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Making a SURE Decision Now for Potential Disaster Assistance Later

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CORNHUSKER ECONOMICS

Making a SURE Decision Now for Potential Disaster Assistance Later

Market Report	Yr Ago	4 Wks Ago	8/1/08
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$91.84	\$101.16	\$97.15
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	125.50	*	119.16
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	117.50	*	114.69
Choice Boxed Beef, 600-750 lb. Carcass.	143.75	170.60	158.84
Western Corn Belt Base Hog Price Carcass, Negotiated.	70.04	70.06	82.02
Feeder Pigs, National Direct 50 lbs, FOB.	54.07	24.92	24.14
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	72.09	79.25	87.73
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	105.25	115.00	111.75
National Carcass Lamb Cutout, FOB.	255.65	275.13	277.41
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	5.70	8.14	6.98
Corn, No. 2, Yellow Omaha, bu.	3.14	7.05	4.98
Soybeans, No. 1, Yellow Omaha, bu.	7.52	15.92	12.75
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	5.12	11.95	7.82
Oats, No. 2, Heavy Minneapolis, MN, bu.	2.63	*	*
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	135.00	190.00	190.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	87.50	77.50	77.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	85.00	85.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	*	195.00	167.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	40.75	73.50	60.50
*No Market			

The new farm bill included some significant changes in the farm income safety net. As a result, crop producers will need to make a number of decisions about new farm program participation, some in a very short period of time.

The first program decision for crop producers is the simple question of signing up for the 2008 commodity programs. These crop support programs did not change for 2008, except for some legislative language that will eliminate farms with less than ten base acres from the farm program, unless those farms were limited-resource or socially-disadvantaged farms. The deadline for sign-up for the 2008 crop year programs is September 30. The big change in commodity programs will come with the 2009 crop year and the decision to keep the existing price-based counter-cyclical payment or select a revenue-based average crop revenue election (ACRE) payment. That decision will be made at sign-up for the 2009 program, which could begin in late fall or early winter.

Before that decision hits, producers will need to make a separate decision on another new part of the farm income safety net. The new farm bill authorized a permanent disaster assistance program as a replacement for the series of ad hoc emergency assistance programs passed over the last several years in Congress. The disaster assistance programs include:

- SURE, the Supplemental Revenue Assistance Payments Program for crop revenue losses,
- LFP, the Livestock Forage Disaster Program for drought losses on pasture and grazing land,
- LIP, the Livestock Indemnity Program for livestock death losses due to disasters,
- TAP, the Tree Assistance Program for tree losses due to disasters,
- ELAP, the Emergency Assistance for Livestock, Honey Bees and Farm-Raised Fish.

Disaster Assistance Program Eligibility

The disaster programs are authorized for 2008 through 2011, meaning they are available to producers to cover potential losses right now. However, to be eligible for all of the assistance programs except LIP, the producer must have purchased insurance or catastrophic coverage (CAT) on their insurable crops, and must have signed up for the Noninsured Assistance Program (NAP) coverage on their noninsurable crops. Because the 2008 Farm Bill was enacted after the insurance deadlines for covering the 2008

crops, the legislation included a special 90-day window for producers to pay the CAT or NAP fees on crops they did not already protect in order to become eligible for the disaster assistance. **The 90-day window from the day the farm bill was enacted on June 18 runs through September 16, meaning producers have just over one month left to sign-up at the United States Department of Agriculture (USDA) Farm Service Agency (FSA) office under this buy-in provision if they wish to become eligible for disaster assistance for 2008.**

To buy in to the disaster assistance programs for 2008, producers must pay a \$100 fee per crop per county in lieu of the administrative fees that would have been paid had CAT or NAP coverage been purchased on the crop. The buy-in fees make the producer eligible for the potential disaster assistance, but do not actually give the producer CAT or NAP coverage on those crops. There is a limit on the fees of \$300 per county or \$900 per farm for CAT on all of the insurable crops and a separate, equal limit for NAP on all of the noninsurable crops. And, if a producer has already purchased coverage on some crops under crop insurance, CAT or NAP, those crops count towards the fee limits.

Consider a producer who raises corn, sorghum, soybeans and wheat in addition to alfalfa, grass hay and some pasture in a single county. Each of these crops needs to be covered to be eligible for disaster assistance. Corn, sorghum, soybeans and wheat are all insurable crops, so for each of those crops that is not already covered with buy-up insurance or CAT coverage, the producer would need to pay a \$100 fee to buy-in, subject to the maximum of \$300 per county, and a \$100 credit for each of those crops that is already insured. (If two of the four crops are already insured, the additional fees are \$100; if three or more of the crops are already insured, the additional fees are \$0). Then the producer must also pay a \$100 fee on each of the noninsurable crops, alfalfa, grass hay and pasture, that is not already covered by a NAP purchase.

