

# Tracking Disaster Assistance Programs for Farmers

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**2,800**

**COUNTY FARM  
BUREAUS**

**50**

**STATE FARM  
BUREAUS +  
PUERTO RICO**

**NEARLY  
6M**

**MEMBER  
FAMILIES**

# Crop Insurance History Crash Course

- **1930's:** Congress first authorizes Federal Crop Insurance to help agriculture recover from Great Depression and Dust Bowl
  - **1938:** Establishment of Federal Crop Insurance Corporation (FCIC)

**“Aimed to protect farmers against crop failure or price collapse, protecting consumers against shortages of food supplies and extreme prices and assisting business and employment by providing an even flow of farm supplies and establishing strong buying power”**

- **1960's-70's:** Free disaster assistance programs decrease interest in a paid insurance product.
- **1980:** Federal Crop Insurance Act of 1980 expands coverage options and availability and provides a 30% subsidy for crop insurance.
- **1988, 1989, 1992, 1993:** Ad hoc disaster programs authorized in response to natural disasters

**Something needed to change...**



# Crop Insurance History Crash Course Continued

- **1994:** Federal Crop Insurance Reform Act made crop insurance program mandatory for farmers to be eligible for many other benefits.
  - CAT Level: Covered losses exceeding 50% of an average yield paid at 60% of price established for the crop that year (completely subsidized)
- **1996:** Congress repealed mandatory status under Federal Agriculture Improvement and Reform Act. Provision still in effect today.
  - Risk Management Agency Established
- **2000:** Legislation enacted expanding the role of private sector to participate in conducting research and develop new innovative insurance products.
  - Restrictions on insurance products for livestock were removed
  - Subsidies expanded and outpace ad hoc disaster assistance
- **Relatively low ad hoc assistance between 2000-2014**
  - 2008 Farm Bill's SURE Program (Supplemental Crop Revenue Assistance Program)
  - LIP, LFP, ELAP, and TAP



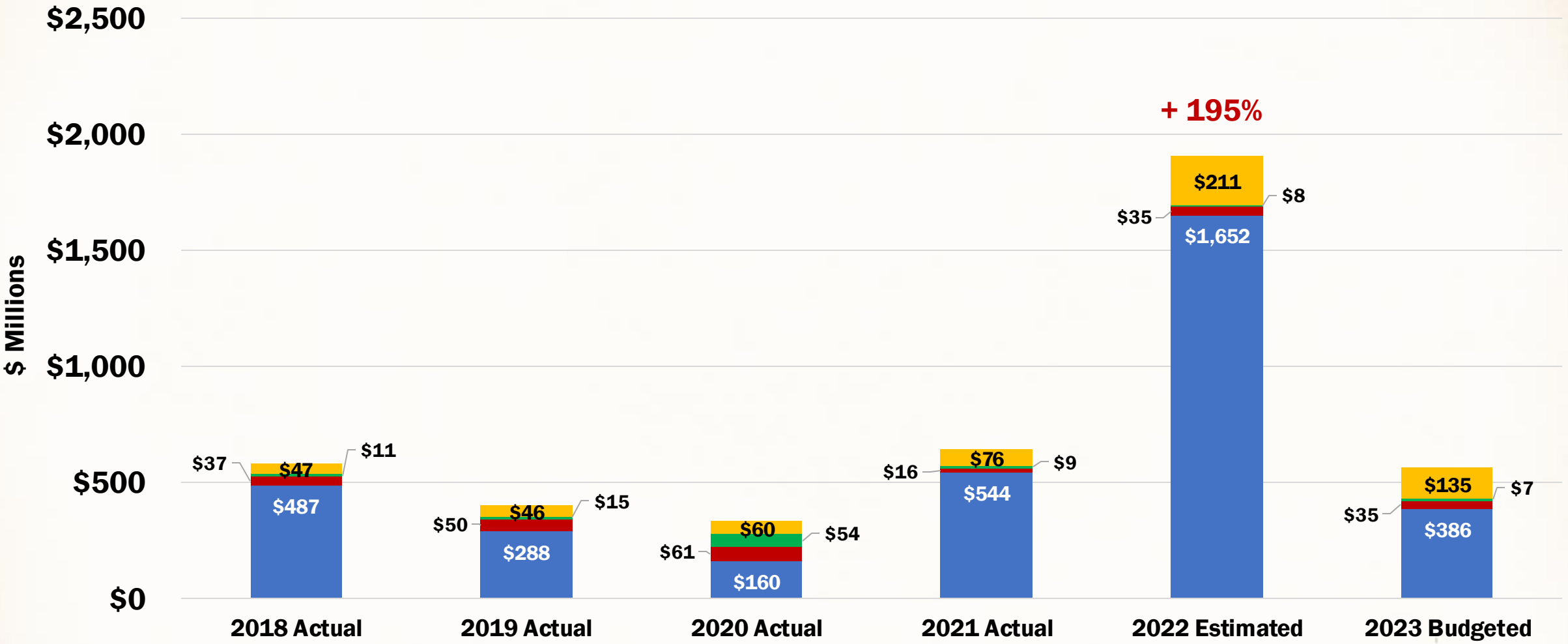
# Farm Bill Authorized Disaster Assistance Programs

