FACT SHEET

June 2022

Updated: WHIPping Up Agricultural Disaster Spending Since 2017

In response to active hurricane and wildfire seasons in 2017, Congress appropriated $2.36 billion in "emergency" funds to compensate farming and ranching businesses for economic losses due to natural disasters. This "emergency" natural disaster supplemental, the first in nearly a decade to include agricultural income assistance, planted the seed for what has grown into a costly, redundant, agricultural income entitlement program.

Through six acts spanning less than four years, Congress and the United States Department of Agriculture (USDA) directed more than $16 billion in "emergency" income subsidies through "temporary" assistance programs. These funds are in addition to the $15-20 billion provided annually by farm bill safety net programs.

Wind and hail damage to Nebraska soybean field

Congress' now repeated appropriation of "emergency" unbudgeted income subsidies for agricultural businesses, is problematic. Costly mandatory farm bill entitlement programs were supposed to displace the need for unpredictable ad hoc aid. In addition, the revival of annual ad hoc subsidies discourages responsible risk management by extending federal responsibility to perils and economic losses that have never been the responsibility of the federal government. Distributing ad hoc aid, at times years after disasters strike, also fails to help producers increase their resilience to climate risks or natural disasters.

Originally intended to respond to the impact of 2017-2019 hurricanes and wildfires, agriculture disaster spending has morphed into an ever-expanding slush fund covering everything from moldy corn and maple sap to sugar beets and sea grass. Instead of further increasing agriculture's reliance on federal subsidies, Congress should be more judicious in designing the financial safety net for agricultural businesses. Congress should ensure federal disaster assistance does not undermine the federal crop insurance program or efforts to create a more cost-effective, accountable, and transparent farm safety net that is responsive to need.

Ad Hoc Disaster Aid – Opening Federal Spending Floodgates

The 2017 hurricane season was the most active and destructive season for the southeastern United States since 2005, the most active hurricane season on record.[i] In response to demands from some agricultural-state lawmakers and special interests,[ii] Congress included $2.36 billion in agricultural income subsidies as part of the $89 billion emergency supplemental attached to the February 2018 Bipartisan Budget Act.[iii] On July 18, 2018, USDA published a rule explaining how it would distribute these funds as part of the temporary Wildfire and Hurricane Indemnity Program (WHIP).[iv,v]

Additional damages in the Carolinas from Hurricane Florence in September 2018 and Hurricane Michael striking the Florida panhandle and Georgia in October 2018 resulted in pleas for additional disaster spending.[vi] Congress first debated a disaster bill for the 2018 season in December 2018.[vii] Ultimately this debate stretched into 2019 and the focus of draft supplemental spending bills grew to include areas affected by major blizzards, tornadoes, and flooding that occurred in 2019. On June 6, 2019, President Trump signed a $19.1 billion disaster aid package, which contained $3 billion more in subsidies for agriculture disaster losses in 2018 and 2019.[viii] On September 9, 2019, USDA announced it would distribute these funds through a new program entitled WHIP+, which modified and expanded the framework used to distribute the aid provided for losses in 2017. USDA published the WHIP+ final rule on September 13, 2019.[ix]

Lawmakers later shifted $1 billion of unobligated COVID-19 relief into WHIP+ in the Consolidated Appropriations Act, 2021 (P.L. 116-260), bringing the total appropriated ad hoc disaster spending for agriculture to $6.4 billion at the end of 2020.

An additional $10 billion was added by the Extending Government Funding and Delivering Emergency Assistance act (P.L. 117-43) in September 2021 to cover losses due to Iowa's 2020 derecho, plus losses due to wildfires, drought, hurricanes, and extreme heat primarily in the West and Northern Plains from 2020 to 2021. In May 2022, USDA announced that it would distribute these payments through an entirely new program entitled the Emergency Relief Program (ERP).[x] While past ad hoc emergency spending may have focused on true emergencies and gaps in the farm financial safety net, much of WHIP, WHIP+, and ERP is for losses already covered by other federal and private market programs.

