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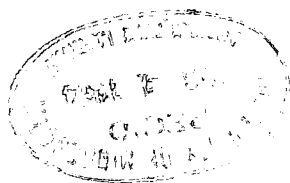
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**The Changes of Eight
Years in Agricultural
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RESEARCH IN LAND PROBLEMS, TENURE, AND CREDIT IN U.S.A.

IT became clear early in the war that United States agriculture was likely to face difficult problems of adjustment in the post-war years. Gross farm production, including farm-produced power, increased sharply until it reached a level 20-5 per cent. above the pre-war years 1935-9. A part of the increase, although not more than one-quarter according to the U.S. Department of Agriculture, should be credited to unusually favourable weather. Increased crop acreage was relatively unimportant, amounting to only 3 per cent. Less labour was available than before the war, farm population decreasing from 30 millions in 1940 to a low of 25 millions in 1945. The greater part of the increase in production was the result of mechanization, increased use of commercial fertilizers and lime, adoption of improved crop varieties including hybrid seed, greater use of soil conservation practices, better feeding of livestock, and more effective control of insects and diseases.

Mechanization and the adoption of improved practices was under way on a large scale before the war. Their cumulative effect upon farm production was largely obscured, however, by the drought and depression of the 1930's. The drought of 1934 was widespread and extremely severe. The Department of Agriculture estimates that weather conditions during the entire five-year period, 1935-9, averaged 5-10 per cent. less favourable than the expectancy over a period of years. Beginning in the early 1940's both weather and economic conditions affecting agriculture changed sharply. The crop year 1942 was one of the best on record and was followed by a series of unusually favourable growing-seasons. Sharply rising prices stimulated increased use of fertilizers and lime, greater use of insecticides and fungicides, use of improved crop varieties, and heavier feeding of livestock. It also increased mechanization to the extent that tractors and machines were available. It is estimated that the use of hybrid seed corn, which has spread rapidly during the past ten years, added 400 million bushels to the 1944 corn crop. The use of commercial fertilizer in 1944 was 85 per cent. greater than in the period 1935-9, while the amount of lime used was three times as great as in the earlier period. It is estimated that increased use of lime and fertilizer

accounted for 14 or 15 per cent. of the total increase in output since 1935-9.

Agricultural economists naturally have concerned themselves with questions growing out of the phenomenal increase in United States farm production since 1940. What part of the increase is likely to persist? What are the chances that domestic and foreign demand will continue to absorb the increased output at prices that are reasonably satisfactory from the standpoint of producers? What has been the effect of war-time changes in production methods on the competitive position of different groups of producers? Are farmers on the poorer soils and small operators likely to find themselves in a better or worse position, comparatively speaking, than before the war? Questions such as these obviously cover a wide range of subject-matter fields, including marketing and prices, farm management, land economics, and policy.

Economists particularly concerned with land problems cannot ignore questions in related fields, however. If, for example, domestic and foreign demand for United States farm products declines so that farm prices fall sharply relative to costs, and if non-farm job opportunities are available, large acreages of our poorer lands will be abandoned for farming purposes. This occurred during the 1920's. On the other hand, if farm prices decline relative to costs, but non-farm jobs are not available because of low industrial and business activity, population may well back up on the land as it did during the 1930's. Whether land economists will be concerned primarily in the years immediately ahead with the question of what to do with idle lands once farmed, or the question of how best to meet the problems of large numbers of farm families on holdings too small or too poor to provide a satisfactory living, depends on developments in the national economy which we cannot now clearly foresee. Both types of problems will no doubt exist in varying degree and continue to demand the attention of economists in the future as they have in the past. Certainly, shifts in the comparative advantage of different areas growing out of war-time changes in production methods will be an important field of inquiry.

For those who are interested in obtaining a clearer picture of war-time developments in United States agriculture and their possible implications for the future, I recommend a publication of the U.S. Department of Agriculture by Dr. Sherman E. Johnson entitled *Changes in Farming in War and Peace*.

Aside from land problems closely related to war-time developments

in agriculture, we have problems of long standing. Mechanization and related developments in cotton production, together with the development and improvement of synthetic fibres, promises to bring about sweeping changes in Southern agriculture. The Bureau of Agricultural Economics has issued a number of publications dealing with the problem. The February 1946 issue of the *Journal of Farm Economics* includes a report entitled 'Adjustments in Southern Agriculture with Special Reference to Cotton' prepared by a committee of eight persons appointed by the President of the American Farm Economic Association. Each of the persons on the Committee has long been a student of Southern agriculture. One session of the recent Annual Meeting of the Association was devoted to a discussion of an agricultural programme for the South. The papers and discussions will be published in the February 1947 number of the *Journal*.

Soil conservation in the United States in the 1930's was in process of being 'sold' to farmers and the general public. Relatively little attention was given to its economic aspects. In recent years there has been a steadily growing interest in the economics of conservation. Interest is heightened by the fact that the short-time interest of the individual farmer may and frequently does run counter to the long-time interests of society. This immediately raises questions as to how conservation measures should be financed—what part of the cost should be borne by the individual and what part by government. It seems probable that considerable research work will be done on economic problems of conservation in the years ahead. The February 1942 issue of the *Journal* carries a number of papers on the subject.

