A STUDY OF AN EXPERIMENT IN LAND TENURE

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CHAPTER I

A HISTORY OF THE DEVELOPMENT OF LAND TENURE SYSTEMS AND THEIR PROBLEMS

There have been many attempts by the Federal and State governments to solve the problems arising from the land tenure systems practiced in the United States.[1] Some of these experiments have failed completely while varying degrees of success have been acclaimed by the proponents of others. These claims have been made largely upon superficial observation, and no experimental evidence has been presented to substantiate them. This study proposes to evaluate objectively the Tenant-Purchase Program of the Farm Security Administration in Kiowa and Jackson counties of Oklahoma.

Purpose and Objectives

The purpose of this study is to analyze this experiment in land tenure in an attempt to determine to what extent it is helping the farmer become established on the land. The actual farm records of farmers who received loans under Title I of the Bankhead-Jones Farm Tenant Act were analyzed on the basis of (1) Financing a farm at low interest rates under a variable payment plan, (2) A planned farm program under supervision, (3) The effects of a major crop or livestock enterprise on the farm income and ability to pay, and (4) The relation of expenses to incomes and their effect on the repayment schedule.

The data used in these analyses were secured from the Kiowa and Jackson county offices of the Farm Security Administration, through the agency's cooperation. These two contiguous counties were selected for study because

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[1] Some of the earlier experiments in land tenure in this country were made by the London, Plymouth, Walpol, and Ohio Companies, which received grants of land from the government and undertook to promote its settlement. There were some individual experiments such as the New Harmony, Indiana. Also, there have been acts, following every major war, giving land to soldiers in payment for their services.

(1) they are in similar types-of-farming areas, (2) they contained an adequate number of farms for the study, (3) the data covered a period of time sufficient to draw conclusions, and (4) these counties are in the same supervisory district. This material covers 30 farms in Kiowa County and 18 farms in Jackson County for the years, 1943, 1944, and 1945.

This study is limited in scope in that no means was found whereby the cost nor the effect of supervision of Tenant-Purchase farms could be measured. Nor was there comparable data whereby the amount of subsidy in the form of a lower interest rate could be discovered. It is also recognized that the years from 1943 to 1945 constituted a period very favorable for high farm returns.

Historical Development of Land Tenure

Economic security has become of increasing concern to American farmers during the last half century. Excessive mobility, speculation, and exploitation of the soil, associated with faulty systems of land tenure, have contributed to agricultural maladjustment and diminished the income and security of farmers.[2]

Some of the present problems associated with land tenure arose out of the ancient methods of holding land and social concepts of individual rights in land.

> Property in land originated, so far as evidence is available, in the settled village. It arose after men had located permanently in one spot and became aware of the possibilities and the limitations of their position. Since that time property in land has developed through four stages; allodial, manorial-feudal tenure, semi-manorial tenure, and free ownership.
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> Allodial ownership was a pre-feudal method of holding land, which was not acquired from some outsider, either by purchase or gift from a lord, but was inherited within the family, according to the particular customs of each people. Such land was free from feudal rules but not from the family customs. It was free from service to a lord, but was probably not free from service to the state.

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[2] Report of the President's Committee, Farm Tenancy, Feb., 1937, p. 3.

Manorial-feudal tenure succeeded allodial ownership. In this system occupiers of the land did not own it. Ownership was logically and legally vested in the sovereign, the people merely holding in various degrees of remoteness to the throne. The manorial lord was responsible to the state for his land and for the tenants occupying it, who paid their superior at least two kinds of rent, along with other dues and obligations. This ownership system was found in both Canada and Mexico, but it never existed in the Anglo-American colonies; however it was the crude beginning of the present day tenure system in the United States.

The Semi-Manorial system of tenure existed in the Anglo-American colonies from the beginning. When the king of England made a grant to an individual or company, about to colonize some part of America, he made a fairly liberal donation of rights to induce men to venture for profit in the new enterprise. The most important right was the collection of quit-rents. The tenant paid such rents to be quit, or free, from agricultural or other services.

Free ownership succeeded the semi-manorial tenure system after the American Revolution. Landed property was put on substantially the same basis as personal property. The owner was an individual. No family, village, or lord stood between the owner and the state. No rents were due to anyone.[3]

The free ownership system of land tenure, as it developed in America after the Revolution and Independence, was based largely upon the land policies of the Federal Government in connection with the disposition of the vast public domain that had been acquired.[4]

There were several conditions that influenced Congress in the formation of the land policy following the Revolutionary War.

First, Congress was without a means to secure revenue. It had no taxing power and quite naturally came to look upon the great public domain as a source of income.

Second, Congress had promised lands to Revolutionary soldiers and officers—it could now make good its promise.

Third, Congress was confronted with the question of the defense of the

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[3] N.S.B. Gras, A History of Agriculture, pp. 253-276.

[4] Each state in the new confederation had relinquished its claims to western lands to the central government. By 1853 the Federal Government had acquired 2,257,924 square miles of territory, including the annexation of Texas.

Northwest against the Indians.

Fourth, there was great danger that the western settlements would link their commercial relations with Spain to the south or England to the north rather than to the new republic across the Alleghanies.

Fifth, Congress had to decide upon a form of government for the new territory.

Sixth, there was the problem of disposing of the land as property for the public benefit.

Seventh, the country was confronted with the pressure of immigration to the West.

With these forces bringing pressure upon Congress, a land policy act was passed in 1780. It provided for the disposal for the common benefit of the United States, of the territories ceded to the United States, for the formation of states out of these territories, and for the regulation by Congress of the granting and selling of these lands.[5]

This act was followed by the ordinances of 1784 and 1785 which provided for the surveying of land into townships seven statute miles square (some of the later surveys were based on six statute miles square).[6] Surveys were to precede sales but not necessarily settlement.

Congress had favored the disposition of the public domain through land companies since it meant sales in large blocks. However, it became evident that this method could not succeed alongside individual settlement, and Congress was forced to pass relief acts between 1792 and 1804 to relieve the

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[5] B. H. Hibbard, A History of the Public Land Policies, pp. 33-35.

[6] Ibid, p. 40.

distress of the companies as well as the innocent purchasers.[7]

Between 1796 and 1820 credit acts were passed which reduced the size of tracts sold to 160 acres at a minimum price of two dollars per acre. The purchaser was to pay one twentieth in cash with credit of varying lengths of time allowed on the balance.

This credit was not practicable nor economical. It had failed as a source of revenue for the treasury; it had not promoted the interests of the settlers or the common benefit of the United States; and it had not prevented land speculation. It had created a large group of land owners so hopelessly in debt to the government that it was 12 full years before the wreckage of the credit system was cleared away.[8]

Consequently, the credit acts were repealed in 1820 and another act substituted, which permitted the sale of land on a cash basis at $1.25 per acre. The size of tracts sold had been further reduced to 80 acres.

Disposition by the cash sale method of the public domain proved much more satisfactory than any previous system. However, settlement was preceding surveys at a rapid pace and settlers were faced with the difficult task of establishing their claims and holding their land against speculators and land grabbers.

Congress made its first concrete attempt to provide assistance for the the settler by passing the Preemption Act of 1841. Although this act was changed several times, its basic principles remained the same.

> The preemption right was mainly a possessory right, established by the construction of a dwelling house and the making of improvements. For many years the preemption privilege secured the settler in his right to purchase, at the minimum price, before the date of the general

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[7] Ibid., p. 54.

[8] Ibid., p. 100.

sale of the tract of which his claim was a part. It was provided that the preemptor should file his declaration of intent to purchase within 3 months after settlement upon the land, or in case it was not surveyed at time of settlement, within 3 months after the filing of the survey plat, and should make payment within 18 months after filing his declaration.

