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INSURING FOR NATIONAL SECURITY

Drought, such as the Nation experienced in 1934 and again this year, is a threat against the national security. It menaces the farmer whose crops are destroyed, the consumer who depends on those crops for his food and fiber, and the Nation's business that depends on farm income. Its threat is nation-wide. It is no respecter of economic groups and it is no respecter of regions, geographic or political. It knows no state lines.

In 1934 this Government said man should no longer be helpless against the periodic raids of drought. Since we as a Nation recognize the mutual interdependencies of the 130 million people who make the United States a Nation instead of a mere mob of 130 million individuals, this Government will continue the successful defense of the security of its people as it has done and is doing now.

I need not review here the defensive steps taken so successfully in 1934 and renewed again this year to mitigate the effect of the droughts after they had struck. But it is the responsibility of any wise government to stand guard against future droughts as well. To whatever extent further insurance against drought can be developed and made to work, to that extent will the welfare of the farmer, the consumer and the business man be further protected. It is a challenge which we accepted and will continue to meet.

I believe that ultimately the principle of insurance in its popular application, as actual all-risk crop insurance, on a definite premium and indemnity basis can be employed for the farmer and the Nation. That will be a long step forward. But it will be a step no greater than has already been taken during the past three years in employing against drought the broad principle of insurance in its larger sense. Some of these insurance efforts which have succeeded so well during the droughts of 1934 and 1936 point the way.

An especially substantial insurance for farmers and for industry were the benefit payments made under the adjustment programs. They were in thousands of cases practically the only cash return that farmers had during the 1934 drought and the 1935 spring wheat failure. For instance, benefit payments on the short 1933 wheat production in Kansas amounted to about 60 percent of the entire farm value of the crop. In South Dakota that year the benefit payments were 140 percent of the value of the crop, and in 1934 when the need for crop insurance was especially acute in drought-stricken South Dakota the insurance feature of the adjustment program amounted to 8 times the total farm value of the crop. These payments enabled many farmers to stay on their farms and to keep them in production for the insurance of consumers in following years. They cut down the cost of direct drought relief.

Storage of surplus farm products on the farm proved to be another effective method of insurance for both the farmer and the consumer. The 1933 corn loan, for example, enabled farmers to store 270 million bushels of corn in sealed cribs on their own farms. The farmers were advanced 120 million dollars against the corn collateral; they paid it all back with interest and gained through the increase in corn value more than 82 million dollars above the costs. The corn that was carried over and stored on the farms provided feed insurance for the next year when the crop was short.

The principle of these commodity loans, together with the principle of the ever-normal granary, seems to point the way toward the logical next step in insuring the Nation against drought, which may be actual all-risk crop insurance.

I believe there is a next step and I believe there is a necessity for a next step, in addition to the tremendous progress already made both in the forms of insurance I have mentioned and in the insurance represented by the greatly increased acreage of drought-resisting and soil conserving crops resulting from the adjustment and conservation programs. These have been successful, highly successful. But the genius of America will not rest until all is done that can be done toward insuring the Nation against the disastrous effects of drought.

The question now is, can some method for furnishing all-risk crop insurance be developed on a definite actuarial basis and made to work? It seems to be within the realm of practical possibility.

Crop insurance is not a new idea but a natural outgrowth of past thinking and recent activity. Henry Wallace used to write about crop insurance years before he became Secretary of Agriculture. The Department of Agriculture has had men working on the idea for a number of years. Supporters of the old McNary-Haugen plan pointed out that it offered a form of all-risk crop insurance for the farmer. The Secretary of Agriculture in 1928 reported to the Senate a need for more information so that the practicability of crop insurance could be decided. The old Federal Farm Board made a study and found that an actuarial basis, based on crop yield records, was necessary. But with a noticeable disregard for the safety of future generations and a willingness to allow their sons and grandsons to pay the cost, nothing was done. No attempt was made either to begin the preparation of the data for the actuarial basis or to develop some of the other forms of insurance I have just reviewed. Had either of these been done and insurance been in effect in 1936 as a result, the cost to the Nation of drought relief today would be less by many millions of dollars. I would like to relieve the future generations of such heavy and unnecessary expenditures.

Another factor caused us to consider the idea of crop insurance some time ago. The supplies of farm products which we formerly exported - before that export market was so largely lost by 1933 - formerly provided a reservoir of safety. In years of drought we would simply export less and have a larger proportion of our production for consumption at home. But with the export market largely sacrificed by 1933 we no longer had that reservoir. Consequently, we began to think about the ever-normal-granary principle as an adjunct to the adjustment programs. Here let me say that there is a real difference between building up normal reserves in the interest of both producers and consumers under properly safeguarded warehousing and financial arrangements and the kind of ruinous building up of excessive reserves that took place up to 1932.

Over a year ago at a meeting of the President's Cabinet Committee for developing suggestions for social and economic security, it was suggested that crop insurance for farmers would go a long way toward giving farmers the sort of economic security which was being suggested for wage earners.

