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IN FOCUS

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Farm Bill Primer: Disaster Assistance

A number of federal programs help agricultural producers recover from the effects of natural disasters, including the Noninsured Crop Disaster Assistance Program (NAP), livestock and fruit tree disaster programs, and ad hoc assistance. With the exception of ad hoc assistance, all programs are permanently authorized and receive "such sums as necessary" from the U.S. Department of Agriculture's (USDA's) Commodity Credit Corporation (CCC). As such, these programs require neither reauthorization in a future farm bill nor annual appropriations. Since 2018, Congress has authorized ad hoc assistance through supplemental appropriations to assist with natural disaster losses that generally were not covered under the permanent programs. As Congress works on the farm bill, it could consider whether to amend the permanent disaster assistance programs or create new programs to address emerging situations that are being addressed with ad hoc assistance.

This In Focus provides a summary of existing permanent and ad hoc disaster assistance programs that help farmers recover financially from natural disasters. This summary does not cover the Federal Crop Insurance Program (FCIP), which also may provide support to farmers impacted by natural disasters and is the subject of CRS Report R46686, *Federal Crop Insurance: A Primer*.

Existing Farm Bill Authorized Provisions

The 2014 farm bill (P.L. 113-79) permanently authorized four agricultural disaster programs for livestock and fruit trees—Livestock Indemnity Program (LIP); Livestock Forage Disaster Program (LFP); Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); and Tree Assistance Program (TAP) (7 U.S.C. §9081). Amendments to these programs were included in Title I of the 2018 farm bill (P.L. 115-334). These programs provide compensation for a portion of lost production following a natural disaster. Producers do not pay a fee to participate. Total payments under these programs vary each year based on eligible loss conditions (see **Figure 1**).

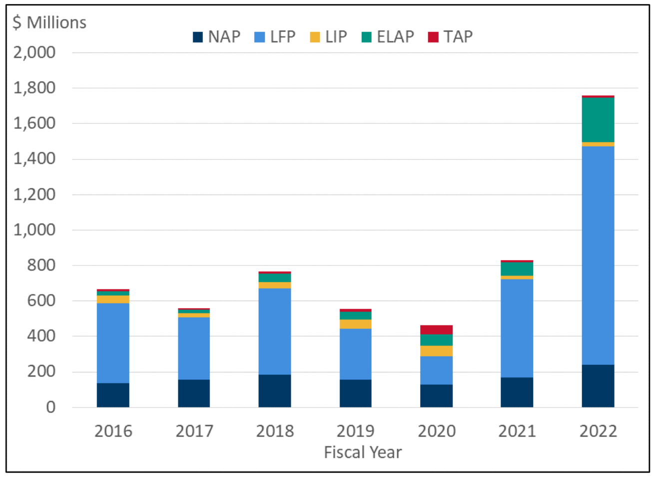
Payments for individual producers under LFP may not exceed $125,000 per year. There are no limits on the amount of payments received under LIP, ELAP, and TAP. To be eligible for a payment under any of these programs, a producer's average adjusted gross income (AGI) over three recent taxable years cannot exceed $900,000.

Livestock Indemnity Program

LIP provides payments to eligible livestock owners and contract growers for livestock deaths in excess of normal mortality or which are sold at reduced price caused by an eligible loss condition (e.g., adverse weather, disease, or animal attack). The LIP payment rate is equal to 75% of the average fair market value of the animal.

Figure 1. Total Payments for Selected Permanent Agricultural Disaster Assistance Programs

(FY2016-FY2022)



Source: CRS from payments reported in annual budget requests.

Livestock Forage Disaster Program

LFP makes payments to eligible livestock producers who have suffered grazing losses on drought-affected pastureland or on rangeland managed by a federal agency due to a qualifying fire. LFP payments for drought are equal to 60% of the estimated monthly feed cost. Depending on the severity of the drought, the monthly payment rate is multiplied by a factor of one, three, four, or five. For producers who sold livestock because of drought conditions, the payment rate is reduced.

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

ELAP 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 that are not covered under LIP or LFP.

Tree Assistance Program

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 may be covered by crop insurance or NAP. Eligible trees, bushes, and vines are those from which a crop is produced annually for commercial purposes. The total quantity of acres planted to trees, bushes, or vines for which a producer can receive TAP payments cannot exceed 1,000 acres annually.

Noninsured Crop Disaster Assistance Program

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).