Payments were received in cash, in military bounty warrants, or in agricultural college script.[9]

The cash sale of land became of little consequence after the passage of the Homestead Act of 1862. Under this act every settler was given 160 acres of land, full title, however, to be granted only after five years of occupancy. The act was later modified to give the settler 320 acres in the semi-arid sections for the purpose of dry farming. Apparently Congress hoped to encourage the traditional goal of the American land system by this act, as it was entitled, "AN ACT TO SECURE HOMESTEADS TO ACTUAL SETTLERS ON THE PUBLIC DOMAIN."[10]

Between 1868 and 1928 the government had disposed of 230,000,000 acres under the original act and its modifications, together with the greater area that had been sold for cash or credit or given away under earlier systems, it brought to an end the era of cheap and abundant land.[11]

The effects of this limitation of land upon forms of ownership, methods of agricultural production, cheapness of farm operations, and the price of land have been profound.[12]

Conditions existing in American agriculture since this time have produced a steadily increasing proportion of tenants to owner-operators. As shown in Table I, the percentage of total farms rented by landlords to tenants

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9 Ibid., p. 170.

10 Edward C. Kirkland, A History of American Economic Life, p. 499.

11 Ibid., p. 503.

12 Ibid., p. 504.

Table I
A Comparison of Farms Operated by Tenants in the United States, Oklahoma, Jackson and Kiowa Counties

Year	United States		Oklahoma		Jackson County		Kiowa County	
	All farms (Percent)	Total acres (000)	All farms (Percent)	Total acres (000)	All farms (Percent)	Total acres (000)	All farms (Percent)	Total acres (000)
1880	25.0							
1890	28.0							
1900	35.0							
1910	37.0	226,513	54.8					
1920	38.1	264,980	51.1					
1925	38.6	264,887	58.5	7,590				
1930	42.4	306,409	61.5	8,325	60.9		61.8	
1935	42.1	336,802	61.2	6,661	55.3	229	59.0	304
1940	38.7	311,899	54.4	5,961	49.1	187	54.1	238

SOURCE: Census

increased steadily from 1880 to 1930, declined slightly from 1930 to 1935, with a marked decline between 1935 and 1940.

Some of the causes for an increase in the number of tenant farmers in relation to owner-operated farms between 1880 and 1930 were:

First, the closing of the frontier and the rapid industrial development of the country created a land boom in the agricultural areas of the United States. Fortunes were made in farms, but not by farming. Land values went up from one dollar and a half an acre to a hundred and fifty dollars an acre in a comparatively short period of time (1890-1921). Farmers who bought land to farm discovered that it took all their incomes to meet the payments on land for which they had paid exorbitant prices, leaving little, or nothing, on which to live. As a result, debts became too great to carry and many farms were forced into bankruptcy and were eventually foreclosed. This land was either sold again at high prices, or rented to those farmers who had lost their farms or to others who used tenancy as a means to secure the use of land. The

rentals on farms were usually based upon the abnormally high land values, acting as a barrier against those who would have used tenancy as a stepping stone to farm ownership.[13]

Second, since 1920 the prices received by farmers have declined in relation to the retail prices of goods which they buy. As a result, the receipts from the sale of their products were too small to provide them with little more than the necessities for living. The farm owner likewise during this period was forced to mortgage his farm to make up the difference in the cost of commodities purchased and the amount received from the sale of his products. By the same token, the tenant farmer was forced to spend the capital he might have used to become a farm owner.[14]

Third, the development of tenancy in the United States can, to a large extent, be attributed to the land policies adopted or practiced by the Federal Government.

> Restrictions in the homestead policy led to the creation in some regions of units too small for economical operation, and our systems for disposing of public land included no adequate measures for preventing occupancy of inferior land or development of land speculation and tenancy.[15]

Fourth, the method by which title to almost all the agricultural land in the United States passed to private owners did not militate against keeping ownership in land, but did very little to help keep it in the hands of those who worked it.

> Fee-simple ownership has also implied that the right to unrestricted use was also a right to abuse the land. The fact that a large number of owners have been concerned chiefly with early sale has militated against

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[13] United States Department of Agriculture, Toward Farm Security, 1941, p. 11.

[14] Ibid., p. 22.

[15] Report of the President's Committee, Farm Tenancy, 1937, p. 6.

permanence of occupancy by themselves or in tenant contracts that would assure stability.[16]

Fifth, prior to the organization of the Federal Land Banks, farmers were handicapped in achieving farm ownership because of the lack of credit in some areas. The major sources of farm mortgage credit at this time were farm mortgage companies and insurance companies that were free to select their areas of operation with little restriction upon their rates or terms. As a result, the farmers were handicapped by short terms, high interest rates, and by the lack of any well-organized method of tapping investment markets for farm mortgage funds.[17]

Before the adoption of a variable payment plan, even under the credit facilities made available by the land banks, the traditional requirement of uniform annual payments accentuated the distress in depressions, resulting in loss of ownership and lapses into tenancy.[18]

There are, no doubt, many other reasons for this increase in farm tenancy, but the problems resulting from a high percentage of tenancy remain the chief concern.

One of the important problems arising from the high percentage of tenancy is the constant shifting of the rural population. Few tenant farmers occupy one farm for more than two or three years. In the spring of 1936, 34.2 percent of the 2,865,000 tenant farmers of the United States had occupied their present farms for only one year.[19]

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[16] Ibid., p. 6.

[17] William G. Murray, Agricultural Finance, p. 200.

[18] Report of the President's Committee, Farm Tenancy, 1937, p. 6.

[19] Ibid., p. 7.

This continual moving from farm to farm not only lowers the efficiency and standard of living of the farmer; it also lowers the value of the farm he operates.

> A conservative estimate of the direct cost of the average tenant move in Oklahoma is about $25.00. But the direct cost of moving is only a small portion of the real cost of useless moving. Useless moving is a destroyer of opportunity for financial advance in that it prevents many men from organizing their farm for long-time efficient yielding production. For example, an investigation among several hundred tenant families in the state revealed the fact that those who had averaged a move every two years were operating farms that averaged $5652 in value, while those whose average stay was six years or over had farms worth, on the average, $12,288.[20]

The tenant whose average stay on one farm is only two years, has little incentive to improve or conserve the soil. He cannot afford to apply fertilizer or practice crop rotation. He cannot afford to maintain and improve the buildings, woodlot, or fences. He can only follow a cash crop system, draining from the farm all that he possibly can during his short tenure, and leaving it for another and perhaps worse one.[21]

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[20] J. T. Sanders, "Landlords, Think Over That Proposed Move--It May Not Pay," Current Farm Economics, December, 1929, p. 5.

[21] Report of the President's Committee, Farm Tenancy, 1937, p. 6.

CHAPTER II

THE FARM SECURITY ADMINISTRATION PROGRAM--ITS PURPOSE AND OBJECTIVES

The problems in land tenure, described in the previous chapter, were magnified by the depression which began in 1929. Crop failure and low prices placed many farm families below the level of subsistence, and financial assistance became necessary if this low income group were to remain on the farm. If relief were not given, there were only two alternatives--to swell the ranks of agricultural migrants or to become a burden upon the already over-taxed relief agencies. The industrial areas were already receiving government aid; consequently, it was only logical that rural areas should receive the same consideration.

At first, the government provided individual states with sums to be used directly for rural relief. However, it was quite apparent that many farmers did not need nor did they welcome outright relief in the form of grants or subsidies, but they could become independent of relief if loans could be provided to purchase livestock, feed, machinery, or seed.[1] This idea formed the basis for the rehabilitation program, which took the following form:

> In April, 1934, the Federal Government alloted relief money for the rural rehabilitation program, operating through the State Emergency Relief administrators. The program was highly decentralized, and varied considerably from state to state. In most states a "Rural Rehabilitation Corporation" was organized to handle this work. These corporations were financed by allocations totaling about $70,000,000 from the Federal Government.
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> By March 1, 1935, more than 87,000 families had received loans from the state corporations. In that month, rehabilitation was extended to many families who had previously received direct relief; and by April 1, the case load had jumped to more than 250,000.

