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PROGRESS OF THE OROP INSURANCE PROGRAM

3 35

A radio interview between Roy M. Green, Federal Crop Insurance Corporation, and John Baker, Radio Service broadcast Tuesday, June 14, 1938, in the Department of Agriculture period, National Farm and Home Hour by 90 stations associated with the National Broadcasting Company.

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# JOHN BAKER:

Throughout the nation this month farmers are learning about a new kind of insurance....crop insurance for wheat. The producers of that great staple crop are showing intense interest in the idea, which is perfectly natural, because crop insurance guarantees them that they will have wheat at harvest time in 1939 no matter what natural causes might destroy or reduce their growing crop. Roy M. Green, manager of the Federal Crop Insurance Corporation is here to tell us how the crop insurance plan is progressing.

Roy, I understand that you just returned to Washington from a swing out west.

## GREEN:

That's right, John. As a matter of fact, I just came in Sunday morning from Kansas City where we have established a branch office of the Crop Insurance Corporation to serve the winter wheat area.

## BAKER:

How do you size things up out there?

# GREEN:

We're just now getting to the point where we can measure the response, and all field reports indicate that the program is going over in a big way.

# BAKER:

You mean that a lot of insurance is being sold?

#### GREEN:

Let me answer that question indirectly, John. You see, for the past several months we have been busy setting up the organization to handle wheat crop insurance. We've had meetings at many key points to explain the plan to farmers, and in addition have been getting county committees of the Triple-A acquainted with their duties in handling the program in the field. Meanwhile, our workers have been getting out the figures to give wheat farmers an idea of what it will cost them to insure their 1939 crop.

That preliminary work has now been completed...and we are ready to take farmers' applications for insurance. That is what we are doing right now. The first application was signed by M. L. Purvines on May 28. He farms a section of wheat near Panhandle, Texas. Since May 28, applications have been going out to farmers all over the country...and from the way states have been calling for the forms, it appears that the sign-up will pass our early expectations.

#### BAKER:

I'm mighty glad to hear that, Roy. It is quite a job to take a new program like crop insurance to the country. Take the farmers' side of it. Wheat growers have to assimilate the details of this new plan, and that's no small job, either.

#### GREEN:

Indeed it isn't...and we have to think about that. But farmers are taking to the idea eagerly. You see, farmers have been thinking for a long time about the possibilities of all-risk insurance against crop losses. They are good customers for other forms of insurance... fire protection and so on. For a long time they have been wondering why insurance principles of protection couldn't be applied to their growing crops.

# BAKER:

Roy, I would assume that as you and your men meet with farmers to discuss crop insurance they want to know how crop insurance fits in with the other farm programs.

#### GREEN:

Yes, that question always comes up.

#### BAKER:

How do you answer it?

#### GREEN:

We tell them it dovetails right in with the general scheme of the nation-wide program for agriculture.

Let me go into the background of crop insurance, and you'll see how that relationship works out. As I said before, crop insurance has been studied by farmers and the government for a long time. The results of that study showed that with the proper approach the principle of insurance might well be applied to crops. Soil conservation is a saving of unborn crops. Once crops are produced it is important that part of the surplus be conserved for times of need. Congress this spring authorized the establishment of the Federal Crop Insurance Corporation to undertake this task. But crop insurance is a new field. It is untried except for a few scattered commercial attempts. So crop insurance is to be tried on wheat alone. If it works out according to our plans, then it may be extended to other crops.

#### BAKER:

Then wheat is a sort of "guinea pig" for this large-scale experiment, isn't it?

# GREEN:

Yes .... and wheat should make a good subject. There are several reasons why that is so. Yields of wheat vary considerably from year to year. There are some losses every season. So it needs insurance. At the same time, it's a crop that is easily handled, and is not perishable.

# BAKER:

I can see that all right.

Now, Roy, suppose you give us the main points of the insurance policy the farmer will get under this plan.

#### GREEN:

To begin with, when a farmer applies for insurance we measure the risk involved in raising wheat on his particular farm. Then a premium is set based one-half on the particular farm and one-half on the average rate for the county. In return for that premium, the Corporation assures him that his crop will be covered against all natural risks up to 75 percent of the normal yield.

#### BAKER:

Let's apply that to a specific case. Say a farm has produced an average of 16 bushels of wheat an acre.

#### GREEN:

••16 bushels, well, if the policy gives 75 percent coverage, that would mean the farmer is assured of three-fourths of 16, or 12 bushels of wheat an acre.

