

Crop Production Decisions and Insurance Alternatives

Participants

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Part of a Risk Management Education Program for Utah

- Production
- Market or Price
- Legal or institutional
- Human or Personnel
- Financial

Utah is one of the three (Utah,
Wyoming and Nevada)

“underserved” states not in
New England

Why Underserved and what to do?

- Crop insurance not a viable alternative in Utah
- Livestock rather than crop oriented
- Information needed to consider alternatives
- USDA provides additional educational resources for these states

Purpose or objectives of today's program

- Inform county agents, FSA personnel and farmers of alternatives available in Utah
- Answer questions about program alternatives
- Provide the critical elements needed by farmers who may want to participate
- Provide a framework for evaluating alternatives
- Provide information on additional sources of information that might be used by producers
- Obtain input on what information or programs are needed in areas of the state

What things are altering decisions concerning the use of crop insurance ?

- Influence of the 1996 farm bill (freedom to farm) and increasing emphasis on producer decisions or initiatives
- Passage of the 2002 farm bill with less emphasis on disaster payments
- More insurance alternatives are available
- Drought has increased the financial stress of many farmers in Utah

Some production risks faced by farmers where insurance may help

- Drought
- Insects
- Frost
- Hail

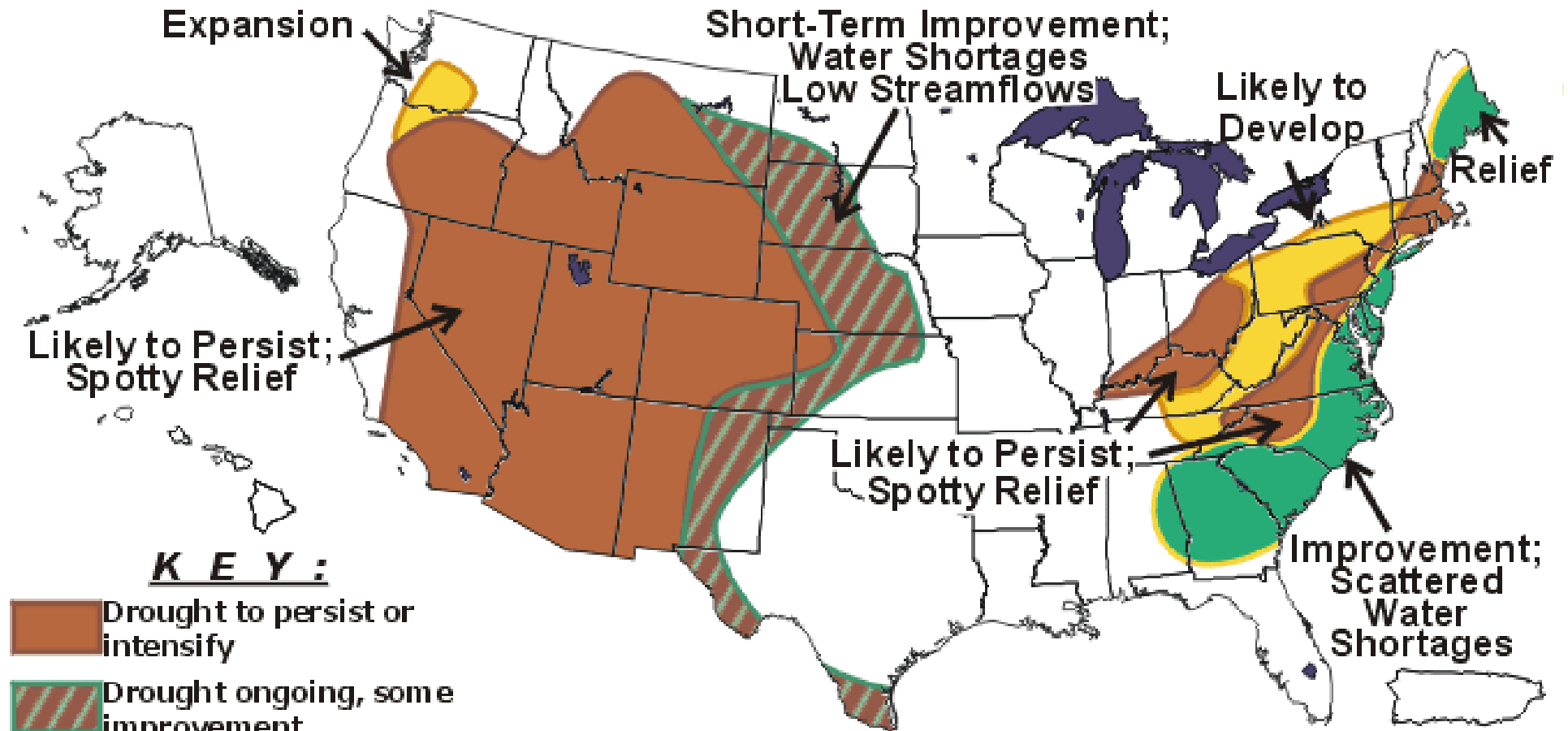





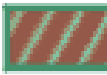


U. S. Seasonal Drought Outlook

Through November 2002

Revised August 29, 2002



KEY:

-  Drought to persist or intensify
-  Drought ongoing, some improvement
-  Drought likely to improve, impacts ease
-  Drought development likely

Depicts general, large-scale trends based on subjectively derived probabilities guided by numerous indicators, including short and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance, so use caution if using this outlook for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are schematically approximated from the Drought Monitor (D1 to D4). For weekly drought updates, see the latest Drought Monitor map and text.

Some basic questions that have to be answered

- Can I afford to take the risk of a drought, frost, etc with no protection?
- If protection is needed, what alternatives exist?
- How much protection is needed?
 - To meet cash flows
 - To cover debt payments
- What is the cost of obtaining protection?

Some basic questions that have to be answered

- What are the chances of a loss occurring?
- What actions might be taken to reduce my potential losses?
- If crop insurance is purchased what product (s) will best complement my business plan (s)?
- What must be done to take advantage of the insurance programs available?

Crop Insurance alternatives

- None (self insurance)
- Noninsured Crop Disaster Assistance Program (NAP) administered by FSA
- Various types of crop insurance administered as part of USDA's Risk Management Agency (RMA)