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[1] William G. Murray, Agricultural Finance, p. 292.

On July 1, 1935, the Resettlement Administration took over the rural rehabilitation program from the F.E.R.A. In the beginning, it was planned to continue this work through the state rehabilitation corporations, but a ruling by the Comptroller General halted this method of operation. As a result it was necessary to set up state Resettlement offices, taking over most of the rural rehabilitation corporation personnel. To avoid over-lapping, the state Corporations were asked to turn over their management and their assets to Resettlement Administration.

The rehabilitation loan program expanded rapidly--and for the first time in history, the government was combining credit with training and sound farming methods. Resettlement Administration county officials became supervisors, as well as loan agents, and each standard loan was based on a farm and home management plan.[2]

In 1936, the Resettlement Administration became a part of the United States Department of Agriculture.

In 1937, Congress passed the Bankhead-Jones Farm Tenant Act. This Act was a result of the investigation and report of the President's Committee on Farm Tenancy and was designated as an Act "To create the Farmers' Home Corporation, to promote more secure occupancy of farms and farm homes, to correct the economic instability resulting from some present forms of farm tenancy, and for other purposes."[3]

The Secretary of Agriculture designated the then existing Resettlement Administration as the agency to carry out the provisions of the Bankhead-Jones Farm Tenant Act, and changed it to the Farm Security Administration.[4] This new agency was to carry on with the principles and organization of the Resettlement Administration with county, district, state, and regional offices with headquarters in Washington, D. C. The functions of each of these various offices have been summarized as follows:

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[2] Farm Security Administration, History of the Farm Security Administration (processed), pp. 2-6.

[3] Public No. 210--75th Congress, 1st Session, Chapter 517, p. 1.

[4] The Farm Security Administration was changed to the Farmers' Home Administration on November 1, 1946. The Regional offices were abolished and other minor changes in administration were made.

A. County office:

The "spearhead" of the Farm Security Administration program is the county office, where applications for loans are made, farm and home plans worked out, and the actual work of planning, supervision, debt adjustment, and collection is done. All contact with the borrowers ordinarily is made through the county office. There are nearly 2,000 of these offices, each with a county supervisor, and usually a home management supervisor, and a stenographer or clerk, depending on the case load. The supervisors work with the borrowers by going to the farms, where they can actually see the problems each family faces.

B. District office:

A district supervisor co-ordinates the work in several counties, and works with county personnel on problem cases.

C. State office:

The State Director, assisted by an Associate State Director in charge of home management, has charge of the work of the district and county supervisors in his state. He also sees to it that the program makes use of the educational material available from the State Agricultural College, the Experiment Station, and the Agricultural Extension Service. He does a good deal of work in linking the program to that of other agencies in the state.

D. Regional office:

Each of the twelve regional offices has full charge of the work in several states that have similar farming conditions and problems. A farm management and a home management staff work with supervisors in the field and advise the people in immediate charge of the rehabilitation and resettlement programs. All of the fiscal work on making loans is done in the regional office.

E. Washington office:

The Washington office is responsible for making policy, co-ordinating the work of F.S.A. with other agencies, and performs service functions for the field offices.[5]

The Farm Security Administration had two broad general objectives: Immediate objective, to relieve the financial distress of farmers during the current depression, and the ultimate objective, to promote a long-time

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[5] Farm Security Administration, History of the Farm Security Administration (processed), p. 9.

program of stability and security of rural people on the land. The specific objectives are as follows:

Immediate objectives of the Farm Security Administration:

First, to relieve the suffering and misery among rural people by making it possible for them to become self-supporting;

Second, to improve the level of living among the low-income farmers and farm workers through an improvement in their health, housing, sanitation, and diet;

Third, to increase real income by better methods of farm and home planning;

Fourth, to reduce the load of indebtedness;

Fifth, to stem the dangerous tide of migratory workers by providing greater security to workers on the land;

Sixth, to reduce the cost of rural relief by making farm families self-supporting.[6]

Ultimate objectives of the Farm Security Administration:

First, to reestablish people now farming poor land on land which, by proper management, can guarantee the family a decent living both in goods and in the required cash;

Second, to improve the techniques and planning on the family-type farm so that it may become a source of strength to the Nation as a whole;

Third, to weave into the general fabric of community living all the families which at present are gradually forced out of the general community life by their low incomes;

Fourth, to work toward a more equitable adjustment of the population on the land, involving relocation of families from over-populated areas; the subdivision of large holdings capable of supporting a large number of families on a satisfactory level of living; and the development of certain under-populated areas.

Fifth, to work toward a control of land prices which would be consistent with its use value rather than with its speculative value, and thereby safeguard the family living against unjustified capitalization of earnings through increased land prices;

Sixth, to reduce the number of farm tenants in the United States;

Seventh, to improve the status of farm tenants by a widespread adoption of long-term written leases which will safeguard the interests of both farmers and renters and provide incentives for protecting and improving the land;

Eighth, to develop and increase cooperating leasing and purchasing associations to meet the needs of low-income groups;

Ninth, to regain the balance and values of rural living which the pursuit of agriculture has always had since the beginning of civilized life.[7]

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[6] United States Department of Agriculture, Toward Farm Security, 1941, p. 62.

[7] Ibid., p. 63.

The Farm Security Administration, as organized under the Bankhead-Jones Act, had two major functions, the making of Rehabilitation loans, and Tenant Purchase loans.

The Rehabilitation or Standard loans are made for the purpose of financing the purchase of livestock, farm equipment, supplies, and for other farm needs, including minor improvements and minor repairs on real property, for the refinancing of indebtedness, and for family subsistence.[8]

The amount of these loans to any one borrower was usually limited to $2,500 or less, depending upon the individual case needs. The interest rate was 5 percent per annum with terms of one year on funds used in the purchase of consumption goods, and up to five years on "recoverable" goods. These loans are secured by a chattel mortgage, a lien on crops, and an assignment of proceeds from the sale of all agricultural products.[9]

In order to be eligible for a loan under Title II of the Bankhead-Jones Act, the borrower must be a citizen of the United States.[10] Such loans are available only to low income farm families who are, or recently were, farm owner-operators, farm tenants, farm laborers, or farm sharecroppers. Such families must have an agricultural background, be in need of supervised and financed farm and home management, be able to maintain or increase living and health standards, and have a reasonable possibility of repaying the loan. No farmer was eligible for a loan if he could obtain adequate financing elsewhere.

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[8] The Bankhead-Jones Farm Tenant Act, 1937, Title II, Sec. 21 (a).

[9] Ibid., Title II, Sec. 21 (b).

[10] Ibid., Title II, Sec. 21 (c).

The Tenant Purchase or Farm Ownership Loans were made for the purpose of financing the purchase of a family-type farm, additional land to make a family-type farm, new farm and home improvements, repairs to farm and home improvements, and for land improvement and development. No loans were to be made unless the farm was of sufficient size to constitute an efficient farm-management unit and to enable a diligent farm family to carry on successful farming of a type suited to the locality in which the farm was situated.[11]

The amount of a Tenant-Purchase loan could not exceed the appraised value of the farm as determined by the County FSA Committee,[12] the County FSA Supervisor, and the FSA Appraiser. A specified price limitation for each county in the state was based upon a ten-year average of the price of farms in the county.

Tenant-Purchase loans are made on first mortgage security for a period of 40 years at an interest rate of 3 percent (the interest rate was raised to 3.5 percent in 1946). Annual amortization payments on principal of 4.326 percent reduce the principal to zero at the end of the 40-year period. The total annual payment is, therefore, 4.326 percent. After five years, any part or all of the loan may be paid at any time.[13]

A new feature of the farm loan program is the variable payment plan provided for in the Act, which is as follows:

> The Secretary may provide for the payment of any obligation or indebtedness to him under this Act under a system of variable payments

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[11] Ibid., Title I, Sec. 1 (c).

