

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 86/2

2849 SRES SB 301 - SB 336 279



## ALASKA TRAPPERS ASSOCIATION

P.O. BOX 60418

FAIRBANKS, ALASKA 99706

### PHASE II -- STAFFING

- 1) These new positions would be placed in locations not covered by the Phase I expansion of the Statewide Furbearer Program.
  - a) Two Interior Management Biologists -- One in the Upper Yukon River area and one in the middle Yukon/Kuskokwim River area. These biologists would concentrate their efforts on furbearer management but be available to assist other area biologists with big game work.
  - b) Two Furbearer Research Biologists -- One in Southcentral Alaska and one in Western/Northwestern Alaska to initiate and conduct research in these regions.
  - c) Two Fish & Game Technicians -- One in South Central and one in West/Northwestern Alaska to assist furbearer research biologist.



# ALASKA TRAPPERS ASSOCIATION

P.O. BOX 60418  
FAIRBANKS, ALASKA 99706

## PHASE II -- FUNDING

### STAFF:

Two Interior Management	\$137,000
Biologists (Upper Yukon & Middle Yukon Kuskokwim)	
Western/Northwestern	62,000
Research Biologist	
South Central Research	
Biologist	49,000
Western/Northwestern	39,000
F&G Technician	
South Central F&G Technician	<u>20,000</u>
TOTAL STAFF	<u>\$311,000</u>
MANAGEMENT OPERATIONS	<u>\$ 60,000</u>
RESEARCH OPERATIONS:	
Statewide Economic/Social	
Value of Fur	75,000
Interior Marten Ecology	45,000
South Central Wolverine Study	40,000
Yukon-Kuskokwim Beaver Study	<u>30,000</u>
TOTAL RESEARCH	<u>\$190,000</u>
TOTAL PHASE II FUNDING	\$561,000

## Appendix A-2

## 1981-82 Reported Fur Exports, Estimated Harvest, and Estimated Raw Pelt Value

SPECIES	REPORTED EXPORTS	ESTIMATED HARVEST	AVERAGE PELT PRICE <sup>e</sup>	ESTIMATED VALUE
Beaver	5,962	8,129 <sup>b</sup>	25.42	206,639
Coyote	NA	150 <sup>c</sup>	61.87	9,281
Lynx	3,984	5,204 <sup>b</sup>	275.86	1,435,575
Marten	25,573	33,705 <sup>d</sup>	42.34	1,427,070
Mink	18,990	25,028 <sup>d</sup>	46.43	1,162,050
Muskrat	18,147	23,918 <sup>d</sup>	3.05	72,950
Otter (Land)	1,470	1,896 <sup>b</sup>	41.43	78,551
Red Fox <sup>a</sup>	10,309	13,587 <sup>d</sup>	88.86	1,207,341
Red Squirrel	513	676 <sup>d</sup>	1.00	676
Weasel (Ermine)	198	248 <sup>d</sup>	.88	218
White Fox (Arctic)	1,478	1,948 <sup>d</sup>	34.56	67,323
Wolf	NA	690 <sup>b</sup>	227.50	156,975
Wolverine	NA	610 <sup>b</sup>	232.24	141,666
TOTALS	86,614+	115,782		\$5,966,315

<sup>a</sup> Includes blacks, cross, and silvers

<sup>b</sup> Number sealed

<sup>c</sup> Lacking export data for coyotes, this is an educated guess

<sup>d</sup> Estimates = 1.318 x reported exports (1.318 = mean of number sealed + number exported for beaver, lynx and otter)

<sup>e</sup> Most average prices from midwinter average prices paid for Alaskan goods at Seattle Fur Exchange. The exceptions are beaver and muskrat (May sale) and coyote, red squirrel, and weasel prices which are from Hudson's Bay and Ontario Trappers Association sales.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

TO: Senate Resources Committee Members  
FROM: Senate Resources Committee Staff  
RE: March 12 Hearing - TELECONFERENCE  
DATE: March 9, 1984

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On Monday, March 12, at 3:00 pm in the Beltz Room, the Senate Resources Committee will be hearing the following two bills:

SB 301 AN ACT RELATING TO FURBEARER MANAGEMENT AND INCREASING A RELATED LICENSE FEE.

Revenues from the sale of trapping, fishing, and hunting licenses are Constitutionally dedicated to the Fish and Game Fund. SB 301 specifies that receipts from the sale of resident trapping licenses be deposited in a furbearer management account within the Fund, and used for furbearer enhancement, research, and education. Resident trapping fees would be increased by \$7 (from \$3 to \$10 for a simple trapping license, from \$15 to \$22 for a combination hunting/trapping license, from \$25 to \$32 for a combination hunting/trapping/sportfishing license) to provide ample revenues to the account.

SB 411 AN ACT RELATING TO PREFERENTIAL USE OF ALASKA AGRICULTURAL PRODUCTS.

In the State purchase of agricultural products (by hospitals, concessionaires in state office buildings and parks, schools, university, jails, Pioneer Homes, etc.), products produced in the state would be used wherever competitively priced, available, and of like quality to other available products. According to the Division of Agriculture, the following products, in season and in certain locations, are competitively priced: potatoes, lettuce, milk, eggs, pork, honey, zucchini, cabbage, beets, and carrots.

The hearing will be teleconferenced to sites in Mat-Su and to Fairbanks, Delta, and Galena.

impossible or difficult to meet some of these guidelines. For example, guidelines number 1 (promoting efficient and humane trapping) and number 4 (encouraging proper pelt handling) are best achieved through a trapper education program, which Alaska does not have at this time. Similarly, guidelines number 2 (maintaining trapping seasons and bag limits consistent with population levels) and number 7 (base beaver trapping seasons and bag limits on population levels) cannot be easily followed if population levels remain unknown, as they do now, because the Department lacks the resources to research, test, and utilize techniques for censusing and estimating populations of furbearers throughout the State. Therefore, the basic goal of this proposal is to upgrade the Statewide Furbearer program by increasing the

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BOB MULCAHY  
ARLISS BOSSULEWSKI



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JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

#### MINUTES

March 12, 1984  
3:04 pm

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chairman  
Senator Ziegler, Vice Chair  
Senator Eliason  
Senator Vic Fischer  
Senator Mulcahy

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#### CALENDAR

SB 301, An Act relating to furbearer management and increasing a related license fee.

SB 411, An Act relating to preferential use of Alaska agricultural products.

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#### SB 411

Esther Wunnicke, Commissioner, Department of Natural Resources, spoke in support of the bill, which would require state agencies to purchase Alaska agricultural products when competitively priced and available, and in support of the proposed Committee Substitute clarifying which agency would provide inspection certificates.

Senator Vic Fischer moved CS SB 411 from Committee with individual recommendations. There was no objection.

#### SB 301

Bob Hinman, Game Division, Department of Fish and Game, spoke in support of the bill, citing the need for increased fees to provide more funds for fur bearer management.

Martin Richards, Division of Public Service, Department of Revenue, spoke in support of the bill.

Ron Sommerville, Alaska Outdoor Council, testified in favor of increased fees for trappers to fund more fur bearer management.

Ralph Miller, President, Delta Trappers Association, strongly supported the bill.

Floyd Weaver, Delta, recommended including non-resident fees in the bill.

Art Drabeck, Chickaloon, spoke in support of the bill and the need for increased research.

Tim Osborne, Galena, spoke in support of the bill.

Curtis Johnson, Wasilla, supported the proposed increased fees for trappers.

Bob Greene, Wasilla, spoke in support of the bill and recommended funding increased management and education programs.

Mike Peryam, Wasilla, recommended including non-resident trappers and fur buyer license fees in the bill.

Jim MacCracken, Palmer, spoke in support of the bill.

Ron Silas, Subsistence Technician, Tanana Chiefs Conference, Fairbanks, testified that they had not determined the position of bush trappers on the bill.

Norm Phillips, Alaska Trappers Association, Fairbanks, spoke in support of the bill.

Herb Melchior, Furbearer Biologist, Department of Fish and Game, Fairbanks, provided current and projected revenue figures on trappers license fees.

Jim Reese, President, Alaska Frontier Trappers Association, Palmer, spoke in support of the bill.

The meeting adjourned at 4:37 pm.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 13, 1984

SUBJECT: Dedicated funds  
(CSSB 301 (Res))

TO: Senator Bettye Fahrenkamp  
Chairman, Resources Committee

FROM: Richard C. Folta   
Legislative Counsel

It is our opinion that the CS SB 301 dedication of resident trapping license fees to a furbearer management account within the fish and game fund under AS 16.05.100 is compatible with the Alaska Constitution. Article IX, Section 7 allows dedicated funds when required by the federal government for state participation in federal programs.

Dedication of proceeds of Alaska fishing and hunting licenses for the operation of the Department of Fish and Game is required by federal law for participation in wildlife restoration funding in 16 U.S.C. 669. The federal Act's purpose is to insure the perpetuation of wildlife resources for the economic, scientific, and recreational enrichment of the people, which is on all fours with the purpose of the furbearer account to be established under CSSB 301. (See also page 21 of the November 30, 1982 formal Attorney General's opinion on the Fish and Game dedicated fund.)

RCF:ojb  
J4/074

Introduced: 5/9/83  
Referred: Resources and  
Finance

*Margaret*  
4967

1 IN THE HOUSE

BY BETTISWORTH

2

HOUSE BILL NO. 410

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act increasing the trapping license fee."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 \* Section 1. AS 16.05.340(a)(3)(B) is amended to read:

9 (B) Resident trapping license..... 20 [3]

*- submitted*  
*- want to hold public*  
*hearings on fee increase*  
*- don't expect it to go*  
*anywhere this year*

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 3/12/84

REQUEST

Bill/Resolution No.: CSSB301  
Title: Furbearer Management

FISCAL DETAIL

Agency Affected: Fish and Game  
Program Category Affected: NRMEC

Sponsor: Senate Resources Committee  
Requestor: Senate Resources  
Date of Request: March 12, 1984

BRU, Program or Subprogram(s) Affected:  
Game

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>						
<b>CAPITAL</b>						
<b>REVENUE</b>	0	66.5	140.0	147.0	154.0	161.0

(Fish and Game Fund)

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Beverly Reaume  
Division: Administration

Phone: 465-4120  
Date: March 12, 1984

Approved by Commissioner: [Signature]  
Agency: Fish and Game

Date: 11/11/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Fiscal Note

CSSB301 (Resources)

Assumptions

January 1, 1985, effective date

Approximately 17,000 trapping licenses sold in 1983.  
Continued increase of trapping licenses sold by approximately 1,000 annually.

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SB 309

REPEALING THE 25¢ RESIDENT HUNTING, TRAPPING, AND SPORT FISHING  
LICENSE.

SPONSOR: P. FISCHER

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Under current statute, the fee for a resident hunting, trapping and sport fishing license is 25¢ for the head of a family or a dependent if the annual family gross income is less than \$5,600 or if the family is obtaining assistance under any state or federal welfare program.

SB 309 would repeal the 25¢ fee, making members of these low-income families subject to the general \$25 fee.

Spoke to Senator Fischer 6/6/83. He is concerned that the 25¢ license is being abused - nearly 12,000 people received this license last year. It's a sport fishing license in his thought is, if these people can afford the equipment and bait, they can afford the license. Other comments: several college students receive this low income license; abuse is unenforceable.

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SB 322 RELATING TO THE ALASKA AGRICULTURAL LOAN BOARD.

(KERTTULA AND MOSS BOTH SPONSORED.)

INCREASES MEMBERSHIP ON AG. BOARD FROM 5 TO 7. ALL ARE APPOINTED BY THE GOVERNOR. 4 OF THE 7 WILL BE PERSONS WITH BACKGROUND OR EXPERIENCE IN ALASKA AGRICULTURE.

INTENT IS TO PROVIDE GREATER STATEWIDE REPRESENTATION, AND MAKE THE BOARD MORE RESPONSIVE TO THE PRIVATE SECTOR NEEDS.

*urgents passage*

PASSED OUT OF RESOURCES FEBRUARY 7, 1984 - YOU WERE A DO PASS.  
(SO WERE MULCAHY, STURGULEWSKI, ZIEGLER, P. FISCHER.)

18-0

## BILL SUMMARY

SB 322 - Increase membership of the AALB  
Sponsor: Kertulla

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Senate Bill 322 would expand the membership of the Agriculture Revolving Loan Fund Board from five to 7 members. At present, 5 of the seven members are persons with background and experience in agriculture. SB 322 would retain that ratio - four of the seven members would be involved in the industry.

The expansion of the board is necessary to obtain a greater statewide representation. As the agriculture industry expands, the ARLF must remain flexible to adapt to the expansion. SB 342, which is also being heard today, would expand the responsibilities of the ARLF to include fur farming, horticulture, and animal feed processing facility loans.

The sponsor is not opposed to including provisions from SB 342, for example, in this bill. By expanding the size of the board and the responsibilities, we are making the state support for the industry more responsive to the private sector needs.

### SUMMARY OF SB 322 - Ag. Loan Board

Increases Board membership from five to seven; four of which will be persons with background or experience in Alaska agriculture. Members serve overlapping three year terms, and receive travel pay and per diem as provided for boards and commissions. The increase in membership is an effort to reduce the monopolization by one or two members of the existing board.

Bill Heim (Ag Div) says 35% of loans are north of Alaska Range but only 1 Board member is from there.

Effect of amendments. — The 1979 amendment substituted "\$20,000,000" for "\$5,000,000."

The 1982 amendment, effective February 2, 1982, substituted "\$75,000,000" for "\$20,000,000."

**Sec. 03.10.050. Administration of fund.** (a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$25,000 may be made by the commissioner without the approval of a majority of the board.

(b) The board is composed of five members appointed by the governor and confirmed by the legislature in joint session. Three members shall be persons with background and experience in Alaska agriculture. Members of the board serve for overlapping three-year terms. Members of the board are not entitled to receive compensation for their services, but shall receive the same travel pay and per diem as provided by law for boards and commissions.

(c) A meeting of the agricultural revolving loan fund board to act on applications for loans is exempt from the public meeting requirements of AS 44.62.310. (§ 6 ch 122 SLA 1953; am § 1 ch 119 SLA 1976; am § 6 ch 113 SLA 1982)

**Effect of amendments.** — The 1976 amendment rewrote this section.

The 1982 amendment, effective June 25, 1982, added subsection (c).

**Editor's notes.** — Section 5, ch. 7, SLA 1982 added a subsection (c) to this section

but the provision of that subsection have been transferred to AS 03.15.052 by the revisor of statutes pursuant to AS 01.05.031(b). Consequently, the subsection added by § 6, ch. 113, SLA 1982, has been redesignated "(c)."

#### **Sec. 03.10.054. Sale or transfer of mortgages and notes.**

Repealed by § 14 ch 122 SLA 1980.

