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Agricultural Disaster Assistance

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Market Report	Yr Ago	4 Wks Ag	8/3/12
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	$113.23	$116.91	$118.44
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb..	154.47	160.31	156.00
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	137.12	149.04	147.83
Choice Boxed Beef, 600-750 lb. Carcass.	173.14	193.52	177.89
Western Corn Belt Base Hog Price Carcass, Negotiated.	105.75	98.58	88.32
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean..	108.34	92.32	92.76
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	192.00	122.50	102.00
National Carcass Lamb Cutout, FOB.	403.63	340.16	321.26
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu..	6.67	7.39	8.11
Corn, No. 2, Yellow Nebraska City, bu..	6.93	7.15	8.08
Soybeans, No. 1, Yellow Nebraska City, bu..	13.09	15.37	16.79
Grain Sorghum, No. 2, Yellow Dorchester, cwt..	11.52	11.46	13.39
Oats, No. 2, Heavy Minneapolis, MN , bu.	3.45	3.84	3.96
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	182.50	207.50	242.50
Alfalfa, Large Rounds, Good Platte Valley, ton..	110.00	155.00	220.00
Grass Hay, Large Rounds, Good Nebraska, ton.	75.00	125.00	155.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	192.50	282.50	302.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	67.75	96.12	115.00
***No Market**			

This issue is the *second* in a series addressing current drought conditions, economic impacts and resources for Nebraska agriculture.

Over the past 20 to 30 years, agricultural disaster assistance has been an almost annual discussion in the United States Congress. In some years, substantial ad hoc emergency assistance has been developed to support farm incomes in periods of low prices and production losses. Disaster assistance to producers averaged nearly $7 billion annually over the 1998-2001 period and led to calls to rewrite the 1996 Farm Bill a year early, resulting in the 2002 Farm Bill that substantially increased the farm income safety net by adding the counter-cyclical payment. At other times, agricultural disaster losses did not garner immediate assistance from Congress and waited for the next disaster before aid arrived. Disaster legislation passed in 2004 covered losses from either 2003 or 2004. Legislation passed in 2007 covered losses from 2005, 2006 or 2007.

The 2008 Farm Bill substantially changed how Congress managed ag disaster assistance. To address the uncertainty of ad hoc legislation and the challenge of emergency funding, the farm bill legislation included permanent authority and funding for a portfolio of agricultural disaster assistance programs, including:

- 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

The permanent authority was designed to provide certainty to producers on the availability of disaster assistance from year to year. However, the certainty only lasted through 2011, when authorization and funding expired. To understand why, one must step back to 2008 in the midst of the farm bill debate. A battle over the projected annual costs of assistance and the budget constraints of writing any farm bill led legislators to authorize the programs for just four years instead of five, like the rest of the bill. This saved projected spending at the time and helped bring the farm bill to conclusion within its budget limits, but it also left a gaping policy hole for 2012 that is now readily apparent in the presence of a widespread U.S. drought on par with the most severe droughts of the 20th century.

On August 2, the U.S. House of Representatives passed a stand-alone agricultural disaster assistance bill, after attempts to attach it to a one-year farm bill extension failed. The U.S. Senate adjourned for the August recess before considering the bill. At the moment, disaster assistance appears ready for September consideration when Congress returns for a brief session before the final campaign swing. Whether the disaster assistance will be the stand-alone measure passed by the House, or part of a full five-year farm bill, or part of a short-term extension of the current farm bill remains to be seen.

Regardless, it appears the basic elements of the proposed disaster assistance are likely to be passed, providing some help for producers suffering from agricultural disaster conditions in 2012. That assistance would re-authorize the portfolio of livestock disaster assistance programs that were part of the 2008 Farm Bill, but would not continue the SURE program.

Currently-Available Disaster Assistance

Before exploring the proposed programs in Congress at the moment, it is worth discussing the currently-available programs that can provide assistance to producers suffering from agricultural disasters, whether from drought, fire, flood or other calamity.

