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# FEDERAL CROP INSURANCE AND DISASTER ASSISTANCE PROGRAMS DOCUMENTS

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## HEARINGS

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BEFORE THE

### SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

OF THE

### COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

#### S. 3029

A BILL TO PROVIDE A VOLUNTARY SELF-HELP PROGRAM  
DESIGNED TO ASSIST PRODUCERS OF AGRICULTURAL PROD-  
UCTS TO PROTECT THEMSELVES AGAINST LOSS OF PRO-  
DUCTION WHEN NATURAL OR UNCONTROLLABLE CONDITIONS  
ADVERSELY AFFECT PRODUCTION AND TO ASSURE CON-  
SUMERS THAT PRODUCERS WILL BE ABLE TO CONTINUE  
TO PRODUCE FOOD AND FIBER

JUNE 2, 1978.—ELY AND BOONEVILLE, IOWA

#### PART II

Printed for the use of the  
Committee on Agriculture, Nutrition, and Forestry



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- June 2, 1978.—Ely and Booneville, Iowa—Part II.
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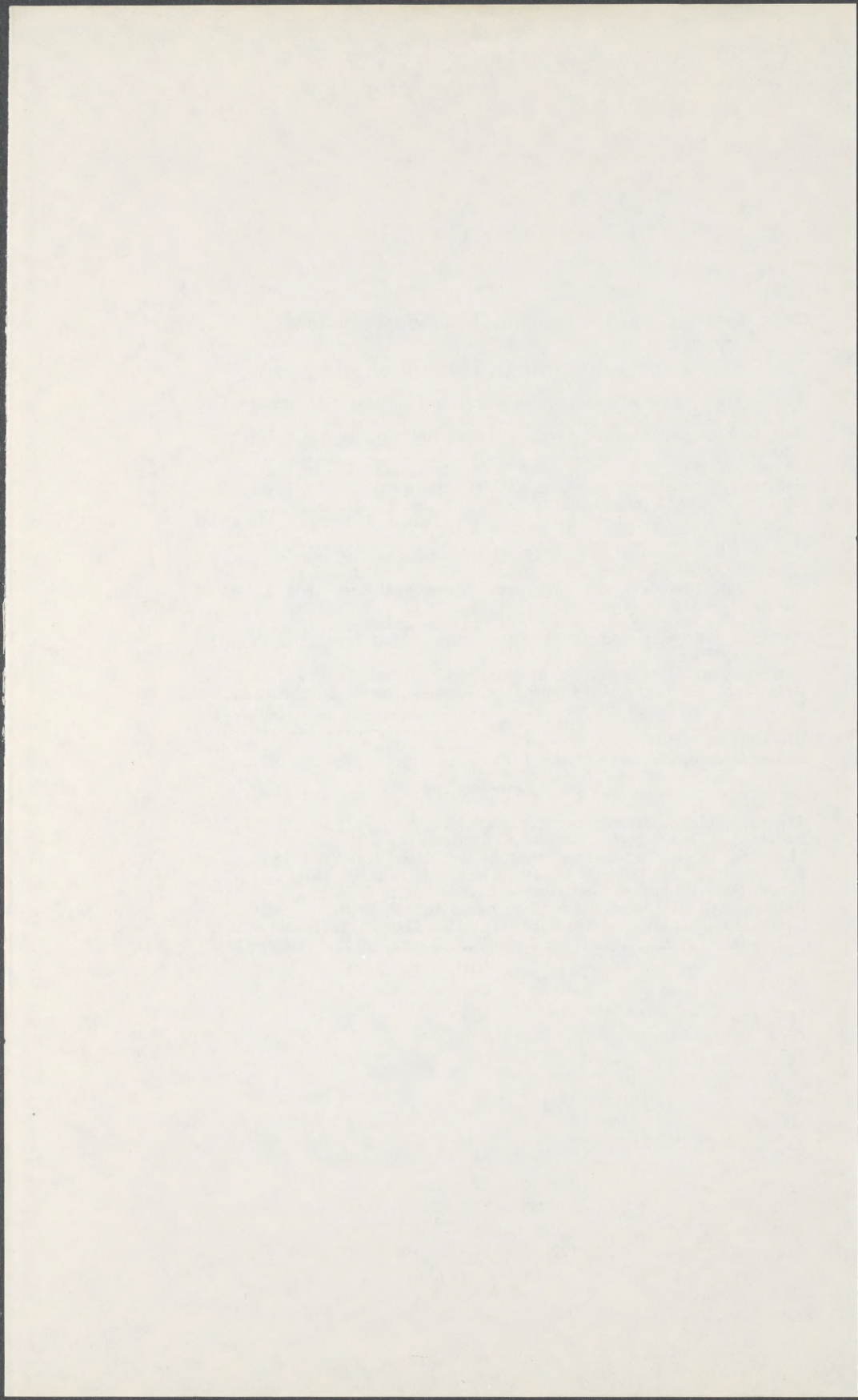
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# FEDERAL CROP INSURANCE AND DISASTER ASSISTANCE PROGRAMS

FRIDAY, JUNE 2, 1978

U.S. SENATE,  
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,  
MARKETING, AND STABILIZATION OF PRICES OF THE  
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,  
*Ely, Iowa.*

The subcommittee met, pursuant to notice, at 10:10 a.m., in the Ely Community Center, Hon. Dick Clark presiding.  
Present: Senator Clark.

## STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM IOWA

Senator CLARK. I particularly want to welcome you today to the hearing of the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices of the Senate Agriculture Committee. This is one of three hearings in the State of Iowa on this topic. This is the first. In addition to this hearing, the second is going to be held this afternoon in Booneville, a small town outside of Des Moines, and another one tomorrow afternoon in Sioux City. I think out at the stockyards out there.

Now, these are really the first hearings that we've had in the country on this legislation. The bill was introduced on May 3d by Senator Herman Talmadge, the chairman of the Senate Agriculture Committee at the request of the administration. The purpose of these hearings today and tomorrow is to bring this rather far-reaching proposal to the attention of Iowans and to give farmers and farm groups and others who depend on programs affected by this bill, give everybody, in other words, an opportunity to discuss and to comment for the formal hearing record, and of course, the court reporter is taking all of this down and it will be printed and distributed to other members of the committee and other Members of the Senate, anyone who is interested in reading about the opinions of people out this way on this new and rather sweeping proposal. It's going to affect every single farmer and most people in this State if it becomes law.

A fact sheet about the administration's proposal was mailed out along with invitations to this hearing, and there are additional copies at the door, I believe. Also, Mr. Thomas Hawks, on my far left here, is the Regional Director of the Federal Crop Insurance Corporation in Des Moines. He's going to take 5 or 10 minutes to explain the administration's proposal just briefly because, again, I think we want to know what we're talking about here and I think he's in a good position to explain it. I'm going to talk a little about it in general. After that, we'll just turn to witnesses who wish to speak on the bill. At

the end, if we have any time between now and 12 o'clock, I think we break up at 12, why, we'll just take discussion or comments or questions that any of you may have about this.

The risks that farmers face in the production and marketing of crops each year are enormous. Indeed, they're on the average of \$50 billion a year. That's the kind of risk that farmers take. That's enormous. When you think of running the whole State of Iowa on \$1 billion a year, all the school programs and highway programs and everything that the legislature appropriates per year is \$1 billion. We're talking about a \$50 billion risk that farmers take.

This is an interesting statistic: One acre in 12 that is planted is not harvested because of bad weather and other disasters, and many acres that are harvested suffer very greatly reduced yields, as we know very well in this State of Iowa after the drought this last year. So, 1 out of every 12 acres is going to be affected on the average in an average year. Family farmers frequently lack the resources to survive a crop disaster and continue a stable level of production. For that reason the Federal crop insurance program was begun in the late thirties, in 1938, and since that time it has been national policy for the Government to help farmers bear the risk of crop disasters, just as it is Government policy to provide price support and target price programs to help farmers bear the risks of good weather and overproduction and low farm prices.

Despite their importance, the disaster programs have become a disaster themselves. I think it was Secretary Bergland who said it quite appropriately. The coverage they offer is often inadequate; the programs are overlapping and they're confusing; and they are inequitable and often unfair.

Now, the current programs are administered by four different agencies, and they have greatly different operating rules and procedures. They're inadequate because coverage has not increased enough to keep up with increases in cost of production. And they are inequitable in that farmers with virtually identical production histories and climate and soil find themselves entitled to greatly different protection and different premium costs as well.

Now, in 1977, last year, 2,000 counties in this country were declared disaster counties for purposes of Farmers Home Administration disaster loan programs. Interestingly enough, that's two-thirds of all the counties in the Nation that were declared disaster areas. Still, many farmers with crop disasters found themselves ineligible for Farmers Home disaster loans because they were not in an eligible county, they were in the other one-third, or because they could not meet the test of credit. Other farmers found that crop losses in eligible counties made them eligible for substantial loans at very favorable rates of interest whether they actually needed the loans or not.

Now, the administration's proposal, this one that's been introduced by Senator Talmadge, S. 3029, is for a single all-risk insurance program. It would be voluntary and would require a premium. It would be available in all counties. Initially, it would cover 18 crops, but the administration proposes it would be extended quickly to other crops and even to livestock as actuarial experience is gathered. The one program that covers it all.

Now, farmers would be able to choose among three levels of protection. This is the choice a farmer would have. Actually, he could have none. There are three different levels. Farmers would be able to choose among these levels. The lowest coverage would be about half the historic yield valued at the target price.

At that level of coverage, the premium paid by the farmer would be about half the cost to the Government. Farmers could choose higher coverage, say, 70 percent of their yield, or they could go to 90 percent. So, they could take none or they could take 50 percent or they could take 70 percent or they could take 90 percent coverage. But the cost of additional coverage beyond the first 50 percent would be paid mostly by the farmer.

Now, the new program would be handled through ASCS, the Agricultural Stabilization and Conservation Services—we've got a member of the committee here today—but insurance sales would be handled by private agents.

The program is projected to cost about \$542 million per year or less than the \$555 million cost of the programs that it replaces. So, it would be a money saving to the taxpayer. Current programs provide farmers with about \$7 million in protection. The USDA estimates that the new program would provide more than twice that or about \$15 million in protection at \$13 million less cost.

At this point I will insert the bill S. 3029.

[S. 3029 follows:]



1 loss because of natural or uncontrollable conditions adversely  
2 affecting production and to provide the means for the re-  
3 search and experience helpful in devising and establishing  
4 such production protection.

5 FARM PRODUCTION PROTECTION

6 SEC. 3. To carry out the purpose of this Act, the Com-  
7 modity Credit Corporation (hereinafter referred to as "the  
8 Corporation") is authorized and empowered—

9 (a) Commencing with farm production for 1980, for  
10 the purpose of determining the most practical plan,  
11 terms, and conditions of protection for agricultural pro-  
12 duction, if sufficient actuarial data are available as de-  
13 termined by the Corporation, to protect producers of  
14 agricultural products under any plan or plans of protec-  
15 tion determined by the Corporation to be adapted to  
16 any such product. Such protection shall be against losses  
17 due to unavoidable or natural causes, or both, including,  
18 but not limited to, drought, flood, hail, frost, wind, win-  
19 terkill, lightning, fire, excessive rain, snow, wildlife,  
20 hurricane, tornado, insect infestation, animal disease,  
21 plant disease, and such other unavoidable or natural  
22 causes, or both, as determined by the Corporation.  
23 Production protection offered against loss may cover  
24 up to 90 per centum of the cost of production of the prod-  
25 uct for a representative period subject to such adjust-

1       ments as the Corporation may prescribe, to the end that  
2       the average cost fixed for farms in the same area, which  
3       are subject to the same conditions, be equitable between  
4       producers. In addition, the Corporation may offer where  
5       deemed practicable lower levels of protection to be se-  
6       lected at the option of each producer. Production protec-  
7       tion provided under this subsection shall not cover  
8       losses due to the neglect or malfeasance of the producer,  
9       or to the failure of the producer to follow established  
10      good farming practices and appropriate conservation  
11      practices. In determining the products on which such  
12      protection is to be offered, the Corporation shall take  
13      into consideration the demands of farmers for such pro-  
14      duction protection, and the extent to which such produc-  
15      tion protection is available to commercial producers.  
16      The Corporation may refuse production protection in  
17      any county or area or on any farm not suited to the  
18      production of such product. Production protection may  
19      be offered to producer-owner and producer-controlled  
20      cooperative associations on commodities if the man-  
21      agerial control over the commodity insured is exercised  
22      by such association. The Corporation shall report an-  
23      nually to Congress the results of its operations as to  
24      each product protected.

25      (b) To determine the true risk premium which

1 would be chargeable to each participant in this program  
2 based on a sound actuarial base.

3 (c) To determine that share of the true risk pre-  
4 mium which shall be borne by the Corporation.

5 (d) To adjust and pay claims for losses, under  
6 rules prescribed by the Corporation. In the event that  
7 any claim for indemnity under the provisions of this Act  
8 is denied by the Corporation, an action on such claim  
9 may be brought against the Corporation under the pro-  
10 visions of section 4 (c) of the Commodity Credit Corpo-  
11 ration Charter Act: *Provided*, That no suit on such  
12 claim shall be allowed under this section unless the same  
13 shall have been brought within one year after the date  
14 when notice of denial of the claim is mailed to and  
15 received by the claimant.

16 (e) To issue contracts and regulations, the terms  
17 and provisions of which are binding on the contractual  
18 parties thereto.

19 (f) To compromise claims brought by and against  
20 the Corporation.

21 (g) To collect and receive insurance premiums and  
22 expend such premiums for payments of indemnities and  
23 for such other purposes consistent with this Act as de-  
24 termined by the Corporation.

25 (h) To conduct research, surveys, and investiga-

1 tions relating to farm production protection and to assem-  
2 ble data for the purpose of establishing actuarial bases  
3 for farm production protection.

4 (i) Under such terms and conditions as the Corpo-  
5 ration deems consistent with sound reinsurance princi-  
6 ples, to provide reinsurance on any products or planta-  
7 tion insurance provided in the Commonwealth of Puerto  
8 Rico, the Canal Zone, Guam, American Samoa, the  
9 United States Virgin Islands, and the Commonwealth  
10 of the Northern Marianas by a duly authorized agency  
11 of such Commonwealth or Territory: *Provided*, That no  
12 application for reinsurance authorized herein shall be  
13 approved, unless the Corporation shall have determined  
14 that the reinsurance deemed necessary is not available  
15 from recognized private sources at reasonable cost.

16 (j) to offer specific risk protection programs such  
17 as, but not limited to, prevented planting, wildlife dep-  
18 redation, and disease and insect infestation programs,  
19 under such terms and conditions as the Corporation may  
20 determine.

21 INDEMNITIES EXEMPT FROM LEVY

22 SEC. 4. Claims for indemnities under this Act shall not be  
23 liable to attachment, levy, garnishment, or any other legal  
24 process before payment to the insured or to deduction on  
25 account of the indebtedness of the insured or his estate to the



1 subsistence expenses, as authorized by law (section 5703 of  
2 title 5, United States Code) for persons in Government  
3 service employed intermittently.

#### 4 APPROPRIATION

5 SEC. 7. There are hereby authorized to be appropriated  
6 such sums as may be necessary to reimburse the Corporation  
7 for its net realized loss incurred under this program during  
8 each fiscal year, as reflected in its accounts and shown in its  
9 financial report of its financial position as of the close of the  
10 fiscal year.

#### 11 SEPARABILITY

12 SEC. 8. The sections of this Act and the subdivisions of  
13 such sections are hereby declared to be separable, and in the  
14 event any one or more sections or parts of this Act are held  
15 to be unconstitutional, the same shall not affect the validity  
16 of other sections or parts of sections of this Act.

#### 17 DEFINITIONS

18 SEC. 9. (a) "Agricultural products" or "products", as  
19 used in this Act, shall include, but not be limited to, wheat,  
20 cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice,  
21 peanuts, soybeans, sugar beets, sugarcane, timber and forests,  
22 potatoes and other vegetables, citrus and other fruits, tame  
23 hay, livestock and poultry commercially produced for food  
24 or fiber, or any other agricultural product determined by the

1 Corporation pursuant to subsection (a) of section 3 of this  
2 Act, or any one or more of such products, as the context may  
3 indicate.

4 (b) "Cost of production" means variable, machinery  
5 ownership, and general farm overhead costs plus a charge for  
6 management and a charge for land as determined by the  
7 Corporation for a given area or county.

8 (c) "General farm overhead" includes costs for record-  
9 keeping, utilities, general farm maintenance, personal prop-  
10 erty taxes, sales taxes, insurance, and similar items not spe-  
11 cifically associated with a specific crop enterprise. Overhead  
12 costs are to be allocated to specific crops on the basis of the  
13 proportion of the value of total production derived from each  
14 crop.

15 (d) "Land charges" are to be calculated at a percentage  
16 (determined by the Corporation) of the current average  
17 price or average rental of land for agricultural purposes.

18 (e) "Machinery ownership" costs include charges for  
19 replacement, interest, insurance, and taxes.

20 (f) "Management charges" are to be allocated to  
21 products on the basis of the proportion of the value of total  
22 production derived from each product.

23 (g) "Production protection" means protection of pro-  
24 ducers against loss of the cost of production of products.

1 (h) "True risk" is the anticipated amount of loss for a  
2 given protection plan.

3 (i) "Protection plan" is the protection option selected  
4 by the insured.

5 INDEMNITIES EXEMPT FROM INTEREST

6 SEC. 10. Notwithstanding any other provisions of this  
7 Act, the Corporation shall not be liable or obligated to pay  
8 interest on payments or claims for indemnity authorized  
9 under this Act.

10 FINALITY PROVISION

11 SEC. 11. The facts constituting the basis for any pay-  
12 ment under this Act, or the amount thereof, when officially  
13 determined in conformity with the applicable regulations  
14 prescribed by the Secretary or by the Corporation, shall be  
15 final and conclusive and shall not be reviewable by any other  
16 officer or agency of the Government. In case any person  
17 who is entitled to any such payment dies, becomes incom-  
18 petent, or disappears before receiving such payment, or is  
19 succeeded by another who renders or completes the required  
20 performance, the payment shall, without regard to any other  
21 provision of law, be made as the Corporation may determine  
22 to be fair and reasonable in all the circumstances, as provided  
23 by regulations.

## 1 APPLICATION TO OTHER GOVERNMENTAL PROGRAMS

2 SEC. 12. Notwithstanding any other provision of law,  
3 no person shall be eligible to receive low yield disaster  
4 payments, emergency loans and payments, indemnity pay-  
5 ments, or specific risk protection payments for production  
6 losses under any other program for any agricultural product  
7 in any county of any State when, under provisions of this  
8 Act, product production protection is generally offered for  
9 such agricultural product in such county and State.

## 10 PERSONS UNDER EIGHTEEN YEARS OF AGE

11 SEC. 13. Notwithstanding any other provision of law, no  
12 person shall be denied insurance under this Act solely on the  
13 ground that he or she is under eighteen years of age if such  
14 person (1) has a bona fide interest in a crop as an owner-  
15 operator, landlord, tenant, or sharecropper, and (2) has a  
16 comaker for the contract of insurance executed: *Provided,*  
17 That any such person who enters into a farm production pro-  
18 tection contract shall be subject to the same legal liability and  
19 have the same legal rights with respect to such contract as  
20 any person over the age of eighteen years.

## 21 TRANSFERS OF ASSETS OF FEDERAL CROP INSURANCE

## 22 CORPORATION

23 SEC. 14. The assets, funds, appropriations, property,  
24 records, and policyholders of the Federal Crop Insurance  
25 Corporation shall be transferred to the Commodity Credit

1 Corporation at such times as the Secretary shall direct. The  
2 rights, regulations, privileges, and powers, and the duties  
3 and liabilities of the Federal Crop Insurance Corporation,  
4 in respect to any contract, agreement, loan, account, or other  
5 obligation, shall become the rights, privileges, and powers,  
6 and the duties and liabilities, respectively, of the Commodity  
7 Credit Corporation. The provisions of the Federal Crop  
8 Insurance Act which are relevant to current regulations of  
9 the Secretary and the Federal Crop Insurance Corporation  
10 governing the program operation of the Federal Crop In-  
11 surance Corporation shall remain in effect until such regula-  
12 tions are revoked, superseded, amended, or modified by reg-  
13 ulations issued pursuant to this Act. The enforceable claims  
14 of or against the Federal Crop Insurance Corporation shall  
15 become the claims of or against, and may be enforced by or  
16 against, the Commodity Credit Corporation: *Provided*, That  
17 nothing in this Act shall limit or extend any period of limita-  
18 tion otherwise applicable to such claims against the Com-  
19 modity Credit Corporation.

20

## OPERATING FUNCTION

21 SEC. 15. Program development, actuarial, loss adjust-  
22 ment, and such other functions related to the purposes of this  
23 Act as may be assigned by the Corporation, shall be con-  
24 ducted by a discrete organizational unit which shall have no

1 duties or functions not authorized by this Act, and which  
2 shall be managed by the member of the Board of Directors  
3 of the Corporation designated as manager of the insurance  
4 program.

