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April 19, 1974

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Agricultural Letter

Number 1270

RISK OF CROP FAILURE confronts farmers each year. Most farmers in Seventh District states are eligible for two federal programs designed to compensate for losses incurred through the catastrophe of crop failure. One program involves new disaster provisions in the existing Feedgrain, Wheat, and Cotton Programs. The other concerns insurance available to most farmers through the Federal Crop Insurance Corporation, a government-owned corporation established in 1938.

Disaster provisions will be available at no cost to farmers enrolled in the Feedgrain, Wheat, and Cotton Programs. A farmer is eligible for disaster payments if flood, storm, drought, freeze, insect damage, or plant disease prevent him from planting his combined feedgrain and wheat acreage allotment or reduce his total actual crop production to less than two-thirds of his average production. (Average production is determined by multiplying the historical county average yield by the acreage allotment.) Once a farmer is eligible, disaster payments will be based on the difference between the actual amount of the crop harvested and the normal production—the ASCS individual farm program yield times the allotted acreage. The total payment is determined by multiplying the payment rate (one-third the "target price") for the crop involved times the difference between the actual and normal production. The payment rates per bushel are corn \$.46, barley \$.38, grain sorghum \$.44, and wheat \$.68.

To insure eligibility for the disaster payments, farmers must enroll in the applicable programs and certify the acreage planted with their local ASCS after plantings are completed. Farmers prevented from planting their crop should notify the ASCS office as soon as they have determined the crop cannot be planted. Farmers in the Feedgrain and Wheat Programs will be required to replant an alternative crop, such as soybeans, if feasible. If it is impossible to plant another crop, payments for prevented plantings will be made at the end of the normal planting season. Payments arising from crop damage or crop failure will be made after the normal harvest season has ended.

The Federal Crop Insurance Corporation (FCIC) sells all-risk insurance to farmers in selected counties. (See back of letter.) The coverage includes unavoidable loss due to adverse weather (such as drought, freeze, and excess moisture) plus losses due to insects, plant diseases, flood, fire, and a few other disasters. Farmers must apply for FCIC insurance before planting time. Once application has been made and accepted, the policy continues from year to year unless the farmer or the corporation cancels. Premiums on the policies are due after harvesttime.

Premium rates on FCIC insurance are based on local risks and the level of indemnity coverage chosen. Premium rates per acre of corn or soybeans in Seventh District states typically run between \$2 and \$4 per acre per year. If no

claims are made for seven consecutive years, annual premiums may be reduced by earning experience discounts up to a maximum of 25 percent. Farmers may choose one of three indemnity coverage levels for most crops. For corn, the indemnity coverage levels are \$.80, \$1.00, and \$1.20 per bushel.

Loss payments are based on a guaranteed per acre yield established by the FCIC. The guaranteed yield typically ranges from a low of 50 percent to a high of 75 percent of the long-time average yield for the area. The guaranteed yield levels are adjusted downward in steps to reflect late plantings. FCIC loss payments are made when the actual yield falls below the guaranteed yield. Payments are determined by the difference between the actual yield and the guaranteed yield, times the selected indemnity coverage per bushel, times the number of acres insured. In the event that the insured crop fails after planting, the farmer has two options. He may plant another insurable crop and collect up to 50 percent of the maximum loss payable; or, if no substitute crop can be planted, 100 percent of the indemnity would be paid.