Supplanting the Safety Net with "Supplemental" Agricultural Disaster Spending

Congress' appropriation of unbudgeted agricultural disaster aid in February 2018 unlocked a veritable flood of demand for even more agricultural income subsidies. Many of the areas affected by 2018 hurricanes were the same locations affected in 2017 and, once again, the majority of affected crop acreage[1] was already covered by federally subsidized crop insurance.[2] By enacting various pieces of legislation, Congress has given a rubber stamp to the practice of appropriating ad hoc disaster aid year in and year out regardless of whether losses were already covered by other federal programs, whether producers needed support, etc.

Not included in the table below is a $1 billion cherry on top, the shifting of COVID-19 relief funds to WHIP. The size and scope of disaster aid keeps growing each year. Costs increase, unspent funds are rescinded and then immediately reappropriated, and the list of eligible losses keeps expanding, regardless of actual need. Agricultural disaster spending keeps getting more expensive for taxpayers while doing nothing to rein in costs or prepare for future climate or economic challenges.

[1] In 2017, Georgia producers insured 1,224,107 acres of cotton out of 1,280,000 acres planted, 783,416 acres of peanuts out of 835,000 acres planted, and 13,775 acres of blueberries out of 15,709 acres bearing. Florida producers insured 90,233 acres of cotton out of 99,000 acres planted, and 144,035 acres of oranges in RBUP (48 percent of total acres insured) and 158,271 acres in RCAT (52 percent of total acres insured) for a total of 302,306 acres insured. Texas producers insured 6,710,030 acres of cotton out of 7,014,000 acres planted

[2] 95 percent of planted cotton acres in Georgia, 94 percent of peanuts in Georgia, 92 percent of cotton in Florida, and 76 percent of oranges in Florida were insured in 2018.

Table 1: Emergency Agriculture Spending Expands in Size and Scope				
Category	**Bipartisan Budget Act of 2018, Div. B Supplemental Appropriations (P.L. 115-23, 2/9/2018)**	**FY2019 Supplemental (P.L. 116-20, 6/6/2019)**	**FY2020 Further Consolidated Appropriations Act (P.L. 116-94, 12/20/2019)**	**Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43, 9/30/2021)**
Ad Hoc Income Subsidies	$2,360,000,000	$3,005,442,000	Unobligated balances from previous legislation	$10,000,000,000
Covered losses	For necessary expenses related to crops, trees, bushes, and vine losses.	For necessary expenses related to losses of crops (including milk, on-farm stored commodities, crops prevented from planting in 2019, and harvested adulterated wine grapes), trees, bushes, and vines.	In addition, quality losses of crops, drought, and excessive moisture; vine losses that were eligible for, but did not receive, previous payments. $400 million for sugar beet processors for 2018 and 2019 losses as well.	Same as FY2019 Supplemental, except the change in date for crops prevented from planting in 2020 and 2021.
Eligible disasters	Hurricanes Harvey, Irma, Maria, and other hurricanes and wildfires occurring in calendar year 2017.	Hurricanes Michael and Florence, other hurricanes, floods, tornadoes, typhoons, volcanic activity, snowstorms, and wildfires occurring in calendar years 2018 and 2019 under such terms and conditions as determined by the Secretary.	Tropical Storm Cindy, and peaches and blueberries due to freeze in 2017, blueberry productivity losses in 2018. Drought in county which the loss occurs was rated by the U.S. Drought Monitor as having a D3 (Extreme Drought) or higher level of drought intensity during the applicable calendar years.	Any hurricane, drought, wildfire, flood, derecho, excessive heat, winter storms, freeze, including a polar vortex, smoke exposure, quality losses of crops, and excessive moisture occurring in calendar years 2020 and 2021. Drought in county which the loss occurred was rated by the U.S. Drought Monitor as having a D2 (Severe Drought) for eight consecutive weeks or a D3 (Extreme Drought) or higher level of drought intensity during the applicable calendar years.
Form of Assistance	That the Secretary may provide assistance for such losses in the form of block grants to eligible states and territories.	That the Secretary may provide assistance for such losses in the form of block grants to eligible states and territories and such assistance may include compensation to producers, as determined by the Secretary, for forest restoration and poultry and livestock losses.		$750,000,000 to provide assistance to producers of livestock, as determined by the Secretary of Agriculture, for losses incurred during calendar year 2021 due to drought or wildfires. Direct payments to processors available as well.
Loss Coverage	Up to 85% of losses (if the business purchased crop insurance). Up to 65% of losses (if the business did not purchase crop insurance).	Up to 90% of losses (if the business purchased crop insurance). Up to 70% of losses (if the business did not purchase crop insurance).		Same as previous.

