POLICIES TO IMPROVE EARNING OPPORTUNITIES FOR LOW INCOME FARMERS

by Howard Bertsch

Before I launch into a discussion of policies to improve earning opportunities for low income farmers let me identify in a general manner the farmers I believe are affected by these policies.

I believe it will suffice to establish the magnitude of the problem by reminding you that when Secretary Freeman published his Food and Agriculture Program for the 1960's last spring he pointed out that the 349,000 farm families on commercial farms with sales under $2,500 had average net cash incomes from farm and off-farm sources of less than $1,000, and that the 618,000 commercial farms with sales ranging between $2,500 and $4,999 had average net cash incomes from farm and off-farm sources of $3,365. There are nearly a million farm families in these two groups. The Secretary has also pointed out that underemployment on farms amounts to an equivalent of 1.4 million unemployed people.

These figures certainly establish the low-income position of a substantial segment of the farm population. But they are at best a rough index.

In administering our supervised loan programs, we have found, as you might suspect, that general income figures present only a crude picture of reality.

For example, in today's competitive agriculture, many families are turning to us for assistance in spite of sizeable gross farm incomes. In terms of production and physical plant they certainly do not appear to be in the low income category, yet their margin of profit is so low they as owners are unable to build a reserve for capital replacement. Or as tenants, to accumulate enough capital to make a down payment on a farm of their own.

Here in brief are the major groups that turn to us for assistance. Generally speaking they all fall in the lower income category.

For example, the average operating loan borrower who paid off his loan in fiscal 1962 had, at the time he came to us for assistance, some five years ago, a gross farm income of $5,800, off-farm income of $600 and farm operating expenses of $3,600--a yearly net income of $2,800.

First, among those who use our supervised credit are the established farmers who face the alternative of growing or going out of business.

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Second, there are the young farmers who are trying to get established.

Third, there are those on small units who rely heavily on off-farm income but also want to strengthen the farm side of their operations.

Finally, there are the folks who because of age or other limitations are unable to make major adjustments in their farming operations but do need our supervised credit assistance to get the most out of the resources they command.

Each of these groups face widely differing problems in searching for additional employment opportunities.

If time permitted I would like to outline the policies and the programs that are pertinent to the several categories.

However, recognizing that this treatment of the subject would be too detailed I have selected broad policies that are related to the needs of all groups in varying degrees.

In my opinion the main, overall policy we should pursue in seeking to improve earning opportunities for low income farmers is a policy of developing, to the greatest extent possible, additional earning opportunities in rural areas.

Now I am fully aware that the lure of the city is great, particularly among young people, and that opportunities in too many rural areas are limited. I am aware that we have become an urban-oriented society and that farm people are an ever-shrinking, minority group. I know that the size of the rural population, about 54 million, has remained static while the big cities and their satellite communities have grown. And I am sure that the flow of farm-bred and small-town-bred young people to the cities will continue to a considerable degree.

But I believe our policy should be to do all within our power to strengthen the rural side of our economy. I believe that a nation should seek to develop itself in a well-rounded manner. I do not believe that farm people or rural nonfarm people have any monopoly on the ingredients that make good citizens in a democratic society. But I do believe the nation will be stronger if as a matter of public policy it seeks to develop and improve its rural communities as well as its urban centers. Surely our metropolitan areas with their heavy concentrations of unemployed, their endless lanes of commuters, problems of core congestion, and a variety of social problems do not offer the ultimate in living and working conditions. If we fail to make every effort to see what can be done to develop our rural communities we will be as short-sighted as if we were to put all our reliance in planes for transportation and rockets for defense.

Moreover, I believe the economic environment of the 60's will be much less favorable to continued large scale off-farm migration than was that of the 50's. I would list four reasons:

1. The entire economy, urban as well as rural, will have the burden of absorbing the large number of new labor force entries resulting from the sharp upturn in birthrates after 1940.
2. Automation and new technology will put a premium on young people with good training to the disadvantage of those with less education and skill. Unfortunately, urban young people have access on the whole to better schools.

3. The experiences of the large ex-farm population in their new environment may discourage those still residing on farms from leaving.

4. There are many in urban areas who will resist the increased cost of the social overhead that accompanies the transfer of low-income families from rural to urban areas.

In developing earning opportunities for low income farmers I would place first the idea of developing additional employment opportunities on farms.

Here again I sense a rush of protest. We have surpluses of farm products. Farmers with higher incomes have yet to reach their potential in the production of agricultural products. The trend is towards off-farm employment.

I know all this to be true. But I believe we turn so quickly for the answer to off-farm employment and out-migration that we do not give on-farm sources of employment the attention they deserve.

I believe the policy should be to look first at the low income farmer's opportunity for increasing gainful employment on his farm. This does not mean that opportunities for full employment can be created on all low-income farms any more than that opportunities for all low-income farmers can be found in rural areas. However, the two aims stem from a common point of view. Namely, that it behooves the nation as a whole to seek to develop to the maximum all of its various employment opportunities. I expressed some doubt about the perfection of life in the developing megalopolis. I also have some doubts about the advantages of living and working on the large farms. I do not reject bigness. I simply question the acceptance of bigness as the ultimate ideal for all forms of enterprise.

