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# Livestock Forage Disaster Program (LFP): Drought and Wildfire Assistance

June 4, 2024

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# Livestock Forage Disaster Program (LFP): Drought and Wildfire Assistance


## SUMMARY

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Many producers raising livestock, such as beef or dairy cattle, depend on forage for grazing. Forage types include native and improved grasses, mixed forage, forage sorghum, and small grains (e.g., barley, millet, oats, rye, triticale, or wheat). Drought and wildfire are two natural disasters that can impact forage availability. When grazing forage is limited, livestock producers may need to purchase supplemental feeds (e.g., hay), cull animals from the herd, or both. These additional costs could impact a livestock producer's short- or long-term farm profitability. The U.S. Department of Agriculture (USDA) Livestock Forage Disaster Program (LFP) provides payments to producers to offset a portion of the supplemental feed costs incurred due to qualifying drought or wildfire. USDA's Farm Service Agency (FSA) administers the program. LFP provides payments to eligible livestock producers impacted by two specific types of forage loss: (1) drought on privately managed land used for grazing and (2) fires on federally managed land used for grazing.

Prior to the Food, Conservation, and Energy Act of 2008 (2008 farm bill; P.L. 110-246), Congress provided funds to USDA to compensate livestock producers for forage losses due to qualifying natural disasters. The 2008 farm bill formalized LFP and funded the program through the Agricultural Disaster Relief Fund. The Agricultural Act of 2014 (2014 farm bill; P.L. 113-79) permanently authorized the program and authorized funding through the Commodity Credit Corporation (CCC) instead of the Agricultural Disaster Relief Fund. The program receives mandatory, indefinite appropriations of "such sums as necessary." Therefore, FSA may administer LFP indefinitely without fiscal year limitation, subject to CCC annual funding limits. If an eligible livestock producer submits a valid application for LFP, USDA must provide them with payments. Funding for the program is estimated each year but may increase or decrease due to the number of qualifying droughts and wildfires and the number of eligible livestock producers.

LFP payments for drought impacting privately managed land and wildfire on federally managed land are triggered differently. LFP payments for drought are triggered depending on the severity and duration of the drought conditions in the county where the eligible livestock graze. Drought conditions triggering LFP payments are based on the U.S. Drought Monitor's classification system—abnormally dry (D0), moderate drought (D1), severe drought (D2), extreme drought (D3), and exceptional drought (D4). Eligible livestock producers may receive payments during drought conditions of D2, D3, or D4. LFP payment for wildfires are triggered when a wildfire occurs on federally managed land used by livestock producers for grazing. Eligible producers' total LFP payment depends on the severity of the drought conditions and the number of days the wildfire prevents the livestock producer from grazing federally managed lands (i.e., the more severe the drought or prolonged the wildfire effects, the higher the potential LFP payment).

LFP has eligibility requirements for the producers, the livestock, and the grazing land. To be eligible to receive LFP payments, a livestock producer must have risk (e.g., own the land and/or cash lease or lease federally managed land on a long-term basis) in the affected grazing land and share in the risk of producing the livestock (e.g., ownership interest in the livestock). Producers must also have eligible grazing livestock that are raised for commercial use. Land eligible for LFP payments includes land that is native or improved grazing land with permanent vegetative cover or planted specifically for the purpose of providing grazing for livestock. FSA has a set of calculations to determine a livestock producer's payment, and payment calculations for drought differ from calculations for fire on federally managed land. LFP payments are subject to monthly payment limits as well as a calendar year payment limit of $125,000.

Since 2008, total LFP payments have varied based on drought conditions and instances of wildfires. LFP payments, in inflation-adjusted dollars, increased in FY2021, FY2022, and FY2023 ($615 million, $1.287 billion, and $1.777 billion, respectively), compared with FY2019 and FY2020 ($338 million and $186 million, respectively) levels. The increases in FY2021 and FY2022 were a result of widespread and prolonged drought conditions in the United States. Since 2000, the percent of U.S. cattle inventory affected by drought conditions triggering LFP payments ranged from 0% in 2019 to 53% in 2021.

LFP was permanently authorized and indefinitely funded by the 2014 farm bill. As a result, it does not require reauthorization in the next farm bill since the program's authority and funding do not expire when the current farm bill expires. Issues of potential interest to Congress may include

- duplication of payments between LFP and other USDA disaster assistance and risk management programs;
- whether the current LFP provides sufficient benefits given the recent supplemental ad hoc assistance to producers provided by Congress;
- whether current LFP oversight mechanisms are adequate;
- whether to change LFP payment limits and eligibility criteria;
- the effect that the increasing frequency and severity of drought and wildfire instances might have on future program outlays; and
- whether to expand LFP coverage to include additional natural disasters.

# Contents



## Figures



## Tables



## Appendixes



## Contacts

# Introduction

Many producers raising livestock, such as beef or dairy cattle, depend on forage for grazing. Forage types include native and improved grasses, mixed forage, forage sorghum, and small grains (e.g., barley, millet, oats, rye, triticale, or wheat). Drought and wildfire are two natural disasters that can impact forage growth and potentially limit availability for grazing. When grazing forage is limited, livestock producers may need to purchase supplemental feeds (e.g., hay), cull animals from the herd, or both. These additional costs could impact a livestock producer's short- or long-term farm profitability. The U.S. Department of Agriculture (USDA) Livestock Forage Disaster Program (LFP) provides payments to producers to offset a portion of the supplemental feed costs incurred due to qualifying drought or wildfire. USDA's Farm Service Agency (FSA) administers the program. LFP provides payments to eligible livestock producers impacted by two specific types of forage loss: (1) drought on privately managed land used for grazing and (2) fires on federally managed land used for grazing.