Government & Agriculture Joined at the (W)HIP, Turned ERP

The Secretary of Agriculture has broad authority to implement discretionary appropriations.[xi] In distributing recent ad hoc aid, first Secretary Perdue, then Secretary Vilsack chose to create programs that undermine decades of Congressional attempts to limit farm subsidies to individuals truly engaged in farming and in actual economic need.

In structuring WHIP turned ERP, Secretaries Perdue and Vilsack created a program that expanded the pool of businesses eligible for federal subsidies. For decades Congress has utilized omnibus farm bills to establish income means tests and individual payment limits to ensure federal subsidies are not dispensed at unlimited levels, or to individuals far removed from the farm. While not perfect, farm bills routinely provide at least some guardrails to programs that historically suffer from significant waste, fraud, and abuse.[xii] USDA, however, circumvented these farm bill subsidy eligibility requirements when implementing disaster programs by watering them down, rendering the means testing provisions and income limitations essentially meaningless.

Flooded corn field and pasture in Nebraska

In addition, the design of WHIP turned ERP undermines Congressional attempts to reduce future demand for ad hoc annual bailouts. While the vast majority of acreage in the areas affected by the 2017 hurricanes was in fact covered by federally subsidized crop insurance (96 percent of cotton acres in Georgia, 94 percent of peanut acres in Georgia, 91 percent of cotton acres in

Florida, and 82 percent of oranges in Florida), some producers chose to forgo purchasing crop insurance. A crop insurance purchase requirement included in the subsequent supplemental appropriations bill was clearly intended to ensure these producers take responsibility for shouldering a portion of their future financial risk, by purchasing federally subsidized crop insurance, as a condition for taxpayers bailing them out. USDA again watered down this requirement, in both WHIP and ERP, by only requiring two years of insurance enrollment if the same crop is planted in the same location as the crop that was eligible for a WHIP or ERP payment.

Table 2: Comparing WHIP, WHIP+, and ERP Program Spending

WHIP	WHIP+	ERP
2017 WHIP Income Subsidies: $2,000,000,000 **Florida Citrus Block Grant**: $340,000,000 (USDA reported $274.7 million paid 12/3/2020) **USDA Overhead**: $20,000,000	**WHIP+ 2018 and 2019 losses to date**: According to USDA, "Nearly $2.4 billion in WHIP+ funding was provided in 2021." **Prevented Planting Supplemental Disaster Payments**: $535 million. Payments to producers who were prevented from planting due to excess precipitation, flood, storm surge, tornado, volcanic activity, tropical depressions, hurricanes, and cyclones in the 2019 crop year.[3] (USDA reported $570 million paid 11/8/2019). **On-Farm Storage Loss Program**: $50 million. Payments to producers for whom harvested commodities, including hay, stored in structures on the farm were made "useless and non-merchantable" due to floods, hurricanes, wildfires, and any other qualifying weather event. **WHIP Milk Loss Program**: $5 million. Payments to producers with unmarketable milk due to events such as power outages and impassable roads. **WHIP+ future 2019 and 2020 crop year losses**: Disasters occurring in 2019 calendar year, and affecting crop years 2019 and 2020, are eligible. **Block grants to eligible states**: $800 million (announced 11/8/2019) • Florida Timber Block Grant: $380.7 million (announced 11/8/2019) • Georgia Farm Recovery Block Grant: $347 million (announced 2/26/2020) • Alabama Block Grant: $24.9 million (announced 11/8/2019)	**ERP 2020 and 2021 losses to date:** $6 billion announced in May 2022. **ERP payments:** will be announced in Phase 1 and Phase 2. Phase 2 will fill in gaps that Phase 1 does not cover. **Emergency Livestock Relief Program (ELRP):** 750 million in livestock losses announced separately in April 2022, for calendar year 2021 losses.

[3] USDA reported on 11/8/2020 $570 million in prevented planting supplemental disaster payments.

Promoting Dependence on Federal Subsidies, Instead of Resilience

Recent farm bill efforts have attempted rein in farm subsidies to producers who do not need them, through means testing and payment limitations. Through the 2018 farm bill, producers are ineligible for certain farm subsidy programs if average adjusted gross income (AGI) exceeds $900,000 annually. Generally, commodity program payments are limited to $125,000 annually, with an additional $125,000 payment available to peanut producers each year.

