

Economic Security of Farm Operators

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For generations it has been assumed that if the farmer could be protected against the natural and economic forces that threaten the prosperity of his farm business, he would be in a position to provide his own security against the more personal economic risks. Some farm and nonfarm groups question the validity of this belief under modern farming conditions. Data pertinent to an examination of this assumption are presented in the following pages.

SELF-employed farm operators are the largest major occupational group still unprotected by a government insurance program against the hazards of old age and premature death. What are the social and economic characteristics of the self-employed in agriculture today, and how is the economic security of farm operators and their families affected by these characteristics? In this article, the position of farm operators is compared with that of other segments of the working population with respect to their personal characteristics, the incidence of the personal economic risks they face, and their financial resources for meeting these risks.

The task of securing representative data on the farm self-employed is complicated by the fact that farmers are not a homogeneous group. Individuals operating farms range from the full-time commercial farmer, who produces mainly for the cash market, to the part-time, nominal farmer, who has steady employment off the farm and relies on his farm for supplemental income only. Of the 5.4 million farming units enumerated by the 1950 Census of Agriculture, preliminary estimates revealed that only 3.7 million were commercial farms in the sense that they were operated by farmers who devoted a major share of their time to the farm and who depended on the sale of farm products for the major portion of their family income. The remaining 1.7 million farms represented primarily part-time or residential units whose operators either spent most of their time

working off the farm or else relied on sources of cash income other than farm production for their basic livelihood.¹

Since the primary concern of this article is with the economic status of those farmers whose major activity and livelihood is farming, the data relate almost entirely to this group. For this reason, use has been made, wherever possible, of source material based on sample surveys of occupational groups, such as those found in the monthly current population surveys of the Bureau of the Census and the Surveys of Consumer Finances sponsored by the Board of Governors of the Federal Reserve System, rather than on data from the quinquennial Census of Agriculture. Unlike the complete enumeration of farming units made for the Census of Agriculture, which results in the reporting of residents of part-time and nominal farms as "farm operators," occupational surveys are generally restricted to those members of the labor force who are gainfully employed at an occupation at the time of the survey. Thus, in the current population surveys, only farm residents who are working as farm operators for the greater part of the survey week are included under that occupational classification. This definition obviously eliminates most, if not all, of the nominal farmers whose farms are primarily residential homes and many of the part-time farmers whose employment is divided between two types of jobs.

Another advantage of the occupational survey is that it facilitates the

comparison of farm operators with other occupational groups. In some respects, it is more meaningful to compare the status of a self-employed farmer with that of his counterpart in urban life—the self-employed business proprietor—rather than with the status of the average member of the labor force. This is especially the case in any consideration of those features of farming that are generally characteristic of self-employment—features such as the tendency of proprietors to reinvest their earnings in their enterprise, to enter self-employment late in life, and to make their retirement a gradual process. For this reason, comparative data on self-employed urban businessmen are also presented where applicable.

It should be noted, however, that some limitations are involved in the use of occupational data dealing with self-employed groups. The general concept of "self-employment" is ambiguous and varies from one statistical study to another. In some surveys, for example, salaried managers and officials of urban corporations are classified with the self-employed. In other instances, a distinction is made between proprietors of unincorporated businesses and salaried executives of incorporated businesses. Then too, data dealing with the self-employed farm operator may often include farm managers, even though the latter are generally compensated by salary. Nevertheless, as long as these limitations are recognized, a comparison of the data available on farm and nonfarm self-employment will prove useful in illuminating some of the basic elements affecting the security of farm operators.

One of the chief differences between farming and most other types of employment is that, for farmers, the site of the home and the place of work are usually the same. The result is that farming, more than any other major occupation, tends to be a family enterprise that often relies on the unpaid assistance of a wife and children for its success. In the event that the

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¹ Bureau of the Census, *1950 Census of Agriculture, Preliminary Estimates*, Series AC50-3, November 25, 1951.

Table 1. —Age and sex characteristics of the labor force, by selected occupational group, October 1951

Major occupational group	Total, aged 14 and over (in thousands)	Percentage distribution					
		Sex		Age			
		Male	Female	14-24	25-44	45-64	65 and over
Total employed.....	61,836	68.9	31.1	17.4	46.5	31.3	4.8
Nonfarm proprietors, managers, and officials.....	6,338	82.5	17.5	3.8	47.5	42.1	6.5
Farmers and farm managers.....	3,968	94.9	5.1	5.5	38.7	41.5	14.4

Source: Bureau of the Census, *Current Population Reports: Labor Force, Monthly Report on Labor Force, October 1951*, Series P-57, No. 112, Nov. 13, 1951 (table 13), and unpublished data.

operator is incapacitated because of old age or death, the family frequently continues to operate the farm. Continued family operation of the farm, however, is usually difficult, unless there are one or more grown sons to do the heavier work. These features should be kept in mind in interpreting comparative data on farm operators and other employed groups.

