

the agency shifted away from direct loans for housing and toward insuring loans from private sources. During the 1970s, concerns about revitalizing rural regions led to additional changes. In 1972, the agency began loaning funds for health facilities and public buildings such as fire stations and community centers in rural areas. Two years later the agency became involved in guaranteeing private loans to businesses in an effort to encourage business and industrial development in the countryside. By 1983 the agency had invested \$52.9 billion in programs for farmers, such as farm operating, ownership, and emergency loans; \$42.1 billion for rural housing; \$13.3 billion for development of community facilities, most notably water and sewage systems; and nearly \$5.5 billion in guaranteed loans to rural businesses. In 1994, in an attempt to streamline rural services, the Rural Development Mission Area within the Department of Agriculture was created to replace agencies including the FmHA.

See Also: FARM POLICY; FARM SECURITY ADMINISTRATION (FSA); HOUSING.

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FARM FORECLOSURES

During the Great Depression, farm foreclosures became a disturbingly routine feature of rural life. Between 1929 and 1933, a third of all American farmers lost their farms in the worst disaster to hit American agriculture. Hundreds of thousands of farm-owning families had their hard-earned land seized from under them. The record number of foreclosures during the late 1920s and 1930s disillusioned farmers and contributed to an unprecedented degree of federal intervention to improve the farm economy.

What contributed to the large number of foreclosures was a farm debt problem that began during the agricultural depression of the 1920s and grew more severe by 1929. Farmers were knee-deep in debt, with about two-fifths of all farmers holding a mortgage and nearly three-fourths requiring credit to produce a crop from year to year. With crop prices declining, farmers were not able to pay off their mortgage loans. For instance, farm prices for cash crops, such as wheat, cotton, tobacco, and corn, fell steadily beginning in 1920. The price of corn dropped 78 percent, from 1.85 per bushel in June 1920 to 41 cents per bushel in December 1921. Prices rebounded somewhat during the mid-1920s, but plunged once again after the stock market crash in 1929. Between 1929 and 1932, crop and livestock prices plummeted by almost 75 percent. The impact on farm earnings was staggering. Farm income declined by 60 percent, from \$13.8 billion to \$6.5 billion, and the cash proceeds from marketing farm products in 1932 were about one-third lower than they had been in 1919.

As farmers defaulted on loans and made fewer deposits, many small country banks were forced to go out of business. In 1930 and 1931, more than 3,600 banks failed. Those banks, life insurance companies, and farm mortgage lenders that managed to survive had little choice but to drastically reduce the amount of credit they made available to farmers.

Consequently, farm foreclosures became more prevalent throughout the 1920s, and grew to sobering proportions by the 1930s. While the average foreclosure rate between 1913 and 1920 was 3.2 per 1,000 farms, it jumped to 17.4 per 1,000 farms in 1926, and by 1933 had reached 38.8 per 1,000 farms. During 1933, at the height of the Great Depression, more than 200,000 farms underwent foreclosure. Foreclosure rates were higher in the Great Plains states and some southern states than elsewhere. As Lee J. Alston argues in his article "Farm Foreclosures in the United States During the Interwar Period" (1983), farm distress also was more severe in rural areas that were far from urban areas because farm families had fewer opportunities to supplement their earnings with off-farm employment.

The devastating scale of foreclosures prompted many farmers to challenge the workings of capital-



This farm foreclosure sale, held in Iowa in 1933, was one of many such sales that occurred throughout the Midwest during the Depression. FRANKLIN DELANO ROOSEVELT LIBRARY

ism. Throughout the country, farmers vented their anger at public auctions that banks held to sell foreclosed property. In a phenomenon that came to be known as “penny auctions,” farmers attending the auctions placed ridiculously low bids on the available land. Anyone who attempted to significantly outbid these farmers faced jeers from the crowd and often risked violent reprisals. In many cases, disgruntled farmers managed to block foreclosure sales.