We know, of course, that 71 percent of the sales of farm products now come from farms that have gross sales of more than $10,000. I also know that 8,600 operating loan borrowers in 1962 who paid in full their debts to FHA continued to farm and graduated to other financial institutions had gross sales that averaged approximately $10,000. Nevertheless, these farmers are able to maintain an adequate level of living. They are in sound financial condition, as their debt paying ability and standing with private credit sources indicate.

Having gone as far as we can go in developing additional employment opportunities on farms, we should then turn to the development of off-farm rural area opportunities for employment.

What I am attempting to do, really, is to establish a priority among policies, to put first things first.

I would not flatly say that we can find more employment opportunities in rural areas than in urban areas, or that in rural areas we can find more opportunities for full-time employment on farms than we can find off farms.
I am simply resisting what appears to me to be a tendency among many people to ignore farm and rural area potentials as a means of increasing employment opportunities.

**Specific Policy Needs**

Now within the framework of these general objectives suggested above, what specific policies do we need?

It seems to me there are seven:

1. **We must effectively bring the multitude of private and governmental rural development aids to bear on the problem of increasing opportunities for low income farmers.** We have essayed such a device in the Rural Areas Development Program. You all know its basic ingredients: RAD committees enable rural people to work together in seeking opportunities for increasing employment opportunities. In support of these committees are technical action panels to funnel the assistance available from governmental sources.

   The Food and Agriculture Act of 1962 has added long-needed tools to this program by authorizing rural renewal projects. In implementing these projects, rural communities will be able to obtain from the Department of Agriculture technical assistance in the form of trained personnel who can devote full-time to helping rural communities develop complete plans for revitalizing their economy. In addition, loan funds will be available from private and governmental sources for rural development projects.

2. **We must make certain that existing private and governmental programs are used to their fullest in creating additional employment opportunities for low-income farmers.**

   We have made considerable headway in implementing this policy in the Farmers Home Administration. Recent legislation has eliminated the barriers that previously blocked our efforts. For example, we now are able to make real estate loans to help landless farmers gradually acquire the land resources they need. Previously we could only help a tenant farmer acquire a farm if the farm at the time acquired and initially developed would be large enough to adequately support the farm family. Now we can help him buy a smaller tract that he can operate as his own while he rents the additional land resources he needs.

   Other institutions have made similar improvements. But much still needs to be done. As an example let me mention an area in the field of credit that has never been sufficiently explored. The investment in the average farm has climbed from $6,200 to $47,600 since 1940. The need for capital reflected by these figures presents a real problem to the low income farmer attempting to climb up the financial scale. I would estimate that not only low income farmers but farmers with higher incomes would benefit if we could do away with the concept that every man that buys a farm has to pay for that farm in his lifetime.
In the 1930's when the Farm Security Administration started making 40-year loans payable on a variable repayment plan for the purchase of farms, we moved a long step toward recognizing the burden that the conventional system of purchasing a farm puts upon the purchaser. I would hope that in the near future all of us who finance farms would seek ways of adjusting to a concept of farm financing that would recognize that once a mortgage was paid down to a reasonable level a farmer might well pay only the interest on the debt and use the income thus released to enjoy the fruits of his labor even to the extent of financing an adequate education for his children.

3. **We must help low income farmers develop all of their resources.** Here again allow me to use the approach of the Farmers Home Administration as an example. When a low income farmer applies to us for assistance and we counsel with him and his wife as to the best course they should pursue, we take into consideration all aspects of their problem. We help them consider their needs in terms of land, equipment, livestock, water and buildings. We help them determine the cropping systems, the livestock management methods needed to make the best use of the resources they have or can acquire. We counsel with them as to ways of improving their tenure and managing their debts. We help them seek solutions to health and educational problems. We also help the families we work with determine if there are talents that exist or can be developed among the members of the family that can be gainfully used in off-farm endeavors.

Recently FHA was empowered by the Congress to help low income farmers and other farmers as well develop a non-farm source of employment on their farms. I refer here to our authority to make loans for the development of income-producing, recreational enterprises on farms. You may be certain that we will help each farm family that chooses to do so explore this field to the fullest extent in preparing their farm and home management plans. We also may now make loans to associations of farmers and other rural people to finance shifts in land use. This includes the shift of farm land to recreation uses. Here again, job opportunities will be opening up for low-income farm people in construction and development and maintenance work.

4. **We must encourage the development of additional industries, services and trades in rural areas.** The amount of off-farm income currently received by farmers is remarkable. Off-farm income of farmers with sales of less than $5,000 is five times their net farm income. This group of course includes a large number of elderly farmers who are doing very little farming and receiving social security payments. But even families on commercial farms with sales over $10,000 are averaging nearly $2,000 a year from off-farm income.

