USDA

United States
Department of
Agriculture

Risk
Management
Agency

# Risk Management–Public Awareness

## 1996 Report to Congress

# Foreword

United States Department of Agriculture

Risk Management Agency

Public Awareness 1996 Report to Congress

## Summary

Section 117 of the Federal Crop Insurance Reform Act of 1994 requires the Federal Crop Insurance Corporation (FCIC) to submit a report to Congress containing an educational outreach and information dissemination plan. In accordance with this requirement, FCIC submits the following report.

This report details efforts to make producers aware of major changes in agricultural policy. Using research results from last year when crop insurance reform was implemented, this report details efforts to educate producers on the various options of managing risk through reform and to prepare them for additional changes in agricultural policy bought about by passage of the Federal Agriculture Improvement and Reform Act of 1996.

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## Topic

# Overall Communications Strategy

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## Summary

The following pages provide an indication of the Farm Service Agency's (FSA) ongoing efforts to inform farmers about the content and consequences of the Federal Crop Insurance Reform Act of 1994. FSA is not alone in this outreach effort. Initiatives by insurance companies and agents are making a major impact on program awareness and participation. Lenders, commodity groups, and farm organizations are also making significant contributions.

In 1995, FSA surveyed farmers to help determine the effectiveness of the combined educational efforts. This survey information and the final reports from all participants in the awareness campaign were combined to present a more complete picture of the outreach.

## The Need for Educational Outreach

The need to keep farmers eligible for USDA program benefits and loans prompted the inclusion of section 117 in the Federal Crop Insurance Reform Act of 1994. This section requires the FCIC to submit a producer education plan to Congress 6 months after enactment and annually for the following 2 calendar years.

According to a survey conducted by the National Agricultural Statistics Service (NASS), a majority of farmers had read FCIC's "GET THE FACTS" message, a multi-faceted media campaign in 1995 to educate producers on the new law, which requires them to purchase crop insurance in order to stay eligible for USDA program benefits and loans. Although focus groups and NASS survey results revealed that farmers had responded to the "linkage requirement" mandated by the Crop Insurance Reform Act of 1994, producers needed to be educated on the product and the different options available when deciding on a risk management strategy. In 1996, FCIC's educational challenge then shifted to helping producers new to the program appreciate their crop insurance options and the need to actively manage risk by purchasing higher levels of coverage. This need has grown even more acute since the passage of the Federal Agriculture Improvement and Reform Act of 1996.

Secretary Glickman sent a letter to producers encouraging the majority of them to obtain "BUY UP" coverage. The Secretary's announcement became the theme for FCIC's 1996 campaign, which was supported in earnest by private sector crop insurance agents and companies. The private sector conducted

# Regulatory Implementation Plan

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Public Awareness 1996 Report to Congress

## Summary

As a result of the Federal Crop Insurance Reform Act of 1994, the following regulations have been developed to implement crop reform legislation:

## Noninsured Assistance Program (Final Rule)

Objective: To provide an assistance program for noninsured crops grown for food or fiber, or otherwise specified in the Federal Crop Insurance Reform Act, that provides a level of protection offered to producers of certain noninsured crops similar to the catastrophic risk protection plan of insurance.

Final Rule: February 22, 1996

## Catastrophic Risk Protection Endorsement (Final Rule)

Objective: To provide a catastrophic risk protection plan of insurance, the lowest level of coverage required to be purchased by a producer to be eligible for certain other agricultural farm program benefits, to comply with statutory mandates of the Federal Crop Insurance Act, as amended by the Federal Crop Insurance Reform Act of 1994.

Final Rule: August 20, 1996

numerous promotional activities to create a positive and unified message on the importance of crop insurance in a farmer's risk management strategy.

FSA conducted a national campaign for the Noninsured Assistance Program (NAP), which included promotional materials and a series of radio advertisements focusing on the deadline dates for producers to report their acres. At the local level, FSA personnel and Extension educators alerted local grower organizations about the changes in the law. Continued outreach by commodity groups and farm organizations was essential to making NAP eligible growers aware of their new opportunities and responsibilities.

No one provision of the reform legislation or promotional message is responsible for the surge in program participation. Rather, it is the synergy of multiple messages and sources that helped establish crop insurance reform legislation. As evidenced by the surge in program participation, we have established a solid foundation. Our ongoing challenge is to sustain the effort and make risk management second nature to our nation's producers.

# Training: Educational Outreach

United States Department of Agriculture

Risk Management Agency

Public Awareness 1996 Report to Congress

## Summary

The strategic goal of FCIC's outreach efforts has been to develop a local educational communications network. Through the development and completion of this network, the outreach efforts for the 1996 program have been extremely successful. This network has significantly increased the number and type of agricultural professionals that farmers can consult about the program.

# Training: FSA State and County Offices

United States Department of Agriculture
Risk Management Agency

Public Awareness 1996 Report to Congress

## Summary

The Federal Crop Insurance Reform Act of 1994 authorizes FSA county offices to sign up producers for catastrophic-level insurance (CAT) and administer the Noninsured Assistance Program. County office training was required in 1995 in order to carry out the new program and, on a broader basis, to enable personnel to answer producers' questions on crop insurance.

State office employees received updated training on CAT, which they then shared with personnel from each of the 2,623 county offices.

| Subject | Date | Location | # Attended |
|---|---|---|---|
| Training of FSA State Office Trainers - Catastrophic Coverage Program (Update Training) | Jan. 31-Feb. 1, 1996 | Decatur, AL | 130 |
| | - | Arizona | 80 |
| | - | Arkansas | 0 |
| | - | California | 353 |
| | - | Colorado | 8 |
| | - | Connecticut | 15 |
| | - | Delaware | 15 |
| | Jan. 24-25, 1996 | Tallahassee, FL | 30 |
| | Jan. 31-Feb. 1, 1996 | Lake City, FL | 40 |
| | Feb. 27-29, 1996 | Orlando, FL | 45 |
| | Nov. 28-30, 1995 | Valdosta, GA | 15 |
| | Jan. 17-18, 1996 | Macon, GA | 130 |
| | Jan. 17-18, 1996 | Tifton, GA | 130 |
| | Mar. 20-21, 1996 | Tifton, GA | 50 |
| | Apr. 3-6, 1996 | Vidalia, GA | 50 |
| | - | Hawaii | 50 |
| | Feb. 8, 1996 | Johnstown, IA | * |
| | March 1995 | Idaho | 120 |
| | June 1995 | Idaho | 14 |
| | December 1995 | Idaho | 76 |
| | Jan. 9-11, 1996 | Merrilleville, IN | 20 |
| | - | Kansas | 37 |
| | - | Maine | 10 |
| | - | Maryland | 20 |
| | - | Massachusetts | 25 |
| | - | Missouri | 22 |
| | Jun. 26-27, 1995 | Billings, MT | 49 |
| | Aug. 16, 1995 | Bozeman, MT | 25 |
| | Aug. 24-25. 1995 | Billings, MT | 30 |
| | Jan. 9-10, 1996 | Billings, MT | 54 |
| | Feb. 6-8, 1996 | Lewiston, MT | 22 |
| | - | Nebraska | 25 |
| | - | New Hampshire | 5 |
| | - | New Jersey | 50 |
| | - | New Mexico | 75 |
| | - | New York | 55 |
| | - | North Carolina | 225 |
| | Feb. 5-6, 1996 | Minot, ND | 65 |
| | Feb. 8-9, 1996 | Bismarck, ND | 22 |
| | - | Nevada | 20 |
| | - | Oklahoma (3) | 250 |
| | May 1995 | Oregon | 48 |
| | February 1996 | Oregon | 26 |
| | - | Pennsylvania | 60 |
| | - | Rhode Island | 16 |
| | Jan. 10-11, 1996 | Columbia, SC | 80 |
| | Mar. 7, 1996 | Rapid City, SD | 35 |
| | - | Texas (4) | 625 |
| | - | Utah | 60 |
| | - | Vermont | 20 |
| | - | Virginia | 60 |
| | December 1995 | Washington | 31 |
| | - | West Virginia | 50 |
| | Nov. 29-30, 1995 | Black River Falls, WI | * |
| | Jan. 29-Feb. 1, 1996 | Wisconsin Rapids, WI | * |
| | Feb. 5-7, 1996 | Wausau, WI | * |
| | Feb. 5-7, 1996 | Madison, WI | * |
| * No information on number attended | | | |

# Training: Federation of Southern Cooperatives

United States Department of Agriculture
Risk Management Agency



## Summary

The Federation of Southern Cooperatives is an organization working at the grassroots level in rural communities in the South. FSA Risk Management contracted with this organization to communicate the effects of the Federal Crop Insurance Reform Act of 1994 to minority and limited-resource producers. Workshops on crop insurance were held throughout the South, beginning with a training session for outreach coordinators.

| Subject | Dates | Location |
|---|---|---|
| Training Workshop | February 20, 1996 | Epes, AL |

# USDA Outreach: FSA State & County Offices

United States Department of Agriculture
Risk Management Agency



## Summary

The Federal Crop Insurance Reform Act of 1994 authorized FSA county offices to sign up farmers for catastrophic-level insurance and administer the Noninsured Assistance Program. In addition, state and county offices were assigned to assist in communicating crop insurance reform provisions at the local level.

State offices coordinated county activities, conducted meetings, distributed materials, and provided oversight.

