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Farm Bill Primer: Disaster Assistance Programs

A number of federal programs help agricultural producers recover from the effects of natural disasters, including federal crop insurance; the Noninsured Crop Disaster Assistance Program (NAP); livestock and fruit tree disaster programs; and emergency disaster loans. All programs are permanently authorized and most receive “such sums as necessary” through mandatory spending authority. As such, these programs do not require reauthorization in the next farm bill. However, Congress may choose to create additional programs, or amend or replace existing programs to address emerging issues.

Federal policies that respond to agricultural loss from disasters have changed over time. Direct payments for production loss were authorized by Congress in an ad hoc fashion through emergency funding measures until 2007. With additional support through federal crop insurance policies and the creation of more permanent disaster support programs in the 2008 farm bill (P.L. 110-246), and continued in the 2014 farm bill (P.L. 113-79), Congress shifted policies away from ad hoc assistance toward more permanent forms of assistance. Now, nearly all parts of the U.S. farm sector are covered by a standing program.

2014 Farm Bill Disaster Programs

Title I of the 2014 farm bill permanently reauthorized three disaster programs for livestock and one for fruit trees (7 U.S.C. 9081). Producers do not pay a fee to participate. All programs except the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP) receive uncapped mandatory funding through the U.S. Department of Agriculture’s (USDA) Commodity Credit Corporation (CCC); that is the programs receive “such sums as necessary” to reimburse eligible producers for their losses. Funding for ELAP provided much the same way, but is capped at \$20 million per year.

For individual producers, combined payments under all programs (except the Tree Assistance Program, TAP) may not exceed \$125,000 per year. For TAP, a separate limit of \$125,000 per year applies. Also, to be eligible for a payment, a producer’s total adjusted gross income cannot exceed \$900,000.

Livestock Forage Disaster Program (LFP)

The Livestock Forage Disaster Program makes payments to eligible livestock producers who have suffered grazing losses on drought-affected pastureland (including cropland planted specifically for grazing), or on rangeland managed by a federal agency due to a qualifying fire.

LFP payments for drought are equal to 60% of the monthly feed cost for up to five months, depending upon the severity of the drought. LFP payments for fire on federally managed rangeland are equal to 50% of the monthly feed cost for the

number of days the producer is prohibited from grazing the managed rangeland, not to exceed 180 calendar days.

Livestock Indemnity Program (LIP)

The Livestock Indemnity Program provides payments to eligible livestock owners and contract growers for livestock deaths in excess of normal mortality caused by adverse weather, or attacks by animals reintroduced into the wild by the federal government or protected by federal law. The LIP payment rate is equal to 75% of the average fair market value of the animal.

Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP)

The Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program provides payments to producers of livestock, honey bees, and farm-raised fish as compensation for losses due to disease, adverse weather, feed or water shortages, or other conditions (such as wildfires) that are not covered under LIP or LFP.

Tree Assistance Program (TAP)

The Tree Assistance Program makes payments to qualifying orchardists and nursery tree growers to replant or rehabilitate trees, bushes, and vines damaged by natural disasters. Losses in crop production are generally covered by federal crop insurance or the Noninsured Crop Disaster Assistance Program (NAP), see below. Eligible trees, bushes, and vines are those from which an annual crop is produced for commercial purposes. Nursery trees include ornamental, fruit, nut, and Christmas trees produced for commercial sale. Trees used for pulp or timber are ineligible. The total quantity of acres planted to trees, bushes, or vines for which a producer can receive TAP payments cannot exceed 500 acres annually.

Federal Crop Insurance

The federal crop insurance program is permanently authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.) and is administered by USDA’s Risk Management Agency. The program is designed to protect crop producers from unavoidable risks associated with adverse weather and weather-related plant diseases and insect infestations. Eligible producers can also purchase revenue insurance, which makes payments when farm revenue falls below a target level, regardless of whether the cause was a natural disaster. Amendments to the federal crop insurance program generally occur under a separate title within farm bills, most recently under Title XI of the 2014 farm bill.

Crop insurance is available for most major crops and many specialty crops (including fruit, tree nut, vegetable, and nursery crops), as well as forage and pastureland for livestock producers. A producer who chooses to purchase

an insurance policy must do so by an administratively determined deadline date, which varies by crop and usually coincides with the planting season. The producer selects a level of coverage and pays a portion of the premium—or a fee in the case of catastrophic coverage—which increases as the level of coverage rises. The federal government pays the rest of the premium (on average, 63% in the 2016 crop year). Policies are sold and serviced through approved private insurance companies.