This report provides an overview of forage loss on U.S. livestock production due to drought and wildfire. It also provides an overview of LFP, including governing statutes, eligibility, how payments are calculated, and LFP payments since 2008. The report also presents potential issues for Congress related to program oversight and modification.

# U.S. Livestock Production and Forage Loss

Understanding the contribution of U.S. cattle to U.S. agricultural production may contextualize the number of U.S. farms and potential economic impacts of forage loss on U.S. livestock producers. According to USDA, more than half a million (about 39%) of U.S. farms raise cattle.[1] Cattle production occurs in every state in the United States.[2] Cash receipts for cattle and calves are forecast to be $125.6 billion and account for 20% of total cash receipts for U.S. agricultural commodities in 2023.[3] In terms of potential U.S. land eligible under LFP, privately held (i.e., not federally managed land) permanent pasture land accounted for 45% of total U.S. agricultural land (i.e., 393 million acres).[4] Approximately 238 million acres of land managed by the Bureau of Land Management (BLM) and U.S. Forest Service (FS) were available for livestock grazing in FY2022.[5]

Livestock producers are vulnerable to forage loss conditions, such as drought, that directly impact forage availability for their grazing livestock, including cattle, sheep, and equine. According to

[1] CRS calculations using data from U.S. Department of Agriculture (USDA), National Agricultural Statistics Service (NASS), *2022 Census of Agriculture*.

[2] Jeffrey Gillespie, Christine Whitt, and Christopher G. Davis, "Structure, Management Practices, and Product Costs of U.S. Beef Cow-calf Farms," USDA, Economic Research Service (ERS), ERR-321, July 27, 2023, https://www.ers.usda.gov/publications/pub-details/?pubid=107012.

[3] USDA, ERS, "Data Files: U.S. and State-Level Farm Income and Wealth Statistics, Annual Cash Receipts by Commodity, U.S. and States, 2008-2024F," updated February 7, 2024, https://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/data-files-u-s-and-state-level-farm-income-and-wealth-statistics/.

[4] USDA, NASS, "Farms and Farmland 2022 Census of Agriculture Highlights," March 2024, https://www.nass.usda.gov/Publications/Highlights/2024/Census22_HL_FarmsFarmland.pdf.

[5] For information about livestock grazing on federally managed land, see CRS Report RS21232, *Grazing Fees: Overview and Issues*.

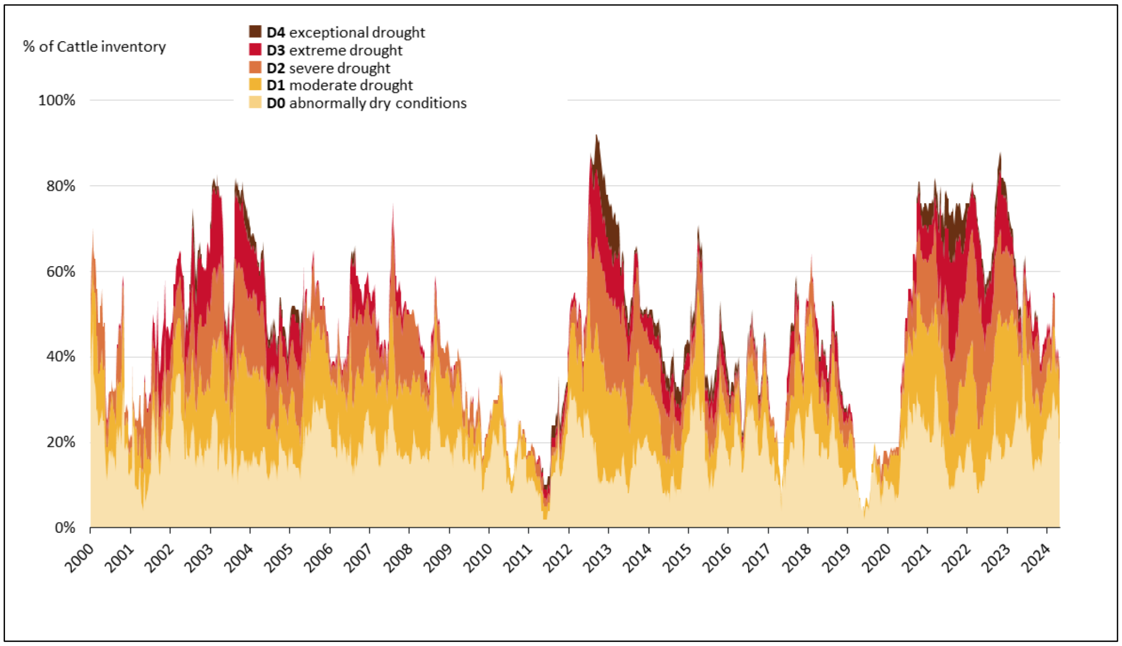
USDA's Economic Research Service (ERS), the leading driver of production risk (i.e., potential production losses) to U.S. agriculture is drought.[6]