NAP offers coverage for *catastrophic* losses—losses in excess of 50% of normal yield. Higher coverage levels may be purchased for less severe losses (referred to as *buy-up* coverage). Buy-up coverage is available in increments of 5% to cover between 50% and 65% of a crop. NAP policies must be purchased prior to a disaster event, and producers must purchase or renew coverage on an annual basis. The NAP service fee is the lesser of $325 per crop or $825 per producer per administrative county, not to exceed a total of $1,950 for farms in multiple counties. A producer of a noninsured crop is subject to an annual payment limit of $125,000 per person for catastrophic coverage and $300,000 for buy-up coverage. A producer is ineligible under NAP if the producer's AGI exceeds $900,000.

Ad Hoc Disaster Assistance

Over the past 20 years, Congress has authorized permanent disaster assistance programs and has expanded crop insurance and NAP to reduce the need for ad hoc disaster assistance. Following enactment of the 2008 farm bill (P.L. 110-246), Congress appropriated little in the way of supplemental disaster assistance for agriculture. This changed in 2018, when Congress authorized supplemental appropriations for additional production losses in 2017 not previously covered by crop insurance or NAP. Congress subsequently appropriated additional supplemental funding for natural disaster-related losses in 2018 through 2022, totaling more than $19 billion. During the Trump Administration, most of this funding was made available through the creation of the Wildfires and Hurricanes Indemnity Program (WHIP). During the Biden Administration, most of this funding has been allocated through the Emergency Relief Program (ERP).

Issues for Congress

Interest in agricultural disaster assistance has increased since 2018, primarily due to the funding for ad hoc disaster assistance and questions about the effectiveness of the permanent disaster assistance programs. The farm bill could provide a platform for Congress to debate the federal government's role in responding to natural disaster-related losses for an industry that is acutely influenced by natural disasters and fluctuations in weather.

Effectiveness of Permanent Programs

With the resurgence in ad hoc disaster assistance, Congress might reassess the effectiveness of the permanent disaster assistance programs. In addition to covering losses beyond what may be covered by crop insurance and NAP, the ad hoc programs cover losses not covered by other permanent programs. This may cause some to question whether the permanent disaster assistance programs could or should be expanded to cover losses or events not currently covered (e.g., loss of quality and on-farm storage losses). Also, by covering the losses of farmers who chose not to purchase insurance, Congress may consider whether WHIP, ERP, and other ad hoc assistance create a potential disincentive for future participation in insurance programs.

Price Tag

Some in Congress have expressed interest in establishing a new permanent disaster assistance program similar to what has been provided through ad hoc disaster assistance. Supplemental appropriations for ad hoc disaster assistance have been classified as *emergency* spending and have not required an offset under budget rules. New mandatory spending in a farm bill, however, likely would require either increased spending authority (e.g., reconciliation) or offsets through reductions in other farm bill mandatory spending programs. The amount and type of losses covered under such a program could impact the total cost and therefore the level of offsets required. Amendments to permanent disaster programs that increase mandatory spending also could require offsets.

Since FY2018, the total amount appropriated for ad hoc disaster assistance of $19 billion has exceeded the $4.4 billion expended under the permanent disaster assistance programs. By comparison, it is less than the federal share of FCIP, which averaged $9.5 billion per year from FY2018 to FY2022. Congress may debate how much in production losses from natural disasters should federal programs cover, including from permanent and ad hoc sources.

Implementation Challenges

By nature, ad hoc assistance programs are not permanent, generally requiring USDA to issue program rules and requirements upon passage of each new extension or on being amended, which has resulted in payment delays. The supplemental appropriations of recent years also included individual provisions targeting specific losses or events, which USDA administers through multiple subprograms that may create additional complexities for implementation and participation.

Improper Payments

Several of USDA's disaster assistance programs have been identified by USDA's Office of Inspector General (OIG) as being susceptible to improper payments. In FY2021, NAP and WHIP were found to have improper payment rates greater than 10%. USDA attributed most of these programs' improper payments to administrative errors (USDA, OIG, *USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021*, June 2022). Congress may use the farm bill to evaluate these improper payment rates and provide additional oversight.

Additional CRS Resources

CRS Report RS21212, *Agricultural Disaster Assistance*

CRS In Focus IF10565, *Federal Disaster Assistance for Agriculture*

CRS In Focus IF12544, *Department of Agriculture's Emergency Relief Program (ERP)*

CRS Report R42854, *Emergency Assistance for Agricultural Land Rehabilitation*

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