**Editor's notes.** — The repealed section derived from § 1, ch. 4, SLA 1964.

### **Chapter 15. Agriculture Pest and Disease Control Fund.**

#### **Section**

20. Purpose of appropriations

52. Limitation on board members

**Sec. 03.15.020. Purpose of appropriations.** Appropriations available to the Department of Natural Resources or to the Department of Environmental Conservation may be used

(1) to buy materials or equipment needed to control agricultural pests when the persons directly affected cannot bear the total cost and the pest is one that is or may become a public problem;

(2) to charter or hire on a custom basis equipment and operators necessary for pest-control work when the persons directly affected cannot provide the service and the pest is one that is or may become a public problem;

(3) to match federal indemnity payments to livestock owners for livestock slaughtered under any cooperating livestock health program;

(4) to maintain a supply of vaccines, serums and chemicals needed for emergency pest control, that are not commercially available in the state. (§ 2 ch 90 SLA 1955; am § 3 ch 34 SLA 1968; am Executive Order No. 51, § 11 (1981))

**Effect of amendments.** — The 1981 amendment substituted "Department of Natural Resources or to the Department of

Environmental Conservation" for "Department" in the introductory language.

**Sec. 03.15.052. Limitation on board members.** A member of the agricultural revolving loan fund board may not, during the member's

# Alaska State Legislature

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ARLISS STURGULEWSKI



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## Senate

### Committee on Resources

#### MINUTES

February 3, 1994  
3:07 pm

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chairman  
Senator Vic Fischer  
Senator Paul Fischer  
Senator Mulcahy  
Senator Sturgulewski

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#### CALENDAR

- SB 322 An Act relating to the Alaska Agricultural Loan Board; and providing for an effective date.
- SB 342 An Act amending the Alaska Agricultural Loan Act.
- SB 339 An Act repealing the expiration date of the Agricultural Action Council; and providing for an effective date.
- SB 358 An Act amending the expiration date of the Alaska Agricultural Action Council.

Briefing on Bristol Bay Cooperative Management Plan

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#### SB 339

Vince O Reilly, Deputy Commissioner, Department of Commerce and Economic Development, testified against SB 339. He stressed the Administration's commitment to agriculture, with an emphasis on production for in-state market needs. A Memorandum of Understanding is being written that would divide the responsibilities of the Alaska Agricultural Action Council between the Departments of Natural Resources, Commerce and Economic Development, and Transportation. Also, by transferring those duties to line agencies, more emphasis would be placed on forest product marketing.

Senator Mulcahy moved to adopt the Resources Committee Substitute for SB 339, and move it from committee with individual recommendations. There was no objection.

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SB 342

Alex Shadura, testified in favor of SB 342, supporting horticulture as an important part of the agriculture industry. He expressed concern that the definition of horticulture as "growth in greenhouses or nurseries" contained in the Committee Substitute was restrictive.

Senator Mulcahy moved to adopt the Resources Committee Substitute for SB 342, and moved the bill from Committee with individual recommendations. There was no objection.

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SB 322

Senator Mulcahy moved the bill from Committee with individual recommendations. There was no objection.

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Frank Rue, Department of Natural Resources, Division of Land and Water Management, Resource Allocations, presented the committee with a brief overview of the changes that were made to the draft version of the Bristol Bay Cooperative Management Plan. Changes were made in the areas of oil and gas leasing, mineral exploration and development, and land disposals. Many of the original guidelines were seen as too specific and were dropped or rewritten in the final draft. Senator Sturqulewski and Senator Fahrenkamp had questions about the amendment process and asked for a more in-depth report on how Legislative authority over the lands will be affected under the plan.

The meeting adjourned at 4:38 pm.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
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## Senate

### Committee on Resources

#### MINUTES

January 25, 1984  
3:03 pm

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chairman  
Senator Ziegler, Vice Chair  
Senator V. Fischer  
Senator Paul Fischer  
Senator Mulcahy  
Senator Sturgulewski

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#### CALENDAR

- SB 322 An Act relating to the Alaska Agricultural Loan Board; and providing for an effective date.
- SB 342 An Act amending the Alaska Agricultural Loan Act.
- SB 339 An Act repealing the expiration date of the Agricultural Action Council; and providing for an effective date.
- SB 358 An Act amending the expiration date of the Alaska Agricultural Action Council.

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#### TELECONFERENCED TO:

Fairbanks	Anchorage
Delta	Homer
Palmer/Wasilla	Soldotna

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Senator Kerttula testified in support of SB 322. He said the geographic areas where agricultural development exists have expanded and suggested the Governor appoint two more members to represent farmers from those areas.

Senator Faiks testified in favor of SB 342. She answered questions about the bill and also supported the Kerttula amendment regarding soil classification.

Bob Arnold, Deputy Commissioner, Department of Natural Resources, acknowledged that SB 342 would create a greater demand on the Agricultural Revolving Loan Fund and asked for clarification from the Legislature on granting loans for non-food products.

Steve Shropshire, Alaska Horticulture Association, spoke in support of SB 342. He felt the definition of "agriculture" should include horticulture.

Mavor Bill Allen, Fairbanks North Star Borough, supported all the bills before the Committee. He urged the continuation of the Alaska Agricultural Action Council and the expansion of the agricultural loan program.

Frank Geiger, Mavor, Delta Junction, spoke in support of all four bills. He recommended that two Boards be established, one for the Interior and one for the rest of the state.

Richard Ramsey, Aide to Senator Kerttula, testified in support of Kerttula's proposed amendment to SB 342. This amendment would allow more lands to be eligible for clearing loans.

Edna Anderson, Homer, recommended passage of SB 339 and SB 358 and said she agreed with Mayor Allen's comments.

Pete Roberts, Homer, supported Kerttula's proposed amendment to SB 342.

Ed Merdes, Fairbanks, supported all the bills being heard. He introduced the idea of "production incentives" to lower costs of production and make our crops more competitively priced.

Pat Mulligan, President, Alaska Farmers and Stock Growers, spoke in support of SB 342 and horticulture.

Bill Heim, Director, Division of Agriculture, DNR, wanted legislative guidance, through SB 342, on the expansion of the loan program. He supported Kerttula's proposed amendment to SB 342. Regarding SB 322, he recommended that the two new members be from Delta and Fairbanks.

Ken Ulz, Kobuk Fuel and Feed, spoke in support of all the bills being heard. He felt fur ranching was just as valid as any other ranching enterprise.

Bruce Willard, Homer, supported the continuation of the Alaska Agricultural Action Council.

Harry Wassink, Anchorage, proposed raising the cap on ARLF loans, particularly for dairy farmers.

Sig Restad, Agricultural Experimental Station, Palmer, testified in support of the four bills before the Committee.

Burton L. Clifford, U.S Department of Agriculture (USDA), spoke in support of all of the bills.

Carrol Martin, Soldotna, testified in support of all the bills heard today.

Jerry Giaouque, Palmer, spoke in support of all the bills.

Terry Weiland, Palmer, supported SB 339 and SB 358 and also wanted the cap raised on ARLF loans.

Jerry Brehmer, Delta, was in favor of all of the bills.

Vincent O'Reilly, Deputy Commissioner, Department of Commerce and Economic Development, testified that the Administration supports agricultural development. They are currently reexamining the program, trying to focus on in-state market needs. He felt that coordinating that effort should be done by the line agencies, specifically the Department of Natural Resources and the Department of Commerce and Economic Development, rather than the Alaska Agricultural Action Council.

Annely Girard, Palmer, testified that farmers need to diversify. She felt the passage of SB 342 would allow them to do that. She spoke of growing shrubs and fast growing trees such as poplars in greenhouses for use as windbreaks.

Bob Arnold, Deputy Commissioner, Department of Natural Resources, spoke again to concur with Vincent O'Reilly, Deputy Commissioner, Department of Commerce and Economic Development, that the functions of the Alaska Agricultural Action Council can be better carried out by the line agencies, particularly the Department of Natural Resources.

The meeting adjourned at 4:42 pm.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 322  
Title: ARLF Board

**FISCAL DETAIL**

Agency Affected: Natural Resources  
Program Category Affected: ARLF

Sponsor: Kerttula  
Requestor: \_\_\_\_\_  
Date of Request: 1/23/84

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Agriculture Revolving Loan Fund

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL		5.0	5.0	5.0		
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, COMMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		5.0	5.0	5.0		
<b>CAPITAL</b>		0	0	0		
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER (ARLF)		5.0	5.0	5.0		
<b>TOTAL</b>		5.0	5.0	5.0		

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis

Prepared By: Bill L. Heim, Director Phone: 376-3276  
Division: Agriculture Date: 1/24/84

Approved by Commissioner: Wm D Arnold, Deputy Date: 1/24/84  
Agency: Natural Resources

**Distribution (by Agency preparing fiscal note):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

# Alaska State Legislature

SB 342

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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## Senate

### Committee on Resources

#### M E M O R A N D U M

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, January 25, 1984

DATE: January 23, 1984

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On Wednesday, January 25, the following bills will be heard:

SB 322, An Act relating to the Alaska Agricultural Loan Board

SB 322 would increase the membership of the Agricultural Revolving Loan Fund Board from five to seven members. All members are appointed by the Governor. At present, three of the five members must be persons with background and experience in agriculture. SB 322 would retain that ratio; four of the seven members would be involved in the industry.

SB 342, An Act amending the Alaska Agricultural Loan Act.

SB 342 would expand the agricultural loan program to include loans for the commercial production or processing of horticultural products and animal feed, and for the raising and care of animals for marketing fur. A Resources Committee Substitute has been prepared that would remove the restriction to in-state use of these products.

Loans are currently allowed for land clearing, farm development, storage and processing of farm produce, and purchase of livestock or machinery. Draft DNR regulations (11 AAC 39.111) would expressly prohibit loans from being made for "enterprises not operated primarily for human or livestock food production", which includes fur breeding and fur farming, and greenhouses not operated primarily for food production. Loans for processing feed are currently being made under the "farm product processing loans" authority.

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SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SB 324*

BILL NAME: *Veterans discount on state land deposits*

SPONSOR(S): *v. Fischer; BF. Kertulla;  
Mass; Elston; Josephson*

DATE INTRODUCED: *1-9-84*

REFERRALS: *Resources  
Finance*

RELATED BILLS PENDING:

*HB 529 - URMING*

*1/20/84*

*Resources*

*Finance*

*As HB 433 - GOM - 2/10/84*

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

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SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SB 335*

BILL NAME: *Amending Alaska Grain Reserve Program*

SPONSOR(S): *MOSS*

DATE INTRODUCED: *1-9-84*

REFERRALS: *Resources  
Finance*

RELATED BILLS PENDING:  
*HB 553 - Schultz  
1/20/84 - Resources*

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

AGENCY RESPONSE:

SUMMARY BY LEGAL DIVISION:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

STAFF MEMO TO COMMITTEE:

BACKGROUND MATERIAL DISTRIBUTED:

LIST OF WITNESSES:

DATE AND PLACE SET:

TELECONFERENCE:

PSA/PRESS RELEASE:

SUGGESTED AMENDMENTS/COMMIT  
SUBSTITUTES DRAFTED:

HB 553 AMENDING ALASKA GRAIN RESERVE PROGRAM.  
SPONSOR: SHULTZ

(IDENTICAL TO MOSS'S SB 335)

THE GRAIN RESERVE PROGRAM WAS ESTABLISHED IN 1983 TO MAKE LOANS FOR CROPS GROWN IN THE 1983 AND 1984 SEASONS. CURRENT STATUTE REQUIRES THAT GRAIN USED AS COLLATERAL FOR A LOAN MUST BE GRADED #4 OR BETTER. IT TURNS OUT THAT HULLESS BARLEY, WHICH IS NOT COMMONLY GROWN IN THE LOWER 48 BUT IS GROWN IN ALASKA (360 ACRES IN DELTA JUNCTION AREA IN 1983), HAS NOT BEEN GRADED BY THE U.S.D.A. ACCORDING TO THE U.S.D.A. FEDERAL GRAIN INSPECTION SERVICE IT WOULD TAKE 3 YEARS TO ESTABLISH A GRADE FOR HULLESS BARLEY. THEIR ADVICE HAS BEEN TO AMEND THE STATUTE TO INCLUDE NON-STANDARDIZED GRAIN.

★ THIS IS KEY PROVISION OF BILL.

HB 553 WOULD ALLOW DNR TO ACCEPT HULLESS BARLEY AS COLLATERAL.

THE BILL WOULD ALSO CONVERT THE FUND TO A REVOLVING ACCOUNT TO REDUCE OR ELIMINATE THE NECESSITY OF REQUESTING ANNUAL APPROPRIATIONS TO THE FUND. (would be principal and interest)

Rules didn't adopt Moss's proposed amendments:

- to delete requirement that grain must be grown in 1983 or 1984
- to apply to any "non-standardized" grain, not just hulless barley

MAY 26 1984

Offered: 2/16/84  
Referred: Rules

Original sponsor: Shultz

1 IN THE HOUSE

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

2

TITLE FOR HOUSE BILL NO. 553 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act amending the Alaska Grain Reserve Program;

7

and providing for an effective date."

8

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9

\* Section 1. AS 03.12.020 is amended to read:

10

Sec. 03.12.020. DUTIES OF THE DEPARTMENT. In carrying out the

11

purposes of this chapter the department shall

12

(1) make loans to state grain producers under the condi-

13

tions set out in this chapter;

14

(2) administer and inspect stored grain held as collateral

15

for loans made under this chapter; and

16

(3) administer the Alaska grain reserve revolving loan fund

17

(AS 03.12.040).

18

\* Sec. 2. AS 03.12.030(a) is amended to read:

19

(a) The department may make a loan to a state grain producer

20

secured by grain grown by that producer in 1983 or 1984. Grain that

21

is used as collateral for a loan made under this chapter must be

22

graded number four or better, except that hulless barley may be ac-

23

cepted as collateral under conditions determined by the commissioner

24

of the Department of Natural Resources.

25

\* Sec. 3. AS 03.12.040 is amended to read:

26

Sec. 03.12.040. ALASKA GRAIN RESERVE REVOLVING LOAN FUND.

27

The Alaska grain reserve revolving loan fund is established in the

28

department for the purpose of financing loans made under this chapter.

29

The fund consists of appropriations made to it by the legislature and

1        repayments of principal and accrued interest on loans made from the  
2        fund.

3        \* Sec. 4. AS 03.12.200 is amended to read:

4                Sec. 03.12.200. DEFINITIONS. In this chapter

5                        (1) "commissioner" means the commissioner of natural  
6        resources;

7                        (2) "department" means the Department of Natural Resources;

8                        (3) "fund" means the Alaska grain reserve revolving loan  
9        fund; and

10                      (4) "grain" means barley, wheat or oats.

11        \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
12        10.070(c).

Offered: 2/29/84  
Referred: Finance

Original sponsor: Moss

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 335 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Grain Reserve Program;  
7 and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 03.12.020 is amended to read:

10 Sec. 03.12.020. DUTIES OF THE DEPARTMENT. In carrying out the  
11 purposes of this chapter the department shall

12 (1) make loans to state grain producers under the condi-  
13 tions set out in this chapter;

14 (2) administer and inspect stored grain held as collateral  
15 for loans made under this chapter; and

16 (3) administer the Alaska grain reserve revolving loan fund  
17 (AS 03.12.040).

18 \* Sec. 2. AS 03.12.030(a) is amended to read:

19 (a) The department may make a loan to a state grain producer  
20 secured by grain grown by that producer [IN 1983 OR 1984]. Grain that  
21 is used as collateral for a loan made under this chapter must be  
22 graded number four or better, except that grain that is non-standard-  
23 ized may be accepted as collateral under conditions determined by the  
24 director of the division of agriculture.

25 \* Sec. 3. AS 03.12.040 is amended to read:

26 Sec. 03.12.040. ALASKA GRAIN RESERVE REVOLVING LOAN FUND.

27 The Alaska grain reserve revolving loan fund is established in the  
28 department for the purpose of financing loans made under this chapter.

