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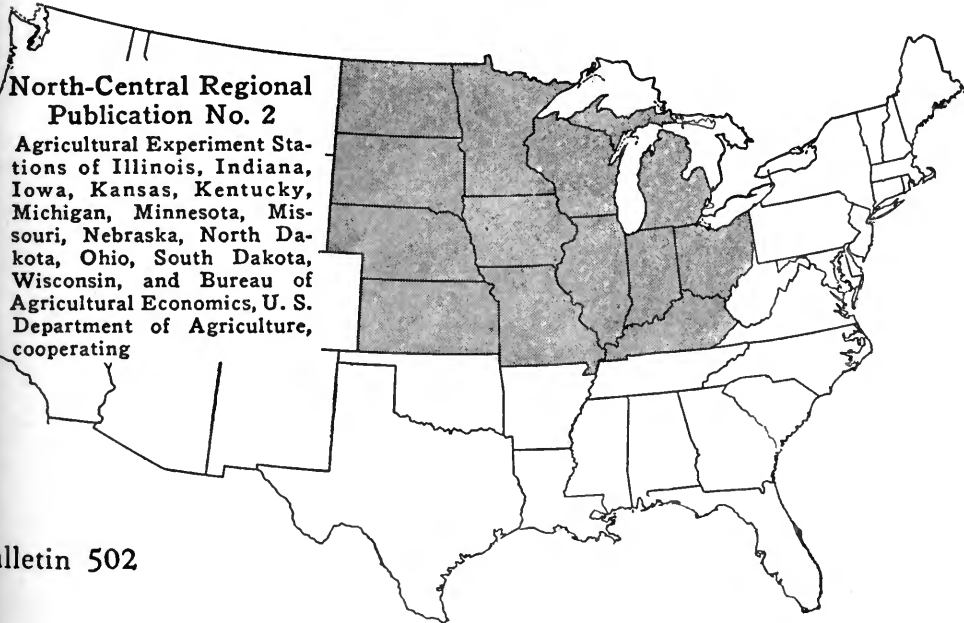
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Improving FARM TENURE *in the* MIDWEST

Problems and Recommended Policies



**North-Central Regional
Publication No. 2**

Agricultural Experiment Stations of Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin, and Bureau of Agricultural Economics, U. S. Department of Agriculture, cooperating

Bulletin 502

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FOREWORD

THE DEPRESSION OF THE THIRTIES, with its aftermath of widespread farm-debt distress resulting in mortgage foreclosures, farms held by unwilling owners, increased tenancy and unstable occupancy, made it clear that more attention needed to be given to land-tenure problems by both farmers and the general public. The present war is almost certain to create situations that will intensify still further some of the problems farm people meet in buying and paying for farms.

Many indications of the growing need for sound solutions to these land-tenure problems prompted the FARM FOUNDATION, in the spring of 1939, to sponsor and give financial support to an informal conference of land economists from the agricultural experiment stations in the North-Central States. As an outgrowth of this and succeeding conferences, also financed by the FARM FOUNDATION, the directors of these stations appointed a Regional Land-Tenure Research Committee, with Associate Director Noble Clark of Wisconsin as administrative adviser.

The members of the regional committee, designated by their respective experiment station directors, and representatives from the U. S. Department of Agriculture are listed on the following page. The committee appointed H. C. M. Case chairman and Joseph Ackerman of the FARM FOUNDATION secretary, positions which they had held in the informal conferences. Others who have made major contributions include C. L. Stewart, Illinois; H. C. Filley, Nebraska; L. A. Salter, Jr., Wisconsin; and John Muehlbeier, Bureau of Agricultural Economics, U. S. Department of Agriculture. Anna C. Glover, Illinois Station Editor, had charge of the final editorial work.

The major purpose of the committee is to develop an integrated long-time program of research that will lead to the improvement of farm tenure in this region. This report is the committee's first formal publication and is limited to a brief outline of present problems and recommended lines of action.

Altho no supporting data are presented, past research programs of the institutions represented and the experience of the committee members with the land-tenure problems of the region have supplied the background for the report. While it is impractical to make detailed reference to published data from the several cooperating institutions, such information is available upon request. It should be

made clear, however, that the several institutions are in no way committed to the judgments and opinions expressed—the committee members individually and collectively assume entire responsibility.

The Illinois Agricultural Experiment Station provided the facilities for printing this report, which is being distributed thruout the North-Central region by the several state agricultural experiment stations. It is the belief of these stations that this information and the counsel of these leading specialists in the subject of farm tenure will be helpful to all persons interested in building a more stable and prosperous agriculture in the Midwest.

NOBLE CLARK, Administrative Adviser,
North-Central Regional Committee
on Land-Tenure Research

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IMPROVING FARM TENURE IN THE MIDWEST¹

INTRODUCTION

HOW FARM LAND is acquired, held in ownership, operated, or rented has always been a matter of national interest, for just and fair conditions of tenure are recognized as essential to our national welfare. The problems of farm tenure, however, are not limited to matters of ownership, inheritance, tenancy, and the interests of farm labor but pertain also to farm credit, prices of farm land, land appraisal, land-use programs, land-settlement policies, and rural living standards.

Owners of farm land in this country have now, and have long had, practically unlimited legal opportunity to use the land as they please. For more than a century the soil resources of the country have been exploited with small regard for their future productivity. It is now imperative that tenure policies which will protect our land resources be formulated on national and state levels. Only by taking definite steps to develop and implement such policies will the duties and responsibilities implicit in the right to own or to operate farm land be adequately discharged. While some of these policies may need to be written into law, most of them can be developed thru educational programs.

The land policy of the United States has fostered the operation of farm land by those who own it. Acts of Congress, such as the Preemption Act of 1841 and the Homestead Act of 1862, were designed to encourage individuals to settle on and to own the abundant supply of land then undeveloped in this country. It is still considered desirable to have a relatively high proportion of farms of family size operated by the owners. Yet most parts of this country are faced with a high percentage of farm tenancy

¹"Midwest" as used in this publication includes the states of Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

