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1983 Agricultural Outlook Conference, Session #FCIC Luncheon
Washington, D.C. Session #17

For Release: Tuesday, November 30, 1982



FCIC OVERVIEW

- Purpose of FCIC - "Promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.
- FCIC is in a transitional stage. Our business has quadrupled since 1979.
- The Federal Crop Insurance Act of 1980 lifted many of the previous limitations that restricted the growth of the Federal Crop Insurance Program. The most significant areas affected by the Act of 1980 are expansion of crop insurance availability, changes in the delivery system, and expansion of the number of commodities available for insurance.
- The Corporation's insurance, which is referred to as an all-risk program covers unavoidable production losses due to any adverse weather conditions including drought, excessive rain, hail, wind, hurricane, tornado, and lightning. It also covers unavoidable losses due to insect infestation, plant disease, flood, wildlife, fire and earthquake.
- Federal Crop Insurance does not cover losses due to neglect, poor farming practices or theft. Nor does it cover financial losses resulting from low prices received for farm products. Participation in the program is voluntary and the producer must pay a premium for the protection.
- Farmers have 3 coverage level options: 50 percent of yield, 65 percent of yield, and 75 percent of yield.
- Premiums
 - Government subsidizes 30 percent through the 65 percent level of coverage.
 - Used only to pay losses and reserves for catastrophic losses.
 - Objective is 90 percent loss payout with 10 percent added to reserve for catastrophic losses. This means that over time for each 70 cents farmers pay as premium, at least 90 cents is returned as indemnity.
- Administrative expenses are not funded by farmer premiums. Congressional appropriations cover agent and company commissions, loss adjustment costs, all other operating expenses.

-- Delivery systems

- Reinsured private "policy issuing" companies

Provide: insurance marketing, distribution, servicing, training, quality control, premium collection, and loss adjustment functions.

Receive: FCIC compensation rates are 27 percent of premium for new business for agent commissions, company operating costs connected with handling the program and loss adjustment; 22 percent for carryover business; 4 percent of premium and 3 percent of losses for loss adjustment.

- Sales and Service Agencies (Master Marketers)

Provide: Manage insurance sales, services, and quality control for at least 25 agents.

Receive: 18 percent for new business and 13 percent for carryover.

- ASCS offices to a limited extent will provide some sales and service to 80 counties in the northeastern United States and 20 other marginal counties with limited agent interest. FCIC reimburses their expenses.

-- Indemnity for losses is determined on a unit basis, occurs when production is less than guarantee, units of production are converted to dollars at pre-selected rate.

-- Crop Insurance must be purchased before planting (there are specific deadlines by crop and county).

Premiums are due and payable at harvest.

Policy remains in effect unless cancelled by insured, FCIC, or if insured is indebted to FCIC for prior year at termination date.

-- Information delivery and education is provided by FCIC employees and agents, ASCS county offices, and FCIC spokespersons. Studying expanding role for Extension Service. Contracting advertising through Marsteller Inc. of Chicago, Illinois for the period October 1982 to December 1983.

1983 PROGRAM IMPROVEMENTS

-- Improvements in the Individual Yield Coverage Program (IYCP). This program allows farmers with above average production yields to receive protection based upon their individual yield records. Producers will find it easier to qualify for higher coverage under the revised yield formula.

- Changes in IYCP will make it easier for feedgrain producers who feed livestock to qualify for individual coverage.
- Changes in the corn and soybean contracts would eliminate coverage penalties for not harvesting, and provides for a replanting payment provision to cover the cost of necessary replanting.
- Stage guarantees have been revised in the cotton contract. Stage one coverage has been increased to sixty percent while stage two and three coverage has been set at full coverage. In addition, the definition of stage one coverage has been changed to end at the earlier of fifty days from the final FCIC planting date or cotton bloom drop.
- An extended planting insurance option program will be made available. The program provides producers coverage when they are not able to plant by FCIC's final planting date. Optional coverage is provided for up to a maximum of an additional twenty days. Premium levels per acre remain unchanged. However, yield coverage is reduced by ten percent for each five day period past the planting deadline.
- All Federal Crop Insurance sales agents and loss adjusters will be provided training and be required to successfully complete a certification exam. The exam will test their knowledge of the crop insurance program and individual crop contracts serviced in their areas.
- Require minimum financial standards for all sales and service agencies.
- Decrease the reduction in indemnity payment when a producer opts out of hail and fire coverage.

STRATEGIES AND TECHNIQUES FOR FARM MANAGEMENT DECISIONS

- 1983 requires tough financial decisions from farmers:
 - a sharp pencil must be used in making these changes;
 - these decisions are critical to the economic survival of each and every farmer and his family;
 - managing risks are more important than ever.
- Crop insurance permits the transfer of varying amounts of risk, and many crop insurance options are available which can complicate the decision process.

ONE NEW APPROACH TO THE SOLUTION

- The Cooperative Extension Service has worked with FCIC to use computer technology and risk assessment techniques as well as an analysis of the different crop insurance options.
- The computer program has been designed for use in specific individual farm basis; the sharp pencil approach was used.
- The software package for the microcomputer will be available at a nominal price.

CLOSING

- Not only farmers suffer the financial effects when crop disaster strikes, and not only farmers benefit from protection against the consequences of crop disaster.
- Creditors, lending institutions, businesses supplying agricultural needs and the entire community have a vested interest in the risk many plan of farmers.
- The Federal Crop Insurance program is designed to be a national self-help program with national and local benefits.
- In an era of concern about food costs, it is easy to lose sight of the fact that farmers are consumers too. In the course of a year, they spend more than \$136* billion on products needed for farming and an additional \$48* billion on the same kinds of products and services urban families buy.
- Most of the money farmers spend is for products which are produced by non-farmers.
- Farming is more than a way of making a living. It is also a way of living. Like other Americans, farm families strive to enjoy the satisfactions, the comforts and the ambitions that are the rewards of a job well done. Yet the constant threat and occasional reality of a crop disaster frequently deprive farm families of the opportunity to enjoy such rewards.

Even after a good year personal expenditures are sometimes tempered by the ever present fear that next year all farm families live in dread of. In this sense--a very real sense--FCIC can and will help to provide American agriculture with more than just business security.

- Federal Crop Insurance needs your support to make this new program a continued success, and we encourage you to consider the ultimate benefits to you, your community and the Nation.

*Farm population of the U.S., 1980, Current Population Reports, p27 No. 54, USDA, Economic Research Service, Department of Commerce, and Bureau of the Census.