THE CONGRESSIONAL FRONT.
By Congressman Everett M. Dirksen
16th District.

CROP INSURANCE.

This is the story of the venture into the field of crop insurance by the Federal Government. Last week, the House of Representatives decided after fulsome discussion that the experiment in crop insurance had continued long enough to determine it's feasibility and that this function should be liquidated now, rather than continue at greater and greater losses to the Federal Treasury.

BACKGROUND.

Many years ago, several private insurance companies ventured into the field of crop insurance and after a costly and disastrous experience they retired. The State of South Dakota also created a state-owned agency to insure crops against the ravages of hail but after an equally disastrous experience gave it up as a bad venture. With only these experiences as a guide, Congress in 1938 created the Federal Crop Insurance Corporation as an admitted experiment with authority to insure wheat and nothing more. In 1941, cotton was added so that these two crops alone can now be insured. There is, however, a demand for an expansion of the program to include, corn, flax, fruit and other commodities and if the program were continued, it is quite certain that in years to come, other item would be added.

HOW IT WORKS.

The Federal Crop Insurance Corporation will make a contract with a farmer to insure him a 50% or 75% yield of wheat based on average previous yields. This means that an actuarial basis must be developed for each locality to determine what the premium will be. The farmer can pay his premium in cash or in wheat. If he fails to get the yield for which he insured, he is then indemnified either in cash or in wheat. Insurance is written against all hazards such as drought, winter-kill, insects, and all other known hazards and it amounts in fact to a guarantee that he will receive a 50 to 75% crop or the government will indemnify him to that amount.

NUMBER WHO TOOK INSURANCE.

The insurance program has now been in effect for four full years on wheat and 1 year on cotton. The testimony of the Federal Crop Insurance Corporation indicates that in four years of wheat experience, about 1 out of every 3 wheat farmers took out insurance. About 1 out of 10 cotton farmers took insurance. The cost of running the Crop Insurance Corporation came directly out of the Federal Treasury and was not included in the premium. In that respect the operation differed from every other type of insurance company. This administrative cost which was paid out of public funds ran from 4½ million dollars in 1939 to about 8 million dollars in 1942. These funds were expended for general administrative purposes such as supplies, payroll, travel, and other purposes. The Corporation maintained 634 persons on the payroll and in addition, allocated about 5½ million dollars of it's funds to another agency to do the field work.

SCORE CARD ON WHEAT.

Expressed in terms of dollars, the Corporation's balance sheet reads as follows: In 1939 it received 3.4 millions in premiums and paid out 5.6 millions in indemnities thus losing about 2.2 million. In 1940, it received 9.1 millions in premiums and paid out 13.8 millions in indemnities thus losing 4.7 million. In 1941, it received 7 million in premiums and paid out 13.9 millions in indemnities, thus losing 6.9 million. In 1942 it received 8.4 million in premiums and paid out 12.2 million in indemnities, thus losing 3.8 million. The loss, therefore, was about 27.4 million dollars in 4 years. To this must be added the cost of doing business which was appropriated out of the Treasury. For the 4 year period, this totalled 23.4 millions for payroll, travel, field measurement, etc. The loss sustained by the government for four full years of wheat insurance was, therefore, slightly over 41 million or an average of more than 10 million per year. Total premiums paid by farmers in this period was 28 million dollars or it's equivalent which when added to the costs of doing business taken from the Treasury makes a total of a little over 51 million. For this 51 million, the farmers received a total insurance indemnity of 45 million so that for each dollar returned to the farmer, that same farmer and the Federal Treasury paid $1.12. The loss on cotton for the first year was 1 1/3 million. This is the reason why Congress determined that the Crop Insurance Corporation should be liquidated now before losses grow larger by the inclusion of still other commodities.