Personal Characteristics

Farming is predominantly a male occupation. According to Census Bureau estimates, almost 95 percent of those who operated a farm in October 1951 were men (table 1). Even this ratio may be understated since, on many farms "operated" by women, adult sons or other relatives undoubtedly did most of the work. No such male monopoly exists in the labor force as a whole, as almost a third of those who were gainfully employed in October 1951 were women. Among nonfarm managers, proprietors, and officials employed in that month, men outnumbered women 4 to 1.

Agricultural self-employment also shows a greater concentration of older workers than does the labor force as a whole. In October 1951, 14 percent of the farm operators were aged 65 and over. In contrast, less than 7 percent of the nonfarm proprietors, managers, and officials and 5 percent of the total employed labor force had reached age 65. In the age distribution of persons under age 65, the contrast between the total labor force and the self-employed occupations is especially pronounced. Almost two-thirds of all persons gainfully employed in October 1951 were under 45 years of age as against half of the urban proprietary and managerial

groups and a little more than two-fifths of the farm operators.

As may be expected from their age composition, farmers include relatively more married men than the total employed labor force. A sample survey in March 1950 of employed civilians aged 14 and over showed that the large majority of male farm operators—83 percent—were married and living with their wives, as compared with 76 percent of the men in the total labor force.² Single males represented 11 percent of the farm self-employed and 19 percent of the total labor force.

Not only are a greater proportion of farm operators married, but they also have heavier family responsibilities than the average member of the employed labor force. As indicated in table 2, about 84 percent of the farm operators in March 1950 were heads of families as compared with 56 percent of the total employed labor force. Of the families headed by farm operators, 21 percent had three or more children of their own under age 18 in March 1950, as contrasted with 15 percent of all families of employed civilians and 12 percent of the families headed by urban proprietors, managers, and officials.

A larger proportion of the families of farm operators than of all families headed by employed workers had no children under age 18, probably because of the relatively larger number of farmers of advanced age. Nevertheless, farm families in general were larger than the average family in the United States. With the term "de-

² Bureau of the Census, *Current Population Reports: Marital and Family Characteristics of the Labor Force in the United States: March 1950*, Series P-50, No. 29, May 2, 1951, table 5.

pendents" narrowly defined as wives living with husbands and as own children under age 18 living with parents, farm operators in March 1950 showed an average of 1.95 dependents as compared with 1.19 for all employed civilian persons and 1.51 for nonfarm proprietors, managers, and officials.

Since these estimates make no allowance for working wives among married women living with their husbands, it is probable that they do not reflect the full extent of the difference in family responsibilities between farm operators and nonfarm workers. Wives of urban workers are more likely than wives of rural workers to be paid members of the labor force. This difference exists not only because rural areas afford fewer opportunities for employment but also because the demands of the farm family enterprise often limit the labor-force participation of the wife to unpaid family labor.

It is unlikely that inclusion of parents and other relatives as dependents would change the disparity in the size of families between farm operators and nonfarm occupational groups. In March 1950, urban families had an average size of 3.4 persons as compared with 4.0 persons in rural-farm families.³

In short, farm operators as a group contain a larger proportion of males, older workers, married men, and individuals with large families than is found in the labor force in general. Such differences in personal characteristics may have an important effect on the relative magnitude of the risks that confront farm operators and their families.

Personal Economic Risks and Their Incidence

Two major risks to family economic security—the death of the breadwinner and reduced earnings because of age—are shared by all workers.

Old age.—In nearly every occupation, whether it be farming, industrial employment, or urban self-employment, earning power declines with advancing age. Two questions arise in any analysis of the problem of old age for farm operators. The first is

³ Bureau of the Census, *Current Population Reports: Marital Status and Household Characteristics*, Series P-20, No. 33, Feb. 12, 1951, table 3.

whether the period during which an aged person is dependent on sources other than his own current earning capacity for a living is significantly different for farm operators than for the rest of the working population. The second is whether the reduction in earned income that accompanies old age is significantly different for farm operators than for other employed groups.

The Bureau of Labor Statistics has published a study, based on the 1940 Census of Population, on the length and pattern of the working life of men in the United States.⁴ The data in this study are classified on an urban-rural basis and not according to occupation. The differences between urban and rural residents, however, give some indication of the relative differences that may be expected between farm operators and the urban working population. It is, of course, recognized that rural residence is not synonymous with farm proprietorship.

The study shows that at every age rural males have greater average life expectancy and greater average work-life expectancy than do the urban workers (table 3). In general, as far as the rural worker is concerned, it may be said that his greater average longevity has contributed to his working life rather than to the period of his retirement. In 1940, for example, the rural male resident could expect, at age 65, to live another 13.0 years and to continue working for 7.6 of these years; at the same time, the average life expectancy of the urban male was 11.4 years, of which 5.8 would be spent as a labor-force participant. Yet, in both cases, the average retirement-life expectancy—the number of years between retirement and death—was approximately the same, about 5½ years. Urban males over age 65 could expect to have slightly longer periods of retirement than rural males.