The list of insurable crops and noninsurable crops covered by CAT or NAP is rather extensive. For producers wishing to buy-in to establish eligibility for the disaster programs, the process should start with a visit to the local FSA office to certify what crops exist on the farm (each county the farm operates in), to insure all crops are identified and appropriate buy-in fees are determined. Again, remember the **deadline for doing so for the 2008 crop year is September 16.**

And, note the deadline to become eligible for 2009 is almost as quick. The 90-day window allows producers to retroactively establish eligibility for the 2008 disaster programs. For 2009, producers will have to make the insurance, CAT or NAP purchases by the ordinary insurance and noninsured assistance program deadlines. For an insurable crop like 2009 crop year wheat, the insurance deadline in Nebraska comes up already on September 30, 2008. Some 2009 NAP deadlines come up quickly as well, although the earliest of those deadlines have been extended to December 1, 2008 to provide some more time for information and implementation.

Disaster Assistance Program Coverage

While paying the necessary CAT or NAP fees is the first step to become eligible for the disaster assistance programs, it does not guarantee payments, even in the case of some losses. To trigger potential payments the producer's farm must be in a county declared an agricultural disaster county, or the farm must have a production loss of greater than 50 percent of normal production. While almost all of Nebraska's 93 counties have been declared a Presidential disaster county due to storm losses from wind, hail, flooding, etc., none of the counties have yet been declared an agricultural disaster county for 2008. The agricultural disaster

designation comes from the Secretary of Agriculture in response to a request from the state and county if the local county assessment committee determines that at least one major crop in the county has experienced a loss of at least 30 percent due to weather conditions. If the county does not become an agricultural disaster county (or a contiguous county), then the disaster assistance is only available to eligible farms that have experienced at least the 50 percent loss in production.

If the producer has paid the necessary fees to be eligible for disaster assistance and if the county or farm trigger is met, then the disaster assistance programs can provide substantial relief to the producer. In the case of the SURE program, the potential assistance covers part of any shortfall in crop revenue on the farm as compared to a SURE program guarantee. The calculation of the SURE guarantee and the revenue to count against the guarantee is spelled out in some complex equations below:

$$\text{SURE Insured Crop Guarantee} = \text{MIN} [(115\% * \text{Insurance Price Election} * \text{Crop Acres} * \text{Percentage Insurance Yield Election} * \text{MAX} (\text{Adjusted APH, Counter-Cyclical Payment Yield})) , (90\% * 100\% \text{ Insurance Price Guarantee} * \text{Crop Acres} * \text{Max}(\text{Adjusted APH, Counter-Cyclical Payment Yield}))]$$

$$\text{SURE Non-Insurable Crop Guarantee} = \text{MIN} [(120\% * \text{NAP Price} * \text{Crop Acres} * \text{MAX} (\text{NAP Yield Guarantee, Counter-Cyclical Payment Yield})) , (90\% * \text{NAP Price} * \text{Crop Acres} * 100\% \text{ NAP Yield})]$$

$$\text{SURE Guarantee} = \text{SUM Across All Crops} (\text{SURE Insured Crop Guarantee} + \text{SURE Non-Insurable Crop Guarantee})$$

$$\text{Farm Revenue} = \text{SUM Across All Crops} [(\text{Harvested Acres} * \text{Yield per Harvested Acre} * \text{National Average Market Price}) + (15\% * \text{Direct Payments}) + \text{Counter-Cyclical Payments} + \text{ACRE Payments} + \text{Loan Benefits} + \text{Crop Insurance Indemnities} + \text{NAP Payments} + \text{Other Disaster Payments}]$$

$$\text{SURE Payment Rate} = 60\% * (\text{SURE Guarantee} - \text{Farm Revenue})$$

The guarantee under SURE is equal to 115 percent of the crop insurance or CAT guarantee on insurable crops (not counting potential upward adjustments to the producer's APH yield), and 120 percent of the NAP guarantee on noninsurable crops, subject to a limit of no more than 90 percent of the expected revenue for each crop. Then, the sum of the individual crop guarantees makes for the whole-farm SURE guarantee. The farm revenue is calculated as the sum of actual crop values, plus government crop payments (including 15 percent of direct payments), plus insurance indemnities, plus any other assistance or crop disaster payments. The SURE payment is then equal to 60 percent of any shortfall in the farm revenue below the SURE guarantee.

Further details on SURE, on the additional disaster assistance programs, and on the other farm bill programs and policies are available from several sources and websites. One of the websites is a new page established on the UNL Department of Agricultural Economics website available at www.agecon.unl.edu/farmbill.html

A shorter, simpler address of farmbill.unl.edu will also take you to the same site. The USDA Farm Service Agency also has information on the disaster assistance programs at its main website www.fsa.usda.gov, at the Nebraska office's website at www.fsa.usda.gov/ne, or at the general USDA Farm Bill information website of www.usda.gov/farmbill.

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