is increased sevenfold and Government subsidy reduced to zero.

TABLE 1.—*Land use and population in 1940 and land use, population, employment, and income under the four assumptions, quick sand area, Kentucky*

Item	Land use and population in 1940	Land use, population, employment, and income			
		Assumption 1, intensified subsistence	Assumption 2, modified subsistence	Assumption 3, modified exchange	Assumption 4, full exchange
Cleared land:					
Acres.....	11,490	30,710	20,510	2,710	1,530
Percent.....	31.1	83.1	55.5	7.3	4.2
Forest land:					
Acres.....	25,460	6,240	16,440	34,240	35,260
Percent.....	68.9	16.9	44.5	92.7	95.8
Population:					
Persons.....	2,206	2,846	2,206	1,588	779
Families.....	414	593	414	338	173
Employment, man-hours:		1,059,760	597,860	488,180	572,440
Income:					
From land, per acre.....		\$4.14	\$3.80	\$4.38	\$8.56
From all land.....		153,010	140,340	161,720	314,860
From subsidy.....		128,070	97,700	152,030	None
Total.....		281,080	238,040	313,750	314,860
Total per family.....		474	575	928	1,820
Net cash income per family.....		238	249	546	1,563

SUMMARY OF EXTENT OF RURAL UNDEREMPLOYMENT

1. Out of a total of 5,859,000 farm-operator families there are approximately 1,000,000 full-time able-bodied farm operators whose total

value of farm production, including farm products used in the home, was under \$1,500 in recent years.² (Adjustment for underreporting of income might increase this limit to \$1,800.)

Families on these farms had an average value of products produced, including farm products used in the home, of \$867. Workers on these small-scale farms are only one-third as productive in terms of sales per man as workers on the medium-sized commercial family farms. (See pp. 13-14.)

2. There are approximately 600,000 full-time operators (with a minimum of outside employment or income where both husband and wife are present, operator able-bodied and of working age) whose total farm production, including farm products used in the home, was between \$1,500 and \$2,500. (Adjustment for underreporting might increase these limits to \$1,800 and \$3,000.)

Workers on these small farms are only 60 percent as productive as workers on the medium-sized commercial family farms. (See p. 16.)

3. There are approximately 400,000 families on part-time farms, husband and wife both present (operator able-bodied and of working age) where the combined farm and nonfarm income in 1944 was \$2,000 or less.

Workers in these families are only 50 percent as productive (earn incomes only 50 percent as large) as the average or typical rural nonfarm family. (See p. 17.)

Thesethree groups of farm families make a total of 2,000,000 or over one-third of all farm families who are underemployed. They produce less than half as much each as families on medium-sized family farms. Full employment of the workers on these farms at average rates of production would add the equivalent of 1,600,000 workers to our total working force.

4. There were approximately 1,500,000 rural nonfarm families (nonfarm families living in the open country or in towns of 2,500 population or less with family head of working age) who had family incomes of \$2,000 or less in 1948.

In terms of income earned the workers in these families are only 60 percent as productive as the workers in the average rural nonfarm family. Full employment of the workers in these families would add approximately 900,000 workers to the effective labor force.

5. There are approximately 1,200,000 male hired wage workers whose main activity is farm work. These hired wage workers were employed an average of 218 days at farm work and 14 days at nonfarm work in 1949 and earned an average of \$980. Approximately half are married. (These families are in part included in the nonfarm families and are not included as a separate group in the statistical summary.)

Underemployment among farm wage workers is a special problem. Partly because of days not worked and partly because of inefficient employment, these workers appear to be only about half as productive as workers on medium-sized commercial family farms.

* * * * *

If the workers in these five groups of rural families could be employed at jobs where they would produce as much as the average worker on the

² The basic data throughout this report were taken from the 1945 agricultural census. The major change which has occurred since 1945 is a general rise in all farm prices and incomes of around 25 percent. Data from the 1950 census were not available at the time this study was made.

medium-sized commercial family farm or the average rural nonfarm worker, the production and output of rural people would be increased 20 to 25 percent. This is the equivalent of adding 2,500,000 workers to the total labor force.

Substantial differences exist between families within each of these major groups. Thus the 1,000,000 full-time farmers with less than \$1,500 value of products included a number of tenants and sharecroppers, although 57 percent of them owned the small acreages of land they farmed.

Probably the greatest differences among these families are associated with their geographic location. Workers in some farm families produce very little because the family is located on a small farm in the cut-over areas of the Northwest. Others are located on small, unproductive farms in the Lake States. Large numbers of these families are located in the Appalachian highlands, the Piedmont, the hill sections and the Coastal Plains of the Southeastern States.

Summary of estimated number of underemployed rural families ¹

FARM OPERATOR FAMILIES

Total number of farms and farm operator families.....	5,859,000	
Farms with gross value of products of \$2,500 or more.....	1,945,000	
Farms with gross value of products \$1,500 to \$2,499.....	909,000	
Less farms with operator working off farm 100 days or more.....		100,000
Less other farms with off-farm income over \$1,000.....		100,000
Less other farms with operator over 65 or under 25 years of age, widow or disabled.....		109,000
Underemployed full-time farm operator families, gross value of products \$1,500 to \$2,499.....		600,000
Farms with gross value of products under \$1,500.....	3,005,000	
Less farms with gross value of products under \$400.....		993,000
Less other farms, operator working off farm 100 days or more.....		519,000
Less other farms with nonfarm income as large as farm income.....		103,000
Less other farms with operator over 65 or under 25 years of age, widow or disabled.....		390,000
Underemployed full-time farm operator families, gross value of products under \$1,500.....		1,000,000
Part-time farms with gross value of farm products under \$1,500 included above ²		1,615,000
Less farms with combined farm and nonfarm income over \$2,000 (estimated).....		1,215,000
Underemployed part-time farm operator families.....		400,000
Total number of underemployed farm operator families ³		<u>2,000,000</u>

RURAL NONFARM FAMILIES

Total rural nonfarm families.....	8,531,000	
Rural nonfarm families with income of \$2,000 or more.....	6,219,000	
Rural nonfarm families with income of \$1,000 to \$1,999.....	1,433,000	
Less number with family head over 65 or under 25 years of age.....		433,000
Underemployed rural nonfarm families, income \$1,000 to \$1,999.....		1,000,000
Rural nonfarm families with income under \$1,000.....	879,000	
Less number with family heads over 65 or under 25 years of age.....		379,000
Underemployed rural nonfarm families, income under \$1,000.....		500,000
Total number of underemployed rural nonfarm families.....		<u>1,500,000</u>

¹ Number of farms and farm operator families from Census of Agriculture, 1945; number of rural nonfarm families from 1948 Survey of Consumer Incomes, Bureau of Census.

² Includes farms with gross value of products under \$400; other farms, operator working off farm 100 days or more and other farms with nonfarm income as large as farm income listed above.

³ In addition to these farm operator families, there is a substantial number of hired farm worker families whose main activity is in agriculture and most of whom live on farms. Data on these families, however, do not permit a separation of the underemployed from those fully employed throughout the year. (See p. 29.)

The location of the areas having the highest proportions of underemployed farm families is shown in figure 1.

Underemployment and low incomes among full-time farmers are centered in those areas where the farm land is below average in productivity and where there are large numbers of people per square mile. These conditions prevail most generally in the Appalachian Mountains, in the Piedmont and in the Coastal Plains of the Southeast. But underemployment (or inefficient employment) of farm

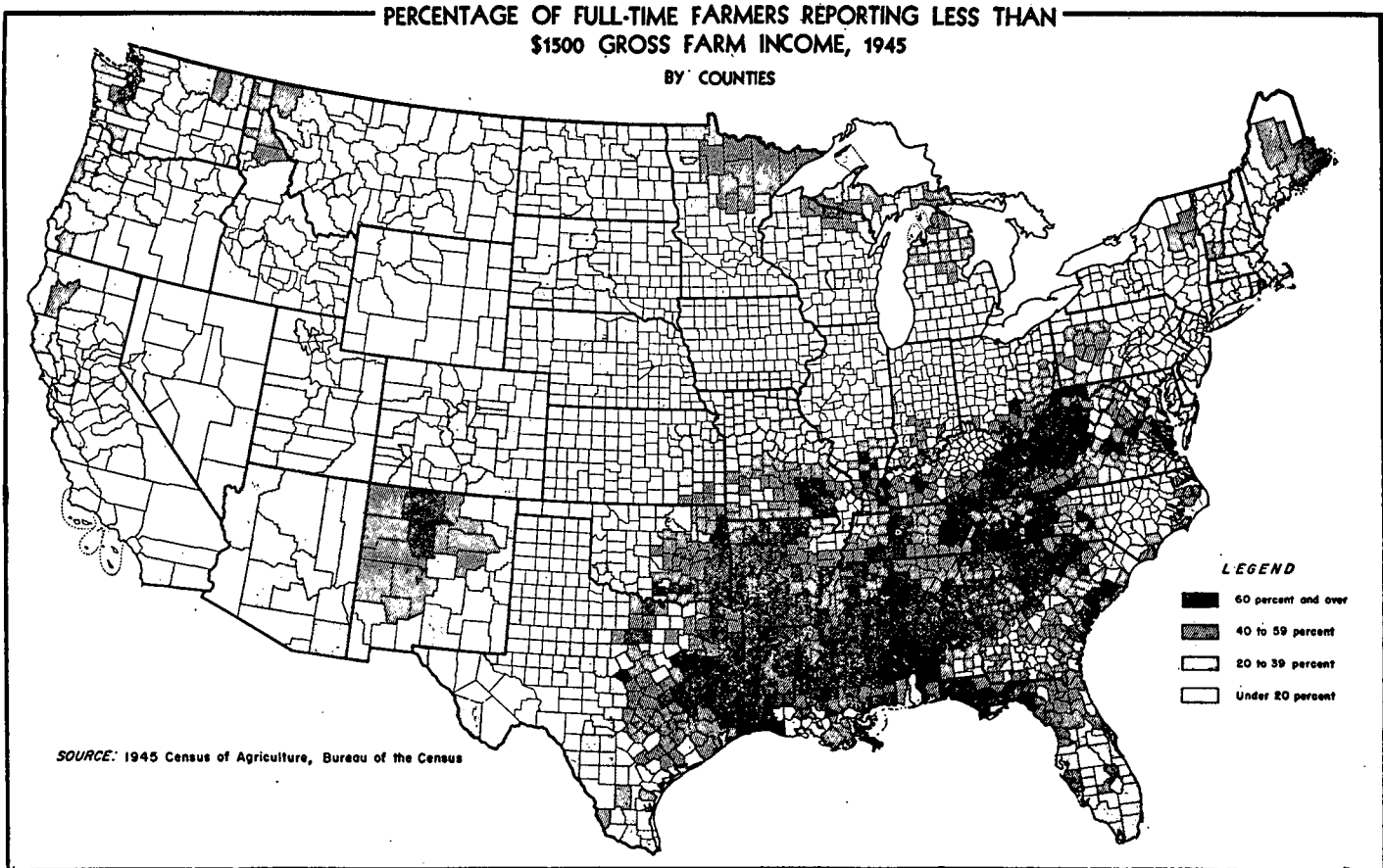


FIGURE 1.—Gross farm income as used in figure 1 is value of farm products sold or used in the home in 1944. Since 1944 farm prices have increased approximately 25 percent. Farms with gross incomes of \$1,850 or less in 1950 would be comparable with those with gross incomes of \$1,500 or less in 1944. Counties which have high proportions of full-time farm operators who produced less than \$1,500

operators is not limited to the Southeast. It is also found in the less productive areas of the northern parts of the Lake States, among the Spanish Americans of New Mexico and the isolated small farmers in the mountain areas of the Western States.

SUMMARY OF SUGGESTIONS FOR IMPROVEMENT

Improvement in the workers' efficiency on small-scale, inadequate farms where the operator and family members have no outside employment must take one of three directions or some combination of them, depending on the locality, type of underemployment, and other factors.

1. Increase productivity and output per worker on existing farms. This may be accomplished by improved land use, by the use of more fertilizer, improved varieties of seeds, the addition of livestock in some cases and better care and management of livestock—in other words, improved farm management.

2. Increase the size of farm operated by the family. Where a family is already following improved farming practices, yet has low output per worker, a larger farm is often needed to increase worker productivity. A combination of increased production per acre and a larger number of acres farmed is needed by most of these farm families producing less than \$2,500 value of products in 1944.

3. Seek employment either in farm labor shortage areas or in industry. This alternative also may be the most satisfactory adjustment for families who have adequate land resources but no special aptitudes for farming.

1. Increase productivity per worker on existing small farms

Typically, families on small farms have excessive labor resources in relation to their land resources. Under these circumstances one might expect higher yields per acre, higher production per unit of livestock kept and more labor-intensive crops and livestock than on the larger family farms in the same community.

On the small, inadequate farming units crop yields are lower, and milk production per cow and egg production per hen are lower than on the nearby larger farms. And the smaller farms have but few more labor-intensive enterprises. The reasons are many. The small farms often have less productive land than the larger farms. Families on these farming units are usually hard pressed for money to spend for seeds, fertilizers, foundation livestock and supplies for disease and insect control. Members of these families typically have attended school for only a few years, have been raised on diets deficient in some of the important nutritive elements and have had inadequate medical and health services. Lacking alternative means of employment, these families, instead of moving, adjust themselves to the limited resources at hand.

Studies of such inadequate farming units and the families on them, notably studies in Arkansas, Georgia, Kentucky, Mississippi, North Carolina, and Tennessee have repeatedly shown that improvements over the present level of output and family living are possible. Except in the extremely rugged mountain areas, these families can increase their output and family income more by improved methods and larger home food production on their present acreage than by a 100-percent increase in size of farm in the absence of improved farming practices.

Even for families who must obtain a larger farming unit before their labor resources will be fully employed at average efficiency, the first step should be the improvement of practices on the present farming unit.

Present educational programs of the States and Federal Government now reach these families to a limited extent. Perhaps 1 farm family in 10 with a gross value of products of less than \$1,500 in 1944 has been assisted through the farm loan and technical service programs of the Federal Government in recent years. Many families on the least productive farming units are unable to comply with even the minimum farm and family living plans and loan repayment schedules now required of borrowers by the Farmers Home Administration.

About half of the farm families with less than \$2,500 value of products received cotton, tobacco, peanut, or other allotments and price-support benefits in recent years. Small-scale farmers have usually been favored by acreage-allotment formulas, yet conservation payments on small-scale farms are so small that many operators do not bother to carry out the practices necessary to collect the small amount of money they could obtain. Small, inadequate farming units do not participate in the conservation practice payment programs as frequently as do the larger, more productive farms.

Plans for assisting them must, therefore, take into account the peculiar difficulties encountered. The common statement that they have equal opportunity to benefit from educational, technical assistance, and credit programs formulated for the benefit of all farm families is at variance with the facts. In spite of such programs about 1,000,000 farm families where the operator is able-bodied and of working age produce only one-third as much as similar families on medium-sized commercial family farms. Special private and public programs are needed specifically to stimulate these families to improve their practices and output per worker.

Such programs must differ from other educational and technical assistance programs primarily (1) in emphasis on items which stimulate these people to acquire an interest in improving their practices, (2) in adaptation of the educational materials to reach people with little formal school training, and (3) in integration of educational programs with credit programs to finance adoption of improved practices.

Much of the credit needed for the adoption of improved farm practices must come from private sources administered by local people who know the borrowers intimately. But the needs so largely exceed the ability and willingness of private credit agencies to finance them that increased authorizations of Government loan funds are required. Technical assistance to families whose resources are inadequate to permit development of a sound farm and home plan is the first logical step in a longer run program of enlarging the farm operating unit or of helping the family obtain employment elsewhere.

2.. Increase the size of farm

Even the adoption of improved practices, if existing units are not enlarged, can only increase worker productivity by 50 to 100 percent. Workers on these small-scale units would have to increase their output by an average of 300 percent to equal the modest level of output on medium-sized commercial family farms. To reach that level fully 60 percent of the present small farming units producing less than

\$2,500 total value of products in 1944 must be increased in size or consolidated with other farms. Many agricultural economists believe that this is the central problem that should be tackled in a long-range farm program.

Contrary to generally held opinions, it is not being solved by normal social and economic processes. Although there has been some reduction in the number of such inadequate farming units, the reduction has been small indeed because of the many social and economic pressures in the areas which limit the families' ability to make needed adjustments.

With more than 1,000,000 farm families operating inadequate units only 462 farm enlargement loans were made by the Farmers Home Administration in the fiscal year 1950. While data are inconclusive, it appears that the Federal land banks made only a nominal number of loans for the purpose of increasing the size of an inadequate farming unit. Indeed, there seems to be but little demand for such loans. Low-income, underemployed families apparently are not aware either of the need or of the opportunities for increasing the size of their operating unit. Fully as important, they do not believe it possible to obtain the necessary credit.

A successful farm enlargement program for full-time families now located on inadequate farming units requires coordinated effort in the following fields:

1. Creating an awareness and desire on the part of these families for higher levels of production and family living.
2. Providing technical assistance in the adoption of improved farm and home practices.
3. Making available adequate credit on long-term loans at reasonable interest rates for both land purchase and increased working capital.
4. Assisting them to find employment outside the community and financing the cost of moving families to other communities, thereby permitting present land holdings to become available for farm enlargement purposes.

Farm enlargement programs must combine education or technical assistance and credit. The need for a vigorous farm enlargement program far exceeds the ability of Government to meet it. The job will require the cooperation of all concerned, notably the local banks; insurance companies, and other private credit agencies which should be encouraged to make farm enlargement loans to families on inadequate units. Educational programs carried on by the Government should be integrated with a farm enlargement loan program carried on by private credit agencies.

After private credit agencies have been assisted in developing as large and aggressive a program in this field as is possible there will be large numbers of families on inadequate farming units who have no adequate basis for private loans. These should be given a larger place in the Government's farm credit program. Much larger funds are needed for farm enlargement loans.

In terms of achieving a long-run solution to the problem of under-employment and low incomes among full-time farm operators, the making of farm enlargement loans and providing the technical assistance necessary to assure the success of farm enlargement ventures might well be the major

activity of the Farmers Home Administration in the years immediately ahead.

3. *Assist families who desire farm or nonfarm employment outside their home communities*

Each year large numbers migrate from communities of low-income, underemployed farm families. The number of children per family on such farms is above the State and National average. In spite of substantial outward migration the reduction in population pressure here has been only about 10 percent in the last decade. Although in some instances new industries have been established nearby, opportunities for off-farm employment are only a small fraction of the number needed to provide full employment for the available able-bodied manpower of working age.

Two complementary programs are needed to bring together the job opportunities in our economy, now urgently in need of additional labor, and our large unused labor potential from inadequate farming units.

In the first place private and public activities to bring new industries into these areas should be stepped up. Here is a most worthy project for local and State chambers of commerce and bankers' associations. Regional studies, such as those of the committee of the South of the National Planning Association, and other activities by private groups should be supplemented by enlarged public programs of assistance to new industries so that more small businesses may be located in rural communities.³ Existing small-business programs of the Department of Commerce and the Reconstruction Finance Corporation, and decentralization plans of the National Production Authority should be integrated with other programs to provide fuller employment for workers in low-income rural communities.

In the second place those who want to find jobs outside their communities should be encouraged and assisted. In spite of increased private and public efforts to bring in new industries, there is little likelihood that enough new industries will be established in all areas to furnish employment for all the underemployed in the near future. In fact it would not be feasible or economical to bring new industries into or within commuting distance of all families on inadequate farming units.

The major proposals in this regard are:

(a) Provide Government funds for loans to families to cover costs of moving to other farm or nonfarm employment.

(b) Authorize Government funds for purchasing inadequate farming units from families who wish to move to another community. Farming units acquired under such a program would be added to the operating units of other families in the community to give them adequate farming units. If the land acquired is unsuited for farming it could be transferred to National and State forests and parks. Additional funds for land purchase granted directly to these latter agencies would speed up the movement into more productive jobs of families who are now located on land unsuited for farming.

³ See *Economy of the South*, Joint Committee on the Economic Report, joint committee print, 81st Cong., 1st sess.

(c) Provide greatly expanded informational services on job opportunities and family living accommodations available elsewhere. The United States Employment Service has few offices and no special informational programs in these areas of widespread underemployment of rural families.

At the present time there are no Government agencies which have informational programs designed to help families in these areas find the best employment alternatives open to them. Such a program should be broad enough to serve both young adult families, young unmarried individuals, and boys and girls of high-school age. Job training programs are needed to supplement the informational programs on employment opportunities.

4. *Increase employment opportunities for low-income, part-time farmers, rural nonfarm families, and hired farm workers*

The 1,900,000 part-time farm and rural nonfarm families where the head of the family is able-bodied and of working age, either underemployed or employed on low productivity jobs, exceed the number of full-time farm families who are underemployed.

Activities which increase the nonfarm employment opportunities within the local communities should and will make additional jobs available for these part-time farm families and rural nonfarm families.

Informational programs on job opportunities in surrounding communities, job training programs and programs for assisting families who wish to move to new locations should be broad enough to reach and assist the part-time farm families and the rural nonfarm families as well as those on full-time farms. Improvement of roads and commuting services in many areas would increase the employment opportunities of rural families.

Increasing the employment opportunities and output of hired farm workers is a special problem. The shortage of hired farm workers on mechanized family farms in the more productive farming areas is increasing and will be a serious problem in the period ahead. Yet hired workers and sharecroppers on many of the cotton, tobacco and peanut farms of the South where outmoded practices continue in use have efficient employment for only short periods during the year.

The most effective attack on this problem appears to be increased educational efforts and technical assistance in developing balanced farming plans which (1) substitute machinery for labor where possible, and (2) add supplementary enterprises which give resident labor fuller employment throughout the year.

Community programs are needed to mobilize the available hired farm workers in each community and direct them to the jobs where they can be most productive in each season of the year.

SPECIFIC SUGGESTIONS

(a) A cooperative State and Federal program of special assistance to counties having high proportions of underemployed rural families should be developed. This should be done without the creation of any additional agencies and as a part of a program of integrating and adapting the activities of existing agricultural agencies at the county level to more efficiently meet their local problems.

Such a program might, for example, (1) provide special technical assistance to families on small-scale farms in the introduction of more efficient farming practices, including farm enlargement plans. Personnel assigned to this job might also work with private and public credit agencies on problems of financing needed improvements in farming methods on small-scale farms. It has been estimated that each technical assistant might add from 25 to 50 man-years of productivity to the families assisted. The Farmers Home Administration has found over a 5-year period that farm families using supervised credit from that agency more than double their output. Each of the local officers supervise approximately 180 loans and their increased productivity for each of the 5 years is equivalent to that of 25 "average" workers.