- The 2008 farm bill authorized four agricultural disaster programs for livestock and trees (2014 permanent):
  - **Livestock Indemnity Program (LIP)**
    - LIP provides payments to eligible livestock owners and contract growers for livestock deaths in excess of normal mortality caused by extreme or abnormal damaging weather, disease, and attacks from wild animals reintroduced or protected by the federal government. The program also compensates producers when an animal is injured as a direct result of an eligible loss condition but is not killed and is sold at a lower price.
  - **Livestock Forage Disaster Program (LFP)**
    - LFP makes payments to eligible producers who have experienced grazing losses on drought-affected pastureland or on rangeland managed by a federal agency due to a qualifying fire. Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP)
  - **Emergency Assistance of Livestock, Honeybees, and Farm-Raised Fish Programs (ELAP)**
    - ELAP provides payments to producers of livestock, honeybees and farm-raised fish and 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)**
    - TAP 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 crop insurance or the Noninsured Crop Disaster Assistance Program (NAP).



# SUPPLEMENTAL AGRICULTURAL DISASTER ASSISTANCE OUTLAYS

\$ Millions



■ LFP ■ LIP ■ TAP ■ ELAP



Source: USDA Budget Summaries

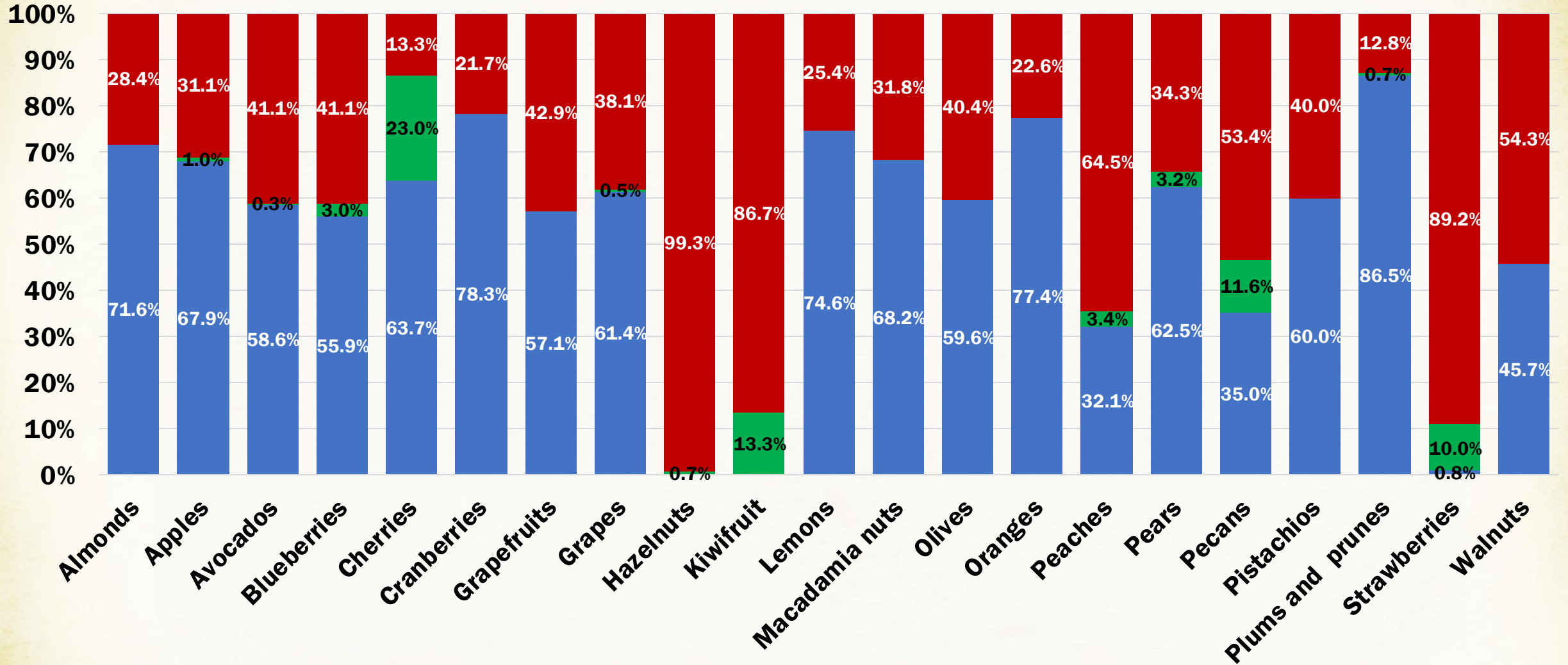
# Gaps in Crop Insurance – Noninsured Crop Disaster Assistance Program (NAP)

- RMA currently offers 76 different crop insurance policies (over 350+ varieties of crops grown nationwide)
- Some policies are still only offered in regions a crop is most grown
- Crop producers not covered by FCIP may be covered by NAP
- NAP Crop is any commercial crops grown for food, fiber or livestock feed for which there is no CAT coverage available under FCIP, with limited exceptions.
- Affordability issues
- Lower participation
- Too much loss to trigger
- No revenue loss protection only weather related