5 DISSOLUTION OF FEDERAL CROP INSURANCE CORPORATION

6 SEC. 16. The Secretary, representing the United States  
7 as the sole owner of the capital stock of the Federal Crop  
8 Insurance Corporation, is hereby authorized and directed to  
9 institute or cause to be instituted such proceedings as are  
10 required for the dissolution of such Corporation under United  
11 States law at such time as he deems it appropriate. The cost  
12 of such dissolution shall be borne by the Commodity Credit  
13 Corporation.

14 REPEAL OF THE FEDERAL CROP INSURANCE ACT

15 SEC. 17. Except as provided in section 14 of this Act,  
16 title V of the Agricultural Adjustment Act of 1938 (52  
17 Stat. 72) (known as the Federal Crop Insurance Act) is  
18 hereby repealed effective December 31, 1982.

19 AMENDMENTS TO CHARTER ACT

20 SEC. 18. (a) Section 9(a) of the Commodity Credit  
21 Corporation Charter Act is amended by striking "seven" and  
22 inserting "eight" in lieu thereof.

1           (b) Section 10 of the Commodity Credit Corporation  
2 Charter Act is amended by adding to the second sentence  
3 after the word "experts" the words "personnel paid by the  
4 hour, day, or month when actually employed, county repre-  
5 sentatives and private insurance agents and companies".

Senator CLARK. This is just what we're looking for, if it's right and it works. It means less money put out and twice as much protection for farmers by eliminating the ineffectiveness and inefficiencies and getting this thing down to a good, lean effective program. And the proposed program then is to simplify the current system of four overlapping programs. The new insurance program would replace the low-yield disaster payments program that covers our main six crops today; crop insurance program that covers 23 crops—that is the regular crop insurance program and it would replace that—but which is not available in all the counties now and which does not cover all risks; and it also replaces the two disaster loan programs, one which is run by the Farmers Home Administration and the second by the Small Business Administration. So, the old crop insurance program, the old disaster program, Farmers loan, SBA loan would be replaced by this one crop insurance program.

Today's hearing, as I said, is the first step, the very first, in the process that the Congress will use to decide if the administration's objectives are the most appropriate and if the proposal will accomplish all those things as effectively as the administration projects them to do.

This evaluation will take several months and it will involve a number of hearings like this one in other parts of the country hopefully and certainly in Washington as well. So, I hope you will take the opportunity to tell us exactly what you think or do not, what you like or what you don't like about the proposal and how you'd like to see it changed.

Because I expect we will have a number of persons who wish to speak this morning and because of the limited amount of time, we may limit you to 8 or 10 minutes. If you have a written statement that, of course, can go right into the record as if it were given and the record will be kept open for 30 days, so if you get any ideas here you'd like to go home and write down about and research and send them to me, just Dick Clark, U.S. Senate, Washington, D.C., it will go right into the record here as if you gave it, and we'd be delighted to have those later. Well, with that, let me turn to Mr. Hawks who will describe the administration's proposal. You know, as I sat there—just maybe before I turn it over to you, I want to talk just a minute about an extraneous subject that has nothing to do with crop insurance, but it's been burning me a little for 48 hours and I'd just like to say I'm rather disturbed about the direction of a policy that seems to be taking place in Washington right now with regard to beef prices, and the reason is this:

Farmers went through 4 years, just about 4 years, of prices that were below the cost of production. Not always. Sometimes they were hovering around the price, maybe they get a dollar above for a little while, but basically we've had 4 years of losses for beef producers. For about 4 months, even if that long, we finally got beef prices back up above the cost of production. Now the Government—and not just the Government, and others too, saying, well, we just can't stand this, we can't have these prices where they are, is simply very, very unfair. And if we're really serious about getting prices at a stable level, it seems to me we've got to let the supply and demand cycle take care of itself. That's what beef producers were told for 4 years when they were below the cost. Nobody came running out here saying,

you can't continue that; we've got to help you, we've got to help you. No, they said wait till the cycle comes back. It's going to come back. Well, now it's come back. And here we are now trying to find ways to import a lot of beef or do something else to try to bring the prices back down.

I just think it's very, very unfair, and I, for one, tend to do everything I can to avoid somehow artificially now trying to break that cycle and get prices back down to where farmers can't make any money on it. It's just unfair to those of us who live out here, people that produce out here, and I simply wanted to say something about it. So, forgive my outburst and go ahead and take whatever time you want to take. We're all right in terms of time here and just talk a little bit or develop a little bit in any way you want to on how we're going to proceed and what this program means, what you think of it, how it would work and so forth.

So, you go right ahead, Mr. Hawks, and explain for our benefit. What's this program going to do? I know I've already cut into your information a little bit, but it won't hurt to hear it over again or in another way.

**STATEMENT OF GENE HAWKS, REGIONAL DIRECTOR, FEDERAL CROP INSURANCE CORPORATION, DES MOINES, IOWA**

Mr. HAWKS. Thank you, Senator. The Federal Crop Insurance Corporation offers insurance in all Iowa counties on corn and soybeans and on oats in all Iowa counties except Ringgold and Wayne.

Senator CLARK. This is the present program?

Mr. HAWKS. Present program, yes, Senator. There are a little over 30,000 farmers now participating in the program in Iowa. This participation amounts to approximately 20 percent of the potential insurable acreage on approximately 24 percent of the farms in Iowa.

From our contacts with farmers, both insured and noninsured, we have received two principal objections, and they are this: You don't offer enough coverage, and why can't I insure my other crops.

I have read the bill, Senate 3029, to which you referred in your opening statement. The program proposed in S. 3029, in my opinion, provides an answer to the two questions just mentioned. It answer those questions in a very positive manner and provides also for a variable protection to allow the producer to choose and purchase the amount of protection most desirable to fit his cost of production. The variable I'm referring to is the 50-, 70- and 90-percent level of protection.

The 50-percent level can be compared to the present crop insurance program. This level represents about 50 percent of the production costs for major crops and will cover such variable costs as cash outlays for seed, fertilizer, fuel, oil and so forth. It is proposed at this level that the Government would participate in up to 50 percent of the premium.

The 70-percent level will cover the variable costs under the 50-percent level, plus what's called machinery and overhead costs. The machinery cost can be generally defined as costs that would include charges for replacement, interest, insurance, taxes and such as that. Overhead costs can be defined as costs for recordkeeping, utilities,

general farm maintenance, personal property taxes, insurance and similar items not specifically associated with the specific crop enterprise. And as you mentioned in your opening remarks, Senator, most of the additional premium charge above the 50 percent level would be paid mostly by the farmer.

The 90-percent level would include those costs covered under the 50-percent and 70-percent level, plus part of the costs of land and management. Land charges are to be calculated at a percentage which would be determined by the corporation of the current average price or average rental of land for agricultural purposes. The additional charge for premium above the 70-percent level would be paid by the farmer.

These three levels of protection would allow the farmer to choose the protection he needs. Now, here's a simple example of how the three levels would work for the farmer. Indemnities, which is the claim in the event of a loss, are determined by the established guarantee for the individual farm and the program level selected by the producer. Let's take a corn farmer who, for a representative base period, has a 10-year average of 100 bushels per acre. At the 50-percent program level, which covers the variable costs only, the FPP guarantee would be 50 bushels an acre. Suppose his actual crop yield is 40 bushels. That would be 10 bushels below the FPP guarantee. At a price election of \$2.10 per bushel—this would be determined by the CCC—the producer would receive \$21 per acre for the 10 bushel loss. In addition, he would have 40 bushels to sell at market price.

Now, let's suppose the same corn farmer had elected the program level of 70 percent for variable costs plus machinery and overhead and his FPP guarantee was 70 bushels per acre. If the actual yield was only 40 bushels per acre, the FPP loss would be 40 bushels per acre and his indemnity would be \$63 per acre. Of course, he still has the harvested crop to sell.

In the third instance, if the same corn farmer had elected the program level of 90 percent of production costs, his loss below the FPP guarantee would be 50 bushels per acre, and he would receive \$105 per acre, that is \$2.10 times the 50 bushels, plus the income from selling his harvested corn at market price.

In general, the farm production protection program as proposed in S. 3029 is to eventually offer protection to all farmers on all agricultural commodities in all agricultural counties. And as Senator Clark pointed out in his opening remarks, it would begin on 10 crops for the 1980 crop year, with expansion into additional crops and commodities, such as livestock, each year as actuarial experience is obtained.

The risk of farming never gets less and the cost of investment continues to climb. This program would benefit farmers and consumers and businessmen alike. In times of disaster, the farmer could continue to meet his fixed expenses and remain on the farm the following year. The consumer would be assured that the farmer, because he will be able to stay on the farm, will continue to provide the high quality of food and fiber that the consumer depends on. The businessmen can be assured of a stable economic condition in their community. By replacing the four inadequate, overlapping, inequitable programs that you mentioned, Senator Clark, this program, through an efficient county delivery system, will offer more protection to the American

farmer for less cost to everyone. Senator, this is a very brief summary of the bill. I would like to thank you for the opportunity of presenting this testimony on this very important matter.

Senator CLARK. We might just take a minute here to see if people have questions about it. I thought you presented it very clearly, but there may be other things that are raised about it. Let me just ask you while people are thinking of them, if they've got questions, what is your own feeling about what Iowa farmers are going to think of this?

Mr. HAWKS. Based on the input that we've had from the farmers, as I mentioned, the insured and noninsured, when we continually get this complaint or objection of why can't I insure my other crops, why is this land uninsurable, why can't I have protection to cover my total investment, I'm satisfied that if the proper information about the program is given to the Iowa farmer, that we'll find a very wide acceptance to the program.

Senator CLARK. What crops are covered now?

Mr. HAWKS. Corn, soybeans, and oats, except oats are not covered in Ringgold and Wayne.

Senator CLARK. And what part is covered? How much of it?

Mr. HAWKS. We're at about a 50-percent level right now, these out-of-pocket costs, the cost variables of seed, fertilizer, herbicide, insecticide, fuel, and oil, this is about what we're looking at at this point.

Senator CLARK. What percentage of the corn and soybeans and oats in this State are covered?

Mr. HAWKS. We're at 19 percent of the total crops.

Senator CLARK. Nineteen percent?

Mr. HAWKS. No; we're at 20 percent for 1978.

Senator CLARK. So, 80 percent is uncovered by this program.

Mr. HAWKS. Correct.

Senator CLARK. You don't know how much would be covered on this program; it would depend on how many people prescribe to it?

Mr. HAWKS. Yes.

Senator CLARK. How can we compare the cost at 50-percent coverage under the present program with the other program?

Mr. HAWKS. If there was a 50-percent program of this proposed program, as I read the bill and try to interpret and understand it, the cost per acre to the farmer would probably be reduced by about half of his present cost. So, we're looking at an average of around \$6 an acre, so I think we're probably looking at a cost of somewhere around \$2½ to \$3 an acre.

Senator CLARK. So, would be half as much for the same protection if you went to the new program?

Mr. HAWKS. Yes.

Senator CLARK. Would it cost more to go to 70 percent under the new program than it would cost to go 50 percent under the old program?

Mr. HAWKS. Based on the information that we've accomplished out of the research that we've done, the cost at the 70-percent level would be somewhere near the present cost, and we would be offering substantially greater protection to the farmer.

Senator CLARK. Do you think most farmers would sign up for it? That's the thing that worries me.

Mr. HAWKS. Senator, I think that's a very good question. We have a situation, I think, here in Iowa that's unique as far as Federal crop insurance is concerned. You've probably seen in the GAO audit, the Nation's average is 13 to 14 percent. In Iowa, we have some counties as low as 8 percent participation. There are not too many of these, but they are there. We do have counties that exceed 30, 40, 50, and we have 2 counties now that are above 60 percent.

Senator CLARK. What are they?

Mr. HAWKS. Out on the west side. This would be Ida County and—

Senator CLARK. Somewhere nearby?

Mr. HAWKS. Yes; it's on the west side of the State.

Senator CLARK. The only thing I wonder about in this program—I mean it sounds attractive to me on first blush, but the one place we could fail is if we have no other disaster programs, say, we eliminate SBA, Farmers Home Loan, we eliminate the disaster program, if we get, say, only 50 percent of the people to sign up—it seems to me we ought to get a lot more than that because it's pretty attractive. Most of the premiums are subsidized for the first 50 percent. So, if you end up, let's say, with 50 percent of the people covered, and then you get a great natural disaster, then none of those people have any coverage of any kind. They can't get a loan. So, it almost has to be attractive enough to get everybody into it—or almost everybody into it to make it work. Wouldn't you agree with that?

Mr. HAWKS. I would agree, Senator. My interpretation of the bill is that it does provide for that kind of attractiveness or incentive.

Senator CLARK. Now, there's some talk about eventually including livestock. Do you have any information on that or knowledge of it or how we would work our way into it?

Mr. HAWKS. Only basic, Senator, because the research on that isn't anywhere near completion, so that is why it's proposed as a future commodity. I would assume that what we're talking about are the conditions where that type of protection is not currently available through private industry. I would see no point in why we would enter into that area if it's presently being offered. But if we have a situation, such as we experienced a few years ago with the bad snowstorm, this kind of a program would be very beneficial to the farmer and could be actuarially set up on a sound basis.

Senator CLARK. To go back to the crops a minute, our statistics show 1 out of every 12 acres on the average that's planted doesn't end up getting harvested. Can you think of a circumstance under which an unharvested acre would not be covered by this kind of insurance? Does it cover anything, everything?

Mr. HAWKS. Yes; this would be an all-risk type protection which, as a comparison, during 1977 in the drought condition we had in central Iowa where there was a substantial number of acres that were not harvested, our present program covers it and I would assume the new program would be on the same basis.

Senator CLARK. So, you've got every crop covered, you've got every risk covered, you've got heavy subsidization of the premium for the first 50 percent, then a farmer can go to 70 or 90 percent if they want to pay higher premiums—

Mr. HAWKS. Correct.

Senator CLARK [continuing]. And all of it is voluntary, even the first 50 percent?

Mr. HAWKS. Correct.

Senator CLARK. I wonder if there are questions from people here about how the program would work or anything that's unclear. I think we ought to start out with a clear vision, what it does and how it works and what it means. Everybody understand it pretty thoroughly? Would you give your name, just for the record?

Mr. SINGER. My name is Michael Singer.

Senator CLARK. Where are you from?

Mr. SINGER. Johnson County. I'm really unfamiliar in this area, but just listening, you say there are four present programs, they are overlapping, and you have some problems with, you know, just being able to serve the farmer in a proper fashion. Now, you're going to be abolishing those four and constructing one new program; is that correct?

Senator CLARK. That's right.

Mr. SINGER. Now, what kind of management is that going to be under? Is that going to be the Secretary of Agriculture and—I just need more information.

Senator CLARK. The administration of it, you want to go into that, Mr. Hawks?

Mr. SINGER. Into Washington's side of the program.

Mr. HAWKS. The administration of it, of course, the final decision will be up to the Senate and the House. The proposals are—and there are more than one—is to get the—first of all, it would be a program under the Secretary of Agriculture. What the proposal is, it does not create a new agency. It only incorporates into it an existing agency, and that is the Commodity Credit Corporation. Another program is that the Federal crop insurance program would be replaced by another corporation name, and that is the Farm Production Protection Corporation, but the program would still remain the same, that we get it to the county level and it's proposed it be done through the existing county ASCS office. This is a facility that is already there, the talents of people are there to handle the program, it is the place where the farmer makes his contact as far as his farm problems are concerned. So, it would make a very convenient and very efficient and inexpensive way to administer the program.

Mr. SINGER. With this program, I assume that for a farmer to have protection, he has to register a year in advance or earlier in the season. Is that all going to be the same under this program?

Mr. HAWKS. Under the present Federal crop insurance program, which you may be referring to, you have to make application for insurance prior to crop planting. Now, how it would actually come out under this proposal, I cannot say for sure but I would assume the principle would apply because there needs to be planning ahead, what am I going to do with my crops next year? So, such times as the fall, winter, very early spring, make application. Again, when you think of this program on a national basis, you have crop planting that occurs 12 months out of the year, so there would be significant variation in dates for making application for the program. But I would

assume it would be patterned very similar to the present Federal crop insurance program, as far as making application is concerned.

Mr. SINGER. Thank you.

Senator CLARK. Any other questions about how this program would work or any aspect of it at all that anybody would like to talk about?

[No response.]

Senator CLARK. Bill, do you have any comments or questions?

Mr. MOTES. Not particularly. The disaster loan programs and the insurance programs have been handled a lot differently. It makes a lot of administrative sense to put these all together in a single place in the department. Whether we go this route or not, that single fact is very important.

Senator CLARK. We're going to hear from Bill Day next, from Brighton. You're a farmer and also ASCS county director, executive director?

Mr. DAY. Yes.

Senator CLARK. Well, you've got some direct experience. You're in Washington County?

Mr. DAY. Yes, sir.

Senator CLARK. So, you ought to know something about this subject. You go ahead and proceed in any way you like and take as much time or as little time, whatever you're prepared to do.

**STATEMENT OF WILLIAM K. DAY, EXECUTIVE DIRECTOR, WASHINGTON COUNTY ASCS, BRIGHTON, IOWA**

Mr. DAY. Thank you, Senator. I have written a letter to you and I would like to have it amended in the second paragraph. I didn't plan to be here when I wrote this, and so I am here, so that part should be deleted.

I want to again personally thank you for inviting me to make comments at this hearing, and I want to assure you, Senator, that this is a matter of grave concern to me. And I believe the present system that produces crop protection are not well coordinated and they give benefits to some and no benefits to other worthy persons because of a man-made determination often times not totally based on fact.

Excuse my personal references, but my wife and I own two tracts of land 3 miles apart. The actuarial department of the Federal Crop Insurance Corporation has determined the productivity level to be materially different on each tract. I admit, there is a basic soil difference. Other factors not considered in their determination are: We only farm 79 acres out of 205 acres, and this is tile inlet terraced and contoured. The balance is in hay, pasture, and a tree plantation. All of the 205 acres in this tract, with a small deduction for erosion control dams and a creek, could be under cultivation. We apply management practices to bring the productivity level equal to the other 80-acre tract where we live. For ASCS purposes, all the land has an established yield of 102 bushels per acre for corn. This yield is realistic.

But when we go to the other tract, why, it is materially less. For instance, if the corn is planted by May 25, a 74-bushel yield there and on the 80-acre tract where we live, it's an 86-bushel yield. I've carried the insurance for a long period of time, so I have a 25-percent reduction in my premium, but my cost for corn is net \$3 an acre.

My reason for relating this information to this committee is to show the importance of having some local authority able to make an appropriate adjustment when conditions warrant such a consideration. Community and county ASCS committees are qualified to make these types of judgment decisions.

As you know, Senator, right now there is a large area of the feed grain-soybean belt of the United States suffering from excessive wet weather. I would recommend that any natural disaster plan have a provision for prevented planting. Again, county ASC committees are needed to determine eligibility under this type of law. There is a fine line between poor management and conditions of weather that can result in a prevented planting problem. County ASC committees can make the right determination in those cases with the most fairness to the producers and justifiable for the Government.

And I would point out that under the present program, if the crop is planted by June 10, it's not insurable.

Senator CLARK. If it's not planted by June 10?

Mr. DAY. Yes; corn crop.

Senator CLARK. It's not insurable, even if you contracted ahead for it?

Mr. DAY. Yes, sir.

Mr. MOTES. However, you would be eligible for disaster payment?

Mr. DAY. Under ASC provisions. This year, a large number of insureds under the Federal crop insurance program are going to have reduced coverage because of the late planting date. This condition is totally beyond the producer's control. My farm has, since I took out FCIC insurance, met the planting date deadline every year since this requirement was established. I have never filed a claim or collected a penny from this program. Now when trouble develops, a reduced possible benefit is my lot because the corn could not be planted until May 28 and 29. It wasn't for lack of desire or effort that the corn wasn't planted in April.

The present procedure for emergency livestock feed, which is administered by ASCS, seems very difficult to administer in our area. Again, please permit me to make a personal reference. We have a small cow-calf operation. We had insufficient hay to winter the herd. We planned to buy from neighbors enough for our needs. This we did. This was strictly an economic decision for a profit-seeking venture.

Other persons came to the ASCS office requesting cost assistance to purchase feed for their normal livestock operation. The Washington County ASC committee carefully checked out each producer's operation seeking assistance under this program. Several had a short crop of hay but they had plenty of other feed. Adequate hay was available in the locality at a reasonable price. This program, with certain clarifications, is needed. The most effective way to administer it is with local producer elected ASC committee persons who can interface with applicants and screen out the undeserving.

Numerous persons in our county did suffer crop reductions due to drought in 1977. Many could not qualify for a disaster payment under the feed grain program even with the 1977 legislation. They were also ineligible for Federal crop insurance or they were not insured. They could not qualify for loans from the Farmers Home Administration because of the credit need determination. I feel there can be improve-

ments in the capability of the Farmers Home Administration to provide this type of loan. I observed that some did qualify under the Small Business Administration loan program. From my point of view, this lending operation could have been better administered through a local county office. The required—

Senator CLARK. You're speaking of an ASCS office?

