DISCUSSION OF MR. GREGORY'S AND MR. BLACK'S PAPERS ON TENANCY

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Let me add just a word of testimony on two matters. First, with regard to making loans up to 80 per cent of the farm value. As a policy by federal land banks I do not think this should be advocated. Money for federal farm loans depends on the sale of federal bonds secured by farm mortgages. The safety of these bonds should be utterly unquestionable. They must be secured by first mortgages of diamond bordered security. On the other hand local banks should find second mortgages on these properties quite good enough for loans of 25 to 40 per cent of the federal appraisal even if the first federal mortgage amounts to 50 per cent of the value of the land and 20 per cent of the improvements. The first mortgages are for 36 years, usually; the interest rates are reasonable, payments should not be burdensome, insurance and improvements must be kept up, moreover the appraisal has been carefully made by capable federal appraisers; supervision of the property security by government agents is continuous. No better second mortgages are offered and some first mortgages are less desirable.

In South Carolina some loans have been made to purchasing tenants in second mortgages to local banks equal to 50 per cent of the appraised value. The first mortgage loan has been made by the federal land bank for a full 50 per cent of the land value on the usual long time, low interest rate, amortization terms. The local bank on the same time and terms and sometimes at the same rate (not exceeding one-half per cent higher) has loaned an equal sum on a second mortgage. I am acquainted with some authentic instances. Doubtless this large percentage on a second mortgage is exceptional and is based to some extent on the personal integrity and character of the borrower, but it is interesting as indicating the tendency of tenant loans in that district.

The Columbia South Carolina Federal Bank, I am informed, is endeavoring to encourage local banks to take the second mortgages of approved tenant clients on terms which the federal bank dictates and approves. As indicated the second mortgage business is a matter for local bankers who know both the material security and the character of the borrower rather than for federal land banks. Fifty per cent is perhaps too high but thirty per cent may be loaned in many instances on second mortgages.

As to the Measure of Farm Land Rent

We have very little renting of farm land in New England, but in the onion and tobacco district of the Connecticut Valley the percentage of tenancy is somewhat higher than the New England average. I have been interested to observe that the rent paid in this district somewhat closely approximates the pure economic rent to which we have been accustomed in theory.
This section has a limited amount of land suitable for onion growing or for tobacco growing. Most of the suitable land is already in use for these respective crops. Onion growing requires about three acres of land per person, perhaps ten acres per family. Very little capital equipment is required, horses, tools or buildings. The crop is expensive in labor and fertilizers. Both may be obtained partly on credit. A renter usually bargains for the exact amount of bare land he needs and uses it all for his crop. The yield of onions runs from an average of 400 to about 800 bushels per acre and the price of onions from $1.00 to $3.00 per bushel. Land rents run from $25.00 or $50.00 or more per acre. Capitalized this would mean $500 to $1000 per acre. Some land sells for $500 per acre but much sells for less. It must be said however that few sales of solely onion or tobacco land are made. Most tracts contain a good deal of land unsuitable for either of these crops.

When land is rented on shares the plan is the usual half and half plan from fertilizer to sacks for holding the harvested onions. In a favorable year the share rent landlord has a wide margin of profit over the cash tenant landlord. There are large possibilities of speculative gain both on account of season and of price which is fixed by competing areas. Doubtless the cash rents include a certain element of these prospective gains which the renter prospectively is likely to divide with the landlord. Subtracting this element and considering only land that can be utilized for tobacco or onions and the value of land is approximately equivalent to 20 years rental.

REMARKS ON TENANCY

GEORGE THOMAS, University of Utah

I do not believe at present we have sufficient information upon the tenancy question to begin to dogmatize. Our country is so large that what may be true of Iowa or Illinois may not be true of other states. In Utah the tenancy question turns principally around the sugar beet industry and this has to do primarily with the Japanese. Sometimes they run the land entirely and operate it themselves. Other times they form a joint arrangement with the owner of the land, the owner agreeing to do the team work and the Japanesees the hand work on a certain ratio of the income of the beets, or on a stipulated amount. The Japanese seem very well adapted for this industry and just at present the sugar industry is of vital importance to the United States.

In reference to the discussion that has taken place on the Federal Farm Loan Act, I might say that my experience and study has led me to the conclusion that the act itself as at present arranged, has not done a great deal to promote agriculture only insofar as it has supplied cheaper money to well-to-do farmers who might have gone to the bank and secured an equal amount at a slightly higher rate of interest. It is, however, a praiseworthy undertaking and naturally the first steps would be halting and not always well directed.