

The Viability of a Crop Insurance Investment Account: The Case for Obion County, Tennessee

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Friday, November 18

2:30 p.m.

226 Morgan Hall

DEPARTMENT OF AGRICULTURAL
ECONOMICS
SEMINAR SERIES

Fall 2005



What if, instead of the government subsidizing crop insurance premiums, farmers were allowed to set up investment accounts from which indemnities would be paid? The unsubsidized premiums would be deposited into an investment account and allowed to accumulate. When a defined indemnity was warranted, funds would be expended out of the account. The government would guarantee the indemnity if it exceeds the fund balance. These guarantees would be repaid in years when premiums exceed indemnities.

If it could be shown that over time the investment accounts are positive, substantial savings, in terms of premium subsidies could be realized. These accounts could also be utilized as a farm equity source or retirement benefits.

This seminar presents an analysis of just such an alternative risk management scheme, utilizing data from Obion County, Tennessee to assess potential costs and performance.

About

Dr. Gerloff ...

Reared on a dairy farm in Southern Oklahoma (near Ada), Gerloff received both B.S. (1975) and M.S. (1977) degrees in Agricultural Economics from Oklahoma State University. From 1977 to 1988, Gerloff worked for Kansas State University, Oklahoma State University, and Texas A&M University as a farm management fieldman, area farm management specialist, and area economist-management, respectively.

In 1988, he entered graduate school at Texas A&M, receiving a Ph.D. in Agricultural Economics in 1992, focusing on farm policy, production, and finance.

Dr. Gerloff accepted an Associate Professor and State Extension Specialist position at the University of Tennessee in 1992, and was promoted to Professor in 1998. Currently, Dr. Gerloff has responsibility in the areas of farm and financial management, risk management, and row crop marketing and management. His most recent work has dealt with assessing the viability of alternative crop insurance programs, developing market tools for Tennessee farmers, and assessing the financial risk associated with soybean rust.