A drought can be difficult to define and classify. Drought generally refers to a period of insufficient moisture levels that are substantially below average conditions. The U.S. Drought Monitor (USDM) is a collaborative effort to classify drought between the National Drought Mitigation Center (NDMC) at the University Nebraska-Lincoln, the National Oceanic Atmospheric Administration (NOAA), and the U.S. Department of Agriculture (USDA). The USDM classifies drought severity and duration at the county level and publishes weekly county-level maps.[7]

Since 2000, the percent of U.S. cattle inventory affected by drought conditions has ranged from 4% (2019) to 92% (2012) (**Figure 1**).[8] In addition, some studies suggest that recent systemic drought conditions have contributed to beef cattle inventories reaching a historic low in 2024.[9]

**Figure 1. Drought Conditions Affecting Cattle in the United States**

2000-2024




**Source:** CRS using U.S. Drought Monitor data as of March 30, 2024.

**Notes:** Drought conditions of D2 or higher may trigger LFP payments. Abnormally dry (D0) areas are either going into or out of a drought. Crops and forage may experience slower than normal growth. Moderate drought (D1) areas may experience some damage to crops and forage. Low streams, reservoirs, or wells may cause developing or imminent water shortage, and voluntary water use restrictions may be requested. Severe drought

[6] Steven Wallander, Elizabeth Marshall, and Marcel Aillery, "Farmers Employ Strategies To Reduce Risk of Drought Damages," *Amber Waves,* USDA, ERS, June 5, 2017, https://www.ers.usda.gov/amber-waves/2017/june/farmers-employ-strategies-to-reduce-risk-of-drought-damages.

[7] For more information on drought science, forecasting, and federal authorities related to drought planning and response, see CRS Report R46911, *Drought in the United States: Science, Policy, and Selected Federal Authorities*.

[8] U.S. Agricultural Commodities in Drought, "Livestock & Forage Data Table," accessed February 13, 2024, https://agindrought.unl.edu/Table.aspx?2.

[9] John McCracken, "Droughts, complicated by climate change, result in US beef herd hitting historic low," *Investigate Midwest*, March 13, 2024, https://investigatemidwest.org/2024/03/13/droughts-complicated-by-climate-change-lead-to-historically-dwindling-us-beef-herd/.

(D2) areas are likely experiencing crop and forage losses. Water shortages are common, and water restrictions may be imposed. Extreme drought (D3) areas are experiencing major crop and forage losses, and widespread water shortages or restrictions are imposed. Exceptional drought (D4) areas are experiencing exceptional and widespread crop and forage losses. Water shortages in reservoirs, streams, and wells may cause water emergencies.

Forage losses can result in declining farm profitability because of an increase in production costs (e.g., purchase of supplemental feed), producers selling livestock at a lower price, and declining livestock prices as many producers try selling livestock at the same time. Data reported by USDA ERS show feed costs accounted for about 72% of total operating costs in calendar year 2022.[10]

During a period of prolonged forage losses (e.g., a drought lasting for more than one year) livestock producers may face decisions with long-term impacts, such as those related to the natural life cycle of livestock and the time and investment needed to rebuild the herd. One option is for producers to purchase supplemental livestock feed, such as hay or corn silage, which may be more expensive during widespread forage loss events. Another option for livestock producers is to partially cull their herds. Livestock producers may also implement a combination of both options. In periods of widespread herd liquidation, livestock markets can become saturated, and prices paid to livestock producers may decline. Therefore, livestock producers may experience lower farm income. Rebuilding a herd may also take time. As a result, a livestock producer may experience years of lower-than-average farm revenue until the herd returns to previous numbers.

# Livestock Forage Disaster Program

LFP provides payments to eligible livestock producers impacted by two specific types of forage loss: (1) drought on privately managed land used for grazing and (2) fires on federally managed land used for grazing. LFP payments offset a portion of the producer's supplemental feed costs incurred due to qualifying drought or wildfire. To receive LFP payments a producer, the livestock, and the grazing land are required to meet certain criteria. FSA has a set of calculations to determine a livestock producer's payment, and payment calculations for drought differ from calculations for wildfire on federally managed land.

## Statutory Authority

Prior to the Food, Conservation, and Energy Act of 2008 (2008 farm bill; P.L. 110-246), Congress appropriated funds for USDA to compensate livestock producers for forage losses due to qualifying natural disasters. Section 12033 of Title XII of the 2008 farm bill formalized LFP and funded the program through the Agricultural Disaster Relief Fund.[11] Authorization for LFP lapsed in October 2011. Title I, Section 1501, of The Agricultural Act of 2014 (2014 farm bill; P.L. 113-79) permanently authorized the program, authorized funding through the Commodity Credit Corporation (CCC), and retroactively appropriated funding to pay producers for qualifying forage losses occurring in 2011, 2012, and 2013.[12] The program receives mandatory, indefinite appropriations of "such sums as necessary."[13] Therefore, FSA may administer LFP indefinitely without fiscal year limitation, subject to CCC annual funding limits and payment sequestration.[14]

[10] USDA, ERS, "Data Files: Commodity Costs and Returns, Cow-calf," updated October 2, 2023, https://www.ers.usda.gov/data-products/commodity-costs-and-returns/commodity-costs-and-returns/.

[11] 7 U.S.C. 1531.

[12] 7 U.S.C. 9081.

[13] 7 U.S.C. §9081(c)(2).

[14] Sequestration is a process to reduce federal spending through automatic, largely across-the-board reductions that (continued...)