The most significant activities of the county offices consisted of providing one-on-one assistance to producers seeking to understand the new program. County office staff made direct mailings to producers, explained crop insurance reform in newsletters, held town meetings, and placed announcements on local radio and television stations. Many county offices undertook additional public education meetings with various local farm groups and distribution of promotional materials.

| State | Number of Meetings | Number of Contacts Thru Newsletters | Number of Press/ Radio/TV *Announcements | Number of Personal Contacts w/Farmers | Number of Mailings to Producers | Other (dist. of materials speaking engagements |
|---|---|---|---|---|---|---|
| Alabama | 68 | 23 | 258 | 7142 | 169 | 133 |
| Alaska | 1 | 10 | 0 | 40 | 42 | 40 |
| Arizona | 18 | 52 | 16 | 2,234 | 28 | 11 |
| Arkansas | 16 | 6,736 | 130 | 6,340 | 115 | 45 |
| California | 65 | 139 | 239 | 8,358 | 130 | 69 |
| Colorado | 43 | 130 | 223 | 10,376 | 275 | 2,914 |
| Connecticut | 5 | 16 | 3 | 330 | 20 | 9 |
| Delaware | 3 | 13 | 4 | 948 | 14 | 4 |
| Florida | 40 | 210 | 129 | 5,798 | 176 | 85 |
| Georgia | 90 | 411 | 242 | 8,981 | 10,099 | 429 |
| Hawaii | 38 | 16 | 28 | 106 | 153 | 12 |
| Idaho | 28 | 132 | 51 | 3,160 | 60,721 | 17 |
| Illinois | 199 | 325 | 563 | 63,669 | 19,264 | 134 |
| Indiana | 120 | 253 | 450 | 21,840 | 226 | 144 |
| Iowa | 173 | 232 | 522 | 15,196 | 1,336 | 1,070 |
| Kansas | 91 | 490 | 617 | 68,663 | 16,609 | 1,355 |
| Kentucky | 57 | 165 | 498 | 44,042 | 220 | 150 |
| Louisiana | 44 | 45,052 | 255 | 6,654 | 23,906 | 238 |
| Maine | 5 | 44 | 117 | 1,314 | 864 | 25 |
| Maryland | 16 | 10,643 | 59 | 1,876 | 8,578 | 63 |
| Massachusetts | 9 | 13 | 7 | 290 | 26 | 0 |
| Michigan | 86 | 210 | 383 | 14,648 | 211 | 85 |
| Minnesota | 267 | ---- | 778 | 15,268 | 10,166 | 0 |
| Mississippi | 38 | 343 | 316 | 7,059 | 239 | 73 |
| Missouri | 78 | 349 | 420 | 33,131 | 440 | 203 |

| State | Number of Meetings | Number of Contacts Thru Newsletters | Number of Press/ Radio/TV *Announcements | Number of Personal Contacts w/Farmers | Number of Mailings to Producers | Other (dist. of materials speaking engagements |
|---|---|---|---|---|---|---|
| Montana | 25 | 199 | 171 | 4,933 | 263 | 0 |
| Nebraska | 112 | 282 | 362 | 23,751 | 185 | 562 |
| Nevada | 3 | 23 | 28 | 311 | 32 | 2 |
| New Hampshire | 0 | 26 | 3 | 190 | 17 | 3 |
| New Jersey | 27 | 42 | 16 | 1,620 | 77 | 9 |
| New Mexico | 8 | 79 | 27 | 2,238 | 69 | 255 |
| New York | 11 | 4,723 | 172 | 1,889 | 396 | 43 |
| North Carolina | 73 | 18,914 | 276 | 13,520 | 17,396 | 6,128 |
| North Dakota | 174 | 196 | 103 | 7,755 | 177 | 83 |
| Ohio | 170 | 351 | 875 | 47,001 | 370 | 1,350 |
| Oklahoma | 39 | 331 | 255 | 36,710 | 337 | 1,164 |
| Oregon | 48 | 40,466 | 211 | 4,153 | 653 | 78 |
| Pennsylvania | 73 | 232 | 243 | 5,975 | 270 | 205 |
| Rhode Island | 3 | 5 | 1 | 29 | 4 | 1 |
| South Carolina | 32 | 173 | 58 | 4,999 | 175 | 32 |
| South Dakota | 98 | 268,585 | 335 | 28,171 | 204 | 31 |
| Tennessee | 29 | 221 | 508 | 22,412 | 224 | 274 |
| Texas | 306 | 843 | 728 | 48,633 | 37,382 | 374 |
| Utah | 4 | 74 | 34 | 2,267 | 121 | 5 |
| Vermont | 6 | 26 | 19 | 835 | 25 | 5 |
| Virginia | 36 | 824 | 658 | 5,414 | 564 | 92 |
| Washington | 60 | 222 | 106 | 6,104 | 66 | 0 |
| West Virginia | 21 | 5,329 | 183 | 1,725 | 5,341 | 88 |
| Wisconsin | 133 | 262 | 533 | 25,393 | 245 | 100 |
| Wyoming | 133 | 38,639 | 68 | 1,314 | 13,167 | 70 |
| **Total** | 3,222 | 447,074 | 12,281 | 644,805 | 231,787 | 18,262 |

# USDA Outreach: FSA Risk Management Regional Service Offices

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Public Awareness 1996 Report to Congress

## Summary

The Risk Management Regional Service Offices served as a major resource to producers and others in the agricultural community of requirements under the Federal Crop Insurance Reform Act of 1994. The Regional Service Offices (RSO) conducted outreach meetings, held special speaking engagements with commodity groups and crop insurance agents, and participated in many other agriculture-related events. The RSO's acted as a distribution point for crop insurance material and answered specific questions on crop insurance procedures. They also provided update training for the FSA State Offices so that they were able to carry out their training to the county offices.

| Outreach Meeting/Speaking Engagements | | | |
|---|---|---|---|
| | Number held | Persons Attending | Tradeshows Attended |
| Alabama | 1 | 17 | - |
| Alaska | - | - | - |
| Arizona | 4 | 78 | - |
| Arkansas | - | - | - |
| California | 20 | 1028 | - |
| Colorado | 5 | 625 | - |
| Connecticut | 1 | n/a | - |
| Delaware | - | - | - |
| Florida | 13 | 850 | - |
| Georgia | 13 | 567 | - |
| Hawaii | 3 | 23 | - |
| Idaho | 3 | 110 | 1 |
| Illinois | - | - | 4 |
| Indiana | - | - | 3 |
| Iowa | - | - | 1 |
| Kansas | 16 | 7300 | - |
| Kentucky | 1 | 450 | - |
| Louisiana | 2 | 275 | - |
| Maine | 1 | 10 | - |
| Maryland | 1 | 10 | - |
| Massachusetts | 2 | 30 | - |
| Michigan | - | - | 2 |
| Minnesota | 2 | - | 3 |
| Mississippi | 2 | 275 | - |
| Missouri | 6 | 1000 | - |
| Montana | 12 | 953 | - |
| Nebraska | 3 | 2400 | - |
| Nevada | 3 | 85 | - |

## Regional Service Offices (Continued)

| Outreach Meeting/Speaking Engagements | | | |
|---|---|---|---|
| | Number held | Persons Attending | Tradeshows Attended |
| New Hampshire | - | - | - |
| New Jersey | 5 | 50 | - |
| New Mexico | - | - | - |
| New York | - | - | - |
| North Carolina | 7 | 300 | - |
| North Dakota | 15 | 1075 | - |
| Ohio | - | - | 1 |
| Oklahoma | - | - | - |
| Oregon | 2 | 775 | - |
| Pennsylvania | - | - | - |
| Rhode Island | - | - | - |
| South Carolina | - | - | - |
| South Dakota | 10 | 475 | - |
| Tennessee | 1 | 125 | - |
| Texas | - | - | - |
| Utah | 2 | 35 | - |
| Vermont | - | - | - |
| Virginia | 1 | 12 | - |
| Washington | 5 | 1123 | 2 |
| West Virginia | 3 | 20 | - |
| Wisconsin | 1 | n/a | 4 |
| Wyoming | 4 | 42 | -o |
| **Total** | **170** | **20,118** | **21** |

# USDA Outreach: Cooperative State Research, Education, and Extension Service (CSREES)

United States Department of Agriculture

Risk Management Agency

Public Awareness 1996 Report to Congress

## Summary

The Cooperative Extension county agents are integral to local crop insurance reform communications efforts. Extension educators are located in 2,500 counties in the United States, in each of the 1862 land grand universities, Tuskegee University, and 16, 1890 land-grant universities. CES has well-established linkages to other public and private organizations with agricultural interests. Further, the NASS survey indicated that county Extension educators are a valuable source of unbiased information about crop insurance.