# SHARE OF FRUIT AND NUT ACREAGE NOT COVERED

FCIP and NAP | 2017 Census of Agriculture | Select Crops



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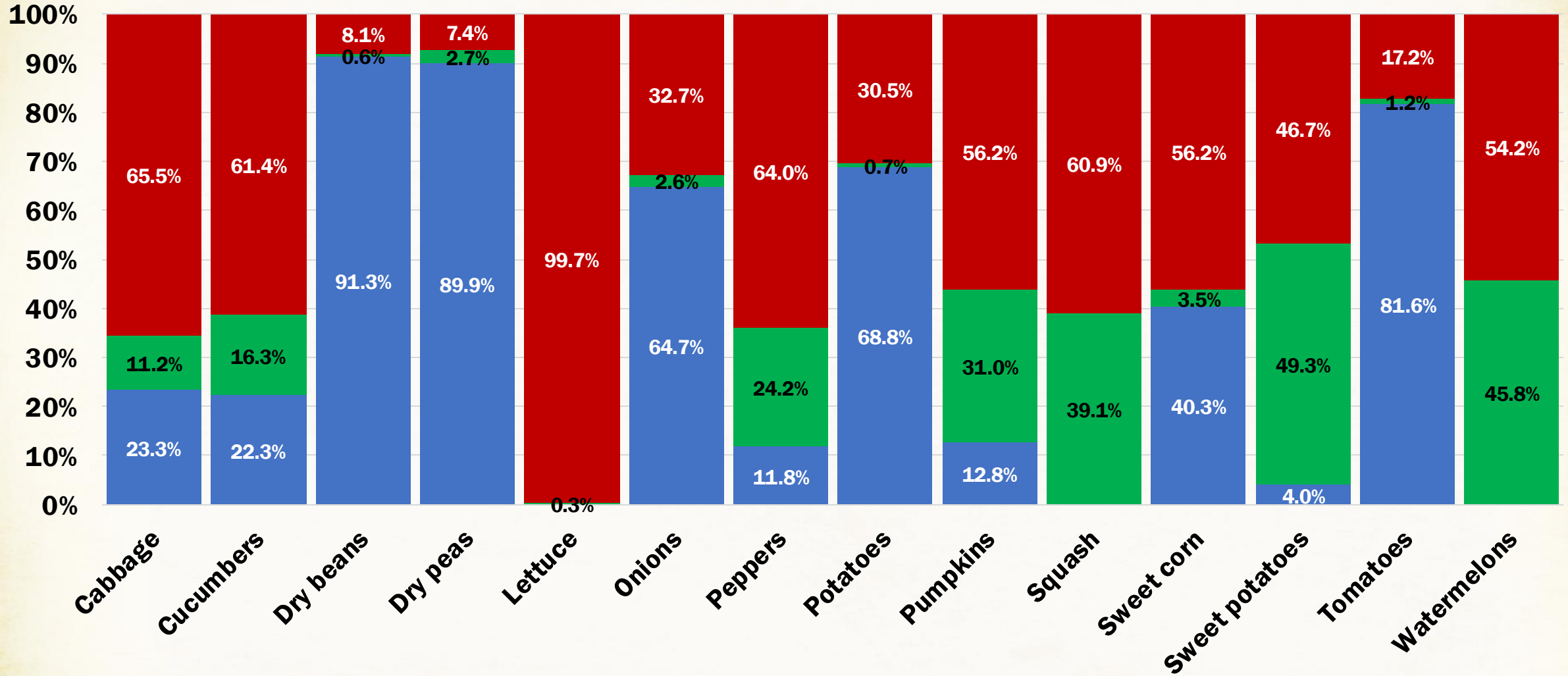
■ FCIP Acres ■ NAP Acres ■ Acreage Not Covered

