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# Agricultural Disaster Assistance

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# CORNHUSKER ECONOMICS

## Agricultural Disaster Assistance

Market Report	Yr Ago	4 Wks Ago	6/2/06
<b><u>Livestock and Products,</u></b>			
<b><u>Weekly Average</u></b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight . . . . .	\$84.70	\$78.80	\$81.87
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb . . . . .	*	*	*
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb . . . . .	*	105.93	114.00
Choice Boxed Beef, 600-750 lb. Carcass . . . . .	146.13	148.62	150.99
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	66.05	63.29	69.27
Feeder Pigs, National Direct 45 lbs, FOB . . . . .	50.70	51.97	48.08
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean . . . . .	66.36	68.01	69.70
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest . . . . .	111.00	70.00	76.00
National Carcass Lamb Cutout, FOB . . . . .	254.98	210.23	206.06
<b><u>Crops,</u></b>			
<b><u>Daily Spot Prices</u></b>			
Wheat, No. 1, H.W. Imperial, bu . . . . .	2.96	4.11	4.33
Corn, No. 2, Yellow Omaha, bu . . . . .	1.92	2.04	2.10
Soybeans, No. 1, Yellow Omaha, bu . . . . .	6.62	5.65	5.60
Grain Sorghum, No. 2, Yellow Columbus, cwt . . . . .	2.96	3.04	3.09
Oats, No. 2, Heavy Minneapolis, MN , bu . . . . .	1.64	2.14	2.15
<b><u>Hay</u></b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton . . . . .	115.00	130.00	130.00
Alfalfa, Large Rounds, Good Platte Valley, ton . . . . .	62.50	65.00	65.00
Grass Hay, Large Rounds, Good Northeast Nebraska, ton . . . . .	57.50	55.00	55.00
* No market.			

The U.S. Congress has been working on an emergency supplemental appropriations bill in recent weeks to provide funding for defense, the global war on terror, and additional hurricane relief in response to the lingering needs following the devastating set of hurricanes in 2005. Currently, the bill sits with a Conference Committee to resolve differences between versions passed in the Senate and in the House of Representatives. Expectations are that the bill will be completed before the end of June as funding for continued defense operations will become critical, but exactly what will be in the final version of the bill remains to be seen.

While the House version of the bill contains no agricultural assistance, the Senate version includes an estimated \$4 billion in relief for producers affected by agricultural disasters and economic stress due to higher energy costs. But, the added expense of the agricultural assistance and other add-ons put the total cost of the bill over a suggested limit of \$94.5 billion backed by a veto threat from the President. Understanding what is in the Senate package and how it could affect Nebraska can help producers and lenders plan potential cash flow expectations. Analyzing what is in the package can also provide insight into the economic impact of various policy choices and the likelihood of potential changes before the assistance is finalized.

### Crop Disaster Program

A major part of the proposed assistance is the implementation of a Crop Disaster Program in similar fashion to previous programs. Producers would be compensated for crop losses in 2005 that are below 65 percent of their established yield (APH yield) for crop insurance purposes or the county average yield if higher. Losses below this level would be compensated at 50 percent of the established price for the crop. The potential impact of the proposed program could be significant. A

recent analysis of 2005 crop losses shows that the program could provide more than \$32 million in payments to Nebraska producers, as seen in Table 1.

While the potential assistance is significant, it should also be noted that the design of the payments essentially mimics crop insurance indemnities, albeit at a lower rate. More than 70 percent of the crop acres in Nebraska are already insured and on these acres, the disaster assistance would essentially make a second payment to producers who already receive an insurance indemnity payment (for losses below 65 percent). The formula would not help producers who face losses that are significant, but are less than 35 percent. The formula would also not offer much help to producers in areas where consecutive years of yield losses have led to declining APH yields and county yields.

### Livestock Compensation Program

A second major part of the proposed package is a fixed payment per head to qualifying producers of beef cattle, dairy cattle, sheep and goats. The payments are essentially designed to cover some of the losses of decreased grassland production due to disaster. But only producers in counties designated a disaster county will be eligible. The map in Figure 1 shows that 67 of the 93 counties in Nebraska currently meet that guideline. Those 67 counties house approximately 81 percent of the state's 8.7 million head of cattle, sheep and goats and, based on payment levels in previous programs, could see as much as \$41 million in assistance.

### Supplemental Economic Loss Payments

The last major part of the proposed assistance is a supplemental fixed payment to producers who received a direct (fixed) payment for the 2005 crop as part of the Federal Farm Commodity Program. The proposed formula is 30 percent of the original direct payment rate and would

easily be the biggest chunk of the assistance to Nebraska producers. Based on estimated direct payments of \$344 million in 2005, the proposed assistance could be an additional \$103 million.