Noninsured Crop Disaster Assistance Program (NAP)

Producers who grow a crop that is currently ineligible for crop insurance may apply for NAP. NAP has permanent authority under Section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) and is administered by USDA's Farm Service Agency (FSA). Recent amendments to NAP were included in Title XII of the 2014 farm bill.

Eligible crops under NAP include any commercial crops grown for food, fiber, or livestock consumption that are ineligible for crop insurance. Trees grown for wood, paper, or pulp products are not eligible. To be eligible for a NAP payment, a producer first must apply for coverage by the application closing date, which varies by crop but is generally about 30 days prior to the final planting date for an annual crop. Like catastrophic coverage under crop insurance, NAP applicants must also pay an administrative fee at the time of application. The NAP service fee is the lesser of \$250 per crop or \$750 per producer per administrative county, not to exceed a total of \$1,875 for farms in multiple counties.

Emergency Loans

When either the President or the Secretary of Agriculture declares a county a disaster area or quarantine area, agricultural producers in that county, and contiguous counties, may become eligible for low-interest emergency disaster loans available through FSA. The emergency loan program is permanently authorized by Title III of the Consolidated Farm and Rural Development Act (P.L. 87-128), as amended, and is subject to annual appropriations. Emergency loan funds may be used to help eligible farmers, ranchers, and aquaculture producers recover from *production* losses (when the producer suffers a significant loss of an annual crop), or from *physical* losses (such as repairing or replacing damaged or destroyed structures or equipment, or for the replanting of permanent crops such as orchards). A qualified applicant can then borrow up to 100% of the value of actual production or physical losses (not to exceed \$500,000).

Other Disaster Assistance Programs

USDA has other permanent disaster assistance programs and administrative flexibilities that help producers recover from, or respond to, a natural disaster. Broadly, these include programs that repair damaged land, payment authority through CCC and other funding mechanisms for losses, and adjustments to conservation and loan programs. These programs and flexibilities are generally authorized and funded outside of farm bills or outside the context of

disaster response and therefore not included in this document.

Issues for Congress

Over time, farm policy has shifted away from ad hoc assistance to permanently authorized programs that receive mandatory funding for natural disaster losses. This may result in less focus on disaster assistance relative to other forms of production support programs in the next farm bill. While potentially less controversial than in previous farm bills, Congress may choose to consider broad issues related to agricultural disaster assistance, some of which are identified below.

Method of Assistance

Farm policies have shifted over time between direct assistance, subsidized insurance products, and a mix of both. Questions arise about what is the best mix of assistance programs for agriculture in the event of a natural disaster. Should federal programs emphasize insurance or insurance-like products, or are direct payments a better form of support?

Type of Production

Livestock producers traditionally have not been covered by crop insurance or other forms of federal support. The farm bill disaster programs have been designed to reimburse them for some of their production losses due to weather events. This was also true for select specialty crops like orchards, which may have had coverage for the loss of the fruit under insurance programs, but not the loss of the tree itself. The permanent disaster assistance programs created under the 2014 farm bill address some of these same losses, but it is unclear whether the level of assistance is sufficient to adequately protect producers, particularly when compared with that available for traditional row crops.

Caps and Limits

The federal crop insurance program does not have acreage enrollment caps, premium subsidy and indemnity payment limits, or income limits, while the 2014 disaster assistance programs and NAP do have such limits. Since the availability of these programs is related to the type of production, it's unclear whether the caps and limits under certain programs affect one type of production, or group of producers, more than others.

CRS Reports

For additional information on these and other USDA assistance programs, see Disaster Assistance (General)—CRS Report RS21212, *Agricultural Disaster Assistance* and CRS In Focus IF10565, *Federal Disaster Assistance for Agriculture*; Land Rehabilitation—CRS Report R42854, *Emergency Assistance for Agricultural Land Rehabilitation*; Crop Insurance—CRS Report R40532, *Federal Crop Insurance: Background*; and USDA Loans—CRS Report RS21977, *Agricultural Credit: Institutions and Issues*.

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