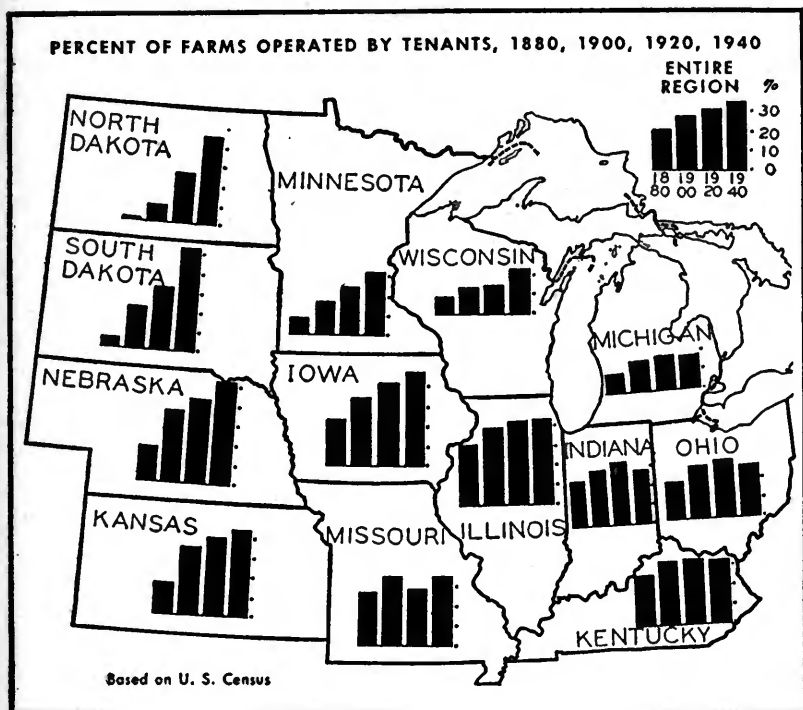
and a heavy farm-mortgage indebtedness. In the states included in this study 35 percent of the farms were operated by tenants in 1940, and the average farm operator owned less than 38 percent interest (operator's "equity") in the land and its improvements.

A high proportion of farm tenancy and heavy indebtedness are of concern not only to the people living in the midwestern states, but also to the nation as a whole, for these states include nearly two-fifths of all land in farms in the United States and produce two-thirds of the food sold in the commercial markets of the nation. Three-fourths of our total volume of corn, oats, wheat, soybeans, barley, rye, and flax come from this area, about three-fourths of the hogs, half of all cattle, and half of our milk and eggs. Obviously it is of vital concern to the nation that in so important a producing area types of land ownership and operation be developed that will be conducive to a permanent agriculture and to strong rural communities, both of which are essential to national stability.

The purpose of this publication is to bring more clearly to the attention of farm owners, farm operators, and the public some of the problems involved in the ownership and operation of farm land in the Midwest and to recommend certain policies and procedures which, in the opinion of the committee, should have first consideration in postwar planning in this field.

Farm-tenure objectives. There are certain objectives, having to do with the welfare of farm families, that are basic to constructive, long-time land-tenure policies of national application. The representatives from the Midwest States cooperating in this study, after reviewing available research data and as the result of long-time observation, have agreed upon the following statement of these objectives:

Income. It should be possible for qualified farmers to become owners or renters of farm units that will provide an equitable reward for intelligent management, necessary labor input, and the use of necessary capital, and that are large enough and productive enough to support families at living levels comparable to those of other major population groups.



CHANGES IN FARM TENANCY IN THIRTEEN MIDWEST STATES SINCE 1880

Farm tenancy has increased markedly in this region since 1880. This increase has been most notable since 1920 in all states west of the Mississippi river except Missouri. A low percentage of tenancy has persisted in Michigan and Wisconsin. No great change has occurred in the number of rented farms in Illinois, Indiana, Kentucky, Missouri, and Ohio in the past forty years, altho considerable tenancy is found in these five states, especially in Illinois. In the region as a whole a third of the farms were rented in 1940. (The dots at the right of each group of bars mark intervals of 10 percent.)

Security. Farm families should have the opportunity to enjoy such degree of security in the occupation of their land, whether owned or rented, as will enable them to be effective members of their communities and give them reasonable protection from financial distress resulting from extreme climatic hazards and economic depressions.

Opportunity. Farm families should have such further opportunities as are necessary to enable them to develop their best personal talents, to participate actively in community life, and to enjoy adequate social and cultural facilities.

The three objectives stated above, relating to income, security, and opportunity, are consistent with our national principles, which guarantee to all citizens equality of opportunity and personal freedom within the limits of their responsibility to society. For farmers, social responsibility includes two major obligations: (1) the obligation to conserve and develop our land resources in the interest of continuing national welfare; (2) the obligation to produce ample quantities of farm products for equitable exchange.

FARM OWNERSHIP

The way should be kept open for the majority of farm tenants to become farm owners.

PROBLEM. It has become progressively more difficult to acquire the ownership of farms, especially for farm tenants to do so. No longer to be had by homesteading, farms are valuable properties which must be paid for. Also, they have become larger and fewer. The development of more efficient farm equipment, enabling one man to farm more land, means that a larger investment per farm in machinery and equipment, as well as in land, is now necessary. It also means that one who desires to buy a farm must work more years to earn the money with which to pay for the equipment and make the down payment on the farm. Even in normal times the demand for land, especially for land adjacent to large cities, where there are many potential purchasers, is such that land prices rise above actual values based on the long-time productive capacity of the land, thus making it still more difficult for a man to acquire ownership when he must pay for the land out of its earnings.

It is not hard to pay for farm land out of farm earnings so long as prices of farm products are rising, but it is very difficult to do so when they are falling. During periods of falling prices,

many capable owner-operators will lose their farms unless more enlightened tenure policies are developed and widely applied.

The area of farm land in this region being practically fixed or declining (four midwestern states have less farm land today than in 1880), the only way in which the number of farms can be maintained—provided that it is desirable that they be maintained—is thru the subdividing of some existing farms or the reclamation of new land. Such additions as could be made in this way would not, however, provide farms for all who might wish to buy them for their own operation. The demand for farms comes, first of all, from those already on the land. It results partly from the fact that there is no adequate outlet in the cities for the surplus young people from the farms and not enough new farm employment to absorb them. The increasingly frequent purchase of farms by city people has also made it more difficult for the farm operator to become an owner—both individuals and corporations compete with farmers for land. Delay in settling estates is another factor that holds land off the market, as is also the tendency for owners who have inherited land to hold it even tho they do not operate it personally.

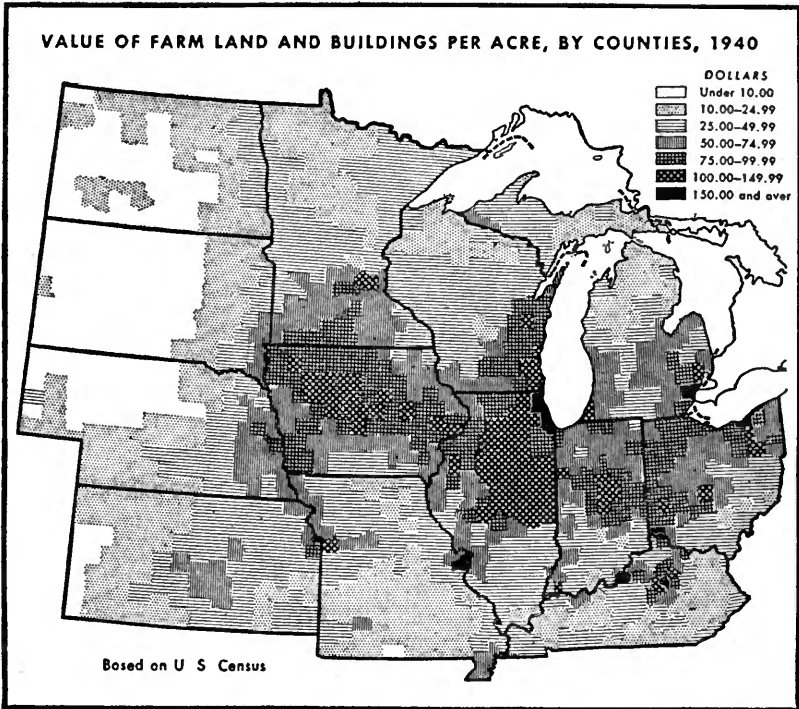
RECOMMENDATIONS. To facilitate the purchase of farms by persons who will operate them, the committee recommends that:

