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PROGRESS OF THE WHEAT CROP INSURANCE PROGRAM

Broadcast by John Bird, Crop Insurance Corporation, in the Department of Agriculture portion of the National Farm and Home Hour, Wednesday November 8, 1939, over the NBC Blue Network.

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KADDERLY:

From time to time during the past year we've given you news on the progress of the 1939 wheat crop insurance program. It was a new program -- an experiment -- to find out if insurance could be used to protect growers against unavoidable crop losses. It was designed to work as a part of the Ever Normal granary for wheat -- that is, to put aside some of the surplus wheat to be held for the benefit of those growers who might lose their crops. From time to time, during the development of that new program we've announced results -- for example, when some 166,000 growers paid in nearly 7 million bushels of wheat as insurance premiums on their 1939 crop. Then as the harvest season rolled around came the important work of adjusting the losses of insured growers -- and there were a lot of these losses. Practically all of those losses are now adjusted. So we can get a pretty good picture of just what wheat crop insurance meant to wheat growers in its first year. John Bird, of the Federal Crop Insurance Corporation is here to give us that picture. John, how many of the 166,000 wheat growers who took out insurance policies collected indemnities on those policies?

BIRD:

About 42,000. In other words, crop insurance provided some wheat income for one out of four farmers who insured their 1939 wheat crop.

KADDERLY:

One out of four?

BIRD:

A little over that.

KADDERLY:

John, that's a pretty heavy loss.

BIRD:

Yes -- it is. And it reflects low crop yields as compared to the insurance base period.

KADDERLY:

Now, just a minute. You're going a bit technical on us.

BIRD:

Let me put it another way. The yields that farmers were insured, and the premiums they paid, were based on the experience of their farms over a base period of 10 years -- 1926 to 1935.

KADDERLY:

And yields in 1939 were below the average of this 1926-35 period.

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BIRD:

That's right. We insured crops in 31 states. The 1939 yield in these states was 10 percent below the average for the insurance base period.

KADDERLY:

And when the yield is below normal, losses inevitably will be higher, wont they?

BIRD:

Of course. And in five of the biggest wheat states, the crop was hit the worst.

KADDERLY:

What were the states?

BIRD:

Nebraska, Kansas, South Dakota, Oklahoma, and Texas. This group of states had 37 percent of all the insured acres -- and the yield there was 13 1/2 percent below average for our base. In these states, one out of two insured growers suffered crop loss.

KADDERLY:

About double the average losses for all states. What caused most of these losses, John?

BIRD:

The same old story -- drought. Oh, there were some other hazards -- wind, grasshoopers, flood, fire, and so on. But drought was the biggest culprit.

KADDERLY:

John, with so many losses, insured farmers must have gotten back quite a bit of the wheat they paid into the insurance reserve.

BIRD:

Yes, altogether it looks as if insured farmers will get a total of about 9 1/2 million bushels of wheat to make up for their crop losses.

KADDERLY:

9 1/2 million bushels. That will help out a lot. But these growers paid in about 7 million bushels in premiums on the 1939 program. That means --

BIRD:

(CUT IN) I know what you're going to say. It means insurance payments to growers to make up for crop losses have exceeded the premiums they paid in by about 2 1/2 million bushels. But that's to be expected in a year when the yield is below the average for the base period on which the rates are based.

KADDERLY:

But all growers will get their indemnities just the same, will they?

BIRD:

Absolutely! You see when the program was started it was known that premiums and losses wouldn't balance every year. In a year of below average crops, the

indemnities will be larger. And by the same rule, in years of above average crops, premiums should be larger than indemnities.

KADDERLY:

In other words, the program operates on a long-time basis to even out the bad years and the good years.

BIRD:

Right; and the Corporation has a 20 million dollar capital reserve from which to pay indemnities if premiums aren't sufficient in any one year. So far, we've used about 1 1/2 million dollars to pay these extra losses.

KADDERLY:

And if we have extra good crops in the next few years, the insurance reserve should accumulate a surplus.

BIRD:

That's the idea. The main point is -- wheat goes back to the growers who need it most because of crop losses -- like those growers in the drought areas this past year.

KADDERLY:

We're obliged to you, John, for this summary on the 1939 wheat insurance program. Now before you leave us, how about a last-minute report on the 1940 program. How's it getting along?

BIRD:

Here are the latest figures. Already more than 300,000 farmers have applied and paid for crop insurance on their 1940 harvest. And that is from the winter wheat belt alone. In other words, nearly three times as many winter wheat growers have taken out insurance as last year. These winter wheat growers have paid in more than 11 million bushels in premiums and have insured themselves of 80 million bushels of wheat to sell, no matter if drought, hail, fire, or any other hazard ruins their crop. With the same participation in the spring wheat belt as last year, more than 360,000 growers will have insured crops for 1940.

KADDERLY:

Thanks again, John. Farm and Home friends, you have just heard John Bird of the Federal Crop Insurance Corporation who has given us some last-minute news on the wheat crop insurance program.