If a livestock producer applies for aid and meets the producer, livestock and grazing land eligibility criteria, USDA must provide them with payments. Payments are subject to a $125,000 program year limit. Funding for the program is estimated each year but may increase or decrease due to the number of qualifying droughts, wildfire, and number of eligible livestock producers. As mentioned above, pervious Congressional action has modified LFP, but the scope of qualifying natural disasters has been consistent in each farm bill.

## Eligibility Requirements

LFP applies eligibility criteria for producers, grazing livestock, and grazing lands. To be eligible to receive LFP payments, a livestock producer must share in the risk of producing the livestock and the grazing land.[15] Eligible livestock are animals raised for commercial use that consume most of their nutritional requirements by grazing forage. Land eligible for LFP payments includes land that is native or improved grazing land with permanent vegetative cover or land planted specifically for the purpose of providing grazing for livestock.

### Producer Eligibility

Livestock producers must meet eligibility requirements specified in statute to receive payments under LFP.[16] Eligible producers do not pay fees to participate in LFP and can apply for LFP payments at their local FSA office within 30 calendar days after the end of the calendar year in which the grazing loss occurred.[17] Advance sign-up is not required. To receive LFP payments, livestock producers must meet all the requirements listed below.[18]

- Be a U.S. citizen, resident alien, partnership of citizens of the United States, or an Indian tribe or tribal organization.
- Own or lease livestock or be a contract grower at least 60 days prior to the start of the qualifying drought or fire.
- Have an average adjusted gross income (AGI) below $900,000.[19]

### Livestock Eligibility

Eligible livestock must consume most of their nutritional requirements by grazing forage and must be on the grazing land as of the start of the qualifying drought. For wildfires, eligible livestock must be normally permitted to graze federally managed rangeland and have been prohibited from grazing due to a qualifying fire. The list of eligible species includes alpacas, beef cattle, beefalo (including water buffalo), bison, dairy cattle, deer, elk, emus, equine, goats, llamas,

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permanently cancel mandatory and/or discretionary budget authority. LFP classifies as a nonexempt mandatory account and is therefore reduced by sequestration. For additional information on sequestration, see Appendix C in CRS Report R46951, *Agriculture and Related Agencies: FY2022 Appropriations*.

[15] Examples of livestock producers sharing in the risk on privately owned grazing land may include owning the land they farm, paying cash to rent the land they farm, and/or renting the land they farm for a share of the crop produced on the land.

[16] For additional information on other USDA farm programs' eligibility requirements, see CRS Report R46248, *U.S. Farm Programs: Eligibility and Payment Limits*.

[17] To find local Farm Service Agency (FSA) offices, see USDA, "Service Center Locator: Farm Service Agency," https://offices.sc.egov.usda.gov/locator/app?state=us&agency=fsa.

[18] The listed eligibility requirements come from 7 U.S.C. §§9081(a)(2) and (c)(1)(C).

[19] Adjusted gross income (AGI) is defined as an individual or legal entity's total annual income minus eligible adjustments determined by the Internal Revenue Service. For purposes of LFP, an eligible producer's average AGI is calculated from the three taxable years preceding the most recently completed tax year.

ostrich, reindeer, and sheep.[20] The livestock must be raised or managed for commercial use or for producing commercial products (e.g., milk).[21] In addition, animals maintained in a commercial operation for purposes of pleasure, pets, roping, or show are eligible.[22] Unweaned livestock, animals that are not grazing animals, as well as yaks, poultry, and swine are not eligible. Also, wild, free-roaming livestock; livestock raised for racing or wagering or for hunting; or animals intended for consumption by an owner, lessee, or contract grower are ineligible. Livestock that were or would have been in a feedlot as part of the normal business operation at the beginning of the qualifying drought or fire are ineligible.[23] To receive LFP payments, livestock would need to have been planned to be grazing the drought affected grazing land in the eligible county during the normal grazing period.

A livestock producer may qualify for LFP payments for the same eligible livestock in multiple counties. For example, there could be a situation in which an eligible livestock producer grazes the same eligible livestock in more than one county during the normal grazing period. While the same eligible livestock were grazing specific grazing land in each county during the normal grazing period, each county could experience a qualifying drought triggering LFP payments. Therefore, the eligible livestock producer may qualify for LFP payments on the same eligible livestock in each county. The maximum payment an eligible producer can receive in all counties combined under LFP in a calendar year for the same eligible livestock cannot exceed five monthly payments.

## Land Eligibility

Land with grazing losses due to drought are eligible for LFP payments if the grazing land is located in a county affected by a qualifying drought during the normal grazing period. The land eligible for LFP payments is land that is native or improved grazing land with permanent vegetative cover or land that is planted specifically for the purpose of providing grazing for livestock.[24] These forage types include, but are not limited to, native and improved grasses, mixed forage, forage sorghum, and small grains (e.g., barley, millet, oats, rye, triticale, or wheat).[25] Ineligible land includes the following:[26]

- acreage enrolled in certain conservation programs;
- irrigated pasture or crop acreage;[27]
- post-harvest acreage for row crop production (e.g., corn and grain sorghum);
- acreage with cover crops;
- planted forage crops after the final planting date;
- select grazing lease agreements; and
- unapproved double-cropped acreage combinations.

[20] 7 U.S.C. §9081(c)(1)(A).

[21] 7 C.F.R. §1416.204.

[22] Commodity Credit Corporation, "Pandemic Assistance Programs and Agricultural Disaster Assistance Programs," 88 *Federal Register* 1872, January 11, 2023.

[23] 7 U.S.C. §9081(c)(1)(A)(ii).