(2) Provide special technical assistance to help the people in these communities of widespread underemployment to determine their alternative employment opportunities and to acquire the necessary skills to secure employment in the field of their greatest interest. The field of work under this program would include informational services on job opportunities, vocational guidance and counseling, planning and management of job training programs and advice and assistance in meeting problems involved in the movement of the family to new employment centers. It is believed that each technical assistant employed in this way might mobilize from 50 to 100 additional workers for employment in commercial agriculture or industry a year.

Such programs require that personnel be assigned to work specifically with small-scale farmers. Additional funds or personnel should not be required as they can be transferred from peacetime price support and other programs which will not be needed to as large an extent during the mobilization period ahead. There are 540 counties where over 60 percent of the full-time farmers had a gross value of products under \$1,500 in 1944.

(b) Stimulate increased private credit for improved farming practices, including farm enlargement, and for family assistance in moving to new locations to secure full employment.

(c) In the light of the manpower shortages which are impending, special defense credit and grants may be useful to supplement private credit for improved farming practices, for farm enlargement and for moving costs of families transferring to employment in other communities.

PART II

EXTENT OF UNDEREMPLOYMENT AMONG RURAL FAMILIES

FARM FAMILIES ON SMALL-SCALE UNITS

The estimate that there are 1,000,000 farm families where an able-bodied operator of working age produces only one-third as much as workers on the medium-size commercial family farms is based on census and BAE data.¹ Approximately 20 percent of the operators of these small-scale farms are over 65 years of age and 3 percent are under 25. Approximately 3 percent of the small-scale farms are operated by widows and perhaps as many as 5 percent of the male operators are permanently or temporarily disabled.² A detailed breakdown of farm families on small-scale farms primarily dependent on farm income in 1945 follows:³

Farm families with gross value of products \$400 to \$1,500.....	2, 012, 000
Number with 100 days or more work off farm.....	519, 000
Farms with nonfarm income as large as farm income (estimated) ..	103, 000
Farm families with little or no outside income.....	1, 390, 000
Farms with operators under 25 or over 65 years.....	310, 000
Farms operated by widows or disabled persons (estimated)	80, 000
Farm families on small-scale units, operator able-bodied and of working age, little or no outside income.....	1, 000, 000

Surveys of the Bureau of Agricultural Economics indicate that most of the farms with less than \$400 gross value of products have substantial nonfarm income. They are, therefore, considered as part-time farms in the present analysis. The estimate given above of 1,000,000 farm families without important sources of off-farm income, with the operator of the farm able-bodied and of working age, yet underemployed, is conservative. Note that it is less than half of those listed as having incomes from \$450 to \$1,500. Many of those eliminated from further consideration here (especially the 390,000 headed by individuals under 25 years of age, the older families, and those headed by widows or disabled persons) constitute welfare problems but they cannot be singled out as underemployed until more facts are known about them.

Farm families on small-scale farming units classified as underemployed had around 1.3 man equivalent workers per farm with an average gross farm income of \$825 in 1944 (appendix A, table 4). Medium-size commercial family farms in 1944 had 1.8 man equivalent

¹ 1945 agricultural census data are the most recent available covering such points as value of products produced per farm, days work off farm, etc. The figures here differ somewhat therefore from those on numbers of farm families having specified cash farm income in 1948, as given in Low-Income Families and Economic Stability; Materials on the Problem of Low-Income Families assembled by the staff of the subcommittee in 1949.

² Sources: Special report, Farms and Farm Characteristics, United States Census of Agriculture, 1945; Sizes of Farms in the United States, United States Department of Agriculture, Technical Bulletin 1019; and special tabulations by the Bureau of Agricultural Economics on off-farm incomes and other characteristics of farm families on low-production farms.

³ Less than 40 percent of these families had any off-farm income. Average off-farm incomes reported amounted to less than \$300 (appendix A, table 1).

workers and an average gross farm income of \$4,658. Thus the value of farm output per man equivalent on these small-scale farms is only 25 percent as high as on medium-size commercial family farms (appendix A, table 5). After adjustments for smaller capital investment, workers on these small-scale farms are not more than one-third as efficient as workers on medium-size commercial family farms. Underemployment on these low-income farms takes the form of idle days at certain seasons of the year and also employment at low productivity tasks such as hand labor on crops grown on relatively unproductive land. Since the entire group averages only one-third as productive as medium-size family farm workers, several hundred thousand of these workers must produce very little indeed.

Tenure of able-bodied farm operators with \$400-\$1,499 value of products

Fifty-seven percent of the underemployed farm families in this income group are owner-operator families and 43 percent are tenants. Of the 430,000 tenants, 165,000 are sharecroppers. It is interesting to note that before adjustment for off-farm income and other factors approximately one-third of both the owner-operated and the tenant-operated farms fell in this income group in 1945. Approximately half of the sharecroppers fell in this income group.

Since 57 percent of these families are owner-operators rather than tenants or sharecroppers, the remedial measures must be designed to assist owner-operator families as well as tenants in achieving fuller and more productive employment. It will be a surprise to many to learn that there are only 165,000 sharecroppers in the 1,000,000 underemployed farm families described above. There were 447,000 sharecroppers in 1944 and of this group 218,000 had a gross value of products of \$400 to \$1,499. Approximately 10 percent of these had substantial nonfarm incomes and 15 percent were families either with the operator under 25 years of age, or over 65 years of age, or families headed by widows or families headed by disabled individuals.

Geographic location

As shown in figure 1, most of the underemployed farm families are located in the South. Estimates for the major geographic regions indicate that the 1,000,000 farm families described above were distributed as follows:

	Percent
In the North.....	26
In the South.....	70
In the West.....	4

100

Effect of changes since 1945

Farm product prices have increased around 25 percent since 1944; hence, the farms described above may have had a gross farm income in 1949 of \$500 to \$1,800. An allowance for bias in underreporting farm production and sales would place the upper limit of gross farm income for this group in 1950 at around \$2,100.

The adjustments for price increases and for underreporting apply to all farms, however, and the particular group of farms under discussion has at best no more than maintained the same relative income position they held in 1944. When 1950 census data are available it will be possible to make a new estimate of the number having the characteristics of these 1,000,000 underemployed farm families described above. It is believed, however, that recent trends toward

increasing farm size and higher production per acre have largely taken place on the commercial family farms, bypassing for the most part the families located on these inadequate farming units. The total number of inadequate units has declined moderately but worker productivity on these farms in 1950 is probably lower in relation to the productivity of workers on the medium-size family farms than it was in 1944.

In terms of potential productivity at average rates of performance the underemployment of the workers on this group of farms was probably greater in 1949 than it was in 1944. Available evidence indicates that the gap is getting wider rather than narrower between the output of workers on commercial family farms and those on the small scale, inadequate farming units.

Some small-scale farms

Studies in the Bureau of Agricultural Economics in cooperation with State agricultural experiment stations make it possible to list the acreages of crops, production of crops and livestock, and the receipts and expenses on a few types of small-scale farms. These are shown in table 2.

TABLE 2.—*Organization, receipts, expenses, and employment on typical small-scale farms, 1945 price level*

Item	Southern Piedmont cotton area owner ¹	Southern Appalachian area owner ²	Sand-Clay Hills, Miss., owner ³	Upland area, southern Illinois owner ⁴	North Carolina-South Carolina Coastal Plain cropper unit ⁵	Southern Piedmont cotton area cropper unit ⁶
Acres in crops and major land use:						
Tobacco.....		0.75			2.0	
Cotton.....	5.5		5.0	7.0	3.0	10.7
Corn.....	5.5	4.0	10.0		8.0	9.2
Wheat.....	4.0					2.4
Oats.....	4.0	2.0				6
Lespedeza.....	5.0		1.0	16.0		1.3
Other crops.....	4.0	3.75	2.0		4.0	1.8
Total crops.....	28.0	10.5	18.0	23.0	17.0	26.0
Double cropped.....	8.0	1.5			1.0	1.5
Idle land.....	4.0	.5	2.0		1.0	3.0
Total cropland.....	24.0	9.5	20.0		17.0	29.4
Pasture.....	2.0	7.0	6.0	53.0	.5	4.2
Woodland and other.....	19.0	7.5	14.0	46.0	17.5	19.4
Total land.....	45.0	24.0	40.0	122.0	35.0	53.0
Number of productive livestock:						
Dairy cows.....	2	1	1	2	1	1
Beef cattle.....				6		
Hogs.....	2	2	3	7	2	2
Hens and pullets.....	40	20	25	60	20	18
Days of man labor.....	180	120	165	120	180	210
Income and expenses:⁷						
Crops.....	\$653	\$475	\$205		\$555	\$467
Livestock and livestock products.....	110	32	45	\$800	50	24
Cash farm income.....	763	507	250	800	605	491
Cash farm expenses.....	461	226	180	340	312	114
Net cash farm income.....	302	281	70	460	293	377
Value of family living.....	484	580	340	411	530	320
Value of investment.....	4,000	3,900	1,400	4,549	3,500	2,500

¹ Based on Technical Bulletin 87, North Carolina Experiment Station, and unpublished data.
² Adapted by Division of Farm Management and Costs, BAE, from Classification and Analysis of Farms in Haywood County, N. C., by S. W. Atkins (preliminary report).
³ D. W. Panvin, Farm Practices and Organization in the Southern Sand-Clay Hills of Mississippi, Mississippi Agricultural Experiment Bulletin 466. Prices used in this study are "normal" price estimates used in belt-wide cotton study, and are lower than 1945 prices. If prices are adjusted to 1945 level, net cash farm income would be about \$200 and family labor earnings about \$600.
⁴ Adapted from unpublished data, cooperative project, BAE and University of Illinois.
⁵ Adapted from unpublished data from current study by BAE, North Carolina State College cooperating.
⁶ Adapted from unpublished data provided by BAE.
⁷ Estimates of income and expenses are based upon 1945 prices for each farm except the farm in Sand-Clay Hills, Miss.

FAMILIES ON FARMS WITH \$1,500 TO \$2,499 GROSS VALUE OF
PRODUCTS, 1944

A breakdown of the estimates relating to farm families with a gross value of products of \$1,500 to \$2,499 in 1944 follows:

Farm families with gross value of products \$1,500 to \$2,499.....	909, 000
Number with 100 days or more work off farm.....	100, 000
Other farmers with off-farm income over \$1,000 (estimate).....	100, 000
Farm families with little or no outside income.....	709, 000
Farm families with heads over 65 years of age, under 25 years, widows or disabled (estimate).....	109, 000
Farm families, operator able-bodied and of working age, little or no off- farm work or outside income.....	600, 000

This group of farm families differs from the 1,000,000 farm families described earlier in that these families are on somewhat larger or more productive farming units. Their productivity per worker and level of family living is still extremely low as compared with workers on medium-size family farms and as compared with industrial workers.

On the average, after account is taken of lower capital investment, workers on these farms are about 60 percent as efficient as workers on medium-size commercial family farms.

Geographical location

Farm families with \$1,500 to \$2,499 gross value of farm products in 1944 were found in all sections of the United States. They were found in greatest numbers, however, in those areas where the greatest number of the smaller, less productive farms were found (fig. 1). Somewhat more of these farms are located in the Northern States than was true of the smaller units. In the Northern States these farms are found in the greatest numbers in the northern counties of the Lake States, in the rougher areas of the Northeastern States, in the southern sections of Indiana and Illinois, and in Missouri.

Estimates for the major geographic regions indicate that the 600,000 farm families described above were distributed as follows:

	<i>Percent</i>
In the North.....	37
In the South.....	58
In the West.....	5
Total.....	100

Tenure status

Approximately 60 percent of the farm families with \$1,500 to \$2,499 gross value of products in 1944 owned the farms they operated and 40 percent were tenants. Adjustments for work off farm, outside income, operators over 65 or under 25 years of age, and for families headed by widows or disabled individuals eliminated a larger number of owner families than tenants. Of the families headed by able-bodied men of working age, 53 percent or 320,000 are owner families and 47 percent or 280,000 are tenant families. Although regional data are not available, it is believed that most of the tenant families in this group, as well as most of the tenant families on the smaller farms discussed earlier, are located in the South. Approximately 100,000 of the farm families headed by able-bodied men of working age with a gross value of products of \$1,500 to \$2,499 in 1944 were sharecroppers

located in the South. Estimates of numbers of owners, tenants, and sharecroppers in each of the two groups may be summarized as follows:

	Total	Owners	Tenants	Sharecroppers ¹
Farm families, little outside income, headed by able-bodied men of working age—gross value of products under \$1,500 in 1944.....	1,000,000	570,000	430,000	165,000
Farm families, little outside income, headed by able-bodied men of working age—gross value of products \$1,500 to \$2,499 in 1944.....	600,000	320,000	280,000	100,000
Total.....	1,600,000	890,000	710,000	265,000

¹ Sharecroppers included under the heading of tenants.

Organization of farms with gross value of products \$1,500 to \$2,499

The acreages of crops, production of crops and livestock receipts and expenses for two farms of the size and type discussed above are shown in table 3.

TABLE 3.—*Organization of representative small farms, value of products \$1,500 to \$2,500, 1945 price level¹*

Item	Blue Grass area, Kentucky	Mississippi Delta
Land and crops:		
Tobacco.....acres.....	4.0	-----
Cotton.....do.....	-----	14.5
Corn.....do.....	3.4	7.9
Hay.....do.....	7.0	4.0
Small grain and other crops.....do.....	2.0	5.3
Total cropland.....acres.....	16.4	31.7
Improved pasture.....do.....	24.0	9.7
Unimproved pasture, woodland and other.....do.....	9.6	2.6
Total acreage.....	50.0	44.0
Milk cows.....	3.4	1.4
Beef cows.....	1.8	1.0
Hogs.....	4.0	3.8
Hens.....	51.0	40.0
Value of investment.....	\$6,905	\$6,251
Days labor (operator).....	200	250
Days other labor.....	114	94
Gross cash income.....	\$2,378	\$2,206
Cash farm expenses.....	\$791	\$465
Net cash farm income.....	\$1,587	\$1,741
Estimated value of family living.....	\$454	\$454

¹ Adapted from cooperative studies by the Bureau of Agricultural Economics and State experiment stations of typical family-operated farms, costs and returns in these areas.

PART-TIME FARM FAMILIES

Among farm families reporting value of production under \$1,500 in the 1945 census, 1,615,000 are classified as part-time farmers. This group includes all farmers who worked off their farms 100 days or more, all farmers having income from nonfarm sources larger than their farm incomes, and all farmers reporting value of production under \$400. Surveys conducted by the Bureau of Agricultural Economics make it possible to estimate the number of these families who received income from farm and nonfarm sources of less than and in excess of \$2,000 (cash family incomes would be substantially lower

as perhaps half of the farm income must be used to cover farm operating expenses).

Approximately 20 percent of the heads of families on part-time farms were over 65 years of age in 1945. Subtraction from the total of those over 65 years of age, those under 25 years, families headed by widows and those headed by disabled individuals results in the estimate of 400,000 part-time families headed by able-bodied men with total incomes of less than \$2,000.

This group of families are called underemployed primarily because of their low level of income. Incomes for this group of families are approximately half those in the middle income range of the rural nonfarm families. These part-time farm families also have incomes only 50 to 60 percent as large as the families on medium-size commercial family farms. Thus, we conclude that workers in these families are only 50 percent as productive as workers in the average rural nonfarm family or on the medium-size family farms.

Part-time farms are located adjacent to towns and cities. They are also found in large numbers in the coal mining areas and adjacent to the forest lands and recreation areas. Data are not available to indicate the location of the part-time farm families with low levels of income in contrast to those with average or above average incomes. It is believed, however, that underemployment of part-time farm families is primarily the result of inadequate job opportunities in the community. Families living within commuting distance of jobs have no special problems. But many part-time farm families are stranded in rural areas where off-farm jobs are declining. This is especially true in areas where jobs in lumbering and mining are decreasing.

Many of these low-income, low-productivity, part-time farm families are located in the Appalachian and Ozark Mountain areas and the hill areas of the cotton South where the farm population density is greatest and where nonfarm job opportunities are sharply limited. A number of these families may be able to find more productive employment in agriculture, but the more general solution is to bring industrial plants to many of these rural areas and to assist these families in moving to other communities where additional workers are needed. The military program for decentralization of industry should take into account the availability of labor in these rural areas.

HIRED FARM WORKERS

Hired farm workers constitute a special group of underemployed rural families. Pertinent statistics are collected through special surveys of the Bureau of Agricultural Economics and Bureau of Census. The most recent information⁴ indicates that in 1949 there were about 1,200,000 male hired farm workers. They worked an average of 218 days at farm work and 14 days at nonfarm wage work.

Information on their marital status is not directly available. Data on the occupational status of the civilian population in the United States for 1949 show that there were 554,000 married farm laborers and foremen with wives present.⁵ From this we conclude that nearly half the 1,200,000 hired farm wage workers are married.

Hired farm workers are not fully utilized because of the highly seasonal requirements of many of our crops for hand labor during

⁴ From *The Hired Farm Working Force—1948-49*, Bureau of Agricultural Economics, 1950.

⁵ Bureau of the Census, Current Population Reports, Series P-20, No. 27, table 9, February 1950.

planting, weeding, and harvesting seasons. If the workers who perform these essential tasks are to have fuller employment, additional job opportunities during the slack seasons must be created on the farms or in nonfarm occupations. Further mechanization of these hand-labor tasks and transfer of a part of these workers to steady nonfarm jobs will also help.

MIGRATORY FARM LABOR

Some underemployed farm families leave their farms during the harvest season and supplement their farm incomes by picking cotton, fruit, potatoes, tomatoes, or other crops; others forsake their farms entirely and attempt to make a living by following the crop harvest. Through years of varying economic conditions relatively permanent groups of workers have developed who meet the peak-season labor needs in various parts of the country: These are principally but not exclusively from farm sources. They have developed rather definite paths of movement from the winter work areas in Florida, south Texas, Arizona, and southern California to summer harvest areas in the north.

The number of people in this migratory work force has varied with crop conditions, prices of farm products, displacement by mechanization, and the general level of nonagricultural employment. It has also changed with the opportunity to go into urban occupations. According to a Nation-wide survey made in 1949 there were slightly more than 1,000,000 people over 14 years of age in this work force at that time.⁶ This number includes several hundred thousand workers from across the Mexican border who compete with domestic labor for the work that is available.

Farm people who go into the migratory labor force do so from lack of better opportunity and then merely change to another and less secure type of underemployment. According to the survey previously mentioned, the average number of days of employment for migratory workers over the country in 1949 was 101, 70 days in farm work and 31 more in nonfarm employment.

Three factors enter into this underemployment. First, a period of several slack months when there is little seasonal employment to be found. Second, irregular and intermittent employment during the harvest season. Some harvests are oversupplied with workers, others last for such a brief period that the amount of work obtained by a worker is small. The third factor is too large a supply of workers for the amount of work available. Migratory workers compete with local seasonal and year-round workers for employment. The latter, too, then suffer from underemployment; during 1949, they had a total of 120 days employment of which 91 days were in farm work and 29 in nonfarm jobs.⁷

The earnings from the 101 days of farm work which the migratory workers obtained in 1949 amounted to an average of \$514.⁷ The value of housing, transportation, and other perquisites amounts to \$36 more.⁸ At an average of two workers per family, total family incomes averaged \$1,028 cash or \$1,100 with perquisites. This amount had to feed, clothe, shelter, and educate a family of four.

⁶ Migratory Farm Workers in 1949, Louis J. Ducoff, Bureau of Agricultural Economics, 1950.

⁷ Migratory Farm Workers in 1949, Louis Ducoff, Bureau of Agricultural Economics, 1949.

⁸ Perquisites Furnished Hired Farm Workers, Barbara B. Reagan, Bureau of Agricultural Economics, 1945.

Underemployment and low earnings are not the only problems among migratory farm workers. Poor housing, lack of sanitation and medical care, child labor, and educational retardation of the children, all tend to make them a disadvantaged group. They have little voice either in community, State, or national affairs and are unable to make effective demands to relieve their situation.

Although they are most essential to meet peak season demands for gathering in the national food supply, they are explicitly excluded from national legislation which protects and advances the rights of workers. Their position is the most precarious of any in our economy. They have no definable job rights and are so far removed from the employer group that they are unable to obtain redress for grievances.

Rather than hire seasonal and migratory workers directly and individually, it is a widespread practice among farm employers to hire in crews through labor contractors, crew chiefs, or labor recruiters. In many areas it is virtually impossible for a worker to obtain a job directly from the farm employer. As a consequence of these practices, a farm worker has to pay heavily from his already-too-low earnings for the privilege of getting work to do.

Under Executive Order No. 10129 of June 3, 1950, the President's Commission on Migratory Labor was created and directed to inquire into problems of migratory labor and to make recommendations for action, both legislative and administrative. The report of this Commission is scheduled to appear at an early date.

UNDEREMPLOYED RURAL NONFARM FAMILIES

Surveys of consumer income conducted by the Bureau of Census show that in 1948 there were approximately 1,500,000 rural nonfarm families where the head of the family was 25 to 64 years old and the family received less than \$2,000 income. Approximately 500,000 rural nonfarm families received less than \$1,000 income.

These 1,500,000 rural nonfarm families with incomes under \$2,000 received incomes 50 to 60 percent as high as the average for all nonfarm families. Thus, the workers in these families are only 60 percent as productive as the average rural nonfarm workers. It is possible that a part of the variation in incomes of nonfarm families with heads 25 to 64 years old resulted from differences in number of workers in the family. An unskilled rural nonfarm worker employed full-time at prevailing hourly wage rates in 1948 should have earned \$1,800 to \$2,400, however, and most families have a second able-bodied member who works at least part time. Therefore, most workers in rural nonfarm families receiving less than \$2,000 in 1948 were either underemployed or were working at jobs where their productivity was extremely low.

Geographic and color differentials

The survey of consumer incomes conducted by the Bureau of the Census in 1946 included a sufficiently large sample to permit estimates of numbers of families by income groups for the major geographic regions, separated into white and nonwhite families. In 1946 there were 2,765,000 rural nonfarm families with incomes below \$2,000.⁹ Of these 2,392,000 were white families and 373,000 were nonwhite. Ap-

⁹ There were 2,312,000 rural nonfarm families with incomes under \$2,000 in 1948. The 1,500,000 quoted earlier refers to families with head 25 to 64 years old.

proximately one-third of all white rural nonfarm families had incomes below \$2,000 in 1946. Approximately two-thirds of the nonwhite rural nonfarm families received incomes below \$2,000 in 1946. Estimated numbers of white and nonwhite families with incomes below \$2,000 in 1946 for each of the major geographic areas are shown in table 4.