It should be noted that the differences between the working-life expectancy of urban and rural males are strongly influenced by the fact that urban males include a larger proportion of wage earners subject to

Table 2.—Family characteristics and marital status of the labor force, by selected occupational group, March 1950

Major occupational group	Employed persons, aged 14 and over (in thousands)	Employed family heads ¹					Number of specified dependents of employed persons ²				
		Number (in thousands)	Percentage distribution by number of own children under age 18				Total (in thousands)	Own children under age 18 living with parents ³ (in thousands)	Wives living with husbands (in thousands)	Average per employed person ⁴	
			Total	None	1	2					3 or more
All civilian occupations.....	57,551	31,964	100.0	43.3	23.1	18.3	15.3	68,579	37,641	30,938	1.19
Nonfarm proprietors, managers, and officials.....	6,292	4,876	100.0	49.2	21.2	17.5	12.1	9,525	4,836	4,689	1.51
Farmers and farm managers.....	4,523	3,814	100.0	46.1	17.5	15.4	21.0	8,825	5,221	3,604	1.95

¹ The term "family" is defined as a group of 2 or more persons related by blood, marriage, or adoption and residing together.

² Defined as wives living with husbands and own children under age 18 living with parents.

³ Excludes children living with parents in subfamilies, estimated at 1.5-2 million for the employed labor force. The term "subfamily" refers to a married couple with or without children, or 1 parent with 1 or more children under age 18, living in a household and related to, but not including, the head of the household or his wife.

⁴ Because the base is all employed persons and

the number of children excludes those in subfamilies, the ratio for all civilian occupations is understated. If an adjustment is made for the 1.5-2 million children living with employed parents in subfamilies, the ratio would probably be increased to about 1.23. It is unlikely that the ratios for the self-employed occupations would be affected to the same degree by the inclusion of children in subfamilies, since not many parents of such children are self-employed.

Source: Bureau of the Census, *Current Population Reports*, Series P-50, No. 29, May 2, 1951, table 5, and Series P-20, No. 32, Dec. 4, 1950, table 11.

arbitrary retirement practices. In 1940, six-sevenths of all employed men in urban areas were wage or salary workers, in contrast to only three-fifths of the rural men workers.

In any event, the fact that a larger proportion of farm operators than of nonfarm workers continue to work after age 65 is no indication of the degree to which the farmer's income is maintained in his older years. The 1945 Census of Agriculture revealed that farmers aged 65 and over operated 15 percent of the farms with gross value of products of \$1,000-1,499 and 11 percent of the farms having gross products of \$1,500-3,999; they operated only 8 percent of the farms with total production valued at more than \$4,000.⁵

The high ratio of aged operators on land that has a reported low value of production suggests that farmers are more likely to curtail operations and to undergo a period of reduced income in their waning years rather than to withdraw completely from farming. This may be the result of two competing factors. One is the necessity

of the elderly farmer to adjust his workload according to his physical capabilities; the other is the lack of financial resources that would permit him to retire completely. Accordingly, many aging farmers, no longer capable of applying full-time vigor to their farming, compromise by limiting their farm operations to those that will help satisfy their minimum needs. In the words of one observer, "As farmers grow old they retire everything but themselves. They reduce the number of livestock, they allow cropland to lie idle, pasture is permitted to return to brushland. All too frequently the deterioration of the farm as an economic unit is the result."⁶

To some degree, of course, the same pattern is followed by owners of urban businesses who tend to reduce the size of their business as they grow older rather than to withdraw completely from gainful employment. The relative degree to which money income falls off with advancing age is greater, however, for aging farm

⁴ Bureau of Labor Statistics, *Tables of Working Life*, Bulletin No. 1001, August 1950.

⁵ Bureau of the Census, *United States Census of Agriculture, 1945: Special Report, Farms and Farm Characteristics, By Value of Products, 1948*, table C.

⁶ Walter C. McKain, Jr., *Retirement in the Rural Community*, paper delivered before the Second International Gerontological Congress, St. Louis, 1951.

operators. According to Census Bureau tabulations,⁷ the median money income in 1950 of families whose major earnings came from farm self-employment was \$2,218 when the family head was aged 45-54 and \$889 when the family head was 65 and over—a drop in income of more than 60 percent. In contrast, the comparable median income figures for families primarily dependent on nonfarm self-employment earnings were \$4,188 and \$2,155—a decline in income of less than 50 percent.

Recognition, of course, must be granted to the fact that many aging farmers have resources for family living in addition to money income—for example, the value of products consumed on the farm and the net rental value of farm dwellings. To this extent, the reported reduction in their money income does not have the same implications as a similarly reported reduction would have in the case of aging urban families. Nevertheless, the fact remains that many elderly farmers reported as gainfully employed are engaged in minimum operations that scarcely suffice to meet the meager needs of old age.

Premature death.—The risk that the death of the breadwinner will deprive a family of vital earning power is particularly serious for young married families with small children, since it is often difficult as well as undesirable for a widow to work to support the family when her children need her care. In the case of farm families, the premature death of a family head may leave the farm with no able-bodied survivors capable of continuing the operation of the farm at its former level of efficiency and production. To what extent, then, does the incidence of premature death differ between farm operators and other employed groups?