1. Credit agencies, educational institutions, governmental programs, and farmers direct their support to measures that will hold down the prices of farm real estate to levels justified by long-time earnings after family living and all expenses, including maintenance of property, are deducted.

2. Programs be developed that will preserve a high level of urban employment both as to volume and as to remuneration. This is desirable in order to prevent the surplus farm population from overcapitalizing land values in their competition for job opportunities on farms, as well as for the purpose of obtaining a satisfactory market for farm products.

3. Programs be developed that will give more stability to the general economy and thus reduce the hazards of farm ownership.

4. Programs thus far developed for adjusting credit terms to farmers' needs and for holding to conservative land appraisals be enlarged and extended to other credit agencies.



ACRE-VALUE OF FARM LAND AND BUILDINGS IN THIRTEEN MIDWEST STATES IN 1940

Substantial areas of farm land in Iowa, Illinois, Indiana, Wisconsin, and Ohio had an average value of more than \$100 an acre in 1940. With the advance that has taken place in land prices since 1940—estimated at about 30 percent for the region—the area of high-priced land has been much extended. In each of the four western states of North and South Dakota, Nebraska, and Kansas there were eight or more counties in 1940 where farm land prices averaged less than \$10 an acre.

5. Appropriate measures be taken to discourage corporations whose major interest is not farming from purchasing land for farming purposes.

6. Federal and state laws be enacted that will prohibit private corporations from investing in farm land as a means of avoiding taxes on corporate earnings.

7. Land taken in satisfaction of debt by a lender be returned to farm family ownership as promptly as practicable.

8. Consideration be given to the possibility of levying graduated land taxes that will discourage the extension of large-scale absentee ownership of farms.

Besides the specific suggestions given above for encouraging the purchase of farms by those who will operate them are many others in subsequent sections of this report which will also contribute to the realization of this objective.

CONTINUITY ON HOME FARM

Continuous operation of the home farm by succeeding generations of the same family should be encouraged.

PROBLEM. Lack of proper management is causing the rapid deterioration of many midwestern farms. The present tendency for the operation of a farm to pass out of the family, usually into the hands of a tenant, when the owner dies or retires, is the cause of much poor management and of many tenure problems. The long-time efforts of the owner to develop good systems of farming or to establish better herds and other farm enterprises are sacrificed. Also the skill and training acquired by the young people who have grown up on the farm is lost. A tenant does not put forth his best efforts when he feels the insecurity that accompanies ownership by persons who not only may be remote from the locality but may have limited interest in the farm and the farm family and may not be well informed on agricultural matters. Under such conditions a farm deteriorates rapidly. With the adaptation of modern home facilities to country homes and the development of labor-saving machinery, farm life has become attractive to an increasing number of young people who would gladly stay on the land if given the opportunity to become successful farm owners.

The problem of arranging for the continuous ownership and operation of a farm by the members of the same family is complicated by the fact that many men are not ready to retire from the active management of their farms when the sons and daughters reach maturity and are preparing to settle into their life

work; also many farms are not large enough or productive enough to afford full employment for two men or to provide a satisfactory level of living for two families. Nevertheless there are a goodly number of farms in the Midwest which can be considered two-family farms, at least during the years when a son or other near relative could become established with an owner who is ready to relinquish part if not all of his farming responsibilities. It is mainly to such farms that the following recommendations are intended to apply.

RECOMMENDATIONS. Active efforts should be made to hold more midwest farms under continuous ownership and operation by succeeding generations of the same family. This can be done by:

1. The wider development, under appropriate agreement, of joint father-son operation of farms that are suited to two-family operation and living, or of joint operation by other near relatives.

2. The providing of living facilities that will encourage married children to remain on farms.

3. Development of inheritance plans which will protect the son or other heir operating the home farm from undue hazards arising out of depressions or other misfortunes, and which will prevent the excessive subdividing of inherited farms.

4. Development of property agreements that will give financial protection to children who undertake to maintain and improve the home farm after the death of the owner and prior to the settlement of the estate.

INFLATION OF LAND PRICES

Appropriate measures should be taken to discourage the inflation of land prices.

PROBLEM. The cash incomes of farmers, as well as the purchasing power of city people, now stand at an all-time high largely as a result of the war. There is danger that these temporary increases in income will cause such overoptimism as to force prices for farm land above levels justified by the future income-producing capacity of the land.

Land prices in many communities have reached inflationary heights. Wartime earnings of both farmers and nonfarmers are flowing into the land market. Farmers who are operating their own farms are buying land to enlarge their present units, to rent to other farmers, and to provide farms for their sons or other relatives. Tenants are buying farms to operate. Many nonfarmers are buying farms as an investment, as a hedge against inflation, or as a means of minimizing high income taxes on their immediate earnings.

The demand for farms by war veterans and by people who formerly lived in the country but are now temporarily engaged in war industry will tend to force land prices still higher at the end of the war.

Advance in land prices, regardless of the reasons therefor, attracts purely speculative buyers, and their activities lead to still further advances. These forces tend to create a vicious upward price spiral.

When farm incomes return to more moderate levels, high land prices will have to be adjusted downward. Downward adjustments have always been associated with farm foreclosures, tax reversions, and bankruptcy, spelling financial disaster for many families, as happened after the first World War. In such times many farmers, in an effort to retain control of heavily mortgaged property, are forced to reduce their level of living and to deplete their resources in land, buildings, and equipment.

RECOMMENDATIONS. To prevent a wartime inflation, to protect the economic security of ex-servicemen and other future farmers of the region, and add to the stability of our entire agricultural capital structure, it is recommended that:

1. Prospective farm owners be persuaded to postpone buying farms where land prices have risen unduly, and present farmers be encouraged to use their funds for retiring debts, for increasing the productivity of their farms, and for building up cash reserves.

2. Farmers and nonfarmers be induced to use their increased wartime earnings for the purchase of government bonds, or that a higher proportion of earnings be absorbed in taxes to meet federal war expenses.

3. A progressive tax be laid on profits from the resale of real estate, such tax to be at rates sufficiently high to discourage speculation in land, the rate to decrease as the length of time the property is held increases.