As farmers decried the increase in farm foreclosures and bank failures, the Herbert Hoover administration attempted to tackle the farm debt problem by establishing for the first time a government bureaucracy dedicated to helping farmers maintain

prices. With a budget of \$500 million, the Federal Farm Board was charged with making loans to farm marketing cooperatives and establishing corporations that would raise farm prices by buying surpluses. However, Hoover did not commit enough money to the Farm Board to make it work.

It was left to the Franklin Roosevelt administration to address the farm debt crisis through its New Deal programs. The Agricultural Adjustment Act of 1933 grappled with the underlying problem of falling farm prices through its crop production control program. The Farm Credit Administration provided much-needed mortgage relief to farmers. The Federal Farm Bankruptcy Act of 1934, also known as the Frazier-Lemke Farm Bankruptcy Act, enabled

some dispossessed farmers to regain their land even after foreclosure on their mortgages. However, the Supreme Court ruled this law unconstitutional in 1935. A number of states passed laws that attacked farm foreclosures directly. Between 1933 and 1935, twenty-five states passed farm foreclosure moratorium laws that temporarily prevented banks and other creditors from foreclosing on farmers who could not afford to make their mortgage payments. Despite these measures, there was no significant decline in the average rate of farm foreclosures until after 1940.

See Also: FARM CREDIT ADMINISTRATION (FCA); FARMERS' HOLIDAY ASSOCIATION (FHA).

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FARM POLICY

Farmers were among those hardest hit by the Great Depression. Their problems, however, had been around for nearly a decade. During World War I, European agriculture had been largely destroyed, and the U.S. government had been purchasing farm products. The result was inflated prices for many crops. From 1916 to 1919, for example, net farm income rose from \$4 billion to \$10 billion. In 1920, however, a combination of agricultural recovery in Europe and an end to government purchases of wheat created a situation in which the market was flooded with surplus crops. A bushel of wheat quickly fell from \$2.50 to less than a dollar. As prices tumbled, a decline exacerbated by the stock market crash of 1929, American farmers went from producing 16 percent to 9 percent of the national income.

When Franklin D. Roosevelt became president in 1933, he promised in his inaugural speech on March 4, 1933, to restore the health of agriculture. If the purchasing power of farmers was restored, he believed, farmers would in turn help boost the demand for manufactured goods. This could be accomplished, Roosevelt and many others believed, by decreasing production. Throughout the 1920s, agriculture had been characterized by overproduction as more crops were produced than the market could handle, thereby effectively driving down the prices. Farmers, then, were seen by Roosevelt as the key to bringing the nation out of the Depression.

Under the direction of Secretary of Agriculture Henry A. Wallace, the Roosevelt administration drew up the Agricultural Adjustment Act. The theory was that if production could be limited, then prices would rise, demand for farm commodities would more nearly match supply, and agriculture would recover. With these aims, the Act was pushed through Congress in May 1933. The Agricultural Adjustment Act gave subsidies to farmers based on the acreage of farmland that landowners either allowed to lie fallow or used for the production of non-surplus crops. For every bushel of corn, for example, that corn farmers did not raise, the government would pay them thirty cents. Over the next two years, while many Americans were starving, over thirty million acres of cotton, corn, and wheat fields were taken out of production, with farmers receiving over \$1.1 billion in government subsidies.

The goals of the Agricultural Adjustment Act were largely attained; from 1932 to 1936, the price of a bushel of wheat almost tripled. And hogs, which had been selling at \$3.34 per hundred pounds, rose to \$9.37. In terms of overall income, farmers witnessed a rise of \$1.8 billion to \$5 billion. If landowners benefited from the Agricultural Adjustment Act, those who worked their lands, such as tenant farmers and sharecroppers, did not. Although landowners were supposed to share the government payments with their tenants, they often failed to do so. Landowners, particularly in the South, pocketed the cash while evicting their tenants or sharecroppers, or cutting their acreage and simply not allowing them to grow cash crops.