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. 110-234), 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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