[12] The County FSA Committee is composed of three farmers residing in the county. They are appointed by the Secretary of Agriculture, and their function is to review applications with respect to the borrower and the farm on which the loan is to be made.

[13] The Bankhead-Jones Farm Tenant Act, 1937, Title I, Sec. 1.

under which a surplus above the required payment will be collected in periods of above-normal production or prices and employed to reduce payments below the required payments in periods of sub-normal production or prices.[14]

Tenant-Purchase loans are authorized in the United States and in the territories of Alaska, Hawaii, and Puerto Rico. In order to be eligible for these loans, the prospective borrower must be a citizen of the United States. He must be, or recently have been, a farm tenant, farm laborer, farm sharecropper, a recent owner, or the owner of a small acreage. Preference was given to persons who were married, or who had dependent families, or, wherever practicable, to persons who were able to make an initial down payment, or who were owners of livestock and farm implements necessary to carry on farming operations.[15]

Applications for Tenant-Purchase loans are filed in the county office of the Farm Security Administration and are examined by the County Committee composed of three farmers residing in the county. If the committee finds that an applicant is eligible to receive a loan, that by reasons of his character, ability, and experience he is likely to carry out undertakings required of him, and that the farm, for which the application is made, has a productive capacity sufficient to insure a reasonable likelihood that the making of the loan will carry out the purposes of Title I of the Bankhead-Jones Act, the committee will recommend that the loan be made.[16]

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[14] Ibid., Title IV, Sec. 48.

[15] Ibid., Title I, Sec. 1.

[16] Ibid., Title I, Sec. 2.

CHAPTER III

FINANCING A FARM AT LOW INTEREST RATES AND UNDER A VARIABLE PAYMENT PLAN

Kiowa and Jackson counties, in Southwestern Oklahoma, have a total of 3,945 farms containing 1,105,224 acres, with a rural population of 15,251. Soils in this area can be broadly classified as residual, alluvial, and sandy. With an average annual rainfall of about 27 inches, this area is adapted to the production of both wheat and cotton as primary cash crops. Also, according to the 1945 Census, these two counties have 381,651 acres of land pastured, which makes livestock enterprises a major source of farm income.

The discussion in this chapter and the two succeeding chapters, with the conclusions drawn, will be based upon the actual farm records of 30 Tenant-Purchase farms in Kiowa County and 18 Tenant-Purchase farms in Jackson County. These 48 farms were all the Tenant-Purchase farms in Kiowa and Jackson counties on which records were available for the years 1943, 1944, and 1945. The farms and the operators were selected according to the standards of the Farm Security Administration as outlined in Chapter II.

It is generally recognized that one of the major factors directly associated with the success or failure of farm ownership loans is the repayment schedule. Prior to the adoption of a Variable Payment Plan of repayment, borrowers were held to rigid fixed payments which were determined at the time the loan was made.

The breakdown of the mortgage credit structure in 1931-33 was essentially a product of the clash between fixed requirements of the mortgage contract and the wide fluctuations of dollar levels of farm income.[1] In an

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[1] J. K. Galbrath, R. M. Macy, and W. Malenbaum, "Farm Mortgage Loan Repayment," Journal of Farm Economics, Vol. 19, No. 3, August, 1937, p. 278.

effort to avoid a recurrence of this breakdown of the mortgage credit structure, a few agencies, dealing in farm mortgage loans, have been experimenting with various forms of the Variable Payment Plan.

For a number of years, the Federal Land Banks have been making a part of their loans on the so-called "Springfield" plan of amortization. Under this plan the borrower pays a fixed installment on the principal throughout the life of the loan. The interest payments and consequently the total annual or semi-annual installments grow smaller each year of the life of the loan. With this arrangement it is convenient to permit the borrower to prepay his principal, and his loan is not declared in default if he foregoes principal payment so long as the total of his prepayments equals or exceeds the amount currently due. He cannot, however, prepay interest.[2]

The Aetna Life Insurance Company has developed an interesting experiment in making a small number of loans with payments based on the price of corn. When the price of corn at Chicago on certain designated days in the marketing season averages:

1. Below 61 cents, no payments on principal are required;
2. 61-70 cents, 2 percent on principal is required;
3. 71-80 cents, 4 percent on principal is required;
4. 81 cents or over, 6 percent on principal is required.

Payments may be made at other times and accumulated in a reserve for meeting required payments. Payments of 6 percent were required in the spring of 1937, and it was stated that nearly all of the borrowers either met the payment, or had accumulated adequate reserves to do so.[3]

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[2] Ibid., p. 769.

[3] L. J. Norton, Financing Agriculture, p. 179.

The Variable Payment Plan adopted by the Farm Security Administration for the repayment of farm ownership loans provides for payments adjusted to the farmer's net income.

When a Tenant-Purchase borrower receives a loan he is allowed to choose between the Fixed Payment Plan and the Variable Payment Plan. If the borrower chooses the Fixed Payment Plan, he will be expected to pay 4.326 percent of the loan each year regardless of his income. This will retire both the principal and interest in 40 years. The chief advantage under this plan is that the borrower knows in advance what his annual payment will be and be able to invest the rest of his income as he wishes. It is possible under this plan to pay more than the fixed installment and thus pay off the loan in less than 40 years, but these extra payments will not allow the borrower to pay less than the fixed amount any one year without becoming delinquent.

Under the Variable Payment Plan, the amount that the borrower will be expected to pay each year will depend upon the amount of his net cash income. This will be shown by the family record book in which both income and expenses are listed. If the borrower's net cash income is large, he will be expected to make a payment in proportion to his income. If it is little or nothing, he will be expected to pay accordingly. His loan does not become delinquent, but the payments under this plan must also average out so that they will retire both the principal and interest in 40 years. The borrower may pay off his loan as fast as he wants to under either payment plan, except that the law does not permit final payment in less than five years without special approval.

The amount of the borrower's net cash income that he is expected to pay under the Variable Payment Plan is determined by whether he is "up to schedule," "ahead of schedule," or "behind schedule." The borrower will be "up

to schedule" at any time if he has paid exactly the same amount that would have been due under the Fixed Payment Plan at that time; he will be "ahead of schedule" if he has paid more than that, or "behind schedule" if he has paid less than that.

If the borrower is more than three years ahead of schedule, he will not be required to pay any specified amount on his loan. If he is three years ahead of schedule and has a good year, he will be asked to pay at least 4.526 percent of his loan, which is the same as the annual installment would be under the Fixed Payment Plan. If he is two years ahead of schedule and has a good year, he will be expected to pay at least twice the annual installment. If he is only one year ahead of schedule and his net cash income is sufficient, he will be expected to pay at least three times what the annual installment would be under the Fixed Payment Plan.

If the borrower is behind schedule and his net cash income is less than 4.526 percent of his loan, he will be expected to pay all of his net cash income. This should be no hardship because the necessary living and operating expenses are allowed first, so long as they are in line with the farm and home management plan.

If the borrower has chosen one plan of repayment and wishes to change to the other, he may do so on the date that principal and interest fall due, provided that he is up to schedule with his payments, and provided that he has not borrowed money to make the payments.[4] The Farm Security Administration reserves the right to transfer any borrower from the Variable Payment Plan to the Fixed Payment Plan if he fails to pay the amount for which he is billed, if his records are too incomplete or inaccurate to determine his net

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[4] A Tenant-Purchase borrower may borrow money from the FSA Rehabilitation Program.

cash income, or if, without some good reason, he should fall behind schedule 20 percent more than the average of all borrowers in the county for more than two years. If for any or all of these reasons the borrower should be transferred to the Fixed Payment Plan, he will be expected to continue thereafter on the fixed annual basis until his debt is retired.