TABLE 4.—White and nonwhite rural nonfarm families receiving less than \$2,000 income, by geographic areas, 1946¹

Income class	Total	White	Nonwhite
UNITED STATES			
Under \$1,000.....	1,027,000	857,000	170,000
\$1,000 to \$1,999.....	1,738,000	1,535,000	203,000
Total.....	2,765,000	2,392,000	373,000
NORTH			
Under \$1,000.....	481,000	468,000	13,000
\$1,000 to \$1,999.....	738,000	745,000	7,000
Total.....	1,233,000	1,213,000	20,000
SOUTH			
Under \$1,000.....	464,000	319,000	145,000
\$1,000 to \$1,999.....	793,000	602,000	191,000
Total.....	1,257,000	921,000	336,000
WEST			
Under \$1,000.....	91,000	83,000	8,000
\$1,000 to \$1,999.....	184,000	175,000	9,000
Total.....	275,000	258,000	17,000

¹ Computed from table 4, Census of Population Reports, P-60 No. 1, rev. January 1948.

Occupations of workers in rural nonfarm families

Most of the rural nonfarm workers are engaged in skilled or semi-skilled occupations such as carpenters, plumbers, machine operators, and truck drivers. Important also are the proprietors, managers, and officials in the stores and other businesses serving rural areas. The number employed and the median income earned in each of the major occupational groups in 1948 is shown in table 5.

TABLE 5.—Number employed in major occupation groups and median income received by rural nonfarm males, 1948¹

Occupation group	Number	Median income
Total employed civilians.....	8,268,000	\$2,611
Professional and semiprofessional.....	546,000	3,715
Proprietors, managers, officials, except farm.....	1,179,000	3,257
Clerical, sales, kindred workers.....	944,000	2,756
Craftsmen, foremen (skilled workers).....	1,892,000	2,884
Operatives and kindred workers (semiskilled).....	1,986,000	2,643
Service workers.....	386,000	1,900
Farm laborers and foremen.....	250,000	1,000
Laborers, except farm and mine (unskilled).....	885,000	1,806

¹ Source: Unpublished data, Bureau of Census.

The median income of rural nonfarm workers exceeded \$2,000 in each of the major occupation groups except in the case of service workers, farm workmen, and unskilled laborers. The problem of

increasing the productivity of workers in rural nonfarm families is one of increasing the efficiency of these three types of workers, as well as increasing the job opportunities for workers in the other occupation groups who are now unemployed a part of the year.

UNDERLYING CAUSES OF CONTINUED UNDEREMPLOYMENT OF RURAL FAMILIES

The existence of widespread underemployment in rural areas in 1950, after a decade of high-level business activity, indicates that the causes are deep-seated. The decline in population in these areas during this period has been small indeed.¹⁰ These communities of dense rural populations without opportunities for industrial employment nearby have made little progress for many decades, while the rest of the Nation has been moving rapidly ahead.

Estimates in the earlier section of this report of the total number of rural families underemployed or employed at low productivity jobs are minimum rather than maximum estimates. There are able-bodied workers in many of the families not considered here by reason of age of the head of the family or because the head of the family was a widow or disabled. These workers on small-scale farms or in families not receiving \$2,000 income in 1948 are contributing little to our economy. In addition, boys of working age and young men in the families of medium-size family farms often are underemployed because of the absence of available jobs in the community and because of the difficulty of getting extra land to farm while the boys are at home.

These underemployment situations persisted through World War II and the postwar years while serious labor shortages developed in commercial agriculture in other sections of the same State or in adjacent States. Workers from Mexico, Puerto Rico, Jamaica, and other countries were brought in to help with the cultivation and harvest of many of our vegetable, fruit, and truck crops.

There is no single explanation for this persistence of families living and working at one-third to one-half the levels of other rural families year after year. These families have often been dismissed as the "ne'er do wells," the shiftless and the lazy. A community of these families does have a different set of social and economic values than a community of families on full-size family farms. But in many cases they came from identical basic racial stock.

Poor families on unproductive farms in a prosperous community may have failed in the normal economic life in the community. However, the families to which the statistics in this report refer are found for the most part in communities where small, inadequate farming units and underemployment are the general rule and not the exception.

What are the underlying forces which have caused entire communities and areas to develop into small, low-productive farming units and rural towns with inadequate employment for their workers? What are the differences between these communities and those in more productive areas which have developed the most efficient farming systems and the highest rural living standards in the world?

¹⁰ A tabulation of preliminary population data for 25 rural counties (no towns or cities over 2,500 population) in Kentucky and West Virginia shows a population decline of 12 percent between 1940 and 1950. In 25 rural counties of Alabama and Georgia the decline was 9 percent.

Differential rates of migration appear to be the primary explanation.¹¹ Throughout the history of this country more children have been raised in the rural families in both types of communities than could find employment on the farms and in the service trades. There has been a continuing although not a steady migration to industrial employment in urban centers. Rural people from both the productive

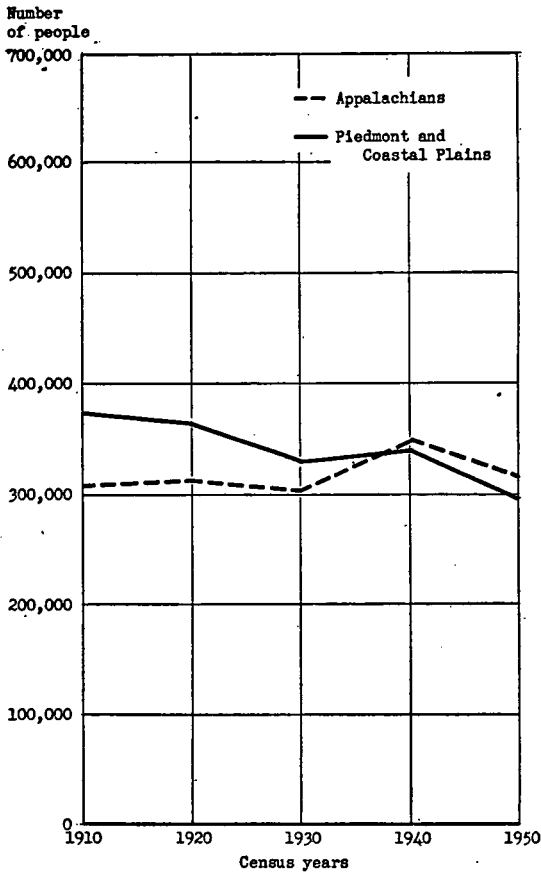


FIGURE 2.—Population changes in rural counties, Appalachians and Piedmont and Coastal Plains, 1910-50.

Material for this chart was taken from the United States census for the respective years, that for 1950 being preliminary data. The Appalachian area includes counties from Kentucky and West Virginia; the Piedmont and Coastal Plains are represented by Georgia and Alabama Counties. For each area 25 rural counties were selected which had no city of more than 2,500 population.

and unproductive farm land migrated to adjacent industrial jobs when they became available. Workers on the productive farm lands were replaced by workers from more remote, less productive farming communities. Unproductive farm lands adjacent to sources of industrial employment were returned to nonfarming uses.

¹¹ Probably the best description of the many factors which are at work in these areas is found in the hearings before this subcommittee pursuant to sec. 5 (A) of Public Law 304, 79th Cong., December 12-22, 1949. See especially the testimony of T. W. Schultz, pp. 314-332; D. Gale Johnson, pp. 293-313; and Ernest E. Neal, pp. 209-235.

But there are many barriers to migration. Communities located farthest from developing industrial employment did not share equally in the movement of workers to nonfarm jobs. Education, capital, and health are fully as important as distance in affecting migration. And education, capital accumulation, and health are all affected by the level of income of the family and the community.¹² Rural communities made up of relatively small, low-productivity farms have poorer schools, have less capital to finance their children in finding jobs outside the community; they have less medical attention and often have inferior nutritional standards as compared with the more productive agricultural areas located an equal distance from industrial employment centers. These are the communities where underemployment has developed and persisted while the level of output per worker has increased rapidly in the balance of the economy.

We noted that over 40 percent of these underemployed farm families are tenants. Why haven't these tenant families moved to larger or more productive farms or into higher paying, nonfarm employment? Here again we do not find a few "poor" tenant families in otherwise prosperous farming communities. Rather, these low-productivity tenant families are the prevailing pattern throughout many of the Southern States. There is no simple explanation for the persistence of these conditions today. Among the basic causes are the low level of income, education, and health of these families which keep them from learning of alternative opportunities and from taking advantage of better farming methods as they are developed. Mechanization has been held back in these communities by the existence of a large labor force seeking employment and by prevailing low-wage levels.

The considerations given above constitute far from a complete explanation of the persistent underemployment in the many rural communities throughout the United States. Nor is there a single set of causes that applies uniformly to all areas. But the general nature of these underlying causes indicates that long-run programs of improved education, increased health and medical facilities, better nutrition, and improved roads and communications will correct many of the cultural handicaps which now limit the response of these families to the usual economic motivations in our economy. While the suggestions for improvement presented in the summary section of this report stressed the more direct and short-run programs which would make these workers more productive in the months and years immediately ahead, longer-run programs of improved education and health and increased communications with the outside world are basic to the long-run solution of this problem.

¹² Transportation facilities and communications are other important factors affecting migration. Some of the most densely populated rural counties in the United States are found in the Appalachian Highlands where transportation is especially difficult and where good roads were lacking until recent years.

PART III.

SUMMARY OF REPLIES TO QUESTIONS ON UNDER-EMPLOYMENT IN RURAL AREAS

EXTENT OF UNDEREMPLOYMENT AND UNDERLYING CAUSES

Excerpts from reports from New York, Virginia, and Kentucky were given at the very beginning of this study to illustrate the type of responses received. The report from New York, already quoted, was typical of the situation as reported in other Eastern and North-eastern States.

The underlying causes in certain of the Southern States is interestingly presented by this report from West Virginia:

There are many and widespread areas in West Virginia where low-income open country rural families are underemployed. The underlying cause is the relative scarcity of agricultural land and a lack of industrial employment opportunities. A large proportion of the farms in West Virginia are small in acreage as well as in business volume. These farms will not provide full-time productive employment and industrial employment is not at hand.

North Carolina reports as follows:

Underemployment is characteristic of a large proportion of the rural population in the mountain counties of western North Carolina, the tidewater counties of eastern North Carolina, and much of the Piedmont section. Much of this underemployment is concealed by the failure to adopt improved technology in agriculture thereby resulting in inefficient use of labor * * *.

The underlying causes may be separated into two classes: (a) problems associated with the capabilities of rural residents in various occupations and (b) limited opportunities or lack of knowledge of alternative employment opportunities confronting rural residents in these areas * * *. It is my belief that the natural abilities of residents of low-income areas are equal to those of residents of other areas.

Tennessee reported:

* * * some underlying causes of low-income (and underemployment) conditions * * * are:

1. Depletion, diminution, or flooding of resource base.
2. Relocation of industries due to technological factors.
3. Combination of factors 1 and 2, with high birth rates and immobility of families.
4. Physical energy (human) factors associated with poor health, unhygienic conditions, and malnutrition.

Mississippi reports conditions which are typical of many sections of the deep South as follows:

All areas of Mississippi have low-income (underemployed) families in the open country. This is due mainly to high ratios of population to the land supply. In most areas of the State there are very low alternative employment opportunities, so that most families are not able to leave the open country for industry or nonfarm work. The low educational status of many of those who are in the low-income group and who need to be shifted to other employment, constitutes a very serious prohibitive barrier. For agriculture itself, the small size of farm business, as found in land area and capital equipment * * * limits * * * a more profitable use of labor in the low-income areas of the State.

In the West, California and New Mexico in particular reported on their problems in an illuminating way. California reports:

There are very sizable groups of low-income rural families in this State who are underemployed. The major cause of this situation is the seasonality of the work in agriculture. * * * There are other low-income farm families in the State. Some of them are elderly farm people. * * * Others are in the low-income group because of * * * units that are too small for profitable operation as farms. * * * The situation of the seasonal farm worker is different from that of the stabilized low-income farmer on an extremely small unit.

New Mexico reports their low-income, underemployment problem is largely confined to Spanish-American communities.

* * * we do have areas of low farm income. They are located mostly in the north central part of New Mexico and consist largely of Spanish-American communities. The principal cause of the lower incomes is the backing up of the farm population in the irrigated valleys which has resulted in division and subdivision of farms until they have become too small for economical operation. This procedure has resulted in a building up of the rural population to a point where the agricultural resources are insufficient to support them.

There is considerable similarity as well as some important differences in the character of the underemployment, low-income problem in the Midwest. Wisconsin reports:

The problem of low-income (underemployed) farm families is * * * not confined to the northern, cut-over counties * * *. Approximately one-half of all low-income farmers (under \$1,500 gross income in 1944) in the State are located in the 40 southern and central counties which are the principal agricultural counties of the State. * * *

A variety of causes can be indicated for the low farm incomes of the northern and central "low-income areas." Farms in these areas are, on the whole, small, underequipped, and relatively unproductive. * * *

In spite of the small size of farms in the low-income counties, there is relatively a much smaller opportunity for off-farm employment of the rural population. * * *

In 1939 there were 198,648 production workers employed in manufacture in Wisconsin. The 1947 census of manufactures reported an increase * * * to 343,008 workers. Four southern counties of the State—Milwaukee, Racine, Kenosha, and Rock—account for 57 percent of this total increase. With the addition of two counties in the Fox River Valley industrial area, Sheboygan and Winnebago, these six counties account for approximately two-thirds of the total State-wide increase in the industrial employment of production workers between 1939 and 1947. The counties having the largest concentrations of low-income farmers, and particularly the northernmost counties, have not shared proportionately in the increase in industrial job opportunities brought about by the war.

Indiana's underemployed, low-income rural families are largely concentrated in the southern part of the State as shown in figure 1. This is corroborated by the report from Indiana which in part says:

Basically, the major problem insofar as low-income (underemployed) families in our State is concerned is that of maladjustments between population and natural resources. The southern section of the State has the poorer resources and consequently the folks with lower incomes, lower levels of living, and communities and institutions of less acceptable standards. In this area there are some 1,600,000 acres of land unsuited to agriculture. Far too many farm families are trying to make a livelihood on such land.

Crop and pasture land in this segment of the State is limited in quantity and poor in quality. * * * Although the population has been steadily declining since 1880 and the preliminary 1950 figures indicate some further decline, there are still far too many people for the land resources. Farms are small in size, inefficient in operation, and low in income return.

Iowa reports that in the prewar years low-income, underemployed farm families were found in relatively large numbers in the southern part of the State. The opening of employment opportunities during

the war and in the postwar years has encouraged the movement of underemployed labor from farms to urban areas. The Iowa report states:

A variety of factors are at work preventing the comparatively few Iowa farm families who continue to make low incomes from rising above the minimum standard. Among the more important are (1) lack of skill in the management of existing resources, (2) too little land of good quality, (3) inadequate equipment, livestock, machinery, feed, and fertilizer, (4) poor health, preventing full-time work and/or resulting in a heavy drain on current family income, and (5) a set of values that emphasizes "leisure" at the expense of "industry."

STEPS TO INCREASE EMPLOYMENT OPPORTUNITIES

There was a great deal of uniformity in the recommendations from the different States regarding measures that could and should be taken to increase the employment opportunities and contribution which these low-income families make to the national economy. Most emphasis was placed on increasing opportunities for industrial employment either by further decentralization of industry or increased movement of these underemployed families to industrial employment centers. The importance of increased education and special training programs for these families was stressed in many of the State reports. New Hampshire makes the following suggestion:

Where productive opportunities are lacking, it will be in the public interest for the able-bodied people to accept jobs in agriculture or industry where labor is needed. We think the United States Employment Service did a good job in guiding many of these young people to work opportunities during the last war. We might give more attention to this problem in the future and do a more intensive job. It seems to me it is a case of better adjustment of people to resources. In the case of the older people, it may be best if they are made as productive as possible where they are * * *. The older people in rural back areas usually have fair housing and are able to carry on a self-sufficing type of farming. They might experience great difficulty in improving their present situations by moving to other localities.

Ohio makes the same suggestion:

As to the contribution which these families could make in a period of defense mobilization * * * greater productivity would be arrived at if these people would work in industries and other city employment. To bring this about there would probably have to be developed an effective employment service, as well as perhaps job training.

New York stresses the need for education, training, and information services:

It seems appropriate in discussing remedial measures to stress the role of education, training, and information services. Education is a long-run proposition, but it can acquaint people with the economic and social changes in progress and the underlying causes thereof. With this perspective they can choose more wisely. Education also can provide a background for the development of skills in various lines of activity. Training programs teach specific skills. These programs are essential, in some form, if we are to maintain the flexibility in our system that puts men where they are needed most and where their pay is highest. Informational services provide current facts on employment needs and economic opportunities in various lines of activity * * *.

Certain forms of Federal credit that in the past have tended to sustain false hopes in the farming of poor land might be diverted into facilitating movement from agriculture into industry:

In Arkansas where underemployed farm families are often tenants and share croppers, similar remedial measures are suggested.

The extension of opportunity for the high school training of farm youths would lead to raised standards and increased migration from agriculture, or to more

receptivity to advanced technology in agriculture on the part of those who remain. A key to permanent amelioration is realistic education both for youths and adults. Improved organization of enterprises and more rational management and responsibility on the part of the operator would go far in offsetting the size limitation of farms as now prevailing. The extension of industrial enterprises, a program vigorously pursued by the leadership of the State at the present time, would provide more off-farm employment and further opportunity for relieving the pressure upon agricultural resources through migration * * *

Mississippi suggests that:

One of the most desirable things would be to facilitate mobility of workers and their families to the areas where industrial and other employment are available, and to provide a more intensive technical training program in order to equip these workers for the new kinds of employment into which they might go. The whole program of educational emphasis in the rural area needs to be intensified and reoriented for young people in order to equip them much better for employment and living elsewhere in contrast to the environment in which they now live. If these conditions could bring about a more rapid shift from agriculture to non-agriculture employment, farming adjustments to a larger size of business would proceed rapidly under present price conditions. Particularly * * * if farm machinery were available for mechanization to the extent desired. This would increase agricultural output per worker rapidly in these low-income areas.

Virginia has much the same suggestions:

It is our suggestion that the committee might find it worth while to explore the various avenues through which assistance may be made available to encourage underemployed persons in rural areas to seek employment elsewhere. It might also be fruitful to explore the possibilities for encouraging the dispersion of industrial operations through rural areas. Of course, an educational program designed to aid the underemployed in catching a glimpse of their potential in other fields of endeavor would undoubtedly be quite worth while. Needless to say, this would be a slow process and not quite so glamorous, but for the long pull it seems our greatest hope.

West Virginia states the need for industrial employment succinctly:

The only practical steps that can be taken to increase the contribution of the underemployed low-income farm family is to recruit those who are physically fitted for industrial employment in areas away from their homes. This type of recruitment was frowned upon in the State during World War II. The agricultural contribution of many of those who are able-bodied is small while the industrial contribution could be large if they were moved to industrial areas.

North Carolina stresses the need for a long-run program as follows:

* * * the effects of poverty are cumulative and people who do not have capital to invest in training of their children cannot equip them to make their greatest contribution to society * * *. Any program designed to assist low-income families in increasing their contribution to the Nation's welfare must be long run in character. The first step should have as its objective the improvement of the health, education, and vocational training of residents of low-income areas. This should be followed by reduction of other barriers to migration such as restrictions on entry to occupations, lack of knowledge of employment opportunities, subsidies to finance migration and adjustment in new areas, and possibly guaranteed minimum incomes during short periods after migration.

West and Midwest States which replied to the question on improvement of employment opportunities put forward the same suggestions as the Northeastern, Eastern, and Southern States quoted above. Iowa, for example, reports:

An expanded FHA type program would be helpful in promoting greater productivity among low-income families. Families who could and prefer to earn better incomes in nonfarm employments need help in migrating to urban areas. The rehabilitation loan program needs to be extended and improved to supplement the resources, both physical and managerial, now possessed by low-income families * * *. More educational services are needed, particularly in those

areas suffering from low per capita incomes associated with underemployed labor resources.

Indiana, Delaware, and several other States reported the need for a stepped-up land acquisition program by the State and National forest and park services to permit families on marginal farms to sell out and move to more productive employment. The Indiana statement follows:

The most helpful programs for the improvement of the area (southern Indiana) and its citizens have been the land acquisition activities of the Federal Forest Service and the State department of conservation. These activities have enabled local persons to recoup their investments in nonproductive land and furnish funds for migration out of the area. Land acquisition programs for the State and Federal forest projects should be stepped up. Land is readily for sale on a basis triple the present annual land purchase program if funds were available.

Wisconsin, which has pioneered in rural zoning of marginal farming areas, reports:

In Wisconsin one of the most successful programs affecting low-income farm families has been the long-range land-use program in northern Wisconsin which has been functioning since about 1927. This program has been aimed at putting land to its best use and to discourage people from living on poor land in isolated areas which will not yield a living for the family. The program consists of many interrelated parts including rural zoning (land-use regulations), forestry (State advances on future taxes to encourage good forest management), and land purchase (alternatives for rural families who had unsatisfactory land resources at their disposal). The program is also an example of the close cooperation of all units of government—local, State and Federal—to accomplish one objective * * *

The impetus for a land use program in northern Wisconsin came in part from the stranded and isolated families, but also from the fact that the land resources in their present use were not yielding sufficient income to support the population and the local government * * *

The land-use program in northern Wisconsin is not directly aimed at helping low-income farm families. Yet we feel that without the program we would have many more farm families less well off than they are.

CURRENT EFFORTS TO IMPROVE EMPLOYMENT OPPORTUNITIES AND PRODUCTIVITY

The third question in the series—"Who, if anyone, has been active in improving the employment opportunities and production of these low-income families?"—was interpreted in many different ways. This question appeared to have been given less attention and consideration than the earlier questions on the underlying causes and recommendations for programs to improve the employment opportunities and productivity of present underemployed rural families.

Many of the States reported that there were no active programs in operation in their States at the present time. Others listed the educational programs of the Extension Service or the Farmers Home Administration program.

Without identifying the States, a few of the replies will be quoted to indicate the range of answers received:

I know of no concerted effort to improve employment opportunities and production in these low-income areas. Of course the chambers of commerce are active trying to bring new industries to their towns and the State and Federal Governments are doing some constructive things in the way of raising the standard of living for these people in the development of farm-to-market roads, rural electrification, health programs, and the like.