In addition to specific land problems in specific areas, we are more and more coming to realize that ownership of land in fee simple and owner-operation of farms in themselves give rise, under certain conditions, to a series of economic and social problems to which we have not yet found answers. A good discussion of some of these problems will be found in a paper by Leonard A. Salter, Jun., in the November 1946 issue of the *Journal of Land and Public Utility Economics*.

PART-TIME FARMING

The most significant population trend in many parts of the United States during the past fifteen or twenty years has been the increase in rural non-farm population. These persons, living in the open country or in villages of less than 2,500, include three principal groups:

1. Families carrying on some farming but with a major part of

family income derived from non-farm employment. These may be referred to as part-time farmers.

2. Families living in the open country or small villages carrying on little or no farming beyond a garden and perhaps keeping a few hens. These may be referred to as rural residents.
3. Persons of advanced age who neither farm nor engage in non-farm occupations except to a very limited extent. This group has largely retired.

The increase in the numbers of persons in the first two categories has been closely associated with the advent of the automobile, the all-weather hard-surfaced road, motor transportation of rural children to central schools, and rural electrification.

The prospect is for further increases in rural non-farm population. During the war large numbers of workers from rural areas drove 15 or 20 miles to and from work. Under the stimulus of war need and high wages some drove even farther. It seems unlikely that many good houses located on or near all-weather roads within 10 or 15 miles of reasonably good non-farm job opportunities will remain idle in the years ahead. With the present housing shortage, almost every house that is habitable near a city is occupied whether or not the land is used for farming. With continued high building costs in prospect it appears probable that most houses within driving distance of non-farm jobs will continue to be occupied even though additional land disappears from farms. Additional 'ribbon developments' of low-cost housing along main highways outside the corporate limits of cities and villages is also in prospect.

A marked increase in a rural community of the proportion of persons with economic and social ties in a nearby city gives rise to both social and economic problems. Competition for holdings for part-time farming or rural residential use may drive up the market value of adjacent farm lands to a point where they can be supported only through sacrifice of the family's level of living. Rural roads tend to become extensions of city streets that must be cleared of snow in winter and carry increased traffic throughout the year. Rural community life and community institutions may suffer as an increasing proportion of the population develops social ties outside the immediate community.

A number of studies of problems associated with part-time farming and rural residential use were undertaken before the war. With the prospect of increased developments in this direction in the post-war

period, it appears probable that these studies will be continued and additional ones undertaken.

LAND VALUES

The sharp increase in prices for farm products that occurred in the early years of the war, together with the lag in costs and the unprecedented volume of farm production, made it evident at an early stage that farm-land values would rise sharply. This has occurred. On 1 November 1946 the index of the average value per acre of farm real estate in the United States was 152 ($1912-14 = 100$). This was 83 per cent. above the 1935-9 average and only one-tenth below the 1920 inflationary peak. Although land values started from a lower level in World War II than in World War I the percentage increase to date has been greater.

Economists, government administrators, and institutional leaders from the first have been concerned with the war-time boom in farm real estate. Suggestions for controlling or mitigating have included land-value controls, sharply graduated taxation of profits from land sales, real estate loans based on 'normal' values, a public appraisal system, and educational programmes intended to cause buyers to 'stop, look, and listen' before purchasing farm land at sharply increased prices. Only the latter suggestion was fully carried out. Certain institutional leaders, including the Farm Credit Administration, have continued to make mortgage loans on the basis of 'normal' values. Other lenders have not. While a large volume of war-time sales were for cash or involved a substantial cash payment, following the end of the war the number of sales involving substantial mortgages began to increase. Some of these loans are undoubtedly headed for trouble in the years ahead.

Readers who are interested in war-time developments in the farm-land market in the United States will find the *Farm Real Estate Situation* published by the United States Department of Agriculture a useful reference. Articles on land-value problems will be found in the *Journal of Farm Economics* for February 1939, 1940, 1943, and 1944, and the November issues of 1942 and 1943.

While war-time increases in farm-land values have been of major concern in recent years, the tendency at all times for improved farm incomes to be capitalized into higher land values rather than to be used primarily for improving the level of living of farm people has been a matter of growing concern. The Committee on Post-war Agricultural

Policy of the Association of Land-Grant Colleges and Universities called attention to the problem in its report of October 1944. While this is a phenomenon which appears to exist in every country where there is a free market for farm land and while to the writer's knowledge no solution has so far been found, it appears likely to continue to attract the attention of students of land problems in the United States. Professor Brandt (*Journal of Farm Economics*, August 1945) and others have advocated the establishment of a public appraisal system as an approach to the problem. The purpose of such a system would be to make available on a fee basis to prospective purchasers of farm land the services of a well-trained professional appraiser who would undertake to appraise farm properties not only on the basis of current market values but on the basis of probable long-time earnings assuming typical or 'average' management. It is argued that such an approach, coupled with a vigorous educational programme, would do much to keep farm-land values more nearly in line with potential earnings and prevent a disproportionately large part of farm income from being capitalized in land values.

