TAXPAYERS *for* COMMON SENSE

FACT SHEET

**January 2023**

# Updated: Why Disaster Spending? Taxpayers Already Created a Generous Safety Net for Agriculture

Lawmakers in Washington are pointing to ongoing natural disasters to justify efforts to increase federal subsidies for agricultural businesses. From Hurricane Ian to farmers impacted by drought and other disasters across the US, agricultural special interests continue to seek more taxpayer subsidies. However, recent record spending on ad hoc disaster aid has too often been unnecessary, at times lining the pockets of producers or landowners already covered by other federal programs aimed at preventing the need for post-disaster subsidies.

The desire to aid individuals and communities affected by natural disasters is understandable. But considering the numerous and generous federal assistance programs already in place for agricultural losses, such as federally subsidized crop insurance, the justification for a separate, multi-billion-dollar additional disaster aid package is thin. Congress should instead focus any future disaster aid on losses that cannot otherwise be covered by private or federal crop insurance or other existing farm bill disaster programs. Ultimately lawmakers must focus on reforming federal farm policy to enable producers to increase their *resilience* to future climate and economic challenges instead of furthering certain producers' *dependence* on federal subsidies.

In addition to appropriating "emergency" disaster aid for agriculture in recent years, House Agriculture Committee Ranking Member David Scott (D-GA) has proposed creating a permanent disaster aid fund managed by the Secretary of Agriculture that would direct assistance in addition to existing farm bill authorized safety net programs. The House Agriculture Committee took a step in this direction in July 2021, voting to adopt the $8.5 billion Wildfire and Hurricane Indemnity Program Plus (WHIP+) Reauthorization Act. This bill would expand and extend a "temporary" program originally created in response to hurricanes and wildfires in 2017.

Others have called for a permanent disaster spending program to be added to the 2023 farm bill. Unlike federal crop insurance, under which farmers have skin in the game, federal disaster subsidies are 100 percent taxpayer-financed and increase federal deficits.

Adding more layers of farm subsidies such as this to the already overly generous farm safety net – costing taxpayers record levels in recent years - would be a major step in the wrong direction.

## Taxpayer-Funded Agricultural Safety Net: Envy of Every Industry

Businesses involved in agriculture benefit from a highly generous taxpayer-funded safety net. These programs are tailored to numerous types of agriculture (*e.g.* corn growers, cattle ranchers, beekeepers, and cherry tree owners). In combination, they provide economic protection from both deep, catastrophic crop losses as well as less severe dips in anticipated yields, prices, or incomes. Payments from most of these programs are triggered after almost any type of natural disaster (*e.g.* flooding, drought, hurricanes, and more). Typically created and modified as part of the 5-year farm bill, the majority are permanently authorized and draw on mandatory funding. Thus, like other mandatory programs such as Social Security, Medicaid, or nutrition assistance, anybody who qualifies for the program is automatically entitled to benefits without an additional act of Congress.

Just some of the taxpayer-subsidized federal disaster-related programs include the following:

**Table 1: Federally Funded Agricultural Disaster Programs**

| Program | Description | Authorization | Funding Status |
|---|---|---|---|
| Livestock Indemnity Program (LIP) | Provides payments for **livestock deaths OR livestock sold at reduced price** due to **adverse weather** including earthquakes, hail, lightning, tornado, tropical storm, typhoon, fog, winter storms (that lasts at least three days and is accompanied by high winds), freezing rain or sleet, heavy snowfall and extremely cold temperatures, hurricanes, floods, blizzards, wildfires, extreme heat, extreme cold, and straight-line winds. **Deaths due to disease** exacerbated by weather including anthrax, cyanobacteria, and larkspur poisoning. Also **deaths AND reduced prices** due to **animal attacks** by animals reintroduced into the wild by the Federal Government (i.e. wolves). | Permanently authorized by 2014 Farm Bill; reauthorized in 2018 Farm Bill | Such sums as necessary |
| Livestock Forage Disaster Program (LFP) | Provides payments for **pasture and grazing losses on private land due to drought,** or for grazing losses **due to inability to access public land because of wildfires**. Makes payments on a percentage of feed value. | Permanently authorized by 2014 Farm Bill; reauthorized in 2018 Farm Bill | Such sums as necessary |
| Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program (ELAP) | Provides payments to producers of livestock, honeybees and farm-raised fish for losses due to **disease, adverse weather events, feed or water shortages, and wildfires.** This includes drought or wildfires on private land, the cost of transporting water to livestock, the cost of transporting feed, costs of gathering livestock for treatment of cattle tick fever, honeybee feed, colony and hive loss, and farm-raised fish feed and deaths. | Permanently authorized by 2014 Farm Bill; reauthorized in 2018 Farm Bill | Such sums as necessary |