Another State reports:

The Extension Service has promoted an active program of land and livestock improvements in this area. They have also, through their 4-H Clubs provided

training in agriculture for the rural youth. However, there has been little done in the way of training for prospective jobs in town.

The work of the Farmers Home Administration appears most important to a third State which reports:

Some agencies have been effective in lessening the underemployment of rural people, but they concern only farmers. For example, the Farmers Home Administration program in all of the areas mentioned * * * through loans for purchasing and operating farms has contributed materially to year-round employment on farms, mostly family-size farms. The management supervision accompanying the financial assistance has improved the status of low-income farm families and has diversified the farm enterprises to make their farm employment more regular and gainful. * * *

Another State reports:

Except for minor and sporadic efforts no one has been active in * * * improving the employment opportunities of these low-income families. The best work has been done by the Farmers Home Administration.

Still another State lists the agencies mentioned above and adds the State employment service. Its listing of agencies is as follows:

As to activities toward improving the employment opportunities and production of underemployed rural families * * * reference may be made to the following:

(1) The Agricultural Extension Service provides a continuous educational program that results in constant improvement in agricultural practices, in homemaking practices and in opportunities for youth.

(2) The public school system increases the competence and mobility of the labor supply by raising educational levels.

(3) The State chamber of commerce has undertaken a concrete program of assisting small communities to develop local industries.

(4) The State employment service assists in making the labor supply more mobile by directing workers to places where they can be employed.

Other agencies and programs might be mentioned but special information on the results of their work are not at hand.

It will be noted that with the exception of the Farmers Home Administration program the activities listed by the States are those carried on for the entire State. There is little evidence of special programs especially designed to tackle the problem of improving the employment opportunities for underemployed, low-income rural families. The reports from most of the States indicate an awareness of the problem and a number of the State reports indicate that considerable research has been carried on to determine the underlying causes and the measures needed to improve the situation. Except for the long-range land-use programs in some States, however, no special State programs were focusing upon this particular problem.

PART IV

CURRENT PROGRAMS OF GOVERNMENT AGENCIES

Thus far the Nation has had no clearly defined policy for dealing specifically with rural underemployment and the low-income problem in agriculture on a comprehensive basis including both farm and non-farm adjustments. Nevertheless, local, State, and National leaders have long been aware of its existence and of its consequences to the strength and security of the Nation. And while there has been no clearly defined national policy, considerable effort has been made to give families on small farms special consideration by the agencies created to achieve other policy objectives.

This section describes activities of the agencies in the United States Department of Agriculture and the United States Employment Service as they relate to this problem. Most of the major agency programs directed toward other objectives have adopted administrative rulings which favor the Nation's low-income farmers.

Despite these adjustments to the special needs of low-income farmers, it has been impossible for the agencies to effect the solution of widespread underemployment in rural areas which often requires a shift of some families to nonfarm jobs and which is a problem far more complex than those to which the agency programs are directed.

THE FARMERS HOME ADMINISTRATION AND UNDEREMPLOYED FARMERS

Inventory of current programs

To raise the productivity of the Nation's low-income farm families closely integrated programs of education or technical assistance and programs of financial assistance are required. One without the other of these types of assistance is unlikely to succeed. Since about 1935 the Federal Government has had an integrated educational and credit program in operation on a small scale. This program was initiated to help farmers unable to finance themselves or unable to obtain adequate financial assistance on reasonable terms from other credit sources. It is now administered by the Farmers Home Administration.

The Farmers Home Administration provides supervised credit to aid farm families unable to secure adequate financing on reasonable terms in the operation, purchase, and development of family-size farms. It has two major supervised loan programs.

The first, and most important in terms of number of borrowers, consists of production and subsistence credit. This is available in loans up to \$3,500 with a limit of \$5,000 on the total indebtedness of any farmer. These loans are made for the following purposes: (1) To purchase additional livestock and machinery needed to successfully operate family-size farms; (2) to refinance any existing indebtedness on chattels essential to successful operation of the farm and which

were secured on terms that would endanger achievement of the program's objectives; and (3) to finance annual farm-operating and family-subsistence expenses. Loans for the first two purposes are called adjustment credit as distinguished from annual production and subsistence credit. The adjustment loans are repayable in annual installments usually over a 5-year period. The annual production and subsistence loans are usually limited to a 1-year term. Interest on both types of loans is charged at 5 percent.

The other major type of supervised credit is provided under the farm-ownership loan program. This includes (1) loans to tenants, sharecroppers, and farm laborers for the purchase of family-size farms and for improvements needed on them; and (2) loans to present owners to help them enlarge their farms to family size and make needed real-estate improvements.

Two sources of real-estate-loan funds are available: (1) Direct loans made by the Farmers Home Administration; and (2) insured loans made by private agencies. Both types are amortized over a period of 40 years. Direct loans are made from funds appropriated by the Federal Government for that purpose and are now made at 4-percent interest. They are available in amounts up to 100 percent of the normal value of the farm and necessary improvements, but at present, due to the limited funds available, are restricted almost entirely to veterans. The insured loans are made by private lenders with the Farmers Home Administration serving as intermediary between borrower and lender and as the insuring agency. These are made in amounts up to 90 percent of the normal value of the farm and of needed improvements with interest at 3 percent plus a 1 percent insurance charge. Supervisory assistance is extended for both direct and insured loans. Many of the real-estate borrowers also obtain production and subsistence loans.

In addition to the above two main types of supervised credit, the Farmers Home Administration is authorized to make the following types of loans to farmers unable to obtain credit elsewhere:

1. Water facility loans in arid and semiarid areas of 17 Western States to individuals and groups to provide domestic or irrigation water supplies. These loans are for periods up to 20 years at 3-percent interest.
2. Farm housing and building loans for periods up to 33 years at 4-percent interest made under authority of title V (Sparkman-Jones amendment), Housing Act of 1949.
3. Disaster and flood-damage loans made at 3-percent interest for periods consistent with the anticipated ability of the borrowers to repay.
4. Loans to fur farmers otherwise unable to carry on their present fur-farming operations.

A summary of FHA lending operations in the 1950 fiscal year by type of loans is shown in table 6. In addition to these loans, the FHA continues to service loans still outstanding from preceding years and provide farm and home management assistance as needed to those borrowers making major adjustments. As of June 30, 1950, it had an active case load of 191,694 production and subsistence loan borrowers and 44,208 farm ownership loan borrowers (table 7) besides other types of loans. Also, in 1946, when the emergency crop and

feed loan program of the Farm Credit Administration was discontinued, it added to its rolls for collection purposes all loans still outstanding made under that program.

Production and subsistence loan program

Extent of operations.—In 1950 the Farmers Home Administration made 105,958 production and subsistence loans (table 6). This was one loan for each 14 full-time farmers having value of farm production of less than \$1,500 in 1944. Formal applications for production and subsistence loans being made by approximately 80,000 other farm families each year are not granted mainly because funds are unavailable (table 8). Many other farm families would undoubtedly apply for loans, but are deterred upon learning through friends and neighbors (often as early as midwinter) that available funds are already exhausted.

TABLE 6.—Loans made by the Farmers Home Administration, 1950 fiscal year

Type of loan	Number of loans		Amount obligated
	New loans	Subsequent loans	
Production and subsistence loans: ¹			
Annual.....	10,960		\$3,721,420
Adjustment.....	45,701	49,297	92,536,249
Farm ownership loans:			
² Direct-ownership loans:			
Tenant purchase.....	1,232	546	11,173,688
Farm enlargement.....	137		1,040,098
Farm development.....	378		2,623,269
Insured ownership loans:			
Tenant-purchase.....	908		7,466,890
Farm enlargement.....	325		2,438,656
Farm development.....	1,035		7,219,458
Farm-housing loans ³	3,989	4	18,055,922
Water-facilities loans ⁴	1,218	93	2,999,874
Disaster and flood loans.....	28,543		33,726,134
Fur loans.....	210		1,748,950

¹ Includes loans from appropriated and corporation trust funds.

² Includes an indeterminate number of farm enlargement and development loans.

³ 151 of the 3,989 new borrowers obtained under authority of title V of the Housing Act of 1949 a total of \$190,897 for enlargement and development of their farms, which is included as a part of the amount obligated for farm housing. In addition to loans, 203 direct grants, totaling \$39,566, were made for housing purposes under authority of the Housing Act.

⁴ Of the water-facility loans, 16 of the new loans and 7 of the subsequent loans were to groups. The others were to individuals.

Source: Prepared from special tabulations and administrative reports of the Farmers Home Administration.

TABLE 7.—Active case load, Farmers Home Administration borrowers, June 30, 1950

	Farm-ownership loans			Operating loans		
	Direct	Insured	Total	Adjustment	Other	Total
East.....	1,764	245	2,009	9,128	984	10,112
Midwest.....	8,726	1,856	10,582	37,476	4,980	42,456
South.....	27,079	1,132	28,211	85,002	28,867	113,869
West.....	2,539	227	2,766	17,060	1,586	18,646
Puerto Rico offices.....	640		640	5,126	1,485	6,611
Total.....	40,748	3,460	44,208	153,792	37,902	191,694

Source: Special tabulation prepared by Farmers Home Administration.

TABLE 8.—Number of farm ownership and production loan applications received by Farmers Home Administration in 1949 fiscal year

	Farm ownership			Production and subsistence	
	On hand beginning of year	Received during year	Total for 1949 consideration	Total	Applicants not already on program
East.....	1, 199	1, 757	2, 956	6, 656	4, 198
Midwest.....	7, 349	10, 643	17, 992	36, 119	25, 555
South.....	23, 152	28, 309	51, 461	121, 549	83, 340
West.....	2, 708	2, 821	5, 529	15, 130	8, 683
Puerto Rico.....	548	1, 190	1, 738	5, 826	2, 947
Total.....	34, 956	44, 720	79, 676	185, 230	124, 723

Source: Special tabulation prepared by Farmers Home Administration.

TABLE 9.—Production and subsistence loans¹ vouchered by Farmers Home Administration during 1949 fiscal year, by type of loan

	Adjustment				Annual		Total adjustment and annual	
	Initial		Subsequent		Number	Amount	Number	Amount
	Number	Amount	Number	Amount				
East.....	1, 560	\$3, 374, 207	1, 808	\$1, 859, 318	235	\$134, 837	3, 603	\$5, 368, 362
Midwest.....	9, 630	19, 968, 739	9, 070	6, 298, 115	2, 018	963, 243	20, 718	27, 230, 037
South.....	29, 988	23, 941, 177	30, 759	13, 856, 323	26, 668	7, 362, 555	87, 415	45, 160, 055
West.....	3, 557	8, 052, 445	5, 269	5, 145, 291	686	423, 816	9, 512	13, 621, 552
Puerto Rico.....	823	365, 055	936	418, 045	2, 347	390, 785	4, 106	1, 673, 885
Total.....	45, 558	55, 701, 623	47, 842	27, 577, 092	31, 954	9, 775, 236	125, 354	93, 053, 951

¹ Includes loans from appropriated and corporation trust funds.

Source: Special tabulation prepared by Farmers Home Administration.

Geographic distribution of operations.—The distribution of the 1949 loans among major geographic regions is fairly proportional to distribution of the Nation's low productivity farmers (table 9). The South, with about two-thirds of the Nation's full-time farmers producing under \$1,500 worth of products in 1944, had nearly 70 percent of the 1949 production-loan borrowers. If the adjustments essential to a balanced farming are to be made in the South, however, much larger loans and increased allocations of funds to the South will be required.

In the period of critical manpower shortages ahead, a special assistance program to low-productivity farmers should put its emphasis upon helping them make badly needed production improvements even though larger individual loans are required. This could be done by restricting new borrowers to those low-productivity farmers who are willing and who can be sufficiently aided through the supervisory and financial assistance available to meet reasonably high production standards. Such standards could be locally established by State and local FHA committees.

During World War II, it will be recalled some such production standards were established for draft deferments of agricultural

workers. To be effective, however, the standards set for loan purposes in areas heavily weighted by low-productivity farmers must be well above the production and efficiency of the average local farm. In areas heavily weighted by high-productivity farms such standards might be lower than the local average, yet represent large improvements by low-productivity farmers. To aid the same percentage of low-productivity farmers in each farming region to become really efficient farmers requires the allocation of a larger percentage of available loan funds to the South than was made in 1950.

Extent of operations directed to low-productivity farmers.—One production and subsistence loan was made in 1950 for every 14 full-time farmers reporting value of products under \$1,500 in the 1945 census. In 1947 and 1948, the most recent years for which data on "before acceptance" incomes were obtained, 59 percent, or 6 borrowers in 10, in the year before acceptance had cash family incomes of under \$1,500 (table 10). After adding value of home-use products and adjusting for price changes, this level of cash family incomes corresponds to the group with under \$1,500 value of products reported in the 1945 census. It follows that fewer than 1 in 20 of the Nation's farmers in this low-productivity group received a production and subsistence loan in 1950.

The percentage of borrowers in each region having specified cash family incomes is shown in table 10.

TABLE 10.—Percentage distribution of 1947 and 1948 new operating loan borrowers, by size of cash family incomes before acceptance, Farmers Home Administration

Income group	United States	East	Midwest	South	West	Puerto Rico
Under \$349.....	4	1	3	5	1	19
\$350 to \$649.....	13	1	6	17	3	40
\$650 to \$999.....	18	4	10	22	7	19
\$1,000 to \$1,499.....	24	17	28	26	13	15
\$1,500 and over.....	41	77	53	30	76	7
Total.....	100	100	100	100	100	100

Source: Release No. 4, 1948 Operating Loan Family Status Report, Budget Division, Farmers Home Administration, Nov. 2, 1949.

Occupational and age groups aided.—The occupation and age of 38,354 borrowers leaving the program in the 1950 crop year are shown in table 11. Of these, 83 percent were farming before receiving their first operating loan. Most of the remaining 17 percent were World War II veterans, who normally would already have been established in farming or in other occupations. Nearly 40 percent of these farmers were full or part owners before receiving FHA assistance, and 43 percent were tenants and sharecroppers. Sharecroppers were distinguished from other tenants only in the South. In the South, 10 percent of the families aided were sharecroppers in the year immediately before acceptance.

Many of the borrowers leaving the program had been farming for several years before their acceptance. Nearly half were under 40 years of age. Only 18 percent were under 30, and many of these were veterans of World War II.

TABLE 11.—Tenure and age (before acceptance) of Farmers Home Administration operating loan borrowers leaving the program during the 1950 crop year

Tenure	United States	East	Midwest	South	West	Puerto Rico
Number leaving.....	38,354	1,191	7,848	25,481	2,633	1,201
	Percent					
Owners.....	33.0	50.7	15.6	35.0	34.0	83.7
Part owners.....	6.2	5.8	4.4	6.5	10.9	1.7
Tenants.....	36.5	28.4	38.0	38.0	30.9	14.6
Sharecroppers.....	6.9	-----	-----	10.4	-----	-----
Not farming.....	17.4	15.1	42.0	10.1	24.2	-----
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
	Age before acceptance					
Under 25.....	4.9	4.5	7.1	4.3	6.4	-----
25 to 29.....	13.4	11.3	18.9	12.1	13.8	4.2
30 to 39.....	29.8	32.7	35.8	27.8	31.3	26.1
40 to 49.....	24.0	22.3	21.7	24.5	25.0	28.6
50 to 59.....	17.2	18.3	10.6	19.3	15.4	20.7
60 and over.....	10.7	10.9	5.9	12.0	8.1	20.4
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

Source: Special tabulation prepared by Farmers Home Administration.

Effectiveness in increasing productivity of borrowers.—Available evidence shows that many of the operating loan borrowers are making good progress increasing their incomes and improving their financial status. Tables 12 and 13 present a comparison of the year before acceptance status of borrowers entering the program in 1947 and 1948 with the last full year's active status of borrowers paying up in 1948. The time periods involved are such that prices during the two are fairly comparable. In the United States as a whole, the new borrower's cash family income before acceptance averaged \$1,536; that of those leaving the program during their last active year was \$2,804. Value of total property, farm operating capital, and net worth of the latter were likewise substantially larger. Cash family incomes were under \$1,500 for 59 percent and 30 percent of the two groups of borrowers, respectively. They were above \$2,500 for 14 percent and 43 percent of the two groups of borrowers, respectively.

TABLE 12.—Percentage of borrowers having specified cash income, working capital, and net worth at time of acceptance and when paying up in 1947-48

Item	New borrowers 1947 and 1948 ¹	Borrowers paying up in 1948	Item	New borrowers 1947 and 1948 ¹	Borrowers paying up in 1948
Cash family income:			Net worth:		
Under \$650.....	17	4	Under \$650.....	22	4
\$650 to \$1,499.....	42	26	\$650 to \$1,499.....	24	16
\$1,500 to \$2,499.....	27	27	\$1,500 to \$2,499.....	21	20
\$2,500 and over.....	14	43	\$2,500 to \$3,999.....	16	21
Total.....	100	100	\$4,000 and over.....	17	39
			Total.....	100	100
Working capital:					
Under \$650.....	39	17			
\$650 to \$1,499.....	28	27			
\$1,500 to \$2,499.....	16	20			
\$2,500 and over.....	17	36			
Total.....	100	100			

¹ Financial data in this column refer to borrowers' status when applying for loan.

Source: Special tabulation by Farmers Home Administration.

TABLE 13.—Average income and financial status, 1947 and 1948, new borrowers and borrowers paying up in 1948, production and subsistence loan program, Farmers Home Administration

	New borrowers, 1947 and 1948 ¹	Borrowers paying up in 1948		New borrowers, 1947 and 1948 ¹	Borrowers paying up in 1948
United States:			South:		
Total owned.....	\$3,397	\$5,251	Total owned.....	\$2,716	\$4,016
Total owed.....	1,045	1,096	Total owed.....	707	858
Net worth.....	2,352	4,155	Net worth.....	2,009	3,158
Working capital.....	1,433	2,650	Working capital.....	1,120	1,742
Cash family income.....	1,536	2,804	Cash family income.....	1,282	2,124
East:			West:		
Total owned.....	6,854	11,112	Total owned.....	6,974	10,771
Total owed.....	2,341	2,581	Total owed.....	2,524	2,317
Net worth.....	4,513	8,531	Net worth.....	4,450	8,454
Working capital.....	2,895	5,971	Working capital.....	2,793	5,355
Cash family income.....	3,456	7,277	Cash family income.....	2,483	5,453
Midwest:			Puerto Rico office:		
Total owned.....	3,684	7,568	Total owned.....	1,692	1,625
Total owed.....	1,387	1,514	Total owed.....	177	121
Net worth.....	2,297	6,054	Net worth.....	1,515	1,504
Working capital.....	1,712	4,659	Working capital.....	651	692
Cash family income.....	1,711	3,979	Cash family income.....	847	918

¹ Financial data in this column refer to borrowers' status when applying for loan.

Source: Special tabulation by Farmers Home Administration.

The Farmers Home Administration is attempting to help its operating loan borrowers firmly establish themselves as renters or owner-operators of family-size farms by (1) increasing their operating capital and scale of operations and (2) encouraging their selection and establishment of farm enterprises that will help round out a full year's employment and make more stable farming systems. In the South, it is placing much emphasis upon increased livestock production. Nearly a fourth of the operating loan borrowers in the South will have livestock and livestock product sales in 1950 in excess of \$1,200; 19 percent anticipate sales ranging between \$600 and \$1,200; and 20 percent report that they will have sales ranging between \$250 and \$600 (table 14). The introduction of forage crops and livestock enterprises on farms in the South is often accompanied by an increase in size of farms and more effective use of land already available.

TABLE 14.—Percentage of Farmers Home Administration borrowers in the South having specified livestock and livestock product sales in 1950

Item	Operating loan borrowers (number)	Ownership loan borrowers (number)
Number in sample.....	10,545	4,245
	Percent	
Livestock and livestock product sales:		
\$0.....	11.3	9.5
\$1 to \$249.....	27.0	18.7
\$250 to \$599.....	19.9	21.2
\$600 to \$1,199.....	18.8	19.6
\$1,200 and over.....	23.0	31.0
Total.....	100.0	100.0

Source: Special tabulation of data from 1950 farm plans.

Factors limiting effectiveness of operating loan program.—Operating loan borrowers face most of the obstacles to increasing economic efficiency that are common to other farmers besides some that are peculiar to low-income farmers. They lack training and experience with new farming enterprises even more than other farmers and are limited in managerial experience. This limits their progress even though credit and good supervisory assistance are provided. Furthermore, in many localities new market outlets and facilities must be provided before much progress in farm adjustments can be made. Progress in increasing size of farms is greatly limited unless families obtain nonfarm employment. Furthermore, the fact that many of the borrowers are tenants has kept them from making badly needed farming adjustments of kinds that require large long-term investments in land and buildings.

Within the operating loan program itself, the statutory limit of \$3,500 on size of loans has limited its effectiveness in helping many borrowers make badly needed adjustments. Successful conversion to grade A dairying on a cotton-type farm, for example, requires a minimum new investment of \$4,000 to \$5,000 in cows and equipment besides investments in buildings, fences, and pasture improvements. Many farmers who are unable to secure enough credit from regular sources to make this conversion have enough funds of their own to make the adjustment with additional credit of \$3,500.

Many farmers in the South are accustomed to financing themselves under their present farming systems. They know that the poorer sharecroppers and tenants are eligible for adjustment loans to help them substantially improve their farming system. They often do not realize that they are equally eligible for adjustment loans from FHA if they cannot get the needed credit elsewhere to make the shift to livestock.

Efforts to reach as many loan applicants as possible with limited funds greatly reduces the effectiveness of a supervised credit program in increasing the productivity and income of the families aided. Where enough resources cannot be obtained for reasonably efficient farming operations, families often could be helped more by encouraging them to take other jobs, especially when there are good employment opportunities.

The program's main emphasis has been upon helping families to become successfully established in farming. In the past, under authority which the FHA no longer has, instructions were issued to help families find additional employment. FSA instruction 731.1 issued under the Farm Security Administration states:

It is the primary purpose of the rural rehabilitation program, through financed and supervised farm and home plans, to secure maximum employment of low-income farm families in the production necessary to the war effort. This will be accomplished by the development of enterprises on farm units which will employ the principal portion of family labor in the production of food, fibers, and other farm products needed in the war program. If limited farm resources prevent full-time employment of family labor (and additional resources cannot be obtained from an enlarged family enterprise) the surplus manpower should be used to supplement the agricultural and industrial labor needs of the community.