Source: AFBF Calculations, USDA RMA and ERS



# SHARE OF VEGETABLE AND MELON ACREAGE NOT COVERED

FCIP and NAP | 2017 Census of Agriculture | Select Crops



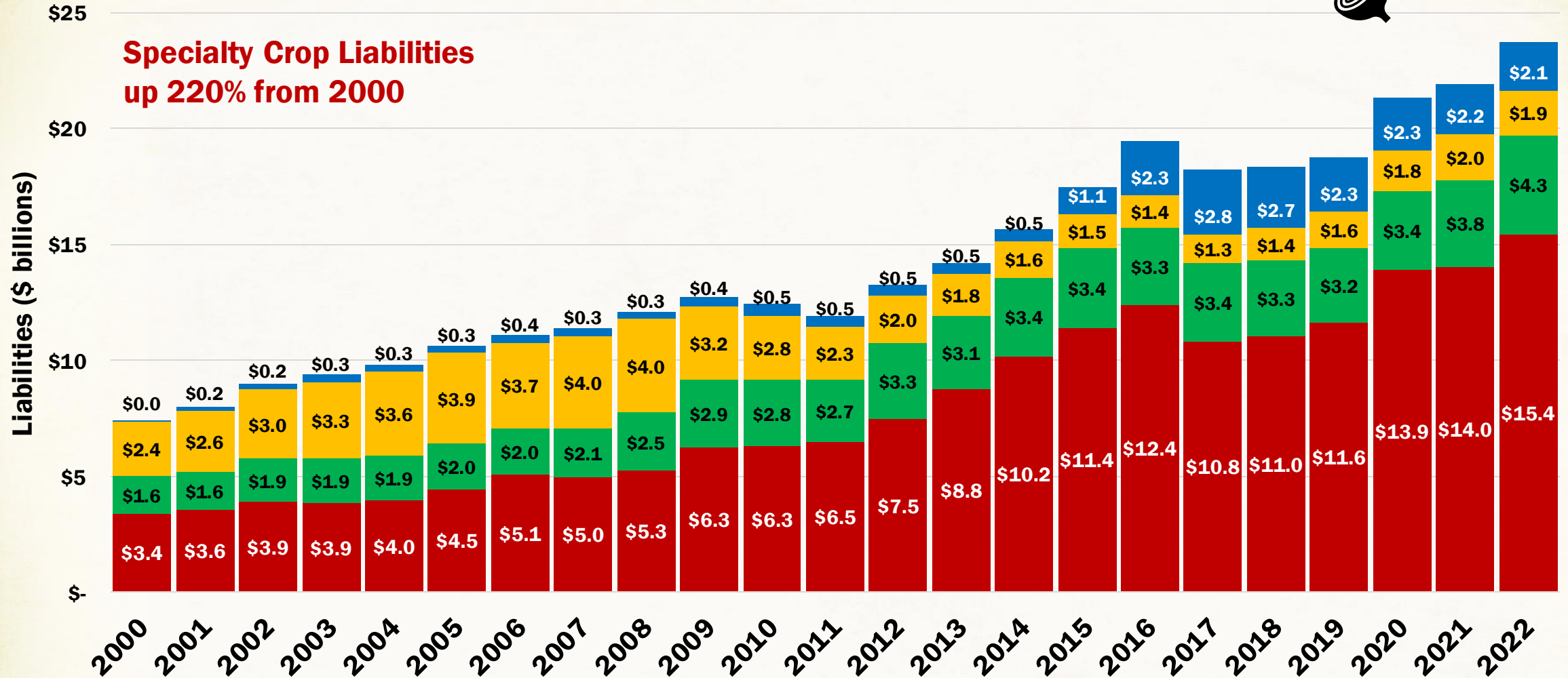
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■ FCIP Acres ■ NAP Acres ■ Acreage Not Covered

Source: AFBF Calculations, USDA RMA and ERS

# SPECIALTY CROP INSURANCE LIABILITIES

\$ Billions | 2000-2022 | FCIP and WFRP



## More ad hoc to fill the gaps...

- **2017 WHIP** (Wildfire and Hurricanes Indemnity Program)
  - Provided payments to ag producers from hurricanes and wildfires during 2017
  - \$2.36 billion
  - Higher protection for those that had FCIP or NAP Coverage
  - Left out many causes of loss and disaster types
- **WHIP+**
  - Provided supplemental appropriations for crop, tree, bush and vine losses in 2018 and 2019
  - Expanded to include more hurricanes, floods, tornadoes, typhoons, volcanic activity, and snowstorms.
  - Related conditions like heat, excessive wind and smoke eligible.
  - More gaps revealed however....

## **18/19 WHIP+ Gaps**

**“A tropical storm intensifies to become a named hurricane. The named hurricane’s path later becomes a tropical storm and a tropical depression. Only losses from the named hurricane and the subsequent tropical storm and subsequent tropical depression would be eligible.”**

**“A wildfire occurred in September. Subsequent rains caused a mudslide in November which destroyed the crop. The mudslide is not a related condition of the wildfire and therefore the loss is not eligible.”**

**Derechos, hailstorms, D2 (severe) drought, increased soil salinity from storm surge, smoke taint to grapes not listed.**