Disaster Designation. The availability of assistance generally starts with the Secretary of Agriculture designating a county as an agricultural disaster county. Typically, counties that have documented production losses of 30 percent or more for at least one crop historically could request a disaster designation. When approved, those primary counties, plus all contiguous counties, become eligible agricultural disaster counties. In early July, the Secretary announced a streamlined disaster designation process whereby counties facing severe drought for at least eight consecutive weeks, as categorized by the U.S. Drought Monitor (developed at the University of Nebraska-Lincoln, and available at drought.unl.edu) would nearly automatically qualify as agricultural disaster counties. The currently-designated agricultural disaster counties in Nebraska are shown in Figure 1 (at end of article). Importantly, the agricultural disaster designations are approved by the Secretary of Agriculture and are separate from the Presidential disaster designations that often follow storms and storm damage. The Presidential disaster designations do not make producers eligible for disaster assistance except as noted below.

Emergency Loans (EL). The EL program is delivered through the United States Department of Agriculture (USDA) Farm Service Agency (FSA). Producers in agricultural disaster counties as well as producers in Presidential disaster counties are eligible to apply for assistance through the EL program. The program provides low-interest loan funds to eligible producers who have suffered qualifying production losses or physical losses of livestock, real estate or other property. The interest rate on emergency loans was established in 1993 at 3.75 percent, but with the current decline in commercial lending rates the Secretary recently announced a cut in the EM loan rate to 2.25 percent to increase benefits of the program to producers.

Emergency Haying and Grazing. Emergency haying and grazing is another tool available to address disaster needs. The Secretary of Agriculture makes the determination of which counties are eligible for emergency haying and grazing separate from the agricultural disaster designation. The Secretary has expanded the eligibility beyond severe drought counties to include additional moderate drought or abnormally dry counties for emergency assistance. All counties in Nebraska are currently eligible for emergency haying and grazing. The designation opens up Conservation Reserve Program (CRP) acres to emergency haying and grazing and has been extended by the Secretary to include Wetlands Reserve Program (WRP) acres, as well as contract modifications under the Environmental Quality Incentives Program (EQIP). Normally, emergency haying and grazing would come with a 25 percent reduction in the CRP rental payment from USDA, but the penalty has been reduced for now to ten percent of the CRP rental payment. FSA and the USDA Natural Resources Conservation Service (NRCS) administer the CRP, WRP and EQIP programs.

Emergency Watershed Protection Program (EWP). The EWP program helps communities, producers and land-owners address watershed impairments that threaten lives and property. While the damage might typically come from storms and floods, drought and fire damage that strips protective vegetation and threatens erosion is also mentioned among the various concerns covered by the program. NRCS administers the EWP program.

Proposed Disaster Assistance

The proposed disaster assistance legislation would restore the recently expired disaster programs for 2012, except for the SURE program, which covered crop losses that some argued are well covered by crop insurance instead.

Livestock Indemnity Program (LIP). The LIP covers death losses of livestock in excess of normal mortality due to adverse weather conditions such as extreme heat or wildfires (as well as a proposal to cover losses due to wildlife reintroduced or protected by the Federal Government). Livestock owners would submit a notice of loss and apply for an indemnity with FSA, which administers the program. Under the proposed legislation, the indemnity would be 75 percent of the average fair market value as determined by FSA. NebGuide G1921, authored by Lemmons and Lubben (available at www.ianrpubs.unl.edu/sendIt/g1971.pdf), provides further details on the previous LIP program, including the relevant records of both livestock inventory and weather conditions that producers should prepare.

Livestock Forage Program (LFP). The Livestock Forage Program (LFP) is administered by FSA and provides assistance to livestock producers suffering grazing land losses due to drought conditions (or fire on federal grazing lands). Eligibility for benefits is triggered when the county is identified by the U.S. Drought Monitor as having severe drought (D2) conditions or worse for specific periods of time during the grazing season. Under previous rules, producers had to purchase crop insurance or noninsured crop disaster assistance (NAP) program coverage on the grazing land to be covered, but the proposed legislation does not include this requirement. If producers qualify for losses, FSA calculates payments equal to approximately 60 percent of monthly feed costs (50 percent in the case of fire on federal grazing land), and pays producers 1, 2 or 3 times the rate based on the severity of the drought conditions.