4. Lending agencies, including commercial banks and private investors, be urged to use values based on long-time earning capacity and refuse to increase their loans per acre on the basis of temporary advances in the prices of agricultural products above normal levels.

FARM-MORTGAGE TERMS

Farm-mortgage terms need to be so drawn as to facilitate and maintain the ownership of farms by those who operate them.

PROBLEM. In recent years the use of long-term amortized loans in place of loans that appear to be simpler but which do not provide for amortization has greatly lessened the hazards incurred by purchasers of farm land. Experience of both private and public lending agencies has demonstrated that farm loans which provide competent farmer-borrowers with considerable freedom in adjusting annual payments are sound. Mortgages that grant the borrowers certain privileges with respect to prepayments and include other variable payment plans to lessen the hazard of the borrower in periods of low production or low prices are promising developments in this field.

Recently, however, there has been a tendency to return to the use of mortgages of short duration. Short-term, high-debt-ratio mortgages cause many competent owner-operators to lose their farms. Since farmers will have enough postwar problems to meet without being burdened with an excess of mortgage debt or with unfavorable mortgage terms, it is important that all gains that enlightened mortgage practice has brought about be retained and further provision be made for safeguarding farmer-borrowers against the loss of their farms in low-income periods. The farm-debt distress that followed the first World War demonstrated the need for incorporating provisions for flexibility in the payment of indebtedness and other features of a protective character in land-purchase contracts and farm mortgages.

RECOMMENDATIONS. It is recommended that thru extensive publicity, borrowers and creditors be made aware of the desirability of rewriting all short-term mortgages in which the indebtedness represents more than a small proportion of the value of the property, and of making more flexible arrangements for the payment of principal and interest. Specifically it is recommended that farm-mortgage agreements provide that:

1. Annual payments on the principal shall vary with changes in the farm income.

2. Complete repayment of a loan in less than ten or fifteen years shall not be required unless the indebtedness represents only a small proportion of the value of the property.

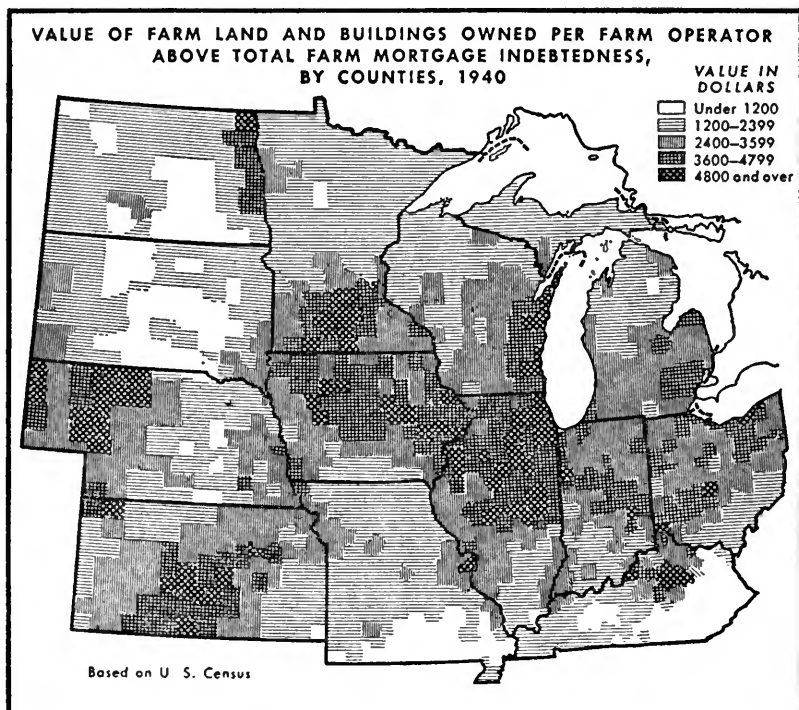
3. Extra payments on the principal shall be accepted by the lender at stated intervals, and interest on such principal payments shall stop when the payments are made.

4. When a farmer is competent but fails to make payments on principal or interest, or both, because of drouth, flood, economic conditions, or other misfortunes which are no fault of his, foreclosure action shall be deferred as long as he remains competent and sets aside a reasonable share of his income to apply on his indebtedness; and a part-payment plan or a standstill agreement shall come into effect automatically when such misfortunes lead to insufficient earnings.

LANDLORD-TENANT RELATIONS

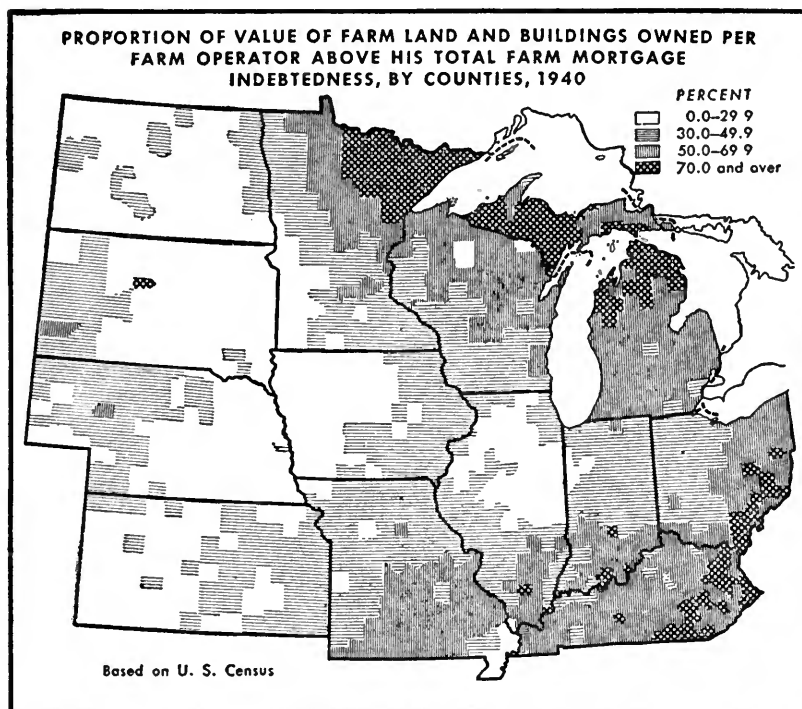
Appropriate and effective steps should be taken to improve landlord-tenant relations.

PROBLEM. Altho tenancy is accepted as part of the present American land-tenure pattern and much of it is highly satisfactory to both landlord and tenant, there is also much that is unsatisfactory both from a personal standpoint and a public standpoint. Tenancy often leads to (1) the frequent moving of tenants, which impoverishes both the tenant and the land; (2) unprofitable farming because of failure to maintain soil productivity or because the farming unit is too small; (3) poor living conditions for the tenant; (4) progressive deterioration of the land and its improvements.