## USDA Outreach: Cooperative State Research, Education, and Extension Service (CSREES)

| State | Number of Meetings Held | Number of Direct Contacts | Number of Indirect Contacts | Number of Articles Developed | Number of Secondary Contacts through Media | Number of Training Meetings Held | Number of Extension Educators Trained |
|---|---|---|---|---|---|---|---|
| Alabama | 18 | 2,527 | 12,000 | 2 | 100,000 | 2 | 24 |
| Alaska | 2 | 120 | 25 | 0 | 0 | 0 | 0 |
| Arizona | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arkansas | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| California | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Colorado | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Connecticut | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Delaware | 3 | 75 | 450 | 2 | 10,000 | 0 | 0 |
| Florida | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Georgia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hawaii | 1 | 70 | 700 | 3 | 300 | 00 | |
| Idaho | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Illinois | | | | | | | |
| *Indiana | | | | | | | |
| *Iowa | | | | | | | |
| *Kansas | | | | | | | |
| Kentucky | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Louisiana | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maine | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maryland | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Massachusetts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Michigan | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Minnesota | | | | | | | |

## USDA Outreach: Cooperative State Research, Education, and Extension Service (CSREES)

| State | Number of Meetings Held | Number of Direct Contacts | Number of Indirect Contacts | Number of Articles Developed | Number of Secondary Contacts through Media | Number of Training Meetings Held | Number of Extension Educators Trained |
|---|---|---|---|---|---|---|---|
| Mississippi | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| •Missouri | | | | | | | |
| Montana | 7 | 650 | 2,500 | 1 | 15,000 | 0 | 0 |
| •Nebraska | | | | | | | |
| Nevada | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Hampshire | 5 | 80 | 120 | 2 | 1,000 | 2 | 9 |
| New Jersey | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Mexico | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New York | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| North Carolina | 50 | 2,500 | 100,000 | 25 | 50,000 | 0 | 0 |
| North Dakota | 0 | 0 | 0 | 0 | 0 | 1 | 85 |
| •Ohio | | | | | | | |
| Oklahoma | 91 | 4,710 | 2,300 | 15 | 97,000 | 2 | 150 |
| Oregon | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pennsylvania | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rhode Island | 1 | 8 | 150 | 0 | 150 | 0 | 0 |
| South Carolina | 15 | 225 | 800 | 4 | 2,000 | 0 | 0 |
| South Dakota | 0 | 300 | 0 | 0 | 3 | 5,000 | 60 0 |
| Tennessee | 51 | 1,522 | 761 | 45 | 44,500 | 1 | 12 |
| •Texas | | | | | | | |
| Utah | 6 | 280 | 850 | 8 | 11,500 | 3 | 27 |
| Vermont | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Virginia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Washington | 0 | n/a | 0 | 0 | 0 | 0 | 0 |
| West Virginia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| •Wisconsin | | | | | | | |
| Wyoming | 6 | 200 | 1,000 | 10 | 0 | 2 | 20 |

*•These states are the 10 pilot states.*

## Additional Educational Outreach in 10 Pilot States

The Federal Crop Insurance Corporation (FCIC) implemented a "Pilot Educational Program" in 1996, to assist first-time users in evaluating the crop insurance program. The users were educated on the many features of crop insurance and how it could become an option in risk management. FCIC targeted 10 states with a high percentage of producers who purchased only the required CAT coverage. The selection process also included the number of first-time crop insurance users, commodity mix, location and other factors.

During this effort, the Cooperative Extension Service conducted training sessions with their Project Team and State Risk Management contacts. A series of high - profile educational meetings was kicked off by a national satellite conference on the Farm Bill and crop insurance. An intensive media campaign consisting of audio conferences, newsletters and other outlets was conducted to publicize the series of meetings. Pilot states consisted of Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, Ohio, Texas, and Wisconsin.

After the project was completed, results showed that the 10 pilot states increased in participation by 15%.

# USDA Outreach: Cooperative State Research, Education, and Extension Service (CSREES)

| State | Number of Direct Contacts | Number of Meetings | Number of Stories | Number of Contacts | Number of Trainings |
|---|---|---|---|---|---|
| Illinois | 1,420 | 36 | 14 | 20,000 | 1 |
| Indiana | 545 | 16 | 3 | 25,000 | 3 |
| Iowa | 2,461 | 371 | 178 | 103,040 | 2 |
| Kansas | 770 | 26 | 25 | 600 | 21 |
| Minnesota | 0 | 0 | 1 | 0 | 0 |
| Missouri | 1,200 | 1,022 | 34 | 1,000 | - |
| Nebraska | 500 | 47 | 7 | 4,600 | 5 |
| Ohio | 12,000 | 130 | 50 | 80,000 | 2 |
| Texas | 4,369 | 210 | 251 | 87,000 | 14 |
| Wisconsin | 866 | 97 | 64 | 64,577 | 3 |

# Non-Insured Crop Disaster Assistance Program

United States Department of Agriculture
Risk Management Agency

Public Awareness 1996 Report to Congress

## Summary

In fiscal year (FY) 1996, the Farm Service Agency (FSA) continued to educate producers on the Non-Insured Crop Disaster Assistance Program (NAP) authorized under the Federal Crop Insurance Reform Act of 1994. The objective of this program is to provide assistance for producers of crops for which insurance is not available. NAP provides a level of protection similar to the Catastrophic Risk Protection plan of insurance. The NAP program was expanded in FY 1996 to increase types, practices and perils covered.

To inform as many farmers as possible about NAP and publicize the various reporting deadlines, FSA launched a national radio advertising campaign. This was accomplished using radio stations and networks that carried and delivered significant farm programming. Radio stations used in this campaign represented coverage of nearly all of the significant agricultural acreage in the United. States and Puerto Rico. This campaign was successful in reaching African American, Native American, and Spanish-speaking farmers. The radio spots began on June 12, 1996. When considering farmers in general, 98.1 percent of all farm operators reside in the area covered by this campaign.

# Private Sector Involvement: Insurance Companies*

Public Awareness 1996 Report to Congress

United States Department of Agriculture
Risk Management Agency

## Summary

With the passage of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), private insurance companies became an even more visible presence in the delivery of crop insurance. The 1996 Act called for the phasing out of dual delivery of catastrophic risk protection coverage by the Farm Service Agency offices, where crop insurance needs are adequately served by the private sector. Following the Secretary's announcement urging producers to purchase higher levels of coverage, companies continued to aggressively inform producers about the changes in the crop insurance and disaster assistance programs under the Crop Insurance Reform Act of 1994, and the resulting importance of managing risk.

Numerous promotional activities were conducted to create a unified and positive message regarding the importance crop insurance plays in a farmer's risk management strategy. More than 500,000 copies of the *Guide to Crop Insurance* were distributed to producers by companies, FSA, and the Extension Service. Many companies produced informational and educational brochures and pamphlets that were distributed to producers through direct mail and/or the agency. Companies also targeted producers regionally using magazine and newspaper ads, and initiated informational news stories and press releases.

Several companies conducted producer meetings which gave participants up-to-date information and an opportunity to ask questions of agents and company representatives. Companies also participated in various grower group trade shows across the country, which allowed them the opportunity to once again meet with producers and answer questions and distribute informational materials.

Although each company approached the dissemination of information on the 1996 Act and Crop Insurance reform differently, each spent a great deal of time and money making sure that producers were aware of changes affecting them and the importance of taking proactive steps to manage their risks.

**Information provided by National Crop Insurance Service.*

# Limited-Resource/Minority Farmer Outreach

United States Department of Agriculture
Risk Management Agency

Public Awareness 1996 Report to Congress

## Summary

**7 USC 2279, section 2501 - Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers**

"The Secretary of Agriculture...shall provide outreach and technical assistance to encourage and assist socially disadvantaged farmers and ranchers to own and operate farms and ranches and to participate in agricultural programs. This assistance should include information on application and bidding procedures, farm management, and other essential information to participate in agricultural programs."

***Limited - Resource/Minority Farmer Outreach***

In order to respond to the statutory and the educational mandate in the Federal Crop Insurance Reform Act, FCIC utilized the expertise of the Federation of Southern Cooperatives (Federation), an organization working at the grassroots level in rural communities in the South, to help the economically disadvantaged. FCIC had previously worked with the Federation to make minority producers aware of the basics of crop insurance, thus a joint effort to build on this foundation was formally established. In order to reach other minority producers, the Federation worked cooperatively with other rural organizations to reach minority and limited - resource producers nationwide and increase their awareness of the benefits and responsibilities brought about by the Federal Crop Insurance Reform Act of 1994.

| State | Date | Location |
|---|---|---|
| Alabama | February 19, 1996 | Greenville |
| | February 12, 1996 | Clanton |
| | February 20, 1996 | Epes and Linden |
| | February 21, 1996 | Alberta |
| | February 26, 1996 | Selma |
| | February 27, 1996 | Epes (Training-the-Trainer) |
| Florida | February 22, 1996 | Cambelton |
| | February 23, 1996 | Mariana |
| Georgia | February 16, 1996 | Bainbridge |
| | February 20, 1996 | Maddox and Thomas and Brook Counties |
| | February 21, 1996 | Baker and Mitchell Counties |
| Kentucky | March 6, 1996 | Irbington |
| | March 7, 1996 | Breckenridge |
| Mississippi | January 16, 1996 | Prentis |
| | February 27, 1996 | Petal |
| | March 1, 1996 | Jackson |
| Louisiana | February 26, 1996 | Epps |
| Missouri | March 8, 1996 | Unionville and Chillicothe |
| | March 9, 1996 | Camero |
| Native American States | March 4, 1996 | Minneapolis, Minnesota |
| | March 6, 1996, | Okmulgee, Oklahoma |
| | March 11, 1996 | Casa Grande, Arizona |
| | March 13, 1996 | Spokane, Washington |
| South Carolina | January 10, 1996 | Sumter |
| | January 16, 1996 | Ravanel |
| | February 14, 1997 | Mayesville |
| | February 17, 1996 | Manning |
| | February 22, 1996 | Florence |
| | February 24, 1996 | Kingstree |
| | February 27, 1996 | Greeleyville |
| Texas* | February 1, 1996 | Rosenberg |
| | February 6, 1996 | Hempstead |
| | February 27, 1996 | Tyler |
| | February 29, 1996 | Asa |
| | March 14, 1996 | Crockett |
| Virginia | March 11, 1996 | McKenney |

*Also included one-on-one contact with Hispanic farmers in Bexar, Nueces, San Patricio, Bee, Brooks, Jim Hogg, Duval, Starr, and Hidalgo Counties, Texas.

## North American Precis Syndicate

North American Precis Syndicate (NAPS) is a media placement service that provides access to mainstream, ethnic Hispanic, and African-American audiences across America through approximately 18,073 media outlets. (They have a total of 895 newspaper, 948 radio, and 377 TV minority media outlets.)