[24] 7 U.S.C. §9081(c)(3)(A).

[25] Eligible producers are required to submit a valid acreage report (FSA-578) to apply for LFP payments.

[26] 7 C.F.R. §1416.205.

[27] Land that was not irrigated during the current production year due to a lack of surface water resulting from a qualifying drought condition is eligible.

For losses due to a qualifying fire, livestock producers are eligible to receive LFP payments if both of the following apply:

- the grazing losses occur on public rangeland managed by a federal agency, and
- the federal agency prohibits producers with grazing permits from grazing their livestock on the rangeland due to a fire.[28]

Similar to the requirements for land under drought conditions, eligible producers with eligible livestock on land damaged by fire must have risk in producing the livestock and the grazing land.[29]

## Payment Calculations and Limits

Although LFP payment calculations for drought differ from the calculations for fire on federally managed land,[30] factors included in payment calculations for both drought and wildfire are the duration of forage loss and estimated monthly cost to the impacted livestock producer. LFP payments for drought and wildfires are triggered differently. **Table 1** details the USDM conditions that trigger LFP payments. For fires, LFP payments are triggered on the first day the permitted eligible livestock are prohibited from grazing the federally managed rangeland and end whichever day occurs first: (1) last day of the federal grazing lease or (2) 180 calendar days since eligible livestock were prohibited from grazing. LFP payments are not intended to cover 100% of losses. In addition, LFP payments are subject to monthly and calendar year payment limits. Receiving LFP payments in one year does not prevent a producer from receiving payments in following years. In general, eligible producers receive LFP payment in the calendar year following the calendar year in which the forage loss occurred.

### Payments for Losses Due to Drought

To determine the LFP payment rate for losses due to drought, which is established in statute, USDA makes a separate calculation for each eligible livestock's specific type and weight range.[31] The payment rate is based in part on the monthly feed cost. The monthly feed cost is based in part on the number of pounds of corn equivalent per head, as established by FSA, determined necessary to provide the energy requirements for the specific kind and type of livestock for 30 calendar days.[32] The monthly feed cost is a proxy for the eligible livestock producer's estimated feed costs, which may vary across producers. The LFP monthly payment rate for drought is equal to 60% of the lesser of the two monthly feed cost calculations determined by[33]

[28] 7 U.S.C. §9081(c)(4). LFP payments are not available for wildfires on privately owned grazing lands.

[29] Examples of risk on privately owned grazing land include owning and/or cash leasing the grazing land. Examples of having risk in the grazing land for federally managed land include leasing land on a long-term basis that FSA determines requires lessee contribution, including but not limited to wells, fences, or other maintenance and upkeep inputs or including grazing land leased for cash or fixed amount for an established grazing period.

[30] USDA, FSA, *FSA Handbook: Livestock Forage Disaster Program*, https://www.fsa.usda.gov/Internet/FSA_File/1-lfp_r00_a05.pdf.

[31] Payment rates for beef, dairy, beefalo, and buffalo/bison differ based on whether the animal is an adult or non-adult. For these non-adult animals, there are different payment rates if the animal is 500 pounds or more or less than 500 pounds.

[32] 7 U.S.C. 9081(c)(3)(C).

[33] The 60% factor is set by 7 U.S.C. §9081(c)(3)(B).

- (monthly feed cost payment rate) x (number of head of eligible covered livestock);[34] or
- (number of eligible grazing land acres of the specific type of grazing land)/(normal carrying capacity[35] of the specific type of eligible grazing land) x (30 days) x (daily feed cost).[36]

In addition, the number of monthly LFP payments producers may receive for a qualifying drought depends on the length and intensity of the drought during the normal grazing period. More intense and prolonged droughts result in a livestock producer receiving more monthly LFP payments. **Table 1** shows the USDM intensity and duration requirements and the corresponding number of monthly LFP payments. For example, if a county experienced a D2 intensity drought for eight consecutive weeks, triggering one monthly LFP payment, and then the drought conditions in the county are rated D3 for at least one day, the eligible livestock producer may be eligible for two additional monthly LFP payments.

During drought conditions that last longer than one year, eligible livestock producers may receive payments for eligible livestock sold due to qualifying drought conditions within the past two production years. In this scenario, eligible livestock producers may receive LFP payments equal to 80% of the monthly payment rate for the eligible livestock (i.e., sold due to qualifying drought conditions within the past two production years). For example, if an eligible livestock producer were to sell 20 adult beef cows after the qualifying drought date in program year one, these cattle would be included in the current program year LFP payment calculation (i.e., 60% of the monthly payment rate). If the drought were to persist into the next program year, the eligible livestock producer may receive LFP payments for the 20 adult beef cows sold in the previous program year equal to 80% of the monthly payment rate.[37]

**Table 1. Triggers and Number of Monthly Livestock Forage Program (LFP) Payments**

(determined by U.S. Drought Monitor drought intensity and time period)

| Drought Monitor Intensity | Qualifying Time Period to Trigger LFP Payments | Number of Monthly Payments |
|---|---|---|
| D0 (abnormally dry) | No payments provided | No payments provided |
| D1 (moderate drought) | No payments provided | No payments provided |
| D2 (severe drought) | At least eight consecutive weeks during the normal grazing period | One monthly payment |
| D3 (extreme drought) | At any time during the normal grazing period | Three monthly payments |
| D3 (extreme drought) | At least four weeks during the normal grazing period | Four monthly payments |

[34] The monthly feed cost payment rates for each specific kind, type, and weight range can be found at USDA, FSA, "LFP - Livestock Forage Disaster Program Fact Sheet," https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/fsa_lfp_livestockforageprogramfactsheet_2022.pdf.