At about the time these instructions were issued, the Farm Security Administration reported that 52 percent of the farms of all rehabilitation loan borrowers in the United States failed to "constitute minimum

effective employment opportunities." Comparable information with regard to present borrowers is not available. However, size of farms and other characteristics of the operations of present borrowers indicate that many now operate farms too small or too poorly equipped to provide effective employment opportunities, although the percentage is lower than in 1942.

If the program is to be of most help to the families themselves and make its largest contribution to increasing national production, even greater emphasis must be placed on providing full and efficient employment opportunities. Otherwise the families would be aided more by assistance for moving into other employment. Loans at least twice as large as are possible under present legislation will often be needed. (H. R. 7268, which passed the House of Representatives, 81st Cong., 2d sess., raises the limit on an individual production loan from the present limit of \$3,500 to \$7,000.)

Farm-ownership-loan program

Up to March 31, 1950, the Farmers Home Administration and its predecessor, the FSA, had made farm-ownership loans to 69,695 families. Of this number, 38 percent had paid up in full.

Until recently, the ownership-loan program was mainly a tenant-purchase program—to enable tenants, sharecroppers, and other nonfarm owners to purchase family-size farms with needed buildings and land improvements. Some of the tenants have been able to increase the size of their farms (table 15), or to operate better farms than they otherwise could. Others, with increased security of tenure, have made badly needed long-term investments in buildings and land improvements that have helped them increase their labor productivity and incomes. In the South, for example, largely as a consequence of ownership, nearly a third of the ownership borrowers now have livestock as a major source of cash income, reporting cash income in 1950 from this source in excess of \$1,200; 41 percent will have receipts from livestock and livestock products ranging from \$250 to \$1,199—receipts large enough to meet their annual ownership payments (table 14).

TABLE 15.—Acres operated by Farmers Home Administration ownership borrowers in year before acceptance and in 1949

Areas	Acres operated by borrowers coming on program in—			
	1939		1944	
	Year before acceptance	1949	Year before acceptance	1949
United States.....	120	134	120	124
East.....	133	137	132	136
Midwest.....	184	169	196	191
South.....	113	132	98	104
West.....	105	108	173	175
Puerto Rico.....	22	49	17	39

¹ Shows average number acres operated during the year before acceptance and the 1949 crop year by the farm-ownership borrowers active Mar. 31, 1950, who came on the program during the 1939 and 1944 calendar years.

The change to livestock farming often associated with becoming an owner is the most important economic effect of the change-in-tenure status. Studies of tenant-purchase families in four Georgia Piedmont counties show, without exception, that tenant-purchase families who have made a conversion from the usual cotton-type to livestock or combination cotton-livestock systems have substantially increased their labor productivity and incomes as a result. These are adjustments that are difficult and less frequently made by farmers while operating as tenants. In these Georgia counties, families who as tenant-purchase owners have continued their old patterns of farming have not only failed to increase their productivity and incomes, but many, except for the very favorable price conditions, would have difficulty holding their farms.

The tenant-purchase program has been successful in terms of rate of gain in net worth of borrowers and debt repayments. At the end of the 1948 crop year the average family had been on the program 5.1 years and had increased in net worth from an average of \$2,058 to \$6,839 (table 16). The average borrower was operating 143 acres with 78 acres of cropland.

TABLE 16.—Average size of farm, value of chattel inventory and net worth of Farmers Home Administration farm-ownership-loan borrowers, 1944-48

Crop year	Size of farm ¹		Chattel inventory end of year	Net worth	
	Acres in farm	Acres in crops		End of year	Year before acceptance on program
1944.....	148	84	(?)	\$4,960	(?)
1945.....	146	82	\$3,301	5,393	\$1,819
1946.....	148	83	3,605	6,010	(?)
1947.....	141	79	3,814	6,220	(?)
1948.....	143	78	4,390	6,839	2,058

¹ Includes acres rented if any.

² Data not available.

Source: Annual status report sample of farm-ownership-loan borrowers.

Statutory requirements that size of loans be geared closely to average local farm values during the early years of the program, however, militated against development of farming programs capable of providing highly effective employment opportunities. This was particularly true in areas where the average size of farm was heavily weighted with small inadequate farming units. This was corrected with passage of the Farmers Home Administration Act of 1946. Under the present statute only efficient family-type farms are considered in arriving at county loan limitations.

With passage of the Farmers Home Administration Act of 1946, the Farmers Home Administration was authorized to make, in addition to tenant-purchase loans, loans to owners to enlarge their farms to efficient family-size units or to make needed land and building improvements if their farms were already large enough. This was a program to help small owners increase their productivity and incomes.

The major emphasis has continued upon the tenant-purchase program, however. In 1950 only 462, or 12 percent, of the real-estate loans closed were for farm enlargement and 35 percent were for farm

improvements. In the months and years immediately ahead, farm enlargement and development or improvement loans might well utilize most of the real-estate-loan funds available, with a major emphasis, at least in the South, upon pasture and other land development rather than "general" building improvements.

It has been a basic policy to include in the initial farm enlargement and development loans enough funds to bring the houses and other farm buildings up to a reasonably adequate minimum for the area. There is a need for a considerable expansion in the farm enlargement and development program, and ordinarily improvements in rural living, including good housing, should be kept as the major goal of increasing productivity. In the face of critical building-material shortages, credit restrictions on housing, and other anti-inflationary measures, however, it may be desirable to relax the housing requirements, deferring loans for housing associated with the farm enlargement and development program. In doing this, the goal of improved rural living, including good housing, would not be abandoned. However, increasing productivity is so essential to improved living standards, as well as to defense efforts, that all available opportunities to enlarge and improve inadequate farms should be exploited, even if immediate improvements in housing cannot be made.

Our Federal program of integrated educational and financial assistance is demonstrating the wisdom of the Nation's faith in its disadvantaged rural people. The program is also an outstanding experiment in the field of agricultural credit. Some of its features have been adopted by progressive commercial farm-credit agencies, and the experiment is worthy of careful study and consideration by other farm-credit agencies. It is a challenge to reexamine carefully our usual notions of what constitute sound farm-credit policies. The Farmers Home Administration, as well as other Federal agencies including the other credit agencies, of course, needs to keep its program closely oriented to current farm adjustment and employment opportunities rather than to the conditions and philosophies of a depression economy.

FARM CREDIT ADMINISTRATION AND UNDEREMPLOYED FARMERS

Through creating and sponsoring the various agencies composing the Farm Credit Administration, the Federal Government has assisted in organizing large and stable credit facilities for agricultural needs, freeing farms from sole dependence upon local and often unstable sources of credit funds. Under this credit system, two kinds of credit are now available to individual farmers, besides credit to farmer cooperatives. One is long-term farm-mortgage credit available from the Federal land banks through local farm-loan associations. The other is short-term production credit extended by production credit associations under supervision of the production credit corporations.

Neither of these credit systems was created to serve farmers in particular income groups. Both were organized as cooperative credit systems, initially using Government capital but with the plan that they would eventually be fully farmer-owned cooperatives. To reach this objective and to place these institutions in a position to continue as a strong, stable source of credit under adverse economic

conditions, the Farm Credit Administration strongly emphasizes very conservative credit practices.

The number of real-estate and production loans made in recent years is shown in table 17.

TABLE 17.—*Loans made by Federal land banks and production credit corporations, 1933-49*

Kind of loan	Loans made May 1, 1933, through June 30, 1949	Loans outstanding June 30, 1949	Loans closed during year ending June 30, 1949	
			Number	Amount
Federal land bank loans.....	572, 286	303, 567	35, 186	\$163, 696, 466
Production credit corporations loans.....	3, 616, 183	252, 458	283, 363	956, 367, 720

Source: Annual report of the Farm Credit Administration, 1948-49.

Land-bank loans to underemployed farmers

Federal land-bank loans are made repayable over periods ordinarily up to 34 years. They bear interest at 4 percent at present, except in the Columbia and Springfield Federal land-bank districts, where the rate is 4½ percent.

These loans are made to farmers in amounts up to 65 percent of the normal agricultural value of the farm real estate given as first-mortgage security for the loan. The normal agricultural value is defined—

as the amount a typical purchaser would, under usual conditions, be willing to pay and be justified in paying for the property for customary agricultural uses, including farm home advantages, with the expectation of receiving normal net earnings from the farm.

For the farms appraised that were purchased during the 1948-49 fiscal year, the normal value as defined—

was only 61 percent of the average sale price of those particular farms¹—

meaning that the maximum loan possible under the 65 percent of normal value limit was on the average slightly less than 40 percent of current market values.

A relatively small percentage of the Federal land-bank loans, even in areas with a large proportion of small-scale farms, are loans to low-income farmers (table 18). This results, in part, from legal restrictions, such as the limit of 65 percent of the normal agricultural value of the farm just mentioned. It results also from the necessity of attempting to keep loan losses within the capacity of the system's earnings. Studies of past lending experiences show that most losses have been sustained on farms of low productivity; however, many of these losses could have been avoided by the use of enough credit and resources to establish efficient farming businesses. Many of the low-income farmers are unaware of their production potentialities, which factor contributes both to their limited requests for credit and to the land bank's inability to serve many of the requests that are made. They seldom use farm mortgage credit except to refinance other debts (table 19). Expanded educational work with such farmers undoubtedly would open the way to financing many additional improvement programs.

¹ Annual Report of the Farm Credit Administration, 1948-49.

The Federal land banks, of course, extend only farm mortgage credit, and thus have no facilities to aid low-income farmers who operate as tenants. Except to refinance existing debts they also are unable to aid owners who already have mortgage debt up to 65 percent of the normal value (about 40 percent of present market values) of the land that they could give as a security.

TABLE 18.—Summary of information on 400 most recent Federal land bank loans made by farm loan associations selected in areas where more than half of all farmers reported value of products under \$1,500 in 1944.

Item	Land bank district			
	Colum- bia	New Orleans	Louis- ville	St. Paul
Number of farms in sample.....	100	100	100	100
Number of farms by size of normal net returns:				
Under \$300.....	21	34	1	2
\$300 to \$599.....	44	44	26	30
\$600 to \$999.....	22	7	43	54
\$1,000 and over.....	13	15	30	14
Total.....	100	100	100	100
Number of farms by acres in security:				
Under 25.....	5	1		
25 to 44.....	16	5	3	2
45 to 64.....	23	16	8	3
65 to 94.....	21	24	17	21
95 to 134.....	21	18	21	34
135 to 174.....	4	14	12	20
175 and over.....	10	22	39	20
Total.....	100	100	100	100
Number of farms by net worth of borrower:				
Under \$2,500.....	2	4	1	
\$2,500 to \$4,999.....	15	27	1	1
\$5,000 to \$7,499.....	28	18	6	5
\$7,500 to \$9,999.....	15	9	14	16
\$10,000 to \$14,999.....	14	14	17	36
\$15,000 and over.....	26	28	61	42
Total.....	100	100	100	100
Number of borrowers with net worth under \$5,000 having farm with net returns under \$600.....	16	31	2	1
Farms with fewer than 95 acres.....	15	21	2	
Farms having both net returns under \$600 and fewer than 95 acres.....	14	21	2	

TABLE 19.—Size of loans and loan purposes, Federal land bank loans to small-scale low-income farmers¹ in four Federal land bank districts²

Number of loans.....	37
Average size of loans.....	\$871
Loan purpose:	Percent
Refinance debt.....	48
Buy real estate.....	11
Repairs and improvements.....	24
Buy machinery and livestock.....	4
Other purposes.....	13
Number buying additional land.....	0
Number tenants using loan to become owners.....	0

¹ Farmers with net worth under \$5,000 having farms with fewer than 95 acres and "normal" annual net earning capacities under \$600.

² From sample of 400 most recent loans in the National Farm Loan Association selected (see table 17).

Production credit loans to underemployed farmers

The production loans are made to help farmers finance annual operating expenses, the purchase of livestock and machinery or for other uses for which they need only short-term credit. These loans are usually made repayable within 1 year. Where made for the purchase of machinery, breeding stock, or other longer-term capital uses, they are often made with the understanding that if the credit factors remain sound at the end of the year, unpaid balances within reasonable amounts may be renewed for another year. The production loans bear interest at 5 to 6 percent and most associations charge loan service fees. The loans made are submitted to the Federal intermediate credit bank of the district for rediscount.

The production credit associations, from the time they were created in 1933 to June 30, 1949, made 3,616,183 loans amounting to \$7,007,096,482 or an average of \$1,938 per loan made (table 17). On June 30, 1949, they had outstanding 252,458 loans amounting to \$528,026,386 or an average of \$2,092 per loan. Of the total loans made during the 12 months ending June 30, 1950, 26.5 percent were in amounts of \$500 or less (table 20). In the New Orleans and Columbia districts, where low-income farmers compose large proportion of all farmers, 53 percent and 41 percent of the loans, respectively, were in amounts of \$500 or less. The median size of loan in the United States was \$1,221, the median ranging from \$3,868 in the Berkeley, Calif., district to \$473 in the New Orleans area.

TABLE 20.—*Size of Production Credit Association loans paid or renewed during 12 months ending June 30, 1950*

District	Total number of loans paid or renewed	Number of loans on which the amount of advances (including any renewal balance which was a part or all of the first advance) totaled—						Median size of loans	
		\$500 or less	\$501 to \$1,000	\$1,001 to \$2,000	\$2,001 to \$5,000	\$5,001 to \$10,000	\$10,001 to \$50,000		Over \$50,000
Springfield.....	19,041	2,723	2,971	4,576	5,947	2,026	783	15	1,836
Baltimore.....	17,472	4,871	3,411	3,780	3,616	1,149	563	82	1,120
Columbia.....	52,821	21,612	14,417	9,092	5,611	1,360	694	35	666
Louisville.....	40,591	9,016	9,264	9,920	9,208	2,345	782	56	1,203
New Orleans.....	33,438	17,683	6,676	3,756	2,872	1,283	1,074	94	473
St. Louis.....	32,422	7,841	6,270	6,348	7,093	3,085	1,678	107	1,331
St. Paul.....	23,127	3,317	3,706	5,893	7,627	1,956	603	25	1,771
Omaha.....	9,501	652	800	1,399	3,081	1,948	1,434	187	3,850
Wichita.....	12,714	1,549	1,529	2,206	3,577	1,993	1,651	209	2,900
Houston.....	21,349	3,941	3,105	4,154	5,367	2,554	1,987	241	1,873
Berkeley.....	7,964	629	785	1,261	2,099	1,339	1,599	252	3,868
Spokane.....	11,590	947	1,294	2,025	3,409	2,030	1,677	208	3,346
Total.....	282,030	74,781	54,228	54,410	59,507	23,068	14,525	1,511	1,221

Source: Tabulation prepared by Farm-Credit Administration.

The foregoing figures indicate that the production credit associations serve a large number of farmers who, if they are not small-scale operators, at least use comparatively small amounts of credit. The system was designed as a source of business-type production credit. Any farmer, large or small, who has an acceptable basis for credit is eligible for loans. Many low-income farmers are eligible for small loans. For efficient farming practices however, they often need more resources than they are now able to finance.

PRICE SUPPORT PROGRAMS AND RURAL UNDEREMPLOYMENT

Price support programs embracing acreage allotments, marketing quotas, and various surplus-disposal operations have been the most prominent and widely publicized feature of American agricultural policy since passage of the Agricultural Adjustment Act of 1933. History of the origin of these programs and of their subsequent development is generally well known. They were initiated to aid commercial agriculture as a whole rather than for specific income groups of farmers.

Critics early pointed out that price-support programs could be of little benefit to farmers with little to sell, and thus of little aid to the Nation's low-income farmers. Furthermore, by drastic reductions in labor intensive crops like cotton and tobacco, when there were no better employment alternatives, the programs at first accentuated the problem of rural underemployment.

While the early processes of adjustments were painful to many disadvantaged rural families, the people released from agriculture were later more easily mobilized for wartime industrial production. This turned out to their ultimate advantage. Meantime, those who remained in farming were better able to make needed adjustments more closely geared to war and long-time demands.

For purposes of this study, price-support programs for tobacco and cotton are briefly examined. These two commodities, more than any other major farm products, have been closely associated with both large-scale underemployment and widespread rural poverty.

Tobacco-price-support program

Whatever its faults or merits, the tobacco price support and acreage allotment program is in large part a program for small-scale farmers. Under this program, 564,554 farm allotments were established for 1950. These were for a total of 1,473,532 acres, or only 2.6 acres per farm. Accounting for multiple-family farms, the allotments averaged only about 2 acres per family.

In the case of burley tobacco, 194,223 of the 294,851 allotments were in amounts of 0.9 acre or less, with these farms accounting for nearly 40 percent of the total acreage (table 21). Under existing legislation, burley allotments of 0.9 acre or less cannot be reduced regardless of the reduction required of other growers. In the case of flue-cured tobacco, allotments in 1950 averaged 5.7 acres per farm. Data showing a breakdown of these in 1950 by size of allotment are shown in table 22 for North Carolina. There, 31 percent of the allotments were 2.5 acres or less; 37 percent were for 2.6 to 5 acres; and the other 32 percent were for more than 5 acres. Most of these larger allotments were to multiple-family farms. The only available breakdown by acreages for the Nation as a whole is that shown in table 23 for 1944.

TABLE 21.—Number of allotments and acreages of burley tobacco and allotments of 0.9 acre or less, by States, 1950

State	Farms having allotments	Total acreage allotted	Average allotment per farm	Farms with allotments of 0.9 acre or less	Acreage allotted to farms with 0.9 acre or less
Indiana.....	9,676	10,739	1.1	6,437	4,795
Kentucky.....	147,064	273,215	1.9	77,422	57,095
Missouri.....	2,192	4,826	2.2	968	710
North Carolina.....	16,453	12,480	.8	14,973	9,371
Ohio.....	11,101	13,870	1.2	7,037	5,230
Tennessee.....	87,791	84,062	1.0	70,751	50,675
Virginia.....	15,901	14,074	.9	12,882	9,218
West Virginia.....	4,141	3,845	.9	3,370	2,590
Other States.....	527	619	1.2	383	253
Total.....	294,851	417,730	1.4	194,223	139,967

Source: Data furnished by Production and Marketing Administration.

TABLE 22.—Number and percentage of allotments by size of allotment, flue-cured tobacco, North Carolina, 1950

Acres in allotment	Number	Percent	Acres in allotment	Number	Percent
0.1 to 0.4.....	4,184	3.4	4.0 to 4.9.....	17,103	14.0
0.5 to 0.9.....	6,275	5.2	5.0 to 9.9.....	26,029	21.4
1.0 to 1.4.....	6,036	5.0	10.9 to 14.0.....	6,778	5.6
1.5 to 1.9.....	11,328	9.3	15.0 to 19.9.....	2,430	2.0
2.0 to 2.4.....	10,332	8.5	20.0 and over.....	3,289	2.7
2.5 to 2.9.....	8,822	7.2	Total.....	121,764	100.0
3.0 to 3.9.....	19,158	15.7			

Source: Special tabulation by Production and Marketing Administration.

TABLE 23.—Number of tobacco allotments and acreage by size of allotments, burley and flue-cured tobacco programs, 1944

Acres in allotment	Burley		Flue-cured	
	Number of allotments	Number of acres	Number of allotments	Number of acres
0.5 or less.....	8,881	3,340.3	3,460	1,545.2
0.6 to 1.0.....	93,626	72,933.3	8,061	7,041.1
1.1 to 1.5.....	45,592	57,332.9	13,923	18,219.7
1.6 to 2.0.....	28,710	50,946.4	15,118	27,795.0
2.1 to 2.5.....	15,472	36,423.6	11,295	26,912.7
2.6 to 3.0.....	13,169	36,922.8	13,800	39,352.5
3.1 to 3.5.....	8,111	26,369.5	11,165	36,379.4
3.6 to 4.0.....	5,772	21,806.6	10,643	40,146.5
4.1 to 5.0.....	11,577	51,861.7	33,631	152,154.6
5.1 to 7.5.....	10,889	66,650.5	33,056	200,981.5
7.6 to 10.0.....	4,491	38,761.7	14,704	127,002.0
10.1 and over.....	5,779	105,191.9	21,482	417,653.3
Total.....	252,069	568,541.2	190,338	1,095,183.5

Source: Special report prepared by Agricultural Adjustment Agency, U. S. Department of Agriculture, April 1944.

It has not been possible within the scope of this study to measure the effects of the tobacco program upon incomes of present tobacco farmers. Both critics and supporters of the program, in general, agree that it has substantially increased tobacco income. Indeed, the major criticism of the tobacco program has been that by its very effectiveness in aiding present tobacco growers, it has hindered badly

needed resource use adjustments, both within agriculture and between agriculture and the nonfarm economy. The major charges of the program's critics are about as follows:

(1) That by freezing production to present farms and producing areas, the program hinders shifts in tobacco to more efficient farms and more efficient producing areas.

(2) That by artificially supporting income the program is keeping in agriculture many people whose most productive alternative is in nonfarm jobs.

If these charges are true, the tobacco program might itself be a major contributor to wasted manpower resource. Validity of these charges and their practical importance, however, is not easily determinable. Many believe that the increased incomes have at least helped tobacco farmers to make badly needed farming improvements. That they have made farm life so attractive that many who would otherwise leave are remaining on farms is dubious.

The smaller acreages per farm in consequence of the acreage-control features of the program could easily have the opposite effect, providing employment opportunities for fewer families (especially tenant and cropper families) but higher incomes for those who stay. The general trend during recent years has been to split up the tobacco acreage among increased numbers of farmers. Burley allotments increased from 252,069 in 1944 to 294,851 in 1950, the acreage meantime decreasing from 588,833 to 417,730 acres (table 24). Flue-cured allotments in the same period increased from 190,338 to 208,975, with acreage decreasing from 1,095,127 to 968,393. With the high support prices there are ever insistent demands for allotments by "new" tobacco farms, including farmers in areas where little tobacco was previously grown.

TABLE 24.—Number of allotments and acreages of tobacco, by types, 1940-50

Year	Flue-cured		Burley		Fire-cured		Dark air-cured	
	Allotments	Acres	Allotments	Acres	Allotments	Acres	Allotments	Acres
1940.....	(1)	758,210	(1)	374,605	(2)	(2)	(2)	(2)
1941.....	(1)	761,659	(1)	374,285	(1)	84,317	(1)	35,809
1942.....	(1)	841,222	(1)	378,720	(1)	80,935	(1)	35,781
1943.....	(1)	895,462	(1)	470,533	(1)	88,682	(1)	39,263
1944.....	190,338	1,095,127	252,069	588,833	(2)	(2)	(2)	(2)
1945.....	(1)	1,118,488	(1)	608,899	(2)	(2)	(2)	(2)
1946.....	(1)	1,257,225	(1)	557,335	(1)	117,614	(1)	47,908
1947.....	204,147	1,246,765	276,218	468,641	31,217	116,116	27,265	43,739
1948.....	204,281	908,000	280,989	463,192	29,048	77,342	26,115	33,443
1949.....	206,896	959,463	289,850	468,338	29,016	65,557	26,891	30,377
1950.....	208,975	968,393	294,851	417,730	29,193	56,708	27,086	26,353

¹ Data not available.