A public relations company in business for nearly 40 years, NAPS has the experience to help clients tailor their message to get the broadest usage by editors in small, medium, and large-size media markets across the United States. Their distribution of the message in prepared, verbatim format is part of the formula. NAPS also places emphasis on establishing a professional liaison with editors. Both strategies are critical to successful coverage.

NAPS' placement service distributes articles through print, radio, and TV minority media outlets. This is the most comprehensive, cost-effective method of achieving, tracking, and evaluating media placements resulting from a campaign. FCIC used NAPS to transmit various announcements to producers nationwide in a short period of time.

# Public Awareness: Satellite Teleconferences

United States
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Public Awareness 1996 Report to Congress

## Summary

A series of satellite teleconferences, coordinated by the Cooperative State Research, Education, and Extension Service (CSREES), was held to reach audiences in the agricultural community and prepare them for the upcoming sales season.

The first conference, held January 3, 1996, was to initiate the county-level crop insurance education programs by highlighting the Reform provisions, indicating the scope of the educational effort, and allowing interaction with participants in the field. Presenters from FSA and CSREES described the provisions, identified their roles in the educational effort, and responded to questions. This broadcast was proceeded with the expectation that there would be some movement on the "1995" Farm Bill at the time of the broadcast. The purpose was to provide the latest available information on the Farm Bill and to discuss related implications for Federal crop insurance provisions for 1996 crops.

The second conference, held March 5, 1996, was to update Extension educators and FSA field offices on the newly proposed Farm Bill legislation. Panelists from both FSA and CSREES provided insight into the general provisions of the proposed Farm Bill legislation and their implications for producers, including risk management and crop insurance issues.

# Promotional Materials

United States Department of Agriculture

Risk Management Agency

Public Awareness 1996 Report to Congress

## National

| | | |
|---|---|---|
| 1. | Secretary's letter to producers | Exhibit 1 |
| 2. | Guide to Crop Insurance (Administered by Reinsured Companies) | Exhibit 2 |
| 3. | NAP Promotion Posters | |

## Reform Training Materials

| | | |
|---|---|---|
| 1. | Training Presentations | Exhibit 3 |
| 2. | "Crop Insurance Making It Work For You" (The Buy-Up Video) | |
| 3. | "Raising the Safety Net" ( Information Piece) | Exhibit 4 |

# Exhibit 1

Secretary's letter to producers

OFFICE OF THE SECRETARY
U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, DC 20250

September 18, 1995

Dear Producer:

Now is the time to evaluate your crop insurance options because sales closing dates for fall and winter planted crops are fast approaching.

Winter wheat sales closing dates are September 30 and October 31, depending where you farm. To find out the sales closing dates for fall and winter crops in your area, contact an insurance agent (see enclosed list) or your local Farm Service Agency office.

You must purchase at least catastrophic crop insurance coverage for each crop of economic significance grown on your farm in each county, to be eligible for certain farm program benefits. Crop insurance policies that you purchase for one crop year automatically continue into the next year unless you change or cancel the policy, fail to pay the premium or applicable administrative fees, or fail to submit your planted acreage report by the due date. If you want to change insurance coverage for your fall crops, you must do so before the sales closing dates. Additionally, if you intend to add a crop or increase the acreage of a crop enough to make it economically significant for your farm, you must purchase at least the catastrophic level of crop insurance by the sales closing date.

If you bought catastrophic crop insurance coverage for your 1995 crops, I strongly recommend that you consider buying higher levels of coverage for your 1996 crops to assure adequate protection. Catastrophic coverage only provides low level protection whereas "buy-up" policies provide far better protection when disaster strikes including disasters that prevent you from planting. While USDA was able to increase crop insurance compensation for producers who were prevented from planting their crops last spring, it will not be able to provide this added protection for fall crops due to legal and budgetary constraints. Thus, it is critical to your farm operation that you carefully select the level of coverage you need in case of prevented planting or other disasters.

To learn the most about your options, I strongly urge you to consult a private crop insurance agent who can quickly provide you with a comparison and cost estimate of various levels of crop insurance coverage. While the enclosed list of agents may not be inclusive, a complete list of agents operating in your State is available at your local FSA office. Your FSA office can provide you with the minimum catastrophic coverage in crop insurance protection, but cannot offer tailor-made policies to suit your operation's needs.

For the highest levels of coverage, crop insurance premiums are not billed until after you submit a planted acreage report. Therefore, you only pay a premium on the crops you actually plant or intend to plant, making it easy to sign up for crop insurance on as many crops as you believe you may grow in a crop year. For instance, anticipating occasional planting problems, you should strongly consider not only buying a policy for the intended crop, but also for the crop you might substitute. There is no premium charge if the substitute crop is not planted. By planning ahead, you will maximize your risk protection.

The risk management assistance provided by the Federal Crop Insurance Reform Act is a very important part of the safety net protecting U.S. agriculture. You can make it even more effective by buying a level of coverage above the catastrophic level. I am committed to helping you understand this program, and welcome your suggestions for improving it.

Sincerely,

Dan Glickman

Dan Glickman
Secretary

Enclosures

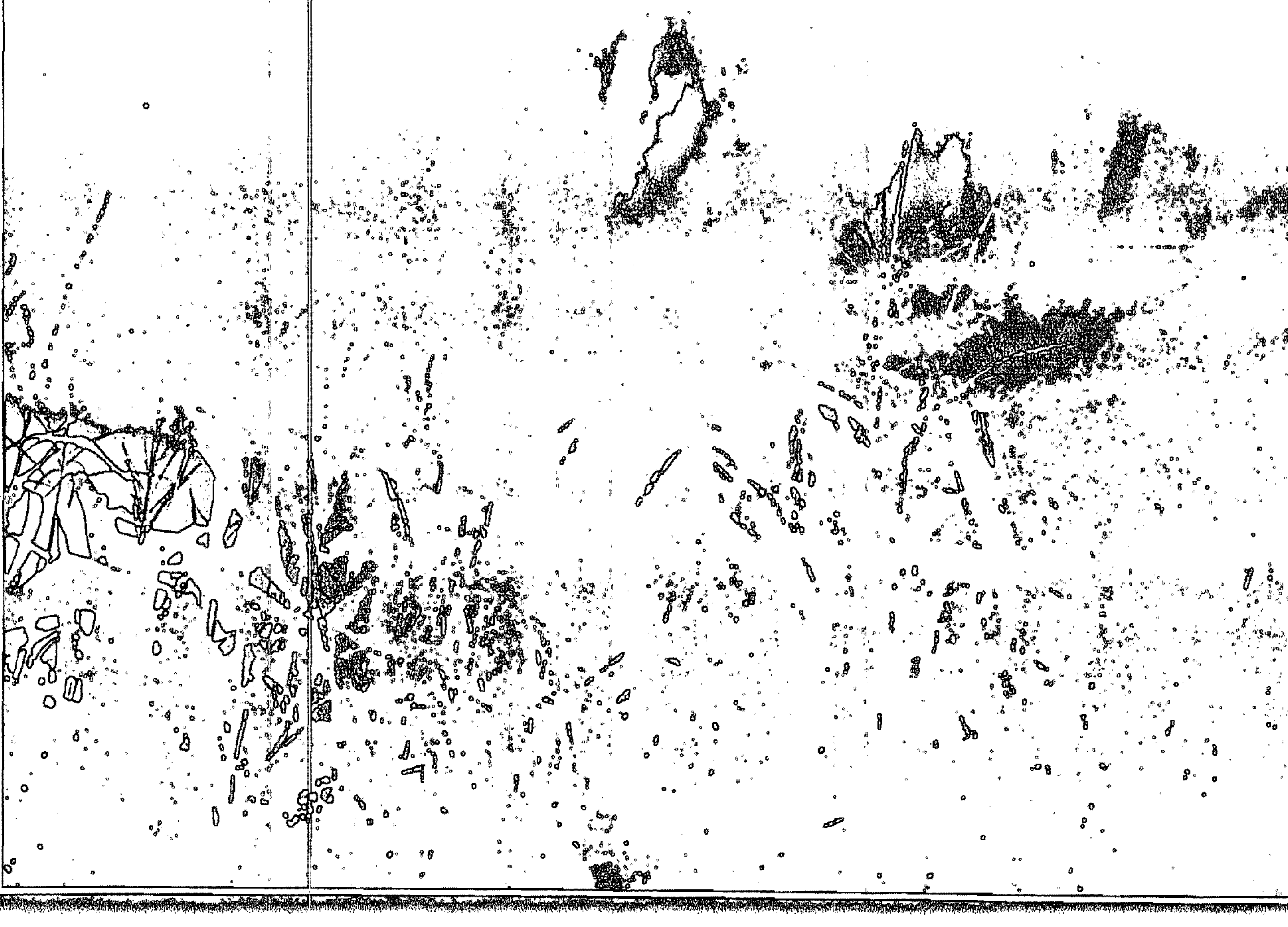
# Exhibit 2

Guide to Crop Insurance (Administered by Reinsured Companies)

Guide to Crop Insurance

# RISK

## A Different Landscape



# Secretary of Agriculture Encourages Farmers to Get Adequate Crop Insurance Protection

***It's official: Federal disaster aid to farmers is over, and the Secretary of Agriculture makes no bones about how he expects producers to respond.***

"I strongly recommend that you consider buying higher levels of coverage..." the Secretary said in a letter to producers who had only signed up for the minimum catastrophic coverage. The Secretary was equally blunt about why USDA would no longer be able to rescue even those who are prevented from planting, "due to legal and budgetary constraints."

The Secretary also sent another powerful message saying "I strongly urge you to consult a private crop insurance agent who can quickly provide you with a comparison and cost estimate of various levels of crop insurance coverage."

