# FEDERAL CROP INSURANCE AND DISASTER ASSISTANCE PROGRAMS

## HEARINGS

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

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AUGUST 30, 1978—GAINESVILLE AND LAKELAND, FLA.

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**PART IV**

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FEDERAL CROP INSURANCE AND DISASTER ASSISTANCE PROGRAMS:
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# FEDERAL CROP INSURANCE AND DISASTER ASSISTANCE PROGRAMS

WEDNESDAY, AUGUST 30, 1978

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

The subcommittee met, pursuant to notice, in the A. Clarence O'Neill Auditorium, City Hall, Hon. Richard B. Stone, presiding.

Present: Senator Stone.

## STATEMENT OF HON. RICHARD B. STONE, A U.S. SENATOR FROM FLORIDA

Senator STONE. Good morning, ladies and gentlemen. Welcome to the hearing on Federal crop insurance.

The Federal disaster payments program for producers of feed grains, rice, cotton, and wheat, will expire at the end of the 1979 crop year.

The administration recently submitted to Congress a proposal for a new national crop insurance program to take the place of disaster payments, and disaster loans, beginning in 1980. The administration proposal is S. 3029, and the witnesses have been given copies of it to look over before they testify this morning.

The administration bill, though, is just one of several proposals for a comprehensive reform of Federal crop insurance that have been introduced in the 95th Congress. Six other bills have been introduced into the Senate.

This subcommittee will have to decide among these proposals and to develop a bill for consideration by the Senate early next year.

It's not an easy job. The bill that passes Congress will have a major impact on many types of farming.

I believe quite strongly that our Florida farmers should have a full opportunity to provide their ideas and their suggestions on this issue, and so I asked for the special hearings we are having today.

This main bill that we're considering, the administration bill, would have a major impact on Florida agricultural crops, and at this time I would like to present just a little bit of data prepared by the FCIC for the record. The information lists all the Florida commodities, their coverage under the present program and their coverage under the administration's proposal.

For example: Under the present program, corn is covered up to 58,300 acres, but under this proposed bill coverage will be extended up to 322,862 acres.

Presently peanuts are covered up to 25,296 acres, but under this proposal peanuts would be covered up to 48,467 acres.

Tobacco is covered now up to 9,595 acres. Under this proposal coverage for tobacco would go up to 11,217 acres.

Citrus, the most fully covered of all of our Florida crops presently, has 741,428 acres coverage. Under this proposal the coverage would be increased up to 871,184 acres.

Soybeans, which is presently not covered at all, would be covered up to 217,439 acres.

Sugarcane is a special situation, and administratively the Department is going to probably be able to cover just about all of it. For sugar, 249,437 acres; for syrup, 405; and for seed, 6,628 acres.

In addition to that, some crops will be part of a pilot experimental program that the USDA will be operating, beginning the second year of the program. This is quite important to Florida because it will include vegetables, sweet corn and melons at 215,418 acres, and cattle, 2,367,108 head.

At this point I will insert bill S. 3029.

[S. 3029 follows:]

95TH CONGRESS
2D SESSION

# S. 3029

IN THE SENATE OF THE UNITED STATES

MAY 3 (legislative day, APRIL 24), 1978

MR. TALMADGE (by request) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

# A BILL

To provide a voluntary self-help program designed to assist producers of agricultural products to protect themselves against loss of production when natural or uncontrollable conditions adversely affect production and to assure consumers that producers will be able to continue to produce food and fiber.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Farm Production Protection Act of 1978".

DECLARATION OF PURPOSE

SEC. 2. It is the purpose of this Act to promote the national welfare by improving the economic stability of agriculture through a system of protecting farmers from

loss because of natural or uncontrollable conditions adversely affecting production and to provide the means for the research and experience helpful in devising and establishing such production protection.

FARM PRODUCTION PROTECTION

SEC. 3. To carry out the purpose of this Act, the Commodity Credit Corporation (hereinafter referred to as "the Corporation") is authorized and empowered—

(a) Commencing with farm production for 1980, for the purpose of determining the most practical plan, terms, and conditions of protection for agricultural production, if sufficient actuarial data are available as determined by the Corporation, to protect producers of agricultural products under any plan or plans of protection determined by the Corporation to be adapted to any such product. Such protection shall be against losses due to unavoidable or natural causes, or both, including, but not limited to, drought, flood, hail, frost, wind, winterkill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, animal disease, plant disease, and such other unavoidable or natural causes, or both, as determined by the Corporation. Production protection offered against loss may cover up to 90 per centum of the cost of production of the product for a representative period subject to such adjust-

ments as the Corporation may prescribe, to the end that the average cost fixed for farms in the same area, which are subject to the same conditions, be equitable between producers. In addition, the Corporation may offer where deemed practicable lower levels of protection to be selected at the option of each producer. Production protection provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to follow established good farming practices and appropriate conservation practices. In determining the products on which such protection is to be offered, the Corporation shall take into consideration the demands of farmers for such production protection, and the extent to which such production protection is available to commercial producers. The Corporation may refuse production protection in any county or area or on any farm not suited to the production of such product. Production protection may be offered to producer-owner and producer-controlled cooperative associations on commodities if the managerial control over the commodity insured is exercised by such association. The Corporation shall report annually to Congress the results of its operations as to each product protected.

(b) To determine the true risk premium which

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

(c) To determine that share of the true risk premium which shall be borne by the Corporation.

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

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

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

(g) To collect and receive insurance premiums and expend such premiums for payments of indemnities and for such other purposes consistent with this Act as determined by the Corporation.

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

tions relating to farm production protection and to assemble data for the purpose of establishing actuarial bases for farm production protection.

(i) Under such terms and conditions as the Corporation deems consistent with sound reinsurance principles, to provide reinsurance on any products or plantation insurance provided in the Commonwealth of Puerto Rico, the Canal Zone, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Marianas by a duly authorized agency of such Commonwealth or Territory: *Provided,* That no application for reinsurance authorized herein shall be approved, unless the Corporation shall have determined that the reinsurance deemed necessary is not available from recognized private sources at reasonable cost.

(j) to offer specific risk protection programs such as, but not limited to, prevented planting, wildlife depredation, and disease and insect infestation programs, under such terms and conditions as the Corporation may determine.

INDEMNITIES EXEMPT FROM LEVY

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

United States except claims of the United States or the Corporation arising under this Act.

VOIDING OF CONTRACTS

SEC. 5. The Corporation may void the farm production protection provided any producer without affecting the producer's liability for premiums or waiving any right of the Corporation to collect any unpaid premiums if at any time, either before or after any loss, the insured has concealed or misrepresented any material fact or committed any fraud relating to the contract, and such voidance shall be effective as of the beginning of the production year with respect to the product on which any such act or omission occurred.

ADVISORY COMMITTEE

SEC. 6. The Secretary of Agriculture (hereinafter referred to as the "Secretary") is authorized pursuant to the Federal Advisory Committee Act to appoint an advisory committee consisting of members experienced in agricultural pursuits or insurance in keeping with the development of protection programs. The compensation of the members of such committee shall be determined by the Secretary but shall not exceed the daily equivalent of the rate prescribed for grade GS–18 in section 5332 of title 5, United States Code, while actually employed and actual necessary traveling and subsistence expenses, or a per diem allowance in lieu of

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

APPROPRIATION

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

SEPARABILITY

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

DEFINITIONS

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

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

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

(c) "General farm overhead" includes costs for record-keeping, utilities, general farm maintenance, personal property taxes, sales taxes, insurance, and similar items not specifically associated with a specific crop enterprise. Overhead costs are to be allocated to specific crops on the basis of the proportion of the value of total production derived from each crop.

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

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

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

(g) "Production protection" means protection of producers against loss of the cost of production of products.

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

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

INDEMNITIES EXEMPT FROM INTEREST

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

FINALITY PROVISION

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

APPLICATION TO OTHER GOVERNMENTAL PROGRAMS

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

PERSONS UNDER EIGHTEEN YEARS OF AGE

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

TRANSFERS OF ASSETS OF FEDERAL CROP INSURANCE CORPORATION

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

Corporation at such times as the Secretary shall direct. The rights, regulations, privileges, and powers, and the duties and liabilities of the Federal Crop Insurance Corporation, in respect to any contract, agreement, loan, account, or other obligation, shall become the rights, privileges, and powers, and the duties and liabilities, respectively, of the Commodity Credit Corporation. The provisions of the Federal Crop Insurance Act which are relevant to current regulations of the Secretary and the Federal Crop Insurance Corporation governing the program operation of the Federal Crop Insurance Corporation shall remain in effect until such regulations are revoked, superseded, amended, or modified by regulations issued pursuant to this Act. The enforceable claims of or against the Federal Crop Insurance Corporation shall become the claims of or against, and may be enforced by or against, the Commodity Credit Corporation: *Provided*, That nothing in this Act shall limit or extend any period of limitation otherwise applicable to such claims against the Commodity Credit Corporation.

OPERATING FUNCTION

SEC. 15. Program development, actuarial, loss adjustment, and such other functions related to the purposes of this Act as may be assigned by the Corporation, shall be conducted by a discrete organizational unit which shall have no

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

DISSOLUTION OF FEDERAL CROP INSURANCE CORPORATION

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

REPEAL OF THE FEDERAL CROP INSURANCE ACT

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

AMENDMENTS TO CHARTER ACT

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

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

Senator STONE. Fortunately for the subcommittee at this hearing, our witness list includes a number of witnesses whose backgrounds and positions make them highly qualified to testify on these issues.

I appreciate the cooperation that the subcommittee has received from our farm groups and others in putting this hearing together.

What I propose that we do first, is to have the Federal Crop Insurance representative, Otto Johnson, summarize the administration's proposed new crop insurance program. Then, I will ask our witnesses to comment on the administration's bill and to offer any suggestions they might have on improving the Federal disaster insurance program for farmers.

But, before calling on Mr. Johnson, I have the pleasure to introduce and to include in our hearings today, Florida's Commissioner of Agriculture. I modestly introduce Doyle Conner by saying that he is the best agricultural commissioner in the United States when he testifies before the Senate Agriculture Committee. Because of the press of his time, if you would like to testify before Mr. Johnson, we will take you. Otherwise, we will take you right after. All right?

Commissioner CONNER. Proceed.

Senator STONE. We're glad to have you here, Doyle, and you are going to help this hearing tremendously, and we appreciate it.

All right. Mr. Otto Johnson will be first.

## STATEMENT OF OTTO JOHNSON, DEPUTY MANAGER, FEDERAL CROP INSURANCE CORPORATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. JOHNSON. Thank you, Senator.

I will attempt to give you a bird's eye view of the administration's position on this proposed legislation.

First of all, the Secretary of Agriculture, Bob Bergland, has been quoted many times in the last several months as saying the present disaster programs of the Department are a disaster unto themselves. By this he means that the programs at best are inadequate in meeting the needs of all producers. They are overlapping in nature to some extent and ad hoc in nature to some extent. The main concern is they are not covering all of the producer needs when disaster occurs in this country.

The objective of this program, the major legislative thrust by the administration, is to bring together the two major disaster programs of the Department. The low-yield disaster payment program administered by ASCS, that covers, as you pointed out, Senator, the feed grains, cotton, rice, and wheat, expires. The Secretary asked in the farm bill that it be extended to 2 years, but not cover the entire period of the farm bill. That was to get ready for a comprehensive insurance program.

The Federal crop insurance program has been experimental since 1948. Legislation was first enacted in 1938, was put on an experimental basis in 1948, and is still experimental up to this day, as it is only in 1,522 counties and covers only some crops in those counties.

The combination of these programs under S. 3029, would result in an all-risk, all-county program to cover all agriculture products. That

is a major goal which is not obtainable immediately for all crops. But I will explain what we do propose the first year and thereafter a little later.

A second objective is that this program be established from an actuarial basis—a sound actuarial basis of coverage and rates—and that this base of coverage extend down to the individual producer.

This has been a problem of Federal crop insurance in the past and a criticism of Federal crop insurance. The program has been designed around areas on some crops, and not down to the individual producer level.

To accomplish this goal—the producer coverage—the administration would plan to use the assistance of a USDA county committee. The USDA county committee has long had an expertise and knowledge of the county necessary for accomplishing this goal. Also, the USDA offices throughout the country would be used as the contact points for the farmer in servicing the farmer for this program.

A new Federal bureaucracy of established offices for this program would not be necessary. The ongoing USDA delivery system would be used.

The program would cover the major cost of production. At the present time, the language of the bill says you can cover up to 90 percent of the cost of production.

This bill must be affordable—the program must be affordable—not only to the farmer, but to the consumer and taxpayer.

There presently is being spent in the combination of the Federal crop insurance program, the low-yield disaster payment program, and the cost of money for emergency loans, a total of about $555 million. The administration proposal calls for a total expenditure of about $542 million.

The liability protection available presently under FCIC and ASCS low-yield payment program totals about $6.5 billion. It is projected that this program, the first year, would cover up to about $9.9 billion and by the third year would go to around $15 billion. So, you can see there would be a great deal more protection available.

It is planned that programs be offered on 18 major crops the first year. Among these are the present low-yield disaster payment crops of corn, grain sorghum, wheat, cotton, rice, and barley. Also sugarcane, sunflowers, citrus, dry beans, soybeans, oats, flax, peanuts, tobacco, raisins, sugar beets, and rye would be covered.

Also, there would be available the limited programs that are presently in effect on peaches, apples, grapes, tomatoes, peas (both dry and green) forage, sweet corn, and potatoes.

Other agricultural products would start the second and third year on an experimental basis, including livestock.

On crops where there is sufficient actuarial data, the program could begin nationally much quicker. The others would necessarily have to be maintained on a pilot experimental basis until the necessary actuarial data is gathered.

The program offered to the farmer would be a three-level, three-tiered program. The first offer would be about 50 percent of the cost of production, which normally covers in most crops the variable costs of production—the out-of-pocket costs, so to speak.

The second tier would be 70 percent of the cost of production, which would include the machinery and overhead.

And the third tier, of 90 percent, would cover some of the land costs and management costs.

Senator, I'd like to say, too, for the record, before someone takes me on regarding the figures you read for crops and acres, that the source for that was the latest farm census, and is not necessarily the acreage of the past year.

With that short explanation of the bill, I'll stand ready to answer any questions as they come.

Senator STONE. Well, I have just one question at this point, and I think I will reserve the right to ask you some additional questions later or to relay questions given me by members of the public.

I want to thank you for your testimony, Mr. Johnson. And, let me just add that Mr. Otto Johnson is the Deputy Manager of the FCIC.

I'd like to introduce the other official members of the hearing for the benefit of the public that is here. In addition to Mr. Johnson, we have Janice Wilson, staff assistant, and Mr. Ray Stallings from the FCIC in Lakeland. From our Senate Agricultural Committee staff, we brought Mr. Phil Fraas, assistant counsel, and Warren Oxford, committee printer, and Nancy Foster is my assistant for agriculture on my own staff.

Thank you very much, Mr. Johnson, and we will now hear from Commissioner Doyle Conner.

Doyle, if you would come up and take the same seat, I think we will ask our witnesses to testify from this seat up here since the microphone is right there.

## STATEMENT OF HON. DOYLE CONNER, COMMISSIONER, DEPARTMENT OF AGRICULTURE, STATE OF FLORIDA

Commissioner CONNER. Thank you, Senator Stone.

First, I thank you for coming to Gainesville and to Florida to conduct these hearings on this most important subject.

I want to thank Mr. Johnson for, also, being here along with your staff and the person who does stay in very close contact with Florida agriculture, Nancy Foster.

Of course, I'm pleased to make some comments about the need for an improved governmental system of assistance to agriculture at times of disaster from natural or uncontrollable causes. We have sufficient experience in Florida to know that there must be a better approach to meeting the emergency needs of farmers and farm communities as well as consumers when farm disasters occur.

The Federal Farm Production Protection Act has obviously been given much study and consideration in the light of recent experience. The proposed elimination of duplicating and overlapping assistance programs is a positive step.

Substitution of a crop insurance plan for the low-yield payment program for field crops is more equitable, in my view, because the disaster payments program in practice appeared to favor the larger producers over the small farmer that we so, as you well know, desperately need to assist at this time. The emergency loan programs also have objectionable features in many respects.

The most favorable feature of S. 3029, in my opinion, is that it would let the individual farmer participate at whatever level of coverage he felt was needed for his particular operation. In addition, available coverage will be broader than is possible at the present time.

I would hope that if this legislation is enacted, efforts would be expedited to provide the coverage needed by producers of vegetables, livestock, dairy products, poultry products, and horticulture products.

Section 3 of the proposed act addresses (page 2, lines 20 and 21) insect infestation, animal disease and plant disease. Most of us in Florida are aware of the tremendous losses our crop and livestock producers have suffered from plant and animal diseases. In addition, major industry, such as the sugarcane and citrus are under serious threat from various disease and pest. And, you are very well acquainted with brucellosis, it has caused quite heavy losses to dairy and beef producers, although high indemnity programs have been of some assistance, as you well know, and relieved the producers in some respects.

Dairy animal slaughter because of brucellosis infection has not nearly been recompensed by State or Federal indemnity payments. No milk production losses because of the disease have been made up by any type of assistance program.

In the long run, the consumer pays for these losses at higher retail milk prices. We are witnessing major advances in the eradication of brucellosis, but when a disease is endemic, infection of clean herds or reinfection of previously infected herds caused most often by the importation of incubating animals from supposedly clean-herd sources, is a very real risk involved.

All of us are accustomed to the purchase of insurance protection against casualty losses. We insure our lives, our health, our homes, our cars, our personal property and our incomes, as well as our debt repayment risks. Risks are inevitable in any kind of agricultural activity. Therefore, the concept of broadening Federal crop insurance to all types of agricultural ventures, in all areas, with provision for guarding against the loss of investment for production is sound business.

There have been very many—various mechanisms attempted in the past to provide disaster insurance to farmers. The thrust of the new program is well intentioned: All-crop, all-county, all-risk. There are differing views as to how this intended goal may be reached. However, since—and Mr. Johnson has alluded to some of the methods of expediting such a program—since the Agricultural Stabilization and Conservation Service is established in all counties, is familiar with local conditions and all crops in those areas served by county offices, I would hope that the ASCS would be delegated as much involvement as is practical and feasible in the delivery of services to affected growers.