² Marketing quotas not in effect.

Source: Data furnished by Production and Marketing Administration.

This splitting up production may be undesirable from an efficiency standpoint. But in any event, it has had the effect of helping to keep the tobacco-price-support program one primarily for small-scale farmers.

In dividing opportunities to produce tobacco and thus total tobacco income, small farmers are given a relatively greater advantage than they would probably have in a free market economy.

Cotton-price-support program

Much that applies to the tobacco-price-support program applies to cotton, but perhaps to a lesser degree. Many of the Nation's cotton producers are small-scale farmers (table 25). While cotton acreages by themselves are not wholly adequate as a measure of size of farms, they are a fair measure on cotton-type farms. According to the 1945 census, 17 percent of cotton farmers had 5 acres of cotton or less; 32 percent had 5 to 9 acres; and 22 percent had 10 to 14 acres (table 26). On typical cotton-type farms farmers with fewer than 15 acres had a total value of farm products of less than \$1,500 in 1945. Of farmers reporting cotton in 1945, 71.5 percent reported fewer than 15 acres, and accounted for 39 percent of the total production.

Since the first enactment of cotton-price-support legislation, both Congress and the Administration have been faced continuously with pleas that the program be better adapted to the needs of small farmers. History of the legislation and of its administration reveals that to a considerable degree Congress has been responsive to these pleas.

TABLE 25.—*Number of farms reporting cotton by acreage grown and by value of farm products sold or used by farm households*

Acres of cotton	Number of farms reporting with a value of farm products sold or used by farm households				
	Under \$400	\$400 to \$1,499	\$1,500 to \$2,499	\$2,500 and over	Total
Under 5 acres.....	30,762	119,987	30,575	27,030	208,354
5 to 9 acres.....	17,061	265,143	70,861	39,854	392,919
10 to 14 acres.....	3,961	145,720	87,846	30,971	268,498
15 to 19 acres.....	746	38,976	55,903	26,154	121,779
20 to 29 acres.....	419	21,414	37,144	42,512	101,489
30 acres and over.....	55	8,898	21,653	93,902	124,508
Total.....	53,004	600,138	303,982	260,423	1,217,547

Source: National Cotton Council of America, Cotton Farms Classified by Acreage Harvested (special tabulation of 1945 census).

TABLE 26.—*Number of cotton producers, and acreage and production of cotton on farms classified by size of cotton acreage*

Acres of cotton	Farms reporting		Acres		Bales	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	208,354	17.1	627,054	3.3	475,157	4.0
5 to 9.....	392,919	32.3	2,658,289	14.0	1,911,511	16.1
10 to 14.....	268,498	22.1	3,047,558	16.1	2,198,558	18.6
15 to 19.....	121,779	10.0	1,974,959	10.4	1,345,469	11.4
20 to 29.....	101,489	8.3	2,294,572	12.1	1,436,644	12.1
30 to 49.....	64,419	5.3	2,340,281	12.3	1,248,672	10.5
50 to 99.....	41,782	3.4	2,737,903	14.4	1,341,714	11.3
100 to 249.....	15,733	1.3	2,151,909	11.3	1,152,112	9.7
250 and over.....	2,574	.2	1,129,366	6.0	728,514	6.2
Total.....	1,217,547	100.0	18,961,891	100.0	11,838,351	100.0

Source: National Cotton Council of America, Cotton Farms Classified by Acreage Harvested (special tabulation of 1945 census).

As an example, Public Law 272, Eighty-first Congress, provides in subsection 344 (f) (1) that special consideration be given to small farms in establishing acreage allotments. It reads:

(f) The county acreage allotment, less not to exceed the percentage provided for in paragraph 3 of this subsection, shall be apportioned to farms on which cotton has been planted (or regarded as having been planted under the provisions of Public Law 12, Seventy-ninth Congress) in any one of the three years immediately preceding the year for which such allotment is determined on the following basis:

(1) There shall be allotted the smaller of the following:

(A) Five acres; or (B) the highest number of acres planted (or regarded as planted under Public Law 12, Seventy-ninth Congress) to cotton in any year of such three-year period.

The figures in columns (2) and (3) of table 27 show the number of farms affected by this minimum allotment provision—a total of 466,000. Subsection 344 (f) (3) of the act also gives special consideration to small farms in the apportionment of county committee reserve acreages set up to meet special needs. Not less than 20 percent of this reserve was to be used to adjust initial farm allotments of 15 acres or less. The county office instructions further emphasized that county committees give first consideration in making adjustments to farms in this size group even though it required more than 20 percent of the county reserves to do it. The Administration has been as generous to small farmers as it could reasonably have been in administering the acreage-allotment program.

TABLE 27.—Number of 1950 cotton allotments for old farms, by specified size groups ¹

State	Total number of allotments (1)	Farms with indicated allotments of—		
		Less than 5.0 acres (2)	Exactly 5.0 acres (3)	Above 5.0 acres (4)
Alabama.....	136,251	25,077	32,349	78,825
Arizona.....	3,607	186	128	3,293
Arkansas.....	94,127	16,122	19,868	58,137
California.....	9,684	543	734	8,407
Florida.....	8,329	3,788	3,239	1,302
Georgia.....	110,944	20,335	26,526	64,083
Illinois.....	700	276	244	180
Kansas.....	11		4	7
Kentucky.....	1,860	1,241	399	220
Louisiana.....	58,719	12,466	14,706	31,547
Mississippi.....	121,011	20,996	27,003	73,012
Missouri.....	17,710	1,664	2,891	13,155
Nevada.....	2			2
New Mexico.....	4,515	477	456	3,582
North Carolina.....	104,364	43,979	33,771	26,614
Oklahoma.....	80,495	8,448	18,159	53,888
South Carolina.....	88,442	18,545	19,300	50,597
Tennessee.....	68,020	16,433	18,975	32,612
Texas.....	233,196	19,218	29,918	184,060
Virginia.....	7,973	5,794	1,504	675
United States.....	1,149,960	215,588	250,174	684,198

¹ These are based on allotments established in fall of 1949 for 1950 and, therefore, do not reflect changes brought about by emergency legislation, Public Law 471, and changes due to reconstitution.

That the aggregate of cotton income is larger as a result of price supports is not easily established. But it does appear that the price-support program has enabled small cotton farmers to obtain a proportionately larger share of the total cotton income than they could have under purely competitive conditions. It has given them, in other words, a degree of staying power in competition with larger farmers that they would not otherwise have had. Those who regard "squeeze" methods as necessary to effect needed adjustments in the labor force between agriculture and industry regard this as a serious defect of the program. There is little to support the thesis, however, that people who leave farms leave mainly because they are no longer able to maintain accustomed living standards. A more reasonable explanation is that they leave when jobs can be found where they expect to earn incomes higher than they have ever earned or expect to earn on farms. The moderate increase in income which small-scale cotton and tobacco farmers have realized as a result of price-support programs has not materially improved their unfavorable income levels as compared with the yearly earnings of fully employed nonfarm workers.

By giving special advantages to small farmers the price-support program may work to the detriment of larger farmers. But to the extent that cotton-acreage restrictions stimulate shifts toward forage and livestock production the restrictions may have indirect beneficial effects. Many farmers, both large and small, whose cotton acreages have been sharply reduced have turned to forage crops and livestock, and have found these enterprises to be equally as profitable as cotton. More frequently, however, the smaller farmers are unable to finance these changes, thus have little alternative to cotton or subsistence farming.

The improved basis for credit to small farmers made possible by the assurance of price-support loans for both tobacco and cotton may be one of the more important benefits of the programs. The increased credit together with the increases in income which these small farmers realize as a result of the price-support program helps them introduce new enterprises to supplement their tobacco and cotton crops.

AGRICULTURAL CONSERVATION PAYMENTS AND UNDEREMPLOYED FARMERS

With the enactment of the Soil Conservation and Domestic Allotment Act, February 29, 1936, the Federal Government embarked upon a program of direct financial aid to farmers cooperating in a voluntary adjustment of their land and farming practices in line with the act's declared policy of soil conservation. While amended under the Agricultural Adjustment Act of 1938, direct financial assistance to farmers for soil-conservation purposes has continued to be an important aspect of the Nation's agricultural policy.

Since the inception of this program, both Congress and those charged with its administration have attempted to adapt it more closely to the needs of smaller farmers. Under the Agricultural Adjustment Act of 1938, amendments were made to give further assistance to tenants and to farmers receiving small payments. Pay-

ments amounting to less than \$200 were scaled upward according to a specified schedule. And, as a limitation to large payments, beginning in 1939, all individual payments were limited to \$10,000. Since then, other important adaptations have been made in the program, further limiting size of payments—to a maximum of \$500 in 1948, \$750 in 1949, and \$2,500 in 1950—and making other provisions believed to be favorable to the smaller farms. Recent innovations of this kind include the following:

1. *Conservation materials and services provision.*—Under this provision the Government's share of the conservation practices may be advanced.

(a) Purchase-order provisions: Under these, county committees may issue a purchase order for conservation materials or services, representing the Government's contribution to the costs of the conservation practices. With this, the farmer is required to advance payment, or arrange credit, for only the part of the costs not paid for by the agricultural conservation program assistance. This provision, of course, is of particular benefit to farmers having very limited funds to advance on conservation practices. It is of no help, however, to farmers having no funds of their own who are unable to arrange credit to pay for the part of conservation practice costs not covered by ACP payments.

(b) Where the purchase-order system is not practical, because of lack of private vendors or because of excess prices, the county may directly enter into contracts with the suppliers to furnish the needed materials. Under this, the committee collects the farmer's share of the cost prior to delivery.

2. *Assignments.*—The agricultural conservation program contains a provision by which a producer may assign his agricultural conservation program payment as security for the advance of funds for carrying out conservation practices. This, like the purchase-order provision, is of special benefit to farmers with limited funds.

In the 1950 National Agricultural Conservation Program Bulletin, regulations relating to the distribution of funds among States, counties, and farms are described as follows:

A. STATE FUNDS.—Funds available for conservation practices will be distributed among States on the basis of their conservation needs, but the proportion allocated to any State shall not be reduced more than 15 percent from its proportionate 1946 distribution.

B. CONTROL OF FUNDS.—Continental United States: The State committee will allocate the funds available for conservation practices among the counties within the State. The county committee, in accordance with the method approved by the State committee, will determine the amount of assistance to be made available to each farm, taking into consideration the county allocation and the conservation needs of the county and of the individual farms.

The scope of operations by the agricultural conservation program in 1949 is indicated in table 28. This is the most recent year for which data on the entire year of operations are available. In the Nation as a whole, 2,586,598 farmers, or 45 percent of all farmers, as defined for agricultural conservation program purposes, participated in the agricultural conservation program. Total financial assistance to these farmers amounted to about \$225,000,000.

TABLE 28.—Number and percentage of farms and percentage of farm land under the agricultural conservation program, major geographic areas, 1949

Region	Number of farms participating	Percent of all farms participating	Percent land on participating farms is of all farm land
North Atlantic.....	181, 196	55. 4	61. 9
North Central.....	1, 177, 359	49. 8	61. 5
South Atlantic.....	337, 168	45. 5	62. 3
South Central.....	682, 812	41. 5	54. 9
West.....	130, 023	28. 3	44. 9
Insular.....	28, 040	33. 8	75. 5
Total, United States.....	2, 586, 598	45. 1	55. 3

Source: Preliminary tabulation by Production and Marketing Administration.

Conservation of land resources, rather than assistance to farmers, represents the declared policy objectives of Federal aid for conservation. Nevertheless, the emphasis is upon aiding farmers to carry out practices they could not otherwise do. In line with these objectives, therefore, the 1949 program was so operated that the aid per acre of land in the United States as a whole averaged twice as large on farms with fewer than 60 acres of land as on farms with 100 acres or more (table 29). Payments ranged from an average of \$3.48 per acre of land on farms with fewer than 10 acres down to 1 cent per acre on farms or ranches having over 38,000 acres of land.

Assistance per farm was, of course, larger for the larger farms. It increased with size of farm from an average of \$19.18 for farms having 10 acres or less of land up to \$710.66 for farms with more than 38,000 acres. The maximum payment to any farmer was limited to \$750. Farms with 20.1 to 60 acres received payments averaging \$40 per farm, whereas those ranging from 60.1 to 100 acres received only \$54, or about \$14 more than farms averaging only half as large.

TABLE 29.—Estimated gross assistance per acre of farm land, by size of farms, agricultural conservation program, by major geographic areas, 1949

Size of farm (acres)	North Atlantic	North-Central	South Atlantic	South Central	West	Total
0.1 to 10.....	\$3. 65	\$2. 40	\$3. 42	\$3. 42	\$11. 33	\$3. 48
10.1 to 20.....	2. 09	1. 33	1. 81	1. 94	6. 30	2. 01
20.1 to 60.....	1. 32	. 79	1. 02	1. 10	3. 06	1. 07
60.1 to 100.....	. 96	. 60	. 74	. 80	1. 81	. 73
100.1 to 220.....	. 67	. 45	. 55	. 61	1. 11	. 53
220.1 to 420.....	. 48	. 34	. 45	. 51	. 66	. 42
420.1 to 860.....	. 37	. 24	. 39	. 43	. 37	. 32
860.1 to 1,700.....	. 28	. 19	. 32	. 33	. 24	. 25
1,700.1 to 4,700.....	. 12	. 12	. 17	. 19	. 13	. 14
4,700.1 to 8,100.....	. 08	. 07	. 09	. 11	. 08	. 09
8,100 to 38,000.....	. 01	. 02	. 03	. 03	. 02	. 03
Over 38,000.....	.....	. 01	. 01	. 01	. 01	. 01
All farms.....	. 63	. 33	. 43	. 39	. 15	. 33

Source: Preliminary tabulation by Production and Marketing Administration.

Present regulations applying to eligibility for payments lean heavily in favor of the operators of small-size farms. Where these farmers take advantage of the agricultural conservation program they receive a substantially larger amount of assistance relative to size of the conservation job to be done than do operators of larger farms. Furthermore, the operators of small farms often have lower out-of-pocket

costs for conservation than do operators of larger farms who depend heavily upon hired labor.

Recent data are not available showing the percentage of farmers participating in the agricultural conservation program by size of farms. Farms having 100 acres or less of land, however, accounted for 42 percent of all farms under the agricultural conservation program in 1949 (table 30), whereas in the 1945 census farms with less than 100 acres of land accounted for 58 percent of all census farms. These two sets of data are not wholly comparable. Still they suggest that the percentage of operators participating in the agricultural conservation program is appreciably less on small than on large farms. Earlier studies in selected areas revealed not only that fewer of the operators of small farms participate in the agricultural conservation program, but that when they do participate, they earn a relatively larger percentage of their payments with less expensive but not critically needed conservation practices.²

TABLE 30.—Number of farms by specified size groups participating in the agricultural conservation program, 1949

Size of farm (acres)	North Atlantic	North Central	South Atlantic	South Central	West	Insular	Total
0.1 to 10.....	3,392	6,369	14,428	14,045	4,145	11,688	54,067
10.1 to 20.....	5,883	14,387	22,048	25,007	5,564	5,928	78,817
20.1 to 60.....	28,774	116,537	102,761	147,969	16,918	6,409	419,368
60.1 to 100.....	41,279	253,493	82,824	148,198	14,900	1,505	542,289
100.1 to 220.....	73,006	491,374	102,541	207,333	22,987	1,436	898,677
220.1 to 420.....	23,469	194,885	38,950	81,384	17,184	583	356,455
420.1 to 860.....	4,707	70,841	15,922	36,348	17,750	314	145,882
860.1 to 1,700.....	570	21,239	5,033	12,823	14,175	89	53,929
1,700.1 to 4,700.....	108	6,856	1,917	6,688	10,058	44	25,671
4,700.1 to 8,100.....	6	876	347	1,339	2,197	10	4,775
8,100.1 to 38,000.....	2	452	311	1,370	2,130	22	4,287
Over 38,000.....		15	39	146	352	12	564
Total farms.....	181,196	1,177,324	387,121	682,650	128,450	28,040	2,584,731

Source: Preliminary tabulation by Production and Marketing Administration.

Even with the proportionately larger amount of assistance there still remain many obstacles to conservation on many of the Nation's small farms; obstacles which for the most part require remedial action outside the scope of the agricultural conservation program. Practices needed to conserve the soil, such as increased acreages of close-growing crops, can be profitably undertaken only if other major changes in methods and systems of farming are made. Even if initial costs of the conservation practices can be financed, the practices will lead to reduced incomes unless these farmers are also able to finance other changes needed to make conservation an integral part of their farming businesses. And, of course, there remains as one of the major consequences of widespread rural poverty, a general lack of appreciation of the need for conservation measures and of how they can be made an integral part of their farming operations.

Some of the Nation's worst conservation problems occur on the low-income farms. Indeed, depletion of soil resources often ranks as a leading factor accounting for low-income rural families and farms. While the agricultural conservation program is of assistance, a solution of these problems will require adjustments that are far more fundamental and far-reaching.

² W. E. Hendrix, W. T. Fullilove, and C. R. Sayre, Organizing and Operating Bullock County Farms to Meet War Needs, Georgia Experiment Station Bulletin 227, p. 25.

SOIL CONSERVATION SERVICE AND UNDEREMPLOYED FARMERS

Through the Soil Conservation Service, the Federal Government extends free technical assistance to farmers and ranchers to help them plan, apply, and maintain needed soil-conservation measures. This service is available in all locally farmer-organized and managed soil-conservation districts, which now number over 2,300 and embrace roughly 80 percent of the Nation's farm land. The only requirement for obtaining this technical assistance is that the farmer apply for it and that he agree to follow a conservation plan. The plan is developed jointly by the farmer and the conservation technician to meet minimum conservation standards, and to apply to the entire farm. The major policy objective of the soil-conservation program has been the safeguarding of the Nation's land resources, thus insuring our continuing capacity to produce the food and fiber needed by a growing population. The Chief of the Soil Conservation Service in his last annual report states:

The conservation of the land from which we live is one of the really urgent, basic problems of our time. * * * We must conserve our remaining supply of productive land while we use it. * * * The alternative is a falling standard of living, a declining civilization, hunger and famine.³

But while serving these general welfare objectives, the conservation program is also recognized as of benefit to farm people directly:

Soil conservation * * * is nothing less than using and treating each acre of land in such a way that it will produce maximum amounts of products of good quality while retaining or increasing its productive capacity * * *. We do not need to accept less, because we now know how to treat the land so that it will do this for us.⁴

The conservation plan for the farm includes the use of land according to its capabilities, use of the best varieties of plants, the most efficient machines, the right kinds and amounts of fertilizer and lime, and farming systems usually resulting in more grasses and legumes and more forage-consuming livestock.

Obviously, the need for increased conservation is not restricted to the Nation's low-income farmers. Indeed, from the standpoint of maintaining the Nation's food-producing capacity, the wastage of soil resources occurring on the Nation's best land in its highest farm-income areas is most serious. The program of the Soil Conservation Service extends to all parts of the Nation, however, with personnel allocated among the local soil-conservation districts about in proportion to their number of farms and acres of farm land.

The Soil Conservation Service had helped 873,181 farmers up to June 30, 1950 (table 31). Many of these were unquestionably low-income farmers. Indeed, 191,298 of them had farms that were under 50 acres in size. A total of 370,484—43 percent of all farmers assisted—had farms under 100 acres in size. In comparison, the 1945 census shows that 58 percent of all farms in the Nation were below that size. These percentages, however, are not wholly comparable. Many of the individual conservation plans, particularly in the South, are for units that the census defines as multiple-family farms, and which it therefore reports as two or more farms. Thus in terms of the census definition, the Soil Conservation Service is probably aiding more small farmers than its records indicate.

³ Report of the Chief of the Soil Conservation Service, 1949, p. 76.

⁴ *Ibid.*, p. 77.

TABLE 31.—*Approximate number of farms and ranches by size groups for which the Soil Conservation Service helped develop, apply, and maintain conservation plans as of June 30, 1950*

[By geographic regions of the United States]

Size group, acres	North-east	Southeast and Gulf South-west	Upper Missis-sippi	Great Plains and South-west	Pacific coast	Total	Total number of farms, 1945	Percent of total helped by Soil Con-servation Service
Under 30.....	7,840	75,573	1,730	4,428	1,548	91,119	1,538,316	5.9
30 to 49.....	8,553	80,671	5,186	4,081	1,688	100,179	1,707,544	14.2
50 to 99.....	18,532	133,305	22,474	11,851	3,024	189,186	1,157,744	16.3
100 to 179.....	22,096	127,776	52,788	30,080	8,438	241,178	1,200,850	20.1
180 to 259.....	7,840	45,842	23,974	12,517	5,555	95,728	493,149	19.4
260 to 499.....	4,989	37,218	8,298	30,146	8,298	88,949	473,923	18.8
500 and over.....	1,426	21,144	806	36,856	6,610	66,842	287,354	23.3
Total.....	71,276	521,529	115,256	129,959	35,161	873,181	5,858,889	14.9

Many small farm operators are applying for technical conservation assistance.⁵ The record also shows that the Soil Conservation Service, through the conservation districts, is probably allocating to small-size farms about as large a proportion of its facilities as could reasonably be expected, in keeping with its major policy objectives.

Conservation problems, however, are serious on many of the Nation's low-income farms, with soil exhaustion and human poverty nurturing each other. On these farms, at least, there is cause to view with far more alarm the wastage of human than of the soil resources. Remedial measures for the two problems, however, instead of conflicting, are highly complementary. Good conservation practices, as defined by the Soil Conservation Service, would greatly reduce the wastage of human resources, although satisfactory solution of this latter problem requires coordinate action along several lines. Special conservation activities designed specifically for the Nation's low-income farms as a means of conserving human as well as soil resources merit consideration.