Because large numbers of farms change hands each year in the United States and because transfers commonly involve the use of credit, questions pertaining to farm-land values will continue to be of interest to both lending agencies and economists. A considerable amount of research effort will no doubt continue to be put into studies of land values and the related problems of appraisal and mortgage credit. A number of agricultural colleges are now offering formal courses in land appraisal and farm finance. An increasing number of short courses for the lending officers of banks, insurance companies, federal land banks, and other agencies financing agriculture are being held each year in different parts of the United States. The Mortgage Bankers Association of America started an annual seminar in farm finance in co-operation with Purdue University in 1945 which deals with problems of land valuation as well as with credit problems and policies. The American Society of Farm Managers and Rural Appraisers continues to give attention to appraisal problems.

FARM CREDIT

Current interest of government officials, lenders, and economists in credit problems centres largely around the extension of mortgage credit in connexion with the transfer of farms at the present high level of values. There appears to be little doubt that an increasing number

of loans are being made in amounts and on terms that are almost certain to lead to trouble at a later date.

Other problems, however, have not been overlooked. Two articles in the *Journal of Farm Economics*, one by Professor Earl Butz of Purdue University entitled 'Postwar Agricultural Credit Problems and Suggested Adjustments' (May 1945) and another by Professor John D. Black of Harvard University entitled 'Agricultural Credit Policy in the United States, 1945' (August 1945), deal with a wide range of problems in the field of agricultural credit. These include, among others, such problems as:

1. The need for variable repayment plans providing for variable payments that more closely correspond to the flow of farm income and for other revisions in credit terms to adapt them more nearly to farmers' needs.
2. The need for credit extended for periods of from three to five years on security other than farm real estate to finance certain types of capital outlays, such as drainage, conservation measures, and the purchase of expensive machinery, the cost of which cannot ordinarily be liquidated in a single year.
3. The need for a satisfactory substitute in financing farm ownership and operation for the stock-share financing used by business corporations. The problem here is to bridge the gap between a 50 or 60 per cent. first mortgage loan acceptable as security for a bond issue and the 10 or 20 per cent. capital owned by the would-be purchaser.
4. The development of adequate credit facilities for part-time farmers and 'low-income' farmers.
5. The development of extension educational programmes on credit and its uses for both borrowers and lenders.
6. The development of more clearly defined policies with respect to the role of government agencies in the field of farm credit.

Research is in progress on a wide range of agricultural credit problems in the Bureau of Agricultural Economics of the U.S. Department of Agriculture and in the state agricultural colleges. The National Bureau of Economic Research (New York City) has also embarked on a comprehensive programme of research in the field of agricultural finance. A description of recent research developments in farm finance in the United States may be found in the February 1946 issue of the *Journal of Farm Economics*.

TENURE

Prior to the 1930's the subject of land tenure evoked relatively little interest in the United States outside a small group of professional economists and sociologists. This was no doubt due to the fact that the public at large was only dimly aware that such things as land-tenure problems existed. This lack of awareness in turn stemmed from the fact that for nearly three centuries access to land had been comparatively easy to obtain. If one farm was worn out through faulty management or if landlord-tenant relations became too strained there was always the possibility of moving farther west and starting anew. Tenure problems did exist, of course, particularly in the South and parts of the Middle West. They did not command public attention, however.

In the 1930's land-tenure problems, like so many other farm problems, came to the fore. The President appointed a committee to study the problem. A tenant land-purchase programme financed by government was started on a small scale. Loans were made on favourable terms to 'low-income' farmers including tenants. Greater attention was given to leases.

Although national interest was largely focused on other agricultural problems during the war, the problems of land tenure have continued to receive attention by professional workers and other interested groups. A Farm Tenure Conference was held in February 1946, sponsored by the Farm Foundation (Chicago) and the University of Chicago on the topic 'The Family Farm in United States Land Policy'. A number of papers were presented on land tenure in other countries as background for the discussions. Five committees dealing with different aspects of tenure prepared reports which were presented and discussed by the Conference. Proceedings are to be published by the University of Chicago Press.

In addition to the Conference of February 1946, a small group of research workers held a Land Tenure Research Workshop, 12-24 August 1946. It is expected that another meeting of this group will be held during the summer of 1947. The stated purpose of the Workshop was 'to help those working in land tenure research do a better job'.

The North-Central Regional Committee on Land Tenure Research, consisting of agricultural economists from the thirteen states in the North-Central Regions and representatives of the Bureau of Agricul-

tural Economics, published a bulletin (University of Illinois) entitled *Improving Farm Tenure in the Midwest* (1944). This represents a regional approach to the problem of tenure and marks a significant development in the field.

The *Journal of Farm Economics* for February 1941 and February 1943 carry a number of papers on tenure. A paper on land-tenure research appears in the November 1943 issue.