Table II shows the relation between the FSA repayment and the net cash income of the 48 borrowers in Kiowa and Jackson counties. When the net cash income was small, the FSA payment was small; when the net cash income was large, the FSA payment was large, except in the cases where the Fixed Payment Plan was followed. The average FSA payment in County A, in 1943, exceeded the average net cash income because in some cases, particularly A-1, the borrower used funds accumulated in previous years to put him ahead of schedule. Although several borrowers in both counties were more than three years ahead of schedule in 1944 and 1945, they continued to make payments in line with their net cash incomes.

In the group of borrowers studied, there was only one case where it was necessary to transfer a borrower to the Fixed Payment Plan. In the case of A-13, the borrower died after a long illness, and special permission was granted by the Regional Office to waive payments in 1943 without the loan becoming delinquent. Permission was also given, upon the recommendation of the County Supervisor, for the widow to continue operation of the farm under a fixed payment plan.

In all three years, the 3 percent interest rate charged on Tenant-Purchase loans was the lowest interest rate available on farm mortgage loans in the counties studied. The second lowest was the 3½ percent subsidized rate on Federal Land Bank loans. Table III shows the actual interest payments made by the FSA borrower as compared with the amount that would have

Table II
Relation of FSA Payments to Net Cash Incomes in Jackson and Kiowa Counties
in 1943, 1944, and 1945

Case	1943 Net Cash Income	1943 FSA Payment	1944 Net Cash Income	1944 FSA Payment	1945 Net Cash Income	1945 FSA Payment
	(Dollars)					
A- 1	780	2,250	982	500	1,200	1,150
A- 2	421	339	1,150	1,000	1,820	1,500
A- 3	1,495	1,200	814	794	817	800
A- 4	125	226	1,407	1,000	516	501
A- 5	1,232	1,300	1,195	1,001	2,150	2,100
A- 6	799	750	1,502	1,500	2,060	2,000
A- 7	688	801	682	671	2,014	2,000
A- 8	684	601	1,065	999	925	900
A- 9	422	500	1,414	1,400	2,039	1,900
A-10	1,038	1,001	2,161	2,000	1,287	1,000
A-11	772	800	2,125	1,600	2,269	2,250
A-12	675	500	1,404	1,200	2,103	2,000
A-13	0	0	340	389	1,130	389
A-14	980	1,081	1,100	1,000	266	331
A-15	1,006	1,000	500	417	2,943	2,646
A-16	708	692	1,053	1,038	1,887	1,385
A-17	778	750	2,725	2,500	1,006	999
A-18	2,153	2,000	1,121	1,000	3,320	3,000
Total	14,756	15,791	22,740	20,009	29,752	26,851
Average	819	877	1,263	1,112	1,652	1,492

Case	1943 Net Cash Income	1943 FSA Payment	1944 Net Cash Income	1944 FSA Payment	1945 Net Cash Income	1945 FSA Payment
	(Dollars)					
B- 1	1,405	700	1,599	1,588	2,088	2,000
B- 2	279	399	879	846	1,346	1,300
B- 3	431	408	684	408	441	408
B- 4	217	658	2,050	2,009	1,319	1,250
B- 5	325	300	870	700	530	500
B- 6	1,452	1,451	999	1,000	1,105	1,000
B- 7	254	415	1,576	1,550	1,553	1,500
B- 8	552	400	744	700	861	800
B- 9	807	667	714	714	626	627
B-10	841	830	716	415	675	415
B-11	342	471	1,798	1,659	2,115	2,000
B-12	1,500	1,402	1,256	1,046	2,105	1,600
B-13	522	521	1,358	1,000	1,299	1,000
B-14	141	177	656	555	989	700
B-15	1,310	1,100	2,345	1,500	2,596	2,500
B-16	694	926	815	550	359	380
B-17	1,515	1,200	940	1,000	2,660	2,650
B-18	675	650	2,205	1,750	3,187	3,000
B-19	199	279	1,353	608	821	800
B-20	169	228	766	500	918	634
B-21	1,237	1,328	1,086	763	797	1,030
B-22	3,071	2,500	2,253	2,326	2,031	2,000
B-23	1,480	1,400	1,133	1,150	1,336	1,200
B-24	154	429	1,833	885	488	910
B-25	252	425	1,647	1,234	1,850	1,836
B-26	785	1,000	685	680	661	500
B-27	618	550	532	350	1,589	1,000
B-28	250	595	1,310	1,282	1,150	1,000
B-29	468	818	599	500	2,600	2,500
B-30	1,550	1,500	2,137	2,000	1,200	1,000
Total	24,295	23,727	37,538	31,268	41,295	38,040
Average	809	791	1,251	1,042	1,376	1,268

Table III
A Comparison of the Amount Paid in Interest Under the Farm Security Administration and the Amount That Would Have Been Paid on the Same Loan with the Federal Land Bank

Case	1943 FSA	1943 FLB	1944 FSA	1944 FLB	1945 FSA	1945 FLB
	(Dollars)					
A- 1	174	203	145	169	87	102
A- 2	135	158	272	317	157	183
A- 3	186	217	155	181	145	169
A- 4	199	233	186	217	197	230
A- 5	242	282	220	257	185	226
A- 6	164	191	186	217	90	105
A- 7	65	76	104	121	113	132
A- 8	211	246	208	243	159	186
A- 9	190	222	219	256	141	165
A-10	195	228	172	201	125	147
A-11	228	267	211	246	190	222
A-12	226	264	277	323	225	263
A-13	0	0	389	454	300	350
A-14	103	120	233	272	169	197
A-15	238	278	238	253	158	184
A-16	182	212	170	198	140	163
A-17	156	182	150	175	86	100
A-18	123	144	96	112	262	306
Total	3,017	3,523	3,601	4,212	2,929	3,430
Average	168	196	200	234	162	191

Case	1943 FSA	1943 FLB	1944 FSA	1944 FLB	1945 FSA	1945 FLB
	(Dollars)					
B- 1	147	172	212	247	162	189
B- 2	207	241	202	236	267	311
B- 3	264	308	267	311	275	321
B- 4	189	220	164	191	110	128
B- 5	145	170	139	162	116	135
B- 6	179	209	91	106	143	167
B- 7	244	285	182	212	225	262
B- 8	272	317	301	351	119	138
B- 9	283	330	291	339	63	73
B-10	249	291	165	195	353	411
B-11	179	209	300	350	192	224
B-12	234	273	247	288	139	162
B-13	240	280	212	248	163	190
B-14	79	92	101	117	96	113
B-15	184	215	221	258	184	215
B-16	213	249	214	249	151	176
B-17	215	250	194	226	168	196
B-18	224	261	144	168	88	103
B-19	170	198	168	196	143	167
B-20	77	89	141	164	136	159
B-21	92	107	261	305	210	245
B-22	246	286	165	192	109	128
B-23	113	131	64	75	63	73
B-24	86	100	190	222	114	133
B-25	242	283	133	155	208	243
B-26	93	109	343	400	250	292
B-27	219	256	230	269	205	239
B-28	338	394	291	339	98	115
B-29	226	264	147	171	131	153
B-30	104	122	225	263	55	64
Total	5,753	6,711	6,005	7,005	4,736	5,525
Average	192	224	200	233	158	184

been paid on the same loan at Federal Land Bank rates. These figures show that the average borrower paid $91 less during the three year period on a Farm Security Administration loan than he would have paid on a Federal Land Bank loan.

It would seem logical to presume that the average farm mortgagor would have been paying 5 percent interest on a loan during this period. The amount that would have been paid at 5 percent as compared with the amount that was actually paid under the Farm Security Administration would have been 40 percent higher (Table IV). According to these figures, the Tenant-Purchase borrower would have paid an average of $359 more for the same size loan, for the same period of time, if he had been financed by an agency charging 5 percent interest.