## BAKER:

All right. Now in 1939 this farm is hit by rust, and the farmer harvests only 8 bushels of wheat an acre. What would he receive under the policy?

## GREEN:

That's an easy one. Under his policy this farmer is assured a 12 bushel yield...12 bushels per acre. His production was 8 bushels. In other words, he got 4 bushels less than his coverage.

So, we would owe him 4 bushels of wheat an acre.

#### BAKER:

That's a very important point. You would pay in wheat?

## GREEN:

Yes, in wheat, or in terms of wheat. You see all of our operations such as payment of premiums, payment of indemnities, and carrying of reserves, are in terms of wheat.

# BAKER:

And price has nothing to do with it?

# GREEN:

That's right. Price has nothing to do with it. You have to remember that the whole operation is in terms of wheat. And here is where this insurance plan fits in with the other programs for agriculture. The government has a whole program to protect the price of commodities the farmer produces. But thus far it has not protected the <u>quantity</u> - or the yield. So this plan that we are trying out in the case of wheat will give that protection to yield. In order to keep all price factors out of the picture, we base the whole structure on bushels of wheat.

There are some other points of relationship with the adjustment programs. Let's consider them right now.

BAKER:

Okeh.

GREEN:

The field work in administering the crop insurance program is being handled through the county committees of the Triple-A. And by field work, I mean such things as selling the policies, inspecting the farms, and writing the applications. Before these committees existed, one of the big obstacles to such a plan was the lack of an adequate field organization.

71 - 72 - 1 - 3

The Triple-A committees have now had five years of experience in dealing with administration of farm programs, and we feel that their experience will be a big factor in the success of this crop insurance program.

BAKER: :

I understand that the Triple-A has been the source of the figures and facts used in estimating the risk of crop insurance.

# GREEN:

That's true. You know, one of the big problems — the major problem — of crop insurance was to get enough information regarding yields on farms so that the risks involved might be accurately determined. That lack of accurate information stalled crop insurance for a long time. Then under the Triple-A programs, yield records for millions of individual farms were kept. From these we have been able to bring the premium rate right in line with the risk involved on an individual farm.

#### BAKER:

We've covered the situation pretty well now as it deals with the farm and the farmer. But how about the wheat that is paid-in as premiums. How much will that grain reserve amount to?

# GREEN:

That's a hard question to answer, John. It depends entirely on the number of farmers that take out insurance. However, we have estimated that with say, 50 percent, of the wheat growers in the program, we might get around 100 million bushels of wheat.

## BAKER:

That would represent 1939 premiums, paid out of the present crop?

# GREEN:

Yes. Of course Congress is now considering a measure to permit growers to pay premiums two years in advance. In that case we might get a larger reserve.

# BAKER:

That would be a lot of wheat, wouldn't it? (Pause)

Let's see....under the act, wheat from these reserves can be sold only to pay crop losses. Is that right?

#### GREEN:

That's the nub of it. The law clearly intends that these reserves won't obstruct the market. In the first place all operations must be carried on "at the market". There can be no over-bidding or pegging of prices. And as you say, we can sell only to pay losses, so there is no human element involved. If losses of insured farmers are heavy, we meet these losses with wheat...or, we sell wheat and pay the farmers' losses in cash equivalent of the wheat due. If losses are light, we will keep most of our wheat. Of course we can sell wheat that is deteriorating, and replace it with good wheat, or we can sell wheat in one place and buy in another to change the position of supplies.

# BAKER:

I can see how this procedure makes it impossible for your reserves to obstruct the free flow of supply and demand.

## GREEN:

There is another angle that should be mentioned. Crop insurance operations can utilize a portion of the surplus wheat by carrying it in reserve to cover future losses on the farms - but it cannot build up a surplus. That fact may be very important this year.

#### BAKER:

Indeed so ... with an estimated total wheat production of over a billion bushels, and a record carry-over in prospect.

#### GREEN:

That means comparatively cheap wheat. It is my belief that wheat growers can put at least a <u>part</u> of that surplus to work <u>for</u> them instead of against them.

They can do this by using the low-priced <u>surplus</u> to buy protection against crop losses of later years.

## BAKER:

Thanks a lot, Roy, for giving us this explanation of crop insurance. I wish we had more time to dig more deeply into this subject. It's attracting the attention of not only wheat farmers, but growers of other crops who want to know how crop insurance may help them someday in the future. But it is a big subject, and we'll have to take several more bites at it in the future. Thanks again.