**Slow payments & changing program requirements**



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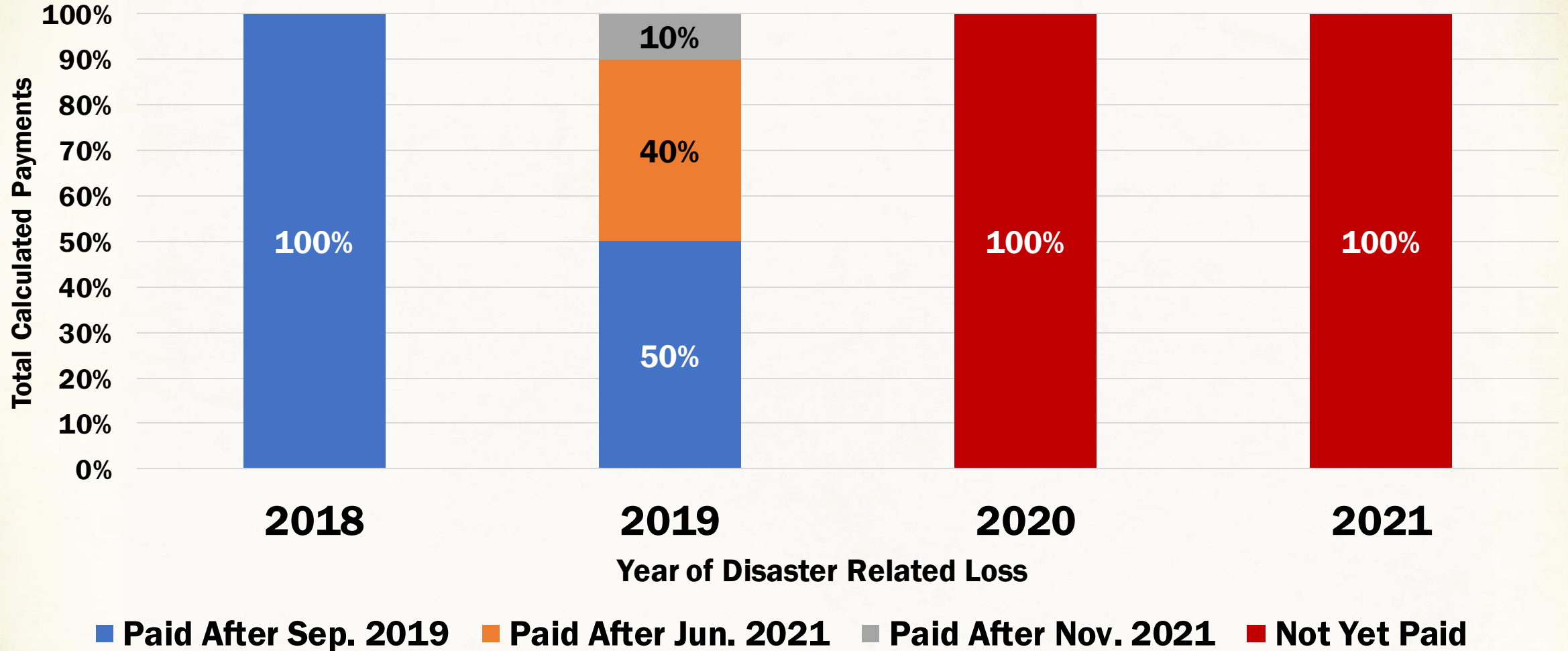
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# WHIP+ PAYMENT STATUS

% of Total WHIP+ Calculated Payments | 2018-2021 Program Years



# WHIP+ “Extended for 2020 and 2021”

- Retroactively extended disaster assistance programs for 2020 and 2021 losses (Sept. 30, 2021) with \$10 billion.
- Additional causes of loss explicitly covered under the CR include derechos, winter storms, polar vortexes, freeze, smoke exposure and quality losses for crops.
- Losses due to drought are also eligible if they occurred in areas rated by the U.S. drought monitor as D2 (severe) for eight consecutive weeks or D3 (extreme drought) or higher at anytime during the applicable calendar year.
- Update to ELAP
  - Cover feed transportation costs for drought impacted ranchers



# Administration Rebrands WHIP+ to ERP

- Sept. 30<sup>th</sup>, 2021, announcements turns into May 16<sup>th</sup>, 2022, announcement of program change
  - Producers with losses from early 2020 still waiting
- Phase 1: Most producers who had prior RMA/NAP program enrollment
  - Adjusts up coverage level
  - \$7.4 billion paid out so far
- Phase 2: Intended to target producers who did not have existing insurance or who fell through gaps
  - Using tax returns to show a decline in revenues compared to prior years