AVERAGE DOLLAR EQUITY OF ALL FARM OPERATORS IN FARM LAND AND BUILDINGS, 1940

In the Midwest region as a whole the average equity of all farm operators—owner operators and tenants—in farm land and fixed improvements was about \$2,700 in 1940. In the six states east of the Mississippi river, the real-estate equity per operator averaged \$3,000 and in the seven states west of it \$2,300. On a county basis differences were notable, 15 counties showing \$6,000 or more average equity per operator and three counties showing less than \$600. In the corn belt, high land values per acre and per farm have been associated with high dollar equities per operator in spite of the large amount of tenant farming. A few scattered areas, including the bluegrass district of Kentucky and more extensive parts of Kansas and Nebraska, also had high dollar equities per operator. Counties of very low dollar equities were numerous in eastern Kentucky, southern Missouri, and in North and South Dakota. (“Average dollar equity of all farm operators” in an area is the amount which results when the total real-estate mortgage debt of all *owner-operated* farms is subtracted from the total value of *all farms* in the area and the difference is divided by the number of operators regardless of tenure distinction.)



AVERAGE PERCENTAGE EQUITY OF ALL FARM OPERATORS IN FARM LAND AND BUILDINGS, 1940

The average percentage equity per operator for an area is obtained by dividing the total dollar equity (see graph on opposite page) by the total value of all farm real estate regardless of the tenure of the operator. In the thirteen Midwest states the average equity per operator was equal to 38 percent of the value of the real estate per farm. In northwestern Iowa and central Illinois, where high dollar equities prevailed, the percentage equities were low. Outside the commercial corn belt—in North and South Dakota, Nebraska, and Kansas, and in the cotton-growing areas of southeast Missouri—low percentage equities were also found. In northern Minnesota, Wisconsin, and Michigan, southeastern Ohio, and eastern Kentucky, where land values are low and there is little tenancy, the percentage equity per farm was high. In the thirteen states as a whole the value of implements and machinery averaged nearly \$800 per farm in 1940. Against these items and others were some chattel mortgages, but usually these were not high in proportion to the value of the property pledged. Thus an average operator doubtless had a higher total equity than is indicated by the percentages for real estate only. Percentage equities were lower in 1940 than in preceding Census years.

Besides providing a competent tenant-operator with greater permanency of residence, good tenancy arrangements enable him to employ his capital and managerial ability to full capacity. Many well-informed owners are rendering a service to society and to their communities by providing well-developed farm units for competent tenants. There is need for many more owners of this kind.

Owners and tenants have been guided chiefly by custom in determining the share of the income to be received by each of the parties to a rental contract. To determine to what extent changes are required in order that a more equitable division of the farm income be made, more study of the problem is needed by economists, farm managers, appraisers, and other interested groups.

RECOMMENDATIONS. Since provisions in written leases cannot be made to cover in detail all the fundamental procedures of right relationship between landlord and tenant, it is essential that a better understanding of the value of fair and reciprocal arrangements to land operation be built up between these two parties. Much wider adoption of such customs as these is needed:

1. The use of leasing agreements which provide a basis for a system of farming that is profitable for both the landlord and the tenant.
2. Adherence by the tenant to good farming practices, and the exercise on his part of every reasonable effort to prevent undue deterioration of the landlord's property.
3. Constructive effort on the part of the landlord to provide a farm large enough and productive enough and with improvements and housing of a character to encourage the tenant to put forth his best efforts.
4. Assurance by the landlord that the tenant will be given full credit for any needed improvements he makes on the farm at his own expense.
5. A fair division of income and expenses between landlord and tenant in both good years and poor years.
6. Assurance to a competent tenant that his lease will be continued thru a period of years; and a clear understanding between landlord and tenant that adequate notice will be given when the lease is to be terminated.

7. The use of written leases that contain a brief statement of the important items of agreement.

8. The use of leases that automatically continue from year to year unless adequate notice is given of their termination.

9. Employment of competent management by absentee or other owners who are unable to manage their farms properly.

SOIL CONSERVATION

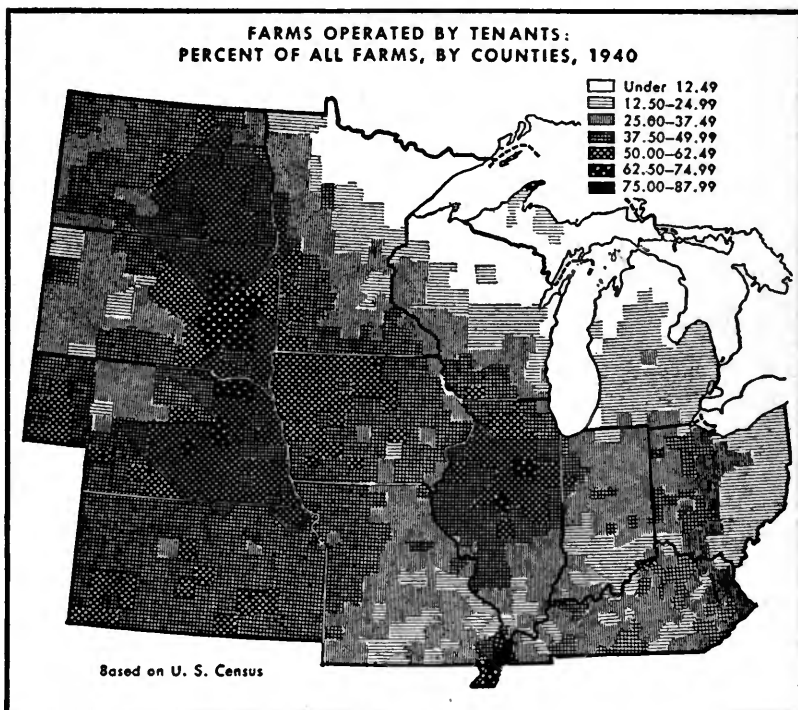
Tenure arrangements should be developed that will safeguard and improve our basic farm resource, the soil.

PROBLEM. Many owners, whether operators or landlords, realize neither the extent to which their soils are being depleted nor the need for soil improvement. This is especially true of absentee owners and others who do not keep in close contact with their properties. Some owners, unfortunately, are more interested in obtaining maximum current income from a farm than in maintaining its long-time earning power. Frequently persons who desire a constant level of income, especially holders of life estates and farm mortgages, either are not concerned with conserving and improving their land or find it necessary to exploit the soil in order to secure sufficient income to maintain their customary standards of living.

In addition to careless or indifferent owners, there are many tenants who exhaust the soil for immediate gain, with the expectation of moving to another farm later, thus leaving the owner with his capital impaired. Many owner-operators who rent additional land, especially those who lease land without improvements, impoverish it by continuous cropping and by removing these crops to feed them on their own farms.