The development of a new program requires that it focus upon the problem and the most practical, sensible, and manageable way of solving the problem. The problems differ with commodity and locality. I can well recall the grower's comment following the January 1977 freeze that "One man's freeze is another man's fortune." The intent of the legislation under discussion is not to make a fortune for

anyone, but to prevent disaster from befalling anyone, and in particular the young farm families who are just starting out on what I believe to be the most satisfying way of life and also a way of making a living.

I would hope, also, that the Congress would move with all reasonable and prudent speed in acting upon this much needed, concentrated and much improved approach to avoiding disastrous losses so that the act can take effect to commence with the production year 1980. I am well enough acquainted with the legislation process that I'm convinced that this program cannot be in place by the 1979 crop year, but I believe we have sufficient lead time now for it to be ready to put in use for the 1980 crop year.

Thank you, Senator, for the opportunity to appear. I will be glad to try to respond to any questions.

Senator STONE. Commissioner Conner, that is an excellent statement and I do have a few questions for you.

Commissioner, the administration's crop insurance proposal would include a provision which does away with the Farmer's Home Administration disaster loans program. Do you have any comments on that aspect of the proposal?

Commissioner CONNER. Senator, we have not given any particular thoughts to it. I'll be glad to ascertain any information that you feel you need in that subject area and will pass it along to you.

Senator STONE. Thank you, Doyle.

Of all the Federal disaster programs for farmers that you've seen operate in Florida, do you have any that you would say have helped Florida farmers the most? Are there any that you feel have been productive and good?

Commissioner CONNER. Well, I toured the State following the disasters—the most recent disasters that you are well acquainted with, and you were on most of those tours: The freeze, the drought, accompanied by Army worms and resulting in probably the lowest returns to our farmers compared with the costs of production in many, many years.

The Long program was well intended and it did help some farmers. But, I think Mr. Johnson quoted the Secretary as saying that the natural disaster brought on a lot of disasters within the bureaucracy. He is well aware of the fact that we could not respond to the needs of those growers as promptly and as adequately as was needed. The funds that came to the Florida growers when all the meetings were ended and the funds finally reached the growers, I'm sure they helped, but a better, expedited program is essential. Quick relief in time of disaster. It's no different from a person's house burning down and the adjuster being there promptly to make restitution and comparing it with what we have been going through, of considering the fact that the house is burned, now what are we going to do about it? When can we produce some results and ultimately get it in the hands of the people who must get back in business.

It's been a slow process. I would hope that however these adjustments, if the legislation is enacted, however these adjustments are handled, that they will be handled promptly enough that the house can be rebuilt, the factory can be rebuilt, they can be back in business, the business of producing food.

Senator STONE. In other words, the intent of the legislation should be to allow continuous planting or replanting, in order to keep the farmer in production.

Commissioner CONNER. Indeed. Indeed.

Senator STONE. I appreciate your testimony very much, and we will be working with you.

Commissioner CONNER. Thank you, Senator.

Senator STONE. Thank you so much for coming today.

I just have one question for Mr. Johnson before I call on the next witness.

Mr. Johnson, I understand the tobacco program has been one of the better FCIC administered programs, not only in the terms of participation but because the coverages are higher and the premiums are lower in comparison to other FCIC programs.

How would this new proposal change the program for tobacco?

Mr. JOHNSON. In some areas of tobacco, it would slightly reduce the amount of coverage. This is because we are now, under the present act, able to cover up to the full cost of production, whereas under the proposal we would be limited to 90 percent. However, there would be very little reduction because we are, in some areas, not approaching 90 percent.

However, the premium subsidy that is programed into this plan—the use of the $542 million of costs that I was talking about—would make the plans much more attractive and would result in higher participation, which would be needed for this type program.

Senator STONE. One other question: Would the proposed program include livestock, poultry, vegetables and horticultural products?

Mr. JOHNSON. Yes, sir, all these——

Senator STONE. The Florida Commissioner of Agriculture mentioned horticulture in his statement. In Florida the ornamental horticulture business does a tremendous export business.

Mr. JOHNSON. When these programs would be available on a national basis would depend upon the data available upon which to base a program. If there is good sound data on which an actuarial base can be established, then, it would be possible—probably the second year of the program—to get it enacted nationally. For those on which we do not have sufficient actuarial data, it would take a longer period of pilot and experimental work within that crop or product before a national program could be implemented. In those cases, there would be a number of counties selected throughout the country where the data from that experience would be most meaningful and pilot programs would be established.

Senator STONE. Would the Florida Agricultural Department's data be of use to you in establishing these new crops?

Mr. JOHNSON. Certainly.

Senator STONE. That was something I thought I would mention before Doyle left. That is that the Florida Department of Agriculture can be of great help to us in collecting the data for some of these crops that have not previously been offered coverage under the FCIC. As Mr. Johnson says, if they don't get the actuarial base, they don't know how to set up the rates and the program.

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Also, would this proposal include insect and disease coverage for all crops?

Mr. JOHNSON. Yes, sir. Except there may be an insect problem that is controllable by the farmer. Now, if it's controllable, it will be his responsibility. Good farming practice is a necessity of this bill.

Senator STONE. You are not insuring against bad farming.

Mr. JOHNSON. That's right.

Senator STONE. Thank you, Mr. Johnson.

Now, we are going to move as rapidly as we can down the witness list. We are going to ask our witnesses to try to confine themselves to a 10-minute presentation so we can have adequate time for questions, and so that members of the public that aren't listed as witnesses might have some time toward the conclusion to either ask questions or make statements, time permitting.

Our first witness will be Mr. Cyril Boyd of Newberry. I imagine Mr. Boyd will be talking to us about the peanut situation. But, you don't have to confine yourself to that one crop, Mr. Boyd. Glad to have you here.

## STATEMENT OF CYRIL BOYD, NEWBERRY, FLA.

Mr. BOYD. Thank you, Senator.

A peanut crop, as you know, has increased in cost of production astronomically over the past 10 years. Also, our production has increased in proportion, or maybe a little more. So, we are confronted with a dilemma of getting rid of our crop. And, the farmers—I'm telling you this for a background—farmers have assessed themselves $1 a ton to promote the product and to run research on it.

Now, then, what we are concerned about right now is selling overseas, getting rid of any surplus that we have. Fortunately, we don't have any this year.

I just got a notice from the Commissioner's office this morning that we are going up to $2 a ton on that assessment. And, I happen to serve on this advisory board, and the $1 is for promotion of peanut sales overseas, mostly.

Now, then, this program, as it's outlined, seems to me it's a mighty good thing for the peanut farmer in the Southeast. Now, we are confronted now with EPA regulations to the extent that we could be wiped out by something that we could not control: Fungus or insects.

Now, I'm glad that Mr. Johnson brought out and Senator, you brought out, that we are not insuring poor farming practices. Because I don't believe in doing that. We want to make this thing as light on the Government and the taxpayers as we possibly can. But, if we have a good insurance program, then, it would make it easier for the peanut growers of the State to get the financing that they need, and they really need it now, to finance a peanut crop, because it's getting higher and higher each year.

I think we have, as Mr. Johnson has outlined this, I think we have a workable and a good program, and we appreciate it.

Thank you, Senator.

Senator STONE. Thank you very much, Mr. Boyd. If you will just stay 1 minute, Mr. Boyd, I want to ask you a question. The peanut marketing situation is better this year than it has been in past years, and all of us are rather glad of that.

Has the peanut crop in Florida had problems this year with aflatoxin?

Mr. BOYD. Senator, I don't think we've dug yet. I mean, it's just started.

Senator STONE. And you don't see any aflatoxin?

Mr. BOYD. And we wouldn't know of the aflatoxin content of the peanut until we dig it.

Senator STONE. I'd like to ask Mr. Johnson: If that problem does occur, would this proposal cover it?

Mr. JOHNSON. Yes, sir.

Senator STONE. It would?

Mr. JOHNSON. Absolutely. It is now covered under Federal crop insurance and there have been some problems in the past in several areas, in certain crop years, especially following a drought.

Senator STONE. And this would be covered both under present law and under the proposal?

Mr. JOHNSON. Yes, sir.

Senator STONE. Thank you. Thank you, Mr. Boyd, very much. I appreciate it.

Our next witness is Mr. Ralph Cellon from Alachua.

## STATEMENT OF RALPH CELLON, ALACHUA, FLA.

Mr. CELLON. I'll give Nancy a copy of my remarks and just visit with you a little in order to be able to stay within the 10 minutes. The statement that we had prepared for you will cover a little more detail of what perhaps we would say to you.*

Senator STONE. We will include the full statement in the record.

Mr. CELLON. All right, sir. We, as you know, but for the record, I'm a farmer and businessman, actively engaged in farming, grow row crops and vegetables and have a cattle operation.

I come to you today as a farmer and businessman locally to help you to perhaps understand from our viewpoint some of the ramifications of what has been proposed, as I understand it, by the administration and so on.

There's a definite need, and I agree with Mr. Boyd and the Commissioner and others who probably will say the same thing, there is a definite need for all-risk, all-crop, all-county, whatever, completely covering all of agriculture as far as disasters are concerned over which the operator himself has no control.

I agree with both Mr. Boyd and the Commissioner and others that in no way do the people who are legitimately involved in agriculture want the Federal Government or the rest of the taxpayers to subsidize or to insure anything except efficient operations, people who are legitimately trying to make—produce a product to feed all the consumers of this country. And over which they have—disasters over which they have no control over, then, we would like to look for some sort of insurance in that area.

I think generally what needs to be said here is a couple of things with regard to that: One is that if we are not successful in producing the food and the fiber in our country for consumption here, that we have to look to other places for that. And, this to me, in terms of looking to

* See p. 67 for the prepared statement of Mr. Cellon.

foreign countries for our import of food and fiber, is not reliable. We can expect additional inflation as a result of that, consequently it's in everybody's best interest to keep the producer here in our country able to produce.

Now, certainly some large farmers and some large corporations are able to overcome a disaster of drought and flood and tornadoes and whatever. But, the majority of the food—and I don't have the specifics, Mr. Johnson, but I think that you would bear this out—the majority of the food that is produced for our country today is done by small, independent farmers, who, after about 2 years of the kind of things that we experienced in Florida last year, would be out of business.

And, consequently, our country would be out of food that he would normally provide for them. I suggest to you that it is in all of our interests to keep these kind of people in business. I think the insurance program that has been proposed, as far as an all-risk, all-crop type, is what obviously ought to ultimately be provided. I think that's more economical for the taxpayers and more beneficial for the person that it is designed to serve.

Now, as far as specifics, I would be happy to meet with Nancy or Mr. Johnson or anybody at some other time to help you with some of the things that I see that we ought to include in that. And, I'm not a bureaucratic type, but I do understand a little bit about the fact that we have to have a law and it has to be applicable in the field. And, sometimes, these two don't fit, as the Commissioner alluded to, in trying to benefit some farmers under the previous law that we are operating under and so on.

Now, I would be happy to help you with that if I could in any way.

In that regard, in terms of how to administer whatever is proposed, or if there is an extension of what we presently have in existence, I think without reservation we ought to look at the fact that, as the Commissioner says, we have in existence an organization within a department that, in my layman's terms, look like it could ideally administer the program without any additional expense or perhaps some additional personnel, but certainly we would not have to establish a new whole bureaucracy, set up a new whole set of offices and buy a whole new set of equipment. You have in all of your ASCS offices, which as I understand it there is probably one in almost every county in the country, you have probably most of the data that is necessary for you to be able to operate the program, you have the confidence of the farm community, which I think is probably the most important thing that is necessary as far as an ingredient in this program and it being accepted and the farmer not feel like he is being ripped off and so on. When you have a committee system where these folks elect their neighbors as their representatives and so on, I think under that setup you are able to administer most effectively and with the most credibility what I think is being proposed by the administration here.

I've used my allotted time and I appreciate this opportunity and I join with the others in thanking you, Senator, and Mr. Johnson, for coming to our area to listen at some folks about our particular problems.

Senator STONE. Ralph, I appreciate your testimony, it's most helpful. I want to ask you this question: Is it appropriate for the consumers of

this insurance to direct the management of the production and sale of this insurance, as you have suggested, in having the county committees of ASCS do it?

Mr. CELLON. Well, if I were setting it up, that's the way that I would set it up.

Senator STONE. All right. Are there any analogies in private insurance to that kind of an approach?

Mr. CELLON. Well, the—I'm limited in my knowledge here, but the mutual type insurance programs that presently work, and that's true with anybody's business even, when you have your employees as part of your business, it seems as though everybody is pulling in the same direction and we are working for a mutual interest of everybody, and I think this is applicable in the insurance area. I would certainly support that kind of approach to insurance.

Senator STONE. So, you see the ASCS or county committee approach as being parallel in some regards to mutual insurance companies in which the policyholders have a voice or direct vote?

Mr. CELLON. Absolutely. Absolutely.

Senator STONE. Ralph, thank you very much.

Mr. CELLON. Thank you, sir.

Senator STONE. Very useful testimony. I appreciate it.

Our next witness is Mr. Marion Mann, who will be talking to us with regard to the corn situation. Mr. Mann.

If he is not here, then, the next witness will be Mr. Lonnie Kent of Jay, Fla., and he will be talking to us about soybeans.

And, if he is not here—I guess they are making crops—our next witness, and I know he is here, a good friend of mine, is Dr. Jim Wershow, a farmer and also an instructor here, a professor at the university. Jim.

And also a man that helped open up the Asian market to tobacco, I well remember, some years ago.

Dr. WERSHOW. Thank you, Senator.

Senator STONE. If you will, just pull that mike over Jim.

## STATEMENT OF DR. JIM WERSHOW, ALACHUA, FLA.

Dr. WERSHOW. All right. I'm here primarily today as a farmer. I have been farming for the last 35 years. I've also been teaching. But, I sometimes find that you go on one course one way and another course another way.

There are a few things that I wanted to ask Mr. Johnson, first of all, because I haven't come here with a prepared statement, I felt I was here to learn today and possibly transmit some of the information to others.

Senator STONE. Is that all right with you, Mr. Johnson?

Mr. JOHNSON. Certainly.

Senator STONE. All right, Jim, go ahead.

Dr. WERSHOW. Mr. Johnson, I took the liberty of trying to get some figures from your Live Oak office with regard to the number of producers who are protected under the tobacco program. And, I find that there has been a steady decrease in the number who are insured, and yet tobacco is one of our prime crops as you know in certain counties of Florida. There are eight counties.

Now, when I look at the number of insured in Alachua County, I find today that we have 12 of those individuals insured, and I know that we have many more producers. As a matter of fact, I think we've got over 240 producers of tobacco in our county. And, the total premium income that has come in from Alachua County is $9,203,17.

[The following information was submitted by Dr. Wershow.]

FEDERAL CROP INSURANCE CORPORATION,
U.S. DEPARTMENT OF AGRICULTURE,
*August 28, 1978.*

Prof. JAMES WERSHOW
*Gainesville, Fla.*

DEAR PROFESSOR WERSHOW: In regard to our telephone conversation on 8–28–78, about the amount of business in the Live Oak Office for Florida in the 1978 crop year, are as follows:

| | No. producers | No. insured in 1978 | Premium income | Approx. No. insured in past |
|---|---|---|---|---|
| County: | | | | |
| Alachua | 240 | 12 | $9,203.17 | 300 to 400 (all counties) |
| Columbia | 280 | 18 | 8,029.90 | |
| Hamilton | 240 | 34 | 32,424.73 | |
| Madison | 360 | 29 | 14,959.57 | |
| Suwannee | 560 | 95 | 39,534.58 | |

Todays trend of farming is expanding, and the number of farmers decrease therefore, our premium income is derived from much larger farmers than in the past. Our premium income is more today with less insureds than in the past.

Thanks for your interest in our program and if I can be of further service please feel free to call on me.

Sincerely,

BERNICE L. FIFE,
*County Office Representative.*

Dr. WERSHOW. Now, this causes me grave concern because we are talking here about a program that has been in operation, as you have said, since the 1940's. And, I don't like to say that this program has been a failure because I myself participated in it one time, although I never drew anything from it. I felt that the idea was a very good idea. And, as I've heard this testimony today, I'm still convinced that what you are trying to do is very good. But, the difficulty is that we are going to have to take and consult all of the farmers on it. I think this is the prime thing that I want to make at this particular time, because we have had an opportunity with the Federal crop insurance program.

I looked over the bill, or several of these bills very hastily. They were sent to me by Nancy Foster, and I got a chance to glance through them for a few minutes. And, I do know that the Federal Corp Insurance Corporation will be demised. Is that correct?

Mr. JOHNSON. Yes, sir.

Dr. WERSHOW. So, in other words, we would have in its place a new corporation set up. Am I right on that?

Mr. JOHNSON. Well, yes and no. Technically there would not be a new corporation set up, but the administrative functions of the program would be handled by, as the bill explains, a discreet organizational unit under the discretion and control of the Commodity Credit Corporation.

Dr. WERSHOW. This is right. This is what I'm getting at. I want to find out what that verbiage means, really. In other words, are we setting up a new bureaucracy? We were talking here a minute ago about a new bureaucracy or whether we should use the present ASCS personnel. And, I find they are very good people, I know a good many of them. But, I was a little bit alarmed when I saw this verbiage in here, and I wanted to know exactly what it meant.

Senator STONE. What does it mean?

Mr. JOHNSON. I asked the same question, Senator, the day it was written.

Senator STONE. What do you mean by discreet?

Mr. JOHNSON. Oh, very seriously——

Senator STONE. There was never anything in the Federal Government which was discreet.

Dr. WERSHOW. Mr. Johnson, I don't mean to embarrass you, but I really am trying to get some information on this. You see what I mean?

Mr. JOHNSON. In that sense, the word discreet means separate, the Secretary feels very strongly that the actuarial function, loss adjustment, and program development must stay separate from the delivery system for the program to remain actuarially sound.

