

## Crop plan

(Continued from Page D9)

- the county's average soybean yield is 30 bushels;
- the price guarantee chosen is \$7.00 a bushel, for which was paid a premium of \$8.50 an acre.

Now let's assume that severe drought reduces 1981 corn yield to 20 bushels per acre and soybean yield to 10 bushels. Payment for the damaged corn crop under the subsidized Federal Crop Insurance Program is calculated as follows:

- 1) 75 percent of the 110 bu. yield = 82.6 bu.
- 2) 82.5 bu. (guarantee) - 20 bu. (production) = 62.5 bu. loss
- 3) 62.5 bu. x \$2.70 = \$168.75/acre
- 4) \$168.75 x 200 acres = \$33,750 paymt.

Payment for the soybean damage is determined this way:

- 1) 75 percent of your 30 bu. yield = 22.50 bu.
- 2) 22.5 bu. (guarantee) - 10 bu. (production) = 12.50 bu. loss
- 3) 12.5 bu. x \$7.00 = \$87.50/acre
- 4) \$87.50 x 100 acres = \$8,750 paymt.

Under the subsidized Crop Insurance Program, the farmer would receive a total of \$42,500 for two damaged crops.

The subsidized premiums were \$9.90 an acre for corn and \$8.50 an acre for soybeans. Therefore, he paid \$2,830 in premium costs and received a net benefit of \$39,670.

### Other options

The relationship between any insurance benefit and the premium cost depends, of course, upon how

severe the loss is and the level of protection chosen. Insured farmers who suffer no losses and thereby reap no benefits must still bear the premium cost out of cash receipts.

This is a management decision each farmer must make based on individual financial situations. Keep in mind that the premium payments are a tax-deductible business expense that lowers the cost of insurance protection.

If, in the previous example above, the farmer had decided against insurance, but had participated in the 1981 feed grain program, he would have received a disaster payment from the corn crop. Soybeans, aren't a target price crop and therefore aren't eligible for disaster payments.

Let's see how the farmer would fare under the low yield disaster program, without insurance. Assuming a target price of \$2.40 a bushel and the same yield reduction as above, he'd be eligible for payments calculated as follows:

- 1) 60 percent of 110 = 66 bu. (only production below 60 percent of normal yield is eligible)
- 2) 1/2 the target price = \$1.20/bu. (the payment rate equals 1/2 the target price)
- 3) 66 bu. (eligible) - 20 bu. (production) = 46 bu. loss
- 4) 46 bu. x \$1.20 = \$55.20/acre
- 5) \$55.20 x 200 acres = \$11,040 paymt.

Farmers who want to avoid risk as much as possible can choose to pay the higher, nonsubsidized crop insurance premium and received the combined protection in 1981.

Assuming the same corn and soybean acreage and coverage as above, premium charges would be \$3,370, up \$540 from the subsidized premium costs. But the combined potential returns from insurance and disaster payments—assuming the same damage—would rise substantially:

$$\$42,500 + \$11,040 = \$53,540$$

In this example, participating in the feed grain program and paying the additional corn premiums increased total payments by \$11,000. The actual result would depend on the level of coverage selected and the extent of any loss that crops may sustain from drought, wind, hail, disease, or other natural disaster.

### Advantages of Program

Under the new program, there will be one straightforward system for everyone. Previously, a vast array of programs sprung up wherever farmers suffered losses.

Premium rates will be set by the FCIC, based on the potential risk of crop loss in each area. This should encourage farmers to plant crops that are better suited to their particular area.

The expanded protection will serve farmers' financial needs by helping ensure cash flow stability.

• This will make it easier to obtain and pay loans, especially for those producers who don't have a big capital reserve.

• Forward contracts will also be more secure with insurance to guarantee funds for meeting the contract.

The amount of insurance that's right will probably depend on these same cash flow needs. Insurance

## Md. farm visits on June 28

COLLEGE PARK, Md. — It's time again for urban youngsters to cuddle a calf or love a lamb, as 24 "Welcome Farms" in nine Maryland counties prepare for the fifteenth annual Farm Visitation Day on June 28.

This year's host farms are scattered from the mountains of western Maryland to the flatlands of the Eastern Shore, reports Roy D. Porter, Extension coordinator of special communications at the University of Maryland.