Mr. DAY. Yes; the required paperwork to be processed through a single State office was rather poor service to a producer who had suffered a major loss. Most of the successful applicants really needed to interface with loan agency personnel to qualify.

It is totally confusing to have emergency loans with conflicting rules of eligibility from two Government agencies allegedly for the relief of the same type of disaster. I would hope the Congress could resolve this problem quickly and equitably in legislation and the concept of bringing all of these existing agencies under one focal point and working to meet the needs of producers nationwide is a good concept, in my opinion.

Senator CLARK. In other words, you think that moving in the direction of eliminating the other four and getting one, if it can be one that's acceptable and farmers will take and so forth, is an approach that sounds good to you in a general way?

Mr. DAY. Yes, sir.

Senator CLARK. From what you've heard this morning in terms of my explanation and Mr. Hawks' explanation and so forth, does that seem like we're going in the right direction or can you think of things you wouldn't agree with or problems or pitfalls we ought to look for? What do you think?

Mr. DAY. No; I think what has been said is very fine. The thing that wasn't touched on that I really wanted to bring out is the prevented planting problem.

Senator CLARK. Exactly; I want to go into that with you in a minute here.

Mr. DAY. The other thing you questioned Mr. Hawks on is the producer acceptance. Well, we've had a terrific struggle now bringing the message to farmers to sign up in the 1978 feed grain program, and one of the things that was the hardest to get across is that this program enacted by Congress and administered was mainly, in my opinion, for farmers' income protection.

Senator CLARK. Yes.

Mr. DAY. And the set-aside and the grain reserve was just an incidental thing to make it more workable overall. But really it's my thought and I preached to the farmers in our county and my friends, well, this is for farmers' personal income protection, and this is good for rural communities, rural bankers, and people who sell us oil and gas. You know, under some of the programs, they got all upset that they were going to sell less things to the farmers. But I think now many of those people who provide inputs and services realize it's nice to have the farmer be able to pay for those things.

Senator CLARK. That's right. I want to come back, even though it's not about crop insurance, at the end of our discussion here in a minute and talk about this program because you're one of the administrators of it, to get any ideas of what's right and wrong with it and so forth. We've got Milt here, who will be happy to listen to it as well

and others because we'd like to learn from any problems that we've got for the future. But you think then, generally, the kind of program that's been outlined here makes some sense to you. You talked mostly about the fact that the present program doesn't cover the ability to— if you can't plant, then you're just not covered?

Mr. DAY. Yes, sir.

Senator CLARK. That's one of the questions, I guess, about this new program. What do you think, Mr. Hawks? Will this new program cover a person if they can't plant—

Mr. HAWKS. Yes.

Senator CLARK [continuing]. Because of natural disaster?

Mr. HAWKS. Yes, Senator. That is included in the proposal. I'm very happy to see that that's in there. In addition to that, which I probably should have clarified when I gave my presentation, the point that Mr. Day brought out, and that is we need the local input of people like Mr. Day to provide some actuarial input in the individual producer's capability, regardless of the soil types he referred to. To get some resource information for us, we have conducted a 20-county pilot program during the 1978 crop year, in which we are counting upon the county ASCS committee to help us establish the actuarial base for each individual farm. They have the closeness to the farm out there, they know what this producer's ability is, and they can actuarially help us set up a sound program, and we think they did a very good job.

Senator CLARK. So, if you've got the yield figures, production figures, and so forth, you could build a base for actuarial purposes, and then you say this program definitely will cover the inability to plant?

Mr. HAWKS. Yes.

Senator CLARK. Because that's the thing right now in southeast Iowa, south-central Iowa. I just came through that area and that's going to be the big problem this year, and it will be a big problem lots of years—or some years, at any rate. That's good. You're talking about having more flexibility. You're saying if you get into these circumstances, you ought to have enough flexibility in the ASCS committee to rely on the local committee to make the judgments that you can't possibly anticipate always when you write these programs.

Mr. DAY. This is important to me. For instance, you can't tell a man that he has to have all grade A land. Sometimes he has grade A land and sometimes he has other types of land. And we know from management practices, inputs, how he handles it, his ability can affect the productivity of the other kinds of land immeasurably. Yet, we have people with grade A land who will fall under the grade 5 because of the physical location of a patch of ground which is the best land, that maybe their management cuts it way below some other person here. Well, an actuarial person in—wherever they are, can't take this into consideration, but local county ASC committees, with the community committee system, can make these judgment decisions, which will give fairness to the producer and this comes back to, well, how well will this be accepted, your question to Mr. Hawks. Well, as a long-time employee of ASCS—and I'm not here representing ASCS, I'm here representing Bill Day. But I can't help but note that a farmer

who has a problem who can meet or interface with somebody that he's had a chance to vote for and who is in a position to exercise good judgment decision, the decision can be better accepted by that farmer than if a bureaucrat—and I say this kindly—makes the same type of decision.

Senator CLARK. Yes. He's got a little more local input and responsibility and responsiveness and all the rest?

Mr. DAY. Yes, sir.

Senator CLARK. As long as you're here, let me pick your brain about the new program because you're involved in administering. What are the two or three things that are the biggest problem with it?

Mr. DAY. Well, I would say the biggest problem was that we started out on one basis last fall and then we sweetened it up a little bit and then—

Senator CLARK. Started with the 10 percent?

Mr. DAY. Yes; and this we couldn't, for some reason, totally get it explained. We held meetings in our county, we met with farmers and tried to explain it, but it just was not appealing, period.

Senator CLARK. That's right.

Mr. DAY. So, we started to sign up and we had very few people who really signed on the dotted line. We talked to a lot of people about it. They were coming in, seeking information. Well, then we changed it to be a 20 percent program. So, this became more attractive. But there had been so many articles written in magazines in the press, and so forth that had a basis of truth but some editorial opinion got involved, and so many people closed their minds and then we had a terrific time coaxing them back to sit down and review this for their individual farm. Well, unfortunately, weather conditions cropped up which brought them in to review their situation, and as a result we did get an acceptable number of persons signed up.

Senator CLARK. What percentage in Washington County?

Mr. DAY. I would say we're somewhere around 55 to 60 percent.

Senator CLARK. About like the State average.

Mr. DAY. But we also have a large number of people in one particular township in our county who do not participate in farm programs on the basis of principle, so this hurts our percentage.

Senator CLARK. What seems to me one of the things you're saying, we were too late with it?

Mr. DAY. Yes.

Senator CLARK. We could have gotten it up front and gotten it explained all through the winter—

Mr. DAY. Yes.

Senator CLARK [continuing]. And given people plenty of time to digest it and learn about it, go back and look at their situation and so forth. What about the rules and regulations themselves? The way in which it applies, have they proved to be a problem or not for you?

Mr. DAY. Well, we were able to make some adjustments by county committee determination where a farm had a bunch of sod, fall plowed, this was a good thing. But there also were some other circumstances where the guys had put on considerable amount of fertilizer, planning ahead. The 10-percent program was offered to them, so they made their plan. Well, we weren't able to make all the adjust-

ments in NCA that might have been desirable under some of these circumstances. Some of them didn't sell their beef herd or livestock operations, and so there were some that it was a tough decision for county committees because of some of the rules. Yet, I'm not saying the rule wasn't necessary because if you open it wide open, well, it would defeat the purpose there, too.

Senator CLARK. Did you see farmers that came in that you felt honestly, by any reasonable standard, not necessarily by the regulations, but by any reasonable standard should have been able to go into the program that were prevented from it because of some rule or regulation or procedure?

Mr. DAY. Not in any major—if they were willing to compromise a little bit, in general, there was a way for them.

Senator CLARK. I see. Good.

Mr. DAY. But often they had their mind made up exactly how they were going to go. There possibly were a few that had gotten trapped because of some herbicide application or something of this nature.

Senator CLARK. Lateness was the biggest problem?

Mr. DAY. This is the biggest problem.

Senator CLARK. Thank you very much.

Mr. DAY. I thank you, Senator, very much for this opportunity to testify.

Senator CLARK. We are going to hear now from Milt Distelhorst, who is on the State ASCS Committee and also a farmer from down by Burlington, which is Des Moines County.

#### STATEMENT OF MILTON DISTELHORST, MEMBER, STATE ASCS COMMITTEE, BURLINGTON, IOWA

Mr. DISTELHORST. I'm a farmer in Des Moines County, in Burlington, and a member of the State ASCS Committee. I'll go through a few things here that will probably be a little different than somebody else may, and I'll probably backtrack on Gene Hawks and Bill Day a little bit. I think I ought to point out that we do need this program. If we go back to 1977, the disaster fund that went through the State or the various county offices of the ASCS for that crop year was \$93 million and will still add \$2 or \$3 million to that before it's finally finished. And the Federal crop insurance, as I understand, is in the area of \$45 million that they paid out in the State of Iowa. On top of that, the Small Business Administration has made about \$286 million in 3 percent loans.

Senator CLARK. \$286 million.

Mr. DISTELHORST. And the FmHA, under this same program, the 3 percent, \$134 million. So, I think that kind of points out that there is a need for a program, that it has been used, and there is a need for it.

Mr. Hawks touched on the situation that there are 20 pilot counties in the United States that is sort of testing the water on this program. And in Iowa, there's three of these counties. Now, in the States of Iowa—and this was Jack Webb out at our area ASCS office out of Washington here about a week ago, and in his comments was the three counties in Iowa at this point had sold more contracts than the other 17 counties in the United States, and I'm sure that probably comes about by Gene Hawks guidance. I'm sure it isn't all our doing that this came about.

Those three counties are Pocahontas, Dallas, and Davis. Now, in Pocahontas County, their old contracts up until last year was 452. The new ones that those county committees sold this year is 338. So, in 1 year's time, they almost came up to what had been on there for years and years. And Dallas County had old contracts of 459 and new contracts this year for the 1978 crop is 418. Now, Davis County and Van Buren County were the two counties in the States of Iowa that was not included in the Federal crop in 1977. They came in in 1978, and Davis is a pilot county. And they have sold 229 policies in Davis Van Buren County, under Federal crop insurance has sold 247; but they are not a pilot county and they have actually sold more contracts than Davis, the number of farmers in those two counties, I don't know. That may make the difference.

Like Bill Day and the other people here, planting dates is one of my concerns. Now, planting dates in these three pilots are a little different than the other counties in the State of Iowa. So, it has been taken into consideration but the planting dates, to me, at this point in, say, Davis County which is a pilot or Van Buren County where the men have agreed to pay the insurance, he's agreed to everything, he's taken the policy but the weather has prevented him from planting, so we come back to the same old preventive planting, which is kind of a worry of mine, and Gene says it is included in that. I didn't know that, and I'm glad to hear that. I think those are two of the things we need.

Now, another thing we've run into, and I don't know how this would work, and maybe Gene can tell us if it's in or if it's out or if it's intended to be, maybe it's not that important. But in these pilot counties, when it came down to the State level from Washington, there is a premium dividend. Like in my case, I had Federal crop insurance for years and never collected off of it. After 7 years, this builds up at different times, but after 7 years there's a 25 percent premium reduction.

Senator CLARK. If you never received any——

Mr. DISTELHORST. If you never used the insurance. In these pilot counties, originally, they were going to start all over new, and this was going to, say, in Pocahontas County with these people with the 452 old contracts and let's say the big majority of those did have and they did have a good history and a 25-percent reduction, those people that have been with us for years, to me, it didn't seem fair to say let's take this away from you and start over and it was retained. But that's one of the pitfalls as you go along.

That is my idea, I guess. We have a need, all of us, I think, that is in soil conservation and ASCS and Federal crop or anyplace else to conserve water, to conserve soil and fuel and what have you today. The no-till planting is something that is catching on but it's catching on slow. Now, we have sort of walked around those people and let them out here on a limb, and it seems to me that if they could be included in this Federal crop plan, whatever we end up calling it, if they could be included, I would like to see them get a premium reduction if they'll go that direction, if they'll go to no-till planting so they can plant these hillsides without runoff water and without running down into rivers and they can do it with less fuel and less time.

Senator CLARK. Give them an incentive?

Mr. DISTELHORST. Give them an incentive to use it and this is something I'd like to see build into the soil and water situation, another thing to me, Senator, that has always seemed it should be included—

and this is not a part of this bill but it's something that comes to me, we talk about down the road, for soil and water conservation, I don't think we're to that point that we should even be considering mandatory at this time. We need more incentive to do soil and water conservation. The amount of money that we got in the ASCS offices and in the soil conservation offices, we never have any left over and we're paying it sometimes down to 25 percent on the project, and it seems to me that if the money was there, we don't need the mandatory.

And the other thing I would sure like to have somebody do some investigating on, if I go down the street and buy a new tractor, I get some tax rebate that year. I get investment credit. It kind of gives me incentive to buy that tractor that maybe I wouldn't have. And I think the same with investment credit should be considered in any soil conservation, whether it's Government backed or whether it's the man that puts his own money out there because today we hand the man the money so he gets the top payment, he gets \$2,500 which is the most anybody could get. But with our other hand we hand him a W-2 form and say here, old buddy, pay your share of the taxes. This doesn't seem quite like the Government is giving too much away when it asks for it back with the other hand.

There's no clear-cut way in the income tax system to handle it. Most farmers handle it or they've got some accountant that handles it some way, but every one of them kind of looks for 3 years to see if they're going to come back and look at it. And I think investment credit would be a way to handle it. You talked to Bill about the present farm program.

Senator CLARK. Yes; I'd like to hear what you have to say.

Mr. DISTELHORST. This gets back into this proposed plan. The one problem I think that Bill commented on is what we have got to have is a better understanding of the farm program by the farmer. Now, how we get this done, I'm not sure. Bill, Kim Mullahay of ASC, Donella, everybody has done the best that they can to inform the farmers of the program. But still it doesn't quite get done like it should and again it was late. This is one of the problems. The rules have changed as we went along, and they got sort of disgusted with it.

The other thing is a misunderstanding by farmers—and you must understand that Bill Day is not the average ASCS office manager. He's far above most of them. He gets the information out to his people and he tries to favor the farmer. It's a little tough to get all 99 of them to do that that same way.

They follow the rules and this is what we hire them to do—follow the rules—and the farmer doesn't always get the advantage. One place they don't get the advantage, we sit in Des Moines and we hear appeals from farmers. They go through our experts before we see them. So, the guy doesn't quite understand how he's supposed to appeal. He doesn't have a lawbook. He can't see how to appeal. He puts it down like it is. In most cases, most farmers are too darn honest. I don't know what the answer is, if they got a better understanding of their appeal rights, because this is what some of them don't know, their time runs out, everything happens to them, and in my humble opinion, most Government organizations, the Veterans, the one I'm fussing with, we have the Veterans, the VFW, the service organization. I'm wondering if our farmers' organization ought to put some emphasis on

being a service organization so the farmers would feel more at ease to go in and ask them, hey, did this guy tell me right, because, after all, I don't care who it is. The county ASCS office isn't like going down to the Chevrolet garage and you're mad at the Chevrolet garage so you go over to the Ford garage. But here, there's only one place to do business and we all know that feelings do take place in these things, can't help not to. We're human, it happens.

Now, you're going to set up this program. As Bill said, I don't like to take the bureaucrats too hard. Sometimes I feel like it. When this is put together, I would suggest that if you could get a half dozen real farmers to review this before it's ever sent out to take the pitfalls out of it where there can be some decisions made before it gets out in the field and find fault with this thing and then try to get the changes made because that gets tough. You're talking about an awful lot of time, and to give you an example, one thing, right now, Buena Vista County had a large sweet corn canning factory. Farmers, in 1977, when we set the so-called base acres—say, the man had 50 acres of field corn, 50 acres of sweet corn, he's all set for 1978. But the canning factory took bankruptcy. Now he had corn and this didn't come to our attention at the State level until a week, 10 days ago. So, we go back, try to get some rule changes.

Senator CLARK. This won't apply to sweet corn?

Mr. DISTELHORST. Sweet corn is not corn. We may get it done through your help and other Congressmen's help, but we won't get it done for those people to plant corn. I'm sure of that. Because there's just nobody on a State level or local level that has the right to make any decision on something like that. It has to come from the top.

Senator CLARK. They just don't have the authority?

Mr. DISTELHORST. They just don't have the authority to make it, had it started last December, but at that time, the canning factory was still in business. This is the same problem with our soybeans. Last year our extension office was advising people, don't plant corn, plant beans. Now we're not able to give them any relief for the corn base this year. These are some of the things that go on, such as right now. We are past a corn planting date, really, but by June 15 we have a promise that they will have to give us out of Washington information about the rules on what the penalties will be because you planted your corn in April and you did a half an acre wrong or something. We can't tell a guy what his penalty is. The best we're going to get is June the 15th.

Senator CLARK. Most of those things that you talk about—not the Buena Vista example, but most of them are a failure to have the program in place early enough?

Mr. DISTELHORST. Right, I think that's the biggest part of it. Now, there are some, with the help of your office, that we did change, and one was crop compliance, and I think it's livable in a program now and we was able to get on that early. But we was going to say to the young farmer, renting four or five farms, nice of you to farm but you can't get into this program. We were able to take care of a lot of that pasture dates and especially in our contour farming area where the people were taking care of the land. We was able to get it so they can turn their cows out there, especially in a dairy area in the dormant months of the winter or else we were saying if you want in our pro-

gram, go out and build a lot of fences. They came out and cut the corn yield in Iowa. At the time we're trying to mold a farm program so we're saying we're going to pay you so much an acre, but on the other hand, what you did last year we're going to take \$25 away from you this year, and that's not a very good selling point. We were able, through your office and through the others, to get back 5½ bushels. What happens next year, of course, is anybody's guess.

The only other one I'd like to say a little bit about is the emergency feed payments, I think I skipped over that and we have, at this point paid out \$1,940,000 in that program, it's about a fourth paid out, so you're going to come up to about \$6 million in that program. The one reason that I say it is a good program is that it's left to the county committee to enact. It could come down to—a tornado can take one farm, a farm can burn out, something can happen in the local area. It doesn't have to be countywide, it doesn't have to be statewide, it doesn't have to be enacted by the Governor. They can pick it up and use it.

Now, the one thing that has caused a lot of problems, and I'm sure your office has a lot of letters on that, we or somebody in the makeup of this omitted the family farm poultry situation, and they are just as much the family farm as a hog or cattle operation. They have been omitted clear down the line. Whatever happens to that program, they should be considered, if it's extended or whatever happens.

Senator CLARK. Good. What do you think overall, of this new proposal where you eliminate the four programs and go to one? What do you see as the strength and weakness of it?

Mr. DISTELHORST. Well, the strength of it is that you would have, we would hope, decisionmaking in one body, one group, and omit overlapping situations existing in all of them now. I think that would be the strength of it, whoever ends up with it. Of course, I'd like to see it in elected people's hands rather than appointed.

Senator CLARK. Basically, you're sympathetic to the idea?

Mr. DISTELHORST. Yes, I am, and I can go back—I sold Federal crop insurance one time a few months at a time in the wintertime and the big problem there, of course, was the coverage, and the Federal crop people did the best job they possibly could with the employees that they were allowed to hire and this kind of thing but of the county committee system where they can sit down and go over the farming operation and they've got every man's history for years to look at, I believe they are in much better shape to set the yield than the poor guy is that goes down the road and tries to set it up by lines and make it fit. Not that they couldn't do the same job if they had the same information.

Senator CLARK. The thing I wonder about, Milt, is whether you think, with this kind of incentive and so forth, that enough farmers would go into it.

Mr. DISTELHORST. Well, this is the problem, how many will go into it. I think this year probably about the highest counties that went into this program were 70 percent, somewhere in that place. To me, it's hard for me to see why a person doesn't go in. On the other hand, when they don't understand the program and sometimes they're a long way from it to pick up what the benefits are, some people are actually anti to any program.

Senator CLARK. The thing you wonder about, if you eliminated all the other disaster programs, both the loan programs and the disaster program, and you only have 50 percent in and then you have the kind of disaster as we had last year—

Mr. DISTELHORST. The ones that are out are really out.

Senator CLARK. But I suppose if that was the alternative, given the fact that you've got pretty high incentives, I suppose you could—

Mr. DISTELHORST. The high incentive and if the premium is not unreasonable.

Senator CLARK. You think you could get two-thirds of the people into it?

Mr. DISTELHORST. I would think you could, yes. It takes some time and, in working with Federal Crop, they were short the money to pay people and it's been a history of their problem to actually go out to get a group of people together and explain the program where the other officers would have a better chance, and there's some other reason for them to be in contact than just this program.

Senator CLARK. Yes. All right, thank you very much.

Mr. DISTELHORST. I thank you for allowing me to come up here.

Senator CLARK. Thank you. We appreciate you coming all the way over. We're going to hear from Jim Mullahay from Wapello, Louisa County, who is also a farmer and ASCS and so forth. What do you think of this program and any other comments?

