FACT SHEET

January 2023

Fact Sheet: Agriculture Disaster Spending & Emergency Relief Program (ERP)

Over the past 20 years, Congress expanded subsidies for federal crop insurance in an effort to negate the need for unpredictable ad hoc disaster spending, flowing to certain agricultural producers after floods, droughts, and other disasters. Fast forward to 2018, however, and ad hoc aid flowing to certain agricultural producers was allocated by Congress in response to active hurricane and wildfire seasons in 2017. Since then, through a handful of acts of Congress, ad hoc disaster aid came back from the dead. The most recent funding flowed through the FY23 omnibus, enacted in Dec. 2022, bringing total "emergency" disaster-related spending for agriculture to $20 billion from 2017-2022.

Wind and hail damage to Nebraska soybean field, 2022

Ag disaster spending – and the U.S. Department of Agriculture's (USDA) implementation of it, first through the Wildfire and Hurricane Indemnity Program (WHIP) and now the Emergency Relief Program (ERP) - has grown into another costly, redundant agricultural income entitlement program. WHIP has also suffered a high improper payment rate (nearly 50% in FY20), according to USDA's Office of Inspector General (OIG).

Opening the Floodgates of Taxpayer Spending

Table 1 includes spending allocated to agriculture ad hoc disaster aid over the last five years. Other legislation shifted unobligated funds by rescinding unspent funds and then immediately reappropriating them to other crop year-related losses. While it's unknown exactly how much of the $20 billion has been spent, USDA data indicates the figure is likely $12-13 billion, as of the end of 2022.

Table 1: Ad Hoc Agriculture Disaster Spending, for Crop Years 2017-2022				
Legislation	**Bipartisan Budget Act, 2018**	**FY2019 Supplemental, 2019**	**FY22 Continuing Resolution, 2021**	**FY23 Omnibus, 2022**
Income Subsidies	$2.36 billion	$3.005442 billion	$10 billion	$3.741715 billion
Total	**$19.1 billion**			
Grand Total	**$20.1 billion***			
Notes: * additional $1 billion was added, after lawmakers shifted unobligated COVID-19 relief into WHIP+ in 2021				

The Problem

Congress' now repeated appropriation of "emergency" unbudgeted income subsidies for agricultural businesses is problematic for several reasons:

- **Duplication of payments:** Some ag disaster payments are made for crop losses already covered by federally subsidized crop insurance, farm commodity programs, hail or other private insurance, etc., making certain subsidies duplicative. Spending on farm bill crop insurance and commodity programs already costs taxpayers approximately $15 billion annually, so layering more subsidies on top wastes taxpayer dollars.
- **Promoting dependence, instead of resilience:** Ag disaster bailouts discourage responsible risk management by extending federal responsibility to certain perils and economic losses that have never been the responsibility of the federal government, such as losses of on-farm stored grain which may be covered under private insurance policies. Taxpayers should not be held financially responsible for the individual decisions of farm businesses.

"Prevented planting"

Federal crop insurance already provides payments if producers are prevented from planting a crop. USDA reported a record $4.28 billion in "prevent plant" payments covering 19.6 million acres in 2019. Yet under WHIP+, producers who filed prevented planting insurance claims received a "bonus" payment totaling 10-15% of their indemnity depending on the insurance policy. Providing unbudgeted "bonus" subsidies to businesses that are already protected by taxpayer-subsidized crop insurance undercuts the notion of the farm safety net being about managing risk rather than maximizing subsidies.

- **Encouragement of 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. Subsidies for those who did purchase insurance may cover up to 90% of the crop loss, meaning ad hoc disaster subsidies are more generous than the typical crop insurance policy chosen by producers each year (providing 70-75% coverage).
- **Huge payments to large, established operations:** In distributing ad hoc aid, USDA 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.

Thus, millionaires and billionaires are eligible for disaster aid subsidies, and subsidies flowing to producers growing both specialty crops (fruits and vegetables) in addition to commodity crops may reach $1.15 million annually. That's nearly 10 times more than producers may receive in farm bill commodity subsidies annually - $125,000.

- **Looking back instead of forward:** Distributing ad hoc aid, at times years after disasters strike, fails to help producers increase their resilience to future climate risks or natural disasters.
- **Nontransparent to taxpayers:** While some data exists on beneficiaries of recent ag disaster spending, taxpayers do not know which disasters agricultural producers are receiving subsidies for or for which crop losses. In addition, data on how much WHIP/ERP funding has been spent is difficult to track with limited USDA information available. And last but not least, Congress has not had ample time or opportunity to provide input into this spending, given its inclusion in large spending bills without opportunity for committee or significant policymaker input.

> *"While the ad hoc disaster assistance could benefit cash flow in 2023, it is never there prospectively and shouldn't affect 2023 production, marketing or risk management decisions."*
>
> Dr. Brad Lubben, agriculture extension policy specialist, University of Nebraska-Lincoln

The Solution

Calls for more spending on a permanent disaster program in the farm bill should be eschewed in favor of federal investments in programs and policies that can help build agricultural producers' resilience to future challenges, such as targeted investments in agricultural conservation measures like no till and cover crops which can conserve moisture and soil. Already the farm bill contains federally subsidized crop insurance and other disaster programs covering losses not included within crop insurance, such as those related to honeybees, nursery crops, livestock, and more. If limited gaps exist in the current farm safety net, then they should be addressed within existing programs instead of the creation of new alphabet soup programs that fail to prepare agriculture for future challenges.

Flooded corn field and pasture in Nebraska

Conclusion

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.

Instead of expanding the off-budget, ever-expanding disaster slush fund to cover everything from moldy corn and maple sap to sugar beets and sea grass, Congress should be more judicious in designing the financial safety net for agricultural businesses. Measures can also be built into existing farm safety net programs to promote the use of smart risk management techniques, which ultimately reduce the need for repetitive taxpayer-financed, disaster-related bailouts. A farm safety net that is focused, fiscally responsible, and fosters resilience – instead of dependence on federal taxpayers - can be achieved, but agricultural policy reforms are necessary.

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