[35] *Normal carrying capacity*, which is determined by FSA county committees, refers to the specific number of grazing land acres per head for which grazing can normally be sustained without detrimental effects on the land resource, excluding any supplemental feedstuff. 7 U.S.C. §9081(c)(2)(D).

[36] The daily feed cost is established by FSA and is based, in part, on the number of pounds of corn equivalent per head necessary to provide the energy requirements for the specific eligible livestock. 7 U.S.C. §9081(c)(3)(C).

[37] 7 U.S.C. §9081(c)(3)(B)(ii).

| Drought Monitor Intensity | Qualifying Time Period to Trigger LFP Payments | Number of Monthly Payments |
|---|---|---|
| D4 (exceptional drought) | At any time during the normal grazing period | Four monthly payments |
| D4 (exceptional drought) | For four weeks (not necessarily four consecutive weeks) during the normal grazing period | Five monthly payments |

**Source:** CRS from 7 U.S.C. §9081(c)(3)(D)(ii).

**Notes**: LFP payments are not triggered by D0 or D1 conditions. Eligible producers raising eligible livestock may receive additional payments if the drought conditions become more intense during the normal grazing period.

### Payments for Losses Due to Fire on Federally Managed Land

LFP payment calculations reflect the number of days the producer is prohibited from grazing the federally managed rangeland due to the impacts of wildfire and are capped at 180 calendar days. A producer's LFP payment is the lesser of two feed cost calculations:[38]

- (permitted number of animals before the fire) x (normal permitted grazing days) x (daily feed cost) x 50%; or
- (number of grazing animals prohibited from grazing) x (number of days prohibited for grazing) x (daily feed cost) x 50%.

### Payment Limits

LFP payments to an individual or legal entity cannot exceed $125,000 per calendar year.[39] In addition, payments for drought losses cannot exceed five monthly payments for the same kind, type, and weight range of livestock. For wildfire losses, payments account for up to 180 calendar days per calendar year. Additionally, eligible livestock producers may elect to receive assistance for grazing losses due to drought or wildfire but not for both for the same loss.[40]

## Trends in Total LFP Payments

For the period 2008-2022, total LFP payments varied each year based on the number, duration, and severity of qualifying drought or wildfire conditions (**Figure 2**). The total annual LFP payments are adjusted to reflect the year in which the loss occurred, not the year in which the payments were distributed. For example, payments for drought-related losses incurred in calendar years 2011, 2012, and 2013 were distributed in 2014 after the 2014 farm bill (P.L. 113-79) authorized retroactive payments. According to USDA, the spike in total LFP payments in 2012, 2013, and 2014 were in part due to historic drought conditions affecting the Great Plains States.[41] When adjusted for inflation, LFP payments were $0.8 billion in calendar year 2021 and increased to $1.8 billion in 2022.[42] LFP payments started increasing in 2021 relative to 2019 and 2020 as a result of livestock producers experiencing widespread and prolonged droughts in the United

[38] 7 C.F.R. §1416.207(m).

[39] 7 U.S.C. §9081(f)(2).

[40] 7 U.S.C. §9081(c)(5).

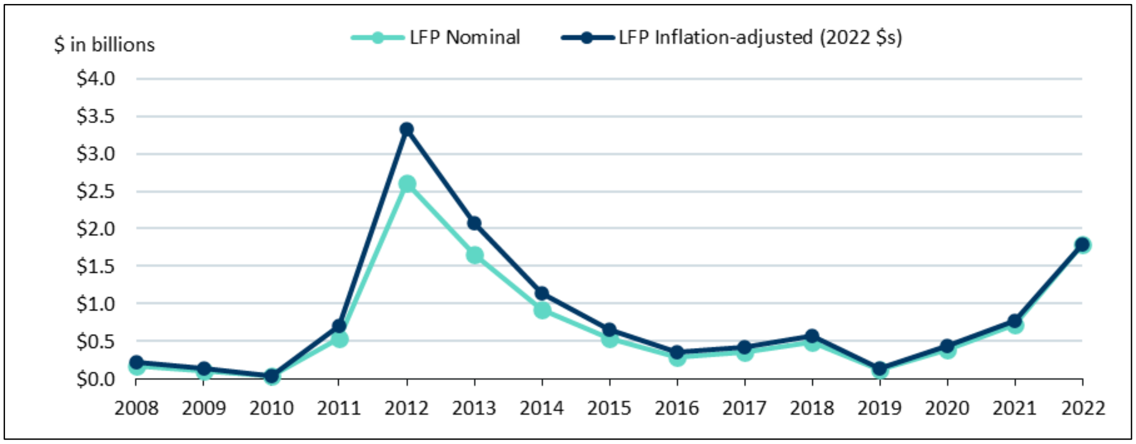
[41] Matthew MacLachlan et al., *Federal Natural Disaster Assistance Programs for Livestock Producers, 2008-16*, USDA, ERS, EIB-187, January 2018, https://www.ers.usda.gov/webdocs/publications/86990/eib-187.pdf?v=7300.4.

[42] The values were adjusted for inflation to 2023 dollars using the Price Indexes for Gross Domestic Product: Annual from the Bureau of Economic Analysis, as of February 2024.