#### STATEMENT OF JAMES MULLAHAY, MEMBER, STATE ASCS COMMITTEE, WAPELLO, IOWA

Mr. MULLAHAY. Well, Mr. Hawks made the statement and—only I didn't prepare a written statement for the committee today, Senator. It's on the preventive planting point that I would like to bring out because due to no fault of the producer, he is unable to plant the corn. He has made his complete investments in his herbicide, insecticide, seed and has committed himself to this and, of course, I would like to have seen what the proposal was on the preventive planting which I do not know. I think we should have something in the law that if he doesn't receive a direct payment through the policy, at least he should be eligible for a disaster loan through the Small Business or Farmers Home. I believe this should be based upon individual farms. I don't think we should have to have it declared that Linn County, Louisa County, or Johnson County—declare that as a disaster because there is a certain area that maybe he will receive—the rains do go in streaks.

Senator CLARK. They do go over the county line?

Mr. MULLAHAY. County line. I think it should be to the individual farmer if he was hit with the—due to the fact that his crop, the weather conditions are beyond his control, kept him—he should be able to come in and get a loan without the whole county being declared a disaster. I think we will all have to admit that the Iowa farmers, as Mr. Distelhorst stated, had not received the loans through the Small Business Association and the Farmers Home Administration, there would have been a lot of young farmers who would have not been farming this year.

Senator CLARK. Yes.

Mr. MULLAHAY. And I think this is where we have to stress our point, that the young farmers coming into existence, we need them.

Now, the older farmers, as myself, we should have saved a little bit coming down the avenue, maybe have our places a little bit more substantially financed to take these losses, but without their assistance I'm sure a number of farmers would not be farming this year, and I think the new program should have a position in there, that if they have the insurance, if they were not to receive a preventive plan, it would be eligible for a loan at a lower interest rate and over a 10-year or 12-year period to take it.

Senator CLARK. So, you'd like to see both the crop insurance and a possible loan program if you're not covered?

Mr. MULLAHAY. Yes, I do, because I believe that it is kind of impossible for a producer to know that he's going to fall into this position with weather conditions which is not of his own control and whether you'll have a preventive planting will take a payment in it or not, I have not seen that section of the bill.

Senator CLARK. Yes. Gene says there is such a coverage. That would be critical, I think, because so many of you mentioned that. You're saying you're certain that the administration's proposal, that the inability to plant would be covered?

Mr. HAWKS. Because of uncontrollable factors, yes, that's correct, Senator. It is in there and I think it's necessary. I'm enthused about that part of the proposal.

Mr. MULLAHAY. Well, I would say in Van Buren County, I went to a meeting yesterday and I doubt if 15 percent of the corn is planted in Van Buren County today, and under our present insurance programs, he is covered through our office, through a preventive planting, but if we forget this point, he's tossed out the window, there's no way he can get any assistance if it's not included in your program, Senator, and this is why I think—now, Lee County, we feel that they are probably in worse shape than Van Buren County.

Senator CLARK. Really?

Mr. MULLAHAY. So, these are the ones that worry me, that we would be eliminating the preventive planting provision in our present disaster law and I believe there should be some emphasis put on this.

Senator CLARK. Now, Jim, you've worked with this new program. If we can leave that one just for a moment, what do you see is our biggest problem in the feed grain program in your county office down there?

Mr. MULLAHAY. Do you want my personal gripe?

Senator CLARK. Absolutely.

Mr. MULLAHAY. My personal gripe is that we have advocated to our farmers for conservation and only farms that raise hay on rotation is the family sized farm. Now, the man that farms 1,000 acres of corn, he probably farms fence to fence and doesn't have the first spear of hay on there, he has no conservation whatsoever. What we did was—I think we should have took on the NCA, when we took it, that rotation hay should have been included in his—

Senator CLARK. What is the NCA?

Mr. MULLAHAY. That's his corn, soybeans, and oats that he planted that made up his total NCA on his farm. But most family farms that have livestock will usually seed about 20, 30, 40 acres for hay each year.

Senator CLARK. He couldn't use that?

Mr. MULLAHAY. He couldn't use that. He would have planted just as much hay but the problem was no farm has the same identical size fields. So, maybe the field I put into hay this year—last year was 40 acres, this year I put out 30 acres. I didn't reduce my cattle herd, so therefore, the rules say that I can't reduce my hay. That is a change of operation. I think he would have had as much and if it had been included in the NCA, I believe we'd have had just as much hay in the State of Iowa and we've advocated this is the way to save our soil, and then we turn around and whack them for doing it.

Senator CLARK. Yes. It's an interesting point.

Mr. MULLAHAY. We've advocated all the time that they should use a little more hay in the rotation.

Senator CLARK. Why don't we try to get that changed in another year. It would make some sense, I think.

Mr. MULLAHAY. It's just that we have advocated this. The only people we have hurt with this is the family size farm. We have not hurt the big operators because the big operators—he cares less because he has corn from fence to fence. The only one we've hurt is the family size farm, and I hear every one of you people in public office state that you want for the family size farm. And what you did with this bill, I don't think it was a—Congress' intent, and I'm sorry to say this, but I guess I could be classified as a bureaucrat myself. But I think the people who have interpreted this law do not understand out here in the country that this is exactly where we're hurting the family size farm.

Senator CLARK. Let's go into that because that makes sense. I never thought of that before. We ought to encourage that rather than discourage it.

Mr. MULLAHAY. We're discouraging land—of your marginal land being put into rotation hay, we're encouraging to plant from fence to fence with the present program.

Senator CLARK. Let me ask you something different. Did you have very many people in Louisa County that came in that wanted to be in the program that you thought, from a reasonable point of view, should have been in the program but were prevented because of some rule or regulation that kept them out?

Mr. MULLAHAY. Yes; just the one I got through stating.

Senator CLARK. That one I understand.

Mr. MULLAHAY. That one was our biggest headache. I think also that we had our soybeans and this is one that I think they should have went back and picked up at least 2 years of his crop rotation so we could have used it because I can go to my own personal operation with my son. He rents an 80. One year it goes to beans and one year to corn. Last year it was beans so that farm was out. If they were taking it for a 2-year history on it, half of it would have been considered. I believe this is unfair in a normal farming practice. That was one of the sticklers that we had. I think the biggest complaint that we have with this year's program is the fact that the proposals that Congress was trying to enact were in the papers, people were taking their word, and then they came out with the one—the farm bill proposal Senator Talmadge presented was killed, and it took us 2 weeks to convince the people that we even had a program because

everybody said it's been killed, I read it in the paper. They held a meeting at Columbus Junction. I probably had 150 farmers there. I think 95 percent of them told me what's the use of coming? You don't have a program anyhow.

Senator CLARK. Even when you had one?

Mr. MULLAHAY. Yes; because they read the headlines in the paper it was killed. So, this is a problem we run into, Senator.

Senator CLARK. Communication problem. Thank you very much, Jim. We appreciate it. We have a little time for other discussion here or comments or thoughts about—we're particularly interested, obviously, in this new crop insurance, what that means. I know there are a number of people here that have some direct experience in all this. I see Mike Buckner who is on the county committee here in Linn County. Harry Sealman from Johnson County, Harold Krogh from Johnson County, Donella Brady, Linn County here, the manager, Tim Burns, others. Any body got any thoughts, questions, comments about this new program? Each of you give your name and address for the record here.

#### STATEMENT OF HARRY SEALMAN, JOHNSON COUNTY, IOWA

Mr. SEALMAN. My name is Harry Sealman. I'm a farmer in Johnson County. Farming is my only business, by the way. Senator, I'm not very good at extraneous speaking, so I did make a few notes but I'm still not very good at it.

Senator CLARK. Great, go right ahead.

Mr. SEALMAN. First of all, talking about the ASCS administration of insurance program, excellent idea, in my opinion. One pitfall, as I see it, I'll take an example of the SCS administration—pardon me. The ASCS administration and SCS programs.

Senator CLARK. Right.

Mr. SEALMAN. OK. My county ASC committee tells me that I can't use many of these practices that were used in the past because they've been taken out of the program due to cutback in appropriations. Cutback in appropriations is the biggest problem, and this could happen in the insurance program as I see it.

Mr. MOTES. You're in the ACP and you can't use the practices in the ACSC.

Mr. SEALMAN. Very many of them—in my case, I'm restricted to where I can't use any of them.

Mr. MOTES. None at all?

Mr. SEALMAN. Right; I wish I could. I've farmed all my life and I've done contour farming all my life and tried to use conservation methods of farming.

Senator CLARK. None of those apply?

Mr. SEALMAN. I can't use any of them. I could use perhaps a first time no till program, for instance, and I could in the past use contour payments. I feel they should be eligible every year. My costs are increased by 15 to 20 percent because of reduced machine efficiency and reduced efficiency in chemicals and fertilizer in contouring. I feel that these payments should be available every year; they're not. And of course—

Senator CLARK. So, your concern is we go ahead with a nice program that's good and effective, and then if you don't appropriate adequate funds, you're not going to get the coverage—

Mr. SEALMAN. Very true. Of course there are many problems here, consumer misinformation and all of the other programs that we have, Congressmen that don't know farm problems and all that. The second concern with this insurance program would be publicity. That would be a big handicap. Farmers traditionally have been a hard group to reach in publicity and this would continue to be the case, I'm sure. And in addition to that, of course, you'd have all the other problems in regard to informing farmers.

Senator CLARK. I think that is a real problem. If you're going to make a change, there is a tendency to assume what is this year's program is going to continue next year, and unless you can really get through to a number of people and say none of that's going to be here anymore, it's either this or nothing, and really get to enough people to understand, it's a big problem.

Mr. SEALMAN. I think the benefits could be worth it if you get over that handicap.

Senator CLARK. We're talking about 128,000 different families that have got to come to realize and understand, so on and so forth, so it is a problem.

Mr. SEALMAN. I have three other very short comments, Senator, but not on this subject.

Senator CLARK. Go right ahead. We're here to listen.

Mr. SEALMAN. No. 1, feed grain program, I have a question about the intent of it. I don't know whether it was intended—I did hear a remark that it was for income protection for farmers, but it was also mentioned nationally or at other levels that it was supposed to be a cutback program in protection. Apparently, it hasn't done that. We have a 5-percent rule that we, in order to achieve the maximum payment, have to reduce our corn production for only 5 percent and no more. If we reduce it below that, our payment is reduced. So, by contention—and I think the Green Tree has picked it up also—I heard it on the radio—is that it doesn't reduce corn production. It reduced bean production and, incidentally, as Jim mentioned, hay and pasture production. In my case—incidentally, I have belonged to the Federal crop insurance program ever since it was offered in Johnson County, and I did just to sign on for the feed grain program, under immense difficulty this year. I have maintained a cow herd through a lot of adversity and difficulty and extreme sacrifice and that seems to be continuing. Our hay program was severely damaged this year because, as I see over the country, I'm not the only one because of winter kill in hay land and I'm very sure that this program was almost to the point that I couldn't—where I couldn't participate and still maintain my cow herd as in fact I still may have to get rid of some of my cow herd. I don't know how I'm going to come out.

Senator CLARK. The first point is interesting to me but I can't figure it out. Maybe there's somebody here smart enough to address it, but why—if you're going to have a set aside program to get some corn out of production—do you establish a program that says you get paid more if you produce more corn?

Mr. SEALMAN. Within 5 percent.

Senator CLARK. Within 5 percent. It seems to me you get more incentive to go out doing it in a different direction or a different way. I think it's one of the problems probably from putting a program together too quickly again.

Mr. SEALMAN. I'm sure.

Senator CLARK. If there's one thing we ought to do in terms of communication, getting through to all the farmers which you were talking about earlier, it ought to be very carefully thought out and very carefully tested with people in different parts of the country under different circumstances, varying circumstances and so forth in order to make sure it works.

Mr. SEALMAN. I have two other points, if I make them quickly. No. 4 is help for young farmers. We hear it espoused a lot but I suspect and know—I don't wish to degrade your efforts, but I suspect it's going to be very difficult to get this done because they have no sounding board. Young farmers traditionally are not politically active and young people are traditionally not politically active.

Senator CLARK. That's right.

Mr. SEALMAN. If we're ever going to get anyplace—this is pretty radical. Don't everybody jump out the window or jump down our throats. If we're ever going to get anyplace to encourage young farmers we better make some kind of law which says, in effect, if you buy farmland, you farm it personally. At least be personally responsible for the operation of it. Don't everybody jump out the window. That doesn't include—that wouldn't exclude retired farmers, of course, or widows of farmers or disabled farmers or even, perhaps, it wouldn't include people who have inherited directly, you know, first line inheritance, but if we're not going to help young people, let's just say so. If we don't do this, we're not going to help them.

Senator CLARK. We've got to do something. As the increased need for capital rises to be a farmer, we've got to do something to get younger farmers.

Mr. SEALMAN. I see young people all about me who want to be farming, should be farming, but land is being bought by out-of-State investors right next door to me. And No. 5, very quickly I want your thoughts, Mr. Senator, on the treaty that I saw mentioned in the paper very briefly a few weeks ago that is supposed to be up now or have been up before the Senate—

Senator CLARK. Right.

Mr. SEALMAN [continuing]. In regard to British people being able to buy American farmland at enormous tax advantage.

Senator CLARK. I happen to be on the committee that considered that treaty, and it's a tax treaty, actually, between Great Britain and the United States, and I voted against it in committee and I intend to vote against it on the floor. So far, we've prevented it from coming to the floor just because of a number of procedural requirements, but we were very much against it. I guess I've been quoted in the papers here about it, but the problem with it is, even though it's not necessarily the intent of the law, it deals with a broader question of tax treaty between Britain and the United States. The problem is we think it gives incentive for foreign buyers to buy

American farmland. It would be a peripheral to the purpose of the treaty, but we think the effect of it could be very much to do that. And obviously, we're concerned about it for the very reasons you mentioned. Namely, that it could cause this land to be owned abroad, that in the process of making it more attractive to buy land because of certain tax advantages, that it would drive the price of land even higher. So, I'm very much opposed to it and committed to voting against it and did vote against it in committee, and we're trying to stir up enough interest with other Senators because it's only going to be considered by the Senate. It's a treaty and we're trying to interest the Senators to get the thing beaten and I think we've got a chance at it.

Mr. SEALMAN. Thank you very much, Senator.

Senator CLARK. We appreciate it. Anyone else have any other comments about anything?

Mr. DAY. I just want to comment on this business of where the reduction is going to come from. I've talked to a lot of farmers, and if I were asked right now how much are they going to reduce corn or how much are they going to reduce soybeans, I couldn't tell you because the farmers didn't know. And one other thing, Senator, that's really important in Iowa, we don't rotate acres. We rotate fields, and this is—this has a great bearing on whether we take corn land out that we had in corn last year or whether we take it out of what we might consider soybean land.

Senator CLARK. So, people maintain that rotation, in any case, you're saying?

Mr. DAY. To a large extent, yes. They get themselves committed by the various herbicides they use and the various fertilizer programs that get involved. One of the things I think we would have had greater trouble in selling the program if it had all come out of corn. And I feel that many farmers have said to you, Senator, and other congressional people, we want maximum freedom to plant; yet, at the same time, I understand this business of we'd like to have had a greater reduction in corn, putting it up too high. But I think the one other thing we have to keep in mind, if we force the price of corn above \$2.80 a bushel, in my opinion, if it's guaranteed by law down the road ahead we'll have a lot of other money coming into agriculture to bring irrigated land into production and the cost of production in irrigated land is so much higher than in our particular area, that I don't think that we can make the thing stand if we get the price of corn too high but that we get a lot of competition coming in from new land area, that we consider new land area.

Senator CLARK. Bill, you're saying in a general kind of way that you think we are going to get some corn out of production—

Mr. DAY. Yes, sir.

Senator CLARK [continuing]. In the normal crop rotation process, and it is going to help the price situation?

Mr. DAY. Yes, sir.

Senator CLARK. That you need that kind of flexibility in order to plant.

Mr. DAY. One of the things that helped it was the raising of the soybean rate. The other thing it helped is forcing some of the people in the south, that they have set-aside programs.

Senator CLARK. Of course, it just happens with the weather the way it is, more people are going to raise soybean on corn land too.

Mr. DAY. This is true.

Senator CLARK. As it turned out, it was no problem with the program but—okay, other comments, questions?

Mr. RICKERT. Dale Rickert. One quick comment on this. As I read this proposal on crop production, I am scared of only one thing. I like it very much. There's one thing that bothers me. I would like to see that it does not throw out these low-interest disaster loans for—I think at a certain level, regardless of whether the county is named disaster county, but a certain level that a person should be able to trigger low-interest loans.

Senator CLARK. You think you need that protection over and above the crop?

Mr. RICKERT. Yes, sir, I do. You know, at a certain low level. That should come in.

Mr. MOTES. They have to be 3 percent, Dale, or would 5 percent—

Mr. RICKERT. Five percent would be fine. Taking it away from the yearly payoff is the more important, really, Bill, than it is actually the low interest. I could live with 7 percent if, you know, it had 5-year payback.

Senator CLARK. Anybody else?

[No response.]

Senator CLARK. Well, if not, we thank you. Let me just say in closing that the whole idea here, of course, is to get a program which, unlike the present one, is not four overlapping agencies or four separate programs but to try to bring together one program which covers all crops, covers all farmers for every kind of imaginable disaster. We know now 1 out of every 12 acres doesn't get harvested. It gets planted. We heard testimony this morning, for various reasons, you can't even get to planting, and we're experiencing that in Iowa right now, and we need a program that will cover the inability to plant because of natural disaster. So, I think it's an interesting program. We're going to continue these hearings to get ideas in other parts of the State, and we're very pleased that you came and participated in it. Thank you very much.

[Whereupon, at 11:55 a.m., the subcommittee recessed, to reconvene at 2 p.m., in Booneville, Iowa.]

# FEDERAL CROP INSURANCE AND DISASTER ASSISTANCE PROGRAMS

FRIDAY, JUNE 2, 1978

U.S. SENATE,  
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,  
MARKETING, AND STABILIZATION OF PRICES OF THE  
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,  
*Booneville, Iowa.*

The subcommittee met at 2 p.m., in the meeting room of the Booneville American Legion, Hon. Dick Clark Presiding.  
Present: Senator Clark.

## STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM IOWA

Senator CLARK. The hearing will come to order. I want to welcome you today to hearings of the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices of the Senate Agriculture Committee.

In addition to this hearing, we had a hearing in Ely this morning, a small town south of Cedar Rapids, and we will have another hearing tomorrow afternoon in Sioux City at the stockyard.

One thing I would like to say, if I might, quite aside from this subject of crop insurance, which is the purpose of this hearing, is that I am frankly very disturbed with the discussion that has been going on in Washington the last couple of days with regard to beef imports.

We have gone through a period now where we have had about 4 years—almost exactly 4 years—of very, very low beef prices. Occasionally it got up to the cost of production or a dollar above, but for most of those 4 years beef producers produced below the cost of production.

Nobody was saying, "Well, we have got to go out and do a great deal now here to bring up these beef prices." There were no great programs or meetings or task forces thrown together for that purpose. Everybody said, "Well, we are in a down cycle. We are in a cycle, and that's going to come back after a period, and, yes, people are going to lose money, but after this cycle is completed, they are going to start making money."

Well, now, we are through that cycle, and we have got beef prices now above the cost of production, and we are getting all this shuffling around the last couple of days about how we are either going to have to take all of the import quotas off, or import significantly more meat, or find some other solution, and it is very disgusting to me that we are proceeding in this way because what it means is that nobody cares if you are below the cost of production, and then if you get above the cost of production, that's not acceptable.

Now, if we are really going to work on a supply and demand method when the prices are low, then we are going to have to work on a supply and demand method when the prices go higher; otherwise, you can't have any kind of a leveling off.

I am convinced that the increases have about run their course, that the natural course of supply and demand is going to produce some additional beef over the next several months and years, and we are going to have to do that because we cannot go back to a system that was tried in 1973 when prices were frozen. That's what got us started in the trouble that we are in now. So I can tell you as one Member of the Congress—and I am sure there are a lot of others that are not going to stand still for that.

There is no reason in the world why we are going to go through 4 years of prices below the cost of production, and then the month or two that we begin to get something above that, to say, "that's unacceptable."

Well, I just wanted to get that off my chest.

These hearings in Iowa are the first ones that have been held in the country with regard to this legislation. This is really an administration proposal. It was introduced formally by the chairman of the Senate Agriculture Committee, Senator Talmadge, at the request of the administration.

The purpose of these hearings today and tomorrow is to bring this very far-reaching proposal to the attention of Iowans, and to give farmers and farm groups, and anybody else, the right to look at these programs and really come to some conclusions about whether or not you think they will work in our area.

We want to discuss and comment, in other words, in a formal way—all of this is officially recorded.

A factsheet about this particular proposal, the administration's proposal, was mailed out along with invitations to these hearings, and there are additional copies over at the door, I believe.

Also, Mr. Gene Hawks, on my left, the Regional Director of the Federal Crop Insurance Corporation of Des Moines, is here with us today, and I have asked him, as soon as I have finished, to take about 5 minutes and explain the administration's proposal, just very briefly, and then we will turn to witnesses who wish to speak on the bill.

It looks like, as a matter of fact, we have about six or eight witnesses in a couple of hours, so we may have to limit the time somewhat so that everybody who came to speak will have an opportunity to do so.

