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Emergency Farm Assistance in FY2000: Description and State Distribution

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Summary

The 106th Congress provided nearly \$15 billion in FY2000 emergency agriculture spending in four separate acts, primarily to compensate farmers for the effects of low farm commodity prices and natural disasters. Of this amount, approximately \$13.2 billion was disbursed to farmers in the form of direct government payments and the balance was appropriated to various USDA programs that benefit farmers and rural areas. (Not included in these totals is nearly \$15 billion in FY2000 direct government payments made to farmers under regularly authorized USDA programs.) The principal beneficiaries of the emergency funds were growers of grains and cotton, who received a total of \$11 billion in two installments of market loss payments to counter low commodity prices. Other recipients of emergency market loss payments included growers of oilseeds, tobacco, dairy and peanuts, who received just under \$1 billion combined. Congress also provided over \$1.2 billion in crop loss payments for major 1999 crop losses caused by a natural disaster. Five states – Texas, Iowa, Illinois, Nebraska and Kansas – accounted for just over one-third (\$5 billion) of total emergency payments made to farmers in FY2000. This report will not be updated.

Legislative Background

Four separate acts provided \$15 billion in emergency spending in FY2000 for programs administered by the U.S. Department of Agriculture (USDA). The vast majority of this additional spending was provided to bolster farm income which has been adversely affected by continued low farm commodity prices and various natural disasters. The annual agriculture appropriations act for FY2000 (P.L. 106-78, October 22, 1999) provided \$8.7 billion in emergency supplemental USDA spending, of which \$6.7 billion was paid directly to farmers (including \$5.5 billion to grains and cotton growers) in the form of “market loss” payments to compensate for low prices, and \$1.2 billion in crop disaster payments. One month later, provisions in the Consolidated Appropriations Act for FY2000 (P.L. 106-113, November 29, 1999) added \$577 million in emergency USDA assistance primarily to help farmers and rural areas recover from a series of hurricanes that struck the Eastern states in 1999. A third act, the Agriculture Risk Protection Act of 2000 (P.L. 106-224, June 20, 2000) was enacted primarily to enhance the federal crop insurance

program. It served also as a vehicle for providing another \$5.5 billion in market loss payments for grain and cotton farmers to supplement the \$5.5 billion previously provided by P.L. 106-78. P.L. 106-224 also contained \$1.64 billion in USDA assistance for FY2001, which primarily will assist soybean, tobacco, fruit and vegetable, cottonseed, peanut and wool and mohair growers. A fourth act, the military construction appropriations act for FY2001 (P.L. 106-246, July 13, 2000) contained emergency spending provisions that included \$210.4 million in supplemental FY2000 USDA spending, primarily to further assist regions affected by 1999 hurricanes and to aid rural areas affected by wildfires in the Southwest. (For a complete listing of all major agricultural provisions in FY2000 emergency spending acts and a history of such spending, see CRS Report RS20269, *Emergency Funding for Agriculture: A Brief History of Congressional Action, FY1989-FY2001*.)

Farm Commodity Market Loss Assistance

Of the \$15 billion in emergency assistance provided to USDA programs in FY2000, approximately \$11.9 billion were direct government payments to farmers in the form of “market loss payments” to compensate for low commodity prices. These emergency payments are in addition to the estimated \$15 billion in regular government payments to farmers made in FY2000 through ongoing federal programs. Grain and cotton growers received just over 90 percent of the \$11.9 billion in emergency FY2000 payments. The balance was disbursed to oilseed, dairy, tobacco and peanut growers. As a general rule, these payments were made to all growers of specific commodities regardless of the potential recipient’s financial condition.

Grains and Cotton

Receiving nearly \$11 billion of the total FY2000 emergency farm assistance were growers of wheat, feed grains, cotton, and rice. These payments were made in two installments of \$5.5 billion each, one in late calendar year 1999 and another in September 2000. Authorizing statutes (P.L. 106-78 and P.L. 106-224) required that these market loss payments be made exclusively to recipients of production flexibility contract payments, and in the same proportion as their regular contract payments.¹ In addition to these emergency payments, grains and cotton growers received \$13 billion in direct government payments under various commodity support programs authorized by the 1996 farm bill.

Estimates show that the \$11 billion in emergency payments were made in the following proportions: corn contract holders, \$5.1 billion; wheat, \$2.9 billion; upland cotton, \$1.3 billion; rice, \$930 million; grain sorghum, \$560 million; barley, \$235 million; and oats, \$16 million. Just over one-half (\$5.6 billion) of the market loss funds were paid to contract holders in 7 states: Iowa, Texas, Illinois, Nebraska, Kansas, Minnesota and Arkansas.

