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# Revenue insurance purchase decisions of farmers

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## **Abstract**

The objective of this study is to evaluate farm, household, and financial characteristics of cash grain farmers' decisions of whether to purchase revenue insurance. Using farm-level data these characteristics were identified by estimating a logit model of revenue insurance purchase decisions by farm operators. Results indicate that farm operators with the ability to self-insure through accumulation of sufficient wealth reserves

neasured in terms of the ratio of debts-to-assets, operators with off-farm income, and

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## Notes

<sup>1</sup> A crop insurance programme that provides coverage to producers against lost revenues (or incomes) caused by low prices, low yields, or a combination of low prices and low yields. An indemnity is paid to a producer when any combination of yield and price results in revenue that is less than a pre-specified revenue guarantee. The FAIR Act of 1996 mandates a USDA pilot programme for crop years 1997–2000 under which producers of feed grains, wheat, soybeans, and other crops in specified areas may elect to receive insurance against loss of revenue. The two largest pilot programmes to date are the Crop Revenue Coverage (CRC) programme and the Income Protection (IP) programme. The two programmes are similar, except that the CRC allows farmers to insure their revenue at either planting-time prices or harvest prices, whichever is higher. The full cost of the premium associated with CRC and IP is paid by the participating farmer.

<sup>2</sup> A soil productivity index, ranging from 0–100 is used. This measure of ranking soil productivity classifies the least productive soil at zero with 100 being the most productive soil. See Pierce et al. (1993) for details.

<sup>3</sup> In 1998 a revenue insurance (crop revenue coverage, income protection, and revenue assurance) programme was offered in 42 states. For a complete list of participating states and revenue insurance programmes please visit http://www.rma.usda.gov/ftp/reports/summary of business/98stcrp.

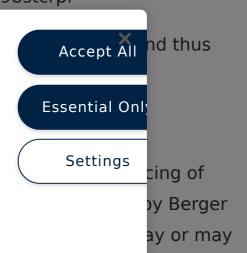
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not improve health outcomes depending on the mix of health care expenditures and

the type of insurance coverage. However, increases in inpatient and ambulatory insurance coverage are associated with positive health care outcomes.

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