The risks that farmers face in production and marketing of crops each year are really enormous. They are almost \$50 billion. This is the kind of risk that is involved, \$50 billion is a lot of money. It is hard to know how to explain or understand how much it is. I guess one way of doing it is to remember that in the whole State of Iowa, its annual budget is \$1 billion for all the highways and education programs and social programs. Everything we do runs a billion.

We are talking about a farm risk of \$50 billion a year in crops, in raising and producing and marketing these crops.

Another interesting statistic, I think, is that on the average 1 acre in 12 that is planted across this country is not harvested because of bad weather or other disasters, and many acres that are harvested

suffer greatly reduced yields, as we all know all through this part of the country from last year's experience.

Family farms frequently lack the resources to survive a crop disaster and to continue stable levels of production, and for that reason the Federal crop insurance program was begun back in 1938, and since that time it has been a national policy for the Government to help farmers bear the risk of crop disasters, just as it is the Government's policy to provide price support and target price programs to help farmers bear the risk of good weather and overproduction and low farm prices.

Despite their importance, the disaster programs have become, it has been stated, somewhat of a disaster themselves. Despite their importance, the disaster programs or the coverage that they offer is inadequate. The programs are overlapping and confusing, and they are inequitable and unfair in many respects.

The current programs are administered by four different agencies, and there are greatly different operating rules and procedures from one program to the other.

They are inadequate because coverage has not increased enough to keep up with the increases in cost of production. They are inequitable in that farmers with virtually identical production histories and climates and soil find themselves entitled to greatly different protections and different premium costs. We had witnesses this morning who went into that in more detail.

Now, in 1977, last year, for example, 2,000 counties across this country were declared disaster counties for purposes of the Farmers Home Administration disaster loan program. Two-thirds of the counties in the Nation, in other words, were declared disaster counties this last year. Still, many farmers with crop disasters found themselves ineligible for Farmers Home disaster loans because they were not in an eligible county, even though their particular operation was adversely affected by bad weather.

Indeed, in other cases, even where there were declared counties, they weren't eligible because they couldn't meet tests of credit. Other farmers found that crop losses in eligible counties made them eligible for substantial loans at very favorable rates of interest, whether or not they needed the loan.

Now, the administration's proposal—and we are not here to sell it. We are here to listen and find out what you think of it—would be voluntary and would require a premium. It would be available to all counties, to every farmer in the United States. Initially, it would cover 18 crops, but the administration proposes that it would be extended to other crops and even to livestock, as actuarial experience is gathered in that area.

Farmers would be able to choose among three levels of protection. The lowest coverage would be about half the historical yield valued at the target price. At that level of coverage the premium paid by farmers would be about half the cost to the Government. It would be subsidized at about half the cost of the premium, if you took 50 percent.

Farmers could choose higher coverage, 70 percent or 90 percent of their yield, but the cost of additional coverage beyond the first 50 percent would be paid mostly by the farmer.

Now, the new program would be handled through ASCS, but insurance sales would be handled by private agents, because we would like to keep it as much in private hands as we possibly can.

The program is projected to cost about \$542 million per year, total cost nationwide, \$542 million. Interestingly enough, that's less than the \$555 million cost of the programs that it would be replacing.

In other words, this program would be cheaper to taxpayers than the four existing programs.

Now, current programs provide farmers with about \$7 billion in protection, if you take all these programs combined. The USDA estimates that the new program would provide more than twice, or about \$15 billion, in protection, and at \$13 million less cost in taxes.

The proposed program is to simplify the current system of four overlapping programs. The new insurance program, for example, would replace the low yield disaster payments program that covers our six main crops, so we replace the disaster program that we now have.

It would also eliminate the crop insurance program that covers 23 crops but which is not available in all counties and which does not cover all risks. It would eliminate the two disaster loan programs, the one run by the Farmers Home Administration and the second by the Small Business Administration. It would not eliminate Farmers Home regular loan programs; only the disaster programs.

Today's hearings are the first step in a process that Congress will use to decide if the administration's objectives are the most appropriate and if the proposal would accomplish all those things as effectively as the administration projects.

I expect that this evaluation will take several weeks, perhaps several months, and that it will involve a number of hearings like this one, hopefully in other parts of the country, certainly in Washington.

I hope you will take this opportunity to tell us exactly what you like or do not like about the proposal and how you would like to see it changed, because it is not written in stone. We can make amendments to it that are necessary. We are at the earliest step and stage in this process.

Because I expect that we will have a number of persons who want to speak—we have already had several—and because we have limited amounts of time, I am going to ask that the statements be limited to about 8 minutes so that we can have some time for questions.

If you have a written statement, incidentally, and don't want to produce it orally or want to go home and write one, we will keep this hearing record open for 30 days, and all you have to do is send it to me, just Dick Clark, U.S. Senate, Washington, D.C., and we will make it a part of the permanent record.

I want to start first with Mr. Hawks and have him just take 5 minutes to explain, in better terms than I have, probably, what this program is and how it works. Then we will go right on with our witnesses.

I might just tell you the order here so that you know when you are starting. Leo Waggoner, Robert Schoon, Jerry Boyle, Glen Newell, Don Krist, and Garland Barratt, just so you are sort of ready in that order, and we will move right along.

Gene, why don't you go first in terms of explaining what this is all about.

**STATEMENT OF GENE HAWKS, REGIONAL DIRECTOR, FEDERAL CROP INSURANCE CORPORATION, DES MOINES, IOWA**

Mr. HAWKS. Thank you, Senator. The Federal Crop Insurance Corporation offers insurance in all Iowa counties on corn and soybeans, and on oats in all Iowa counties except Ringgold and Wayne.

There are a little over 30,000 farmers now participating in the program in Iowa. This participation amounts to 20 percent of the potential insurable acreage on approximately 24 percent of the farms.

From our contacts with farmers, both insured and noninsured, we have received two principal objections. They are, No. 1, "You don't offer enough coverage" and, No. 2, "Why can't I insure my other crops?"

I have read the bill, Senate 3029, to which you referred in your opening statement. The program proposed in S. 3029, in my opinion, provides an answer to the two questions just mentioned. It answers those questions in a very positive manner and provides also for a variable protection to allow the producer to choose and purchase the amount of protection most desirable to fit his cost of production.

The variable I am referring to is the 50-percent, 70-percent, and 90-percent levels of protection.

The 50-percent level can be compared to the present crop insurance program. This level represents about 50 percent of the production costs for the major crops, and will cover variable costs such as cash outlay for seed, fertilizer, fuel, oil, and so forth. It is proposed at this level that the Government would participate in up to 50 percent of the premium.

The 70-percent level will cover all of the variable costs under the 50-percent level, plus some machinery and overhead costs. The machinery costs can be generally defined as costs that would include charges for replacement, interest, insurance, and taxes. Overhead costs can be defined as costs for recordkeeping, utilities, general farm maintenance, personal property taxes, insurance, and similar items not specifically associated with a specific crop enterprise.

As you mentioned in your opening remarks, Senator, most of the additional premium charge above the 50-percent level would be paid by the farmer.

The 90-percent level would include those costs covered under the 50- and 70-percent levels, plus part of the costs of land and management. Land charges are to be calculated at a percentage which would be determined by the Corporation on the current average price or average rental of land for agricultural purposes. The additional charge or premium above the 70-percent level would be paid by the farmer.

These three levels of protection would allow the farmer to choose the protection he needs. There is a very good example and explanation of how it would work on the factsheet that was available at the door when you came in.

In general, the farm production protection program, as proposed in S. 3029, is to eventually offer protection to all farmers on all agricul-

tural commodities in all agricultural counties. As Senator Clark pointed out in his opening remarks, it would begin on 18 crops for the 1980 crop year, with expansion to additional crops and commodities, such as livestock, each year as actuarial experience is gained.

The risk of farming never gets less, and the cost of investment continues to climb. This program would benefit farmers, consumers, and businessmen alike. In times of disaster, the farmer could continue to meet his fixed expenses and remain on the farm the following year. The consumer would be assured that the farmer, because he will be able to stay on the farm, will continue to provide the high quality of food and fiber the consumer depends upon. The businessman can be assured of a stable economic condition in his community.

By replacing the four inadequate, overlapping, inequitable programs that you mentioned, Senator Clark, this program, through an efficient county delivery system, will offer more protection to the American farmer, with less cost to everyone.

Senator, I want to thank you for the opportunity to provide this information.

Senator CLARK. Thank you, Gene. I think what I would like for you to do, if you have got the time, is to take one of those chairs and come over here, in case we get some questions about it that you could help us with.

We are going to have Leo Waggoner right now. Come up here in the witness chair.

I might mention that Bill Motes is on my right, who works with me on the Senate Agriculture Committee, and Janice Wilson, who is a congressional liaison officer for the Department of Agriculture and crop insurance, and whose parents happen to be farmers near Springville, Iowa, is here, and you have met Gene Hawks.

Now, Leo, you proceed in any way you think appropriate. You are here representing the Iowa Farm Bureau.

#### **STATEMENT OF LEO WAGGONER, REPRESENTATIVE, IOWA FARM BUREAU FEDERATION, WEST DES MOINES, IOWA**

Mr. WAGGONER. Senator Clark, Bill, friends, let me say first of all that I appreciated your comments regarding the beef situation, Dick, and frankly I would be happy to spend a little time talking about it. I think it is a very serious problem, and I am glad you addressed yourself to it. I believe we have some serious problems coming in that area.

The Iowa Farm Bureau appreciates this opportunity to express our views on the proposal for disaster insurance for farmers. We compliment the subcommittee for holding these hearings in our State to obtain views on the Farm Production Protection Act.

#### **REASONS FOR DISASTER INSURANCE**

There are many good reasons for instituting a more comprehensive crop insurance program. Present programs overlap and are cumbersome. They should be replaced. As some farmers are ineligible under the present programs, new programs should give the farmer the choice of participation.

Another reason for the increasing interest farmers have in this area is because they operate in a very high-risk environment. Not only must they contend with the risk of weather, but there are also many economic risks. These economic risks have become much greater in recent years. In the earlier days, farmers provided most of their own services and supplies, but now they have to purchase most of these production items.

This money outlay, along with the variations in prices received, makes farming a very risky business.

All-risk insurance may be a way to preserve many family farm operations. Under these financial circumstances, any program that minimizes large losses in agriculture will be beneficial to the total economy.

#### QUESTIONS TO BE CONSIDERED

We urge that Congress give serious attention to improving disaster insurance. At first glance, it may seem a simple procedure to provide crop insurance. As one becomes more acquainted with the problem, many difficulties are discovered.

How many farmers will participate? What should be the premium level? To what extent should the Government subsidize the program? How do you allow for variations in the soil, weather, and management ability of the producers?

There are many other questions that suggest the committee move cautiously in developing new crop insurance legislation.

For example, would the new program supplement or supplant private insurance programs, such as hail insurance, presently being purchased by farmers? No doubt many lenders would insist farmers purchase all-risk insurance, making other insurance unnecessary. It would seem logical to restrict Government insurance to coverage not now written by private companies, but would this be possible or practical?

Have the costs of the proposed program been adequately researched? One estimate is that the annual cost would be \$542 million compared to the 3-year average of \$555 million for the program to be replaced.

A study by the Congressional Budget Office indicates Federal crop insurance expanded to cover all crops with a 50-percent premium subsidy could result in 60-percent participation. The annual average costs of this option would be near \$600 million, with costs up to \$1.4 billion possible. This is a large variation, and there are many unknowns.

To date, multiperil insurance has not been very successfully sold by private industry. Would this be true if present disaster and other Federal programs were not available?

Will the public continue to support the cost of subsidizing crop insurance? We understand because of the high risk there will probably have to be some subsidization, but as the bill is written with no limit on the costs, the public may become disenchanted. Also, if all costs above premium income are to be borne by the Government, would there be much incentive to control the total costs?

Private industry has the incentive to operate at a profit, or at least break even. Would this be the case under the Government program?

Suggestions: As we testified earlier, we favored the reinsurance approach—which is not included in this program except for certain areas

outside the 50 States. We think it is very important that we capitalize on the knowhow of the insurance industry. We believe a cooperative program between the Government and the private insurance industry can offer a program of protection to farmers that will be more economical and efficient than a complete takeover by Government.

The insurance industry requires personnel who are experts in such areas as sales, underwriting, and claims. We are not certain the Government will have the same incentives as the private insurance industry to hire and keep highly trained personnel.

At present, we think any multiperil insurance program should be limited to crops and not include livestock. Crop production is more dependent on weather, and there would be value in not having broad coverage until more experience was gained.

We seriously question insuring at the 90-percent level. This high coverage could be very costly to the producer and to the Government. Protection at the 50-percent to 70-percent level would be more practical and defensible.

It is conceivable that a disaster insurance program for agriculture could become all encompassing and replace present farm program aids. This would not be the intention as the new program emerges, but if a high level of protection is provided, the need for production control and price support programs may be less important. Therefore, we believe it advisable that the program adopted be geared to a more reasonable level of protection.

Thank you for the invitation to appear before you today.

Senator CLARK. Well, we appreciate very much having your comments, and particularly the specific ones about specific areas.

Let me just ask you a couple of questions.

The critical question, it seems to me, is the one you raised at the bottom of page 1 of your statement: "How many farmers will participate?"

One thing that concerns us, of course, is that if we do away with all the disaster programs except this one, this is the only protection that a farmer has, and then if people don't participate in it, then you have got no protection. If you lived in central Iowa, and had weather like last year, if you didn't have disaster insurance, if you didn't have crop insurance, if you couldn't get an SBA or Farmers Home loan, then you were left out in the cold entirely, which I suppose is the reason that we have got to find some way to really make it attractive for people to get into. I would think if we couldn't get—well, I will pick a figure out of thin air—two-thirds of the people into it, then we would be apt to run into a lot of difficulty as soon as we had a natural disaster. The temptation then would be, "Well, let's go past the program right back to where we were." There would just be great pressure to do it because farmers would find themselves in a difficult position.

Do you agree with that, generally, that we have to have that kind of heavy participation, or not?

Mr. WAGGONER. Well, I think certainly those that have the greatest need to have some income, I think we hope would avail themselves of it. The young farmers, the farmers that are stretched financially, they may have the least ability to purchase the insurance, but they have certainly got the greatest need if they are going to continue in agriculture.

Now, the study done by the Congressional Budget Office indicated that if we provide 50-percent subsidy, that they estimated in their study that we would get a 60-percent participation, which is about in the area that you said, two-thirds, and being practical, I think we need to think, you know, in that area of participation if it is going to be effective at all, because I am sure what you say is right.

If we come in with a drought like we had in central Iowa last year and 25 percent of the people have protection, you know the kind of pressures that you are going to be getting and the rest of the folks are going to be getting, and the inclination is going to be to want to do something, and that in itself would tend to minimize the program in future years, if we had to do that.

Senator CLARK. Tell me about the private insurance area. I am looking at the middle of page 2 here. "To date, multiperil insurance has not been very successfully sold by private industry."

I don't expect you to have statistics, but I frankly am just not well enough informed in that area in terms of what percentage of the crops are covered now, why more of them are not covered. Is it too big a risk for private industry, or what is the reason behind it?

Mr. WAGGONER. Dick, I think you are right. I think it is the risk involved from the private industry standpoint. I think if they are going to do it, the Government is going to have to reinsure them. They are going to have to give them that kind of protection. Otherwise, I don't think there are any insurance companies who are big enough who are going to want to take the risk.

If we would have had a multiperil insurance company writing business in central Iowa last year, it would have gone bankrupt. There is no other way out, without heavy reinsurance being available to them, so we think that if we move the route of the private insurance company, the Government is going to have to be in the reinsurance business for them in this sort of protection, or nobody is going to be interested in making the service available.

Even with hail insurance, this is mighty risky today. We have an awful lot of hail insurance companies with a lot of financial pressures.

Senator CLARK. All right. Thank you. We appreciate it.

Mr. WAGGONER. I say again that we appreciate your statements on the beef situation.

Senator CLARK. Thank you. Robert Schoon, Pocahontas County.

Mr. SCHOON. Mr. Clark, I have no written testimony or oral testimony to present at this time. I would give my time to Mr. Newell.

Senator CLARK. Come right on up. Glen Newell, ASCS.

#### STATEMENT OF GLEN NEWELL, REPRESENTATIVE, ASCS, POCAHONTAS COUNTY, IOWA

Mr. NEWELL. I don't have any written testimony. I just scratched this up here in the last couple of days. We are one of the pilot counties on this crop insurance.

Senator CLARK. Oh, that's right. You are 1 of 20 in the United States, aren't you?

Mr. NEWELL. Yes; the ASCS has taken on the sales. I would just like to report some of the things that we have found to run true in

our county that might be of some aid to you when you are working on this.

Senator CLARK. What was this pilot for? Can you go into a little more detail about why? Is this a pilot on this program that we are talking about, or what?

Mr. NEWELL. No; it is the regular Federal crop insurance program that is being administered and sold through the local ASCS offices, and we are, like I say, brand new at it this year when we started. I mean I never carried crop insurance in my life, and I knew very little about it.

We had a little training in Des Moines and picked up quite a bit on it. What we have done in our county this year—I think the main reason for it was to try and get more sales out, bring the insurance out to the people so that they would know and understand what we have. Since we have an ASCS office in practically every heavy agricultural county in the United States, I mean they would have a local office that they were used to coming into, and there would be someone in there to talk to them all the time.

Now, this year after we started here, after the first of the year, we had 223 carryover policies that hadn't been canceled out or people that had carried their insurance over. We went out and sold 177 new policies in 1 year, and our premium collections will be, I think, double what they were in the past. Now, this is what we have done in 1 year through the ASCS office.

Now, I have contributed a lot of this increased sales, and stuff, to the fact that people are used to coming into our office. They are used to talking to us. They come in every day. They have all kinds of farm programs that were administered there. I think they have trust and confidence in the people that work in there.

They feel, I think, more at home in there, and they don't have to drive 50 miles to a district office, or something—50 or 60 miles to some district office some place to talk about insurance to someone they don't know.

Now, I estimated that we are probably covering 30 to 35 percent of the crops in Pocahontas County this year, and this is after our first year in it.

There is one thing: I think we have got to move ahead cautiously when you talk about this coverage. Now, when you talk about 90-percent coverage, I think that's a point that I really don't think can be properly administered.

Senator CLARK. Can you explain why that's true, and so forth?

Mr. NEWELL. Yes; I think if you talk about 90 percent of the average yield or 90 percent of the projected yield—for instance, in Pocahontas County right now our ASCS projected yield is 111 bushels an acre, but we carry a lot of farms at 112, but that's what our projected yield is and normally what we would be expected to get off our farm. We don't get that.

Our county average actually averages, like over the last 5 years, something like that, probably in the neighborhood of 96. I am not sure if this figure is exactly right, but it is probably somewhere around 96 bushels an acre.

Well, if we were going to be guaranteeing 90 percent of his projected yield or what he normally is expected to get, we would be out here guaranteeing him 100 bushels an acre.

Senator CLARK. How was this 111 established?

Mr. NEWELL. This is established through your Crop Reporting Service and ARS.

Senator CLARK. How do you explain the difference between what actually happens and what the yield is?

Mr. NEWELL. I say that this was a projected yield. When I read your information on the bill, you are talking about a projected yield for this farm. A projected yield and what he gets on a normal year average is not his 10-year average or his 5-year average. I think that the Federal crop insurance guarantees are somewhere in the right category now.

I think the farmer must accept the first 20 or 25 percent of a loss himself; otherwise, we are going to go out and we are going to run into more or less of a socialized farm program where we are going to take farmers who have maybe got a little poorer farm or he is a little poorer operator, and he is going to take this coverage out at the 90-percent coverage. He is going to use less fertilizer, less herbicide, put out a little less effort because he is going to be assured that he is going to get at least 90 percent; 90-percent coverage, anyway.

I think you would find this because he would greatly reduce his cost of production from what he normally would have when he is out there trying to get the best crop. If he knew he was going to get a guarantee of 90 percent of his projected yield, he could probably cut his fertilizer program in half. He would cut his seed population down. He would go with less herbicide, no insecticide, probably, because he would know that he was guaranteed.

Senator CLARK. I want these people that are listening and that are going to testify to respond to this too, because you are the first person that has mentioned that.

What do you think about 70 percent?

Mr. NEWELL. I think 70 or 75 percent would be fine, because at the 70- or 75-percent level, the incentive is still there for this farmer to go ahead and produce and get that other 20 or 25 percent that's above there, because that is where his profit lies; not just his cost. His profit lies in that 20 to 25 percent above this 70- or 75-percent guarantee.

As you stated in your opening statement, you have heard these farmers come in and complain that they have the same kind of farm as the one across the road, and one has more coverage than another one does. I think this can be remedied, and I think we have remedied it to a great extent in Pocahontas County this year. We have had a lot of work set up, and we have set up a coverage on each individual farm in Pocahontas County.

I know Federal Crop Insurance Corporation does not have the personnel or time to do it, and they are not well enough acquainted. They had to put coverages on areas. In our county they would have whole townships with the same coverage. This would make it real hard for them to operate in the black because in that township there is bound to be some poor operators—not some, but quite a number in each town-

ship, and you will find some of these people. Maybe a lot of them are—I have nothing against them, but maybe they are an older producer, and he owns the farm, and he isn't interested in the maximum dollars, and he will take it a little easier.

