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commissions. Then RMA could add in so much per policy for claims adjustment and so much per policy for salaries and other overhead.

The chances that Congress will soon embrace a cut in funding for a program that has generated 20 percent annual salary growth for crop insurance agents who reside in rural areas seems pretty remote. After all, Congress and the administration are currently borrowing money to create jobs to keep unemployment down. But eventually, borrowed money has to be paid back. And the only way to pay back money is to raise taxes or cut expenditures. But there are economic costs associated with raising tax revenue, so federal programs should be scrutinized for efficiency. In agriculture, the place to start is the crop insurance program. There is no doubt the same level of service can be provided to farmers at much lower cost.

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A Full Accounting
The efforts of biotechnology companies seem to have paid off in an unanticipated manner by making corn hybrids better able to withstand drought conditions. Modern, herbicide-resistant soybeans also seem, for more enigmatic reasons, to have increasing drought resistance. In addition, both crops are being managed by larger and perhaps more able managers. And better management leads to more timely field operations, which could result in increasing drought tolerance.

The large impacts of this newly evident drought tolerance in corn and soybeans may be dwarfed if seed companies are in fact successful in their targeted efforts to reduce yield losses due to drought. As new technologies become available, it is important that the crop insurance industry and Risk Management Agency alter the way they determine crop insurance rates so the system can directly reflect the lower risks.

Work Cited

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Working Papers