The main reason that a separate corporation was not set up, such as we are operating today with a fully owned Government corporation under Federal Crop Insurance Corporation, was that the administration's reorganization plans called for the reduction of all corporations and agencies wherever possible under new legislation or under existing legislation. So, when the opportunity came for the Department to rewrite this legislation, they eliminated the corporation and put it under the CCC.

Dr. WERSHOW. I see. Well, in other words, then, actuarially, what protection would the farmer have? In other words, would there be an advisory committee to make sure that the proper actuarial figures with regard to areas are set into the formulas? Because I find mathematicians and farmers sometimes don't agree. I found this took place when we had our tax reform bill of 1976, you know, when people that are not at all familiar with farm activities drew up an estate tax, and now we have so many problems we don't know what to do with them. And, I want to bring this to your attention, now, as I say, because I think the same thing could happen here.

Mr. JOHNSON. Yes; there is a section in the bill that contains a provision for an advisory board, a board made up of people with insurance expertise that would advise the Commodity Credit Board on the actions to take.

Dr. WERSHOW. That is exactly the point I want to make.

Senator STONE. Let me intrude a second, Jim, because you have raised a very good line of questioning.

It's been suggested here by several of the witnesses, by Ralph and by Jim, that the ASCS county committees would be very good advisers functionally from the farmer's point of view. The description of the advisory committe in the administration's bill is of insurance experts, or actuarial experts. What we have here is a suggestion that the advice on this ought to be provided by the farmers.

Now, should it be both, should it be either, or should it be neither, and are we talking only about a national advisory committee or are we talking about providing input from the county level?

Mr. JOHNSON. The administration sees the advisory committee as national in role, in establishing policy. A policymaking group advising the Commodity Credit Board on actions to take from a national role. However, the State and county committee would operate in setting up the program and delivering the program at the State and county level.

Senator STONE. Well, you are talking about the delivery system, and I think Dr. Wershow was talking about——

Dr. WERSHOW. The actuarial.

Senator STONE. The actuarial itself, including producer input, and not just insurance actuaries in that situation. I recall that you are right on target when you talk about the estate tax draftsmanship, as it finally applied to farmers.

Dr. WERSHOW. That's right.

Senator STONE. It was supposed to be drafted for the family farmer to be able to survive as a family farm after an estate was created. And, it is not working out that way.

Dr. WERSHOW. That's correct.

Senator STONE. And you are trying to avoid that now on this kind of a corporation.

Dr. WERSHOW. That is exactly why I'm asking these questions.

Mr. JOHNSON. The actuarial division of the discreet unit, first of all, would plug in and take from the computer—to over simplify——

Dr. WERSHOW. Yes.

Mr. JOHNSON [continuing]. The determination to be made of the base periods span to be used. Then the computer would spit out the check yield for a county. That check yield that has been determined to be actuarially sound would be passed on to the State and county committee, and the county committee's responsibility would be to make division of that check yield within the producers according to their production history and land capabilities, and thereby setting up the program within the county, but weighting back out to the check yield.

That is oversimplifying it, but that's the way it is.

Dr. WERSHOW. I realize that, but what I'm afraid of is what we have had in many other things, where the individuals that make up the program primarily have very little experience in the field and there is many a slip as a result between the cup and the lip, as you probably know.

I think I've sort of taken up my 10 minutes.

Senator STONE. You are on a very good track, and I want to continue in line with your questioning: How would you work in either an ASCS county committee or other such producer-oriented representation to the creation of the program and not just distribution?

Dr. WERSHOW. Right. See, of course, another thing that bothers me is that not all farmers are under ASCS, I mean, right now. So, we are going to have to get a broader participation. I mean, this is something that worries me. And, also, I think the ASCS is doing an excellent job. I know many of our people here locally and they have done an excellent job and done a good job statewide. But, this program has, as I see it, tentacles that are far beyond this. And, if we fail to get the

proper actuarial basis applied to a local area, this whole thing is going to be another disaster, just the same as our Federal crop insurance in this particular area is. Because I've talked to a good many of the people who had this insurance originally with reference to tobacco, and they dropped it. They say, "What good is it?"

And I think now if we miss the boat at this crucial time—and I agree with everything that has been said before that we need it—but I think we have got to make sure that the elements that contribute to it are sound. And, one of the most important is some sort of supervision over the actuarial basis for the system. I don't mean just use mathematicians or insurance actuaries or even the ASCS men, there has got to be some combination of this and some study has got to be given to this. And, I do not know whether those who constructed the bill did that, I have no way of knowing that at the present time. But, I would appreciate more information from you on that if you could give it later on, Mr. Johnson.

Senator STONE. I personally would like to ask you for a little assistance in this area between now and January——

Dr. WERSHOW. Fine.

Senator STONE [continuing]. Because I don't believe that the committee will be able to go to markup in the few weeks remaining in this session. But, we are conducting the hearings to enable the committee to go to markup early in the coming year.

Between now and then, producer-oriented advice in the contruction of the program is invaluable, so we don't set up another disaster——

Dr. WERSHOW. That's right.

Senator STONE [continuing]. In lieu of a disaster.

Thank you very much. Those were very valuable questions and I appreciate it.

Dr. WERSHOW. I hope Mr. Johnson doesn't take it as being antagonistic, that is not the purpose at all.

Mr. JOHNSON. No, sir, we are concerned with your concerns, let me assure you.

Dr. WERSHOW. Right.

Senator STONE. Mr. Johnson, I would like to say that I understand that the FCIC is going to update its coverage figures for the 1979 crop year, as to include dollar protection. Could you tell us a little but about that.

Mr. JOHNSON. Under the present structure, we update these figures as inflation occurs and as the need is there, and in the past on a rather haphazard basis. I might say it is 4 to 5 years, and then sometimes longer before this is updated. And, many times we get kind of like the Model T, you know, back to the Model T horse-and-buggy days with our offers. This is what has happened in the north Florida tobacco program which, unfortunately, started out with some heavy losses in the beginning years, in my analysis. But, we are happy, that we will be able to rework the peanut coverages for 1979. Already, in the preliminary data I've seen the coverage of the dollar protection available to the farmer will increase substantially.

Senator STONE. Very good.

Our next witness, Mr. J. W. Grant, a banker, is the president of the Bank of Madison, from Madison, Fla.

Mr. Grant, we appreciate your coming here today.

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## STATEMENT OF J. W. GRANT, PRESIDENT, BANK OF MADISON, MADISON, FLA.

Mr. GRANT. Senator Stone, my name is Bill Grant. I'm president of the Bank of Madison, in Madison, Fla., also vice chairman of the Lafayette County State Bank and president of the Independent Bankers of Florida.

I appreciate the opportunity today to be here as an individual banker. I'm not representing the association today.

As a banker, I believe in Federal crop insurance. It is an important collateral tool, especially for equity-poor farmers.

The addition of Federal crop insurance can often mean the difference between making a loan or not. It is easily assignable and it's very compatible with other forms of specific-risk insurance, hail insurance, for example.

And, many farmers are able to stay in business only because they can leverage their increased land equities, and because of this increased leveraging, the ever growing requirement for farm production money, all-risk crop insurance becomes more and more necessary as a method of protecting that working capital.

Let me give you an example or a couple or examples: There is a farmer in Madison County that this year was only able to produce 46 percent of his tobacco allotment on his nonirrigated farm. He had rain, but it just came at the wrong time.

Another farmer grows a hundred acres of corn under irrigation, but he can't sell it at $2.20 a bushel, at a $2.18 break-even price. That is information given to us by the University of Florida. That's a $240 profit on a $26,000 investment if he had to sell it at this time.

Still another farmer grows soybeans under contract up to the cost of his production, hedging against a market price that at the time of harvesting could be less than his production costs. None of these farmers have Federal crop insurance, all need it.

So, with all its apparent attractiveness, the Federal crop insurance concept needs improving. I know you are aware of the history of the corporation, and aware of its low utilization among farmers.

Senator STONE. Why?

Mr. GRANT. I'll get to that.

Senator STONE. OK.

Mr. GRANT. As a banker, I believe farmers have not used this program because they felt its cost was more than its worth. One farmer with whom I've worked over the years is canceling his Federal crop insurance for 1979. The coverage is less than his production costs. This is because outdated and inadequate average yield figures were used in establishing his coverage. The formula for computing coverage is the average yield, which is applied by the ASCS, average yield times 65 percent times the support price.

And, he grows 68 acres of tobacco under irrigation, and he is known for the quality of his tobacco and also for excellent yields that he is able to produce. His 1978, that is this year's out-of-pocket production costs were $166,000, and yet his Federal crop insurance coverage was only $120,000. Of the $166,000, he spent $35,000 for fertilizers and chemicals to reduce the possibility of disease. He's a quality tobacco farmer. With disease protection and a reliable water supply, he felt

that he had fairly general control or insurance (although it wasn't insurance, it was "insurance") over most eventualities except the other acts of God, such as hail and wind. But, he can purchase hail and wind insurance from private sources. So, he doesn't feel it's practical for him to buy Federal crop insurance.

In 1977, last year, a disaster year, this same farmer sold more than his quota of tobacco because he insured against the possibility of drought with his irrigation system. So, his Federal crop insurance didn't do him any good last year.

This year, he suffered a $43,000 money loss due to a 10-minute windstorm that we had up there, for which he collected nothing from Federal crop insurance because he—but because he is an excellent farmer, he was still able to produce 2,600 pounds per acre in spite of the setback. So, the Federal crop insurance coverage really didn't do him any good. But, had he had the proper hail insurance—he didn't have hail insurance with his Federal crop insurance—had he had it, the proper insurance, he could have collected the $43,000 and still sold his 2,600 pounds per acre. And, he just feels he doesn't need Federal crop insurance. He has plenty of equity for loans, so, you know, he doesn't use it as loan collateral. So, next year, he is just going to buy hail and wind coverage, no Federal crop insurance.

Examples such as this, plus the 2-year absence of a sales campaign in north Florida may, in part, account for the fact that there are only approximately 300 farmers in Alachua, Columbia, Hamilton, Madison and Suwannee Counties using Federal crop insurance. Of course, the limitation of coverage to tobacco, except in Suwannee County where corn is also covered, severely impacts wider usage.

The concept is still good. It seems to me that we ought to plan for a comprehensive form of crop insurance which would provide broad crop coverage so that farmers would be able to purchase insurance on almost all types of risks for virtually all commercial crops grown in our area. The cost for the coverage should be relative to the risk inherent on the individual farms.

But first, all farms and farmers need to be reappraised as to average crop production. If the Federal crop insurance program is ever to have any significant stabilizing effect on America's agricultural economy, widespread participation is essential. We can improve farmer acceptance by offering individual coverage. Each farmer's average yield would be computed on the basis of his actual experience. Individual coverage would not only prove to be more actuarially sound, but would be more equitable and attractive to producers. Thus a good farmer would pay a premium compatible with his average yield and in accordance with his farming practices; not as just a farmer put into an average yield pool.

We should also review the provision that would cancel a farmer's coverage if he has losses 3 years consecutively. If losses are due to factors beyond his control, he should not necesarily be penalized. Florida is one of those areas where freak weather can materialize in just minutes, and I alluded to that——

Senator STONE. In other words, one year you can have a freeze, next year a drought and the third year you could have a hurricane?

Mr. GRANT. Well, that's right. And, he couldn't control any of those things. And, an otherwise safe crop can be ruined by those unusual cir-

cumstances. And, a farmer recovering from crop losses of these kinds needs coverage even more than he has ever needed it before, and yet we are in a process of canceling him because he has had them.

Also, I think farmers would appreciate a review of the lease and transfer program. And, I don't mean to open a can of worms, but I would like to make a point and get off of it. The farmer that I mentioned earlier that grows 68 acres of tobacco paid $73,000 this year for tobacco allotment rents, and next year he thinks it's going to go up an additional 25 percent. Part of the problem comes from those individuals who own allotments but don't grow tobacco. If a farm or farmer has not grown row crops within the last 3 years and his farm is not active row crop farmland any longer, I think we ought to redistribute those poundage allotments to active tobacco farmers in the county, based on the individual farmer's tobacco production over the last 3 years. If we are going to cover production risks, then we ought to try to reduce the concurrent costs relative to those risks as much as possible.

Under an all-risk program, I believe that coverages being offered by the private sector, for example, hail, fire and lightning, should be excluded from the Federal crop insurance program and that farmers should be encouraged to protect risks from private sources. Also, I believe the Government should continue to market the remaining coverages. Private sources could assume this responsibility as soon as they felt it was actuarially sound. The ASCS still has to monitor production allotments and it seems reasonable for them to manage the necessary collation between coverages and quotas.

What I'm saying is that probably at this point, private sources of insurance to me from a practical standpoint are not going to accept the idea of selling the Federal crop insurance. That is my judgment.

It seems appropriate to continue to restrict coverage to those crops that are of major economic impact to a county and only to those counties considered non-high-risk areas. However, consideration should be annually taken of those unusual circumstances converging on a particular area. For example, in 1974 Suwannee County was a part of a test program to extend coverage to corn in north Florida. But, we had corn blight that year. And, Federal crop insurance paid quite a few claims, I think, in Suwannee County, the test area that year, but it made it appear that we were a very high risk area. So, we still don't have corn coverage outside of Suwannee County in those counties I mentioned.

In my judgment, the extent of coverage should not exceed the cost of production. I don't believe that the general taxpaying citizen would stand for Government guaranteed profits. Not only that, anything more than cost of production coverage would act to discourage farmers from producing efficiently. I believe that out-of-pocket costs plus machinery ownership costs is a good level, and I think farmers are going to see some value in that kind of coverage.

The concept of merging the Federal Crop Insurance Corporation into the Commodity Credit Corporation might be sound administration since both are designed to stabilize production. But, the regular Farmers Home Administration credit program should be continued and, I think, eventually, as all-risk crop insurance is more broadly accepted, the need for Federal disaster assistance should be virtually eliminated.

But, Farmers Home Administration provides a needed bridge for regular farm credit. I was surprised to find last year that commercial banks in Florida provide less than 25 percent of farm credit needs in the State. Farmers Home Administration is very, very needed.

I would encourage the merging of the SBA farm loans back into the Farmers Home Administration because of Farmers Home Administration's general farm loan administrative experience and expertise. It is also less confusing to the farmer if he knows that farm assistance of this type is coming from a central source.

It is my understanding that Federal crop insurance covers the cost of claims out of premiums collected, but that the administrative expenses of FCIC are covered with an allocation from Congress. According to background information received from your office, the estimated cost of the fully implemented program will be $542 million annually. And, even though this is slightly less than the 3-year average of the cost of the present insurance and disaster programs offered by the Federal Government, it seems to me that the sooner we can take the Government out of the program the better off we will be. There should be some plan to emphatically encourage farmers to employ crop insurance on as wide a range as possible, thereby "subsidizing" their own self-insurance program, and not have to rely on the general taxpaying public.

It is interesting to me that the present voluntary diversion program under the ASCS requires participation before farmers are eligible for disaster or deficiency benefits. Should the Federal crop insurance program be expanded to the anticipated 68 percent participation level, and thus take the place of our present disaster programs, I would think we would have to make farmers fully aware that if they did not participate in the insurance program, then they wouldn't be eligible for disaster payments.

It seems to me, in our efforts to provide a comprehensive responsible system of farm disaster relief, we ought to build one where the benefits and guidelines are so explicit and plain that when implemented, farmers will know in advance what assistance is available and how to go about getting it. Frankly, some of the programs—and I don't mean to just single out ASCS—but they are so complicated that even those that try to keep up with it on a regular basis are confused by it. And, I've seen some farmers go in after receiving an explanation, just throw up their hands and say, just forget it, because they don't want to fool with it.

The program will work better if it's simplified. The farmer will be dealing with a known premium cost, known coverage, and a known agent. and the program's thrust will be preventative, not with after the fact disasters where we find ourselves scrambling to keep farmers from going out of business.

I appreciate your time and I'm sorry I ran overtime.

Senator STONE. Not at all. You packed a lot of specifics into that 10 minutes.

I'd like to ask Mr. Johnson to comment on one proposal that you made quite specifically. Which is more equitable, an individual risk coverage or a pooled risk coverage? Which is more equitable and would be more attractive to the farmer? By attractive, I mean, which would

attract them into the program as opposed to a situation in which no matter how effective a farmer is, he is paying for the sloppy farmer's risks.

Mr. GRANT. That's right.

Senator STONE. What about that? Do we have individual risk analysis and coverage under the present or proposed programs?

Mr. JOHNSON. Under the present program, very little. Under the proposed program, that is the main objective.

Senator STONE. That would be the way that the actuarial studies would be set up, so that the formulas would provide for individual analysis, individual costs and individual coverage?

Mr. JOHNSON. Absolutely. To do that, you would go through the mechanics that I stated earlier of how to set up a program, you would update annually, and you would have, what we refer to as a rate adjustment table. We would hope that we would set the most actuarially sound rate in the beginning, but you would also have a rate table in which the grower would seek his own level with his own individual experience.

Mr. GRANT. Well, what we would try to prevent is this farmer that I mentioned specifically, he produces on an average about 2,800 pounds of tobacco an acre, and he's being—he is paying a premium based on 2,300 pounds per acre production level, and it's just not fair to him, just not worth it for him because I produce more than they are giving me credit for producing.

Senator STONE. What about that?

Mr. JOHNSON We recognize that if we are going to get participation that we must have, in this program, we must apply the actuarial to the individual.

Senator STONE. Thank you very much. Those were very useful suggestions.

What did you think of his idea that you should work yourself out of business? In other words, set up a program that eventually farms it all out to the private sector and to the individual farmer? Is that feasible?

Mr. JOHNSON. To the individual farmer, perhaps, if all farmers, hopefully some day could have the kind of equity that he was referring to. I kind of doubt we will ever reach that day.

Senator STONE. Well, particularly with young farmers, that gets to be rather difficult.

Mr. JOHNSON. As to the private sector there is presently a reinsurance provision in the present Federal Crop Insurance Act where private companies could come in and have a reinsurance. That is limited now to 20 counties, and that limiting factor has deterred participation in it to some extent by companies. They would like to try something a little broader. However——

Senator STONE. In other words, if the private companies got into this program through reinsurance, could they ultimately proceed from capability in reinsurance to capability in the full insurance itself?