States. In general, LFP payments are distributed to the western, southern, and central regions of the United States.[43]

**Figure 2. Total LFP Payments Since 2008**

calendar years 2008-2022




**Source:** CRS using data from USDA ERS.

**Notes:** Adjusted for inflation to 2022 dollars using the Bureau of Economic Analysis, *Table 1.1.4. Price Indexes for Gross Domestic Product: Annual*, February 2024. The total annual LFP payments are adjusted to reflect the year in which the loss occurred, not the year in which the payments were distributed. For example, payments for drought-related losses incurred in calendar years 2011, 2012, and 2013 were distributed in 2014 after the 2014 farm bill (P.L. 113-79) authorized retroactive payments.

# Issues for Congress

## Potential for Duplication of Payments

Livestock producers can purchase Federal Crop Insurance Program (FCIP) or Noninsured Crop Disaster Assistance Program (NAP) polices to manage the financial risk of drought on grazing land.[44] FCIP policies (e.g., the pasture, rangeland, forage policy) cover loss of forage or plants grown for haying.[45] NAP coverage is also available for forage crops based on the intended method of harvest—mechanically harvested or grazed.[46] LFP, NAP, and FCIP payments may be triggered by different events that are likely to occur simultaneously.[47] In general, statute prevents FCIP and NAP from making payments for losses covered by other USDA programs.[48] However, losses triggering payments from certain permanent disaster assistance programs, including LFP,

[43] Aaron Hrozencik, Gabriela Perez-Quesada, and Kyle Bocinsky, *The Stocking Impact and Financial-Climate Risk of the Livestock Forage Disaster Program*, USDA, ERS, ERR-329, January 2024, https://www.ers.usda.gov/publications/pub-details/?pubid=108371.

[44] For more information about livestock federal crop insurance policies, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[45] USDA, FSA, *FSA Handbook: Livestock Forage Disaster Program*, https://www.fsa.usda.gov/Internet/FSA_File/1-lfp_r00_a05.pdf.

[46] 7 C.F.R. §1437, Subpart E.

[47] LFP payments are triggered by qualifying drought or wildfires. Federal Crop Insurance Program (FCIP) and Noninsured Crop Disaster Assistance Program (NAP) policies covering grazing land are triggered by a lack of rainfall determined by a rainfall index.

[48] 7 U.S.C. 7333(i)(3)(A) and 7 U.S.C. 1508(n)(1).

are not considered as the same loss for the purposes of NAP or FCIP for each fiscal year beginning in FY2014.[49] Therefore, LFP eligible producers could receive assistance from other USDA programs for the same forage-related losses. The FY2021 President's Budget proposed to repeal the multiple payment provision and estimated a 10-year cost savings of $360 million for the proposal.[50] This proposal was not enacted. It is unclear whether the 118th Congress may consider similar proposals when debating the farm bill.

## Supplemental and Ad Hoc Disaster Assistance

In addition to the permanent disaster assistance programs (e.g., LFP) and risk management products (e.g., FCIP and NAP policies), Congress has provided supplemental appropriations for livestock producers experiencing forage loss since 2017.[51] Congress specifically directed a portion of supplemental funds to livestock losses from drought and wildfire beginning with losses in 2021.[52] USDA implemented this funding through the Emergency Livestock Relief Program (ELRP).[53] Congress appropriated additional supplemental funding for ELRP-related losses in 2022.[54] To be eligible for ELRP payment, a livestock producer must have participated in LFP during the 2021 and 2022 calendar years. Given the supplemental assistance to LFP participants in 2021 and 2022, Congress may consider evaluating the effectiveness of current LFP benefits. In accordance with current budgetary rules, LFP program changes that would allow participants to receive benefits equivalent to those provided by ELRP would require budgetary offsets.

## Improper Payments

USDA's Office of Inspector General (OIG) has documented and recommended options for reducing improper payment rates under LFP. An improper payment is a payment that should not have been made or was made for the incorrect amount. OIG estimated a total improper payment amount of $168.6 million and an improper payment error rate of 13.7% for LFP in FY2023.[55] With an improper payment rate above 10%, LFP is not compliant with the Payment Integrity Act of 2019 (P.L. 116-117). USDA OIG has cited the source for improper payments as occurring at the FSA field office level.[56] FSA asserts it is investing in trainings and software to reduce the LFP improper payment rate.[57] Congress may consider whether current LFP oversight mechanisms and FSA's proposed remediation are sufficient.

[49] Consolidated and Further Continuing Appropriations Act of 2015 (§733 of P.L. 113-235, 7 U.S.C. §1508, note).

[50] USDA, *FY2021 Congressional Budget Justifications for the Risk Management Agency*, at https://www.usda.gov/sites/default/files/documents/25rma2021notes.pdf.

[51] For a list of supplemental ad hoc programs covering forage losses, see appendix **Table A-1**.

[52] Disaster Relief Supplemental Appropriations Act of 2022 (P.L. 117-43, Division B, Title I) directed $750 million to livestock losses due to drought and wildfire in 2021.

[53] The Emergency Livestock Relief Program (ELRP) assisted livestock producers who incurred losses in 2021 and 2022 due to qualifying droughts or wildfires. For additional information about ELRP, see CRS Report RS21212, *Agricultural Disaster Assistance*.

[54] Disaster Relief Supplemental Appropriations Act, 2023 (passed as Division N of the Consolidated Appropriations Act, 2023 [P.L. 117-328]), directed $494.5 million to livestock losses in 2022 due to drought and wildfire.