Unfortunately the little information that is available on mortality rates by occupation makes no distinction between farm operators and hired agricultural workers. Farmers and farm laborers, however, perform work of a largely similar nature and are affected by much the same influences

⁷ Bureau of the Census, *Current Population Reports: Income of Families and Persons in the United States, 1950*, Series P-60, No. 9, March 25, 1952, table 6.

Table 3.—Average number of remaining years of life and of labor force participation, urban and rural males, 1940

Age last birthday	Average number of remaining years ¹ of—			
	Life		Labor-force participation	
	Urban males	Rural males	Urban males	Rural males
15-----	50.1	53.1	44.6	47.4
25-----	41.2	44.3	35.5	38.4
35-----	32.4	35.7	26.7	29.6
45-----	24.2	27.3	18.5	21.3
55-----	17.1	19.6	11.3	13.6
60-----	14.1	16.2	8.2	10.1
65-----	11.4	13.0	5.8	7.6
70-----	9.0	10.1	4.8	6.2
75-----	6.9	7.6	3.7	4.9

¹ As of beginning of year of last birthday.

Source: Bureau of Labor Statistics, *Tables of Working Life*, Bulletin No. 1001, August 1950, tables 2 and 3.

—such as work in the open air, isolation, and difficulty of securing medical assistance. It therefore seems not unreasonable to assume that the mortality rates for the total agricultural labor force, if adjusted for the preponderance of older men among farm operators, can be taken as fairly representative of the farm operator group.

The results of one limited study, based on the 1930 Census of Population, revealed that the death rate for the total male agricultural labor force aged 15-64, when standardized according to the age distribution of all gainfully occupied males, was 6.21 per 1,000.⁸ The standardized death rate in 1930 computed for all male workers engaged in nonagricultural pursuits was 9.16 per 1,000. The disparity in mortality rates was most pronounced in the upper age bracket (45-64), with agricultural workers having a death rate of 12.62 per 1,000 as compared with 19.05 per 1,000 for nonagricultural workers. For men between the ages of 15 and 44, the variation in death rates was less—3.43 per 1,000 for farm workers as against 5.06 per 1,000 for the rest of the male working population. The results of the study suggest that, when allowances are made for the likely underregistration

⁸ Jeessamine S. Whitney, *Death Rates by Occupation*, National Tuberculosis Association, June 1934. Mortality statistics compiled in this study were based on death registration figures from 10 selected States covering 38 percent of the United States population.

of rural deaths, the difference in mortality rates, at least for these younger men, is not enough to lessen to any considerable extent the significance of premature death as a threat to the economic security of farm operators and their families.

Financial Resources

A worker's ability to save out of current income, the net worth of his holdings, and his other financial resources—including life insurance—bear directly on his ability to meet the financial problem of old-age insecurity and to leave his family economically secure if he should die.

Ability to save.—The amount and type of financial resources that an average family is able to accumulate over the years to meet the contingencies of old age and death are usually dependent on the extent to which the family can save out of current earnings. This situation applies to farm families as well as to nonfarm families, even though the amount of inherited wealth in the form of land is probably relatively greater among the former. In measuring the ability of farm and nonfarm families to save, two factors must be considered—the income level of the family and the expenditures required for current family living.

From estimates of income made by the Bureau of the Census, it is clear that in 1950, a fairly prosperous year, the average money income of families headed by farm operators was considerably lower than the average for all employed civilian families in the Nation (table 4). This difference still remains even after allowance is made for the fact that, in reporting net income from farm operations, many farmers tend to consider as an expense and therefore not part of their reported net income the various expenditures for the maintenance of the farm household. With all sources of money income taken into account, the median farm operator family had an estimated annual cash income of \$2,000 as compared with \$3,523 for all families with employed heads and \$4,003 for the families of urban proprietors. More than 3 out of every 5 families headed by farm operators had a total money income of less than \$2,500; for almost 2 out of 5, income

Table 4.—Percentage distribution of families by total money income in 1950, and by major occupational group of family head, April 1951¹

Total money income ²	Family heads employed as civilians in April 1951		
	Total employed civilians	Farmers and farm managers	Self-employed proprietors ³
Number (in thousands)....	33,284	3,451	2,754
Total percent....	100.0	100.0	100.0
Under \$500....	4.1	17.2	6.2
500-999.....	3.8	11.3	3.1
1,000-1,499....	4.9	10.9	5.0
1,500-1,999....	6.4	10.6	4.7
2,000-2,499....	8.8	11.0	7.2
2,500-2,999....	9.2	7.5	7.0
3,000-3,999....	22.2	12.8	16.7
4,000-4,999....	15.0	6.3	11.9
5,000 and over..	25.7	12.4	38.1
Median income.....	\$3,523	\$2,000	\$4,003

¹ The term "family" is defined as a group of two or more persons related by blood, marriage, or adoption and residing together.

² Includes money wages and salaries, net income from self-employment, and income other than earnings received by all income recipients in the family.

³ Excludes salaried managers and officials and professional self-employed persons.