But there are still thousands of communities, farm and rural, that need the development of more off-farm opportunities. And thousands of communities that have some such opportunities, but need more.

The **Area Redevelopment Administration, the Small Business Administration, state and private agencies and business organizations are doing much to stimulate the growth of rural industries.**
5. **We must make rural communities liveable.** If we are to attract industries to rural areas and thus provide employment opportunities for low income farmers, we must equip our rural communities with the schools, hospitals, clinics, water systems and the type of modern housing that meets modern-day standards.

We are making some headway in this direction too. For example, we are now able to provide Farmers Home Administration loans to construct and improve homes in small rural communities and to develop rural community water systems. Recent legislation also enables us to finance housing especially adapted to the needs of senior citizens in rural areas and to lend funds to nonprofit organizations in rural communities for the development of community recreation facilities. Other agencies of the Federal government, such as SCS, ARA and CFA, also are making a contribution. The policy is being emphasized.

6. **We must provide facilities to help low-income farmers obtain training in the skills they need for farm as well as nonfarm employment.**

I have touched upon the assistance we give farm families who turn to us for credit in making full use of their talents. The Manpower Retraining Program recently put into operation by the Departments of Labor and Health, Education and Welfare has special features for low-income farm families who wish to acquire skills needed in nonfarm employment. And we have assumed the responsibility of calling the attention of the underemployed members of the families we work with to the benefit of the retraining program.

However, the Manpower Retraining Program still does not meet and is not designed to meet the needs of rural youth coming into the high school and college age bracket who are forced to discontinue their education for economic reasons.

We stand appalled at the number of high school dropouts in our rural areas. However, we have not yet faced up to the fact that many of these dropouts are due to financial problems faced by the student and his family. Entrance to college and other post-high school training also is blocked to many farm and other rural youth because they simply can't afford the ever increasing tuition charges, the board, the travel and other expenses.

These youngsters need credit assistance for college expenses on terms adapted to their needs and repayment abilities.

This is a problem the administration and Congress must face, even if no other provisions are made for a general scholarship program or other form of student aid. The educational needs of rural youth are critical; they are very closely associated with the critical national problem of low farm income and depressed rural areas.

We must also, if our rural communities are to thrive, do everything within our power to encourage the development of local leadership.

This will be, I am confident, a definite result of the encouragement we are giving rural community leaders to accept responsibility under the Rural Areas Development program. We must exert all of the imagination and ingenuity we possess to bring this about. All of our other efforts will be in vain if local leadership does not rise to the challenge presented.
7. Finally, if we are to improve earning opportunities for low-income farmers we must continue to strengthen and preserve the family farm.

Basically the importance of this policy rests on the point that only if the family farm remains the foundation of our farming system can a low-income farmer hope to work his way up as a farmer through the income ranks.

But this policy also has broader implications.

To survive the family farmer must receive an adequate return for his labor. It is frequently pointed out that the price a farmer receives for his products is of less importance to the low-income farmer than it is to the farmer who markets substantial quantities. This is true. So far as the low-income farmer is concerned the acquisition of additional resources and management skills must take place before he can market enough to make price a substantial element in his success or failure.

Nevertheless, let us not deceive ourselves as to the value of farm prices to low-income farmers. As we have worked with low-income farmers through the past quarter of a century, we have been impressed by the realization that all we can do to help a farmer step up his production is of little or no avail if he can't get a decent price for what he produces.

We are also very much aware that certain proposals recently being discussed in farm circles to strengthen family farms -- proposals for example, that would limit all government programs to family farmers, that would place farm real estate taxes on a graduated scale in a manner to give advantage to the family farmer -- conceivably could benefit the low income family farmer in a relatively greater way than his higher income counterpart. We are very much interested in and concerned about the future of such proposals.

In addition, we believe that technological improvements in the production and marketing of farm products should always be accompanied by research in adapting these improvements to the needs of family farmers.

Conclusions

In closing, permit me to restate my position regarding the overall policies that should prevail. As a nation we should seek to solve socio-economic problems of rural areas in rural areas before we throw low-income people on the mercy of the urban economy. We first should look to farm improvement as a means of employment and then to off-farm opportunities. I seek only to place our thinking in what seems to me to be the proper perspective.

I know there are limits as to how far we can go in pursuing these policies. I am well aware that some outmigration -- particularly of young people -- will continue.

However, I do not believe we have tried hard enough to test these limits. I sense in much of what I read and hear these days that we are more and more inclined to let the economic forces of the market place have their way with our farm population in a manner that has not been permitted among our urban labor population since before the Wagner Act. We are being urged to deny to the family farm operator the protection and control over his resources that we give to the mechanic and the carpenter.
I think that not only for the welfare of the families concerned but also in the interests of the national welfare, we should resist forcing farmers to play the 19th century game of unbridled competition in a 20th century society whose other members are generally pretty well protected from the slings and arrows of the free market and the individualistic society.

And I feel strongly that these observations apply with particular poignancy to the low-income farmers and other rural dwellers who among all our population have been offered the least protection, the least assistance, and the least understanding.