Mr. JOHNSON. Some of the leading——

Senator STONE. In the long run?

Mr. JOHNSON. Some of the leading lines, hail companies throughout the country, over the years have tried an all-risk program. Unfortu-

nately, they have guessed wrong as to the year they went into it, and have taken severe losses and withdrawn from it. It's a very risky business, as you can see, since the exposure, as I stated earlier, could be up in the billions of dollars by the third year. The private companies just don't have the resources, without a sound reinsurance program.

Senator STONE. Yes.

Mr. Marion Mann has arrived, and I believe we will call on him next.

I see Dr. Wershow has a question, but we will call on him right after Marion Mann for that question.

## STATEMENT OF MARION MANN, LAKE CITY, FLA.

Mr. MANN. Thank you. I apologize for my tardiness.

I'm going to do something this morning that I am not very comfortable with. Ordinarily I find it better to ad lib, but for the sake of trying to be short and concise, I did prepare a written statement and as I read from this I began to realize that probably being too concise I left out some things that you might like to discuss. So, if I raise a point possibly you can elaborate on it, and I will be glad to answer it the best I can.

Senator STONE. Good.

Mr. MANN. I was unable to get the information packet until recently, and possibly there are some things that I'm not as familiar with, and I would appreciate the information in filling me in.

My name is Marion Mann. I live in Columbia County, Fla., and farm for a living. I have a diversified farming operation consisting of poultry, corn, tobacco, and livestock.

I appreciate this opportunity to express my views concerning the farm production protection plan.

Before I proceed with my presentation, I would like to personally thank Senator Stone for his long and untiring service to agriculture. When problems have arisen, he has been in the forefront to help solve them. Thank you, Senator Stone.

Senator STONE. Thank you. I appreciate that.

Mr. MANN. Farming is a high risk occupation, it has always been. But, with the spiraling cost of inflation and the low level of income received for farming, the risk is becoming greater each year. We certainly need some sort of protection to help—to help to insure that we would be able to continue in the production of food and fiber.

I concede there is a need for a program to prevent overlapping services in the four agencies, primarily: Farmers Home Administration, Small Business Administration, Federal Crop Insurance Corporation, and even the private insurance that has been called on to aid the farmers during the disasters in the past. However, I am not sure that the bill as proposed would solve our problems. If the bill could actually do what it is aimed at: (*a*) overlapping programs; (*b*) inadequate protection for many producers; (*c*) low participation and inadequacy of benefits among producers; lastly, (*d*) reliance on ad hoc decisions; it would certainly be good legislation.

I have reservations about an insurance plan being able to accomplish all these goals. I'm glad to see the program expanded to include more

products, but I wonder if there are other products and other crops that should not be included.

The crop I'm concerned about this morning is corn. The margin of profit in corn is so small, I don't believe there is room to add the fixed cost of insurance on top of the other production costs and expect to make a profit in a normal year. If you go only for 50-percent production costs, this is no real value to the farmer, because to continue to farm—if all the help that he can expect to receive after a disaster is only 50 percent of production costs, this doesn't put him in a position to pay enough of his debts to insure that he will be able to continue to operate for another year. I can only guess that the higher levels of coverage would be too costly to be feasible.

Most of my opinions are based on the only kind of Federal insurance that I am familiar with, and primarily this was Federal crop insurance for tobacco. I was not aware until I read some of the comments on this bill that there was coverage available for any other crops.

In spite of the high cash value of the tobacco crop, this insurance program has only been moderately successful in our area. Thus, I have real reservations about whether this comprehensive program can be successful at all.

I would hate to see the proposed program substituted for the programs that are available at the present time.

I would like to thank you for this opportunity of coming this morning and expressing my views.

Senator STONE. Thank you, Marion. Let me ask you—in other words, you feel like that the premium costs for the crops you raise don't warrant the benefits that you would get in a disaster as compared to the present disaster relief program? You think the present disaster relief program does more for you at less cost than this comprehensive program would do? Is that what you are saying?

Mr. MANN. Yes, sir. In the normal production you don't anticipate a year after year disaster program, but in the—to be sure, you'd have to have a continued coverage of insurance, and this would just be an added cost to the normal expected production costs. And, really, as I've stated, the only insurance that I'm familiar with that has been available in my area is the coverage for tobacco, and it's been limitedly successful because I believe the gentleman that proceeded me alluded to some of the problems that was involved in this, and I won't go through it.

Senator STONE. Well, why don't you think it's more successful than it is in the tobacco coverage?

Mr. MANN. Primarily——

Senator STONE. What is wrong with it?

Mr. MANN [continuing]. Due to the costs and what you can expect to receive. If you take hail and wind insurance and you have an irrigated program, the chances of a crop failure are so small until most people don't consider it. Most of the people that you find that use the program, are persons that produce crops on either extremely low wetlands, which is a good producing soil but you do run the risk of drowning, or else you go to the other extremes and there is a person that has land——

Senator STONE. No irrigation?

Mr. MANN. No irrigation and on dry land, and they are very anxious to cover their crops. But, if you have irrigation, and most people do protect themselves from hail and wind, and usually through private companies.

Senator STONE. Would this proposed program include hail and wind?

Mr. JOHNSON. Yes; at the present time it does.

Senator STONE. Would it be at about the same cost as the private sector charges or less or what?

Mr. JOHNSON. It would vary, Senator Stone, across the country. There are places where right now the hail rate is greater than Federal crop insurance, depending on what the risk is, and there are other places where it's a great deal less because of the risk. Risk factor always determines the premium.

I wonder, Senator Stone, could I ask Mr. Grant a question?

Senator STONE. Yes; if you would.

Mr. JOHNSON. Mr. Grant, your objection in the example you——

Senator STONE. Let's say, Mr. Mann, that Mr. Grant lends you the money.

Mr. JOHNSON. Oh. OK. Sorry about that.

Your objection, I believe, of your fear of participation in a corn program, for instance——

Mr. MANN. Yes, sir.

Mr. JOHNSON [continuing]. Is that high cost and the low profit margin for moneys available to add additional inputs into the crop, so to speak, which would be an insurance cost?

Mr. MANN. Yes, sir.

Mr. JOHNSON. Would you feel a program would be acceptable, for instance, to a low risk, high producing producer at a rate of $1.90 per $100 protection for a 50-percent level of cost of production; $3.30 per $100 protection for a 70-percent level of cost of production; or $6.60 per $100 of protection for the 90-percent level of cost of production. How well do you think that type of grower would accept that offer?

Mr. MANN. It's something that I wasn't privileged to and off the top of my head it sounds like an attractive offer. This is one of the things that I was not aware of as to what prices would be attached. I could only surmise, and once again, evaluate the costs compared to the only program that I was familiar with, being tobacco. Certainly I realize that the cash value is much higher and consequently the premiums would be higher. But, the thing I think that concerns me, is that if we say that if we can develop this self-insurance program, we can eliminate any further disaster help that might be needed, and certainly I— I am not opposed to self-help and to insurance and any program that——

Senator STONE. But you are not ready to eliminate these disaster relief programs just yet, in light of recent experience.

Mr. MANN. It concerns me that even with the premiums that has been made mention of, will the individual producers be able to take advantage of their expertise, skills and possibly good luck, the fact that you was able to produce the crop and harvest it without some sort of disaster occurring. In the very near neighborhoods, in most instances, you will find from one extreme to the other, some instances the adjoining farm——

Senator STONE. Go ahead. In other words, you want to know will this program include an individualized analysis of your own practices and experience so that you are not paying for careless or unlucky farmers down the road.

Mr. MANN. Yes, sir. And another thing that concerns me, we pretty well have farm quotas established, once again, related to tobacco. As you well know, the tobacco program has been in existence for a long time, and through the years, possibly of none of the present owners or farmers doings, there has been a poundage quota established to the farm, and even through the ability to greatly increase production you are limited. So, your quota remains the same. The same is true with corn. Every farm has a farm base. And, in Columbia County, I was talking with the county agent and he said that 55 bushels per acre on corn would be the high limit. He would like to say it was 60, but he didn't honestly believe he could.

But, by the same token, this year I was fortunate, I did grow a good crop, the first year I had irrigation, and the county agent came and they hand broke and measured and weighed and figured 167 bushels per acre. I was unfortunate, had a windstorm and lost this 67 bushels. I gathered slightly over 100 bushels. The rest of it is laying in the field. So, you know, an insurance program in this case would have been of no value because certainly I made a profit, but the real cream is still laying in the field. And, you take——

Senator STONE. On the other hand, you are going to have a great dove season this year. I want to be there.

Mr. MANN. But, the thing that concerns me, if you have a locked-in 55 bushels per acre, which established for this county, for this community, as an individual—and I'm not talking about one year's production, go back and get a——

Senator STONE. An average.

Mr. MANN [continuing]. An average. But, it's hard to establish because people—they tend to group—it's easier to make everybody fit to one 55 bushel. So, this is my concern, that will you be able to actually get adequate coverage to cover your expected production.

Senator STONE. I think that is what Dr. Wershow was trying to aim at in his line of questioning, also, Otto. The object being that the individual farmer who is productive wants to be paid off on what he could raise and what he actually lost in his fields when he gets his premium paid. That is the kind of advance input on just actuarial soundness that they are all worried about.

Mr. JOHNSON. Secretary Bergland recently noted this problem himself in his testimony before Senator Huddleston's subcommittee. The problem is that, as you stated, they are a little afraid of making somebody mad. And the Secretary says that our department yields are narrowed too much toward the average, and don't really reflect the difference in production among producers. And, that must be done.

Senator STONE. Well, how is that proposed to be done in the bill?

Mr. JOHNSON. The county farm committee. As we stated, the committee involvement in setting yields and spreading these yields among the producers would not be the final say-so. It would come back to the actuarial division and local underwriter in that area for approval, and the Secretary emphatically said that if the spread was not there, it would be rejected and done over.

Senator STONE. Go ahead, Dr. Wershow.

Dr. WERSHOW. I just wanted to say one thing. In our area we, for instance, took upon ourselves to form a barn insurance cooperatively, in other words, to protect ourselves against fire. We took that incentive and we got about 60 or 70 farmers who have been doing this for 10 or 15 years. These are the things that your actuarials would know nothing about unless they came on the scene and found out, because we are actually saving money for ourselves now. But, this should be included as a factor in your insurance figure.

Senator STONE. Well, structurally, what process would there be. What process can you suggest that would carry that information to the creators of the program?

Dr. WERSHOW. I think you are going to have to have an advisory committee. I mean, very effective advisory committees in each particular area who will examine some of these practices, because they are local practices not well known and not written up, but when they come back to you they will effect the actuarial result. And I feel that we need something like that in addition to the ASC committee. Now, the ASC committee will probably know something about these things, I think a lot of them, but there is more to it than that.

Senator STONE. Marion, do you have any additional questions or comments you would like to make?

Mr. MANN. The only one thing that I can think of that comes to mind, and I made reference, that maybe the program wasn't wide enough in scope. I looked at the list and presumed that the list I saw was the thing that was being considered for coverage. In my area I don't produce melons but there are lots of people who do, and I wonder if watermelons shouldn't be a crop that comes under this protection.

Senator STONE. It would be, wouldn't it?

Mr. JOHNSON. Certainly it would be.

Senator STONE. This would be all-crops, all-counties, all-risks. It wouldn't immediately be that, but it would phase into that.

Mr. MANN. OK.

Mr. JOHNSON. It would eventually be broader than crops, agricultural products.

Mr. MANN. This was my other concern, livestock is another industry and just as surely as you have a disaster, whether it be drought, freeze, or flood, your livestock production comes to a halt.

Senator STONE. That would be included here, too, including hogs.

Mr. MANN. OK.

Senator STONE. It would eventually include all of that.

Thank you, Marion, very much.

We have one final witness, and then if time permits, we will ask members of the public if they have any comments or questions. We will take them because we have kept right to the schedule. I want to thank our witnesses for having kept to the schedule so well.

Our final witness is Mr. Charles A. McCallister, who will speak with regard to the insurance industry. He is the vice president and general manager of the Florida Farm Bureau Insurance Co., Florida Farm Bureau Federation right here in Gainesville. I have to immediately disclose my conflict of interest, I'm a satisfied customer.

Mr. MCCALLISTER. Thank you very much, Senator.

Senator STONE. Mr. McCallister, go right ahead.

## STATEMENT OF CHARLES A. McCALLISTER, VICE PRESIDENT AND ASSISTANT GENERAL MANAGER, FLORIDA FARM BUREAU INSURANCE CO.

Mr. McCALLISTER. Senator Stone, I am Charlie McCallister, vice president and assistant general manager of the Florida Farm Bureau Insurance Co. I appear before you on behalf of the Florida Farm Bureau Federation, to present their views on this subject.

Our conclusions are understandably the same as those which have been adopted by the board of directors of the American Farm Bureau Federation and previously presented to this committee in writing.

Because of the technical nature of the subject at hand, I, as an employee of the Florida Farm Bureau Insurance Co. have been asked to testify for the Farm Bureau organization.

Our position has been ably stated before your subcommittee 2 weeks ago by Mr. O. L. Deardorff on behalf of the National Crop Insurance Council. Since you have his testimony and position paper as a part of your record, and since we support and endorse this in its entirety, I propose to merely summarize his remarks, in part, quoting from them and adding a couple of observations of our own.

We share with you a concern for the welfare of farmers. Not only are they our customers, and the backbone of the national economy, but also we are particularly atuned to the problems and needs of farmers.

We think the major concern of most farmers is with operating costs and commodity prices. Our agricultural productivity is one of the wonders of the world. But, the incentive for abundant production has been price margin potential, not Government programs.

We therefore note with some uneasiness the language in the preamble of S. 3029: "To assure consumers that producers will be able to continue to produce food and fiber." As we read the mood of commercial farmers, we would respectfully observe that achievement of that aim depends upon the cost-price economics of farming with which all farmers must contend every year, much more than upon crop insurance, for which only a few feel a need and only part of the time.

We wish from Congress, most of all, that it decline all proposals, the implementation of which would preempt or threaten our on-going free enterprise endeavors in crop hail insurance.

For 25 years we have successfully and to the satisfaction of Florida farmers provided this coverage. For instance, when a hail loss occurs to a crop, we wait 2 to 3 days for the natural regeneration which will occur, and then adjust the loss. The adjustment of hail losses is mostly a mathematical calculation which is rarely disputed. The count and measurements are taken by the adjuster and the farmer, and upon an agreement of the amount owed, the adjuster immediately writes a check to the insured farmer in the full amount of the loss. We wonder if the Government could match the desirability of this procedure?

We see it as neither right nor necessary for this successful, taxpaying enterprise to be destroyed or threatened by any Government program. We view S. 3029, in its present form, as the nationalization of the crop insurance business and the elimination of private insurance.

As both private and corporate taxpayers, we resist the commitment of tax dollars to overly generous programs which are wrong in principle.

The presumption that all farmers need help all the time is unsubstantiated. We believe there is no justification for taxpayers to subsidize the cost of crop insurance, any more than the cost of farmers' other insurance needs.

Further, we have a problem with projected cost of the proposed program. Mr. Deardorff's presentation included a copy of an analysis which had been drawn by an independent group of professional actuaries. They had analyzed the program proposal, taking the known assumptions and indicated intentions of the U.S. Department of Agriculture, and had developed cost estimates as a minimum of from one and a half to more than two times the Secretary's stated estimate.

For these and other reasons, we urge the following recommendations:

Delete provisions for coverage for the perils of hail, fire, and lightning.

No. 2. Cover only growing crops.

No. 3. Do not extend the coverage to livestock or poultry.

These recommendations are made upon the basis that there is no need nor justification for such programs. These insurance needs of farmers have been handled adequately and satisfactorily for both the farmer and the insurance business historically. We are aware of no problems which would justify Government intervention in these areas. Our farmers in Farm Bureau believe in the free enterprise system and feel the Government should not compete with it unnecessarily. We would urge Government both here and otherwise to abide by the maxim, "If it ain't broke, don't fix it."

It's just possible farmers do not want as much help as this program proposes. Characteristically farmers are fiercely self-reliant individuals. They neither expect nor want total freedom from all risks, or a guaranteed profit as lawmakers sometime assume.

I'm reminded of the three Boy Scouts who applied for the same merit badge for helping the same old lady across the street. And, when the scoutmaster asked why it took all three of them, one of them said, she didn't want to go. Well, I think sometimes in a quest for political merit badges, we assume that the farmers want to go places they don't want to go, and this could be one of those instances. And, in fact, we are saying it probably is.

Now, admittedly, this leaves an area of risk which the Government may feel some responsibility for, and justifiably so. Obviously, private industry cannot cope with the potentially castastrophic nature of perils such as drought, flood, excess rains and things of that nature. If Government is to provide a mechanism through which all risks of loss can be covered, then we would hope they would look to the private insurance industry as a partner as they have done with the FAIR plan and the crime and flood insurance programs very successfully. In other words, a satisfactory reinsurance commitment from the Federal Government would allow the private insurance sector to provide that which is considered necessary to accomplish the desired end.

This concludes my presentation, Senator Stone. We appreciate this opportunity to appear before you and give you our views. We hope our offer of alternatives and our criticism of some of the proposals will be taken as constructive rather than negative, and as motivated by concern

for the interest of not just our business, but also for those farmers, consumers, and all of us taxpayers.

We will be glad to assist this committee at any time in any way we can, sir. Thank you.

Senator STONE. Thank you, Mr. McCallister.

Mr. McCallister, do you think that the private insurance industry could handle all the farm needs for all-risk crop insurance if reinsurance were made available by the Federal Government?

Mr. MCCALLISTER. Yes, sir, I believe so.

Senator STONE. Not just the fire, hail and windstorm, but all risks——

Mr. MCCALLISTER. Yes, sir, I think so.

Senator STONE [continuing]. If you had reinsurance assistance?

Mr. MCCALLISTER. Yes, sir; we have had much of the same problem with the flood problem historically, and we substantially, I think, solved that through that type of arrangement.

Senator STONE. If reinsurance were provided, how quickly do you think the private insurance industry could expand to become a nationwide insurance system, all-crops and all-risks? Are we talking about 10 years, 5 years, 3 years?