[55] USDA, Office of Inspector General, *USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022*, Audit Report 50401-0022-11, January 16, 2024, https://usdaoig.oversight.gov/sites/default/files/reports/2024-01/50401-0022-11FR508.pdf.

[56] Ibid.

[57] Ibid.

## Payment Limits

After changes made by the 2018 farm bill (Agriculture Improvement Act of 2018; P.L. 115-334), LFP remains the sole permanent disaster assistance program with payment limits.[58] Some policymakers have advocated for adjusting payment limits on federal agricultural programs to save money, to respond to concerns about payments to large farms, and to reduce potential incentives to expand large farms at the expense of small farms. When debating the next farm bill, Congress may consider changing the current LFP annual payment limit of $125,000. Any potential increase in spending would require an offset under current budgetary rules.[59]

## Eligibility Criteria

LFP uses producer eligibility criteria. These criteria, such as AGI thresholds, may raise questions about the size of farms that are eligible to receive support. Some policymakers have advocated for adjusting eligibility criteria on federal agricultural programs to save money. Others have countered that larger farms should not be penalized for capitalizing on the efficiencies associated with economies of scale. It is unclear whether the 118th Congress may consider changing the current LFP eligibility criteria when debating the farm bill. Any potential increase in spending would require an offset under current budgetary rules.[60]

## Potential Increase in LFP Payments

According to the U.S. Global Change Research Program, "climate change has increased agricultural production risks by disrupting growing zones and growing days, which depend on precipitation, air temperature, and soil moisture."[61] One USDA study estimates LFP total payments could increase between 45% and 135% by the end of the 21st century due to increased instances of program triggering events.[62] The 118th Congress may consider using the next farm bill to request additional analysis on how future changes in drought conditions and wildfires on federally managed rangeland could affect LFP payments. Congress may also consider changing the LFP payment calculations or payment trigger conditions to adjust future program outlays.

## Expanding Covered Natural Disasters

Livestock producers may experience natural disasters other than drought and fire that may prevent their livestock from grazing pastureland or rangeland. One option Congress may consider is expanding LFP coverage to include additional natural disasters, such as flooding. In past years,

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[58] The other permanent agricultural disaster assistance programs are the Livestock Indemnity Program (LIP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); the Tree Assistance Program (TAP); and the Noninsured Crop Disaster Assistance Program (NAP). For more information about USDA's permanent disaster assistance, see CRS Report RS21212, *Agricultural Disaster Assistance*.

[59] Increases in a bill's total cost beyond the baseline may be subject to budget constraints, such as pay-as-you-go (PAYGO) rules. Reductions from the baseline may be used to offset costs for other provisions that have a positive score or used to reduce the federal deficit. The annual budget resolution determines whether a farm bill is held budget neutral or can increase or must decrease spending. For more information about farm bill spending, see CRS In Focus IF12233, *Farm Bill Primer: Budget Dynamics*.

[60] Ibid.

[61] Carl H. Bolster et al., "Chap. 11. Agriculture, food systems, and rural communities," in *Fifth National Climate Assessment*, U.S. Global Change Research Program, 2023, https://nca2023.globalchange.gov/chapter/11/.

[62] Aaron Hrozencik, Gabriela Perez-Quesada, and Kyle Bocinsky, *The Stocking Impact and Financial-Climate Risk of the Livestock Forage Disaster Program*, USDA, ERS, ERR-329, January 2024, https://www.ers.usda.gov/publications/pub-details/?pubid=108371.

for example, flooding of grazing land has been a concern in the New England area; these losses are currently not covered by LFP or FCIP, and NAP covers only catastrophic losses (i.e., forage loss greater than 50%). Expanding LFP could increase mandatory spending and therefore may require budget offsets. In addition, if LFP guidelines were to incorporate additional natural disasters, such as flooding of grazing land, then new triggering mechanisms and payment calculations may be required.

# Appendix.

**Table A-1. Supplemental Ad Hoc Agricultural Disaster Assistance for Eligible Livestock Producers Since 2017**

$ millions appropriated or made available

| Program(s) | Total Funds |
| --- | --- |
| Wildfires and Hurricanes Indemnity Program (WHIP), 2017[a] | $2,360 |
| WHIP Plus (WHIP+)[b,c] | $1,500[d] |
| Emergency Livestock Relief Program (ELRP)[e,f] | $12,490 |
| Emergency Relief Program (ERP)[g,h] | $1,250 |

**Source:** Compiled by CRS using cited laws and USDA, FSA, ERP, and ELRP 2022 fact sheets.

a. Bipartisan Budget Act of 2018 (P.L. 115-123, Div. B, Title I).

b. Additional Supplemental Appropriations for Disaster Relief Act, 2019 (P.L. 116-20, Title I).

c. Further Consolidated Appropriation Act, 2020 (P.L. 116-94, §791).

d. The Further Consolidated Appropriations Act, 2020 (P.L. 116-94, §791), rescinded unobligated funds from 2017 WHIP and appropriated an equivalent amount for WHIP+.

e. Disaster Relief Supplemental Appropriations Act, 2022 (P.L. 117-43, Div. B, Title I).

f. FY2023 Consolidated Appropriations Act (P.L. 117-328, Division N).

g. Disaster Relief Supplemental Appropriations Act of 2022 (P.L. 117-43, Division B).

h. FY2023 Consolidated Appropriations Act (P.L. 117-328, Division N).

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