¹ Title I of the 1996 farm bill (P.L. 104-127) established a substantially changed support program for producers of wheat, feed grains, upland cotton, and rice. This program offers 7-year “production flexibility contracts” to producers with cropland previously enrolled in a target price deficiency payments program, which was suspended by the Act. The law authorized \$35.68 billion for contract payments to be paid over seven years in fixed but declining annual amounts.. See CRS Report 98-744 for more information.

FY2000 Emergency Farm Assistance, by State
(Millions of Dollars)

State	Total	Market Loss Payments					Disaster Payments	
		Grains & Cotton ^a	Dairy	Tobacco	Peanuts	Oilseeds	Crop	Livestock
Texas	1,186.4	941.5	3.2	0.0	10.4	2.2	188.6	40.5
Iowa	1,134.4	1,038.8	4.0	0.0	0.0	75.8	15.3	0.4
Illinois	991.0	906.5	2.4	0.0	0.0	68.9	12.6	0.7
Nebraska	824.5	775.2	1.1	0.0	0.0	27.3	20.3	0.7
Kansas	820.4	771.9	1.1	0.0	0.0	15.8	31.6	0.0
Minnesota	731.5	626.8	10.9	0.0	0.0	46.0	47.8	0.1
North Dakota	641.8	480.5	0.8	0.0	0.0	18.6	141.8	0.0
Arkansas	572.1	520.4	0.7	0.0	0.1	16.6	23.0	11.4
Indiana	506.6	447.0	1.9	4.8	0.0	35.5	15.5	1.9
California	453.6	384.2	7.1	0.0	0.0	1.2	59.7	1.3
Missouri	434.8	343.8	2.7	1.7	0.0	27.0	39.6	19.9
South Dakota	384.0	315.6	1.5	0.0	0.0	26.5	40.4	0.0
Ohio	370.2	304.0	4.5	5.6	0.0	29.3	23.0	3.8
Oklahoma	349.9	291.2	1.0	0.0	3.3	1.8	31.7	20.9
Kentucky	302.7	112.4	2.1	123.2	0.0	6.5	41.1	17.4
North Carolina	299.7	123.2	1.1	99.7	5.2	6.1	61.9	2.5
Mississippi	297.5	260.6	0.7	0.0	0.2	9.4	20.7	5.9
Louisiana	296.2	272.8	0.9	0.0	0.1	4.8	13.5	4.1
Wisconsin	284.9	241.1	26.6	1.9	0.0	8.4	6.9	0.0
Montana	282.1	246.7	0.3	0.0	0.0	0.6	31.2	3.2
Michigan	212.1	188.4	5.1	0.0	0.0	11.1	7.5	0.0
Georgia	209.7	86.6	0.9	15.0	21.5	0.9	73.2	11.6
Washington	200.3	177.6	2.1	0.0	0.0	0.1	19.8	0.7
Colorado	199.0	184.2	0.6	0.0	0.0	0.9	13.3	0.0
Tennessee	190.9	108.8	1.7	33.8	0.0	6.2	29.1	11.3
Idaho	147.0	135.1	2.2	0.0	0.0	0.1	9.4	0.1
Alabama	112.6	76.8	0.4	0.1	7.1	1.1	19.9	7.3
South Carolina	105.5	57.4	0.3	17.8	0.4	1.7	26.3	1.6
Virginia	89.9	41.8	1.7	19.5	3.5	2.0	15.1	6.4
Pennsylvania	87.4	45.4	9.4	0.0	0.0	1.6	30.0	1.0
Arizona	87.3	82.0	0.4	0.0	0.0	0.0	3.4	1.5
Oregon	86.9	70.8	1.0	0.0	0.0	0.1	14.1	0.8
New York	84.4	58.4	10.8	0.0	0.0	0.7	13.4	1.1
New Mexico	45.4	38.3	0.4	0.0	0.5	0.0	4.2	2.0
Maryland	42.8	30.7	1.2	0.0	0.0	2.5	7.7	0.7
Florida	36.6	15.9	0.6	3.6	2.8	0.1	10.8	2.9
Wyoming	17.7	16.4	0.1	0.0	0.0	0.0	1.2	0.0
Utah	17.4	14.4	1.0	0.0	0.0	0.2	1.5	0.3
Puerto Rico	17.1	5.2	0.1	0.0	0.0	0.0	11.8	0.0
New Jersey	16.7	5.2	0.3	0.0	0.0	0.5	10.6	0.1
Delaware	11.7	9.1	0.1	0.0	0.0	1.0	1.5	0.0
West Virginia	11.4	4.2	0.3	1.2	0.0	0.1	3.4	2.2
Vermont	8.3	2.9	2.8	0.0	0.0	0.0	2.3	0.4
Massachusetts	6.5	1.2	0.5	0.0	0.0	0.0	4.7	0.1
Connecticut	6.4	1.8	0.5	0.0	0.0	0.0	4.1	0.1
Maine	4.4	1.7	0.7	0.0	0.0	0.0	1.9	0.1
Nevada	2.1	1.8	0.1	0.0	0.0	0.0	0.1	0.1
New Hampshire	1.9	0.8	0.3	0.0	0.0	0.0	0.7	0.0
Rhode Island	0.9	0.1	0.0	0.0	0.0	0.0	0.8	0.0
Hawaii	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Alaska	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.1
Virgin Islands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	13,286.1	10,928.3	120.4	328.0	55.0	459.2	1,208.0	187.2