29 The fund consists of appropriations made to it by the legislature and

1        repayments of principal and accrued interest on loans made from the  
2        fund.

3        \* Sec. 4. AS 03.12.200 is amended to read:

4                Sec. 03.12.200. DEFINITIONS. In this chapter

5                    (1) "commissioner" means the commissioner of natural  
6        resources;

7                    (2) "department" means the Department of Natural Resources;

8                    (3) "fund" means the Alaska grain reserve revolving loan  
9        fund; and

10                   (4) "grain" means barley, wheat or oats.

11        \* Sec. 5. Sections 3 - 5, ch. 100, SLA 1983 are repealed.

12        \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
13 10.070(c).

# MEMORANDUM

# State of Alaska

DEPARTMENT OF NATURAL RESOURCES - DIVISION OF AGRICULTURE

TO: Esther Wunnicke  
Commissioner

DATE: October 27, 1983

THRU: Bill Heim  
Director

FILE NO:

TELEPHONE NO: 376-3276

FROM: J. A. Watenpaugh  
Supervisor  
Plant Industry Section

SUBJECT: Amendment to HB 156  
(Grain Reserve Bill)

It has come to our attention that the Grain Reserve Act does not cover non-standardized grain. Non-standardized grain is grain for which no official U. S. grades have been established. According to U.S.D.A. Federal Grain Inspection Service it would take a minimum of three years to establish a grade for hulless barley. There has never been a real demand from industry to establish grades as production in the lower United States has not been wide spread.

There were approximately 360 acres of Thual variety grown in the Delta Junction area this 1983 growing season and looked very promising. It matured approximately five to ten days earlier and appears to have a higher protein count than conventional barley. The test weight is nearly the same as wheat. This particular variety was developed by Roscoe Taylor, University of Alaska Experiment Station at Palmer. Any scientific data should be obtained from the Experiment Station.

Advice from the U.S.D.A.-F.G.I.S. would be to amend Alaska's grain reserve bill to include non-standardized grain. A simple amendment to the bill would be to add a sentence to Section 03.030.(a) after the words, "four or better," "except non-standardized grains for which conditions for acceptance shall be determined by the Director of the Division of Agriculture".

We have obtained permission to use our current federally approved grain certificates by striking the word grade and state the variety, non-standardized. In the contents of the certificate we would only report the facts as found (chaff, broken kernals, foreign material, etc.). Moisture content to be determined by oven drying.

There may be as much as 260 tons planted in the 1984 growing season. Therefore, we feel an amendment is necessary to be able to enter non-standardized grain into the reserve program.

If you have any further questions please do not hesitate to contact us.

cc: Senator Pappy Moss  
Representative Dick Schultz

# MEMORANDUM


# State of Alaska

TO: The Honorable Pappy Moss  
Alaska State Senate

DATE: February 7, 1984

FILE NO:

TELEPHONE NO:

FROM: Sharon Barton   
Special Assistant  
Department of Natural Resources

SUBJECT: DNR Proposed  
Amendments - SB 335

As you know, the Grain Reserve Program was established in 1983 to make loans for crops grown in the 1983 and 1984 seasons. The Director of the Division of Agriculture has subsequently recommended to the Governor that the program be extended at least through 1987. He further recommended that the fund be converted to a revolving account to reduce or eliminate the necessity of requesting annual appropriations to the fund. The Governor adopted both of these propositions as part of his agricultural program.

In order to effect the necessary statutory changes, we ask your consideration of the following amendments to SB 335:

1. AS 03.12.040 is amended to read:

Alaska grain reserve revolving loan fund. The Alaska grain reserve revoiving loan fund is established in the department for the purpose of financing loans made under this chapter. The fund consists of appropriations made to it by the legislature, repayments of principal and accrued interest on loans made from the fund.

2. AS 03.12.200 is amended to read:

(3) "fund" means the Alaska grain reserve revolving loan fund.

3. Sec. 3-5 1983 SLA Ch 100 are repealed.

We would be pleased to support you in Committee if these are offered as sponsor amendments or offer them as DNR amendments, as you wish.

If we can be of further assistance, please call.

Revisor's notes. — Enacted as AS 03.10.050(c). Renumbered in 1982.

*Sec. 03.10.054. Sale or transfer of mortgages and notes. [Repealed, § 14 ch 122 SLA 1980.]*

**Sec. 03.10.058. Farm disaster area.** The governor may declare a farm disaster in an area of the state if a natural disaster causes a crop failure. (§ 3 ch 38 SLA 1983)

**Sec. 03.10.060. Short title.** This chapter may be cited as the Alaska Agricultural Loan Act. (§ 1 ch 122 SLA 1953)

### Chapter 12. Alaska Grain Reserve Program.

<b>Section</b>	<b>Section</b>
10. Alaska grain reserve program established	50. Administration of fund
20. Duties of the department	60. Regulations
30. Conditions on loans	70. Administrative Procedure Act
40. Alaska grain reserve loan fund	200. Definitions

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**Repeal of chapter.** — Sections 4 and 5, ch. 100, SLA 1983 provide that this chapter is repealed effective January 1, 1988. For termination and transition provisions, see § 3, ch. 100, SLA 1983, in the Temporary and Special Acts.

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**Sec. 03.12.010. Alaska grain reserve program established [Repealed effective January 1, 1988].** The Alaska grain reserve program is established in the Department of Natural Resources for the purpose of assisting state grain producers to develop markets for their products by making loans secured by grain reserves. (§ 1 ch 100 SLA 1983)

**Sec. 03.12.020. Duties of the department [Repealed effective January 1, 1988].** In carrying out the purposes of this chapter the department shall

- (1) make loans to state grain producers under the conditions set out in this chapter;
- (2) administer and inspect stored grain held as collateral for loans made under this chapter; and
- (3) administer the Alaska grain reserve loan fund (AS 03.12.040). (§ 1 ch 100 SLA 1983)

**Sec. 03.12.030. Conditions on loans [Repealed effective January 1, 1988].** (a) The department may make a loan to a state grain producer secured by grain grown by that producer in 1983 or 1984. Grain that is used as collateral for a loan made under this chapter must be graded number four or better.

§ 03.12.030

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§ 03.12.040

AGRICULTURE AND ANIMALS

§ 03.12.060

(b) The amount of a loan made under this chapter is determined by multiplying 90 percent of the United States Department of Agriculture target price per ton for the type and grade of grain offered as collateral by the total tonnage of the collateral.

(c) The interest rate on a loan made under this chapter is equal to the interest rate on a loan made under AS 03.10.030(a).

(d) Grain that is held as collateral for a loan made under this chapter shall be stored in a storage facility approved by the department. The borrower may provide storage for the grain if the department determines that the storage provided by the borrower will adequately protect the department's interest in the grain. The department may inspect a storage facility provided by a borrower at any time and shall adopt regulations setting standards for storage facilities. Storage costs shall be paid to the borrower by the department during the term of the loan at the United States Department of Agriculture grain reserve loan storage rate.

(e) A borrower may not remove, sell, or otherwise dispose of grain held as collateral for a loan under this chapter without the consent of the department. All proceeds from the sale of collateral, up to an amount equal to the value originally assigned to that collateral under (b) of this section, plus accrued interest on the portion of the loan secured by that collateral, shall be applied to the outstanding balance of the loan.

(f) A loan made under this chapter shall be for a term that may not exceed three years. The borrower shall make annual payments of accrued interest during the term of the loan.

(g) In this section references to grain grading standards, target prices, volume or weight calculations and inspection standards, indicate standards, prices, or calculations that are in accordance with applicable United States Department of Agriculture standards.

(h) A loan may not be made under this chapter to a producer that is eligible to participate in federal grain reserve loan programs. (§ 1 ch 100 SLA 1983)

**Sec. 03.12.040. Alaska grain reserve loan fund [Repealed effective January 1, 1988].** The Alaska grain reserve loan fund is established in the department for the purpose of financing loans made under this chapter. The fund consists of appropriations made to it by the legislature. (§ 1 ch 100 SLA 1983)

**Sec. 03.12.050. Administration of fund [Repealed effective January 1, 1988].** The commissioner shall administer the fund in conjunction with the agricultural loan fund board established under AS 03.10.050. A loan in excess of \$25,000 may not be made by the commissioner without the approval of the board. (§ 1 ch 100 SLA 1983)

**Sec. 03.12.060. Regulations [Repealed effective January 1, 1988].** The department shall adopt regulations to carry out the purposes of this chapter. (§ 1 ch 100 SLA 1983)

**Sec. 03.12.070. Administrative Procedure Act [Repealed effective January 1, 1988].** In carrying out the provisions of this chapter the department is subject to the Administrative Procedure Act (AS 44.62). (§ 1 ch 100 SLA 1983)

**Sec. 03.12.200. Definitions [Repealed effective January 1, 1988].** In this chapter

- (1) "commissioner" means the commissioner of natural resources;
- (2) "department" means the Department of Natural Resources;
- (3) "fund" means the Alaska grain reserve loan fund; and
- (4) "grain" means barley, wheat or oats. (§ 1 ch 100 SLA 1983)

## Chapter 15. Agriculture Pest and Disease Control Fund.

### Section

#### 20. Purpose of appropriations

**Collateral references.** — 3 Am. Jur. 2d, Agriculture, §§ 38-47; 4 Am. Jur. 2d, Animals, §§ 31-39.

3 C.J.S., Agriculture, §§ 83-104; 3A C.J.S., Animals, §§ 66-98.

Liability for injury caused by spraying or dusting of crops, 37 ALR3d 833.

Products liability — fertilizers, insecticides, pesticides, fungicides, weed killers, and the like, or articles used in application thereof, 12 ALR4th 462.

Crop duste.'s failure to exercise care in spraying crops, 9 Am. Jur. POF2d, pp. 623-657.

**Sec. 03.15.010. Agricultural pest and disease control fund. [Repealed, § 2 ch 34 SLA 1968.]**

**Sec. 03.15.020. Purpose of appropriations.** Appropriations available to the Department of Natural Resources or to the Department of Environmental Conservation may be used

(1) to buy materials or equipment needed to control agricultural pests when the persons directly affected cannot bear the total cost and the pest is one that is or may become a public problem,

(2) to charter or hire on a custom basis equipment and operators necessary for pest-control work when the persons directly affected cannot provide the service and the pest is one that is or may become a public problem;

(3) to match federal indemnity payments to livestock owners for livestock slaughtered under any cooperating livestock health program;

(4) to maintain a supply of vaccines, serums and chemicals needed for emergency pest control, that are not commercially available in the state. (§ 2 ch 90 SLA 1955; am § 3 ch 34 SLA 1968; am Executive Order No. 51, § 11 (1981))

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 335  
 Title: Grain Reserve Program  
           Amendments  
 Sponsor: Moss  
 Requestor: \_\_\_\_\_  
 Date of Request: 2-16-84

**FISCAL DETAIL**

Agency Affected: Natural Resources  
 Program Category Affected: \_\_\_\_\_  
                           Agriculture development  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
                           Agriculture development

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400  
 Division: Commissioner's Office Date: 2-16-84  
 Approved by Commissioner: James D. Arnold, Deputy Date: 2-16-84  
 Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

CHAIRMAN  
SENATE TRANSPORTATION  
COMMITTEE  
SENATE SPECIAL AGRICULTURE  
COMMITTEE

MEMBER  
HEALTH, EDUCATION AND  
SOCIAL SERVICES  
COMMITTEE  
LEGISLATIVE COUNCIL  
REAA BUDGET OVERSIGHT  
COMMITTEE

# Alaska State Legislature



## State Senate

SENATOR  
H. PAPPY MOSS  
P.O. BOX 182  
DELTA JUNCTION, ALASKA 99737  
(907) 895-4384

JUNEAU OFFICE:  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4921

### SENATE SPECIAL COMMITTEE ON AGRICULTURE Senator H. Pappy Moss, Chairman

\*\*\*

SENATE BILL 335

February 17, 1984

Senate Bill 335: "An Act amending the Alaska Grain Reserve Program; and providing for an effective date."

#### BACKGROUND

Hulless barley is a hardy and heavy strain particularly well-suited to northern latitudes, such as Alaska's. However, because it is not commonly grown in the Lower 48, the USDA has no grading standards for it, and it does not, consequently, qualify for the Alaska Grain Reserve Loan Program. However, hulless barley does constitute a significant portion of the barley crop and, as hog production increases in the state, the demand for and production of hulless barley is expected to increase commensurately.

The purpose of Senate Bill 335 is to allow the Director of the Division of Agriculture, Department of Natural Resources, to accept grains, such as the hulless barley, that are not graded by the USDA, as collateral to secure a loan made under the Alaska Grain Reserve Program.

The proposed amendment by the Department of Natural Resources is intended to reduce or eliminate the necessity of requesting annual appropriations to the Alaska Grain Reserve Program loan fund by establishing the loan fund as a revolving loan fund.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

#### MINUTES

February 22, 1984  
3:08 pm

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chairman  
Senator Ziegler, Vice Chair  
Senator Vic Fischer  
Senator Mulcahy  
Senator Sturgulewski

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#### CALENDAR

SB 335, An Act amending the Alaska Grain Reserve Program; and providing for an effective date.

SB 337, An Act relating to the Delta Junction bison range; and providing for an effective date.

SB 338, An Act making special appropriations for the development of the Delta Junction bison range and construction of a bison herd drift barrier; and providing for an effective date.

SB 371, An Act relating to mining; and providing for an effective date.

SB 378, An Act relating to agricultural and industrial fairs.

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#### SB 335

Dean Brown, Deputy Director, Division of Agriculture, Department of Natural Resources, testified in support of the bill and discussed DNR's proposed amendments that would convert the Alaska grain reserve loan fund to a revolving fund.

Senator Mulcahy moved to amend SB 335 to include DNR's amendments. There was no objection.

SB 337

SB 338

Dave Johnson, Area Game Biologist, Alaska Department of Fish and Game, testified in support of the bill that would continue a program of providing forage for bison, expand tourist facilities, create a Bison Range Advisory Committee, and construct a drift barrier to help resolve conflicts between farmers and bison.

Senator Bettye Fahrenkamp discussed a proposed amendment by Senator Pappy Moss that would change the location of the drift barrier.

Senator Sturgulewski moved to include Senator Moss's amendment in SB 337. There was no objection.

Senator Bettye Fahrenkamp recommended that the committee staff prepare an amendment clarifying the increased fee for bison hunting permits.

SB 378

Dean Brown, Deputy Director, Division of Agriculture, Department of Natural Resources, testified in support of the bill stating it would give the Department needed guidelines for defining agricultural and industrial fairs.

Senator Mulcahy moved to adopt SB 378 and move it from committee with individual recommendations. There was no objection.

SB 371

Pedro Denton, Director, Division of Mining, Department of Natural Resources, testified in support of the Committee Substitute and recommended an amendment that would establish the rental fee for the first two years of an offshore prospecting permit at \$6/acre.

Senator Ziegler moved adoption of the amendment. There was no objection.

Senator Mulcahy moved the bill from committee with individual recommendations. There was no objection.