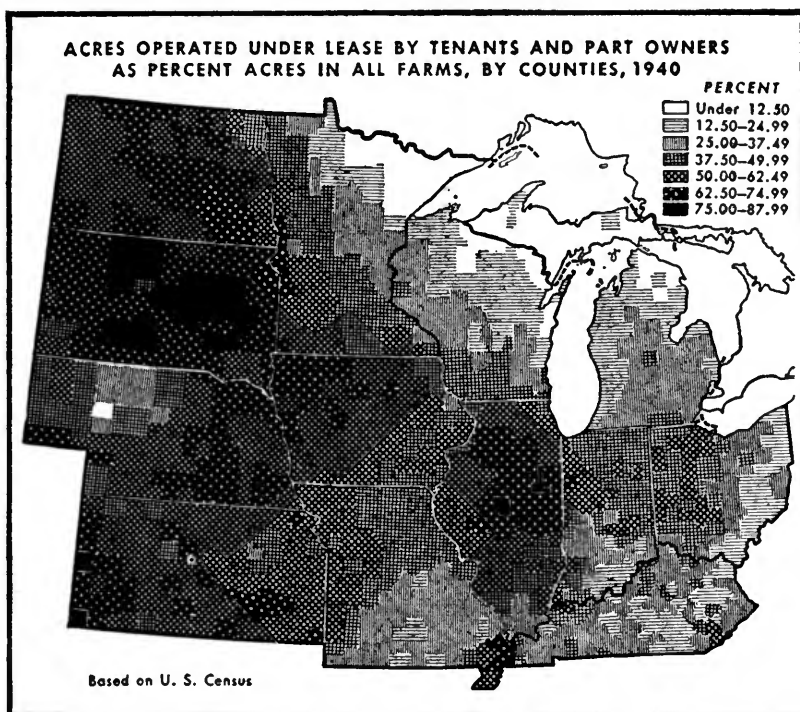
RECOMMENDATIONS. To meet these situations, the following lines of action are recommended:

1. The development of educational programs that will induce owner-operators and landlords, in this period of good farm incomes, to create reserves for the restoration and improvement of the soil in the postwar period.



**PERCENTAGE OF FARMS OPERATED BY TENANTS IN
THIRTEEN MIDWEST STATES IN 1940**

Operators who own none of the land they farm are tenants, by contrast with part owners, who operate land they own and rent additional land, and with owners, who have title to the land they farm. Tenancy predominated in 1940 in Illinois, Iowa, Kansas, Nebraska, North Dakota, and South Dakota, but there were only a few tenants in northeastern Minnesota, northern Wisconsin, upper Michigan and the northern part of lower Michigan. In parts of Missouri and Kentucky, where cotton is produced, considerable acreage is operated by croppers who are counted in the U.S. Census as tenants altho their legal standing is more like that of a farm hand. Tenants typical of the North-Central states as a whole carry managerial responsibility often comparable with that of owner-operators. In some areas tenant farms are larger than owner-operated farms, and farms operated by part owners are often still larger. Thus tenancy when expressed as it is here, on the basis of farm units, appears less extensive than where it is shown on an acre basis, as in the map on the opposite page.



**PERCENTAGE OF FARM ACRES OPERATED UNDER LEASE IN
THIRTEEN MIDWEST STATES IN 1940**

In nearly half (556) of the 1,177 counties in this region, more than half of the total farm acres were rented to tenants or to part owners in 1940. All but two of the counties in which over 75 percent of the farm land was rented are in South Dakota. For over twenty years in central Illinois and northwestern Iowa more than 62.5 percent of the farm acreage in many counties has been rented. A similar situation is found in some counties in southeast Missouri and in portions of Kentucky where cotton is produced. The part of southeast Missouri into which the cotton belt extends has over three farms in four operated by tenants, in the Census meaning of that term, which includes croppers with regular tenants. Counties in which less than 12.5 percent of the farm acreage was rented were numerous in northern Minnesota, Wisconsin, and in Michigan. Other counties in which less than 25 percent of the farm area was rented are in these lake states and in eastern and southern Ohio, southern Indiana, Kentucky, and some Ozark counties in Missouri. Almost exactly half the farm land in the entire region was operated under lease in 1940.

2. Inclusion in all farm leases or rental contracts of a provision that a tenant shall have the right to adopt needed soil-improvement practices under equitable financial arrangements if the landowner is unable to meet this responsibility or fails to do so.

3. The development of farm mortgage provisions requiring the conservation of farm property and including penalty clauses to make such provisions effective.

4. Intensive educational programs to encourage the control of soil erosion and, where needed, wider application of provisions of state soil-conservation acts which permit the legal enforcement of soil-conservation practices.

5. Enactment or revision of state laws to discourage holders of life estates from permitting undue deterioration of the land while it is under their control.

RENTS AND WAGES

Plans need to be developed for the postwar adjustment of rents and wages.

PROBLEM. Many wartime adjustments of farm rents and wages have been made because of changes in costs of production, shortages of labor, and wartime needs. Situations growing out of these wartime adjustments will bring hardship upon farm operators, whether owner-operators or tenants, unless further adjustments or flexible agreements are promptly developed to bring rents and wages into line with price changes that are likely to occur in the postwar period. A backflow of people from the armed services and war industries may threaten the welfare of rural communities by creating a surplus of prospective tenants who will outbid the present tenants and a surplus of other farm workers that will depress wages unduly.

RECOMMENDATIONS. The following lines of action are recommended:

1. The development and publicizing of methods by which more equitable rents and wages for periods of fluctuating prices of farm products can be determined, thus furnishing landlords and tenants with information that will enable them to make fair and amicable adjustments in their leases, especially in the postwar period.

2. The development of methods of determining adequate wage rates and working and living conditions for farm laborers. Bonuses based on farm earnings in supplementing wage rates have demonstrated their merit in enlisting a worker's interest and developing his reliability.

3. Provision of satisfactory additional housing on farms where any partnership arrangement is made with a grown son or other relative or where one or more hired workers are needed.

4. The initiation of a study to determine the extent to which it would be desirable to broaden the social security law to include agricultural people.

EFFICIENT PRODUCTION

Improvements should be added to many farms, both owner-operated and tenant-operated, in order to encourage more efficient production.

PROBLEM. Farm-management studies have shown that the farms which produce abundantly and at low cost are those on which the physical resources are maintained or improved. Yet many owner-operators and landlords are so heavily burdened with mortgages and other debts that they are not able to adopt practices which they know are profitable but which would require new capital outlays. In other cases failure to improve a farm is the result of lack of interest on the part of the tenant or owner or lack of knowledge concerning the benefits to be derived from better practices.

While efficient production and the conservation of fertility are to the advantage of both the farm owner and the tenant, they are also of concern to the public since a permanent, adequate and reasonably priced food supply is basic to national welfare. In recognition of the freedom they enjoy in the operation of their farms, owners should recognize their responsibilities to the public for the stewardship of the land and do everything in their power to maintain an efficient agriculture.