^a Payments to grains and cotton were made in two rounds. One-half of the total payments was made in late 1999, under the authority of P.L. 106-78. The other half were made in September 2000, under authority of P.L. 106-224.

Source: Congressional Research Service compilation of USDA Farm Service Agency data.

Soybeans and Other Oilseeds

P.L. 106-78 authorized USDA to make \$475 million in direct payments to growers of a 1999 crop of soybeans or other oilseeds. The Act established the following formula for making these payments: (1) a payment rate (to be determined by USDA) multiplied by (2) a potential recipient's crop yield (stated in bushels per acre), multiplied by (3) the applicant's eligible oilseed acres. Receiving nearly three-fourths of the FY2000 oilseed payments were producers in Iowa, Illinois, Minnesota, Indiana, Ohio, Missouri and South Dakota. Another \$500 million in payments will be made to oilseed producers in FY2001, under the authority provided in P.L. 106-224.

Tobacco

P.L. 106-78 provided \$328 million in FY2000 emergency payments to tobacco farmers who planted a 1998 or 1999 crop and were assigned a quota level for 1999 that was below their 1998 quota. Because of tobacco market conditions, nearly all tobacco quota holders were assigned a 1999 quota below 1998, thus making them eligible for emergency payments. The Act directed USDA to allocate the \$328 million to eligible states, in proportion to the total reduction in quota for each state's farmers. Consequently, more than two-thirds of the payments accrued to Kentucky and North Carolina, the two largest tobacco-producing states. Another \$340 million in market loss payments will be paid to tobacco growers in FY2001 as provided by P.L. 106-224.

Following enactment of P.L. 106-78, an additional \$2.8 million in emergency tobacco payments were made available by P.L. 106-113. These funds were earmarked for any producer who had in an auction warehouse unsold tobacco that was damaged or destroyed by a natural disaster. Most of this funding benefitted victims of Hurricane Floyd in North Carolina.

Peanuts

P.L. 106-78 provided direct payments to producers of a 1999 peanut crop as compensation for low commodity prices and continued increases in peanut production costs. Payments were made to producers on produced quota or "additional" peanuts equal to 5% of the loan rate set for each peanut category, which was \$30.50 per ton for quota peanuts and \$8.75 per ton for additional.² Of the estimated payments of \$55 million in payments made under this provision, approximately \$21.5 million was paid to Georgia producers. P.L. 106-224 provides similar payments in FY2001 for the 2000 peanut crop, estimated by the Congressional Budget Office at \$47 million.

Dairy

P.L. 106-78 required that \$125 million be provided in the form of direct payments to dairy farmers. Similar payments totaling \$200 million were made to dairy farmers in 1999

² The federal government supports the farm price of peanuts primarily by limiting the supply of peanuts for domestic food use ("quota" peanuts) at \$610 per ton. Farmers can sell peanuts in excess of quota ("additional") for export or crushing, but 1999 crop peanuts were supported at \$175 per ton.

under the authority of the FY1999 Omnibus Consolidated Appropriations Act (P.L. 105-277). Under this program, payments were made to any dairy farmer based on their level of production. However, a payment limit of \$5,000 per producer targeted the payments toward smaller producers. Milk producers in Wisconsin, Minnesota and New York received approximately 40 percent of the total FY2000 dairy payments. A separate provision in P.L. 106-78 extended for one year (through calendar year 2000) USDA's authority to administer the dairy price support program, which supports the farm price of milk through USDA purchases of surplus dairy products at established prices.