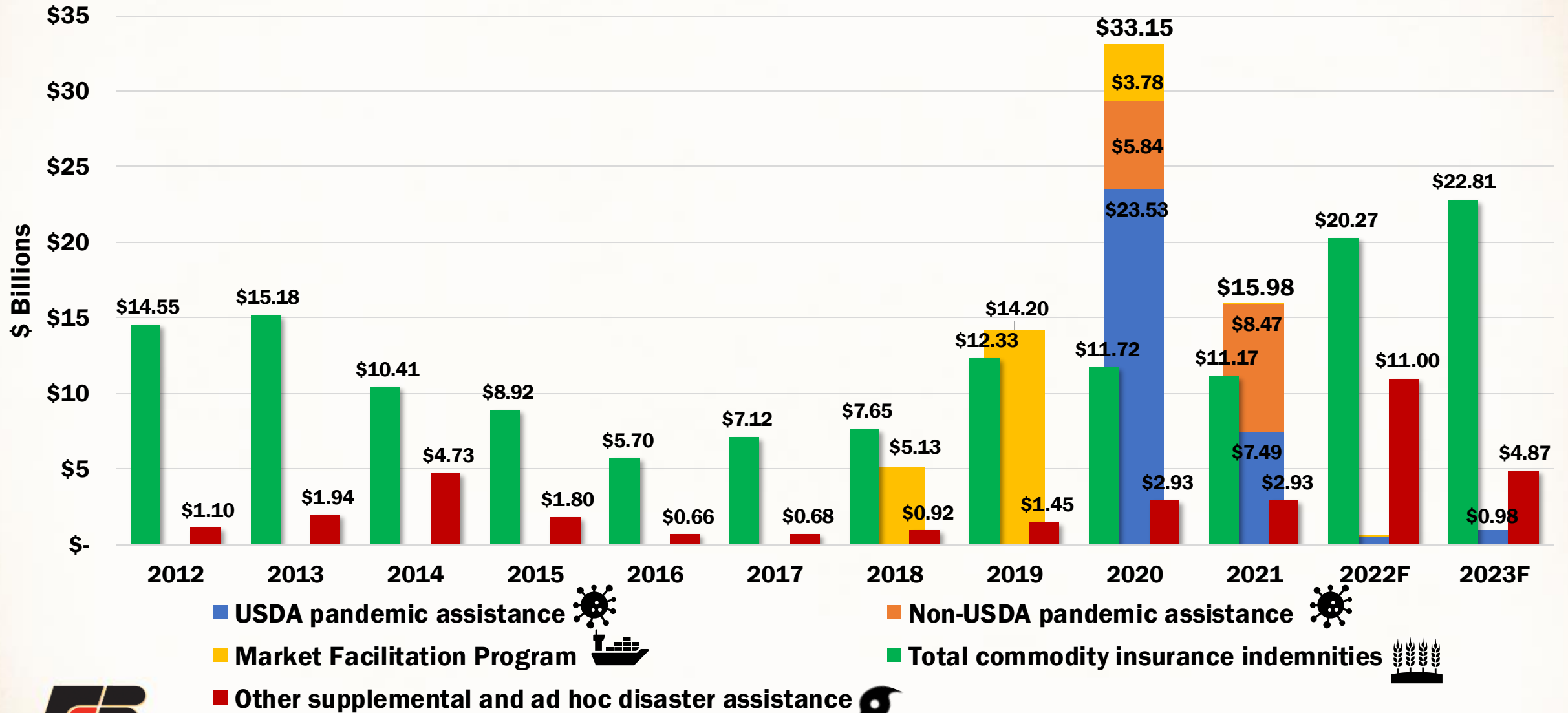
# What now? Farm Bill Considerations?

- Omnibus bill passed another \$3.7 billion in ag disaster aid for 2022 losses
  - Not clear on mechanism yet
- Constant back and forth between ad hoc payments and improving risk management programs and options
  - Private sector partnerships
- How to keep actuarially sound RMA programs for thinly specialty crop markets
- Food security = national security



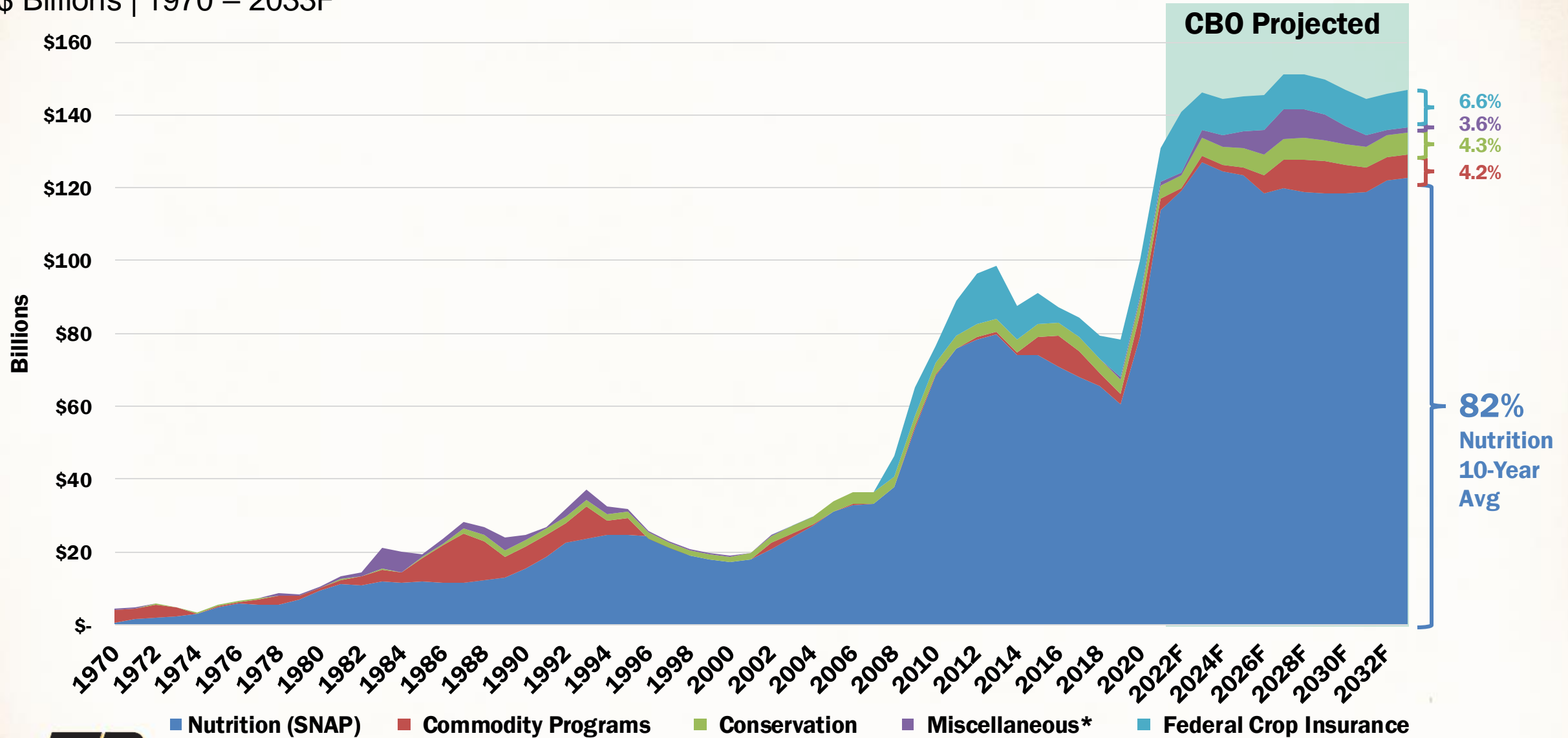
# BREAKDOWN OF AD HOC DISASTER ASSISTANCE