RECOMMENDATIONS. Altho many improvements must wait until the postwar period, plans should be made now

for those needed most; and every effort should be made to obtain, with as little delay as possible, those which are essential to the maintenance of wartime production. The following lines of action are recommended:

1. The use of educational methods to bring about greater appreciation of the fact that improvements must be adequate and must be adapted to individual farms in order to make farming profitable.
2. More systematic attention by owners to the addition and improvement of farm buildings, fences, drainage, and water supply in the interest of more efficient farm production.
3. The adoption by creditor interests of policies that will encourage the maintenance and improvement of farm properties.
4. Inclusion in rental agreements of provisions permitting the tenant to provide needed improvements and giving him the right to remove such improvements or procure reimbursement for them if he quits the property before he derives full benefit from those made at his own expense.

INADEQUATE FARMS

Families now living on inadequate farms should be encouraged to locate on better farms or obtain other employment.

PROBLEM. There are many farm families in the states covered by this report who are striving to get a living from farms incapable of providing a reasonable level of living because of their limitations in size, improvements, or productivity. Some areas have a high proportion of such families. The situation has come about gradually over the years as a result of many conditions—among them declining soil fertility, loss of urban employment, and loss or depletion of operating capital. During the depression years, when many unemployed sought refuge on the land, this problem was intensified. Many farms reoccupied or settled in those years provided only partial employment to the family and poor return for family labor.

Efforts to attain full and efficient use of manpower during the war period have directed attention to the waste of labor that has been taking place on both small and submarginal farms. Failure

of many families to take advantage of wartime opportunities to relocate on adequate farms is retarding present food production and will accentuate postwar problems.

Since wartime demands have opened new opportunities, not only in industry but also on the more productive farms, qualified members of farm families on submarginal farms should be induced to seek more productive employment, either on farms or in industry. Farm properties thus vacated can, in many instances, be combined with other farms to make more productive units.

RECOMMENDATIONS. The following measures are recommended as ways to encourage farm families to give up inadequate farms and take advantage of more productive opportunities, to guide them in making these changes, and to discourage their return to submarginal farms:

1. The adoption of programs of labor recruitment and placement that will systematically search out and offer opportunities to such families.

2. Development of educational programs that will give rural youth the opportunity to prepare for industrial employment or more satisfying agricultural careers.

3. The administration of credit and rehabilitation programs in ways that will encourage men to seek only farms of adequate size and potential productivity.

4. Enforcement and extension of rural zoning in order to prevent people from settling on land unsuited to farming.

5. The gradual acquisition by public agencies of land unsuited to farming for diversion to nonfarm uses.

RURAL-URBAN COMMUNITIES

New land programs should be developed in areas near cities where there is a merging of rural and urban economy.

PROBLEM. The merging of farming and urban employment that has accompanied the development of modern methods of transportation has given rise to a new group of land occupants who are only partly dependent on agriculture for their support. Many farm people living near industrial centers have taken ad-

vantage of urban employment and become part-time farmers. While some of these part-time farmers may have intensified their farming operations during the war period because of the increased demand for farm products, others have continued to have little more than a garden. Urban workers in increasing numbers have also come into the rural areas near the edges of towns or at points along highways some distance from town. This movement of farm people toward industrial centers and city people landward has been mostly unguided and uncontrolled.

The movement of urban people into the rural areas, more than the movement of farm people toward industrial centers, has brought problems of social and civic adjustment. Altho the new residences and business establishments add to the taxable values of an area, they also make extra demands for roads, schools, and other public services, including public relief when urban employment ceases for those who cannot get adequate support from their land. Under such conditions taxes increase. In these rural-urban areas land values tend to rise because the urban people, being only partly dependent on their farm incomes, can pay more for the land for living sites than farmers can afford to pay for it for productive purposes. There is strong inducement toward land speculation and the premature development of subdivisions.

Another situation that tends to push land prices in some areas near cities above the worth of the land for agricultural purposes is the buying of farms and "estates" by well-to-do city people whose major interest is not farming and who use managers, tenants, or hired labor to operate their farms for them. This situation results in labor problems and increased costs of production as well as the overcapitalization of farm property.

A further problem arises out of the fact that city commuters living in rural areas tend to form a separate social class whose attachments are in the city. This situation disturbs old, established rural institutions such as farmers' organizations, rural churches, schools, and local government.

There is still another group of town and city people who are retiring to rural areas; these are mostly older people who receive

pensions or other fixed incomes. Since they are not dependent on urban employment, many of them prefer to live in the open country and in scenic areas with recreational facilities. They usually make fewer demands on rural services than do urban workers residing in the country, but they frequently add to the cost of public service in excess of their contribution in taxes.

Before adequate programs can be planned for the solution of problems growing out of the merging of urban and rural areas, more study needs to be made of the place these new tenure groups can be expected to occupy in our rural economy. Many difficult community problems have arisen because it is not realized to what extent urban people have filtered into rural areas.

RECOMMENDATIONS. The following lines of action are suggested as ways of improving the life of communities made up of both rural and urban workers.

1. The use in rural-urban areas of zoning and other directive measures that will develop efficient land uses and prevent either congestion of population or premature subdivision of the land. Adjustments in the tax systems might be used to help achieve these goals.

2. The use of zoning and other directive measures to prevent scattered and isolated settlements of people on pensions or other fixed incomes; in this way preventing unjustified outlays of public funds for the extension of public services to such settlements.

3. The directing of educational programs toward reconciling the divergent economic and social interests of the groups in rural-urban areas.

4. The development of local government agencies competent to cope with the problems of the rural-urban fringe.

BACK-TO-THE-LAND MOVEMENTS

Postwar back-to-the-land movements should be carefully guided and controlled.

PROBLEM. Despite the fact that the only healthy way to meet the problem of surplus people in rural areas is to provide urban jobs for them, there are now tendencies toward a back-to-the-land movement. Any marked postwar back-to-the-land move-

ment is unwise because of several basic considerations, including the probability of a stable population in the United States and the curtailment of agricultural exports when devastated countries have been restored. Demands for food in the foreseeable future can be met by applying technological improvements to existing farms; and the natural excess of births over deaths in rural areas will make up any probable demand for manpower on farms. While there is a feeling in some quarters that, for the sake of greater national stability, a larger proportion of our population should live on farms, even at the sacrifice of efficiency in farm units, this viewpoint has dangers not only for the farming population but for the nation as well, since it is likely to lead to a reduced level of rural living and to a reduced demand for industrial products.

In the postwar period more interest in farming can be expected. Some city people are led to move onto farms by too optimistic a view of agriculture as a way of life. Already groups and individuals are planning to move to rural areas after the war. Their interest has been stimulated in part by the present emphasis on food production and in part by their desire to obtain security in the postwar period. After every war there have been movements of soldiers and people returning from wartime employment to the land. Granting land to ex-servicemen is a traditional policy and was done even after the last war, tho the amount of suitable agricultural land was limited. Group settlement was attempted but without success. A soldier-settlement program is now underway in Canada and suggestions for a similar program have been made in our own Congress.