Nor is that all that has been done. A big start has been made toward preparing the data for an actuarial basis for all-risk crop insurance - a duty recognized but evaded in 1928. Records of individual farm production secured in connection with the AAA programs are available now for six years back in the case of wheat for instance.

Furthermore, the administration of the AAA, both national and local, has provided experience that would be very valuable in the administration of a crop insurance program. Local committees of farmers working together, as they proved they can work together, would handle such an undertaking on a national scale economically and efficiently.

Let us use wheat as an example of how all-risk crop insurance would work if one suggested plan were tried out. Wheat records of individual production are more complete than those of any other crop and it would probably be the best crop with which to try the experiment.

According to this plan that has been suggested, a Kansas wheat farmer, for instance, would be quoted an insurance rate based on his own past production records and other factors. He would voluntarily sign up for a period of four or five years and in a year of surplus yields - and only in years of surplus yields - he would pay his insurance premium "in kind" actually in the form of so many bushels of wheat per acre. Such premium payments, made during his surplus years, might be stored in approved and sealed bins on his own farm, or in storage elevators. Then in the inevitable year of short crop or crop failure the indemnity would be paid to the farmer, again in the form of so many bushels of actual wheat, according the degree of failure and his yield expectancy.

Such crop insurance would protect the farmer not only against years of small yields but also against years of surplus crops, which are often similarly disastrous from the standpoint of total income received, by removing his excess supply from competition with his regular or normal crop. Since this surplus supply could be turned back into market channels only automatically with years of shortage, it would not exist in the market and would not depress the price.

On account of the present size and efficiency of our national farm plant we must, over a period of years, insure against years of too great surplus of farm products, just as we must insure against years of short crops. For example, only 3/4 of the normal yield of wheat next year on an acreage no larger than this year's acreage will result in ample supplies for our domestic needs. Two or three years of normal weather and an uncontrolled acreage would result in a price depressing surplus, sufficient to threaten once more our national economic welfare. For this reason insurance against surplus which also insures against shortages, such as crop insurance to be paid in kind, would seem particularly appropriate for the next few years when something will probably have to be done about surplus supplies.

This form of crop insurance would contribute especially to the security of the family size farm where the individual reserve can seldom stand sudden, large losses.

Crop insurance paid in kind would give farmers an increased share in the ownership of the normal carry-over of farm products which is necessary to public safety.

The supplies of grain paid as premiums and stored against short years would furnish protection to the consumers in time of drought. The program would tend to level down the peaks of supply and price and keep them stable.

There are other variations of the sound principle of crop insurance which might be utilized.

It must be recognized that the costs of drought losses are paid by some one, whether there is crop insurance or not. Experience shows that only too well. If insurance or previous years of good crops and prices do not enable the farmer to pay for the bad years, the cost is borne by the public in the form of grants and aids and unpaid loans and unpaid taxes and relief. Formerly, the cost was paid by the helpless victims on the stricken farms in terms of human misery and despair and in terms of starving stock. In the cities it was paid by consumers in terms of high food prices and scarcity and want, and industry paid its full round share of the penalty of a crippled farm buying power.

The insurance efforts that have been in effect during the past three years have lifted this curse tremendously even though the problem is not solved. After the two most disastrous droughts in our history within the past three years there is less hunger and despair than in 1932 when surpluses lay on every hand. The general level of retail food prices to the consumer are yet below the level of prices of other things that go to make up the budget of the family living expenses. We are in the fourth consecutive year of a gradually increasing national farm cash income. The banks are secure, land values are firm, employment is up and industrial activity all along the line is continuing its steady increase.

The emergency measures and the forms of drought insurance already in effect have done well indeed. But successful crop insurance would enable farmers to build up, cooperatively, reserves out of which they could finance their own relief from drought. It is another step in the direction of self-help for agriculture, and insurance for the Nation, designed to lessen the burden borne by Government.

There is another challenge in this connection, another purpose to be served. The Nation must not permit abandonment of agricultural lands that are capable of efficient production in the long run. In the old days when drought struck the western states great movements of the original pioneer population followed and areas of potential productivity were abandoned until cycles of better years returned and resettlement followed. All our history indicates that the Northwest and the Midwest, one of the finest heritages of agricultural land ever owned by any people, again will provide for its people and pour out the great supplies of grain and meat which contribute to the Nation's wealth.

Any insurance program which, like the adjustment and conservation programs, assists farmers to stay on land that is efficient for farming in the long run, is insurance for the security of the Nation.

Successful crop insurance would continue the chain of national agricultural policies relating to soil conservation, sound farm practice, social security for the farmer, protection for the consumer, and prosperity for the Nation's business. As such it would become a part of a strong national farm policy. It is not a local problem since drought is more than merely a local threat. It is a national problem to be met on that basis. I believe it can and should be met successfully.

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