Source: Bureau of the Census, *Current Population Reports: Income of Families and Persons in the United States, 1950*, Series F-50, No. 9, Mar. 25, 1952, table 9.

was less than \$1,500. In contrast, only about one-fourth of all families reported a total money income of less than \$2,500 in 1950.

The fact that urban families are more likely than rural families to have more than one earner in the family does not seem to play an important role in the disparity in money income levels between farmers and nonfarm workers, since similar differences are noted when income is compared on an individual basis rather than on a family basis. Thus, the median total money income of individual male farm operators, irrespective of other family income, was \$1,496 in 1950, as compared with \$2,831 for all employed male civilians and \$3,263 for men who owned their own business.⁹

To the extent that the lower money income of the average farm operator may be offset by the availability of farm-furnished food, fuel, and housing and by the lower prices of certain goods in rural areas, his relative

⁹ Bureau of the Census, *Current Population Reports: Income of Families and Persons in the United States, 1950*, Series P-60, No. 9, March 25, 1952, table 20.

ability to save as reflected by the gap between his net money income and his expenditures for family living is not adversely affected. In reality, however, with the growing integration of urban and rural life, farmers are constantly being stimulated to ever-increasing levels of consumption of both economic and social services that they do not produce themselves and must therefore purchase from others. They not only desire modern homes, electrical appliances, automobiles, radios, and other material conveniences and comforts that the rest of society enjoys, but they also want adequate medical and dental care, ample hospital and public health facilities, and modern schools and roads. All these things cost money, which means that, as in the case of city families, the demands resulting from a rising level of living are creating serious drains on the farmer's current cash income.

Some indication of the current savings patterns of farm operators may be seen from the 1951 Survey of Consumer Finances conducted for the Board of Governors of the Federal Reserve System by the Survey Research Center of the University of Michigan.¹⁰ The survey covers, on a sample basis, the entire population of the United States residing in private households and offers the advantage of comparisons among occupations.

There was little difference, according to the survey, in the frequency with which spending units headed by farm operators and spending units in general saved out of income earned in 1950 (table 5).¹¹ A different picture emerges, however, when the status of farm operators is compared with that of the urban managerial and proprietary groups. While 72 percent of the units headed by nonfarm managerial and self-employed individuals had savings from current income during 1950, only 62 percent of the spending units headed by farm operators fell into this category. Only about 1 out of every 3 farm operator spending

¹⁰ "1951 Survey of Consumer Finances," *Federal Reserve Bulletin*, September 1951.

¹¹ As defined in the survey, savings is the difference between current cash income and the sum of current expenditures for consumption and tax payments. Consumption expenditures are defined to include expenditures for nondurable goods and services and all consumer durable goods except houses.

units was able to save as much as \$500 during the course of the year, but more than half of the urban managerial and self-employed units accumulated savings of such amounts.

Moreover, farm operators during 1950 spent more than their current income to a greater extent than all other occupational groups except the professional and retired groups. Sixteen percent of the farm operator units dissaved at least \$500 during the year, as compared with 12 percent of all spending units.

These facts suggest that there are greater extremes among farm operators than among nonfarm spending units in general. At the same time that some farmers enjoy prosperous conditions that permit extensive savings, others may find themselves in debt because of local crop failures and other sporadic factors.

A disparity between farm operators and nonfarm spending units is also noted in their contractual saving. Contractual saving pertains to long-term arrangements for saving that commit the consumer to regular saving over a period of years. Examples of such savings are premium pay-

Table 5.—Amount of income saved or dissaved by spending unit, by occupation of head of unit, 1950

Type of saver and amount saved	Percentage distribution of spending units by occupation of head of unit ¹		
	All spending units	Farm operator	Managerial and self-employed ²
Total percent....	100	100	100
Positive savers ³	61	62	72
Amounts saved:			
\$1-99.....	20	16	10
200-499.....	14	10	10
500-999.....	12	12	13
1,000 and over..	15	24	39
Zero savers.....	7	6	2
Negative savers ⁴	32	32	26
Amounts dissaved:			
\$1-99.....	6	4	5
100-499.....	14	12	9
500 and over....	12	16	12

¹ The term "spending unit" is defined as all persons living in the same dwelling and related by blood, marriage, or adoption, who pooled their incomes for their major items of expense.

² Excludes professional self-employed persons.

³ Spending units with money incomes in excess of expenditures.

⁴ Spending units with expenditures in excess of money incomes.

Source: 1951 Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

Table 6.—Amount of net worth of spending units, by occupation of head of unit, early 1950

Occupation of head of spending unit ¹	Percentage distribution of spending units by amount of net worth ²						Not ascertained
	Total	Negative	\$1-999	\$1,000-4,999	\$5,000-24,999	\$25,000 and over	
All spending units.....	100	8	27	23	32	8	2
Nonfarm self-employed ³	100	2	3	11	47	24	12
Farm operators.....	100	3	12	20	41	22	2
Owner-operator.....	100	0	2	18	43	35	1
Nonowner-operator.....	100	9	29	21	36	1	4

¹ The term "spending unit" is defined as all persons living in the same dwelling and related by blood, marriage, or adoption, who pooled their incomes for their major items of expense.