Table IV
A Comparison of the Amount Paid in Interest Under the Farm Security Administration and the Amount That Would Have Been Paid on the Same Loan at 5 Percent

Case	1943 FSA	1943 5 Percent	1944 FSA	1944 5 Percent	1945 FSA	1945 5 Percent
	(Dollars)					
A- 1	174	290	145	242	87	145
A- 2	135	225	272	455	157	260
A- 3	186	310	155	260	145	252
A- 4	199	332	186	310	197	328
A- 5	242	405	220	365	185	310
A- 6	164	275	186	310	90	150
A- 7	65	110	104	175	113	190
A- 8	211	350	208	345	159	265
A- 9	190	315	219	365	141	235
A-10	195	325	172	285	125	210
A-11	228	380	211	350	190	315
A-12	226	375	277	460	225	375
A-13	0	0	389	630	300	500
A-14	103	170	233	390	169	280
A-15	238	395	238	395	158	265
A-16	182	305	170	285	140	235
A-17	156	260	150	250	86	145
A-18	123	205	96	160	262	435
Total	3,017	5,030	3,601	6,000	2,929	4,880
Average	168	280	200	333	162	270

Case	1943 FSA	1943 5 Percent	1944 FSA	1944 5 Percent	1945 FSA	1945 5 Percent
	(Dollars)					
B- 1	147	245	212	355	162	270
B- 2	207	345	202	335	267	445
B- 3	264	440	267	445	275	460
B- 4	189	315	164	273	110	183
B- 5	145	240	139	230	116	198
B- 6	179	300	91	150	143	240
B- 7	244	405	182	305	255	375
B- 8	272	455	301	500	119	200
B- 9	283	470	291	485	63	105
B-10	249	415	165	275	353	590
B-11	179	300	300	500	192	320
B-12	234	390	247	410	139	230
B-13	240	400	212	355	163	270
B-14	79	130	101	170	96	160
B-15	184	305	221	370	184	305
B-16	213	355	214	355	151	250
B-17	215	360	194	325	168	280
B-18	224	373	144	240	88	145
B-19	170	283	168	280	143	240
B-20	77	130	141	235	136	225
B-21	92	155	261	435	210	350
B-22	246	410	165	275	109	180
B-23	113	190	64	105	63	105
B-24	86	145	190	316	114	190
B-25	242	405	133	211	208	345
B-26	93	155	343	570	250	415
B-27	219	365	230	383	205	340
B-28	338	565	291	485	98	165
B-29	226	375	147	245	131	220
B-30	104	173	225	375	55	90
Total	5,753	9,570	6,005	10,010	4,736	7,895
Average	192	320	200	333	158	263

CHAPTER IV

A PLANNED FARM PROGRAM UNDER SUPERVISION

A common criticism leveled against farmers is that they do not organize and manage their farms in a business-like manner. They do not keep books; they do not prepare a budget; and they do not distinguish between personal outlays and outlays for crop and livestock expenditures.[1] In order to overcome these criticisms, the Farm Security Administration has required that a Tenant-Purchase borrower be willing to cooperate with FSA; that they agree to keep farm and family records; and that they will plan their farm and home activities.

The farm and home management plan is the hub of the Farm Security supervisory program. This is not a prepared plan given to each farmer by the FSA Supervisor, but is a suitable plan worked out by each individual farmer, with advice and help from the County Supervisor and Home Management Supervisor.

Before the farmer can prepare a workable farm and home management plan, he must have a base on which to begin. The plan for the first year as a Tenant-Purchase borrower will be based upon whatever records are available, or it may be largely guesswork. The following farm and home management plans will be based upon the farm family record book which each family is required to keep. The record book will show itemized expenses and incomes as well as a beginning and ending inventory of all his assets. Where the record book is kept, it will give the farmer an accurate picture of his farming activities during the past year and will enable him to make changes that will increase his net returns.

The kind of farm and home management which the FSA supervisors teach is specially designed to meet the problems of the small farmer. The farm plan

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[1] G. W. Forster, Farm Organization and Management, p. 48.

has three basic objectives:

1. The production at home of most of the family's food and livestock feed. This is called "live-at-home" farming.

2. Cash income from at least two sources—no more one-crop farming.

3. Methods that will build up the fertility of the soil and put every foot of ground to the best alternative use.

If the plan is carried out, the family will have plenty to eat and to feed its livestock, whether or not it has much cash income. By raising several cash crops, the farmer reduces the risk of weather hazards and poor markets. Through careful land use he maintains the soil.[2]

The first objective of the farm plan calls for the production of a large proportion of the family food and livestock feed on the farm. Table V shows the value of food produced on the farm compared with the value of food purchased by each farmer in the two counties during the three-year period. These 48 Tenant-Purchase borrowers produced an average of 51 percent of the total value of food consumed during this period. Assuming that each farm family would have bought the total amount of food consumed, this represented an average cash saving of $515. When compared with the repayment schedule, this amount is greater by $463 than the average yearly payment made.[3] It appears that the live-at-home program has been very effective.

The Effect of A Major Crop or Livestock Enterprise on the Farm Income

The second objective of the farm plan seeks to have two or more sources for the farmer's cash income. The total average cash income of the 48 borrowers is distributed between wheat, cotton, livestock enterprises and other

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[2] United States Department of Agriculture, The Farm Security Administration, May 1, 1941, p. 11.

[3] The average annual payment made by this group of borrowers during 1943, 1944, and 1945 was $1,081 (Table VII).

income, which includes AAA payments, work off the farm, and the sale of crops other than wheat and cotton (Table VI). These farmers received an average of 37 percent of their total income from livestock enterprises, 32.8 percent from cotton, 17.5 percent from wheat, and 12.7 percent from other sources. On the basis of these figures, a farmer could have a complete failure in cotton and still have an average income of $3,196, or a wheat failure would leave an average income of $3,923.[4]

In order to accomplish the third objective of the farm plan, the Farm Security Administration requires that every Tenant-Purchase borrower cooperate with the Soil Conservation Service when it is at all possible for them to do so. Further technical assistance and advice on improved farm practices and better farm management is available to the borrower through FSA cooperation with the Extension Service, the Agricultural Experiment Stations, and other State and Federal agencies.

The Relation of Expenses to Incomes and Their Effect Upon the Repayment Schedule

Since expenditures for farm operations, family living, and capital goods are important in determining the net cash income, careful attention is always given to the planning of expenses in preparing the farm and home management plan. The family should always think of this plan as a flexible guide to spending rather than a rigid schedule of expenses. It is recognized that the family cannot foresee what the year will bring, or what changes there may be in its estimated income or its needs. But the mere fact that a plan is flexible and may be revised after operations begin should not lessen its usefulness in keeping expenditures well balanced and in harmony with the needs and

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[4] These figures were determined by taking incomes from wheat and cotton from the total incomes in Table VI.

