Farm Security Administration

The budget recommended by the President for the Farm Security Administration for the fiscal year 1940 totals $165,457,150. Of this sum $110,153,725 is self-liquidating.

The proposed supplemental budget includes $500,000,000 in self-liquidating items, as follows:

I. $160,000,000 FOR REHABILITATION LOANS TO REACH APPROXIMATELY 300,000 LOW-INCOME FARM FAMILIES, WHO ARE KNOWN TO BE ELIGIBLE AND IN URGENT NEED OF SUCH ASSISTANCE.

During the last four years 760,000 needy families have received such loans. At least 80 percent will be repaid at 5 percent interest. Losses are largely due to seven years of unprecedented drought in the Great Plains area. Under normal weather conditions, such loans should be 95 percent recoverable. They ordinarily are repayable over a five-year period.

Rehabilitation loans are spent for seed, livestock, family subsistence, and equipment needed to make these families self-supporting on the land. If they do not receive such aid, many of these 300,000 families inevitably will become dependent on relief.

The entire supplemental $160,000,000 could be disbursed within the 1940 fiscal year, if it were made available before November 1, 1939. If it were not available before March 1, 1940, not more than $80,000,000 of this supplemental sum could be disbursed within the fiscal year, because in general rehabilitation loans must be made at the beginning of the cropping season.

II. $100,000,000, TO REACH 200,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS FOR MINOR IMPROVEMENTS AND REPAIRS TO FARM HOMES AND BUILDINGS.

It is estimated that approximately 3,000,000 farm homes -- largely occupied by sharecropper and tenant families -- are inadequate by minimum health and living standards.

Loans averaging $500 each would be used for construction of sanitary privies, repairing wells to provide a safe water supply, screening windows, repairing home, and constructing tobacco barns, smoke houses, fences, and similar structures. Such loans would be virtually 100 percent recoverable.

Ordinarily such loans would be made to tenants who hold long-term leases. Such a loan program therefore would be a powerful instrument for improvement of the tenure system.

The program could be expected to cause a marked improvement in the health and income-producing capacity of the borrowers. Fencing, for example, would make possible a much greater degree of diversification on Southern farms, resulting in improved diet and less dependence on cash crops such as cotton.

This program could be put under way very quickly, since plans for each type of structure already have been prepared. Virtually the entire $100,000,000 would be spent either for durable goods or for construction.

III. $130,000,000, TO REACH 20,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS TO CO-OPERATIVE ASSOCIATIONS FOR PURCHASE OF LAND AND DEVELOPMENT OF FARMS AND HOMES.

It is believed that good agricultural land -- particularly in the Mississippi Delta and Pacific Northwest areas -- can be acquired at an average cost of $50 an acre; and that 60-acre farms, complete with homes, outbuildings, and fencing, can be developed for about $6500 each, including all technical expense and land purchase costs.

This program could be put under way rapidly, because plans already have been prepared and a considerable number of large plantations are now under lease by co-operative associations with option to buy. Homes could be speedily erected by prefabrication methods, which already have proved highly successful, at a cost of about $1,100 each. This is believed to be the lowest cost at which comparable houses have ever been built, either by the Government or private industry.

Such a program would be a beginning toward replacing the collapsing plantation-sharecropper system with a more stable system of diversified, partially co-operative agriculture. Since these loans would be secured by land and physical properties, practically the entire sum could be considered as recoverable. Except for the $60,000,000 which would be spent for land, these expenditures would be for durable goods and construction.

IV. $100,000,000, TO REACH 20,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS TO SHARECROPPERS AND TENANTS TO ENABLE THEM TO PURCHASE FARMS.

This would be an expansion of the present Bankhead-Jones Farm Tenant program, and could be put into operation without delay. Since the loans would be secured by first mortgages, virtually the entire sum would be recoverable.

V. $10,000,000 TO REACH 10,000 LOW-INCOME FARM FAMILIES, THROUGH LOANS TO PROVIDE WATER FACILITIES IN ARID AND SEMI-ARID REGIONS.

This program would finance the construction of irrigation wells, small dams, ditches, pipi lines, reservoirs and livestock watering facilities in the 17 Western States.

It would enable farmers in the Great Plains area to change over from wheat-raising to a more stable type of diversified agriculture. Consequently it would materially assist in halting wind erosion, resulting from improper farming practices.

Since the loans are secured by mortgages on land and water-conserving structures, the program would be at least 90 percent self-liquidating.

This work would be an expansion of the present water-facilities program, and could be started without delay.

JF:mh
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