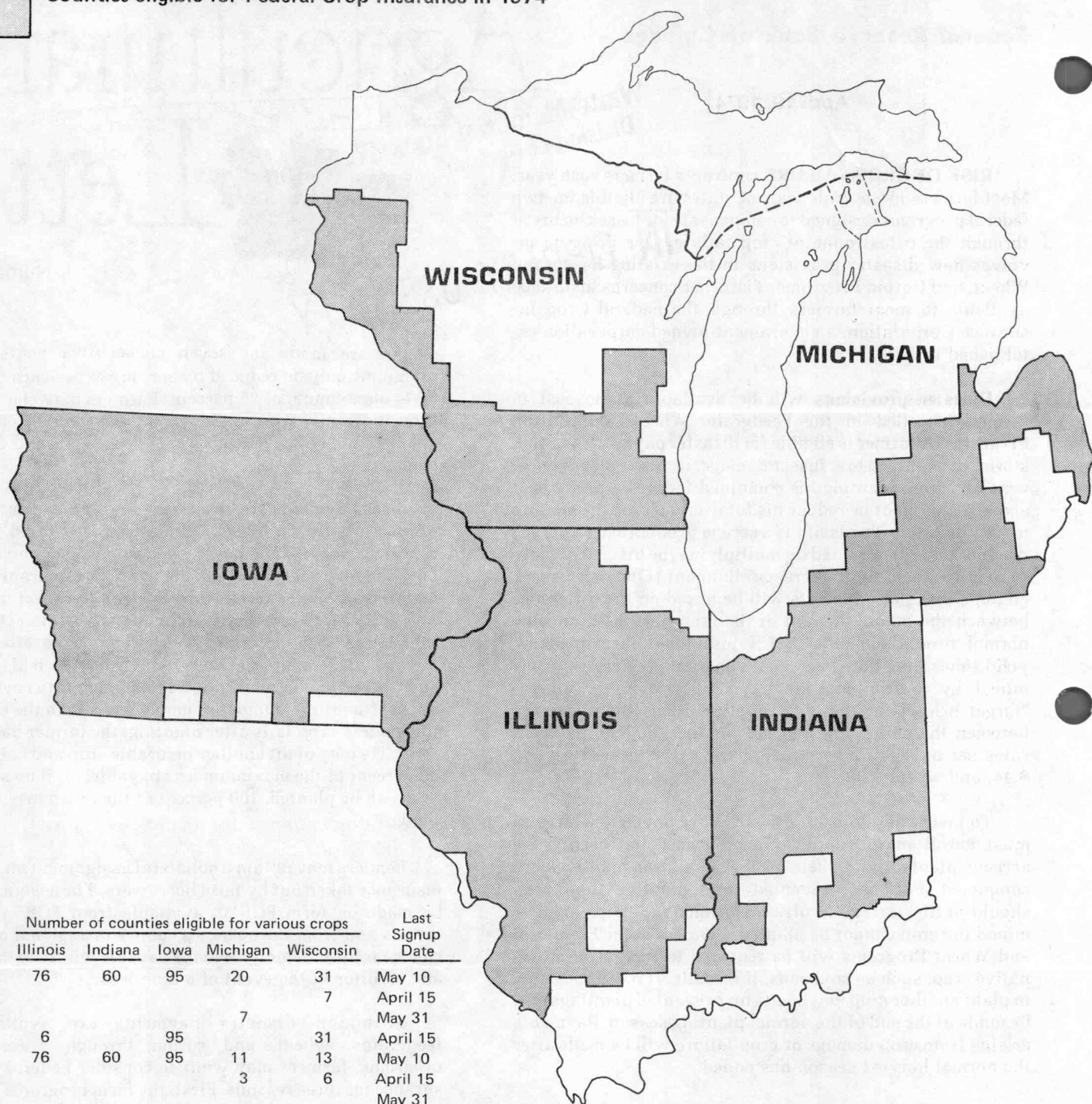
Lenders may obtain a collateral assignment on the FCIC insurance taken out by farm borrowers. The assignment can be made on form FCI-20, available from FCIC representatives and from the agency's county or regional offices. A check for the indemnity is made payable jointly to the farmer and creditor in the event of a crop loss.

Although disaster payments are available for feedgrains, wheat, and cotton through present farm programs, farmers may want to consider Federal Crop Insurance for three reasons. First, the farm programs' disaster payments are minimal relative to the cost of the production inputs. Second, if farmers plant more than their allotment, the disaster payments are further diluted on a per acre basis. Last, the farm programs' disaster payments do not cover soybeans, a major crop in district states, or any crops other than feedgrains, wheat, and cotton. If protection is to be afforded other crops, it must be purchased through the FCIC or private insurance companies.

Terry Franci
Agricultural Economist



Counties eligible for Federal Crop Insurance in 1974



Crop	Number of counties eligible for various crops					Last Signup Date
	Illinois	Indiana	Iowa	Michigan	Wisconsin	
Corn	76	60	95	20	31	May 10
Green peas					7	April 15
Navy beans				7		May 31
Oats	6		95		31	April 15
Soybeans	76	60	95	11	13	May 10
Sugar beets				3	6	April 15
Tobacco						May 31
Wheat	50	60		23		October 31

For additional information on Federal Crop Insurance contact the following regional offices:

Illinois, Indiana, Michigan

Atkinson Square West
Suite 1501
5610 Crawfordsville Rd.
Indianapolis, Indiana 46224
Telephone: 317-633-8727

Iowa

Federal Building, Rm. 465
210 Walnut Street
Des Moines, Iowa 50309
Telephone: 515-284-4448

Wisconsin

Federal Building, Rm. 222
316 Robert Street
St. Paul, Minnesota 55101
Telephone: 612-725-7801