2012 – 2023F | Commodity Insurance Indemnities for Comparison



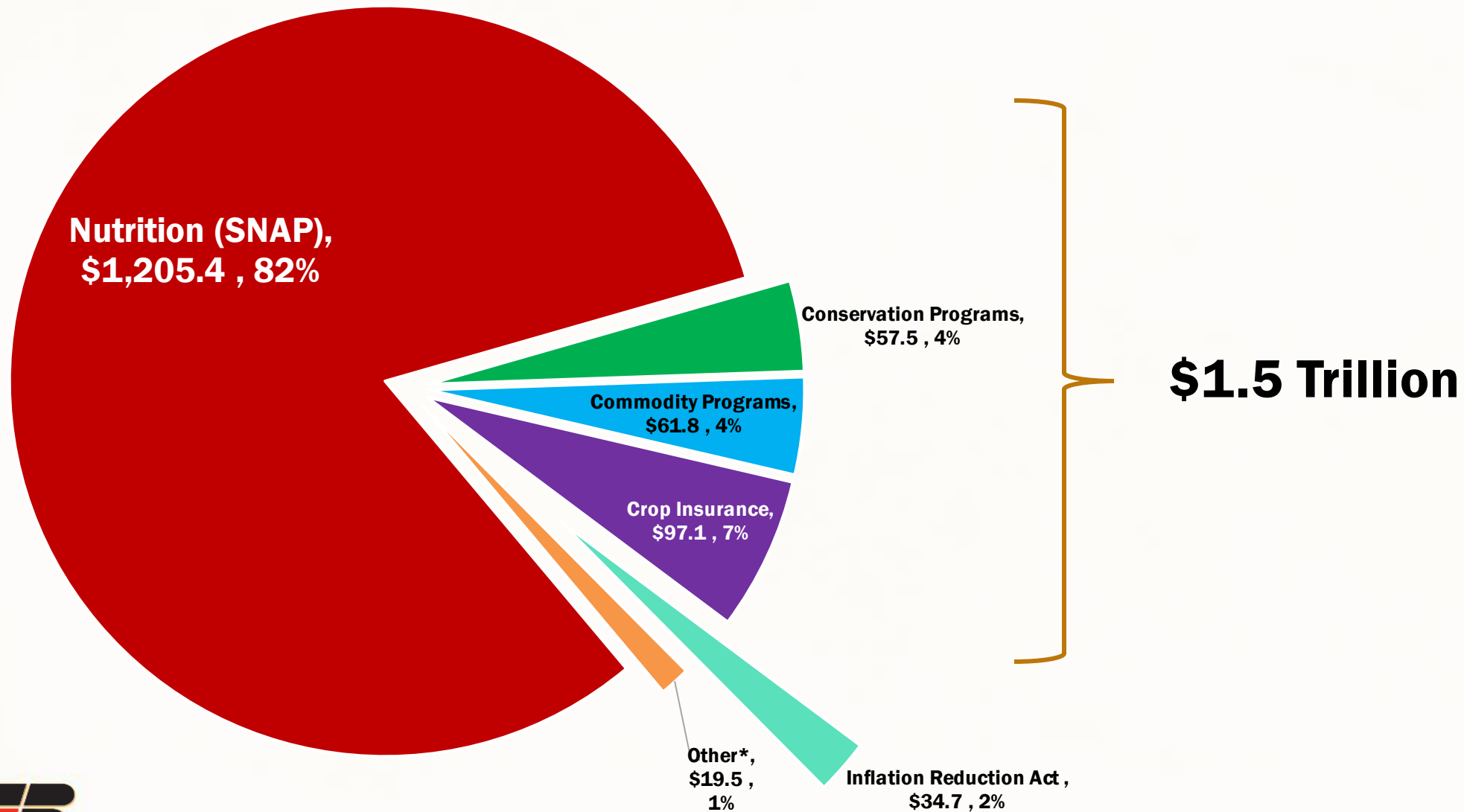
# FEDERAL FARM PROGRAM AND SNAP OUTLAYS

\$ Billions | 1970 – 2033F



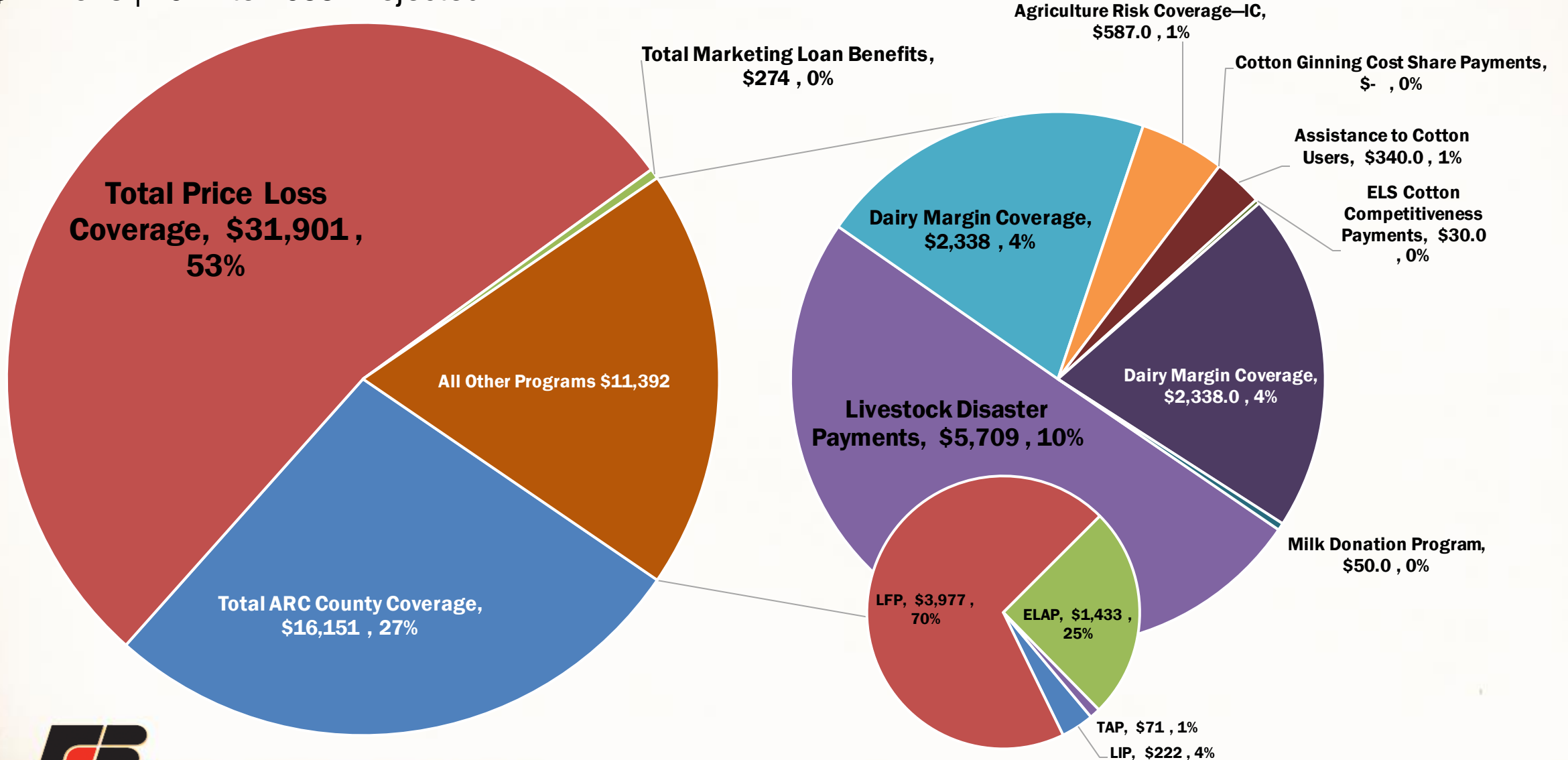
# FIGURE 2: 10 - YEAR PROJECTED OUTLAYS | FARM BILL PROGRAMS

\$ Billions | 2024 to 2033 Projected



# 10 - YEAR PROJECTED OUTLAYS | TITLE ONE FARM BILL PROGRAMS

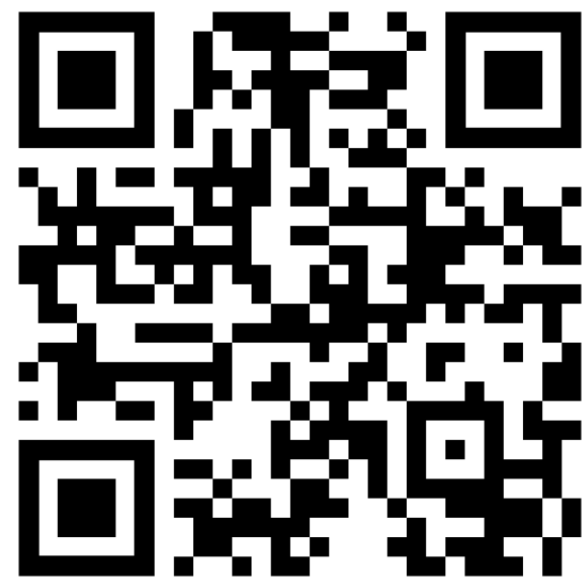
\$ Millions | 2024 to 2033 Projected





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