Table VI
Income from Various Farm Enterprises on 48 Tenant-Purchase Farms in Kiowa and Jackson Counties
Average for the Three-Year Period, 1943-45

Case	Farm Enterprise Income					Case	Farm Enterprise Income				
	Total	Wheat	Cotton	Livestock	Other		Total	Wheat	Cotton	Livestock	Other
			(Dollars)						(Dollars)		
A- 1	6,235	1,300	3,313	1,389	189	B- 1	5,872	1,836	1,078	2,579	346
A- 2	4,443	—	2,299	1,627	451	B- 2	6,008	669	3,048	1,728	522
A- 3	4,366	914	493	2,611	349	B- 3	6,117	1,505	1,068	2,988	573
A- 4	4,786	—	3,172	974	430	B- 4	3,935	931	593	2,271	134
A- 5	4,243	681	861	2,216	505	B- 5	4,506	1,387	910	1,527	683
A- 6	5,695	1,116	2,076	1,052	1,451	B- 6	3,152	783	667	1,578	117
A- 7	4,399	1,385	1,531	1,238	246	B- 7	7,051	1,363	3,678	711	1,163
A- 8	4,172	—	2,046	1,432	694	B- 8	3,879	392	1,345	1,879	263
A- 9	7,656	1,081	2,444	3,259	892	B- 9	3,983	783	885	1,689	626
A-10	5,325	284	2,797	2,093	151	B-10	3,717	391	1,277	1,866	183
A-11	5,241	—	2,891	1,451	896	B-11	4,031	774	1,452	1,458	347
A-12	6,890	—	3,710	1,718	1,461	B-12	4,751	898	1,860	1,647	346
A-13	3,868	350	1,691	1,148	678	B-13	3,394	975	452	1,577	395
A-14	3,999	191	1,414	1,475	918	B-14	2,725	159	1,309	997	260
A-15	3,973	1,343	1,055	1,154	420	B-15	7,035	2,160	736	3,358	781
A-16	2,975	—	1,533	941	500	B-16	4,466	1,036	633	2,131	662
A-17	4,828	666	2,239	1,523	403	B-17	5,208	824	1,719	1,335	1,098
A-18	6,249	1,639	1,904	2,159	546	B-18	6,766	2,602	2,010	1,503	647
						B-19	3,190	305	373	2,271	241
Total	85,743	10,950	37,466	29,460	11,180	B-20	3,552	647	726	1,355	824
Average	4,764	608	2,081	1,636	621	B-21	3,530	129	932	1,230	1,235
						B-22	9,190	1,466	2,544	3,272	1,905
						B-23	3,588	1,306	404	1,808	70
						B-24	4,907	1,020	451	956	2,480
						B-25	3,906	1,328	348	1,628	672
						B-26	5,020	485	1,657	2,638	273
						B-27	4,007	775	1,285	1,651	296
						B-28	4,844	954	2,071	1,081	738
						B-29	6,666	1,495	1,037	3,431	370
						B-30	3,493	223	1,027	2,114	124
						Total	142,488	29,643	37,575	56,211	18,329
						Average	4,750	988	1,256	1,874	611

wants of the family.[5]

The net cash income, and consequently the repayment schedule, depends a great deal on how carefully the family has planned their expenditures and how closely they have been able to follow their plan.

The comparison of farm and family expenses with total income, net cash income, and FSA payments (Table VII), indicates that the farmers with the highest incomes also have the highest expenses. This is true because farm expenses are more closely related to total incomes than either family living expenses or expenditures for capital goods.

It has been found that the planning for utilization of farm products and the expenditures of cash by the family is usually more accurate than the planning of cash requirements for the farm operations.[6] It would seem that the family living expenses are planned more nearly for the maximum instead of the minimum needs of the family, based upon the size of the family, ages, health, etc. This may be an explanation for the fact that there is no relation between the family living expenses and the total cash incomes of the 48 Tenant-Purchase borrowers studied. However, there are definite indications that the borrowers with the lowest cash expenditures for family living are the ones that produce the largest percentage of their food on the farm.

Expenditures for capital goods are usually made after it has been determined that the gross income will exceed other expenses by at least that amount. The adjustment of these expenditures can be made to the best advantage when the Variable Payment Plan is being used. Although such expenditures

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[5] United States Department of Agriculture, Toward Farm Security, p. 100.

[6] Alfred Carl Seago, A Comparison of Results from Planned and Actual Operations on Farm Security Administration Farms, Pawnee and Payne Counties, Oklahoma, Thesis, Oklahoma A. and M. College, 1946, p. 112.

Table VII
Farm and Family Expenses Compared with Total Income, Net Cash Income, and FSA Payments, for 48 Tenant-Purchase Farms in Jackson and Kiowa Counties, Average, Three-Year Period (1943-45)

Case	Total Average Gross Income	Expenses: Farm	Expenses: Family Living	Expenses: Capital Goods	Net Cash Balance	FSA Payment
	(Dollars)					
A- 1	6,235	3,186	1,147	915	987	1,300
A- 2	4,443	1,717	774	822	1,130	946
A- 3	4,366	2,053	810	461	1,042	931
A- 4	4,786	2,443	1,000	660	683	576
A- 5	4,243	1,637	850	250	1,526	1,467
A- 6	5,695	2,500	724	1,017	1,454	1,417
A- 7	4,399	2,010	578	683	1,128	1,157
A- 8	4,172	2,101	893	287	891	833
A- 9	7,656	3,404	1,515	1,445	1,292	1,267
A-10	5,325	2,200	1,020	610	1,495	1,334
A-11	5,241	1,850	1,112	557	1,722	1,550
A-12	6,890	3,032	1,000	1,464	1,394	1,233
A-13	3,868	1,558	1,440	380	490	256
A-14	3,999	1,145	1,091	981	782	804
A-15	3,973	1,164	546	780	1,483	1,354
A-16	2,975	811	700	248	1,216	1,038
A-17	4,828	2,097	605	710	1,503	1,416
A-18	6,249	2,321	723	1,007	2,198	2,000
Total	85,743	37,229	16,508	13,277	22,416	20,879
Average	4,764	2,068	917	738	1,245	1,160

Case	Total Average Gross Income	Expenses: Farm	Expenses: Family Living	Expenses: Capital Goods	Net Cash Balance	FSA Payment
	(Dollars)					
B- 1	5,872	2,635	1,112	428	1,697	1,429
B- 2	6,008	2,953	1,603	617	835	848
B- 3	6,117	3,473	1,183	942	519	408
B- 4	3,935	1,616	815	314	1,195	1,306
B- 5	4,506	2,174	1,071	686	575	500
B- 6	3,152	1,058	755	152	1,185	1,150
B- 7	7,051	3,441	951	1,531	1,128	1,155
B- 8	3,879	1,677	816	664	722	633
B- 9	3,983	1,449	957	861	716	669
B-10	3,717	1,202	1,042	729	744	553
B-11	4,031	1,422	847	344	1,418	1,377
B-12	4,751	1,410	1,316	405	1,620	1,349
B-13	3,394	1,099	801	434	1,060	840
B-14	2,725	1,182	637	311	595	477
B-15	7,035	2,673	1,172	1,106	2,084	1,700
B-16	4,466	1,878	861	1,104	623	619
B-17	5,208	2,103	674	726	1,705	1,613
B-18	6,766	3,240	905	591	2,022	1,800
B-19	3,190	781	1,320	296	791	562
B-20	3,552	1,458	825	651	618	454
B-21	3,530	1,547	693	250	1,040	1,040
B-22	9,190	4,028	1,212	1,068	2,452	2,275
B-23	3,588	1,077	968	227	1,316	1,250
B-24	4,907	1,609	1,251	1,222	825	741
B-25	3,906	1,340	804	512	1,250	1,165
B-26	5,020	2,153	1,112	1,045	710	727
B-27	4,007	1,638	1,320	136	913	633
B-28	4,844	1,908	795	1,238	903	959
B-29	6,666	2,433	1,374	1,637	1,222	1,273
B-30	3,492	1,289	406	168	1,629	1,500
Total	142,488	57,946	29,598	20,395	34,112	31,005
Average	4,750	1,932	987	680	1,137	1,034

decrease the net cash income, the farmer's net worth is increased by an exact amount.

In analyzing the farm expenses of the 48 Tenant-Purchase borrowers in Kiowa and Jackson counties, it was found that a definite relation existed between the farm expense and the kind of crop grown, and the distribution of income from the various crop and livestock enterprises. For example, those farmers who received the major part of their cash income from cotton had greater farm expense than those farmers who received most of their income from wheat. In County A, the average farm expense was $2,068, the average income from wheat was $608, and the average income from cotton was $2,081; while in County B, the average farm expense was $1,932 with an average income from wheat of $988, and an average income of $1,256 from cotton.

This relationship can be explained by comparing the ten farms having the highest farm expense with the ten farms having the lowest farm expense (Table VIII).