In every township—I don't care how good it is—there are some farms that aren't quite as good as other ones, and we found in going over the records of what our crop insurance was in the county in the past, that a lot of farms in these areas—this was called our better area—we could go through a township, and we could pick out 15 or 20 farms in that township that should be rated considerably below the average, and I don't think any private company would have the personnel so that they could do this.

I think about the only way that this could be done is through an organization like the ASCS where we have county committees that are elected by the people. We have a township committee that operates in each township, and hopefully a good CED in the county that has some idea of what is going on.

I think that's the only way that you can go out and set this coverage on each individual farm.

Now, we have found this year that we have had a very good acceptance from these people that came in, some of our better operators and our bigger farmers, that would have nothing to do with crop insurance before because they looked at it. Here is what I am afraid is going to happen under your bill. You are going to get in here and be guaranteeing everybody almost the same yield of coverage at this 90 percent. You are still going to find your good operator that says it is going to get so high priced because they are going to be carrying all the poorer operations.

Senator CLARK. The premium rate at 90 percent would be very high; would it not?

Mr. NEWELL. Our good operators on good farms wouldn't be taking it. I am afraid that it would get so high that they wouldn't carry it at all because they are pretty sure that they can operate without this loss.

I think it should be handled by the ASCS because I think we have the personnel; at the sales end of it, it should be handled through our offices.

Senator CLARK. You don't think the private sector could do it?

Mr. NEWELL. I don't think so, and I don't think they should. If the Federal Government is going to be putting the farmers' tax money in it, I don't think it should go to a private sector. I think it should be a Federal program, and we have the personnel to operate it because in our offices, we have a group of people, and we have our high peak in workload and our low peak, but we have a number of people working in our office.

You can put two or three people over on the Federal crop insurance program at the time when the peakload comes in, and the rest of the year we can use those people in some of our other programs where workloads peak at different times.

I think we could very efficiently operate it through our counties.

Senator CLARK. Let me ask you one question. It is a little unclear to me, exactly, as to what the difference is between the regular crop insurance program and what those of you in these 20 pilot counties are

doing. Other than the ASCS administering it, is that the only difference?

Mr. NEWELL. That's practically the only difference in it. The only difference that I know of between what it normally was and what it is now is that they have taken the planting dates off. I don't know if you understand what the planting dates are.

Senator CLARK. You have to plant by June 10th.

Mr. NEWELL. Your planting dates, in other words—I don't know what they were on the other program, but if your corn was planted, it had to be planted before the 5th of May, and you would have so much coverage, and if you didn't plant until the 15th of May or the 20th of May, then your coverage was less, and then after the 10th of June, it was less, and then after that, none. Those planting dates have been taken off.

Senator CLARK. You can plant any time?

Mr. NEWELL. You can plant any time up to the final date, but still with the local committee, I think, operating it, we would find that we would have a loss if somebody—our county now, for instance, I think, is done planting. We have had ideal planting conditions up there. I do know of one farm in my neighborhood, one particular farm—and they carry crop insurance. I think they have collected every year since they have carried it; up until this year, I don't think they will because I think if our committee has anything to do with it—they haven't planted yet. They haven't worked the ground; yet they will probably make it by the final date, but they are almost insuring themselves of a poor crop or a feed crop.

Well, now, I think our local committee could probably rule something now. If they were administering it, they could rule them out on a poor operation, and they would know about it because they have township committeemen and county committeemen that live in the county, and they would know that.

We have lowered the coverage on that farm down to, I think, 49 bushels an acre, where they were operating along before at like a 71 bushel coverage.

Well, now, by knowing these people—and they are in that area that we call the good area, the best area in our county. Now, we have lowered their coverage down to 49.

I think it takes close contact to these people to be able to set a program up and administer it.

Now, that, I think, is one reason why this program has to be sold and administered by some kind of a Federal agency and not by a private company. Now, if you had private salesmen, they would be more interested in just sales, rather than taking this out to the majority of the people, and I think our ASCS offices are known for trying to give the people services in the county.

Senator CLARK. Let me ask you one thing. Apparently one of the real problems with the present crop insurance program is that if you can't plant before that date, it doesn't do you any good. In other words, if you live in Lee County, right now 15 percent of the corn is planted, and this is the second of June, and you have got until the 10th, so if they don't get it in in the next 8 days, crop insurance isn't any good to them anyway, is it? In other words, if you can't plant for natural

reasons—and it is too wet in Lee County or Van Buren County, or those counties, to possibly plant yet—it is no good to them, is it?

Mr. NEWELL. I will agree with that, but there could be some minor changes made in the crop insurance program that we now have to where that could be covered. I can't see any reason why those dates couldn't be eliminated, if you had local people in your local ASCS office administering this program.

Senator CLARK. Or if you had to certify it was a natural disaster, that that was the reason.

Mr. NEWELL. We have our township committeemen and our county committeemen that live in different areas of the county, and they will know whether it is a natural disaster. They could say, "Sure, this guy didn't plant. He didn't make it by that time," but those dates could be gone because if we had that situation in our county, if we had those people there in that county, they could remove that date themselves.

I think we need some minor changes in the program we have now.

Senator CLARK. In other words, your testimony is that you think this program, as you are running it as a pilot there through the ASCS, is a good program, and you don't see why we ought to do away with the disaster loan programs and the disaster program you are doing with ASCS and replace it with a new one. Am I interpreting that right?

Mr. NEWELL. I think the disaster provision in the feed grain program now is a disaster in itself, as far as I am concerned. I think this Federal crop insurance program that we have now, with some minor changes, could be a good program, real good.

Senator CLARK. How much of that land—you said this earlier, and I have already forgotten—how much of the land in that county is covered under that program?

Mr. NEWELL. I think, probably, a little better than 30 percent now.

Senator CLARK. If you didn't have any other program, what would you do for the other 70?

Mr. NEWELL. We talked about this in Pocahontas County the other day because we have an auditor working on us already. I think that we would pretty well saturate Pocahontas County with Federal crop insurance if we sold 50 percent. If we sold 50 percent coverage, I think we would have Pocahontas County pretty well saturated with the insurance. Of course, our county is different than a lot of counties because I think we probably have one of the highest tenant-operated counties in the Nation. Probably 70 percent of the land in Pocahontas County is tenant operated, and if it is tenant operated, a lot of times this means it is owned by a father or an aunt, or someone, who is 65 or 70 years old. They own the farm. It is probably paid for. They are drawing social security.

Senator CLARK. So they might not take either program?

Mr. NEWELL. I was going to say that they wouldn't take either program. I don't think you can cover much over 50 percent of the county anyway. I do believe that this crop insurance program that we have now, with some changes in it, that it could take over, and we could do away with the disaster provision in the feed grain program.

People come in and talk to us. We sit in the office, and they talk to us, and they say, "Well, I am going to take out just the crop insurance under beans," because they know they have the protection of the feed grain program under corn.

Also we have heard—we have visited with them, and we have had a number of our younger farmers say, "I don't think I want to spend the money anyway." I am not going to say some of the words that they say.

If we have a loss, we will just run over to the FmHA office and get ourselves a \$5,000 grant, or we will get some cheap money from FmHA, a cheap loan, and we will come out ahead anyway, so why should we worry? We want to be in a disaster position so we can collect.

If those other programs weren't there, we would sell more of this crop insurance.

Senator CLARK. You would just as soon see the other programs go, but you are not sure if you want to go all the way with this type of program that the administration is talking about, but perhaps go to the kind of program we have now with some extended coverage and handled by ASCS? That's really what you are saying?

Mr. NEWELL. Yes; I think, like you were talking about, part of that premium there on this new administration's program is going to be cost shared by the Federal Government. I am sure that Mr. Hawks would agree with me that if 50 percent or 25 percent of the premium cost of your crop insurance was paid by the Federal Government, we could wholesale it, couldn't we?

Mr. HAWKS. I am not sure about wholesaling, but I think it would increase. It would give incentive for more participation.

Mr. NEWELL. We will never sell that percent of those people that I talked about that are well to do and can take a loss for 2 or 3 years in a row.

Senator CLARK. Thank you very much.

Mr. NEWELL. I think I have taken up enough time. Thank you for the opportunity to be here.

Senator CLARK. It is good testimony, though. You said two or three things that I never thought about before.

Next is Jerry Boyle of Dexter. Jerry, pleased to have you here. You go right ahead in any way you think appropriate.

#### STATEMENT OF JERALD M. BOYLE, DEXTER, IOWA

Mr. BOYLE. Senator Clark, I would like to thank you very much at this time for the opportunity to testify before this hearing on a subject as important to the future of farming as the one you are considering today, Senate bill 3029. Efforts such as yours to become constantly more aware of the problems facing agricultural producers, now and in the future, are to be highly commended.

In determining the true risk premium, all statistical data should be compiled from at least a 20-year base period.

I find the 50 percent premium sharing under section 3, subsection C only fair and reasonable.

I would hope the contracts and regulations in section 3, subsection E would be kept to a bare minimum.

Senator, you certainly should be congratulated on the language in section 9, subsections A through I. The wording of these definitions displays a very conscientious effort to assess the true costs faced by farmers today.

I find only one real problem area in this bill. Section 12 deals with a very serious problem in farming today. While understanding the reasoning behind this section, I would point out a problem area.

Those producers whose assets are marginal, for whatever reason, could conceivably be forced out of farming, even though receiving insurance benefits. In these extreme cases, disaster loans to cover loss of anticipated earnings above and beyond insurance compensation should be available.

While it is true that higher levels of insurance are available, this still does not solve the problem. First, the larger share of participation in the premium by the producer—at the 70- and 90-percent levels—puts a demand for additional cash flow on those least able to afford it.

Second, these producers must have a means of making an orderly retirement of their debt, normally through a profit on their operations. When this is not possible, due to natural or uncontrollable conditions, a means must be available where the capital can be generated to assure the producer of having repayment ability, so that he may maintain a good line of credit with his lending institution.

Unfortunately, the large majority of the producers we are referring to fall in the category of beginning and young farmers, the very producers that this Nation will have to depend upon 10 years from now.

Also unfortunately, these same young producers have been put in a serious debt/asset ratio situation by the depressed farm economy of the last few years. They can and will survive to feed our Nation if they can generate a profit and if they have the assurance of realistic protection from the elements, the kind of protection that is unique to the unusual financial condition they find themselves in, through no fault of their own.

I would strongly recommend that these viewpoints be given serious consideration as this bill is authorized and implemented.

Senator CLARK. Good. I appreciate having your testimony. This is a theme of yours that I have talked with you about before, and I think it has a lot of merit; namely, that we have to have a particular concern for new people going into agriculture, young people going into agriculture, because they are in a unique situation in terms of having to put out an enormous amount of capital if they are just starting out in farming, whether we are talking about buying land or buying machinery or buying anything else. I think as we go along with this program, we have got to keep that in mind, that we must have a program that is going to be beneficial to people who are just coming into farming, who must face these enormous capital outlays, but who obviously don't have the same kind of capital as somebody who has been in agriculture, let's say, who is as old as I am, just to use one example.

It is true. I think it is one of the great problems that we have got in American agriculture.

How do we get ambitious young people who really know how to farm and want to farm and don't have the capital they need? Once they

get into it, if they get hit by something like this, as you say on page 2 and as a couple of witnesses said before, there is always this question about whether that farmer can afford the 70 percent or the 90 percent, given the fact that the premium is going to be higher for them.

Mr. BOYLE. In effect what we are doing here, Dick, is the same thing farm programs have always done. We are subsidizing the highly efficient, highly capitalized producer and penalizing the marginal operator. I mean a person who has marginal equity.

Senator CLARK. You are talking about someone of marginal equity rather than marginal ability?

Mr. BOYLE. Right, precisely.

Senator CLARK. Now, I had another question here someplace. You say:

Those producers whose assets are marginal, for whatever reason, could conceivably be forced out of farming, even though receiving insurance benefits. In these extreme cases, disaster loans to cover loss of anticipated earnings above and beyond insurance compensation should be available.

In other words, it is your position that if you have a very bad loss, let's say like we experienced in some areas of Iowa, you would like to see not only an insurance program, but the ability of people to borrow so that they could stay alive through some other loan program?

Mr. BOYLE. I would like to see a program where people could borrow according to need, Dick, and I am sure you are aware that there has been a great deal of abuse in the current SBA-FmHa—more SBA, I presume—because people have access to 3-percent money that had no need for it whatsoever. There were the ones that put it on a time certificate and made money off it.

We don't need to throw Federal money away that way. These kinds of loans should be available to people who have a definite need for them. It is going to be a very tricky thing to legislate. I don't envy you.

Mr. MOTES. Do you think we need 3-percent loans?

Mr. BOYLE. It has sure helped me in my case. It is a lot better than 9 percent.

Mr. MOTES. Would the difference between 3 and 5 make a critical difference?

Mr. BOYLE. Quite a bit. You see, the biggest problem a young farmer has to face today is that 9 percent right off the top of everything he makes.

Mr. MOTES. Suppose it were 5 percent.

Mr. BOYLE. That's 2 percent more out of a young producer's pocket, who really needs it. We are talking about an individual here who doesn't have the built-in advantage of equity that an older producer has, and he is paying for his equity through interest.

Senator CLARK. Let me ask you this: You say something at the beginning here that interests me, and I am not sure I know what it means. You say, "In determining the true risk premium, all statistical data should be compiled from at least a 20-year base."

In other words, you are saying that anything you use to determine your risk premium ought to be based on an average over a 20-year period?

Mr. BOYLE. Yes; I should have been more specific on that, Dick. Some of that would have to be adjusted averages to compensate for changing methods and practices and the capital influx in farming.

Primarily, the reason for that paragraph is yield history, so that we don't let a year like last year put a particular area in a very bad light, as far as risk factor goes.

Senator CLARK. Even if you put that in a 3-year period, it would be biased, wouldn't it?

Mr. BOYLE. Tremendously; and there are a few areas—my particular county isn't one of them, but south of us in the last few years they have had several bad years in succession, and if you put them in 5 or 10 years, it is going to reflect very heavily on any premium they would have to make, and these are the poorer counties in the State, historically, and these are the producers that maybe the premium break should be given to, rather than penalizing them.

Senator CLARK. Right, because they already have enough problems. Thank you very much. I appreciate it.

Don Krist from Des Moines.

**STATEMENT OF DON KRIST, EXECUTIVE VICE PRESIDENT, PROFESSIONAL INSURANCE AGENTS OF IOWA, DES MOINES, IOWA**

Mr. KRIST. Senator, I will just read this and enter it into the record.  
Senator CLARK. Yes; go ahead.

Mr. KRIST. Good afternoon, Senator. I appreciate this opportunity to appear before your hearing. I am Don Krist, executive vice president of Professional Insurance Agents of Iowa. I am representing a trade association of some 1,000-member agents throughout the State.

We have just surveyed our members to determine what they feel is the single most important and critical problem in the insurance industry today, and the concensus seems to be continued Federal incursion into the private insurance sector.

Professional insurance agents have long been philosophically opposed to the Federal Government being involved in the direct business of writing insurance. Accordingly, it has been the official position of the professional insurance agents to urge the abandonment of the Federal Crop Insurance Corporation and establish instead a Federal insurance program for all-risk property insurance that is written in the private sector.

Unfortunately, since the establishment of this position in 1967, the industry has made little progress in determining its goal. In fact, the insurance coverage offered by the FCIC, with its subsidized rates and disaster relief programs, has expanded immeasurably during that time period.

Further, in light of the recent Federal takeover of the flood program, many insureds are reluctant to engage in another partnership with the Federal Government, especially the crop section of the industry, which historically has experienced disastrous underwriting losses.

Professional insurance agents of Iowa recommend the removal of fire and hail from the all-risk crop insurance coverage now offered by the Federal Crop Insurance Corporation, and supports legislation directed to that end, or passage of Senate file 3029 with perhaps some amendments which puts the sale of this insurance back into the hands of private agents and replaces the four overlapping programs at present.

We hope, Senator Clark, that you use your influence and prestige in the Senate committee and on the floor to bring about this end.

Senator CLARK. I appreciate very much having your comments. Let me just ask you two questions. How would a reinsurance program work? I mean can you give us just a little detail in terms of how that would work and how it would make it possible for private agents to—

Mr. KRIST. I think, for example, the ASCS, the gentleman's recommendation to continue those pilot test areas, why not include agents as advisory committee members in those areas and work with the private sector, rather than taking it over and doing what the private sector is experienced in doing for itself?

It seems to me that the essence of good government is to work with the private sector, and only do those things that they cannot do themselves, and I think the insurance industry has experience.

Senator CLARK. If you reinsured, can you just explain that process a little bit in terms of what you are recommending? I mean would you be able to offer insurance then to farmers at every level for all crops, or how would it work? Obviously, I understand what you mean by having the Federal Government reinsure you. What would be your limitations or advantages at that point?

Mr. KRIST. Well, I'm sorry. I wouldn't be able to recommend any specifics along those lines. Hopefully it would be something that the private sector could work out. I am sure that there are many recommendations that are on file that have been made for the reinsurance program in varying degrees and amounts.

Senator CLARK. We appreciate very much having your testimony.

Mr. KRIST. Thank you, Senator.

Senator CLARK. Thank you. We are going to hear now from Garland Barratt of Irwin, Iowa, Shelby County. Garland, you come right on up here. You are with the ASCS committee, are you not?

Mr. BARRATT. Yes.

#### STATEMENT OF GARLAND BARRATT, REPRESENTATIVE, ASCS, IRWIN, IOWA

Mr. BARRATT. Senator Clark, ladies and gentlemen, the testimony that I am giving is one that I presented to Congressman Tom Harkin in February of 1977. At that time the allotment system was still in effect, but since has been discontinued.\*

At Mr. Harkin's request, I flew to Washington, D.C., and presented it to the House Agriculture Committee hearing on H.R. 7111, Congressman Ed Jones, chairman. This was on October 20 of last year.

My purpose for combining the two programs and formulating them into one was:

No. 1, to avoid the overlapping payments which are sometimes made to a producer from both programs;

No. 2, to make the disaster part of the program less expensive to the Government;

No. 3, to keep the premiums on the insurance part of the program at a minimum and a lesser cost to the producer, and

\*See p. 74 for a subsequent letter from Br. Barratt.

No. 4, by using township committees as part-time workers, it would be less expensive to administer than having full-time employees, and they would also be in a better position to detect and observe any abuses of the program.

My suggestions for disaster program and crop insurance combined to be administered by the ASCS office:

Eliminate allotments and use planted acres for disaster programs. As I have previously mentioned, this has been discontinued.

Senator CLARK. That has been done, yes.

Mr. BARRATT. That is a good thing. Use 80 percent of the present farm yield, the ASCS projected yield, for disaster programs.

An example would be a farm with 100 bushels yield, 80 percent of 100 equals 80 bushels.

The disaster program will cover crop damage up to 40 bushels per acre.

Forty to fifty bushels will be covered by a fee or premium per acre.

Fifty to sixty bushels will be covered by an additional fee which will be at a rate higher than the 40 to 50 bushel rate.

The 60 to 70 bushels will be covered by an additional fee higher than the 50 to 60 bushel rate.

The 70 to 80 bushels will be at a maximum rate.

The payments will be made on the deficiency between production and highest insured rate.

The farmer would declare and designate all of his acres of corn immediately upon completion of planting and no later than a normal planting for the area, which would be June 10, extremely late, for central Iowa.

For ease of administration, a program should be kept in its simplest and most equitable form. Since farm yields have a wide range, they must be categorized into workable units.

For the purposes of insurance and disaster, the yields should be rounded downward. A feasible example would be for all yields above 100 to be rounded to 100, from 99 to 90 down to 90; from 89 to 80 would be rounded down to 80, and so forth; 100 bushels would be the maximum yield which shall be used. This disaster and insurance would total 80 percent of this, of which 40 percent would be disaster and 40 percent would be insurance.

Now, I have three examples here of what the costs would be or what the insurance would be.

On 100 bushels, the first 40 bushels would be disaster, and then you would have four additional options up to 80 bushels.

Senator CLARK. I see those.

Mr. BARRATT. The next category, if it was rounded downward to 90 bushels, it would be a total of 72 bushels; 36 bushels would be disaster. The next options would be in nine bushel segments.

Eighty bushels would be 64 bushels maximum, 32 bushels disaster, and then 8 bushel units.

Now, the cost for the 9-bushel insurance units would be 9/10ths of the cost of 10-bushel units.

The cost per bushel would remain the same. As your yield per acre was projected downward, your insurance premium would be down an according level.

The purpose of the combined program would be to make disaster programs available to all farmers; make additional insurance programs available to all who would like additional insurance.

Using present county offices and staff would be a cost savings. No salesmen would be needed. The farmers could go to offices where maps and records are available. Policing by township committeemen would be more effective than the present system.

Points of arbitration could be determined by the township committee, the county committee, and then to the State committee.

My plan is basically and in principle very similar to the one that you have tentatively adopted. One point that I have underlined is point No. 4 on the second page, and I think if a program is ever adopted, this should be the way the payments are made. It is underlined in red.