Mr. MCCALLISTER. Senator, if you will forgive me, I remember a story about Will Rogers once——

Senator STONE. How long does a man's legs have to be?

Mr. MCCALLISTER. No, sir; back during World War I when everyone was terrified by the German submarines menacing the Atlantic, he said he didn't think that was much of a problem, that all they had to do was raise the temperature of the Atlantic Ocean to the boiling point, and that would take care of the submarines. Everyone said, fine, how do we do that, and, he said, that's an administrative problem, I'm just an idea man.

And, in seriousness, I couldn't answer that, sir. I don't have that kind of expertise. But, I'm confident, given appropriate time, it could be resolved.

Senator STONE. Coming back to one of the statements you've made—what you are saying is that you think the private insurance industry could not coexist under the proposed administration's crop insurance program?

Mr. MCCALLISTER. No, sir. I think it would be the destruction of the private insurance industry in those areas that I've discussed, such as crop, hail, fire and lightning, and insurance of products after they have been harvested, cattle, poultry. There are no problems we are aware of in those areas. I think if the program, whatever program is adopted, even if they wouldn't follow our suggestion for a reinsurance mechanism, whatever program is adopted if it would exclude those things that private industry serves so well, then we could coexist very easily. If they are to include them, obviously we are out of business or probably.

Senator STONE. You feel that any of these all-risk, all-crop proposals should be restricted to growing crops, not products after harvest?

Mr. MCCALLISTER. Yes, sir. Because I know of no problem, no market problem.

Senator STONE. And you think the main risks to be addressed by Federal insurance would be drought, excess rain or water——

Mr. MCCALLISTER. Insect infestation.

Senator STONE [continuing]. Flood, insect infestation. What about windstorms, hurricanes, is that covered?

Mr. MCALLISTER. Yes, sir, that is of a catastrophic nature that is difficult for private insurance to handle without a good reinsurance mechanism.

Senator STONE. You think that the reinsurance approach would enable the private sector to do this insuring more cheaply than could the Federal Government?

Mr. MCCALLISTER. I'm personally confident that's true.

Senator STONE. Well, I thank you, Mr. McCallister. Thank you. I appreciate your coming here today.

Now, we have time for members of the public to express themselves or to ask questions, and we will ask them to use that microphone there. If anybody wants to make any comments or ask any questions, there are little cards there for your name and address, which we will need for our court reporter. So, as time permits, whoever wants to say something or ask something, just approach that microphone there and we will be glad to hear you.

The microphone is in the sunshine.

Are there any comments on the subject of the hearing?

Yes, sir, just go right on back to the microphone, please, sir, so we can get a good record today. If you would start by mentioning your name and the town you are from.

Mr. ROBINSON. James Robinson from Williston, I'm a farmer there.

I'd like to ask what would happen to the livestock feed program that we have now?

Senator STONE. Otto?

Mr. JOHNSON. The emergency livestock feed program, as we have now, would remain in existence until the full needs of that program are met with a comprehensive program for livestock.

Mr. ROBINSON. Thank you, sir.

Senator STONE. Thank you.

Are there any other questions?

Well, ladies and gentlemen, I want to thank you so much for attending today. We've heard some very valuable suggestions and cautionary lines which will help us. We will be back to you after we begin to mark up the bill. In fact I'm going to try and circulate to everybody who received the advance package before this hearing, a copy of the marked up bill and as much extra information as we can conveniently send out to you so that you can continue following it. And, write us if you have comments.

This afternoon the committee is going to go to Lakeland and continue this hearing in Lakeland.

I thank you all for attending. Commissioner Conner, I appreciate so much your leading off the hearing this morning.

Thank you all. The hearing is recessed.

[Whereupon, at 10:50 a.m., the hearing was recessed, to reconvene at 3 p.m., in Lakeland, Fla.]

# FEDERAL CROP INSURANCE AND DISASTER ASSISTANCE PROGRAMS

WEDNESDAY, AUGUST 30, 1978

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

The subcommittee met, pursuant to notice, at 3 p.m., in the Florida Citrus Mutual Auditorium, Hon. Richard B. Stone, presiding.

Present: Senator Stone.

## STATEMENT OF HON. RICHARD B. STONE, A U.S. SENATOR FROM FLORIDA

Senator STONE. Good afternoon, ladies and gentlemen. Welcome to the Senate Agriculture Committee's hearing on Federal crop insurance.

I'd like to thank you all for coming and I'd like to note the attendance of staff from Senator Chiles' office. Charles Cannady who is in charge of Lawton's Florida office and Ed Smith also of that office. We appreciate your coming and participating.

The Federal disaster payments program for producers of feed grains, rice, cotton, and wheat will expire at the end of the 1979 crop year. The administration recently submitted to Congress its proposal for a new national crop insurance program to take the place of disaster payments and disaster loans beginning 1980. This administration proposal is S. 3029. The witnesses have been given copies of it to look over before they testify.

The administration bill is just one of several proposals for a comprehensive reform of Federal crop insurance that has been introduced during the 95th Congress. Six other bills have also been introduced into the Senate.

This subcommittee will have to decide from among those proposals and develop its own bill for consideration by the Senate early next year. It is not an easy job. The bill that passes Congress must and will have a major impact on many types of farmers. I believe quite strongly that our Florida farmers must have full opportunity to provide their ideas and their suggestions on this issue, particularly since Florida has such a variety of crops and our climate is subtropical. The crop insurance legislation will heavily impact on Florida's agricultural crops. So input on something as basic as crop insurance is very important to us. In fact, if I am not mistaken, there has only been one other State to have Senate hearings on this issue and that is the State of Iowa.

I do want to mention that under the present crop insurance program in Florida, 58,300 acres are insured; under this proposed program 322,-862 acres would be covered. As to peanuts, presently 25,296 acres are covered; under this proposed legislation 48,467 acres will be covered. Presently for tobacco in Florida, 9,595 acres are covered; and under the proposal, 11,217 acres will be covered. Citrus is presently quite widely covered, at 741,428 acres; under this proposed administration bill, coverage would rise to 871,184 acres. Soybeans, which is not covered at all in Florida now, would go up to 217,439 acres. Sugarcane would become fully covered next year, probably with or without this bill because of the way that the U.S. Department of Agriculture is able and willing to apply these programs. Under the proposed bill, sugar would be covered next year for 249,437 acres, 405 acres syrup and 6,628 as to seed. In addition to that, the USDA would have a pilot experimental program beginning in the second year of the program as to vegetables, sweet corn, and melons. In Florida 215,418 acres will be included. As to cattle 2,367,108 head will be included. So you can see that this proposal would have a tremendous impact on Florida agriculture, if it is carried into law.

Fortunately for our subcommittee, our list of witnesses includes a number of witnesses whose background and position makes them highly qualified to testify on these issues. I appreciate the cooperation we have received from farm groups and others in putting this hearing together.

What I would propose to do first, and briefly, is to call as the first witness the Federal Corp Insurance representative, Otto Johnson, who is here from Washington. Mr. Johnson will summarize the administration's proposed new crop insurance program; and, then I will ask the other witnesses to comment not only on the bill, but on any of Mr. Johnson's comments as well as their own ideas which will particularly be helpful to us on how to improve these proposals so that they will maximize the benefits to Florida agriculture.

So first may I introduce and call on Otto Johnson, Deputy Manager of the Federal Crop Insurance Corporation, U.S. Department of Agriculture. Mr. Johnson.

## STATEMENT OF OTTO JOHNSON, DEPUTY MANAGER, FEDERAL CROP INSURANCE CORPORATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. JOHNSON. Thank you, Senator Stone. We appreciate the opportunity to be here today to appear as a witness to explain the administration's position. And to thank you, Senator, on behalf of Secretary Bergland for your strong commitment to agriculture and the cooperation that you have given the Department.

Senator STONE. Thank you, except when I think you are wrong.

Mr. JOHNSON. That is part of the constructive criticism that we are looking for.

Senator STONE. Go ahead.

Mr. JOHNSON. Initially, while we were hunting for a single source of statistics that we could apply to all agricultural products we discovered quickly that there is no single source except the latest U.S. agricultural census. So the figures discussed may not reflect the latest plantings or number of cattle and so forth.

Senator STONE. That's fine.

Mr. JOHNSON. About 2 years ago, Congressman Bergland, as chairman of the Subcommittee on Conservation and Credit in the House, began looking at ways to offer a better disaster program for the farmers of this country. Upon becoming Secretary of Agriculture, he became very definitive in his research. Taking advantage of the research previously done, he offered the administration's proposal, S. 3029, on which this hearing is being held.

The Department's objective is to provide an all risk, all county, all producer protection plan throughout the Nation. This is not the case under the present Federal crop insurance program. It has been experimental in nature since 1948 and the Secretary thinks the experiment has gone on long enough and the program is now actuarially sound so it should be expanded.

The Department's second major disaster program is the low yield disaster payment program, administered by ASCS. This program, as you know, covers only the six major export crops.

The Department's aim is to establish a program from an actuarial base. To accomplish this objective, we must establish the actuarial base all the way down to the individual producer. Individual producer coverage would be based on the individual producer's history, experience, and risk factors. To assist us in most crops, we would utilize the ASCS committee because they are familiar with these crops and they have yield data to aid the insurance unit in setting up the program for individual coverage.

The program must cover the major cost of production. A section of the bill provides for coverage up to 90 percent of the cost of production. The program must be cost affordable. At the present time, there is about $555 million being spent in the Federal crop insurance program, the subsidized FmHA and SBA programs, and the ASCS low yield disaster payment program.

The Department plans to put the new program into effect on a nationwide basis on 18 crops the first year for a cost of $542 million, a slight reduction in cost.

These 18 crops include corn, grain, sorghum, wheat, cotton, rice, and barley which are now covered under the ASCS low yield disaster programs. In addition, sugarcane, sunflower, citrus, dry beans, soybeans, oats, flax, peanuts, tobacco, raisins, sugar beets, and rye would be covered.

We would be able to offer programs on these 18 crops on a nationwide basis because we do have experience in insuring them.

The other eight crops presently covered under the Federal crop insuranc program would continue to be covered in the counties where they are operating now until data is gathered that would permit us to insure them on a nationwide basis. These crops are peaches, apples, grapes, tomatoes, dry and green peas, forage crops, sweet corn, and potatoes.

Insurance on crops, as well as other agricultural products, could only be expanded nationally when the necessary actuarial data is available for the program. With some agricultural products, it would be a matter of pulling together available data and starting the program. With other crops it would be necessary to initiate pilot programs to get them started until the necessary experience is gained to offer them on a nationwide basis.

Presently, the amount of protection available through the Federal Crop Insurance Corporation and the low-yield disaster payment program administered by ASCS is about $6½ billion. We believe with the proposed legislation that we could have a protection program on these 18 crops in the first year of operation amounting to about $9.9 billion and by the third year about $14.9 billion. We are forecasting about 68 percent farmer participation. The insurance plans offered would be at different levels:

The 50-percent level represents the variable cost of production or the out-of-pocket costs; the 70-percent level, would include machinery and overhead cost; and also a 90-percent level would include management and some land cost. The producer may choose the level of insurance as well as a price selection, with the highest price set at about the market or target price.

The program would be funded through the Commodity Credit Corporation, and the major policy decisions would be made through hte Commodity Credit Board. There would be an advisory board, with insurance expertise represented to advise the Commodity Credit Board on national policy.

As I said earlier, the present programs are inadequate. The Secretary has strongly emphasized on several occasions that the present disaster programs of the Department are a disaster.

We believe this program, Senator, will provide much better protection than is now being offered.

Senator STONE. Thank you very much, Mr. Johnson. Before asking you a few questions, which particularly relate to citrus and to some extent sugar, I would like to introduce to the public the official party that came here for this hearing. Phil Frass, the assistant counsel of the Senate Agriculture Committee; Warren Oxford, the Senate Agriculture Committee printer; I have already introduced Mr. Johnson from the FCIC. We also have Janice Wilson, staff assistant from the FCIC, and Ray Stallings from the FCIC here in Lakeland.

Mr. Johnson, how would the present FCIC for citrus be changed if the administration's proposal in this bill is implemented?

Mr. JOHNSON. The major change to the citrus program would be the amount of premium to be charged to the producer.

Senator STONE. Would it increase?

Mr. JOHNSON. It would decrease because the $542 million that I spoke of earlier would be partially programed into a subsidy of premium at the lower levels of coverage offered.

Senator STONE. How much of a subsidy would there be, for example, in citrus at the 50-percent level?

Mr. JOHNSON. We have programed about 90 percent of our total subsidy in the 50-percent level, about 10 percent in the 70-percent level, and no subsidy in the 90-percent level.

Senator STONE. So about 90 percent of the Federal subsidy would be at the 50-percent level, 10 percent at the 70-percent level and no subsidy at the 90-percent level.

Mr. JOHNSON. Yes, sir.

Senator STONE. How substantially cost of premium reduction are you talking about at the 50-percent level for citrus? How much would it go down?

Mr. JOHNSON. A little over half.

Senator STONE. That's not optimistic.

Mr. JOHNSON. No, sir.

Senator STONE. That's quite a reduction.

Mr. JOHNSON. That's a reduction at that amount of coverage. Now we must remember that the present citrus program is on about 90 percent of the cost of production. The grower can select, I believe, with the new change for this year up to $400 an acre, which is close to the cost of production.

Senator STONE. How would the present FCIC program for sugar be changed by this new proposal?

Mr. JOHNSON. Again, a subsidy in premium. Might I state, Senator, that the Department feels it is very necessary to program these moneys that have been used in other disaster programs into a subsidy premium in order to get farmer participation. Participation is the most important objective of this program. As you know, if we are going to stop reacting to particular disaster situations over the years and offer the ad hoc type program, we must offer farmers, or a good percentage of them, protection when disaster occurs and not afterwards.

Senator STONE. In line with that, what would be the new costs to the sugar producers if this program were implemented compared to what they are paying now?

Mr. JOHNSON. Roughly, on the program that we are just starting for the 1979 crop year. It would be about the same percentage that I quoted on the citrus. At the 50-percent level, the premium would be cut a little over half, and that reduction would apply all the way through any price selection the person chose.

Senator STONE. Would this proposed program include livestock, poultry, vegetables, and horticultural products?

Mr. JOHNSON. Yes, sir, it would when there is adequate actuarial data or experience documented.

Senator STONE. But there wouldn't be any legal or statutory bar excluding it once you have obtained the actuarial figures to back up the program?

Mr. JOHNSON. That is correct, the bill permits it.

Senator STONE. And it would be the Department's intent to try to include all crops?

Mr. JOHNSON. Yes, sir, as far as possible.

Senator STONE. And would it cover insects and disease damage?

Mr. JOHNSON. Yes, sir, as long as the loss of production is beyond the control of the grower. Good farming practices are a must. We cannot encourage poor farming practices so the program would only cover loss of production if it is beyond the control of the grower.

Senator STONE. Mr. Johnson, we heard a lot of testimony this morning in Gainesville from farmers who were anxious to have their specific yield on their particular farm reflected in any proposed insurance programs on the theory that they didn't want to pay an average premium as efficient farmers with better than average yields and yet only get recompense for an average yield when they had a good year before the disaster. Is it the Department's intent to try to individualize this new coverage?

Mr. JOHNSON. Yes, sir, it absolutely is.

Senator STONE. Well, I appreciate these answers and as in this morning's hearing, I will ask you to stand by here at the head table because

either the witnesses or I could be asking you questions as issues arise. That way we can get this proposal and these programs out on the table.

Thank you very much, Mr. Johnson.

We will now call the first of seven witnesses. I am going to ask for the 10-minute rule as much as possible. That will allow us time to go to questions and if we can stick to the schedule, it might well allow for additional comments and questions from members of the public that have not been scheduled but who really would like to offer something to this hearing.

Our first witness will be Mr. L. C. Hawes, Jr., Mark Hawes from Dale City. He will be discussing the impact on citrus.

Glad to have you, Mr. Hawes.

## STATEMENT OF L. C. HAWES, JR., DADE CITY, FLA.

Mr. HAWES. Senator Stone, members of the committee, ladies and gentlemen.

It is a pleasure to be here this afternoon. Can you hear me all right?

Senator STONE. I can, but can members of the public hear? Pull the microphone a little closer, please, Mark.

Mr. HAWES. As the Senator has introduced me already, I won't further introduce myself other than to say I am a private citrus grower from Dade City, and I speak from the standpoint of a moderate-size grower whose life work has been involved primarily in the citrus field as a grower.

With the Senator's permission, I'd like to incorporate some figures that relate to my own business regarding costs which would relate to our proposed crop insurance coverage.

During the summer of 1962, I signed up for crop production insurance under the Federal Crop Insurance Corporation. This turned out to be a fortunate decision for me, because in December of 1962, Florida experienced one of the most severe freezes in its entire history, certainly in the 20th century. This disastrous freeze caused immense damage to both crops and trees in many of our State's citrus growing areas; and in my own particular instance, most of my crop of fruit was lost, and many of my trees were either severely damaged or killed outright.

The crop production insurance indemnity meant that there was at least some money available to continue the operation of my grove property. I did not regain sufficient crop production capability to qualify for crop production insurance for several years following the 1962 freeze. Eventually, however, I signed a new contract for coverage for the 1969–70 crop season, and I have been insured continuously since that time.

A quick review of the total amount I have received in crop production insurance indemnity over the past nine crop seasons reveals that the total indemnity received exceeds the total premiums paid over the same period of time by about 25.7 percent.

Senator STONE. In other words, you've got 25 percent more than you paid for indemnity?

Mr. HAWES. Yes, sir, over a 9-year period. The details of premiums paid and indemnity received are provided here in my written testimony. Thus, I won't go into those in detail.

[The details follow:]

COMPARISON OF CROP PRODUCTION INSURANCE PAID WITH INDEMNITY RECEIVED. NINE CROP SEASONS, 1969–70 THROUGH 1977–78

| Crop season: | *Premium paid* | *Indemnity received* |
|---|---|---|
| 1969–70 | $1,684.03 | $9,538.72 |
| 1970–71 | 2,059.58 | 7,761.42 |
| 1971–72 | 2,234.40 | (1) |
| 1972–73 | 3,178.82 | (1) |
| 1973–74 | 2,863.82 | (1) |
| 1974–75 | 2,713.10 | (1) |
| 1975–76 | 2,713.10 | (1) |
| 1976–77 | 2,562.36 | 11,739.75 |
| 1977–78 | 3,092.85 | (1) |
| Totals (nine seasons) | 23,102.06 | 29,039.89 |

[1] None.