Emergency Assistance for Livestock, Honey Bees and Farm-Raised Fish (ELAP). The ELAP program is administered by FSA and provides relief to producers of livestock, honey bees and farm-raised fish due to disaster losses from disease, adverse weather or other conditions not adequately covered by other programs. Similar to the LFP, previous rules required a crop insurance or NAP purchase, but the proposed legislation does not. ELAP funding is limited to $20 million total over the 2012-2013 period, meaning assistance payments might be limited or prorated if necessary.

Tree Assistance Program (TAP). TAP is administered by FSA and provides assistance to orchardists and nursery growers suffering tree, bush or vine losses due to natural disasters. Losses in excess of 15 percent of the stand (after adjustment for normal mortality or tree damage) qualify for assistance. The proposed legislation would provide as much as 70 percent of the cost of replacement or 50 percent of the cost of rehabilitation to replant or rehabilitate trees, bushes or vines damaged by natural disasters. As with the ELAP program, previous rules required a crop insurance or NAP purchase, but the proposed legislation does not.

All of the proposed disaster assistance programs would be subject to producer eligibility and payment limit rules, including a limit of $100,000 per person per crop year. While rules would need to be written if legislation is passed, the four programs would be expected to operate much as they did before expiring in 2011.

Other Assistance Programs

While the current and proposed disaster assistance programs directly respond to producers facing losses due to disaster conditions, there are other existing programs that help producers manage risk that are also relevant to a producers' planning and decision-making.

Average Crop Revenue Election (ACRE). The ACRE program was introduced in the 2008 Farm Bill as a revenue safety net program. Unlike previous price-based safety net programs that did not offer assistance for disaster-related production losses, the ACRE program effectively provides protection from shallow losses in revenue due to either price or yield declines relative to a moving-average guarantee. The guarantee is tied to both a state and farm level revenue benchmark and complements, but doesn't effectively replace the role of crop insurance for the individual. ACRE was authorized as part of the 2008 Farm Bill through the 2012 crop year, but expires along with the rest of the farm bill this fall unless programs are re-authorized or extended. Proposals for the next farm bill currently contain a revenue-based program similar to ACRE as part of the safety net for the coming years. ACRE and other commodity programs are administered by FSA.

Crop Insurance. Crop insurance has become a major part of most producers' risk management strategies in recent years. It is also the biggest component of the farm income safety net in terms of the federal investment and support for the program, outpacing current spending on traditional commodity programs. Producers can purchase yield or revenue protection at the farm or county level for numerous covered commodities, and can purchase other coverage or special endorsements for some crops not covered with traditional insurance products. The widespread use and the level of protection provided by crop insurance is a primary reason the SURE program was not included in the proposed legislation to re-authorize disaster assistance. Crop insurance is administered through the USDA Risk Management Agency (RMA) and is delivered and serviced through private insurance companies and agents across the country. With current crop losses accumulating, crop insurance is expected to provide billions in indemnity payments to producers this year. The path to assistance starts with a call from the producer to the crop insurance agent to file a claim and get the adjustment process started to measure losses before anything else is done to the crop or the land.

Conservation Programs. An entire portfolio of conservation programs exist to help and reward producers for adopting or maintaining conservation practices. Land retirement programs such as CRP and WRP take land from agricultural production and place it into conservation uses such as vegetative cover, wildlife habitat or wetlands. Working lands programs such as EQIP and the Conservation Stewardship Program (CSP) provide incentives for conservation practices on land that remains in agricultural production. Preservation or easement programs provide landowners payments to keep land in its present agricultural use. Each of the programs may provide some assistance to producers suffering from disaster losses, whether it is retiring some marginal land from crop production or installing fences or water to more efficiently use limited grazing capacity. Most conservation programs are administered by NRCS, although FSA has responsibility for the CRP.

Loan Programs. In addition to the EL program discussed earlier, the FSA administers the general farm loan program which provides direct loans or loan guarantees for farm operation or ownership. There are special provisions for qualifying producers, including minority, women and/or beginning farmers and ranchers.

Risk Management Education. Funding through RMA provides support for risk management education targeted to producers. Some programs are competitively funded directly by RMA, while another category of funding is competitively awarded through USDA to five Extension Risk Management Education Centers across the country, including the North Central Risk Management Education Center headquartered at the University of Nebraska-Lincoln (on the web at ncrme.org). The North Central Center funds programs targeted to producers in the twelve North Central states from North Dakota to Kansas to Ohio to Michigan and back. Those programs help producers learn, analyze and implement risk management skills, tools and strategies to address production, price, financial, legal and human resource risks in their farm and ranch operations.