CROP INSURANCE AND UNDEREMPLOYED FARMERS

The Federal Government entered the crop insurance field for the first time in 1939 to provide a service to farmers that was not otherwise obtainable. Beginning with wheat in 1939, the program was later extended to cotton and flax, finally operating in all major producing areas for these three crops. Early experiences with the program, however, were costly and unsatisfactory. Under amendatory legislation in 1947, therefore, operations by the Federal Crop Insurance Corporation were reduced to an experimental basis. The number of counties in which crop insurance could be offered in 1948 and 1949 was limited to 200 for wheat, 56 for cotton, 50 for flax, 50 for corn, 35 for tobacco, and 20 each for trial programs on other commodities.

The crop insurance contracts now in use provide producers with protection on growing crops against unavoidable loss due to such causes as weather, insects, and plant diseases. Under it, a producer is

⁵ The Farmers Home Administration and the Soil Conservation Service have entered into a mutual agreement to facilitate development of conservation plans on FHA borrowers' farms. This is desirable from the standpoint of both agencies and undoubtedly accounts in part for this favorable showing. It illustrates the effectiveness of closely coordinated effort among the different action agencies.

guaranteed a specified return, or coverage, per acre, and is indemnified if insurable causes of loss reduce his production below the guaranteed amount. For this protection producers pay a premium reflecting the risks in his particular area. The objective of the Corporation is to establish a level of premium-cost to producers such that over a representative period of years premiums collected will be adequate to cover losses paid.

Existing legislation limits coverage to not more than the average investment per acre in the production of the insured crop in the area. In this way, farmers are guaranteed returns equal to the value of the labor, power, and materials invested in production, but are not guaranteed a profit as was attempted under the early program.

Crop insurance is obtained by a producer submitting a written application, and its acceptance by the Corporation. Generally the protection covers the crop from planting time to harvest. The insured is required to practice good cultural methods. The contract specifically excludes protection against losses due to failure to care for the crop, shortage of labor or fertilizer, breakdown of machinery, and other causes over which the insured may exercise some control. It also requires the producer to file a report showing his planted acreage of the insured crop and his interest in the crop, as well as prompt reporting of damage to or loss of crop.

In 1950, the Federal crop insurance program was available in about 600 counties, with 307,257 contracts in force (table 32). In an attempt to determine whether the operators of small size farms participate in this program to as large degree as operators of large farms, special tabulations were made for this study covering all contracts in force in a three-county sample of the cotton insurance program and in a five-county sample of the multiple crop insurance program (tables 33 and 34).

TABLE 32.—*Insurance operations by Federal Crop Insurance Corporation in 1950*

Kind of program	Number of counties ¹	Contracts in force	
		Number	Percent of eligible farmers
Wheat.....	283	84, 917	21
Flax.....	63	20, 860	34
Cotton.....	80	64, 266	29
Tobacco.....	52	71, 956	46
Corn.....	73	32, 389	17
Dry edible beans.....	18	5, 137	20
Multiple crop.....	55	27, 732	22
Total.....	624	307, 257	-----

¹ Includes a little duplication because more than 1 type of crop-insurance program was operated in a few counties.

Source: Special report prepared by Federal Crop Insurance Corporation.

TABLE 33.—Farms having cotton crop insurance by size of acreage insured in 3 cotton counties, 1950

Net acreage group ¹	All farms with cotton ²		Farms with cotton insurance			
	Number	Percent distribution	Number contracts	Insured farms	Percent distribution	
					Contracts	Farms ³
Jackson County, Ga.						
Under 5.....	122	8	45	49	27	26
5 to 14.9.....	946	64	88	102	54	53
15 to 24.9.....	250	17	16	16	10	8
25 and over.....	170	11	14	24	9	13
Total.....	1,488	100	173	191	100	100
Marshall County, Ala.						
Under 5.....	663	13	602	680	27	23
5 to 14.9.....	3,461	69	1,527	2,007	68	68
15 to 24.9.....	590	12	98	184	4	7
25 and over.....	286	6	25	65	1	2
Total.....	5,000	100	2,252	2,936	100	100
Covington County, Miss.						
Under 5.....	393	19	147	152	54	52
5 to 14.9.....	1,557	73	112	128	42	44
15 to 24.9.....	120	6	8	8	3	3
25 and over.....	48	2	3	4	1	1
Total.....	2,118	100	270	292	100	100
Total of the 3 counties ⁴						
Under 5.....	1,178	14	794	881	32	28
5 to 14.9.....	5,964	69	1,727	2,237	61	62
15 to 24.9.....	960	11	122	208	5	6
25 and over.....	504	6	42	93	2	4
Total.....	8,606	100	2,685	3,419	100	100

¹ Net acreage is derived by multiplying the total acreage insured under the contract by the farmer's percent interest in the crop.

² Based upon number and size of 1950 cotton allotments as reported by Production and Marketing Administration.

³ The number of farms is usually larger than the number of contracts because a farmer's contract includes all his insurable farms in the county.

⁴ Weighted by total number of farmers eligible for cotton insurance in each county.

TABLE 34.—*Number of farms having multiple-crop insurance, by amount of coverage, 5-county sample,¹ 1950*

Amount of coverage ²	Number insured		Percent distribution ⁴		Net acres insured ^{4,5}	
	Contracts	Farms ³	Contracts	Farms ³	Per contract	Per farm
Up to \$299.....	971	1,015	26	24	9.0	8.6
\$300 to \$599.....	1,234	1,321	32	32	18.1	16.8
\$600 to \$899.....	706	788	18	19	28.9	25.6
\$900 to \$1,199.....	348	374	9	9	39.8	36.6
\$1,200 to \$1,499.....	164	177	4	4	48.0	44.1
\$1,500 and over.....	418	501	11	12	94.4	76.3
Total.....	3,841	4,176	100	100	28.8	26.3

¹ Aiken County, S. C.; Colquitt and Jenkins Counties, Ga.; Butler County, Ala.; and Panola County, Miss.

² Coverage represents 60 percent of average yield based on predetermined prices which are approximately 90 percent of the 1949 loan rates.

³ The number of farms is usually larger than the number of contracts because a farmer's contract includes all his insurable farms in the county.

⁴ Weighted by total number of farmers eligible for multiple-crop insurance in each county.

⁵ Net acreage is derived by multiplying the total acreage insured under the contract by the farmer's percent interest in the crop.

In the case of the cotton program, farms with allotments under 5 acres accounted for 14 percent of all farms in the three-county sample whereas 32 percent of all of the cotton-insurance contracts were for net acreages under 5 acres. Farms with 5 to 14.9 acres of cotton allotments accounted for 69 percent of all cotton growers whereas 61 percent of the cotton-insurance contracts had a net cotton acreage of 5 to 14.9 acres. Where cotton is the principal source of income, farms having under 15 acres of cotton would generally produce less than \$1,500 of all products with prices at the 1944 level, thus for the most part falling in the low-income category. From these data, it appears that the small-farm operators participate in the cotton-crop-insurance program to as large extent as do operators of larger farms.

The same general conclusion follows from a study of participation in the multiple-crop-insurance program. For this program coverage is reported in terms of dollars, the coverage provided representing about 60 percent of average yields with prices at 90 percent of the 1949 Government loan rates. Fewer than 60 percent of the farmers in these five counties reported value of production under \$1,500 in the 1945 census. In comparison, 58 percent of the contracts issued in 1950 are to farmers with coverage under \$600, or to farmers whose total value of production adjusted to prices at the 1945 census level was less than \$1,500.

Operators of small farms participate in available crop-insurance programs to about as large extent as do operators of larger farms. Participation by all groups of farmers, however, is limited to fairly small percentages of the eligible farmers (table 32). Experience of other well-established forms of insurance indicates that there probably never will be 100-percent participation in crop insurance. The Federal Crop Insurance Corporation, in attempting to extend its services, attempts to inform all farmers concerning the operation of crop insurance. How to increase participation by operators of small-size farms is one aspect of this problem.

Besides stabilizing incomes, crop insurance is an important aid to farmers in securing credit and thereby an important factor for increas-

ing economic efficiency. Credit agencies have stressed crop insurance as a condition for extending credit to farmers with little collateral. Small farmers, in particular, therefore are benefited.

FOREST SERVICE AND UNDEREMPLOYED RURAL FAMILIES

The United States Forest Service, since its establishment in 1905, has contributed to increasing the employment and productivity of a few of the Nation's underemployed rural families in two important ways: First, its land-acquisition program, operative mainly in land areas submarginal for general farm uses, has helped underemployed rural families on this land recover their investment and reestablish themselves in more productive employment in other localities. Second, its promotion of sounder management of the Nation's forest land has provided the remaining rural people with additional employment in timber harvesting and milling, in local manufacturing dependent upon woodland products, and in recreational and other service activities associated with forest land areas.

The extent of its land acquisition in settled agricultural areas is probably best revealed by its present landholdings in national forests and purchase unit areas after excluding those areas taken directly from the public domain. As of June 30, 1950, the Government owned approximately 180,000,000 acres of land lying within national-forest and purchase-unit areas. Approximately 157,000,000 acres of this, located in the Western States and Alaska, were largely taken directly from the public domain. The remaining 23,000,000 acres, mostly located in the eastern half of the United States, consists primarily of land retired from private use. Data showing the number of families affected by these activities are not available.

The national forests are established in areas where most of the land is too poor or too steep and rough for profitable agricultural production. Except for those established upon the public domain, never opened for settlement, national forests are mainly in areas still having the Nation's largest sources of underutilized manpower. These include the Southern Appalachians, the Ozarks, the Great Lakes cut-over region, and Spanish-American populated localities in the Southwest.

The Forest Service estimates that within, or adjacent to, national forests in the eastern United States there now live about 10,000 families, occupying 400,000 acres of land that should be taken out of farm use. The families occupying these farms are tied to them by many factors, but many remain because they are unable to recover enough of their investments to establish themselves in other localities. It is estimated that most of this land could be purchased for \$20 an acre, requiring an expenditure of about \$800 per farm or about \$8,000,000 if the entire 400,000 acres were purchased. Besides these farms within or adjacent to the national-forest areas, there are many other large areas of land of low productivity containing thousands of rural families in similar circumstances who need to liquidate their investments to obtain enough funds to move to other jobs.

In the period of labor shortage ahead, a stepped-up Forest Service land-acquisition program would contribute to mobilizing underutilized labor for increased production of both agricultural and industrial goods. In doing this, it would not only help effect long-needed land use adjustments, but it would make a large contribution to increased

production. Initial costs of such a program might well be compared with its anti-inflationary benefits.

In the 1951 fiscal year, the Forest Service has available for its land-acquisition program only \$250,000, or only a fraction of the amount needed to return to forestry uses land on the 10,000 farms within or adjacent to the national forests.

Information on the extent to which the Forest Service contributes to the employment and income of rural families, through its adoption and promotion of improved forestry practices on the Nation's forest land, is not available, except in the form of general observations. Most of the national forests in the eastern United States are in areas that have long had much underemployment. Doubtless, the increased timber output resulting from good forestry management has meant increased employment and income to many rural people living in these areas. Construction of fire breaks and timber-access roads, timber harvesting and milling, recreational and other service activities, and local manufacturing of many kinds based upon a dependable supply of forest products represent some of the major employment opportunities. An expansion of the national-forest area by the purchase of nearby submarginal farms would, of course, provide still additional employment to people remaining in the area.

Under provisions of the Norris-Doxey Act of 1937, the Forest Service is cooperating with the States in providing technical assistance to private woodland owners. For this purpose approximately 225 farm foresters are giving technical assistance to individual small owners in about 1,000 counties. As a result of the Norris-Doxey project work, improved management practices were applied to 2,542,000 acres of small woodlands held by 22,828 individual owners in the fiscal year 1949. Data are not available showing how much of this service was extended to owners in the "low income" category. The average acres per farm serviced, slightly more than 100 acres, suggests that many of these owners were in the "low income" group. Improved forestry practices on privately owned woodland should yield essentially the same local employment benefits, as better management practices applied to publicly owned forests.

Further aggressive action in extending management assistance to small-woodland owners, in sponsoring fire-control and prevention measures, and in the establishment of forest product cooperative marketing associations, such as the Forest Service has helped organize in some areas, to service small-woodland owners, will contribute to increasing the productivity and incomes of many low-income rural families.

RURAL ELECTRIFICATION ADMINISTRATION AND UNDEREMPLOYED RURAL FAMILIES

Few other modern developments have contributed more to increasing the productivity and level of living of rural people of America than electricity. Until the end of 1934, however, hardly more than 1 in 10 farms (10.9 percent) in the United States was electrified. The period 1935 to 1950 has been one of rapid extension of central station electric services to farm people, with rural electric cooperatives financed by the Rural Electrification Administration playing a major role. On June 30, 1950, after about 15 years of operations by the

Rural Electrification Administration, nearly 9 in every 10 farms (86.3 percent) in the United States were electrified (table 35).

TABLE 35.—Percent of farms electrified, by geographic divisions, 1935 and 1950

Region	Dec. 31, 1935	June 30, 1950
New England.....	36.7	90.5
Middle Atlantic.....	29.7	95.5
East North Central.....	16.7	97.7
West North Central.....	7.7	79.2
South Atlantic.....	4.6	89.4
East South Central.....	2.8	75.9
West South Central.....	2.0	82.0
Mountain.....	17.6	83.3
Pacific.....	46.4	98.7
United States.....	10.9	86.3

Source: Electrification in Rural America, Rural Electrification Administration, 1950.

The present allotment of funds to the States provided in the Rural Electrification Act is favorable to the low-income States. This act provides (1) that one-half of the funds authorized annually be allotted to the several States according to the proportion of all unelectrified farms in the United States that exist in the respective States at the beginning of the fiscal year; (2) that the other half of the authorized funds may be loaned according to the need as determined by the Administrator, but not more than 10 percent of the total may be loaned in any one State.

The farm-electrification job ahead as described by the Administrator is based upon the percentage of unelectrified farms, the goal being the extension of electric power to all rural people. This job involves the problem of economic feasibility and loan repayments. Consequently, it often is necessary to integrate low-income areas with more productive areas in order to obtain economical electric systems.

Electric-power lines have been extended into most of the Nation's rural low-income communities, and many of the Nation's rural low-income people subscribe to electric services.

Acute shortages of electric power and the low density of consumers per mile of line required to serve them account for the below-average percentage of electrified farms in many sections of the country, particularly in the Great Plains. In addition, the large number of low-income families is an important factor accounting for the below-average percentage of electrified farms in some parts of the South. The low percentage of farms electrified in Mississippi is indicative of this situation.

Fewer low-income and small-scale farmers subscribe to electric services than do larger farmers and those who do subscribe use fewer electric appliances (table 36). Also, a smaller percentage of tenants than of owners subscribe to power services and those who do use fewer electric appliances.⁶ Doubtless many of the South's tenant and share-cropper houses remain unelectrified as a result of both their low level of incomes and their tenure status. On the other hand, it is not uncommon to find tenant and share-cropper houses wired for electricity but later abandoned as the families move on to other farms or to nonfarm employment.

⁶ Electricity on Farms, Georgia Experiment Station Bull. No. 263.

TABLE 36.—*Proportion of farms reporting specified facilities, 1945*

Economic class	Electricity	Running water	Mechanical refrigeration	Power-driven washing machines
Small-scale farms.....	27.7	13.3	14.2	19.6
Small commercial family farms.....	40.6	22.3	24.4	39.6
Medium commercial family farms.....	61.5	37.9	41.9	70.8
Large commercial family farms.....	75.5	59.9	64.3	81.4
Large-scale farms.....	80.4	76.3	78.3	79.7

Source: K. L. Bachman, J. C. Ellickson, W. D. Goodsell, and Ray Hurley, Appraisal of the Economic Classification of Farms, *Journal of Farm Economics*, November 1948.

UNITED STATES EMPLOYMENT SERVICE FOR RURAL PEOPLE

Maintenance of a system of free public employment offices has been the responsibility of the United States Employment Service for the past 17 years.

Established by the Wagner-Peyser Act of 1933, this program, under the Bureau of Employment Security in the Department of Labor, is conducted through affiliated State agencies with 1,800 local offices. The Wagner-Peyser Act, in establishing a Nation-wide employment service, outlined a Federal-State relationship which has since been progressively developed into a flexible and effective device for bringing workers and employers together. Out of this has come an affiliation of State employment services with facilities of a headquarters office which allows each State to operate its employment service according to its own requirements, so long as it conforms to the broad principles of the Wagner-Peyser Act and maintains prescribed standards.

The current program of the Employment Service consists of six coordinated functions:

1. A placement service which facilitates the employment of all persons seeking jobs.

2. Workers are assisted through employment counseling to determine their occupational abilities and interests in the light of job requirements and employment opportunities.

3. Special services to veterans include employment counseling and preferential service by the local offices as well as priority of referral for disabled veterans to any job for which they are qualified.

4. Assistance to employers and labor organizations in the use of personnel tools and techniques which have been developed by the Employment Service for effective selection, assignment, and transfer of workers.

5. Labor-market analysis and information on employment opportunities for workers, employers, and community groups whose programs are affected by manpower considerations.

6. Community surveys of labor requirements and labor supplies for new industries.

National totals of job placement in the postwar years have ranged between 10 and 13 millions; roughly two-thirds of total placements are on farm jobs.

Assistance to underemployed rural families

Although the 1,800 employment offices function predominantly as local referral centers, they do have information on job opportunities and workers available in other employment centers.

From the standpoint of serving underemployed rural families the greatest shortcoming of the United States Employment Service is their lack of facilities and staff in the areas where the underemployed are found. For example, eastern Kentucky, in which there are many underemployed rural families, has very few such offices.

Employment counseling has been expanded in the last 3 years. Thus far, however, only around 600 of the larger offices have specially trained counselors. Cooperative counseling programs have been worked out with the public schools in some communities. Probably not more than one in six schools has counseling service available at the present time, with schools in rural towns and villages almost entirely without such services.

Special publicity programs are carried on in rural areas to acquaint the people with job opportunities in both farm and nonfarm work in outside communities.

A specialized part of the United States Employment Service is the farm-placement service, which concerns itself entirely with employment in agriculture and related industries. This specialized service has a twofold objective: (1) To have sufficient numbers of able, qualified, and willing workers at the right places at the right times to harvest and process the Nation's crops; (2) to direct available farm workers to continuous employment.

To render service as near as possible to the source of demand, for workers and employers alike, approximately 80 percent of the local offices of these State employment services are maintained in or convenient to agricultural areas.

The job of scheduling labor recruitment necessitates careful and early planning, exchange of crop information between local, State, and headquarters offices and coordination of plans at all levels.

The States endeavor to take care of their own problems and fulfill their primary responsibility for filling their own labor needs or in supplying labor elsewhere if local surpluses exist. Through a system for clearing labor from outside a local office area, demands are met and in similar manner workers are directed to jobs in other localities.

Along main highways used by migrants the farm-placement service has stationed in several strategic locations, trailers and other temporary farm-labor information stations. They issue work guides or map charts showing work areas, usual periods of worker demand, and other crop and farm-employment information. Current information received from local offices in States in need of workers increases the value and effectiveness of this service. Signs posted along the highway tell where the stations are located. Workers en route are encouraged to stop for the latest information on crop conditions and available jobs. In this way aimless wandering is reduced and workers are assisted in finding employment and more continuous work.

Close liaison with State problems and developments is provided by a special farm-labor committee, representing all the States and composed of recognized leaders in agriculture and related industries. This committee recommends program improvements to the headquarters office staff and gives advice and counsel based on experience in their individual fields of operation.

If the job-placement services of the United States Employment Service are to be made more helpful to rural families located considerable distances from employment centers, further expansion of the

program of the Service is essential, especially with respect to providing job opportunities information and counseling services.

THE EXTENSION SERVICE AND RURAL UNDEREMPLOYMENT

Approximately 9,543 county extension workers in 3,042 counties in the United States are working with the entire farm population of around 27,000,000 people. The basic philosophy of the Extension Service is to develop county-wide educational programs with the assistance of county extension program committees which are then carried with the help of local volunteer leaders. Low-income families are asked to participate both in the formulation and carrying out of the program.

In general the Extension Service assists low-income, underemployed farm families with the programs and educational materials which are used in its educational program for farmers in all income groups. These include health and nutrition educational programs as well as farm building and farm production educational projects.

In many cases projects are selected which are primarily of interest to low-income, underemployed families such as labor intensive fruit and truck crops in general farming areas, improved tenure relations, sanitation and housing improvements. For the most part, however, the same programs and educational techniques are utilized in the areas of low-income, underemployed farm families as in the areas of fully employed high-income farm families. Thus the 4-H Club activities, training boys and girls in improved production practices and homemaking techniques is the standard educational program for young farm people in both types of areas.

The Extension Service lists the following underlying causes which are obstacles to more rapid progress in solving the low-income, underemployment problems among rural families.⁷

1. Low cash income itself.
2. The lack of adequate educational training which gives rise to some lack of initiative and indifference.
3. Lack of adequate employment openings in industrial and service work.
4. Poor judgment and management, especially in business decisions and family finances.
5. Lack of adequate Extension personnel to service such a large group of people who need much personal attention.

Excerpts from reports for a few individual States where effective programs are in operation indicate more fully the nature of the programs, their accomplishments and their obstacles. The report from Louisiana states:

We would like to call particular attention to the work of the Extension sociologists and home demonstration agents in creating organized community groups to work on behalf of such improvements as better roads, installation of light and power lines, establishment of branch libraries, and the building of schools, churches, parsonages, and community centers * * *

Families in the lowest income brackets simply do not have the money or the financing to make quick, extensive changes in their way of farming or their way of life, however profitable and desirable such changes may be.

The small operator who adopts better farming methods and new enterprises to make better year round use of his land and labor thereby increases both his

⁷ Taken from the special unpublished report to the chairman of the subcommittee;

employment and his net income. That is true of tenants of all kinds as well as low-income farm owners and even of share croppers. Day laborers fall into a different category with different problems. Their situation has improved considerably here in Louisiana, partly as the result of increasing use of farm machinery. * * * Greater skills are demanded of the workers who now operate the machines, but their pay is proportionately higher."

Several States reported on their extension programs for Negro farm families. Texas reports as follows:

One of the largest groups of low-income farm families in Texas is composed of Negro rural families. The following contributions of the Texas Extension Service to improving living conditions, and raising net income among this group give an encouraging picture of progress.

In 1949 there were Negro county agricultural agents working in 54 counties, and 46 Negro home demonstration agents working in 46 counties. Improved practices as a result of the agricultural program were carried out on 18,478 farms, and improved practices in home economics were carried out on 17,475 farms. * * * over 18,000 families were assisted in improving diets * * * over 10,500 boys and 13,700 girls were enrolled in 4-H Club work. These Negro youth carried on over 5,000 projects, including crop production in 10 different farm crops, livestock production including poultry, dairy cattle, beef cattle, sheep, swine, horses, rabbits, forestry, soil conservation, agricultural engineering, farm management, and all phases of home economics * * *.