Mr. HAWES. At this point in time, I definitely feel that crop production insurance has been worthwhile for me as an individual grower.

All of us are now faced with rising costs in nearly everything we purchase for our farming businesses. Whether it be fertilizer, insecticides, labor, fuel, replacement of farm machinery or maintaining old equipment, we feel the never-ending impact of the constantly rising prices on everything we invest in producing a crop of citrus fruit—an investment to produce wholesome fruit crops which provide food not only for the people of our Nation, but also for people in other parts of the world.

Again, please permit me to use my own experience to cite the upward trend in production costs of citrus over the past several years. A comparison of my costs to produce the 1971–72 crop with similar costs to produce the 1977–78 crop reveals that my most recent crop costs almost twice as much per acre to produce. The details of my production costs per acre for the past seven seasons are provided.

[The production costs follow:]

CITRUS GROVE PRODUCTION COSTS PER ACRE 7 SEASONS, 1971–72 THROUGH 1977–78

| Crop season: | *Production cost per acre* |
|---|---|
| 1971–72 | $182 |
| 1972–73 | 220 |
| 1973–74 | 263 |
| 1974–75 | 311 |
| 1975–76 | 369 |
| 1976–77 | 317 |
| 1977–78 | 352 |

Mr. HAWES. Looking at the rising costs from another viewpoint, I have observed that on a production cost per box basis, the cost rose from 67 cents per box in 1972–73 to $1.42 per box in our most recent crop season, 1977–78. And, sir, that's only 5 years.

With such a heavy investment in production costs, every agricultural producer should have the opportunity, on a voluntary basis, to have his or her production costs insured against the multiplicity of perils which beset those who risk their economic future on the vagaries of the weather, insect pests, and crop losses caused by diseases or other factors. At the present time, only a limited number of crops are covered

by Federal crop insurance. This protection should be made available to all farm producers who wish to provide some means whereby they can recover some of the money they have invested in producing a crop which has met with disaster through no fault of their own. I think it is important to emphasize through no fault of their own, certainly not through neglect on the part of the farmer. Yet the farmer may find that the premiums charged for adequate production costs protection may be so high that he cannot afford them. On the other hand, the farmer may well be in the dilemma situation of being one who could at least stand a major crop loss and would have the least chance of getting back on his feet financially if he is in the position of experiencing a major loss. Thus, some provision should be made for the Government to share in the premium costs with the farmer on an equitable basis.

An extension of an all risk crop insurance protection to producers of all farm crops would, in all probability, necessitate an increased need for qualified personnel and adequate facilities to administer such a comprehensive type of insurance program. An agency of the U.S. Department of Agriculture, the Agricultural Stabilization and Conservation Service, usually referred to as the ASCS, would be an excellent governmental body to administer this proposed expanded, all risk crop production insurance. The ASCS is administered locally by farmer elected committee persons. These farmer committee persons know the problems of their particular localities first-hand because this is where they live and farm and share the interests and concerns of their fellow farmers.

The ASCS county offices staff personnel, working under the guidance of their committee persons, could handle the details of administering the insurance program. Through many years experience, the ASCS has accumulated expertise in administering various farm programs such as: Feed grain, agricultural conservation programs, emergency farm programs, et cetera, for the benefit of the farmers of America. The ASCS has the physical facilities in terms of buildings, computers, aerial photographs of all areas, disbursement capabilities, and so forth, to carry out an expanded crop production insurance program effectively and efficiently. Utilization of the ASCS capabilities could result in lower costs to the Government by elimination of duplicating facilities.

In summary, I feel that the concept of crop production insurance is a sound and effective means to assist farmers when they have the misfortune to suffer damages to their crops through no fault of their own, to help them recover a portion of their investment in damage or lost crops, particularly in this era when farmers, a small minority of our Nation's population, but whose products are an indispensable part of America's economy and well being, are caught in an ever-tightening squeeze between their farm incomes and farm costs. Besides an expansion of coverage to provide all risk production crop insurance, I think the insurance should be available in several different levels of coverage so that the farmers could have several different options with respect to the portions of cost they would wish to have insured. Again, I would like to emphasize that this insurance protection would be on a strictly voluntary basis.

Lastly, I would like to reiterate my opinion that the Agricultural Stabilization and Conservation Service would be an excellent agency to administer this needed comprehensive, all risk production insurance program.

Senator STONE. Thank you, Mr. Hawes. Just one question. It was described to us by Mr. Johnson in this morning's testimony that the proposal of the bill would set up a discreet unit that means a separate unit, in the Commodity Credit Corporation under the U.S. Department of Agriculture to do the actuarial work, the planning work and the organizing work of this program. Is your proposal that the ASCS administer the program in conflict with that?

Mr. HAWES. No, sir, I don't believe it would be. I haven't delved into it to any great extent, but I don't believe it would be.

Senator STONE. Mr. Johnson, do you have any comments to that?

Mr. JOHNSON. Yes, sir, I would like to comment. Basically I think we are in agreement as to the way the Department plans to provide the protection. We see the need for the use of the ASCS office as the local delivery point. One of the problems with some of our crop insurance programs is that the farmer's contact point is too far away. We also see the need for the county committee to be involved in reaching individual producer coverage. Like you say, they have the expertise, the data, facilitates and so forth. We see them as a contact point and as a source for individual coverage data. However, we would look at other methods. One of these methods probably would be in the citrus program. We have a very good working relationship with Florida Citrus Mutual. For instance, Florida Citrus Mutual could be the contact point because that is where the citrus growers come and do business. The ASCS committee has very little expertise in the citrus area because their programs do not deal with citrus. We have expertise of a scientific nature now for determining the location of cold groves and warm groves. The Lacie project is giving us pretty good data. We see some crops——

Senator STONE. Cold groves are in Japan.

Mr. JOHNSON. I passed a few cold ones, Senator, on the way down and the trees are dead. I agree with you, the coldest ones are there.

So we see a difference. We think it is healthy too to keep in place at least to a limited degree some other types of delivery. We think that it is good to be able to weigh costs and see what is working the best and what will work the best in saving tax dollars over the long haul, not only today but in the future. I think basically we are in agreement, but I wanted to clear up those points.

Senator STONE. Thank you, Mr. Hawes, very much.

Mr. HAWES. Thank you, Senator, for the opportunity to testify.

Senator STONE. We call Harry S. Carlton from Plant City, Fla., and he will be discussing the citrus impact as well. Mr. Carlton.

## STATEMENT OF HARRY S. CARLTON, PLANT CITY, FLA.

Mr. CARLTON. Senator Stone, and friends.

Mr. Johnson, before I start, I am very happy to know that you are in agreement with one of the comments I am going to make in my statement in your statement that you made here before the committee.

I am Harry S. Carlton of Plant City, Fla. I am a businessman and farmer. I am actively engaged in citrus and livestock production, as well as being in community affairs, serving as director and chairman of the board, Federal Land Bank Association of Tampa, Fla.; director of the Hillsborough Bank, Plant City, Fla.; secretary and treasurer, Applied Agricultural Research, Lakeland, Fla.; director of the Hillsborough County Farm Bureau; director in charge of livestock exhibits of the Hillsborough County Fair and Strawberry Festival Association; and served 5 years as a Soil Conservation District Supervisor for Hillsborough County Soil and Water Conservation District. My appearance here today is as a businessman and farmer.

Farmers need the protection afforded by the proposed Farm Crop Insurance Act of 1978: (1) To minimize their losses due to disasters; get back into production as soon after a disaster as possible; provide some relief to their creditors so that farm supplies can continue to be made available to farmers at the lowest possible costs.

The act in helping to compensate farmers in part for their losses should tend to make for a more even flow of farm products at home and abroad as farmers get back into production sooner and in more volume. It should also help to provide the consumers with food at a more reasonable cost as small farmers especially are kept in production.

Existing crop insurance programs are inadequate in coverage both as to geographic area—counties—and crops. The administrative procedures for these programs are time consuming, confusing, overlapping, burdensome, and expensive to farmers.

The existing disaster programs are difficult for farmers to understand. The publicity associated with these programs after a disaster often gives farmers false expectations of the help available to them. This makes them bitter and resentful toward their Government. Under this proposed act, farmers would know in advance what to expect and how to go about receiving assistance. They would know they were entitled to this compensation regardless of finances and there would be no stigma attached to receiving it. Under the present regulations, assistance applies only to farmers who are already at the point of going out of business and the disaster loans and assistance simply enables them to continue farming a short time longer. They usually do not help the farmers who have been dealt a major blow, but can obtain some financing elsewhere. The proposed Crop Production Protection Act would help prevent a good farmer from being permanently or seriously weakened in his ability to stay in business.

The proposal to have the ASCS administer this act is sound for these reasons: There is a local ASCS office in most every county of the Nation; the program has a democratically elected local farmer committee administering it; these farmer committees and the officer personnel know the farmers, their problems and needs; they have records showing acreage of crops in the county and access to yield information; administrative procedure under these conditions would be less costly, more accurate and much more satisfactory to farmers; there would be less chance of some farmers taking advantage of the system and less overall costs to farmers and the public.

The act will not be infallible and will need to be perfected as time and disasters make the shortcoming evident. However, it is an excellent start toward a far sounder and more easily understood and administered system that farmers will appreciate and understand.

That is the essence of my statement, Senator Stone.

Senator STONE. Thank you. Do you have any comments on any of the matters testified to by Mr. Johsnson in addition to what you have said here?

Mr. CARLTON. Well, as a citrus grower, and his comment about the cold spots in the area, some of us who have had insurance for some time and only a few in a certain locale and we have been hit by these disasters, well then automatically we are put in high category insurance brackets and, of course, I can understand the insurance business, but I am sure that under this new act, and if they do back up 50 percent of it, I am sure there are going to be a lot of citrus growers who haven't had insurance who are going to be in the program.

Senator STONE. In other words, if the premiums are reduced substantially, you think the participation would go up greatly with the citrus industry?

Mr. CARLTON. Yes, sir, I do.

Senator STONE. Thank you very much, Mr. Carlton. I appreciate it.

Our next witness is Dalton Yancey from the Florida Sugar Cane League, Clewiston, Fla., and he will be testifying about the sugar impact.

Before calling on Mr. Yancey, I have one question on citrus that I would like to ask Mr. Johnson. Would diseases affecting citrus, such as young tree decline, be covered under either the present program or under the proposed new program?

Mr. JOHNSON. Under the present program, the answer would be no, Senator. Under the future program—possibly. I will explain it this way. We are only offering a plan on a percentage of damage to the crop on the trees at the present time. If we went to a guaranteed production plan, and we believe we could possibly do that, as soon as data is available, then the grower would have a guarantee based on his normal production yield. It would cover any loss of trees or production, whatever cause, as long as it was natural and beyond his control.

Senator STONE. Thank you very much.

And now we are ready for Dalton Yancey of the Florida Sugar Cane League.

## STATEMENT OF DALTON YANCEY, FLORIDA SUGAR CANE LEAGUE, CLEWISTON, FLA.

Mr. YANCEY. Thank you, Senator. On behalf of the growers and processors of the Florida sugar cane industry, I am pleased to offer testimony concerning Federal crop insurance this afternoon. Our industry certainly appreciates the personal attention you have addressed to our various problems and we are glad to be here today at your invitation.

The sugar cane industry consists of approximately 320,000 acres located in the southern region of Florida below Lake Okeechobee in Glades, Martin, Hendry, and Palm Beach Counties. Last year, we harvested 9 million tons of cane which produced 894,000 short tons of raw sugar and 59 million gallons of blackstrap molasses. The value of our crop was in excess of $300 million. We provided exployment for over 14,000 people and have an annual payroll in excess of $120 million.

We have been interested in crop insurance programs for several years. Recently, under the excellent cooperation with the district

director of the Federal Crop Insurance Corporation, we worked on a program in which our industry participated, which we believe will offer our growers coverage at reasonable rates. This program will be offered to our growers during the last 3 weeks of September of this year.

The need for insurance for growing sugar cane was dramatically brought to our attention as a result of the big freeze of January 1976. We believe this freeze points out one of the issues which is important in the insurance of agriculture. This is adequate coverage to producers in the event of a major catastrophe. Other commodities have had similar catastrophes, such as droughts, floods, and freezes.

One of the bills that is presently under consideration in the U.S. Senate is S. 3029, which has been spoken of already today, introduced by Senator Talmadge at the request of the administration. While several of the ideas proposed in this legislation sound reasonable, we do not support this proposal. One of our reasons is the proposal places the administration of the Federal Production Protection Act of 1978 under the Commodity Credit Corporation of the ASCS—USDA. We don't believe the CCC should be the administrator of this program.

Our real sentiments rest with the present program, which as I mentioned, was recently expanded to include sugar cane grown in Florida. We are pleased with the present setup and see no reason to change from it.

We have studied the various bills before the Senate at present and this area is a highly complex one and we don't pretend to fully understand all the subtleties but our sympathies rest largely with Senate bill 1575.

Senator STONE. The Huddleston bill.

Mr. YANCEY. The Huddleston bill. It is probably not the ultimate solution. Senate bill 1575 does outline some issues which we believe are important. First, it is a united disaster assistance program which supports our belief that coverage should be available in the event of catastrophic and disaster type loss situations. In this event, the Secretary of Agriculture would be empowered to expend whatever funds are necessary to meet the needs of the immediate situation in a timely manner. This prevents making the program cost prohibitive to participants, while assuring a continuation of the economic stability and protection needed in the event of a catastrophe. Second, it is managed by a board of directors appointed by the Secretary of Agriculture which includes active farm producers. Third, it is financed by the subscribers and participating farmers, with appropriated funds for operating expenses. In summary, we believe the present programs are adequate. We think that we will like the new inclusion of sugar cane production coverage in Florida, and we have an excellent working relationship with the district office and the director here in Lakeland. If the Government desires to substantially subsidize an insurance program for agriculture, we believe farmers would best be served by assistance in subsidizing major catastrophes. The farmers we know understand that farming is a risky business.

Thank you for allowing us to testify. We will be happy to answer questions.

Senator STONE. Thank you, Mr. Yancey. What natural disasters do you think should be subsidized as opposed to the proposal in the administration's bill?

Mr. YANCEY. I think the ones proposed in the administration bill are the same disasters, certainly drought, flood, freeze, wind storms, as well as, you are probably aware, we have recently had a disease in Florida called sugar cane smut and we understand we would be covered under the present program for this disease which was beyond our control.

Senator STONE. Thank you, Mr. Yancey, very much. Robert N. Morris, vice president of the Southeast Bank from Tampa is our next witness.

## STATEMENT OF ROBERT N. MORRIS, VICE PRESIDENT, SOUTHEAST BANK, TAMPA, FLA.

Mr. MORRIS. Senator Stone, we thank you for this opportunity to be here today.

Senator STONE. I thank you for coming.

Mr. MORRIS. My name is Robert N. Morris, vice president of the Southeast Bank of Tampa, and agricultural products manager for Southeast Bank in the Tampa and Orlando regions. The Southeast Banking Corp. is the largest banking company in Florida. We also have reason to believe that we have the most volume in agricultural loans of any other banking organization in Florida.

On January 1, 1978, banks in Florida, which include all Southeast Banks, of course, held farm loans totaling $316 million. Therefore, you can see that bankers do have an interest in the welfare of agriculture. We believe that it is in the interest of everyone to strive for a stabilized agricultural income. A broad participation by producers in a crop insurance program is one important means of minimizing those risks which are beyond the control of farmers. As a banker, I can speak directly to the importance of insurance to the agricultural producer. In Florida we have a very diversified agriculture, which has an on-farm value of about $2½ billion. Agriculture in this State is composed of very large units that require large capital investments and very substantial funds annually for expenses. Much of that is borrowed money. Crop insurance improves the farmers' credit position because he can offer it as additional security and use it to pay the loan should he have a crop failure. This is particularly important for high-leveraged borrowers as well as those operating in high-risk areas.

I want to commend and support the efforts of this committee to make public a broad cost-effective crop insurance program for agriculture. I believe the following principal considerations that have been presented by the American Bankers Association to this committee should be paramount in establishing public policy for an expanded crop insurance program. These are: Provide for a comprehensive crop insurance program that will include broad crop and area coverage; provide for maximum use of the private sector, that is, insurance companies and agents, and so forth, as long as it is cost effective; allow for voluntary participation by farmers; allow premiums to be set on a sound actuarial basis and costs of administration; minimize Government's role with major focus on achieving an effective transition from present multiple disaster offerings to one unified program, and to cover catastrophic losses; allow for the insuring of

different levels of loss, including out-of-pocket and machinery costs but not to cover a return on land and management or in any way to insure a profit, thereby removing the incentive to produce efficiently; provide for a program, which determines premium rates and indemnity levels based on individual farm yields and cost experiences.

The American Bankers Association has already presented this committee with its views concerning: No. 1, extent of coverage; No. 2, level of coverage, No. 3, consolidation of four existing Federal disaster assistance programs; No. 4, the level of participation of the private insurance industry; and No. 5, Federal funding and the issue of reinsurance.

I do agree with the American Bankers Association views in this regard, and I am separately attaching to my comments the presentation of the American Bankers Association.*

Senator STONE. Thank you very much. I appreciate that testimony. May I ask you, as a banker, do you think the Federal disaster loan program should be continued?

Mr. MORRIS. I feel like that this new program that is contemplated here should replace that.

Senator STONE. You think that is better than the one we have now?

Mr. MORRIS. I feel like it would be. I would agree with one of the other witnesses here that very often the farmer gets the wrong impression with all of the publicity that is given; and also I would like to add that I think that the public also sort of looks down his nose at the farmer when he thinks he is getting a lot of things given to him as a result of this is an insurance program, as I understand it, and I believe it would be a much more acceptable thing to all concerned.

