



AGRICULTURAL DISASTER ASSISTANCE

Background

USDA operates programs to assist farmers who encounter natural disasters from drought, flood, freeze, tornadoes, and other natural calamities. Eligible producers can be compensated for crop losses, livestock feed losses, and tree damage, and for the cost of rehabilitating eligible farmlands damaged by natural disaster. Low-interest loan assistance for eligible farmers can help cover production and physical losses in counties declared disaster areas. Emergency haying and grazing assistance for certain acreage enrolled in the Conservation Reserve Program may be made available in areas suffering from weather-related natural disasters.

Disaster assistance for U.S. agriculture has a long history. During the 1970s and parts of the 1980s and 1990s, standing disaster legislation protected major field crop producers who were enrolled in commodity programs. The Federal crop insurance program was small. Since then, despite major crop insurance reforms and significant growth in insured acres in the Federal crop insurance program, Congress has continued to pass ad hoc disaster assistance measures in reaction to drought and other adverse events.

In an attempt to move away from ad hoc disaster programs and provide a safety net of risk protection for noninsurable crops, the Noninsured Crop Disaster Assistance Program (NAP) was authorized under the Federal Crop Insurance Reform Act of 1994. NAP is now fully funded and provides a catastrophic level of coverage similar to catastrophic risk protection crop insurance coverage. The 2002 farm bill provided the authority but no funding for a Livestock Assistance Program (LAP) and a Tree Assistance Program (TAP).

The Emergency Conservation Program (ECP) provides emergency cost-share assistance to farmers and ranchers to rehabilitate farmland damaged by natural disasters and to carry out emergency water conservation measures during periods of extreme drought. Eligible participants may receive cost-share to implement ECP practices such as removing debris from farmland, repairing or restoring fences, and providing emergency water for livestock in drought situations.

Government outlays for disaster assistance vary dramatically from year to year, depending partly on the weather and whatever ad hoc legislation was passed in a given year. Outlays were highest in the late 1990s-early 2000s when there were crop losses and low farm prices, and Congress enacted legislation to supplement producer income with additional payments referred to as market loss assistance.

CCC Net Outlays by Fiscal Year, \$ millions

	1999	2000	2001	2002	2003	2004	2005E	2006E
Market loss assistance	\$3,011	\$11,046	\$5,455	-\$1	\$166	-\$3	\$2	\$0
Noninsured Assistance (NAP)	54	38	64	181	237	124	110	380
1988—2005 crop disaster	1,913	1,251	1,848	230	1,867	804	2,395	374
Other*	328	201	478	17	251	132	73	354
Total	5,306	12,536	7,845	427	2,521	1,057	2,580	1,108

Note: Negative outlays in years 2002 and 2004 for market loss assistance reflect overpayments returned to the CCC.

* Includes livestock assistance, tree assistance, and forage assistance.

Source: Farm Service Agency, Table 35, February 6, 2006

Other Disaster Assistance Funding

	1999	2000	2001	2002	2003	2004	2005E	2006E
Emergency Conservation Program (appropriations)	\$28	\$60	\$80	\$0	\$0	\$12	\$150	\$200
Citrus Canker Compensation (from CCC)	0	16	58	0	18	11	30	0
Citrus Canker Compensation (from Section 32)	0	0	0	0	0	0	0	300
Assistance Payments (from Section 32)	0	0	0	173	0	200	274	250
Total	28	76	138	173	18	223	454	750

Total Disaster Assistance Funding

	1999	2000	2001	2002	2003	2004	2005E	2006E
CCC-funded programs	\$5,306	\$12,552	\$7,903	\$427	\$2,539	\$1,068	\$2,610	\$1,108
Appropriations	28	60	80	0	0	12	150	200
Section 32	0	0	0	173	0	200	274	550
Total	5,334	12,612	7,983	600	2,539	1,280	3,034	1,858

General Opinions Expressed

- It was suggested that Federal agencies, including the Farm Service Agency (FSA), the Department of Homeland Security (DHS), State and local government agencies, agribusinesses, and producers, work together when disaster occurs to remove obstacles and establish a coordinated response, raising the probability that producers could receive assistance more rapidly.
- Some felt Federal crop insurance should be restructured and disaster programs should be eliminated completely, and that funding normally provided to operate disaster programs should instead be provided to producers for the purchase of Federal crop insurance.
- USDA was strongly encouraged to provide additional disaster assistance for livestock producers, focusing on compensation for livestock feed losses—particularly when drought occurs. Indications were that existing programs such as the Livestock Assistance Program (LAP) and the ECP were not sufficient.
- A livestock producer expressed gratitude for FSA disaster programs that enabled him to continue ranching during drought.
- Some felt there is a gap between qualifying for Federal crop insurance and disaster programs, indicating that their hard work to save a crop and thus avoid filing a claim under crop insurance also disqualified them if a disaster program were available.
- It was commented that funding is needed and more assistance programs should be established to help in disasters, particularly droughts. The indication was that assistance should be in the form of grants or other funds that would not have to be repaid instead of low-interest loans that place even more financial burden on producers.
- Some participants felt that no special programs should be enacted for weather-related disaster and indicated that no assistance should be provided to landowners who receive disaster assistance repeatedly for disaster-prone land. Other participants felt that extreme weather events should be the only qualifying factor for disaster assistance programs.
- Many participants felt that drought posed the biggest threat to farming and ranching operations and suggested that disaster programs focus on drought recovery, including the rebuilding of devastated farm and ranch land. Without such assistance, producers felt that food would be valued as highly as oil.
- Hurricane relief for agricultural losses was requested by several participants.
- It was felt that disaster assistance should be fair and equitable, and it was suggested that producers in counties contiguous to disaster counties who did not actually suffer any losses should not be eligible to apply for and receive disaster assistance.
- USDA should establish peer counseling for producers and referrals to resources in the event of a crop disaster.
- Some producers expressed concern over the length of time it takes for some payments to be issued. There was also support for a permanently standing disaster assistance section in the farm bill that would decrease or eliminate the necessity of ad hoc programs as natural disasters occur and speed payments to producers.

Detailed Suggestions Expressed

- USDA disaster payments should be limited to NAP payments, disaster programs, or Federal crop insurance, but not all three.
- Establish a standing disaster program for producers who suffer an insurable loss and compensate producers for up to 35 percent of the loss not covered by crop insurance. The payment would be based at the county loan rate for the crop.
- All disaster payments, NAP in particular, should be based on a producer's annual production rather than State averages.
- Raise the producer's qualifying gross revenue cap for the NAP from \$2 million for the most recent tax year proceeding the year for which assistance is requested, to \$5 million, or remove the qualifying gross revenue cap completely.
- Kentucky racehorses, in addition to other equine, should be made eligible for assistance under disaster programs since these animals contribute significantly to the agricultural industry in Kentucky even though they are not considered food or fiber.
- Remove limits on the number of horses eligible for disaster assistance, especially on Indian trust land.
- Hawaiian producers should be compensated for freight expenses incurred to import livestock feed during drought. Shipping companies adjust their rates to cover fuel increases, which makes it much more expensive to raise beef and other livestock, and makes competition with the U.S. mainland difficult.
- The NAP needs to be expanded to include coverage for livestock producers adversely affected by a natural disaster.
- Payments for lost crops along water drainages, tile wetlands, etc., should be eliminated to discourage the plantings.