U.S. crop insurance globally attractive

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As prospectively huge U.S. crop insurance payouts garner a growing media spotlight, much of the rest of the globe is looking to adopt a U.S.-style risk management system to bolster food security, trim budgets, and avert potential trade disputes.

The federal crop insurance program and its effectiveness in addressing weather- and market-related risks has attracted the interest of international policymakers, Washington consultant James Callan told **FarmWeek**.

Sharing risk and costs with insurers and farmers offers major budget savings over direct farm subsidies, the former USDA Risk Management Agency official and Federal Crop Insurance Corp. deputy manager said.

That's appealing to many developing countries and economically challenged European officials seeking to "offload government risk," he noted.

"It may enable countries to spend less on subsidy programs for their farmers," said Callan, a keynote guest at the seventh annual international Soy and Grain Trade Summit Sept. 17-19 in New Orleans.

"If they can get away from that, there perhaps will be less scrutiny of their own programs and potential violations that could occur with the World Trade Organization."

International ag development groups also are mulling ways to adapt U.S.-style coverage to the needs of poorer nations. Callan sees challenges in establishing programs in regions dominated by small-scale subsistence farms, but suggested use of weather-based rather than yield-based risk criteria and a group coverage approach could work.

Nations with access to commodity exchanges could replicate U.S. revenue policies with guarantees tied to key crop markets, Callan said. He hailed the value of current federal Revenue Protection (RP) as a potential "hedging tool," particularly for farmers who face the prospect of higher prices and seriously reduced yields.

RP's harvest price option, which triggers payouts based on the higher of spring or fall price guarantees, offers growers "upside protection," he noted. If prices goes up, "which they will by the end of the year," farmers will see effectively higher coverage levels, Callan said.

Further, new House/Senate farm bill revenue program proposals would provide heightened "areawide" protection especially for farmers whose yields track with county yields, he noted. Callan argued that would "plus-up" crop insurance, helping make individual coverage "work for more farmers."

"There's a lot to be said for what crop insurance has done," Callan said. "Having the private sector involved is a plus: They've provided capital in the program. Otherwise, the government would be on the hook for all losses."

Last week, 39 farm, energy, government, and financial groups –- including the American Farm Bureau Federation — announced a new coalition, Farm Bill Now, aimed at raising awareness of the need for Congress to pass a five-year farm bill before current farm programs expire in September.

Callan argued "some semblance of good policy" is needed this year to reassure China, Japan, and other promising U.S. ag customers. — **Martin Ross**