Senator STONE. Thank you very much, Mr. Morris. I appreciate your testimony.

Our next witness, Earl Gill, will testify about the citrus impact. He is from Wauchula, Fla.

May I just briefly announce that Congressman Andy Ireland's office is represented here by Mrs. Jimmy St. Jean. If you would stand up, I would like to recognize your presence.

Thank you, we appreciate your participation.

Go ahead, Mr. Gill.

## STATEMENT OF EARL GILL, WAUCHULA, FLA.

Mr. GILL. Thank you, Senator Stone. I am kind of at a loss for words in following such able speakers. I remember one statement a professor made and that was: "Be introduced, and be seated," and I will try to do that.

I am Earl Gill. I live in Wauchula. I am a full-time farmer. And I am very much interested in American agriculture.

I'd like for the record to show that I, as a committeeman, believe that this Federal crop insurance program should be implemented to provide a greater protection for all farmers and to cover all crops.

Having farmed most of my life here in Florida, I feel like I have pretty good knowledge as to the problems that face the average farmer. We, as farmers, are very dependent upon nature, and nature sometimes is rather fickle as far as the tricks it plays on us and the

*See p. 68 for the statement of the American Bankers Association.

manner in which it plays them. We have no control, thank goodness, over nature.

We need some type of a long-term assistance to protect our crops, and I am thoroughly convinced that this program will help to make this possible for farmers to carry their financial burdens and to help make it worthwhile for them to continue trying to farm.

In recognizing the problems concerning qualified personnel to execute this program, the administration should utilize the proven delivery system of the ASCS. The ASCS has qualified personnel, and our ASCS personnel are familiar with not only the problems but with the farmers themselves. I believe our proven county committee system would permit them to have a timely and effective startup of the program. ASCS has the needed check and balance system and ASCS stands ready and willing to assume the challenge and the responsibility.

As I said, I will try to be brief, but we do thank you for the privilege of testifying before this committee.

Senator STONE. Thank you, Mr. Gill. You heard the description of this proposed bill by Mr. Johnson. Do you have any suggestions about that; do you agree with it, or do you disagree with it?

Mr. GILL. To the best of my ability to understand it, I agree.

Senator STONE. Well, I thank you very much.

Do you have any questions?

Mr. JOHNSON. No; I don't believe so, Senator.

Senator STONE. Thank you very much, Mr. Gill. We appreciate the testimony, and you lived up to your advanced billing, you were seated, brief, and to the point. We thank you.

We have two more witnesses. The next witness is Victor B. Story, citrus grower from Lake Wales.

## STATEMENT OF VICTOR B. STORY, JR., LAKE WALES, FLA.

Mr. STORY. Senator, it is a pleasure to be here.

Like Mr. Gill, I feel somewhat humbled by the witnesses that we have already had, and I would just like to add my part to this hearing.

I speak as an individual citrus grower and also as an ASCS county committee person.

I have been quite impressed since I joined this ASCS committee a year and a half ago at the job that they do, the familiarity that they have with the community, the farmers that they serve and the grassroots feel that we have for the community that we serve. I think each one of us feels like we are performing a public service. It is not to our own benefit but to the service of the other farmers that we are daily in contact with. I researched the information of your office, Senator, it was available at the ASCS office and I feel that this program proposed would be a great benefit to the producers here in Polk County.

Last year we had an experience with freeze program, disaster program, administered by our committee for the USDA disaster program, and I think we handled it quite ably. However, again, there was a stigma attached to the program. It was not taken full advantage of.

Senator STONE. In other words relief instead of the concept of insurance?

Mr. STORY. Yes, sir, that's right. I had an uncle, for instance, who felt like it was a handout, and in fact, it wasn't and he was quite in need. I feel like there is a definite need for an insurance program of this type where we can assure ourselves that a portion of our cost of production—I have deviated somewhat from the written testimony, as you can tell.

Senator STONE. I'll tell you what, Mr. Story, we will put your written testimony in the record in full.*

Mr. STORY. I suppose the main reason that I am here is to speak on behalf of the committee I serve on. As I said, it is a grassroots committee. Very seldom do we meet that we don't know almost every situation that we act on, and I feel good about that. In this day and time we hear too much about the Federal Government and the fraud and who cares and everything, and I found that this system is really effective.

The other thing that I would like to cover, I am looking over this, I don't want to repeat what has been said, the other thing that I feel is important that we have touched on briefly, I feel that there should be one location in each county that a farmer is familiar with where he can go for assistance and knowledge of the programs that are available from the USDA. We touched on that briefly a minute ago.

I would strongly recommend against a program where we might have two or three places a farmer might have to go in his own individual county to receive assistance and instructions on the program. I feel strongly about that.

I think that's about all I wanted to cover.

Senator STONE. Thank you very much, Mr. Story.

Our last witness is Dr. Jim Griffiths, director of special projects for Florida Citrus Mutual.

May I take this opportunity to thank the Florida Citrus Mutual for making their auditorium and facilities available for this hearing. We all appreciate it.

## STATEMENT OF DR. JAMES T. GRIFFITHS, DIRECTOR OF SPECIAL PROJECTS, FLORIDA CITRUS MUTUAL, LAKELAND, FLA.

Dr. GRIFFITHS. Senator, you are always welcome.

Senator STONE. Thank you, Dr. Griffiths.

Dr. GRIFFITHS. Senator, I will deviate from my testimony, as the last speaker, if you will include it as Nancy Foster has it somewhere.

Senator STONE. We will include your prepared remarks in the record.**

Dr. GRIFFITHS. I will touch on the high spots and maybe elaborate on one or two that aren't so hot.

To identify myself, I am James T. Griffiths, Florida Citrus Mutual. I am a citrus grower, I do have crop insurance. I haven't figured it out like Mr. Hawes has, I don't know if I am ahead of the game or behind, but I don't have any complaints about the way I have been treated.

I think that forms a substantial thrust of the testimony that I will give you today. I had the opportunity a year ago to testify before a House committee at that time on House bill 7111, I believe is the

*See p. 70 for the prepared statement of Mr. Story.
**See p. 71 for the prepared statement of Dr. Griffiths.

Huddleston bill, 1575 in the Senate. We suggested four things at that time, and I think it is worthwhile to mention it here. I think the problem you have to look at and I don't envy you of your job trying to sort this out, certainly we haven't really been able to. A lot of loose ends have got to be pulled together. It is, I think, a tough proposition, as you have already indicated. We do think that it is proper that the Federal Government participate in sharing farm risk since a viable agriculture is the backbone of security for our Nation; the bill should permit a badly needed expansion of the Federal crop insurance program—I think we all agree we would like to see an expansion there; there have been some problems with minimum ceiling on administrative personnel, I don't think that has been correct, I think it should be modified; and while there has to be an additional Federal funding in some of the approaches being made, we recognize they are trying to do this so the program can be adequately expanded.

Now I am speaking as a Florida citrus grower and as our experience with Federal crop insurance here. And in Washington when I listen to people talking about crop insurance, I recognize the need and the procedures used in other parts of the country are substantially different from ours where in many instances the private sector has undertaken a very substantial portion of crop insurance activities, particularly hail insurance, so our comments really apply as we see the Federal crop insurance program working within the citrus industry here.

We don't want this program turned over to another USDA agency. We will say that flatly and without any qualifications.

Let me amplify just a little bit. I think from my experience in State government and from what I see happening in Washington, and I am looking at one that just happened recently within the USDA in which the ARS and some of its subordinates were reorganized and we saw another new layer of bureaucracy come in. We had more administrators between the people doing the work and the secretaries, and it seems to me there is a way the Government, has when they pull Departments together to consolidate activities that all at once they have got more people working and instead of having less Government, we have more. Maybe that won't take place in this case, maybe you and the other members of the committee can keep it from happening, but I can only say beware. We have certainly seen it happen time and time again.

As the system is working here in Florida. I think for the citrus industry at least, is working well; and we much prefer to see the present setup with some modifications carried through rather than being transferred over to the Commodity Credit Corporation. There have been some good things said about ASCS. I don't intend to contradict those or disagree with them, but I do see some problems to try to make that kind of a change. I don't see that it is necessary. We prefer that you didn't.

I think one extra area I'd like to add here which I see as a problem, and I can't give you a good answer, and that is insurance of trees themselves, and this would be true whether it was an apple grower or an almond grower. But when we have a disastrous freeze, and I think you heard Mr. Hawes indicated he was out of production for several years and couldn't buy insurance in the subsequent years. Again, I don't know exactly how you do that or how the crop insurance people

can because this has been designed to insure crops and cover your cost of production and really that's all. But if we really want to look at disaster, that's a catastrophic loss that you have. You can almost live with a crop loss, but it's pretty tough to live with that, you have to prune trees and start over.

Senator STONE. Dr. Griffiths, are you suggesting a fourth category in addition to the 50 percent, 70 percent and 90 percent crop or production loss approach?

Dr. GRIFFITHS. Yes.

Senator STONE. To a more capital oriented in terms of the tree itself?

Dr. GRIFFITHS. I think so because I think we are looking at something that takes 5 to 8 years to get a grove where it is in production and making money, and you know we can brag, like the fisherman, we have it producing and making money in 4 years but you are kidding yourself just a little bit saying that. That is a capital investment that does need protection, assuming the location is satisfactory. We have seen it happen over the last 25 years several times. We were fortunate 2 years ago in substantial crop loss without tree damage, tree damage in places and those people that had it thought it was pretty severe. But if there is a way to do it, if it can be incorporated or the opportunity made to handle, I should think that fruit growers throughout the country would feel that it was beneficial and would like to participate in it.

I'd like to expand a little bit on the catastrophic loss thing and the Government's role and subsidization or whatever you want to call it. I think any student of history will recognize very simply that western civilization, whether it be France, Russia, or Italy or the United States or Canada or what have you, historically and continually and regularly done things to make it possible for the farmer to make a living, call it subsidy if you want, it's been a Government-help program because the country felt its well-being was tied up with its ability to feed itself. If it lost that ability, it was in trouble in the world that it lived in and, therefore, I think it is very proper and I don't make any apologies for it, I think to have agriculture be viable, history essentially dictates that Government must on occasion in any one of several ways offer help to keep the farmer in business. Maybe this benefits the small grower sometimes more than the large and sometimes vice versa, but I think it is a perfectly legitimate proposition, and I think this type of self-help program, whether insurance program, the farmer makes the decision to get in himself, has to put up some of his money and which if there is a catastrophic loss, all the premiums don't go up for everyone and you all at once say I can't afford it anymore. If that burden can be taken off of our shoulders, as I understand the Huddleston bill, I believe it is, that provision was being written into it. Also, in looking through the Congressional Record, it seems that everybody that introduced the bill was wholeheartedly in favor of subsidizing the farmer to some extent. Exactly how they were going to do it, I didn't figure it out, I didn't read all of the fine print, but the concept there is there. So if that can be included, that may be reduced premiums, it sets premiums where they won't be substantially modified because of extreme loss that might occur in a given year. It is something we think is important and something we would like to see incorporated.

Therefore, I just thank you for being here and appreciate the time and your interest in coming down.

Senator STONE. Thank you, Dr. Griffiths. Of course, the object of trying to go towards some form of insurance program is to stop the multiplication of the disaster relief benefits that were being paid. It looked as if there was a disaster every 3½ minutes in every county in the country—whether it was a flood, whether it was a freeze, whether it was a drought, whether it was a windstorm, or whether it was locust or the plague. Something was happening last year and the year before every 3½ minutes, and it got to the point where the Congress was going to the well for substantial extra money and it was beginning to really concern the public. So the question was can we come up with something that will insure the participation of the farmers and growers in the cost of the program, not just in the benefits, and even out the public's participation in disaster relief so that it doesn't look like it is on one of these curves going up almost like a mountain climber. That's the purpose of it. But it is easier said than done.

Dr. GRIFFITHS. Easier said than done, yes. I think the proposal that you have seen, and certainly that I have looked at, I think reflect this concept, and the best way to do it is kind of like straddling the ditch with a wheelbarrow, one of my favorite expressions, I think it is kind of a tough thing to do. As I said, I don't envy you.

Senator STONE. You like the Huddleston bill version better than you like this one?

Dr. GRIFFITHS. I can only say we like the way these people have operated down here. They have a sales force that goes out and sells the grower on the product, it's something close to a private enterprise cooperation. I think they have been good people to deal with. I don't think they have given us any substantial breaks on how they settle up, when it comes around time to figure up how much your loss was, I haven't agreed with the procedures used, they have made some changes that we are pleased with. They have been responsive, I think, to our complaints and to our suggestions and it looks to us, at least from our viewpoint, that it works pretty well. Whether that can be translated to Iowa corn and hog farmer, I am in no position to say. I lived in Iowa, I got my Ph. D. in Iowa, but I don't know much about corn and hog farming. It's a different proposition. I think when we look at the tree crop and the fruit crop concept that this has worked well for us. I think it would apply equally well whether it be cherries in Michigan, or apples in Washington State or nectarines in California, that is the same concept that might apply and I guess I like it a little better than I do some of the Government programs.

Senator STONE. Do you have anything you would like to comment on, Mr. Johnson.

Mr. JOHNSON. Yes, sir, Senator, I have a comment. First of all, I'd like to thank you, Dr. Griffiths, and Citrus Mutual for the help that they have been to us over the years. They have been invaluable from a standpoint of trying to develop a citrus program. Various changes were made when I was involved in the administration of the citrus program. We have been able to make these changes and be responsive to the needs of the producer, Senator, because of the help of people like Dr. Griffiths. We hope to come down the road on this legislation, not only with Florida Citrus Mutual but with other groups, such as

the sugar people and the corn people or whoever, in the developmental stages of the program and in changes to be made over the years.

Again, I thank you, doctor.

Dr. GRIFFITHS. They have had an inability, I think, in the past to expand their coverage within the citrus area because of lack of money to start with and because of restrictions and rules upon them. I am not fully enough aware of exactly how those things work but I know it was a problem to get expansion of coverage in some counties, when it didn't make any sense not to, they had every reason to know it was going to work and when they got it, it went. But somehow or another, they had restrictions that, I know we spent a lot of time with the people in Washington.

Senator STONE. And you are afraid if it is transferred, there will be an additional layer of bureaucracy and its flexibility will gradually get restricted?

Dr. GRIFFITHS. I think I can say without any qualification that I have not known of a single reorganization in the Department of Agriculture in Washington that did result in less administrative personnel than they had before.

Senator STONE. Dr. Griffiths, would you care to generalize on that on all Government reorganization.

Dr. GRIFFITHS. I suppose I could, Senator, but my greatest experience has been in that Department.

Senator STONE. Thank you very much. Ladies and gentlemen, this concludes the witness list; since we are on time and we have a few minutes, if there is any member of the public that wants to add either a comment or a question, we will be glad to take it and I see Mr. Bobroff has a question.

Mr. BOBROFF. I have two questions for Mr. Johnson: No. 1, why no 90-percent coverage for citrus in the proposal?

Mr. JOHNSON. Oh, yes, sir, there would be a 90-percent level.

Senator STONE. It wouldn't be subsidized. Subsidy comes in at the 50-percent level with a 10-percent and at the 70-percent level but none at the 90-percent level.

Mr. BOBROFF. I see. The other question is I think Dalton mentioned that sugarcane smut would be covered under the program, YTD is not covered for citrus, what is the difference?

Mr. JOHNSON. Essentially, the difference is in the development of the program. When we develop an actuarial structure, the type program offered, the causes of loss and the frequency of loss determine the premium. When we developed the present citrus program, it was thought that we should state the main perils, and not all natural causes, to hold down the rates. That is the difference.

Senator STONE. But you are planning on trying to incorporate all risks into this successive program?

Mr. JOHNSON. If we are successful with what we are proposing. First of all, Senator, I might say that we are presently waiting on an opinion from the Department's lawyer—the General Counsel of the Department of Agriculture—under the present legislation and also under S. 3029 as to whether we can cover the trees. If we can, we would offer insurance on a guaranteed production plan which would encompass all causes of loss beyond the control of the grower.

Senator STONE. And that would cover not only Mr. Bobroff's last question but Dr. Griffiths' suggestion about some form of insurance on the tree itself and not just the crop.

Mr. JOHNSON. That's true.

Senator STONE. Do you have any time table at all for the General Counsel's opinion, 6 months?

Mr. JOHNSON. I am very reluctant to say.

Senator STONE. All I can say is, Mr. Johnson, when you get it, whether it's affirmative or negative, I'd appreciate your giving a copy to this committee and we will circulate it to the press in this area because of our interest in the citrus belt for this.

Mr. JOHNSON. We will be glad to do so.

[The following information was subsequently received by the committee:]

U.S. DEPARTMENT OF AGRICULTURE,
FEDERAL CROP INSURANCE CORPORATION,
*Washington, D.C., November 13, 1978.*

HON. RICHARD STONE,
*U.S. Senate, Washington, D.C.*

DEAR SENATOR STONE: We would like to express our appreciation for the opportunity to be represented at your hearing held on August 30, 1978, in Lakeland and Gainesville, Florida, and to provide you with information on the insurability of citrus trees, as you requested.

This matter has been discussed with growers on several occasions and we are very much aware of their deep concern over the loss of production and the cost involved when citrus trees suffer lingering stress due to damage in previous years. However, the Federal Crop Insurance Act does not provide the legislative authority necessary for the Corporation to offer such insurance.

Specifically, Section 508 and 518 of the Act authorize the Corporation to insure only crops planned for the purpose of harvest. The Office of the General Counsel (OGC), Department of Agriculture, in an opinion given in response to our request as to whether we are permitted to insure citrus trees, ruled that it is highly unlikely that the Federal Crop Insurance Act was intended to provide insurance for the resource from which the crop is derived.

In an effort to address ourselves to a solution to this problem, we structured one section of S. 3029 to be sufficiently broad enough so that citrus trees could be included in a "specific risk" category. Section 3(j) of S. 3029 reads as follows:

(j) to offer specific risk programs such as, but not limited to, prevented planting, wildlife depredation, and disease and insect infestation programs, under such terms and conditions as the Corporation may determine.