The payments will be made on the deficiency between production and highest insured rate.

In order to make the combined insurance and disaster program more efficient and less expensive to all concerned, we need to take precautions to prevent any abuses and unfair or incomplete reporting of the production. Therefore, I believe it would be advisable and necessary that an agreement should be signed that would allow a bona fide employee of the insurance company or ASCS office to inspect each farm prior to the beginning of harvest, and that the producer at this time should declare and certify all of his old grain in all positions before beginning harvest.

Senator CLARK. What do you see as the biggest problem of the present program or programs?

Mr. BARRATT. The disaster program?

Senator CLARK. Yes.

Mr. BARRATT. Well, one thing about the disaster program is that you have your eligibility level like, say, 53 bushels, and your payment level then goes up to 66 bushels. It is a great temptation for the man who knows that he has 54, 55, or 56 bushels to get rid of enough bushels to make him eligible, because then he is going to be paid back up to the 66 bushels. This is why I think that the provision that the payments will be made on the deficiency between production and the highest insured rates would eliminate the temptations.

Senator CLARK. What about the present crop insurance program? What is the problem with that?

Mr. BARRATT. Well, cheating.

Senator CLARK. How does that work?

Mr. BARRATT. Well, like I have said here, if a man can establish the identity of corn—say he begins harvest and has a dryer on the place, dries it down to 14 percent, and puts it in the bin over here and when they come to obtain his production, well, he says, "That's last year's corn," and there is no way in the world you can tell the difference, or at least I can't.

Senator CLARK. I am looking at each of the four programs that exist in law now in terms of their own weaknesses. What about the Farmers Home and then the SBA low-interest loan program?

Mr. BARRATT. I think the gentleman from Dexter here pretty well said that for me, that there are an awful lot of abuses of that program

because of the fact that it was not based on need, nowhere near need, but the banks are very happy.

Senator CLARK. The banks are very happy?

Mr. BARRATT. Very happy; very happy.

Senator CLARK. Do you think this administration's proposal that we have got before us today is basically a good one, or what one or two things would you like to see changed?

Mr. BARRATT. No; I think it is somewhat similar to what I have proposed. I mean I am sure that my program isn't unique. I think that by combining disaster and Federal crop, that they both could improve the image of each other, and I am sure they could improve the past image, and I think they are compatible.

Senator CLARK. Now, the first witness said something like he didn't think maybe we ought to go as high as 90 percent, and I think the second witness pointed out that if you get it that high and given the way in which yields are figured, and so forth, that you might actually find people who want a disaster to make money on the disaster. Do you share that feeling?

Mr. BARRATT. There are a very, very few farmers in each township that are a disaster when they go to the fields, as far as like one gentleman said. He mentioned somebody who hadn't gone to the field yet or didn't have anything planted.

We have, I would say, maybe three or four in our county, but if you based your actuarial things on those three people or four people, I think it would throw the whole thing out of balance.

Senator CLARK. You are limiting it to 80 percent? You say you don't even want to get it above?

Mr. BARRATT. No; I don't think we should insure for a profit. I mean I think we should cover the cost.

Senator CLARK. Thank you very much. We appreciate having you.

Mr. BARRATT. Thank you for the opportunity.

Senator CLARK. Albert Rutledge, Des Moines, crop hail insurance.

Mr. RUTLEDGE. Yes; yes.

Senator CLARK. Good. Do you sell crop hail insurance?

Mr. RUTLEDGE. Yes. I am the president of the Farmers Mutual Hail Insurance Co., and we are probably the largest hail insurance writers in the industry. I am very much interested in this legislation because of it.

Senator CLARK. Good.

#### STATEMENT OF ALBERT RUTLEDGE, PRESIDENT, FARMERS MUTUAL HAIL INSURANCE CO., DES MOINES, IOWA

Mr. RUTLEDGE. I really ought to apologize first for not having a written statement. For some reason we were only notified of this when we saw it in the paper this morning.\*

Senator CLARK. People usually do better without one, so don't feel badly about that.

Mr. RUTLEDGE. Well, I really haven't a great deal to say to add to this. We feel that this new program, when you are talking in terms of a subsidy of \$500 million, will be a strong enough subsidy to benefit

\*See p. 74 for a subsequent letter from Mr. Rutledge.

everyone, and for all intents and purposes will eliminate the crop hail insurance industry. Consequently, we are vitally interested in that.

It does represent a substantial industry. The total industry writes a premium of some \$338 million. We have a small part of that. Our share is about \$35 million, \$17 million here in Iowa. We have over 4,000 agents who represent our company. There are agent associates which have been represented here, and there are some 120 of us in the home office. This is incidental, not to tell how big we are, but the economic effect of eliminating our particular company, and this is, as you can see, only 10 percent of the total industry. It would have, we feel, a real drastic effect if we get into these higher ranges.

When you are talking about some small or low guaranteed production, I can see where this is a necessary benefit, and I would say that we would have certainly no objection to that. In fact, I feel that it would be a very good thing.

Senator CLARK. Explain that just a little. I am not sure what you mean. When you say "lower range," do you mean 50 percent?

Mr. RUTLEDGE. I am talking about in this kind of range. I can see a real need and benefit for this, but when you are getting up to the 60, 70, 80, and 90 percent, if the premium on those was actually charged on an actuarial basis, I think they would be prohibitive, but then if they are subsidized, then we are out of business, and that's what our concern is.

Another thing that we have suggested—and, of course, we have been in the crop hail business for, well, 80 years ourselves, and many other people represented here have been in it for a long time. We can see no reason why you need to supply crop hail insurance for either hail, fire, lightning or livestock since it is readily available now in almost every area and for almost every crop. I really don't think there is a need to provide that coverage.

Senator CLARK. You said hail, fire, and lightning?

Mr. RUTLEDGE. That's on crops. Then livestock insurance is also readily available. That isn't here now, but we are contemplating that that would be purchased. They are just available everywhere in the Middle West, and I think, for practical purposes, on every crop where there is enough of those kind of risks to make it interesting, and at apparently favorable rates, because we do write a lot of business, so I would suggest—or our position would be to eliminate the hail, fire, and lightning coverage from the all-risk, including also the livestock coverage. If that was done and the basic subsidy kept low, the disaster program was reasonably low, this, for practical purposes, would not affect our business, even though it was there and even though the anticipation here is that on 66⅔ or 60 to 70-percent participation, you are still going to get an awful squawk from that 30 percent unless you make the coverage low enough.

Maybe we are talking even a little lower than 50. I don't think we would care if it was 100-percent subsidized, which would be your disaster program, in a sense, at low levels, and then anybody who wanted to buy coverage, let them buy it, but let them pay somewhere near what the cost of it is. By doing that, I think we could still offer our hail insurance and keep our industry going, as well as getting the need or the people that actually need this coverage.

One other thing that we have advocated that has come up two or three times here is that so many of these programs aren't based on any need concept in itself. It is available to certain people. We, at one time, suggested that any subsidy on a program of this kind be directly to the farmer and directly to those that have the most need, the new fellows, the starting-up fellows, the fellows that don't have the big backing. In other words, get a financial statement, and if they fall below a certain line, then subsidize it and make it available, but as far as our position at the present time, we would hope that we could just eliminate these three coverages.

Senator CLARK. Now, obviously you are looking from the point of view of your industry. From your point of view, nobody can, in the private sector, really cover nonhail, fire, and lightning. Is that an accurate statement or not?

Mr. RUTLEDGE. Well, for practical purposes, yes. A question came up a while ago about this all-risk coverage. A number of companies have tried it on an experimental basis. About 4 years ago—at least some few years ago—loss rates were running in the neighborhood of 1,000 percent, and this sort of thing. They were paying back 10 times as much money as they took in, and it simply was prohibitive.

Senator CLARK. There is nobody in the private—just so that I understand, because I am not sure—no one in the private insurance industry is interested in insuring in areas of crop insurance other than hail, fire, and lightning; is that an accurate statement?

Mr. RUTLEDGE. Not completely, because there was a provision in the present plan for reinsurance on the 20-county area, or you got into this area.

Senator CLARK. Reinsurance of other risks?

Mr. RUTLEDGE. No, no; this would be an all-risk coverage, but the primary companies' liability would be limited to some cap, with the Federal Government stepping in above that.

A group of insurance companies, both stock and mutual—in other words, the whole industry—got together and worked up such a program and offered it to the Federal crop people. For some reason, it was never acted on. In fact, I guess the proposal still is there, but it has never been acted on.

Senator CLARK. I do remember what you are talking about now.

Mr. RUTLEDGE. We were willing to try it, but without something to take care of this—well, if insurance companies had had central Iowa insured last year, they wouldn't be in business any more.

Senator CLARK. Let me zero in on the hail, fire, and lightning again, just out of my own ignorance. Do a high percentage of farmers really buy hail, fire, and lightning insurance?

Mr. RUTLEDGE. Oh, yes.

Senator CLARK. How many crops in this State are covered by it?

Mr. RUTLEDGE. I would guess 75 percent of the farmers in Iowa carry hail insurance.

Senator CLARK. A very high percentage?

Mr. RUTLEDGE. Yes.

Senator CLARK. As far as you know, there is no particular complaint from farmers about the availability of that or the cost of that? They complain about the cost of anything—but I mean excessively so.

Mr. RUTLEDGE. No, at least we sell a tremendous volume of it every year, and it is offered in every county and for any crop, any basic

crop, where there is enough of it to get your numbers where you can work with them. I would say that there are a few individual crops that we don't offer coverage on, but the corn, beans, wheat, oats, all the basic crops we offer insurance on.

In one of the studies that went in preliminary to this bill, I think that the people that made this report to the Senate indicated that the overall margin for crop-hail insurance is 2 percent, so we are offering it pretty close to cost—and so that's the story on that.

Senator CLARK. We have appreciated your testimony very much. Thank you.

Mr. RUTLEDGE. Thank you.

Senator CLARK. We have got some others here who said they might want to testify. We have another half hour. Ken Hatcher, Indianola. Ken, where are you? Oh, yes, good. Sam Wise, and Max Simmons, we would be happy to have any comments that any of you have.

**STATEMENT OF KEN HATCHER, STATE EXECUTIVE DIRECTOR,  
ASCS, INDIANOLA, IOWA**

Mr. HATCHER. Thank you, Senator. I was coming here just to listen. As you know, I am the State executive director for the ASCS, and I do want to make a few remarks. I think I would like to keep them brief.

I would like to say that I don't think there is any question but that an all-crop risk insurance program like we have in our three pilot counties will be widely accepted in Iowa, and I think the proof of that is probably in the participation in those three counties. Farmers aren't any different than anybody else. If we give them a good, sound program, they will participate in it, and I don't think that they really expect to get something for nothing.

I think the success that we have had here in Iowa has been because of the input and the guidance at a grassroots level by our committee people.

Now, Congress can give us the best programs in the world, but somebody has to carry the ball out there on the front line, so I think that we have been very successful with those programs.

Now, in listening to some of the comments here today, one of the first gentlemen who testified made the statement that the companies weren't really big enough to take the risk, and I think that's probably very true. The recent disasters we have had here in central Iowa—ASCS has put something like \$95 million out in disaster payments, not to mention the SBA and the FmHA part of the operation.

I don't think that anybody else or a combination of other groups have the facilities to put the information out that is necessary to make people aware of the programs, and so I don't think that we can afford to gamble, that we compromise these programs in that information will not get out there.

One of the things that I think will make it much more successful is that the coverage be on an individual basis, that it is established individually on the farm rather than by zone, and I think this is a much more practical approach.

I am sure that my friends that were here from the insurance industry disagree with me, but I really can't see them losing any business as a result of this.

Senator CLARK. Why not?

Mr. HATCHER. Well, my thought on that is that the more exposure that we get out here to any product, the more of it we are probably going to buy, and the more knowledge that is going to be there, and I guess certainly we wouldn't quarrel about the hail part probably being eliminated, but I think we can't escape the fact that this business has been there for years and years and years and is still there, apparently. People aren't being reached. It is my understanding that the industry also tried this several years ago and couldn't do it.

Senator CLARK. You are speaking of a nonhail portion?

Mr. HATCHER. Yes, yes, the all-risk. I don't know really as I have anything else. I think the participation in the counties that we have had is probably a matter of record, and the gentleman from Pocahontas County testified here in the pilot program.

Senator CLARK. They are up, what did they say, around 60 percent?

Mr. NEWELL. Eighty-six percent, practically doubled what they had before.

Senator CLARK. Statewide, as I understand, is about 19 or 20 percent?

Mr. HAWKS. Twenty percent, yes.

Mr. NEWELL. We didn't have the disaster program in Pocahontas County last year.

Mr. HATCHER. We have the vehicle there. Much more of the information is there and available. I just can't see how anybody else could utilize that to the degree ASCS can.

Senator CLARK. You are saying that you have got the historical records, and so forth, that are going to be necessary actuarially?

Mr. HATCHER. Yes, right.

Senator CLARK. Thank you. We appreciate it.

Sam Wise, member of the State ASCS committee, from the famous town of Altoona.

#### STATEMENT OF SAM WISE, MEMBER, ASCS COMMITTEE, ALTOONA, IOWA

Mr. WISE. Thank you, Senator Clark. I have heard a lot of comments here today about the pros and cons of Federal crop insurance and disaster programs and the SBA loan program and the FmHA program. I want you to know that I lived in the heart of the disaster area and suffered a disaster on my farm last year, a tremendous loss. In fact, my corn made 46 bushels to the acre. Thank the Lord above that I was smart enough to buy Federal crop insurance. It helped me and my family get through this rough time that we have had in trying to finance our farming operation.

I would hope that when your committee develops this program that is coming down the line, that they do not forget that the purpose of the bill is to serve the farmers and to provide a tool that this farmer can use when he is suffering under times of adversity.

I thoroughly agree that it should be a program where a farmer participates in paying for the level of coverage that he wishes on his farm, and I very definitely disagree with the statements that come out that the coverage shouldn't be at least 80 percent of the productivity yield on the individual farm.

You can't live in Polk County, Iowa, and grow and be paid, like I was, for 86 bushels of corn at \$1.80 a bushel, and feed your family and pay your taxes. It won't work in central Iowa. Now, maybe in other areas of the State it will, but I would like to see the program maintained at at least an 80-percent-productivity level, and I would like to see a rate of at least the \$2.10 price on the crop. I think every farmer needs that.

I think too that the committee should keep in mind that if you do away with your SBA loan program and your FmHA program, that you have to keep this thing sweet enough so that the fellow who does have a bad adversity can at least keep himself in business.

I disagree wholeheartedly that the SBA loan program is a bad program. Sure, there has been an abuse or two, but it has been a very effective program for the benefit of particularly the younger farmer who has not been well financed or doesn't have equity. It has been a very fantastic program in this State, and the same way with the FmHA.

Now, I do want to say this: These private insurance people are here. Many years ago, it is my impression and knowledge, that the Aetna Co. went into an all-risk crop insurance, and it did not work. Their losses were too great, so they went out of business.

Federal crop insurance is the only thing that we have had in the United States, that the farmer has had in order to insure himself protection from adversity, and we certainly need it.

Thank you very much.

Senator CLARK. Thank you very much, Sam. I appreciate your coming.

I think what we are going to do is this. We have got another 15 minutes or so here, and we will just take any comments from anybody on the floor, statements about what you think about this legislation.

One thing I would ask you to do is just tell us your name and address so that she can have it for the record.

#### STATEMENT OF HAROLD MANDERS, ADEL, IOWA

Mr. MANDERS. Harold Manders, Adel, Dallas County was also a pilot program, and I was in on the sales for that. I think we probably led the Nation in sales. There were over 50 percent in farmer sales.\*

Now, this pilot—I think each pilot program in each county was a little bit different. Now, under this one we had seven levels of insurance.

Senator CLARK. Seven?

Mr. MANDERS. Seven. In our area, see, we had seven different levels of bushels, and then we had three levels of insurance, \$1.40, \$1.70, and \$2. Well, I think that the \$2 level was fine.

Senator CLARK. I am not sure I understand what that means, Harold. By \$2 level, you mean you could insure it up to the value of \$2?

Mr. MANDERS. \$2 was our maximum. There were inequities also in that area. I mean we had an actuary who came out here and drew

\*See p. 75 for a subsequent letter from Mr. Manders.

this out on individual farms or small areas. On one side of the road would be a three, and on the other side of the road there would be a one, which was a 45, and there was a road between them. The river was by the one, but it was 150 feet to the river. The actuary thought that it was on a flood plain. Now, this was one specific case.

In other areas there would be a road, and there would be the same land, and there would be a 5 and a 6, which would be a 70 and 80. Well, when you go out and tell this farmer on this side of the road that his farm isn't as good as the other guy's on the other side, you know what you get, and we got plenty of it, but we sold insurance. We sold a lot of it.

I think it is a great program. The only thing I am against is this nonplanting. I mean this is all written. As you said, in southern Iowa they are not going to plant corn by the 10th of June. There should be a history on it.

If the guy has had 5 years of continual Federal crop insurance, if he cannot plant for no reason of his own, he should still be insured for that.

Senator CLARK. Yes; that's one of the real problems, I think.

Mr. MANDERS. I spoke to them, and I started early in the morning. You are supposed to notify them 15 days after harvest or within 30—what I mean is you have got to the 10th of December, and you have got to notify them. Here you have got No. 2 corn in the bin, you think. All right. Next you may go out to sell this corn. You pull a load out, and it is no good. What do you do with it? Federal crop won't insure it. They won't back you. Now, they should because this man was perfectly innocent. The corn grew fine. You can't do a thing with the corn. Here he has got over his minimum production, but he has got no cost. I mean there are a lot of inequities that have to be worked out.

Senator CLARK. It may be that what we need to do is, give the local ASCS committee a little more flexibility.

Mr. MANDERS. This is what I am coming to. This should all be on a local level, you know what I mean? Of course, you have got to have higher-ups, but you have got to have this through your local ASCS offices so that they can get away from these inequities on your areas.

Also, if you have got a problem, you can go there, and it doesn't take too much to get back to you, and at your local levels you can administrate local areas much better than you can if you have some-one come out.

Senator CLARK. I think that's all right, particularly if you have an appeal, so if there are personality differences locally, you have got another appeal to go higher.

Mr. WISE. As far as these farmers cheating on the crops, and all this stuff, I don't know. I have had Federal crop 5 years myself. Last year was the first year I ever collected one dime, but I collected plenty, and I am glad I had it.

The way they come out and adjust this stuff, I think the adjusters are nobody that are very stupid. They know how to operate. If you have been around, you can tell the minute you walk in what is happening.

That's about all I have to say.

Senator CLARK. All right. Would anybody else like to comment on anything?

**STATEMENT OF MAX SIMMONS, GUTHRIE CENTER, IOWA**

Mr. SIMMONS. Max Simmons, G. M. Simmons. You have got it.

I have worked in your county a long time. I would like to comment on these inequities. One thing that has never been said here is about the right of appeal. If Mr. Rutledge here writes the insurance policy and I don't get along with him, we have got an insurance agency in Des Moines that will put him in order.

Senator CLARK. An insurance commissioner.

Mr. SIMMONS. Yes, commissioner. There is no way for this in the Federal Government. There is no way at all. We should have some committee set up that will hear these complaints.

Now, for instance, one man pointed out here that we had a whole township, and it was good farms and bad ones. This is true. If we get this crop insurance built up to 60 percent participation, which I think it should be—I think this insurance program is a good program—we are going to have the same thing with this that we had with our ASCS protective yield.

If I am going to buy a farm, the first thing I am going to say is, "What is the yield like? What is it like?"

If I sit out here with a good farm and don't participate in Federal crop and I am in the middle of a high-risk area—a No. 1 area, you called it—I have no way on Earth of getting that changed. There is nobody I can go to. Federal crop won't help because I am not a member, so I am stuck.

I firmly believe that in this law we should have a local committee some place, and it should change often enough that we don't get people there that just, well, sit, but as far as our Federal crop insurance program, it is a good program, if we take the knocks out of it.

That is all I have to say.

Senator CLARK. I appreciate it. Do you have any comments on that at all, Gene, on how that would work, or how to do it, or what to do?

Mr. HAWKS. The inequities?

Senator CLARK. Yes.

Mr. HAWKS. Based on limitations, there are inequities, as you explained in your opening statement, and it has been further identified. There are limitations that we live under under the present act, and that is what the problem is, basically. We are limited to the level of coverage that we are at right now.

There are some changes that have been made and that are proposed that do answer some of these questions, such as where we are now as to the price selection actuarially.

We took advantage in the pilot counties of the situation with the county committees knowing the land, being able to assist in setting up the actuarial so that it would be more correctly established. There may be a situation where you have a high-rated farm and right across the road a low-rated farm, and primarily this is because of management rather than anything else, but there are those situations out there, I agree with that, but I think that through the pilot counties,

that we are finding something that is working very satisfactorily toward getting into this proposed legislation, and I am hopeful that this will continue.

For example, one of the gentlemen earlier talked about limitations, why didn't we do something with private industry as far as marketing a program. In the 20-county pilot concept, one county in Nebraska, one county in Texas, we are doing this. We have contracted with private industry to do all of the marketing to test that end of it.