The meeting was adjourned at 3:32 pm.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

#### MINUTES

February 27, 1984  
3:05 pm

Beltz Room  
Room 211, Capitol

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#### MEMBERS PRESENT

Senator Fahrenkamp, Chairman  
Senator Ziegler, Vice Chair  
Senator Eliason  
Senator Paul Fischer  
Senator Mulcahy  
Senator Sturgulewski

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#### CALENDAR

SB 335, An Act amending the Alaska Grain Reserve Program; and providing for an effective date.

SB 337, An Act relating to the Delta Junction bison range; and providing for an effective date.

SB 338, An Act making special appropriations for the development of the Delta Junction bison range and construction of a bison herd drift barrier; and providing for an effective date.

SB 375, An Act relating to land disposal and management; and providing for an effective date.

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#### SB 337

Senator Bettye Fahrenkamp explained that the Committee Substitute addressed the location of the drift barrier and clarified that the bison permit fee had been increased to \$10.00.

Senator Mulcahy moved SB 337 from Committee with individual recommendations. There was no objection.

SB 335

Senator Fahrenkamp explained that a Committee Substitute replacing "non-graded" with "non-standardized" had been prepared to clarify that inferior quality grain will not be accepted.

Senator Sturgulewski moved to adopt the Committee Substitute and move it from committee with individual recommendations. There was no objection.

SB 338

Senator Ziegler moved the bill from committee with individual recommendations. There was no objection.

SB 375

Senator Eliason discussed his proposed amendment (#1) that would allow the state to quitclaim title to lands back to the federal government to settle certain land claims.

Ned Farquhar, Special Assistant to the Commissioner, Department of Natural Resources, suggested additional language that would allow the Commissioner to quitclaim lands classified as agricultural.

Senator Eliason moved amendment #1. There was no objection.

Senator Fahrenkamp discussed amendment #2, which would allow eligible veterans a 25% discount on the purchase price of state land.

Farquhar, and Meg Hayes, Southcentral District, Division of Land and Water Management, Department of Natural Resources, answered questions on the current veterans' preference program and the impact of the proposed amendment.

Senator Eliason moved to adopt the amendment. There was no objection.

Senator Fahrenkamp discussed amendment #3, which would postpone land disposals until area plans have been approved.

Farquhar, and Hayes, testified that the Department supports the concept of planning prior to disposals. However, a statutory moratorium on disposals could seriously disrupt the program.

Senator Fahrenkamp discussed amendment #4, which would repeal the demand assesment statute, AS 38.04.020(f).

Farquhar, testified that the Department uses its area planning program to identify available lands and relies on the market as an indicator of demand. He recommended this section be dropped because of its high administrative and fiscal costs.

Senator Sturqulewski moved to repeal AS 38.04.020(f) and amend to read " The request of the commissioner under (e) of this section shall include an analysis and determination that there is a market demand for the land proposed for disposal. There was no objection.

Senator Fahrenkamp discussed amendment #5, which would require consideration of the useful life of a project in determining the term of a lease.

Farquhar supported the amendment.

Richard Harris and Bob Loescher, Sealaska Corporation, supported the amendment.

Senator Sturqulewski moved the amendment. There was no objection.

Senator Ziegler moved amendment #6, which would change the term and value of a negotiated lease. There was no objection.

Farquhar testified in support of amendment #7, which would amend the surface leasing procedure to allow survey costs to be credited to the lessee.

Senator Eliason moved the amendment. There was no objection.

Senator Eliason moved amendment #8, which would authorize the Commissioner to require prequalification of bidders for surface leases. There was no objection.

Farquhar supported amendment #9, which would amend leasing procedures for tidelands leases.

Senator Mulcahy moved the amendment. There was no objection.

Senator Ziegler moved amendment #10, which would allow the Department to convey remnants of land to an adjoining landowner. There was no objection.

Jay Nelson, Executive Director, Alaska Environmental Lobby, testified in support of amendment #11, which would create citizens advisory boards to offer advice to DNR prior to formal public hearings on land disposals.

Farquhar testified that there are ample opportunities for public involvement in the land offering process.

Senator Sturgulewski moved amendment #12, which would allow for joint disposals. There was no objection.

Farquhar testified in support of amendment #13, which would clarify the appeal process for contract violations.

Senator Sturgulewski moved amendment #13. There was no objection.

The meeting adjourned at 4:18 pm.

## BILL SUMMARY

SB 335 - amending the Alaska Agricultural Loan Fund  
SPONSOR: Moss

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SB 355 amends the loan conditions section of the Statute creating the Fund by giving the director of the division of agriculture the authority to accept grain that is not graded as collateral for a loan.

Presently, loans are based on a specific formula which includes a value assigned by the USDA to the type and grade of grain/per ton being considered as collateral.

There are a number of varieties of grains developed in Alaska and Canada which are not found in the USDA list because the grains are relatively new (3-5 years old) and have been developed exclusively in Alaska for northern climates.

All other standards being equal, (moisture content, etc.), the grains found to be acceptable by the Division Director of Agriculture would be assigned a tonnage value of a comparable USDA listed grain.

The immediate concern the amendment hopes to address is providing loans to farmers who produce un-graded feed grains for the red meat and poultry industry.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M  
JUNEAU, ALASKA 99811  
PHONE: 907-485-2400

February 24, 1984

The Honorable Bettye Fahrenkamp  
Chairman  
Senate Resources Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Fahrenkamp:

I understand that SB 335 will be discussed in Senate Resources Committee within the next few days.

The Department of Natural Resources asks your consideration of a technical amendment at line 13 of that bill (attached). We recommend that the words "not graded" be replaced with the word "non-standardized."

This will allow the Department to accept hulless barley, which is currently being produced at Delta, as well as other varieties which may be developed in the future especially for Alaskan conditions. We are concerned that the words "not graded" imply that barley of inferior quality will be accepted. This is not the intention of the Department or the sponsor.

We have discussed this amendment with Senator Moss and have his approval.

Sincerely,



Sharon Barton  
Special Assistant

Attachment

cc: Senator Pappy Moss

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITAL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

#### MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, February 22, 1984

DATE: February 20, 1984

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On Wednesday, February 22 the Senate Resources Committee will be hearing the following bills relating to agriculture:

SB 335, An Act amending the Alaska Grain Reserve Program; and providing for an effective date.

AS 03.12 establishes the Alaska Grain Reserve Program to assist grain producers to develop markets for their products by making loans secured by grain reserves. Loans made under this program must be secured by grain that is graded number four or better. The USDA has no grading standards for the strain of barley commonly grown in Alaska. SB 335 would allow the Department of Natural Resources to accept grains for which no official U.S. grades have been established as collateral to secure a loan made under the Grain Reserve Program.

SB 337, An Act relating to the Delta Junction bison range; and providing for an effective date.

SB 338, An Act making special appropriations for the development of the Delta Junction bison range and construction of a bison herd drift barrier; and providing for an effective date.

In an effort to resolve the problem of Delta bison feeding in farmers' barley fields, SB 337 would establish a citizen's committee to advise on the bison range management plan required under current statute.

SB 338 would make appropriations for further development of the bison range, including construction of a bison drift barrier. Tourist facilities, timber sales, and bison hunt fees are also addressed in the proposed legislation.

SB 378. An Act relating to agricultural and industrial fairs.

AS 03.20 provides for funding on a matching basis for the operation and maintenance of agricultural and industrial fairs. SB 378 would further define those fairs eligible for State aid by specifying that agriculture, industry, horticulture, native plants, livestock, and related domestic arts be exhibited. This proposal has been officially adopted by the steering committee of the Associated Alaskan Fairs and is intended to concentrate funding on bona fide agricultural fairs.

The meeting will be held at 3:00 pm in the Beltz Room.

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SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SB 336*

BILL NAME: *Federal Crop Insurance*

SPONSOR(S): *Moss*

RELATED BILLS PENDING:

DATE INTRODUCED: *1-9-84*

REFERRALS: *Resources  
Finance*

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

*Jack Knox - CIP Spokane (509)456-2147*

*Bill Heim - Div. Ag*

*Moss, Kerttula*

*Sharon Barton*

*Bill Beardsley - Div. Finance, Dept Commerce - 2018*

*1-19-84  
ER*

*Meritt Sprague (202)447-6795*

SB 336

17-2  
wa

SB 336 - AN ACT RELATING TO STATE CONTRIBUTIONS TOWARD THE PREMIUM FOR  
FEDERAL CROP INSURANCE; PROVIDING FOR AN EFFECTIVE DATE.

SINCE 1982 THE FEDERAL CROP INSURANCE PROGRAM HAS INSURED ALASKAN  
FARMERS FROM NATURAL DISASTERS. PRESENTLY, THE FEDERAL GOVERNMENT  
SUBSIDIZES 30 PER CENT OF THE PREMIUM PAYMENTS AND THE STATE DOES NOT  
PARTICIPATE. SB 336 WOULD PROVIDE AN ADDITIONAL 30 PER CENT SUBSIDY BY  
THE STATE, WHICH WOULD REDUCE THE INSURANCE PREMIUM PAID BY THE FARMER  
TO 40 PER CENT.

-THE CORPORATION WOULD CALCULATE THE STATE'S PREMIUM SHARE, AND PAYMENTS  
TO THE CORPORATION WOULD BE THROUGH APPROPRIATIONS FROM THE GENERAL  
FUND.

\_DNR ESTIMATES THE COST TO THE STATE FOR FY 85 WOULD BE \$140,000

-\$80,000 FOR FY 86

THESE FIGURES ARE BASED ON A TOTAL PREMIUM OF \$12 PER ACRE, WITH THE  
STATE'S SHARE FIGURED AT \$4 PER ACRE.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
MICHAEL FISCHER  
JOHN B. MULCAHY  
ARLISS STURGULEWSKI



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(907) 465-3835

## Senate

### Committee on Resources

#### MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: SB 336, An Act relating to state contributions toward the premium for federal crop insurance.

DATE: January 20, 1984

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On Monday, January 23, 1984 the Senate Resources Committee will hear SB 336, An Act relating to state contributions toward the premium for federal crop insurance.

In effect in Alaska since 1982, the Federal Crop Insurance Program protects against losses from natural disasters. During 1983, approximately 75% of the 12,000 Delta barley acres were insured, at an average cost of \$12 per acre. The federal government subsidizes 30% of each farmer's premium payment.

Under SB 336, the state would provide an additional 30% subsidy, which would reduce the insurance premium paid by the farmer. The corporation would calculate the state's premium share, and payments to the corporation would be through appropriations from the general fund.

The Division of Agriculture, Department of Natural Resources, estimates the cost to the state for its participation at \$140,000 for FY 85 (for the 1984 and 1985 crop years), \$80,000 for FY 86, and \$90,000 for FY 87. These figures are based on a total premium of \$12 per acre, with the state's share figured at \$4 per acre.

The meeting will be held at 3:00 pm in the Beltz Room.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
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PAUL FISCHER  
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## Senate

### Committee on Resources

TO: Bettye  
FROM: Sandra  
RE: Federal Crop Insurance Hearing  
DATE: January 11, 1984

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SB 336, RELATING TO STATE CONTRIBUTIONS TOWARD THE PREMIUM FOR FEDERAL CROP INSURANCE, has been introduced by Moss, Kerttula, and you. Under the bill, the department shall enter into an agreement with the Federal Crop Insurance Corporation under which the department agrees to pay the corporation a portion of federal crop insurance premiums paid by the farmers. The amount to be paid will be based on the amount that the corporation pays for each farmer. The state's coverage is limited to 30% of each producer's premium on coverage of up to 65% of the farmer's average yield. The payments to the corporation will be appropriations from the general fund.

THIS IS A BRIEFING ON THE PROGRAM, RATHER THAN A HEARING ON THE BILL. ALTHOUGH MEMBERS HAVE THE DRAFT BILL IN THEIR PACKETS, NO ACTION CAN BE TAKEN ON THE BILL AT THIS TIME.

To testify and answer questions:

- Bill Heim and Ed Kern, Div. Agriculture, DNR
- Meritt Sprague, J.W. Ellis, and Jack Knox, Federal Crop Insurance Program

#### Questions:

1. Are all Alaska farmers eligible? (production history is required. To date, only Delta farmers and only barley have been covered. Pt. MacKenzie and oats and wheat should begin in 1984) *what history?*
2. How will the program benefit the State? (provide stability to ag. production by allowing farmers to remain operable even in the event of crop loss; since farms are initially financed through the Ag. Revolving Loan Fund, would protect the State's collateral.)
3. Overall costs of program: will costs escalate annually as more acres are put into production? (yes. Cost to state is expected to be \$4/acre.)

4. Who will administer program? (DNR)

5. How will it actually be implemented? Will the State make a lump sum payment to the Crop Insurance Corporation for reimbursement to farmers?

MOSS'S STAFF HAS SAID THAT DURING THE AGRICULTURAL SYMPOSIUM IN FAIRBANKS IN DECEMBER, SHEFFIELD ENDORSED THIS CONCEPT.

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
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## Senate

### Committee on Resources

#### MEMORANDUM

DATE: January 9, 1984

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Federal Crop Insurance Program

On Wednesday, January 11, at 3:00pm in the House Resources Committee Room (Room 118, Capitol), the Senate and House Resources Committees will be briefed on the Federal Crop Insurance Program.

The Federal Crop Insurance Program provides risk protection for crop producers nationwide. In effect since 1939, the program initially provided coverage on wheat, cotton, and flax. In 1980, Federal Crop Insurance was overhauled by the Federal Crop Insurance Act, which expanded the scope of the program, both in terms of crops insurable and areas insured, and authorized state participation in the program.

The current program protects against losses from natural disasters, freeze, wind, disease, drought, excess moisture and animal damage, and covers barley, oats, potatoes, forage, and nearly 30 other major crops. It essentially guarantees the farmer a certain income despite his actual crop yield. A guaranteed yield is determined based on average historical yields. Insurance coverage is provided on this guaranteed yield, which is limited to 50, 60, or 75% of the farm's average yield. In the event of a poor crop year, indemnities are paid on the difference between the producer's actual yield and his guaranteed yield. The settlement price, which is the dollar amount that will be paid on each bushel or pound that is not harvestable, is limited to 90% of the estimated harvest price.

Coverage of Delta area farmers' barley crop began with the 1981 crop year. (Coverage of the Pt. MacKenzie area and of oats and wheat is expected to begin in 1984.) During 1983, approximately 75% of the 12,000 Delta barley acres were insured, at an average insurance cost of \$12 per acre. Under the program, the federal government subsidizes 30% of each farmer's premium payment, on coverage of up to 65% of the farm's average yield. The 1980 Act authorized state participation in the program by allowing states to provide an additional subsidy (up to 30%) over and above the federal contribution.

Authorizing the State of Alaska to provide an additional 30% subsidy to Alaskan farmers would reduce the cost of crop insurance to the farmers, and since most farms are initially financed through the Agricultural Revolving Loan Fund, would conceivably help protect the state's collateral against natural disaster. The Division of Agriculture, Department of Natural Resources, estimates the cost to the state for its participation at \$140,000 for FY 85 (for the 1984 and 1985 crop years), \$80,000 for FY 86, and \$90,000 for FY 87. These figures are based on a total premium of \$12 per acre, with the state's share figured at \$4 per acre.

To date, Texas is the only other state to have introduced legislation that would authorize state participation in the Federal Crop Insurance Program.