We are deeply concerned, Senator Stone, as you are, with this problem and stand ready to provide this much needed protection, consistent with the principles of a sound insurance program, when this or other legislative authority is provided.

We trust this information answers your request, and if we may be of any further assistance, please let us know.

Sincerely,

PETER F. COLE
(For James D. Deal, Manager).

Senator STONE. Thank you very much. Are there any other questions or comments from any member of the public?

If not, I want to thank you all for coming. This has really been very constructive. We will try to keep you all informed in the future about the progress of this legislation.

The hearing is adjourned.

[Whereupon, at 4:10 p.m., the subcommittee adjourned, subject to call of the Chair.]

# APPENDIX

STATEMENT OF RALPH W. CELLON, JR., ALACHUA, FLA.

I am Ralph W. Cellon, Jr., of Alachua, Florida. I am a farmer and businessman. I am actively engaged in farming. I grow various row crops as well as being engaged in livestock production. Currently, I also serve as treasurer of the Florida Cattlemen's Association; president of the Gainesville area chamber of commerce; director of the Florida Fruit and Vegetable Association; and a committee member of the National Cattlemen's Association; and as an active member of the Farm Bureau. My appearance here today is as a farmer and businessman.

It is my opinion an all risk-all crop disaster insurance program with nationwide availability must be enacted by the Congress to protect farmers from uncertainness such as drought, flood, freeze, windstorm, etc. Presently, we are operating under laws which provide a program for disaster payments for some crops which expires in 1979. A new more all-inclusive program is needed in my judgment. An all risk-all purpose crop insurance program should be enacted instead of an extension of the present law governing disaster programs. This type program, with coverage nationwide for farmers on all crops, would be more economical for taxpayers and more beneficial for the farmers it would serve.

This is necessary if the farmers of America, numbering less than 5 percent of the population, are to continue to produce food at a reasonable cost for consumers of the Nation as well as other nations. The cost of production makes the margin of profit so small, the farmer must have some type of insurance against disaster or face the possibility of having to get out of the farming business in the event of the loss of production for one or two years because of a disaster. The small farmer especially has to have disaster protection. If the number of small farms is reduced considerably, we create a situation whereby we are dependent on large corporations or foreign countries for our food and fiber which, in my opinion, is not reliable and surely would result in increased cost almost immediately.

My statement is not to offer specific recommendations on amount of coverage for various crops nor to recommend premiums. As a minimum, I feel the insurance coverage should be at the level of the cost of production. I also feel the Federal Government should absorb the cost of premiums to at least the amount of the cost of the disaster programs over the past years. In my opinion, taxpayers would not object to this expenditure to insure the maintaining of small farms and the insurance of the production of food and fiber at a reasonable cost.

I also feel any insurance program enacted should contain provisions whereby a farmer could purchase coverage in addition to a minimum underwritten by the Government if he or she desired to pay the price for this coverage.

Yes, a Federal crop insurance program enacted as soon as possible is necessary to insure production of food and fiber at a reasonable cost. This is especially important since the program for disaster payments on feed grain, cotton, and wheat expires with the 1979 crop.

Now, I would like to address the method of administration of a Federal crop insurance program.

The ASC county committees and their dedicated county office staffs, in my opinion, are the logical persons to administer a Federal crop insurance program. County ASC committees presently have offices in practically every county of the Nation—therefore, easily accessible to farmers. These offices are staffed with competent personnel and generally the offices are of sufficient size with sufficient equipment to administer a crop insurance program without additional office or equipment expense. In all probability, some additional personnel would be necessary.

ASCS presently has farm records including planted acreage, production, established yields, etc., for numerous crops. These records are maintained and are necessary in administering the programs for allotments and quotas, set-aside, price support, etc. Therefore in most instances, ASCS already has the basic data for several crops and the administration of an all risk-all crop Federal farm insurance program would merely entail the use of readily available data. If another agency administered the program, they would have to duplicate a considerable amount of records already available in ASCS offices or obtain the data from ASCS. This would be expensive and would create dissatisfaction of farmers. Without reservation, ASCS can administer the crop insurance program more economically than any other agency.

The most important asset county ASC committees have in administering a Federal crop insurance program, or any other program, in addition to items stated above, is the fact farmers have confidence in ASC committees and their delivery system. ASC committees, elected by their neighbor farmers, are ideally the perfect outlet to administer a Federal crop insurance program, including selling, serving, appraising, acting on appeals, etc. of course, administration should be under guidelines furnished by the Washington and State ASCS offices.

Yes, ASCS from the Washington level to the county level can administer a Federal crop insurance program more economically than any other alternative method. Additionally, with ASCS administering the program, it would eliminate the need to create any other bureaucracy and, without reservation, this would be in accord with national policy and favorable to the taxpayer.

I believe many farmers and businessmen join me in my recommendations and comments presented here today.

Thank you for the opportunity to present these views.

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## Statement of American Bankers Association

### I. Extent of Coverage

We endorse the provision which expands crop insurance offerings so that farmers in all areas of the country can voluntarily purchase, on a cost basis relative to the risk on their individual farm, insurance on all types of risks. However, we believe when such insurance can be offered by the private sector, the government should not interfere. This might be true in the case of hail, fire and lightning coverage which is being extensively provided by private insurance companies. We suggest that such coverage be considered for exclusion from the proposed government insurance program.

The goals and aspirations reflected in the Agricultural Adjustment Act are commendable, but changes in farming practice and particularly costs of operation have created a need for a more comprehensive program. Examination of the current program covering crop losses reveals many inadequacies. First of all, the current law mandates that FCIC shall refuse insurance to any county, any area within a county, or even to an individual farm where the risk is assessed to be too high. Secondly, the very high cost of the premiums, in many cases, discourages participation. Such is the case because, to be covered a crop must be of major economic value to a county and the county must not be a high risk area. Even where the insurance program is available, the coverage provided in relation to costs is not high enough to entice large numbers of farmers to participate in the program. The result is that current federal crop insurance participation covers only 15 to 17% of all eligible acres in the U.S. which might suggest farmer dissatisfaction with the program. Federal crop insurance is not available in all agricultural counties; nor does it cover all basic commodities in the counties where insurance is available.

There is general agreement that the current efforts to alleviate the impact of natural crop disasters are cumbersome, duplicative, inequitable, and ineffective. The need to expand and to modify the present crop insurance program has for some time been apparent to many interested and affected parties; farmers, insurance companies, creditors, bankers, and the public at large. Federal crop insurance has, to date, been too small to be really effective in providing substantial relief to the agricultural economy when large scale disasters, such as drought occur. It will be important with the discontinuance of disaster assistance programs for crop insurance to be available to all farmers.

II. LEVEL OF COVERAGE

Consistent and widespread participation is essential for the crop insurance program to have any significant stabilizing effect on the nation's agricultural economy in the event of widespread crop failure. Although the number of insured varies among crops, counties, and states, the program has not attained a high degree of national acceptance and participation from agricultural producers. It seems that farmers do not buy crop insurance mainly because the guarantees are too low and/or the premiums are too high. During 1974, production costs for the five crops covered by the direct payments program ranged from $89 to $283 an acre. FCIC's per acre guarantee for these crops ranged from 25 to 37% of total production costs.

An insurance plan offering personalized (individual farm) rates and guarantees would be more equitable because both the production guarantee and the premium could be derived from the insured's actual yield and cost history. Because the plan would be more equitable, producer participation should increase, thus more effectively stabilizing the agricultural economy in the event of a widespread crop failure. Individual or presonalized insurance is also actuarially sound, therefore, it should have a favorable effect on the program's financial operations.

We strongly recommend a plan providing more personalized rates and guarantees that would be more equitable and attractive to producers and should therefore increase program participation.

The Association feels that the level of coverage should not exceed cost of production. Higher levels would guarantee profits, discouraging the farmers from producing efficiently. S. 3029 offers three levels of protection:

Level A—representing about 50% of production costs, covers variable costs.

Level B—representing about 70% of production costs, covers variable costs plus machinery and overhead.

Level C—representing about 90% of production costs, covers variable costs, machinery and overhead, and part of the costs of land and management.

Coverage should be made available at different levels up to a maximum of out-of-pocket costs plus machinery ownership cost. In this regard, the Association endorses coverage and A and coverage B only.

III. CONSOLIDATION OF THE 4 EXISTING DISASTER ASSISTANCE PROGRAMS

The lack of uniform natural disaster assistance has produced a series of programs. Today there are basically four types of disaster programs: (1) the Federal Crop Insurance Program; (2) Disaster Payments Program (DPP); (3) Emergency Loan Program of the Farmers Home Administration (FmHA); and (4) Emergency Loan Program of Small Business Administration (SBA). S. 3029 has proposed replacing these four separate and overlapping federal programs by one single insurance program. We support folding the present disaster payment and federal crop insurance programs into a unified crop insurance plan. However, we recommend against including the emergency credit programs of the FmHA and SBA at this time. There is a distinction between disaster payments and credit programs. The FmHA and SBA credit plans should be continued until the new crop insurance scheme proves it can perform adequately in assisting farmers with crop losses.

The DPP, first implemented in 1974, is the most costly of the present programs—$450 million annually. In 1977 alone, even the limited DPP cost the Government in excess of one-half of a billion dollars. The program is inequitable in benefits to producers. When you consider that the subsidized benefits of the DPP apply only to those crops which are eligible for deficiency payments and price support loans (wheat, feed grains, cotton, and rice), providing subsidized insurance in addition, it hardly seems fair to the producers of other products.

The FmHA and SBA disaster loan programs have been developed to help farmers, through credit arrangements requiring repayment, overcome adverse effects of crop losses. There is some overlapping in these programs and they often involve too much red tape in their implementation. We are working with these agencies to make these programs more effective. Hopefully, through a successful crop insurance effort the need for these credit programs wil diminish. However, until it has been proven that a new comprehensive crop insurance program can fully handle the needs arising from disasters, the Association opposes their elimination.

IV. LEVEL OF PARTICIPATION OF THE PRIVATE INSURANCE INDUSTRY

There are more than two hundred privately owned insurance companies that are competing vigorously to satisfy certain crop insurance needs of American farmers. However, several bills now pending in Congress would pre-empt the private industry. The Association recommends that the private insurance industry be used to the fullest possible extent for funding, marketing, and claim settlement. We especially endorse the idea of making immediate maximum use of the private insurance sector in marketing since an extensive local private agency operation is already in existence. Their experience in sales, and more importantly, in claims administration would certainly provide an invaluable asset when used co-operatively with government agencies. The private insurance industry's use and involvement in the program should eliminate the need for growth in the personnel requirements of the existing federal agencies with the administration of a new program.

We suggest that the government continue discussions with the private insurance industry to design a program whereby the private sector could offer a major portion of the crop insurance.

V. FEDERAL FUNDING AND THE ISSUE OF "REINSURANCE"

Although the Association supports the concept of a privately funded comprehensive insurance program, we do not believe the insurance industry is presently prepared to do so. Therefore, we feel that the government must assume a principal role in funding the all-risk program with a long term objective of reverting to a reinsurance role once the private industry comes forth with a workable plan. We also feel it is appropriate and necessary for the government to subsidize premiums using funds now employed through FCIC and the disaster assistance programs to make the insurance cost effective.

CONCLUSION

As active participants in the rural economy, the agricultural bankers offer our continued support and cooperation. We enthusiastically support the development of a meaningful broad, crop insurance plan which will help reduce risk and stabilize the agricultural industry. We suggest that every effort be made to accomplish this by folding the appropriate existing disaster assistance programs into the new insurance plan and maximizing the use of the private sector.

The ABA is grateful for the opportunity to express its views. We would be pleased to respond to questions.

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STATEMENT OF VICTOR B. STORY, JR., LAKE WALES, FLA.

Mr. Chairman and members of the committee. It gives me pleasure to give testimony in favor an improved Federal Crop Insurance Program.

I have personally researched informational material provided by Senator Stone's office and informational releases received in the Polk County ASCS Office. From these materials I have concluded that the proposed consolidated agricultural insurance plan would be exceedingly valuable to the agricultural producers of this country.

The consolidation provisions of the act should reduce man hours and cost for delivering the program while given a more comprehensive and usable program to the farmers of America. The three level program proposed would offer a financially feasible program to all production levels. It should be geared to meet the needs of each individual producer rather than being an overall generalized program. It would be beneficial to the public as a whole because it offers greater stability to the agricultural community. This agricultural stability would carry over into the community.

I feel it makes good economic sense to utilize a system already in place. Such a system should be compatible with the policy and direction of the Department of Agriculture in relation to the one stop service center concept for the American farmer. This means the farmer can go to one location in the county and receive all the agricultural program information he needs. We have such a system, not only in Polk County but in almost every County in the U.S. I am speaking of the County ASCS Offices. They are operated on the grass-roots level to meet the needs of individual farmers within their counties. I feel the County ASCS Offices have the framework already established to deliver this program with

their farmer elected County Committeemen and their Administrative Personnel. I feel that the use of a County Committee System is by far the best approach to use in achieving the individual producer coverage goal. No one knows the individual farmers and their operations better than the County Committeemen.

I would like to conclude by saying that you have a golden opportunity to provide needed stability to the agricultural producers and to their ability to continue production of the abundant supply of food and fiber that we all enjoy. I strongly recommend this program as proposed.

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STATEMENT OF DR. JAMES T. GRIFFITHS, REPRESENTING FLORIDA CITRUS MUTUAL, LAKELAND, FLA.

Mr. Chairman, I am James T. Griffiths and I am here today representing the more than 15,500 citrus growers and members of Florida Citrus Mutual. This is my second appearance before Congress to testify on crop insurance legislation.

As Director of Special Projects for Florida Citrus Mutual, I have been associated with the citrus industry since 1946 in various capacities. I hold a PhD in entomology from Iowa State University, and am a citrus grower with crop insurance.

I previously testified in favor of H.R. 7111 or S. 1575 and suggested that:

(1) We feel it proper that the Federal government participate in sharing farm risks since a viable agriculture is the backbone of security for our nation;

(2) The bill will permit a badly needed expansion in the federal crop insurance program;

(3) We feel there should be a minimum ceiling on the number of personnel to administer an dservice the insurance plan; and

(4) More funding of the program is necessary for aggressive marketing activities so that more farmers are aware of the program benefits.

We urge that these concepts be included in any legislation designed to expand the insurance program.

However, there are some concerns to our organization in the construction of this new bill—H.R. 12636/S. 3029—and I would like to address my remarks in this direction.

We have worked closely, and I must say most satisfactorily, with the present Federal Crop Insurance Corporation in the development and administration of the crop insurance program on citrus in Florida. We are vitally interested because our very livelihood is at stake.

Just two years ago we experienced one of the most disastrous freezes in our history. Damage to trees was minimal, but damage to the crop was substantial. We would have been in much worse condition today from a financial standpoint if we had not had federal crop insurance.

We do not want this program turned over to the Commodity Credit Corporation and subsequently to the ASCS people to operate. The federal crop insurance people with whom we have been working have the necessary experience and expertise to properly handle the citrus insurance program. We do not feel that the other organizations have this expertise and do not want to gamble our future in the hope that they may acquire it in time.

Our ASCS offices have enough to do now to administer the programs for which they are responsible. We want qualified insurance representatives to handle our insurance needs.

If the insurance plan as embodied in H.R. 7111/S. 1575 cannot be established as a separate corporation to handle the insurance only, then our growers would prefer to see an expansion of the present Federal Crop Insurance Corporation program.

Although I do not have specific amendments to offer, I would like to provide some suggestions for amending the present Federal Crop Insurance Act. I would be happy to put these suggestions in the form of amendments if the subcommittee desires.

(1) First of all, the Federal Crop Insurance Corporation needs a substantial increase in its available capital stock. Contrasted with the stock permitted by the Commodity Credit Corporation, the FCIC capitalization is extremely low.

(2) We would like to see the Act amended so that the Corporation could offer insurance on citrus trees as well as the crop. When growers lose their trees, their production costs are high for several years without crop returns, for it takes six or seven years to get new citrus trees into production.

(3) The administrative expense ceiling permitted the Corporation is low in these days and times, and can serve as a financial drain on the Corporation assets. It should be modified.

(4) A section should be added to the funding portion of the FCIC Act to permit the government to participate in premium costs of the program, or subsidy if you wish to call it that. This is necessary in a high cost crop, such as citrus, to permit producers to afford to carry the insurance.

(5) Eliminate the expansion limitations on crops and counties and make the insurance available to all farmers on all crops. Why should there be discrimination against farmers who do not grow one of the six major field crops?

There may be other areas of the present Federal Crop Insurance Act that should be amended in order for the Administration to be able to accomplish its objectives for a nationwide insurance program and to be able to consolidate all of its disaster programs, but above all, I would caution this subcommittee against eliminating the separate administration for such an insurance plan. It takes skilled people who know agriculture and the insurance business to operate this type of a program. A merger of these functions or an infusion of them into another structure would simply not work.

In reviewing the Congressional Record it appears that many Congressmen and Senators are anxious to offer legislation to amend the crop insurance program. We have not had an opportunity to analyze the specific differences in the proposals, but they all seem to assume, and we believe properly so, that the federal government should underwrite a portion of the cost of crop insurance, and I believe in some instances this specifically refers to catastrophic losses.

I think we all recognize that western civilization for several centuries has insisted upon government help to maintain agriculture as a viable activity within individual countries. This has been done with many forms of subsidized activity.

If the federal government is underwriting catastrophic losses through an insurance program, this is the very type of activity which has indirectly supported the farmers' efforts in the past and is a worthy means of continuing a federal self-help program.

Therefore, we would be hopeful that the Congress would include this specific type of assistance in any crop insurance program.

Reorganizations, such as are commonly recommended at both state and federal levels, seem to have the objective of reducing the number of departments by consolidation of activities, and this usually seems to be accompanied by an increase in administrative bureaucracy.

Therefore, we find little satisfaction in the proposals that would take federal crop insurance and put it under another section of the Department of Agriculture. I believe you can simply look at some of the reorganization that just took place within the Department which involved Agricultural Research Service and find that extra layer of administrative bureaucracy which has been created.

I want to thank you again for the opportunity to appear before you today. I will be happy to answer questions that you might have as to crop insurance and how it applies to the Florida citrus industry.

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