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| Tree Assistance Program (TAP) | Provide payments to replant or rehabilitate trees, bushes, and vines lost by natural disasters or disease (including citrus greening), insect infestation, drought, fire, freeze, flood, earthquake, lightning, or other disasters. Plants must be ornamental, fruit, nut, or Christmas trees produced for commercial sale. | Permanently authorized by 2014 Farm Bill; reauthorized in 2018 Farm Bill | Such sums as necessary |
| Noninsured Crop Disaster Assistance Program (NAP) | Provides payment to producers that grow crops not eligible for crop insurance when natural disasters result in lower yields, crop losses, or prevented plantings. Eligible crops include crops grown for food, for livestock feed, mushrooms and floriculture, honey and maple sap, sea oats and sea grass, sweet sorghum and biomass sorghum, crops grown for the purpose of creating biofuels, ornamental nursery, turf-grass sod, ginseng, crops grown for seed, and others. | Permanently authorized by Federal Crop Insurance Reform and Department of Agriculture Reauthorization Act of 1994 | Such sums as necessary |
| Federally Subsidized Crop Insurance | Provides payments due to losses in expected yields or revenues due to natural disasters, weather, and price changes. Coverage is available for more than 140 crops on a commodity-by-commodity basis, including row crops like corn, wheat, soybeans, rice, and cotton; fruits and nuts such as almonds, cherries, and oranges; as well as fresh market fruits and vegetables. Crop insurance is also available for clams, oysters, tobacco, pasture land, and grass seed. Trees can be insured separate from the fruit of the trees. Taxpayers subsidize on average 62 percent of the premium with agricultural businesses paying only 38 percent of the premium. | Permanently authorized by Federal Crop Insurance Act of 1938. Greatly expanded in 1994 and 2000. | Such sums as necessary (on average, $8-9 billion per year but varies) |
| Emergency disaster loans (EM) | Low-interest loans (up to $500,000) to recover from production and physical losses due to drought, flooding, other natural disasters or quarantine. Can be spent on restoring essential property, paying production costs, paying essential family living expenses, reorganizing the farming operation, and refinancing business debt. | | |
| Disaster Set-Aside (DSA) | Allows producers to defer loan payments for direct loans. | | |
| Emergency Conservation Program | Funds water conservation and repairing damage to farmlands caused by natural disasters. | Authorized in the Agriculture Credit Act of 1978 | Discretionary; no specific authorization level |
| Emergency Forest Restoration Program | Debris removal, forest restoration, etc. related to losses due | Authorized in the 2008 Farm bill | Discretionary; no specific authorization level |

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| Emergency Watershed Protection | Disaster cleanup and recovery including 25 percent set-aside to repair and replace fencing | Authorized in the Agriculture Credit Act of 1978 | Discretionary; no specific authorization level |

These programs provide billions of dollars in income subsidies to agricultural businesses annually. Since 2014, farm bill programs covering disaster losses, plus Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) commodity subsidies, cost taxpayers an average of $12.5 billion annually. Please note these costs exclude ad hoc disaster aid, in addition to agricultural income assistance from federal programs in response to COVID-19, trade war losses, and Farm Bill conservation programs.[1] Table 2 lists taxpayer spending on farm bill income subsidy programs, including standing disaster programs (LIP, LFP, ELAP, TAP, and NAP), federally subsidized crop insurance, and farm bill Title 1 commodity programs such as PLC and ARC.

**Table 2: Cost of Farm Bill Agricultural Disaster and Farm Commodity Programs ($ millions)**

| Program | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|
| LIP | $55 | $52 | $42 | $24 | $45 | $50 | $44 | $18 |
| LFP | $2,988 | $2,521 | $460 | $355 | $490 | $288 | $466 | $558 |
| ELAP | $0 | $49 | $24 | $24 | $46 | $46 | $51 | $77 |
| TAP | $0 | $11 | $13 | $15 | $45 | $15 | $15 | $10 |
| NAP | $141 | $125 | $137 | $157 | $183 | $138 | $161 | $170 |
| Crop Insurance | $8,244 | $7,273 | $4,157 | $4,208 | $6,445 | $12,290 | $9,359 | $4,591 |
| ARC and PLC | | | $5,312 | $8,116 | $9,782 | $3,114 | $2,612 | $6,280 |
| **Total** | **$11,428** | **$10,031** | **$10,145** | **$12,899** | **$15,236** | **$15,941** | **$12,708** | **$11,704** |

Despite the generosity of these mandatory income entitlements since their creation or expanded authorization in the 2014 Farm Bill, Congress has employed numerous legislative vehicles to increase their cost to taxpayers. The 2018 Farm Bill, supplemental disaster spending bills, and the annual appropriations process, have all been used to expand eligibility, carve out benefits for a small subset of special interests, and/or increase the frequency and size of program payments.