² Difference between total selected reported assets and total reported liabilities. Reported assets include automobiles, liquid assets, owner-occupied homes or farms, other real estate, interest in a business, corporate securities, and farm machinery,

livestock, and crops. Value of farm machinery not reported for nonowner farm operators. Reported liabilities include mortgage, personal, and installment debt.

³ Excludes managerial employees and professional self-employed persons.

Source: 1950 Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

ments on life insurance policies, mortgage payments on residences and other real estate, and payments to retirement funds. According to the 1951 Survey of Consumer Finances, spending units headed by farm operators reported contractual saving less frequently than any other occupational group except the miscellaneous group.¹² Thirty-eight percent of the farm operators reported no contractual savings whatever during 1950, as compared with 14 percent of the self-employed businessmen and 23 percent of all spending units. Only about 1 out of 6 farm operators committed himself to as much as \$200 of contractual saving during 1950, while almost half the nonfarm entrepreneurs and a third of all spending units had contractual saving of such amounts.

Net worth and farm equity.—Another way of measuring the financial resources of a family and consequently its ability to withstand financial adversity is to ascertain its net worth—the excess of its total assets over its total liabilities. The 1950 Survey of Consumer Finances¹³ reveals that, while farm operators had larger amounts of net worth more frequently than all spending units, the reverse was true when the status of farm operators was compared with that of the self-employed urban businessmen (table 6). As of early 1950,

15 percent of the farm operator units reported a net worth of less than \$1,000, as compared with 5 percent of the spending units headed by self-employed proprietors. On the other hand, 71 percent of the nonfarm self-employed units had assets that exceeded liabilities by \$5,000 or more, as compared with 63 percent of the farm operator units.

Even more striking was the contrast between the net worth of the farmers who owned and those who rented the land they cultivated. Only 1 out of 5 of the farm owner-operators, as compared with 3 out of 5 of the nonowners or tenants, had a net worth in early 1950 of less than \$5,000. At the other extreme, 35 percent of the owner-operators, but only 1 percent of the spending units headed by farm tenants, were worth at least \$25,000. It is clear that equity in land, buildings, and equipment accounts for an important part of the net worth of farm operators.

The tendency, and perhaps need, of farm operators to invest primarily in the farm and its equipment is further seen in the limited degree to which farmers maintain other forms of savings. According to the 1951 Survey of Consumer Finances,¹⁴ the median amount of liquid assets held by farm operator spending units in early 1951 was \$290, as compared with \$860 for the managerial and self-employed group. Sixty-two percent of the farm

operator units had no United States savings bonds, 79 percent had no bank savings accounts, and 38 percent had no checking accounts. Corresponding figures for urban managerial and self-employed units were 46 percent, 54 percent, and 27 percent.

Yet primary dependence for their old-age security on land ownership has many drawbacks for farm operators. In the first place, with the mechanization of agriculture and the need for large capital investment, it is difficult for many tenants to become owners of the land they cultivate. Moreover, some farmers find it preferable to remain tenants and invest their limited capital in machinery rather than land. Despite the prosperous conditions of recent years, preliminary estimates from the 1950 Census of Agriculture disclosed that in 1950 more than one-fourth (26.7 percent) of the farm operators in the country were tenants, with no equity in the land they farmed or the buildings on it.¹⁵ Among commercial farmers, the tenancy rate was even higher.

More importantly, the modern farmer has no guarantee that the acquisition of an unencumbered farm will be sufficient to furnish him and his family with adequate security reserves against dependency and want when his capacity for productive work is cut off or diminished by death or old age. The degree of economic security provided by land ownership often depends on the extent to which current farm prices yield a regular and adequate cash income, permit the payment of mortgage and debt obligations, and preserve the equity and land value of the farm.

Should the farmer encounter one or more periods of declining prices in the later years of life, he may not only be forced to mortgage the farm or go into debt to continue farm operations but he may also find that the value of his farm has slumped to such a level that the remaining equity will not supply him with an adequate income for the needs of his declining years. In other words, the farm owner runs the risk that his lifetime savings, as represented by the invest-

¹² Federal Reserve Bulletin, September 1951, p. 1070.

¹³ Federal Reserve Bulletin, December 1950.

¹⁴ Federal Reserve Bulletin, June 1951.

¹⁵ Bureau of the Census, 1950 Census of Agriculture: Preliminary Estimates, Series AC50-3, November 25, 1951.

ment in his farm real estate, machinery, and livestock, may be drastically diminished or even wiped out in a period of agricultural depression. This is precisely what happened to hundreds of thousands of farmers during the 1920's, when the mortgages on their farms were foreclosed, following the collapse of farm prices and income.

Self-employed urban proprietors, of course, also run the risk that adverse economic conditions will result in the failure or bankruptcy of their enterprises. Unlike the farm owner, however, for whom the farm represents a major business asset as well as his home, the urban entrepreneur can divorce his business interest from the value of his owner-occupied home. In addition, because of his relatively larger and more stable cash income, he is better able to maintain part of his reserves in the form of liquid assets or to commit part to contractual saving, such as life insurance, without depriving his business of vital operating capital.