The South Carolina Extension Service reports:

* * * Practically all the farms in South Carolina are low-income farms * * * low incomes result from the small size of farm businesses and low capital investments of farmers, together with their inability to adopt improved farm practices and other technological improvements. The high man-land ratio is another factor.

* * * Since the educational level of these farm families is low, there arises the problem of reaching them through the usual media for disseminating educational information.

The extension service has conducted a program for several years in improving living standards of both landowners and tenants * * *.

Opportunity is provided all farm families to attend extension meetings held on a county-wide and community basis.

The Maine Extension Service reports:

While the Maine Extension Service works with all rural people it has always made a special effort to reach and aid those in the lower income groups. * * *

The 1949 annual report of 4-H Club work in Maine shows 17 clubs organized in Washington County which is a low-income area. The majority of these club members come from low-income families. Through their projects in gardening, home improvement, and preservation, both youngsters and adults are receiving training which will enable them to use existing income more efficiently for a better living.

The foregoing indicates the general methods used by the Extension Service in working with the Nation's low-income farmers. The inability of a program of this magnitude, combined with vocational agricultural classes and several large-scale action programs, to make more progress in eradicating rural underemployment and poverty attests to the enormity and complexity of this problem. Failure to distinguish rural underemployment and poverty from problems common to the general farm population and failure to develop educational and action programs specifically oriented to the needs and capabilities of the underemployed people is undoubtedly associated with our limited success. This problem, if it is to be satisfactorily resolved, must be recognized for what it is—a tough, distinctive problem, or problems, requiring bold, aggressive and closely coordinated action along many lines including training for nonfarming occupations as well as in better farming methods.

APPENDIX A

BASIC DATA TABLES

TABLE 1.—Percent of farms with gross cash income under \$1,200, by amounts of off-farm income and amounts of cash farm income 1946 ¹

Amount of cash farm income	Amount of off-farm income					Total
	None or under \$250	\$250 to \$599	\$600 to \$1,199	\$1,200 and over	Off-farm income not available ²	
Total United States						
All farms under \$1,200.....	34.7	10.8	12.3	39.0	3.2	100.0
Under \$250.....	18.6	10.3	14.0	50.4	6.7	100.0
\$250 to \$599.....	39.6	13.5	11.5	35.0	.4	100.0
\$600 to \$1,199.....	54.5	9.1	10.3	25.7	.4	100.0
South						
All farms under \$1,200.....	37.5	13.0	14.8	33.8	.9	100.0
Under \$250.....	20.3	14.0	17.8	46.5	1.4	100.0
\$250 to \$599.....	42.3	14.4	13.0	29.7	.6	100.0
\$600 to \$1,199.....	57.3	10.2	12.0	19.8	.7	100.0
Other States						
All farms under \$1,200.....	30.0	6.9	7.8	48.2	7.1	100.0
Under \$250.....	15.8	4.4	7.8	56.7	15.3	100.0
\$250 to \$599.....	34.1	11.8	8.4	45.7	.....	100.0
\$600 to \$1,199.....	49.4	7.0	7.1	36.5	.....	100.0

¹ Unpublished data Bureau of Agricultural Economics. Based on analysis of the long schedules in the 1947 enumerative survey. A total of approximately 4,400 long schedules were obtained in this survey

² Information not given on amounts of off-farm income.

TABLE 2.—Small-scale farms, number reporting specified kinds of off-farm income, and average amounts reported, 1946 ¹

Item	United States			South	
	Small-scale farms reporting off-farm income		Off-farm income per farm reporting	Percentage of small-scale farms reporting off-farm income	Off-farm income per farm reporting
	Reporting	Percentage of all small-scale farms ²			
Operator and family off-farm income, all sources.....	<i>Thousands</i> 416	<i>Percent</i> 38.9	<i>Dollars</i> 290	<i>Percent</i> 42.8	<i>Dollars</i> 271
Operator's off-farm income, all sources.....	339	31.7	233	35.1	221
Civilian wages of operator.....	194	18.1	194	20.9	187
Off-farm income family members, all sources.....	138	12.9	255	15.2	252
Civilian wages of family members.....	102	9.5	178	11.3	175

¹ Farms having cash farm receipts under \$1,200 with cash farm receipts greater than off-farm income or off-farm income of less than \$250. Cash farm receipts not adjusted for inventory changes or under-reporting.

² Estimated total number of small-scale farms of 1,069,000 excludes approximately 91,000 unclassified farms with less than \$1,200 cash farm receipts.

Source: Unpublished data, Bureau of Agricultural Economics, based on analysis of the 4,400 long schedules obtained in the 1947 enumerative survey.

TABLE 3.—Part-time and residential farms¹ reporting specified kinds of off-farm income and average amounts reported, 1946²

Item	United States			South	
	Part-time and residential farms reporting		Off-farm income per farm reporting	Part-time and residential farms reporting	Off-farm income per farm reporting
	Thousands	Percent	Dollars	Percent	Dollars
Operator and family off-farm income, all sources.....	1,519	100.0	2,536	100.0	2,206
Operator's off-farm income, all sources.....	1,359	89.5	2,066	77.3	1,669
Civilian wages.....	951	62.6	1,803	59.3	1,515
Business, professional, and other farming income ³	131	8.6	4,890	7.9	3,860
Military pay.....	48	3.2	700	3.1	642
Other income ⁴	625	41.1	670	40.2	606
Off-farm income family members, all sources ⁵	691	45.5	1,512	45.1	1,476
Civilian wages.....	525	34.6	1,246	32.2	1,138
Business, professional, and other farming income ³	29	1.9	3,446	(⁶)	(⁶)
Military pay.....	86	5.7	603	5.5	559
Other income ⁴	315	20.7	718	21.0	833

¹ Farms under \$1,200 cash receipts from farming with cash income from other sources greater than cash farm receipts and amounting to at least \$250. Cash farm receipts not adjusted for inventory change or underreporting.

² Unpublished data, Bureau of Agricultural Economics. Based on analysis of long schedules, 1947 enumerative survey. A total of approximately 4,400 long schedules were obtained in the survey.

³ Includes income from other farms and professions. Data pertain to gross income.

⁴ Includes rent from property, net income from boarders, interest, dependency allotments, veterans payments, pensions, and social security.

⁵ Insufficient data.

TABLE 4.—Gross value of products, and man equivalent of labor resources, per farm, selected economic class of farms, United States and selected regions, 1944¹

Regions	Small-scale farms		Small commercial family farms		Medium commercial family farms	
	Labor resources per farm ²	Gross income per farm	Labor resources per farm ²	Gross income per farm	Labor resources per farm ²	Gross income per farm
	Man equivalent	Dollars	Man equivalent	Dollars	Man equivalent	Dollars
United States.....	1.3	825	1.5	1,874	1.8	4,658
Southeast.....	1.4	834	1.7	1,811	2.2	4,240
Appalachian.....	1.4	812	1.6	1,875	1.9	4,175
Delta.....	1.3	845	1.5	1,749	2.2	4,173
Corn Belt.....	1.0	826	1.3	1,914	1.6	4,754
Lake States.....	1.2	839	1.4	2,019	1.8	4,703
Northeast.....	1.3	787	1.5	1,889	2.1	4,939

¹ Adapted from BAE Technical Bulletin No. 1019. Size of Farms in the United States, by K. L. Bachman and R. W. Jones. Small-scale farms have value of products \$500 to \$1,200 and less than 100 days work off farm by the operator; small commercial family farms \$1,200 to \$2,999; medium-commercial farms \$3,000 to \$7,999.

² Estimated operator and family labor available with adjustments for age and sex and man equivalents of labor hired.

TABLE 5.—Gross value of products per man equivalent of labor resources, economic class of farms, United States and selected regions, 1944¹

Region	Small-scale	Small commercial family farms	Medium commercial family farms
United States.....	\$635	\$1,249	\$2,588
Southeast.....	596	1,065	1,927
Appalachian.....	580	1,172	2,197
Delta.....	650	1,166	1,897
Corn Belt.....	826	1,472	2,971
Lake States.....	699	1,442	2,613
Northeast.....	605	1,259	2,352

INDEX OF VALUE OF PRODUCTS PER MAN EQUIVALENT (MEDIUM COMMERCIAL FARMS=100)

	Percent	Percent	Percent
United States.....	24.5	48.3	100.0
Southeast.....	30.9	55.3	100.0
Appalachian.....	26.4	53.4	100.0
Delta.....	34.3	61.5	100.0
Corn Belt.....	27.8	49.5	100.0
Lake States.....	26.8	55.2	100.0
Northeast.....	25.7	53.5	100.0

¹ Adapted from BAE Technical Bulletin No. 1019. Size of Farms in the United States, by K. L. Bachman and R. W. Jones. Small-scale farms have value of products \$500 to \$1,200 and less than 100 days work off farm by the operator; small commercial-family farms \$1,200 to \$2,999; medium commercial farms \$3,000 to \$7,999.

TABLE 6.—Present and alternative farm plans for typical small scale farms in selected areas

	Present size of farm		Increased size of farm	
	Present methods	Improved methods	Present methods	Improved methods
Southern Piedmont cotton farm:				
Acres of total land.....	45.0	45.0	120.0	120.0
Acres of cropland.....	24.0	24.0	56.5	55.4
Investment.....	\$4,000	\$4,750	\$8,354	\$11,120
Cash farm receipts.....	\$763	\$2,391	\$2,435	\$5,553
Cash farm expenses.....	\$461	\$1,198	\$1,135	\$2,466
Net cash income.....	\$302	\$1,193	\$1,300	\$3,087
Value of family living.....	\$484	\$534	\$674	\$682
Interest and depreciation.....	\$240	\$340	\$494	\$742
Family labor earnings.....	\$546	\$1,387	\$1,480	\$3,027
Southern Appalachian general farm:				
Acres of total land.....	24.0	24.0	52.0	52.0
Acres of cropland.....	9.5	9.0	14.8	18.7
Investment.....	\$3,900	\$4,700	\$11,305	\$17,405
Cash farm receipts.....	\$507	\$1,045	\$1,217	\$5,732
Cash farm expenses.....	\$226	\$545	\$486	\$2,141
Net cash income.....	\$281	\$500	\$731	\$3,591
Value of family living.....	\$580	\$605	\$856	\$775
Interest and depreciation.....	\$255	\$306	\$701	\$1,246
Family labor earnings.....	\$606	\$799	\$886	\$3,120
Sand-Clay Hills, Miss., cotton farm:				
Acres of total land.....	40.0	40.0	80.0	80.0
Acres of cropland.....	20.0	15.0	32.0	26.0
Investment.....	\$1,400	\$2,025	\$2,385	\$3,850
Cash farm receipts.....	\$250	\$980	\$395	\$2,080
Cash farm expenses.....	\$180	\$720	\$260	\$1,360
Net cash income.....	\$70	\$260	\$135	\$720
Value of family living.....	\$340	\$590	\$400	\$590
Interest and depreciation.....	\$120	\$150	\$180	\$295
Family labor earnings.....	\$290	\$700	\$355	\$1,015
Southern Illinois:¹				
Acres of total land.....	122.0	122.0	-----	-----
Acres of cropland.....	23.0	20.0	-----	-----
Investment.....	\$4,549	\$5,753	-----	-----
Cash farm receipts.....	\$800	\$3,344	-----	-----
Cash farm expenses.....	\$340	\$822	-----	-----
Net cash income.....	\$460	\$2,522	-----	-----
Value of family living.....	\$411	\$510	-----	-----
Interest and depreciation.....	\$322	\$383	-----	-----
Family labor earnings.....	\$549	\$2,649	-----	-----

¹ Data not available for alternative plans with enlarged size of farm.

TABLE 7.—Number of farms classified according to acres of land in farms and value of products, United States, 1945

Acres of total land in farm	Value of products sold and used in the home							
	Under \$249	\$250 to \$399	\$400 to \$599	\$600 to \$999	\$1,000 to \$1,499	\$1,500 to \$2,499	\$2,500 to \$3,999	\$4,000 and over
Under 10.....	139,816	132,156	119,058	100,760	41,153	26,096	13,553	21,345
10 to 49.....	235,533	175,672	209,498	318,969	267,430	247,900	111,033	85,888
50 to 99.....	96,404	70,106	101,666	182,864	186,596	236,441	159,147	124,520
100 to 174.....	57,452	38,692	58,409	118,449	142,628	234,763	237,699	312,767
175 to 259.....	12,637	8,621	12,917	30,681	40,408	77,936	96,401	213,548
260 to 499.....	10,647	5,639	9,022	20,523	29,320	60,450	87,400	250,922
500 to 999.....	4,127	1,728	2,725	5,502	6,871	17,036	24,842	110,716
1,000 and over.....	2,706	1,031	1,048	2,374	3,545	8,065	12,076	82,962
Total.....	559,322	433,645	514,343	780,122	717,951	908,687	742,151	1,202,668

Source: Census of Agriculture, 1945.

APPENDIX B

SUPPLEMENTARY STATISTICS ON OPERATIONS OF THE FARMERS HOME ADMINISTRATION

TABLE 1.—Percentage distribution by total acres in farm of the active operating loan families, Farmers Home Administration, 1948

Item	United States	East	Midwest	South	West	Puerto Rico office
Number of families.....	129,303	6,892	35,071	69,315	12,917	5,108
Number in sample.....	14,358	1,097	3,297	6,123	3,133	708
Total acres in farm:						
1 to 24.....	8	7	1	6	9	82
25 to 44.....	11	4	2	17	9	13
45 to 64.....	11	7	2	17	7	3
65 to 94.....	16	13	13	18	17	1
95 to 134.....	16	28	17	17	10	1
135 to 174.....	15	18	24	11	14	0
175 to 254.....	12	15	21	8	8	0
255 to 374.....	6	6	11	4	8	0
375 to 494.....	2	2	4	1	4	0
495 and over.....	3	0	5	1	14	0
Total.....	100	100	100	100	100	100

Source: Characteristics of the Active Adjustment Operating Loan Family in 1948, Release No. 2, 1948 Operational Loan Family Status Report, Budget Division, Farmers Home Administration, Sept. 23, 1949.

TABLE 2.—Percentage distribution by total acres in crops of the active operating loan families, Farmers Home Administration, 1948

Item	United States	East	Midwest	South	West	Puerto Rico office
Number of families.....	129,303	6,892	35,071	69,315	12,917	5,108
Number in sample.....	14,358	1,097	3,297	6,123	3,133	708
Total acres in crops:						
0 to 4.....	3	3	1	1	4	49
5 to 14.....	5	5	1	5	4	40
15 to 24.....	12	7	3	18	8	9
25 to 34.....	11	7	3	17	6	1
35 to 44.....	16	15	7	21	11	1
45 to 64.....	16	27	14	17	16	0
65 to 94.....	13	20	20	10	17	0
95 and above.....	24	16	51	11	34	0
Total.....	100	100	100	100	100	100

Source: Characteristics of the Active Adjustment Operating Loan Family in 1948, Release No. 2, 1948 Operational Loan Family Status Report, Budget Division, Farmers' Home Administration, Sept. 23, 1949.

TABLE 3.—Percentage distribution by value of working capital before acceptance,¹ new operating loan borrowers, Farmers Home Administration, 1947 and 1948

Value of working capital	United States	East	Midwest	South	West	Puerto Rico office
Under \$149.....	9	5	8	9	4	33
\$150 to \$349.....	12	4	10	14	3	24
\$350 to \$649.....	18	9	13	22	6	20
\$650 to \$999.....	13	8	10	16	8	6
\$1,000 to \$1,499.....	15	14	13	17	14	8
\$1,500 to \$2,499.....	16	14	24	13	21	6
\$2,500 to \$3,999.....	10	22	14	6	22	2
\$4,000 to \$5,999.....	4	12	5	2	12	0
\$6,000 and over.....	3	12	3	1	10	1
Total.....	100	100	100	100	100	100

¹ Working capital includes feed, seed and supplies, livestock, machinery, and financial assets. It is the value of all property owned minus land and buildings and household goods.

Source: Release No. 4, 1948 Operational Loan Family Status Report, Budget Division, Farmers Home Administration, November 2, 1949.

TABLE 4.—Percentage distribution according to net worth before acceptance, new operating loan borrowers, Farmers Home Administration, 1947 and 1948

Net worth	United States	East	Midwest	South	West	Puerto Rico office
\$1 and less.....	1	1	2	1	1	0
Under \$149.....	3	1	3	3	3	.5
\$150 to \$349.....	5	2	5	6	1	6
\$350 to \$649.....	13	4	13	15	4	16
\$650 to \$999.....	10	4	8	12	5	18
\$1,000 to \$1,499.....	14	8	12	15	8	23
\$1,500 to \$2,499.....	21	14	23	21	16	13
\$2,500 to \$3,999.....	16	20	17	15	19	12
\$4,000 to \$5,999.....	9	17	10	8	15	6
\$6,000 to \$9,999.....	6	22	6	3	18	0
\$10,000 and over.....	2	7	1	1	10	1
Total.....	100	100	100	100	100	100

Source: Before Acceptance Status and Percent Distribution of 1947 and 1948 Operating Loan Borrowers Compared With the Status and Distribution of Borrowers Paying Up in 1948, release No. 4, Budget Division, Farmers Home Administration, November 2, 1949.

TABLE 5.—Farm-ownership loans obligated by the Farmers Home Administration during 1950 fiscal year, by type of loan

Area	Initial loans								Total subsequent loans		Total amount of Federal funds obligated
	Total		Tenant purchase		Farm enlargement		Farm development		Number	Amount	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount			
Direct:											
East.....	84	\$658,664	65	\$515,262			19	\$143,402	25	\$61,570	\$749,748
Midwest.....	580	5,017,663	398	3,684,284	55	\$445,093	127	888,306	46	98,135	5,135,862
South.....	873	5,889,347	646	4,594,001	59	337,350	168	957,996	434	811,271	6,784,193
West.....	171	1,875,170	86	987,200	23	257,655	62	639,315	36	98,438	1,999,930
Puerto Rico.....	39	320,402	37	317,152			2	3,250	5	6,395	328,843
Total, United States.....	1,747	13,761,246	1,232	10,097,879	137	1,040,098	378	2,623,269	546	1,075,809	14,998,576
Insured:											
East.....	171	1,147,524	112	775,164	8	41,614	51	330,746			
Midwest.....	1,025	8,155,422	455	4,037,312	132	1,027,128	438	3,090,982			
South.....	829	5,451,316	308	2,319,552	145	974,289	376	2,157,475			
West.....	243	2,370,742	33	334,862	40	395,625	170	1,640,255			
Puerto Rico.....											
Total, United States.....	2,268	17,125,004	908	7,466,890	325	2,438,656	1,035	7,219,458			
Total direct and insured:											
East.....	255	1,806,188	177	1,290,426	8	41,614	70	474,148	25	61,570	749,748
Midwest.....	1,605	13,173,085	853	7,721,576	187	1,472,221	565	3,979,288	46	98,135	5,135,862
South.....	1,702	11,340,663	954	6,913,553	204	1,311,639	544	3,115,471	434	811,271	6,784,193
West.....	414	4,245,912	119	1,322,062	63	653,280	232	2,270,570	36	98,438	1,999,930
Puerto Rico.....	39	320,402	37	317,152			2	3,250	5	6,395	328,843
Total, United States.....	4,015	30,886,250	2,240	17,564,769	462	3,478,754	1,413	9,842,727	546	1,075,809	14,998,576

APPENDIX C

INCREASED PRODUCTIVITY OF FARMERS HOME ADMINISTRATION BORROWERS

The increased productivity of operating loan borrowers of the Farmers Home Administration is a direct result of the effective application of the basic principles of supervised credit. This increased productivity cannot be attributed to supervision alone or to credit alone but to a combination of the two in appropriate amounts and at appropriate times. Through supervision, families have been guided in the development and implementation of balanced farm programs which have provided efficient and effective utilization of labor and land resources. Through the extension of credit they have been enabled to obtain the necessary materials, livestock, and services to put into effect those things which were necessary to the efficient use of both labor and land. While supervision or technical guidance would undoubtedly produce some increase in productivity it would not produce an increase comparable to that achieved by operating loan borrowers unless it were supplemented and complemented by the extension of adequate credit. Similarly, credit alone would result in some increase in productivity, but the extension of credit without the technical guidance which has been found essential for the effective use of credit would not result in the increase in productivity which has been obtained through the supervised credit program which coordinates both supervision and credit with the needs and abilities of individual families.

While specific information as to increased productivity resulting from the Farmers Home Administration supervised credit program has not been obtained, some indication is provided by a comparison of the value of farm products sold by about 50,000 borrowers paying their loans in full in 1948 with that of those receiving their first loans during the same year. The paid-up group which had been on the program approximately 5 years had a 1948 value of farm products sold of \$2,446. Those borrowers receiving their first loans in 1948 had value of farm products sold averaging \$955 for the year before coming on the program, or \$1,491 less than the paid-up borrowers who had been on the program approximately 5 years. Assuming that the paid-up group increased their cash farm income evenly over the period of 5 years they were on the program, then their total cash farm income for the 5-year period would be \$9,248 compared to a total 5-year cash farm income of \$4,775 based on the average cash farm income of \$955 for the year before receiving the loan. To apply this 5-year increase aggregating \$4,473 to the 50,000 borrowers paying in full in 1948, the total increase in income from products sold would be \$223,650,000. Loan advances to the group total roughly \$100,000,000, all of which has been repaid with interest at 5 percent.

Assuming an even increase of income over the 5 years the borrowers are on the program, the before-acceptance paid-up study would indicate an annual increase per family of \$298. It is estimated that an average farm-management supervisor can adequately serve 180 operating loan borrowers including the making of 36 new loans each year provided he has no other program activities. Considering that the combination of credit and supervisory assistance is effective on 85 percent or 153 of these 180 operating loan borrowers, the average farm-management supervisor, through advice and guidance to families who within the limits of the Farmers Home Administration Act have received adequate credit assistance, can expect an annual income increase of \$45,600 from the 180 operating loan borrowers with whom he is working, or an increase for 5 years from an annual value of products produced of \$171,900 to \$400,023.

Actually, the average supervisor in recent years has been required to handle caseload considerably in excess of that equivalent to 180 operating loan borrowers. The \$298 yearly annual increase per family may be considerably less than would be accomplished if the workload per supervisor were reduced to the equivalent of 180 operating loan borrowers.