It was a statement that clearly passed the torch of disaster aid from USDA to the private crop insurance carriers. Deficit reality must have made even more sense given the complexity of delivering crop insurance policies and the bureaucracy needed to support it. The Secretary pointedly stated that Farm Service Agency offices can only provide the minimum catastrophic coverage, "but cannot offer tailor-made policies to suit your operation's needs."

Clearly, "tailor-made" policies are what is needed if the Federal Crop Insurance Reform Act is to successfully replace 60 years of disaster programs that the government can simply no longer afford.

Deficit reduction may be a painful reality for most knowledgeable ag policy observers in Washington, but if greater numbers of producers don't wake up to the need to manage their own risk, many of them could experience unpleasant losses in the next crop disaster. Losses that are easily insured, at subsidized rates that most benefit producers who buy higher levels of coverage.

## IT'S A WHOLE NEW BALL GAME

*By [illegible], President, National Crop Insurance Services*

It was the sound of the other shoe dropping. The Secretary of Agriculture strongly urged [illegible] producers [illegible] to private crop insurance agents and buy higher levels of crop insurance coverage. It was the practical and responsible thing to do. It was also inevitable.

Ever since the passage of the Federal Crop Insurance Reform Act of 1994 it has been clear that the U.S. Department of Agriculture was going to have to bear its share of the deficit reduction burden. USDA ended ad hoc disaster programs permanently and now has moved decisively to have crop insurance fill the gap through incentives to purchase higher levels of coverage and by affirming that private crop insurance agents are the delivery system of choice.

It makes sense. Private crop insurance agents have the incentive, the time and the [illegible] and continuing training to be real [illegible] in risk management.

There are still many producers, busy doing what they do better than anyone on earth, who have not yet accepted the fact that crop disaster payments have ended. It was one of those fundamental changes that are often only understood in hindsight. I hope each of you quickly understands the implications, because it just became easier, even for the best producers, to fail unless they have adequate protection.

Please call your private crop insurance agent today. It's a whole new ball game and crop insurance is [illegible].

# Getting the Most Out of Crop Insurance

## Flexible planning.

When you work with your crop insurance agent to put together your tailor-made program, don't forget to cover every crop planting option you can imagine. You only pay a premium on the crops you actually plant or were prevented from planting. By covering potential substitute crops you maximize your planting options and best of all, you only pay premiums for the coverage that you actually use.

## Record keeping is rewarded.

Good crop production records increase the value of your crop insurance coverage. With four or more years of certified Actual Production History (APH) a simple average of your yields (up to ten years) becomes your basis for coverage.

Producers who do not certify records have to settle for a percentage of Transitional, or default, Yields (T-yield). Even if your yields are just the same as the local average, you still qualify for a lot more protection with certified yields. Failing to certify actual production history may reduce coverage by as much as 50 percent.

## Buy only the coverage you need, but don't come up short.

Your private crop insurance agent wants to have a long term business relationship with you. They know that protecting your interests means not just making sure you have enough coverage, but also making sure you only pay for what you need.

Everyone's needs are different. Some producers are more leveraged than others... Some want to maximize their marketing opportunities more than others... Some are facing financial obligations outside of farming (college educations, caring for older relatives) Some live in more disaster prone areas than others... Some are more interested in getting real income protection than others.

The important thing is to make sure that your crop insurance agent clearly understands your situation so you can be assured of getting the best crop insurance program possible.

## Don't miss the deadlines.

There are nine dates you will need to mark on your calendar. Ask your crop insurance agent to help make sure you have the correct dates for your crops and your area.

1. Your sales **closing date** is your deadline to apply for coverage. There are different sales closing dates for different crops and different areas of the country. The best thing to do is to call your crop insurance agent as soon as possible to verify your deadline. Remember, the sooner you make next year's coverage decision, the sooner you can use the coverage to negotiate the best terms for your operating loan.
2. **Final planting date.** Contact your agent if you were unable to plant by this deadline. Delayed planting coverage may be available.
3. **Acreage reporting date.** Report the acreage you planted.
4. **End of insurance period.** The latest date of insurance coverage.
5. **Payment due date.** Date to pay to avoid interest charges.
6. **Cancellation date.** Date to give notice if you don't want insurance next year.
7. **Production reporting date.** Report production for Actual Production History.
8. **Debt termination date.** The date when next year's coverage will terminate for those who have not paid their insurance bill.
9. **Date to file notice of crop damage.** This date is determined by events that damage or destroy a crop. The general rule for when to give notice is: after damage; the date you decide to discontinue caring for the crop; prior to the beginning of harvest; immediately, if you determine that your crop is damaged after harvest begins; or the end of the insurance period, whichever is earlier.

**Count on your agent to help you complete your calendar.**

# CROP-HAIL FILLS THE GAP

Hail is the one catastrophe that is most likely to totally destroy a part of your crop and leave the rest looking fine. The part hail takes out may well be less than the deductible of your multiple peril crop insurance policy. Crop-hail insurance can fill that gap.

While your MPCI policy protects you against losses severe enough to significantly drop the whole farm's yield average, crop-hail insurance gives you acre by acre protection that can be up to the actual cash value of the crop.

If you buy 65/100 (65% of yield and 100% of price) or greater for your MPCI policy, you can delete the hail coverage from the MPCI policy and replace it with private hail coverage. When this is done, the MPCI premium is reduced, making the private hail coverage more affordable. Others find it more effective to keep the MPCI hail coverage and buy additional crop-hail coverage.

If you live in an area where the frequency of hail damage is high, ask your crop insurance agent to demonstrate how crop-hail coverage can best work for you.

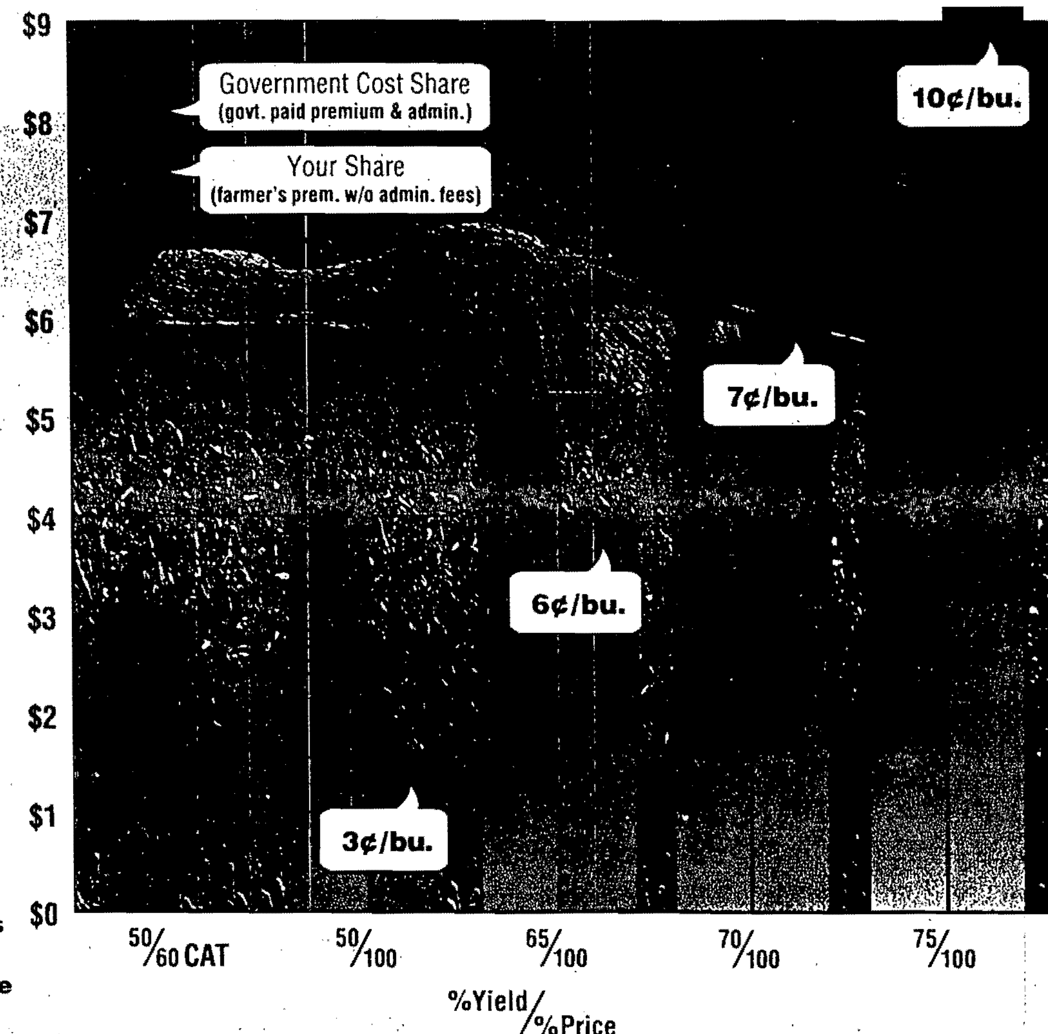
# Which Coverage Choice Is Best for You?