Finally, mention should be made of the difficulties that an aging farm operator may encounter in attempting to convert an equity consisting of land, buildings, and other fixed assets into effective current financial security. Although a similar situation faces many urban business proprietors, the problem is particularly difficult on the farm, which is a place of residence as well as a source of income. If a farm operator should decide to give up his home, sell the farm, and move off it, then he must consider whether his equity, invested elsewhere, will yield an adequate cash income in light of the additional living costs that would be incurred. If he decides to stay on the farm but turn over its operation to a tenant or hired manager, he runs the risk of a decline in the productive earning powers of the farm that, eventually, may reduce its sales value.

Of course, when the farmer has children who are eligible and willing to take over the operation of the farm upon his retirement, then his problems are simplified. Through father-son agreements, he can curtail his work gradually; at the same time he can secure the productivity of the farm and his future income, always

assuming that the yield from the farm is sufficient to support two families. There are indications, however, that fewer American farms are being operated generation after generation by the same families. Farm families are becoming smaller and less tightly knit as fewer farm youth remain to take part in their parent's economic enterprise or even continue in the local communities where their parents live. One recent survey of retired farmers disclosed that only about half were able to dispose of their land by turning it over to their children.¹⁶

Life insurance.—The data on net worth presented earlier omit the value of life insurance and annuity policies owned by spending units. This item, however, cannot be ignored in evaluating the financial ability of a family to meet the expenses and readjustments caused by the untimely death or retirement of the family head. Life insurance protection is particularly important in the early years of life, when family responsibilities are greatest and the opportunities to acquire any significant financial resources are most limited.

For farm families, premature death can have serious consequences when the farm is saddled with many debts and the equity built up in the farm is negligible. A young widow may be forced from the farm as she finds that she can neither live off the proceeds of the estate or continue operating the farm. An older widow may also be handicapped by the lack of opportunities for employment in rural areas. Yet the facts show that farm operators are less frequently insured than any other occupational group in the United States.

Special tabulations prepared for the Institute of Life Insurance¹⁷ from the 1950 Survey of Consumer Finances disclosed that, at the end of 1949, 37 percent of the spending units headed by farm operators carried no life insurance, as compared with 23 percent of all spending units and 13 percent of the nonfarm units headed by managerial employees and self-employed

¹⁶ Lowry Nelson, *Farm Retirement in Minnesota*, Agricultural Experiment Station Bulletin 394, University of Minnesota, March 1947, p. 9.

¹⁷ University of Michigan, Institute for Social Research, Survey Research Center, *Life Insurance Ownership Among American Families, 1950*.

Table 7.—Relationship of insurance ownership to occupation of head of spending unit, December 31, 1949

Amount of life insurance owned (face value) ¹	Percentage distribution of spending units by occupation of head of unit ²		
	All spending units	Managerial and self-employed ³	Farm operator
Total percent.....	100	100	100
None.....	23	13	37
Under \$1,000.....	8	5	8
1,000-1,999.....	15	8	13
2,000-2,999.....	12	10	11
3,000-4,999.....	13	13	10
5,000-7,499.....	11	16	9
7,500-14,999.....	9	14	4
15,000 and over.....	5	17	3
Not ascertained.....	4	5	6

¹ Represents all insurance policies owned by the spending unit, including ordinary, group, and industrial life insurance policies, national service life insurance and Government life insurance, burial insurance, and fraternal insurance.

² The term "spending unit" is defined as all persons living in the same dwelling and related by blood, marriage, or adoption, who pooled their incomes for their major items of expense.

³ Excludes professional self-employed persons.

Source: University of Michigan, Institute for Social Research, Survey Research Center, *Life Insurance Ownership Among American Families, 1950*, tables 2 and 11.

businessmen (table 7). Moreover, spending units headed by farm operators owned large amounts of insurance less frequently than did nonfarm spending units. Fewer than 3 out of 10 farm operator units carried life insurance with a face value of \$3,000 or more, while 3 out of 5 of the units headed by managerial and self-employed men and 2 out of 5 spending units in general owned this amount. Only 3 percent of the farm operators as against 17 percent of the urban self-employed and 5 percent of all spending units held \$15,000 or more of life insurance. It is evident that the insurance policies of most farm operators meet little more than the probable cost of last illness and burial. Nor do many farm operators have the opportunity to participate in private pension, welfare, and retirement plans sponsored by labor unions, private industry, and other special organizations.