In group I, the highest farm expense group, the average farm expense was $3,207. This group received an average of 35 percent of their total income, or $2,363, from cotton and 21 percent of their total income, or $1,398, from wheat. In group II, the lowest expense group, the average farm expense was $1,081. This group received an average of 28 percent of their total income, or $951, from cotton and 17 percent, or $568, from wheat.

One of the major factors determining the amount of farm expense is hired labor. This is one of the largest expense items that can be charged to either crop, and it is definitely much higher on farms where the major crop is cotton. In group I where the average income from cotton was $2,363, the average hired labor expense was $1,073, while in group II the average income from cotton was $951 and the average hired labor expense was $223.

Table VIII
A Comparison of Ten Tenant-Purchase Farms Having the Highest Farm Expenses with Ten Tenant-Purchase Farms Having the Lowest Farm Expenses, Kiowa and Jackson Counties, for the Three-Year Period, 1943-45

Case	Farm Expense (Dollars)	Hired Labor Expense (Dollars)	Net Cash Balance (Dollars)	Income from Cotton (Dollars)	Income from Cotton (Percent)	Income from Wheat (Dollars)	Income from Wheat (Percent)	Case	Farm Expense (Dollars)	Hired Labor Expense (Dollars)	Net Cash Balance (Dollars)	Income from Cotton (Dollars)	Income from Cotton (Percent)	Income from Wheat (Dollars)	Income from Wheat (Percent)
				Group I								Group II			
B-22	4,028	1,346	2,452	2,544	28	1,466	19	B-19	781	104	791	375	12	305	9
B- 3	3,475	582	519	1,068	17	1,505	25	A-16	811	170	1,216	1,533	51	—	—
B- 7	3,441	1,968	1,128	3,678	59	1,363	19	B- 6	1,058	137	1,185	667	21	783	25
A- 9	3,404	1,475	1,292	2,444	32	1,081	14	B-23	1,077	274	1,316	404	11	1,306	36
B-18	3,240	1,061	1,797	2,010	29	2,602	38	B-13	1,099	171	1,060	452	13	975	29
A- 1	3,186	1,175	987	3,313	53	1,300	21	A-14	1,145	268	782	1,414	28	191	5
A-12	3,032	1,251	1,394	3,710	59	—	—	A-15	1,164	161	1,483	1,055	27	1,343	35
B- 2	2,953	1,163	835	3,048	51	669	11	B-14	1,182	471	595	1,309	49	159	5
B-15	2,673	361	2,084	736	10	2,160	31	B-10	1,202	277	744	1,277	34	391	10
B- 1	2,635	258	1,697	1,078	19	1,836	31	B-30	1,289	192	1,629	1,027	29	223	6
Total	32,065	10,728	14,185	23,629		13,982		Total	10,808	2,225	10,801	9,511		5,676	
Average	3,207	1,073	1,418	2,363		1,398		Average	1,081	223	1,080	951		568	

The income from livestock enterprises was not considered in this analysis because it was fairly uniform throughout the 48 farms and would have no particular significance in determining the results of the relationship of expenses to incomes.

CHAPTER V

SUMMARY AND CONCLUSIONS

The relation of man to land and to the economic, political, and social forces affecting him, both past and present, has created problems that have been the basis of many investigations. There seems to be considerable evidence to substantiate the opinion that the land policies followed by the Federal Government in disposing of the vast public domain aided materially in perpetuating many of the problems related to land tenure. It appears that Congress was more interested in obtaining a revenue from the sale of government land than it was in promoting the general welfare of the agricultural economy, and failure to provide adequate measures for keeping land in the hands of those who work it has had its effect upon the increase in the percentage of all farms operated by tenants.

In the early years of the depression, which began in the fall of 1929, Federal and State governments began to take an active interest in the economic welfare of the farmer. The early procedure of direct relief to farmers soon gave way to a more farsighted program designed to promote economic security and stability.

The scope of this study did not permit an evaluation of the various governmental agencies that developed between 1930 and 1940, but was confined to the Tenant-Purchase program of the Farm Security Administration in Kiowa and Jackson counties. This program was an outgrowth of the investigation and report of the President's Committee on the Causes and Effects of Farm Tenancy, and was to help those farmers who had little chance of becoming farm owners through the regular channels of farm mortgage financing.

The Farm Security Administration was not considered as a loan agency for it was not in competition with agencies dealing in farm loans. The fact

that the Farm Security Administration loaned the full purchase price of a farm at a low rate of interest was only a minor point in its rehabilitation and security program.

The actual records of 30 Tenant-Purchase borrowers in Kiowa County and 18 Tenant-Purchase borrowers in Jackson County were analyzed to determine the effect on the income and repayment schedule of (1) a low interest rate, (2) a variable payment plan, (3) a planned farm program under supervision, (4) major crop and livestock enterprises, and (5) the relation of expenses to incomes.

In comparing the 3 percent interest rate charged on a Tenant-Purchase loan with the 3.5 percent charged by the Federal Land Bank, it was found that the average Tenant-Purchase borrower in the cases studied, saved enough on interest during the three-year period to pay approximately one-fourth of one installment on his loan. When the same comparison was made using the 5 percent market rate, it was found that the average borrower saved enough during the three years to pay one installment on his loan.

Under the Tenant-Purchase program, a borrower may repay his loan under a variable payment plan which adjusts his payments to his net income. Critics of this repayment plan claim that the farmer who does a poor job is rewarded by having his payments reduced. In this group of 48 Tenant-Purchase borrowers studied, every farmer using the Variable Payment Plan paid an amount on his loan during the three-year period sufficient to place him at least two years ahead of schedule. All but two of the farmers repaying their loans under the Fixed Payment Plan had made extra payments during this time.

When a farmer obtains a Tenant-Purchase loan he agrees to accept farm and home supervision; he agrees to keep farm and family records and to plan the family farm and home activities. Two of the objectives of this farm and

home management are (1) the production at home of most of the family's food and livestock feed, and (2) cash income from at least two sources.

The 48 Tenant-Purchase borrowers in Kiowa and Jackson counties produced an average of 61 percent of the total food consumed during the three years studied. Assuming that each borrower's family had consumed the same amount of food and had not produced any on the farm, the average family living expenses for the three years would have increased by an amount greater than the average FSA payment made.

The major sources of cash income for the Tenant-Purchase borrowers studied were wheat, cotton, and livestock enterprises. Eighteen percent of the cash income was received from wheat, 33 percent from cotton, 37 percent from livestock enterprises, and 12 percent from all other sources.

An analysis of the expenses of the Tenant-Purchase borrowers studied, indicates that the farm expenses are closely related to the cash crop raised. Those farmers who received the highest percentage of their total income from cotton had a higher farm expense than those farmers who received the largest proportion of their cash income from wheat.

The family living expenses are less variable than are the farm expenses. They are planned for the median needs of the family, based upon the number in the family, ages, and health, and it is found that these expenses rarely exceed the plan regardless of cash income.

Expenditures for capital goods are highly variable and are usually made after it has been determined that the total income will exceed the planned expenses by that amount.

On the basis of the analysis of the 48 Tenant-Purchase borrowers in Kiowa and Jackson counties, it appears that the Farm Security Administration is accomplishing its purpose in promoting security and stability on the land.

The records of these farmers seem to indicate that they are accomplishing the objectives outlined by the Farm Security Administration. They are planning their farm and home activities; they are producing a large portion of their food on the farm; their cash incomes are obtained from at least two sources; there is not one delinquent loan; and the majority of the borrowers are at least two years ahead of their repayment schedules.

It was recognized that the index of production and prices were abnormally high during the years 1943, 1944, and 1945. It was further recognized that the 3 percent interest on a Tenant-Purchase loan is a subsidized rate and that it was not possible to determine the cost of supervision under this program. Therefore, this study was limited by the lack of comparable data for measuring the effect of these factors upon the net returns of the 48 Tenant-Purchase farms during the years, 1943, 1944, and 1945.

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