Other Programs. There are several other programs available at both the federal and state level that assist producers with a multitude of management issues and challenges, including: borrowing needs, conservation practices, value-added production and marketing, energy efficiency, beginning farmer assistance and more. While it is impossible to list every program available to help producers, a good recommendation is to start at the main websites of both the U.S. Department of Agriculture (www.usda.gov) and the Nebraska Department of Agriculture (www.agr.state.ne.us).

General Conclusions

There are numerous existing and proposed federal agricultural programs that can help producers prepare for, mitigate or recover from disaster conditions such as the drought, heat and fire experienced across Nebraska this year. Some of the programs are available continuously and can fit into a producer's risk management decision-making process before the risk arrives. Some programs, such as the proposed disaster assistance, provide support for losses when disasters have occurred. Regardless, they all demand some action and planning on the part of producers.

Good management and good recordkeeping are necessary to participate in or take advantage of the programs available. Even as disaster or emergency needs take the attention of producers, it is important to remember the management steps necessary to position the operation successfully, whether to avoid or survive risk, or to benefit from assistance when losses occur.

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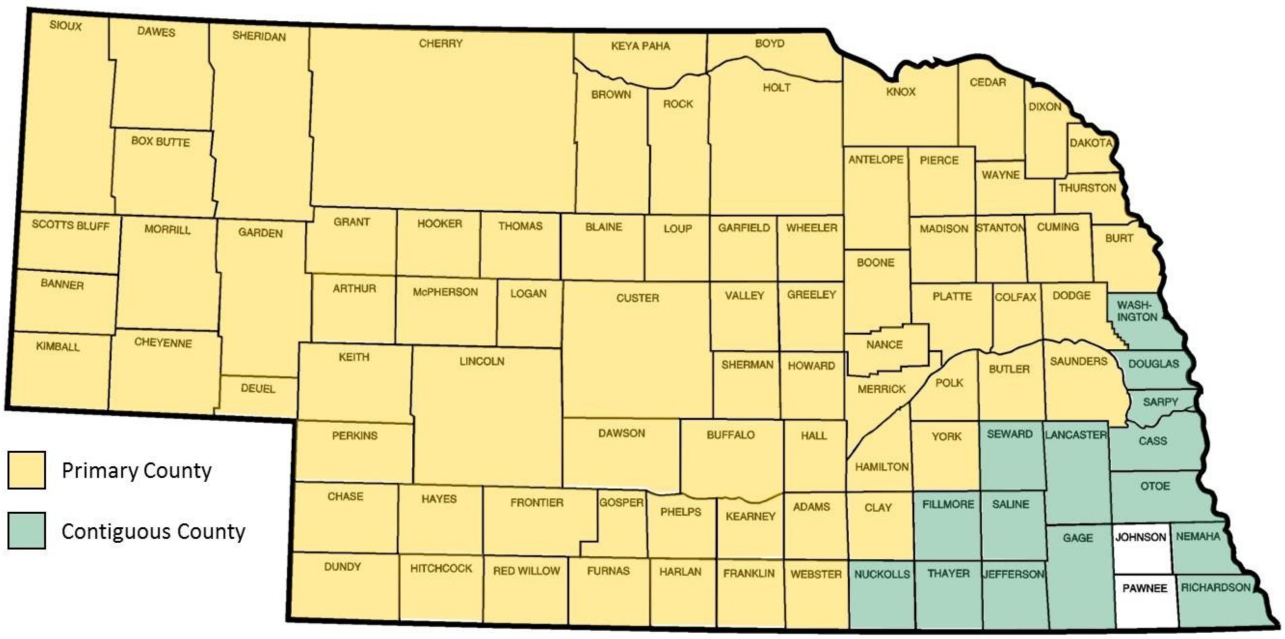

This map includes agricultural disaster designations by the Secretary of Agriculture for Nebraska counties and for counties in surrounding states that include Nebraska counties as contiguous counties. This map does not include Presidential disaster designations.

Designations and dates included through 8/3/12 (S3334)

Figure 1. 2012 Agricultural Disaster Designations in Nebraska as of August 3, 2012