Several factors are responsible for the differences between farm operators and other employed groups in the number of policyholders and amount of life insurance carried. Premium rates for life insurance are lowest during a man's early working years, but those are precisely the years

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Table 5.—Old-age and survivors insurance: Monthly benefits in current-payment status¹ at the end of the month by type of benefit and by month, February 1951–February 1952, and monthly benefits awarded by type of benefit, February 1952

[Amounts in thousands; data corrected to Mar. 27, 1952]

Item	Total		Old-age		Wife's or husband's		Child's		Widow's or widower's		Mother's		Parent's	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Monthly benefits in current-payment status at end of month:														
1951														
February.....	3,706,586	\$134,090.8	1,912,170	\$82,843.8	548,047	\$12,790.4	729,616	\$20,033.9	325,555	\$11,872.2	176,156	\$5,998.8	15,042	\$551.8
March.....	3,809,165	137,258.9	1,971,703	84,971.8	563,346	13,087.0	746,247	20,418.5	332,539	12,114.0	179,877	6,100.9	15,453	566.7
April.....	3,890,018	139,636.9	2,016,135	86,496.1	575,098	13,304.9	760,697	20,732.2	338,539	12,315.9	183,719	6,207.7	15,830	580.1
May.....	3,968,900	141,881.2	2,055,581	87,842.9	586,829	13,510.5	776,336	21,059.9	345,112	12,519.9	188,681	6,348.3	16,361	599.7
June.....	4,033,583	143,708.8	2,090,668	89,000.0	596,098	13,674.0	787,311	21,282.4	350,343	12,683.3	192,357	6,452.8	16,806	616.3
July.....	4,098,870	145,720.2	2,129,909	90,390.7	606,188	13,872.8	794,875	21,425.9	355,678	12,858.5	194,925	6,537.6	17,295	634.8
August.....	4,176,535	148,118.8	2,176,036	92,025.0	618,128	14,108.4	804,807	21,632.4	361,970	13,071.2	197,712	6,625.3	17,882	656.5
September.....	4,232,453	149,914.8	2,204,016	93,072.6	625,736	14,259.9	816,746	21,948.3	367,728	13,270.4	199,835	6,688.2	18,392	675.3
October.....	4,290,791	151,825.5	2,231,141	94,132.8	634,319	14,442.7	830,587	22,329.6	374,460	13,505.0	201,437	6,723.7	18,847	691.6
November.....	4,332,176	153,214.3	2,252,293	94,977.1	640,241	14,573.3	838,801	22,545.4	379,291	13,674.2	202,415	6,741.9	19,135	702.3
December.....	4,378,985	154,791.1	2,278,470	96,008.3	646,890	14,709.5	846,247	22,739.2	384,265	13,849.1	203,782	6,775.8	19,331	709.1
1952														
January.....	4,433,279	156,720.9	2,306,984	97,231.4	654,335	14,878.8	855,931	22,984.6	390,731	14,076.5	205,739	6,831.9	19,550	717.7
February.....	4,475,765	158,172.1	2,328,336	98,103.7	658,921	14,979.6	864,477	23,198.4	397,107	14,299.5	207,167	6,866.3	19,757	724.6
Monthly benefits awarded in February 1952.....	77,234	2,565.9	34,828	1,425.2	12,071	264.2	15,979	384.2	8,252	290.0	5,745	189.5	359	12.7

¹ Benefit in current-payment status is subject to no deduction or only to deduction of fixed amount that is less than the current month's benefit.

FARM OPERATORS

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when the financial burdens of the farm operator are particularly heavy and when he needs every available cent to reduce his farm indebtedness and to put his farm generally on a stable financial footing. By the time this period of stringency is over, the farmer may be unable, because of age or ill health, to purchase life insurance at a price he can afford.

Moreover, many farmers hesitate to buy life insurance because of the instability of their income. A year or two of poor crops or unfavorable prices may make it difficult, if not impossible, for a farmer to continue the premiums on a policy of any considerable size. Because a substantial portion of the premiums in the early years are used to defray first costs, such as the agent's commission and the cost of medical examination, a policy that is dropped or lapsed shortly after being taken out offers very little cash-surrender value or extended-term protection.

From the over-all viewpoint, it appears that the ability of farm oper-

ators to meet the economic consequences of old age and premature death through their own financial resources is not appreciably better than that of most other employed groups. Certainly, farmers have a lower level of money income and carry less life insurance than any other major occupational group. While their net worth is greater than that of the average member of the labor force, mainly because of the fact that entry into farming often requires considerable investment, such an advantage disappears when a comparison is made between self-employed farmers and the urban self-employed. Moreover, because of the many difficulties involved in relying upon farm ownership for economic security, only a minority of the farmers can make adequate provisions for the future well-being of themselves and their families out of the net worth and equity built up in their farms.

Summary

In this article, the economic security of farm operators is described in terms of some of the differentiating

features of farm and nonfarm employment. From a comparison of personal characteristics, it is ascertained that farm operators as a group include a greater proportion of men-older persons, married men, and individuals with large families than does the labor force in general. A further comparison indicates that the risk that old age or premature death will deprive a family of vital earning power is just as great for farm operators as for nonfarm workers. Indeed, because of the larger proportion of older workers and the larger average family size, the total magnitude of these risks borne by farm operators as an occupational group may be greater than that of persons engaged in other occupations. At the same time, an examination of the financial resources available to meet these risks reveals that the position of self-employed persons in agriculture is not appreciably better than that of most employed groups in the economy. In the light of these facts the old adage that farming as a way of life provides its own security seems at best an open question.