Disaster Payments and Livestock Assistance

Crop Disaster Payments. In response to the 1999 Eastern drought, damage caused by Hurricane Floyd in the Southeast, and other natural disasters, section 801 of P.L. 106-78 made available \$1.2 billion in direct disaster payments to farmers who incurred 1999 crop losses caused by any natural disaster, as determined by USDA. An additional \$186 million in disaster payments was subsequently provided by P.L. 106-113.

Any farmer who experienced a natural disaster that reduced 1999 crop yields by more than 35% of normal yields was potentially eligible for a disaster payment in FY2000. Because total claims for disaster payments exceeded the amount appropriated, USDA prorated its payment formula so that producers received 70% of the total payment they would have received had the formula been fully funded. Disaster assistance for 2000 crop losses is being considered in the context of the FY2001 agriculture appropriations bill. (See CRS Report RL30501 for the status of this bill.)

Livestock Assistance. To assist livestock producers who experienced significant losses caused by a natural disaster in 1999, P.L. 106-78 provided \$200 million in livestock assistance. USDA decided that these funds were to be disbursed primarily through the Livestock Assistance Program, which financially assists livestock farmers who need to replace forage losses caused by a natural disaster, and the Livestock Indemnity Program, which helps producers replenish their livestock inventory when animals are killed by a disaster. This funding was supplemented by \$10 million in livestock assistance in P.L. 106-113, which was earmarked for any producer who raised livestock owned by other persons and was adversely affected by a 1999 natural disaster. This primarily assisted contract hog and poultry farmers in North Carolina who were affected by Hurricane Floyd. Additional assistance for livestock producers is being considered within the FY2001 agriculture appropriations bill. (See CRS Report RL30501 for the status of this bill.)

Other Emergency Farm Assistance

In addition to the \$13.3 billion in emergency direct payments provided to farmers under the four enacted FY2000 supplemental measures, approximately \$1.7 billion in emergency funds was appropriated to various USDA programs under the same four acts. Among the major provisions included in this amount are:

- ! \$400 million in additional premium subsidies for producers participating in the federal crop insurance program in crop year 2000, to reduce the

farmer-paid cost of the program and increase program participation. Another \$250 million in additional program costs associated with higher projected participation rates was also included.³

- ! \$201 million for the cotton step-2 export competitiveness program. Step 2 payments provide a subsidy to U.S. cotton users and exporters so that domestic rather than foreign cotton will be used, even when U.S. cotton is higher-priced.
- ! \$178.6 million in loan subsidies for additional farm loans to be made through the Farm Service Agency. This subsidy was estimated to support an additional \$2.5 billion in direct and guaranteed farm loans.
- ! \$84 million for the Watershed and Flood Prevention Program to help repair flood damage to watersheds and waterways near farmland.
- ! \$81 million in forgiveness of certain commodity price support loans, when the collateral for the loan was destroyed by a natural disaster;
- ! \$77.6 million in additional funding for the salaries and expenses of USDA's Farm Service Agency, which administers both ongoing and emergency farm commodity assistance programs;
- ! \$60 million in Emergency Conservation Program payments to help clean up and rehabilitate flooded farmland;
- ! \$55 million for various rural housing and development loan and grant programs, to help rural areas recover from natural disasters.
- ! up to \$20 million in additional Noninsured Assistance Program (NAP) payments to farmers in regions that had been declared a disaster area by either the President or USDA, but did not meet the 35% area minimum loss requirement under NAP's authorizing law. (NAP is a permanently authorized program that makes disaster payments to growers of crops that are ineligible for crop insurance. The area loss requirement was removed permanently by the crop insurance provisions in P.L. 106-224).
- ! \$16 million in payments to commercial and residential citrus tree growers in Florida to help replace trees removed to control citrus canker in the state; and
- ! assistance to Oregon for railroad repairs (\$5 million) and forage loss payments (\$1.09 million) as a result of flooding.

³ Not included in the emergency spending figures is new spending of \$8.2 billion authorized by the Agricultural Risk Protection Act of 2000 (P.L. 106-224) over a 5-year period (FY2001-05), to make permanent enhancements to the crop insurance program.