Through the recent implementation of WHIP, WHIP+, and ERP, however, these AGI and payment limitations have been further watered down. Thus, millionaires and billionaires are eligible for disaster aid subsidies. Producers growing specialty crops (such as fruits and vegetables) in addition to commodity crops may receive up to $1.15 million annually in ERP disaster payments. This is in addition to crop insurance subsidies (which are currently unlimited), not to mention the availability of conservation payments, commodity crop subsidies, shallow loss program payments, and other federal farm subsidies.

Recent levels of federal subsidization and government intervention into agriculture have been unprecedented. Disaster aid recipients, subsidy amounts, etc. also have not been released in a publicly transparent manner. Therefore, farmers, taxpayers, and academics are unable to analyze whether or not they are in the public interest.

Table 3: Comparing WHIP, WHIP+, and ERP Payment Limitations & Means Testing

	WHIP	WHIP+	ERP
Income Qualification	No AGI test. An individual making more than $900,000 in AGI can receive subsidies.	Same as WHIP	Same as WHIP
Payment Limits	**$125,000** for individuals or entities for whom agricultural income is less than 75% of their total average AGI (tax years 2013, 2014, 2015). **$900,000** for individuals or entities for whom agricultural income is at least 75% of their total average AGI (tax years 2013, 2014, 2015).	Same **($125,000**) as WHIP for individuals or entities for whom agricultural income is less than 75% of their total average AGI (tax years 2015, 2016, and 2017). Limit is a *combined total* for losses occurring in 2018, 2019, and 2020 crop years. **$250,000 per crop year** for individuals or entities for whom agricultural income is at least 75% of their total average AGI (tax years 2015, 2016, and 2017). Total combined limitation for crop years 2018, 2019, and 2020 is **$500,000.** WHIP+ payment limits *do not* apply to payments made under Prevented Planting Supplemental Disaster Aid	Same **($125,000**) as WHIP for individuals or entities for whom agricultural income is less than 75% of their total average AGI (tax years 2016, 2017, and 2018 for program year 2020, for instance), but an additional **($125,000)** for specialty crop growers. Limit is *per year*, for losses in 2020, 2021, and 2022 program years. **$900,000 per program year** for specialty crops, plus **another $250,000 per program year** for all other crops, for individuals or entities for whom agricultural income is at least 75% of their average AGI (tax years 2016, 2017, and 2018 for program year 2020, for instance).
Crop Insurance Purchase Requirement	Requires purchase of crop insurance or NAP for the next 2 available crop years if producer grows same crop for which they received a WHIP payment.	Purchase requirement only applied to crop losses. Recipients of WHIP+ for lost trees, bushes, or vines are not held to the purchase requirement.	Only requires purchase of crop insurance or NAP for the next two available crop years. (But it is all crops and still waives

	Waives purchase requirement for growing other crops.		purchase requirement if they grow any other crop.)

Furthermore, the Secretary of Agriculture's implementation of ad hoc disaster aid through WHIP, WHIP+, and ERP has led to several problems:

- **Undermining responsible risk management and encouraging moral hazard.** Under ad hoc disaster aid, subsidies were sent to producers who chose to not purchase federally subsidized crop insurance, even when it was available. A main talking point of the crop insurance lobby's defense of the $8-9 billion/year federally subsidized crop insurance program is that doing so precludes the need for costly, unpredictable ad hoc supplemental bills.[xiii] In addition, while taxpayers subsidize on average 62 percent of premiums in the crop insurance program, producers are responsible for financing a portion of their policy. Knowing that the federal government will extend subsidies to producers who made the economic decision to not buy crop insurance will discourage producers from taking financial responsibility in the future. Disaster aid payments are also covering losses that would be incurred under an insurance deductible, causing moral hazard when producers experience little to no income losses through the combination of crop insurance and disaster aid. Disaster aid payments are layered on top of crop insurance, leading to subsidies covering up to 90 percent of annual income.
- **Unnecessary and costly federal overreach.** WHIP+ included a program to compensate producers for 75 percent of the value of harvested commodities, including hay, that were stored on farms but destroyed due to natural disasters. Like any other farm property – be it machinery, buildings or inventory such as fertilizer and other inputs – harvested crops stored on farms can be, and often are, insured as part of widely available private sector insurance policies. Stored commodities are uninsured or underinsured because agricultural businesses chose not to purchase insurance. And despite the existence of private sector insurance, special interests have called for Congress to make coverage of on-farm stored commodities a responsibility of the federal crop insurance program.[xiv] Taxpayers should not be held financially responsible for the individual decisions of farm businesses.
- **Covering prevented plantings is a fiscally irresponsible duplication of payments.** Federally subsidized crop insurance already provides protection in the event weather conditions prevent a farmer from planting a crop. The Risk Management Agency (RMA) reported a record $4.28 billion in "prevent plant" payments covering 19.6 million acres in 2019.[xv] Yet under WHIP+, producers who filed prevented planting insurance claims received a "bonus" payment totaling either 10 or 15 percent of their indemnity depending on their insurance policy. Providing unbudgeted "bonus" subsidies to businesses that are already protected by taxpayer-subsidized crop insurance once again undercuts the notion of the farm safety net being about managing risk rather than maximizing subsidies.

Piggy Bank of Ag Disaster Spending Quickly Diminishing

The ag disaster slush fund – known as WHIP, and now ERP – is quickly diminishing. With around $16.4 billion authorized and $11 billion spent, another agriculture disaster supplemental may be on the horizon. Climate-related disasters are not going away anytime soon. Already the federal crop insurance program becomes more expensive during years of severe droughts, floods, and the like. Adding additional disaster aid on top of existing farm programs only makes the overall ag safety net that much more expensive for taxpayers, while doing nothing to prepare farmers and ranchers for challenges lying ahead.

At a cost of $16 billion, WHIP/ERP would be more expensive than farm bill authorized supplemental disaster programs. Yet this agricultural income entitlement program has been developed completely outside of the farm bill process, is 100 percent deficit-financed, and developed without an opportunity for open debate and amendment by the full membership of the House and Senate.

Corn field damaged by hail and wind in Nebraska

Both Republican and Democratic elected representatives from certain farm states are also attempting to bypass the regular farm bill process and further cement WHIP/ERP as an expensive annual agricultural income entitlement program. On July 27, 2021, the House Committee on Agriculture unanimously adopted the 2020 WHIP+ Reauthorization Act (H.R. 267), which if enacted, would expand agricultural disaster programs and make them permanent.

Prior to attaching $2.36 billion in "emergency" income subsidies to the BBA2018, the last major supplemental appropriation bill to include income subsidies for agricultural businesses occurred in 2007. Every subsequent disaster supplemental, including the $60 billion Sandy Supplemental in 2013, limited the emergency funding provided to USDA to programs to remove debris or repair physical facilities, and to distribute nutrition assistance. Yet after a decade without supplementing farm bill income safety net programs with "emergency" income subsidies, in just a few years, Congress adopted a handful of packages, covering five crop years, totaling $16.4 billion. And by using annual spending bills to rescind excess "emergency" funds and reprogram them to a continuously expanding list of "emergencies," appropriators have effectively created an off-budget disaster spending account they can use to direct income subsidies to their favored agricultural sectors.

Ad Hoc Supplementals Undermine the Farm Safety Net

The desire to aid individuals and communities affected by natural disasters is understandable. Disaster assistance for certain crop losses – when they are not already covered by other private, state, or federal programs – may be an appropriate role of the federal government. But considering the numerous assistance programs already in place for agricultural losses due to natural disasters, the need for additional disaster aid is limited. Ultimately lawmakers must focus on reforming federal farm policy to enable producers to increase their resilience to economic and climate challenges instead of increasing certain producers' dependence on federal subsidies.

The concept of federally subsidized crop insurance is that in exchange for the certainty and predictability of taxpayer support, farming and ranching businesses bear a portion of the economic burden of their financial safety net. Resorting to unbudgeted emergency spending to bail out producers who refused to contribute their fair share by purchasing adequate levels of federally subsidized crop insurance, or to displace private risk management tools, undermines decades of progress toward a more cost-effective, accountable, and transparent agriculture safety net that taxpayers can afford and producers need.

For more information, please visit https://www.taxpayer.net/category/agriculture/

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