Barring rainy weather, Porter expects more than 25,000 youngsters and adults to turn out for the traditional fourth-Sunday-in-June event. Open house hours are 1 to 5 p.m.; but visitors are welcome to stay later to watch milking operations at participating dairy farms, including a dairy goat farm in southern Maryland's Calvert county.

New features of this year's Farm Visitation Day will be a crop farm in Charles county where greenhouse tomatoes are grown commercially without soil and a dairy farm in Talbot county where cows are milked on a continuous basis, 24 hours per day.

Intended to give urban families a

close look at their rural neighbors, Farm Visitation Day is sponsored each year by the University of Maryland's Cooperative Extension Service in cooperation with major farm organizations in the state.

Local committees have been active in most of the nine participating counties, planning details for hosting the event at each designated farm. Many of the host farms will offer light refreshments, free of charge, with cold milk a likely prospect at participating dairy farms.

Directions to all participating farms are listed in a free Farm Visitation Day brochure, titled "A Family Affair" (Leaflet 86). The leaflet will be available by mid-June from offices of the Cooperative Extension Service and public libraries in the participating counties — Anne Arundel, Baltimore, Calvert, Charles, Frederick, Harford, Montgomery, Talbot and Washington.

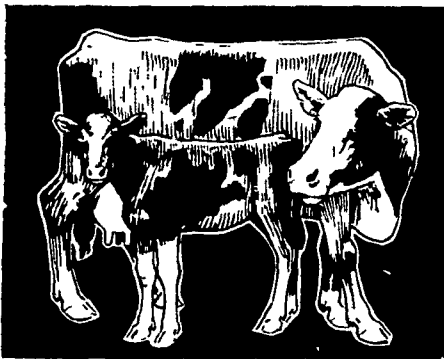
They will also be distributed at all three offices of the University of Maryland's Cooperative Extension Service in Baltimore City.



agents can help choose a protection plan. But finally, each farm operator knows the level of protection that feels most comfortable.

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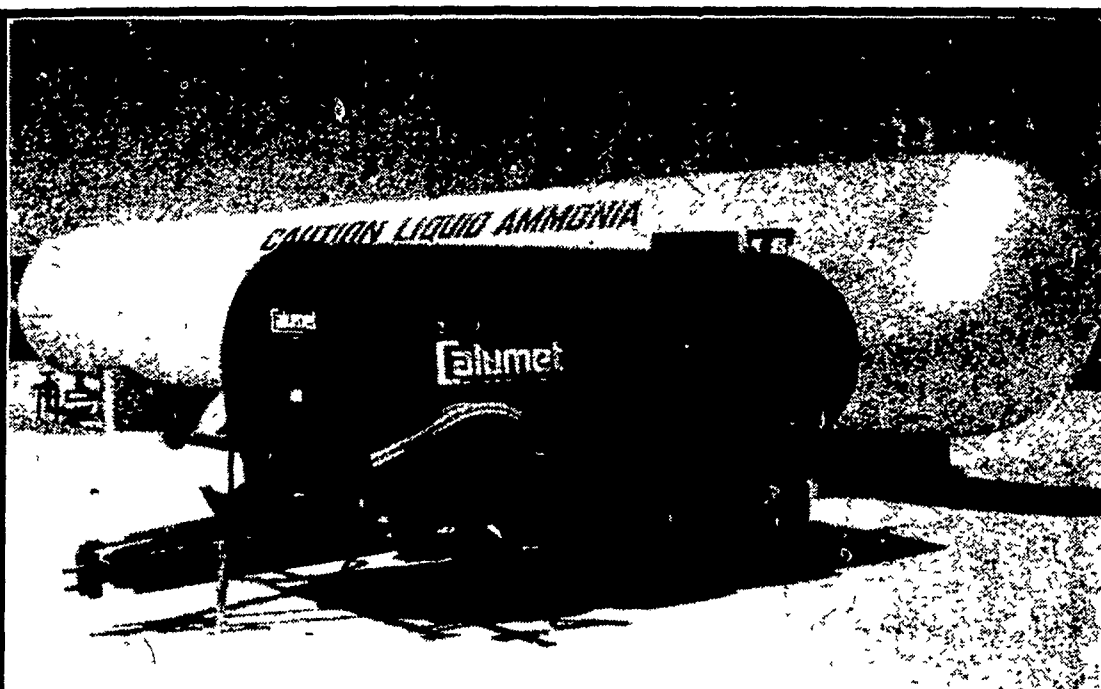
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