Comments Concerning the Federal Crop Insurance Program  
by William H. Beardsley, submitted to the  
Senate Special Agriculture Committee in  
Anchorage, Alaska on October 6, 1983

My name is William H. Beardsley. I am director of the Division of Finance and Economics, Department of Commerce and Economic Development, State of Alaska. I am not an expert on Federal Crop Insurance nor do I propose to take a position on the advisability of the State underwriting part of the premium. Rather, I would like to make a few observations.

It is my understanding that the Federal Crop Insurance Program (FCIP) is a program to insure a farmer against low crop yields rather than low price and that basically the Federal Government underwrites the program by about 30%. Stated another way, the program plans to pay out \$1.00, 90¢ of which goes out on a recurring basis and 10¢ is set aside for catastrophe. For this, the farmer and/or the State pays 70¢. In fact, the federal subsidy is greater than 30% because the feds pick up administrative costs, such as the adjuster who is in Delta Junction right now.

If my understanding is correct, a region is classified as having a certain average yield per acre given certain minimal production practices. Ultimately, an individual farmer can receive his own average yield classification.

Next, each farmer may select the percent of average yield he would like to have guaranteed and the price he would like to be paid for his deficiency if he falls below the guaranteed level. Depending on his selection, a federally subsidized premium is established which he must pay. Federal legislation permits the State to pick up a share of that premium. In Alaska, talk of the State picking up 30% of the premium has been discussed.

While the following comments may include some inaccuracies, I believe they are issues deserving of further consideration.

First, where an average yield is established for an area, say Delta, there appears to be a greater incentive for low yield producers to participate in FCIP than high yield producers since they are statistically more likely to collect. This inequity can be addressed by developing different average yields for each farm.

Second, if FCIP production standards are not rigorous, a farmer might profit by reducing standards to maximize insurance in the short run. For FCIP to enhance farming practices, high standards must be strictly enforced.

Third, the State may opt to be reimbursed for its share of the investment when a failure occurs rather than have the total reimbursement go to the farmer. In essence, if this strategy is used, the State subsidizes success rather than failure and program costs are reduced. The pros and cons of State reimbursement should be studied carefully.

Fourth, it is my understanding that there is nothing sacred about a State contribution of 30% and that participation rates in other states are rarely high. This suggests that a ceiling of, say, \$100,000 and a variable State percentage contribution could be used, thereby fixing the State's annual outlay. At 30%, \$100,000 would insure 27,000 acres. If more acres were insured the percentage State subsidy would fall and if fewer acres were insured 30% could become a ceiling and the State would not expend the entire amount. Methods for limiting State exposure might be worth investigating.

Fifth, the State contribution need not be seen totally as a subsidy. This form of insurance may partially replace other public safety nets and may provide insurance compensation in lieu of reimbursement to farmers for damage by bison. Pennsylvania has such a wildlife compensation clause in its insurance contribution. The benefits and costs other than direct assistance should be considered.

Finally, it is probable that subsidizing an insurance program in early years of agricultural development, when crop yields are likely to fluctuate most broadly and capitalization is generally weakest, is least likely to undermine free market forces than in a mature production region. A phase out or sunset provision for State subsidy might be considered.

Thank you.

WHB/wfs3/7

10583a

# MEMORANDUM

# State of Alaska

TO: Senator Bettye Fahrenkamp

DATE: 1/19/84

FILE NO:

TELEPHONE NO:

FROM: *Bill Heim*  
Bill Heim, Director  
Division of Agriculture  
Department of Natural Resources

SUBJECT: S.B. 336

The administration requests that the following amendment be added to S.B. 336.

*not all crop owners (producers) are individuals and established*  
03.10.030 (c) An applicant for a short term loan may be required to purchase insurance through the Federal Crop Insurance program.

The Agricultural Revolving Loan Fund Board (ARLF) has been doing this on a selective basis during the past year. If this amendment was part of the statute it would give the ARLF Board a more solid base to require certain borrowers to participate in the Crop Insurance Program. Since the State is the major lender of operating funds to small grain farmers, the ARLF should make every effort to protect its collateral through the Crop Insurance Program.

cc: Sharon Barton, Special Assistant  
Dean Brown, Deputy Director

*High seed crop insurance and  
maintenance loans.  
Use subordinated loans!*

*Sturgulinski: ARLF has 20% delinquency.*

*more C.I. and see*

75% yield

Alaska Subsidy Estimate for F.Y. 1985  
at Participation Rates Varying from 20% to 80% Participation

Assumption:

Potential Acres 54,600  
Premium Per Acre \$12.00  
Federal Subsidy 30%

Participation Rate	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%
Alaska Insured Acres	10,920	13,650	16,380	19,110	21,840	24,570	27,300	30,030	32,760	35,490	38,220	40,950	43,680
Alaska Premium	\$131,040	163,800	196,560	229,320	262,080	294,840	327,600	360,360	393,120	425,880	458,640	491,400	524,160
Alaska Subsidy	39,312	49,140	58,968	68,796	78,624	88,452	98,280	108,108	117,936	127,764	137,592	147,420	157,248

Potential acres for 1985 are based on measurements to the Manager from Terry J. Kelly dated Aug. 25, 1985.

Prepared by  
FCIP

## A CROP INSURANCE PRIMER

### BACKGROUND

The Federal Crop Insurance Corporation (FCIC), some 45 years old, is the Federal agency charged with administering a nationwide crop insurance program which is the American producer's primary source of risk protection.

The program, initially very limited, was overhauled by the Federal Crop Insurance Act of 1980, which authorized crop insurance coverage of every commercially grown crop in the U.S., plus timber, livestock, and aquaculture. Today, crop insurance coverage is offered on over 30 major crops in 3,000 U.S. counties. Virtually all former "disaster crop" acreage is or soon will be covered.

### HOW DOES IT WORK

A crop insurance policy can be designed to accommodate a producer's individual needs; more than 50 different coverage options are available.

**YIELD GUARANTEES.** The 1980 FCI Act limits crop insurance coverage to 75 percent of a producer's average yield. Crop insurance offers yield guarantees at 50, 5, or 75 percent of average yield.

Although the average yield on most crops is determined on an "area coverage" basis, FCIC's Board of Directors recently approved using a producer's actual production history as the sole basis for yield guarantees. Producers have often complained that area coverages are substantially lower than the production expectations on their farms, making crop insurance less desirable.

Actual production history will be used to determine guarantees on cotton and rice beginning in 1984; other insured crops will join the program by 1987.

**PRICE SELECTIONS.** A producer may select one of three different prices for his policy. Price selections are made for each crop by estimating the harvest price for the crop, and pegging the top value at 90 percent of that price. Price selections change annually and represent high, medium and low harvest price estimates.

**PREMIUMS.** Premiums are calculated to cover risk of loss and are adjusted periodically to account for changes in loss history. The FCI Act of 1980 requires that the crop insurance program be actuarially sound. To accomplish this, FCIC maintains a loss ratio (indemnities paid vs. premiums collected) goal of .90, with the remainder intended to cover catastrophic losses.

The Federal Government subsidizes producer premiums at 30 percent up to the 65 percent coverage level. The dollar subsidy at the 75 percent coverage level remains the same, but the percentage is understandably lower.

**INDEMNITIES.** Indemnities are paid whenever the producer's actual yield falls below his yield guarantee. The difference between the two yields is multiplied by the price election and the number of acres insured. The result is the indemnity due.

HAIL-FIRE OPT OUT. A producer carrying private hail-fire coverage may exclude such coverage from his policy and receive a commensurate premium reduction. Private hail-fire coverage, however, must be in an amount equal to or greater than that which would be provided under an FCIC policy.

CROP INSURANCE-POLICIES. Crop insurance policies are continuing contracts which renew automatically unless specifically cancelled in writing by the insured or insurer. Unpaid premiums may result in the cancellation of a policy if the account is not settled by a predetermined "termination date."

#### HOW IS IT DELIVERED

The FCI Act of 1980 established a dual delivery system for crop insurance, with each system utilizing the insurance resources of the private sector.

MASTER MARKETERS. General Sales and Service Agencies (known as Master Marketers) with at least 25 agents contract with FCIC to write policies on FCIC paper. Master Marketers provide management, supervision, contract servicing and quality control, and the Federal Government compensates the agencies on a commission basis.

Training for Master Marketing agents is provided by FCIC, and all such agents must be licensed and certified in the crops they intend to sell.

Additionally all loss adjustment functions on master marketer policies are carried out by FCIC.

REINSURED COMPANIES. Under this system, private Multi-Peril Crop Insurance Companies write crop insurance policies under their own brand names, but in identical terms and conditions as Master Marketers. The Federal Government reinsures the private companies against catastrophic loss and compensates them for sales and loss adjustment functions.

Reinsured companies provide marketing, distribution, servicing, training, quality control, premium collection and loss adjustment functions.

ASCS. In a small number of counties with marginal agricultural activity, ASCS will continue to provide crop insurance sales and service. As private delivery systems become available in these counties, it is anticipated that ASCS activity will be phased out.

SHARE OF BUSINESS. As more private companies handle the crop insurance line, the share of business written by reinsured companies will continue to grow. In crop year 1982, when relatively few MPCIC companies were writing crop insurance, reinsured companies accounted for only 20 percent of FCIC's total book of business. Although final crop year 1983 figures are not yet in, it is estimated that the reinsured share will increase to approximately 35 percent. For 1984, we expect reinsurance to continue to grow and account for approximately 45 percent of all crop insurance business.



TO: Interested Parties  
FROM: Manager  
SUBJECT: State Participation in Federal Crop Insurance

**Background:**

The Federal Crop Insurance Act, as amended October 1, 1980, provides under Section 508(b) (5) that:

"The Board (of Directors) may enter in to agreements with any State or agency of a State under which such State or agency may pay to the Corporation additional premium subsidy to further reduce the portion of the premium paid by farmers in each State."

**Discussion:**

There are presently four methods available to the Corporation to accommodate states desiring to participate in this program:

1. The State could make direct payments to the producers for a specified share of the farmer-paid portion of his premium which is paid to the Federal Crop Insurance Program. This would be in the form of a State "refund" for a pre-determined portion of that premium.
2. The State could provide tax credits for participating farmers on its State Income Tax returns. This would be regulated strictly within each State and would have no direct Federal connection other than added incentive.
3. The Federal government could bill each cooperating State for its share of the additional payment--to be determined initially by each State--at the time the acreage reports are processed and the extent of farmer participation in each State is determined for the crop year.
4. The State could offer the entire insurance plan and FCIC or a Federal agency could act as a reinsurer and share in the cost to a pre-determined extent.



**Conclusion:**

The Corporation will provide any information needed by states participating in this program in order to facilitate the process and will work directly with State officials to meet their particular needs. Following is an example of the Cooperation's work with officials to establish a program in their State:

A State wished to explore the possibility of providing assistance to farmers. Officials contacted us and asked that we provide estimated premium volume in their State for the current and two succeeding years. They selected option 3 as their preferred method of compensating insured farmers. At their request, we met with budget personnel and the Comptroller of that State to assist them in arriving at dollar needs over the next two years and determining the mechanism and frequency of billing for amounts due the Corporation. We also offered suggestions concerning courses of action in the event that demand exceeded funds available. At this point in time a bill is now before the State Legislature for consideration.



United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

Spokane  
Field Actuarial  
Office

N. 112 University Rd.  
Suite 200  
Spokane, Washington 99206

535-6641

To: Merritt W. Sprague, Manager  
FCIC, Washington, D. C.

August 25, 1983

Attention: Dennis Lynn, Comptroller

Subject: Alaska Proposed Legislation  
(Conversation Knox --- J. W. Ellis)


With regards to the proposed Congressional Affairs and Legislation Division of FCI meeting with Alaskan agriculture officials to explain the advantages of Alaskan legislation subsidizing premiums paid by farmers, it has come to our attention that specific crop acreage, yields, and historical data is unavailable to your office as Alaska does not have a strong data bank of such information as it is "new" on the agriculture scene.

The attached information was put together using existing Alaska Statistical Reporting Service (SRS) data, present insurance premium rates, participation levels, and the following assumptions:

1. FCI Management will approve additional crops for insurance purposes in Alaska 1982-1990.
2. Alaska cropland eligible for insurance purposes will expand at the rate of 10 percent per year 1982-1990 inclusive.
3. Projected actuarial information, i.e. percent of participation, production guarantees, settlement price election, and crop premium rates are based upon existing programs and projected risk rate levels as viewed by SPAO Director Knox.

With regards to data shown on attachment 5, base year of 1981 was used as it more closely fits the "norm" than 1982 due to extreme climatic conditions during 1982 crop year.

If Mr. Lynn, or one of his staff, has any questions with regards to this situation or wishes further verification, please contact Mr. Knox.

  
Leroy F. Knox  
Director

Attachments (5)



The Federal Crop Insurance  
Corporation is an agency of the  
Department of Agriculture

BARLEY - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area Planted Acres	Area Harvested for Grain				Production Cwt.	Value (000)
			Acres	Yield Bu.	Bu.	(000)		
Tanana Valley	1975	300	250	21.7	5.4	2,600	23.4	
	1976	157	175	34.3	6.0	2,900	26.0	
	1977	1,350	1,300	47.6	61.9	29,700	240.0	
	1978	2,500	2,450	33.9	83.1	39,900	310.0	
	1979	4,400	4,080	45.6	186.0	89,300	536.0	
	1980	12,500	10,600	29.2	309.6	148,600	904.0	
	1981	15,600	5,800	32.9	191.0	91,700	774.0	
Matanuska Valley	1975	1,200	1,200	52.4	62.9	30,200	255.0	
	1976	1,175	1,125	54.2	61.0	29,300	235.0	
	1977	1,720	1,300	49.3	64.1	30,800	239.0	
	1978	1,710	1,550	43.2	66.9	32,100	260.0	
	1979	2,050	1,720	58.7	101.0	48,500	325.0	
	1980	1,400	900	32.7	29.4	14,100	113.0	
	1981	900	700	38.6	27.0	13,000	120.0	
Kenai Peninsula	1975	100	50	33.3	1.7	800	8.6	
	1976	50	-	-	-	-	-	
	1977	30	-	-	-	-	-	
	1978	90	-	-	-	-	-	
	1979	50	-	-	-	-	-	
	1980	100	-	-	-	-	-	
	1981	-	-	-	-	-	-	
State Total	1975	1,600	1,500	47.0	70.0	33,600	287.0	
	1976	1,400	1,300	51.5	67.0	32,200	261.0	
	1977	3,100	2,600	48.5	126.0	60,500	479.0	
	1978	4,300	4,000	37.5	150.0	72,000	570.0	
	1979	6,500	5,800	49.5	287.0	137,800	861.0	
	1980	14,000	11,500	29.5	339.0	162,700	1,017.0	
	1981	16,500	6,500	33.5	218.0	104,700	894.0	
1982	8,500	-	-	-	-	-		