## Multiple Peril Crop Insurance

**The dollar values shown in the chart are for mid-western corn at a 120-bushel yield history per acre.**

**Each pair of vertical columns shows the level of government subsidy per acre on the left-hand columns (red) and your per-bushel cost per acre on the right-hand columns (green).**

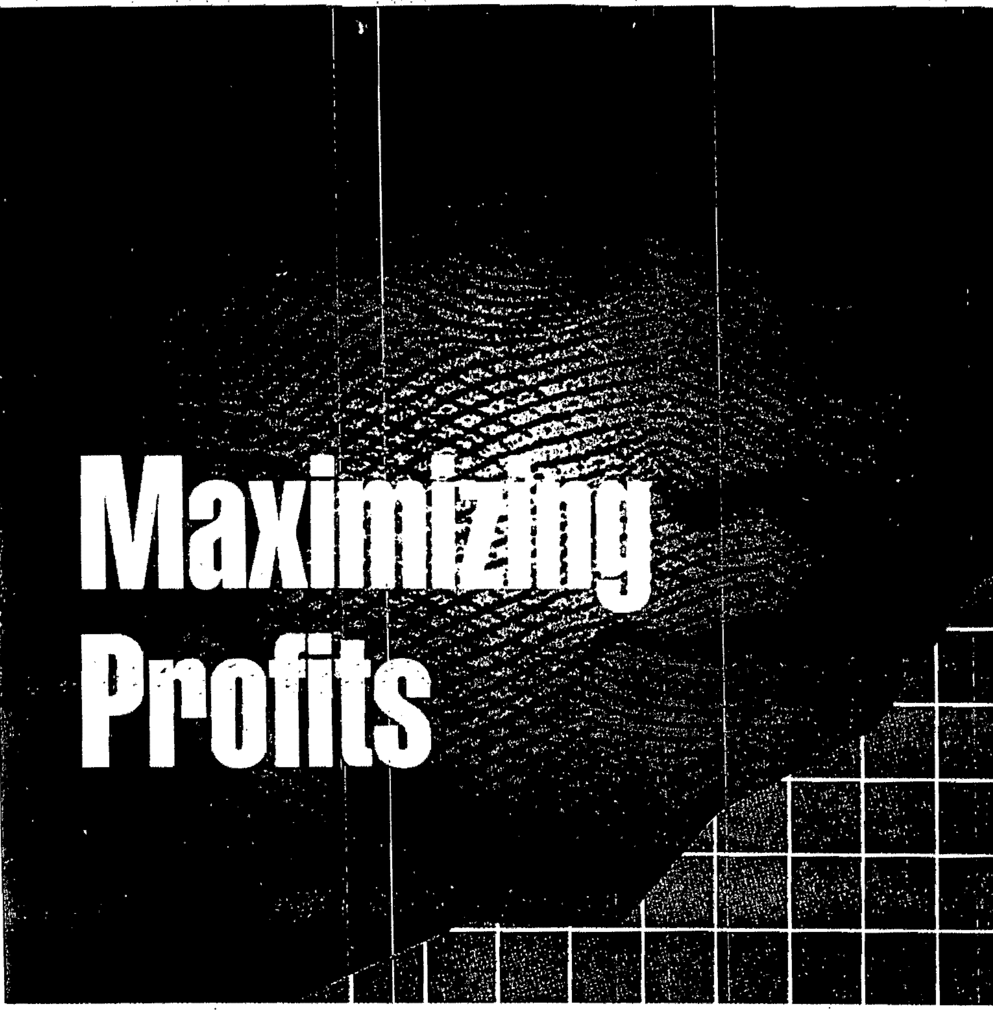
**Beginning on the left with 50 percent yield coverage and 60 percent price coverage, the columns move up to 75 percent yield coverage and 100 percent price coverage at the far right.**




**As you can see, the government's level of commitment more than doubles at the highest coverage. Clearly, the U.S.D.A. is making a significant investment to encourage producers to get adequate coverage.**

**Higher coverages also offer replant protection which is not available at the 50/60 level.**

**Only private crop insurance agents can provide the higher levels of coverage.**



# Maximizing Profits

Using crop insurance as a risk management tool isn't just about protection in bad years, it's also about making more profit in good years. After all, knowing you have a guaranteed minimum yield will give you the confidence to be a more aggressive marketer when it matters most, way before harvest, when prices are usually higher.

Take corn, for instance. What would happen when the familiar futures pricing pattern repeats itself? December corn futures run as much as 30 or more cents per bushel higher in May thru July versus the October prices.

With crop insurance, you can reduce the risk of forward selling your crop whenever good pricing opportunities become available. You'll have the confidence to lock-in the best futures contract price on a portion of your crop at a time when your yield is the least certain because you'll know that you have guaranteed a specific number of bushels.

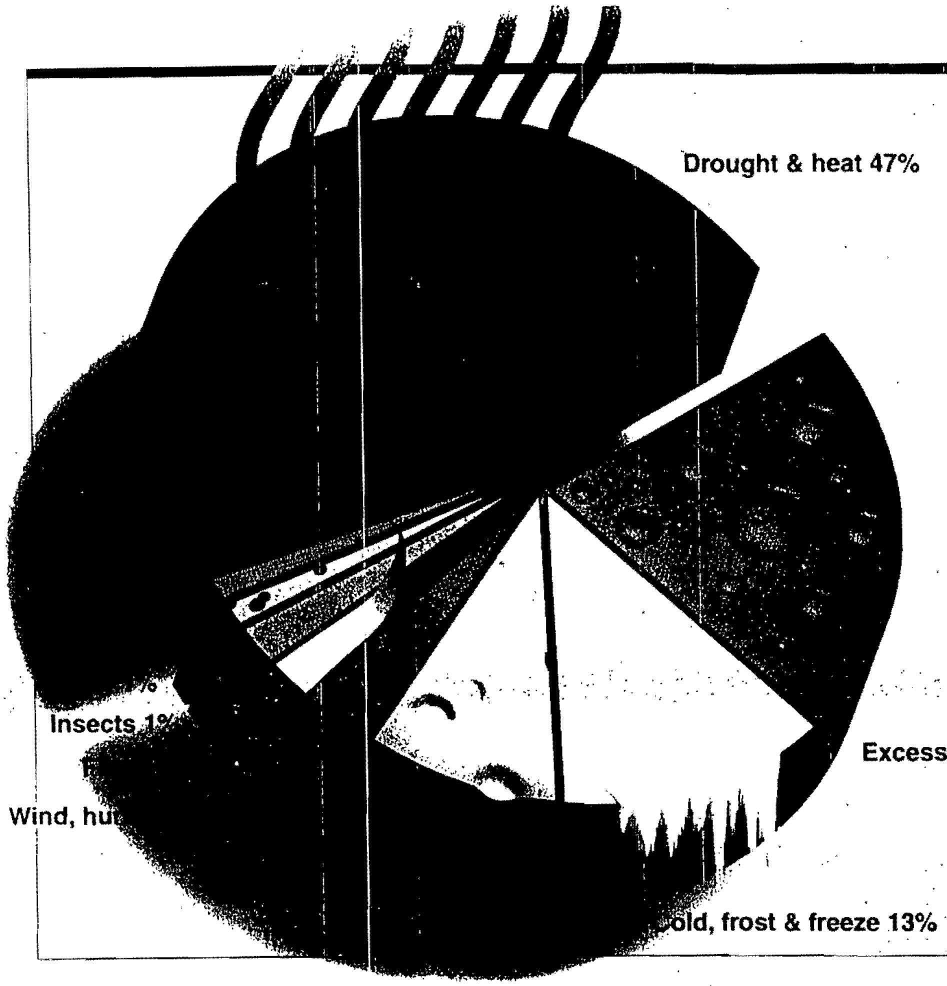
And don't forget, storing and handling grain is expensive. More aggressive preharvest pricing can often result in good prices without the high cost of storage.

A good rule of thumb is to contract up to the crop insurance guarantee when profitable prices are available.

# IT'S A LOT MORE THAN JUST A SAFETY NET

## BENEFITS OF CROP-HAIL AND MULTIPLE PERIL CROP INSURANCE

- **You can take it to the bank.** Insurance can help you avoid the need for an emergency line of credit in a bad year. It can also provide your lender with collateral that can help minimize liens on your assets (machinery and real estate.)
- **It can put your money to work.** You will have less need for liquid cash reserves.
- **It can protect against loss of deficiency payments.** High prices can eliminate deficiency payments and high prices are often caused by crop failures. You can lose two ways if you don't have adequate crop insurance.
- **It can protect your family.** Financial interruptions to their plans and life style due to crop losses can be avoided.
- **It can keep your plans on track.** Keeping your long term plans on track increases your credibility in the community and your credit worthiness at the bank.
- **It can improve profits in good years.** You can become a more aggressive marketer when you know you have a guaranteed minimum yield.
- **It can take the place of shrinking government programs.**
- **It can help your community.** When your income is stabilized in bad crop years and maximized in good years, the economy of your community is strengthened.
- **It can give you peace of mind.** How much is that worth?




## Causes of recent crop loss

Comparing these percentages with those in past years (not shown) demonstrates the increased volatility of weather patterns. As far as can be determined, these recent losses are the first time that causes other than drought represent more than half of all crop losses.

# Ask the Key Questions!

There are several questions whose answers will help you define the optimum crop insurance package. All of those questions flow from two *basic* questions:

"What do I want crop insurance to do for me in a bad year?" and just as importantly, "What do I want crop insurance to do for me in a good year?"

Ask yourself the following questions:

- What is my variable cost of producing the crop?
- What is the minimum cash flow I'll need in a bad year?
- What collateral will I need for operating loans?
- What will I need to pay off the loan?
- How much equity will I need to hold in cash reserves if I don't buy crop insurance?
- What percentage of my crop do I want to sell at higher pre-harvest prices?
- Will I need a crop-hail policy?

After you have answered these questions, ask your crop insurance agent, "How much coverage do I need to accomplish this? At what yield level do I need coverage? and What is my cost per unit (bushel, pound, ton, etc.) for the protection that I need?"

To be eligible for federally subsidized crop insurance, you must remain in compliance with the Food Security Act of 1985 (Sodbuster/Swampbuster).

