

# Disaster Programs & Crop Insurance

Unpacking The 2008 Farm Bill  
2008 Breimyer Seminar



Columbia, Missouri  
Sept. 3, 2008



Chad Hart  
Assistant Professor  
Iowa State University  
chart@iastate.edu  
515-294-9911

# New Permanent Disaster Programs

- Fleet of 5 programs in the 2008 Farm Bill
  - Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP)
  - Livestock Forage Disaster Program (LFP)
  - Livestock Indemnity Program (LIP)
  - Supplemental Revenue Assistance Payments Program (SURE)
  - Tree Assistance Program (TAP)
- Collectively called the Supplemental Agriculture Disaster Assistance programs

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

- Provides emergency relief to eligible producers of livestock, honey bees, and farm-raised fish for losses due to disease, adverse weather, or other conditions not covered by other programs
- Total payments limited to \$50 million/year

# Tree Assistance Program (TAP)

- Provides assistance to eligible orchardists and nursery tree growers for trees lost to natural disasters
- Reimbursement of 70% of cost of replanting trees in excess of normal mortality or sufficient seedlings to reestablish stand
- Reimbursement of 50% of cost of salvaging damaged trees and preparing land to replant trees in excess of normal mortality

# Livestock Indemnity Program (LIP)

- Provides payments to eligible producers for livestock death losses in excess of normal mortality due to adverse weather
- Indemnity payment rate is 75% of market value of applicable livestock on day before death
  - Market value determined by USDA

# Livestock Forage Disaster Program (LFP)

- Provides payments to eligible producers of covered livestock for grazing losses due to drought or fire (on public managed land)
- Payment rates based on monthly feed costs

# Supplemental Revenue Assistance Payments Program (SURE)

- Provides payments to producers in disaster counties for crop losses
- Based on crop insurance program, non-insured crop assistance program, and disaster declarations
- Whole-farm revenue protection, not commodity-specific

# SURE Triggers

- Declared “disaster county” by Secretary of Agriculture or contiguous to one
- Farm with losses exceeding 50% of normal production in a calendar year

# SURE Guidelines

- For 2009 and beyond, producers need to purchase crop insurance and/or non-insurable crop disaster assistance coverage for all eligible crops
- For 2008, producers can pay crop insurance or NAP fees to FSA by September 16
  - \$100 per crop, maximum of \$300 per county and \$900 per farmer for CAT and NAP (each)

# SURE Guarantee

- Farm guarantee is the sum of
  - $115\% \times \text{Crop insurance price election} \times \text{Crop insurance coverage level} \times \text{Planted acres} \times \text{Max}(\text{APH or CCP yield})$ , for insurable commodities
  - $120\% \times \text{NCAP price election} \times \text{Planted acres} \times \text{Max}(\text{NCAP or CCP yield})$ , for non-insurable commodities
- For an individual crop, the guarantee can not be greater than 90% of the crop's expected revenue

# SURE Expected Farm Revenues

- Expected farm revenue is the sum of
  - $\text{Max}(\text{APH or CCP yield}) * \text{Planted acres} * 100\%$  of the crop insurance price for insurable commodities
  - $100\%$  of NCAP yield \*  $100\%$  of NCAP price \* Planted acres for non-insurable commodities

# SURE Actual Farm Revenues

- Actual farm revenue is the sum of
  - Harvested acres\*Farm yield\*National season-average price for all commodities
  - 15% of direct payments
  - All CCP or ACRE payments
  - All marketing loan benefits
  - All crop insurance or NCAP payments
  - Any other disaster assistance payments

# SURE Payments

- Payments set as 60% of the difference between farm guarantee and actual farm revenue
- Payments limited to \$100,000 per producer
- Payments not known until end of marketing year

# SURE Calculator

- USDA has created a calculator for SURE
- [http://www.fsa.usda.gov/Internet/FSA\\_File/sure\\_calculator.xls](http://www.fsa.usda.gov/Internet/FSA_File/sure_calculator.xls)
- [http://www.fsa.usda.gov/Internet/FSA\\_File/calculator\\_instructions.pdf](http://www.fsa.usda.gov/Internet/FSA_File/calculator_instructions.pdf)
- Calculator limited to yield based crops
  - Does not address value loss crop, prevented planting, double cropping, and several other scenarios

# Crop Insurance Changes

- Reduced premium subsidy rates for area crop insurance plans (GRP, GRIP)
- Increased fees for catastrophic (CAT) coverage to \$300 per crop per county
- Moved premium billing date to August 15<sup>th</sup>, starting in 2012

# Crop Insurance Changes

- Repealed premium reduction plans
- Allows renegotiation of Standard Reinsurance Agreement before July 2010 and once every 5 years after that
- Reduces administrative and operating expense reimbursements

# Crop Insurance Changes

- Reduced target loss ratio to 1
- Requires studies of crop insurance for organic production
  - Possibly removing or reducing premium surcharges
- Requires crop insurance studies for energy crops, aquaculture, poultry, bees

Thank You!

Any Questions?