OATS - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area Planted Acres	Area Harvested for Grain				Value (000)
			Acres	Yield Bu.	Bu. (000)	Production Cwt.	
Tanana Valley	1975	3,000	250	37.2	9.3	3,000	24.5
	1976	2,900	250	39.2	9.8	3,100	24.5
	1977	1,500	300	44.8	13.4	4,300	35.5
	1978	2,000	450	48.6	21.9	7,000	57.5
	1979	400	150	54.2	8.1	2,600	19.0
	1980	2,100	450	42.9	19.3	6,200	52.0
	1981	5,100	300	47.7	14.3	4,600	39.0
Matanuska Valley	1975	900	150	50.0	7.5	2,400	19.5
	1976	700	50	43.8	2.2	700	5.5
	1977	800	100	62.0	6.2	2,000	15.5
	1978	600	150	45.8	6.9	2,200	21.5
	1979	500	150	50.0	7.5	2,400	22.0
	1980	600	150	45.3	6.8	2,200	29.0
	1981	600	200	37.0	7.4	2,400	26.0
Kenai Peninsula	1975	400	-	-	-	-	-
	1976	400	-	-	-	-	-
	1977	500	-	-	-	-	-
	1978	500	-	-	-	-	-
	1979	300	-	-	-	-	-
	1980	400	-	-	-	-	-
	1981	300	-	-	-	-	-
State Total	1975	4,300	400	42.0	16.8	5,400	44.0
	1976	4,000	300	40.0	12.0	3,800	30.0
	1977	2,800	400	49.0	19.6	6,300	51.0
	1978	3,100	600	48.0	28.8	9,200	79.0
	1979	1,200	300	52.0	15.6	5,000	41.0
	1980	3,100	600	43.5	26.1	8,400	81.0
	1981	6,000	500	43.5	21.7	7,000	65.0
	1982	3,200					

POTATOES - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area		Production	
		Harvested Acres	Yield Cwt.	Cwt.	Value (000)
Tanana Valley	1975	120	125	15,000	210.0
	1976	95	108	10,300	135.0
	1977	95	103	9,800	123.0
	1978	125	135	16,900	223.0
	1979	110	159	17,500	254.0
	1980	95	129	12,300	247.0
	1981	80	110	8,800	191.0
Matanuska Valley	1975	390	230	89,700	1,038.0
	1976	400	196	78,500	927.0
	1977	405	253	102,300	1,163.0
	1978	300	205	61,500	688.0
	1979	330	190	63,800	745.0
	1980	340	184	62,700	1,176.0
	1981	395	204	80,500	1,591.0
Kenai Peninsula	1975	20	200	4,000	56.0
	1976	15	147	2,200	30.0
	1977	20	145	2,900	37.0
	1978	25	105	2,600	21.0
	1979	20	185	3,700	47.0
	1980	25	80	2,000	40.0
	1981	25	228	5,700	118.0
State Total	1975	530	205	108,700	1,304.0
	1976	510	178	91,000	1,092.0
	1977	520	222	115,000	1,323.0
	1978	450	180	81,000	932.0
	1979	460	185	85,000	1,046.0
	1980	460	167	77,000	1,463.0
	1981	500	190	95,000	1,900.0
	1982	480			

FORAGE  
ALL HAY - ALASKA 1975-1981  
(Total State Acres through 1982)

District	Year	Area Harvested Acres	Yield Tons	Production	
				Tons	Value (000)
Tanana Valley	1975	4,600	1.72	7,900	979.0
	1976	4,350	1.56	6,800	788.0
	1977	3,600	1.39	5,000	635.0
	1978	3,850	1.53	5,900	711.0
	1979	3,000	1.03	3,100	380.0
	1980	4,900	.86	4,200	580.0
	1981	5,200	1.39	8,600	1,317.0
	Matanuska Valley	1975	7,600	1.45	11,000
1976		7,350	1.33	9,800	1,268.0
1977		6,570	1.92	12,600	1,670.0
1978		6,600	1.80	11,900	1,578.0
1979		6,200	1.73	10,700	1,420.0
1980		6,250	1.34	8,400	1,160.0
1981		6,200	1.55	9,600	1,595.0
Kenai Peninsula		1975	2,050	1.17	2,400
	1976	1,900	1.00	1,900	255.0
	1977	2,030	1.43	2,900	462.0
	1978	1,650	1.52	2,500	349.0
	1979	1,400	1.29	1,800	232.0
	1980	1,450	1.38	2,000	300.0
	1981	1,900	1.00	1,900	304.0
	Southwest <u>1/</u>	1975	150	.67	100
1976		100	1.00	100	14.0
1977		100	1.00	100	14.0
1978		100	1.00	100	14.0
1979		200	1.00	200	22.0
1980		200	2.00	400	60.0
1981		100	1.00	100	16.0
State Total		1975	14,400	1.49	21,000
	1976	13,700	1.36	18,600	2,325.0
	1977	12,300	1.67	20,600	2,781.0
	1978	12,200	1.67	20,400	2,652.0
	1979	10,800	1.46	15,800	2,054.0
	1980	12,800	1.17	15,000	2,100.0
	1981	14,400	1.40	20,200	3,232.0
	1982	13,100			

1/ Includes Southeast.

Cr/Yr	Acres	80% Insured	Bushel Guarantee	Settlement Price Election	Premium Rate	Projected Premium Subsidy
<u>Barley</u>			30	\$2.60	.20	.30
1981	16,500	13,200	396,000	\$1,029,600 Liability		\$ 62,000
1985	24,000	19,200	576,000	1,497,600 Liability		90,000
1990	38,700	30,960	928,800	2,414,880 Liability		145,000
<u>Oats</u>			50	\$1.70	.20	.30
1981	6,000	4,800	240,000	\$ 408,000 Liability		\$ 24,500
1985	8,800	7,000	352,000	598,400 Liability		35,900
1990	14,200	11,400	568,000	965,600 Liability		58,000
<u>Potatoes</u>			150 Sacks	\$4.00	.25	.30
1981	500	400	60,000	\$ 240,000 Liability		\$ 18,000
1985	800	640	96,000	384,000 Liability		28,800
1990	1,300	1,040	156,000	624,000 Liability		46,800
<u>Forage (All Hay)</u>			.8 Tons	\$45.00	.25	.30
1981	14,400	11,520	9,200	\$ 414,000 Liability		\$ 31,000
1985	21,000	16,800	13,440	604,800 Liability		45,400
1990	33,800	27,040	21,600	972,000 Liability		72,900
<u>Total Acres -- all 4 crops</u>				Total Projected Premium Subsidy - all 4 crops (based on our expansion assumptions)		
1981	37,400			1981		\$135,500
1985	54,600			1985		200,100
1990	88,000			1990		322,700

#12.50

13.60

10.90

7.20

# All-Risk Update

SPECIAL EDITION

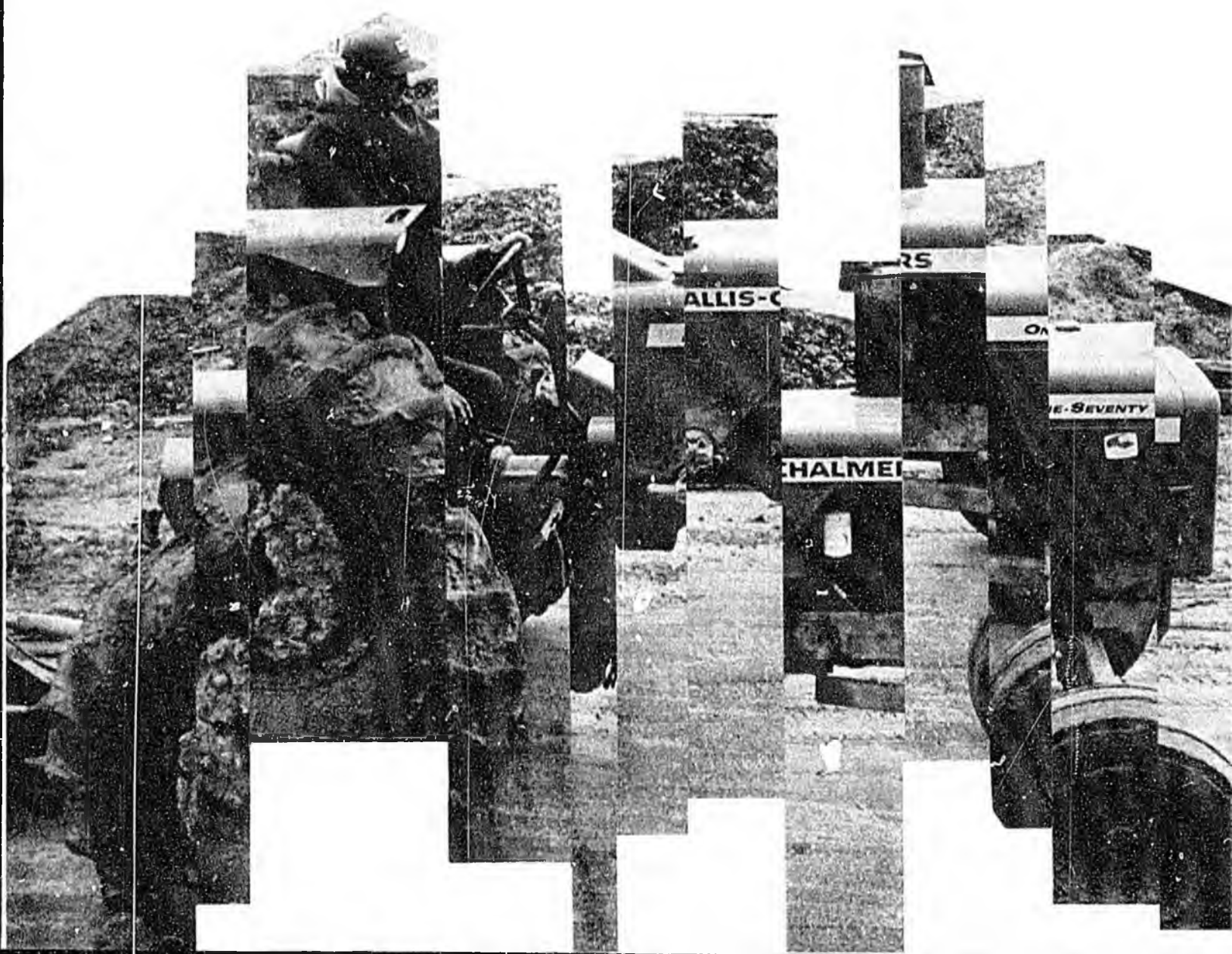
United States  
Department of  
Agriculture

Federal  
Crop Insurance  
Corporation

March 1983

## FCIC makes greater efforts to help farmers through difficult times

Today's high production costs, poor market prices, and commodity oversupplies make farming as an occupation a "rough row to hoe." FCIC is working to support farmers through innovative crop insurance programs. See how inside this issue.



## Farmers like freedom to choose with hail and fire exclusion

Many farmers around the country like what they don't get with their Federal Crop Insurance policy: that is, hail and fire coverage.

Excluding hail and fire coverage from the Federal Crop Insurance policy is optional with the insured and is done by crop. The insured, however, must provide evidence of minimum hail and fire coverage before he opts out of the FCIC or multiple-peril coverage.

To exclude hail and fire protection, the producer must substitute an amount of private hail and fire protection that is at least equal to that provided under the Federal Crop Insurance policy.

There are several significant differences between Federal Crop Insurance policies and the hail and fire coverage provided by other companies.

For example, with the crop hail and fire policy, the producer sets the value of his crop (not to exceed normal market value). With the crop insurance policy, the value of the crop is based on the price selection and the yield guarantee established by the Corporation. Under the crop insurance policy, 75 percent, 65 or 50 per-

cent of the area or proven yield may be insured.

In addition, losses are adjusted under the crop hail and fire policies on an acre by acre basis. Losses under the crop insurance policy are calculated by farm unit (a unit being established by Corporate guidelines).

When the producer opts for the exclusion, the crop insurance premium is reduced to reflect the lowered risk due to the elimination of these perils as insured causes of loss. The base premium is reduced by the lesser of (a) a reduction shown in a Corporate county actuarial table worked out for this exclusion, or (b) the premium rate paid to another source.

The Corporation will make appraisals for uninsured causes in the event that the hail or fire loss occurs prior to a loss by an insured cause. The appraisal is done when the percent of the hail or fire loss for the unit exceeds the deductible under the crop insurance contract.

When the insured farmer has 75 percent coverage (25 percent deductible), appraisals are done when there is more than 25 percent damage to that unit. At 65

percent coverage (35 percent deductible), when there is more than 35 percent damage to that unit. At 50 percent coverage (50 percent deductible), damage must exceed 25 percent for the unit.

Crop insurance yield guarantees are, in effect, reduced when hail and fire losses exceed the deductible and the opt out provisions apply. The formula for calculating the reduction is: 100 percent of the expected yield is divided by the level of coverage (75, 65, or 50 percent) and multiplied by the percentage of crop hail loss that exceeds the deductible. The result is the percentage in reduction in yield guarantee.

For example: Assume a 100 bushel average yield and a 40 percent hail loss. Without a hail loss, yield guarantees would be 75 bushels, 65 bushels, and 50 bushels per acre under the respective 75 percent, 65 percent, and 50 percent elections. With the above 40 percent hail loss, the yield guarantees would be reduced to 60 bushels per acre for both the 75 percent and 65 percent elections but would remain at 50 bushels under the 50 percent election.

According to FCIC Manager Merritt Sprague, approximately 85 percent of all hail and fire losses are less than 25 percent of the total crop value on a unit basis.

"Only about 15 percent of FCIC insureds who have a hail or fire loss would have their FCIC yield guarantee reduced," says Sprague.

Excluding hail and fire coverage from the Federal Crop Insurance policy and substituting coverage from another hail and fire company isn't the only option that farmers have to customize their crop insurance protection. Farmers have the choice of buying at the same time both Federal Crop Insurance coverage for hail and fire and private hail and fire coverage.

In many States, farmers may buy "companion" hail and fire insurance policies. These policies protect only the deductible portion not protected under Federal Crop Insurance. □

## County expansion set for 1983

FCIC's Board of Directors has approved 823 additional county programs for 1983 crops.

Crops included in the additional county programs for 1983 are: Soybeans in 285 counties, oats in 384, potatoes in 45, peanuts in 33, tobacco in 70, peaches in 4, and grapes in 3.

"FCIC currently insures 28 crops in 14,498 county programs across the nation," says FCIC Manager

Merritt W. Sprague, "This most recent expansion represents the Corporation's continuing effort to extend crop insurance programs to all farmers in all counties. These needed programs will allow producers to obtain the risk management protection necessary in today's economic situation."

In selecting new counties in which crop insurance is to be offered, the Corporation takes into consideration the demands of the

farmers for such insurance, the extent to which such insurance is available to commercial producers, and the anticipated risk of loss to the Corporation.

Counties that are selected for expansion must be representative of the several areas where a particular commodity is normally produced. In addition, income from the commodity must constitute an important part of the total agricultural income for the county. □

## Late Planting Agreement Option extends protection

Thanks to FCIC's new Late Planting Agreement Option, farmers will be able to purchase insurance protection presently denied them when they miss last planting dates because of bad weather. The Option will allow coverage to be extended on acreage which cannot be planted until after the final planting date.

Under old FCIC policy, insurance coverage was rejected on all acreage the insured farmer was unable to plant by the final planting date set by the Corporation. In some cases, FCIC extended planting dates to give farmers kept out of the fields by bad weather a chance to buy some crop protection. This action, however, increased the Corporation's actuarial risk.

The Late Planting Agreement Option eliminates any need for extending planting dates while providing producers with needed coverage that is actuarially sound.

Insured farmers who elect to use the Late Planting Agreement Option must complete and sign a special form approved by the Corporation. Their coverage will extend to most spring planted acreage planted up to a maximum of 20 days after the final planting date. The production guarantee on the acreage will be reduced 10 percent every five days up to the 20th day following the final planting date. The premium rate will remain constant for the coverage provided.