This publication is produced by National Crop Insurance Services, a not-for-profit trade association representing the interests of over 130 private companies providing crop insurance protection for farmers. Crop insurance policies are available to all producers regardless of race, color, national origin, sex, age, or disability.

# FEDERAL CROP INSURANCE
# COMPARISON OF KEY FEATURES

| FEATURE | CATASTROPHIC COVERAGE | ADDITIONAL COVERAGE ("BUY-UP") 2/ |
|---|---|---|
| **Linkage 1/** | Satisfies linkage | Satisfies linkage |
| **Yield Basis** | Individual Actual Production History (APH) 3/, 4/ | Either individual APH or Group Risk Plan (GRP) where available 5/ |
| **Coverage Levels** | 50% of APH Yield at 60% of expected market price 6/ | 50% to 75% of APH Yield 60% to 100% of expected market price 7/ |
| **Maximum Coverage** | 30% of crop value (50% of APH Yield x 60% of market price) | Up to 75% of crop value (75% of APH Yield x 100% of market price) |
| **Insurance Units** | Basic units only 8/ | Additional optional units available with adequate yield data |
| **Policy Options and Replanting Payments** | None | Numerous options plus replanting payments are available |
| **Sales and Service** | Private insurance agents or Farm Service Agency (FSA) local offices | Private insurance agents only |
| **Cost and Subsidy Levels** | $50 administrative fee per crop per county, subject to limits and exceptions<br><br>FSA pays the entire producer's premium | $10 administrative fee plus premium at 65/100 coverage or higher. The Federal Crop Insurance Reform Act increases premium subsidy over previous levels. |
| **Prevented Planting** | Generally included, but no coverage when substitute crop is planted | Generally included, but no coverage when substitute crop is planted 9/ |

THE BOTTOM LINE: Get the facts now. Consult a private insurance agent or your local FSA office to find out which coverage level best suits your needs.

1/ Linkage is the required purchase of crop insurance to maintain eligibility in most other USDA programs.

2/ For levels of coverage between Catastrophic Coverage and Additional Coverage ("Limited Additional Coverage") a $50 administrative fee plus premium is charged.

3/ APH coverage is based on a minimum of four years up to 10 years of production records. Transitional yields are substituted when less than four years records are available.

4/ GRP coverage at catastrophic level is available only for forage seeding crops

5/ Group Risk Plan (GRP) is a coverage plan that pays farmers when the <u>county</u> yield falls below a level of coverage selected by the producer. Individual losses are not covered. Producers should see an agent for details.

6/ Market price elections on individual crops are determined each year by USDA prior to planting.

7/ Not all combinations of price and yield coverage are offered.

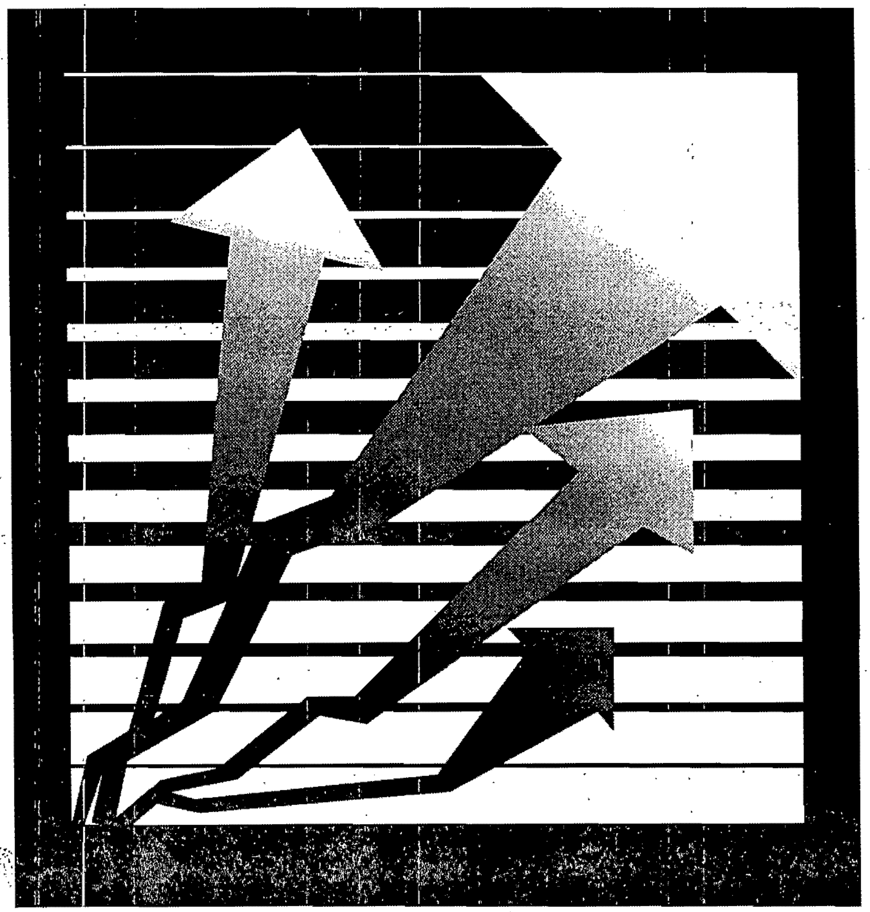
8/ "Basic Units" combines all land which producer owns and cash rents in a county into a single unit.

9/ FSA plans to propose a regulation for <u>1996 spring crops only</u> to provided limited coverage where a substitute crop is planted. Only buy-up policies would offer this added protection.

# Exhibit 3

Training Presentations

# Crop Insurance: Making It Work for You



## Script to Overhead Presentation

# Crop Insurance: Making It Work for You

This presentation was designed to be flexible. Do not hesitate to adapt the presentation to fit local conditions and time constraints. Because a significant percentage of producers are using transitional yields and participating at the catastrophic level of coverage, we consider teaching points 6-16 critical. Points before and after may be added or subtracted.

1. **Crop Insurance: Making it Work for You.**
   Secretary of Agriculture Dan Glickman has made improving the crop insurance program one of his top priorities, and strongly recommends that producers consider purchasing higher levels of crop insurance coverage.

   Because traditional disaster assistance programs have been eliminated for insurable crops, it is vitally important that you understand your crop insurance coverage. This presentation will show many of you how to increase your coverage at no additional cost, highlight the benefits of additional protection and give you some ideas on determining the right level of coverage for your farming operation.

2. As you recall, the Crop Insurance Reform Act makes yield protection available to producers through Multiple-Peril Crop Insurance (MPCI) and the Noninsured Crop Disaster Assistance Program (NAP).

3. NAP is available on most crops that are not currently insurable. Unlike previous disaster assistance programs, producers will have to report acres and production by certain dates in order to be eligible for assistance. Having satisfied the reporting requirements, NAP payments are made to eligible producers only when there is an area wide loss of at least 35 percent. In addition, the producer must also suffer an individual crop loss in excess of 50 percent. Payments are made at 60 percent of the expected market price for production losses up to 50 percent of the farm's expected yield. **Remember, acres and yields must be annually reported to FSA in order to be eligible for assistance.**

4. MPCI is comprised of two different plans of insurance. The Actual Production History Plan (APH) is based on a producer's **individual yields**. Losses are triggered when those yields fall below the selected level of protection.

5. Another form of coverage, the Group Risk Plan (GRP) triggers loss payments when the **county yield,** determined by the National Agricultural Statistical Service's (NASS), falls below the selected level of protection. The APH and GRP plans both satisfy insurance linkage requirements.

5a. Like APH coverage, GRP premiums are federally subsidized. GRP policies requires virtually no paperwork (no need to provide production records, or to file a claim) and can provide more coverage at less cost than the APH plan.

5b. The disadvantage of GRP is obvious. Losses are determined by **NASS county yields** irrespective of individual yield performance.

5c. GRP might be your best choice **if**: Your yields trend with county yields, the cost of insuring crops with APH exceeds the perceived risk, or you cannot, or do not wish to furnish production records.

5d. GRP is available on (crops) in (counties) in (state). Coverage is only available from crop insurance agents. Agents selling GRP have an excellent software package that will compare your APH coverage with GRP, compare your yields to NASS average county yields and show you what and when you would have been paid for a loss (depending on the coverage selected).

6. Let's now review the protection provided by the APH plan. The first coverage level is the catastrophic level of coverage, or CAT. CAT protects 50 percent of your APH yield at 60 percent of the expected market price. The expected market price is established prior to the sales closing date and does not change during the crop year.

Additional insurance coverage begins at 50 percent of your historical yield and 100 percent of the expected market price. Beginning this year, producers have more choices of yield guarantees. Remember the yield guarantee affects both the coverage and the price you pay. The higher the yield guarantee, the higher the cost.

Now, you can protect 50, 55, 60, 65, 70 or 75 of your average production. Generally speaking, the maximum amount of protection you can buy is 75 percent of yield at 100 percent of the price election. However, for certain growing areas and crops, options providing other attractive features are available. In many cases these products are approved by the Federal Crop Insurance Corporation and premiums are subsidized. Ask your crop insurance agent for more details.

7. Your coverage is an average of your actual yields for a four to ten-year period. A minimum of four consecutive yields is needed to calculate your actual production history, or APH. Ten years is the maximum number of yields used to develop your APH. When ten years of yields are recorded, the APH becomes a moving average, dropping the oldest yields when a new yield is added.

8. If no yield history is provided, then the APH is calculated using transitional or "T" yields for the missing years. "T" yields are proxy yields generated by FSA. Most producers will find them to be low. They are designed that way because absent an actual yield history, your insurer doesn't know how much you produce from year to year.

**9.** So, if you provide less than four years of actual yields, then you will have to use "T" yields to help establish your four-year APH.