[1] Total government payments to agriculture in 2020 reached $46 billion, not even counting benefits from federal crop insurance. Government payments to agriculture in 2021 were $26 billion, still well above historic averages. This high level of subsidization was primarily due to record income payments due to disasters, COVID-19, and trade war bailouts.

| Changes to Permanent Agricultural Disaster Programs | | |
|---|---|---|
| **Program** | **Legislation** | **Change** |
| **LIP** | Bipartisan Budget Act of 2018 – 2/2/2018 | Removed the $125,000 individual payment limit. Also made losses from selling livestock at a reduced price due to adverse weather an eligible loss. |
| **ELAP** | Bipartisan Budget Act of 2018 - 2/2/2018 | Removed annual funding cap of $20 million. |
| **TAP** | Bipartisan Budget Act of 2018 – 2/2/2018 | Increased the individual limit from 500 acres to 1,000 acres and removed $125,000 payment limit. |
| **TAP** | Consolidated Appropriations Act of 2018 – 3/23/2018 | $15 million set aside for pecan growers. Pecan producers will become eligible for a payment after losing 7.5 percent of their trees instead of the typical 15 percent. Applied to calendar year 2017 losses. |
| **LIP** | 2018 Farm Bill – 12/20/2018 | Made deaths of unweaned livestock due to adverse weather eligible for a payment. |
| **ELAP** | 2018 Farm Bill – 12/20/2018 | Covers the cost of inspecting cattle for cattle tick fever. |
| **TAP** | 2018 Farm Bill – 12/20/2018 | Cost share increased from 65 to 75 percent federal funding for beginning, socially disadvantaged, and veteran farmers. |

## Supplementing the Farm Subsidy System

Agricultural special interests leveraged the 2017 and 2018 hurricane seasons to create a pot of disaster assistance separate from Farm Bill entitlement programs. The establishment of and changes to ad hoc disaster programs since 2018 included provisions tucked into several disaster supplemental, appropriations, and other legislation. As of December 2022, Congress appropriated approximately $19 billion in agriculture disaster funds outside the farm bill process and repurposed $1 billion in COVID-19 aid, for a grand total of $20 billion. USDA's Economic Research Service (ERS) estimated that approximately $12-13 billion would be spent by the end of 2022. For more information, see our fact sheet on WHIP, which was renamed the Emergency Relief Program (ERP) in 2022. And again, this $20 billion in spending is not part of the farm bill, but rather is allocated separately through supplemental appropriations bills.

## Promoting Dependence, Instead of Resilience

Ad hoc disaster funding has effectively become a federal slush fund with little transparency on where the money is going, for which disasters, how much money has been spent, and how much is left. Certain WHIP and other disaster payments have also been duplicative given the wide array of farm bill authorized programs covering a range of agricultural producers.

In the last two farm bills (2014 and 2018), proponents of federal crop insurance attempted to sell increased taxpayer spending on the program as a guard against ad hoc disaster bills. However, ad hoc disaster aid costs have skyrocketed – from $2 billion in 2020 to a projected total of $8 billion in 2022. While crop insurance and farm subsidy proponents emphasize the importance of a stable and predictable farm safety net, ad hoc disaster aid does not fit the bill.

Ad hoc aid further entrenches reliance on federal subsidies while discouraging common sense conservation practices that may increase producers' resilience to future risk of crop losses and reduce taxpayer-funded bailouts down the road. Legislative changes and program implementation have also watered down common sense payment limits and means testing provisions enacted as part of the last farm bill to ensure payments are not lining the pockets of wealthy agribusinesses, large landowners, and non-farmers. Further opening the subsidy spigot creates barriers for new, beginning, young, and socially disadvantaged farmers since they are not benefiting from the large majority of ag disaster aid. Recent disaster subsidies have also bailed out bad actors who chose not to purchase subsidized crop insurance and covered losses that are already insurable by private companies (such as on-farm stored grain).

## Conclusion

While disaster aid may be necessary in certain industries facing extreme heat, drought, and other disasters, there is a limit to what American taxpayers can afford. Numerous federal programs exist to assist agriculture in times of need – crop insurance, permanent disaster aid, price supports, shallow loss programs, and more. Congress must let these programs run their course. If there are shortcomings in the federal safety net for farming and ranching businesses, Congress can utilize funding already appropriated in previous legislation and focus additional aid only on those producers who are truly in need of government support.

Government subsidies promoting more risk taking at taxpayer expense should also be scaled back. Federal programs should promote – instead of discourage - risk-reducing conservation practices that provide multiple benefits for everyone from farmers to taxpayers. Future policies should invest in real, lasting solutions to climate change such as targeted investments in conservation that spend taxpayer dollars wisely instead of increasing dependence on Washington, or worse yet, subsidizing production in risky areas such as flood plains and the arid West. Instead of providing disaster subsidies after-the-fact, the farm safety net should be reformed to promote transparency, accountability, cost-effectiveness, responsiveness, and resilience in the face of looming economic and climate challenges.

*For more information, visit taxpayer.net or contact Taxpayers for Common Sense at 202-546-8500.*