On the final planting date for the crop to be insured, the farmer must advise his agent that some acreage is not yet planted. The agent will advise the insured of options to self-insure or to have FCIC's insurance for late planted acreage.

If the farmer selects the Late Planting Agreement Option, the agent will prepare the agreement

for the insured's signature as soon as possible. The Late Planting Agreement Option will be coded as a practice with the planting date determining the guarantee. The summary of protection that is given to the insured will reflect the correct guarantee.

Implementation of the Late Planting Agreement Option began for crop year 1983. □

## FCIC expands communications efforts

FCIC has introduced a newsletter especially aimed to guide and inform corporate spokespersons. The new monthly publication is called *Spreading the Word*, and the first issue was mailed to a select audience in December 1982.

The newsletter keeps spokespersons informed on various corporate issues and policy changes, provides tips on promoting crop insurance, and acts as a forum whereby spokespersons can share ideas among themselves.

Spokespersons are farmers, FCIC WAE personnel, and FCIC representatives on the new Full Time Family Farmer and Rancher Development committees.

The editor of *Spreading the Word* is Joyce McCoy. Relevant news items should be sent to her

attention at: Federal Crop Insurance Corporation; Room 4604 USDA South Bldg.; 14th and Independence S.W.; Washington, D.C. 20250. Phone: (202) 382-9830.

McCoy is also the editor of the *Spokesperson Information* package. The package contains news items about events within the Corporation as well as clippings of stories about crop insurance and the Corporation from newspapers from all around the nation.

*Spokesperson Information* is produced monthly and mailed to all FCIC Field Operations Office directors, all FCIC Field Actuarial directors, and all FCIC management and division directors. Again, relevant material for this package should be directed to the attention of Joyce McCoy. □

### Inside this Special Edition:

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## Improved IYCP offers higher coverage

Top producers will enjoy higher coverage and relatively lower premium rates under the improved Individual Yield Coverage Plan (IYCP) for crop year 1983.

The improvements are the result of producer requests and have the wholehearted support of FCIC management.

"I'm excited about these changes," says FCIC Manager Merritt Sprague, "because they should make crop insurance more attractive to the good producers of this nation. These changes promise to overcome many objections to inadequate coverage levels frequently voiced by producers."

### Higher coverage

Among the improvements for the IYCP is a change in the formula used to calculate coverage lev-

els. The 1982 IYCP required that a farmer produce verifiable records for production yields for at least the most recent three years that the crop was grown. The farmer's total coverage was calculated on a 10-year base. For those years of the 10-year base for which the farmer had no crop records, the area-average yield was used instead.

Under the new plan, a farmer's actual yields continue to be used for the proven period. The yield for the years of the 10-year base period without records are determined by multiplying the county Statistical Reporting Service (SRS) yields used by the Corporation for those years by the farmer's index. The farmer's index is determined by dividing the yields from the farmer's records by

the SRS yields for those years. See the example provided.

The end result under the new plan is that the amount of coverage available to the more successful farmer is significantly increased without additional premium cost.

Farmers who qualify for the higher coverage under the new IYCP will pay premium rates based on the ordinary area-coverage plan yield.

### Limited certification

The new plan will accept limited certification for corn, grain sorghum, barley, and oats where production was fed to livestock or poultry.

In order to give these farmers the opportunity to correct the yields for their farms when the

*Continued on page five*

## Producers' reported yield option may provide easy access to IYCP

Trying to sort through the many abbreviations used by the Government can be maddening, but here is one that is worth taking the time to learn: IYCP.

IYCP stands for the Individual Yield Coverage Plan. This plan began operating nationwide nearly a year ago with spring-planted corn, cotton, grain sorghum, rice and soybeans, and wheat and barley with a December 1 cancellation date.

The IYCP was designed to attract farmers who felt that the area-average guaranteed by crop insurance did not accurately reflect their own production experience. Under this plan the farmer must provide satisfactory records of acreage and production for at least the most recent three years. This information is the basis for the calculation of the individual producer's yield on which FCIC coverages are based.

These certification requirements are difficult to meet for those producers who customarily feed their crop production to livestock or poultry and who do not have adequate records to be eligible for USDA proven yield programs. The solution to their problem may be the special option to the IYCP.

The option to IYCP (which includes limited certification of yields by the producer) will begin on a limited basis and will be available only on corn, grain

sorghum, barley and oats in certain counties which are yet to be announced by FCIC Manager Merritt Sprague. The Corporation plans, however, to begin its newest and most innovative program with 1983 spring crops.

Producers who wish to take advantage of the IYCP option will be required to provide the following information to their ASCS county office:

- Satisfactory acreage and yield data for at least the most recent crop year. (FCIC will assist producers with acreage and yield determination if the producer makes the request while evidence still remains.)
- Acreage and yield records for the crop for the prior years even though such records might be incomplete.
- Feeding records, livestock and poultry production records, fertilization and liming records, soil conservation methods used, land tillage practices, insecticide and herbicide records, planting pattern and population data, and equipment adequacy information.
- Certification of acreage and yield data for the previous second and third year when such information is not available from written records.

Under the option, certified yields provided by the producer will be reviewed by the ASCS committee.

The certified yields may be adjusted based on FCIC guidelines prior to the final yield determination shown on the worksheet approved by ASCS.

To qualify for the special option, producers must agree to the following conditions:

- Only natural units will be considered. Any unit division guideline provisions of any particular crop insurance policy will be disregarded for the purposes of the option.
- Annual records of acreage and yield must be provided for each future year that the insurance is in force under the option. Failure to provide such information on a timely basis will result in the insurance being based on the area-yield coverage plan.
- As soon as three consecutive years of acreage and yield data are available, the producers using the option must convert to the regular IYCP for determining yields. □

### INDIVIDUAL YIELD COVERAGE PLAN - IMPROVED APPROACH FOR 1983 SPRING CROPS

	Farmer's records Yield per acre	SRS county records Yield per acre
Most recent year	120	80
2nd most recent year	100	75
3rd most recent year	110	70
Average	110	75
Producer Index: $110 \div 75 = 1.47$	Statistical Reporting Service yield used by FCIC for missing years of the 10-year base period = 70.	
Yield calculation:		
Farmer's records (3 years)	120	
	100	
	110	
7 years (no records) x 70 bushels per acre x 1.47 Index =	720	
	$1050 \div 10 = 105$ bushels per acre	

Premium cost per acre will be the same as for the area coverage plan.

### 1982 Individual Yield Coverage Plan:

Farmer's records	120	
	100	
	110	
7 years x 80 bushels (FCIC level guarantee 1 x 2)	560	
	$890 \div 10 = 89$ bushels per acre	

Premium cost per acre was 11 percent higher than for the area coverage plan.

### Improved IYCP offers higher coverage

*Continued from page four*

area coverage plan did not accurately reflect their productivity, the Corporation has developed an option to the IYCP plan which addresses their situation. This special option requires verifiable records for at least the most recent year if other conditions are met and thus allows the farmer higher crop insurance coverage at a higher premium cost than the regular IYCP.

In the past, many farmers balked at purchasing crop insurance because they felt that the coverages offered by FCIC on certain crop programs did not accurately reflect their actual production levels. These methods which allow farmers to improve their coverages are the result of FCIC management responding to farmers' suggestions on how to increase participation in the program. □

### Loss adjusters get training

To handle claims more quickly and with fewer errors, FCIC will provide training for 4,500 contract loss adjusters this year.

Training began January 31 and will be completed by April 14 in 122 locations around the country.

According to FCIC Manager Merritt Sprague, one of the objectives of the training is to cut the average time it takes to handle a claim down to 30 days. The average was 45 days in 1981.

The Corporation will employ no adjuster to perform field inspections without supervision until they successfully complete the course of study. All FCIC administrative and supervisory personnel also will be required to attend the loss adjuster training.

*Continued on page eight*

## ARCIE is ready!

### Crop insurance can get complicated, but weighing its benefits is easy with new microcomputer software.

Crop insurance's new microcomputer software package is ready for distribution and sale through Texas A&M University and some State Extension Service offices.

ARCIE—All-Risk Crop Insurance Evaluation—is designed to help producers assess their crop production risk and provide a means to evaluate crop insurance options under the Federal program or other private insurance plans.

Using producer-defined expectations or historical data, ARCIE analyzes risk by means of simulation techniques. Results are calculated for a single insured unit on a planted (not harvested) per-acre basis.

The program was designed and tested by the Cooperative Extension Service. They arranged with the Texas A&M University System, the Texas Agricultural Extension Service, and the Texas Agricultural Experiment Station to do much of the work on the project.

#### Configuration and cost

ARCIE will work well with most Z-80, 64K, CP/M systems. The software package is distributed on 8-inch SSSD CP/M and 5 1/4-inch diskette for the Radio Shack Mod II, Apple II Plus (CP/M), IBM PC (CP/M), KayPro II, and other popular 64K microcomputers.

ARCIE must be configured for each specific microcomputer, but this can be done at Texas A&M University where the software is available. However, such modifications will take time to convert, thus delaying the date when they will be available.

Dr. Steven Griffin, Assistant Professor of Agricultural Economics at Texas A&M and project leader for the development of the ARCIE program, stresses that potential users wishing to purchase the program must provide information concerning their disk drive as well as the type of machine used.

"If we have the proper information," says Griffin, "we promise to make our best effort to accommodate the package to the user."

The package costs \$95 and includes the master diskette, instructions on how to use the program, and the background information on risk management crop insurance.

#### Where to buy, where to ask

ARCIE can be ordered by mailing a check or money order to: The ARCIE Project; Department of Agricultural Economics; 107 Agriculture Bldg.; Texas A&M University; College Station, Texas 77843. Make checks payable to "TAEX-Crop Decision Aids."

For those individuals who purchase the software package and find they have trouble running it, a hotline has been established at Texas A&M University. User questions and problems can be addressed at this number until March 19: (713) 845-3929. After March 19, call (409) 845-3929. (Note: These numbers are for help only with the program, not for ordering the package. They are also not toll-free numbers.)

ARCIE will be available to users through all State Extension Service Offices, some of which will offer

the package for sale. However, changes in configuration to make the diskette operable on a specific microcomputer system can only be done (in most cases) through Texas A&M University.

FCIC is making a major effort to acquaint State Extension Service personnel with the crop insurance program and the use of ARCIE so that they can help farmers.

To this end, FCIC conducted four regional workshops that included Extension State Farm Management Specialists and other specialists for each State. These workshops were conducted in January in Reno, Dallas, Chicago, and Washington, D.C.

#### Easy to use

The ARCIE program is easy to use. The user is prompted for all the input data required. Input data and results are displayed on the console and may be printed out on a hard copy printer.

Input data may be stored for later access or modification. One or more input values can be changed and analysis performed without re-entering all the input data.

ARCIE evaluates the impact of crop insurance on net income,

probabilities of certain income levels, and expected cost of participating in a crop insurance program. It measures the trade-offs of income and risk exposure between alternative levels of coverage (yield guarantees and indemnity price election). The same evaluation can be made of crop hail insurance either in conjunction with multiple-peril/Federal Crop Insurance or by itself.

ARCIE simulates the occurrence of alternative prices and yields on a per acre basis. By combining prices and yields with production cost information and the premium structure of the insurance program, at least ten tables and graphics of alternatives are produced.

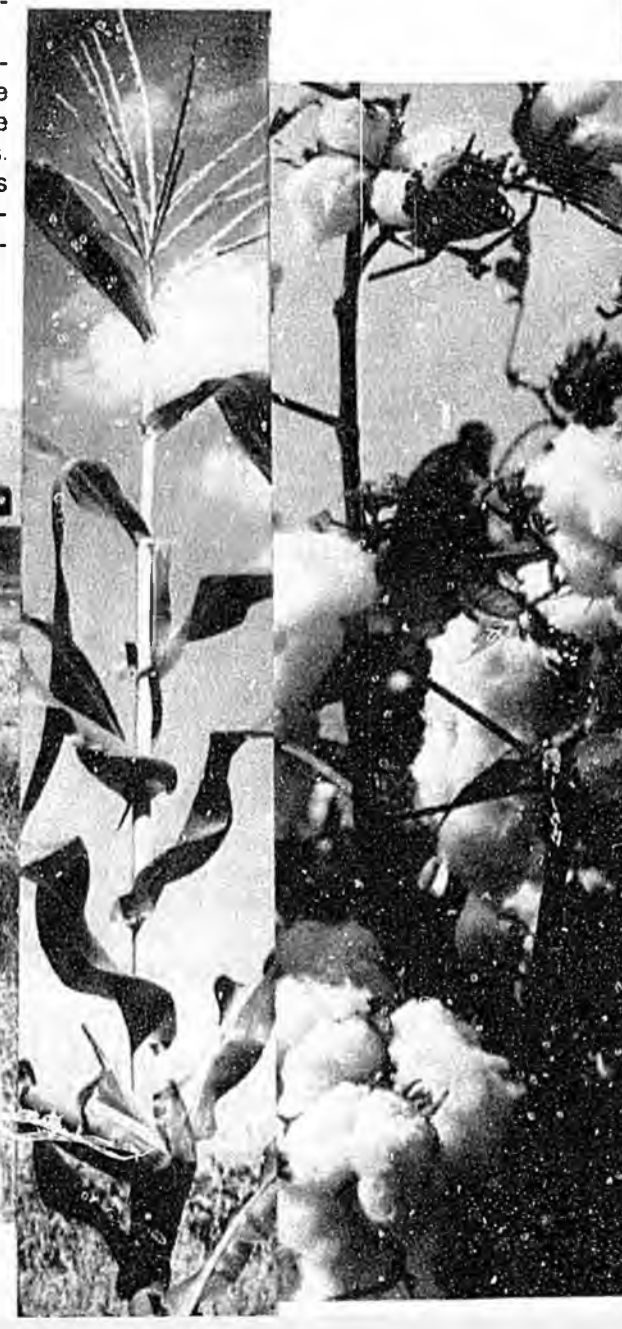
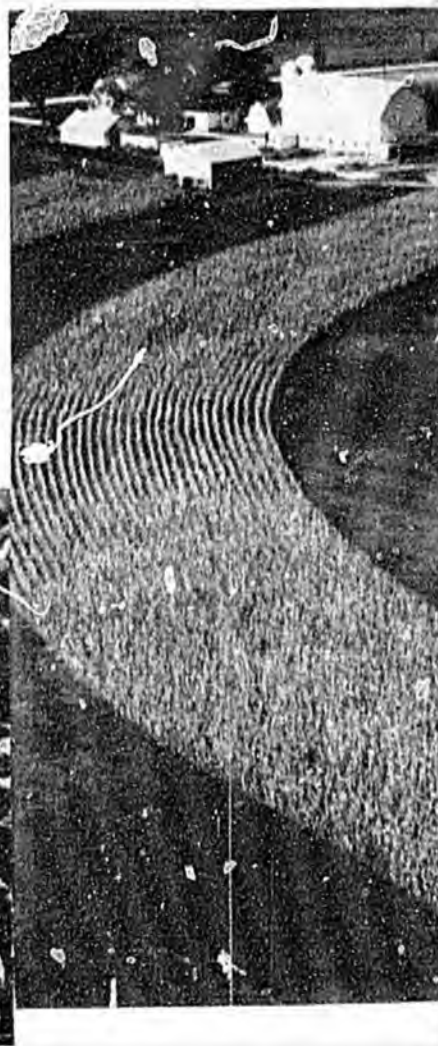
The program calculates the expected average income above specified cost for each of nine multi-peril insurance options. (Three levels of indemnity prices and three levels of yield guarantees allow for nine different options in selecting a crop policy.)