Last year, if no records were provided, 65 percent of the "T" yield was substituted for the missing four years of records.

Now, if you report one year of production, then the APH is based on that one year's production record averaged with three years at 80 percent of the "T" yield.

With two years of records, the APH is calculated using the two actual yields averaged with two yields at 90 percent of "T."

Providing three years of records, the APH is the average of three actual yields plus the non-factored "T" yield. From then on, the basis for your coverage is your actual production. If you do not report yields, you will be assigned a yield of not more than 75 percent of the previously approved yield. Yikes!

**10.** Now, it should be clear to everyone that significant protection is lost when "T" yields are used rather than actual records.

**11.** Let's look at a typical situation last year. Many producers, for whatever reasons, took CAT coverage and provided no records. [Explain overhead 11].

As you can see, 17.55 percent coverage is not much consolation when you lose a crop. Unfortunately, many producers only make this discovery when they suffer a major crop loss that results in a minor indemnity check.

**12.** Now, let's review how coverage would increase at no additional cost if records were provided. [Explain CAT coverage assuming yield history overheads 12 and 12a.]

Significant but less dramatic increases in protection are possible with only one or two years of records. It's worth your trouble to find out how much.

**13.** Low coverage is often a self imposed condition because self-certification of yields is acceptable for crop insurance purposes. So, find-out what constitutes acceptable production evidence and then use it to self-certify. The following are some examples of acceptable production evidence.

**14.** Now that we've looked at how to increase your protection at no additional cost, let's look at some of the reasons why you should consider higher levels of insurance protection.

One of the benefits you can get by purchasing additional coverage is the opportunity to insure smaller "units" that have similar ownership and location characteristics. The insurance unit is the basis on which the yield guarantee is established, premiums calculated and losses paid. There are two types of units, **basic** and **optional**.

A **basic** unit comprises all the insurable acreage of the crop in the county that has the same ownership entity. Producers with CAT coverage can only insure basic units.

Producers purchasing additional insurance protection may elect to subdivide each basic unit into smaller acreage called **optional** units. If you maintain separate records of planted acreage and harvested production for each proposed optional unit, your basic units may be subdivided into optional units by section, or by irrigated and non-irrigated practice. If you buy additional coverage using only basic units, you will receive a premium discount of 10 percent.

Additional coverage allows you to protect 75 percent of your APH at 100 percent of the expected market price. Protecting up to 75 percent of your crop value versus the 17 percent we saw earlier is a difference worth considering.

Finally, features providing the hail/fire exclusion, replanting payments, and certain quality options are available only at higher levels of coverage.

**15.** While I can't tell you the coverage that best fits your operation, here are some thoughts that should help guide your thinking.

- Catastrophic insurance coverage minimizes your cost. The price is right but the potential benefits are modest.

- The first level of additional coverage 50 percent yield guarantee with a 100 percent price election maximizes **the percentage of the premium subsidy provided by the Federal government.** (Because CAT coverage is entirely subsidized, farmers only pay premium for the difference in the price election).

- A 65 percent yield guarantee with a 100 percent price election maximizes the **dollar amount of premium subsidy per acre.** As a result, farmers participating at higher levels of coverage tend to choose the 65 percent coverage level.

- A 75 percent yield guarantee and a 100 percent price election maximizes the **protection** available to producers... The most attractive feature of all in a poor crop year. Also, the 75/100 premium is subsidized at the same dollar amount as 65/100 coverage.

**16.** So how much coverage is enough? In order to determine this, you need to relate insurance coverage to your farming operation. Begin by asking yourself these questions:

What do I want crop insurance to do for me in a bad year?

What do I want crop insurance to do for me in a good year?

To help formulate your responses, think about these specific questions in relation to your farming operation. Once you've gone through this process, contact an agent to help you put it all together.

**Overview of risk management strategies**

**17.** To develop a risk management plan you must consider your goals, yield variations, and expectations of future events. Once you've identified how much variability exists, you must ask yourself how much risk you want to remove through various risk reducing techniques. Let's briefly look at market, production and financial risk management.

**18.** Using the futures market, you can price our commodities prior to harvest. One marketing risk management technique it to fix a price using forward price contracts through local buyers. Another technique for fixing the price is hedging using futures contracts purchased through commodity brokers. Commodity options enable producers to purchase a form of price insurance. Put options allow you to establish a minimum selling price while not losing out on major price increases. Call options allow farmers to lock in a maximum buying price. Crop insurance is helpful in pursuing these pricing strategies because it gives you the back-up you need to aggressively pursue profits. You'll either have the crop or an indemnity check to meet your marketing obligations.

**19.** Managing production risks means picking the right crops and production practices. Variety selection, fertility levels, scouting for insects, and farming in multiple locations are examples of practices that can help manage production risks. Crop insurance can remove some of the risks of growing new crops.

**20.** Financial risk management relates to leveraging limited equity positions to acquire additional assets. Leverage is a powerful tool that works when your rate of return on assets exceeds the cost of borrowing money. It also can be a two-edged sword that works against you in periods of low returns on assets.

Let's take a look at the leverage position of three producers. In terms of total assets, Oscar Owner owns $400,000 worth of land and $100,000 worth of equipment. Sam Sharerent owns $100,000 worth of equipment and share leases the land. Bob Buyer owns $400,000 of land and $100,000 of equipment.

Oscar Owner owes $50,000 against equipment and operating expenses. Sam Sharerent owes $50,000 against equipment and operating expenses. Bob Buyer owes $50,000 against equipment and operating expenses and another $300,000 against the land.

In terms of debt-to-asset ratios, Oscar is in 10 percent debt, 90 percent equity or .1, Sam Sharerent is in a 50 percent equity position with a debt-to-asset ratio of .5, Bob Buyer's in a 30 percent equity position or a ratio of .7.

Oscar has a cash requirement of $73,000, i.e., $38,000 for production expenses plus $35,000 for equipment replacement and payments against the liabilities. Sam Sharerent has a cash requirement of $54,000, i.e., his 50 percent share of the $38,000 for the crop plus $35,000 of payments. Bob Buyer has $38,000 operating costs, $35,000 of payments, and $39,000 of land payments.

The gross sales for Oscar and Bob are $120,000 because they get all of the crop. Sam's gross sales are $60,000 because he gets half the crop.

The expected cash requirements as a percentage of the gross sales is 60.8 percent for Oscar, 90 percent for Sam, and 93.9 percent for Bob. Oscar is in the strongest position in terms of cash requirements, Bob is in the worst position. Oscar can take a 39 percent yield reduction and still meet his cash requirements without losing equity. For Sam, anything exceeding a 10 percent loss would put him in a negative operating position. For Bob, anything exceeding a 6 percent loss would put him in a negative operating position. Higher levels of crop insurance appear to be a necessity for Bob and Sam.

Let's take a look at the other side of the leverage sword. If a $25,000 increase in land values occurs, Oscar would be making an additional $25,000 on his $450,000 net worth. Sam, as a renter, would get no benefits out of the increase in land value. Bob, however, would get a $25,000 increased asset value against his equity position of $150,000. So, with increasing land values, leverage works.

**Visiting an Agent**

**21.** Before visiting your crop insurance agent, try to construct consecutive yield histories by location and owners. Your ownership and rental information is useful for determining units. It is also important to know your financial situation (review questions on overhead 16).

**Units Illustration**

**22.** Basic crop insurance units within a county are defined by crop sharing arrangements. All land in a county on which the operator receives a 100 percent share of the crop (for example, all owned and cash rented land) is one basic crop insurance unit. One additional basic crop insurance unit exists for each different crop sharing landlord within the county.

This illustration shows three **basic** units in six sections of land (thicker lines). Within each section, you see smaller squares representing quarter sections of land. In the upper left-hand section, our producer owns one-quarter section that he receives 100 percent share of the crop, rents another quarter section for cash and receives 100 percent share of the crop and share rents a quarter section from Reed and receives 60 percent share of the crop.

Moving to the right, in the next section our producer share rents two quarter sections from Clark. Dropping down into the lower middle section, our producer share rents another quarter section from Clark. In the right lower right-hand corner section, our producer cash rents another quarter section and receives 100 percent share of the crop.

(1) So, one basic unit is made up of the quarter section that our producer owns plus the two quarter sections that are cash rented.

(2) Basic unit number two is the quarter section that is share rented from Reed.

(3) The third basic unit is comprised of the three quarter sections that our producer share rents from Clark.

**23.** With good records, additional coverage, and luck our producer can break the basic units into **optional units**. Because units are the basis for determining a loss, they tend to be popular. Basic units may be divided into optional units by land sections or irrigation practices. In this illustration, we show five optional units.

(1, 2) The basic unit was made up of the owned and cash rented land, and can be divided into two optional units. (1) The cash rented land in the lower right-hand section can be subdivided from the two quarter sections in the upper-left-hand section (2).

(3, 4) Land share rented from Clark is located in two different sections.

(5) The land Reed shares is also a unit.

**Reporting Dates**

**24.** The sales closing, final planting and acreage reporting dates for (state) for (crops) are:

Sales closing dates are your last opportunity to cancel, adjust your coverage or change insurance providers. Failure to report acres may jeopardize your insurance coverage and USDA farm program benefits and loans. The acreage reporting date is also your last opportunity to pay you CAT administrative fees.

**25.** There are ten different dates that you need to mark on your calendar. The most important are the sales closing dates, final planting dates, acreage reporting dates, and... Get these dates from your insurance agent or the Farm Service Agency.

**26.** In (state) the acreage reporting dates for NAP are:

Reporting acres prior to a crop loss for disaster assistance is a major change in the administration of the program. Contact your local FSA office for details.

**27. Credits**

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