Senator CLARK. You are testing the private sector as well?

Mr. HAWKS. Yes.

Senator CLARK. In these 20 counties?

Mr. HAWKS. Yes; so we think we are trying as much as we can under the present act to provide for corrections of the inequities that exist in the present act.

Senator CLARK. So in each of these 20 counties you are doing something different to try to test the validity of it?

Mr. HAWKS. Yes.

Senator CLARK. We have got Dallas, Pocahontas, and Davis, isn't it?

Mr. HAWKS. Yes; we have even tried different marketing methods in those three counties, just for our information.

Senator CLARK. Harold, do you want to get back in? Then we will go over here.

Mr. MANDERS. I just want to speak a minute. In our county they sent an actuary to Dallas County. He did some little things wrong. He took the sevens, which is the 92—that's the highest yield. There was not one 92 in our area. The one that had no loss, they circled those farms and put the sixes beside them.

Well, our actuary in our little county committee didn't know what was going on. This fellow did most of it. They only took a day or two to do this, and it was not enough time to really do a good job on the main core of the policy, I mean actually the area which was your main core in selling this insurance, because if one has got 50 and another has got 92, that's bad. It wasn't equitable.

Senator CLARK. Let's go back here.

Mr. WISE. Senator, excuse me. There was a reason for this. You see, there was no change in the Federal crop law. We had to live within the Federal crop law. Dallas County had so many acres up here at the high level. There were four levels in Dallas County. They still had to maintain the same number of acres at that high level. Do you follow what I am saying, Harold?

Mr. MANDERS. Yes, yes.

Mr. WISE. They did break that down to seven, but they still had to maintain, actuarial wise, the same levels that they had normally.

Senator CLARK. I see.

#### STATEMENT OF DEAN BROOKS, POLK COUNTY, IOWA

Mr. BROOKS. Dean Brooks, Polk County. I am here representing, I think, my father, more than anything, from an insurance agent standpoint.

About 5 years ago, approximately 70 percent of our agents' income was from the crop and farm market. Now it is down to about 60 percent.

Senator CLARK. Are you speaking of hail?

Mr. BROOKS. Yes; I say this only to let you know that legislation of this type cuts with a two-edged sword. Effectively, we would be put out of business, which scares us, to a certain degree, obviously.

We understand the plight of the farmers. Both sides of our family are farm families. If it were not for a farm accident, we would still be on the farm. I sympathize with the plight of the young farmers. At 29 years of age, I can't see going into the farm industry right now. That's my pitch as an insurance agent.

As a taxpayer, I would say I was somewhat skeptical of any kind of new all-encompassing Federal plan, especially looking at the Department of Agriculture as it is currently structured. I have a little difficulty imagining all the tax savings that everyone projects.

I would also suggest that the reinsurance plan utilizing private industry might not be such an unworkable plan after all. We have seen it work in workmen's compensation. We have seen it work in fair access to insurance projects. We have seen it work through flood insurance, whereby there has been a fairly compatible marriage of Government and the private sector.

Some benefits to be derived from that, I think, would be the use of professional insurance agents, who make their living on a day-to-day basis selling insurance, and this type of thing. It seems to me that might be a better plan.

Senator CLARK. I appreciate your comments. Someone said they had only read about this in the paper and didn't have as much time to prepare for this as they might have. Each of you here have got 30 days to sit down, and think this through and write it out. Mail it in to me, and it will be made a part of the record just like the others.

Mr. NEWELL. I would like to comment on something another gentleman said. I think that all these counties are pilot counties, and I think all these 20 counties are doing this somewhat differently to test all different methods of sales, and all this. He talked about one farmer across the road being different from another one. He said the actuaries came, but didn't really know what they were doing.

Now, in Pocahontas County—and this is my chairman here. In Pocahontas County I believe the county committee set the coverage, the committee and myself, with the help of some of our township committeemen. We set the coverage on every farm in Pocahontas County, and the actuary came up and just checked and conferred with us to see that we were staying within our guidelines, and we do have this thing of maybe 70, 78 bushels on one side of the road, and, say, 56 on the other.

As these people come in our office, they complain a little bit about the 56 and 78 right across the road, but if you visit with them a little while, pretty soon they admit that is probably right, but they always say that they would like to have that farm the same as the one across the road, so that they would be more apt to collect.

Senator CLARK. Well, where there is a will, there is a way.

#### STATEMENT OF CARROLL BAKER, DECATUR COUNTY, IOWA

Mr. BAKER. Carroll Baker, Decatur County, ASCS committee, but I would rather speak just as a farmer.

I don't want everybody here to get the idea that Federal crop is all bad. I hear quite a lot of bad mouthing here, but I have had a very good relationship with them, and I would like you to take that back to Washington.

I have also had a very good relationship with Mr. Rutledge's insurance company. The one qualm that I might have with Federal crop—and it is going to be a problem this year if there is anything—we happen to be down where very little corn is planted.

Senator CLARK. How much of it, would you guess, just out of curiosity? Half?

Mr. BAKER. No.

Senator CLARK. Not half?

Mr. BAKER. Twenty. Now, I am speaking of the southern part of the State. In corn, absolutely nothing has been planted. Here we are up to the final time to plant corn.

My qualm is that I have second and third policies that were written in Decatur County, and I have paid my premiums through the year with the understanding that if I got in trouble, Federal crop was going to guarantee that I would have a certain amount of money.

In 1974 we got burned up. I think my yield would average about like Sam's, probably, and it was a little tough, but Federal crop was real good to me.

This year it would appear that if I can't get in the field with corn and beans, even though I have faithfully paid my premium—now, they won't charge me the premium, I am sure, if I can't plant it.

Senator CLARK. Let's hope not.

Mr. BAKER. I guess what I am getting at is that I think if you would take all the money that I have paid and all the money that I have received, about what I have done is I have guaranteed that I wasn't going to get hit all in 1 year, and if there was any way in your new program where there was anything that could be done, not only for me because there are a lot of concerned people down there because of this very thing, I think that would be most helpful.

Senator CLARK. I agree with you entirely. It is in the bill now that you would be covered if you can't plant because of a natural disaster, and I agree. It may not happen very often, but it doesn't have to happen often to have a significant impact.

Mr. BAKER. This is the reason you carry the stuff to begin with.

Senator CLARK. That's right. You don't carry it to collect every year.

Ms. WISE. I am Bernadette Wise from Avoca, Iowa. I guess I just want to ask a question of information, more than anything else. Who determines what zone your land is in? Has it always been the ASCS committee, or who does determine that? Is it Federal Crop?

Mr. HAWKS. Zone, area, to determine your area number, is this what you are referring to?

Ms. WISE. Yes.

Mr. HAWKS. These are determined by the underwriting division, which are the actuarial people that were given an average check figure per county at an average rate, and from this, like Sam was explaining a while ago, these have to be divided into whatever spread, two areas, three areas, four, five, or six, whatever is fair within that county, and it is the underwriting actuarial division that establishes the so-called area lines.

Ms. WISE. Well, say then if a person wasn't completely satisfied or maybe just wanted to check it out, who would they check with?

Mr. HAWKS. If an individual farmer was dissatisfied with what was there, they should contact my office in Des Moines.

Ms. WISE. That's something I wanted to point out.

Senator CLARK. What is the address of that?

Ms. WISE. I like Federal Crop, and we have real good luck with that.

Senator CLARK. How can they contact you?

Mr. HAWKS. Through the Federal Crop Insurance Corporation, 509 Federal Building, 210 Walnut Street, Des Moines, Iowa 50309.

Senator CLARK. 509 Federal Building.

Mr. BROOKS. Just a question here. There was an article in the paper when James Deals—is that his name—was promoted to the FCIC directorship. He was quoted as saying that in the southwestern part of the State, the FCIC had to cut off writing several years ago, even though there was a need for it, because of fiscal responsibilities, and that was all he said.

Why did he have to cut those writings off?

Mr. HAWKS. This is again part of the Federal Crop Insurance Act. That responsibility is the regional director's to determine whether it looks like we would be automatically buying a loss. It is our responsibility to recommend to the actuary that we discontinue sales. I believe the sales you are referring to.

Mr. BROOKS. In other words, the allocated money can only go so many places, and it was just not allocated to the southwest part of the State, is that correct? I still don't quite understand it.

Mr. HAWKS. OK; the act itself enacted by Congress in 1938, is what we have to live by. As the risk builds in any given area, much like if there was a bonfire right here beside this building with no evidence at all of a fire department, no water to put the fire out, no one would write insurance on this building.

The same condition applies to the Federal Crop Insurance Corporation. We are obligated to keep the program on an actuarially sound basis, and if we were to go out and buy automatic risk, we would be operating totally in the red, which is against the law and which puts our manager subject to imprisonment. Now, that's new policyholders only. It does not affect existing policyholders.

Senator CLARK. Ladies and gentlemen, I know it is only 3 o'clock in Booneville, but my watch says 4 o'clock, and I am afraid I have got another two more meetings to go.

I particularly want to thank the Booneville American Legion. I know that Doty Manning is here, and I very much appreciate being able to use this building, to be here.

I want to thank all of you for coming from so many parts of the State to give us your ideas. It was an excellent hearing. I think you raised some meaningful questions that we have got to look harder at. This is the very first step in a several week, probably several month process of evaluating this legislation, and this has been very helpful to us in getting those ideas, so thanks a lot for coming.

[Whereupon, at 3 p.m., the subcommittee adjourned, subject to call of the Chair.]

## APPENDIX

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[The following letter was submitted by Mr. Barratt, see p. 59 for his oral testimony.]

SENATOR CLARK. I gave testimony at your recent meeting at Booneville, Iowa, concerning combining Federal crop insurance and the ASCS disaster program. At that meeting you suggested that the Senate bill 3029 would use the insurance levels of 50 percent, 70 percent, and 90 percent.

In our county the projected yield (ASCS) is considerably higher than the 10-year average (assessor's records for our county), so I would suggest that the insurance levels of 40 percent, 60 percent, and 80 percent might be more suitable and realistic for insurance purposes.

Following are the statistics for our county:

Ten-year average, Shelby County, Iowa, assessor's records: 1967, 84.4; 1968, 75.9; 1969, 99.5; 1970, 75.3; 1971, 91.84; 1972, 110.69; 1973, 106.95; 1974, 62.31; 1975, 75.69; 1976, 79.61.

Projected ASCS yields: low, 97; high, 110.

The average projected yield is 104 for Shelby County.

Average, 86.21 bushels.

Ninety percent of 104 bushel projected yield is 93.6 bushels which is about 7 bushels greater than our 10-year average.

Please submit this in the Congressional Record.

Best regards,

GARLAND BARRATT.

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[The following letter was submitted by Mr. Rutledge, see p. 62 for his oral testimony.]

FARMERS MUTUAL HAIL INSURANCE CO. OF IOWA,  
*Des Moines, Iowa, June 13, 1978.*

Senator DICK CLARK,  
*404 Russell Office Building,  
Washington, D.C.*

DEAR SENATOR CLARK: It was a pleasure to comment on the proposed legislation, Senate File 3029, at the Hearing at Booneville, Iowa. I was favorably impressed by your sincere interest in hearing other comments concerning this legislation. Please add these comments to the record of that Hearing.

It appeared that in spite of some problems and inequities in the present programs, they have been doing a reasonable job and perhaps simply by modifying these, rather than eliminating them and starting something new and untried, the entire Program could be made satisfactory.

The idea of some basic floor, similar to that now provided in the disaster coverage, which would be available to everyone at no cost in the event of a disaster, would be proper. Not many would disagree with this concept and it would provide a base which would allow the unfortunate operator hit by a disaster to continue in farming.

If further additional hazard protection was felt necessary, then some higher layers of coverage could be provided through the present Federal Crop Insurance Corporation by simply opening it up to all areas and all crops. Since these higher layers of coverages are called insurance, then they should be handled as insurance and the actuarial charge for losses and all expenses should be included in the premium for these coverages. If this were done, there would be a base other than insurance which would, in most cases, prevent operators from going broke. The higher coverage would still be available if desired and if they were willing to pay what it cost. If there were to be any subsidies on the insurance portion of

this program, they should be based on need rather than to be available to everyone whether or not they were financially able to pay the cost.

Since hail, fire and lightning protection on crops is readily available through private industry, these coverages should be eliminated from the insurance portion of the crop coverage.

This type of program could easily be handled by the Government offices that are already in existence so would create no extra expense.

To repeat, a basic program providing some minimum level of production highly, if not completely, subsidized for everyone, would be the first layer of protection. Insurance under the present Federal Crop Insurance Corporation, without subsidy or at least with no more subsidy than presently provided, would offer high layers of coverage on those perils not now provided by private industry. These would be provided at actuarially sound rates, which would include not only the loss cost but also administration expense, including charges for those hidden, so-called free, Government services available to the FCIC at the present time. In addition to these, the emergency loans now available could be continued, possibly geared somewhat more on need so those farmers, particularly the young, new ones and those operating on marginal credit, could obtain some additional help. It seems to me that these can all be provided under some modification of the present program.

I have some further comments, however, I will not include these with this letter, but with an enclosure.

Mutually,

ALBERT RUTLEDGE,  
*President.*

[See p. 67 for the oral testimony of Mr. Manders.]

ADEL, IOWA, *July 27, 1978.*

Re: Federal Crop Insurance.

FCIC indemnities are based on crops planted.

All risk insurance, as it is referred to, should include payment of indemnities due to "natural weather causes", which prevent planting crops by the final planting date set by the FCIC.

The local County ASC Committee should determine if the No plant claim is legitimate, with the claimant having the right to appeal to the State ASC or FCIC.

The amount of indemnity could be set up as history of policy, much the same as the 7 year claim free premium discount.

Example: After a 5 or 7 year claim free history, he would be entitled to 100% of policy, or reduced according to number of years of participation.

Sincerely,

HAROLD C. MANDERS.

MUTUAL INSURANCE ASSOCIATION OF IOWA,  
*June 5, 1978.*

Re: S. 3029.

Senator DICK CLARK,  
*Senate Office Building,  
Washington, D.C.*

DEAR SENATOR CLARK: First I congratulate you on holding hearings such as the one at Booneville last week.

I have some thoughts relative to the bill S. 3029. I've spent 30 years as a County Extension Director and Vocational Agriculture teacher prior to the most recent four years during which I've represented the Mutual Insurance Association of Iowa as its executive secretary. This experience has given me an appreciation of the farmers point of view as well as of the farm insurance business.

In Iowa there are 136 county mutual companies serving every county in the state with what I estimate from 1,000 to over 2,000 farmer member owners each. This is a pretty sizable number of people in Iowa who have concerns for the welfare of the farmer as well as their mutuals that serve them. In addition we have 21 member state mutuals serving these county groups with added risk coverage and reinsurance.

Over the years the mutuals have done a pretty good job of meeting the insurance needs of farmers in fire, wind, hail and other coverage. Each is a company

in and of itself and as such they are competitive among themselves to pretty well police the market and keep rates and coverage in line. Each is staffed with people experienced in claim adjusting and claim settlement. In a somewhat low-key manner these mutuals have survived the economic, social and political pressures for well over 100 years.

I have no quarrel with the government assisting in areas of insurance coverage for farmers where the private sector cannot economically function. I also believe that when the job is adequately done by the private sector that sector should be given support in purpose and allowed to do what its members prescribe it to do. None of these operates under any form of political patronage but all are free to act as individuals in the democratic processes.

With the above in mind I'm sure you will give S. 3029 due consideration. We appreciate your interest.

Sincerely,

JASPER M. RISDAL.

ROCK RAPIDS, IOWA,  
June 5, 1978.

Senator CLARK: I had the privilege of attending your hearing on Federal Crop Insurance in Sioux City, Ia. on Saturday June 3rd. I have a very keen interest in the new legislation, as I farmed for 26 years, worked as a fieldman and supervisor for FCIC for 11 years and since March of 1976 I have been the agent in Lyon Co. for FCIC. I also hold Iowa licenses for all types of insurance. The thing that disturbs me most at these hearings is there appears to be mostly a squabble over who is going to take over Federal Crop Insurance, ASCS or private insurance, without much regard as to what is best for the farmer.

It was stated that the four current programs cost 555 million on the average for the last three years, I wonder if the figures for each agency are available to the public.

It seems to me there is another alternative. After 40 years of experience, FCIC has the know how. It does not have the funds. I recommend abolishing the ASCS disaster program, as it is inequitable and in direct competition to FCIC, and take part of these funds and expand and improve FCIC. If only a part of the cost of the present disaster dole were put into the Federal Crop Insurance program, we could have a real good program, available to all on a voluntary basis. Then if a man chose not to participate he should not expect a government hand-out.

I do not agree that FCIC is direct competition to hail insurance. They are as different as life and health insurance. I think one compliments the other. To be fully insured a man should carry both. I see no advantage to changing the name or administration of Federal Crop Insurance. As I have stated before, all it needs is more funds for expansion and improvement.

Sincerely,

GALE E. HOWE.

MOVILLE, IOWA, June 3, 1978.

I wish to thank Senator Clark for coming so that we may have an opportunity to review this important matter with you and for this opportunity to testify in relation to S. 3029.

A comprehensive insurance program for crop and livestock losses, but mainly crop, can be a valuable asset to a farming operation. I'm sure it would be of special interest to beginning and highly leveraged operators.

I would urge that the members appointed to the advisory committee would include operating farmers as well as persons experienced in insurance and other fields of expertise related to this program.

Section 11—lines 14, 15, 16—of the bill states the corporation decision of the amount of payment is final and not reviewable. As I interpret this statement it would appear that it lacks some of our democratic principles.

There will have to be an intensive educational program instituted advising the farmers that this will be the only way that they will be able to receive emergency loans or benefits.

Considering the past problems with the SBA and the FHA emergency loan programs and the current disaster program it is hoped that something more equitable can be in operation soon.

If we cannot receive loans and assistance of some kind during periods of stress then the government had better doggone well let us maintain our export markets—that is—not shut them off when we are finally selling grain at a profit.

The bill also states that areas not suited to a particular crop is not insurable.

No way to beat the system.

Depends on the cost of hail insurance as opposed to full coverage insurance.  
A large number of farmers will live with only hail insurance.

ART RALSTON.

CORNING, IOWA, May 26, 1978.

Senator DICK CLARK,  
*Federal Building,*  
*Cedar Rapids, Iowa.*

DEAR DICK: Thank you for the invitation to participate in the Hearings on the Crop Insurance legislation.

I am sorry I will be unable to attend because I have a previous commitment, but I am enclosing written testimony.

As you know, I am not the kind of person that Butch was, but I am sure he would want me to take as active part as I am capable of in this matter as well as the coming election.

You can be sure I will do what I can—it probably won't pack the wollop that Butch could, but every little bit helps.

If there is anything you think I can do to help in the forthcoming campaign—Please let me know and I will do the best I can. . .

Sincerely,

MARTHA SWAIM.  
(Mrs. Butch)

STATEMENT OF MARTHA SWAIM, CORNING, IOWA

My name is Martha Swaim, and I am a farm owner/operator in Davis County, Iowa. It is my understanding the new crop insurance program does not now propose to identify a separate disaster fund for the extreme area losses—it is proposed to subsidize the premium rates for local applicants up to a level of about 50 percent of what the premium would otherwise be \* \* \* the subsidy would apply only on the low level of coverage.

My first question is—Will the subsidy rate really be one-half of the computed premium rate, properly determined on the basis of actuarial data or is this just to be a big pitch and left open to bureaucratic manipulation after the law is passed? My second question is—Will the law clearly specify that the 70 percent and 90 percent levels must be paid for by the producer? I think this is important because the heaviest pressure for the high level coverage will probably come from bankers, PCA's and other money lenders in the high risk area.

I am concerned with the administration of the program. As I remember, we once undertook to handle crop insurance through the PMA offices years ago.

Personally, I would support this approach because I would like to see all the active USDA programs, price supports, FmHA operational and ownership loans that deal directly with the farms and the crop insurance program, all run out of one office so that there is no chance of confusion when dealing with the producer.

As a farmer, I would expect a highly professional crew of people to do the actuarial work and keep appropriate records on sales and losses. In short, to supply a management-type service within the agency administering the program. If this is to be handled through the ASCS offices, and it seems to be heading that way, then all administration of the program in the country should be handled on a direct-line basis from the administrator to the State ASC Committees to the County ASC Elected Committees and their professional staff members who are dealing with farmers on a daily basis. Let's do get some clear commitments on how this program is to be administered before they take final action on the new bill.

I would like to suggest that there be an advisory committee of well-informed producers and experienced insurance executives who would occasionally consult and advise the Secretary and the CCC board. A deputy administrator of ASCS could be made responsible for all of the actuarial work and related technical aspects of crops insurance. The field administration should flow directly from the Administration of ASCS to the State level as I have mentioned above. This would not preclude employment of experienced crop insurance staff people at the State and County ASCS office levels. In fact, that should be anticipated—BUT—they should not be set up in separate offices.

I feel that we definitely have a need for a good working form of crop insurance which can be made available to the producer at reasonable rates. The rates will be of utmost importance in order to gain the high participation necessary for the program.

