Looking To The Future

The new farm bill has positive implications for agents.

By Kenneth D. Ackerman

AN UNPRECEDENTED RESTRUCTURING OF U.S. agricultural programs is about to become law. Despite the upheaval this restructuring is likely to cause, the federal crop insurance program enjoys the support and goodwill of lawmakers of both parties. This is no accident. The program earned that support by controlling losses while attaining high levels of participation. Further, experienced members of Congress realize that reductions in federal programs will mean increased risk for farmers.

To manage that risk, producers need multiple-peril crop insurance. This need places crop insurance agents in an important position to help producers by increasing participation in the federal program. To encourage participation, the USDA launched several new projects in 1996.

The federal crop insurance program enjoys the support and goodwill of lawmakers of both parties.

Last fall, Agriculture Secretary Dan Glickman sent a letter to farmers urging them strongly to consider the purchase of higher levels of crop coverage. To back up this position, USDA launched an outreach effort through offices of the Farm Service Agency and the Extension Service.

The two principal messages of the outreach campaign were to encourage farmers to use actual production records and to evaluate higher levels of crop insurance coverage. In other words, USDA spent a considerable amount of time and effort motivating farmers to see a crop insurance agent.

The Board of Directors of the new Federal Crop Insurance Corporation took little time in breaking new ground this spring when it announced two pilot revenue insurance programs for sale in selected counties. Under revenue insurance plans, farmers receive payment for shortfalls below a revenue guarantee, regardless of whether the loss was caused by low prices or by low yields.

The revenue insurance approach generally combines two major farm programs—crop insurance and deficiency payments—into a single package. The two pilot programs are federally subsidized—and only private insurance agents can sell them.

Finally, the Federal Crop Insurance Corporation has provided insurance companies with new premium-calculation software to express multiple-peril crop coverage in dollars per acre. Farmers can now request coverage level and price combinations that equal a specified dollar amount of coverage per acre. Or they can tell you how much they are willing to spend per acre, and the program will display options that meet that criterion. The program is also available through the Internet.

The extraordinary late passage of this year's farm bill will almost certainly require the crop insurance program to make adjustments.

Regardless of the changes in the farm bill, however, companies and agents alike will need instantaneous access to USDA information in order to communicate it to customers. And you will have it.

As usual, information will be available through companies, the FCIC Regional Service Offices, and local offices of the Farm Service Agency.

Timely information will also be available through the Internet. With an Internet service provider and a browser, you can pull down the latest policy statements, summaries of business reports, and even the premium calculation software.

Maybe soon we'll be able to discuss the issues in a crop insurance chat room! Our Internet address is www.act.fcic.usda.gov. ◆

Kenneth D. Ackerman is the Department of Agriculture's Deputy Administrator for Risk Management in the Consolidated Farm Service Agency. His position was formerly called the Manager of the Federal Crop Insurance Corporation.