The tenth alternative is crop hail and fire insurance either opted in or out of the multi-peril/Federal Crop Insurance.

The eleventh alternative will be for the non-insured option. The amount of risk reduction will be calculated by comparing any or all the insured options with the non-insured option.

The program compares the maximum possible loss among the options and compares the probable ratios of premiums to indemnities paid based on the conditions

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## Texas considers additional premium subsidy

Texas farmers will get a bigger break on premium costs for crop insurance if that State's legislature passes a bill which would provide for payment of an additional premium subsidy on policies.

State Senator Bill Sarpalius (Dem.) of Hereford, chairman of the Senate Subcommittee on Agriculture, announced on August 30, 1982 that his committee was to draft a bill to allow for the additional subsidy. The bill was introduced in January 1983.

If passed, the legislation would make Texas the first State to provide such aid to the agricultural sector.

Although the Federal Government currently pays up to 30 percent of the premium cost to farmers and ranchers insured under Federal Crop Insurance programs, only about one in five Texas farmers purchases crop insurance. Sarpalius hopes that the additional assistance from the State will make crop insurance more attractive to farmers.

Sarpalius estimates that the State subsidy program for crop in-

surance could cost \$6 to \$8 million in its first year. He proposes that the funds for the program come out of a State surplus which exceeds a billion dollars.

In justifying this expenditure, Sarpalius notes that agriculture ranks third—behind oil and natural gas—among the major industries in the State with revenues of \$9.8 billion a year.

Under the Crop Insurance Act of 1980, Congress authorized the States to pay an additional portion of insurance premiums. While Texas is the first State to make a serious move to provide the additional subsidy, other States have expressed an interest in the concept and are expected to closely follow the progress of the Texas bill. The move has been encouraging to FCIC officials who have pledged their support and cooperation in the effort.

Ted Crouch, FCIC's Field Operations Office Director at College Station, Texas, is especially pleased about the possibility of the subsidy beginning in Texas.

"We all know, how severely the agricultural sector of our State's economy has suffered recently," said Crouch (ed. note: In spring 1982 the Texas High Plains area was hit by a series of devastating hail storms and high winds.). "During this period, FCIC's capacity to relieve these adverse conditions has been limited in many areas of the State because of low participation. The action being initiated by the Senate Subcommittee on Agriculture will almost certainly stimulate greater producer acceptance."

For the 1982 crop year an estimated 1.9 million acres of Texas crops were covered by crop insurance. Maximum liability on these acres exceeded \$200 million. □

### ARCIE is ready!

*Continued from page seven*

described by the user. These may either be the same as those recorded or they may be modified as the operator sees fit.

The ARCIE evaluation will likely be beneficial to insurance agents in explaining the crop insurance program. However, it must be remembered that the computer can only work with tangible values. The insurance agent must help the customer place a value on such intangibles as peace of mind and security.

Agricultural lenders also have expressed initial interest in ARCIE as it will help farmers to better define income and risk probabilities and determine which insurance options best fit individual situations.

### ARCIE'S beginnings

According to Dr. Griffin, he and other members of the Texas A&M staff began to take a closer look at crop insurance programs shortly after disaster payments were done away with under the Agriculture and Food Act of 1981.

"The variety of options offered under crop insurance can get pret-

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## Corn, cotton and soybean policies undergo revision

In an effort to make corn, cotton and soybean insurance more attractive to producers, FCIC has approved several amendments to each policy.

Many of the revisions to these policies are a direct result of meetings between producers and FCIC management.

### Corn policy

Among the most significant changes in the new corn policy is the elimination of the provision for reduction of coverage when acreage is unharvested.

The substitute crop provision also has been eliminated since very few substitute crops are planted due to the limitations resulting from herbicide usage.

Regulations for the corn policy were revised to provide for a silage-only guarantee in areas where appropriate. References to true silage-type corn were eliminated in the revised policy. Seed corn companies have stopped production of seed for this type of corn plant.

The revised corn policy provides for a reduction of silage tonnage to be counted where the guarantee is expressed in both tonnage and

bushels and the grain content of the silage is below 4.5 bushels per ton. This applies only in counties where a tonnage guarantee is in effect and production is counted based on tons.

A provision has been added to clarify appraisals, insurance period, and notice of loss in counties with both grain and silage guarantees.

The 50-percent coverage penalty has been eliminated when damaged corn acreage is planted with another insurable crop that will be harvested the same year.

A replanting provision was added to cover the actual cost of replanting a corn crop. The replanting indemnity will be paid if at least 10 acres or 10 percent of a unit is replanted and potential production is appraised at less than 90 percent of the guarantee.

The revised policy provides for quality adjustment on insured corn when kernel damage is more than 15 percent. The revised policy contains a formula for determining the amount of poor-quality production to be counted based on a value comparison with U.S. No. 2 corn. (FCIC defines poor quality corn as having over 40 percent

moisture or less than 40 pounds per bushel test weight.)

### Cotton policy

Of major importance to cotton producers is an increase in coverage levels brought about by changing the stage guarantees. Growers felt that the first stage guarantee in the old policy was inadequate to cover actual production expenses. They objected to the fact that the third stage guarantee could seldom be realized due to the reduction in indemnity for unharvested acreage.

FCIC has eliminated the reduction in guarantee for unharvested acreage and combined the second and third stage guarantees. Coverage will be established at the full guarantee for both the second and third stages.

The first stage guarantee increased to 60 percent of the full coverage.

According to FCIC's new definition, the first stage ends "after blooms are shed or 50 days after the final planting date, whichever comes first." The new definition should satisfy the growers' complaint that they must keep poor cotton stands until the blossoms

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## Loss adjusters get training

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Three validation meetings were conducted the week of January 10 in Billings, Montana, Lubbock, Texas, and Macon, Georgia.

"Validation meetings are a necessary part of testing the overall system of materials and test certification," says Robert Fox, FCIC's director of the Claims Division.

Sites for the validation meetings were selected to reflect the concentration of loss adjusters and to include a variety of crops grown in each area.

Planning for the training began early in August 1982, and questionnaires were sent to Field Operations Office Directors to identify areas where major crops are grown.

Participants for the validation meetings were selected to

represent a mix of both experienced and inexperienced loss adjusters," says Fox.

The entire training program, according to Fox, consists of three phases.

The first phase involves the basic training and certification on two specific crops. Loss adjusters will not be allowed to perform field inspections without supervision until they successfully complete this phase.

The second phase of training includes a review of work at the field level which complies with an established minimum error rate.

During the third phase of training, the adjuster must acquire sufficient field experience to adjust losses on additional crops. This last phase cannot be completed without the recommendation of the Quality Assurance Leader, according to Fox. □

### ARCIE is ready!

*Continued from page eight*

ty complicated," says Griffin, "and we started to work on a micro-computer program as an ideal tool for examining crop insurance options as well as farmer risk."

In early September 1982 FCIC inquired about the possibility of the Extension Service providing assistance in the development of a microcomputer program for use by farmers in making 1983 crop insurance decisions. In responding to the FCIC request, the Extension Service staff found that the Texas A&M staff had already substantially developed a microcomputer program.

The Texas A&M model, however, needed modification, accelerated development, and adaptation for field use. So that the micro-

computer program would be ready for the 1983 crop year, Extension Service and FCIC staff moved quickly to prepare an interagency agreement and a cooperative agreement with the Texas Extension Service.

The Texas Extension Service agreed to complete development and field testing of the microcomputer program. Texas has a cooperative agreement with the Michigan Extension Service to provide assistance in field testing the program. Texas will also distribute and sell copies of the program and materials.

A technical advisory committee consisting of representatives of the four regional Extension Farm Management Committees has been organized to assist with the pro-

ject. Members are: Gayle Willette, of Washington State University; Don Pershing, Purdue University in Indiana; Doug Jose, University of Nebraska; Dan Smith, Clemson University, South Carolina; Don Tilman, University of Delaware;

Economists working on program development include James Ahrenholz, James McGrann, Ed Rister, all of Texas A&M; and J. Roy Black of Michigan State University.

Dr. Buel Lanpher, program leader of the Farm Management Division for the Extension Service, Washington, D.C. and Gene Gantz, special assistant to the FCIC manager are the coordinators for Extension Service and FCIC and have played an important role in the project. □

## Financial standards set for Master Marketing companies

FCIC has developed specific financial standards that must be met by private insurance companies seeking Master Marketing Agreements with the Corporation for the 1983 spring crop year.

Applicants are regarded as fully acceptable if they meet the following requirements:

- The ratio of current assets to current liabilities exceeds 1.2 to 1, and
- Current assets exceed current liabilities by an amount equal to at least 3 percent of anticipated premium volume for the period covered by the annual plan of operation, and
- There is no significant adverse information on the company.

For the 1983 spring crop year, interested companies were required to submit a plan of operation and a financial review completed by a Certified Public Accountant. The review verified that the applicant company or agency meets FCIC's financial standards.

For the 1984 crop year sale (1983 fall-planted crops), applicants must submit along with their proposed plan of operations a CPA Audit. The Audit must show that the applicant meets FCIC financial standards.

If the applicant's financial position is determined by FCIC to be less than fully acceptable, FCIC will refuse an agreement. FCIC may grant waivers to the financial standards, however, when the applicant submits a plan determined to satisfactorily eliminate the deficiency. In such cases, consideration will be given to:

- Proof of line or letters of credit which, when added to other current assets of the agency, result in a current ratio in excess of 1.2 to 1. The excess of current assets over current liabilities must be sufficient to cover current operating expenses or amount to 3 percent of the premium volume anticipated for the next year, whichever is greater.
- Bonding and/or insurance which may be used in lieu of 0.5 percent of anticipated premiums to cover possible errors and omissions.
- Guarantees from parent or related companies which have working agreements with the agency to assume financial responsibility in the event of the applicant's failure to meet financial obligations. These guarantees may take the form of letters or agreement.

- Cash flow projections which demonstrate the ability to meet current operating expenses for the period covered by the annual plan of operation.
- Other information demonstrating past experience of the agency with credit and financial institutions.

FCIC will accept CPA-prepared financial statements for the most recent fiscal year. Applicants may choose to provide a later interim statement.

Except for a CPA audit, the statement must be certified by the Chief Executive Officer and the Treasurer.

The decision to set financial standards for Master Marketing agencies was made in May 1982. FCIC Manager Merritt Sprague describes the financial standards developed for these agencies as being "minimal and very reasonable."

"The Corporation is totally committed to the farmer and to the intent of the crop insurance program," says Sprague. "It is sound business practice to thoroughly investigate the ability of a company to meet its fiscal obligations and provide reliable service to insured farmers." □

## Agent training seen as cost-saving measure

FCIC's full-scale agent training efforts are expected to save the Corporation bundles of cash as well as increase public confidence in crop insurance.

"We're going all out on these training programs," says FCIC Manager Merritt Sprague, "because we believe well-trained agents will save us thousands of dollars in costs due to errors, misrepresentation suits, and time-consuming paperwork."

FCIC's new Agent Certification Training Program began October 5 and ran through December 18. Upon agent request, the certification course was cutback from five days to three days. The first day's

session consisted of lectures on general crop insurance concepts. The second day was devoted to training on individual crop policies. Exams were given on the third day.

Agents who felt they knew the material well enough to pass the exams did not have to attend the entire course. They reported to the training session on the day scheduled for exams and took the exams only. But if they failed the certification tests, these agents were required to attend an entire course.

Any agent who failed the exams was allowed to repeat the course

as many times as needed in order to pass.

The Corporation is placing a great deal of importance on the agent certification training. "We see it as being absolutely essential in providing consistency to our information program for crop insurance," says Sprague. "All the agents must have uniform knowledge of our programs so that farmers will be receiving the same information about crop insurance."

"A well-trained delivery system will increase public confidence in FCIC programs," says Sprague, "and well-trained agents are more capable of making more sales." □

## FCIC to support PIK

FCIC accepted until March 11 revised acreage reports on insured winter wheat destroyed to comply with PIK. On January 20, FCIC sent a letter of notification to each insured producer of winter wheat

FCIC will support the Payment-In-Kind (PIK) program by increasing the yield guarantees of insureds who participate in this acreage reduction plan for 1983.

"The yield coverage increases recognize the probability of increased per-acre yields on the remaining acreage of PIK participants," says FCIC Manager Merritt Sprague. "We expect the harvested acreage to exceed the average production potential of the entire farm."

The PIK program applies only to 1983 acreages of wheat, corn, sorghum, upland cotton and rice. In return for participating in PIK, a producer will receive an amount of the commodity as payment for reducing planted acreage.

The FCIC incentive works like this: Participating in the PIK program at a level of at least 10 percent but less than 20 percent increases the yield guarantee by 6 percent; participating between 20 percent but less than 30 percent will increase the guarantee to 8 percent; participating at the maximum of 30 percent in PIK will increase the FCIC yield guarantee by 10 percent.

The premium rate per acre will be the same as with the standard coverage.

"FCIC can offer these higher guarantees without a corresponding rise in premium rates because the risk of loss is reduced," says Sprague. "We anticipate more timely operations and increased inputs per acre on the reduced acreage planted."

"We want to encourage program participants to continue their insurance coverage," says Sprague, "and this is a way to attract new producers to the program."

Insured farmers will note on their acreage reports (in column 5) intended participation in PIK to become eligible for the yield guarantee increase. The increased coverage will appear on the summary of insurance. In the event of loss, the producer's policy guarantee will be adjusted according to the verified ASCS records of participation in PIK.



The PIK program is expected to reduce grain stocks and storage costs and improve prices.

stating exactly how to revise acreage reports and the deadline for doing so.

No premium will be charged for destroyed acreage which is reported on a timely basis. Producers submitting bids for whole farm participation were allowed to submit a zero acreage report which was conditional upon acceptance of their bid by ASCS.

The PIK program, made public by President Reagan during a speech to the American Farm Bureau Federation on January 11, is a major effort on the part of this Administration to turn things around in the farm economy. It is expected that the program will halt buildup in grain stocks and help improve prices.

Secretary of Agriculture John Block has praised the PIK program as a means of reducing government outlays for domestic farm programs while giving farmers the same or greater net returns as stocks of grain decline.

"The availability of market supplies will be maintained, signaling to exporters and importers that the United States fully intends to remain a reliable and consistent supplier when production adjustments are made," Block said in a speech given December 9, 1982, before the Committee on Agriculture, Nutrition and Forestry and the Subcommittee on Agricultural Production, Marketing, and the Stabilization of Prices, U.S. Senate.

PIK is not a new idea. Payments-in-kind to producers were used in the 1930's for cotton and in the 1960's for feed grains and cotton to reduce the cost of storing surpluses.

According to a report dated November 30, 1982, and written by Douglas E. Bowers of the Agricultural History Branch for USDA's Economic Research Service, "these programs succeeded in lowering the inventories of Government-held crops."

The signup for the 1983 PIK program began January 24. Farmers can get full details on the program from their local ASCS office. □