However, this part of the package has also received the most attention and faces substantial political pressure. It alone is as much as 40 percent of the total \$4 billion package nationally, making it a prime target for spending cuts. In addition, it is proposed as assistance for higher energy costs faced by producers, but less than half of all farms (as defined by the U.S. Agricultural Census) are enrolled in the Federal Farm Commodity Program. Recent talk from Washington says it is all but gone already as negotiations get underway.

### Summary

The proposed agricultural disaster assistance package found its way into the supplemental appropriations bill in response to the hurricane damage lingering from 2005. But, in addition to some direct hurricane-affected regions, the proposed assistance would also cover agricultural losses faced by other producers across the country. Looking at the three largest proposals as they could affect Nebraska shows as much as \$177 million in assistance is proposed. However, final cuts in the package may result in much less than \$100 million actually arriving to assist Nebraska producers.

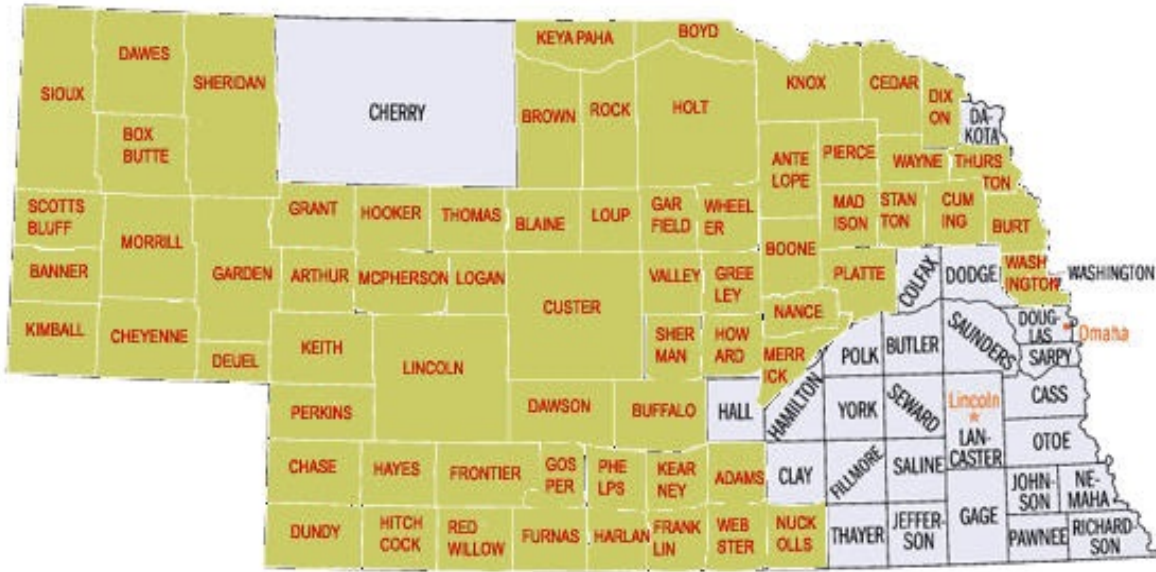
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**Table 1. Crop Insurance Indemnities and Estimated Crop Disaster Program Payments for Selected Crops.\***

Selected Crops	Insured Crop Acres (with buy-up coverage)	Crop Insurance Indemnities (adjusted to 65% coverage)	Crop Insurance Indemnities per Insured Crop Acre	Estimated Disaster Payments per Crop Acre	Total Planted Crop Acres	Estimated Total Crop Disaster Payments
Corn	7,332,425	\$ 29,892,790	\$ 4.08	\$ 2.04	8,500,000	\$ 17,326,377
Dry Beans	168,399	2,575,806	15.30	7.65	175,000	1,338,387
Forage Production	73,217	112,654	1.54	0.77	2,870,000	2,207,937
Grain Sorghum	201,406	521,835	2.59	1.30	340,000	440,463
Millet	108,854	310,787	2.86	1.43	135,000	192,718
Oats	21,811	42,946	1.97	0.98	150,000	147,675
Potatoes	10,862	49,460	4.55	2.28	19,500	44,397
Soybeans	4,051,281	5,417,039	1.34	0.67	4,700,000	3,142,226
Sugar Beets	45,846	1,276,166	27.84	13.92	48,400	673,629
Sunflowers	78,474	516,817	6.59	3.29	99,000	325,999
Wheat	1,550,848	11,188,372	7.21	3.61	1,850,000	6,673,281
<b>Selected Total</b>	<b>13,643,423</b>	<b>\$ 51,904,672</b>	<b>\$ 3.80</b>	<b>\$ 1.90</b>	<b>18,886,900</b>	<b>\$ 32,513,089</b>

\* Crop insurance acreage and indemnity information from USDA-RMA, crop acres from USDA-NASS.

**Figure 1. Nebraska Eligible Disaster Counties as of May 15, 2006**




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