In this country sound policy requires that new farmers be placed only on farms from which others have retired, on government lands acquired for military purposes and subsequently released, and on new land areas whose opening is economically justified. There appears now to be little or no reason for bringing vacant and uneconomic abandoned farms back into use and no excuse whatever for dividing existing farms into units too small for efficient operation. In public programs that are undertaken, it is essential that the farms offered for settlement be of a size

and productive capacity to provide an income that will enable the farm family to attain economic security, take advantage of educational opportunities, and enjoy a normally satisfying level of living.

RECOMMENDATIONS. The principal safeguards needed in order to give sound guidance to postwar back-to-the-land movements are these:

1. The establishment of policies of land settlement that will protect agriculture from having to assume the burden of supporting the urban unemployed.

2. Provision for assistance to ex-servicemen in selecting farms to rent or buy. Veterans should be given help in selecting or acquiring already developed farms. Placing these men in group soldier-settlements should be avoided.

3. Special provision for those veterans who should be rehabilitated on the land but are not able to carry the normal responsibilities of either a tenant or an owner-operator.

4. Use of the lessons gained in past experience in the United States in establishing soldier settlements, state settlement, and settlement on reclamation projects, as a guide in any soldier land settlement undertaken.

5. Wide dissemination of factual information which will enable purchasers of farms to buy land on the basis of its productivity. County agricultural agents, land-use planning committees, and other qualified local people can, thru the use of soil- and land-classification maps, guide back-to-the-land settlers to the better farm lands. The licensing of land-settlement agencies may be necessary in some situations. By methods such as these settlement on submarginal land can be materially reduced.

LIMITATIONS OF STUDY

The foregoing analysis of the problems of farm tenure in the Midwest and recommendations for their solution is not presented as in any sense an exhaustive statement of the situation. Rather, it is limited to those problems which the collaborators considered fundamental at this time, and it includes only such recommendations as they are agreed, in view of their individual research and observation, would provide constructive ways of improving farm tenure.

It is hoped that this publication will develop a broader understanding of farm-tenure problems by all who are concerned with them, and that it will stimulate additional thought leading to the solution of more of these problems.

NORTH-CENTRAL REGIONAL PUBLICATIONS

No. 1. Marketing Livestock in the Corn Belt Region

By Committee on Livestock Marketing Research. Issued by South Dakota Agricultural Experiment Station, Brookings, as Bulletin 365, November 1942.

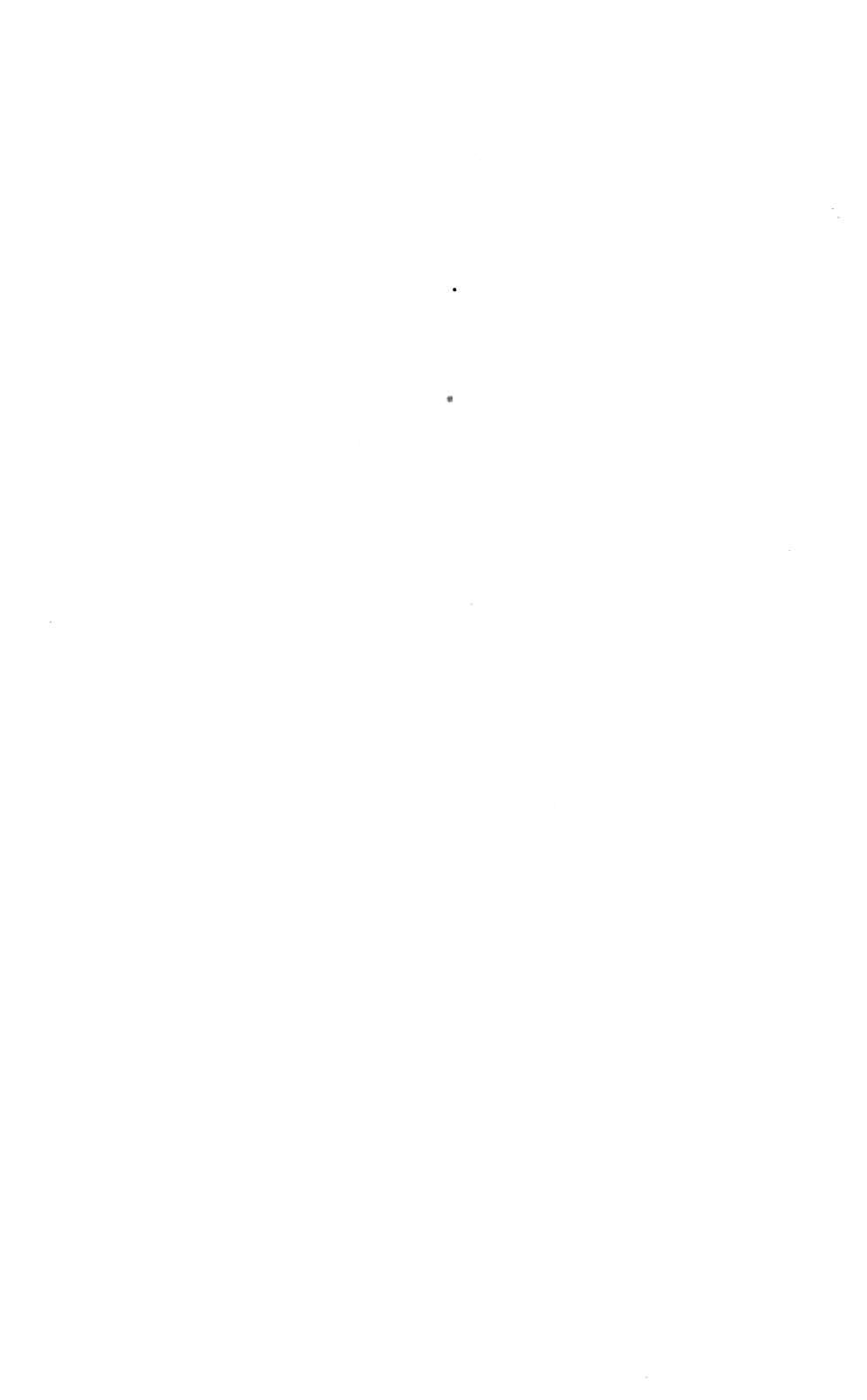
No. 2. Improving Farm Tenure in the Midwest

By Committee on Land-Tenure Research. Issued by Illinois Agricultural Experiment Station, Urbana, as Bulletin 502, June 1944.

No. 3. Trucking Livestock in the Corn Belt Region

By Committee on Livestock Marketing Research. Issued by Missouri Agricultural Experiment Station, Columbia, as Bulletin 479, June 1944.







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